HAWAII HEALTH SYSTEMS
C O R P O R A T I O N
Quality Healthcare For All

REPORT TO THE THIRTY-FIRST HAWAII STATE LEGISLATURE FOR FISCAL YEAR 2021

December 2021

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TABLE OF CONTENTS

HAWAII HEALTH SYSTEMS
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Quality Healthcare For All

PCEO-21-059

Report to the Hawaii State Legislature
Hawaii Health Systems Corporation Annual Audit and Report for FY2021
Pursuant to HRS Section 323F-22(a) and (b)

Hawaii Health Systems Corporation (HHSC) is pleased to submit this report to the Legislature in accordance with section 323F-22, Hawaii Revised Statutes (HRS) relating to HHSC's Annual Audit and Report. This report includes (a) projected revenues for each health care facility for FY2021 and a list of capital improvement projects planned for implementation in FY2020; and (b) regional system board reports.

The HHSC network of hospitals and clinics provide high quality healthcare services to residents and visitors in the State of Hawaii regardless of the ability to pay. In this regard, HHSC continues to serve as a vital component of the State healthcare "safety net." This is accomplished through the continued dedication and hard work of our employees, medical staff, community advisors, boards of directors, labor union partners, and many other stakeholders, with support from the Legislature and the state administration.

HHSC facilities include: Hilo Medical Center, Yukio Okutsu State Veterans Home, Hale Ho'ola Hamakua, and Ka'u Hospital (East Hawaii Region); Kona Community Hospital and Kohala Hospital (West Hawaii Region); Maui Memorial Medical Center, Lanai Community Hospital and Kula Hospital (Maui Region); Leahi Hospital and Maluhia (Oahu Region); Kauai Veterans Memorial Hospital and Samuel Mahelona Memorial Hospital (Kauai Region), in addition to three non-profit affiliate providers: Ali'i Community Care, Inc: Roselani Place – Maui; Ali'i Health Center – West Hawaii, and Kahuku Medical Center – Oahu. HHSC also owns and operates several physician clinics throughout the State.

In June 2015, the Legislature passed Act 103, H.B. 1075, effective June 10, 2015, which allowed for the transition of the management of the Maui Region facilities to a new entity. The Maui Region selected Kaiser Permanente as the entity that would manage the three Maui Region facilities. As a result, Kaiser Permanente formed a new not-for-profit entity, Maui Health System (MHS), to manage the three Maui Region facilities. In January 2016, HHSC entered into a transition agreement with an expected effective date of July 1, 2016. Due to legal challenges and other delays, the expected transition date was pushed back to July 1, 2017. The legal challenges were resolved with the passage of Act 18, S.B. 207, effective July 1, 2017, which provided severance benefits for those Maui Region employees affected by the transition of operations from HHSC to MHS. These severance benefits were paid out to eligible recipients in October 2017. HHSC entered into a transfer

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agreement and a lease agreement with Maui Health System to effectuate the transfer during fiscal year 2017. The transfer of operations was completed on July 1, 2017.

In fiscal year 2020, the Coronavirus pandemic had a tremendous impact on HHSC's operations. The Coronavirus started its spread in Hawaii in the second half of March 2020, and spread quickly from that point on. The Governor quickly issued a series of "stay-at-home" emergency proclamations that required a shut-down of non-essential businesses and arriving trans-Pacific passengers to quarantine for a minimum of 14 days. The effect of these emergency proclamations was a crippling of Hawaii's economy, with many businesses forced to close, causing unemployment rates to rise to unprecedented levels, going from a pre-Coronavirus level of 2.4% up to a high of 23.8%. In addition, people were encouraged to stay at home and practice "social distancing," which resulted in further slowdowns even for those businesses that remained open. This had a tremendous impact on HHSC's facilities, as the combined effect of people complying with the stay-at-home order, people choosing to defer medical care due to financial hardship, the cancellation of elective surgeries and other procedures to comply with Center for Disease Control guidelines, and the lack of visitors to Hawaii caused a significant drop in patient volumes. For the period from March 2020 through June 2020, acute care discharges dropped 12% as compared to the period from March 2019 through June 2019. The biggest impact was seen in emergency room visits, as emergency room visits for the period from March 2020 through June 2020 decreased over 34% as compared to the period from March 2019 through June 2019. These declines in patient volume resulted in a decrease in net patient service revenues of $19.9 million from the period between March 2019 through June 2019 as compared to the period between March 2020 and June 2020. Besides the drop in patient revenues as a result of these volume decreases, HHSC's facilities also incurred almost $2.8 million in expenses during fiscal year 2020 specifically related to additional labor, equipment, supplies, and personal protective equipment to prepare for and treat the Coronavirus outbreak in Hawaii.

In order to mitigate the negative impacts of the Coronavirus pandemic on its facilities, HHSC aggressively sought federal funding for Coronavirus relief. During fiscal year 2020, HHSC applied for and received over $45 million in Health & Human Services Provider Relief Fund grants. HHSC also applied for and received almost $20 million in Small Business Association Paycheck Protection Program (PPP) loans. The PPP loans contain a provision for forgiveness of the loans, and HHSC has already applied to the Small Business Administration for forgiveness. Two of HHSC's regions also applied for approximately $14.4 million in advance payments from Medicare. Under this program, repayment for the advance payments will be delayed until one year after the advance payment was issued; after that, repayment will be recouped over a maximum period of 29 months, after which the remaining balance must be paid in full subject to an interest rate of four percent.

The Coronavirus pandemic demonstrated how critical HHSC's facilities are in terms of access to health care in the State of Hawaii, particularly on the neighbor islands. In fiscal year 2020, HHSC's acute discharges for the four HHSC regions were 13,599, which accounts for approximately 12% of all acute care discharges in the State of Hawaii. In fiscal year 2020, HHSC's emergency department visits for the four HHSC regions were 80,288, representing approximately 18.3% of all emergency department visits statewide. The impact of HHSC's facilities on the neighbor islands is even more impressive. For residents of the County of Hawaii, HHSC's facilities cared for 73% of all acute care discharges and 84% of all emergency department visits. For residents of the County of Kauai, HHSC's facilities cared for approximately 22% of all acute care discharges and 37% of all emergency department visits.

Despite the high volume of care that is provided at HHSC's facilities, HHSC continues to face growing operating losses. HHSC was forced to absorb collective bargaining raises of varying percentages negotiated by the State of Hawaii which increased salaries and benefits expense by approximately $7.7 million in fiscal year 2020 alone. Further, the collective bargaining agreements negotiated by the State of Hawaii are meant to cover employees supporting the static business environment of administrative offices, not the dynamic working environment found in the hospitals that HHSC operates. As a result, the work rules and pay schedules dictated by those collective bargaining agreements makes it difficult for HHSC to operate its facilities efficiently and cost effectively.

In addition, the State assessed HHSC a fringe benefit rate of 63.08% during fiscal year 2020. The increase in the fringe benefit rate from fiscal year 2019 equates to approximately $6 million in additional salaries and benefits expense. Cumulatively, since the start of fiscal year 2018, the mandated increases in the fringe benefit rate have burdened HHSC with an increase in cost of approximately $27.1 million over just three years. Other private hospitals across the United States pay a fringe benefit rate of between 25-30%. The impact to HHSC of the difference between its FY 20 fringe benefit rate and the private hospital fringe rate of 30% is approximately $66.2 million in additional annual expense to HHSC.

HHSC annually has a detailed independent financial audit conducted for the entire system. Additionally, HHSC has a myriad of internal reporting/performance measures that are utilized by the board of directors and management to insure compliance, quality, and financial efficiency in all system work. We have continued to focus on improving our financial management and accounting systems throughout the year. HHSC has received its thirteenth consecutive "clean" unqualified consolidated audit for every fiscal year from FY 1998 through FY2020.

The following information is attached in accordance with section 323F-22, HRS: (1) projected revenues for each facility for FY2021, (2) proposed capital improvement projects during FY2020; and (3) Hawaii Health Systems Corporation, Regional System Board Reports.

Foundations

As a public hospital system, HHSC depends heavily upon input and support from our local communities. Over this past year, HHSC facilities have benefited from outstanding and dedicated service of community-based hospital auxiliaries that included donations of time and money to our facilities, statewide. HHSC management has also worked with respective hospital foundations to obtain donations and grants to both enhance services provided and to offset the cost of operating our system in predominantly rural areas. In this regard, HHSC has promoted the development of foundations at our hospitals and incorporated the Hawaii Health Systems Foundation (HHSF) as a wholly owned subsidiary 501(c) (3). Nineteen years ago, there were three foundations supporting HHSC facilities of which only two were active. Today there are nine separate foundations, in addition to multiple hospital auxiliaries supporting one or more HHSC hospitals.

Respectfully submitted,

Linda Rosen

Linda Rosen, M.D., M.P.H.
Chief Executive Officer

Edward N. Chu
Chief Financial Officer

Attachments:

1. Projected FY2021 Revenues
2. CIP Expenditures FY2020
3. Regional Board Reports, FY2020.

HAWAII HEALTH SYSTEMS
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Attachment A
Financial Report with Other Supplemental Information

December 2021

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Hawaii Health Systems Corporation

Financial Report
with Supplemental Information
June 30, 2021

Contents

Independent Auditor's Report

To the Board of Directors
Hawaii Health Systems Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Hawaii Health Systems Corporation (the "Corporation"), a component unit of the State of Hawaii, as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise Hawaii Health Systems Corporation's financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hawaii Health Systems Corporation as of June 30, 2021 and 2020 and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only Hawaii Health Systems Corporation (a component unit of the State of Hawaii) and do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2021 and 2020 or the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified in respect to this matter.

To the Board of Directors
Hawaii Health Systems Corporation

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hawaii Health Systems Corporation's financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of pension contributions, schedule of the proportionate share of the net OPEB liability, and schedule of OPEB contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 13, 2021 on our consideration of Hawaii Health Systems Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hawaii Health Systems Corporation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 13, 2021

This discussion and analysis of Hawaii Health Systems Corporation's (the "Corporation" or HHSC) financial performance provides an overview of the Corporation's financial activities for the fiscal years ended June 30, 2021, 2020, and 2019. Please read it in conjunction with the Corporation's financial statements, which begin on page 9.

Using This Annual Report

The Corporation's financial statements consist of three statements: (a) a statement of net position; (b) a statement of revenue, expenses, and changes in net position; and (c) a statement of cash flows. These financial statements and related notes provide information about the activities of the Corporation, including resources held by the Corporation but restricted for specific purposes.

The Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position

Our analysis of the Corporation's finances begins on page 9. One of the most important questions asked about the Corporation's finances is, "Is the Corporation as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenue, expenses, and changes in net position report information about the Corporation's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Corporation's net position and changes in net position. The Corporation's net position - the difference between assets and deferred outflows and liabilities and deferred inflows - can be thought of as one way to measure the Corporation's financial health or financial position. Over time, increases or decreases in the Corporation's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Corporation's patient base and measures of the quality of service it provides to the community, as well as local economic factors, to assess the overall health of the Corporation.

The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as, "Where did cash come from," "What was cash used for," and "What was the change in cash balance during the reporting period?"

The Corporation's Net Position

The Corporation's net position is the difference between its assets and deferred outflows and liabilities and deferred inflows, reported in the statement of net position on pages 9 and 10. The Corporation's net position increased by $10,045,040 in 2021 and decreased by $85,517,002 and $42,882,031 in 2020 and 2019, respectively.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Summarized financial information of Hawaii Health Systems Corporation's statement of net position as of June 30, 2021, 2020, and 2019 is as follows:

	2021	2020	2019
Assets			
Current assets	$ 342,390,602	$ 330,040,478	$ 250,552,705
Capital assets - Net	335,095,675	336,580,909	345,636,530
Other	23,033,765	22,874,815	19,168,571
Total assets	700,520,042	689,496,202	615,357,806
Deferred Outflows of Resources	104,655,134	142,907,522	191,351,753
Total assets and deferred outflows of resources	805,175,176	832,403,724	806,709,559
Liabilities			
Current liabilities	104,473,479	143,976,004	79,466,835
Other postemployment liability	513,049,791	547,829,574	547,178,995
Due to the State of Hawaii	19,008,243	19,008,243	19,008,243
Pension liability	627,817,806	576,687,523	542,374,488
Other liabilities	57,244,200	80,913,836	61,767,812
Total liabilities	1,321,593,519	1,368,415,180	1,249,796,373
Deferred Inflows of Resources	44,330,871	34,782,798	42,190,438
Total liabilities and deferred inflows of resources	1,365,924,390	1,403,197,978	1,291,986,811
Net Position (Deficit)			
Net investment in capital assets	302,947,830	302,431,814	309,317,653
Restricted	8,700,287	8,616,846	8,657,640
Unrestricted	(872,397,331)	(881,842,914)	(803,252,545)
Total net position (deficit)	**$ (560,749,214)**	**$ (570,794,254)**	**$ (485,277,252)**

At June 30, 2021, 2020, and 2019, Hawaii Health Systems Corporation's current assets approximated 49, 48, and 41 percent, respectively, of total assets. Current assets increased approximately $12 million in 2021 primarily due to an increase in accounts receivable because of increased volumes. Current assets increased approximately $79.5 million in 2020 primarily due to an increase in cash and cash equivalents of $81 million from the receipt of approximately $87 million from various federal financing programs to combat the effects of the coronavirus. Current assets decreased approximately $20 million in 2019 primarily due to a decrease in patient accounts receivable of $7.6 million and a decrease in cash and cash equivalents of approximately $7.9 million.

At June 30, 2021, 2020, and 2019, Hawaii Health Systems Corporation's current liabilities approximated 8, 11, and 6 percent, respectively, of total liabilities. The decrease in current liabilities in 2021 was due to the revenue recognition of the grant funds and repayment of Medicare Accelerated payments. The increase in current liabilities in 2020 related to Medicare Accelerated payments received by the Corporation and unearned revenue related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

At June 30, 2021, 2020, and 2019, Hawaii Health Systems Corporation's portion of net position that is reflected as its net investment in capital assets, net of related debt, was approximately $303 million, $302 million, and $309 million, respectively. Total net position was approximately $(561) million in 2021, $(571) million in 2020, and $(485) million in 2019.

Capital Assets

At June 30, 2021, 2020, and 2019, Hawaii Health Systems Corporation's capital assets, net of accumulated depreciation, comprised approximately 48, 49, and 56 percent, respectively, of its total assets. These assets consist mainly of land, hospital buildings, and equipment that are used in Hawaii Health Systems Corporation's operations. The decrease in the net capital assets each year is due to depreciation expense in excess of capital additions.

A summary of Hawaii Health Systems Corporation's capital assets as of June 30, 2021, 2020, and 2019 is as follows:

	2021	2020	2019
Land and land improvements	$ 10,807,306	$ 10,807,306	$ 10,613,439
Building and improvements	574,979,080	555,202,188	537,473,329
Equipment	275,367,019	274,343,866	269,596,091
Construction in progress	37,442,937	30,571,327	29,951,480
Total cost	898,596,342	870,924,687	847,634,339
Less accumulated depreciation and amortization	(563,500,667)	(534,343,778)	(501,997,809)
Capital assets - Net	**$ 335,095,675**	**$ 336,580,909**	**$ 345,636,530**

Long-term Debt and Capital Lease Obligations

At June 30, 2021, 2020, and 2019, Hawaii Health Systems Corporation had long-term debt and capital lease obligations totaling approximately $41.0 million, $64 million, and $43.6 million, respectively. The decrease of $23 million in 2021 was due to the forgiveness of Paycheck Protection Program loans. The increase of $20.5 million in 2020 was due to the application and borrowings under the Coronavirus Aid, Relief, and Economic Security Act's Paycheck Protection Program. The decrease of $0.2 million in 2019 was due to continuing payments on existing debt obligations along with very little new issuances of capital lease obligations. More detailed information about Hawaii Health Systems Corporation's long-term debt and capital lease obligations is presented in the notes to the financial statements.

Operating Results and Changes in Net Position

Summarized financial information of Hawaii Health Systems Corporation's statement of revenue, expenses, and changes in net position for the years ended June 30, 2021, 2020, and 2019 is as follows:

	2021	2020	2019
Operating Revenue	$ 495,179,592	$ 460,131,162	$ 447,883,646
Operating Expenses			
Salaries and wages	267,333,373	248,977,091	228,740,526
Employee benefits	180,691,908	207,154,907	153,661,967
Purchased services and professional fees	93,778,010	93,028,853	92,822,867
Medical supplies and drugs	58,265,444	50,550,558	47,964,892
Depreciation and amortization	34,403,065	36,638,280	38,932,208
Insurance	6,668,066	8,310,974	7,925,398
Other	60,759,120	56,874,028	54,075,282
Total operating expenses	701,898,986	701,534,691	624,123,140
Operating Loss	(206,719,394)	(241,403,529)	(176,239,494)
Nonoperating Revenue			
General appropriations from the State of Hawaii	129,100,403	127,501,003	120,231,971
Other nonoperating revenue - Net	735,710	2,075,805	2,858,886
Contributions - CARES Act and other	46,358,670	7,649,537	-
Forgiveness of Paycheck Protection Program loans	22,714,000	-	-
Total nonoperating revenue	198,908,783	137,226,345	123,090,857
Excess of Expenses Over Revenue before Capital Contributions and Transfers	(7,810,611)	(104,177,184)	(53,148,637)
Capital Contributions	17,855,651	18,660,182	10,266,606
Increase (Decrease) in Net Position	**$ 10,045,040**	**$ (85,517,002)**	**$ (42,882,031)**

Operating Losses

For the years ended June 30, 2021, 2020, and 2019, Hawaii Health Systems Corporation's operating expenses exceeded its operating revenue by $206.7 million, $241.4 million, and $176.2 million, respectively. General appropriations from the State of Hawaii totaled $129.1 million, $127.5 million, and $120.2 million in 2021, 2020, and 2019, respectively. In addition, appropriations from the State of Hawaii for capital contributions totaled $17.9 million, $18.7 million, and $10.3 million in 2021, 2020, and 2019, respectively. These items, along with the other nonoperating revenue and the transfer of certain liabilities to the State of Hawaii, contributed to an increase in net position of $10.0 million in 2021, a decrease in net position of $85.5 million in 2020, and a decrease in net position of $42.9 million in 2019.

Operating expenses for the fiscal year ended June 30, 2021 were equivalent to 2020.

Operating revenue for the fiscal year ended June 30, 2021 increased approximately 7.6 percent from 2020, as patient service volumes rebounded from the coronavirus pandemic.

Operating expenses for the fiscal year ended June 30, 2020 were approximately 12.4 percent higher than 2019. Operating expenses for the fiscal year ended June 30, 2020 increased $77 million from fiscal year 2019, which was primarily due increased costs as a result of fringe benefit assessments imposed by the State of Hawaii, as well as increases in statewide pension and other postretirement benefit liabilities.

Operating revenue for the fiscal year ended June 30, 2020 was approximately 2.7 percent higher than 2019, as decreases in patient service volumes as a result of the coronavirus pandemic were offset by increases in uncompensated care revenue.

Operating expenses for the fiscal year ended June 30, 2019 were approximately 11.1 percent lower than 2018. Operating expenses for the fiscal year ended June 30, 2019 decreased $78 million from fiscal year 2018, which was primarily due to the transition of operations at Maui Region, as severance benefits and other one-time transition costs were expensed in fiscal year 2018.

Operating revenue for the fiscal year ended June 30, 2019 was approximately 0.2 percent higher than 2018. The increase in operating revenue is primarily due to a slight increase in patient volume offset by the loss of revenue from HHSC's three Maui Region facilities.

Systemwide Outlook

In fiscal year 2021, the coronavirus pandemic continued to have a tremendous impact on HHSC's operations. The coronavirus started its spread in Hawaii in the second half of March 2020 and spread quickly from that point on. Although patient volumes increased slowly from their low point in April and May 2020, acute-care discharges for fiscal year 2021 were still 9 percent less than the same measure for fiscal year 2019 (the last pre-pandemic fiscal year). Also, emergency department visits for fiscal year 2021 were 24 percent less than the same measure for fiscal year 2019. The emergency use approvals of the coronavirus vaccines from Pfizer, Moderna, and Johnson & Johnson helped to dampen the spread of the virus during fiscal year 2021 and allowed the government to slowly loosen restrictions that were put in place at the height of the coronavirus pandemic. This loosening of restrictions included the reopening of Hawaii to trans-Pacific tourism, primarily from the U.S. mainland. The State of Hawaii unemployment rate fell from 23.8 percent at the height of the coronavirus pandemic to 8.1 percent for fiscal year 2021, which is still higher than the pre-pandemic unemployment rate of 2.4 percent. With the Delta variant of the coronavirus surging in the State of Hawaii in August 2021 and subsiding toward September 2021, HHSC's facilities were at or above full capacity in the intensive care unit and emergency department. Although currently new case counts throughout the state are relatively low and the coronavirus infection rate has dropped to approximately 1.4 percent, HHSC remains vigilant for possible future coronavirus surges and is watching what happens with new developments in the coronavirus outbreak in the U.S. mainland and around the globe.

In order to mitigate the negative impacts of the coronavirus pandemic on its facilities, HHSC aggressively sought after federal funding for coronavirus relief. To date, HHSC applied for and received over $46 million in U.S. Department of Health and Human Services Provider Relief Fund grants. HHSC also applied for and received almost $23 million in first round Small Business Association Paycheck Protection Program (PPP) loans, all of which have been forgiven by the Small Business Administration. HHSC also has received another $3.4 million in second round Small Business Administration PPP loans, which are still outstanding. HHSC has applied for and received various other grants and funding from federal, state, and county sources relating to the testing, treatment, and preparation costs for potential and actual coronavirus patients.

The coronavirus pandemic demonstrated how critical HHSC's facilities are in terms of access to health care in the State of Hawaii, particularly on the neighbor islands. In fiscal year 2021, HHSC's acute discharges for the four HHSC regions were 12,374, which accounts for approximately 12 percent of all acute-care discharges in the State of Hawaii. In fiscal year 2021, HHSC's emergency department visits for the four HHSC regions were 66,334, representing approximately 18.6 percent of all emergency department visits statewide. The impact of HHSC's facilities on the neighbor islands is even more impressive. For residents of the County of Hawaii, HHSC's facilities cared for 70 percent of all acute-care discharges and 82 percent of all emergency department visits. For residents of the County of Kauai, HHSC's facilities cared for approximately 21 percent of all acute-care discharges and 37.5 percent of all emergency department visits.

Despite the high volume of care that is provided at HHSC's facilities, HHSC continues to face growing operating losses due to excessive levels of salaries and benefits expense as compared to industry benchmarks. HHSC was forced to absorb current and retroactive collective bargaining raises of varying percentages due to an interest arbitration agreement between the State of Hawaii and public sector unions, which increased salaries and benefits expense by approximately $20.6 million in fiscal year 2021 alone. Further, the collective bargaining agreements negotiated by the State of Hawaii are meant to cover employees supporting the static business environment of administrative offices, not the dynamic working environment found in the hospitals that HHSC operates. As a result, the work rules and pay schedules dictated by those collective bargaining agreements make it difficult for HHSC to operate its facilities efficiently and cost effectively.

In addition, the State assessed HHSC a fringe benefit rate of 52.83 percent for most of fiscal year 2021. This represents a decrease in the fringe benefit rate assessed in fiscal year 2020 of 63.08 percent, resulting from the State of Hawaii's decision to temporarily suspend the statutory funding requirement for its retiree health insurance program. Unfortunately, the State of Hawaii has advised HHSC that the fringe benefit rate is expected to increase back up to 62.78 percent starting in fiscal year 2023. Other private hospitals across the United States pay a fringe benefit rate of between 25-30 percent. The impact to HHSC of the difference between its FY 2021 fringe benefit rate and the private hospital fringe rate of 30 percent is approximately $45.7 million in additional annual expense to HHSC.

As a result of these ever-increasing cost pressures, HHSC's salaries and benefits expense as a percentage of net patient service revenue was 102 percent for fiscal year 2021, as compared to the U.S. Not-for-Profit Healthcare System Median of 58.3 percent (per Standard & Poor's Global Ratings for 2019).

Future Outlook

Although the State of Hawaii and the counties have eased the restrictions from the earlier emergency proclamations to more fully allow businesses to operate and to allow trans-Pacific arrivals to avoid quarantine through the State's pretravel testing program, the impact of the coronavirus pandemic is still being felt. As noted above, patient volumes have still not improved to pre-pandemic levels. Statewide, emergency department visits are down 27 percent from fiscal year 2019, and acute inpatient discharges are down 9.4 percent for that same period. Although current statewide completed vaccination rates are at 72 percent, the neighbor island communities that HHSC's facilities serve have lower completed vaccination rates than Oahu (68 percent for Counties of Hawaii and Kauai vs. 75 percent for City and County of Honolulu). It will be interesting to see how this dynamic and the evolution of the coronavirus situation overall impacts HHSC's facilities in the future.

HHSC is continuously analyzing how to better meet the challenges of delivering vital health care to the communities it serves. In doing so, HHSC continues to evaluate its current operations to see where there may be opportunities for the system as a whole to operate more efficiently and effectively in providing accessible, high-quality services that address the health care needs of Hawaii's unique island communities.

Contacting the Corporation's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hawaii Health Systems Corporation's corporate office at Hawaii Health Systems Corporation, 3675 Kilauea Avenue, Honolulu, HI 96816.

Statement of Net Position

June 30, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents (Note 2)	$ 156,943,958	$ 186,742,457
Cash and cash equivalents - State of Hawaii (Note 2)	13,243,289	12,510,376
Patient accounts receivable - Less allowance for doubtful accounts of $19,098,691 and $22,478,757 in 2021 and 2020, respectively (Notes 2 and 3)	69,898,216	61,538,542
Investments (Note 4)	34,937,961	7,961,296
Due from the State of Hawaii (Note 6)	43,336,394	41,952,795
Supplies and other current assets	15,941,125	12,501,958
Estimated third-party payor settlements	8,089,659	6,833,054
Total current assets	342,390,602	330,040,478
Assets Limited as to Use (Note 2)	23,033,765	22,874,815
Capital Assets - Net (Note 5)	335,095,675	336,580,909
Total assets	700,520,042	689,496,202
Deferred Outflows of Resources		
Pension (Note 8)	70,596,717	87,421,754
Postemployment benefits other than pensions (Note 9)	34,058,417	55,485,768
Total deferred outflows of resources	104,655,134	142,907,522
Total assets and deferred outflows of resources	**$ 805,175,176**	**$ 832,403,724**

See notes to financial statements.

Statement of Net Position (Continued)

June 30, 2021 and 2020

	2021	2020
Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)		
Current Liabilities		
Accounts payable and accrued expenses	$ 59,468,117	$ 60,312,075
Current portion of accrued vacation (Note 7)	13,409,840	15,597,066
Current portion of long-term debt (Note 10)	13,874,922	5,617,448
Current portion of capital lease obligations (Note 10)	1,853,107	2,032,291
Current portion of accrued workers' compensation (Note 11)	2,603,000	2,916,000
Other current liabilities:		
Medicare accelerated payments (Note 13)	11,644,574	14,436,041
Unearned revenue - CARES Act Provider Relief Fund and other pandemic grants (Note 13)	919,317	42,204,398
Other current liabilities	700,602	860,685
Total current liabilities	104,473,479	143,976,004
Long-term Debt - Net of current portion (Note 10)	21,672,674	50,984,317
Capital Lease Obligation - Net of current portion (Note 10)	3,513,502	5,402,157
Other Liabilities		
Accrued vacation - Less current portion (Note 7)	21,332,374	15,571,471
Accrued workers' compensation - Less current portion (Note 11)	8,954,000	8,668,000
Other postemployment liability (Note 9)	513,049,791	547,829,574
Due to the State of Hawaii (Note 6)	19,008,243	19,008,243
Medicare accelerated payments - Less current portion (Note 13)	1,479,151	-
Pension liability (Note 8)	627,817,806	576,687,523
Other liabilities	9,713	9,813
Patients' safekeeping deposits	282,786	278,078
Total liabilities	1,321,593,519	1,368,415,180
Deferred Inflows of Resources		
Pension (Note 8)	398,136	26,490,118
Postemployment benefits other than pensions (Note 9)	43,932,735	8,292,680
Total deferred inflows of resources	44,330,871	34,782,798
Total liabilities and deferred inflows of resources	1,365,924,390	1,403,197,978
Net Position (Deficit)		
Unrestricted	(872,397,331)	(881,842,914)
Net investment in capital assets	302,947,830	302,431,814
Restricted for lender covenants and other (Note 2)	8,700,287	8,616,846
Total net position (deficit)	(560,749,214)	(570,794,254)
Total liabilities, deferred inflows of resources, and net position (deficit)	**$ 805,175,176**	**$ 832,403,724**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenue		
Net patient service revenue (net of provision for doubtful accounts of $11,198,251 and $16,249,196 for 2021 and 2020, respectively)	$ 439,201,054	$ 414,321,924
Uncompensated care revenue	45,346,054	34,951,717
Other revenue	10,632,484	10,857,521
Total operating revenue	495,179,592	460,131,162
Operating Expenses		
Salaries	267,333,373	248,977,091
Employee benefits	180,691,908	207,154,907
Medical supplies and drugs	58,265,444	50,550,558
Depreciation and amortization	34,403,065	36,638,280
Utilities	11,479,302	12,263,285
Repairs and maintenance	16,566,134	14,549,614
Other supplies	15,474,044	13,655,123
Purchased services	79,236,793	74,891,799
Professional fees	14,541,217	18,137,054
Insurance	6,668,066	8,310,974
Rent and lease	5,554,077	5,104,761
Other	11,685,563	11,301,245
Total operating expenses	701,898,986	701,534,691
Operating Loss	(206,719,394)	(241,403,529)
Nonoperating Income (Expense)		
General appropriations from the State of Hawaii	129,100,403	127,501,003
Restricted contributions	1,322,972	1,200,844
Interest expense	(1,451,293)	(1,692,962)
Interest and dividend income	170,639	1,216,879
Contributions - CARES Act Provider Relief Fund and other pandemic grants (Note 13)	46,358,670	7,649,537
Forgiveness of Paycheck Protection Program loan (Note 10)	22,714,000	-
Other nonoperating revenue - Net	693,392	1,351,044
Total nonoperating income	198,908,783	137,226,345
Excess of Expenses Over Revenue before Capital Contributions	(7,810,611)	(104,177,184)
Capital Contributions	17,855,651	18,660,182
Increase (Decrease) in Net Position	10,045,040	(85,517,002)
Net Position (Deficit) - Beginning of year	(570,794,254)	(485,277,252)
Net Position (Deficit) - End of year	$ (560,749,214)	$ (570,794,254)

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received from government, patients, and third-party payors	$ 473,321,294	$ 462,209,397
Cash payments to employees for services	(384,794,727)	(369,697,180)
Cash payments to suppliers for services and goods	(218,964,230)	(211,654,022)
Other receipts from operations	10,632,484	10,857,521
Net cash used in operating activities	(119,805,179)	(108,284,284)
Cash Flows from Noncapital Financing Activities		
Appropriations from the State of Hawaii	129,100,403	127,501,003
Contributions - CARES Act Provider Relief Fund	5,077,289	49,853,935
Other nonoperating revenue - Net	693,392	1,351,044
Proceeds from long-term debt	3,354,760	22,714,000
Net cash provided by noncapital financing activities	138,225,844	201,419,982
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(16,630,186)	(7,895,348)
Interest paid	(1,451,293)	(1,692,962)
Repayments on long-term debt	(1,694,929)	(1,765,266)
Repayments on capital lease obligations	(2,067,839)	(2,122,703)
Restricted capital contributions	1,322,972	1,298,041
Net cash used in capital and related financing activities	(20,521,275)	(12,178,238)
Cash Flows from Investing Activities		
Interest and dividend income	170,639	1,216,879
Purchase of short-term investments and assets limited as to use	(27,135,615)	(951,314)
Net cash (used in) provided by investing activities	(26,964,976)	265,565
Net (Decrease) Increase in Cash and Cash Equivalents	(29,065,586)	81,223,025
Cash and Cash Equivalents - Beginning of year	199,252,833	118,029,808
Cash and Cash Equivalents - End of year	**$ 170,187,247**	**$ 199,252,833**
Statement of Net Position Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 156,943,958	$ 186,742,457
Cash and cash equivalents - State of Hawaii	13,243,289	12,510,376
Total cash and cash equivalents	**$ 170,187,247**	**$ 199,252,833**

See notes to financial statements.

Statement of Cash Flows (Continued)

Years Ended June 30, 2021 and 2020

A reconciliation of operating loss to net cash used in operating activities is as follows:

	2021	2020
Cash Flows from Operating Activities		
Operating loss	$ (206,719,394)	$ (241,403,529)
Adjustments to reconcile operating loss to net cash from operating activities:		
Provision for doubtful accounts	11,198,251	16,249,196
Depreciation and amortization	34,403,065	36,638,280
Loss on disposal of capital assets	184,407	280,869
Changes in assets and liabilities:		
Patient accounts receivable	(19,557,925)	(22,268,314)
Supplies and other assets	(3,439,167)	706,632
Accounts payable, accrued expenses, and other liabilities	(995,133)	5,059,746
Accrued workers' compensation liability	(35,000)	(114,000)
Postemployment benefit liability	(34,779,783)	650,579
Pension liability	51,130,283	34,313,035
Deferred outflows and inflows	47,800,461	41,036,591
Estimated third-party payor settlements	(1,256,605)	4,518,833
Accrued vacation	3,573,677	1,611,757
Medicare advance funds	(1,312,316)	14,436,041
Net cash used in operating activities	**$ (119,805,179)**	**$ (108,284,284)**
Noncash Financing and Investing Activities		
Capital assets contributed by the State of Hawaii and others	$ 16,472,052	$ 18,336,960
Change in due from the State of Hawaii	1,383,599	(226,025)
Assets acquired via capital lease	-	1,631,220
Forgiveness of Paycheck Protection Program loans	22,714,000	-

Note 1 - Organization

Structure

Hawaii Health Systems Corporation (the "Corporation") is a public body corporate and politic and an instrumentality and agency of the State of Hawaii (the "State"). Hawaii Health Systems Corporation is managed by a chief executive officer under the control of an 18-member board of directors.

In June 1996, the Legislature of the State passed Act 262, S.B. 2522. The act, which became effective in fiscal year 1997, transferred all facilities under the administration of the Department of Health - Division of Community Hospitals to Hawaii Health Systems Corporation. Hawaii Health Systems Corporation currently operates the following facilities:

East Hawaii Region:

- Hilo Medical Center
- Hale Ho'ola Hamakua
- Ka'u Hospital
- Yukio Okutsu Veterans Care Home (Yukio is not included in the East Hawaii Region audited financial statements)

West Hawaii Region:

- Kona Community Hospital
- Kohala Hospital

Kauai Region:

- Kauai Veterans Memorial Hospital
- Samuel Mahelona Memorial Hospital

Oahu Region:

- Leahi Hospital
- Maluhia

Kahuku Medical Center

The operations of the following facilities were transferred to Kaiser Permanente on July 1, 2017:

Maui Region (or HHSC - Maui):

- Maui Memorial Medical Center (MMMC)
- Kula Hospital
- Lanai Community Hospital

Act 262 also amended a previous act to exempt all facilities from the obligation to pay previously allocated central service and departmental administration expenses by the State.

Hawaii Health Systems Corporation is considered to be administratively attached to the Department of Health of the State and is a component unit of the State. The accompanying financial statements relate only to Hawaii Health Systems Corporation and the facilities and are not intended to present the financial position, results of operations, or cash flows of the Department of Health.

Note 1 - Organization (Continued)

Negotiations between Hawaii Health Systems Corporation and the State relating to the transfer of assets and assumption of liabilities pursuant to Act 262 had not been finalized as of June 30, 2021. Accordingly, the assets, liabilities, and net assets of Hawaii Health Systems Corporation reflected in the accompanying statement of revenue, expenses, and changes in net position may be significantly different from those eventually included in the final settlement.

The following entities are being presented as part of Hawaii Health Systems Corporation: Hawaii Health Systems Foundation (HHSF); Alii Community Care, Inc. (Alii); Alii Health Center (AHC); Kona Ambulatory Surgery Center (KASC); East Hawaii Medical Group (EHMG); Kauai Region Medical Group (KRMG); and Kauai Region Pharmacy - West (KRPW). HHSF and Alii are nonprofit organizations of which Hawaii Health Systems Corporation is the sole member. The purpose of HHSF is to raise funds and to obtain gifts and grants on behalf of Hawaii Health Systems Corporation. The purpose of Alii is to own, manage, and operate assisted living and other health care facilities in the state.

In June 2007, the state Legislature passed Act 290, S.B. 1792. This act, which became effective on July 1, 2007, required the establishment of a 7- to 15-member regional system board of directors for each of the five regions of the Hawaii Health Systems Corporation system. Each regional board was given custodial control and responsibility for management of the facilities and other assets in their respective regions. This act also restructured the 13-member Hawaii Health Systems Corporation board of directors to 15 members, composed of 10 members appointed by the governor from nominees submitted by legislative leadership, 2 at-large members at the governor's discretion, 2 physician members selected by the Hawaii Health Systems Corporation board, and the state director of health.

Act 290 also exempted the regions from the requirements of the state procurement code and other exemptions from state agency laws, such as tax clearance certificate requirements, the concession law, and the sunshine law.

In 2009, the Legislature passed Act 182, S.B. 1673, effective July 1, 2009, which allowed the individual facilities or regions of Hawaii Health Systems Corporation to transition into a new legal entity in any form recognized under the laws of the State of Hawaii, including, but not limited to, a nonprofit corporation, a for-profit corporation, a municipal facility, a public benefit corporation, or a combination of the above. The act also amended the requirement for maintenance of services to outline a process that must be followed in order for a facility to substantially reduce or eliminate a direct patient care service. Furthermore, the act reconstituted the Hawaii Health Systems Corporation board of directors to a 12-member board of directors, which includes the 5 regional chief executive officers; 1 representative each appointed by the East Hawaii, West Hawaii, Kauai, and Oahu regional boards; 2 members appointed by the Maui regional board; and the director of the Department of Health as an ex officio nonvoting member.

In June 2011, the Legislature passed Act 126, S.B. 1300, effective July 1, 2011, which reconstituted the Hawaii Health Systems Corporation board of directors to a 13-member board of directors by adding an at-large voting member appointed by the governor of the State of Hawaii and changing the voting status of the director of the Department of Health from a nonvoting to a voting member.

In June 2013, the Legislature passed Act 278, H.B. 1130, effective July 2013, which reconstituted the Corporation's board of directors by adding five regional members appointed by the governor and making the five regional chief executive officers ex officio nonvoting members.

Maui Region

In June 2015, the Legislature passed Act 103, H.B. 1075, effective June 10, 2015, which allowed for the transition of the management of the Maui Region facilities to a new entity.

Note 1 - Organization (Continued)

Following the State of Hawaii Legislature passing Act 103, the Maui Region entered into a transfer agreement with Kaiser Permanente (Kaiser). As of July 1, 2017, operations of HHSC - Maui's facilities were transferred to Kaiser. HHSC - Maui continues to own all capital assets that are now leased to Kaiser as part of a lease agreement. As of the transfer date, the main economic function of the region is related to lease activity, and there will be no other significant revenue streams. See Note 11 for further discussion regarding lease activity.

Act 103 also called for the transfer of certain liabilities from the Corporation to the State. These liabilities included the net pension liability and other postemployment benefit liability and any related deferred inflows and deferred outflows of resources. As part of Act 103, these liabilities were transferred back to the State.

Kahuku Medical Center

In June 2007, the state Legislature passed Act 113, H.B. 843. This act amended Hawaii Revised Statutes 323F to allow for the assimilation of Kahuku Hospital into Hawaii Health Systems Corporation in a manner and to an extent that was to be negotiated between Kahuku Hospital and Hawaii Health Systems Corporation. The act also specified that none of the liabilities of Kahuku Hospital were to become the liabilities of Hawaii Health Systems Corporation, that Hawaii Health Systems Corporation could adjust the levels of services provided by Kahuku Hospital, and that the employees of Kahuku Hospital were not to be considered employees of the State. This act appropriated $3,900,000, which was disbursed through the Department of Health of the State, to pay for the cost of acquiring the assets of Kahuku Hospital and to operate the facility. On March 14, 2008, the asset purchase was completed for a purchase price of approximately $2,652,000 in cash, including transaction costs of $197,000 in cash, and the facility is now operating as Kahuku Medical Center. The purchase price was allocated to assets based on their respective estimated fair values at the acquisition date.

Oahu Region

In June 2021, the Legislature passed SB628 SD2 HD2 CD1, effective July 6, 2021, which initiated the transition of the HHSC Oahu Region into the State of Hawaii Department of Health. The transfer is required to be completed no later December 31, 2022.

Liquidity

During the years ended June 30, 2021 and 2020, Hawaii Health Systems Corporation incurred losses from operations of approximately $207 million and $241 million, respectively, and had negative cash flows from operations of approximately $120 million and $108 million, respectively. Management believes maintaining the current levels of service provided by Hawaii Health Systems Corporation will require continued funding by the State of Hawaii.

Note 2 - Significant Accounting Policies

Basis of Accounting

Hawaii Health Systems Corporation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, as prescribed by Governmental Accounting Standards Board (GASB).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less. It also includes amounts held in the State Treasury. The state director of finance is responsible for the safekeeping of all moneys paid into the State Treasury (cash pool). Hawaii Health Systems Corporation's portion of this cash pool at June 30, 2021 and 2020 is indicated in the accompanying statement of net position as cash and cash equivalents - State of Hawaii. The Hawaii Revised Statutes authorize the director of finance to invest in obligations of, or guaranteed by, the U.S. government; obligations of the State; federally insured savings and checking accounts; time certificates of deposit; and repurchase agreements with federally insured financial institutions. Cash and deposits with financial institutions are collateralized in accordance with state statutes. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State.

Hawaii Health Systems Corporation has cash and certificates of deposit, as described in Note 4, in financial institutions that are in excess of available depository insurance coverage. The amount of uninsured and uncollateralized deposits for cash and cash equivalents totaled approximately $156,599,000 and $174,543,000 at June 30, 2021 and 2020, respectively, and $12 million for certificates of deposit at June 30, 2021. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a financial institution failure, Hawaii Health Systems Corporation's deposits might not be returned to it. Hawaii Health Systems Corporation believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, Hawaii Health Systems Corporation evaluates each financial institution with which it deposits funds; only those institutions with an acceptable estimated risk level are used as depositories.

Accounts Receivable

Patient accounts receivable are stated at net realizable value amounts. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting Hawaii Health Systems Corporation's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments is based on expected payment rates from payors based on current reimbursement methodologies.

Supplies

Supplies consist principally of medical and other supplies and are recorded at the lower of first-in, first-out cost or market.

Capital Assets

Capital assets assumed from the State at inception are recorded at cost less accumulated depreciation. Other capital assets are recorded at cost or acquisition value at the date of donation. Capital assets are defined by the Corporation as assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year. Donated buildings, equipment, and land are recognized as revenue when all eligibility requirements have been met, generally at the date of donation. Equipment under capital leases is recorded at the present value of future payments. Buildings, equipment, and improvements are depreciated by the straight-line method using these asset lives:

- Buildings and improvements and land and land improvements: 5-40 years
- Equipment: 3-20 years

Gains or losses on the sale of capital assets are reflected in other nonoperating revenue. Normal repairs and maintenance expenses are charged to operations as incurred.

Note 2 - Significant Accounting Policies (Continued)

Assets Limited as to Use

Assets limited as to use include patients' safekeeping deposits, restricted deferred contributions, board-designated cash, internally designated investments, cash in escrow accounts related to future lease draws and restricted net position, which have restrictions that have been externally imposed by contributors or by collateral agreements. Restricted resources are applied before unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Patients' safekeeping deposits represent funds received or property belonging to the patients that are held by Hawaii Health Systems Corporation in a fiduciary capacity as custodian. Receipts and disbursements of these funds are not reflected in Hawaii Health Systems Corporation's operations.

At June 30, 2021 and 2020, assets limited as to use consisted of restricted cash of $23,033,765 and $22,874,815, respectively.

Grant Revenue

Grant revenue received for grants is considered a nonexchange transaction and is recognized as the eligibility requirements of the grants have been met. Grant funding received in advance of eligibility requirements being met is recorded as unearned revenue.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Hawaii Health Systems Corporation has two items that qualify for reporting in this category. They are the deferred outflows of resources related to the cost-sharing defined benefit pension plan (see Note 8) and the State of Hawaii OPEB plan (see Note 9).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Hawaii Health Systems Corporation has two items that qualify for reporting in this category. They are the deferred inflows of resources related to the cost-sharing defined benefit pension plan (see Note 8) and the State of Hawaii OPEB plan (see Note 9).

Accrued Vacation and Compensatory Pay

Hawaii Health Systems Corporation accrues all vacation and compensatory pay at current salary rates, including additional amounts for certain salary-related expenses associated with the payment of compensated absences (such as employer payroll taxes and fringe benefits), in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation is earned at a rate of one and three-quarters working days for each month of service. Vacation days may be accumulated to a maximum of 90 days.

Postemployment Benefits

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Note 2 - Significant Accounting Policies (Continued)

Pension

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) and additions to/deductions from the ERS' fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Net Position

Net position is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Corporation. The restricted net position at June 30, 2021 was composed of $221,274 restricted for capital purchases and $8,479,013 restricted by lender covenants. The restricted net position at June 30, 2020 was composed of $137,833 restricted for capital purchases and $8,479,013 restricted by lender covenants. Unrestricted net position is the remaining net assets that do not meet the definition of net investment in capital assets or restricted.

Operating Revenue and Expenses

Hawaii Health Systems Corporation has defined its operating revenue and expenses as those relating to the provision of health care services. The income and expenses relating to capital and related financing activities, noncapital financing activities, and investing activities are excluded from that definition.

- Medicaid - Inpatient acute services rendered to Medicaid program beneficiaries are reimbursed under a prospectively determined rate per day and per discharge, with a cost settlement for capital costs. Medicaid long-term care services are reimbursed based on a price-based case-mix reimbursement system. The case-mix reimbursement system uses the resource utilization groups classification system calculated from the minimum data set assessment. The case-mix reimbursement payment method takes into account a patient's clinical condition and the resources needed to provide care for the patient. Medicaid outpatient services are reimbursed based on a fee schedule using current procedure terminology (CPT) codes established for the State.

- Critical Access Hospital (CAH) - Hawaii Health Systems Corporation has six facilities (Hale Ho'ola Hamakua, Kauai Veterans Memorial Hospital, Kahuku Medical Center, Ka'u Hospital, Kohala Hospital, and Samuel Mahelona Memorial Hospital) that are designated as critical access hospitals by the Centers for Medicare & Medicaid Services (CMS). CAHs are limited-service hospitals located in rural areas that receive cost-based reimbursement. To be designated a CAH, a facility must, among other requirements: (1) be located in a county or equivalent unit of a local government in a rural area, (2) be located more than a 35-mile drive from a hospital or another health care facility, or (3) be certified by the State as being a necessary provider of health care services to residents in the area. These facilities are paid an interim reimbursement rate throughout the year based on each facility's expected costs per inpatient day or the allowable outpatient cost to charge. After the close of each fiscal year, the facility would receive retrospective settlements for the difference between interim payments received and the total allowable cost, as documented in the Medicare cost reports.

- Sole Community Hospital - Hawaii Health Systems Corporation has two facilities (Hilo Medical Center and Kona Community Hospital) that are designated as sole community hospitals by the CMS. Inpatient case rates for services rendered to Medicare beneficiaries are finally determined upon the filing of the annual Medicare cost reports.

Note 2 - Significant Accounting Policies (Continued)

- Hawaii Medical Service Association (HMSA) - Inpatient services rendered to HMSA subscribers are reimbursed at prospectively determined case rates. The prospectively determined case rates are not subject to retroactive adjustment. In addition, outpatient surgical procedures and emergency room visits are reimbursed at a negotiated case rate. All other outpatient services are reimbursed based on a fee schedule using standard CPT codes.
- Other Commercial - Hawaii Health Systems Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established rates, and prospectively determined daily rates.

Net Patient Service Revenue

Net patient service revenue is recorded on an accrual basis in the period in which the related services are provided at established rates, less contractual adjustments and provision for doubtful accounts. Hawaii Health Systems Corporation, as a safety net provider, provides charity care to certain patients; the specific cost of such care for the years ended June 30, 2021 and 2020 was approximately $1,560,000 and $920,000, respectively.

Hawaii Health Systems Corporation has agreements with third-party payors that provide for payments at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The adjustments to the final settlements did not have a significant impact on the fiscal year 2021 financial statements.

Hawaii Health Systems Corporation participates in the State of Hawaii Hospital Uncompensated Care Program. Under this program, governmentally operated hospitals receive supplemental payments from participating Medicaid HMO plans. The program is intended to provide funding to cover the loss of providing hospital and nursing facility services to Medicaid managed-care subscribers.

The estimated third-party payor settlements are based on estimates because complete information is not currently available to determine the final settlement amounts for certain cost report years. Management has used its best effort, judgment, and certain methodologies to estimate the anticipated final outcome.

A summary of the payment arrangements with major third-party payors is as follows:

- Medicare - Inpatient acute services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge referred to as the inpatient prospective payment system (IPPS). Under the IPPS, each case is categorized into a diagnosis-related group (DRG). Each DRG has a payment weight assigned to it based on the average resources used to treat Medicare patients in that DRG.

  Outpatient services rendered to Medicare beneficiaries are paid under a prospective payment system called ambulatory payment classifications (APC). Services in each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC, and, depending on the services provided, hospitals may be paid for more than one APC for an encounter.

Note 2 - Significant Accounting Policies (Continued)

Skilled nursing services provided to Medicare beneficiaries are paid on a per diem prospective payment system covering all costs (routine, ancillary, and capital) related to the services furnished. The per diem payments for each admission are case-mix adjusted using a resident classification system (resource utilization groups) based on data from resident assessments and relative weights developed from staff time data.

State Appropriations

Hawaii Health Systems Corporation recognizes general and capital appropriations at the time allotments are made available to the facility for expenditure.

Effective July 1, 2008, HHSC - Corporate (Corporate) permanently allocated general appropriations to each facility. General appropriations are reflected as nonoperating revenue, and capital appropriations are included in capital grants and contributions after the nonoperating revenue (expense) subtotal in the statement of revenue, expenses, and changes in net position. If restrictions are placed on such appropriations, the restrictions are given separate and discrete accounting recognition.

Bond Interest

Hawaii Health Systems Corporation is allocated an amount for interest paid by the State of general obligation bonds whose proceeds were used for hospital construction. A corresponding contribution from the State is also allocated to Hawaii Health Systems Corporation. The bonds are obligations for the State, to be paid by the State's General Fund, and are not reported as liabilities of Hawaii Health Systems Corporation. For the years ended June 30, 2021 and 2020, interest expense totaled approximately $11,362,000 and $11,466,000, respectively.

Risk Management

Hawaii Health Systems Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The facilities are self-insured for workers' compensation and disability claims and judgments, as discussed in Note 11.

Reclassification

Certain 2020 operating revenue amounts totaling $34,951,717 have been reclassified to conform to the 2021 presentation.

Change in Accounting Principles

During the year ended June 30, 2021, Hawaii Health Systems Corporation adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, there were no changes to the financial statements.

During the year ended June 30, 2021, Hawaii Health Systems Corporation adopted GASB Statement No. 90, *Majority Equity Interests*, which provides guidance on how majority equity interests in legally separate entities should be reported depending on whether the interest being held meets the definition of an investment. As a result of implementing this standard, there were no changes to the financial statements, as the required majority equity interests were properly recorded within the statement of net position. The financial statements for the year ended June 30, 2020 were not restated, as there was no change to the balances within the statement of net position as of June 30, 2020.

During the year ended June 30, 2021, Hawaii Health Systems Corporation adopted GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. As a result of implementing this standard, there were no changes to the financial statements.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Corporation is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Corporation's financial statements for the year ending June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.*

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt; provides a single method of reporting conduit debt obligations by issuers; and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The provisions of this statement are effective for the Corporation's financial statements for the year ending June 30, 2023 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance.*

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Corporation is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Corporation's financial statements for the year ending June 30, 2023.

Note 3 - Accounts Receivable

Patient accounts receivable consist of amounts due from insurance companies and patients for services rendered by the facilities. The facilities grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor arrangements. The mix of receivables from patients and third-party payors as of June 30 is as follows:

	2021	2020
Medicare	36.00 %	35.00 %
Medicaid	26.00	25.00
HMSA	12.00	7.00
Other third-party payors	17.00	20.00
Patient and other	9.00	13.00
Total	100.00 %	100.00 %

Note 4 - Fair Value Measurements

Hawaii Health Systems Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Hawaii Health Systems Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Hawaii Health Systems Corporation has the following recurring fair value measurements as of June 30, 2021 and 2020:

- U.S. Treasury securities of $14,140,766 and $5,172,534, respectively, are valued using quoted market prices (Level 2 inputs).
- U.S. government agencies of $8,342,876 and $2,533,273, respectively, are valued using a matrix pricing model (Level 2 inputs).
- Money market funds of $454,319 and $255,489, respectively, are valued using a matrix pricing model (Level 2 inputs).

The fair values of U.S. Treasury obligations, U.S. government agencies, and money market funds at June 30, 2021 and 2020 were determined primarily based on Level 2 inputs. Hawaii Health Systems Corporation estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Investments at cost consist of certificates of deposits totaling $12,000,000 as of June 30, 2021, which are reported at par value instead of fair value.

Hawaii Health Systems Corporation's investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Hawaii Health Systems Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of Hawaii Health Systems Corporation's investments, including certificates of deposit, are held by financial institutions registered in Hawaii Health Systems Corporation's name.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from interest rates, Hawaii Health Systems Corporation's investment policy generally limits maturities on investments to no more than five years from the date of investment. All of Hawaii Health Systems Corporation's investments at June 30, 2021 and 2020 have an original maturity date within five years from the date of investment.

Note 4 - Fair Value Measurements (Continued)

Credit Risk

Hawaii Health Systems Corporation's investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds maintaining a Triple-A rating. As of June 30, 2021 and 2020, Hawaii Health Systems Corporation held investments in U.S. Treasury securities and U.S. government agencies.

Concentration of Credit Risk

Hawaii Health Systems Corporation's investment policy provides guidelines for portfolio diversification by placing limits on the amount that may be invested in any one issuer, types of investment instruments, and position limits per issue of an investment instrument. There were no investments except for the certificates of deposit that individually exceed 5 percent of Hawaii Health Systems Corporation's total investments at June 30, 2021 and 2020.

Note 5 - Capital Assets

Capital asset activity of the Corporation's governmental activities for the years ended June 30, 2021 and 2020 were as follows:

	Balance July 1, 2020	Transfers and Adjustments	Additions	Retirements	Balance June 30, 2021
Assets not subject to depreciation:					
Land and land improvements	$ 10,807,306	$ -	$ -	$ -	$ 10,807,306
Construction in progress	30,571,327	(18,327,127)	25,201,737	(3,000)	37,442,937
Subtotal	41,378,633	(18,327,127)	25,201,737	(3,000)	48,250,243
Assets subject to depreciation:					
Buildings and improvements	555,202,188	19,229,978	983,931	(437,017)	574,979,080
Equipment	274,343,866	(911,559)	6,916,570	(4,981,858)	275,367,019
Subtotal	829,546,054	18,318,419	7,900,501	(5,418,875)	850,346,099
Less accumulated depreciation:					
Buildings and improvements	303,500,085	(354,127)	21,498,960	(390,956)	324,253,962
Equipment	230,843,693	354,127	12,904,105	(4,855,220)	239,246,705
Subtotal	534,343,778	-	34,403,065	(5,246,176)	563,500,667
Capital assets - Net	$ 336,580,909	$ (8,708)	$ (1,300,827)	$ (175,699)	$ 335,095,675

Note 5 - Capital Assets (Continued)

	Balance July 1, 2019	Transfers and Adjustments	Additions	Retirements	Balance June 30, 2020
Assets not subject to depreciation:					
Land and land improvements	$ 10,613,439	$ 193,867	$ -	$ -	$ 10,807,306
Construction in progress	29,951,480	(22,844,712)	23,619,647	(155,088)	30,571,327
Subtotal	40,564,919	(22,650,845)	23,619,647	(155,088)	41,378,633
Assets subject to depreciation:					
Buildings and improvements	537,473,329	17,100,102	628,757	-	555,202,188
Equipment	269,596,091	5,550,743	3,615,125	(4,418,093)	274,343,866
Subtotal	807,069,420	22,650,845	4,243,882	(4,418,093)	829,546,054
Less accumulated depreciation:					
Buildings and improvements	282,412,568	-	21,284,127	(196,610)	303,500,085
Equipment	219,585,241	-	15,354,153	(4,095,701)	230,843,693
Subtotal	501,997,809	-	36,638,280	(4,292,311)	534,343,778
Capital assets - Net	$ 345,636,530	$ -	$ (8,774,751)	$ (280,870)	$ 336,580,909

The State Department of Accounting and General Services and others transferred capital assets, including construction in progress, aggregating $16,472,052 and $18,336,960 to Hawaii Health Systems Corporation during the years ended June 30, 2021 and 2020, respectively.

Note 6 - State of Hawaii Advances and Receivable

The amount due to the State of $19,008,243 at June 30, 2021 and 2020 is made up of cash advances to the Department of Health - Division of Community Hospitals, which was assumed by Hawaii Health Systems Corporation at the date of its formation.

At June 30, 2021 and 2020, $43,336,394 and $41,952,795, respectively, was due from the State for allotments made to Hawaii Health Systems Corporation before June 30, 2021 and 2020.

Note 7 - Accrued Vacation

Among the Corporation's short-term and long-term liabilities is accrued vacation.

Activity for the years ended June 30, 2021 and 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Accrued vacation - 2021	$ 31,168,537	$ 14,878,995	$ (11,305,318)	$ 34,742,214	$ 13,409,840	$ 21,332,374
Accrued vacation - 2020	29,556,780	15,140,701	(13,528,944)	31,168,537	15,597,066	15,571,471

Note 8 - Cost-sharing Defined Benefit Pension Plan

Plan Description

All full-time employees of Hawaii Health Systems Corporation are eligible to participate in the Employees' Retirement System of the State of Hawaii, a cost-sharing, multiple-employer, public employee retirement system covering eligible employees of the State and counties. The ERS issues a publicly available financial report that can be obtained at ERS' website: http://ers.ehawaii.gov/resources/financials.

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

Benefits Provided

The ERS is composed of a contributory retirement plan and a noncontributory retirement plan. Eligible employees who were in service and members of the existing contributory plan on June 30, 1984 were given an option to remain in the existing plan or join the noncontributory plan effective January 1, 1985. All new eligible employees hired after June 30, 1984 automatically become members of the noncontributory plan. Both plans provide death and disability benefits and cost of living increases. Benefits are established by state statute. In the contributory plan, employees may elect normal retirement at age 55 with 5 years of credited service or elect early retirement at any age with 25 years of credited service. Such employees are entitled to retirement benefits, payable monthly for life, of 2 percent of their average final salary, as defined, for each year of credited service. Benefits fully vest on reaching 5 years of service; retirement benefits are actuarially reduced for early retirement. Covered contributory plan employees are required by state statute to contribute between 7.8 and 9.8 percent of their salary to the plan; Hawaii Health Systems Corporation is required by state statute to contribute the remaining amounts necessary to pay contributory plan benefits when due. In the noncontributory plan, employees may elect normal retirement age at age 62 with 10 years of credited service or at age 55 with 30 years of credited service, or elect early retirement at age 55 with 20 years of credited service. Such employees are entitled to retirement benefits, payable monthly for life, of 1.25 percent of their average final salary, as defined, for each year of credited service. Benefits fully vest on reaching 10 years of service; retirement benefits are actuarially reduced for early retirement. Hawaii Health Systems Corporation is required by state statute to contribute all amounts necessary to pay noncontributory plan benefits when due.

On July 1, 2006, a new hybrid contributory plan became effective pursuant to Act 179, Session Laws of Hawaii of 2004. Participants prior to July 1, 2006 could choose to participate in this hybrid plan or remain in the existing plans. New employees hired from July 1, 2006 are required to join the hybrid plan. Participants will contribute between 6 and 8 percent of their salary to this plan. Furthermore, members in the hybrid plan are eligible for retirement at age 62 with 5 years of credited service or at age 55 with 30 years of credited service. Members will receive a multiplier of between 1.75 and 2 percent for each year of credited service in the hybrid plan. The benefit payment options are similar to the current contributory plan.

Contributions

Contributions are established by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal years 2021 and 2020 was 17 percent. Contributions to the pension plan from the Corporation were approximately $48 million and $42 million for the fiscal years ended June 30, 2021 and 2020, respectively.

The employer is required to make all contributions for members in the ERS. For contributory plan employees hired prior to July 1, 2012, general employees are required to contribute 7.8 percent of their salary. For contributory plan employees hired after July 1, 2012, general employees are required to contribute 9.8 percent of their salary. Hybrid plan members hired prior to July 1, 2012 are required to contribute 6.0 percent of their salary. Hybrid plan members hired after June 30, 2012 are required to contribute 8.0 percent of their salary.

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2021 and 2020, the Corporation reported a liability of approximately $628 million and $577 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Corporation's proportion of the net pension liability was based on the Corporation's actuarially required contribution for the years ended June 30, 2021 and 2020 relative to all other contributing employers. At June 30, 2021, the Corporation's proportion was 4.1 percent. At June 30, 2020, the Corporation's proportion was also 4.1 percent, which was no change from its proportion measurement at June 30, 2019 of 4.1 percent.

For the years ended June 30, 2021 and 2020, the Corporation recognized pension expense of approximately $89,728,000 and $85,387,000, respectively. At June 30, 2021 and 2020, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 7,244,692	$ (44,427)	$ 10,331,436	$ (1,203,361)
Net difference between projected and actual earnings on plan investments	25,388,991	(23,677,687)	10,376,064	(32,514,878)
Changes in assumptions	(13,446,770)	25,388,990	23,648,666	10,376,064
Changes in proportion	3,545,066	(2,065,012)	1,210,106	(3,147,943)
Employer contributions to the plan subsequent to the measurement date	47,864,738	-	41,855,482	-
Total	$ 70,596,717	$ (398,136)	$ 87,421,754	$ (26,490,118)

The $47,864,738 and $41,855,482 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2022	$ 9,010,898
2023	4,605,870
2024	4,974,099
2025	3,665,298
2026	77,678

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020
Inflation	2.5%
Salary increases	3.5%
Investment rate of return	7.0% per year, compounded annually, including inflation

	2019
Inflation	2.5%
Salary increases	3.5%
Investment rate of return	7.0% per year, compounded annually, including inflation

There were no changes to ad hoc postemployment benefits, including COLA, in the June 30, 2020 and 2019 valuations.

In the June 30, 2020 valuation, the postretirement mortality rates are based on the 2019 Public Retirees of Hawaii Mortality Table, with adjustments based on generational projections of the BB projection table for 2019 and full generational projections in future years. Preretirement mortality rates are based on multiples of the Pub-2010 Mortality Table based on the occupation of the member. In the June 30, 2019 valuation, the postretirement mortality rates are based on the 2016 Public Retirees of Hawaii Mortality Table, with adjustments based on generational projections of the BB projection table for 2016 and full generational projections in future years. Preretirement mortality rates are based on multiples of the RP-2014 Mortality Table based on the occupation of the member.

The actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The ERS updates its experience studies every five years.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2020 and 2019, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the ERS will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

The long-term expected rate of return on pension plan investments for June 30, 2020 and 2019 was determined using a top-down approach of the client-constrained simulation-based optimization model (a statistical technique known as resampling with a replacement that directly keys in on specific plan-level risk factors, as stipulated by the ERS' board of trustees) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return (real returns and inflation) by the target asset allocation percentage.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following tables for June 30, 2020 and 2019:

	2020	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad growth	63 %	8 %
Diversifying strategies	37	4

	2019	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad growth	63 %	7 %
Principal protection	7	3
Real return	10	4
Crisis risk offset	20	5

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Corporation at June 30, 2021 and 2020 calculated using the discount rate of 7.00 percent, as well as what the Corporation's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net pension liability - 2021	$ 806,517,298	$ 627,817,806	$ 480,496,965
Net pension liability - 2020	748,398,545	576,687,523	453,058,837

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued ERS financial report, which is available at http://www.ers.ehawaii.gov. The plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenue is recorded in the accounting period in which it is earned and becomes measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

Note 9 - Other Postemployment Benefit Plan

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the Hawaii Employer-Union Health Benefits Trust Fund, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues a publicly available annual financial report that can be obtained at http://eutf.hawaii.gov.

Benefits Provided

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with 10 years or more of credited service and 50 percent of the base monthly contribution for employees retiring with fewer than 10 years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001 and who retire with fewer than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50 percent of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001 and who retire with fewer than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50 percent of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Corporation were $22,326,446 and $46,929,179 for the fiscal years ended June 30, 2021 and 2020, respectively. The Corporation is required to make all contributions for members. Contributions during 2021 have declined from 2020 due to a temporary reduction in the statutory funding requirement of the fringe benefit rate for ongoing plan contributions. The Corporation has not yet been informed when the temporary reduction will cease.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021 and 2020, the Corporation reported a net OPEB liability of approximately $513 million and $548 million, respectively. The net OPEB liability was measured as of July 1, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. At June 30, 2021, the Corporation's proportion was 5.7607 percent, which was a decrease from its proportion measurement at June 30, 2020. At June 30, 2020, the Corporation's proportion was 5.8151 percent, which was a decrease from its proportion measurement at June 30, 2019, which was 5.8171 percent.

There were no changes between the measurement dates, July 1, 2020 and 2019, and the reporting dates, June 30, 2021 and 2020, respectively, that are expected to have a significant effect on the net OPEB liability.

Note 9 - Other Postemployment Benefit Plan (Continued)

For the years ended June 30, 2021 and 2020, the Corporation recognized OPEB expense of approximately $44,614,000 and $79,399,000, respectively. For the year ended June 30, 2020, OPEB expense of approximately $38 million is included in the amounts recognized above by the Corporation, which relates to an adjustment to deferred outflows. At June 30, 2021 and 2020, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on OPEB plan investments	$ -	$ (40,915,395)	$ -	$ (8,128,557)
Difference between projected and actual earnings	5,876,097	(164,123)	918,938	(164,123)
Changes in assumptions	5,855,874	(2,853,217)	7,637,111	-
Contributions subsequent to the measurement date	22,326,446	-	46,929,719	-
Total	$ 34,058,417	$ (43,932,735)	$ 55,485,768	$ (8,292,680)

The $22,326,446 and $46,929,719 reported as deferred outflows of resources related to OPEB resulting from the Corporation's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ending June 30, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2022	$ (6,460,513)
2023	(6,221,547)
2024	(6,160,543)
2025	(5,793,159)
2026	(7,565,002)
Total	$ (32,200,764)

Note 9 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions adopted by the board of trustees of the Hawaii Employer-Union Health Benefits Trust Fund of the State of Hawaii on January 13, 2020 based on the experience study covering the five-year period ended June 30, 2018:

	2020
Inflation	2.50 percent
Salary increases	3.50 percent to 7.00 percent, including inflation
Investment rate of return	7.00 percent
Health care cost trend rates:	
PPO*	Initial rate of 7.50 percent, declining to a rate of 4.70 percent after 13 years
HMO*	Initial rate of 7.50 percent, declining to a rate of 4.70 percent after 13 years
Part B and base monthly contribution	Initial rate of 5.00 percent, declining to a rate of 4.70 percent after 10 years
Dental	Initial rate of 5.00 percent for first year, followed by 4.00 percent
Vision	Initial rate of 0.00 percent for first year, followed by 2.50 percent
Life insurance	0.00 percent

	2019
Inflation	2.50 percent
Salary increases	3.50 percent to 7.00 percent, including inflation
Investment rate of return	7.00 percent
Health care cost trend rates:	
PPO*	Initial rate of 8.00 percent, declining to a rate of 4.86 percent after 12 years
HMO*	Initial rate of 8.00 percent, declining to a rate of 4.86 percent after 12 years
Part B and base monthly contribution	Initial rate of 5.00 percent, declining to a rate of 4.70 percent after 11 years
Dental	Initial rate of 5.00 percent for first two years, followed by 4.00 percent
Vision	Initial rate of 0.00 percent for first two years, followed by 2.50 percent
Life insurance	0.00 percent

*Blended rates for medical and prescription drugs

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational morality improvement in the July 1, 2020 and 2019 actuarial valuations.

Note 9 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments at June 30, 2021 and 2020 was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

	2021	
	Target Allocation	Long-term Expected Real Rate of Return
Asset class:		
Private equity	10.00 %	9.66 %
U.S. microcap	6.00	7.85
U.S. equity	14.00	6.23
Non-U.S. equity	16.00	7.72
Global options	6.00	4.65
Core real estate	10.00	5.98
Private credit	6.00	5.50
Core bonds	3.00	0.08
TIPS	5.00	0.11
Long treasurys	6.00	0.86
Alternative risk premia	5.00	1.56
Trend following	8.00	2.12
Reinsurance	5.00	4.34

	2020	
	Target Allocation	Long-term Expected Real Rate of Return
Asset class:		
Private equity	10.00 %	8.80 %
U.S. microcap	7.00	7.30
U.S. equity	15.00	5.35
Non-U.S. equity	17.00	6.90
Global options	7.00	4.75
Core real estate	10.00	3.90
Private credit	6.00	5.60
Core bonds	3.00	1.50
TIPS	5.00	1.20
Long treasurys	6.00	2.00
Alternative risk premia	5.00	2.75
Trend following	9.00	3.25

Note 9 - Other Postemployment Benefit Plan (Continued)

Discount Rate

The discount rate used to measure the net OPEB liability at June 30, 2021 was 7.00 percent, based on the expected rate of return on OPEB plan investments of 7.00 percent and the municipal bond rate of 2.45 percent (based on the daily rate closest to but no later than the measurement date of the Fidelity 20-year Municipal GO AA index). The discount rate used to measure the net OPEB liability at June 30, 2020 was 7.00 percent, based on the expected rate of return on OPEB plan investments of 7.00 percent and the municipal bond rate of 3.13 percent (based on the daily rate closest to but no later than the measurement date of the Fidelity 20-year Municipal GO AA index). Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. The EUTF's complete financial statements are available at http://eutf.hawaii.gov.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The following table presents the Corporation's net OPEB liability calculated using the discount rate of 7.00 percent, as well as what the Corporation's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current discount rate:

	1 Percentage Point Decrease (6.00%)	Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability - 2021	$ 615,621,286	$ 513,049,791	$ 432,223,862
Net OPEB liability - 2020	652,729,130	547,829,574	465,058,722

The following table presents the Corporation's net OPEB liability calculated using the assumed health care cost trend rate, as well as what the Corporation's net OPEB liability would be if it were calculated using the trend rate that is 1 percentage point lower or 1 percentage point higher than the current health care cost trend rate:

	1 Percentage Point Decrease	Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB liability - 2021	$ 428,567,546	$ 513,049,791	$ 622,326,586
Net OPEB liability - 2020	461,288,109	547,829,574	659,639,924

Note 10 - Long-term Debt

Long-term debt activity for the years ended June 30, 2021 and 2020 can be summarized as follows:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Long-term debt	$ 33,887,765	$ -	$ (1,694,929)	$ 32,192,836	$ 10,520,162
Direct borrowings and direct placements - Notes payable	22,714,000	3,354,760	(22,714,000)	3,354,760	3,354,760
Capital leases	7,434,448	-	(2,067,839)	5,366,609	1,853,107

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Long-term debt	$ 35,653,031	$ -	$ (1,765,266)	$ 33,887,765	$ 1,765,813
Direct borrowings and direct placements - Notes payable	-	22,714,000	-	22,714,000	3,851,635
Capital leases	7,925,931	1,631,220	(2,122,703)	7,434,448	2,032,291

The long-term debt obligations are summarized as follows:

Roselani Place

In September 2007, Alii exercised its option to purchase its 113-unit assisted living and Alzheimer facility and personal property from the developer/landlord for $16 million. In connection with the purchase, Alii also assumed the land lease on which the facility is situated and a parking license covering real property adjacent to the facility.

In connection with the purchase agreement, Alii also reached an agreement with the developer/landlord concerning an arbitration award that was rendered in favor of the developer/landlord in January 2006 for $1.9 million. The arbitration decision was on appeal to the Intermediate Court of Appeals of the State of Hawaii. Alii and the developer/landlord agreed to settle the $1.9 million judgment for $500,000. This settlement payment is in addition to the $16 million purchase price.

In 2019, Alii refinanced the note payable, maturing in 2029. The refinanced note payable requires monthly payments of $109,431, including interest at 4.18 percent, through April 2029. The note is collateralized by certain property and equipment. The outstanding amount on this note payable is $8,759,282 and $9,616,203 as of June 30, 2021 and 2020, respectively.

Note 10 - Long-term Debt (Continued)

Maui Bonds

In 2012, MMMC issued general obligation bonds. These bonds were executed in two parts: Series 2012A and Series 2012B. The Series 2012A bonds were issued to refinance MMMC's existing $8 million loan, which had been held with the Bank of Montreal. Total borrowing under the first agreement was $8,100,000. These bonds carry an interest rate of 4.05 percent. The Series 2012A bonds are secured by a loan note guarantee issued by the United States Department of Agriculture (USDA) through its Rural Development division. The Series 2012B bonds provided initial funding for the purpose of construction of a physician clinic adjacent to the hospital and partial funding for a building renovation and equipment associated with imaging services. Borrowing costs under the second agreement totaled $901,000. These bonds carried a variable interest rate that started at 5 percent until September 1, 2017, at which point the rate shall reset on each September 1, occurring every five years thereafter at a rate equal to 3.75 percent over the prevailing five-year FHLB Bulled Rate (Seattle). In the event that such rate is no longer available or practicable, a similar index as mutually agreed upon by the issuer and holders of the bonds will be used. The effective interest rate on the Series 2012B bonds as of June 30, 2021 and 2020 was 5.875 percent. The Series 2012B bonds are unsecured. The bonds are payable in annual installments ranging from $196,000 to $978,000. In connection with the Series 2012A and Series 2012B bond issuance, MMMC is subject to certain financial covenants. As of June 30, 2021 and 2020, MMMC was not in compliance with those covenants. A waiver for the covenant requirements was granted by the lender.

In January 2015, MMMC issued Revenue Bond Number 3, the proceeds of which were used to refinance the previously issued Series 2013 bonds. These bonds were issued under the existing master trust indenture dated April 1, 2008. Monthly payments are due in the amount of $46,433, including principal and interest, through January 2045 when all remaining principal and accrued interest are payable. Revenue Bond Number 3 carries an interest rate of 3.50 percent as of June 30, 2020 and 2021. In connection with the Revenue Bond Number 3, MMMC is subject to certain financial covenants. As of June 30, 2021 and 2020, MMMC was not in compliance with those covenants. A waiver for the covenant requirements was granted by the lender for the year ended June 30, 2020. However, a waiver was not obtained for the covenant violations for the year ended June 30, 2021, and, as a result, Revenue Bond Number 3 is shown as current in the financial statements.

During 2019, MMMC executed an agreement to replace the lessor on the two capital leases with a new lessor. The agreement was part of an overall refinancing done on various debt and capital leases of HHSC entities. The arrangement results in overall financial savings for MMMC specific to interest expense over the remaining lease life. As part of the transaction, MMMC agreed to pledge assets as security for this lease, which are restricted by the lender's covenants. The restricted amount at June 30, 2021 and 2020 was $496 and $8,479,509, respectively.

East Hawaii Region

In June 2001, Hawaii Health Systems Corporation acquired land, building, and medical equipment of $11,893,162 from Hilo Residency Training Program, Inc. (HRTP) to ensure the uninterrupted operation of the Hilo Medical Center Cancer Treatment Center and its radiation and medical oncology services. As part of the acquisition, Hawaii Health Systems Corporation assumed HRTP's outstanding balances on the loans and notes payable of $5.9 million from Central Pacific Bank and the United States Department of Agriculture. The assets and related liabilities have been recorded in the region's accounting records. The loans and notes payable are collateralized by a security interest in the capital assets acquired from HRTP, as well as any rights, interest, and other tangible assets relating to such property. In October 2007, the loans and notes payable to Central Pacific Bank and the USDA were refinanced into a single note payable to Academic Capital Group, Inc. This note was refinanced during 2019 and is held by American Savings Bank. The underlying collateral of the note remained unchanged as a result of this refinancing.

Note 10 - Long-term Debt (Continued)

Under the terms of the refinancing of the Roselani Place and Hilo Residency Training Program debt, the Corporation is subject to semiannual financial covenants, including days cash on hand being no less than 30 days and a cash to debt ratio of 0.75. Failure to meet the covenants results in an event of default. Management has indicated they have remained in compliance with all covenants during 2021.

During 2020, the debt of a capital lease with a vendor was transferred to Hilo Medical Center from HHSC in the amount of $1,563,421. The lease term is 60 months, with monthly payments of $27,849. The lease is collateralized by the equipment. There is interest included in the capital payments. No capital leases were transferred to the region during the year ended June 30, 2021.

At June 30, 2021 and 2020, the balance outstanding under lease agreements was $1,576,788 and $2,350,231, respectively. The gross amount of assets recorded under capital leases at June 30, 2021 and 2020 was $5,836,172 and $4,272,251, respectively. Accumulated amortization related to assets recorded under capital leases at June 30, 2021 and 2020 was $4,122,728 and $3,919,724, respectively. Amortization expense on capital leases is recorded within depreciation expense on the statement of revenue, expenses, and changes in net position and totaled $203,004 and $330,274 at June 30, 2021 and 2020, respectively.

Kahuku Medical Center

During 2019, Kahuku Medical Center entered into a capital lease agreement to acquire equipment with monthly payments of $3,909, including interest at 3.1 percent, maturing in fiscal year 2024. The gross amount of assets recorded under the capital lease agreement was $205,865. Accumulated amortization related to the assets under the capital lease agreement was $102,876 and $51,999 at June 30, 2021 and 2020, respectively. The amortization associated with the capital lease asset is included in depreciation in the accompanying statement of revenue, expenses, and changes in net position.

Kahuku Medical Center had secured a line of credit for $500,000 that matures on September 1, 2022. As of June 30, 2021, the facility had no borrowings against the line.

Kauai Region

During 2019, Kauai Region entered into three separate capital lease agreements for equipment. The gross amount of assets recorded under capital leases at June 30, 2021 and 2020 was $2,989,300. Accumulated amortization related to assets under capital lease at June 30, 2021 and 2020 was $377,806 and $202,014, respectively. Amortization expense on capital assets under capital lease is recorded within depreciation expense in the statement of revenue, expenses and changes in net position and totaled $175,792 and $173,978 during the years ended June 30, 2021 and 2020, respectively.

Two of Kauai Region's capital leases are considered direct borrowings. Both leases have a term of 60 months and an interest rate of 3.58 percent.

In September 2019, Kauai Region entered into a master lease arrangement that provides capital lease financing as needed. The total amount available to Kauai Region is $10 million; however, Kauai Region is not required to utilize the entire amount available.

Corporate Capital Leases

Hawaii Health Systems Corporation has entered into various capital lease. The capital leases require monthly payments aggregating approximately $625,000, including interest, per month. The capital leases expire at various times through 2027.

Note 10 - Long-term Debt (Continued)

Paycheck Protection Program

During 2020, Hawaii Health Systems Corporation received approximately $23 million from banks pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program. The note structure required the Corporation's officials to certify certain statements that permitted the Corporation to qualify for the loan and provides loan forgiveness for a portion up to all of the borrowed amount if the Corporation uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven will require the Corporation to pay back this amount in full by the maturity.

During the year ended June 30, 2021, Hawaii Health Systems Corporation applied for and received notification of forgiveness of the loans from the SBA. Loan forgiveness in the amount of approximately $23 million has been recorded in nonoperating income (expense) on the statement of revenue, expenses, and changes in net position.

During 2021, Hawaii Health Systems Corporation received a Second Draw Paycheck Protection Program (PPP) loan for approximately $3 million. The Second Draw PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security Act and is administered by the Small Business Administration (SBA). Borrowers may qualify if they previously received a First Draw PPP loan and will or have used the full amount only for authorized uses, have no more than 300 employees, and can demonstrate at least a 25 percent reduction in gross receipts between comparable quarters in 2019 and 2020. Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. Hawaii Health Systems Corporation may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid with interest accruing at a rate of 1.00 percent. The lender will calculate the monthly payments after the lender receives payment of any forgiven loan amounts from the SBA.

Any request for forgiveness is subject to review and approval by the lender and the SBA, including qualifying expenditures and staffing and salary levels. Hawaii Health Systems Corporation has submitted a request for forgiveness as of the date of the financial statements were available to be issued; however, there can be no assurance that any portion of the Second Draw PPP loan will be forgiven.

If the SBA determines Hawaii Health Systems Corporation was not initially eligible under the program (for either the PPP loans received in 2020 or the loans received in 2021) or concludes that the Corporation did not have an adequate basis for making the good-faith certification of necessity at the time of application for the loans, the loans could become payable on demand. Although management considers it probable that the Corporation was initially eligible for the loans, the SBA has the ability to review the loan files for a period subsequent to the date the loans are forgiven or repaid in full and could request additional documentation to support the initial eligibility for the loans obtained. In the event the SBA subsequently determines the Corporation did not meet the initial eligibility requirements for the loans or did not qualify for loan forgiveness, the Corporation could be required to repay the PPP loans plus interest.

Note 10 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

The table below indicates the future scheduled principal and interest payments as of June 30, 2021. While presentation of the statement of net position contains certain amounts that are included within current portion of long-term debt, the schedule below has been prepared based on contractually scheduled payments as of June 30, 2021:

Years Ending June 30	Long-term Debt		Direct Borrowings and Direct Placements - Notes Payable		Capital Lease Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 1,834,858	$ 1,208,170	$ 3,354,760	$ -	$ 1,853,107	$ 109,701
2023	1,912,300	1,134,351	-	-	1,263,415	69,236
2024	1,992,567	1,058,193	-	-	1,073,769	41,400
2025	2,073,148	977,266	-	-	744,235	20,812
2026	2,156,812	893,876	-	-	270,334	10,010
2027-2031	9,189,411	3,223,079	-	-	161,749	1,784
2032-2036	5,363,104	1,996,216	-	-	-	-
2037-2041	4,347,264	1,134,360	-	-	-	-
Thereafter	3,323,372	209,559	-	-	-	-
Total	$ 32,192,836	$ 11,835,070	$ 3,354,760	$ -	$ 5,366,609	$ 252,943

Significant Terms

The outstanding obligations discussed above contain events of default with finance-related consequences. There are provisions that (a) if certain financial covenants are not met or (b) payments are not made according to normal schedules, the lender could accelerate payment of the principal amounts due if those provision violations are not waived.

Note 11 - Commitments and Contingencies

Professional Liability

Hawaii Health Systems Corporation maintains professional and general liability insurance with a private insurance carrier with a $1 million limit per claim and a $5 million aggregate. Hawaii Health Systems Corporation has also purchased additional excess insurance with a $34 million per claim and aggregate limit. Hawaii Health Systems Corporation's general counsel advises that, in the unlikely event any judgments rendered against Hawaii Health Systems Corporation exceed Hawaii Health Systems Corporation's professional liability coverage, such amounts would likely be paid from an appropriation from the State's General Fund. Settled claims have not exceeded the coverage provided by the insurance carrier in any of the past three fiscal years. The Corporation has accrued approximately $1,020,000 and $1,130,000 as of June 30, 2021 and 2020, respectively, as accounts payable and accrued expenses on the statement of net position.

Workers' Compensation Liability

Hawaii Health Systems Corporation is self-insured for workers' compensation claims. Hawaii Health Systems Corporation pays a portion of wages for injured workers (as required by law), medical bills, judgments as stipulated by the State's Department of Labor, and other costs. Hawaii Health Systems Corporation also directly provides treatment for injured workers. The estimated liability is based on actuarial projections of costs using historical claims-paid data. Estimates are continually monitored and reviewed, and, as settlements are made or estimates adjusted, differences are reflected in current operations. Hawaii Health Systems Corporation has accrued a liability of $11,557,000 and $11,584,000 for unpaid claims as of June 30, 2021 and 2020, respectively.

Note 11 - Commitments and Contingencies (Continued)

	2021	2020	2019
Estimated liability - Beginning of year	$ 11,584,000	$ 11,698,000	$ 12,032,000
Estimated claims incurred - Including changes in estimates	2,596,000	2,676,000	3,379,000
Claim payments	(2,623,000)	(2,790,000)	(3,713,000)
Estimated liability - End of year	$ 11,557,000	$ 11,584,000	$ 11,698,000

Operating Leases

MMMC and Alii entered into various operating leases and related sublease agreements. Future minimum lease payments and sublease receipts at June 30, 2021 are as shown in the below table. Additionally, MMMC now receives lease income as a result of transferring hospital operations to Kaiser. The lease income amounts are shown in the table, and a description of the income is provided below the table.

Years Ending June 30	Lease Payments	Lease Income
2022	$ 2,071,473	$ 1,558,913
2023	1,447,056	1,471,719
2024	368,726	1,370,838
2025	274,717	1,367,491
2026	336,632	1,348,797
Thereafter	4,746,530	19,869,200
Total	$ 9,245,134	$ 26,986,958

Lease Income

In relation to the transfer of the HHSC - Maui hospital operations to Kaiser in 2018, the two parties signed a lease agreement wherein Kaiser leases the property and equipment owned by the region. The lease was effective as of July 1, 2017, has a 30-year term, and calls for monthly payments to the Corporation for annual base minimum rent and for reimbursement of capital leases to which the Corporation remains obligated. Total lease income included within other operating revenue in the statement of revenue, expenses, and changes in net position for the years ended June 30, 2021 and 2020 was approximately $1,526,000 and $1,496,000, respectively.

Annually, payments for minimum base rent range from approximately $1,067,000 in the first year of the lease to $1,555,000 in the 26th year of the lease, and payments for principal and interest on capital lease obligations range from approximately $1,062,000 in the first year of the lease to approximately $170,000 in the 10th year of the lease, which is the last year payments are required for capital lease obligations. The future minimum lease payments for these leases are shown in the lease income column of the above table.

Ceded Lands

The Office of Hawaiian Affairs (OHA) and the State are presently in litigation involving the State's alleged failure to properly account for and pay to OHA moneys due to OHA under the provisions of the Hawaii State Constitution and Chapter 10 of the Hawaii Revised Statutes for use by the State of certain ceded lands.

Note 11 - Commitments and Contingencies (Continued)

During the 2006 legislative session, the State of Hawaii Legislature enacted Act 178, which provided interim measures to ensure that a certain amount of proceeds was made available to OHA from the prorated portion of the public land trust for the betterment of the conditions of native Hawaiians. The act provided that the state agencies that collect receipts from the use of lands within the public land trust transfer a total of $3,775,000 to OHA within 30 days of the close of each fiscal quarter (or $15,100,000 per fiscal year), beginning with the 2006 fiscal year. In addition, the act appropriated $17,500,000 out of the State's general revenue to pay OHA for underpayments of the State's use of lands in the public land trust for the period from July 1, 2001 to June 30, 2005.

On September 20, 2006, the governor of the State of Hawaii issued Executive Order No. 06-06, which established procedures for the state agencies to follow in order to carry out the requirements of Act 178. Each state agency that collects receipts from the use of ceded or public land trust land is to determine OHA's share of such receipts by calculating the ceded/nonceded fraction of the parcel that generated the receipt, multiplying the receipt by the ceded/nonceded fraction, and multiplying that result by 20 percent. The resulting amounts are to be deposited into a trust holding account established for such purpose and within 10 days of the close of each fiscal quarter, the amounts are to be transferred to OHA. Within a specified period after the close of each quarter, the director of finance is to reconcile the actual amounts transferred to OHA with the required amount of $3.8 million and adjust each specific agency's payments accordingly.

For the years ended June 30, 2021 and 2020, there were no payments made to OHA.

Litigation

Hawaii Health Systems Corporation is a party to certain litigation arising in the normal course of business. In management's opinion, the outcome of such litigation will not have a material impact on Hawaii Health Systems Corporation's financial statements.

Note 12 - Employee Benefits

Sick Leave

Accumulated sick leave as of June 30, 2021 and 2020 was approximately $62,132,000 and $59,759,000, respectively. Sick leave accumulates at the rate of 14 hours for each month of service, as defined, without limit. Sick pay can be taken only in the event of illness and is not convertible to pay upon termination of employment. Accordingly, no liability for sick pay is recorded in the accompanying financial statements.

Note 13 - Impact of Disease Outbreak

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals in the United States and worldwide. In response, the United States federal government and individual state and local governments have implemented measures to combat the outbreak that have impacted health care business operations. During the last quarter of fiscal year 2020, the Corporation's operations were significantly impacted, as shelter-in-place orders and government mandates related to the suspension of elective procedures and travel restrictions to the state of Hawaii reduced volumes at the Corporation during this period. The Corporation has moved to mitigate the impact by adjusting its workforce, eliminating and delaying capital expenditures, and actively managing cash disbursements.

Note 13 - Impact of Disease Outbreak (Continued)

Enacted on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was established, which authorizes $100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare- and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds is to reimburse providers for lost revenue attributable to the coronavirus pandemic, such as forgone revenue from canceled procedures, and to provide support for related health care expenses, such as constructing temporary structures or emergency operation centers; retrofitting facilities; purchasing medical supplies and equipment, including personal protective equipment and testing supplies; and increasing workforce. Further, these relief funds ensure uninsured patients are receiving testing and treatment for COVID-19.

On April 10, 2020, the U.S. Department of Health and Human Services (HHS) began making payments to health care providers from the $100 billion appropriation from the CARES Act and $75 billion from the Paycheck Protection Program and Healthcare Enhancement Act. These are payments to health care providers that will not need to be repaid as long as the Corporation complies with certain terms and conditions outlined by HHS. Hawaii Health Systems Corporation received approximately $1 million and $45 million in 2021 and 2020, respectively, of payments as part of the general and targeted distributions of the CARES Act Provider Relief Fund. As of June 30, 2021 and 2020, the Corporation has recognized approximately $38 million and $8 million, respectively, as contribution revenue within nonoperating revenue (expense) on the statement of revenue, expenses, and changes in net position. The Corporation relied upon guidance issued by HHS through December 13, 2021. The terms and conditions first require the health care provider to identify health care-related expenses attributed to COVID-19 that no other source has reimbursed or is obligated to reimburse. If those expenses do not exceed the funding received, the health care provider then applies the funds to patient care lost revenue. HHS' June 11, 2021 notice, *Post-Payment Notice of Reporting Requirements*, provided health care providers three options to calculate patient care lost revenue. To determine the total distributions to be recognized as revenue as of June 30, 2021, the Corporation calculated patient care lost revenue based on the difference between actual patient care revenue and budgeted revenue presented to the Legislature. HHS indicated that all health care providers seeking to use an alternative methodology for calculating lost revenue attributed to COVID-19 will face an increased likelihood of an audit by HHS.

HHS' June 11, 2021 notice, *Post-Payment Notice of Reporting Requirements*, provided health care providers with additional guidance on the deadline for the use of funds received. For any payments received between April 10, 2020 and June 30, 2020, providers had until June 30, 2021 to use funds received. For payments received from July 1, 2020 to December 31, 2020, providers have until December 31, 2021 to use the funds; for payments received from January 1, 2021 to June 30, 2021, providers have until June 30, 2022 to use the funds; and for payments received from July 1, 2021 to December 31, 2021, providers have until December 31, 2022 to use the funds.

HHS' requirements for the uses of the CARES Act funds are subject to change and are open to interpretation and clarification; therefore, there may be changes in the amounts recognized as contribution revenue during the years ended June 30, 2021 and 2020. Any changes in amounts recognized as result of new guidance, interpretation, or clarification will be recognized in the period in which the change occurred.

Note 13 - Impact of Disease Outbreak (Continued)

Medicare Accelerated Payments

During 2020, Hawaii Health Systems Corporation requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of accelerated Medicare payments for acute-care hospitals. Effective October 1, 2020, the repayment term of the accelerated payments began one year after the first payment was issued, and the payments are initially recouped at 25 percent of the Medicare payments to the Corporation for 11 months. After 11 months, the recoupment will increase to 50 percent of the Medicare payments to the Corporation for 6 additional months (or until all amounts are repaid). Any unapplied accelerated payment amounts that are unpaid after this 17-month period are due to CMS, plus interest at a rate of 4 percent on the outstanding balance. As of June 30, 2020, the Corporation received approximately $14 million from these accelerated Medicare payment requests. As of June 30, 2021, approximately $1 million was recouped by CMS. As of June 30, 2021 and 2020, approximately $13 million and $14 million, respectively, remained as current and long-term liabilities on the statement of net position.

Required Supplemental Information

Required Supplemental Information
Schedule of the Proportionate Share of the Net Pension Liability
Employees' Retirement System of the State of Hawaii

Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014
Corporation's proportion of the net pension liability	4.1 %	4.1 %	4.1 %	4.1 %	6.9 %	7.1 %	7.3 %	7.2 %
Corporation's proportionate share of the net pension liability	$ 627,817,806	$ 576,687,523	$ 542,374,488	$ 530,455,687	$ 916,111,059	$ 623,325,233	$ 583,997,239	$ 638,368,793
Corporation's covered payroll	$ 202,294,694	$ 197,655,015	$ 191,534,713	$ 172,037,521	$ 282,760,136	$ 288,121,862	$ 285,988,382	$ 268,597,949
Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	310.3 %	291.8 %	283.2 %	308.3 %	324.0 %	216.3 %	204.2 %	237.7 %
Plan fiduciary net position as a percentage of total pension liability	53.2 %	54.9 %	55.5 %	54.8 %	51.3 %	62.4 %	63.9 %	58.0 %

Required Supplemental Information
Schedule of Pension Contributions
Employees' Retirement System of the State of Hawaii

Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 51,346,400	$ 45,328,800	$ 38,354,000	$ 33,088,000	$ 50,418,500	$ 51,584,604	$ 49,213,969	$ 53,279,576
Contributions in relation to the contractually required contribution	51,346,400	45,328,800	38,354,000	33,088,000	50,418,500	51,584,604	50,272,620	47,500,308
Contribution (Excess) Deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,058,651)	$ 5,779,268
Corporation's Covered Payroll	$ 213,773,542	$ 202,294,694	$ 197,655,015	$ 191,534,713	$ 172,037,521	$ 282,760,136	$ 288,121,862	$ 285,988,382
Contributions as a Percentage of Covered Payroll	24.0 %	22.4 %	19.4 %	17.3 %	29.3 %	18.2 %	17.4 %	16.6 %

Note to Pension Required Supplemental Information Schedules

June 30, 2021

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension and other postemployment benefit obligations as a factor.

The schedule of pension contributions is presented to show the responsibility of the Corporation in meeting the actuarial requirements to maintain the system on a sound financial basis.

The schedule of the proportionate share of the net pension liability and schedule of pension contributions are schedules required in the implementation of GASB Statement No. 68. The schedule of the proportionate share of the net pension liability represents, in actuarial terms, the accrued liability less the market value of assets. The schedule of pension contributions is a comparison of the Corporation's contributions to the actuarially determined contributions.

The information presented in the schedule of pension contributions was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the pension plan follows.

The valuation methods and assumptions used to determine contribution for the fiscal year ended June 30, 2021 are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent, closed
Remaining amortization period	25 years
Asset valuation method	Market
Inflation	2.5 percent
Salary increases	3.5 percent wage inflation
Investment rate of return	7.0 percent per year, compounded annually, including inflation

Required Supplemental Information
Schedule of the Proportionate Share of the Net OPEB Liability

Last Four Fiscal Years
Years Ended June 30

	2021	2020	2019	2018
Corporation's proportion of the net OPEB liability	5.76070 %	5.81510 %	5.81710 %	6.79050 %
Corporation's proportionate share of the net OPEB liability	$ 513,049,791	$ 547,829,574	$ 547,178,995	$ 541,845,124
Corporation's covered payroll	$ 202,294,694	$ 197,656,054	$ 191,546,061	$ 172,037,521
Corporation's proportionate share of the net OPEB liability as a percentage of its covered payroll	253.62 %	270.81 %	276.83 %	282.88 %
Plan fiduciary net position as a percentage of total OPEB liability	21.78 %	17.24 %	12.10 %	8.63 %

See note to opeb required supplemental information schedules.

Required Supplemental Information
Schedule of OPEB Contributions

Last Four Fiscal Years
Years Ended June 30

	2021	2020	2019	2018
Contractually required contribution	$ 15,249,898	$ 49,002,433	$ 43,988,025	$ 43,306,409
Contributions in relation to the contractually required contribution	22,326,446	46,929,719	45,645,221	38,382,284
Contribution Excess (Deficiency)	**$ 7,076,548**	**$ (2,072,714)**	**$ 1,657,196**	**$ (4,924,125)**
Corporation's Covered Payroll	$ 213,773,542	$ 202,294,694	$ 197,656,054	$ 191,546,061
Contributions as a Percentage of Covered Payroll	10.44 %	23.20 %	23.09 %	20.04 %

See note to opeb required supplemental information schedules.

Actuarial valuation information relative to the determination of contributions:

Valuation date	The actuarially determined contribution for fiscal year ended June 30, 2021 was developed in the July 1, 2018 valuation.
Methods and assumptions:	
Actuarial cost method	Entry age normal
Discount rate	7.00 percent
Inflation	2.50 percent
Amortization method	Level percent. Closed bases are established at each valuation for new unfunded liabilities.
Equivalent single amortization period	24.0 as of the fiscal year ended June 30, 2021
Payroll growth	3.50 percent
Salary increase	3.50 percent to 7.00 percent, including inflation
Demographic assumptions	Based on experience study covering the five-year period ended June 30, 2015, as conducted for the Hawaii Employees' Retirement System
Health care cost trend rates:	
PPO*	Initial rate of 10.00 percent, declining to a rate of 4.86 percent after 13 years
HMO*	Initial rate of 10.00 percent, declining to a rate of 4.86 percent after 13 years
Part B	Initial rates of 4.00 and 5.00 percent, declining to a rate of 4.70 percent after 12 years
Dental	Initial rate of 5.00 percent for first three years, followed by 4.00 percent for all future years
Vision	Initial rate of 0.00 percent for first three years, followed by 2.50 percent for all future years
Life insurance	0.00 percent

*Blended rates for medical prescription drugs

Other Supplemental Information

Hawaii Health Systems Corporation

Supplemental Schedule of Reconciliation of Cash on Deposit and Assets Limited as to Use with the State of Hawaii

	June 30, 2021
Cash and Cash Equivalents - State of Hawaii	
Special funds:	
Appropriation symbol S-21-303-H	$ 508,707
Appropriation symbol S-19-350-H	5,502,961
Appropriation symbol S-20-351-H	513,789
Appropriation symbol T-04-918-H	1,273
Appropriation symbol S-17-352-H	551,133
Appropriation symbol T-04-921	6,679
Appropriation symbol S-21-365-H	667,053
Appropriation symbol S-21-312-H	871,988
Appropriation symbol S-21-359	1,303,500
Appropriation symbol S-21-373	400,000
Appropriation symbol S-18-353-H	385,685
Appropriation symbol S-18-354-H	2,530,521
Total per State	13,243,289
Assets Limited as to Use - Patient Funds	
Appropriation symbol T-04-923-H	16,493
Appropriation symbol T-04-919-H	29,354
Appropriation symbol T-21-911-H	22,912
Appropriation symbol T-21-909-H	6,630
Appropriation symbol T-21-925-H	70,440
Total per State	145,829
Reconciling Items	
Patients' safekeeping deposits held by financial institutions	172,919
Restricted assets held by financial institutions	22,715,017
Total per HHSC	**$ 36,277,054**

Statement of Net Position of Facilities

June 30, 2021

	Hilo Medical Center	Hale Ho'ola Hamakua	Ka'u Hospital	Yukio Okutsu Veterans Care Home - Hilo	Kona Community Hospital	Kohala Hospital	Maui Memorial Medical Center	Kula Hospital	Lanai Community Hospital	Leahi Hospital	Maluhia	Kauai Veterans Memorial Hospital	Samuel Mahelona Memorial Hospital
Assets and Deferred Outflows of Resources													
Current Assets													
Cash and cash equivalents	$ 49,604,340	$ 10,180	$ 14,412	$ 6,099,592	$ 29,981,820	$ 2,799,353	$ 12,205,536	$ 1,529,141	$ 356,414	$ 4,747,932	$ 5,469,105	$ 27,562,157	$ -
Cash and cash equivalents - State of Hawaii	5,502,961	515,082	557,812	-	2,530,521	385,685	-	-	-	871,988	667,053	1,303,500	400,000
Patient accounts receivable - Less allowances for doubtful accounts	31,495,118	1,207,190	2,360,862	1,207,735	19,702,852	1,308,425	-	-	-	951,822	794,338	5,572,782	1,770,792
Investments	22,937,961	-	-	-	-	-	-	-	-	-	-	12,000,000	-
Due from the State of Hawaii	5,799,000	1,949,987	172,000	-	4,926,000	409,000	3,008,000	-	-	5,370,000	5,719,000	4,862,000	10,020,000
Due from affiliates - Net	-	26,274,804	-	-	2,159,211	4,727	2,239,910	131,969	-	2,125,865	-	600,616	18,840,676
Supplies and other current assets	6,112,248	272,410	674,573	80,585	4,854,264	116,984	178,631	13	-	667,964	301,393	951,420	209,993
Estimated third-party payor settlements	3,386,197	481,895	146,076	-	1,268,297	404,975	64,318	-	-	804,934	525,597	-	680,284
Total current assets	124,837,826	32,711,528	3,925,735	7,387,912	65,442,965	5,429,129	17,716,395	1,661,123	356,414	15,540,325	13,476,484	52,852,455	31,901,725
Assets Limited as to Use - Net of current portion	35,001	43,547	21,830	-	10,274,229	-	11,232,904	-	-	96,125	63,670	18,493	29,354
Capital Assets - Net	57,528,999	15,609,396	7,151,511	19,335,299	40,637,495	6,618,141	97,193,596	13,684,882	4,931,741	16,402,325	11,211,442	14,924,874	11,122,112
Other Assets	-	-	-	-	536,853	-	-	-	-	-	-	-	-
Total assets	182,401,826	48,370,471	11,098,876	26,723,211	116,891,542	12,047,270	128,142,895	15,348,005	5,288,155	32,038,775	24,751,596	67,793,822	43,053,191
Deferred Outflows of Resources													
Pension	28,084,560	2,540,588	2,981,679	-	12,687,102	1,888,707	-	-	-	4,586,658	3,633,410	8,131,963	3,351,202
Postemployment benefits other than pensions	14,747,842	1,207,128	837,388	-	5,881,796	762,474	-	-	-	2,193,873	1,775,432	3,643,537	1,502,523
Total assets and deferred outflows of resources	$ 225,234,228	$ 52,118,187	$ 14,917,943	$ 26,723,211	$ 135,460,442	$ 14,698,451	$ 128,142,896	$ 15,348,006	$ 5,288,155	$ 38,819,306	$ 30,160,438	$ 79,569,322	$ 47,906,916

	Facilities	Hawaii Health Systems Corporation	Eliminations	HHSC Combined	Hawaii Health Systems Foundation	Alii Community Care - Maui	Alii Health Center	Kona Ambulatory Surgery Center	East Hawaii Medical Group	Kauai Region Medical Group	Kauai Region Pharmacy-West	KahuKu	Eliminations	HHSC Consolidated
Assets and Deferred Outflows of Resources														
Current Assets														
Cash and cash equivalents	$ 140,380,002	$ 9,269,164	$ -	$ 149,649,166	$ 39,079	$ 1,526,299	$ 811,679	$ 117,707	$ 1,028,687	$ 540,271	$ 119,289	$ 3,111,781	$ -	$ 156,943,956
Cash and cash equivalents - State of Hawaii	12,734,582	508,707	-	13,243,289	-	-	-	-	-	-	-	-	-	13,243,289
Patient accounts receivable - Less allowances for doubtful accounts	66,371,695	-	-	66,371,695	-	155,572	602,969	317,248	-	-	-	2,450,734	-	69,898,216
Investments	34,937,961	-	-	34,937,961	-	-	-	-	-	-	-	-	-	34,937,961
Due from the State of Hawaii	42,236,987	-	-	42,236,987	-	-	-	-	-	-	-	1,099,407	-	43,336,394
Due from affiliates - Net	54,377,778	4,126,038	(57,732,219)	771,597	-	-	-	2,395	463,922	-	-	-	(1,237,914)	-
Supplies and other current assets	14,420,458	26,214	-	14,446,672	-	89,257	202,516	666,796	-	-	14,208	723,211	(221,535)	15,941,125
Estimated third-party payor settlements	7,780,553	-	(292,312)	7,488,241	-	-	-	-	-	-	812	600,606	-	8,089,659
Total current assets	373,240,016	13,930,123	(58,024,531)	329,145,608	39,079	1,771,128	1,617,164	1,124,144	1,492,609	540,271	134,309	7,965,739	(1,459,449)	342,390,602
Assets Limited as to Use - Net of current portion	21,618,953	1,071,996	-	22,690,949	-	-	-	-	-	-	-	142,816	-	23,033,765
Capital Assets - Net	316,351,813	199,634	-	316,551,447	-	5,126,580	455,196	2,661,455	-	-	113,204	10,187,793	-	335,095,675
Other Assets	536,853	-	-	536,853	-	-	-	-	-	-	-	-	(536,853)	-
Total assets	711,947,835	15,201,753	(58,024,531)	669,124,857	39,079	6,897,708	2,072,360	3,785,589	1,492,609	540,271	247,513	10,318,348	(1,996,302)	700,520,042
Deferred Outflows of Resources														
Pension	67,885,870	2,710,847	-	70,596,717	-	-	-	-	-	-	-	-	-	70,596,717
Postemployment benefits other than pensions	32,591,795	1,466,622	-	34,058,417	-	-	-	-	-	-	-	-	-	34,058,417
Total assets and deferred outflows of resources	$ 812,425,500	$ 19,379,222	$ (58,024,531)	$ 773,779,991	$ 39,079	$ 6,897,708	$ 2,072,360	$ 3,785,589	$ 1,492,609	$ 540,271	$ 247,513	$ 10,318,348	$ (1,996,302)	$ 805,175,176

Statement of Net Position of Facilities (Continued)

June 30, 2021

	Hilo Medical Center	Hale Ho'ola Hamakua	Ka'u Hospital	Yukio Okutsu Veterans Care Home - Hilo	Kona Community Hospital	Kohala Hospital	Maui Memorial Medical Center	Kula Hospital	Lanai Community Hospital	Leahi Hospital	Maluhia	Kauai Veterans Memorial Hospital	Samuel Mahelona Memorial Hospital
Liabilities, Deferred Inflows of Resources, and Net Position													
Current Liabilities													
Accounts payable and accrued expenses	$ 26 698 287	$ 1 804 788	$ 2 800 675	$ 801 482	$ 9 568 039	$ 941 579	$ 585 081	$ 2 381	$ 2 120	$ 2 248 323	$ 1 551 504	$ 3 877 933	$ 1 515 412
Current portion of accrued vacation	4 223 082	320 141	496 382	229 030	2 701 916	565 611	-	-	-	966 751	648 908	1 179 410	593 845
Current portion of long-term debt	425 008	-	1 354 780	-	-	-	9 129 764	-	-	-	-	2 000 000	-
Current portion of capital lease obligations	680 891	-	-	-	306 689	-	351 602	-	-	-	-	400 898	70 777
Due to affiliates - Net	25 375 704	-	2 951 028	423 111	1 083 206	2 873 122	-	-	3 184 624	93 768	2 202 366	18 950 867	(8 181)
Current portion of accrued workers' compensation	881 000	207 000	9 000	-	736 000	78 000	236 000	113 000	-	97 000	96 000	70 000	72 000
Other current liabilities													
Medicare accelerated payments	-	-	-	-	8 609 327	1 111 307	-	-	-	-	-	1 584 416	339 524
Unearned revenue - CARES Act Provider Relief Fund and other pandemic grants	24 179	57 529	498 923	173 686	-	-	-	-	-	-	-	-	-
Estimated third-party payor settlements	-	-	-	-	-	-	-	-	-	-	-	292 312	-
Other current liabilities	-	-	-	-	-	-	20 000	-	-	-	-	241 081	22 616
Total current liabilities	58 308 251	2 389 456	8 110 748	1 627 309	23 005 177	5 559 619	10 322 447	115 381	3 186 744	3 425 842	4 498 778	28 596 917	2 607 983
Long-term Debt - Net of current portion	6 372 782	-	-	-	-	-	7 506 000	-	-	-	-	-	-
Capital Lease Obligation - Net of current portion	895 797	-	-	-	34 917	-	1 300 256	-	-	-	-	1 025 573	189 443
Other Liabilities													
Accrued vacation - Less current portion	7,996 271	608 178	939 845	-	2 348 826	483 003	-	-	-	1 476 434	1,738 400	2 373 929	1 240 128
Accrued workers' compensation - Less current portion	3 310 000	243 000	403 000	-	1 670 000	226 000	290 000	95 000	-	560 000	460 000	887 000	473 000
Other postemployment liability	222 158 803	18,183 955	12 814 262	-	88 602 339	11 485 788	-	-	-	33 045 091	26 744 778	59,488 132	22 833 726
Due to the State of Hawaii	-	508 153	-	-	7 605 205	528 149	-	-	-	8 416 791	491 450	1 043 345	2 417 150
Medicare accelerated payments - Less current portion	-	-	-	-	-	-	-	-	-	-	-	1,479 151	-
Pension liability	253 419 032	22 534 056	15 108 636	-	106 878 280	13 481 634	-	-	-	46 606 917	38 241 756	74 588 184	29 408 965
Other liabilities	-	1 500	-	-	3 833	-	-	-	-	-	-	-	4 380
Patients' safekeeping deposits	35 001	49 547	21 630	-	-	-	-	-	-	69 495	37 450	13 225	28 510
Total liabilities	552 495 937	44 513 845	37,198 119	1 627 309	232 146 577	31 764 173	19 418 703	210 381	3 186 744	91 620 570	72 212 812	185 505 436	59 003 285
Deferred Inflows of Resources													
Pension	158 385	14 328	16 815	-	71 550	10 651	-	-	-	25 867	20 491	45 861	18 899
Postemployment benefits other than pensions	19 023 580	1 557,102	1 080 166	-	7 587 067	983 533	-	-	-	2 829 669	2 290 170	4 751,479	1 938 138
Total deferred inflows of resources	19 181 965	1 571 430	1 096 981	-	7 658 617	994 184	-	-	-	2 855 536	2 310 661	4 797 340	1 957 037
Total liabilities and deferred inflows of resources	571 677,902	46 085 275	38 295 100	1 627 309	239 805 194	32 758 357	19 418 703	210 381	3 186 744	94 476 106	74 523 273	170 302 776	60 960 322
Net Position (Deficit)													
Unrestricted	(395 598 095)	(9 576 444)	(29 173 906)	5 760 603	(144 896 884)	(24 876 047)	12 408 615	1 450 742	(2 830 330)	(72 059 324)	(55 598 812)	(104 195 125)	(23 916 142)
Net investment in capital assets	49 154 421	15 609 396	5 796 751	19 335 299	40 295 889	6 618 141	85 836 068	13 684 882	4 931 741	18 402 325	11 211 442	13 498 403	10 881 892
Restricted for lender covenants and other	-	-	-	-	56 243	-	8 479 509	-	-	-	24 535	3 268	844
Total net position (deficit)	(348 443 674)	6 032 912	(23 377 157)	25 095 902	(104 344 752)	(18 059 906)	106 724 192	15 135 624	2 101 411	(55 656 999)	(44 362 835)	(90 693 454)	(13 053 406)
Total liabilities deferred inflows of resources and net position	$ 223,234,228	$ 52,118,187	$ 14,917,943	$ 26,723,211	$ 135,460,442	$ 14,698,451	$ 126,142,895	$ 15,346,005	$ 5,288,155	$ 38,819,107	$ 30,160,438	$ 79,609,322	$ 47,906,916

	Facilities	Hawaii Health Systems Corporation	Eliminations	HHSC Combined	Hawaii Health Systems Foundation	Alii Community Care - Maui	Alii Health Center	Kona Ambulatory Surgery Center	East Hawaii Medical Group	Kauai Region Medical Group	Kauai Region Pharmacy-West	Kahuku	Eliminations	HHSC Consolidated
Liabilities, Deferred Inflows of Resources, and Net Position														
Current Liabilities														
Accounts payable and accrued expenses	$ 52 397 602	$ 2 682 332	$ -	$ 55 079 934	$ -	$ 307,047	$ 703 009	$ 191 725	$ 712 785	$ 140 439	$ 10 797	$ 2 322 381	$ -	$ 59 468 117
Current portion of accrued vacation	11 935 056	289 634	-	12 224 690	-	-	204 977	-	269 512	50 897	10 447	849 317	-	13 409 840
Current portion of long-term debt	12 908 532	-	-	12 909 532	-	965 390	-	-	-	-	-	-	-	13 874 922
Current portion of capital lease obligations	1 810 957	-	-	1 810 957	-	-	-	-	-	-	-	42 150	-	1 853 107
Due to affiliates - Net	57 131 603	-	(57 732 219)	(600 616)	-	-	-	-	-	318 600	292 016	1 459 449	(1 459 449)	-
Current portion of accrued workers' compensation	2 595 000	8 000	-	2 603 000	-	-	-	-	-	-	-	-	-	2 603 000
Other current liabilities														
Medicare accelerated payments	11 644 574	-	-	11 644 574	-	-	-	-	-	-	-	-	-	11 644 574
Unearned revenue - CARES Act Provider Relief Fund and other pandemic grants	754 317	-	-	754 317	-	-	-	-	-	-	-	165 000	-	919 317
Estimated third-party payor settlements	292 312	-	(292 312)	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	283 697	-	-	283 697	-	416 905	-	-	-	-	-	-	-	700 602
Total current liabilities	151 754 850	2 979 966	(58 024 531)	96 710 085	-	1 689 342	907 886	191 725	982 297	509 936	303 260	4 638 297	(1 459 449)	104 473 479
Long-term Debt - Net of current portion	13 878 782	-	-	13 878 782	-	7 793 892	-	-	-	-	-	-	-	21 672 674
Capital Lease Obligation - Net of current portion	3 445 986	-	-	3 445 986	-	-	-	-	-	-	-	67 516	-	3 513 502
Other Liabilities														
Accrued vacation - Less current portion	19 203 014	1 440 858	-	20 643 872	-	-	178 180	-	510 312	-	-	-	-	21 332 374
Accrued workers' compensation - Less current portion	8 627 000	327 000	-	8 954 000	-	-	-	-	-	-	-	-	-	8 954 000
Other postemployment liability	490 956 854	22 092 937	-	513 049 791	-	-	-	-	-	-	-	-	-	513 049 791
Due to the State of Hawaii	19 008 243	-	-	19 008 243	-	-	-	-	-	-	-	-	-	19 008 243
Medicare accelerated payments - Less current portion	1,479 151	-	-	1,479 151	-	-	-	-	-	-	-	-	-	1 479 151
Pension liability	602 265 440	25 552 366	-	627 817 806	-	-	-	-	-	-	-	-	-	627 817 806
Other liabilities	9 713	-	-	9 713	-	-	-	-	-	-	-	-	-	9 713
Patients' safekeeping deposits	274 858	-	-	274 858	-	-	-	-	-	-	-	7 928	-	282 786
Total liabilities	1 310 903 691	52 393 127	(58 024 531)	1 305 272 287	-	9 483 234	1 086 176	191,725	1 492 609	509 936	303 260	4 713 741	(1 459 449)	1 321 593 519
Deferred Inflows of Resources														
Pension	382 847	15 289	-	398 136	-	-	-	-	-	-	-	-	-	398 136
Postemployment benefits other than pensions	42 040 904	1,891,831	-	43 932 735	-	-	-	-	-	-	-	-	-	43 932 735
Total deferred inflows of resources	42 423,751	1 907 120	-	44 330 871	-	-	-	-	-	-	-	-	-	44 330 871
Total liabilities and deferred inflows of resources	1 353 327 442	54 300 247	(58 024 531)	1 349 603 158	-	9 483 234	1 086 176	191 725	1 492 609	509 936	303 260	4 713 741	(1,459 449)	1,365 924 390
Net Position (Deficit)														
Unrestricted	(842 703 191)	(35 121 019)	-	(877 824 210)	39 079	1 211 270	530 988	932 419	-	30 335	(168 951)	3 388 592	(536 853)	(872 397 331)
Net investment in capital assets	293 236 650	199 994	-	293 436 644	-	(3 796 796)	455 196	2 661 455	-	-	113 204	10 078 127	-	302 947 830
Restricted for lender covenants and other	8 564 399	-	-	8 564 399	-	-	-	-	-	-	-	135 888	-	8 700 287
Total net position (deficit)	(540 902 142)	(34 921 025)	-	(575 823 167)	39 079	(2 585 526)	986 184	3 593 874	-	30 335	(55 747)	13 602 807	(536 853)	(580,749 214)
Total liabilities deferred inflows of resources and net position	$ 812,425,300	$ 19,379,222	$ (58,024,531)	$ 773,779,991	$ 39,079	$ 6,897,708	$ 2,072,360	$ 3,785,599	$ 1,492,609	$ 540,271	$ 247,513	$ 18,316,548	$ (1,996,302)	$ 785,175,176

Statement of Revenue, Expenses, and Changes in Net Position of Facilities

Year Ended June 30, 2021

	Hilo Medical Center	Hale Ho'ola Hamakua	Ka'u Hospital	Yukio Okutsu Veterans Care Home - Hilo	Kona Community Hospital	Kohala Hospital	Maui Memorial Medical Center	Kula Hospital	Lanai Community Hospital
Operating Revenue									
Net patient service revenue	$ 194,968,334	$18,109,339	$ 18,025,758	$ 9,936,655	$ 84,543,365	$ 7,848,368	$ -	$ -	$ -
Uncompensated care revenue	18,776,280	439,311	201,344	-	9,305,050	1,180,711	-	-	-
Other revenue	2,440,896	79,790	14,170	-	425,789	28,424	1,853,530	3,299	2,375
Total operating revenue	216,185,510	18,628,440	18,241,272	9,936,655	94,274,204	9,057,503	1,853,530	3,299	2,375
Operating Expenses									
Salaries	87,585,352	8,439,483	10,040,290	6,263,708	41,248,438	6,385,035	-	-	-
Employee benefits	72,010,230	6,684,919	6,998,925	1,232,993	32,299,248	4,627,400	(300,464)	(39,943)	-
Medical supplies and drugs	32,821,977	758,621	858,435	1,065,365	14,340,488	135,524	-	-	-
Depreciation and amortization	8,880,801	906,125	533,215	790,002	4,964,834	325,929	8,880,019	1,227,238	313,424
Utilities	3,828,271	566,841	378,813	820,216	1,511,748	203,261	-	-	-
Repairs and maintenance	6,652,877	442,428	306,547	130,543	4,754,600	205,460	-	-	-
Other supplies	5,369,689	1,043,499	985,898	356,515	1,968,135	632,732	-	-	-
Purchased services	38,509,184	2,474,683	1,873,971	1,508,995	23,833,808	2,352,453	608,099	12,987	3,091
Professional fees	12,638,937	1,478,993	8,619,860	95,003	555,360	523,054	-	-	-
Insurance	1,740,515	68,676	161,815	1,289,228	929,216	-	(193,456)	-	-
Rent and lease	1,632,939	77,365	455,475	16,297	750,442	115,637	-	-	-
Other	2,308,282	266,589	543,164	(344,073)	1,557,621	131,617	249,376	8,569	422
Total operating expenses	274,378,834	23,208,222	31,756,408	13,224,790	128,513,938	15,638,102	9,243,570	1,208,831	316,937
Operating (Loss) Income	(58,193,324)	(4,579,782)	(13,515,136)	(3,288,135)	(34,239,734)	(6,570,599)	(7,390,040)	(1,205,532)	(314,562)
Nonoperating Income (Expense)									
General appropriations from the State of Hawaii	58,020,000	3,652,000	2,555,000	-	26,400,000	1,500,000	-	-	-
Restricted contributions	415,731	136,436	58,368	-	548,021	124,418	-	-	-
Interest expense	(305,324)	-	(118)	-	(21,214)	(4,355)	(703,934)	-	-
Interest and dividend income	41,580	2,641	1,106	21,523	42,543	6,847	18,467	-	-
Contributions - CARES Act Provider Relief Fund and other pandemic grants	17,695,849	2,635,482	306,348	589,490	13,278,376	1,487,230	-	-	-
Forgiveness of Paycheck Protection Program loan	-	1,934,400	1,282,800	-	6,595,000	-	-	-	-
Corporate allocation to affiliates	(2,436,000)	(205,000)	(302,000)	-	(1,144,000)	(141,000)	(2,768,043)	-	-
Other nonoperating revenue (expense) - Net	846,917	88,424	11,410	(498,693)	(9,568,717)	17,666	677	1,200	-
Total nonoperating income (expense)	72,278,753	8,244,383	3,913,052	112,320	38,548,009	2,990,806	(3,474,833)	1,200	-
Excess of Revenue (Under) Over Expenses before Capital Contributions and Transfers	14,085,429	3,664,601	(9,602,084)	(3,175,815)	2,308,275	(3,579,793)	(10,864,873)	(1,204,332)	(314,562)
Capital Contributions	4,197,983	-	58,902	-	5,685,268	185,879	(317,754)	(348,983)	(464,251)
Transfer (to) from Affiliate	(8,894,086)	147,881	3,277,310	-	(2,389,573)	2,117,509	-	-	-
Increase (Decrease) in Net Position	9,389,326	3,812,482	(6,265,872)	(3,175,815)	5,603,968	(1,266,405)	(11,182,627)	(1,553,315)	(778,813)
Net Position (Deficit) - Beginning of year	(355,833,000)	2,220,420	(17,111,285)	28,271,717	(109,948,720)	(18,793,501)	117,906,819	16,688,939	2,880,224
Net Position (Deficit) - End of year	$ (346,443,674)	$ 6,032,902	$(23,377,157)	$25,095,902	$ (104,344,752)	$ (20,059,906)	$106,724,192	$15,135,624	$2,101,411

	Leahi Hospital	Maluhia	Kauai Veterans Memorial Hospital	Samuel Mahelona Memorial Hospital	Facilities	Hawaii Health System Corporation	Eliminations	HHSC Combined	Hawaii Health Systems Foundation
Operating Revenue									
Net patient service revenue	$ 8,850,398	$ 8,309,660	$ 42,113,925	$ 18,935,419	$ 411,641,221	$ -	$ -	$ 411,641,221	$ -
Uncompensated care revenue	6,438,862	4,201,969	2,177,138	2,617,391	45,346,054	-	-	45,346,054	-
Other revenue	449,064	70,400	378,252	215,546	5,961,535	-	-	5,961,535	-
Total operating revenue	15,738,324	12,582,029	44,669,313	21,768,356	462,948,810	-	-	462,948,810	-
Operating Expenses									
Salaries	13,481,506	11,521,747	22,692,214	12,364,130	220,021,901	7,926,973	-	227,948,874	-
Employee benefits	11,244,231	8,788,469	17,459,866	8,758,336	169,764,226	5,570,482	-	175,334,708	-
Medical supplies and drugs	487,873	589,569	2,817,302	523,000	54,398,144	-	-	54,398,144	-
Depreciation and amortization	1,213,664	958,090	1,976,800	1,023,600	31,991,341	189,737	-	32,181,078	-
Utilities	883,911	803,069	934,248	441,417	10,171,793	290,608	-	10,462,401	-
Repairs and maintenance	307,843	317,443	685,638	102,417	14,105,794	352,814	-	14,458,608	-
Other supplies	887,261	740,827	687,039	470,599	13,141,984	1,272,303	-	14,414,287	-
Purchased services	581,656	548,246	5,152,996	2,331,578	79,591,727	-	-	79,591,727	-
Professional fees	38,386	50,592	3,554,106	733,078	28,487,367	180,150	-	28,667,517	-
Insurance	130,930	142,904	636,336	91,480	4,997,646	353,300	-	5,350,946	-
Rent and lease	35,165	2,195	833,006	255,742	4,174,263	221,810	-	4,396,073	-
Other	87,433	11,757	868,597	379,934	6,069,268	1,133,936	-	7,203,204	197
Total operating expenses	29,379,859	24,272,718	58,297,946	27,475,309	636,915,464	17,492,113	-	654,407,577	197
Operating (Loss) Income	(13,643,535)	(11,690,689)	(13,628,633)	(5,706,953)	(173,966,654)	(17,492,113)	-	(191,458,767)	(197)
Nonoperating Income (Expense)									
General appropriations from the State of Hawaii	6,499,700	6,499,700	12,247,000	3,010,000	118,783,400	8,517,003	-	127,300,403	-
Restricted contributions	-	-	-	-	1,322,972	-	-	1,322,972	-
Interest expense	(571)	(7)	(21,907)	(2,078)	(1,059,503)	-	-	(1,059,503)	-
Interest and dividend income	20,448	3,398	6,371	3,035	165,959	3,855	-	169,814	-
Contributions - CARES Act Provider Relief Fund and other pandemic grants	2,798,326	2,092,960	(591,234)	260,732	40,549,619	-	-	40,549,619	-
Forgiveness of Paycheck Protection Program loan	2,767,000	-	4,455,800	2,218,600	19,253,700	-	-	19,253,700	-
Corporate allocation to affiliates	(248,000)	(207,000)	(512,000)	(240,000)	(8,221,043)	8,221,043	-	-	-
Other nonoperating revenue (expense) - Net	17,600	-	17,157	7,111	(9,079,248)	61,338	-	(9,017,910)	-
Total nonoperating income (expense)	11,854,503	8,389,076	15,601,187	5,257,400	161,715,856	16,803,239	-	178,519,095	-
Excess of Revenue (Under) Over Expenses before Capital Contributions and Transfers	(1,789,032)	(3,301,613)	1,972,554	(449,553)	(12,250,798)	(688,874)	-	(12,939,672)	(197)
Capital Contributions	1,478,955	2,344,814	2,930,340	2,000,635	17,761,786	-	-	17,761,786	-
Transfer (to) from Affiliate	(1,616,944)	(978,992)	3,966,528	3,934,042	(636,315)	(708,000)	-	(1,344,315)	-
Increase (Decrease) in Net Position	(2,127,021)	(1,935,791)	8,869,422	5,485,124	4,874,673	(1,396,874)	-	3,477,799	(197)
Net Position (Deficit) - Beginning of year	(53,529,978)	(42,427,044)	(99,562,876)	(18,538,530)	(545,776,815)	(33,524,151)	-	(579,300,966)	39,276
Net Position (Deficit) - End of year	$(55,656,999)	$(44,362,835)	$ (90,693,454)	$(13,053,406)	$ (540,902,142)	$(34,921,025)	$ -	$ (575,823,167)	$ 39,079

	Alii Community Care - Maui	Alii Health Center	Kona Ambulatory Surgery Center	East Hawaii Medical Group	Kauai Region Medical Group	Kauai Region Pharmacy West	Kahuku	Eliminations	HHSC Consolidated
Operating Revenue									
Net patient service revenue	$ -	$ 8,035,803	$ 2,457,606	$ -	$ -	$ -	$17,066,624	$ -	$ 439,201,054
Uncompensated care revenue	-	-	-	-	-	-	-	-	45,346,054
Other revenue	4,193,879	2,012,935	-	8,013,101	1,415,091	325,000	390,345	(21,679,402)	10,632,484
Total operating revenue	4,193,879	10,048,538	2,457,606	8,013,101	1,415,091	325,000	17,456,969	(21,679,402)	495,179,592
Operating Expenses									
Salaries	-	13,098,197	1,273,966	3,265,393	1,242,533	329,836	10,206,452	-	267,333,373
Employee benefits	-	-	16,460	2,460,635	103,377	20,381	2,758,347	-	180,691,908
Medical supplies and drugs	-	1,426,078	1,023,739	-	-	3,247	1,414,236	-	58,265,444
Depreciation and amortization	903,018	91,615	288,369	-	-	-	838,785	-	34,403,065
Utilities	377,278	166,511	-	-	1,312	-	471,800	-	11,479,302
Repairs and maintenance	148,959	1,183,596	495,727	-	-	1,784	277,460	-	16,566,134
Other supplies	478,616	185,062	-	-	733	8,027	387,309	-	15,474,044
Purchased services	55,973	619,914	917,178	-	5,348	1,072	1,386,882	(3,341,301)	79,236,793
Professional fees	2,807,323	74,237	-	79,445	30,641	14,598	1,205,557	(18,338,101)	14,541,217
Insurance	107,498	1,065,929	20,000	-	-	-	123,693	-	6,668,066
Rent and lease	176,583	705,649	-	-	-	-	275,772	-	5,554,077
Other	778,155	478,755	-	2,207,628	823	1,702	1,015,099	-	11,685,563
Total operating expenses	5,833,403	19,063,743	4,035,459	8,013,101	1,384,767	380,749	20,459,392	(21,679,402)	701,898,986
Operating (Loss) Income	(1,639,524)	(9,015,205)	(1,577,853)	-	30,324	(55,749)	(3,002,423)	-	(206,719,394)
Nonoperating Income (Expense)									
General appropriations from the State of Hawaii	-	-	-	-	-	-	1,800,000	-	129,100,403
Restricted contributions	-	-	-	-	-	-	-	-	1,322,972
Interest expense	(385,252)	-	-	-	-	-	(6,538)	-	(1,451,293)
Interest and dividend income	581	221	-	-	11	2	-	-	170,639
Contributions - CARES Act Provider Relief Fund and other pandemic grants	-	1,746,417	-	-	-	-	4,062,634	-	46,358,670
Forgiveness of Paycheck Protection Program loan	-	899,500	174,400	-	-	-	2,386,400	-	22,714,000
Corporate allocation to affiliates	-	-	-	-	-	-	-	-	-
Other nonoperating revenue (expense) - Net	-	7,740,000	-	-	-	-	-	1,971,302	693,392
Total nonoperating income (expense)	(384,661)	10,486,138	174,400	-	11	2	8,142,496	1,971,302	198,908,783
Excess of Revenue (Under) Over Expenses before Capital Contributions and Transfers	(2,024,185)	1,470,933	(1,403,453)	-	30,335	(55,747)	5,140,073	1,971,302	(7,810,611)
Capital Contributions	-	-	2,376,000	-	-	-	93,865	(2,376,000)	17,855,651
Transfer (to) from Affiliate	1,344,315	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Position	(679,870)	1,470,933	972,547	-	30,335	(55,747)	5,233,938	(404,698)	10,045,040
Net Position (Deficit) - Beginning of year	(1,905,656)	(484,749)	2,621,327	-	-	-	8,368,669	(132,155)	(570,794,254)
Net Position (Deficit) - End of year	$(2,585,526)	$ 986,184	$ 3,593,874	$ -	$ 30,335	$ (55,747)	$13,602,607	$ (536,853)	$ (560,749,214)

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Hawaii Health Systems Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hawaii Health Systems Corporation (the "Corporation"), which comprise the basic statement of net position as of June 30, 2021 and the related basic statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as Findings 2021-002, 2021-004, and 2021-005 to be material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as Findings 2021-001, 2021-003, 2021-006, 2021-007, and 2021-008 to be significant deficiencies.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify deficiencies in internal control that we consider to be material weaknesses. However, additional material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Directors
Hawaii Health Systems Corporation

The Corporation's Responses to the Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 13, 2021

Financial Statement Audit Findings

Reference Number	Finding
2021-001	**Finding Type** - Significant deficiency, Alii Community Care, Inc.

Criteria - Transactions relating to debt amounts for Roselani Place should be recorded in line with an appropriate amortization schedule for an outstanding loan.

Condition - Recorded amounts relating to debt for Roselani Place were not recorded in line with the amortization schedule for the outstanding loan.

Context - Current and long-term debt amounts recorded on the general ledger did not reconcile to supporting documentation.

Cause - A superseded amortization schedule was used in the calculation of journal entries relating to debt.

Effect - The statement of net position and statement of revenue, expenses, and changes in net position were misstated throughout the year. An adjusting journal entry of $278,990 was posted to correct this misstatement.

Recommendation - We recommend management at Roselani Place perform a formal review of debt balances and transactions to ensure what is being recorded throughout the year matches appropriate transaction totals.

Views of Responsible Officials and Planned Corrective Actions - The Roselani Place accountant will review monthly debt entries to ensure alignment with the appropriate debt amortization schedule. This process will occur monthly and will include proper documentation of reconciliation activity between the schedule and the general ledger to ensure accurate reconciliation of debt amounts.

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-002	**Finding Type** - Material weakness, Alii Community Care, Inc.

Criteria - Property and equipment lapse schedules for Roselani Place should be maintained by the entity to track capital assets and the related depreciation on those assets. Reconciliation of the detailed lapse schedule to the general ledger is essential to ensure amounts presented in the financial statements are accurate.

Condition - A property and equipment lapse schedule is not being updated properly at Roselani Place. Also, depreciation expense had not been recorded correctly in fiscal year 2021.

Context - Capital asset amounts recorded in the general ledger did not have adequate supporting documentation.

Cause - A schedule needed to be updated for current year capital asset activity, as this was not performed by management.

Effect - The statement of net position and statement of revenue, expenses, and changes in net position were misstated throughout the year. An adjusting journal entry of $75,440 was posted to correct this misstatement in fiscal year 2021.

Recommendation - We recommend management at Roselani Place perform formal review of property and equipment accounts to ensure what is being reported is properly supported by lapse schedules or other detailed records. Additionally, management should document their review of a reconciliation between the detailed lapse schedule and the general ledger to ensure all asset activity is properly captured.

Views of Responsible Officials and Planned Corrective Actions - The Roselani Place accountant will review property and equipment accounts to ensure what is being reported is properly supported by lapse schedules or other detailed reports. This process will occur monthly and will include proper documentation of reconciliation activity between the lapse schedules and the general ledger to ensure accurate capturing of asset activity.

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-003	**Finding Type** - Significant deficiency, Kauai Region
	Criteria - Account balances should be reconciled at the individual entity and to underlying records that support individual account balances.
	Condition - While overall areas, such as cash and accounts receivable, were reconciled at the region-wide level, there were instances within an account classification where the individual accounts had significant variances from the associated support, which were offset by another account or when aggregated at the full region level.
	Context - The amounts reflected for the region's entities in the other supplemental information schedules for cash and accounts receivable should be reconciled to support attributable to each entity and to more specific support levels.
	Cause - Internal controls and accounting procedures were not designed effectively to allow for timely account reconciliations at the appropriate level of detail.
	Effect - The amounts reflected on the region-wide financial statements are supported by underlying financial records in total; however, the balances recorded on the individual entities within the other supplemental information schedules could inaccurately reflect amounts attributable to each entity.
	Recommendation - We recommend that the region put appropriate controls in place to ensure balances are appropriately stated for each entity within the region individually and to a more specific level of support.
	Views of Responsible Officials and Planned Corrective Actions - Management is working to correct the issue by evaluating and modifying transaction code activity to post to appropriate general ledger accounts.

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-004	**Finding Type** - Material weakness, Kahuku Medical Center

Criteria - Management should ensure that employment costs are granted in accordance with documentation maintained in personnel files, including pay rates and vacation awards.

Condition - There are insufficient records maintained currently with respect to changes in personnel pay information and the associated approvals.

Context - There were no material financial statement impacts of this material weakness as of June 30, 2021.

Cause - Lack of sufficient record keeping and testing of the payroll system.

Effect - As a result of these issues, employees could be paid incorrect amounts, and too much vacation time could be accrued at any given time.

Recommendation - We recommend appropriate controls be put into place to ensure appropriate reporting of payroll expenses and related accruals.

Views of Responsible Officials and Planned Corrective Actions - Management is working to finalize implementation of a new payroll and human resources system, which should assist in correcting the issue.

Reference Number	Finding
2021-005	**Finding Type** - Material weakness, Kahuku Medical Center

Criteria - Cash account balances should be reconciled and reviewed timely to ensure the balance in the general ledger is accurate.

Condition - Cash balances were not reconciled timely during portions of fiscal year 2021.

Context - There were no financial statement impacts of this material weakness as of June 30, 2021. However, the cash balance in the statement of net position was materially misstated at various times throughout the year.

Cause - Lack of timely reconciliation and appropriate review of reconciliation process was not fully in place during the year under audit.

Effect - Adjustments to cash were recorded in the incorrect periods throughout the year.

Recommendation - We recommend cash be reconciled on a timely basis each month to ensure the balance in the general ledger is accurate.

Views of Responsible Officials and Planned Corrective Actions - Management has rectified the issue as of June 30, 2021. Responsibilities regarding timing and review of reconciliations are part of the monthly financial statement close process.

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-006	**Finding Type** - Significant deficiency, Kahuku Medical Center

Criteria - Management should have controls in place related to review of system-generated reports to ensure data is reliable and accurate.

Condition - The fixed asset system was not correctly calculating accumulated depreciation and depreciation expense. As a result, both accumulated depreciation and depreciation expense were overstated in the initial trial balance received from management.

Context - An adjustment was identified and subsequently recorded by management to decrease accumulated depreciation and depreciation expense by approximately $114,000.

Cause - Appropriate review and monitoring was not fully in place to identify errors in calculations due to settings in the fixed asset software.

Effect - An audit adjustment was recorded as a result of audit procedures.

Recommendation - We recommend that Kahuku Medical Center put appropriate review controls in place to ensure balances are appropriately stated at the end of each period.

Views of Responsible Officials and Planned Corrective Actions - Management has correct the issue by assigning the responsibility to an individual with appropriate skills and expertise.

Reference Number	Finding
2021-007	**Finding Type** - Significant deficiency, East Hawaii Region

Criteria - Management of the region should ensure that timely and accurate reconciliations of capital assets and capital contributions are being completed.

Condition - An adjustment was identified by management during the year-end close process that reduced capital assets and capital contributions of approximately $2 million.

Context - The construction in progress and capital contributions accounts did not agree to support. An adjusting journal entry was required to adjust the construction in progress and capital contribution accounts in the fiscal year 2021 financial statements.

Cause - Lack of sufficient and timely review of capital asset and capital contribution account reconciliations.

Effect - As a result of this issue, capital asset account balances and capital contribution account balances on the interim financial statements were misstated.

Recommendation - We recommend adequate controls be put in place to ensure timely and sufficient account reconciliations of capital asset and capital contribution accounts be put in place, including processes to ensure that account reconciliations are completed timely and accurately when staffing shortages exist.

Views of Responsible Officials and Planned Corrective Actions - Management has implemented a new review and oversight process related to capital asset account reconciliations. Additionally, a process for addressing the completion of account reconciliations when staffing shortages exist has been implemented.

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-008	**Finding Type** - Significant deficiency - Yukio

Criteria - Management should ensure that financial statements are accurately stated.

Condition - An adjustment was required to properly reflect operations for the fiscal year ended June 30, 2021.

Context - As part of the transition of financial reporting responsibilities of Yukio, financial records were not accurately reflected after transition to East Hawaii oversight. Certain amounts were not properly reflected at the time of transfer.

Cause - At time of transition for reporting responsibilities, a reconciliation of accounts transferred and recorded was not performed and, therefore, not all assets and liabilities were captured.

Effect - Inaccurate financial statements were reported subsequent to the transition.

Recommendation - We recommend appropriate review and reconciliation be performed as part of any responsibility transition.

Views of Responsible Officials and Planned Corrective Actions - Management has corrected the error.

HAWAII HEALTH SYSTEMS
CORPORATION
Quality Healthcare For All

Attachment B
Projected Revenues and Capital Improvement Projects
FY 2021

December 2021

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HAWAII HEALTH SYSTEMS CORPORATION
PROJECTED REVENUES FOR FISCAL YEAR 2021
AMOUNTS IN $'000'S
NOTE: Amounts represent estimated cash collections, not accrual basis revenues

Hilo	169,617
Hamakua	15,947
Ka'u	16,086
Kona	85,086
Kohala	9,192
KVMH	30,500
SMMH	14,100
Leahi	14,267
Maluhia	12,411
TOTAL	**367,206**

CIP Annual Report

Act/Yr	Item No.	Project Title and Brief Project Description	FY 21 Apprn
6/2020	E-4	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations, Hawaii - East Hawaii, Repair and Replacement of Roof	2,000,000
6/2020	E-4	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations, Hawaii - East Hawaii, HVAC Ducting, Vents & Chiller Repairs	824,000
6/2020	E-4	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations, Hawaii - East Hawaii, Repair Parking Lots	1,400,000
6/2020	E-4	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations, Hawaii - East Hawaii, Operating Room Renovation	3,700,000
6/2020	E-4	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations, Hawaii - East Hawaii, Replace HVAC with RVF system in Lobby and Outpatient Pharmacy	300,000
6/2020	E-4	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations, Hawaii - East Hawaii, Replace Flooring in Common Areas	1,000,000
6/2020	E-4	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovation, Hawaii - Kona Hospital - Cancer Center replacement building	2,500,000
6/2020	E-4	Lump Sum Hawaii Health Systems Corporation; Improvements and Renoation, Hawaii - Kona Hospital - Cooling Towers Replacements	350,000
6/2020	E-4	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovation, Hawaii - Kona Hospital - Pharmacy Remodel	801,000
6/2020	E-4	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovation, Hawaii - Kona Hospital - Sterile Processing Renovation/Upgrade	600,000
6/2020	E-4	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovation, Hawaii - Kohala Hospital - General Construction	500,000
6/2020	E-5	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations - KVMH Upgrade AC	675,000
6/2020	E-5	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations - SMMH Retrofit Radiology	400,000
6/2020	E-5	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations - KVMH Signage	125,000
6/2020	E-5	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations - SMMH Solarium and Nursing station	3,332,000

Act/Yr	Item No.	Project Title and Brief Project Description	FY 21 Apprn
6/2020	E-6	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations - Leahi Hospital, Plumbing and Electrical for future Dietary Department	900,000
6/2020	E-6	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations - Maluhia, Renovate Adult Day Health Center	1,592,000
6/2020	E-6	Lump Sum Hawaii Health Systems Corporation; Improvements and Renovations - Leahi Hospital, Correct leakage at Trotter	500,000
6/2020	E-7.1	Kauai Veterans Memorial Hospital, CT Scan Room Renovation	1,300,000
6/2020	E-7.2	Kauai Veterans Memorial Hospital, IT Renovations	300,000
6/2020	E-7.3	Kauai Veterans Memorial Hospital, 3D Mammography Machine	650,000
6/2020	E-7.4	Maluhia, Upgrade Plumbing in Patient Rooms	700,000
6/2020	E-7.5	SMMH, CT Scanner	1,300,000
6/2020	E-7.6	Hilo Medical Center, dba Hawaii Pacific Oncology	6,500,000
6/2020	E-7.7	Hilo Medical Center, Cardiac Center	3,500,000
6/2020	E-7.8	Samuel Mahelona Memorial Hospital, Kauai	500,000
		Grand Total	**36,249,000**

HAWAII HEALTH SYSTEMS
CORPORATION
Quality Healthcare For All

Attachment C
Regional Reports

December 2021

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www.hhsc.org <http://www.hhsc.org>

East Hawaii Legislative Brief 2021

EAST HAWAII REGION
The East Hawaii Region, consisting of Hilo Medical Center, Hale Ho`ola Hamakua, Ka`u Hospital, Yukio Okutsu State Veterans Home and the East Hawaii Health Clinics, is the largest region in the Hawaii Health Systems Corporation. The Region is the largest employer on Hawaii Island with over 1,500 employees.

COVID-19 Impact on East Hawaii Region
COVID-19 pushed the East Hawaii Region healthcare system to its limits in the first surge that took place in August 2020. Fortunately, the surge gave our hospital system time to prepare our staff, secure resources and solidify safety precautions. COVID vaccination availability gave our hospital an opportunity to have a positive impact our staff and community. In total, nearly 60,000 doses were administered to recipients 12 years and older.

COVID and high census resulted in the East Hawaii Region exceeding estimations, which translated financially to $251 million in actual revenue, an increase from the $203 million in budgeted revenue. In addition, our Critical Access Hospitals in Honoka`a and Ka`u received the majority of $757,000 in targeted CARES funding that offset anticipated losses. We have no plans to institute furloughs and pay cuts in FY 2022. The Region is closely monitoring economic and healthcare developments in FY 2022 and remain concerned along with everyone else.

Hilo Medical Center originated in 1897 as a 10-bed hospital, created by the Hawaiian Government. HMC has grown to the present facility of 192-licensed beds, consisting acute, long term care, and psychiatric beds. Hilo Medical Center is the only 4-star ranked hospital by Centers for Medicaid & Medicare on Hawaii Island. Built in 1984, the facility sits on roughly 20.5 acres of land, next to the new 95-bed Yukio Okutsu Veterans Home, Hawaii's first State Veterans Home, and the previous site of the "old Hilo Hospital."

This year was the second full year of establishing our East Hawaii Health Clinics after transitioning the majority of our clinics under the rural health clinic designation. The East Hawaii Health Clinic at 1190 Waianuenue includes primary care, cardiology, and neurology with the addition of gastroenterology in FY 2021. The East Hawaii Health Clinic at 1285 Waianuenue Avenue on the second floor includes primary care, OB/GYN, urology, ear, nose & throat, and allergy. Puna Community Medical Center and Ka`u Hospital Rural Health Clinic have stabilized their staffing to care for their communities. The latest addition to our rural health clinic network is the East Hawaii Health Clinic in Keaau that does urgent and primary care and behavioral health. Other non-rural health clinics include orthopedics, oncology, surgery and vascular.

Hilo Medical Center patient services include:
- 24-Hour CAP-Accredited Pathology Laboratory and Blood Bank Services
- 24-Hour Physician-Staffed Emergency Care
- Acute Inpatient Dialysis

- Adult Psychiatric Care
- Bronchoscopy
- Cardiac Care: Diagnostic & Interventional Cardiology, Echocardiography, Thallium Stress Treadmills, Pacemakers, Cardiac Telemetry, Cardiac Rehab
- EEG
- Endoscopy
- Food and Nutrition Services and Counseling
- Gastroenterology
- Hospitalist Services
- Imaging Services – X-ray, CT, MRI, Angiography/Cardiac Catheterization, Interventional Radiology, Nuclear Medicine, Ultrasound
- Inpatient and Outpatient Rehabilitation Services – Cardiac Rehab, Physical, Occupational, and Speech Therapies
- Inpatient Pharmacy
- Critical and Progressive Care
- Neurology
- Obstetrics/Gynecology Services, Labor and Delivery, Post-Partum, and Childbirth, Breastfeeding and Car Seat Classes
- Oncology Care—Medical and Radiation Oncology
- Outpatient Clinics – Behavioral Health, Cardiology, Primary Care, Oncology, Orthopedics, Neurology, ENT, Allergy, Surgery, Vascular, and Urology
- Inpatient Pediatrics
- Respiratory Therapy
- Skilled Nursing and Long Term Care
- Social Services and Case Management
- Surgical Services—Same Day Surgery, Post-Anesthesia Care, and Special Procedures
- Subspecialty Surgical Services—Orthopedics, Ophthalmology, Otorhinolaryngology, Urology
- Telemedicine
- Vascular
- Wound and Ostomy Care

PATIENT CENSUS FY 2021

Admissions	8,153
Emergency Department Visits	39,305
Births	933
East Hawaii Health Visits	30,894

COMMUNITY-BASED FOUNDATION SUPPORT OF HILO MEDICAL CENTER

Total Grants	$454,538
Total Fundraising	$68,900
Total Private Donations	$243,183
Total	**$766,621**

In FY 2021, **Hale Ho'ola Hamakua** (HHH) was ranked 5 stars for long term care by the Centers for Medicaid & Medicare. HHH, originally known as Honoka'a Hospital, has served the healthcare needs of the communities of Hamakua, North Hawaii and South Kohala since 1951. In November 1995, a new fifty-bed (50) facility was opened above the old hospital, to provide long-term-care services. The facility was renamed Hale Ho'ola Hamakua (Haven of Wellness in Hamakua) in 1997 to reflect its new focus. HHH employs 122 (FTE, FY19) employees of which a significant number are residents of the area who were former employees or related to employees of the Hamakua Sugar Company that phased out in 1994. The Hamakua Sugar Company Infirmary, which became the Hamakua Health Center, provides primary care and behavioral health services to the community in a building owned and leased from HHH and adjacent to the hospital.

The greater part of the "old" Honokaa Hospital building is being leased to the University of Hawaii-Hilo for the North Hawaii Education and Research Center (NHERC), a project providing college, vocational, and special interest courses in North Hawaii. It will also function as a base for offsite distance learning for the university to all parts of the State.

HHH was converted as a Critical Access Hospital on November 2005, which resulted in bed configuration changes and the provision of new Emergency Room (ER) and expanded ancillary services. In 2010, the Maile Wing was added to HHH, bringing the total number of beds to 77 and increasing its capacity. HHH employs 122 dedicated medical professionals who care for the communities in North Hawaii and along the Hamakua Coast.

Services provided by HHH include:

- 11 Acute/SNF Swing Beds
- 66 Long Term Care (ICF/SNF) Beds
- Emergency Room Services, 24 hours/7 days per week, on call within 30 minute
- Inpatient and Outpatient Rehabilitation Services for Physical, Occupational, and Speech Therapies
- Inpatient Social Services
- Inpatient and Outpatient Laboratory Services
- Inpatient and Outpatient X-Ray Services
- Inpatient Dietary/Food Services
- Auxiliary and Community Volunteer Services

PATIENT CENSUS

- Admissions 251
- ER Visits 1,4726

COMMUNITY-BASED FOUNDATION SUPPORT OF KA`U HOSPITAL

Total Fundraising	$19,946
Total Private Donations	$11,857
Total	**$31,803**

Ka`u Hospital, in Pahala, is a 21-swing bed facility with 75 employees. It also operates a 24-hour/7 day a week Emergency Department. Replacing the last sugar plantation hospital on the island, Ka'u Hospital was built in 1971 to serve the needs of a vast rural area. There are no other hospitals within a 55-mile radius in any direction. As of July

2001, Ka'u Hospital was designated as a CAH (Critical Access Hospital). This is a federal designation given to small hospitals that provide essential emergency and acute services in remote areas to assist them with the financial burdens associated with their size and isolation. Adding to the spectrum of services provided by Ka'u Hospital, a Medicare certified Rural Health Clinic was established on the hospital campus in September of 2003.

The people of Ka'u truly support their hospital. Their partnership of volunteerism and fundraising has enabled Ka'u Hospital to make many improvements in appearance, functionality and medical equipment that the hospital would be unable to fund on its own. It is a true community hospital where staff work toward being the very best they can be for the people of Ka'u. Demand for services has been growing steadily.

Services provided by Ka'u Hospital include:

- 24-hour Emergency Services
- Acute Care
- Intermediate and Skilled Level Care
- Inpatient and Physical Rehabilitation
- Inpatient and Outpatient Radiology
- Inpatient and Outpatient Laboratory Services
- Family Practice Rural Health Clinic

PATIENT CENSUS

- Admissions 46
- ER Visits 2,035
- East Hawaii Health Clinic Visits 56,522

VOLUNTEER SERVICES COMMUNITY- BASED FOUNDATION SUPPORT OF KA`U HOSPITAL

- Total Number of Active Volunteers: 9
- Total Number of Total Volunteer Hours: 184

East Hawaii Region Foundations Supporting HHSC Hospitals
Background / Contact Information

Hilo Medical Center Foundation
Founded in 1995, the Foundation supports the healthcare of the community and its visitors by assisting Hilo Medical Center (HMC) through volunteerism, community education, and financial support. With no private hospitals in the East Hawaii region, HMC is truly a community institution with quality of facilities and services dependent upon both psychological and financial community support. We view our mission as attempting to enhance that support.

Foundation President: Chuck Erskine
Foundation Administrator: Lisa Rantz
lrantz@hhsc.org

Contact information:
Hilo Medical Center Foundation
www.hilomedicalcenterfoundation.com
1190 Waianuenue Avenue, Box 629
Hilo, HI 96720
Tel: 808-932-3636 Fax: 808-974-4746

Ka`u Hospital Charitable Foundation
Ka'u Hospital Charitable Foundation was created to raise funds for the benefit of Ka'u Hospital and Rural Health Clinic in order to supplement the financial resources available to it through the hospital's own revenue (which comes from income, shared resources from other HHSC facilities, and any monies granted by the State.) Funds raised are used to enhance the quality of care provided by Ka'u Hospital through improvements in the facility, medical equipment, and training of staff.

Foundation President/Director: Vacant
Foundation Vice President/Director: Wayne Kawachi
Contact information:
Ka`u Hospital Charitable Foundation
P.O. Box 773
Pahala, HI 96777
KauHCF@gmail.com
https://www.facebook.com/4KauHospital/

Hawaii Health Systems Corporation East Hawaii Region Accomplishments

On behalf of the East Hawaii Region of Hawaii Health Systems Corporation (HHSC), we are pleased to submit our end of year report highlighting the accomplishments of the Region.

Our vision continues to be "To create a health care system that provides patient centered, culturally competent, cost effective care with exceptional outcomes and superior patient satisfaction. We will achieve success by pursuing a leadership role in partnership with community health care organizations and providers."

People

Physicians, Physician Associates, Nurse Practitioners
The East Hawaii Region welcomed 26 new physicians to the community, specializing in family medicine, cardiology, internal medicine, emergency medicine, gastroenterology, and vascular. In addition, the Hawaii Island Family Medicine Residency Program welcomed the sixth class of five residents and graduated four residents in its fourth class.

Nursing
Hilo Medical Center's Nurse Residency Program graduated 16 nurses in the class of 2021 and welcomed them onto our nursing staff. Twenty-three new nurses entered our program as the class of 2022. In total, the 39 new nurses represent a major investment in the future of nursing at Hilo Medical Center. Over the course of the NPR Program 198

nurses have been hired and trained, making up nearly 50% of the nursing staff with a retention rate of over 75%.

Regional Board
In FY 2021, the East Hawaii Regional Board appointed new members Chad Keone Farias, and reappointments of Randy Kurohara and Dr. Daniel Belcher. Ka`iu Kimura was appointed to the HHSC Corporate Board.

Growth

Imaging/Cardiology
Hilo Medical Center's Imaging Department received funding from the Hawaii State Legislature for the construction the second catheterization lab to stop heart attacks in progress. This funding will bolster Hilo Medical Center's cardiology services and provide life-saving care for community members close to home.

Finance

Hilo Medical Center
Total Operating Revenue for FY2021 was $214.4M compared to a budget of $171.2M, a 25% favorable variance. FY2021 Total Operating Expense was $246.0M versus a budget of $253.1M, a 3% favorable variance. Operating Income (Loss) for FY2021 was ($31.6M) compared to a budget of ($81.9M). After Corporate Overhead and other appropriations, the Net Income was $30.4M for FY2021 versus a budgeted Net Loss of $(27.2M).

Hale Ho'ola Hamakua
Total Operating Revenue for FY2021 was $18.6M compared to a budget of $16.1M, a 15% favorable variance. FY2021 Total Operating Expense was $20.9M versus a budget of $21.7M, a 4% favorable variance. Operating Income (Loss) for FY2021 was ($2.3M) compared to a budget of ($5.6M). After Corporate Overhead and other appropriations, the Net Income was $3.5M for FY2021 versus a budgeted Net Loss of ($2.1M).

Ka'u Hospital
Total Operating Revenue for FY2021 was $18.8M compared to a budget of $16.2M, a 16% favorable variance. FY2021 Total Operating Expense was $29.9M versus a budget of $30.8M, a 3% favorable variance. Operating Income (Loss) for FY2021 was ($11.1M) compared to a budget of ($14.5M). After Corporate Overhead and other appropriations, the Net Income (Loss) was ($7.1M) for FY2021 versus a budget of ($12.2M).

Yukio Okutsu State Veterans Home
On January 1, 2021, Yukio Okutsu State Veterans Home officially came under the management of the East Hawaii Region. The following figures represent the first six months of FY 2021: $4.45M in Total Revenue, $5.57M in Total Expenses, totaling an Operating Income (Loss) of ($1.12M) or a total Net Income (Loss) of ($1.63M). Loss is due to COVID-19's impact on the facility of reduced census and challenging staffing shortage.

WEST HAWAII REGION 2021 LEGISLATIVE REPORT

WEST HAWAII REGION

On behalf of the employees, physicians, volunteers, management and Board of the HHSC West Hawaii Region (WHR), we are pleased to submit this report highlighting our accomplishments of the last fiscal year. The West Hawaii Region, a member of the Hawaii Health Systems Corporation, consists of Kona Community Hospital, Kohala Hospital, and the Kona Ambulatory Surgery Center. The WHR is also affiliated with Alii Health Center, a primary and specialty care clinic.

Kona Community Hospital

Founded in 1914, Kona Community Hospital (KCH) was established by an Act of the Territory of Hawaii to “provide a hospital in each of the Districts of North and South Kona.” The original Kona Hospital was located approximately 2 miles south of today’s hospital in Kealakekua. The hospital became part of the County of Hawaii in 1939 when it was relocated to a new building with a 50-bed capacity and four physicians. The hospital moved 100 yards up Haukapila Street to its current location on 11 acres in 1974. Finally, in 1994, the hospital’s name was changed to Kona Community Hospital by HB 3406 Act 011 SLH.

Today, Kona Community Hospital is a full-service acute care, safety-net hospital and certified Level III Trauma Center, proudly serving the West Hawaii community. KCH is accredited by The Joint Commission. The hospital includes 94-beds which are comprised of acute care, intensive care, obstetrics, and psychiatric beds.

As one of West Hawaii’s largest employers, the staff at KCH includes nearly 600 highly skilled employees. KCH has 304 medical staff, 95 of whom are active.

Covid had a significant impact upon Hospital volumes and ER visits as compared to prior year:

HOSPITAL STATISTICS	2020	2021
● Admissions	3,611	2,964
● Patient Days	19,067	18,370
● Births	458	409
● ER Visits	20,596	16,896
● Surgeries	2,236	2,224
• Covid Admissions	3*	49
• Covid Patient Days	4	589
• Covid ER Visits	2	54

* As of June 30, 2020 Covid Admit had a length of stay of 50 days

Kohala Hospital

Kohala Hospital (KH), originally a 14-bed facility located in Kapaau, was founded in 1917. At the time, the cost of hospitalization was $1.50 per day. The hospital was relocated to its present location in 1962.

On July 1, 2020, Kohala successful converted to a 25-bed Critical Access Hospital (CAH). The hospital employs 70 full-time and part-time employees.

KH provides state of the art emergency room, outpatient lab, radiology and EKG services.

HOSPITAL STATISTICS	**2020**	**2021**
● Number of Admissions:	58	38
● Patient Days:	8,352	7,209
● Emergency Visits:	1,524	1,301

PEOPLE

A new CEO started in August, 2020. During the year, he recruited a new CMO, CHRO, CFO, and CNE. The senior leadership team is now in place and has had a stabilizing effect on the regional facilities and staff.

Additionally, the Board of Directors of the West Hawaii Region gained three new members who replaced five outgoing members.

Employee engagement activities were held throughout the year. Activities include:

- Monthly Town Hall meetings
- Employee of the Month recognitions
- KCH partners with the DAISY Foundation to recognize extraordinary, compassionate nurses, and proudly honors deserving nurses quarterly via this program.
- KCH reinstituted National Nurses' and National Hospital Week celebrations, which had put on hold in FY20 due to COVID-19.
- An employee engagement survey identified opportunities in culture of safety, teamwork, and opportunity for advancement.

The KCH cafeteria continues to be a Blue Zones approved Restaurant. Our cafeteria has earned local and national accolades for its successful farm-to-table transition to locally sourced, scratch cooking for patients and employees.

QUALITY

KCH programs to improve patient outcomes:

- Designated a Level III Trauma Center in 2011. The Trauma Center averages of 30 trauma activations per month.
- Participates in the Hawaii Stroke Network and American Heart Association's "Get with the Guidelines" stroke program.

- Uses Tele-mental health to address a shortage of psychiatric care, which provides real-time psychiatric consultations and care to patients.
- KCH's Circle of Life initiative offers programs to meet psychosocial needs of patients and KCH employees by creating meaningful, respectful experiences through education and tools relating to traumatic events, end-of-life matters and bereavement.
- Designated Baby-Friendly Hospital. World Health Organization (WHO) and the United Nations Children's Fund (UNICEF).
- All Women's Services nurses completed certifications in Advanced Life Support in Obstetrics.

KCH programs offer employee, patient, and community engagement:

- The West Hawaii Region launched an evidence-based Leadership Development Initiative called Excellence With Aloha!.
- KCH Employee Engagement Committee was launched to implement, improve and ignite the Aloha Spirit within KCH employees by encouraging growth through action.
- American Heart Association certified training center, providing courses for hospital-based, and community Providers, and the public in: ACLS (Advanced Cardiac Life Support), BLS (Basic Life Support, PALS (Pediatric Advanced Life Support, and PEARS (Pediatric Emergency Assessment, Recognition and Stabilization) as well as ECG & Pharmacology.
- KCH Women's Services Unit offers programs for expectant mothers:
    - Certified childbirth educators offer six-week prenatal education to improve the labor experience.
    - Partner with NEST for Families – a community based resource to assist new families with breastfeeding support.
    - OB nurses / child passenger technicians offer car seat inspections prior to newborn discharge from KCH.
    - Outpatient lactation consultations.

PHYSICIAN RETENTION & RECRUITMENT

Kohala hospital has 2 physicians.

Kona Community Hospital has 95 active physicians representing 28 specialties on its medical staff.

- We have hired a full time medical oncologist / hematologist who began treating patients at KCH in August, 2020.

- Sound Physicians provides comprehensive hospitalist in-patient services at KCH. Sound Physicians, has 7 full-time hospitalists on staff, and a clinical performance nurse. The hospitalists cover both acute care medical units, and ICU. The hospitalist group is a diverse team of professional medical staff members dedicated to improving the health and quality of life for our patients and the Kona community.

- 24/7 emergency medicine services are provided by a contract physician group who employs 35 doctors and 4 physician assistants on staff at KCH.

- Anesthesia services are provided by a contract physicians group who employs 11 anesthesia doctors and 19 Certified Registered Nurse Anesthetists (CRNAs) on staff at KCH.

Recruiting and retention of permanent physicians is an ongoing challenge for Hawaii County. The West Hawaii Region continues to address this deficit with a progressive recruitment and retention plan in collaboration with our non-profit affiliate, Ali`i Health Center.

Recruitment is adversely affected by low reimbursements, economic uncertainty, Hawaii County's high cost of living, an aging physical plant, remote location from mainland medical centers, and distance from family and friends.

PARTNERSHIPS & AFFILIATIONS

KCH has long-term partnerships with healthcare stakeholders in order to expand and enhance services we can provide to the community, including:

- HHSC (Hawaii Health Systems Corporation)
- Kona Ambulatory Surgery Center
- Alii Health Center
- Community First Hawaii
- Hawaii Life Flight
- West Hawaii Community Health Centers

West Hawaii Region Foundations

The Kona Hospital Foundation

The Kona Hospital Foundation is dedicated to improving Kona Community Hospital for the entire community. The Foundation's mission is to support medical technology, expanded services and enhanced facilities that would otherwise be unavailable. Since its inception in 1984, the Foundation has provided over five million dollars in equipment and facilities to Kona Community Hospital. The volunteer seven-member Board of Trustees is completely separate from the management of the hospital.

Throughout Kona Community Hospital, you'll find plentiful evidence of the extraordinary impact made by the numerous donors. In 2020, we were able to fund two laptops with wireless mice, two mounting brackets and one patient printer for the Behavior Health Department. In addition, KHF funded 33 patient care boards, an Accu Vein Finder and four patient recliner chairs for the Med Surg Department. For the ER/OR, KHF's donors were able to fund two patient gurneys, new patient monitors and anesthesia gas monitors. In 2020 KHF's donors were also able to fund, the Aegys: CEIA hand-held wand for the Imaging Department, an Auto Pulse System for the Respiratory Care Department, and an iPod touch with Apple care and a Linea Pro 5 MSR 2D scanner for the Pharmacy.

Foundation Chair: Donna Hiranaka

Foundation Vice Chair: Ikaika Hauanio

Contact Information: Kona Hospital Foundation
www.khfhawaii.org
79-1019 Haukapila Street
Kealakekua, HI 96750-7920
Email: info@khfhawaii.org
Telephone: 808-322-4587

COMMUNITY - BASED FOUNDATION SUPPORT OF KONA COMMUNITY HOSPITAL

Total Private Donations	$ 194,202
Total Fundraising	24,275
Total Federal / State / Private Grants	47,344
TOTAL	**264,821**

VOLUNTEER SERVICES

Kona Community Hospital Auxiliary provides a volunteer support for service and fund-raising. Their primary mission is to fund nursing scholarships and continuing education for hospital employees.

- Number of Active Volunteers: 37
- Number of Total Volunteer Hours: * 476
- Volunteer Auxiliary Contributions:
  - Nursing Scholarship $124,000

*Volunteering hours were greatly curtailed during FY 2021 due to COVID-19.

The Kohala Hospital Charitable Foundation was established in 2003, to provide assistance to Kohala Hospital, its programs, facilities, staff and patients. It supports the hospital by purchasing equipment, renovating facilities, assisting in education and outreach programs, and aiding other hospital programs or activities.

Foundation President: Dixie Adams
Foundation Vice President: Shoshana Matsumura

Contact information:

Kohala Hospital Charitable Foundation
P.O. Box 430
Kapaau, HI 96755
Tel: 808-987-6762
Fax: 808-889-1341

COMMUNITY – KOHALA HOSPITAL CHARITABLE FOUNDATION SUPPORT OF KOHALA HOSPITAL

Total Private Donations	$ 20,176
Total Fundraising	0
Total Federal / State / Private Grants	-0-
TOTAL	**$ 20,176**

VOLUNTEER SERVICES

Kohala Hospital Volunteer Services provides volunteer support for resident activities.

- Number of Active Volunteers: 0
- Number of Total Volunteer Hours: 0
- Volunteer Auxiliary Contributions: $ 1800.00

*Volunteering hours were greatly curtailed during FY 2021 due to COVID-19.

FACILITIES

During FY 2021, $7.8 million in CIP funding helped Kona Community hospital to conclude a number of multi-year projects:

- Dietary dish machine (replaced original machine)
- Patient bathrooms phase 2 renovations
- Upgraded re-heat system
- Upgraded sterile storage HVAC
- Sewer line renovation for maintenance cottage
- Central Supply Room renovation
- Life safety branch of electrical transfer switch
- Replace surgical sterilizers
- Ongoing HVAC upgrades

Master Facility Plan (MFP): In planning future needs, Kona Community Hospital has embarked on a major initiative to modernize and implement much needed upgrades to our infrastructure, medical capabilities, equipment and technology. The $80.3 million, 6-year project will ensure that KCH remains operational and can meet the healthcare needs of the West Hawaii community.

Our highest priority project is the construction of a 3-story cancer center. At $22M, this is the most expensive project within MFP. However, it addresses the greatest immediate and ongoing community healthcare need.

In addition, “risk of closure” projects totaling $24.9 include:

Project Description	Cost (000s)
Central Utility Plant (CUP)	4,573
Site Utilities	3,652

Roofing Replacement	3,297
Building Infrastructure	7,770
Campus-wide Transient, Surge and Lightning Protection	5,576

At Kohala Hospital, $500,000 State CIP dollars assisted with the design and construction of a new administration building extension.

CLINICAL SERVICES & TECHNOLOGY

Kohala Hospital implemented remote triage capabilities using iPad technology. KH also hosts remote meetings.

FINANCIAL

Kona Community Hospital experienced a year over year decrease in Patient Admissions of 21.7%; with an inability to place waitlist patients, however, our Patient Days decrease was just <.7%. On June 30, 2021, we had three waitlist patients that had been in-house for over one year. Those patients are still awaiting placement today. Emergency Room visits decreased 23.8% and newborn Deliveries are down 18.5%.

KCH experienced a ($24) million operating loss, driven by increased pharmaceutical, PPE and Registry staffing expenses. This was offset by $26 million in State appropriations and $6 million in CIP funding to realize a net increase of $6 million.

Kohala Hospital had a net operating loss of ($5) million offset by $2M in State appropriations resulting in a net loss of ($3) million for FY 2020. Provider Relief Funds from the Federal Government covered these losses for Kohala.

The West Hawaii Region continues to provide comprehensive community healthcare services to our community that are quality-driven, customer-focused and cost-effective. We continue to implement strategies and initiatives to produce improved patient outcomes, deliver new clinical services and create strong community partnerships.

With a strong leadership team in place along with the dedication of employees, physicians, volunteers, Foundation and its Board, the Region has made progressive advancements. We will continue to face critical financial challenges moving into 2022. However, we are focused on projects and initiatives to address the healthcare needs of West Hawaii.

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COVID-19 IMPACT AS OF JUNE 30, 2021

Summary: Since the onset of the COVID-19 in Hawaii, the West Hawaii Region facilities have planned for implemented strong infection prevention guidelines and policies that protect employees and our communities. To name a few:

- Ongoing Incident Command Team (ICT) meetings assess readiness, review and revise our COVID-19 Management Plan as needed.
- Infection Control policies that align with CDC and the Hawaii Department of Health best practices.
- On-going, rigorous employee education empowering employees with the knowledge and skills to protect themselves, their families and our communities.
- Careful management of *Visitor* policies to align with the hospitals' COVID Management Plans. Our hospitals Visitor policies are to protect against potential virus spread into our hospitals.

Vaccine Clinics: The KCH ICT began planning the logistics of conducting COVID-19 vaccination clinics in November, 2020. Kona Community Hospital conducted vaccination clinics for employees, essential workers and the West Hawaii community from December, 2020 through June, 2021. Clinics were operated on the KCH campus and at the more centrally located Kona Aquatic Center.

Kohala Hospital operated a vaccine clinic from March through June, 2021. The vaccine clinic was established in collaboration with Kona Community Hospital. KCH provided administrative, pharmacy and IT support for the KH clinic.

We have been honored to play a primary role in this very important public health initiative to provide vaccinations to our communities. COVID-19 vaccine clinic stats as of June, 2021:

- Kona Community Hospital
  - 23,872 = Total vaccines administered
- Kohala Hospital
  - 902= Total vaccines administered

Financial Impact (combined West Hawaii Region hospitals)

Gross Provider Relief Funds (PRF)	$10,261,624
Other PRF Payments Applied to Unreimbursed Expenses Attributable to Coronavirus	4,138,969
Other PRF Remaining for Possible Lost Revenues Reimbursement	6,122,655

Moving forward, we will continue to work diligently to provide the best practices, PPE and technology possible for infection prevention and quality patient care that keep employees, patients and our communities safe and healthy.

KAUAI REGION 2021 LEGISLATIVE REPORT

KAUAI REGION

Hawaii Health Systems Corporation (HHSC) – Kauai Region; Kauai Veterans Memorial Hospital (KVMH), a Joint Commission accredited hospital was founded in October 1957 and dedicated to the Veterans of the Korean War. KVMH was built to meet the healthcare needs of all citizens of the surrounding communities. Accredited as a critical access hospital, KVMH has 45 licensed beds, including 25 acute and 20 long-term care beds. Today, KVMH employs 275 people and provides the following services:

- 24-Hour Emergency Services (ER)
- Imaging/Radiology
- Acute Care
- Long Term Care
- Rehabilitation
    - Physical Therapy
    - Occupational Therapy
    - Speech Therapy
- Social Services
- Pharmacy
- Laboratory
- Intensive Care Unit
- Operating Room/Surgical Services
- Obstetrics and Nursery
- Respiratory Therapy
- Pediatrics

Additional services are provided on the KVMH Campus by agencies leasing space in the Kawaiola Medical Office Building and include:

- Ho'ola La Hui Hawai'i (FQHC)
- Liberty Dialysis
- Clinical Labs

KVMH Patient Volumes:

Inpatient Admissions -	965
LTC Admissions -	17
Births -	214
ER Visits -	4,878
Outpatient Ancillary Visits -	4,394
Outpatient Clinic Visits -	27,718
Same Day Surgery -	1006

Average Daily Census

Acute	5.9
Swing	6.3
LTC	19.4
Total	31.60

In comparison to the prior year, inpatient admissions decreased by 4.9%, outpatient clinic visits increased by 3.4% and outpatient surgeries increased by 34.5%. Births decreased by 9.32%. There was a 16.9% decrease in ER visit volume and LTC census was 98%.

Samuel Mahelona Memorial Hospital (SMMH) is the oldest operating hospital on Kauai, and is designated a Critical Access Hospital. Founded in 1917 as a tuberculosis hospital, it received its name from a member of the Wilcox family, who died of TB as a young man. In the 1960s, with a cure for TB well established, SMMH gradually transitioned to providing acute care, psychiatric care, skilled nursing care, and ancillary inpatient and outpatient services. Today, SMMH has 80 licensed beds, with 66 long-term care beds, 9 psychiatric beds, and 5 acute care beds. The hospital has approximately 148 employees. Currently, SMMH patient services include:

- 24-Hour Emergency Services (ER)
- Imaging/Radiology
- Acute Care
- Long Term Care
- Social Services
- Inpatient Pharmacy
- Laboratory
- Rehabilitation
    - Physical Therapy
    - Occupational Therapy
    - Speech Therapy
- Inpatient Adult Behavioral Health (Only facility on Kauai)

Ho'ola La Hui Hawai'i who leases space on the grounds at SMMH provides additional services on this campus.

SMMH Patient Volumes	
Inpatient Admissions	226
LTC Admissions	27
ER Visits	4,499
Outpatient Visits	353

Average Daily Census		
Psych		4.2
LTC		46.2
Swg		0.8
	Total	51.20

Inpatient psychiatric admissions increased by 4.1% over the prior year; Long Term Care days increased by 4.1%.

