



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

PCEO-13-003

Report To The Legislature
Hawaii Health Systems Corporation Annual Audit and Report for FY2012;
Pursuant to HRS Section 323F-22(a), (b) and (c)

Hawaii Health Systems Corporation (HHSC) is pleased to submit this Report to the Legislature in accordance with Hawaii Revised Statutes, Section 323F-22 relating to Hawaii Health Systems Corporation Annual audit and report. This report includes (a) projected revenues for each health care facility and a list of capital improvement projects planned for implementation in FY2012; and (b) regional system board reports. Please note that HHSC's Annual Audit is in the process of being completed and will be submitted as a supplement to this report upon its completion.

The Hawaii Health Systems Corporation network of hospitals and clinics provide high quality and health care 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: Roselani Place – Maui; Ali'i Health Center – West Hawaii, and Kahuku Medical Center – Oahu.

In Fiscal Year 2012 HHSC hospitals provided a total of the following: 21,168 acute care admissions and 1,396 long-term admissions; 109,683 acute care patient days and 250,528 long-term care patient days; 3,566 babies born; and 105,029 emergency room visits. A total of 1253 licensed acute and long-term care beds are operated in HHSC regions and twelve facilities, of which over 800 are designated long-term care. The system employed a total of 4,117 FTE (full time equivalent) personnel.

Additionally, HHSC's breakdown of service delivery included the following:

3675 KILAUEA AVENUE • HONOLULU, HAWAII 96816 • PHONE: (808) 733-4020 • FAX: (808) 733-4028

- HHSC's facilities provided the care for almost 19% of all acute care discharges and 27% of all emergency room visits statewide;
- HHSC facilities provide 75% of the emergency room care and account for 73% of total acute discharges for the counties of Hawaii, Maui, and Kauai.
- For Hawaii county residents, HHSC facilities provided the care for almost 66% of all acute care discharges and 84% of all emergency room visits;
- For Maui county residents, HHSC facilities provided the care for approximately 80% of all acute care discharges and almost 88% of all emergency room visits; and
- For Kauai county residents, HHSC facilities provided the care for almost 21% of all acute care discharges and 34% of all emergency room visits.

HHSC provides accessible and affordable high quality healthcare in all communities we serve. We have continued to develop and improve our clinical and non-clinical quality programs consistently putting into practice our mantra that "Quality is Job One." HHSC quality initiatives, which have provided the system with measurable solutions for improving quality of care, were accomplished through the dedicated efforts and cooperation of our staff, community physicians, and other healthcare professionals. All HHSC facilities are fully certified and licensed by both State and National standards. All HHSC facilities are Medicare/Medicaid certified and all have successfully passed those surveys. HHSC completed its sixth hospital accreditation survey by the Joint Commission of Healthcare Organization in 2011, and was designated a full 3-year accreditation for all hospitals. HHSC also continues its long-standing participation with Hawaii Medical Services Association (HMSA) Hospital Quality and Service Recognition program that offers financial incentives for meeting performance indicators related to patient care quality.

At the same time, HHSC with the on-going support of the Legislature and the Abercrombie administration continues with the development and implementation of an advanced electronic medical record (EMR) system. This collaborative effort, involving four of our regions, includes bringing state-of-the-art technology to HHSC in a manner that will drive excellence in our operations and improve patient safety and the quality of care and treatment of our patients. At this point, the HHSC EMeRGE (Electronic Medical Record Gaining Efficiency) Project is advancing full-steam ahead with our first Go-Live for the HHSC West Hawaii Region scheduled in the first quarter of 2013. We will continue to keep the administration and Legislature updated on the progress of the implementation of the EMR system.

In the spirit of Act 290 in 2007 and Act 182 in 2009, the HHSC regions and the corporate office continue to aggressively pursue opportunities to improve quality healthcare services while collaboratively examining and implementing best practices to improve the system's efficiency and effectiveness. HHSC's FY2012 milestones include the following:

East Hawaii region

- Received full accreditation with the Joint Commission with commendation for trauma care, home care, behavioral health and oncology care;
- Completed initial electronic medical record "meaningful use" stage requirements that will soon enable Hilo Medical Center to draw American Recovery and Reinvestment Act of 2009 funding;
- Expanded orthopedic, cardiology, oncology services; and
- Entered into a joint venture for a surgery-center.

West Hawaii region

- Received designation as a Level III Trauma Center;
- Expanded its medical staff in the fields of anesthesia, cardiology, general surgery and urology, orthopedics and obstetrics;
- Advancement of partnership with Maui Memorial Medical Center, including development of new on-campus cardiology clinic.

Maui region

- Received the "Get With the Guidelines" – Stroke Gold Plus Quality Achievement Award from the American Heart Association;
- Expanded the Maui/Big Island alliance to coordinate care between the islands transfers;
- Developed a new helipad operation to service heart attack and critically-ill patient; and
- Became a tobacco and smoke-free facility; and
- Received a \$15,000 donation from the MMMC Auxiliary to fund an ultrasound/electrical simulation unit for the MMMC Physical Therapy/Occupational Therapy Department.

Oahu region

- Continued implementation of electronic medical record system that will improve patient care and safety;
- Received 4-Star and 5-Star ratings for Leahi Hospital and Maluhia, respectively, from the the Centers for Medicare and Medicaid Services;
- Developed Master Plan for the Center of Excellence in Long-Term Care;
- Received funding to install photovoltaic solar panels at Leahi Hospital; and
- Effectively responded to the needs of over 20 Hawaii Medical Center's long-term care patients during its abrupt closure in early 2012.

Kauai region

- Participated in the state-wide Catheter Associated Urinary Tract Infection Program;
- Maintained successful physician recruitment and retention program with 29 providers on active Medical Staff;
- Completed Radiology Suite at Samuel Mahelona Memorial Hospital and commenced conceptual design for the new Kukuiula Clinic; and
- Received significant funding for capital equipment purchases from the KVMH Foundation.

Federal Grants

HHSC will be participating in two Health Care Innovation Awards. The University of Hawaii at Hilo, in collaboration with HHSC, received an award to improve medication reconciliation and management for the elderly on Kauai, Maui and Hawaii. In addition, HHSC partnered with St. Francis Healthcare and others to obtain a grant to develop a system for telehealth-based home monitoring for very high risk patients with complex health care needs to prevent hospitalizations. These awards, which total over \$20 million, will provide an opportunity to pursue innovative programs to improve healthcare in Hawaii.

At the same time, Hawaii hospitals continue to face an ever-changing and extremely complex healthcare environment today with challenges such as:

- Inadequate government and third-party payor reimbursements for quality healthcare services.
- Long-term care waitlist.
- Escalating costs related to physician recruitment and retention.
- The need for capital investment in new technology, particularly in electronic medical records.
- The impact of the provisions of federal health care reform.
- The impact of other federal health care mandates, such as ICD-10.
- Increased costs of caring for Hawaii's elderly population.

Additional major challenges impacting HHSC's financial viability include:

- Aging facilities, with extensive life and safety code issues, well beyond the average for similar facilities across the country.
- Exceptional leave benefits and other labor issues that place HHSC's labor costs above national norms.
- Under-capitalization of the Corporation.
- Small scale operations, which are costly to maintain.

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). Fourteen years ago, there were three foundations supporting HHSC facilities of which only two were active. Today there are 10 separate foundations, in addition to multiple hospital auxiliaries supporting one or more HHSC hospitals.

During Fiscal Year 2012, signs of a progressively slowing economy continued to be evident and HHSC was faced with an impending budget shortfall. The FY12 budget provided \$73,375,585 in general funds and \$28,184,046 in CIP funds.

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 years. Although in FY 1997 the Corporation received a qualified audit with many material weaknesses, we have now received our thirteenth consecutive "clean" unqualified consolidated audit for every fiscal year from FY 1998 through FY2012.

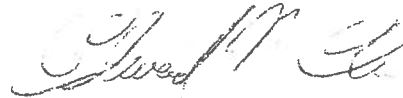
The following information is provided in this report pursuant to HRS Section 323F-22: (a) Projected revenues for each facility for FY13 and List of proposed capital improvement projects during FY13; and (b) Hawaii Health Systems Corporation, Regional system board reports.

In order to provide full perspective on challenges and outcomes in FY 2013, attached are copies of the HHSC Budget Briefing Presentation to the House Finance and Senate Ways & Means Committees on January 11, 2013; and the HHSC Information Overview for FY2012.

Respectfully submitted,



Bruce S. Anderson, Ph.D.
President and Chief Executive Officer



Edward N. Chu
Chief Financial Officer

Attachments:

1. HHSC Budget Briefing Presentations to the Senate Committee on Ways and Means and the House Committee on Finance, January 11, 2013
2. HHSC Informational Overview, FY 2012.



HAWAII HEALTH SYSTEMS

C O R P O R A T I O N

Quality Healthcare For All

HHSC INFORMATION OVERVIEW

FOR FISCAL YEAR 2012

POC: Bruce S. Anderson, Ph.D., President and Chief Executive Officer
January 7, 2013

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 - Hawaii Health Systems Foundation

OAHU REGION

Maluhia, located in lower Alewa Heights, Honolulu, Hawaii operates 158 skilled nursing facility and intermediate care facility beds and employs close to 250 employees. Maluhia was established in 1923, and continues to evolve meeting the changing long-term care needs of its communities. Maluhia provides the following services: and the following services:

Long-Term Care Inpatient Services

- Skilled Nursing and
- Intermediate Care Beds
- Primary Care Clinic

Support

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

Programs and Services

- Admission 167
- Patient Days 53,683

Volunteer Services

- Number of Active Volunteers: 54
- Number of Total Volunteer Hours: 7,795
- Volunteer Auxiliary Contributions: \$7,150

Leahi Hospital, located in the heart of Kaimuki in Honolulu, Hawaii was first established in 1901. Today Leahi Hospital operates 164 beds: 155 nursing home beds, dually certified as Skilled Nursing Facility and Intermediate Care Facility (ICF, in addition to nine acute/tuberculosis-designated beds. Individuals requiring long term care or short term restorative care are admitted to our nursing facility beds. Treatment and general care are provided by your physician and an interdisciplinary team of healthcare professionals. Individuals with or suspected of having Tuberculosis are admitted to our Tuberculosis unit. Leahi Hospital provides the following services:

Long-Term Care Inpatient Services

- 179 Dual Certified SNF/ICF Beds

Outpatient Services

- Adult Day Health Center
- Leahi Geriatrics Outpatient Clinic - Collaboration with the UH School of Medicine, Geriatrics Medicine Division to provide outpatient geriatric consultation and medical services
- Pharmacy
- Recreational Therapy
- Dietary Services
- Social Services
- Speech Therapy
- Laboratory
- Occupational Therapy
- Physical Therapy
- X-Ray
- 9 Acute TB Inpatient Beds - Outpatient Services (TB patients are discharged to the Lanikila TB Clinic for follow-up).

