

HHSC ALTERNATE STRATEGIES – PROS & CONS:

1. SALE OF MAJOR HHSC ACUTE FACILITIES, THEN ONLY ASK STATE TO HELP FUND SAFETY NET CAH AND LTC FACILITIES:
 - A. Pros -
 - a. Significantly reduces general funds subsidy requirement.
 - b. Secures private sector investment in community hospitals.
 - c. Could introduce more efficient operations.
 - d. Change in status to private sector hospitals can facilitate physician recruitment and retention.
 - e. Change in status to private sector hospitals can facilitate establishment of effective joint ventures.
 - f. Would enable system to focus on management of rural health/CAH and LTC issues.
 - g. Physician recruitment and retention could be enhanced by private sector operation.
 - h. Wages and benefits of the acute hospitals could become more in line with prevailing wage and benefit structures, thus enhancing recruitment/retention.
 - B. Cons -
 - a. Legislation required but may not be politically acceptable.
 - b. Will probably be opposed by labor. Associated legal objections may delay process.
 - c. If legal rulings follow the privatization of Hana Medical Center and Hale Haouli facilities, HHSC would have to negotiate the impact of privatization on employees with the two unions unless legislated.
 - d. Some current employees may be put at risk (new private entity may not need all current staffing).
 - e. Private sector entity may make significant reductions in services as well as staffing.
 - f. There may not be buyers for all three acute facilities.
 - g. CAH and LTC facilities have more Medicare/Medicaid/uninsured patients.

2. SALE OF ENTIRE SYSTEM:
 - A. Pros
 - a. Sale will bring large sum of money into the State coffers.
 - b. State / legislature will no longer have to fund the community hospital system.
 - B. Cons
 - a. Legislation will be required, but may not be politically acceptable.
 - b. Will definitely be opposed by labor because workforce will be put in jeopardy.
 - c. If legal rulings follow the privatization of Hana Medical Center and Hale Haouli facilities, HHSC would have to negotiate the impact of privatization on all of our employees. Financial impact will be in the millions of dollars unless addressed in legislation.
 - d. Private entity would eventually eliminate services and would only keep acute facilities, unless legislation allowing the sale dictates

HHSC ALTERNATE STRATEGIES, cont'd

otherwise and makes some type of major monetary allowance to continue safety net services.

3. ESTABLISH ABILITY FOR HHSC TO MOVE FROM CURRENT POSTURE TO A REGIONAL BASED JOINT VENTURE IN PUBLIC/PRIVATE PARTNERSHIPS POSTURE:
 - A. Pros -
 - a. Joint Ventures can bring in private sector investments in profitable ventures to reduce/eliminate demands for general funds subsidy in specific regions.
 - b. Joint Ventures can provide option to regions to pursue important desired initiatives that would not otherwise be possible.
 - c. Joint Ventures can facilitate physician recruitment.
 - B. Cons -
 - a. Joint Ventures would expose the region to financial risk.
 - b. Joint Ventures will probably be opposed by labor thus slowing down process and adding additional cost.
 - c. With the sunseting of Act 90, SLH, it is very difficult to privatize any existing services. Depending on legal interpretation, Joint Ventures may fall in this category. Controversial legislation will be required.
 - d. Legislation may not be politically acceptable.
 - e. Joint Ventures of one region could negatively impact another region(s).

4. HHSC 501C3:
 - A. Pros -
 - a. Costs of labor would be significantly reduced.
 - b. Management control would be enhanced.
 - c. Requirements for General Funds support would be significantly reduced.
 - d. Joint Ventures would be more feasible.
 - e. Physician recruitment and retentions could be enhanced by private sector operation
 - B. Cons -
 - a. Will probably be opposed by labor. Associated legal objections may delay process and increase cost.
 - b. If legal rulings follow the privatization of Hana Medical Center and Hale Haouli facilities, HHSC would have to negotiate the impact of privatization on employees with the two unions. Or, legislation may be required.
 - c. Legislation required but may not be politically acceptable.
 - d. Continuing general funds subsidy may be required to avoid significant reductions in services and staffing.

