



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Eighth Legislature, State of Hawaii  
The Senate  
Committee on Ways and Means

Testimony by  
Hawaii Government Employees Association  
February 24, 2015

**S.B. 1117, S.D. 1 – MAKING AN  
EMERGENCY APPROPRIATION TO THE  
HAWAII HEALTH SYSTEMS CORPORATION**

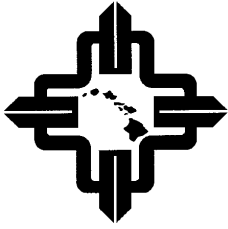
The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO conceptually supports and would like to provide comments on S.B. 1117, S.D. 1, which makes an emergency appropriation of \$24 million to the Hawaii Health Systems Corporation (HHSC).

While we strongly support a stable system and the delivery of efficient statewide health care, we respectfully request transparency for the requested appropriation amount. Given HHSC's current financial situation, an appropriation of \$24 million should be supported with more detailed information, including regional distribution breakdowns and specific collective bargaining costs.

Thank you for the opportunity to testify on S.B. 1117, S.D. 1.

Respectfully submitted,

Randy Perreira  
Executive Director



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

*"Quality Healthcare For All"*

**Senate Committee on Ways and Means  
Senator Jill N. Tokuda, Chair  
Senator Ronald D. Kouchi, Vice Chair**

February 24, 2015  
Conference Room 211  
8:55 a.m.  
Hawaii State Capitol

**Testimony Strongly Supporting Senate Bill 1117, SD 1, Making an Emergency  
Appropriation to the Hawaii Health Systems Corporation.**

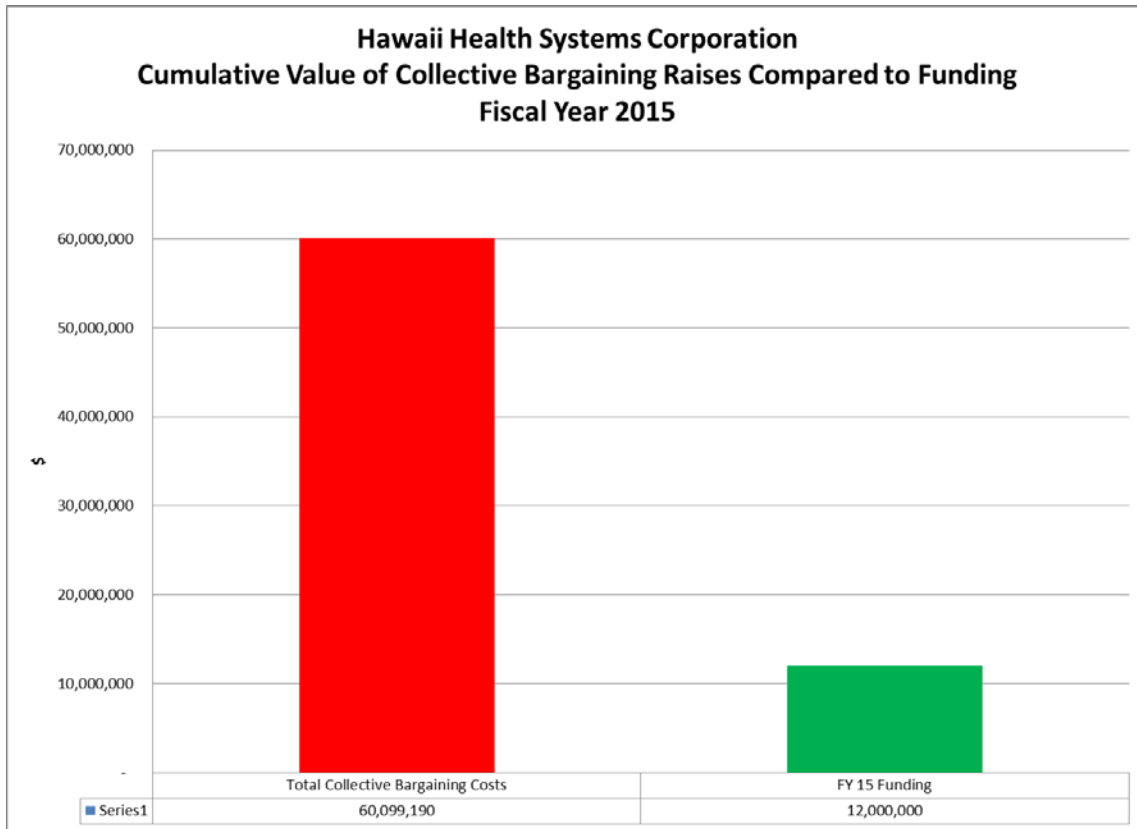
Linda Rosen, M.D., M.P.H.  
Chief Executive Officer  
Hawaii Health Systems Corporation

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, SD 1, 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 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.

