

TESTIMONY BY KALBERT K. YOUNG DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE STATE OF HAWAII TO THE SENATE COMMITTEE ON WAYS AND MEANS ON SENATE BILL NO. 1306, S.D. 1

February 26, 2013

RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION

Senate Bill No. 1306, S.D. 1, amends Chapter 323F, HRS, by adding a new section allowing any of the Hawaii Health Systems Corporation (HHSC) regions or their health facilities to transition to non-public status. The transition can occur through the sale, lease, or transfer of assets, except for real property, which can only be transferred by lease. In addition, all liabilities of the transitioning region or facility that were transferred to HHSC upon its creation by Act 262, SLH 1996, and all collective bargaining contracts negotiated by the State shall become the responsibility of the State. Subject to legislation appropriation, the State is required to continue funding operating support subsidies and capital improvements for the new entity(ies).

The appropriate regional system board must approve the transition of a regional system or individual health facility, and in the case of the corporation transition, all of the regional boards and the corporation must approve the transition. The transition is subject to: approval by affirmative vote of both houses of the Legislature; legal review by the Department of the Attorney General; review by the Department of Budget and Finance (B&F), to ensure conformity to all applicable financing procedures; and the Governor's approval.

Although B&F is open to exploring various avenues to improve the ability of the HHSC to provide quality health services and to increase its economic viability, we have two major concerns with the current version of Senate Bill No. 1306, S.D. 1. The first major concern is that this version requires the State to assume "any and all liabilities" that were transferred to HHSC upon its creation by Act 262, SLH 1996, for any region or facility that transitions into a new legal entity, and all liabilities relating to collective bargaining contracts that were negotiated by the State. It is unclear what is meant by "any and all liabilities" that the State shall assume on behalf of any region or facility that transitions into a new legal entity. Because there is no definition of what constitutes the "liabilities," it is assumed that the liabilities could be significant as there are no limitations contained in the bill.

The second major concern is that the State is required to continue funding operating support subsidies and capital improvements for the new entity(ies). If the State is to assume "any and all liabilities" that were transferred to HHSC upon its creation and all liabilities relating to collective bargaining contracts that were negotiated by the State, it is questionable why the State needs to continue its subsidies. The new entity(ies) would appear to be largely unencumbered and should have the ability to be self-sufficient. The combination of the two considerations above need to demonstrate, at least, financial advantages to the State and taxpayer in order for such an arrangement to be tenable.

In addition to these two major issues, we note that there are a number of "transitional" issues (the list below is not exhaustive) that need to be addressed:

• The current employees of the HHSC are members of the Employees' Retirement System (ERS) and Employer-Union Trust Fund (EUTF) and most have accrued

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benefits under ERS and EUTF. Some transition arrangement needs to be worked out for these employees when the new entity(ies) come into being - do they transition out of ERS and EUTF, maintaining their accrued benefits earned up to the transition, or do they stay in ERS and EUTF even while they work for the non-public entity(ies)?

- The sale or transfer of buildings that were previously financed with tax-exempt general obligation bonds may trigger a "change of use" of the bond financed building, as the owner of the building for federal tax purposes will be a private entity. This may have tax consequences as the bond issue may no longer qualify for federal tax exemption. Further discussion with bond counsel will be necessary to ensure compliance with federal tax requirements.
- Three of the HHSC's facilities are located in whole or in part on ceded lands. Rents, fees, and other funds collected by the three facilities from or for leases, revocable permits, licenses, the sale of natural resources, parking, concessions, and other uses of the ceded lands underlying the facilities, are subject to transfer to the Office of Hawaiian Affairs (OHA) pursuant to Executive Order No. 06-06 and Section 3 of Act 178, SLH 2006. If this bill is enacted, and any of the three facilities was transferred, rents for any ceded lands transferred by lease would be subject to transfer to OHA as well.

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"Quality Health Care for All"

Senate Committee on Ways and Means Senator David Y. Ige, Chair Senator Michelle N. Kidani, Vice-Chair Tuesday, February 26, 2013 Conference Room 211 3:00 p.m. Hawaii State Capitol

Testimony Supporting Senate Bill 1306 SD1, Relating to the Hawaii Health Systems Corporation. Permits the regional systems of the Hawaii Health Systems Corporation and their health facilities to transition to non-public status.

Bruce S. Anderson, Ph.D. President and Chief Executive Officer Hawaii Health Systems Corporation

Hawaii Health Systems Corporation (HHSC) supports SB1306 SD1 to clarify the powers of the HHSC and regional system boards to enter into public/private partnerships. Private partnerships may take many forms. However, HHSC respectfully requests that the measure be returned to its original form to add back in the language specifying that the employees of the new entity and private entity be exempt from chapters 76, 87A, 88, and 89, Hawaii Revised Statutes in order to clarify that the employees of the new entity or private entity will not be employees of the State.

The HHSC Board passed a motion supporting continued discussions with private entities for potential partnerships and other relationships. Therefore, legislation clarifying the roles of the various boards in making decisions could prove valuable.

Thank you for the opportunity to speak in support of this measure.

3675 KILAUEA AVENUE • HONOLULU, HAWAII 96816 • PHONE: (808) 733-4020 • FAX: (808) 733-4028

HAWAII GOVERNMENT EMPLOYEES ASSOCIATION AFSCME Local 152, AFL-CIO



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

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

Testimony by Hawaii Government Employees Association February 26, 2013

<u>S.B. 1306, S.D. 1 – RELATING TO</u> THE HAWAII HEALTH SYSTEMS CORPORATION

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly opposes the purpose and intent of S.B. 1306, S.D. 1, which proposes changes to Chapter 323-F, Hawaii Revised Statutes which would permit the regional systems of the Hawaii Health Systems Corporation and their health facilities to transition to non-public status.