5. MODIFY ACT 290, SLH 2007, TO ALLOW FACILITIES/REGIONS TO SEPARATE (WITH RETENTION OF GROUP PURCHASING ORGANIZATION,

HHSC ALTERNATE STRATEGIES, cont'd

INSURANCE COVERAGE, ETC.) FROM HHSC IF THEY WILL ESTABLISH A STRUCTURE THAT WILL NOT REQUIRE ANY FUTURE STATE FUNDING:

- A. Pros -
 - a. Requirements for State general funds subsidy for the facility/region would be eliminated.
 - B. Cons -
 - a. Will probably be opposed by labor. Associated legal objections may delay process and increase cost.
 - b. Problems if all regions wanted to separate because of loss of system synergy savings.
 - c. Depending on the structure of the new regional entities, Chapter 76 (civil service law) and Chapter 89 (collective bargaining law) would need major revisions and may be opposed by other jurisdictions as well as unions.
 - d. May create funding demand on city/county governments if facility/regional self-sustained plans do not work.
 - e. Potential for failure and reintegration into HHSC.
 - f. Ownership of Yukio Okutsu State Veterans Home could not be transferred to local government.
6. TRANSITION HHSC FACILITIES TO COUNTIES WITH COUNTIES PICKING UP THE COST OF CARE ABOVE REIMBURSEMENTS AS COUNTY HOSPITAL SYSTEMS (WITH RETENTION OF GROUP PURCHASING ORGANIZATION, INSURANCE COVERAGE, ETC.) FOR SYSTEM SAVINGS:
- A. Pros -
 - a. Requirements for State general funds subsidy for the facility/region could be eliminated.
 - b. Establishment of facility or region as separate legal entity could create more responsive governance structure.
 - c. Governance and management would be directly accountable to local government and community.
 - d. Establish facility or region as separate legal entity could create more responsive governance structure.
 - e. Unions may be more receptive to employees remaining as government employees, albeit under the county structure.
 - f. Union representation and collective bargaining contracts remain intact.
 - B. Cons -
 - a. Total cost for operating same levels of service will increase and be shifted from State general funds to county tax payers with neighbor island tax payers picking up a much larger share of cost than is now the case.
 - b. County governments may strongly oppose structure.
 - c. County governments do not have the financial resources to fund their own hospital system; such financial resources would take away from county core services of police, fire, water services, roads, sewers, and parks in addition to increasing cost to county taxpayers.
 - d. Legislation required but may not be politically acceptable.

HHSC ALTERNATE STRATEGIES, cont'd

- e. My result in significant reductions in services and staffing.
 - f. Potential for failure and reintegration into HHSC.
7. RETURN TO DEPARTMENT OF HEALTH:
- A. Pros
 - a. All State healthcare will once again be in one State entity (DOH)
 - b. Legislature will probably be more receptive to a pure State entity's request for funding.
 - c. Unions would not necessarily oppose such action.
 - d. HHSC employees would retain all compensation and benefits previously enjoyed under HHSC.
 - e. Safety net function is retained.
 - B. Cons
 - a. DOH would strongly oppose this proposal because they are neither organized nor funded for this mission.
 - b. Under DOH, our hospitals, clinics, and facilities may not receive the needed attention and priorities that are currently listed as the mission of HHSC, thus all progress made in standardization of quality would be put in jeopardy.
 - c. Problems that were previously existed under the State's community hospitals division that led to the creation of HHSC will resurface.
 - d. Cost of operating system would increase exponentially
8. SET IN PLACE A CARVED PERCENTAGE OF GENERAL EXCISE TAX (GET) FOR HHSC SO WHOLE SYSTEM CAN OPERATE AS A MAINLAND STYLE COUNTY HOSPITAL SYSTEM:
- A. Pros -
 - a. Strategic and operational planning would be facilitated by stable, consistent general funds support.
 - b. Sustainable general funds support could enhance ability to finance important projects and upgrade facilities.
 - c. Sustainable general funds support could enhance establishment of joint ventures for new services where required.
 - d. Would be supported by labor; labor would be lobbying for HHSC at the legislature.
 - B. Cons -
 - a. Legislation would be required but may not be politically acceptable (especially in light of the State's slowing economy).
 - b. Assurance of funding could provide disincentive for operational improvements.
 - c. Costs and losses may increase more rapidly than GET revenues.