PATIENT CENSUS

- Admission 228
- Patient Days 51,867

COMMUNITY-BASED FOUNDATION SUPPORT OF HHSC FACILITIES

- Total Private Donations - \$ 817
 - Total Fundraising - \$11,871
 - Total Federal/State/Private Grants - \$149
- TOTAL - \$12,837**

VOLUNTEER SERVICES

- Number of Active Volunteers: 234
- Number of Total Volunteer Hours: 13,786
- Volunteer Auxiliary Contributions: \$5,330

**Oahu Region Foundation Supporting HHSC Hospitals
Background /Contact Information**

Leahi Hospital and Maluhia Foundation

The foundation was established in 2003 to support the work of Leahi Hospital and Maluhia in their mission, development and provision of quality healthcare.

Foundation President: Vincent Lee

vlee@hhsc.org

Foundation Administrator: Lydia Chock

lchock@hhsc.org

Contact Information:

Leahi-Maluhia Foundation

Maluhia, 1027 Hala Drive, Honolulu 96815

Tele: 808-832-1927 Fax: 808-832-3402

KAUAI REGION

West Kauai Medical Center (WKMC) was formerly known as Kauai Veterans Memorial Hospital was formerly known as Kauai Veterans Memorial Hospital (KVMH) and was completed in October 1957 and dedicated to the Veterans of the Korean War. KVMH was built to meet the healthcare needs of its surrounding communities. WKMC has 45 licensed beds, including 25 acute and 20 long-term care beds. Today WKMC employs 276 (FTE FY12) employees and provides the following services:

- Critical Care
 - Orthopedic Surgeon on Staff
 - Full-time Radiologist
 - Radiology, CT Scan, Ultrasound, Mammography
 - Full-time radiologist
- High Risk Fetal Ultrasound Consultations with Kapiolani Medical Center
- Cardiac Ultrasound Consultations with Queens Medical Center
- Cardiac Care
- Physical Therapy
- Occupational Therapy
- Inpatient/Outpatient Surgery
 - Ophthalmology
 - GYN/OB
 - General Surgeries
 - Orthopedics
- Outpatient Surgery
- Surgery
- 24-Hour Emergency Care
- Pharmacy
- Respiratory Therapy
- OB/GYN Services
- Mother/Baby Care
- Medical Surgical/Pediatric Care
- Dietary Counseling
- CAP-approved Laboratory Services
- Skilled Nursing Care
- Intermediate Nursing Care
- Orthopedic Consulting Services
- CLIA-approved Laboratory Services
- Social Services
- KVMH Operates 3 Clinics
 - Waimea Clinic staffed with 6 KVMH physicians
 - Eleele Clinic staffed with 2 KVMH physicians and 1 nurse practitioner
 - Kalaheo Clinic staffed with 6 KVMH physicians

The Kawaiola Medical Office Building (MOB) was completed and dedicated in November 1996. Kawaiola was the outcome of a collaborative effort among the West Kauai communities and KVMH. Services presently being provided in the MOB are:

- Family Practice
- Internal Medicine
- General Surgery
- Neurology Consultations
- Teleradiology
- Hemodialysis (St. Francis)
- Radiology
- Retail Pharmacy
- Hospital Gift Shop
- Obstetrics and Gynecology
- Pediatrics
- Orthopedics
- The Kawaiola Medical Office Building also houses:
 - Cardiac and Dermatology Consultation Clinics
 - St. Francis Dialysis and Hemo-dialysis Services
 - MedCenter Retail Pharmacy
 - KVMH Radiology Satellite
 - KVMH Hospital Gift Shop
- Federally Qualified Health Clinic (Kauai Community Health Center) – Medical and Dental

PATIENT CENSUS

- Admissions 984
- Births 261
- ER Visits 4,838
- Patient Days 10,773

COMMUNITY-BASED FOUNDATION SUPPORT OF HHSC FACILITIES

Estimated Total Donations received by the KVMH Charitable Foundation:

- Total Private Donations – \$24,190
- Total Fundraising - \$ 5,200
- Total Federal/State/Private Grants - \$0

TOTAL - \$29,400

TOTAL: \$29,390

VOUNTEER SERVICES

- Number of Active Volunteers: 37
- Number of Total Volunteer Hours: 3817
- Volunteer Auxiliary Contributions: \$20,281

Samuel Mahelona Memorial Hospital (SMMH) is the oldest operating hospitalon Kauai. 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 the cure from TB well established, SMMH gradually transitioned to providing acute psychiatric, skilled nursing, medical acute, TB, and ancillary outpatient and inpatient services. SMMH has 80 licensed, 66 long-term care and 14 acute care beds. The critical access hospital has 143 (FTE FY12) employees. Currently, SMMH patient services include:

- Emergency Services – 24-hour mid-level emergency services staffed by Board certified ER physicians and ER nurses
- Laboratory
- Physical Therapy
- Radiology
- Occupational Therapy
- Adult Inpatient Psychiatric Care
- Detoxification
- Skilled Nursing Beds
- Intermediate Care Beds
- Tuberculosis Services (6 Acute/SNF Beds)
 - Clinic (in cooperation with the Department of Health)
 - Negative pressure rooms available for patients requiring hospitalization
- Inpatient Pharmacy
- Social Services
- Occupational Therapy
- Recreational Therapy
- Speech Therapy]
- Physical Therapy
- Dietitian

PATIENT CENSUS

- Admissions 282
- Patient Days 22, 932
- ER Visits 1,593

VOLUNTEER SERVICES

- Number of Active Volunteers: 24
- Number of Total Volunteer Hours: 3,371
- Volunteer Auxiliary Contributions: \$2,325

Kauai Region Foundations Supporting HHSC Hospitals Background / Contact Information

Kauai Veterans Memorial Hospital (KVMH) Foundation

The KVMH Foundation was formed in the fall of 1998. The board consists of 10 community members and three employees of the Kauai Veterans Memorial Hospital. The foundation's main focus is to support the many services, equipment purchases, and programs that West Kauai Medical Center and KVMH provides for its island communities.

Foundation President: Doug Tiffany

Foundation Vice President/Treasurer: Eric Honma

Contact Information:

KVMH Foundation

Kauai Veterans Memorial Hospital

4643 Waimea Canyon Road

Waimea, Kauai, HI 9796

TEL: 808-338-9432 FAX: (808) 338-9420

Samuel Mahelona Memorial Hospital (SMMH) Foundation

This foundation was formed in the spring of 1999. It is managed by eleven board members consisting of eight community members, two employees of SMMH, and one resident of SMMH. As a Foundation, it is committed to bringing the best healthcare possible to the community through its efforts of raising money from various projects, grants, endowments and community support. To accomplish this, it goes into the community and listens to the health concerns and needs and speak the message of SMMH to them; thus forming a bond of trust, integrity and partnership.

Contact information:

SMMH Foundation

Samuel Mahelona Memorial Hospital

4800 Kawaihau Road

Kapaa, Kauai, HI 96746

Tel: 808-822-4961 Fax: 808-822-578

MAUI REGION

Maui Memorial Medical Center (MMMC) has a long history of serving the Maui community. Originally opened in 1884 as “Malulani” (Protection of Heaven) by Queen Kapiolani, the County of Maui assumed financial responsibility for Malulani Hospital in 1927. IN 1952, a new 140-bed Central Maui Memorial Hospital was opened. Subsequently, in 1996, MMMC became a part of the Hawaii Health Systems Corporation (HHSC). Today MMMC is licensed for 197 acute care beds and has close to 1,400 (FTE FY2012) employees and boasts over 200 attending physicians. MMMC is the largest acute facility within HHSC and is also supported through community donations through its non-profit partners: MMMC Foundation and Hospital Auxiliary.

MMMC patient services include:

- Acute Inpatient Dialysis
- Adult and Adolescent Behavioral Health Services
- Complementary Care
- Critical Care Unit
- 24-Hr. Emergency Services
- Endoscopy
- Heart, Brain & Vascular Center
 - Angiography, EP Studies, Cardiac Catherization, Ablations, Pacemakers, Cardiac Stress Testing, Echocardiography, Cardioversion
 - Interventional Radiology Services
- Laboratory – 24-hour services
- Newborn Nursery and Maternity Services
- Nutrition Serves
- Obstretics/Gynecology – with childbirth education classes
- Oncology – Cancer treatments
- Operating Room
 - Same Day Surgery (Outpatient)
- Pediatric Medicine
- Pharmacy
- Inpatient and Outpatient Physical, Occupational, and Speech Therapy
- Recreational Therapy
- Progressive Care Services
- Radiology-
 - Diagnostic x-ray, CT Scan, MRI, Ultrasound, Nuclear Medicine, Mammography
- Respiratory Therapy
- Outpatient Observation Unit
- Telemetry – "heart monitoring"
- Outpatient Observation Unit
- Wound/Ostomy Care

PATIENT CENSUS

- Admissions 9,386
- Births 1,742
- ER Visits 29,850
- Patient Days 51,384

COMMUNITY-BASED FOUNDATION SUPPORT OF HHSC FACILITIES

- Total Private Donations - \$494,052
 - Total Fundraising - \$27,248
 - Total Federal/State/Private Grants - \$7,000
- TOTAL - \$528,300**

VOLUNTEER SERVICES

- Number of Active Volunteers: 71
- Number of Total Volunteer Hours: 9,818
- Volunteer Auxiliary Contributions: \$13,908

Kula Hospital began operations in 1909 as a tuberculosis facility. In 1936, Kula Sanatorium expanded to a 200-beds facility for TB patients. By the 1960s, it began offering psychiatric care. Kula evolved into a long-term care facility during the early 1970s. Kula has 105 licensed beds (5 acute/SNF swing care and 100 SNF/ICF), and employs 200 (FTE FY12) employees. Kula Hospital's patient services include:

- Critical Access Hospital services (acute and long term care)
- 24-hour emergency services
- Limited Acute Care
- Inpatient Skilled Nursing and Intermediate Care
- Developmentally Disabled Inpatient Services (ICF-MR)
- Alzheimer's and Dementia Care
- Family Practice Clinic Services
- Pharmacy Services
- Physical Therapy and Occupational Therapy Services
- Laboratory Services and Radiology Services
- Outpatient Clinic

PATIENT CENSUS

- Admissions 130
- Patient Days 33,716
- ER Visits 1,593

VOLUNTEER SERVICES

- Number of Active Volunteer: 50
- Number of Total Volunteer Hours: 6,728
- Volunteer Auxiliary Contributions: \$21,414

Lanai Community Hospital is the only hospital on the island of Lanai. It was originally built in 1927. The facility's new physical plant was built in 1968 with funding from community donations, Dole Company, State of Hawaii grant, and Hill-Burton Federal funds. The hospital offers acute and long-term care. Lanai Community Hospital has 14 licensed acute care (4) and long-term care (10) beds (duo certification for SNF/ICF). LCH has 35 employees (FTE FY12). As a critical access hospital, LCH provides the following services:

- Critical Access Hospital Services (acute and long term care)
- 24-Hour Emergency Care
- Limited Laboratory and Radiology Services
- Limited Acute Care
- Extended Care (Long-Term Care Services)
- Hemo-Dialysis Services

PATIENT CENSUS

- Admissions 31
- Patient Days 3,313
- Births 0
- ER Visits 855

VOLUNTEER SERVICES FY2012

- Number of Active Volunteers: 36
- Number of Total Volunteer Hours: 950
- Volunteer Auxiliary Contributions: \$0

**Maui Region Foundation Supporting HHSC Hospitals
Background / Contact Information**

Maui Memorial Medical Center (MMMC) Foundation

The MMMC Foundation was formed in 1996 and opened its foundation office in 1999. This foundation was formed in 1996 and opened its foundation office in 1999. The foundation supports the master plan for development, scholarship funding and the purchase of state-of-the-art equipment.