The Hawaii Health Systems Corporation operates a system of community hospitals primarily on the neighbor islands. That network provides a safety net of health care, with a Hawaii State Constitutional mandate to ensure access to health care for all citizens. In many instances, care is provided without payment, a cost that our state taxpayers bear to ensure care for all.

To preserve the safety net for the neighbor islands the system must remain intact. If one or more regions were to withdraw from the system, it will create instability through the whole system, both financially and in the types of and mix of services available to local communities. A fragmented health care system is a disservice to Hawaii's people and threatens the long-term viability of the entire health care delivery system. Further, the effort to divest our state from being involved in our health care, and put that responsibility on an Arizona-based provider is short-sighted and not in the best interest of our communities. It is unthinkable that our state will be better off with health care decisions for neighbor islanders being made out of state.

For these reasons, we strongly oppose S.B. 1306, S.D. 1. Thank you for the opportunity to express our opposition.

Respectfully submitted.

Randy Perreira Executive Director





Hawaii Health Systems Corporation—Maui Region Testimony to the Senate Committee on Ways and Means

> <u>Committee on Ways and Means</u> Honorable David Ige, Chair Honorable Michelle Kidani, Vice Chair

From Wesley Lo, Chief Executive Officer of the Maui Region Hawaii Health Systems Corporation

SB 1306: Relating to the Hawaii Health Systems Corporation Tuesday, February 26, 2013 10:05am Conference Room 211 State Capitol 415 South Beretania Street

Dear Chair Ige, Vice Chair Kidani and Members of the Committee:

Thank you for the opportunity to provide comments on SB1306 HD1.

The intent of this bill is to further advance the State's commitment to provide quality health care by allowing the operations of the regional systems of the Hawaii Health Systems Corporation (HHSC) and their facilities to transition to non-public status.

I believe that a public-private partnership, as allowed under Act 182 (2009), will enable us to move forward by expanding our services and infrastructure at Maui Memorial Medical Center (MMMC) and other public hospitals across the state and enable us to provide our communities with access to the quality health care that they deserve.

Under current conditions, HHSC continues to face financial challenges including increasing operating and capital improvement costs, budget shortfalls, budgetary restrictions, declining government and third-party payer subsidies and lack of scale. These issues are related to declining reimbursements, medical inflation, the Affordable Care Act and the current "fiscal cliff" and federal sequestration. These issues and many others are what bring us here today. We need to find a solution.

Over the last several years, general fund subsidies and reimbursements continue to decline while operating costs continue to climb, resulting in exponential net losses for HHSC facilities. In 2012, the operating losses totaled \$143.5 million, while state subsidies decreased to \$73.4 million, resulting in \$68.9 million in net losses, a 134.4% growth in net losses from 2011.

	2010	2011	2012
Operating Loss	\$(101.1)	\$(111.8)	\$(143.5)
General Fund Subsidy	\$98.3	82.0	73.4
Net Loss	\$(1.5)	\$(29.4)	\$(68.9)

As a result of our limited biennium budget, for the fiscal 2014 and 2015 biennium budget period **HHSC anticipates a \$58.5 million budget shortfall**, which does not factor in pay raises or post-employment benefits.

In addition to the operating shortfalls, HHSC also lacks capital for necessary capital improvements. Some HHSC facilities are in need of major renovations and in few cases need to be replaced. HHSC has stated in its Strategic Plan that it needs approximately \$950 million in capital improvements to take care of aging facilities. However, historically, HHSC has only been getting approximately \$24 million per year (2.4% of the estimated total). This does not even keep up with annual depreciation, so it is anticipated that infrastructure will continue to decline without a massive infusion of capital

Declining subsidies and deteriorating infrastructure will inevitably affect quality of care. HHSC offers the only health care facilities in respective rural areas – MMMC is the only fullservice acute hospital in Maui County. Our residents require and deserve more and better services which are now limited to Oahu. As a result, many patients are opting to travel to Oahu for perceived better care or for services not available on their island.

I am concerned that as hospital services erode and patient volume decreases, MMMC will have no choice but to proportionately size its employee base to match diminishing hospital operations and declining budgets. This is our reality on Maui and across the entire HHSC system.

I will be the first to recognize the outstanding work, dedication and commitment of our medical staff and employees at MMMC. These 1,700+ people are the heart of our operation and part of the foundation of our community – they are our neighbors, relatives and our friends and I know the challenges they face each and every day.

With fewer opportunities, it will then become even more difficult to offer better pay and compensation and to maintain and attract new physicians and nurses to provide care in our neighbor island communities, especially with an increasingly aging workforce. Following the passage of ACT 182 in 2009, we began exploring our options allowed under the law with one goal in mind – ensuring that Maui residents receive the highest level of health care available. Our current structure under HHSC, does not allow for growth of health care services and does not provide competitive compensation for our employees.

Over the past several years, we began discussions with many hospital systems both locally and across the country to discuss public-private partnerships, including Banner Health. We have not come to any definitive agreements with Banner Health. The establishment of a public-private partnership with a company's like Banner Health has far reaching benefits for our community including:

- Access to private capital to expand access and service delivery.
- Private sector compensation packages to retain qualified medical service personnel.
- Create efficiencies of scale and an integrated clinical delivery system with increased resources.
- Develop sustainable model of health care delivery that will lower costs and improve the overall quality of services to the community.
- Improve support of and access to rural communities through electronic ICU and telemedicine platforms.

With the State's limited resources, we have come to point in time were we are running out of options. This is not a case of "living within our means" – the State would need to appropriate an additional \$58.5 million over the next biennium, in addition greatly increase the amount of capital invested in our facilities for us to continue operating at the status quo. And status quo is unacceptable for all of us who live and work on the neighbor islands.

