

JAN 24 2018

A BILL FOR AN ACT

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST A NOT-FOR-PROFIT CORPORATION THAT PROVIDES HEALTH CARE FACILITIES TO THE GENERAL PUBLIC.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that over the past ten
2 years, Wahiawa General Hospital has experienced severe financial
3 difficulties due to circumstances beyond its control. These
4 circumstances have included the reopening of Queen's Medical
5 Center West Oahu in Ewa, Oahu; reductions in medicare, medicaid,
6 and private insurance reimbursements; the ongoing shortage of
7 physicians in the State and in particular, central Oahu; new
8 requirements under the federal Patient Protection and Affordable
9 Care Act and uncertainty in the availability of state and
10 federal funding caused by instability in federal health care
11 policy; and an increasing need for provision of indigent care,
12 which includes the homeless population.

13 When Hawaii Medical Center-West closed in 2012, Wahiawa
14 General Hospital's cases for acute inpatient care nearly doubled
15 and ambulance visits increased by twenty per cent because
16 patients who would have gone to Hawaii Medical Center-West were



1 diverted to Wahiawa General Hospital. The Wahiawa General
2 Hospital emergency room, which was originally designed to handle
3 ten thousand cases per year, treated over twenty thousand cases
4 annually during the 2012 to 2015 period when Wahiawa General
5 Hospital was the only available facility in the region. To meet
6 this increase in demand, Wahiawa General Hospital hired more
7 staff and made improvements to the emergency room. However,
8 when Hawaii Medical Center-West was purchased by the Queen's
9 Medical Center West Oahu, the number of emergency room cases
10 sent to Wahiawa General Hospital decreased significantly,
11 leading to a drop of approximately twenty per cent per month.
12 By the end of the 2015 fiscal year, Wahiawa General Hospital
13 experienced losses of more than \$7,500,000 in revenues.

14 The legislature further finds that many individuals who are
15 seniors, disabled, or poor receive their health insurance
16 coverage through the federal medicare or state medicaid
17 programs. Both of these programs have limitations on the
18 amounts that may paid to health care providers for services
19 rendered, as specified by law. From a narrow economic
20 standpoint, the provision of services to individuals who are
21 covered by medicare and medicaid represent a financial loss to



1 physicians and hospitals. More than eighty-five per cent of the
2 patients at Wahiawa General Hospital are covered under medicare
3 or medicaid. Only fourteen per cent of admissions are for
4 patients with private insurance. There are far too few
5 privately-insured patients in Wahiawa General's patient
6 population whose private insurance reimbursement rates are much
7 higher to adequately offset the losses generated by inadequate
8 reimbursements for the medicare and medicaid patients.
9 Accordingly, financial losses caused by treating medicare and
10 Medicaid patients have been absorbed by Wahiawa General
11 Hospital.

12 By law, Wahiawa General Hospital is required to treat
13 patients for emergency care regardless of ability to pay. As
14 the homeless population surrounding Wahiawa General Hospital has
15 grown, the number of indigent care cases has also increased, and
16 the number of homeless individuals in central Oahu and the North
17 Shore only continues to grow. Many homeless individuals present
18 with multiple, chronic conditions and have few options to
19 receive care other than the emergency room. Without no or
20 inadequate reimbursement available for service provided to many



1 of these patients, the cost of their care must be absorbed
2 solely by Wahiawa General Hospital.

3 The legislature further finds that Wahiawa General Hospital
4 serves a community with a higher shortage of doctors than Hawaii
5 Island, Molokai, and most of Maui. The shortage of private care
6 physicians on Oahu has forced Wahiawa General Hospital to spend
7 an additional \$1,700,000 per year to acquire specialized
8 inpatient hospitalists and on-call surgeons to treat patients.
9 These physicians are needed at Wahiawa General Hospital because
10 ninety-five per cent of inpatient admissions arrive through
11 emergency services.

12 To address these circumstances, Wahiawa General Hospital
13 has cut its programs, services, and personnel while allowing
14 basic infrastructure repair and maintenance needs to go unmet.
15 Among other things, Wahiawa General Hospital reduced staff by
16 approximately seventy-five full-time equivalent positions,
17 eliminated the long-running family practice residency teaching
18 program, and cut more than \$9,000,000 from the annual budget.