Foundation President:
Sarajeon Tokunaga

Foundation Executive Director:
Lisa Varde (lvarde@hhsc.org) 808-242-2632

Contact information:

Maui Foundation (www.MauiFoundation.org)
285 Mahalani Street, Suite 25
Wailuku, Maui, HI 96793
Tel: 808-242-2632 Fax: 808-2

EAST HAWAII REGION

Hilo Medical Center (HMC) is the largest facility in the Hawaii Health Systems Corporation. Established in 1897, HMC has grown from a 10-bed hospital, created by the Hawaiian Government, to the present facility of 272-licensed beds, consisting of 138 acute and 22 skilled nursing licensed beds including a 20-bed psychiatric unit, a separate 112-bed licensed extended care facility and an accredited home care agency. 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 hospital." Today, HMC is the largest employer in Hilo, with 992 (FTE, FY12) employees.

Also on campus are Hawaii Pacific Oncology Center, Liberty Dialysis and the Veteran's Administration (VA) Community-Based Outpatient Clinic. Other off-campus clinics also under Hilo Medical Center include Surgery, Cardiology Neurology and Urology. Efforts by our Medical Group Practice Director and Medical Staff Office to recruit physicians in general and specialty areas are underway and ongoing. In addition, Hilo Medical Center is exploring possibilities of recruiting hospitalists in Long-Term Care, Behavior Health, Obstetrics and Neonatology.

HMC patient services include:

- 24-Hour Physician-Staffed Emergency Care
- Intensive and Cardiac Critical Care, Echocardiography, Thallium Stress Treadmills, Pacemakers, Cardiac Telemetry
- Hospitalist Services
- Intensivist
- Acute Inpatient Dialysis
- Bronchoscopy
- Obstetrics with Childbirth Education Classes, Labor and Delivery, and Post-partum Services
- Gynecology
- Pediatrics
- Adult Psychiatric Care
- General Radiology
- Urology
- Neurology
- Angiography and Interventional Radiology
- Telemedicine, including Teleradiology
- Surgical Services—Same Day Surgery, Post-Anesthesia Care, and Special Procedures
- Subspecialty Surgery Services—Vascular Surgical Services (Open and Endo-), Orthopedics, Ophthalmology, Otorhinolaryngology, Urology
- Psychiatry
- Skilled Nursing and Long Term Care Facilities
- Wound and Ostomy Services

- Endoscopy, including ERCP
- Outpatient Surgery Clinic
- Hawaii Pacific Oncology Center—Medical and Radiation Oncology
- In-Patient Pharmacy
- EEG
- 24 hour CAP-Accredited Pathology Laboratory and Blood Bank Services
- Food and Nutrition Services and Counseling
- Home Healthcare
- 32 Multi-Slice CT Scanner, MRI, Ultrasound, Nuclear Medicine]
- Rehab Services-Physical, Occupational, Speech, and Recreational Therapies
- Respiratory Therapy
- Social Services

PATIENT CENSUS

- Admissions 7,942
- Patient Days 80,698
- Births 1,117
- ER Visits 41,158

COMMUNITY-BASED FOUNDATION SUPPORT OF EAST HAWAII REGION FACILITIES

- Total Private Donations - N/A
 - Total Fundraising – N/A
 - Total Federal/State/Private Grants – N/A
- TOTAL - \$241,621**

VOLUNTEER SERVICES

- Number of Active Volunteers: 65
- Number of Total Volunteer Hours: 13,876
- Volunteer Auxiliary Contributions: \$0

Hale Ho’ola Hamakua (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 a staff of 109 (FTE, FY12) 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.

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. One of the goals for NHERC is to offer Certified Nurse Aide classes at least twice per year and incorporate a Licensed Practical Nurse Program with the Hawaii Community College using HHH as one of several clinical sites. The nursing programs will assist with the staffing the health facilities and community health services in the North Hawaii area.

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.

Services provided by HHH include:

- 4 Acute/SNF Swing Beds
- 73 Long Term Care (ICF/SNF) Beds
- Emergency Room Services, 24hours/7 days per week, on call within 30 minute
- Inpatient Physical Therapy
- Inpatient Occupational Therapy
- Inpatient Speech Therapy
- 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 221
- Patient Days 23,085
- ER Visits 1,606

COMMUNITY-BASED FOUNDATION SUPPORT OF EAST HAWAII REGION FACILITIES:

- Total Private Donations - \$2,667
 - Total Fundraising - \$24, 171
 - Total Federal/State/Private Grants - \$1,250
- TOTAL - \$28,088**

VOLUNTEER SERVICES

- Number of Active Volunteers: 20
- Number of Total Volunteer Hours: 1334
- Volunteer Auxiliary Contributions to the Facility: \$0

Ka`u Hospital, in Pahala, is a 21-bed facility with 16 long-term care beds and 5 acute beds with 55 employees (FTE, FY12). 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, particularly emergency services and long-term care has been growing steadily. Long-term care beds have been 100 percent occupied for the past two fiscal years with some patients waitlisted in our acute beds.

Services provided by Ka`u Hospital include:

- 24-hour Emergency Services
- Acute Care
- Intermediate and Skilled level care
- Adult Day Health Services Program
- Radiology - inpatient and outpatient
- Rehab Services – Physical, Occupational, and Speech Therapy
- Laboratory services
- Rural Health Clinic provides primary care including:
 - Family Practice
 - Internal Medicine
 - Geriatric Medicine
 - Outpatient laboratory and pharmacy services on campus

PATIENT CENSUS

- Admissions 16
- ER Visits 2,240
- Patient Days 5,971

COMMUNITY- BASED FOUNDATION SUPPORT OF HHSC FACILITIES

- Total Private Donations - \$2,667
 - Total Fundraising - \$24, 171
 - Total Federal/State/Private Grants - \$1,250
- TOTAL - \$28,088**

VOLUNTEER SERVICES

- FY2011 Number of Active Volunteers: 20
- FY2011 Number of Total Volunteer Hours: 1,334
- FY2011 Volunteer Auxiliary Contributions: \$0

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 dependant upon both psychological and financial community support. We view our mission as attempting to enhance that support.

Foundation President: Julie Tulang

Foundation Administrator: Lori Rogers
lrogers@hhsc.org: 808- 935-2957

Contact information:
Hilo Medical Center Foundation
www.hilomedicalcenterfoundation.com
1190 Waiuanue Avenue, Box 629
Hilo, HI 96720
Tel: 808-935-2957 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 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: Bradley Westervelt

Foundation Vice President/Director: Wayne Kawachi

Contact information:

Ka`u Hospital Foundation

P.O. Box 773

Pahala, HI 96777

Tel: 808-928-2959 Fax: 808-928-8980

WEST HAWAII REGION

Kona Community Hospital, the primary health care facility serving West Hawaii, is a 94-bed full service medical center; 33 beds Medical Surgical acute; 18 beds Skilled Nursing/Long Term Care; 7 beds Obstetrics; 11 beds behavioral health unit; and, a 9 bed intensive care unit. It is located in Kealahou, Kona, and 18 miles south of Kona International Airport. The hospital has expanded considerably from its initial wooden structure with 52 beds built in 1941. It is currently housed in a three-story structure constructed in 1975.

This facility employs 406 (FTE FY12) employees. There are over 70 active medical staff members representing a wide variety of medical specialties. Patient services include:

- 24-hour Emergency Room
- Inpatient & Outpatient Surgery
- Long-Term Care / Skilled Nursing
- Acute Inpatient Care (Obstetrics/Gynecology, Medical/Surgical, Intensive Care, Behavioral Health, Skilled Nursing/Long Term Care)
- Outpatient Nursing Services (Chemotherapy)
- Rehabilitation Services (PT, OT, Respiratory Therapy, Speech Therapy)
- Pharmacy
- Laboratory and Pathology Services
- Imaging Center (MRI, 16-slice CT Scan, Ultrasound, Echocardiogram, Nuclear Medicine)
- Cardiology
- Radiation Therapy (April 2005)
- Physician Specialties (General Surgery, Internal Medicine, Cardiology, Medical Oncology, Radiation Oncology, Pediatrics, OB/GYN, Urology, ENT, Ophthalmology, Plastic Surgery, Orthopedics, Psychiatry, Gastroenterology)

PATIENT CENSUS

- Admissions 3,153
- Patient Days 17,811
- Births 446
- ER Visits 16,924

COMMUNITY- BASED FOUNDATION SUPPORT OF HHSC FACILITIES

- Total Private Donations - \$22,040
- Total Fundraising - \$184,231
- Total Federal/State/Private Grants - \$158,276
- TOTAL - \$3,881,167**

VOLUNTEER SERVICES

- Number of Active Volunteers: 53
- Number of Total Volunteer Hours: 7,423
- Volunteer Auxiliary Contributions: \$0

Kohala Hospital, located in the rural town of Kapaau (North Kohala), opened its doors to patients on April 1, 1917. At that time, it was a 14-bed facility. Miss Mina Robinson, a medical, surgical and maternity nurse, arrived from Australia to "take charge" of the hospital. The cost of hospitalization at that time was \$1.50 per day. In 1962, Kohala Hospital was relocated into a new lava rock and hollow tile structure consisting of 26 inpatient beds providing both long-term and short-term acute care. Today, Kohala Hospital employs 52 employees (FTE FY12), has 28 licensed beds (4 acute and 24 long-term care), and as a critical access hospital provides the following services:

- 24-Hour Emergency Care
- Inpatient and Outpatient Clinical Laboratory and X-Ray Services
- Medical Acute and Skilled Nursing Inpatient Care
- Long-Term Care (Skilled Nursing and Intermediate Care)

PATIENT CENSUS

- Number of Admissions: 24
- Patient Days: 7,777
- Emergency Visits: 1,429

COMMUNITY- BASED FOUNDATION SUPPORT OF HHSC FACILITIES

- Total Private Donations - \$63,825
 - Total Fundraising - \$53,126
 - Total Federal/State/Private Grants - \$0
- TOTAL - \$116,951**

VOLUNTEER SERVICES

- Number of Active Volunteers: 28
- Number of Total Volunteer Hours: 790
- Volunteer Auxiliary Contributions: \$3,657

West Hawaii Region Foundations Supporting HHSC Hospitals

Background / Contact Information

Kona Community Hospital Foundation

This foundation was established in 1984 for the purpose of providing means, equipment and facilities for the use by and benefit of Kona Community Hospital. Since its inception it has provided over a million dollars in equipment and facilities to the hospital. It is managed by a five-member board that is completely separate from the management of the hospital.