The Maui Region of the HHSC is the largest provider of health care on the neighbor islands and our main priority is to provide quality care for the residents of Maui County at MMMC, Kula Hospital and Lanai Community Hospital. In recent years, we have greatly advanced, however, we can no longer rely on State funding to keep those advancements going. With new federal health care reform, combined with fiscal challenges, we have no choice but to look at innovative alternatives that could help to improve and enhance the delivery of basic health care for our residents.

We understand that there are amendments that need to be made to this measure to satisfy both the Legislature as well as any potential suitor. We would be happy to work with your committee on any amendments.

Thank you for this opportunity to testify in support of this important measure. Your support would be greatly appreciated and will ultimately benefit the entire community.

Respectfully submitted,

Name:	Wesley Lo
Title:	Regional Chief Executive Officer
Address:	221 Mahalani Street, Wailuku, HI
Phone:	(808) 442-5100

Testimony to the Senate Committee on Ways and Means Page 4 of 4



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"Health care that is safe, health care that works, and health care that leaves no one behind"

COMMITTEE ON WAYS AND MEANS Senator David Y. Ige, Chair Senator Michelle N. Kidani, Vice Chair

> Tuesday, February 26, 2013 10:05 am Conference Room 211 State Capitol 415 South Beretania St.



RE: SB 1306, SD1 - Relating to the Hawaii Health Systems Corporation

Dear Chair Ige, Vice Chair Kidani and Committee Members:

Thank you for the opportunity to submit comments in **SUPPORT of SB 1306, SD1.** The purpose of this bill is to permit the regional systems of Hawaii Health Systems Corporation and their health facilities to transition to non-public status.

Under current conditions, HHSC continues to face financial challenges including increasing operating and capital improvement costs, budget shortfalls, budgetary restrictions, declining government and third-party payer subsidies and lack of scale. These issues are related to declining reimbursements, medical inflation, the Affordable Care Act and the current "fiscal cliff" and federal sequestration. These issues and many others are what bring us here today. We need to find a solution.

I support this bill because a public-private partnership can provide:

Access to private capital to expand services.
 Efficiencies of scale and an integrated clinical delivery system with increased resources.
 Development of a sustainable model of health care delivery that will lower costs.

 $_{\odot}$ Development of a sustainable model of health care delivery that will lower costs and improve the overall quality of services to the community.

 $_{\odot}$ Private sector compensation packages to retain qualified medical service personnel.

Thank you for allowing me to submit comments. Your support of this measure would be greatly appreciated.

Respectfully submitted,

Name: Daniel Belcher, M.D., East Hawaii Regional Board Member

Address: 73 Pu'uhonu Place, Suite 104, Hilo, Hawaii 96720





HAWAII HEALTH SYSTEMS CORPORATION

"Health care that is safe, health care that works, and health care that leaves no one behind"

ling and Continued Health in Hamakua" 📈

February 25, 2013

COMMITTEE ON WAYS AND MEANS Senator David Y. Ige, Chair Senator Michelle N. Kidani, Vice Chair

> Tuesday, February 26, 2013 10:05 am Conference Room 211 State Capitol 415 South Beretania St.

RE: SB 1306, SD1 - Relating to the Hawaii Health Systems Corporation

Hale Ho`ola Hamakua

Dear Chair Ige, Vice Chair Kidani and Committee Members:

Thank you for the opportunity to submit comments in **SUPPORT of SB 1306, SD1**. The purpose of this bill is to permit the regional systems of Hawaii Health Systems Corporation and their health facilities to transition to non-public status.

Under current conditions, HHSC continues to face financial challenges including increasing operating and capital improvement costs, budget shortfalls, budgetary restrictions, declining government and third-party payer subsidies and lack of scale. These issues are related to declining reimbursements, medical inflation, the Affordable Care Act and the current "fiscal cliff" and federal sequestration. These issues and many others are what bring us here today. We need to find a solution.

I support this bill because a public-private partnership can provide:

- o Access to private capital to expand services.
- Efficiencies of scale and an integrated clinical delivery system with increased resources.
- Development of a sustainable model of health care delivery that will lower costs and improve the overall quality of services to the community.
- o Private sector compensation packages to retain qualified medical service personnel.

Thank you for allowing me to submit comments. Your support of this measure would be greatly appreciated.

Respectfully submitted,

Name: Howard N. Ainsley, East Hawaii Regional CEO

Address: 1190 Waianuenue Avenue, Hilo, Hawaii 96720



The Twenty-Seventh Legislature Regular Session of 2013



THE SENATE Committee on Ways and Means Senator David Y. Ige, Chair Senator Michelle N. Kidani, Vice Chair State Capitol, Conference Room 211 Tuesday, February 26, 2013; 10:05 a.m.

STATEMENT OF THE ILWU LOCAL 142 ON S.B. 1306, SD1 RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION

The ILWU Local 142 **opposes** S.B. 1306, SD1, which permits the regional systems of the Hawaii Health Systems Corporation and their health facilities to transition to non-public status.

The ILWU has members and retired members living on all islands. Most of them live on the neighbor islands and in rural areas where health care resources are limited. They rely heavily on the safety net services available through the Hawaii Health System Corporation, a quasi-public entity. HHSC facilities provide acute and long-term care as well as needed emergency room services. In a place like Pahala in Ka'u, having an HHSC emergency room nearby can literally mean the difference between life and death.

We fully understand that HHSC facilities are struggling. They continually need legislative support precisely because they are the providers of last resort and serve as a safety net. Patient volume is often low and HHSC's principal service at most facilities is long-term care, which does not generate revenue and, in fact, is a drain on resources. Yet the services are desperately needed by people in rural communities.

It is, of course, tempting to consider moving facilities, like Maui Memorial Medical Center (MMMC), into the non-public arena, either for-profit or not-for-profit. In the past, MMMC has been a major contributor to the survival of the other HHSC facilities, but we understand that it, too, is now struggling and could benefit from an infusion of new capital.

