

MAUI HEALTH SYSTEM

KAISER PERMANENTE

September 9, 2016

The Honorable David Y. Ige
Governor, State of Hawaii

Dear Governor Ige:

We remain committed to the delivery of high quality healthcare to the community of Maui and the State of Hawaii. Despite the many turns in the road that have occurred on this journey, we have not wavered in our strong desire to do the hard work necessary to effect this challenging transition in a way that will improve care for the people of Maui and Lanai, while accepting all payors, maintaining an open medical staff and treating the staff fairly. Nevertheless, the status of this process at present has raised grave concerns for us and we feel compelled to speak plainly about those matters in hopes that we can once again become aligned on a path forward.

As you know, the lengthy discussions between the State and United Public Workers (UPW) and the Hawaii Government Employees Association (HGEA) have delayed the transfer of the Maui Memorial, Kula and Lanai hospitals (the "Hospitals") to Maui Health System (MHS), a subsidiary of Kaiser Foundation Hospitals. On September 6, the State informed Kaiser Permanente that it has reached an agreement completing the settlement of the UPW's lawsuit against the State. We understand that the State intends to seek a similar agreement from HGEA.

The transfer of the Hospitals' operations requires us to transition the many systems involved – including IT, purchasing, electronic medical records systems, etc. In addition to ensuring patient safety, there are many practical and logistical factors that must be considered in determining the transfer date, including but not limited to: the time and complexity involved in re-engaging trainers, vendors, and other resources; reassessing positions and staffing levels to identify current vacancies and work to recruit for those roles; and, after so many delays, the time required to restart and complete all necessary transition readiness work. We will also need certainty that the workforce is a full participant in the ongoing success of the Hospitals.

For us to enter into a leasing agreement covering employees represented by UPW from the transfer date through July 1, 2017, the following conditions, none of which are new, would have to be in place:

- There must be an agreement between the parties that the employees will follow all MHS work rules, including those regarding PTO (including sick leave, vacation, and extended vacation leave). Leased employees will have a maximum of Five (5) days of PTO during the leasing period. In order to ensure

safe and efficient operations, all PTO requests are subject to MHS approval based on operational need and sick leave pay is subject to certification of a serious illness or injury. MHS will allow the State to choose four Holidays it prefers to observe on behalf of its employees during the leasing period.

- The leasing agreement must address the following:
 - It must provide MHS with an acceptable level of authority to supervise, manage, and direct the workforce in such a way that it can assure the community and Board of MHS that it is able to provide consistent, high quality and safe health care.
 - It must include indemnification or reasonable equivalent protection from any losses arising out of or relating to the collective bargaining relationship between the State and the Unions.
 - It must allow MHS not to offer employment to leased employees who are subject to corrective action during the lease period or whom MHS has requested to be removed pursuant to the leasing agreement.
 - It must provide that the State will identify those employees who will work under the leasing agreement no fewer than eight weeks before the transition date so that MHS can prepare to adequately staff hospital operations.
- Language from the supplemental agreement with UPW referencing MHS' participation in the grievance process must be removed.
- The "Recognition" section of the Supplemental Agreement must be modified to comply with the National Labor Relations Act. Ideally, the paragraph should be eliminated and the unions should address this matter with MHS. If that is not feasible, the language should be modified to reflect MHS's intent to recognize the Union upon satisfactory proof of its majority status in appropriate units of those MHS employees who were former members of UPW bargaining unit(s).

We will review the State's agreement with UPW immediately, and will provide you our thorough analysis as to whether it effectively addresses these conditions, by the end of day on Monday, September 12.

All of these requirements must also be satisfied for employees covered by HGEA, as well. In order for the transfer work to continue with all due speed, these conditions need to be satisfied no later than next Friday, September 19.

I appreciate the work you and your team have done to navigate the many challenges to this complex and historic undertaking. We look forward to the resolution of these

remaining considerations so we can focus on a successful transfer and on delivering safe, affordable care to the people of Maui and Lanai.

Sincerely,

A handwritten signature in black ink that reads "Mary Ann Barnes". The signature is written in a cursive, flowing style.

Mary Ann Barnes
CEO and Chairman of the Board
Maui Health System, A Kaiser Foundation Hospitals LLC