

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 1673, S.D. 2, H.D. 1

April 2, 2009

RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION

Senate Bill No. 1673, S.D. 2, H.D. 1, transfers the community hospitals to the Department of Health from the Hawaii Health Systems Corporation and abolishes the corporation and its regional boards. The Department of Health shall assume all of the assets, liabilities, and obligations of the Hawaii Health Systems Corporation. The bill creates a special fund to be known as the Community Hospital System special fund, into which all fees, proceeds, and reimbursements shall be deposited. The measure establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals with a report due to the Legislature by October 1, 2010.

It is unclear what is meant by the total amount of all liabilities and debts or other obligations that the Department of Health shall assume on behalf of Hawaii Health Systems Corporation. Because there is no definition of what constitutes the "liabilities and debt," it is assumed that the liabilities could be significant as there are no limitations contained in the bill.

In light of the grave financial situation facing the State, we ask that any bill with a potential to impose additional requirements on the general fund be held.

Further, the proposed bill does not appear to address the problems or the underlying issues that plague the Hawaii Health Systems Corporation but rather delays dealing with the issues regarding the functionality of the hospital system. At a minimum, a more complete and thorough analysis of any major structure change to Hawaii Health Systems Corporation needs to be undertaken in the context of the State's role in providing health care services and the extent to which the State can or should subsidize these operations.

LINDA LINGLE
GOVERNOR OF HAWAII



MARIE C. LADERTA
DIRECTOR

CINDY S. INOUE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
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April 1, 2009

TESTIMONY TO THE
HOUSE COMMITTEE ON FINANCE
For Hearing on Thursday, April 2, 2009
4:30 p.m., Conference Room 308

BY
MARIE C. LADERTA, DIRECTOR

WRITTEN TESTIMONY ONLY

Senate Bill No. 1673, S.D. 2, H.D. 1
Relating to the Hawaii Health Systems Corporation

TO CHAIRPERSON OSHIRO AND MEMBERS OF THE COMMITTEE:

The purpose of S.B. 1673, S.D. 2, H.D. 1 is to transfer the community hospitals from the Hawaii Health Systems Corporation ("HHSC" or "Corporation") to the Department of Health ("DOH") and abolish the Corporation and its regional boards; repeal the transfer provisions and enabling law for the community hospitals on June 30, 2011; establish a transition committee to conduct a study to determine a permanent structure for the community hospitals; and require a report before October 1, 2010.

The Department of Human Resources Development ("DHRD") offers the following comments regarding this measure.

First, DHRD opposes Part I of the bill, which would abolish the Corporation and its boards and transfer the community hospitals to the DOH effective July 1, 2009 for a two-year transition period. We believe a more prudent approach is to maintain the status quo structure and operation of the community hospitals, under the Corporation, while the transition committee develops recommendations on a permanent operational structure for the hospitals. This approach would avoid the inherent upheaval of HHSC

and DOH's respective operations and personnel for the two-year interim since the transition committee may ultimately recommend that the hospitals not remain under the auspices of DOH.

Second, DHRD believes that the critical public health purposes of the community hospitals would be best served by allowing HHSC to re-organize itself as a corporate entity entirely separate and apart from State government, as contemplated by Section 15 of the earlier S.D. 2 version of this bill. While the transition committee may ultimately make such a recommendation, HHSC should be allowed maximum flexibility to address its present healthcare and system needs. In that regard, DHRD supports maintaining the Chapters 76 and 89 exemptions set forth in Section 7 of the bill, provided the HHSC remains as an independent appointing authority. To the extent that these exemptions could be applied to all other HHSC employees, DHRD would support such application in order to give HHSC another set of management tools to facilitate its operations.

Thank you for the opportunity to testify on this matter.



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

"Touching Lives Every Day"

Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

Thursday, April 2, 2009
4:30pm

Conference Room 308
Hawaii State Capitol

Testimony for SB 1673, SD2, HD1 Relating to Hawaii Health Systems Corporation

Transfers the community hospitals of the state government to the department of health from the Hawaii health systems corporation and abolishes the corporation and its regional boards. Provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011. Establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before 10/1/2010.

Testimony By: Andrew Don, M.D.
Corporate Board Chair
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporation Board of Directors, thank you for this opportunity to provide testimony in strong "opposition" to SB1673, SD2, HD1 that would disestablish the HHSC Corporation Board of Directors and the five HHSC Regional System Boards of Directors, reduce the corporate office and transfer control of the hospitals back to the Department of Health.

Due to State imposed Employee Retirement System charges, employee health for-life charges, collective bargaining increases, as well as under-reimbursement by government payers and insufficient reimbursement by third party payers to offset government under-reimbursement, lack of Disproportionate Share Hospital (DSH) funding and increasing physician costs, the costs for supporting HHSC hospitals have increased to levels the state of Hawaii cannot afford to sustain over the long term, and higher subsidies for the hospitals are even harder to bear now given the tremendous budget shortfalls being faced by the State. Therefore, we strongly oppose the HD1 version of SB 1673 SD2 and strongly support the concept embodied in the SD2 version of this bill creating a new structure that will facilitate the infusion of private capital into

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HHSC facilities through private/public partnerships. Whereas the HD1 version of the bill returning HHSC to DOH will only serve to tremendously escalate cost to the State for healthcare services, the SD2 version would create an opportunity for cost to be reduced through the continuation of shared services where cost effective and the establishment of options for structure modification that could convert to public / private partnerships for facilities and / or regions

Accordingly, we also strongly support establishment of a working group to evaluate new structures for shared services support to further help the system move through its Act 290 transition evolution by determining what services should be centrally shared vs done at region/facility level as well as what healthcare levels of services should be offered in each community. We believe that the SD2 version of SB 1673 will establish the correct framework for creating appropriate new infrastructure for the system and urge the House Committee on Finance to revise SB 1673, SD2, HD1 to equal the wording in SB 1673, SD2. The "bottom line" is simple, until such time as HHSC is given the proper authority and tools with which to contain its state imposed ERS cost, EUTF cost and other associated collective bargaining and procurement costs, the system will not be sustainable in the long run no matter what structure is devised.

Another major concern with the HD1 version of the bill is that all of the transition work that would be required to move HHSC to DOH will not only cause major hardship on the hospital operations and ultimately on the provision of care, but it will result in major cost increases for the hospitals. If the purpose of moving HHSC to DOH is to save money, it should be understood that the HD1 version would have the reverse effect!!! HHSC is currently 18 months into the midst of a major transition under Act 290. To stop this Act 290 transition midway to culmination, then attempt to launch a new and completely different transition on July 1, 2009 will result in an unmanageable chaotic situation. HHSC is a complex and fragile system that has already invested thousands of management and governance hours and precious resources developing Act 290 transition policies and procedures. To attempt to stop the current Act 290 transition, then initiate a new transition for HHSC under DOH on July 1, 2009, would serve to void all of the work that has been done for the past 18 months, then begin to duplicate all of the effort again. That would be a tremendous waste of effort, time and resources already invested in our prior Act 290 legislated transition. Then to have HD1 version say that two years later on July 1, 2011, the system would then initiate a 3d transition to some new format still to be determined, would doom the system to transition chaos from which it might never recover.

HHSC system leaders and hospital administrators need to be putting forth their effort operating their hospitals in the most safe and efficient manner rather than spending the preponderance of their time battling political issues and attempting to guide their facilities into and out of a myriad of transitions from one proposed structure to the next. The only feasible way for HHSC to possibly achieve cost reductions is to capitalize on the investment that has already been made in the Act 290 transition by seeing that transition through its complete process, then let the regions collaborate with an experienced work group to determine what services should be offered in each

community, finalize shared services, then identify potential public / private partners who will further support our efforts to sustain community hospital safety net healthcare for the State of Hawaii.

Additionally, we must point out that SB 1673, SD2, HD1 unfortunately would be "counter-productive" to all of the synergy savings work that has already been developed over the past 12 years, in that it would immediately and dramatically increase the costs to operate the system caused by the immediate loss of corporate staff and leaders who have built up incredible expertise over the past 12 years in areas such as cost reports, personnel arbitration, risk management, litigation management, credentialing, corporate compliance, physician contacting, financial contact negotiations, etc.; by eliminating and driving away the experienced competent staff that have been assimilated into key leadership positions over the past twelve years in all five of our Regions; by eliminating the experienced governance that have invested their time and energy learning about hospital operations and assisting with Act 290 transition in all six boards; and by imposing the stringent bureaucracy of state government administration on a system that has been under-resourced for years and is struggling to survive in a rapidly changing healthcare environment. If HHSC hospitals have to operate like any other state agency under DOH with the loss of leader expertise and synergy service savings, then they are doomed to mediocrity at best and most likely failure.

It should also be considered that the immediate implementation of staffing reductions on July 1, 2009, that would be required by SB 1673 SD2 HD1 in coordination with HB 200 HD1 would be in violation of civil service rights and collective bargaining rights of many employees. The removal of these staff and other leaders would cause the termination of substantial services to the community hospitals that will then have to be replaced by expensive contracts that the hospitals and/or the Department of Health would have to manage. Not only would support cost substantially increase, but there would be degrading services with associated increased litigation, as well as increased legal exposure from new federal fines for noncompliance with federal laws concerning management of healthcare financial arrangements

Also, HD1 would not create an appropriate and effective mechanism to develop a transition strategy to restructure the system. The Finance Information System and Audit Committee (FISAC) of the Corporation Board is made up of five dedicated business oriented volunteer board members. Although these individuals have put forth untold hours over the past eighteen months helping HHSC transition under Act 290, they are volunteers with definite limits on the amount of time they can/could contribute to further transition efforts. All ready, two of the five are leaving the Corporation Board on June 30, 2009. In that regard, the FISAC members themselves declared in their March 25, 2009 FISAC meeting that they had no interest in overseeing an HHSC transition as part of DOH and they are opposed to this HD1 version of SB 1673 SD2.

If legislative action were taken requiring transfer of the control of HHSC facilities to the Department of Health, it would greatly endanger the viability and survival of the hospitals and long term care safety net on the neighbor islands and Oahu.

The quality of healthcare services, access to healthcare services, and the operations of HHSC facilities was significantly enhanced with the establishment of HHSC in 1996, which transferred the state's community hospitals from the Department of Health to HHSC. The management and quality care operations of HHSC facilities simply did not work under the Department of Health prior to the establishment of HHSC, and will not work under the Department of Health if the control of the facilities is transferred back to the Department of Health. The operational complexity of HHSC and its hospital support requirements are so unique as to render the DOH State government model incapable of effectively serving hospital needs and demands.

There is great concern from HHSC being dissolved by passage of SB 1673 SD2 HD1 over the potential immediate calling of tens of millions of dollars in municipal leases for the system, and revenue bonds issued for Maui Memorial Medical Center that would become immediate obligations of the State of Hawaii. Also the issuance of SB 1673 SD2 HD 1 associated with HB 200 HD1 has created a business environment that hinders HHSC from managing a number of vital projects. For instance, after reading news articles about SB 1673 SD2 HD1, the USDA-associated Bridgeview bank withdrew \$8.2 million loan approval for Kauai Region that had just been provided.

The current HHSC rules, policies, procedures, processes, programs, various technology systems and business operations differ greatly from those of the executive branch. Thus, numerous system developments and improvements that have been implemented by HHSC over the course of the last twelve years would be abandoned as the regions would now have to rely on non-hospital state directed operations currently provided by the Department of Health. At a minimum, a more complete and thorough evaluation/analysis of any major structure change to HHSC, to include transition time and transition funding, needs to be undertaken to ensure continuation of quality services and functionality of the HHSC facilities. All of the accomplishments and collaborative efforts that have already been put forth by the five regions and corporate office in accordance with processes set up by Act 290 to reduce expenditures of the hospital system would be totally ignored. Instead, millions of wasted tax dollars for new costs would be incurred by each of the five regions in their effort to attempt to rapidly duplicate shared services currently provided by the HHSC corporate office. This proposed direction clearly counters most other hospital systems in the country today that continually pursue operational efficiency and effectiveness through ongoing centralization of shared services and management. A local example of this fundamental practice of system savings through shared services is Hawaii Pacific Health, Straub & Wilcox.

The proposed leadership, under the Department of Health, would be unable to operate the hospital system effectively with limited resources. For one thing, the present community-hospital system has significantly unique administrative requirements that necessitate the need for greater autonomy in managing typical

government functions in areas such as finance, personnel, planning, corporate compliance, procurement, etc. As a result, the proposed Department of Health leadership would be overwhelmed with operational demands, complaints, litigation and a myriad of federal and state reporting requirements. Without qualified staff and structure to deal with complex and numerous daily technical issues demanding action and qualified responses, there would be additional, unnecessary lawsuits and significant fines totaling millions of dollars per year as well as potential life threatening situations. In addition, the Department of Health would face a significant conflict with the requirement to manage the same hospitals it would be required to license and regulate; that would be a totally unacceptable situation.