However, the State has an obligation to the public health of all its residents—and visitors as well. If services are not available when the need arises because facilities are shut down, the State may be liable for not fulfilling its statutory obligations. Although a non-public entity may initially agree to keep facilities open and continue services, there are no absolute guarantees when dealing with private entities.

S.B. 1306, SD1 is a move toward privatization, which in the private sector is akin to subcontracting as a means of de-unionizing a workplace. Privatization will break up the Hawaii Health Systems Corporation, lead to "cherry-picking" of services to be provided, result in union-busting, and leave the community overall with fewer services and no safety net. Furthermore, employees who remain will be subject to concessions and layoffs, all in the name of profitability.

As a labor union and in the interests of the community, the ILWU cannot support this proposal. The ILWU respectfully requests that S.B. 1306, SD1 be held. Thank you for the opportunity to share our views and concerns.





1301 Punchbowl Street

Honolulu, Hawaii 96813

Phone (808) 691-5900

S.B. 1306, SD1, RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION Senate Committee on Ways and Means February 26, 2013, 10:05 a.m. Room 211

Thank you for the opportunity to provide testimony with comments for S.B. 1306, SD1, Relating to the Hawaii Health Systems Corporation. My name is Paula Yoshioka, Senior Vice President for The Queen's Health Systems (QHS). The Queens Health Systems takes no position on the intent of the measure. We welcome an open and continuous dialog about the challenges our State's public hospital safety net system faces and all possible solutions that may result in improved health care for our communities. Our comments are focused solely on Section 3, Page 10, lines 17-21 of the SD1, amending Section 323F-7.6(e)(6). If enacted, this section of the measure would statutorily subject the new private-public to the hospital sustainability fee and the related program.

A "provider fee" authorizes collecting revenue from, in this case, inpatient hospitals. It is used as a mechanism to generate new in-state funds and then match them with federal funds, resulting in an increase realization of Medicaid dollars. The cost of the fee is promised back to providers through an increase in the Medicaid reimbursement rate for their patient treatment and services. 49 states in America now have established some type of Medicaid-related provider fee.

The provider fee in Hawaii assists in stabilizing declining Medicaid payments to facilities and slows down the erosion of access to care for those beneficiaries served by the program. The additional federal funds that are obtained via the fee program reduce the amount of loss incurred by Hawaii's hospitals. In Hawaii, our Medicaid program has a limit on the amount of Uncompensated Care Costs (UCC) payments that the State can make to hospitals. While the total UCC federal limit can be adjusted by Consumer Price Index (CPI), the Affordable Care Act (ACA) has certain provisions that will reduce the UCC payments to states due to the expansion of Medicaid coverage. Hawaii's UCC for private hospitals in total is \$81.3 million. For FY 14, and based on the approximate \$1 to \$1 match, hospitals will need to raise \$39.1m in fees, plus a 12% state set aside (\$5.3m) for a total of \$44.4 million. Even with this program, hospitals still incur tens of millions of dollars in losses when serving the Medicaid and uninsured population. Given Hawaii's UCC, the current fee sustainability drawdown still leaves hospitals short by approximately \$40 million.

As written, S.B. 1306 would impact hospitals participating in the sustainability fee beginning in FY2015, or the 3rd year of the existing program. By adding additional private hospitals into the program, payments for existing hospitals would be lowered by the amount needed to fund the new additional private hospital allocations. Should the Legislature enact this measure, and it then results in a private-public partnership for the HHSC system, then Queen's Health Systems would encourage a renewed dialog about the impact of Uncompensated Care Costs to the overall hospital system in the State of Hawaii.



Aloha. My name is Adele Koyama and I am a Big Island Hilo resident. I **strongly oppose** S.B. 1306. First, Banner is a Mainland based company and the money does not stay in Hawaii.

Secondly, they don't have a vested interest in the community and the familes who live here. Banner's bottom line is to make money and vital services that are not profitable will be cut leaving us with minimal services. If they feel they are not making enough profit, they will leave and our healthcare system will be left in shambles.

Lastly, Oahu has several hospitals residents can choose from. For Neighbor Islands and I speak specifically to the Big Island, there is only Hilo Medical Center. They provide healthcare for **all** residents of the Big Island. Our families rely on it!

Thank you for the opportunity to provide testimony.

Sincerely,

Adele N. Koyama



<u>SB1306</u>

Submitted on: 2/25/2013 Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Candace Tablit	Individual	Oppose	No

Comments: The Senate The Twenty-Seventh Legislature, State of Hawaii Regular Session of 2013 Committee on Health February 25, 2013 S.B. 1306 – RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION Chair Green, Vice Chair Baker, and members of the Committee on Health: Thank you for the opportunity to provide testimony in strong opposition of the language in S.B. 1306, which permits the regional systems of the Hawaii health systems corporation and their health facilities to transition to non-public status. My name is Candace Tablit and I work at Hilo Medical Center. As a government employee, I have decided to dedicate my career to public service. Banner Health is a national nonprofit hospital system that only wants private employees and states on their anti-union website that they believe unionization is not in the best interest of their employees. Given this, how can they advocate that they are open to working with our union when they publicly and actively state otherwise on their website? It worries me that they may simply be telling everyone what they want to hear until it is too late. If they take over, they will most likely terminate all employees and re-hire only non-resident staff that have no ties to our community. Banner Health does not believe in unions, and our civil servant service status and benefits will be lost as none of us will be considered to be state employees. With regards to its impact in the community, if Banner Health deems services less than profitable or not in line with their business strategy, they will cut those vital services and possibly close facilities that our community depends on. I fear that as with any big business, the bottom line and turning a profit will be more important than the needs of our diverse and unique community. Given this diversity and the health safety net of care we provide the community we service, expenditures do exceed what we get back in reimbursements because we cannot decide who we care for based on their ability to pay. Are we sure this will still be the case if our hospitals are given over to a private entity based outside of Hawaii? There has to be other options available besides gift wrapping ourselves for a big-box type mainland company that lacks any stake in our islands. It deeply troubles me that the Legislature is considering a partnership where Hawaii taxpayers' dollars will be supporting and funding a mainland company to provide Hawaii with health services. I strongly oppose the passage of S.B. 1306. Thank you for the opportunity to provide testimony. Respectfully submitted, Candace Tablit

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<u>SB1306</u>

Submitted on: 2/25/2013 Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Debra Kaina	Individual	Oppose	No

Comments: As a member of the East Hawaii community, I strongly oppose the privatization of the HHSC. I feel very strongly that privatization of the hospital system will jeopardize the healthcare safety net for the people of East Hawaii. I believe Hilo Medical Center has made great improvements to its services, while increasing service lines as well.