Well into the second decade of operation we are very proud of our participation in the modernization and future of Kona Community Hospital. Kona Hospital is a tremendous asset to our community and we enjoy providing support to its reinvention and growth. Your participation is most appreciated and does make a significant difference.

Foundation President:
James Higgins

Foundation Development Assistance and Administration:
Carol Mountcastle cmountcastle@hhsc.org 808-322-4587
Stephanie Kinsey skinsey@hhsc.org 808-322-4578

Contact information:

Kona Hospital Foundation
79-1019 Haukapila Street
Kealahou, HI 96750
Tel: 808-322-9311 Fax: 808-322-4488

Kohala Hospital Charitable Foundation

This 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:
Tommy Tinker

Foundation Vice President:
Alan Axelrod

Contact information:
Kohala Hospital Charitable Foundation
P.O. Box 430
Kapaau, HI 96755
Tel: 808-889-7905



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N
"Touching Lives Everyday"

January 4, 2013

B-13-004

The Honorable Marcus Oshiro, Chair
House Committee on Finance
Hawaii State Capitol, Room 306
Honolulu, Hawaii 96813

The Honorable David Ige, Chair
Senate Committee on Ways and Means
Hawaii State Capitol, Room 208
Honolulu, Hawaii 96813

Dear Representative Oshiro and Senator Ige:

Attached is the Hawaii Health Systems Corporation's budget testimony for our upcoming briefing.

Should you have any questions, please call Edward N. Chu, Chief Financial Officer at 733-4171 or 733-4029.

Sincerely,

BRUCE S. ANDERSON
President and Chief Executive Officer

Attachment

HHSC's Mission

The mission of Hawaii Health Systems Corporation is to provide accessible, high quality, cost-effective services that address the healthcare needs of Hawaii's unique island communities.

Background

The Hawaii Health Systems Corporation (HHSC) is the fourth largest public health system in the United States.

- HHSC is the largest provider of healthcare on the Neighbor Islands and is the only acute care provider in many communities offering a wide range of specialty services such as cardiovascular, cancer, and stroke.
- HHSC provides other community based services, such as (but not limited to) clinics, home health, assisted living, memory care, and adult day health directly and through affiliate organizations.
- A total of over **1300** physicians practice at HHSC facilities.
- HHSC employs more than **4300** workers statewide, of which over **1000** are registered nurses.
- HHSC operates over **1200** licensed beds through a network of acute, critical access hospitals, and long term care facilities located on five different islands.

The Importance of HHSC in Serving Hawaii's Communities cannot be overstated.

- HHSC serves as a vital component of the State's healthcare "safety net".
- HHSC facilities provide **75%** of the emergency room care and account for **63%** of total acute discharges for the counties of Hawaii, Maui, and Kauai.
- HHSC is largest provider of long term care in Hawaii and operate **776** licensed long term care beds.
- HHSC's facilities provided the care for almost **19%** of all acute care discharges and **27%** of all emergency room visits statewide. In fact, HHSC has more than double the emergency room visits of Queens Medical Center.
- For Hawaii county residents, HHSC facilities provided the care for approximately **66%** of all acute care discharges and **84%** of all emergency room visits.
- For Maui county residents, HHSC facilities provided the care for approximately **80%** of all acute care discharges and almost **88%** of all emergency room visits.
- For Kauai county residents, HHSC facilities provided the care for almost **21%** of all acute care discharges and **34%** of all emergency room visits.

Accomplishments

HHSC is, finally, beginning to work as a system and continues to provide high quality healthcare to the communities served, especially considering the challenges in today's healthcare environment. The following are some of the major accomplishments over the past year:

- A system-wide strategic plan was developed for 2012-2015 that identifies strategic initiatives to accomplish HHSC's mission and to work more as an integrated, efficient system.
- The development of the Electronic Medical Records (EMR) system is progressing well. In fact, HHSC is scheduled to go-live with its EMR system in 2013, with Kona Community Hospital and Kohala Hospital the first to implement the system in February 2013.
- Ka'u Hospital, Kauai Veterans Memorial Hospital, and Maluhia achieved the highest possible five-star rating from Medicare's Nursing Home Compare website. Further, Leahi Hospital received a five-star rating in the quality section of Medicare's Nursing Home Compare website.
- Both Kona Community Hospital and Maui Memorial Medical Center has received the Get With The Guidelines-Heart Failure Gold Quality Achievement Award from the American Heart Association. The recognition signifies that those facilities have reached an aggressive goal of treating heart failure patients with 85 percent compliance for at least 24 months to core standard levels of care as outlined by the American Heart Association/American College of Cardiology secondary prevention guidelines for heart failure patients.
- HHSC will be participating in two Health Care Innovation Awards. The University of Hawaii at Hilo, in collaboration with HHSC, received an award to improve medication reconciliation and management for the elderly on Kauai, Maui and Hawaii. In addition, HHSC partnered with St. Francis Healthcare and others to obtain a grant to develop a system for telehealth-based home monitoring for very high risk patients with complex health care needs to prevent hospitalizations. These awards, which total over \$20 million, will provide an opportunity to pursue innovative programs to improve healthcare in Hawaii.

Economic Challenges

Hawaii hospitals face an ever-changing and extremely challenging health care environment today with challenges such as:

- Inadequate government and third-party payor reimbursements for quality healthcare services.
- Long-term care waitlist.

- Escalating costs related to physician and clinical staff recruitment and retention.
- The need for capital investment in new technology, particularly in electronic medical records.
- The impact of the provisions of federal health care reform.
- The impact of other federal health care mandates, such as ICD-10.
- Increased costs of caring for Hawaii's elderly population.

Additional major issues impacting HHSC's financial viability include:

- Aging facilities, with extensive life and safety code issues, well beyond the average for similar facilities across the country.
 - Exceptional leave benefits and other labor issues that place HHSC's labor costs above national norms.
 - Inability to outsource non-clinical functions.
 - Under-capitalization of the Corporation.
 - Small scale operations, which are costly to maintain.
- Hilo Medical Center recently received recognition from HMSA as being the sole hospital in the State to increase quality, as measured on a spectrum of indicators, while simultaneously decreasing costs.
 - Hilo Medical Center is proud to announce it has been named a 2012 Top Improver Award winner by Press Ganey Associates, Inc. This award recognizes hospitals that have shown continuous improvement over the previous two years. HMC is one of only 18 facilities to receive this award for improvement in patient satisfaction scores, as measured by comparing quarterly scores, with improved scores in three of the four eligible periods. The significance of this award is evident in that Press Ganey partners with more than 10,000 health care facilities, including more than half of all U.S. hospitals, to measure and improve the patient experience.

Financial Concerns

The past year has been very challenging year for HHSC (and all other healthcare systems in Hawaii) financially. A restriction in general fund allocation for FY12, lack of agreement on collective bargaining contracts, and reductions in federal (i.e., Medicare and Medicaid/QUEST) reimbursements have all had significant negative impacts. More specifically:

- HHSC was assessed a \$13.7 million restriction to its general fund appropriation by the Administration, a 16% reduction. After careful examination of its budget, HHSC was able to make budget adjustments to absorb the general fund reduction, but not without having to increase its accounts payable balances and reduce its cash balances. HHSC's accounts payable would be forced to increase

to a system-wide level of greater than 77 days, and HHSC's days cash on hand would fall to 25 days, which would mean that HHSC would end fiscal year 2013 with severe financial stress.

- The State still has not settled collective bargaining contracts for HGEA unit 9 (registered nurses) and UPW unit 10 (CNA's, LPN's, etc.). For HHSC, employees in these two units represent approximately 50% of HHSC's total employees. As a result, HHSC will not be able to recognize any labor savings (if any) from at least half of its employees.
- HHSC has experienced difficulty in managing its cash flow due to inconsistent payments for patient services from the administrators of the QUEST Expanded Access Plans (Evercare and Ohana). The timeliness of these payments are especially critical for HHSC's critical access hospitals and long-term care facilities, as payments from the QUEST Expanded Access Plans can account for as much as 90% of their patient cash collections. HHSC management is working with the staff and management of Evercare and Ohana weekly to resolve the issues, and similar issues are faced by all healthcare providers in the State of Hawaii.

Federal Funds

HHSC may stand to lose federal funds in the form of reduced Medicare payments as a result of the Federal Budget Control Act sequester. Should sequestration occur, there will be imposed a 2% cut in Medicare payments, which would result in an estimated negative impact of \$3.1 million to HHSC's revenues. An increase in HHSC's general fund appropriation would be necessary to absorb the impact of such sequestration reductions.

Further, in the recent legislation to avoid the "fiscal cliff," there is a provision that removes a 26.5% reimbursement reduction to physicians and shifts the burden of those cost savings to hospitals. It is anticipated that hospitals will bear the majority of the cost via a \$10.5 billion documentation and coding adjustment that seeks to recoup past overpayments by Medicare to hospitals resulting from the shift to Medicare severity diagnosis-related groups (MS-DRGs) and a \$4.2 billion rebasing of Medicaid disproportionate share hospital (DSH) payments. At this time, it is not clear what impact these cost savings measures will have on HHSC's reimbursements. HHSC management is in the process of evaluating the impact of these proposed measures and their applicability to HHSC.

HHSC REQUEST

Although HHSC is not seeking an emergency appropriation for fiscal year 2013, HHSC is urging the Legislature to maintain the annual general fund appropriation level of HHSC to \$84,440,000 for fiscal years 2014 and 2015, as recommended by the Administration. HHSC also urges the Legislature to support the \$50,000,000 in CIP funds for each year of fiscal year 2014 and 2015 as recommended by the Administration. Of critical

importance to HHSC is that approximately \$14,700,000 of these funds be used to fund the capital costs of HHSC's Electronic Medical Record/Health Information System project. The development of a plan for a "Center for Excellence for Long-term Care at Leahi is also a priority.