It should be expected that a rapid downward spiral of additional expenses, reduced revenues, increased litigation and new federal fines for violations of federal compliance laws and regulations will tremendously accelerate the financial decline of HHSC facilities. The Department of Health's current state imposed organizational structure will further serve to inhibit the system's need to rapidly respond to the ever-changing dynamics of the state's hospitals and meet the needs of the acute, long-term, and rural patients they serve. If further infrastructure cuts were imposed upon the Department of Health as proposed by the new House Budget HB 200 HD1, then the concerns expressed above would be greatly exacerbated.

Your support for the SD2 version of SB 1673 will be greatly appreciated as well as your support for a realistic transition work group to capitalize on the Act 290 transition that has already been put into effect by evaluating where HHSC facilities are now, what are the future needs of the communities they serve and what is the best way to facilitate HHSC getting the authority and tools necessary to get cost under control while evolving to meet their future needs. The HHSC Corporate Board and corporate management are committed to working collaboratively with each of our five regions and representatives of the legislature to establish an appropriate new operating model or models for all or portions of the state's community hospital system and to establish plans for a smooth transitioning process for any facility or region being restructured. We provide to you our commitment to work closely and collaboratively with the house and the senate to transform our system while assuring that the quality healthcare needs of our communities are met.



Andrew Don, M.D., Corporate Board Chair
Hawaii Health Systems Corporation



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

"Touching Lives Every Day"

COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Thursday, April 2, 2009
4:30PM
Conference Room 308
State Capitol

IN OPPOSITION OF

SB 1673 RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.
Transfers the community hospitals of the state government to the department of health from the Hawaii health systems corporation and abolishes the corporation and its regional boards. Provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011. Establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before 10/1/2010.

By Howard Ainsley
East Hawaii Regional CEO
Hawaii Health Systems Corporation (HHSC)

Thank you for the opportunity to provide testimony strongly opposing against SB1673 SD2 HD1.

The East Hawaii Region of HHSC firmly believes that structural changes are needed for the Hawaii Health Systems Corporation – corporate level. We also contend that SB 1673 SD2 HD1 is overly aggressive and far reaching in restructuring the whole health system in a new reporting relationship to the Department of Health. It is our opinion that a more reasoned approach to determining what's best for our challenged hospitals would be better.

Our hospitals are under tremendous stress and uncertainty. Most hospitals today are looking for ways to decrease delivery costs, meet the higher expectations of quality and service, and are attempting to maintain (or even grow) revenue. SB 1673 SD2 HD1 will severely limit hospitals' ability to provide quality healthcare, and could ultimately create holes in the State's "Safety Net" hospital network.

Healthcare is a local phenomenon. Our HHSC hospitals need a supportive system model that will bring added value to these respective organizations. As such, we respectfully submit that this is not the time to abolish our Regional Boards.

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Our opposition to SB1673 SD2 HD1 is as follows:

1. Eliminating our Regional Board will undo the advances gained during this early stage of Act 290. Act 290 remains a work in progress that needs more time to evolve and ultimately put into place long standing strategies to improve and grow. Transferring HHSC hospitals to the Department of Health will eliminate the Regional Boards' hard-earned progress of responding to the health care needs of the communities.
2. The transfer to Department of Health will likely bring significant hardship to our operations, particularly at a time when the Department of Health is currently under resourced. The bill would further complicate and interfere with our ability to be the safety net facilities of our region providing acute, long-term and rural quality healthcare.

Respectfully, SB 1673 SD2 HD1 is not the answer to our hospitals' woes and/or future needs. Instead of forcing HHSC to go through a seemingly quick and flawed transition, the East Hawaii region proposes the following revisions:

1. Allow regional boards time to mature and evaluate the effectiveness of Act 290 beyond the nearly 12 months of its existence.
2. Allow each region to further develop plans to refine strategies and to incorporate flexibility such as public/private partnerships into its structure.
3. Approve an island-wide healthcare structure that would include all acute care hospitals on each respective neighbor island.

We do believe this bill will turn back the clock on HHSC's advancements and stifle the creativity and innovation needed to provide quality healthcare today and in the future. Thank you.

The Twenty-Fifth Legislature
Regular Session of 2009

HOUSE OF REPRESENTATIVES
Committee on Finance
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

State Capitol, Conference Room 308
Thursday, April 2, 2009; 4:30 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 1673, HD1
RELATING TO HEALTH**

The ILWU Local 142 supports S.B. 1673, SD2, HD1, which transfers the state community hospitals from Hawaii Health Systems Corporation to the Department of Health and abolishes the corporation and its regional boards.

The ILWU's interest in the state community hospitals is because many of our 20,000 members and thousands more retirees live in rural areas of the State where the community hospitals provide vitally needed safety net services. In Ka'u, for example, the community hospital in Pahala offers emergency room and health care services that are not available for more than 50 miles in either direction. Our members and retirees living in Pahala and Naalehu would be at the mercy of air ambulance services if not for Ka'u Hospital.

Hawaii Health Systems Corporation, which runs Ka'u Hospital, is continually in danger of closing down one or more of its hospitals for lack of funds. Each year, HHSC comes, hat in hand, to the Legislature to request a bail-out due to their financial shortfalls. Some of this may be a function of management, but most of it is inevitable because of the HHSC's role as a provider of safety net services.

We believe the 13-year experiment for a quasi-public system to run the hospitals may have finally run its course. The community hospitals should be returned to the Department of Health and responsibility for safety net services should rest squarely with the State. As such, the Legislature will be responsible to ensure that funds are available to provide for those services. In turn, the Legislature should hold the Department accountable to ensure that the hospitals are run efficiently and quality care is provided.

The ILWU urges passage of S.B. 1673, SD2, HD1. Thank you for considering our testimony.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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

**Testimony by
Hawaii Government Employees Association
April 2, 2009**

**S.B.1673, S.D.2, H.D.1 - RELATING
TO THE HAWAII HEALTH
SYSTEMS CORPORATION**

The Hawaii Health Systems Corporation (HHSC) provides a vital health care safety net throughout the State and these services must be maintained. The financial challenges faced by HHSC and the State cannot be allowed to jeopardize the public health services it provides and to hinder the delivery of adequate health care to the citizens of the State.

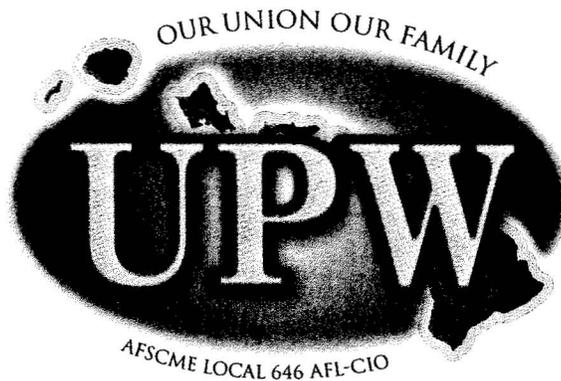
It is evident that action must be taken to ensure that HHSC remains a viable health care system. We recognize that some restructuring of the system may be required to maintain the safety net of health care services. S.B.1673 may offer further opportunities to develop a new organizational structure to improve operations and achieve a higher level of efficiencies.

To maintain the safety net, we believe the system must remain intact to ensure the availability of core health care services to all residents of the State.

Thank you for the opportunity to provide testimony on this measure.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director



House of Representatives
The Twenty-Fifth Legislature
Regular Session of 2009

Committee on Finance

Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

DATE: Thursday, April 2, 2009
TIME: 4:30 p.m.
PLACE: Conference Room 308
State Capitol
415 South Beretania Street

**TESTIMONY OF THE UNITED PUBLIC WORKERS, AFSCME,
LOCAL 646, AFL-CIO ON S.B. 1673, S.D. 2, H.D. 1
RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION**

My name is Dayton M. Nakanelua and I am the state director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). In behalf of approximately 500 blue collar, non-supervisory employees from bargaining unit 1 and 1,000 institutional and health workers from bargaining unit 10 who are currently employed by the Hawaii Health Systems Corporation (HHSC), the UPW supports the underlying intent of Senate Bill No. 1673, Senate Draft 2, House Draft 1 which abolishes HHSC and transfers the responsibility over the community hospitals to the State of Hawaii. We request, however, that you amend the measure to retain Section 323F-31, Hawaii Revised Statutes (HRS), without modification during the transition period, and that a task force be created to facilitate the restoration of the community hospital program to the Department of Health.

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As you know, when HHSC was established in 1996 (through chapter 323F) there was great hope and promise that through restructuring the State of Hawaii's community hospital system, and granting autonomy to "an independent agency of the state" there would be improvements in the quality and affordability of health care for the people. See Hawaii Session Laws Act 262, Section 2 at 595. It was thought that "appropriate flexibility and autonomy was needed for the community hospitals to compete and remain viable." Id. Instead each year the legislature is asked to pay more and more. As you know, the estimated HHSC shortfall for fiscal year 2008-2009 is \$40,000,000 and the projected deficit for fiscal year 2009-2010 is \$62,000,000. Meanwhile, the top executives of HHSC receive compensation which exceeds three (3) times what is paid to the heads of state departments and executive agencies and are given long term contracts with lucrative severance and housing allowances and exclusive incentive payments. See The Legislative Auditor's Report No. 08-08 (April 2008), at pp. 36-37 (attached). In addition, HHSC has recently disclosed that its regional systems have incurred additional debt which has been secured by state property. We agree with the House Health Committee that the HHSC "experiment" has not worked, that fiduciary concerns exist with certain transactions, and future health care should be restored to the State of Hawaii through the Department of Health.

To minimize disruption during the transition period we request that you retain the existing statutory safeguards provided in Section 323F-31, HRS. UPW opposes Section 14 of the House Draft because it eliminates legislative oversight necessary to maintain direct patient care services during the next few years. Health care is a basic human right and the existing statute ensures that elected lawmakers retain the

ultimate authority (and responsibility) over any decision which substantially reduces or eliminates direct patient care services at any of the present community hospitals. Delegating this important function to the Department of Health is inappropriate because it is not equipped to make that decision at this point without adequate funding. As you know, the power to appropriate funds is reserved to the legislative branch, and funding is the central component to the maintenance of existing services. This was recognized in 1996 when HHSC was created. See 1996 Hawaii Session Laws, Act 262, Section 2, Subsection 31, p. 604.

Moreover, we believe the legislature should create a task force to guide the restoration of the community hospitals to State management and operation. It took a task force to create HHSC in 2006, and that task force was given a sufficient time to examine all issues. See 1994 Hawaii Session Laws, Act 266. The same type of task force should be appointed to transition from HHSC to the Department of Health. See 1994 Hawaii Session Laws, Act 266, Section 4, at 838. We do not believe the HHSC's Finance, Information Systems, and Audit Committee is sufficiently representative of the stakeholders to achieve a successful transition. We support the intent of House Draft 1, but request the two changes referred to above. Thank you.

Financial Review of the Hawaii Health Systems Corporation

A Report to the
Governor
and the
Legislature of
the State of
Hawai'i

Report No. 08-08
April 2008



THE AUDITOR
STATE OF HAWAI'I

OVERVIEW

Financial Review of the Hawaii Health Systems Corporation

Report No. 08-08, April 2008

Summary

The Office of the Auditor and the certified public accounting (CPA) firm of Accuity LLP conducted a financial review of the Hawaii Health Systems Corporation, a public body corporate and politic and an instrumentality and agency of the State of Hawai'i, for the fiscal year July 1, 2005 to June 30, 2006. The review included inquiry and analytical procedures, as well as examining the reports, records, and other relevant documents to assess the corporation's compliance with state procurement laws and to determine whether the corporation's financial statements are presented in conformity with applicable accounting principles. We also performed procedures focused on the corporation's procurement policies, compliance with the state procurement laws, lease financing arrangements, information systems, the patient billing cycle, safeguarding of capital assets, and management of conflicts of interest.

The firm was unable to render a review opinion on the corporation's financial statements as corporation management refused to sign a representation letter acknowledging its responsibility for the fair presentation of its own financial statements. Despite this being a standard review procedure, the corporation repeatedly refused to sign the representation letter unless it was first allowed to review information that is unrelated to the representations being made. The corporation also did not provide adequate responses to several analytical inquiries that were material to its financial statements, further preventing the firm from completing its review procedures. These problems resulted in significant delays in the completion of the engagement, and prevented the firm from opining on the corporation's financial statements and including those statements in this report.

With respect to the corporation's internal control over financial reporting and operations, we found three material weaknesses. First, we found that the corporation's procurement and asset management policies and practices do not comply with applicable state laws. The corporation's original exemption from the Hawai'i Public Procurement Code was repealed prior to FY2005-06, the period under review; however, the corporation did not revise its internal policies to comply with state laws. For example, the corporation continued to use \$100,000 as its threshold for small purchases, while state laws applicable at the time set this threshold at \$25,000. Further, the corporation claimed its procurement code exemption was reinstated by the Legislature subsequent to the period under review; however, a review of the related legislation supported no such claim and current laws specifically state that the corporation shall be subject to the procurement code. The corporation also unilaterally determined it has always been exempt from Chapter 103F, Hawai'i Revised Statutes (HRS), *Purchases of Health and Human Services*. However, the related documents provided by the corporation do not support such claims. As a result, we found several specific violations of the state laws governing procurement and asset management.



The second material weakness is that the corporation's inattention to information technology (IT) management exposes its sensitive information to unnecessary risk. The corporation has outsourced a majority of its core IT activities to third party vendors and has placed significant reliance on these vendors to ensure that the corporation's systems and applications are secure and operating properly without the corporation having an adequate system to monitor vendor activity. The third material weakness is that not all of the corporation's facilities have, or adhere to, established billings, collections, and receivables policies. An example of a negative result of this was the corporation's loss of approximately \$204,000 it was due from Medicare and Medicaid because the related claims at various corporation facilities had not been submitted within the required 365 day timeframe.

During our review, we also encountered several other reportable matters. First, as previously mentioned, a general lack of management cooperation resulted in the delayed completion of the engagement and inability for us to opine on the corporation's financial statements. Second, the corporation's June 30, 2006 financial statements excluded \$4 million in bond fund appropriations. Third, the corporation's compensation structure is not comparable to other state agencies. For example, compensation packages for the corporation's top executives include housing allowances, retention bonuses, severance packages (up to 200 percent of base salary plus housing allowance), and salaries that are two to three times that of other state department heads.

Recommendations and Response

We made several recommendations regarding the corporation's operations. Among these, we recommended that the corporation revise its current procurement policies and practices to comply with applicable state laws; commit adequate resource to its information technology practices; and establish and enforce consistent customer billing procedures. We also made a number of recommendations to Hawaii Health Systems Corporation's management and corporate board of directors.

In its response to our draft report, the Hawaii Health Systems Corporation was extremely critical of our overall engagement approach, and claimed our process and identified material weaknesses did not meet applicable attestation standards. The corporation also disputed nearly all of our individual findings.

Our contracted CPA firm, Accuity LLP, spent considerable time inspecting documents; conducting interviews; and reviewing the corporation's processes over procurement and asset management, customer billing, information technology, and conflicts of interest. We believe the report presents an accurate and balanced analysis of the corporation.

Marion M. Higa
State Auditor
State of Hawai'i

Office of the Auditor
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(808) 587-0800
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Financial Review of the Hawaii Health Systems Corporation

A Report to the
Governor
and the
Legislature of
the State of
Hawai'i

Conducted by

The Auditor
State of Hawai'i
and
Accuity LLP

Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 08-08
April 2008

The Corporation's Compensation Structure Is Not Comparable to Other State Agencies

The corporation was established as an instrumentality and agency of the State, and is therefore subject to state laws and regulations unless specifically exempted. Section 323F-8, HRS, allows the corporation to hire a chief executive officer and up to 18 additional employees exempt from the salaries recommended in Section 26-52, HRS. We found that the exempt salaries of corporation executives include retention incentives and severance packages not comparable to other state officials' and may have long-term consequences for the State.

We noted that the base salaries of the corporation's chief executive officer (CEO) and COO/CFO were more than the salaries recommended by the State Executive Salary Commission (Commission). In its *2004 Report of the Executive Salary Commission*, the Commission recommended that compensation for department heads fall within a range of \$93,636 to \$104,040 for FY2006, based on the size of the department. The reason for the higher compensation levels for corporation executives was due to an exemption under Section 323F-8, HRS, which allows the corporation's board of directors to establish the CEO's compensation, and also provides for the CEO to appoint up to 18 other personnel also exempt from the commission's recommended salary ranges.

In his most recent appointment, the corporation's president and CEO was appointed to a seven-year term, January 1, 2005 – December 31, 2011. After December 31, 2011, the CEO's employment automatically renews for three-year terms, unless one of the parties wishes to terminate the agreement. The CEO receives a base salary of \$255,000 per year, and the base salary increases on August 1st of each year by the cost of living increase for the state as determined by the U.S. Department of Labor. The CEO also receives a housing allowance of \$45,000 per year. If the CEO completes the seven-year term, the corporation will pay a retention incentive of one year's current salary plus housing allowance. Additionally, the corporation will pay a retention incentive of one-half year's current annual salary plus one-half year's annual housing allowance after the completion of each three-year term subsequent to the first seven-year term. In the event the CEO is terminated, he will receive a severance package equal to 24 months of his current base salary and housing allowance, exclusive of any incentive payments. The CEO is also a participant in the State's Employees' Retirement System. Salary and years of service are among the factors in the calculation of State retiree benefits.

The corporation's COO/CFO was appointed to a six-year term, August 1, 2005 – July 31, 2011. After July 31, 2011, the COO/CFO's employment automatically renews for three-year terms, unless one of the parties wishes to terminate the agreement. The COO/CFO receives a base salary

of \$217,800 per year. If the COO/CFO completes the six-year term, the corporation will pay a retention incentive of one year's current salary. Additionally, the corporation will pay a retention incentive of one-half year's current annual salary after the completion of each three-year term subsequent to the first six-year term. In the event the COO/CFO is terminated, he will receive a severance package equal to 12 months of his current base salary, exclusive of any incentive payments. The COO/CFO is also a participant in the State's Employees' Retirement System.

The corporation claims that executive compensation is commensurate with the compensation packages of executives at organizations of similar size and stature. In 2004, the corporation's board of directors performed a study on executive compensation among other healthcare organizations in the State, which revealed the following:

Organization	Base Salary (2002)	Total Cash Compensation (2002)
Hawaii Pacific Health	\$575,667	\$725,076
Queen's Medical Center	\$398,160	\$480,629
Castle Medical Center	\$321,711	\$421,518
Rehabilitation Hospital of the Pacific	\$686,371	\$697,965
Kuakini Medical Center	\$218,513	\$230,758

While the corporation's executive total compensation appears to be in line with if not lower than its counterparts in the private sector, it is nearly three times the salary of department heads of other executive agencies. Additionally, state department heads are employed at-will and can be dismissed without any severance benefits, and they do not receive any housing allowances.

Recommendation

We recommend that the HHSC Corporate Board review the compensation packages of its executives. While not bound by state salary schedules, the board should evaluate the aptness of executives' compensation in comparison with other healthcare, insurance, and non-profit organizations, and/or other state agencies, as deemed appropriate. In evaluating executive compensation, the board should consider total compensation and benefits, including the amount or necessity of housing allowances, bonuses, retirement benefits, and severance packages.



Maui Memorial
MEDICAL CENTER

April 1, 2009

**TO: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m.
Conference Room 308**

FROM: Wesley Lo, Regional Chief Executive Officer

RE: SB 1673, SD2, HD1 RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

Thank you for the opportunity to submit testimony in **opposition of SB 1673, SD2, HD1**. The purpose of SB 1673, SD2, HD1 is to transfer the community hospitals of the state government to the department of health from the Hawaii health systems corporation and to abolish the corporation and its regional boards. The measure provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011 and establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before October 1, 2010.

I oppose this measure for the following reasons:

1. It eliminates regional control of healthcare in the regions by eliminating the regional system board of directors for the public health care facilities in the State. Residents of the State have long requested direct control over health care in their regions and doing this will reinstate an administrative structure that no longer operates at the direction of those directly impacted by the health care provided in the regions.
2. It will not allow the regions access to alternative funding sources, resulting in complete dependency upon state funding in difficult economic times. This will place the hospitals in a position of having to compete with other State departments and agencies for operational funds as well as for capital improvement funds.
3. It eliminates exemptions from requirements such as the concession law, requirement for tax clearances, Sunshine Law, and administrative rules procedures that will result in the slowing of health care decision making and the actual provision of healthcare

If this measure is passed, may I respectfully request that it be amended to allow Maui Memorial Medical Center to become a separate entity, not under the direct administration of the Department of Health.

Thank you for this opportunity to testify in **opposition of SB 1673, SD2, HD1**.

Respectfully submitted,

Wesley Lo
Regional Chief Executive Officer
(808) 442-5100



KONA
COMMUNITY HOSPITAL
Care You Can Count On

Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice-Chair

Thursday, April 2, 2009
4:30 PM
Hawaii State Capitol
Conference Room 308

Testimony Opposing SB 1673 SD2 HD1 - Relating to Hawaii Health Systems Corporation Transfers the community hospitals of the state government to the department of health from the Hawaii Health Systems Corporation and abolishes the corporation and its regional boards. Provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011. Establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before 10/1/2010.

I have been in private practice as an orthopedic surgeon in Kona since 1986. I was Chief of Staff at Kona Hospital during some of the years that the Department of Health ran Kona Hospital as part of the Division of Community Hospitals. Several years ago I was appointed to serve as Medical Director of Kona Community Hospital. I later closed my private practice (I was no longer able to pay for the privilege of being in private practice) and was hired to work in the same office by Alii Health. Not quite two years ago I was appointed to serve on the nascent West Hawaii Regional Board of HHSC. I have first hand knowledge and experience in areas that I hope can be useful to you.

There are legislators who have reservations about Tom Driskill's leadership of HHSC. I trust that those reservations will not overwhelm their judgment on some of the larger challenges at hand. I would ask that in the process of seeking to unseat Tom Driskill, the Legislature not inadvertently destabilize health care in West Hawaii.

My overriding concern is that the changes pursued for our community's well-being must be correct because many of this Legislature's constituents and I rely on our hospital to provide us care. I know, therefore, that the Legislature and I share the same goals.

SB 1673 SD2 HD1 supports the reversion of Kona Community Hospital to the Department of Health. As I mentioned above, I worked at Kona Hospital when it was run by the Department of

KONA COMMUNITY HOSPITAL
Hawaii Health Systems Corporation
79-1019 Haukapila Street
Kealahou, HI 96750
(808) 322-9311

Health and I now work with divisions of DOH that they are barely able to manage (such as AMHD). While I have the greatest respect for Dr. Chiyome Fukino, it would be a huge mistake to ask the DOH to manage the community hospitals and expect them to succeed any better than they did two decades ago. If anyone in the Legislature thinks HHSC is challenged, management by DOH would invite catastrophe!

I have worked long and hard to follow the mandates created by the Legislature in Act 292. I have worked with devoted and brilliant men and women who have volunteered to serve on our Regional Board. I do not know how any legislator could suggest abandoning all the work that we have done and the strategies we even now have in process on behalf of the State of Hawaii and our West Hawaii community. To do so would be to undermine each and every director, each and every member of the Administration of Kona Community Hospital, and each and every employee of the hospital that has worked so hard to implement the changes that the Legislature mandated and that we all agreed were vital to the competent function of our hospital.

I ask that you consider our needs and suggestions at this time, and evaluate the benefits and costs and the wisdom of our intentions. When you do, I'm sure you will agree that our hospital needs the ability to reorganize our work rules to best serve our community, and that we don't need to come under an old failed system of governance.

Here are the basic realities:

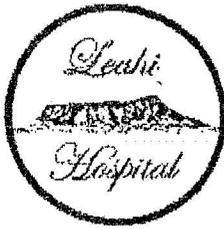
- Health care is an absolute necessity for our community.
- The way our economic system is now set to function, health care, whether from hospitals or from physicians, cannot be provided in Kona (or any of the neighbor islands) without some form of subsidy. Government and private payers do not meet costs.
- We cannot fly to Honolulu for all our health care. The cost is prohibitive. For example, Quest's expense for transportation between the Big Island and Oahu just for children's dental care was over six hundred thousand dollars this past year. Medical transportation expenses, including commercial air fares to see specialists and air ambulance services for emergencies far exceeded that.
- Without a vital Kona Community Hospital to serve West Hawaii, we would overwhelm Oahu's capacity to provide health care in less than two weeks and Oahu's medical care system would suffer.
- Kona Community Hospital does not waste taxpayer's money.
- The laws enacted in years past by our State Government are wasting taxpayer money. Civil Service work rules may be good for state governments but do not work for 24/7 health care facilities. We (hospital management) can run our hospital far more economically if you (the Legislature and Administration) will let us. Here's how:
- Our specific requests are to release the hospital from the civil service restrictions on managing employee work activity and hours; allow outsourcing for certain hospital departments when that will save taxpayers money; and permit structural flexibility so that we can become a 501 (c) (3) corporation if needed to save the taxpayers money. This will save jobs, keep union members employed, keep costs down, and keep the hospitals open.

- How to keep doctors from leaving the State is another challenge. Since increasing low reimbursements from Medicare and Medicaid does not seem likely to occur soon, we can at least decrease doctors' expenses and help them feel more welcome to continue to practice in Hawaii with the passage of real tort reform.
- Final reality: These suggestions may not solve every problem. Health care is a challenge at every level. Public health measures, enhanced self care and responsibility, reducing substance abuse, improving highway safety, reducing childhood obesity and other measures all are needed. Effective legislation now is the first step to long term solutions, not the final step.
- **My message, my plea:** Supporting effective legislation now instead of passing SB 1673 SD2 HD1 as it is now written may just prevent the total collapse of neighbor island health care. Changing the name of the owners of Kona Community Hospital from HHSC to DOH will do nothing to solve the real problems that we face, but will only create confusion and many more problems.

Thank you for your understanding.

