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**Subject:** Submitted testimony for SB1117 on Feb 4, 2015 13:15PM  
**Date:** Tuesday, February 03, 2015 1:03:22 PM

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**SB1117**

Submitted on: 2/3/2015

Testimony for HTH on Feb 4, 2015 13:15PM in Conference Room CR414

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Scott McFarland	HHSC Kauai Region Board of Directors	Support	Yes

Comments: The HHSC Kauai Regional Board is in STRONG SUPPORT of SB 1117. The FY2015 Emergency Appropriation (EA) being sought for HHSC is very much needed to close the current year financial shortfalls of the HHSC facilities statewide.

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**Subject:** Submitted testimony for SB1117 on Feb 4, 2015 13:15PM  
**Date:** Tuesday, February 03, 2015 1:19:17 PM  
**Attachments:** [SB1117](#)

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**SB1117**

Submitted on: 2/3/2015

Testimony for HTH on Feb 4, 2015 13:15PM in Conference Room CR414

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Al Lardizabal	United Public Workers	Support	No

Comments:

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

*"Quality Healthcare For All"*

**Senate Committee on Health  
Senator Josh Green, Chair  
Senator Glenn Wakai, Vice Chair**

February 4, 2015  
Conference Room 414  
1:15 p.m.  
Hawaii State Capitol

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

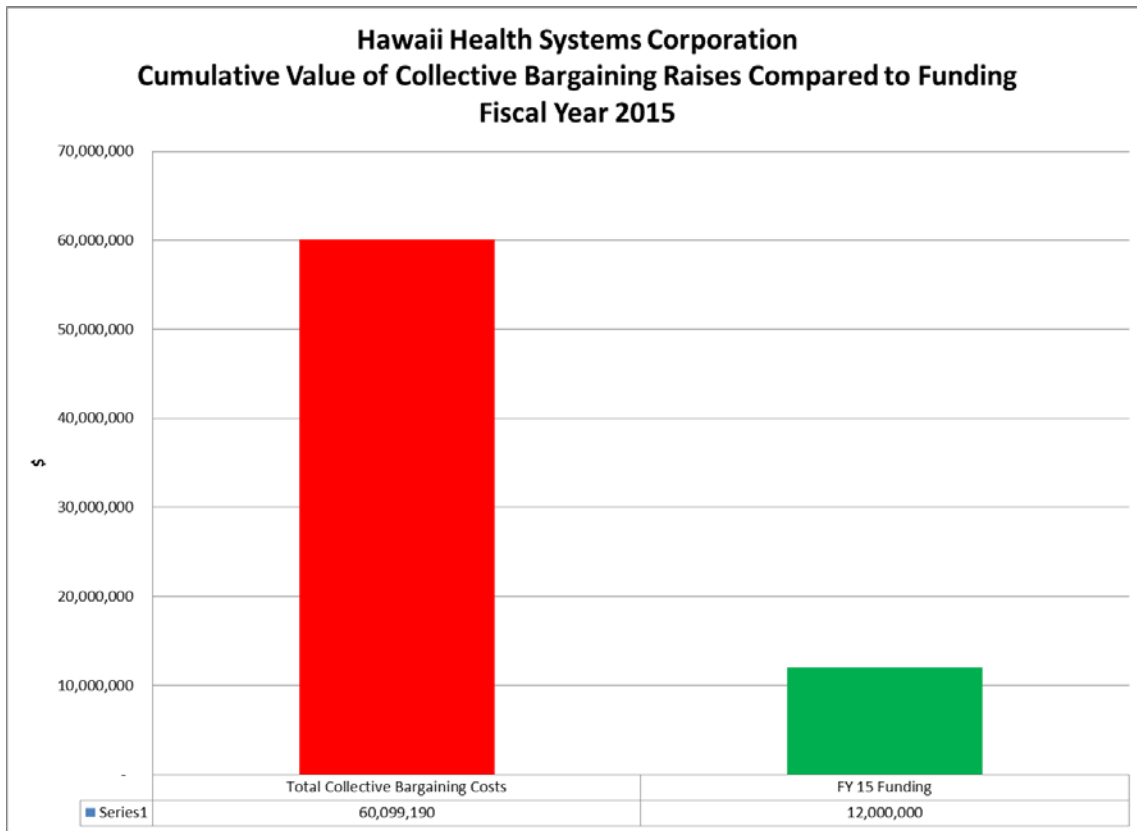
Linda Rosen, M.D., M.P.H.  
Chief Executive Officer  
Hawaii Health Systems Corporation

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, 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.

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**SB1117**

Submitted on: 2/3/2015

Testimony for HTH on Feb 4, 2015 13:15PM in Conference Room CR414

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Elena Cabatu	Individual	Support	No

Comments: I support SB 1117.

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**SB1117**

Submitted on: 2/2/2015

Testimony for HTH on Feb 4, 2015 13:15PM in Conference Room CR414

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
pat gegen	Individual	Support	No

Comments: Aloha, I am currently the Chair for the HHSC Kauai Region. I support passage of SB294. I am sure you are all aware of the difficulties Hospitals across the country are having with declining payments from Medicare / Medicaid and for us in Hawaii this is exacerbated by having generous increases in our payroll that were negotiated by the governor without addressing any efficiencies we could be making in scheduling and more flexible work rules. I assure you that the Kauai Region of HHSC is taking bold moves to improve and streamline our performance - unfortunately not all improvements have immediate financial results so your assistance is still needed at this time. We are striving to minimize our needs for additional assistance as we move forward. Thank You, Pat Gegen

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**THE TWENTY-EIGHTH LEGISLATURE  
REGULAR SESSION OF 2015**

**SENATE COMMITTEE ON HEALTH**

Senator Josh Green, Chair  
Senator Glenn Wakai, Vice Chair  
Senator Rosalyn H. Baker  
Senator Russell E. Ruderman  
Senator Mike Gabbard  
Senator Sam Slom  
Senator Gil Riviere

**NOTICE OF HEARING**

Wednesday, February 4, 2015 at 1:15 pm  
Conference Room 414  
State Capitol  
415 South Beretania Street

**TESTIMONY IN SUPPORT OF SB117**

**MAKING AN EMERGENCY APPROPRIATION TO THE HAWAII HEALTH SYSTEMS CORPORATION.**

I, Money Atwal, East Hawaii Regional Chief Financial Officer and Chief Information Officer for 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. This funding is necessary because HHSC was underfunded 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.