Further, HHSC respectfully requests that the Legislature consider funding two important initiatives that were not in the Administration's budget request. The first is the HHSC Primary Care Residency Program, which needs \$2,800,000 in general fund appropriations in fiscal year 2014 and \$3,200,000 in general fund appropriations in fiscal year 2015. These funds are requested to address the issue of the growing physician shortage in all the rural communities that HHSC serves, where it is estimated that the State of Hawaii has only 70% of the primary care physicians needed to adequately serve its population. Existing residency programs cannot receive funding from Medicare for new residents. This program is being created to fill the gap that is necessary to serve all rural communities in the State of Hawaii.

Kahuku Medical Center management also respectfully requests that the Legislature consider funding its request for an additional \$900,000 in annual general fund appropriations for both fiscal years 2014 and 2015 to sustain the critical healthcare services that Kahuku Medical Center provides to the residents of the North Shore of the island of Oahu.

Alternatives Considered

Three of HHSC's Regions (East Hawaii, West Hawaii, and Maui Regions) are exploring a potential affiliation with Banner Health, a large nonprofit health system that operates hospitals in the western half of the United States. HHSC supports these regions in exploring all opportunities to respond to the challenges facing us today to reduce costs, increase quality, and expanding coverage of health care.

HHSC is also analyzing how it can re-structure itself to better meet the challenges of health care reform. In doing so, HHSC is evaluating its current governance structure as well as 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, cost-effective services that address the healthcare needs of Hawaii's unique island communities.

		DEPARTMENT:		FY 13 CIP EXPENDITURE PLAN (\$ thousands)																										
Contact Person/Office/Phone No.				Planned FY 13 Allotments**																	Actual	Planned Expenditures**								
Priority	Act/Yr	Item	Project Title and Brief Project Description	Expend Agency	GIA	E or L	MO F	Apprn	Prior Allot*	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Prior Yr Expend*	FY 13 1st Qtr	FY 13 2nd Qtr	FY 13 3rd Qtr	FY 13 4th Qtr	FY 14 1st Half	FY 14 2nd Half	FY 15	FY 16	Comments							
PART II. CIP REQUIRING ALLOTMENTS IN FY 13																														
SYSTEM-WIDE																														
1	164/2011	E-6	HHSC, Hospital Information / Electronic Medical Records System	HHSC		E	C	7,100,000	5,900,000	7,100,000				3,912,904	2,100,000	2,100,000	2,100,000	2,100,000	687,096											
MAUI REGION																														
1	164/2011	E-6	Kula Hospital, New Nurse Call System (total apprn \$1,505)	HHSC		E	C	580,000	925,000		580,000			21,220		600,000	303,780	580,000												
2	106/2012	E-8.01	Maui Memorial Medical Center, Elevator Upgrades	HHSC		L	C	3,500,000		3,500,000					500,000	1,000,000	1,000,000	1,000,000												
3	106/2012	E-8.01	Maui Memorial Medical Center, Facility Expansion and Renovation and Equip for Imaging Dept	HHSC		L	C	3,300,000			3,300,000					1,100,000	1,100,000	1,100,000												
4	164/2011	E-6	Maui Memorial Medical Center, AC Upgrade (total apprn \$1,600)	HHSC		E	C	800,000	800,000	800,000				186,996	413,004	600,000	400,000													
5	164/2011	E-6	Maui Memorial Medical Center, Facility Expan (total apprn \$3,000)	HHSC		E	C	1,800,000	1,200,000	1,800,000				259,017	300,000	600,000	1,000,000	840,983												
6	164/2011	E-6	Maui Memorial Medical Center, Plumbing Imp (total apprn \$2,000)	HHSC		E	C	900,000	1,100,000	900,000				11,432	400,000	588,568	600,000	400,000												
7	164/2011	E-6	Maui Memorial Medical Center, Fire Sprinklers, Smoke Detec. Etc (total apprn \$1,680)	HHSC		E	C	1,000,000	680,000	1,000,000				442,685	200,000	200,000	400,000	437,315												
8	106/2012	E-8.01	Maui Memorial Medical Center, Replace Beds	HHSC		L	C	700,000		700,000							700,000													
9	106/2012	E-8.01	Maui Memorial Medical Center, UST Removal and AST Installation	HHSC		L	C	220,000			220,000					120,000	100,000													
10	106/2012	E-8.01	Lanai Community Hospital, New Photovoltaic System	HHSC		L	C	700,000		700,000					80,000	300,000	320,000													
11	106/2012	E-8.01	Maui Memorial Medical Center, Utility Efficient Lights	HHSC		L	C	250,000		250,000					50,000	100,000	100,000													
12	106/2012	E-8.01	Maui Memorial Medical Center, Energy Efficient Audit	HHSC		L	C	200,000		200,000					50,000	50,000	100,000													
WEST HAWAII REGION																														
1	106/2012	E-8.01	Kohala Hospital, Renovate and Upgrade Hospital	HHSC		L	C	200,000			200,000					100,000	100,000													
2	106/2012	E-6	Kohala Hospital, Renovate and Upgrade Hospital Infrastructure	HHSC		L	C	2,000,000			2,000,000							1,000,000	1,000,000											
KAUAI REGION																														
1	106/2012	E-8.01	Samuel Mahelona Memorial Hospital, Asbestos Removal	HHSC		L	C	500,000		328,000	172,000					200,000	190,000	110,000												
2	106/2012	E-8.01	Samuel Mahelona Memorial Hospital, Replacement of the Main Water Piping	HHSC		L	C	1,100,000			1,100,000					100,000	500,000	500,000												
OAHU REGION																														
1	106/2012	E-8.01	Leahi Hospital, Remove Deteriorated Incinerator Stacks	HHSC		L	C	115,000			115,000					15,000	100,000													
2	106/2012	E-8.01	Leahi Hospital, Replace Deteriorated Transformer for Trotter Building	HHSC		L	C	50,500		50,500						50,500														
3	106/2012	E-8.01	Leahi Hospital, Replace Deteriorated Transformer for Trotter Bldg	HHSC		L	C	169,500			169,500						169,500													
4	106/2012	E-8.01	Leahi Hospital, Repair Spalling and Repaint Exterior of Atherton and Admin Bldgs	HHSC		L	C	590,000			590,000					59,000	133,000	398,000												
5	164/2011	E-6	Maluhia, Dietary Electrical System and Emergency Generator	HHSC		E	C	820,000			820,000					82,000	82,000	738,000												
6	106/2012	E-8.01	Maluhia, Replace All Windows	HHSC		L	C	650,000			650,000					85,000	585,000													
7	106/2012	E-8.01	Leahi Hospital, Removal of Underground Storage Tanks	HHSC		L	C	225,000			225,000					25,000	50,000	150,000												
8	106/2012	E-8.01	Leahi Hospital, Install Photovoltaic System	HHSC		L	C	1,000,000				1,000,000					250,000	500,000	250,000											
9	106/2012	E-8.01	Maluhia, Replace Falling Rock Wall along Keola Road	HHSC		L	C	535,000			535,000					35,000	250,000	250,000												
EAST HAWAII REGION																														
1	106/2012	E-8.01	Hilo Medical Center, Replace Walk-in Refrigerator / Freezer	HHSC		L	C	160,000		160,000						80,000	80,000													
2	106/2012	E-8.01	Hilo Medical Center, New Nurse Call System	HHSC		L	C	146,000		146,000						72,000	72,000													
3	106/2012	E-8.01	Hilo Medical Center, Spill Prevention Control and Countermeasure Correctives	HHSC		L	C	200,000			200,000					100,000	100,000													
4	106/2012	E-8.01	Hilo Medical Center, New Security Wall at Hale Hoola	HHSC		L	C	134,000			134,000					67,000	67,000													
5	106/2012	E-8.01	Hilo Medical Center, Reroof the West Wing, River Cottages and Hospital Cottages	HHSC		L	C	650,000			650,000					195,000	195,000	260,000												
6	106/2012	E-8.01	Hilo Medical Center, Replace Atrium Roof and Wall	HHSC		L	C	728,000			728,000					70,000	329,000	329,000												
7	106/2012	E-8.01	Hilo Medical Center, Upgrade Laundry Equipment	HHSC		L	C	475,000			475,000					50,000	425,000													
8	106/2012	E-8.01	Hilo Medical Center, Acute Hospital Repairs	HHSC		L	C	1,052,000		1,052,000						115,000	468,000	468,000												
9	106/2012	E-8.01	Hilo Medical Center, Upgrade AC and perform Additional Duct work	HHSC		L	C	400,000			400,000					50,000	175,000	175,000												
10	106/2012	E-8.01	Hilo Medical Center, Replace Chiller Piping	HHSC		L	C	350,000			350,000					50,000	150,000	150,000												
11	106/2012	E-8.01	Hilo Medical Center, Demolition of Old Building (Pink Palace)	HHSC		L	C	233,000			233,000					166,000	167,000													
12	106/2012	E-8.01	Hilo Medical Center, Replace Laundry Dryers / Washers	HHSC		L	C	160,000			160,000					80,000	80,000													
13	106/2012	E-8.01	Hilo Medical Center, Renovate Parking Lot	HHSC		L	C	235,000			235,000					117,000	118,000													
14	106/2012	E-8.01	Hilo Medical Center, Retrocommissioning and Energy Audit	HHSC		L	C	150,000			150,000					75,000	75,000													
15	106/2012	E-8.01	Kau Hospital, Hospital Renovations	HHSC		L	C	201,000				201,000						100,000	101,000											
16	106/2012	E-8.01	Kau Hospital, Plumbing Upgrade	HHSC		L	C	199,000				199,000					25,000	87,000	87,000											
17	106/2012	E-8.01	Hale Ho'ola Hamakua, Upgrade Facility, Incl cottages, hospital interior, AC vents, etc	HHSC		L	C	110,000			110,000						25,000	85,000												
18	106/2012	E-8.01	Hale Ho'ola Hamakua, Retrocommissioning and Energy Audit	HHSC		L	C	75,000			75,000						37,000	38,000												
19	106/2012	E-8.01	Kau Hospital, Retrocommissioning and Energy Audit	HHSC		L	C	75,000			75,000						37,000	38,000												
20	106/2012	E-8.01	Hilo Medical Center, Walking Bridge	HHSC		L	C	262,000				262,000						25,000	237,000											
Subtotals, by MOF																														
						B		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
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Grand Total																														
E = Executive Project; L = Legislative Project																														
* Prior to July 1, 2012																														
** After June 30, 2012																														

**HHSC Oahu Region
Fiscal Year 2012 Legislative Briefing**

In the fiscal year 2012 Oahu Region faced fiscal challenges. Due to late payments and reduced reimbursement levels from insurance providers, Oahu Region has had to manage its cash wisely. The Regional Administration had to set priorities on the use of cash which included meeting payroll and extending payments to its vendors beyond 45 days. Due to low census and not being able to staff by census due to civil service personnel rules, Oahu Regional facilities had to make several adjustments. Fortunately, Oahu Region's facilities were able to improve the patient acuity mix that made up for some of the differences in low census.