Respectfully submitted,

Barry Blum, MD
Director, West Hawaii Regional Board, HHSC
Medical Director, Kona Community Hospital
Orthopedic Surgeon, still in practice in West Hawaii

**LEAHI HOSPITAL****HAWAII HEALTH SYSTEMS CORPORATION**

3675 Kilauea Avenue ■ Honolulu, Hawaii 96816 ■ Telephone: (808) 733-8000 ■ FAX: (808) 733-7914

April 1, 2008

**TO: The House Committee on Finance
Representative Marcos R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
Conference Room 308**

FROM: Vince H.S. Lee, Regional Chief Executive Officer

**RE: SENATE BILL 1673 SD 2 HD1 TRANSFERRING THE COMMUNITY
HOSPITALS TO THE STATE DEPARTMENT OF HEALTH**

Thank you for providing the Hawaii Health Systems Corporation Oahu region an opportunity to submit testimony in opposition to SB 1673 SD2 HD1. The purpose of SB 1673 SD2 HD1 transfers the Hawaii Health Systems Corporation community hospitals to the state Department of Health.

Although the HHSC Oahu region (i.e., Leahi Hospital and Maluhia) believes that structural changes are needed for the community hospital system, it is deeply concerned about the direction that the HD1 version is proposing. In spite of the multitude of challenges that lawmakers must face during this dismal economic period, we ask that you seriously consider reexamining the impact of transferring our hospitals back to the state Department of Health with more in-depth analysis and discussion.

Prematurely passing this proposal will most certainly disregard the HHSC Oahu region's numerous accomplishments and milestones achieved under HHSC. More importantly, the HD1 version puts unnecessary anxiety on our staffs not knowing the distinct intricacies of the transfer and extent of subsequent functions. With regard to the needs of long-term care, we are very much concerned about how the transfer will impact the allocation of general funding. When the community-hospital system was under the DOH, nursing-home and rural facilities always got the short-end of funding, while the acute hospitals had the top priority. With the projected aged population increase, adequate funding for long-term care planning and development should remain a top priority for state policy makers.

The HHSC Oahu region is equally concerned about how this transfer will impact our present management contract with Kahuku Medical Center. Can the state arbitrarily place a private non-profit company under the DOH?

Please also consider the fact that the intent of Act 290, passed in 2007, provides the regions with more control of their respective hospitals in responding to the health care needs of our communities. For the Oahu region, this act has enabled our governance to be established, while the HHSC Oahu Regional Board continues to work very closely and collectively with the other regional and corporate boards in its effort to fulfill necessary custodial control requirements. The HHSC Oahu region's leadership and line staff have benefited significantly having been actively engaged in this transitional process, which in turn, has deeply enhanced their understanding and appreciation for efficiency, effectiveness, and accountability. This is

clearly reflected in the Oahu region's exceptional and consistent budget performances during the last five years. Additionally, the HHSC Oahu region's quality ratings have been exceptional thanks to the support and guidance of our newly established governance.

What is clear to the HHSC Oahu region is that much more discussion, examination, and negotiation is needed again among HHSC's major stakeholders to fully understand this dynamic, state health care system in terms of following fundamental questions:

- Why was HHSC established?
- What are the non-political reasons why HHSC today is unable to respond to the changing health care environment?
- What are the safety-net functions that the state should be committed to fund?
- How can the system be best restructured to enable it to meet the needs of its communities?

Please also keep in mind that of the total 1,254 licensed beds that HHSC services, close to 800 are designated for long-term care. As a result, an important and more likely creative first step, in this suggested effort, is to examine the restructuring of HHSC by its service lines: long-term care-critical access hospitals, and acute hospitals.

Thank you for providing me with this opportunity to present testimony.

Respectfully submitted,

Vincent H.S. Lee
Regional Chief Executive Officer
HHSC Oahu Region
(808) 733-9722



Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice-Chair

Thursday, April 2, 2009
4:30 PM
Hawaii State Capitol
Conference Room 308

Testimony Opposing SB 1673 SD2 HD1 - Relating to Hawaii Health Systems Corporation Transfers the community hospitals of the state government to the department of health from the Hawaii Health Systems Corporation and abolishes the corporation and its regional boards. Provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011. Establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before 10/1/2010.

As administrator of one of the smallest facilities in the Hawaii Health Systems Corporation chain of hospitals, I would like to express my profound concern about the negative impact this bill would have on Ka'u Hospital and our system of safety net hospitals.

When Act 290 was enacted and the system of Regional Boards was instituted, the process began for bringing the decision-making and control over our hospitals to a local level where Board members selected from each of the five regions could provide accountability to our local communities. It has been a huge undertaking. In East Hawaii, the path has been a very encouraging one as we have seen how engaged and committed these members are to fulfilling their role. For those of us on neighbor islands and in remote areas the most compelling aspect of this model is that our own Board members share the experience of local health care.

If the current House version is adopted, it appears we could move back to a system of centralized authority (in Oahu). The Department of Health already has a huge mandate for which is it under-resourced. Yet this move would only add to the scope of that mandate and result in even greater costs and inefficiencies at a time when the economy is most fragile.

The health care crisis is a national one and the problems of HHSC facilities cannot be understood in the context of only one factor. We support the notion that a carefully considered reorganization of HHSC is necessary and Act 290 began that process. To discard the improvements that have been attained and start over with the DOH attempting a new transformation will make it extremely difficult from an operational standpoint – particularly for smaller facilities like Ka'u where the management staff is small and most supervisors are also front-line workers.

The business of hospitals is taking care of people. Our patients expect us to focus on that. We hope you will reconsider this bill and support the ongoing process of re-organization in our system and allow us to get on with the work of providing quality health care.

Thank you for the opportunity to submit these concerns for your consideration.

**Maui Medical Group, Inc.***Health Care Excellence For Maui Since 1961*

April 1, 2009

Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m.
Conference Room 308
Fax: 1-800-535-3859

RE: SB 1673, SD2, HD1 RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

Thank you for the opportunity to submit testimony in opposition of SB 1673, SD2, HD1. The purpose of SB 1673, SD2, HD1 is to transfer the community hospitals of the state government to the department of health from the Hawaii health systems corporation and to abolish the corporation and its regional boards. The measure provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011 and establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before October 1, 2010.

As a practicing physician on Maui, I can firmly state that moving our community hospital back to the Department of Health would be disastrous for our community. Our ability to provide progressive healthcare services would be severely compromised. The DOH does not have the experience or the ability to stay fluid in this challenging healthcare environment.

We have been able to make great strides within the past several years, most notably to advance the MMMC stroke intervention program to the best in state. I know that this would not have been possible under the cumbersome bureaucracy of the DOH. Should the community hospitals of Hawaii be transferred to the control of the DOH, many more physicians would consider leaving the state with the memory of what DOH control would mean to the provision of healthcare. The consequent deterioration in healthcare access will be intolerable.

Thank you for this opportunity to testify in **opposition of SB 1673, SD2, HD1.**

Respectfully submitted,

Guy K. Hirayama MD, FAAP
Maui Medical Group, Inc.

Maui Memorial Medical Center Foundation
285 Mahalani Street #25, Wailuku, HI 96793
808-242-2630

April 1, 2009

TO: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m.
Conference Room 308

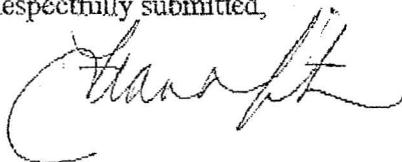
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As a **board member of the Maui Memorial Medical Center Foundation**, I would offer that transferring the hospital back under the Department of Health will severely restrict our fundraising capabilities. We are steadily gaining momentum here on Maui and becoming an important arm to MMMC in our ability to supplement funding for the purchase of needed equipment, support of programs and improvements to the physical facility. The community is reassured by the fact that we can become more autonomous and therefore are encouraged to give to our Foundation. Putting MMMC back under the state purview will effectively stop the tremendous gains we have made.

Thank you for this opportunity to testify in **opposition of SB 1673, SD2, HD1**.

Respectfully submitted,



Fran Peart Mitsumura
President

Also, small business owner on Maui and long time resident!!

**MAUI
MEMORIAL
MEDICAL
CENTER**



285 Mahalani Street, Suite 25, Wailuku, Maui, HI 96793

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Barry Shitamoto, M.D

Executive Director

Sent via facsimile to: (808) 586-6001

**To: Representative Marcus R. Oshiro
Representative Marilyn B. Lee, Vice-Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009 4:30 p.m.
Conference Room 308**

Date: April 1, 2009

**Re: SB 1673, SD2, HD1
Relating to the Hawaii Health Systems Corporation**

Thank you for this opportunity to submit testimony regarding this bill that will transfer community hospitals of the Hawaii Health Systems Corporation to the Department of Health.

I am in **OPPOSITION** of **SB 1673, SD2, HD1**.

As the Executive Director of the Maui Memorial Medical Center Foundation a 501 © 3 non profit organization that supports Maui Memorial Medical Center, we also support the tremendous efforts made by the members of the Maui Regional Board, all volunteers who are committed to improving and expanding healthcare services for our community.

Their dedication, tireless number of hours dedicated to their purpose has been proven through the improvements made to find new and innovative solutions to healthcare. With their vision to become a "center of excellence in cardiac, stroke and other services" it has certainly given our community much hope. This vision cannot be realized if we become a dependent of the Department of Health.

Therefore, I humbly ask for your support by not approving this bill.

Mahalo for this opportunity to testify in **OPPOSITION TO SB 1673, SD2, HD1**.

Respectfully Submitted,

**Ululani S. Correa
Executive Director**

*Because life is precious...Please support the Foundation through your gift
Your gift stays here on Maui to support our community and the Maui Memorial Medical Center.*

Ph: (808) 242-2630 | Fax: (808) 242-2633 | www.MauiHospitalFoundation.org | Email: lcorrea@hhsc.org

Valley Isle Kidney Disease LLC.

L. HARRISON HASSELL M.D.

JAMES JONES M.D.

JAY LAKKIS M.D.

April 1, 2009

**Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m.
Conference Room 308**

Regarding: SB 1673, SD2, HD1 – Relating to Hawaii Health Systems Corporation.

Thank you for the opportunity to submit testimony in **STRONG OPPOSITION of SB 1673, SD2, HD1**. The purpose of SB 1673, SD2, HD1 is to transfer the community hospitals of the state government to the department of health from the Hawaii health systems corporation and to abolish the corporation and its regional boards. The measure provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011 and establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before October 1, 2010.

As a practicing nephrologist on Maui, I can firmly state that moving our community hospital back to the Department of Health would be disastrous for our community. Our ability to provide progressive healthcare services would be severely compromised. The DOH does not have the experience or the ability to stay fluid in this challenging healthcare environment.

We have been able to make great strides within the past several years, most notably to advance the MMMC stroke intervention program to the best in state. I know that this would not have been possible under the cumbersome bureaucracy of the DOH.

Thank you for this opportunity to testify in strong **OPPOSITION of SB 1673, SD2, HD1**.

Respectfully submitted,


James Jones, M.D.



**Best Western
Pioneer Inn**

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April 1, 2009

**TO: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m.
Conference Room 308**

**RE: SB 1673, SD2, HD1 RELATING TO THE HAWAII HEALTH SYSTEMS
CORPORATION.**

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As treasurer of the Maui Memorial Medical Center Foundation, I can assure you that transferring the hospital back under the Department of Health will appear as a giant step backward to the community of Maui and severely restrict our fundraising capabilities. We are steadily gaining momentum here on Maui and have been able to provide needed funding to Maui Memorial Medical Center for the purchase of equipment, support of programs and improvements to the physical facility. The community is reassured by the fact that we can become more autonomous and therefore are encouraged to give to our Foundation and hospital. Putting MMMC back under the state purview will effectively stop the tremendous gains we have made and place a much larger funding requirement back on the state.

Thank you for this opportunity to testify in **opposition of SB 1673, SD2, HD1**.

Respectfully submitted,

Rebecca K. Lennon CPA
Treasurer
Maui Memorial Medical Center Foundation

MMMC FOUNDATION**April 1, 2009**

**TO: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m.
Conference Room 308**

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As a **board member of the Maui Memorial Medical Center Foundation**, I would offer that transferring the hospital back under the Department of Health will severely restrict our fundraising capabilities. We are steadily gaining momentum here on Maui and becoming an important arm to MMMC in our ability to supplement funding for the purchase of needed equipment, support of programs and improvements to the physical facility. The community is reassured by the fact that we can become more autonomous and therefore are encouraged to give to our Foundation. Putting MMMC back under the state purview will effectively stop the tremendous gains we have made.

Thank you for this opportunity to testify in **opposition of SB 1673, SD2, HD1**.

Respectfully submitted,



Saedene Ota
Vice President
Maui Memorial Medical Foundation Board Member



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April 1, 2009

TO: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m.
Conference Room 308

VIA FACSIMILE (808) 586-6001

RE: SB 1673, SD2, HD1 RELATING TO THE HAWAII HEALTH
SYSTEMS CORPORATION.

Thank you for the opportunity to submit testimony in **OPPOSITION of SB 1673, SD2, HD1**. The purpose of SB 1673, SD2, HD1 is to transfer the community hospitals of the state government to the department of health from the Hawaii health systems corporation and to abolish the corporation and its regional boards. The measure provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011 and establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before October 1, 2010.

