

JAN 22 2021

A BILL FOR AN ACT

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO
ASSIST WAHIAWA GENERAL HOSPITAL.

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

1 SECTION 1. The legislature finds that the refinancing of
2 outstanding debt obligations of a health care facility with the
3 proceeds of bonds issued by the State in order to improve the
4 ability of the facility to continue to serve the needs of the
5 residents of its immediate community and the entire State to be
6 in the public interest.

7 Over the past fifteen years, Wahiawa general hospital has
8 experienced severe financial difficulties due to circumstances
9 beyond its control. These circumstances have included the
10 reopening of Queen's Medical Center West Oahu in Ewa, Oahu;
11 reductions in medicare, medicaid, and private insurance
12 reimbursements; the ongoing shortage of physicians in the State
13 and, in particular, central Oahu; new requirements under the
14 federal Patient Protection and Affordable Care Act; uncertainty
15 in the availability of state and federal funding caused by
16 instability in federal health care policy; and an increasing



1 need for provision of indigent care, which includes the homeless
2 population.

3 When Hawaii Medical Center-West closed in 2012, Wahiawa
4 general hospital's cases for acute inpatient care nearly doubled
5 and ambulance visits increased by twenty per cent because
6 patients who would have gone to Hawaii Medical Center-West were
7 diverted to Wahiawa general hospital. The Wahiawa general
8 hospital emergency room, which was originally designed to handle
9 ten thousand cases per year, treated over twenty thousand cases
10 annually during the 2012 to 2015 period when Wahiawa general
11 hospital was the only available facility in the region. To meet
12 this increase in demand, Wahiawa general hospital hired more
13 staff and made improvements to the emergency room. However,
14 when Hawaii Medical Center-West was purchased by the Queen's
15 Medical Center West Oahu, the number of emergency room cases
16 sent to Wahiawa general hospital decreased significantly,
17 leading to a drop of approximately twenty per cent per month.

18 The legislature further finds that many individuals who are
19 seniors, disabled, or poor receive their health insurance
20 coverage through the federal medicare or state medicaid
21 programs. Both of these programs have limitations on the



1 amounts that are paid to healthcare providers for services
2 rendered, as specified by law. From a narrow economic
3 standpoint, the provision of services to individuals who are
4 covered by medicare and medicaid represents a financial loss to
5 physicians and hospitals. More than eighty-five per cent of the
6 patients at Wahiawa general hospital are covered under medicare
7 or medicaid. Only fourteen per cent of admissions are for
8 patients with private insurance. There are far too few
9 privately-insured patients in Wahiawa general hospital's patient
10 population whose private insurance reimbursement rates are much
11 higher to adequately offset the losses generated by inadequate
12 reimbursements for the medicare and medicaid patients.
13 Accordingly, financial losses caused by treating medicare and
14 medicaid patients have been absorbed by Wahiawa general
15 hospital. By law, Wahiawa general hospital is required to treat
16 patients for emergency care, regardless of ability to pay. More
17 importantly, it is the mission of Wahiawa general hospital,
18 first and foremost, to provide quality healthcare close to home
19 for the communities of central Oahu and the North Shore, but
20 also to serve as an integral part of the healthcare network
21 serving all of the people of Oahu and the State.



1 As the homeless population surrounding Wahiawa general
2 hospital has grown, the number of indigent care cases has also
3 increased, and the number of homeless individuals in central
4 Oahu and the North Shore only continues to grow. Many homeless
5 individuals present with multiple, chronic conditions and have
6 few options to receive care other than the emergency room. With
7 little or no reimbursement available for services provided to
8 many of these patients, the cost of their care must be absorbed
9 solely by Wahiawa general hospital.

10 The legislature further finds that Wahiawa general hospital
11 serves a community with a higher shortage of doctors than Hawaii
12 Island, Molokai, and most of Maui. The shortage of private care
13 physicians on Oahu has forced Wahiawa general hospital to spend
14 significant additional funds each year to acquire specialized
15 inpatient hospitalists to treat patients since ninety-nine per
16 cent of inpatient admissions arrive through the emergency
17 department. To address these circumstances, Wahiawa general
18 hospital has cut some of its programs, services, and personnel,
19 while allowing basic infrastructure repair and maintenance needs
20 to go unmet. Among other things, Wahiawa general hospital has
21 reduced staff by over one hundred full-time equivalent



1 positions, severely curtailed the long-running family practice
2 residency teaching program in the facility, and cut more than
3 \$17,000,000 from the annual budget over the past five years.