Since the beginning of the 2013 fiscal year, Oahu Region's census has remained consistently above budget. With the improved patient mix and improving the revenue cycle, Maluhia has been able to maintain its days in accounts payable below 40 days and Leahi has reduced its days in accounts payables from 70 to 54 days. Both facilities continue to make progress.

The electronic Medical Record project continues to be a big and important project for the Oahu Region. The "go live" dates for Leahi and Maluhia are slated for July and August of 2013, but much work has been or is currently being done to develop and test the programs to be used for our region as well as other regions. Selection of hardware is in progress. Education efforts have begun to make sure all employees have the necessary skills to use with the electronic medical record.

The Centers for Medicaid Medicare Services surveyed both Oahu Region facilities under their new survey guidelines. The new survey guidelines involved deeper review and staff interviews (first time for line staff). Oahu Region facilities received 4-Star (Leahi) and 5-Star (Maluhia) ratings with a 5-Star designation being the highest from CMS.

During the year, the HHSC Oahu Region completed its Master Plan for the Center of Excellence in Long Term Care after engaging extensive discussions with various stakeholders. The proposed Master Plan was presented to the Governor and collaborators, which included Kapiolani Community College and Diamond Theater. The Master Plan reflects a collaborative set of community views, including those directly related to health, education and arts. The Master Plan is part of the HHSC Oahu Region's budget request to the Legislature at its 2013 session. The Master Plan is a work-in-progress effort that will be further developed & refined in the upcoming months. A key part of the Master Plan is acquiring the Leahi property via a transfer from the University of Hawaii.

As part of Leahi Hospital's going-green strategy, it has received appropriate state funding for a design plan to install photovoltaic solar panels. Additionally, Leahi Hospital maintenance and housekeeping departments are presently utilizing an electric car thanks to an in-kind donation through its foundation.

Capital Improvement Projects:

During the past fiscal year the following CIP projects were completed:

Leahi -

Elevator replacement and repairs
Spalling repair and repaint of Young Building
Elevator Upgrade completed.

Maluhia –

Resident bathrooms upgraded
Door frames for residents' rooms replaced
Upper re-roofing in progress

Quality:

The MDS 3.0 Quality Measures were released in Spring 2012 - Leahi Hospital & Maluhia continue to incorporate the new QM methodology to best utilize this data for quality improvement.

Leahi Hospital passed its annual CMS and licensure survey in July 2012. Additionally, Leahi Hospital successfully completed its acute bed license survey conducted in December 2011 with no cited deficiencies. Similarly, Maluhia passed its annual CMS and licensure survey in August 2011. Subsequently, the Center of Medicare and Medicaid Services' 5-Star Rating Program designated Leahi Hospital as a 4- Star facility and Maluhia as a 5-Star facility.

Nursing

To address the growing long-term care needs of its community, Leahi and Maluhia have revamped their admission process, which in turn, has increased their census. Additionally, in response to the increasing demand for hospice and palliative care, the HHSC Oahu Region facilities have also increased their hospice programs. The Tuberculosis Unit (TB) at Leahi Hospital continues to effectively respond to the growing number of TB patients and suspect cases.

As we continue to meet the needs of our community we have strived to meet the educational needs of our staff. For example, Maluhia has expanded the services of its geriatric nurse practitioner (GNP). In addition to providing patient evaluations, the GNP is providing education for nursing staff related to respiratory and behavior issues of dementia patients. The GNP's formal and informal educational sessions have included a revised SBAR INTERACT II Tool to include solicitation of medical orders and urgent parameters. The GNP has also been working to increase awareness and use of the Physician's Orders for Life Sustaining Treatments (POLST), to further reduce avoidable hospitalizations. Our wound care nurse has also provided much needed training on wound care with incredible results. High- risk residents with pressure ulcers is 0.8% for Leahi and 1.1% at Maluhia (the state average is 7.9% and the National average is 7.3%). Leahi was awarded by CMS and the State of Hawaii Quality Improvement Organization

for Excellence in Wound Care Management in managing pressure ulcers for the period 2008-2011.

Delivery of care issues, include establishing the Restorative Nursing Program which has improved mobility, independence and self-reliance amongst our residents. As one of the first long term care facilities that has a Nursing Residency Program (NRP) with 2 new graduate nurses made an impressive presentation to the Center For Nursing Advisory Board and shared their enthusiasm for the program and also for more curriculum to be developed on Long Term Care Issues for the NRP nationwide. Similarly the Evidenced Based Practice project on Fall Prevention has identified key issues related to the issue of falls that have been instituted.

Additionally, two Maluhia nurses were awarded nurse research grants from the Hawaii State Center for Nursing which they used to attend an Evidence Based Practice Conference. Over the next two years, they will attend classes to learn how to conduct nursing research and eventually disseminate this information to other nurses in Hawaii and nationally.

Having successfully passed the CMS survey in July 2012, we continue to strive to create a homelike environment for our residents and soon will enhance the dining experience with tablecloths, napkins, proper heights of tables, and other survey observations that have already made a difference! With new nursing and senior management the balance is to uphold the traditions that have made Leahi and Maluhia wonderful places for our residents. But also in keeping with the advances in long term care enhance our services to continue to serve our cherished population for years to come.

Personnel:

Given a similar situation in FY2011, the region continues to hold staffing steady through processes of efficient organization, innovation and not filling vacant positions to the extent possible. Position count went up as a result of the lifting of the hiring freeze on budgeted positions. Increase in position count necessary to alleviate staff shortages that result in the Region’s excessive overtime costs. The Region’s overtime costs continue to drop because of increased manpower, responsible management by supervisors, and aggressive implementation of contractual provisions on employee sick leave abuse program.

	<u>Leahi</u>	<u>Maluhia</u>	<u>Total</u>
FY 12 Position Count	371	280	651
FY 11 Position Count	362	274	636
FY 10 Position Count	357	273	630
FY 09 Position Count	364	274	638
FY 12 FTE	345.36	261.58	606.94
FY 11 FTE	336.56	255.98	592.54
FY 10 FTE	332.00	256.00	588.00
FY 08 FTE	344.04	281.53	625.5

Worker's Compensation

While efforts of closing open cases are ongoing, eligible new cases brought the incurred up. The region will continue to step up efforts in preventing work-related accidents/injuries through employee in-services and training to maintain its goals of reducing workers compensation liabilities.

	<u>Leahi</u>	<u>Maluhia</u>	<u>Total</u>
FY 11 Incurred (\$000)	1,597	234	1,831
FY 11 Incurred (\$000)	1,096	170	1,266
FY 10 Incurred (\$000)	922	158	1,080
FY 09 Incurred (\$000)	723	96	819
FY 11 Open Claims	29	11	40
FY 11 Open Claims	21	7	28
FY 10 Open Claims	22	7	29
FY 09 Open Claims	17	5	22

Financial:

For the fiscal year ending 6/30/12, Oahu Region met the operating budget target despite challenges with low census in the first half of the fiscal year.

Days in A/R increased between fiscal year 2011 and fiscal year 2012, as claims payment challenges with the Medicaid QExA managed care plans continued.

Due to the slow payment from the managed care plans, Oahu Region was forced to increase the amount of time it took to pay its vendors. As a result, accounts payable for Oahu Region rose from \$457,000 at June 30, 2011 to \$1,122,000 at June 30, 2012. The impact of this rise in accounts payable is that vendors have either threatened to discontinue services or place Oahu Region on cash on delivery..

Electronic Medical Record

The electronic Medical Record project continues to be a challenging but important project for the Oahu Region and HHSC. The "go live" dates for Leahi and Maluhia are slated for July and August of 2013, but much work has been or is currently being done to develop and test the programs to be used for all of HHSC. Education efforts have begun to make sure all employees have the necessary skills to use with the electronic medical record.

Strategic Planning:

Oahu Region has focused its efforts this year on implementing action plans that support its 2011 Strategic Initiatives. Complex and ever-changing external forces require us to efficiently care for more complex patients while continuing to meet the community's expectations for customer service and quality of care.

Improvements in operations are expected with the HHSC Oahu Region's participation in the system-wide electronic medical record project. Efforts to train staff have already begun. Key staff members have participated in its development and implementation to ensure that the new record system will be effective in a long term care setting.

The HHSC Oahu Region has initiated short and long term plans to revitalize its facilities to ensure full compliance of the CMS Quality of Life and Environment of Care Standards. The effort involves the master planning for its facility sites and renovations of its present patient care areas.

To increase community involvement of its long term care services and programs, the HHSC Oahu Region has initiated an educational outreach to improve patient referrals and maximize patient occupancy rates.

We continue to collaborate with other organizations to improve our patient access to other community services. For example, we have contractual arrangements with several hospice programs. We also provide psychiatric consultations at both Maluhia and Leahi Hospital to support staff and care of patients in dealing with behavioral health issues.

At the same time, the HHSC Oahu Region facilities were responsive to the needs of the Hawaii Medical Center East during its abrupt closure in early 2012. Maluhia and Leahi Hospital assumed care of more than 20 long-term patients, thanks to both our committed and dedicated nursing and medical staff.

Risk Management:

Maluhia successfully transitioned from its CMS Special Focus Facility Status to achieve CMS 5-Star rating, based on the results of its most recent survey. This was achieved despite new survey standards and methodology implemented for the first time by CMS surveyors, which relies heavily on focused, direct observations and interviews with patients and staff in their daily care settings. Quality of Life and Patient Safety were the major areas of focus. Leahi Hospital was also approved for licensure.

Both region facilities have focused on more active review and management of unanticipated events and incident reports. Senior management and nursing unit managers meet every two weeks to review incidents involving patient care and share best practices and/or recommendations on how to prevent future occurrences and improve outcomes. Safety Committee members and department managers have performed monthly department rounds to maintain CMS licensure standards and to promote a culture of quality and patient safety.

Our infection control program provide focused education and training for our Housekeeping, Food Nutrition Services and Nursing staff to prevent illnesses and infections, among patients, visitors, and staff. This involves performing daily facility-wide surveillance and consistent use of protocols in patient management. Other initiatives implemented include surveillance of patient

and staff immunization status and improved monitoring of patient admissions for proper room placement.