As a Maui Region board member of the Hawaii Health Systems Corporation our new governing body has made great strides in the past year. We have worked steadily to find new and innovative solutions to: 1) grow and expand healthcare services on Maui; 2) involve the community in local governance of Maui Memorial Medical Center, Kula Hospital and Lanai Community Hospital; and 3) explore strategies to reduce our dependence on state funding. Our vision is to become a center of excellence in cardiac, stroke and other services, while providing relief and support to the overburdened Oahu hospital system. We can only achieve these goals by becoming independent of the state system and moving to the DOH would halt all advancements we have made to do so.

Thank you for this opportunity to testify in **OPPOSITION of SB 1673, SD2, HD1**.

Respectfully submitted,

A handwritten signature in cursive script that reads "Grant Y. M. Chun".

Grant Y. M. Chun
Vice President



75-5737 Kuakini Hwy. Suite 208
Kailua-Kona, HI 96740
Phone: 329-1758 Fax: 329-8564
www.Kona-Kohala.com info@kona-kohala.com

April 1, 2009

TO: **COMMITTEE ON FINANCE**
Rep. Marcus R. Oshiro, Chair, Rep. Marilyn B. Lee, Vice Chair and
Committee Members
Thursday, April 2, 2009; 4:30 pm, Room 308

FROM: Kona-Kohala Chamber of Commerce (via email in lieu of in-person
testimony)

SUBJECT: **Opposition of SB 1673 SD2 HD1 Relating to Hawaii Health
Systems Corporation**

My name is Vivian Landrum, Executive Director of the Kona-Kohala Chamber of Commerce (KKCC). KKCC represents over **630** business members and is the leading business advocacy organization on the west side of Hawai'i Island. The KKCC also actively works to enhance the environment, unique lifestyle and quality of life in West Hawai'i for both residents and visitor alike.

On behalf of our membership, I respectfully ask that you hold SB 1673 SD2 HD1 and move forward with SB1673 SD2 as originally presented.

The Chamber supported SB 1673 SD 2 as it made positive strides in moving the HHSC in a direction which would allow hospitals to have better control to effectively manage themselves and continue to offer quality health care.

This amended measure removes that language and replaces it with a transfer of the community hospitals to the department of health. In addition, it not only abolishes the HHSC, but its regional boards as well.

While we understand there are challenges that need to be addressed in order to "fix" the health care system, creating new positions, returning oversight to the Dept. of Health and taking control from the regional boards is not the answer.

For the above reasons, I strongly ask that you hold this bill or support the Senate version. Thank you for the opportunity to submit written comments.

Sincerely,

A handwritten signature in cursive script that reads "Vivian Landrum".

Vivian Landrum
Executive Director

April 1, 2009

**Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m., Conference Room 308**

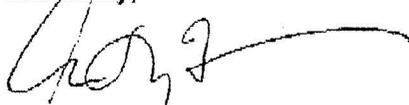
Regarding: SB 1673, SD2, HD1 Relating to the Hawaii Health Systems Corporation

Thank you for the opportunity to submit testimony in **opposition of SB 1673, SD2, HD1**. The purpose of SB 1673, SD2, HD1 is to transfer the community hospitals of the state government to the department of health from the Hawaii health systems corporation and to abolish the corporation and its regional boards. The measure provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011 and establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before October 1, 2010.

As a Maui Region board member of the Hawaii Health Systems Corporation our new governing body has made great strides in the past year. We have worked steadily to find new and innovative solutions to: 1) grow and expand healthcare services on Maui; 2) involve the community in local governance of Maui Memorial Medical Center, Kula Hospital and Lanai Community Hospital; and 3) explore strategies to reduce our dependence on state funding. Our vision is to become a center of excellence in cardiac, stroke and other services, while providing relief and support to the overburdened Oahu hospital system. We can only achieve these goals by becoming independent of the state system and moving to the DOH would halt all advancements we have made to do so.

Thank you for this opportunity to testify in **opposition of SB 1673, SD2, HD1**.

Sincerely,



Anthony P. Takitani

**Gina Flammer
P.O. Box 1060
Kula, Hawaii 96790**

Testimony before the Committee on Finance

DATE: Thursday, April 2, 2009
TIME: 4:30pm
PLACE: Conference Room 308

RE: Testimony in opposition to SB 1673, SD2, HD1 Relating to the Hawaii Health Systems Corporation

TO: The Honorable Marcus R. Oshiro , Chairman and the Honorable Marilyn B. Lee, Vice-Chair and committee members:

Thank you for the opportunity to submit testimony in **OPPOSITION of SB 1673, SD2, HD1**. The legislature's anger at HHSC and it's guidance of the state system is understandable, however, I ask that you not penalize Maui citizens by passing this bill. Moving to the Department of Health would be disastrous for our community. The state hospital system was run under a similar structure as proposed in the bill and the results were terrible for local community healthcare. Returning to a flawed system is not the answer.

Maui Memorial Medical Center is a unique facility with-in the state system. We are the only acute care hospital on Maui and we also serve Oahu and the Big island's stroke treatment needs. We have grown in response to Maui's increasing population and demand for complete healthcare. Our resident population has become large enough to provide the needed economies of scale to provide full scale services. At this point we have grown to where we will operate much better as an independent facility. Moving to the Department of Health would halt all advancements we have made to do so. Independence for Maui Memorial Medical Center would benefit healthcare for Maui citizens and reduce the burden on the over all state hospital system.

As for the effect of the bill on the state-wide system, ACT 290 passed last year by the legislature has not been given a chance to work. The main problems with the state system were inherited and not created by the Governing Boards. The problems the system is facing now are part of a much larger economic healthcare crisis and need to be addressed by experts in hospital administration in concert with guidance at the local level where the care is received. In my opinion the individual problems between the regional boards and the local boards are growing pains that can be worked out with minor adjustments to last year's legislation. I also understand the anger over Kauai's serious bond problem, but destroying the entire system one year after it's inception as a response is not responsible governance by the legislature.

I ask that you recognize that healthcare is best provided at the local level with guidance by the community in which it is received. Placing the state hospital system back into the Department of Health will reduce the necessary community input and support needed to address the problems facing the individual facilities. Community input and support is particularly critical on the neighboring island of Maui where Maui Memorial Medical Center is the only acute care facility available to serve all of the island's residents. Unlike Oahu, residents do not have multiple facilities and overlapping care.

As a Maui Region board member of the Hawaii Health Systems Corporation our new governing body has made great strides in the past year. We have worked steadily to find new and innovative solutions to: 1) grow and expand healthcare services on Maui; 2) involve the community in local governance of Maui Memorial Medical Center, Kula Hospital and Lanai Community Hospital; and 3) explore strategies to reduce our dependence on state funding. Our vision is to become a center of excellence in cardiac, stroke and other services, while providing relief and support to the overburdened Oahu hospital system.

Thank you for this opportunity to testify in **OPPOSITION of SB 1673, SD2, HD1.**

Respectfully submitted,
Gina Flammer, Vice-Chair
HHSC Maui Region Board of Directors

April 1, 2009

**TO: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m.
Conference Room 308**

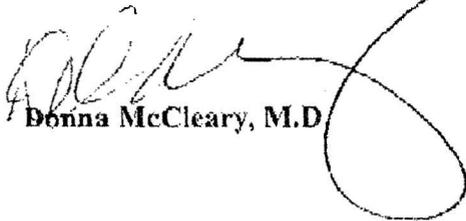
**SUBJECT: SB 1673, SD2, HD1 RELATING TO THE HAWAII HEALTH
SYSTEMS CORPORATION.**

Thank you for the opportunity to submit testimony in OPPOSITION of SB 1673, SD2, HD1. The purpose of SB 1673, SD2, HD1 is to transfer the community hospitals of the state government to the department of health from the Hawaii health systems corporation and to abolish the corporation and its regional boards. The measure provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011 and establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before October 1, 2010.

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Thank you for this opportunity to testify in OPPOSITION of SB 1673, SD2, HD1.

Sincerely,



Donna McCleary, M.D.

April 1, 2009

Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m.
Conference Room 308

RE: **SB 1673, SD2, HD1 RELATING TO THE HAWAII HEALTH
SYSTEMS CORPORATION.**

Thank you for the opportunity to submit testimony in **opposition of SB 1673, SD2, HD1**. The purpose of SB 1673, SD2, HD1 is to transfer the community hospitals of the state government to the department of health from the Hawaii health systems corporation and to abolish the corporation and its regional boards. The measure provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011 and establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before October 1, 2010.

I am an extremely **concerned citizen of Maui** County who is strongly opposed to the notion of putting our community hospital back under the Department of Health. The idea of going backwards at such a pivotal time in our history is shocking to me. Please do not compromise the health and well being of our families. We must have the ability to both govern our own hospital and determine what's best for our community with regards to our healthcare.

Thank you for this opportunity to testify in **opposition of SB 1673, SD2, HD1**.

Respectfully submitted,



Barry Shitamoto, M.D.

Committee on Finance
Thursday, April 2, 2009, 4:30 pm
Conference Room 308, Hawaii State Capitol

Thank you for this opportunity to express my great concern, as an individual, regarding the **SB1673 and HB200**.

I am Joanne S. Agnes.

I have worked as Personnel Management Specialist in the Hawaii Health Systems Corporation (HHSC) – Corporate Human Resources.

I have worked here since 1994.

- A. In my 14 years of experience I have witnessed two transitions:
1. the transition from Division of Community (DCH) to HHSC under the Act 262 in 1996.
 2. And recently the transition as a result of the Act 290 in 2007.

Plans to **UNDO** both transitions would be counterproductive because:

1. Countless of hours, resources and monies have already been invested/spent to comply with the requirements under Act 262 and Act 290. **Expenses to administer these retro-transitions could be better spent elsewhere.**
 2. Also, it would only cause disruption in the operations of the hospital facilities.
 3. And, it would and would create confusions on employees, vendors, stakeholders, etc. as DCH – DOH policies, procedures and ways of doing business would be followed.
- B. I also express my concern for HHSC entering into private/for profit partnership.
1. In the long run, civil service employees will be exposed to layoffs.
 2. At this time, the language in this section is not clear.
- C. I extremely oppose to any measures of layoffs within HHSC.

I do understand that we are in the midst of economic downturn, and extreme measures must be taken in order to balance the budget.

However, other alternatives must be explored first before resorting to layoffs in HHSC. Legislature must consider the following alternatives to prevent layoffs:

1. HR: Impose a hiring freeze on non-direct patient care positions, eliminate overtime, use “in-house” resources.
2. Expenses: Limit travel expenses, temporary assignments

3. Benefits: Review salaries of **non-civil service positions** to reduce/adjust pay increases and bonuses. Compensation should be comparable to other state agencies.
4. Full disclosure of cost savings of the above measures.
5. If layoffs are inevitable, **non-civil service positions and appointments** must be identified first before considering civil service positions.

D. Finally, I would like to conclude a line from the HHSC mission statement

Mission Statement

Our MISSION is:

Providing and enhancing accessible, comprehensive, health care "safety net" services that are quality-driven, customer-focused, and cost-effective

Our VALUES are:

- Integrity - Collaboration - Caring - Commitment - Innovation - Community

I do not think we can achieve our mission with just laying people off.

Again, thank you for this opportunity.

Respectfully,

Joanne S. Agnes, PHR
Honolulu, Hawaii

Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

Thursday, April 2, 2009
4:30pm

Conference Room 308
Hawaii State Capitol

Testimony on SB 1673, SD2, HD1 Relating to Hawaii Health Systems Corporation from Finance Information Systems, Audit Committee (FISAC) of HHSC Corporate Board.

Prepared by Rick Vidgen, FISAC Chair
Presented by Roger Godfrey, FISAC

Chair Oshiro, Vice Chair Lee, and Finance Committee,

This testimony is submitted on behalf for FISAC of HHSC Corporate Board and we appreciate the opportunity to present it to you.

We fully understand that there is a significant history and current level of frustration with the Governance and Management of HHSC by both the Legislature and Administration that has led to the aggressive and far-reaching Legislation that is represented by the Bill before you and other proposed Legislation.

After some experience with the system we certainly agree that significant changes are needed and to this extent we support the Legislation. However we would ask that you seriously consider the reality that the System in 2009, though seriously "underwater" financially (like much of Healthcare in the rest of the country) is generally accepted as being significantly ahead of where it was 12 years ago when HHSC was created. Thus we urge strong caution in actions to modify the system in any ways that do not adequately take account of the damage that can be done without due concern for the effective planning and execution of a smooth transition.

We do not believe that the proposed legislation achieves this and would thus propose a different approach with the clear intent of reaching the same endpoint.

The elements of this proposed amendment are as follows.

1. That the Legislature set out some key objectives and a timetable to achieve these objectives (a Strategy if you like) but then describe the means to develop the structure to achieve this (strategy) rather than a "legislating" a structure to do so that has not effectively considered all of the elements necessary to protect the basic Health Care requirements of the communities it serves.
2. We would propose that the "means" be the appointment of a Transition Team (as you propose) with a mandate to complete a plan within 6 months ie by Dec 31st 2009 and with the execution of such a plan completed by the end of 2010. So, develop a Structure by the end of 2009 with execution within 12 months.

