

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

"Quality Healthcare For All"

**House Committee on Health
Representative Della Au Belatti, Chair
Representative Richard P. Creagan, Vice Chair**

March 20, 2015
Conference Room 329
10:30 a.m.
Hawaii State Capitol

**Testimony Strongly Supporting Senate Bill 1117, SD 2, Making an Emergency
Appropriation to the Hawaii Health Systems Corporation.**

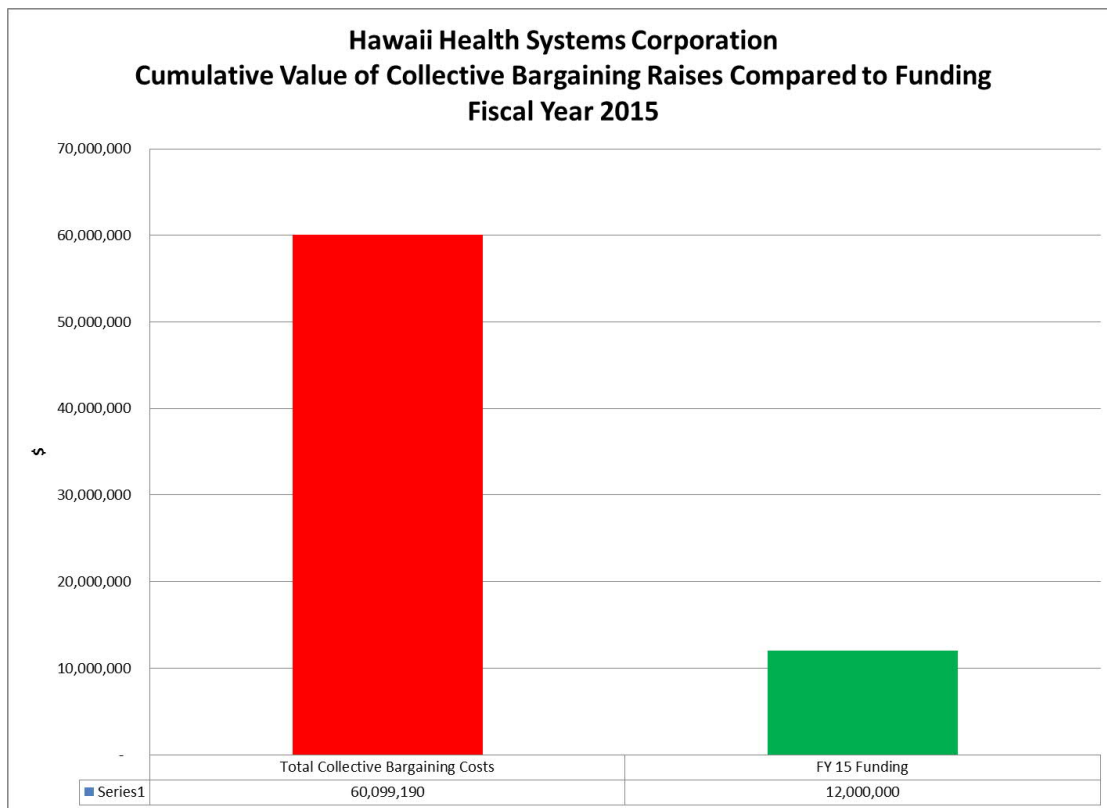
Linda Rosen, M.D., M.P.H.
Chief Executive Officer
Hawaii Health Systems Corporation

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 Senate Bill 1117, SD2, 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.



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 January 2015, HHSC reforecasted its fiscal year 2015 budget, and identified that it was able to save approximately \$5 million more than what was originally projected in its contingency plans, primarily due to attrition savings being greater than expected, clinical documentation improvement initiatives that increased revenues, and savings from not filling budgeted positions. On top of that, HHSC went through an intense negotiation with a significant commercial payor, which is expected to yield an additional \$2 million in increased revenues during fiscal year 2015. These two items reduced HHSC's

projected deficit from \$22 million to \$15 million. Accordingly, HHSC is revising the amount of its emergency appropriation request for fiscal year 2015 to \$15 million.

CONCLUSION

In summary, HHSC strongly supports this bill to provide much needed emergency appropriation funds to ensure that HHSC's facilities can continue to provide quality healthcare to the vulnerable population they serve.

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.

creagan1 - Dannah

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 19, 2015 3:09 PM
To: HLTtestimony
Cc: ecabatu@hhsc.org
Subject: *Submitted testimony for SB1117 on Mar 20, 2015 10:30AM*

SB1117

Submitted on: 3/19/2015

Testimony for HLT on Mar 20, 2015 10:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Elena Cabatu	East Hawaii Region of Hawaii Health Systems Corporation	Support	No

Comments:

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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: March 20, 2015

TIME OF HEARING: 10:30 a.m.

PLACE OF HEARING: Conference Room 211, State Capitol

**TESTIMONY ON SB1117, SD2 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

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 representative for approximately 11,000 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 strongly supports SB1117, SD2 making an emergency appropriation to HHSC.