

SB 61



LINDA LINGLE
GOVERNOR
JAMES R. AIONA, JR.
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH
DIRECTOR
RONALD BOYER
DEPUTY DIRECTOR

TO THE SENATE HEALTH AND LABOR COMMITTEES
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009

Friday, February 13, 2009
2:45 pm
Conference Room 016

**TESTIMONY ON SENATE BILL NO. 61
RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION**

TO THE HONORABLE DAVID Y. IGE AND THE HONORABLE DWIGHT Y. TAKAMINE,
CHAIRS, AND MEMBERS OF THE COMMITTEES:

WRITTEN TESTIMONY ONLY

My name is Tung Chan, Commissioner of Securities and head of the Business Registration Division ("Division"), Department of Commerce and Consumer Affairs ("Department"). The Department offers technical comments.

The Department wishes to point out possible inadvertent business registration consequences of converting a State instrumentality into a traditional nonprofit corporation. Currently, the Hawaii Health Systems Corporation is a body corporate and is an instrumentality of the State governed by the provisions set forth in 323F. This instrumentality is exempt from registration with the Department.

If converted to a traditional nonprofit corporation in the manner contemplated by this bill, the corporation would become subject to business registration requirements

under HRS 414D, minor infractions of which could result in dissolution. Generally, entities that engage with and hold significant State concerns are made body corporates and drafted to avoid these types of technical and inadvertent dissolutions in part because no one wishes to see State interests turn on these kinds of minor filings infractions. We are merely pointing out the loss of these kinds of protections in the conversion to a traditional nonprofit.

Thank you for the opportunity to testify.



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

"Touching Lives Everyday"

Joint Hearing

Senate Committee on Health
Senator David Y. Ige, Chair
Senator Josh Green, M.D., Vice Chair

Senate Committee on Labor
Senator Dwight Y. Takamine, Chair
Senator Brian T. Taniguchi, Vice Chair

Friday, February 13, 2009
2:45 PM
Conference Room 016

Testimony Opposing SB61 Hawaii Health Systems Corporation
Restructures Hawaii's health care safety net to provide for affordable and accessible quality health care; file for nonprofit cCorporation

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

Thank you for the opportunity to testify on SB61. Although we concur with the intent of this bill and many of the Hawaii Health Systems Corporation (HHSC) stakeholders support this bill, we do not have the support of all five regions for a full system conversion from Public Benefit Corporation to Hawaii Not-for-Profit Corporation. The primary reason that some HHSC Regions are concerned about a full system conversion to a Hawaii Not-for-Profit Corporation is that would potentially mean a total future loss of subsidy now received from the State of Hawaii. Nonetheless, it is very constructive to have discussions on conversion concepts because the one thing upon which everyone agrees is that the State can not afford to continue to underwrite the escalating costs of healthcare for all of the communities we serve in Hawaii. There are other options, including public private partnerships, which must be explored and implemented where applicable.

At this time, the consensus thinking within HHSC regions is that conversion opportunities should be approached at either facility and/or regional levels thus, our Corporate Board recommends that we should shift our support to the six bill HHSC package where an 'enabling' bill has been

introduced for conversion/partnership consideration. The desire of the regions is to put all of our energy into promoting the six bill HHSC package with emphasis on 'enabling' legislation.

For the HHSC Corporate Board

A handwritten signature in black ink, appearing to read 'Andrew Don', with a long horizontal flourish extending to the right.

Andrew Don, M.D., Maui, Chair

The Twenty-Fifth Legislature
Regular Session of 2009

THE SENATE

Committee on Health

Sen. David Y. Ige, Chair

Sen. Josh Green, M.D., Vice Chair

Committee on Labor

Sen. Dwight Y. Takamine, Chair

Sen. Brian T. Taniguchi, Vice Chair

State Capitol, Conference Room 016

Friday, February 13, 2009; 2:45 p.m.

STATEMENT OF THE ILWU LOCAL 142 ON S.B. 61, S.B. 1136, S.B. 1138, S.B. 518

The ILWU Local 142 wishes to express concerns and questions about S.B. 61, S.B. 1136, S.B. 1138, and S.B. 518, all related to Hawaii Health Systems Corporation. We comment on these bills as the representative of thousands of ILWU members and retirees who are consumers of services provided by Hawaii Health Systems Corporation.

S.B. 61 will permit Hawaii Health Systems Corporation to be a private nonprofit entity, presumably able to raise its own funds and continue to be the health care safety net by providing affordable, accessible and quality health care. But what happens if the nonprofit corporation is not financially viable? Can the corporation close up shop? What then happens to the "safety net" of services for those in remote areas of the neighbor islands?

S.B. 1136 proposes to outsource certain services of HHSC. The bill does not specify what services would be outsourced, but it is likely that civil service positions would be lost. Yet no one has been able to say, definitively, that outsourcing will produce better, more cost-effective outcomes. In order for HHSC to save money, the workers retained by the outsourcing entity must pay them less than current workers are paid, a distasteful likelihood. In addition, HHSC will be paying the outsourcing entity for management services.

S.B. 1138 and S.B. 518 appears designed to diminish collective bargaining, which we are opposed to on principle. Setting up separate retirement and personnel systems and bargaining units seem unnecessary and costly but are likely mechanisms to eliminate collective bargaining altogether.

The ILWU requests that the Committees consider our concerns and the potential that needed safety net services will be jeopardized by these proposals. Thank you for the opportunity to testify on these measures.