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<u>SB1306</u>

Submitted on: 2/25/2013 Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Drena L. Rodrigues	Individual	Oppose	No

Comments: My name is Drena L. Rodrigues and I am opposing S.B. 1306. I have worked at Hilo Medical Center for 9 yrs., and I am all for improving HMC, but not at the expense of the workers and the community that we serve. When researching non profit hospitals, I came across many concerns that other States and the Federal Government have been looking into. I believe the State of Hawaii owes the people of Hawaii a closer look at these concerns before we jump into a situation that we will regret in the long run. For one thing I believe that we are jumping the gun by passing this bill in 2013, when we don't know how the 2014 Affordable Care Act will impact these non profit hospitals. Many non profit hospitals could lose or have changes made to their tax - exempt status. We won't know until 2014 what kind of affect this will have on the way these non profit hospitals will run, or the changes that will be made that could affect the care of patients. I am also concerned that Hawaii will have the same problems that other states have had with non profit hospitals. One of the biggest problems the different States face is the fact that there are no laws to define what percent of charity care or "community benefits" are required for these non profit hospitals to qualify for federal and state tax exemptions. What many states are reporting is that most charitable hospitals do not provide "community benefits" equal to the value of the tax exemptions they receive. In 2006 the Congressional Budget Office estimated non profit hospitals receive 12.6 billion in annual tax exemptions, on top of the 32 billion in federal, state and local subsidies; today these number would be higher. These non profit hospitals have become cash cows, yet in 2010 analysis showed that half of the non profit hospitals spent 1.52 % or less on charity care, and two- thirds of non profit hospitals spent 2 % or less on charity care. These hospitals were intended to help the poor, but time has shown that is has not. Another problem has been in reporting community benefits or charity care. Many non profit hospitals were reporting Medicare losses as well as bad debts that go unpaid as charity care. Although, Scheduled H was launched in 2009 to create transparencies as to what real charity care is, a non profit hospital can still spend virtually nothing on charity care and receive the same tax breaks as a hospital that sets aside as much as 10 % of its budget to help the poor. The state of Illinois has been suing a non profit hospital for ten years for using bill collectors to go after uninsured patients and who spent only 0.7% of its revenue on charity care. This lack of charity care has also resulted in

some big – name medical centers losing their tax – exemptions. Do we want the State of Hawaii to monitoring charity care or spend years in court trying to enforce charity care? In 2010 the State of California lost 450 million to non profit hospitals for patients who could not pay for their medical bills. Many States are also reporting non profit hospitals sending bill collectors after patients who could not pay and then suing them. This practice of extraordinary collection has been made without reasonable efforts to determine if a patient is eligible for financial assistance, and many patients who don't know that they can qualify for public programs are not directed there. In 2010, in the State of New York, 4,000 liens were put on patients homes in an attempt to collect on bad debt from hospital care. Through out the country studies have shown a link between medical debt and foreclosures. We don't need this in the State of Hawaii. The saddest and most egregious thing I found in my research was the mark up of drugs and specifically specialized drugs such as cancer drugs. Non profit hospitals buy these drugs through a federal mandate program called 340B. The purpose of this program was to past on the savings to the poor, but that has not been the case. Large non profit hospitals are dramatically inflating prices on chemotherapy and other cancer drugs. These non profit hospitals are making millions from this practice. More disturbing is the fact that many non profit hospitals will come into a community and buy out or partner with independent oncology clinics so they can monopolize the prices on this great money making scheme. The sad thing is that many people are forgoing care until it is so bad. In one study 19 % of those under 65 said they put off getting a recommended cancer test or treatment because of cost. This is heart breaking and totally unacceptable for the people of Hawaii. The more I research into these non profit hospitals, the more I am convinced that this is not for Hawaii. The deceit and greed found in many of these non profit hospitals reminds me of what happened on Wall Street. The CEO's of these hospitals are lining their pockets with millions with no regard for the poor people that they are basically stealing this money from. People's lives are being shattered from this greed, and because the people of Hawaii have been culturally a nice people, who don't want to fight or make waves, they will be taken to the cleaners. I implore you to think carefully before you bring in any non profit hospitals to Hawaii as this could change many things for the people of Hawaii. Remember our history and all the mistakes we made that could not be changed. To summarize, the history of these non profit hospitals has been one of greed and abusive practices. This is part of why the Affordable Care Act was created, but still this has not been enough to curb these practices. These hospitals use their tax exempt status in ways that the federal government never intended it to be used. The CEOs and executives are making an excessive amount of money while charity care is extremely low. These hospitals buy up other business or beautiful properties with their property tax exemptions which adds to their profit, all of which is tax free. They profit from lower drug cost while inflating drug prices for the poor. They charge the uninsured and underinsured higher prices for services and drugs and do not inform patients of charity policies. The people who were supposed to benefit the most from these non profit hospitals are hurting the most. It is the poor that they are making a profit off of; it is the poor that they have hunted down for payments and put liens on their homes, and it is the poor that wont seek medical attention because the price of saving lives have become so high. If these hospitals are allowed to come to Hawaii, you will no longer see the beautiful Hawaiian Hawk soaring in the sky, but instead you will see the buzzards circling overhead looking for

the poor that they can prey on.