19 The legislature acknowledges that Wahiawa General Hospital
20 is the only facility that provides emergency medical services in
21 a vast geographical area extending from Mililani to Wahiawa,



1 Waialua, Haleiwa, and Sunset, which encompasses nearly one-third
2 of the island of Oahu. If Wahiawa General Hospital were to
3 close, the nearest emergency room for a person living in Wahiawa
4 would be either Pali Momi near Pearlridge or Queen's Medical
5 Center West Oahu - both of which are approximately fourteen
6 miles away. For persons living in Mokuleia or Sunset, the
7 distance would be thirty miles, or double the distance it
8 currently takes to go to Wahiawa General Hospital.

9 Furthermore, Wahiawa General Hospital is the largest
10 private employer in central Oahu, providing more than five
11 hundred well-paying jobs. More than ninety per cent of Wahiawa
12 General Hospital's employees live in the community and most of
13 the full-time employees are members of the International
14 Longshore and Warehouse Union, United Public Workers union, and
15 Hawaii Nursing Association. The closure of Wahiawa General
16 Hospital would be devastating to entire families. Heads of
17 households would need to seek reemployment while keeping up
18 payments for mortgages and utilities, putting food on the table,
19 and doing all they can to make life normal for their children
20 and families. In addition, as employees and their families lose
21 their sources of income, they are not able to purchase goods and



1 services within the community. Thus, shop owners and service
2 providers in the communities where these employees reside will
3 see a decrease in sales, forcing them to possibly reduce hours
4 or staff.

5 The impact of the possible closure of Wahiawa General
6 Hospital would be catastrophic to the region and State.
7 Accordingly, the legislature finds that assisting Wahiawa
8 General Hospital during its financial crisis is in the public
9 interest and is critical to preserve the public health, safety,
10 and welfare.

11 The purpose of this Act is to authorize the issuance of
12 special purpose revenue bonds to provide financial assistance to
13 Wahiawa General Hospital to ensure that it continues to operate
14 and ensure the health, welfare, and safety for the citizens of
15 central Oahu, and the people of the State. The legislature
16 finds and declares that the issuance of special purpose revenue
17 bonds under this Act is in the public interest and for the
18 public health, safety, and general welfare.

19 SECTION 2. Pursuant to part II, chapter 39A, Hawaii
20 Revised Statutes, the department of budget and finance, with the
21 approval of the governor, is authorized to issue special purpose



1 revenue bonds in a total amount not to exceed \$6,550,000, in one
2 or more series, for the purpose of assisting Wahiawa General
3 Hospital, a Hawaii corporation, for deferred facilities and
4 maintenance projects necessary to preserve the health and safety
5 of its patients and staff. The legislature hereby finds and
6 determines that the completion of deferred facilities and
7 maintenance projects to preserve the health and safety of
8 patients and staff at Wahiawa General Hospital constitutes a
9 project as defined in part II, chapter 39A, Hawaii Revised
10 Statutes, and the financing thereof is assistance to a not-for-
11 profit corporation that provides health care facilities to the
12 general public.

13 SECTION 3. The special purpose revenue bonds and the
14 refunding special purpose revenue bonds issued under this Act
15 shall be issued pursuant to part II, chapter 39A, Hawaii Revised
16 Statutes, relating to the power to issue special purpose revenue
17 bonds to assist not-for-profit corporations that provide health
18 care facilities to the general public.

19 SECTION 4. The department of budget and finance is
20 authorized, from time to time, including times subsequent to
21 June 30, 2019, to issue special purpose revenue bonds in



1 whatever principal amounts the department shall determine to be
2 necessary to refund the special purpose revenue bonds authorized
3 in section 2 and to refund special purpose revenue bonds
4 authorized in this section, regardless of whether the
5 outstanding special purpose revenue bonds or refunding special
6 purpose revenue bonds have matured or are the subject of
7 redemption or whether the refunding special purpose revenue
8 bonds shall be bonds for the multi-project programs described in
9 section 2. In making this determination, the department shall
10 comply with federal law relating to the exemption from federal
11 income taxation of the interest on bonds of the nature
12 authorized by this section.

13 SECTION 5. The authorization to issue special purpose
14 revenue bonds under this Act shall lapse on June 30, 2023.

15 SECTION 6. This Act shall take effect on July 1, 2018.

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INTRODUCED BY:

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S.B. NO. 3066

Report Title:

Special Purpose Revenue Bonds; Wahiawa General Hospital

Description:

Authorizes the issuance of special purpose revenue bonds to assist Wahiawa General Hospital with completion of deferred facilities and maintenance projects that are necessary for the health and safety of patients and staff.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

