

The House of Representatives
The Twenty-Fifth Legislature
Regular Session of 2009

Committee on Finance

Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

DATE: Friday, February 27, 2009
TIME: 2:00 p.m.
PLACE: Conference Room 308
State Capitol
415 South Beretania Street

**TESTIMONY OF THE UNITED PUBLIC WORKERS, AFSCME,
LOCAL 646, AFL-CIO ON H.B. 1372 RELATING TO
HAWAII HEALTH SYSTEMS CORPORATION**

My name is Dayton M. Nakanelua, and I am the state director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). In behalf of approximately 500 blue collar, non-supervisory employees from bargaining unit 1 and 1,000 institutional, health, and correctional workers from bargaining unit 10 who are currently employed by the Hawaii Health Systems Corporation (HHSC), the UPW opposes House Bill No. 1372 which gives to HHSC the authority for the formation of a new transition entity through the sale, lease, or transfer of the various assets or facilities of the State by the corporate board or regional system (in section 2), and to broadly grant contracting out authority to the corporate or regional system boards (in Section 5). The union submits that granting further authority and autonomy to HHSC and its regional system board,

and transferring State facilities and assets will not work. It is time to hold top managers of HHSC accountable for the budget deficits and fiscal crisis, and to give serious consideration to restoring our community hospital system (under the State of Hawaii) which existed prior to 1996.

As you know, when HHSC was established in 1996 (through chapter 323F) there was great hope and promise that through restructuring the State of Hawaii's community hospital system, and granting autonomy to "an independent agency of the state" there would be improvements in the quality and affordability of health care for the people. See Haw. Sess. L. Act 262, § 2 at 595. It was thought that "appropriate flexibility and autonomy was needed for the community hospitals to compete and remain viable." Id. Instead each year the legislature is asked to pay more and more. As you know, the estimated HHSC shortfall for fiscal year 2008-2009 is \$40,000,000 and the projected deficit for fiscal year 2009-2010 is \$62,000,000. Meanwhile, the top executives of HHSC receive compensation which exceeds three (3) times what is paid to the heads of state departments and executive agencies and are given long term contracts with lucrative severance and housing allowances and exclusive incentive payments. See The Legislative Auditor's Report No. 08-08 (April 2008), at pp. 36-37 (attached).

We do not agree with the proponents of this measure that HHSC and its regional boards should be authorized to form a new entity, including a "for profit corporation" and to sell and transfer State assets as provided in the measure. (See Section 2). State "assets" and facilities should not be encumbered or transferred at the behest of any particular regional board or even by decision of the board of directors of HHSC for "profit."

We also oppose authorizing provisions which grant HHSC and its regional boards the authority to contract out operations with other entities under section 5. Under these provisions a regional board can advance its own interest by entering into a joint venture (for profit) which benefits one facility directly, but which could be detrimental to the interest of the remaining hospitals and facilities. Allowing fragmentation of the system in this manner is contrary to the public interest and to the statewide health care interest of the people of Hawaii.

We urge you to carefully examine what has happened under HHSC administration since 1996, and give serious consideration to restore health care to the State of Hawaii, Department of Health.