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<u>SB1306</u>

Submitted on: 2/25/2013 Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Frances	Individual	Oppose	No

Comments: An Study was already done in 2009. Here we are in 2013 and launching another study to reevaluate a "Public-Private Partnership." In the 2009 report Corporate and Regional Board of Directors as well as CEO and regional CEO's were FULLY AWARE what the recommendations. An excerpt from the study states "A "Growing Concern" finding in HHSC's 2008 audit. It notes that...operating losses for 2010 and 2011 will exceed State of Hawai'i appropriations for general operations....It further notes that: HHSC is unable to keep current on payments to vendors....HHSC's primary acute facilities often have critical medical supplies and services vendors placing them on credit hold or cash on delivery status. These matters create substantial doubt about HHSC's ability to continue as a growing concern." Page 12 Administrations Corporate Management and Regional CEO's did little or NOTHING but ask the State of Hawaii for more money in Subsides. There was no communication to "FRONT LINE Employees" of incentive "Pay for Performance, Medical Billing for services rendered, and Charting of services when level of care changes to reduce claim Denial. In the 2009 study most employees have less than 5 years of service. "Out of a total of 3,892 employees in HHSC, 47.5% have been employed for five years or less, and 20.7% have been employed one year or less." Page 44 Study shows that employees dont stay long at HHSC. I would like verification of Each Region to show what Improvements have been done to Attract costumers to utilize the facility. What Improvements aside from the State of Hawaii has been invested in a facility. Also How Much MONEY has HHSC been able to generate since the Corporation took over from the Department of Health. We are constituents that understand the need for service in the Community, however we Require that our Legislators also Protect OUR Well Being as a State. Please Defer this measure. Stroundwater Report is a study mandated by Act 182 (2009) for the Hawai'i Health Systems Corporation (HHSC) to arrange for, on behalf of the Legislature, a comprehensive, independent review and evaluation of HHSC. For more information, please click the link below for the entire report.http://www.kch.hhsc.org/Resources/11242/FileRepository/Forms%20-%20About%20Us/HHSC_Volume_1_12.28.09.pdf

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DATE: 02/12/13



TO: Honorable Senator David Ige Honorable Senator Michelle Kidani And Committee Members of the Ways and Means Committee

RE: SB 1306 - RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION - HHSC Transition to Non-Public Status

It is with much consternation and hesitation that I am writing to **OPPOSE WITH RESERVATIONS, Senate Bill 1306.** I commend the House for their amendments to HB 1483, 1484 in taking time to evaluate the push to open doors for privatization (including partnerships), and to understand its full healthcare implications and repercussions to the employees, physicians, community and to the State of Hawaii. There is a more 'global' concern than the loss of State healthcare facilities.

The current discussion primarily surrounds Banner Health, whom is 'courting' the Maui Region and the Hawaii Region primarily for their acute care, safety net hospitals. What is interesting is that the verbiage in these bills opens door to all 'safety net' healthcare facilities in the State of Hawaii. This means in some future time, our long term care beds in the State could also be privatized. I suspect if there were more watchful eyes in the community, there would be more of a roar in the community and from those facilities.

These are my concerns:

- Banner Health operates with as a centralized model, much like Kaiser. This means that most non-clinical functions will likely be operated from their main campus in Arizona, markedly downsizing hospital departments such as Accounting, Payroll, Patient Financial Services, Human Resources, Information Technology, Contract Management, etc. If this is the model Banner maintains, then unemployment is likely in the future for some employees. Is unemployment the burden the State willing to face and absorb?
- If senior employees are displaced, they will likely displace others in the State system. There is only one acute care facility on Maui. This means, employees may need to relocate their families elsewhere in the State or to the mainland.
- ➤ One of the few facts that have been disclosed to the hospital employees is that all employees will be required to re-apply for their job with Banner Health. If this is a given, to allay some of the fears it should be made known the exact pre-employment process and qualifying factors. Information is brushed over and vague when presented.
- > The majority of community physicians have not been actively or majorly engaged.
- In the original HB 1483, 1484 and SB 1306, there is language that supports continuing State funding to support a private entity, whether Banner or other. I am unclear why the State would use taxpayer dollars single out to support a private entity. Is the same

offered to our local hospitals such as Queen's Medical Center, Hawaii Pacific Health (Kuakini, Struab, Pali Momi, etc.) that are private, non profit hospitals?

- ➤ In approximately 1994, the State in its efforts to decrease costs and decrease its workforce, offered its senior employees an early retirement package. Although in concept it appeared to be a quick solution to cost savings, it created a "brain drain", and cost the State more money in the long term. This is not a parallel analogy however; it begs the question of this legislation's long term ramifications.
- Healthcare is an ever-changing entity. Some of the changes such as shrinking reimbursements, escalating costs, patient volume decreases, etc is not new or unexpected. This has been foreseen and foretold for a number of years as well documented in many healthcare journals and publications. Prudent healthcare organizations were making fiscal adjustments and re-evaluating operations to accommodate for the uncertainty. What attempts at efficiencies has been made by the Regions or HHSC prior to pursuing this option? Is privatizing the 'easy way out'?
- The Stroudwater Report is being quoted as the impetus for the change and legislation. This report was completed in 2009. It outlined 4 options and suggested that changes occur in the 2-3 years following the report. What were the other options? Has the contents of the report been re-examined to assess its current relevance?
- Will our tax dollars now be ported to a mainland organization? Has there been an effort to explore or engage our local hospitals such as Queen's or Hawaii Pacific Health?
- Many of the supporters of these bills are the administrators and their board members, siting fiscal reasons. The majority of the opposition appears to be employees. Employees are concerned about the community care (safety net), and their livelihood (family, jobs). If this was to be a great thing for the community, then why the strong disparity in viewpoints?
- Privatization regardless of type of business does not always guarantee quality or services. It should be with careful consideration that this door be opened and given away.
- ➤ Why would Banner hire a lobbyist unless they have a personal stake for them in the legislation? Is there more to this than being communicated?
- ➢ It is bewildering how Maui Region was in opposition of Malulani Hospital for the 'probable' reduction in healthcare services to the community to MMMC yet, it is acceptable for "Banner" to consider a takeover with the suspect of reduction in services for the bottom line?