HAWAII HEALTH SYSTEMS CORPORATION

KAUAI REGION

July 1, 2011 – June 30, 2012

On behalf of the employees, physicians, volunteers, management and board of the Hawaii Health Systems Corporation Kauai Region (West Kauai Medical Center / KVMH, West Kauai Clinics – Waimea, Port Allen, Kalaheo, Mahelona Medical Center / SMMH) we are pleased to submit this brief report highlighting our accomplishments of the last fiscal year.

West Kauai Medical Center / KVMH

West Kauai Medical Center / KVMH is a Critical Access Hospital with 25 Acute Care Beds and a 20-bed Distinct Park Long Term Care, with 24-hour emergency services, proudly serving the West Kauai Community and visitors alike. We are a public benefit health care facility accredited by The Joint Commission. KVMH employs 301 skilled full-time, part-time and casual hire employees and 29 active physicians that service our community.

West Kauai Clinics – Waimea, Port Allen, Kalaheo

West Kauai Clinics has three strategically placed clinics to serve the West side community. The Waimea clinic which is adjacent to the West Kauai Medical Center / KVMH offers Family Practice, Pediatric, Orthopedic, General Surgery, and OB/GYN services. It also houses the Liberty Dialysis satellite clinic and Ho'ola Lahui Hawaii – Kauai Community Health Center (Federally Qualified Health Clinic – West Clinic) among other specialty clinics.

Mahelona Medical Center / SMMH

Mahelona Medical Center / SMMH is a Critical Access Hospital with five Acute Care beds, nine Acute Psychiatric beds and 66 Long Term Care beds, founded in 1918, that serves the East and North shore communities of Kauai. Located in Kapaa, it is part of the Kauai Region of the Hawaii Health Systems Corporation formed in 1996.

MMC / SMMH now has an outpatient clinic where physicians from the West Kauai Medical Center / KVMH physicians and staff have clinic days at that clinic and is able to service community members on the East and North shore of Kauai.

QUALITY

The Kauai Region participated and partnered in a number of programs relating to enhance the quality of care we deliver. This fiscal year, we continued to participate in the State-wide CAUTI (Catheter Associated Urinary Tract Infection) Program and the National Stop CLABSI (Central Line Associated Blood Infections). Through participation in these collaborative programs, tremendous improvements have been seen in each of the targeted areas.

WORKFORCE

Communication and interaction with the staff continues to be an important role for management in the Kauai Region. The quarterly Kauai Region newsletter has played an important role in communicating important news to our employees. We continue to encourage our employees to submit input for the newsletter.

PHYSICIAN RETENTION AND RECRUITMENT

West Kauai Medical Center / KVMH has 29 providers on its active medical staff with more who use the hospital's laboratories, imaging facilities and other outpatient services or regularly refer their patients to our surgical and other specialty areas.

WKMC / KVMH has had its Hospitalist Program up and running but at full staff since January 2011. We are pleased with the way the program the quality of care it provides for our community.

FACILITIES

The following are facility improvement projects that commenced / completed during this fiscal year. They are:

- Completion of the Radiology Suite at SMMH.
- Completion of Roof Replacement at SMMH and outlying clinic building.
- Commenced Reroofing for the KVMH facility.
- Replaced New Medical Vacuum Pump System for KVMH.
- Replaced Air Conditioning System for the OT Building at SMMH.
- Replaced and added bypass for KVMH main water backflow preventer.
- Consolidated and relocated Hospital and Clinic Billing operations into the Waimea Technology Center.
- Replaced A/C unit and retiled flooring in the common areas at the Kalaheo Clinic.
- Started Design for Asbestos removal for SMMH.
- Commenced conceptual design for the new Kukuiula clinic.

CLINICAL SERVICES & TECHNOLOGY

Both the KVMH and SMMH Auxiliaries continue to work tirelessly to raise funds to purchase much needed items for their respective facilities that are excluded from the small equipment listing.

The KVMH Foundation continues to secure much needed funding for capital equipment purchases to assist the West Kauai Medical Center / KVMH.

MAUI MEMORIAL MEDICAL CENTER
ANNUAL REPORT – Fiscal Year 2012

Financial

Unaudited figures show the hospital earned net operating revenue of approximately \$187.5 million dollars with corresponding operating expenses of \$207 million, before audit adjustments. The most significant missing adjustment is the allocation of other post-retirement benefits. The net loss from operations was \$ 20 million before non-operating revenues, corporate allocation and State Appropriations. Net profit after including all State appropriations and other non-operating expenses was \$10.2 M.

The most important financial events during F12 were the changes in physician leadership in the Cardiovascular Program and the initiation of a project that will convert HHSC's system from a manual medical record and clinical documentation system to an electronic system, an Electronic Medical Record (EMR).

During FY12, MMMC was required to temporarily suspend the cardiovascular program for approximately six weeks. The program was re-opened in December 2011 and continued at lower than budgeted volumes until Dr. Michael Dang joined MMMC in February 2012. With both cardiothoracic surgeons performing procedures, the program volume nearly tripled and in FY13, is performing significantly better.

Also during FY12 MMMC made several investments in plant improvements and clinical equipment. HHSC kicked off the start of its EMR project. If done well, this project has the ability to provide information that will enable the system to improve and transform care. The project has generated challenges for the Region as we have had to balance dedication of resources to the new system as well as maintain current operations.

In addition to EMR, the following is a list of significant assets. This list represents assets purchased, or in construction and have a cost of at least \$ 100,000, as of June 30, 2012.

<u>Project</u>	<u>FY12 Additions</u>
Building - Generators	1,071,925
Building - MMMC PHASE Expansion	1,615,001
Building - Air conditioning renovation & improvements	603,580
Building - Exterior Repairs and Reroofing	727,263
Building - Heliport (final improvements)	252,450
Building & Clinical Care - Dialysis Unit	2,644,495
Clinical Care - Fixed Fluoroscopy Project	1,130,321
Clinical Care - Heart Lung Pumps (3)	142,974
Clinical Care - Hemodynamic Monitoring System	603,258
Clinical Care - Patient Monitors (35)	306,176
Clinical Care - Upgrade Patient Monitoring System	956,720

MAUI MEMORIAL MEDICAL CENTER
ANNUAL REPORT – Fiscal Year 2012

Equipment - Telephone System upgrade	282,925
Total Additions (exceeding \$100k)	10,337,089
Less: Depreciation (net of retirements)	-6,036,490
Total net additions	4,300,599

Quality

Maui Memorial Medical Center (MMMC) received the Get With The Guidelines[®]–Stroke Gold Plus Quality Achievement Award from the American Heart Association. The award recognizes MMMC’s commitment and success in implementing a higher standard of care by ensuring that stroke patients receive treatment according to nationally accepted guidelines. This marks the third year that MMMC has been recognized with a quality achievement award.

Employees

Maui FTE – 1315
Kula FTE – 198
Lanai FTE – 34

Highlights

Helipad

Maui Memorial Medical Center’s (MMMC) new helipad became operational in 2011. MMMC is now the only neighbor island hospital treating emergency heart attacks and the new helipad means that an important window of 15-20 minutes can now be saved to treat those heart and other critically-ill patients.

Electronic Medical Records (EMR)

The MMMC EMR Project is scheduled to go live in April of 2013. It is currently in the infrastructure build-out and wiring phase.

Smoke Free Facility

MMMC became a tobacco and smoke-free facility in 2012.

Auxiliary Donation

The MMMC Auxiliary provided funding to the MMMC Physical Therapy (PT)/Occupational Therapy (OT) department for a Vectra Genisys ultrasound / electrical stimulation combo unit as well as two new HiLo exercise tables with a \$15,000 MMMC Auxiliary donation.

MAUI MEMORIAL MEDICAL CENTER
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CPR Classes Given for Canoe Club

The Cardiac Rehabilitation program reached out to the community and taught the Maui Canoe Club cardiopulmonary resuscitation (CPR) techniques to paddlers while both in the boat and on land. The club was given the hands-on demonstration/lesson should someone be stricken while out paddling.

Student Art Contest

A student art contest resulted in 18 beautiful new art pieces now on display at MMMC. The theme for the contest was “Caring for One Another” and subject matter included landscapes, seascapes, animals, people and any other positive ideas that the artists envisioned. Artwork was submitted from students at numerous schools including elementary, intermediate and high schools.

Oncology Department receives Dr. Reggie Ho Quality of Life Award

The Maui Memorial Medical Center Oncology Department was presented the Dr. Reggie Ho Quality of Life Award for collaborative cancer care at the American Cancer Society’s (ACS) 2011 Volunteer Recognition luncheon.

\$85,000 Grant for Partnership to Improve Maui Health Care Delivery System

Maui Memorial Medical Center (MMMC) was one of three organizations awarded a Rural Health Network Development Planning Grant of \$85,000 from the U.S. Department of Health and Human Services’ Health Resources and Services Administration (HRSA) to support the formation of a network to improve health care integration on Maui.

Kula Hospital

Members of Maui’s delegation in the Hawaii State Legislature toured Hale Makamae, a facility of Kula Hospital that serves community members with profound developmental disabilities. The purpose of the visit was to educate state leaders about the services that Hale Makamae provides and its financial future.

2012 Legislative Brief

Hawaii Health Systems Corporation East Hawaii Region Accomplishments

On behalf of the East Hawaii Region of Hawaii Health Systems Corporation (HHSC), I am pleased to submit this end of year report highlighting the accomplishments of the Region. The report is organized into five operational pillars of excellence: People, Quality, Service, Growth, and Financial.

The East Hawaii Region includes Hilo Medical Center (HMC) and its nine outpatient clinics, Critical Access Hospitals Hale Ho'ola Hamakua in Honoka'a and Ka'u Hospital, Hilo Medical Center's Long-Term Care Center and the Yukio Okutsu State Veterans Home.

The Region's Vision is: *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

East Hawaii Region

The Board of Directors of the Region welcomed new Board members Randy Kurohara, County of Hawaii Research and Development Director, internist Daniel Belcher, MD, and Wayne Kanemoto, formerly with the state's Department of Education. The Board gratefully acknowledges the service of former board members Carol Iadelua-Myrianthis and Leonard Tanaka.

Hilo Medical Center

In an effort to increase access to physicians and other clinicians in East Hawaii, HMC credentialed 230 doctors and healthcare practitioners, including newly appointed and recredentialed Nurse Practitioners, Physician Assistants, and CRNAs. Nine medical staff members joined as affiliate members, including two locum providers.

The hospital also aligned several key specialty physician practices with the hospital, adding to HMC's network of outpatient clinics. These included urology, ENT, cardiology, among others. Key physicians joining HMC included Kristine McCoy, MD, MPH, Family Practice Residency Program Director, who also sees patients in the Hawaii Island Family Health Center, and Nathan Zilz, MD, PhD, FACC, who joined the hospital's Cardiology Clinic.