3. The legislated Strategy may include some desired "endpoints" but again it should be clear that the actual plan and execution is the responsibility of the Transition Team.
4. We would suggest that this team should report each 60 days (at least) to the Health Committee of the House and Senate. We further suggest it is absolutely critical that such a team include the 5 Regional CEO's plus at least 7 other people.
5. We would strongly suggest that the action proposed to abandon the Regional Boards be postponed until the transitional team has completed its redesign of the Structure. We believe the intent of Regional Control was a logical and sensible direction, and that it is unreasonable to abandon this with less than 12 months of effective trial. We also believe that closing the regional system off at this point will mean the loss of a significant number of people to the system (the Board volunteers) and also that the (guaranteed) resultant significant loss of morale of doctors and other staff, could also result in a loss of talent. Certainly recent events demand some better controls but it is also necessary to appreciate that neither of the 2 current significant "problems" started under Regional management, and both were approved by previous corporate boards.
While it could be suggested that the new regional boards are "involved" in the problems we believe that they were presented with very difficult situations which were not of their making, and both of these were adversely impacted by the world "credit crunch" for which they can hardly be blamed. Again we agree with the previous Legislative Strategy to "Regionalize" the control of the Community Hospital System, and strongly urge you to give it a fair and reasonable opportunity to succeed. It is recognized that there is a need for improved transparency and control to be developed through some management changes, but do not discard the system simply because of some current structural and personnel issues.
6. Current efforts to bring flexibility to each Regions' structure need to be further developed by the existing Regional management to achieve stability or relief to the State funding burden. This issue is currently seen only as a Maui initiative but in reality there are and will be options for other regions to "privatize" or "partner" to improve the services they provide and reduce the drain on State resources. This needs urgent attention.
7. We do believe that having the system revert back to DOH control at this time would represent a MAJOR risk to the quality of service that the HHSC/Community Hospital system will provide. You are surely aware that the job market in the medical profession continues to run quite counter to the rest of the national employment trends and thus, such an unpopular, move WILL cause staff to leave. This would be a disaster.

Lastly the proposed Legislation proposes to put the HHSC FISAC committee in a position of significant responsibility for system redesign over the next 2 years. While at least some of the group are willing to be further involved and to help where possible, we believe that the Legislation, as it stands, would make the task proposed quite difficult, if not impossible. Thus the task proposed for this Group of people would become quite unattractive and daunting.

We stand ready to help but you need to provide a scenario that allows a workable situation.

Sent via facsimile (808) 586-6001

**To: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice-Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009 – 4:30 p.m.
Conference Room 308**

Re: SB 1673, SD2, HD1 – Relating to The Hawaii Health Systems Corporation

Thank you for this opportunity to submit testimony as it relates to this bill presented before you.

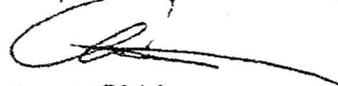
I am hereby in **OPPOSITION to SB 1673, SD2, HD 1** that will transfer the community hospitals to the department of health from the HHSC.

I serve as a volunteer board director for the Maui Memorial Medical Center Foundation (MMMCF), which has provided and continues to provide much-needed funding for various hospital needs.

Since it's inception in 2008, I have witnessed the momentum the Maui Regional Board (MRB) members (also volunteers) have made towards finding new and innovative solutions to grow, improve and expand healthcare services here on Maui. *It is through their hard work and vision for MMMC to become a center of excellence in cardiac, stroke and other services independently, that has made our philanthropic efforts successful in gaining financial support from the public.* To abolish the Maui Regional Board and all that has been put in place will be counterproductive to all that we here on Maui have believed in and worked so hard for. I humbly ask that you not support this bill.

Mahalo for this opportunity to present written testimony in **OPPOSITION to SB 1673, SD2, HD1.**

Respectfully submitted,



Anne Oishi

April 1, 2009

Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m.
Conference Room 308

**RE: SB 1673, SD2, HD1 RELATING TO THE HAWAII HEALTH
SYSTEMS CORPORATION**

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I am a very **concerned citizen of Maui County** who is **strongly opposed** to the notion of putting our community hospital back under the Department of Health. The idea of going backwards at such a pivotal time in our history is shocking to me. Please do not compromise the health and well being of our families. We must have the ability to both govern our own hospital and determine what's best for our community with regards to our healthcare.

Thank you for this opportunity to testify in **opposition of SB 1673, SD2, HD1**.

Respectfully submitted,



Tamara R. Koller
326 Makia Place
Makawao, HI 96768
808-572-4044

April 1, 2009

**TO: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m.
Conference Room 308**

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As a practicing physician on Maui, I can firmly state that moving our community hospital back to the Department of Health would be disastrous for our community. Our ability to provide progressive healthcare services would be severely compromised. The DOH does not have the experience or the ability to stay fluid in this challenging healthcare environment.

We have been able to make great strides within the past several years, most notably to advance the MMMC stroke intervention program to the best in state. I know that this would not have been possible under the cumbersome bureaucracy of the DOH.

Thank you for this opportunity to testify in **opposition of SB 1673, SD2, HD1**.
Respectfully submitted,

George L. Talbot MD
Physician-in-Charge Kaiser Maui
55 Maui Lani Parkway
Wailuku, HI 96768
808-243-6135



D. THOMAS ROGERS, M.D., F.A.C.S.
Neurosurgeon
Diplomate American Board of Neurosurgery
39 Kamehameha Avenue
Kahului, HI 96732
Phone (808) 877-7078
Fax (808) 871-4702

Surgery of the Brain
Tumors/Metastasis
Aneurysm/AVMs
Stroke, Hemorrhage
Stereoaxis

Surgery of the Spine
Tumors/Metastasis
Degenerative Disease
Disc Herniation
Neck/Back Pain
Syringomyelia
Fractures

Trauma/Pain
Head Injury
Spine/Spinal Cord
Sports Injury
Peripheral Nerve
Carpal Tunnel
Benign Pain
Cancer Pain
Trigeminal
Neuralgia
Intrathecal
Pumps/stimulator

April 1, 2009

Sent via facsimile (808) 586-6001

To: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice-Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009 – 4:30 p.m.
Conference Room 308

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Thank you for this opportunity to submit testimony as it relates to this bill presented before you.

I am hereby in **OPPOSITION** of **SB 1673, SD2, HD 1** that will transfer the community hospitals to the department of health from the HHSC.

As a volunteer board of director for the Maui Memorial Medical Center Foundation (MMMCF), our organization, the philanthropic arm whose mission is to "ensure Maui Memorial Medical Center has the resources it needs to provide the highest level of medical care to our residents and visitors here in our community..because life is precious".

Since it's inception in 2008, I have witnessed the momentum the Maui Regional Board (MRB) members (also volunteers) have made towards finding new and innovative solutions to grow, improve and expand healthcare services here on Maui. It is only through their hard work and vision for MMMC to become a center of excellence in cardiac, stroke and other services independently, has it made our philanthropic efforts successful in gaining financial support from the public. To abolish the Maui Regional Board and all that has been put in place will be counterproductive to all that we here on Maui have believed and worked so hard towards. Please do not support this bill.

Mahalo, for this opportunity to present written testimony in **OPPOSITION** to **SB 1673, SD2, HD1**.

Sincerely;



D. Thomas Rogers, M.D. (F.A.C.S.)

Sent via facsimile (808) 586-6001

To: **Representative Marcus R. Oshiro, Chair**
Representative Marilyn B. Lee, Vice-Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009 – 4:30 p.m.
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I am hereby in **OPPOSITION of SB 1673, SD2, HD 1** that will transfer the community hospitals to the department of health from the HHSC.

As a volunteer board of director for the Maui Memorial Medical Center Foundation (MMMCF), I feel compelled to speak out against this bill. Our goal and the goal of the hospital has been to move forward towards greater independence and ultimately autonomy. This bill, unfortunately, moves us in the opposite direction with less independence and no autonomy.

Since it's inception in 2008, I have witnessed the momentum the Maui Regional Board (MRB) members (also volunteers) have made towards finding new and innovative solutions to grow, improve and expand healthcare services here on Maui. It is only through their hard work and vision for MMMC to become a center of excellence in cardiac, stroke and other services independently, has it made our philanthropic efforts successful in gaining financial support from the public. To abolish the Maui Regional Board and all that has been put in place will be counterproductive to all that we here on Maui have believed and worked so hard towards. Please do not support this bill.

Mahalo, for this opportunity to present written testimony in **OPPOSITION to SB 1673, SD2, HD1.**

Respectfully submitted,


Keith A. Regan

R. CLAY SUTHERLAND
Attorney At Law

140 Hoohana Street, Suite 320
Kahului, Maui, Hawaii 96732
(808) 871-8720 phone
(808) 871-8738 facsimile
e-mail: clay@rclaysutherland.com

April 1, 2009

TO: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009, 4:30 p.m.
Conference Room 308

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Act 290 (2007) established five new regional system boards and changed the composition of the HHSC Corporate Board. The act shifted authority for custodial control of assets, operations and authority and at the corporate board level for major policy, strategy and financial decisions to the regional level. The implementation of Act 290 was an innovative step to provide more direct oversight and control to the communities served by the HHSC facilities, and through Act 290, this has been achieved. However, HHSC remains bound by many of the operational restrictions and limitations which existed prior to Act 290, which continue to affect the ability of the facilities to operate as efficiently and profitably as possible. Act 290 was written with the very best of intentions and intent and more time and action is needed to continue the positive transformation of the system. Unfortunately, SB 1673 SD2 HD1, as currently written would effectively negate these efforts.

The current House version would negatively impact current operations; for example, it would:

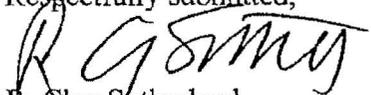
- Eliminate the volunteer regional boards who have worked tirelessly to improve healthcare in their local communities,

- Eliminate many of the positions in the corporate office who provide shared services for such things as: financial reporting, personnel arbitration, risk and litigation management, physician credentialing, information technology management and contract negotiations; the loss of these economies-of-scale would eventually add even greater expense to our operating budgets,
- Limit or even prevent the pursuit of private-public joint ventures, that afford each region the opportunity to partner with other healthcare systems to facilitate the infusion of private capital and to provide cost-effective care,
- Require re-tooling of innumerable policies and practices to adhere to Department of Health standard operating procedures,
- Limit the authority of line-level supervisors and managers to make operating unit business decisions, and
- Limit the ability of management to make strategic and tactical decisions in a complex and rapidly changing industry,

As a Maui Region board member of the Hawaii Health Systems Corporation our new governing body has made great strides in the past year. We have worked steadily to find new and innovative solutions to: 1) grow and expand healthcare services on Maui; 2) involve the community in local governance of Maui Memorial Medical Center, Kula Hospital and Lanai Community Hospital; and 3) explore strategies to reduce our dependence on state funding. Our vision is to become a center of excellence in cardiac, stroke and other services, while providing relief and support to the overburdened Oahu hospital system. I believe that Maui Memorial Medical Center can only achieve these goals by becoming independent of the state system and moving to the DOH would halt all advancements we have made to do so.

I appreciate the committee's consideration, and would request that SB 1673 SD2 HD 1 be amended to reflect the intent and terms of the SB 1673 SD2.

Respectfully submitted,



R. Clay Sutherland
Chairman, Maui Regional Board
Hawaii Health Systems Corporation

SARAJEAN TOKUNAGA
327 South Alu Road
Wailuku, HI 96793

Sent via facsimile (808) 586-6001

To: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice-Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009 – 4:30 p.m.
Conference Room 308

Re: SB 1673, SD2, HD1 – Relating to The Hawaii Health Systems Corporation

Thank you for this opportunity to submit testimony as it relates to this bill presented before you.

I am hereby in **OPPOSITION of SB 1673, SD2, HD 1** that will transfer the community hospitals to the department of health from the HHSC.

As a volunteer board of director for the Maui Memorial Medical Center Foundation (MMMCF), our organization, the philanthropic arm whose mission is to "ensure Maui Memorial Medical Center has the resources it needs to provide the highest level of medical care to our residents and visitors here in our community..because life is precious".

Since it's inception in 2008, I have witnessed the momentum the Maui Regional Board (MRB) members (also volunteers) have made towards finding new and innovative solutions to grow, improve and expand healthcare services here on Maui. It is only through their hard work and vision for MMMC to become a center of excellence in cardiac, stroke and other services independently, has it made our philanthropic efforts successful in gaining financial support from the public. To abolish the Maui Regional Board and all that has been put in place will be counterproductive to all that we here on Maui have believed and worked so hard towards. Please do not support this bill.