Information has been vague and conflicting, rendering distrust. It is with hesitation and fear that many do not truly speak or voice their concerns.

If the legislature completes their due diligence it will be another viewpoint. Perhaps then the stakeholders will be in better position to accept this change. If all has been thoroughly investigated, all stakeholders engaged, and still the conclusion remains that privatization,

partnerships, etc, is the best course of action for the community and the State, I would be more willing to support this legislation.

Mahalo for your time and consideration, and for this opportunity to submit testimony.

Sincerely,

Gail Miyahira P.O. Box 5052 Kahului, Hawaii - 96732



<u>SB1306</u>

Submitted on: 2/25/2013 Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Karen willisms	Individual	Support	No

Comments: I support this bill in its current form, however the effective date of 2050 is totally unfathomable! In good conscience, do you really think the people should wait 37 years for good healthcare? The hospital will not be a viable entity based on the declining funding they are going to receive. The reasoning stated in this bill is right on...but how can you then follow it up with an effective date of 2050???

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From:	mailinglist@capitol.hawaii.gov
To:	WAM Testimony
Cc:	lefarme@yahoo.com
Subject:	Submitted testimony for SB1306 on Feb 26, 2013 10:05AM
Date:	Monday, February 25, 2013 2:49:12 PM
Attachments:	Hospital Privitization.doc



<u>SB1306</u>

Submitted on: 2/25/2013 Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Lauren Farmer	Individual	Oppose	No

Comments:

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The Hawaii legislature is proposing to give away healthcare related property, lands (oh wait this is lease only and probably for free), buildings, equipment, and all other related assets already paid for by taxpayers. The legislature is also proposing to have the tax payers foot the bill for the transition, assume all the liability, and pretty much ensure that the private business won't have to pay for much of anything because, why bother, the taxpayers can pay for it. Hawaii has a successful health care system. So because everybody else is turning to privatization Hawaii legislature has to jump on the bandwagon. Is it because they're too cheap to pay the nurses a fair wage? Or is it because the lawmakers can manipulate the accounting books to make it look like they did a good thing on election day. A local government provides services for its people. A private business is in it for the profit. It is about making the most money it can.

I am very concerned about the need to give away publicly owned critical assets to a "not-for-profit" managing company. I am very concerned that the quality of care will go down. The private company will cut corners on care because they have to make a profit. Deny care to whomever they please if they can't pay the bill. Why should they hire local when they can fire anyone they please and bring in cheap labor elsewhere. They can force all the Docters and Nurses into terrible working conditions. I am against the move. It does not protect or provide for the people it's supposed to the citizens and taxpayers of Hawaii.

The Senate The Twenty-Seventh Legislature, State of Hawaii Regular Session of 2013 Committee on Health

February 25, 2013

<u>S.B. 1306 S.D.1 – RELATING TO</u> THE HAWAII HEALTH SYSTEMS CORPORATION

Chair Ige, Vice Chair Kidani, and members of the Committee on Ways and Means:

Thank you for the opportunity to provide testimony in **strong opposition of the language in S.B. 1306 S.D.1**, which permits the regional systems of the Hawaii health systems corporation and their health facilities to transition to non-public status.

My name is Leticia Sandoval, and I am a Maui resident for 30 years. I strongly oppose the above bills which will permit the regional systems of the Hawaii health systems corporation and their facilities to transition to non-public status. With regards to its impact in the community, if Banner Health deems services unfeasible to maintain or lack clinical quality, they will cut those vital services and possibly close facilities that our community depends on. For example, Banner Health has minimal experience with services such as long-term care that are currently provided to our community. Additionally, with Banner Health, Hawaii taxpayers' dollars will be supporting and funding a mainland company to provide Hawaii health services. It deeply troubles me that the Legislature is considering this partnership.

I strongly oppose the passage of S.B. 1306 S.D.1. Thank you for the opportunity to provide testimony.

Respectfully submitted,

Leticia Sandova

The Senate The Twenty-Seventh Legislature, State of Hawaii Regular Session of 2013 Committee on Health

February 25, 2013

<u>S.B. 1306 S.D. 1 – RELATING TO</u> <u>THE HAWAII HEALTH SYSTEMS CORPORATION</u>

Chair Ige, Vice Chair Kidani, and members of the Committee on Ways and Means:

Thank you for the opportunity to provide testimony in **strong opposition of the language in S.B. 1306, S.D. 1**, which permits the regional systems of the Hawaii health systems corporation and their health facilities to transition to non-public status.

My name is Michele Mitra and I have lived on Maui since 1992. As a member of the Maui community, I have concerns on whether or not a private company will have the interest of our local community at heart. I understand that this bill is crafted as a framework for Banner Health to enter into a private partnership with Maui Memorial Medical Center. If Banner Health deems services unfeasible to maintain or lack clinical quality, they will have the ability to cut those vital services and possibly close the only acute care facility on Maui which will have an adverse impact on our community. Additionally, with Banner Health, Hawaii taxpayers' dollars will be supporting and funding a mainland company to provide Hawaii health services. I also understand that Banner would be receiving a maintenance fee of 8-9% that will be paid to its 'corporate headquarters', again will this be keeping our Hawaii tax dollars local? Before passing this bill, please consider the long term effects this change will have on our community. It deeply concerns me that the Legislature is considering this partnership.

I strongly oppose the passage of S.B. 1306. Thank you for the opportunity to provide testimony.

Respectfully submitted,

Michalmita

Michele Mitra



 From:
 irviner002@hawaii.rr.com

 To:
 WAM Testimony

 Subject:
 SB 1306

 Date:
 Monday, February 25, 2013 10:52:33 AM

Dear Senator Ige, I am writing to express support for S.B. 1306. Previous studies by the legislature have indicated the need to allow change of the governance of HHSC facilities. Developments in health care reimbursement make this need even more urgent at this time. Robert Irvine M.D.



Senate Ways and Means Committee Hearing on Senate Bill 1306 Tuesday, February 26 10:05 a.m. State Capitol, Conference Room 211

S.B. 1306 - RELATING TO HAWAII HEALTH SYSTEMS CORPORATION

Chair David Y. Ige, Vice Chair Michelle N. Kidani, and members of the Committee on Ways and Means:

My name is Ronald James Hancock and I reside in Captain Cook, Kona, Hawaii. I am writing in strong opposition to bill S.B. 1306 which will permit our public health system ran by the Hawaii System Corporation and their facilities to transition to non-public status.

I am a concerned resident and father of a nurse employed for 11 years by Kona Community Hospital which is one of the facilities that will be affected by this transition if allowed to take place. I have grave concerns in bringing an out of state manager for our hospitals and the other health facilities that will be affected by this transition. An Arizona based system, Banner Health Systems, Inc. is a national nonprofit hospital system whose concerns in management are in the direction and reflection of right to work states. Hawaii has been a state that has always held employees rights and welfare at a high standard through a strong union work force. With Banner Health Systems as manager and a possible take over, the very structure of our state work force will also be affected. With the loss of approximately 3000 state workers contributing to the state pension plan, the plan could experience a large deficit which could doom the future of the plan.

Kona Community Hospital reached a point last year where they were \$3,000,000 in the black. The nurses did not receive a raise in pay for the last 4 years. The employees persevered and gave their best to provide quality care to the people of the community. Now, with the possible Banner Health looming over their heads, there is the threat of being terminated and requiring to reapply according to Banners hiring policies, loss of seniority, loss of state pension, and the decrease in salary, and no state benefits. There is also serious concerns as to the type of care that will be provided to our very diverse multicultural community, long term care especially for our elderly, and the segment of the community who are on welfare, and the homeless.

With the cost of living in Hawaii and the past difficulties maintaining the nursing work force, we have to be very cognizant of the ability to keep and attract quality health care personnel to Hawaii especially the outer islands and to maintain the quality of our health care. Let us not out source our health care to out of state companies!

Yours truly, Ronald James Hancock Senate Ways and Means Committee Hearing on Senate Bill 1306 Tuesday, February 26 10:05 a.m. State Capitol, Conference Room 211

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I am a concerned resident and father of a nurse employed for 11 years by Kona Community Hospital which is one of the facilities that will be affected by this transition if allowed to take place. I have grave concerns in bringing an out of state manager for our hospitals and the other health facilities that will be affected by this transition. An Arizona based system, Banner Health Systems, Inc. is a national nonprofit hospital system whose concerns in management are in the direction and reflection of right to work states. Hawaii has been a state that has always held employees rights and welfare at a high standard through a strong union work force. With Banner Health Systems as manager and a possible take over, the very structure of our state work force will also be affected. With the loss of approximately 3000 state workers contributing to the state pension plan, the plan could experience a large deficit which could doom the future of the plan.

Kona Community Hospital reached a point last year where they were \$3,000,000 in the black. The nurses did not receive a raise in pay for the last 4 years. The employees persevered and gave their best to provide quality care to the people of the community. Now, with the possible Banner Health looming over their heads, there is the threat of being terminated and requiring to reapply according to Banners hiring policies, loss of seniority, loss of state pension, and the decrease in salary, and no state benefits. There is also serious concerns as to the type of care that will be provided to our very diverse multicultural community, long term care especially for our elderly, and the segment of the community who are on welfare, and the homeless.

With the cost of living in Hawaii and the past difficulties maintaining the nursing work force, we have to be very cognizant of the ability to keep and attract quality health care personnel to Hawaii especially the outer islands and to maintain the quality of our health care. Let us not out source our health care to out of state companies!

Yours truly, Ronald James Hancock Senate Ways and Means Committee Hearing on Senate Bill 1306 Tuesday, February 26 10:05 a.m. State Capitol, Conference Room 211

S.B. 1306 - RELATING TO HAWAII HEALTH SYSTEMS CORPORATION

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Yours truly, Ronald James Hancock



<u>SB1306</u>

Submitted on: 2/25/2013 Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Tamar Chotzen Goodfellow	Individual	Support	No

Comments: Dear chair woman Luke, Please support SB 1306 in its original form. We cannot wait until 2050 for quality health care on Maui, and the state cannot afford to provide the necessary funding to achieve even a basic level of quality care. A public private partnership is a viable solution for the state and for neighbor island residents. Please move this bill forward to conference. It could be a matter of life or death for families on the neighbor islands. Sincerely, Tamar chotzen Goodfellow

Please note that testimony submitted <u>less than 24 hours prior to the hearing</u>, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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<u>SB1306</u>

Submitted on: 2/25/2013 Testimony for WAM on Feb 26, 2013 10:05AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Tony Krieg	Individual	Support	No

Comments: I support the intent of SB 1306 HD1 which provides a mechanism to allow the operations of the regional systems of the Hawaii Health Systems Corporation (HHSC) and their facilities to transition to non-public status. It is clear that new forms of partnerships must be created to deal with the challenge of declining public and private reimbursements to all health care providers especially in rural areas. Please move this bill along and don't call for another study on this matter.

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