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HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN COMMENTS

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1078

February 23, 2017

1:00 p.m.

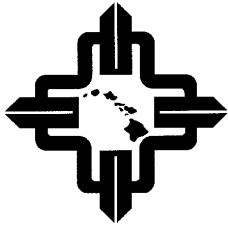
Room 308

**MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS
RELATED TO THE TRANSITION OF MAUI REGION HOSPITALS**

House Bill No. 1078 makes an appropriation for collective bargaining cost items to facilitate the transition of affected Maui region hospital employees to employment with Maui Health Systems, a Kaiser Hospital LLC. This measure appropriates the funds to the Department of Budget and Finance, similar to other collective bargaining measures.

The Department of Budget and Finance supports this measure as section 89-10, Hawaii Revised Statutes, requires that appropriations for collective bargaining cost items negotiated between the employer and exclusive representatives are to be presented to the legislature for their consideration. The administration is presently negotiating these cost items and, similar to other collective bargaining agreements, we will provide an estimated amount of general funds necessary to pay for such cost items, should agreement be reached prior to the adjourning of the 2017 regular session.

Thank you for your consideration of our comments.



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

"Quality Healthcare For All"

**House Committee on Finance
Representative Sylvia Luke, Chair
Representative Ty J. K. Cullen, Vice Chair**

February 23, 2017
Conference Room 308
1:00 p.m.
Hawaii State Capitol

**Testimony Supporting the Intent of House Bill 1078 Making an Appropriation for
Collective Bargaining Cost Items Related to the Transition of Maui Region
Hospitals**

**Makes an appropriation to department of budget and finance for collective
bargaining cost items related to the transition of the operation of Maui regional
hospitals to Maui Health Systems, a Kaiser Hospital.**

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

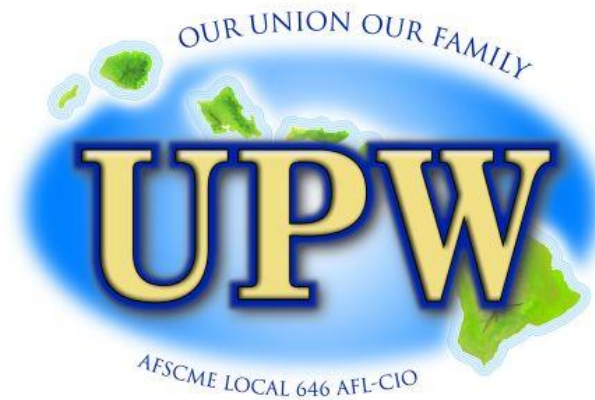
On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony **supporting the intent** of HB 1078 that makes an appropriation to Department of Budget and Finance for collective bargaining cost items related to the transition of the operation of Maui regional hospitals to Maui Health Systems, a Kaiser Hospital.

HHSC fully supports the transfer of the operations of its Maui Region hospitals to Maui Health Systems, a Kaiser Hospital. Additionally, HHSC supports the language in this bill that the additional costs of the voluntary severance benefit and the special retirement benefit contemplated in Act 1, SSLH 2016 and in this bill be paid through a general fund appropriation to the Department of Budget and Finance. However, HHSC respectfully requests that the appropriation not diminish the amount of general fund appropriations requested by HHSC to fund the four remaining HHSC regions for fiscal years 2018 and 2019.

HHSC is currently facing a cash flow deficit in fiscal year 2017 which will leave HHSC's facilities with extremely low levels of cash on hand as compared to industry norms. Further, HHSC is already asking for an increase in its general fund appropriation base of approximately \$36.5 million and \$34.7 million for fiscal years 2018 and 2019, respectively, just to achieve a break-even cash flow for those fiscal years. The payment

of the voluntary severance benefit and the special retirement benefit as contemplated in Act 1, SSLH 2016, and this bill would represent additional costs to HHSC as the employer. Given the fragile financial condition that HHSC is in, HHSC cannot afford to pay for these benefits without a general fund appropriation. Further, HHSC's priority is to make sure that the safety-net hospitals that it operates have sufficient funding to operate efficiently and effectively for this fiscal year and the next biennium of fiscal years 2018 and 2019.

Thank you for the opportunity to testify before this committee.



THE HAWAII STATE HOUSE OF REPRESENTATIVES
The Twenty-Ninth Legislature
Regular Session of 2017

COMMITTEE ON FINANCE

The Honorable Representative Sylvia Luke, Chair
The Honorable Representative Ty J.K. Cullen, Vice Chair

DATE OF HEARING: Thursday, February 23, 2017
TIME OF HEARING: 1:00 p.m.
PLACE OF HEARING: State Capitol, Rm. 308
415 South Beretania Street

**TESTIMONY ON HOUSE BILL 1078 MAKING AN APPROPRIATION FOR COLLECTIVE
BARGAINING COST ITEMS RELATED TO THE TRANSITION OF MAUI REGION
HOSPITALS**

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

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW is the exclusive bargaining representative for approximately 14,000 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.

HB1078 makes an appropriation to the department of budget and finance for collective bargaining cost items related to the transition of the operation of Maui regional hospitals to Maui Health Systems, a Kaiser Hospital.

The UPW supports this measure and requests the committee to pass it.

Thank you for the opportunity to submit this testimony.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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

LATE

The Twenty-Ninth Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association

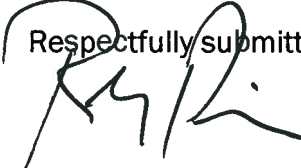
February 23, 2017

H.B. 1078 – MAKING AN APPROPRIATION FOR
COLLECTIVE BARGAINING COST ITEMS
RELATED TO THE TRANSITION OF
MAUI REGION HOSPITALS

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of H.B. 1078 which appropriates funds for collective bargaining cost items related to the privatization of the Maui Region of the Hawaii Health Systems Corporation.

The affected employees have been in limbo regarding their employment and retirement benefits for too long. The hospitals' transfer to Kaiser is slated to take effect on July 1, 2017 and employees deserve to know their full benefit package so that they can make the best decisions for themselves and their families. This measure, along with other bills on this hearing agenda, serves as a funding vehicle to for cost items related to the privatization of the Maui Regional hospitals.

Thank you for the opportunity to testify in support of passing H.B. 1078 to continue this important dialogue.

Respectfully submitted,


Randy Perreira
Executive Director