Mahalo, for this opportunity to present written testimony in **OPPOSITION to SB 1673, SD2, HD1.**

Respectfully submitted,


Sarajean Tokunaga

TIANA U. CORDERO
352 Mikohu Loop
Kahului, HI 96732

Sent via facsimile (808) 586-6001

To: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice-Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009 – 4:30 p.m.
Conference Room 308

Re: SB 1673, SD2, HD1 – Relating to The Hawaii Health Systems Corporation

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Mahalo, for this opportunity to present written testimony in **OPPOSITION to SB 1673, SD2, HD1.**

Respectfully submitted,



Tiana U. Cordero

April 2, 2009

The Honorable Marcus Oshiro, Chair

The Honorable Marilyn H. Lee, Vice Chair

House Committee on Finance

Re: SB 1673, SD2, HD1 (HSCR 1257)-Hawaii Health Systems Corporation

Dear Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Thank you for this opportunity to comment on SB 1673, SD2, HD1 (HSCR 1257).

My name is Leonard Tanaka and I am a local General and Electrical Contractor with office locations in Hilo and Kona. I am also the chair and designated spokesperson for a volunteer grassroots organization - **Community Healthcare Action Task Force** (or CHAT) established to support and advocate for a hospital and community health care system that delivers quality and appropriate health services to the island of Hawaii.

CHAT was originally organized by former Hawaii County Mayor Harry Kim to identify and respond to the much-publicized hospital and health care crisis in Hawaii County and the State of Hawaii. Team members consist of representatives from the business sector, public and private agencies, and the community at large. A few of the represented organizations are: Hawaii Island Chamber of Commerce, Japanese Chamber of Commerce, Hilo Medical Center Foundation and Kanoelehua Industrial Area Association. Individual members include: Mr. Delbert Nishimoto, Hawaii Island Liaison for U.S. Senator Daniel Inouye and Mr. Harry Kim, Former Hawaii County Mayor, Mr. Andy Levin, former Hawaii Senator and current County of Hawaii Deputy Prosecuting Attorney and Mr. Romel Dela Cruz, former Administrator of Hale Ho'ola Hamakua and Assistant Administrator of Hilo Medical Center.

CHAT is not fully informed of the rationale for the Senate and House versions of the bill; therefore, we do not feel qualified to submit a definitive position at this time. There is great concern and total agreement, however, that any proposed legislative action should absolutely not interrupt and worsen the already fragile delivery of hospital and other health care services in our community, which, if inappropriate or not well designed and funded, may compromise the health, and safety of the residents in our community.

Proponents and opponents of either version may disagree on the specifics of this bill, but it is our overview that there is general agreement by many, including CHAT members that changes are necessary to the existing HHSC / State hospital system. Therefore, it is our recommendation that this committee keep this bill alive and allow differences to be resolved by the Conference Committee in consultation and thoughtful consideration of all concerns expressed by all interested parties. The end result must be for the ultimate benefit of the residents served by the State hospital system,

Equally important, CHAT requests this Legislature to take action this session to ensure that adequate appropriation is provided to fund current HHSC budgetary shortfalls and future operational expenditure needs in order to keep our hospital open and viable.

Thank you very much for your consideration.



Leonard S. Tanaka
Chairman
Community Healthcare Action Taskforce

**AMELIA E. HANLON
221 Mahalani Street
Wailuku, HI 96793**

Sent via facsimile (808) 586-6001

**To: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice-Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009 – 4:30 p.m.
Conference Room 308**

**Re: SB 1673, SD2, HD1 – Relating to The Hawaii Health Systems
Corporation**

Thank you for this opportunity to submit testimony as it relates to this bill presented before you.

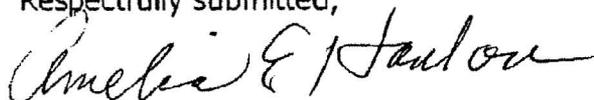
I am hereby in **OPPOSITION of SB 1673, SD2, HD 1** that will transfer the community hospitals to the department of health from the HHSC.

As a volunteer board of director for the Maui Memorial Medical Center Foundation (MMMCF), our organization, the philanthropic arm whose mission is to "ensure Maui Memorial Medical Center has the resources it needs to provide the highest level of medical care to our residents and visitors here in our community..because life is precious".

Since it's inception in 2008, I have witnessed the momentum the Maui Regional Board (MRB) members (also volunteers) have made towards finding new and innovative solutions to grow, improve and expand healthcare services here on Maui. It is only through their hard work and vision for MMMC to become a center of excellence in cardiac, stroke and other services independently, has it made our philanthropic efforts successful in gaining financial support from the public. To abolish the Maui Regional Board and all that has been put in place will be counterproductive to all that we here on Maui have believed and worked so hard towards. Please do not support this bill.

Mahalo, for this opportunity to present written testimony in
OPPOSITION to SB 1673, SD2, HD1.

Respectfully submitted,



Amelia E. Hanlon

Sent via facsimile (808) 586-6001

To: Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice-Chair
HOUSE COMMITTEE ON FINANCE
Thursday, April 2, 2009 – 4:30 p.m.
Conference Room 308

Re: SB 1673, SD2, HD1 – Relating to The Hawaii Health Systems Corporation

Thank you for this opportunity to submit testimony as it relates to this bill presented before you.

I am hereby in **OPPOSITION of SB 1673, SD2, HD 1** that will transfer the community hospitals to the department of health from the HHSC.

As a volunteer board of director for the Maui Memorial Medical Center Foundation (MMMCF), our organization, the philanthropic arm whose mission is to "ensure Maui Memorial Medical Center has the resources it needs to provide the highest level of medical care to our residents and visitors here in our community..because life is precious".

Since it's inception in 2008, I have witnessed the momentum the Maui Regional Board (MRB) members (also volunteers) have made towards finding new and innovative solutions to grow, improve and expand healthcare services here on Maui. It is only through their hard work and vision for MMMC to become a center of excellence in cardiac, stroke and other services independently, has it made our philanthropic efforts successful in gaining financial support from the public. To abolish the Maui Regional Board and all that has been put in place will be counterproductive to all that we here on Maui have believed and worked so hard towards. Please do not support this bill.

Mahalo, for this opportunity to present written testimony in **OPPOSITION to SB 1673, SD2, HD1.**

Respectfully submitted,

A handwritten signature in black ink, appearing to be the name of the author, written in a cursive style.

PO Box 670
Kealahou, Hawaii 96750
Office: 808-323-2110

**Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice-Chair**

Thursday, April 2, 2009
4:30 PM
Hawaii State Capitol
Conference Room 308

Testimony Opposing SB 1673 SD2 HD1 - Relating to Hawaii Health Systems Corporation

Transfers the community hospitals of the state government to the department of health from the Hawaii Health Systems Corporation and abolishes the corporation and its regional boards.

Provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011. Establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before 10/1/2010.

Thank you for the opportunity to provide testimony concerning SB 1673 SD2 HD1. I oppose this bill as presently written – it epitomizes driving headlong into the future with one’s vision firmly fixed on the rearview mirror.

I am a general surgeon in Kealahou, Kona. I have practiced here for near-twenty five years; the only place I have ever practiced. I have been a member of the West Hawaii Regional Board since its inception.

I remember well the days when Kona Community Hospital (and Kohala Hospital) were directly administered by the Department of Health. I’ll not mince words here: no one with a serious grasp of the issues involved in running a hospital in the current economic and social environment would consider, for a millisecond, reverting to that model of “management”.

Let’s face it, folks, neither our government nor its subsidiary agencies are models of efficiency. They are, in general, slow to recognize problems, slower yet to respond to them. Running a modern hospital in the current regulatory age, keeping up-to-date with procedures and personnel, negotiating with the myriad governmental and payor agencies is so far beyond the scope of what the DOH could conceivably manage as to make even momentary consideration of such a change nothing other than laughable. And this said with no offence to the fine staff at the DOH but this is simply not what they do, not what they’re trained or equipped to do, not what they should do.

Hospitals in Hawaii should be run as they are run virtually everywhere in our nation: by independent boards comprised of members of the communities wherein the hospitals are situated. And that's what we have now – that's what was set up by Act 290 – that's what should be nurtured and supported. For this alone is what will give us a way out of our present situation. No one other than representative community members has a better grasp of what is needed and required in their community. The legislature in its wisdom recognized this lapse in the initial acts establishing HHSC and corrected the oversight in Act 290.

That our State hospitals are constantly "running in the red" is not an unusual nor unique situation – read the national papers, read the local papers. So many external factors come together to create this situation (rising cost of treatments and medications, aging population, etc, etc) – all well known to anyone versed in these matters. We can, in Hawaii, do little to influence or change these external factors.

What we can do, however, is influence those matters over which we are able to exert some control. Specifically we can change the playing ground so that the hospitals are able to swiftly and ably respond to changes in the marketplace. Swiftly and ably are not words that come to mind when recalling the time when the DOH directly controlled the hospitals...

SB1673, as originally written, encompasses many of the forward-thinking changes that will further the evolution of the hospitals in the HHSC system. The current bill, SB1673 SD2 HD1, as amended is a gutted, backwards-looking travesty that will not only do nothing to alleviate the current problems, it will positively worsen them.

The problem, folks, is indeed complex on so many levels. Yet on some fundamental level it is actually quite simple: the Legislature can either pass the forward-looking S1673 and free the hospitals to pursue a better way of managing their affairs or accept the decades-old disaster of perpetual and increasing subsidies. This latter route seems unacceptable to just about everyone. So the choice is really quite basic: either give us the tools and freedom to do what we need to do to make the hospitals sustainably vital and viable or put up and shut up and keep doling out subsidies to hospitals shackled in a dysfunctional system.

The key is evolution, not devolution. SB1673 encompasses the former, SB1673 SD2 HD1 furthers the latter. Your choice.

Mahalo for the opportunity to testify on this important matter. I can be reached at the above number should any members wish to discuss this matter further.

Yours truly, and aloha,

Alistair Bairos, MD
West Hawaii Regional Board

Committee on Finance
Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice-Chair

Thursday, April 2, 2009
4:30 PM
Hawaii State Capitol
Conference Room 308

Testimony Opposing SB 1673 SD2 HD1 - Relating to Hawaii Health Systems Corporation

Transfers the community hospitals of the state government to the department of health from the Hawaii Health Systems Corporation and abolishes the corporation and its regional boards.

Provides for the repeal of the transfer provisions and enabling law for the community hospitals on June 30, 2011. Establishes a transition committee to conduct a study to determine a permanent structure for the community hospitals and requires a report before 10/1/2010.

On behalf of the West Hawaii Region of HHSC, thank you for the opportunity to provide testimony concerning SB 1673 SD2 HD1.

Our preliminary budget for FY-10 for Kona Community Hospital (KCH) is a \$5 million deficit. In round numbers: Operating expenses are forecasted to be \$61 million; revenue from insurance payments is \$47 million – a \$14 million operating loss before State support. Add in our State appropriation of \$6 million and collective bargaining funds of \$3 million. This Net Revenue represents a \$4.9 million increase in reimbursement from Medicare and significant third party insurers that would not have been possible without the support of HHSC Government Program employees who tirelessly worked to file amendments and supporting documentation to adjust the basis by which this facility is reimbursed.

As a state-sponsored hospital, the HHSC West Hawaii Region depends on, benefits from and is grateful for financial support from the state. However, the subsidies are not enough to cover the projected deficit. Fortunately, SB1673 SD2 provided some of the change needed to partially address the deficit

Perhaps the greatest area of opportunity rests with providing legislation to better manage and control escalating costs. Healthcare is a labor-intensive industry. There are added costs for being a state agency - the cost of civil service is real and measurable - our labor expenses are significantly higher than most hospitals in our state. All hospitals deal with the cost of paid time-off; however, state employees receive a generous paid time-off benefit. Few other hospitals offer this level. In comparison to other Hawaii hospitals outside of HHSC, our cost is \$3.7 million above what those organizations would incur. The state pension and retiree health insurance program adds another \$4.7 million. For Kona Community Hospital the added cost is \$8.4 million per year. To help keep this in perspective, it should be noted that when compared to other hospitals and hospital systems, labor costs generally take up to 40-50% of all the revenues generated leaving the balance to pay for supplies, professional fees such as Physician on-call,

purchased services, utilities, repairs and depreciation. For Kona, 80 to 87% of net revenues are taken by labor a cost increase that is a substantial and catastrophic difference from what would be considered the industry norm. Please understand, these increased costs are not related to the hourly wage, rather it is the increased benefits and inability to adjust staffing within a civil service model to flex with the ebb and flow of volumes that is inherent in Healthcare.

To date, no bill has moved forward that would permit HHSC facilities to partner with businesses to provide support functions. Nor has one moved forward to permit the creation of a new personnel system within HHSC for new hires (current employees would be "grandfathered" into the existing system). Nor has a bill that would permit the creation of one new collective bargaining unit specifically for HHSC employees and establishes HHSC as the Public Employer and allow HHSC and its five regions the autonomy to negotiate directly with a union to address our unique and specific needs. The State of Hawaii can no longer afford to fully support the escalating cost of healthcare; therefore, it is essential that we explore ways to better manage these costs so that we can take care of our communities.

I respectfully request that the House reconsider the version drafted by the Senate in SB1673 SD2.