**SENATE COMMITTEE ON WAYS AND MEANS**

Senator Jill N. Tokuda, Chair

Senator Ronald D. Kouchi, Vice Chair

Senator Suzanne Chun Oakland

Senator Lorraine R. Inouye

Senator Donovan M. Dela Cruz

Senator Gil Riviere

Senator J. Kalani English

Senator Russell E. Ruderman

Senator Brickwood Galuteria

Senator Sam Slom

Senator Breene Harimoto

**NOTICE OF DECISION MAKING**

DATE: Tuesday, February 24, 2015

TIME: 8:55am

PLACE: Conference Room 211

State Capitol

415 South Beretania Street

**TESTIMONY IN SUPPORT OF SB1117 SD1**

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

**Money Atwal**

**Regional Chief Financial Officer and Chief Information Officer  
East Hawaii Region of Hawaii Health Systems Corporation**

Please accept my full support of SB 1117 SD1 to make \$24 million in emergency appropriations to the Hawaii Health Systems Corporation (HHSC) as recommended by Governor David Ige. 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, however the organization has been challenged in funding them. The East Hawaii Region has the highest Medicare and Medicaid patient population in HHSC, thus the hospital billing reimbursements are unable to cover the incremental increases in operational expenses.

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 you to support this emergency appropriation for the Hawaii Health Systems Corporation for the future of a healthy Hawaii.

**SENATE COMMITTEE ON WAYS AND MEANS**

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Senator Suzanne Chun Oakland

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**TESTIMONY IN SUPPORT OF SB1117 SD1**

MAKING AN EMERGENCY APPROPRIATION TO THE HAWAII HEALTH SYSTEMS CORPORATION.

**Dan Brinkman**

**Interim Regional Chief Executive Officer**

**East Hawaii Region of Hawaii Health Systems Corporation**

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

**SB1117**

Submitted on: 2/23/2015

Testimony for WAM on Feb 24, 2015 08:55AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Julie Tulang	Hilo Medical Center Foundation	Support	No

Comments: Hilo Medical Center is one of the HHSC hospitals that needs the financial assistance. However, it is a very important resource to our community on the island of Hawaii and especially for East Hawaii.

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Senator Jill N. Tokuda, Chair  
Senator Ronald D. Kouchi, Vice Chair  
Committee on Ways and Means

Charna Underwood, BSW  
charna@hawaii.edu

Hearing: Tuesday, February 24, 2015

### **SUPPORT SB 1117, MAKING AN EMERGENCY APPROPRIATION TO THE HAWAII HEALTH SYSTEMS CORPORATION**

My name is Charna Underwood, MSW student at the University of Hawai'i at Manoa, writing to you today **in support of SB 1117** for emergency and continued funds for the HHSC System. As you likely know, Hawaii is expecting a large increase in our older adult population, with 1 in 3 adults over the age of 65 by the year 2035 (EOA, 2011). The largest growing group within our older population will be those over 85, indicating there will soon be a high demand for health services for the oldest and most frail group of elders.

Unfortunately, our current healthcare system is not set up in a way that is profitable to service those populations who are older, sicker, and without financial resources. Part of this problem is that Medicaid does not pay dollar for dollar in the long-term care or hospital system, causing a deficit for facilities who service these marginalized populations. I do not think facilities like those in the HHSC system should be forced to take the hit financially, because we cannot neglect those who most need assistance.

Without continued service from HHSC facilities, we will have an even larger crisis on our hands than just this deficit in the near future. Without safety net systems like those that HHSC provides, the exceedingly high prices of long-term care and other healthcare services will cause major health disparity among our older and ailing populations. Therefore, we need to continue to fund preventative and supportive healthcare programs like those at HHSC facilities to care for our elders and those with increased healthcare needs.

So again, please consider the future of our kupuna, those with health needs, and their families and **support SB 1117** for emergency and continued funding for the HHSC System.

Thank you for your consideration on this issue,

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Charna Underwood