

SB 44

LINDA LINGLE
GOVERNOR OF HAWAII



CHIYOME LEINAALA FUKINO, M.D.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
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HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

Senate Committee on Health

Senate Committee on Labor

SB 44, RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION

**Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health**

**February 13, 2009
2:45 PM**

1 **Department's Position:** The Department of Health (DOH) wishes to reserve final comment on this
2 measure as it pertains to the transfer of accrued liabilities until the Department of Budget and Finance
3 has had an opportunity to evaluate and advise on this proposal.

4 **Fiscal Implications:** Unknown

5 **Purpose and Justification:** The Department supports the many efforts being discussed in this
6 legislative session to assist the Hawaii Health Systems Corporation (HHSC) in achieving a healthy
7 financial status, and DOH stands ready to help in any way that is feasible.

8 Thank you for the opportunity to testify.



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

"Touching Lives Every Day"

Joint Hearing

Committee on Health

Senator David Y. Ige, Chair
Senator Josh Green, M.D. Vice Chair

Committee on Labor

Senator Dwight Y. Takamine, Chair
Senator Brian T. Taniguchi, Vice Chair

Friday, February 13, 2009

2:45 PM

Conference Room 016
Hawaii State Capitol

**Testimony Concerning SB 44 Relating to the Hawaii Health Systems
Corporation**
Transfer Prior Liabilities

Thomas M. Driskill, Jr.
President & Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in support of SB 44.

The purpose of this bill is to require the department of health to assume all community hospital liabilities accrued up to 6/30/1996 and Hawaii health systems corporation (HHSC) to assume all subsequent liabilities and to clarify HHSC responsibilities for payments into the employees' retirement system funds for its employers.

The notes to HHSC's audited financial statement for the year ending June 30, 2007 indicate HHSC assumed liabilities upon its inception totaling \$20,122,507. Since HHSC was formed on 6/30/1996, HHSC has been unable to resolve these accrued liabilities, which are reported as amounts due to the State of Hawaii in HHSC's consolidated statement of net assets but for which the State of Hawaii has fully reserved for any receivable amounts recorded on its accounting records. Continuing to carry these

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amounts on the HHSC balance sheets has and will continue to complicate credit evaluations. Transferring these amounts to another agency of the state would facilitate efforts of HHSC Regions to access capital for equipment and important business initiatives. HHSC does not offer opinion on whether liabilities should be transferred to the department of health or to another agency of the state.

It is unknown what the unfunded liabilities were of the state to the employees' retirement fund or to other funds for division of community hospital employees at the time HHSC was formed on 6/30/1996. HHSC and its regions would appreciate the assistance of the State to determine these unfunded liabilities and the transfer of the liabilities to another agency of the state and the adjustment, on a go forward basis of required contributions by HHSC and its regions to these funds. For the two years of fiscal biennium 2009-2011, we estimate that HHSC would be required to make contributions to the ERS totaling \$38 million for FY 2010 and \$39 million for FY 2011. At this time, the amount of these contributions that would be dedicated to cover unfunded liabilities existing at the time HHSC was formed on 6/30/1996 is unknown.

HHSC regions and facilities are in severe financial crisis. Our projections are that HHSC regions and facilities will continue to be in financial stress for years to come and that the financial crisis will worsen rather than improve. Several bills are under consideration to enable financial and operational restructuring of HHSC regions, but the benefits of this legislation may not be fully realized for several years. Information on proposed legislation to enable financial and operational restructuring of HHSC regions has been provided to committee staff.

To sustain operations of HHSC regions and facilities at current service levels and costs will require either that the State of Hawaii provide substantially increased general funds subsidy to our regions and facilities, or that legislation be enacted to provide for future substantial financial and operational restructuring of the system. HHSC regions have calculated cash flow shortfalls of \$35 million for fiscal year 2010 and \$31 million for fiscal year 2011. Information on projected cash flow shortfalls has been provided to committee staff. Since these projections were made prior to the realization of the severity of the recession being faced by the state of Hawaii and the nation, we are concerned the cash flow pressures the HHSC regions will face in FY 2010 and FY 2011 will be much worse than forecast.

We understand the state is unable to provide substantially more general funds subsidy to HHSC and the impact of legislation for substantial financial and operational restructuring of HHSC may not be realized for several years. HHSC regions will be facing cash flow shortfalls that may render them unable to continue to provide services at current levels without financial relief. Therefore we recommend that transfer of prior liabilities to another agency of the state and clarification of HHSC responsibility for payments into the employees' retirement system funds be seriously considered.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 10, 2009 9:23 AM
To: HTHTestimony
Cc: jwalker1@hhsc.org
Subject: Testimony for SB44 on 2/13/2009 2:45:00 PM

Categories: Green Category, Blue Category

Testimony for HTH-LBR 2/13/2009 2:45:00 PM SB44

Conference room: 016
Testifier position: support
Testifier will be present: No
Submitted by: Jerry Walker
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E-mail: jwalker1@hhsc.org
Submitted on: 2/10/2009

Comments:

The Kauai Region (West Kauai Medical Center / KVMH; West Kauai Clinics - Waimea, Eleele, Kalaheo; Mahelona Medical Center / SMMH) supports SB44. The bill would allow HHSC to clear up it's financial statements by transferring liabilities accrued up to 6/30/1996.

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 12, 2009 4:47 PM
To: HTHTestimony
Cc: egreenia@hhsc.org
Subject: Testimony for SB44 on 2/13/2009 2:45:00 PM

Categories: Green Category, Blue Category

Testimony for HTH-LBR 2/13/2009 2:45:00 PM SB44

Conference room: 016
Testifier position: support
Testifier will be present: No
Submitted by: Earl Greenia
Organization: Kona Community Hospital
Address:
Phone:
E-mail: egreenia@hhsc.org
Submitted on: 2/12/2009

Comments: