

SB 41

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON HEALTH AND LABOR
ON
SENATE BILL NO. 41

February 13, 2009

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

The purpose of Senate Bill No. 41 is to defer reimbursement payments to the State by the Hawaii Health Systems Corporation for employee contributions to the employees' retirement system funds for five years from July 1, 2009 to June 30, 2014. Hawaii Health Systems Corporation will then be required to reimburse the Director of Finance the total amount deferred no later than an unspecified date.

For the two years of Fiscal Biennium 2009-11, Hawaii Health Systems Corporation estimates that the required contributions to the Employees' Retirement System fund totals \$38 million for Fiscal Year 2010 and \$39 million for Fiscal Year 2011. Based on these estimates, the non-tax revenues would be reduced by \$194 million for the five-year deferral period.

The Department of Budget and Finance opposes this measure. There is no guarantee that once the deferment period expires that the Hawaii Health Systems Corporation will be able to reimburse the Director of Finance the total amount that was deferred and make the current year payments. While this may be a relief to the Hawaii Health Systems Corporation, this will cause an undue burden on the State's general fund financial plan.



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Touching Lives Everyday"

Joint Hearing

Committee on Health

Senator David Y. Ige, Chair
Senator Josh Green, M.D. Vice Chair

Committee on Labor

Senator Dwight Y. Takamine, Chair
Senator Brian T. Taniguchi, Vice Chair

Friday, February 13, 2009

2:45 PM

Conference Room 016
Hawaii State Capitol

Testimony Concerning SB 41
Relating to the Employees' Retirement System

Defers reimbursement payments to the State by the Hawaii health systems corporation (HHSC) for employer contributions to the employees' retirement system funds for 5 years from 07/01/2009 to 06/30/2014. Requires HHSC to reimburse the director of finance the total amount deferred no later than an unspecified date.

Thomas M. Driskill, Jr.
President & Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in support of SB 41.

The purpose of this bill is to defer reimbursement payments to the State by the Hawaii health systems corporation (HHSC) for employer contributions to the employees' retirement system (ERS) funds for five years, from July 1, 2009 through June 30, 2014. HHSC would be required to reimburse the finance director for the total amount deferred at an unspecified date after the end of the deferral period. For the two years of fiscal biennium 2009-2011, we estimate that HHSC would be required to make contributions to the ERS totaling \$38 million for FY 2010 and \$39 million for FY 2011.

HHSC regions and facilities are in severe financial crisis. Our projections are that HHSC regions and facilities will continue to be in financial stress for years to come and

that the financial crisis will worsen rather than improve. Several bills are under consideration to enable financial and operational restructuring of HHSC regions, but the benefits of this legislation may not be fully realized for several years. Information on proposed legislation to enable financial and operational restructuring of HHSC regions has been provided to committee staff.

To sustain operations of HHSC regions and facilities at current service levels will require either that the state of Hawaii provide substantially increased general funds subsidy to our regions and facilities, or that legislation be enacted to provide for future substantial financial and operational restructuring of the system. HHSC regions have calculated cash flow shortfalls of \$35 million for fiscal year 2010 and \$31 million for fiscal year 2011. Information on projected cash flow shortfalls has been provided to committee staff. Since these projections were made prior to the realization of the severity of the recession being faced by the state of Hawaii and the nation, we are concerned the cash flow pressures the HHSC regions will face in FY 2010 and FY 2011 will be much worse than forecast.

We understand the state is unable to provide substantially more general funds subsidy to HHSC and the impact of legislation for substantial financial and operational restructuring of HHSC may not be realized for several years. HHSC regions will be facing cash flow shortfalls that may render them unable to continue to provide services at current levels without financial relief. Therefore we recommend that deferral of payments by HHSC to the ERS be seriously considered.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 10, 2009 9:18 AM
To: HTHTestimony
Cc: jwalker1@hhsc.org
Subject: Testimony for SB41 on 2/13/2009 2:45:00 PM

Categories: Green Category, Blue Category

Testimony for HTH-LBR 2/13/2009 2:45:00 PM SB41

Conference room: 016
Testifier position: support
Testifier will be present: No
Submitted by: Jerry Walker
Organization: West Kauai medical Center
Address: 4643 Waimea Canyon Dr. Waimea, Hi 96796
Phone: 808-338-9222
E-mail: jwalker1@hhsc.org
Submitted on: 2/10/2009

Comments:

The Kauai Region (West Kauai Medical Center / KVMH; West Kauai Clinics - Waimea, Eleele, Kalaheo; Mahelona Medical Center / SMMH) supports SB41. The deferrals would allow our region the ability to reduce expenditures for five years, thereby giving the region the opportunity to reduce accounts payable and reduce our deficit.

To: HTHTestimony@capitol.hawaii.gov

SUBJECT: SB 41: Relating to the Employees' Retirement System

Senate Committee on Health and Senate Committee on Labor
Friday, February 13, 2009
2:45 PM
Conference Room 016

My name is Odetta Fujimori, a retiree and a former trustee of the Hawaii Employees' Retirement System. I am opposed to SB41 which seeks to defer the Hawaii Health Systems Corporation reimbursements to the State as it relates to its obligations to the Employees' Retirement System (ERS).

The past history of the employers not making their contributions to ERS is the primary cause of the ERS' unfunded liability deficit, and only recently has there been a sincere attempt by government to rectify this gross negligence. Less than five years ago, the Legislature approved a reasonable plan for the State and counties to pay their share toward their employees' retirement; a plan that would also help to reduce the ERS' unfunded liability and to become fully funded within a reasonable period of time.

Deferring any reimbursement payments to the State and forcing the State to pay someone else's bill sets a bad precedence and opens the door for others to follow suit. It also hampers the State in trying to meet its obligation. Furthermore, deferment seems to be just a one way street; an employee with significant monetary obligations has no leeway; his contributions are automatically deducted from his paycheck.

Contributions from both the employees and employers allows the ERS to make timely investments and to take care of its obligations to its beneficiaries.

Granted, the Hawaii Health Systems Corporation is in a fiscal crisis, but using this avenue is akin to stealing from Peter to pay Paul. The State and legislature must find a more responsible way to assist HHSC in meeting its critical needs.

Please oppose SB41 and find a more responsible way to assist the Hawaii Health Systems Corporation.

Thank you.

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 12, 2009 4:47 PM
To: HTHTestimony
Cc: egreenia@hhsc.org
Subject: Testimony for SB41 on 2/13/2009 2:45:00 PM

Categories: Green Category, Blue Category

Testimony for HTH-LBR 2/13/2009 2:45:00 PM SB41

Conference room: 016
Testifier position: support
Testifier will be present: No
Submitted by: Earl Greenia
Organization: Kona Community Hospital
Address:
Phone:
E-mail: egreenia@hhsc.org
Submitted on: 2/12/2009

Comments: