

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

"Touching Lives Everyday"

House Committee on Health
Representative Della Au Belatti, Chair
Representative Dee Morikawa, Vice Chair

Rep. Mark J. Hashem
Rep. Jo Jordan
Rep. Bertrand Kobayashi
Rep. Dee Morikawa

Rep. Marcus R. Oshiro
Rep. Beth Fukumoto Chang
Rep. Andria P. L. Tupola

February 6, 2015
Conference Room 329
8:40 a.m.
Hawaii State Capitol

**Testimony Strongly Supporting House Bill 948, Making an Emergency
Appropriation to the Hawaii Health Systems Corporation.**

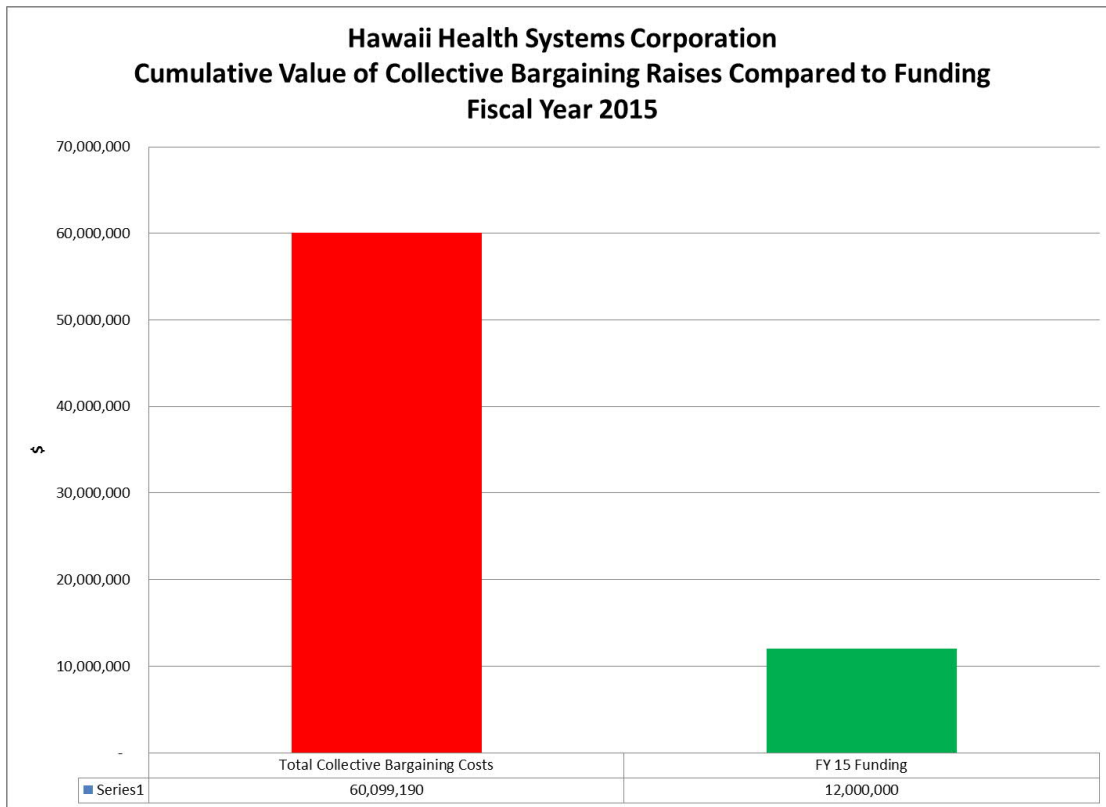
Linda Rosen, M.D., M.P.H.
Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in **strong support** of House Bill 948, Making an Emergency Appropriation to the Hawaii Health Systems Corporation.

BACKGROUND:

This year has been very challenging year for HHSC (and all other healthcare systems in Hawaii) financially. HHSC began fiscal year 2015 with only 30 days cash on hand with approximately 65 days in accounts payable, which is a very precarious liquidity position for any business.

During fiscal year 2015, HHSC has been forced to absorb approximately \$48 million in unfunded collective bargaining raises which were negotiated by the Administration on HHSC's behalf. The cumulative total costs of these raises are approximately \$60 million, and the total general fund appropriations provided for these raises was only \$12 million, as shown in the chart below.



Exacerbating the problem was the 10% general fund restriction imposed by the Administration on September 2, 2014 via Executive Memorandum 14-06. This reduced HHSC’s total general fund appropriations in fiscal year 2015 from \$91,440,000 as appropriated by the Legislature to \$82,296,000. HHSC appealed to the Governor to have the restriction released, but this request was returned to HHSC without action on December 8, 2014.

Anticipating that the State would have insufficient funds to fully fund the system, HHSC began a rigorous budgeting exercise for fiscal year 2015 which began in February 2014 and is continuing to be refined and reevaluated even now. The first draft of HHSC’s fiscal year 2015 resulted in a \$48 million cash flow deficit, which was roughly equal to the amount of underfunding for the collective bargaining pay raises. Throughout the Legislative Session and summer, HHSC management worked to find savings to reduce the deficit, and through approximately \$9 million in updated operating results and other federal reimbursement changes and \$17 million in contingency plan cuts (including service closures and reductions in force), management had managed to reduce the cash flow deficit to approximately \$22 million.

ACTIONS TAKEN:

To deal with this deficit, HHSC began implementing its contingency plans, including a first round of reduction-in-force actions that resulted in the elimination of 109 vacant positions and 33 filled positions, the closure of Maui Memorial’s adolescent psych unit, hiring freezes, and aggressive pursuit of attrition savings. In fact, HHSC’s facilities were

able to achieve even more savings than what was initially predicted through tough recent commercial payor negotiations, aggressively saving through attrition, and not filling budgeted positions. The final number that HHSC would need as an emergency appropriation is still being reviewed as the Administration still has not received an official communication regarding any lifting of the general fund restriction imposed in September 2014.

CONCLUSION

In summary, HHSC strongly supports this bill to provide much needed emergency appropriation funds to the vulnerable population it serves. HHSC would like the opportunity to refine its final request and present a better estimate to this committee as the Legislature moves forward.

The consequence of not receiving this emergency appropriation is that two of HHSC's twelve facilities will run out of funds to pay payroll and accounts payable before the end of fiscal year 2015, and several other facilities will be placed in an extremely perilous liquidity position to end the fiscal year.

Thank you for the opportunity to testify before this committee.

COMMITTEE ON HEALTH

Rep. Della Au Belatti, Chair
Rep. Richard P. Creagan, Vice Chair
Rep. Mark J. Hashem
Rep. Marcus R. Oshiro
Rep. Jo Jordan
Rep. Beth Fukumoto Chang
Rep. Bertrand Kobayashi
Rep. Andria P.L. Tupola
Rep. Dee Morikawa

NOTICE OF HEARING

Wednesday, February 6, 2015 at 8:40 am
Conference Room 329
State Capitol
415 South Beretania Street

TESTIMONY IN SUPPORT OF HB 948

MAKING AN EMERGENCY APPROPRIATION TO THE HAWAII HEALTH SYSTEMS CORPORATION.

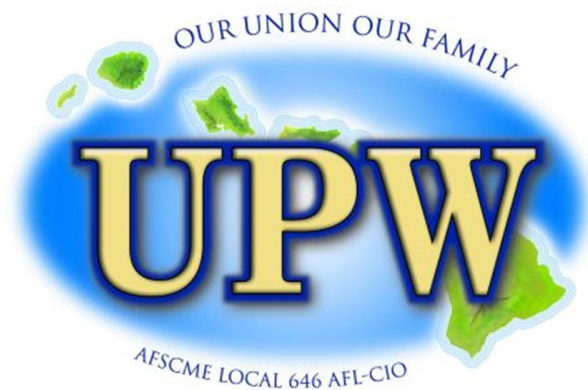
I, Dan Brinkman, Interim East Hawaii Regional CEO of Hawaii Health Systems Corporation, am in full support of SB 1117 to make \$21 million in emergency appropriations to the Hawaii Health Systems Corporation (HHSC) as recommended by Governor David Ige.

I would like to clarify HHSC's earlier estimated request of \$48 million. The East Hawaii Region, along with the other Regions, continues to optimize operations and leverage the new technology implemented in our Region. Our goal is to provide safe, high quality and cost-effective healthcare for our community. Today, we are reporting that, due to cost reduction initiatives and revenue cycle operational efficiencies, the request for an emergency appropriation has been halved to \$24 million.

This funding is necessary because HHSC was under-funded for the negotiated and arbitrated pay raises for fiscal year 2014-2015 and 2015-2016. The East Hawaii Region has continued to reduce operational expenses and optimize operations without impacting the delivery of care for our community. We fully support the pay raises for our employees, but due to the hospital billing reimbursements not covering the cost of the operations, the organization has been challenged in funding these mandates. Furthermore, this request is in addition to the \$9 million in restrictions imposed by the Budget and Finance Department.

This emergency appropriation to HHSC will ensure essential "safety net" healthcare operations throughout the state and the East Hawaii Region consisting of Hilo Medical Center, Hale Ho'ola Hamakua, Ka'u Hospital and 12 outpatient general and specialty clinics. Without it, HHSC will be severely impacted, and the impact will place the healthcare of the residents and visitors of the State in jeopardy.

I thank members of this committee for hearing this bill and ask them to support this emergency appropriation for the Hawaii Health Systems Corporation for the future of a healthy Hawaii.



THE HAWAII STATE HOUSE OF REPRESENTATIVES
The Twenty-Eighth Legislature
Regular Session of 2015

COMMITTEE ON HEALTH

The Honorable Representative Della Au Belatti, Chair
The Honorable Representative Richard P. Creagan, Vice Chair

DATE OF HEARING: Friday, February 6, 2015
TIME OF HEARING: 8:40 a.m.
PLACE OF HEARING: Conference Room 329
State Capitol
415 South Beretania Street

TESTIMONY ON HOUSE BILL 948 MAKING AN EMERGENCY APPROPRIATION
TO THE HAWAII HEALTH SYSTEMS CORPORATION

By DAYTON M. NAKANELUA,
State Director of the United Public Workers,
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua and I am the State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW is the exclusive bargaining representative for approximately 12,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

The UPW strongly supports HB948 making an emergency appropriation to the Hawaii Health Systems Corporation. Thank you for the opportunity to submit this testimony.

The Twenty-Eighth Legislature
Regular Session of 2015

HOUSE OF REPRESENTATIVES
Rep. Della Au Belatti, Chair
Rep. Richard P. Creagan, Vice Chair
State Capitol, Conference Room 329
Friday, February 6, 2015; 8:40 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 948
MAKING AN EMERGENCY APPROPRIATION TO
THE HAWAII HEALTH SYSTEMS CORPORATION**

The ILWU Local 142 strongly supports H.B. 948, which makes an emergency appropriation of \$21 million to the Hawaii Health Systems Corporation (HHSC).

Adequate appropriations are needed to allow the hospitals of HHSC to maintain their safety net functions throughout the state. Most of the ILWU's members and retirees reside on the neighbor islands and in rural areas where safety net services are critically needed.

Without an emergency appropriation by the Legislature, HHSC will be forced to cut services and personnel, likely resulting in worsening of both access to and quality of health care for residents (and visitors) on the neighbor islands, particularly Maui and the Big Island and in rural communities. Even on Oahu, where HHSC operates hospitals that provide much-needed long-term care beds, a cutback in services would have a major impact on patients and their families.

The ILWU is well aware of the fiscal problems facing Hawaii Health Systems Corporation and its hospitals statewide. The Legislature has been confronted with these problems for several years. We do not know what the best solution is, but we do know that the health care safety net functions of HHSC hospitals must be preserved. We are counting on the Legislature to protect the interests of all who depend on HHSC for their health care needs.

The ILWU urges passage of H.B. 948. Thank you for the opportunity to provide testimony on this measure.

creagan3 - Karina

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 04, 2015 4:58 PM
To: HLTtestimony
Cc: alibaba@hawaii.rr.com
Subject: Submitted testimony for HB948 on Feb 6, 2015 08:40AM

HB948

Submitted on: 2/4/2015

Testimony for HLT on Feb 6, 2015 08:40AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Alistair Bairos	Individual	Support	No

Comments: An ESSENTIAL funding request!!!!

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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creagan3 - Karina

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 05, 2015 10:51 AM
To: HLTtestimony
Cc: smcfarland@hhsc.org
Subject: *Submitted testimony for HB948 on Feb 6, 2015 08:40AM*

HB948

Submitted on: 2/5/2015

Testimony for HLT on Feb 6, 2015 08:40AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Scott McFarland	Individual	Support	Yes

Comments:

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To: HLTtestimony
Cc: thirr33@gmail.com
Subject: Submitted testimony for HB948 on Feb 6, 2015 08:40AM

HB948

Submitted on: 2/6/2015

Testimony for HLT on Feb 6, 2015 08:40AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Arvid Tadao Youngquist	Individual	Comments Only	Yes

Comments: Chair, Rep. Della Au Bellatti Vice Chair Richard P. Creagan Houce Finance Committee, State of Hawaii Chair and Honorable Members of the House Health Committee, good morning. Thanks for giving us an opportunity to voice our concerns about some of their bills before you on your agenda. Personally, I support HB 948, HB 1420, HB 1254, & HB 379. Personally, I oppose HB 1146 Relating to Collective Bargaining in Public Employment; & also, opposve HB 1373 Relating to Leahi Hospital. I realize that all bills on your agenda were thought out in the minutest detail and due diligence, after consultation(s), but some I feel are unwarranted, and do not remedy a problem nor do they address some needed solutions. Since I am not a member of Unit 9, or the UPW, their concerns can not be expressed with as much detail from myself. Hopefully, you will lend your ears to their testimony. Mahalo, Arvid Tadao Youngquist Oahu Resident and Voter (Liliha, Downtown, Wahiawa, Kalihi-Palama, Kalihi Valley, Aiea, University, Maikiki & Kaimuki)

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