



MAUI MEMORIAL
MEDICAL CENTER

December 19, 2012

Mr. Alton Watanabe
Maui Division Chief
HGEA
2145 Kaohu Street, Suite 206
Wailuku, Hawaii 96793-2257

RE: BANNER HEALTH

Dear Mr. Watanabe:

Thank you for your letter dated November 27, 2012. Thank you for sharing the questions and concerns you have been receiving from employees. We value our employees and are glad to provide responses where we can. Your questions are restated below followed by my responses which are indicated in italics:

1. Is it still the position of the Maui Regional System Board of Directors and MMMC that you would not consider or pursue a public-private partnership with Banner Health if Banner is not willing to allow HGEA to be the exclusive union representative for employees?

Our position has not been that MMMC would not consider or pursue a public-private partnership with Banner Health if Banner is not willing to allow HGEA to be the exclusive union representative for employees. Our position has been and remains that we view the unions to be an integral part of the workforce here. We are pleased that Banner appears to be willing to have conversations with HGEA about the possibility of continuing to represent the current MMMC workforce should a transition to a public-private partnership occur and have expressed to Banner that a proposal containing a non-unionized workforce is a "non-starter" in terms of discussing a partnership. Administration and the Regional Board value our relationship with HGEA and UPW and are hopeful that further discussions will lead to these unions being the employee's representatives. We are hoping to have more detailed discussions with HGEA and UPW soon as we move forward in this endeavor.

2. Will the salary and wages of current employees be honored by Banner Health?

We do not know what salary and wages Banner Health would offer employees in such a transaction but our current position is that we would like to see Banner Health be competitive with private sector salary and wages as compared to private health care

workers in the State of Hawaii. We feel this is a key point in our discussions with Banner.

3. Will existing medical benefit packages and premiums be retained with no loss in benefits and/or increase in premiums?

We do not know what medical benefit packages and premiums Banner Health will offer employees in such a transaction but our current position is that we would like to see Banner Health be competitive with private sector medical benefit packages and premiums. The level of medical benefits and any premium sharing are important issues to be discussed as we move forward. The change from the state medical plan to a private plan will result in some changes.

4. What is the plan to honor the retirement benefits for employees vested in the State of Hawaii Employees Retirement System?

We understand that employees vested in the ERS will not lose their benefits. However, we note that it is our understanding that employees are able to receive the benefits they accrued as an HHSC employee when they attain retirement age.

5. Will current employees, regardless of whether they are vested in the State of Hawaii Employees Retirement System, be offered retirement benefits through Banner Health? If so, can you provide a brief summary of the retirement benefits to be offered?

We do not know what retirement benefits Banner Health will offer. We understand that this issue can be negotiated as part of a new collective bargaining agreement but we would not anticipate employees who are already vested in their ERS benefits being ineligible to participate in any plan negotiated with Banner..

6. Will all of the current staff be retained? If not, what are the plans during the transition as it applies to staffing?

We do not have an agreement on staffing yet but at this time preliminary discussions indicate that Banner intends to hire all employees into their same or comparable positions subject to successful completion of Banner's standard pre-employment exams. For a period of six months, there will be no terminations except for cause. After that for covered employees all terminations or reductions in force will be in accordance with the collective bargaining agreement they anticipate having with employee union(s).

7. Will the partnership be limited to Maui Memorial Medical Center or will it include the entire Maui Region or more?

While there is no formal agreement, the current discussions indicate that Banner would partner with the entire Maui Region or more.

8. Will any services currently being offered be eliminated?

We have not yet discussed the elimination of services except to express to Banner that we need to discuss this as we move forward.

9. Will Banner honor any collective bargaining agreements in place at the time of the partnership?

There are a number of provisions in our current CBA with you that Banner cannot simply adopt, specifically those relating to medical and retirement since they are unique to public sector employers. We envision that a new CBA would be negotiated to reflect the new partnership and if that was in place at the time of the transition we believe Banner would honor it.

10. Will the Employees' benefits package be retained and honored?

We do not have an agreement on this yet and do not know what benefits package will be offered. Again, this is something that can be negotiated as part of the new CBA.

11. How will any approved vacation be treated?

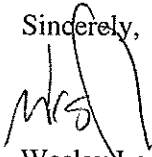
We have not had discussions to this level of detail yet.

12. How will seniority of employees be factored in during the transition?

We have not had discussions to this level of detail yet.

I hope you find this information helpful. While we would like to provide more detailed information, it is simply not available at this time as we are not currently at a stage in discussions with Banner that involve a great level of detail. We have been trying to notify employees as information becomes available and will continue to endeavor to do so as we continue to have discussions with Banner. If you would like we would be pleased to arrange a meeting among Banner us and you to explore these issues. Please feel free to contact me if you have questions or if I can be of additional assistance.

Sincerely,



Wesley Lo
Regional Chief Executive Officer