4 The legislature acknowledges that Wahiawa general hospital
5 is the only facility that provides emergency medical services in
6 a vast geographical area extending from Mililani to Wahiawa,
7 Waialua, Haleiwa, and Sunset, which area in total encompasses
8 nearly one-third of the island of Oahu. If Wahiawa general
9 hospital were to close, the nearest emergency room for a person
10 living in Wahiawa would be approximately fourteen miles away.
11 For persons living in Mokuleia or Sunset, the distance would be
12 thirty miles, or double the distance it currently takes to go to
13 Wahiawa general hospital. Furthermore, Wahiawa general hospital
14 is the largest private employer in central Oahu, providing more
15 than four hundred well-paying jobs. Approximately thirty per
16 cent of Wahiawa general hospital's employees live in the
17 community and many more live in the surrounding communities, and
18 most of the full-time employees are members of the International
19 Longshore and Warehouse Union, United Public Workers Union, or
20 Hawaii Nursing Association. The closure of Wahiawa general
21 hospital would be devastating to entire families. Heads of



1 households would need to seek reemployment while keeping up
2 payments for mortgages and utilities, putting food on the table,
3 and doing all they can to make life normal for their children
4 and families. In addition, as employees and their families lose
5 their sources of income, they are not able to purchase goods and
6 services within the community. Thus, shop owners and service
7 providers in the communities where these employees reside will
8 see a decrease in sales, forcing them to possibly reduce hours
9 or staff. The impact of the possible closure of Wahiawa general
10 hospital would be catastrophic to the region and State.

11 Accordingly, the legislature finds that the continued
12 financial fitness of Wahiawa general hospital is in the public
13 interest and critical to preserving the public health, safety,
14 and welfare of the island of Oahu and the State. The purpose of
15 this Act is to authorize the issuance of special purpose revenue
16 bonds to facilitate the consolidation, liquidation, or both of
17 the long-term debt of Wahiawa general hospital in order to
18 facilitate the continued operation as a health care facility
19 providing for the health, welfare, and safety of the citizens of
20 central Oahu, and the people of the State.



1 The legislature further finds and declares that the
2 issuance of special purpose revenue bonds under this Act is in
3 the public interest and for the public health, safety, and
4 general welfare.

5 SECTION 2. Pursuant to part II, chapter 39A, Hawaii
6 Revised Statutes, the department of budget and finance, with the
7 approval of the governor, is authorized to issue special purpose
8 revenue bonds in a total amount not to exceed \$12,000,000, in
9 one or more series, for the purpose of assisting Wahiawa general
10 hospital, a Hawaii corporation, for debt consolidation, debt
11 liquidation, or both, necessary to allow its continued operation
12 preserving the health and safety of the central Oahu community
13 and the State. The legislature hereby finds and determines that
14 the consolidation, liquidation, or both, of the long-term debt
15 of Wahiawa general hospital constitutes a project as defined in
16 part II, chapter 39A, Hawaii Revised Statutes, and the financing
17 thereof is assistance to a not-for-profit enterprise that
18 provides health care facilities to the general public.

19 SECTION 3. The special purpose revenue bonds and the
20 refunding special purpose revenue bonds issued under this Act
21 shall be issued pursuant to part II, chapter 39A, Hawaii Revised



1 Statutes, relating to the power to issue special purpose revenue
2 bonds to assist not-for-profit corporations that provide health
3 care facilities to the general public.

4 SECTION 4. The department of budget and finance is
5 authorized, from time to time, including times subsequent to
6 June 30, 2021, to issue special purpose revenue bonds in
7 whatever principal amounts the department shall determine to be
8 necessary to refund the special purpose revenue bonds authorized
9 in section 2 and to refund special purpose revenue bonds
10 authorized in this section, regardless of whether the
11 outstanding special purpose revenue bonds or refunding special
12 purpose revenue bonds have matured or are the subject of
13 redemption or whether the refunding special purpose revenue
14 bonds shall be bonds for the multi-project programs described in
15 section 2. In making this determination, the department shall
16 comply with federal law relating to the exemption from federal
17 income taxation of the interest on bonds of the nature
18 authorized by this section.

19 SECTION 5. The authorization to issue special purpose
20 revenue bonds under this Act shall lapse on June 30, 2026.



S.B. NO. 506

1 SECTION 6. This Act shall take effect on July 1, 2021.

2 INTRODUCED BY: *Wanda S. Harlan*



S.B. NO. 506

Report Title:

SPRB; Wahiawa General Hospital; Debt Restructuring; Debt Refinancing

Description:

Authorizes the issuance of special purpose revenue bonds for long-term debt restructuring of Wahiawa general hospital.

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