Respectfully submitted,

Scott Leckey, CPA
Chief Financial Officer
West Hawaii Region - Hawaii Health Systems Corporation
Kona Community Hospital and Kohala Hospital

FINTestimony

From: mailinglist@capitol.hawaii.gov
sent: Thursday, April 02, 2009 9:04 AM
To: FINTestimony
Cc: kulm@hawaii.edu
Subject: Testimony for SB1673 on 4/2/2009 4:30:00 PM

Testimony for FIN 4/2/2009 4:30:00 PM SB1673

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Becki Kulm
Organization: Individual
Address: 68-3829 Manu Aihue Waikoloa, HI
Phone: 8088966741
E-mail: kulm@hawaii.edu
Submitted on: 4/2/2009

Comments:

I am a Masters Degree student in Social Work at the University of Hawaii at Manoa, in the distance education program. I am also a resident and health care recipient in West Hawaii.

Hawaii Health Systems Corporation is in crisis. I am not aware of anyone, including the administration of HHSC, that would object to this statement. HHSC itself has proposed several bills during this legislative session to begin to address the problems. While I have not been in complete agreement with the bills proposed, I found myself supporting them; because some sort of action must be taken now, to ensure that the residents of this state have appropriate access to quality medical care.

Since it's formation in 1996, HHSC has attempted to provide this care, while upgrading an entrenched, impoverished, and run-down state hospital system. This has been an uphill battle, to say the least, and there is still much to be done. There is a sense of entitlement among some staff members, including a "state-think" fear of change and feelings of underappreciation and complacency. There is a dearth of funding to bring in equipment and physicians to offer new (billable) specialites, and improve care. There continue to be needed upgrades to the West Hawaii Region's physical plants. All of the movement forward has been in attempt to bring the system forward into the 21st century, to make it viable both financially, and in provision of care to Hawaii residents.

To decapitate the current hosptial system and re-place it under to the oversight of the Department of Health, which is already cutting budgets with disasterous results, appears to be nothing more than an ill-considered, knee-jerk reaction to the problem.

Yes, HHSC is expensive to operate.

Yes, staff needs to feel that they are a valued part of a vital and necessary service.

And yes, it needs to be restructured to ensure that the quality of care will continue to improve in a fiscally responsible manner.

But no, Hawaii Health Systems Corporation should not be restructured at the cost of lives, and a return to mid-20th century medical care.

Thank you for the opportunity to testify in opposition to SB 1673, SD2, HD1.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 01, 2009 3:43 PM
To: FINTestimony
Cc: jbarnett@hawaii.rr.com
Subject: Testimony for SB1673 on 4/2/2009 4:30:00 PM

Testimony for FIN 4/2/2009 4:30:00 PM SB1673

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: john Barnett
Organization: Individual
Address: 81-6630 Kekaa Pl Kealahou, HI 96750
Phone: 808-323-2141
E-mail: jbarnett@hawaii.rr.com
Submitted on: 4/1/2009

Comments:

I have been working on a special task force to improve health care services and access on the Big Island. Placing our state managed hospitals under the jurisdiction of the state DOH is a vast mistake.

The present form of the bill as being considered by the House guts to true value of the bill as adopted by the Senate.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 01, 2009 12:58 PM
To: FINTestimony
Cc: mcr_ins@yahoo.com
Subject: Testimony for SB1673 on 4/2/2009 4:30:00 PM

Testimony for FIN 4/2/2009 4:30:00 PM SB1673

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Michael C Robinson
Organization: Individual
Address: 75-6231 Piena Pl. Kailua Kona, HI
Phone: 333-5328
E-mail: mcr_ins@yahoo.com
Submitted on: 4/1/2009

Comments:

Michael C. Robinson Insurance
PO Box 4429 Kailua Kona, HI 96745
Phone: 775-762-6390 Toll Free: 888-839-9371 Fax: 808-333-5328
Email: mcr_ins@yahoo.com Web Site: MCRInsure.com

As a member of the West Hawaii Regional Board I concur with our CEO, Earl Greenia, and other board members that we need legislative help to solve our problems of an intractable work force, ever shrinking Medicare and Medicaid funding and a need to find new partnerships to continue quality health care to all citizens served by Hawaii's rural hospital system. Although some changes may be needed in the current system, I think that deleting HHSC and the regional boards is a step back in time and would not benefit the system nor the people it serves.

I am alarmed at the deficits reported in the Hawaii papers that if accurate reflect on a lack of accountability in the current system. I am also very concerned about the regional boards competing against each other instead of working together.

For example the Honolulu papers recently reported Kaua'i seeking a \$10 million emergency loan in February, in March having found \$7 million and then in March the Senate Human Services Committee approving emergency appropriations which include \$7.9 million for Kaua'i. Is there accurate information about Kaua'i Regional Board finances? How did they get in financial trouble?

Another example is the news reports of Maui floating bonds and borrowing to pay expenses. This is a failed financial policy as expenses then become cost plus interest and is an indication of a bankrupt facility. Is there accurate financial information about Maui's Regional Board finances? Maui reports they are losing \$2.5 million monthly. How long will the Senate committee approved \$16 million keep Maui afloat?

Our board has been told that Hilo was breaking even, and then they are approved by the above mentioned Senate committee for \$8 million emergency funding. Is there accurate financial information on East Hawaii Regional finances?

I agree there needs to be some changes. I think the legislature needs to move forward with a new and improved Act 290 that would add accountability to the system and eliminate the Regional Board competition for state funds that rewards misbehavior and penalizes sound practices. Eliminating the regional boards and HHSC and putting the system under the Department of Health would just be "sweeping the dirt under the rug.". The state has an obligation to support this system financially. The voters elected you to determine the best way, not the easiest.

Thank you for this opportunity to comment.

Respectfully,
Michael Robinson

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 01, 2009 12:52 PM
To: FINTestimony
Cc: uwally@hhsc.org
Subject: Testimony for SB1673 on 4/2/2009 4:30:00 PM

Testimony for FIN 4/2/2009 4:30:00 PM SB1673

Conference room: 308
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Ululani Wally
Organization: Hawaii Health Systems Corporation
Address: 3675 Kilauea Avenue Honolulu, HI
Phone: 733-4151
E-mail: uwally@hhsc.org
Submitted on: 4/1/2009

Comments:
Roger Godfrey will present for Rick Vidgen.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 01, 2009 10:25 AM
To: FINTestimony
Cc: jwalker1@hhsc.org
Subject: Testimony for SB1673 on 4/2/2009 4:30:00 PM

Testimony for FIN 4/2/2009 4:30:00 PM SB1673

Conference room: 308
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Jerry Walker
Organization: West Kauai Medical Center
Address: 4643 Waimea Canyon Dr. Waimea, Hi 96796
Phone: 808-338-9422
E-mail: jwalker1@hhsc.org
Submitted on: 4/1/2009

Comments:

The Kauai Region (West Kauai Medical Center / KVMH; West Kauai Clinics - Waimea, Eleele, kalaheo; Samuel Mahelona Medical Center, SMMH) opposes SB1673, SD2, HD1. I have worked both for the County/State Hospital System (prior to 7/1/1996) and under the current HHSC setup. During that period covering mid 1970's to current time, I have worked in four of the regions as well as deputy director of community hospitals. The following information is provided in determining the transfer of HHSC into the Department of Health. The following resources would have to be provided in order to maintain the current level of services: AG would have to provide additional attorneys with the required experience to meet the hospitals needs (cost estimate couple million); DAGS would have to be ready to phase out current payment system with hospitals and be prepared to assume payment volume of anywhere from 200 to 225 million dollars (need to ask DAGS how many preaudit clerks would be needed, also IT capacity would have to be increased) they would also, have to increase procurement and purchasing capacity with hospital expertise (need to ask DAGS for personnel requirements) CIP needs of hospital system would once again be assumed by DAGS (DAGS needs to determine impact and increase staff) payroll currently processed by DAGS; DHR would have to be ready to take on 4,200 employees which would impact labor relations, training, classification, recruitment & examination, workers compensation, etc. (need to ask DHR for staff requirements and IT support) B&F would need to add maybe one additional position for budget needs, but the biggest requirement would be for ongoing IT services and the need to improve mostly all areas which could cost tens of millions; DOH would have to add staff for vouchering, payroll, CIP requests, accountants, budget staff, HR unless done by division, etc. (need to ask DOH for information); division of community hospitals had over 40 positions before HHSC (deputy director would have to determine how to staff division level functions with existing HHSC staff and new positions) findings members for advisory committees would be difficult, since all existing members of the HHSC and region boards would be gone as of 6/30/2009 (it would be hard to get members to serve in an advisory vs an empowered member); the need to include a provision that would allow for the increasing of the special fund ceiling should the need arise (general fund transfer provision is currently included in bill); the biggest problem to overcome will be the mindset of current staff in how the system is run and how it will be under DOH. From my experience it will completely bring the system to dead stop before everyone is made aware of how things will run under DOH (it has been 13 years, since anyone worked under DOH).
The removal of the HHSC and Region Boards members will leave the communities with no power to maintain or improve healthcare services in these regions. Using advisory committees will not fill the need to get good community input to determine current and future healthcare needs for Hawaii, Maui and Kauai counties.

The transition committee should be made up of individuals from the regions, hospitals, state government, experts on governmental run hospitals, financial, doctors, quality focus, etc. and they should be given the financial resources and staff necessary to complete the required task. During the transition committee's task the HHSC system should not be abolished or transferred until the committee's recommendations are accepted and

legislative action is take by legislature and signed by governor. To have to spend all the time it takes to may a transition and make another a year or two later, just drains thousands of hours of hospitals staff time. The transition when made should be done just once.

Thank you for allowing me to add some concerns and suggestions to this great undertaking. Act 290 (2007) provided a great start to improving the system and giving the power to the region boards and this should contiune. I suggest that SD1763SD2 be used as the vehicle to make the necessary and required changes to improve upon Act 290 pending the transition committees report.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 01, 2009 10:17 AM
To: FINTestimony
Cc: ecabatu@hhsc.org
Subject: Testimony for SB1673 on 4/2/2009 4:30:00 PM

Testimony for FIN 4/2/2009 4:30:00 PM SB1673

Conference room: 308
Testifier position: oppose
Testifier will be present: No
Submitted by: Elena Cabatu
Organization: Individual
Address: 1190 Waiianuenu Avenue Hilo, Hawaii
Phone: 974-4738
E-mail: ecabatu@hhsc.org
Submitted on: 4/1/2009

Comments:

As that Community Relations Manager for HHSC's East Hawaii Region, I oppose SB1673 in its House Draft version. This version is too drastic and endangers HHSC's ability to function as a healthcare safety net.

One of the many issues that strikes me in this version of the bill is the absence of ACT 290's (2007) intentions for our region to transition toward more autonomy. I feel we have been moving in that direction thanks to the tireless efforts of our regional board. We really couldn't ask for a better board to care for healthcare issues in our community. Please allow HHSC Regional Boards the opportunity to mature and fulfill their potential under the responsibilities given to them under ACT 290.

Please reconsider SB1673's House Draft version. This version needs to be refocused with our over 1,000 employees and the tens of thousands acute and long-term care patients we care for in mind. Yes, HHSC needs to shift from its current model and restructure for cost efficiencies, but the current version of this bill will only complicate matters further.

Please oppose SB1673 SD2 HD1. Thank you.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 30, 2009 11:22 PM
To: FINTestimony
Cc: JuanitaLauti@aol.com
Subject: Testimony for SB1673 on 4/2/2009 4:30:00 AM

Testimony for FIN 4/2/2009 4:30:00 AM SB1673

Conference room: 308
Testifier position: comments only
Testifier will be present: Yes
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Submitted on: 3/30/2009

Comments:

I do not oppose the transfer of HHSC back to DOH. I strongly oppose the reduction of civil service employees and positions resulting from this transfer. If reductions of positions are inevitable HHSC must at least execute the following measures with detailed reports to the legislature before eliminating any civil service employees and positions.

1. Report all employee positions to the Legislature. Identify Exempt and Civil Service Employees. Disclose to the legislature all employment contracts for all of HHSC's exempt positions. If an exempt position is w/out a contract, disclose the exempt position's annual salary, bonuses, planned increases, etc.
- .. Freeze hiring. If there are exceptions, document such exceptions and report it to the legislature to include position no, title and salary being offered to include any differentials or bonuses. For exempt positions requiring a contract, disclose compensation details to include but not limited to annual salary, bonuses, incentives, increases, stipend, severance, etc.
3. Release all casual hires/emergency hire employees.
4. Release all exempt employees.
5. For exempt excluded employees not released, reduce a percentage of their salaries and exclude certain benefits that can be legally removed from an exempt employee.
6. Offer a voluntary furlough program to all employees. Identify all employees participating and cost savings to the Legislature and the employees of HHSC.
7. Postpone purchases or implementation of programs that would impact the facility/regional budgets.
8. Centralize certain services and functions.
9. Research all positions and identify each position if budgeted or not budgeted and provide details of financial statements supporting such claim to the Legislature.
10. Freeze all compensation adjustments of any type to all exempt employees during this period and any period following a RIF.
11. Report all exempt employees' temporary assignment pays and duration (initial start of temporary assignment to end date - if any) to the Legislature.

I believe the above measures should be taken before any civil service employees and positions are considered for elimination. Thank you.