The Kauai Region Clinics consist of five clinics and one urgent care located in Waimea, Port Allen, Kalaheo, Poipu and Kapaa and employs 61 people. Each clinic offers the following services:

The Clinic at Waimea
- OB
- Surgery
- Pediatrics
- Primary Care

The Clinic at Port Allen
- Pediatrics
- Primary Care

The Clinic at Kalaheo
- Primary Care

The Clinic at Poipu
- Primary Care

Urgent Care at Poipu

The Clinic at Kapaa
- OB
- Primary Care

CHARITABLE ORGANIZATIONS SERVING THE KAUAI REGION

Kauai Veterans Memorial Hospital Charitable Foundation, Inc.

The KVMH Foundation was founded in the fall of 1998. The foundation's main focus is to support the many services, equipment purchases, and programs that KVMH provides for its island communities. Through donations and fundraising the Foundation has been able to purchase equipment utilized for the comfort and safety of patients.

Foundation President:	Steven Kline
Foundation Secretary:	Kelly Liberatore

Contact Information:

Kauai Veterans Memorial Hospital
PO Box 356
Waimea, HI 96796
TEL: 808-338-9431 FAX: 808-338-9420

Active Foundation Volunteers

- Total active volunteers 6
- Number of Volunteer Hours provided 576
- Volunteer Foundation Contributions - Due to COVID Foundation activity was extremely limited for this year and no contributions were made

KVMH Auxiliary

President, Charlene Dorsey, leads the KVMH Auxiliary. The Auxiliary operates the KVMH Auxiliary Gift Shop located at KVMH. Funds raised from the gift shop and other fundraising events are used to purchase equipment for the hospital.

Active Auxiliary Volunteers

Auxiliary operations were extremely limited during the past year due to COVID. The KVMH Auxiliary Gift Shop was closed and fundraising activities were ceased.

Number of Active Volunteers:	6 active members during this time
Number of Total Volunteer Hours:	96
Volunteer Auxiliary Contributions:	$6,153.34

2021 LEGISLATIVE BRIEF
KAUAI REGION ACCOMPLISHMENTS

On behalf of the Kauai Region of the Hawaii Health Systems Corporation (HHSC), we are pleased to submit our report highlighting the accomplishments in calendar year 2021.

The report is organized into four areas: People, Quality, Facilities, and Finance.

PEOPLE

Mrs. Donna Okada-Asher serves as Chair of the Kauai Regional Board which includes directors, Mr. Tito Villanueva, Mr. Dee Crowell, Mr. Mike Contrades, Mrs. Janet Kass, Mrs. Glenda Nogami-Streufert, Mr. Ernie Kanekoa and Dr. James McGee. Mr. Lance K. Segawa has served as the Chief Executive Officer since March of 2018.

The Kauai Region's medical staff totals 43 active staff members with full privileges at KVMH and SMMH of which 26 are employed providers. We have successfully recruited Family Practice, Urology, Gastroenterology, and mid-level providers (Physician Assistants with focus on pediatrics, urgent care and family practice), active in CY2021. Also recruited are a full-time Medical Director for surgical services and a part-time Podiatrist to be active in CY2022.

Our current employee turnover rate is 10.3% in comparison to the national healthcare turnover rate of 18.2%. A total of 50 staff members separated from HHSC Kauai Region in CY2021 and of that 2% retired, 20% left for other employment, 74% resigned for personal reasons and 4% left due to performance issues.

QUALITY

In 2020 and 2021, the Kauai Region participated in a total of 2 surveys between Medicare / State Office of Healthcare Assurance, Centers for Medicare & Medicaid Federal Licensure. Kauai Veterans Memorial Hospital (KVMH), Samuel Mahelona Memorial Hospital (SMMH) and the Kauai Region Clinics were recertified for state licensure. KVMH was accredited in good standing with The Joint Commission in 2017 and is expecting a survey from The Joint Commission by the end of the year in 2021. The Kauai Region Clinics went through a Rural Health Clinic Survey in September 2021 and was awarded Rural Health Clinic certification (HRSA) in October of 2021.

Recognition and Programs:
KVMH/SMMH participates in the following projects to improve the quality of healthcare and preventative care for Kauai residents:

- KVMH was awarded the 2021 Bronze AHCA/NCAL National Quality Award for Long Term Care.
- SMMH was awarded the 2020 Bronze AHCA/NCAL National Quality Award for Long Term Care.
- Both SMMH and KVMH are 5 Star Facilities on Medicare Nursing Home Compare
- Participation with National Healthcare Safety Network (NHSN) for infection prevention initiatives including utilization of central line insertion checklists, and limiting indwelling urinary catheters to prevent UTIs, documentation of COVID-19 for both acute and Long Term Care.
- Vaccination clinics held for the community at both KVMH and SMMH and currently vaccinating the pediatric population and providing Booster shots to eligible community members.
- KVMH participates in the American Heart Association Get with the Guidelines Stroke initiative.
- KVMH is meeting or exceeding the threshold for Evidence-Based care and Safety for 2020 and 2021. Our mortality rate is declining with no excess of unexpected deaths.
- KVMH received the Premier HIIN Quest Hero award for Excellence in Patient Care for 2020.
- KVMH has achieved consistently high Core Measure compliance over the past 2 years as reported to CMS and available at www.HospitalCompare.gov. There were no incidents of ventilator associated pneumonia or central line associated infections.

- SMMH and KVMH is deeply committed to the health and well-being of their residents. We have a vigorous activities program to ensure that we keep the residents engaged with life and participating in enrichment programs to facilitate their psychological well-being. SMMH and KVMH has exceeded in providing teleconferencing with families during COVID-19 and purchased additional IPADs through a CMS grant to ensure that families could Face Time, ZOOM conference with families.
- A regional Falls Prevention task force is in place to evaluate and ensure patient safety and strive for not only a reduction in falls but to eliminate all falls in the region. SMMH and KVMH has seen a 50% reduction in falls in 2020 and again in 2021.
- Reduction in 30-day readmission rates to 2.3 % and reduced AMA rates by 5%
- Improvement in HCAHP scores in all areas ensuring that our focus on patient satisfaction was our top priority
- Implemented COVID-19 preparedness actionable items including:
    - Surge Plan
    - Drive thru testing
    - Kauai Region Action Plan
    - Policy and Procedures specifically for COVID-19
    - COVID Drills
    - COVID visitation screening and guidelines
    - COVID vaccination for the community including the pediatric population and booster shots

To better assist us in tracking our ongoing performance on specific quality measures, KVMH continues participation in HMSA's advanced hospital care program and successfully meets the statements of work associated with the specific measures including the additional COVID-19 measures.

FACILITIES

Capital improvements to the facilities of the Kauai Region in CY2021 included projects to address patient care needs, quality of life issues for our patients and residents, and the replacement of aging plant infrastructure.

Kauai Region completed $1,227,536 in capital projects:

- SMMH LTC Renovations (Rooms 27-30)
- KVMH IT Renovations

Ongoing projects of $4,767,000 include:

- KVMH ER Renovation
- SMMH Environmental Impact Statement
- KVMH CT Scan Room Renovation
- SMMH CT Scan Room Renovation

OPERATIONS

CY2021 was another challenging "pandemic" year with the summer surge and vaccination mandates. Dealing with the summer surge involved intense staff training and developing contingency plans to manage a serious surge. Fortunately, due to state and federal efforts, FEMA nurses alleviated staffing pressures at KVMH and SMMH from the September to December time period. Listed below are key strategic initiatives accomplished in 2021

- Hiring a Medical Director for Surgical Services
- Studer Physician Program Initiated
- Initiated the SMMH Master Campus Plan Phase II
- Secured CARES and PPP COVID Support Funds
- Established community wide COVID vaccination clinics
- Opened Retail Pharmacy at KVMH
- Converted Outpatient Clinics into Rural Health Clinics (HRSA Designation)

HHSC Kauai Region is making a difference in how healthcare is delivered in Kauai County. Our emphasis on quality is evident through various quality metrics. Our marketing campaign is bringing awareness about the services we provide to the community. Combined with a high performance work culture, the modernization of our facilities is transforming the Kauai Region into a premier healthcare organization.

OAHU REGION 2021 LEGISLATIVE REPORT

OAHU REGION

The Hawaii Health Systems Corporation ("HHSC") Oahu Region provides essential services to our community's most vulnerable populations through its operation of two long-term care facilities, **Maluhia** and **Leahi Hospital**, located respectively in lower Alewa Heights and Kaimuki. Maluhia and Leahi provide in-patient skilled nursing and intermediate care services to the elderly, disabled and otherwise incapacitated population – most of whom are covered under Medicare and Medicaid programs. Maluhia and Leahi also provide access to much needed Adult Day Health Centers (two of only four remaining on Oahu) and both facilities partner with Hawaii Meals on Wheels to provide nearly 320 hot meals per week for disabled elders on Oahu, which enables them to sustain their independence at home and in the community. Additionally, Maluhia provides Medical services through its Geriatric Outpatient Physician's Clinic. For many of our clinic patients, nursing home residents and day health participants – especially those receiving Medicaid benefits due to a lack of personal assets (approximately 80% of our inpatients), the Oahu Region's facilities are often the only options for quality post-acute and community-based health care services.

Leahi Hospital

Leahi Hospital, located in the heart of Kaimuki in Honolulu, Hawaii, was first established in 1901. Leahi Hospital is licensed for 159 beds: 155 nursing home beds (dual certified for Skilled Nursing and Intermediate Care) and 4 acute beds in Leahi's tuberculosis ("TB") unit, the only unit of its kind on the island of Oahu. Individuals requiring long-term care, short-term restorative care or TB treatment are admitted to our nursing facility/acute beds. Care is provided by an interdisciplinary team of experienced healthcare professionals. Currently, Leahi Hospital employs approximately 200 people.

Long-Term Care Inpatient Services:

- Operating 122 Dual Certified Skilled Nursing and Intermediate Care Beds

Support:

- Recreational Therapy
- Dietary Services
- Social Services
- Speech Therapy
- Occupational Therapy
- Physical Therapy
- 4 Acute TB Inpatient Beds - Outpatient Services (TB patients are discharged to the Lanakila TB Clinic for follow-up).

Outpatient Services:

- Adult Day Health Center (temporarily closed due to pandemic on March 23, 2020 through June 30, 2021)
- Collaboration with Meals on Wheels to provide 42 meals per week (Monday through Friday) to residents in the Kaimuki / Kapahulu area.

Patient Census and Other Services:

	Long Term Care	TB
Patient Days	34,693	13

Adult Day Health: (Temporarily Closed)

Participant Days	0
Baths Provided	0

Meals on Wheels:

Meals Provided	2,198

Volunteer Services:

Number of Active Volunteers:	1
Number of Total Volunteer Hours:	215
Volunteer Auxiliary Contributions:	$9,000

Maluhia

Maluhia, located in lower Alewa Heights in Honolulu, Hawaii, is licensed to operate 158 skilled nursing and intermediate care facility beds and employs approximately 165 employees. Maluhia was established in 1923, and continues to evolve in order to meet the changing needs of the community. Maluhia provides the following services:

Long-Term Care Inpatient Services:

- Operating 120 Dual Certified Skilled Nursing and Intermediate Care Beds

Support:

- Recreational Therapy
- Dietary Services
- Social Services
- Speech Therapy
- Occupational Therapy
- Physical Therapy

Outpatient Services:

- Primary Care Geriatric Outpatient Physician Clinic
- Adult Day Health Center (Temporarily closed)
- Collaboration with Meals on Wheels to provide nearly 130 meals per week (Monday through Friday) to residents in Kalihi/Liliha areas

Patient Census and Other Services

Long Term Care:	
Patient Days	31,511
Adult Day Health:	
Participant Days	0
Baths Provided	0
Outpatient Clinic:	
Clinic Visits	1,025
Meals on Wheels:	
Meals Provided	7,128
Volunteer Services:	
Number of Active Volunteers:	16
Number of Total Volunteer Hours:	500
Volunteer Auxiliary Contributions: approx.	$5,790

COVID-19

For nearly two (2) years, the impact of the COVID-19 virus on society, the economy and businesses has been significant and, as it does for many others, COVID-19 continues to pose difficult challenges for our facilities. Through extensive outreach and pro-vaccination campaigns, we have managed to reach a collective vaccination rate of roughly 98% for residents and staff. Additionally, more than 80% of the residents and staff have received a booster. The many issues brought by this pandemic primarily center around residents' and employees' safety and health, the financial impact and stability of the facilities, and a multitude of operational difficulties such as staffing, closure of the adult day health programs and supply shortages.

Successful efforts in obtaining personal protective equipment (PPE) such as gowns, eye protection/face shields, gloves, medical masks and respirators required the exercise of many unconventional and exceptional strategies given their exorbitant costs and unavailability through normal sources. A particularly difficult challenge that the facilities are facing is obtaining affordable and reliable COVID-19 test kits. These kits have proven to be very expensive to procure and have not been readily available. Nonetheless, they are vital in our pro-active efforts to keep COVID-19 out of our facilities.

Thus far, although a number of staff had contracted the COVID-19 virus, no Leahi or Maluhia residents have been infected. We attribute this success primarily to the infection control protocols implemented by our clinical leadership with a particular emphasis on strict hygiene and the use of proper PPE. Additionally, staff training and monitoring on infection prevention procedures are conducted regularly, as well as routine cleaning and disinfection of equipment and areas throughout the facilities.

The mental health of our residents, their families and our staff were negatively impacted due to the restrictive visitation protocols in place to protect everyone's health. However, there were no resident discharges from either Leahi or Maluhia despite the imposed constraints. From a financial standpoint, this pandemic has adversely affected our facilities' revenues and expenditures in several areas. For example, our facilities continue to maintain a designated unit to temporarily quarantine new admissions, re-admissions, and all residents who may have had a possible exposure to COVID-19. While this safety measure greatly aids in reducing the risks of infection to our general resident population, it also resulted in a significant decrease in the available bed space at our facilities because the number of residents assigned to the designated "quarantine" unit has been much less than the overall capacity of the unit. This decrease led to contraction of our daily resident census which, in turn, has decreased our revenue.

Similarly, CMS and other health agencies have issued numerous rules restricting the number and method by which people may visit or utilize long-term care facilities. In light of such rules, the only feasible option for compliance and to protect our long-term care residents from COVID-19 infection was to temporarily close the Adult Day Health Centers at both Maluhia and Leahi. While we have been able to repurpose the Adult Day Health employees to fill staffing gaps in our long-term care operations, the revenues from the Adult Day Health programs have ceased.

Securing adequate staffing is another operational challenge that our facilities continue to face during this pandemic. To alleviate some of the strain, we have repurposed employees from other departments to assist in clinical care and approved overtime for existing nursing staff when necessary.

To facilitate thorough and appropriate responses to the foregoing and other COVID-19 issues, the Oahu Region created a regional COVID-19 leadership team soon after the pandemic began that meets regularly to discuss implementation of the guidance and regulatory requirements set forth by the DOH, CDC and CMS. Through this leadership team, we have been able to develop a litany of safety measures including, but not limited to: (1) routine surveillance of the region's residents encompassing regular measurement of vital signs and oxygen saturation levels; (2) pre-shift screening procedures for all employees and visitors, establishment of COVID-19 nursing units and protocols that will be activated in the event of a positive COVID-19 resident; and (3) comprehensive training modules for clinical and other staff.

Strategic Planning
The Oahu Regional Board of Directors and Management previously completed a Strategic Plan that was submitted to the Legislature in December 2019. Briefly stated, the Strategic Plan focused on the growing needs of our aging population and the anticipation that, in the next 5-10 years, it is projected that an additional 1,100 long-term care beds will be necessary for our aging population. The Strategic Plan also focused on the escalating and immediate demand for behavioral health housing and services for the growing population with mental health and substance use disorders. In an effort to address the foregoing needs, the Oahu Region, working in tandem with the Department of Health ("DOH"), proposed legislation (introduced as SB628 SD2 HD2 CD1 and signed into law as Act 212 SLH 2021) to transition its facilities from HHSC into the DOH.

While we are actively working with the DOH on the transition, both agencies continue to collectively and individually provide care and treatment for vulnerable populations in the community.

From the collective perspective, in a collaboration with DOH Adult Mental Health Division (AMHD) and Care Hawaii, we have been able to establish and continue to successfully operate a Group Home on the Leahi campus. Originally opening as a proof of concept pilot for a handful of individuals in December 2019, the Palekana Residential Program now provides more than twenty four (24) adults with serious mental illness and co-occurring substance disorders a warm, welcoming and safe environment where personnel are supportive, encouraging, and professional. Referrals into Palekana are received and approved by the AMHD from the Hawaii State Hospital (HSH) and community based mental health providers.
Palekana facilitates a team approach in its provision of independent living skills and supportive services twenty-four (24) hours a day, seven (7) days a week. Services are designed to rehabilitate with individualized treatment goals to support a successful re-integration into the community under the least restrictive level of care.   Treatments are focused on relapse prevention and recovery, and provide residents with the opportunity to participate in structured therapeutic programs while being able to reside, albeit under professional supervision, in the community. Activities include group counseling, education, skill building, recreational therapy, and family services to gain access to necessary medical and rehabilitative services to reduce psychiatric and substance abuse addiction symptoms and develop optimal community living skills.

Additionally, the Oahu Region and DOH have recently begun discussions to re-establish the DOH's COVID-19 contact tracing center on the campus of Leahi Hospital. This endeavor would entail the movement of 25-50 contact tracers from Convention Center to a more permanent location.

On the individual level, the Oahu Region has been exploring other ventures to address emerging community needs such as long-term COVID-19 beds, SNF/ICF support for acute facilities to alleviate overcapacity, and dialysis services.

In regard to the transition of the Oahu Region into the DOH, specific details on status and development/implementation of the plan are anticipated to be presented to the legislature through a separate briefing along with reports from the Act 212, SLH 2021 Working Group.

Nursing
Leahi Hospital and Maluhia provide long-term and post-acute care to the frail, aged and disabled population generally with dementia and other chronic conditions. The pandemic has affected the overall census at Leahi Hospital and Maluhia with an average census of 80% with the complexity of the health conditions of residents continuing to be greater than in previous years, with many residents being afflicted with multiple chronic conditions with mental/behavioral, physical, and functional impairments.

The challenges of COVID-19 continue to impact the ability to safely accept admissions and protect the health of all residents and staff. Early this calendar year when the COVID-19 vaccines became available, both facilities worked with Walgreens and successfully vaccinated a majority of residents and staff. Leahi and Maluhia have a 99% rate of fully vaccinated residents. Likewise, the rate of fully vaccinated staff is currently 98% and 99% respectively at Leahi and Maluhia. Recently, both facilities offered the COVID-19 booster dose to our residents and encouraged staff to receive their booster dose in the community. While the percentage of "boosted" residents and staff continues to increase, the most recent rate was already over 80%.

On November 12, 2021, CMS revised their Nursing Home Visitation guidance where visitation must now be allowed for all residents at all times. To safely comply with this change in visitation, we continue to adhere to the core principles of COVID-19 infection prevention and are striving to have all residents and staff receive their vaccine booster dose.

The Oahu Region facilities have successfully passed the annual re-licensure and COVID-19 Infection Control focus surveys and achieved a CMS 5-star and 4-star rating for Maluhia and Leahi Hospital, respectively

Quality Assurance Performance Improvement

We have conducted our Annual Resident and Family Satisfaction Surveys. Along with questions related to food, comfort, privacy, choice, safety, and staff – to which most residents remained content – residents were asked additional questions about the effects/impact that COVID-19 and its restrictions (*e.g.*, drastic reduction in social activities) have had on their well-being and quality of life (*e.g.*, loneliness, isolation, etc.). Unsurprisingly, we confirmed through the surveys that the COVID-19 visitation restrictions have greatly impacted families and how they've had to adjust to maintain some form of communication with their loved ones. Through regular updates from our facilities to the residents and families with information about how we are handling COVID-19, including restrictions, dealing with positive cases, testing, current State and Federal mandates affecting the nursing home, we have at least been able to help them understand all of the factors impacting their current living conditions at our facilities. In further consideration of the feedback from the residents and families regarding the care that they are receiving, we will continue to determine new and innovative ways to improve our communication and services.

Maluhia has been able to sustain our Falls Rate (better than benchmark), with continued efforts to reduce Alarm usage. We have also been able to sustain our Medication Error Rate (better than benchmark), with continued efforts to reduce unnecessary Medication use. Resident Satisfaction in 2021 remains at 100% for "Would you recommend Maluhia to others?"

COVID-19 related Performance Improvement Project Team was formed with Improvements seen for Hand Hygiene at 99.1%

As our facilities continues to navigate through the ever-changing regulations throughout the COVID-19 pandemic, maintaining clear communication and immediate response/updates with staff, residents, and families are of utmost importance. Also, early identification of any potential areas of expected decline due to COVID-19, as mentioned above, will help the Interdisciplinary Team provide immediate intervention and resources to residents and families.

Locally Sourced and Scratch Cooked Food – Oahu Region and Beyond Green Partners

Oahu Region partnered with Beyond Green Partners (BGP), a consulting firm committed to training facilities to develop a healthy, prosperous food system that promotes scratch-cooked foods, local food sourcing and minimizing waste. The vision of the program focused on improving the well-being, mental health and comfort of the residents, Day Health participants and the Meals on Wheels recipients. Other program benefits included culinary techniques training to the food service employees and better utilizing kitchen space to manage on-time and quality food production, resulting in decreased food cost per meal.

To accomplish the vision, Maluhia and Leahi Hospital conducted tasting events for the residents and participants to evaluate and enjoy. Soon after, BGP and the food service departments developed new menus to meet the residents' desired preferences. Through this program, our facilities have been able to experience the benefits of eating healthy, buying local and minimizing waste. Maluhia and Leahi Hospital will continue to promote scratch-cooked foods and seek new local food sources to support Hawaii's economy. Recently, the Oahu Region was able to secure a grant from the Ulupono Initiative to purchase much needed kitchen supplies that will be utilized towards this end.

Personnel

Full Time Equivalent ("FTE") figures are as follows:

FY 21 – 453.79
FY 20 – 438.65
FY 19- 428.28

Financial Picture

Approximately 80% of the Oahu Region's residents receive benefits through Hawaii's Med-Quest Medicaid program. The Oahu Region's revenues and cash flow are dependent on the reimbursement rates and timeliness of payments provided by the Medicaid programs, despite being inadequate to cover our actual inflationary shortfalls.

Given the low Medicaid reimbursement rates, inflation and the increased costs of providing quality health care, the Oahu Region remains unable to maintain its provision of services without continued General Fund support from the Legislature.

Moreover, as described more fully above, the COVID-19 pandemic has led the Oahu Region to experience a significant reduction in operating revenue due to a decrease in available bed space and temporary closure of our Adult Day Health Programs. The pandemic has also caused an increase in expenditures due to additional expenses for required COVID-19 testing and purchase of supplementary personal protective equipment (PPE). PPE costs are currently five to ten times greater than pre-pandemic prices. Between March and June 2020, the negative impact on operating revenues and additional expenditures to purchase PPE was approximately $1M and $200K, respectively.

Fortunately, to defray some of the financial loss, the Oahu Region received aid through the COVID-19 Aid, Relief and Economic Security (“CARES”) Act stimulus and Leahi received a Payroll Protection Plan loan. Nevertheless, as a consequence of continuing COVID-19 prevention efforts and treatment of potential COVID-19 infections, the Oahu Region’s operating revenues and expenditures will continue to be negatively affected and we will require much needed assistance to cover the shortfall.

Risk Management
Improving the residents’ quality of life and providing individualized care are areas that we focus on every day. An annual staff education fair is conducted to provide current information on a variety of topics including; infection control, protected health information, IT security, resident rights, and patient safety. Throughout the year, our staff also attended education and training sessions provided by the Healthcare Association of Hawaii, American Health Care Association, and Mountain Pacific Quality Health. Since the COVID-19 public health emergency was declared, the staff regularly receive updates on best practices for resident care and safety in nursing homes. In turn, we update our protocols to incorporate new regulations to keep the residents and staff safe from the devastating effects of COVID-19. In addition, we consistently communicate with the family members on all COVID-19 facility updates through e-mail, family meetings via Zoom and phone calls.

The Leahi-Maluhia Foundation

The Leahi-Maluhia Foundation was established in 2003.

Mission
To support the work of Leahi and Maluhia Hospitals, also known as Leahi Hospital and Maluhia Long Term Care Center in their mission, development, and the provision of quality health and long term care.

Vision
The Leahi – Maluhia Foundation provides gap funding to boost and expand the quality of life for patients. The Foundation supports Leahi and Maluhia the same way that Parent Teacher Associations support public schools. It proactively identifies and funds ongoing improvements to ensure that patients and their families experience unparalleled excellence throughout their healthcare journey.

Board of Director Members for FY 2021
Michelle Kato, President
Jane Schramko, Vice-President
Jerilyn Yamashiro, Director
Sean Sanada, Director
Sean Simmons, Director
Neal Yanagihara, Director

Total Private Donations:	$11,330
Total Fundraising:	N/A
Total Federal/State/Private Grants	1,295
Total:	$12,625

Contact Information:
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