Edwin Montell, MD, was welcomed as the new Chief of Staff. His efforts to improve healthcare in East Hawaii are long standing and include involvement in the original Bill creating Hawaii Health Systems Corporation.

Hale Ho'ola Hamakua

Carmela C. Rice, BSN, MPH, was promoted from Director of Quality Assurance to Director of Nursing.

QUALITY

The East Hawaii hospitals reached new heights in quality as measured by a variety of national indicators during the year.

Hilo Medical Center

HMC achieved improvements that bring quality to a level that has never before been achieved at this hospital or in the Region.

HMC received recognition from HMSA as being the sole hospital in the State to increase quality, as measured on a spectrum of indicators, while simultaneously decreasing costs. Authored by four HMSA executives, the article "The Relationship of Hospital Quality and cost Per Case In Hawaii," which was published in *Inquiry/Volume 49*, notes HMC achieved a 12 percent increase in quality and an 8 percent decrease in costs. This critical aspect of creating the best possible experience for each patient with the high quality care, is considered a tipping point because our scores, based on the quality care we deliver with aloha, will determine how much the hospital gets paid for our services in the pay-for-performance environment.

In August, Governor Neil Abercrombie and Mayor Bill Kenoi lauded HMC's designation as a Level III Trauma Center. The Hawaii Department of Health, Emergency Medical Services and Injury Prevention Branch, awarded the designation following an intensive and rigorous survey process. Level III status means Hawaii County is better equipped to reduce death rates from trauma, which is critical given the high number of serious motor vehicle and ocean-related accidents. HMC and HHSC's Kona Community Hospital Trauma Teams combined responded to over 464 "activations" on the Big Island in the year prior to the designation. In each activation, the Trauma Teams were fully assembled prior to the patient's arrival at the hospitals. HMC's Trauma Teams, consist of staff and physicians in the Emergency Department, Operating Room, Intensive Care Unit, Radiology/Imaging Department, Respiratory Therapy and Laboratory. Also included in the HHSC hospitals' Trauma Programs is a community outreach component in which the Trauma Team shares prevention and safety information at local events.

Improvement in the patient experience and quality indicators is particularly evident in HMC's Emergency Department (ED), which was the first area of focus for the hospital's initiative to improve customer service. During the year, the ED achieved a ranking in the top third of emergency rooms in the Western region of the U.S., according to Premier Inc. Wait times, from arrival, patient registration, to evaluation by a physician are below 25 minutes. Following the designation a year ago as a Level III Trauma Center, HMC's Stroke Program began laying the groundwork to apply for Joint Commission certification as a primary Stroke Center. ED patients are also benefitting from HMC's investment in advanced training for its nurses, as well as from post-discharge calls from physicians to check on their condition and understanding of needed follow-up care. Community outreach to raise awareness of the sign and symptoms of stroke resulted in a measurable increase in patients arriving at the ED in time for administration of lifesaving drugs, where applicable. In one month of airing a radio ad focused on stroke recognition, HMC's team estimates ten lives were saved.

In June, HMC celebrated three years without a single central-line infection in its ICU, marking another significant quality milestone. The efforts of HMC's ICU team to reduce central line infections to zero since June of 2009 is a tremendous representation of the quality of the hospital. The critical gain for our patients and our community stems from the dedicated efforts of ICU Chief Dr. Mouhamed Kannass and our nurses who are incredibly mindful of this aspect of quality and patient care.

HMC takes great pride in its progress to improve Core Measures (which are mandated by the federal government). During the Fiscal Year, the hospital ranked comparable to Queens Medical Center in a number of Core Measures as reported by the Centers for Medicare & Medicaid Services (CMS) (website: www.hospitalcompare.hhs.gov). Specifically, HMC and Queens Medical Center are both "no different than U.S. National Rates" in:

- "Serious Complications," and
- "Deaths for Certain Conditions," specifically "Death Rates for Heart Attack Patients, Heart Failure Patients, and Pneumonia Patients."

It's important to recognize that the scores used to calculate HMC's performance noted above are more than a year old. With the hospital's efforts during the last year to improve quality and customer service, HMC's scores are expected to be even higher in future calculations.

In addition, other improvements in quality achieved this year include:

- Full accreditation by the Joint Commission with commendations for trauma care, home care, behavioral health, and oncology care.
- Reduction in Code Blue calls from 1.8 per 1000 patient days to 0.48 with consistent use of our Rapid Response Teams.

HMC's programs initiated during the year showed real results for patients and strengthened staff's clinical skills and sense of teamwork. These include:

- Creation of Special Code Teams (including physicians) for trauma, heart attack, and stroke.
- Extending Pharmacy coverage to 24-7.
- Expanding Behavioral Health Responder coverage to 24-7.
- Extensive Training of Cardiovascular Unit nursing staff in Stroke/Neuro care.
- Increased Customer Service training for all staff.
- Increased training for managers and administrative staff.
- Graduation of the inaugural class of HMC's new Nursing Development Program. Seventeen nurses, most of who are from local schools, completed this dynamic training program focused on improving clinical skills and acclimating new nursing graduates hired at HMC.
- Accreditation of the Diabetes in Control Program.
- Initiation of a Palliative Care Program with Hospice of Hilo.

Ka'u Hospital

Ka'u Hospital was awarded Medicare's top quality rating of "five stars."

Yukio Okutsu State Veterans Home (YOSVH)

Managed by Avalon Corporation, the nursing facility uses the company's quality assurance program *My Innerview*, which compares quality of services, clinical services, and patient satisfaction surveys with approximately 2,000 other nursing facilities across the country. Based on a yearly survey of the facility with families of residents, it achieved a score of 84 out of 94 on the Avalon Quality Outcomes Review Score.

The facility initiated an Adult Day Health Program to serve the community.

SERVICE

Hilo Medical Center

In an effort to build access to medical care in East Hawaii, HMC spearheaded a legislative effort to gain funding in the amount of \$400,000 for the Hawaii Island Family Medicine Residency Program.

The Residency Program is a practical and cost-effective means to build a stable interdisciplinary health workforce that is sufficient to serve the needs of Hawaii Island's population.

HB2368 passed the Joint House Health and Higher Education Committees and went to the Finance Committee. Discussion ensued regarding HB2368, and more specifically related to how the funding was earmarked to the University of Hawaii at Hilo. More than two dozen organizations submitted testimony for the Bill. Senate Ways and Means Committee pledged support of \$400,000 in General Funds for the Residency Program. However, the Bill was deemed "defective" at the end of the Legislative session, given that funds were stipulated for the University rather than Hilo Medical Center.

Hawaii's Department of Health released \$200,000 from its trauma program to help fund the Residency Program.

Throughout the campaign, HMC worked diligently to inform legislators and stakeholders that the Hilo Residency Program was preparing its application for accreditation by the Accreditation Council for Graduate Medical Education. Preparation of the application entailed ensuring myriad components of the curriculum, preceptors from the physician community, and all related aspects of training were in place. Once accredited, which is anticipated to occur during 2013, the program will enroll its first cohort of four doctors to begin their residency in 2014. This class will be followed by successive classes of four doctors in each of program's three years.

The importance of training physicians to practice in a rural setting is twofold:

- 1) Physicians, advanced practice nurses, pharmacists and others who are trained in a rural setting, overwhelmingly practice in rural areas, thereby increasing access to care. In addition to providing care when patients are ill, greater access to primary care through family medicine physicians also equates to a community being better served with preventative services. Preventing the development of disease by working with patients to change lifestyle choices, and diagnosing disease and conditions early when health can more likely be restored, results in a dramatic cost savings to the healthcare system.
- 2) The practice of family medicine in a rural setting requires doctors and other clinical professionals to be skilled in working with networks of providers that are often less robust than in urban settings. Hawaii Island's geography, diverse cultures, and other factors increase the need for family practice physicians who are trained to develop patients' care plans with available resources.

Given Hawaii Island's shortage of physicians, the importance of these two points cannot be overstated. Family physicians and their primary care colleagues need to be trained in the appropriate setting. Furthermore, family practice doctors are the referral source to other physician specialists. Thus, a base of family practice physicians is fundamental to attracting needed cardiologists, gastroenterologists, ophthalmologists, and other critical specialists to the Island.

Hilo Medical Center's Patient Satisfaction Program, which was established in 2010, continued to operate as a means of being proactive, rather than reactive, in responding to patients' needed and concerns. The goal of the program's Patient Satisfaction Representatives is to emulate the hospital's mission by reducing patient anxiety and ensuring them that they are receiving very good care throughout their stay.

The hospital's Patient Service Representatives visit the vast majority of patients every day during their stay to ensure they are comfortable and make certain their needs are being met. If a patient has a reasonable concern that needs to be addressed, the representatives will take immediate action and work towards a resolution of the concern within 24 hours.

HMC's three-part customer service training course was attended by 98% of hospital staff. This daylong intensive training session highlighted the importance of communication between each member of the hospital's team. HMC's training program incorporated the uniqueness of Hawaii and the Hilo community.

Ka'u Hospital

Due to a summer wildfire, residents at Ka'u Hospital were relocated to the Naalehu Community Center due to smoke infiltration in the building. An extensive clean up due was required due to soot that settled in most areas of the facility. Ms. Marilyn Harris, Administrator, and the staff performed admirably in this endeavor.

GROWTH

Hilo Medical Center

There were over 41,000 patients seen in the Emergency Room for FY 2012 making Hilo Medical Center the second busiest ER in the State. There was a 5% increase in inpatients and 3% increase in surgeries at HMC.

The need to replace the aging Long-Term Center has long been recognized by hospital leadership. While Mayor Billy Kenoi and Gov. Neil Abercrombie visited the facility this year, Medical Director Dr. Craig Shikuma met with Senator Daniel Inouye. Dr. Shikuma reiterated the need for a Long-Term Care replacement facility, and support for the Family Practice Residency Program.

The Strategic Planning Committee further explored service opportunities relative to women's health. A Women's Health Task Force was formed in order to assess opportunities with this service.

Ka'u Hospital

Ka'u Hospital was allocated State of Hawaii CIP funds to complete Vog Mitigation improvements. The project includes improving the air conditioning system, installing exterior windows and a new roof, and implementing various smaller facility enhancements.

Financial

Hilo Medical Center

Total Operating Revenue for FY12 was \$138.1M compared to a budget of \$128.9M, a 7% favorable variance. FY12 Total Operating Expense was \$152.8M versus a budget of \$146.5M, a 4% unfavorable variance. Operating Income (Loss) for FY12 was (\$14.8M) compared to budget of (\$17.6M). After Corporate Overhead and other appropriations, the Net Income (Loss) was \$1.2M for FY12 versus a budget of (\$3.4M).

Hale Ho'ola Hamakua Executive Summary

Total Operating Revenue for FY12 was \$18.3M compared to a budget of \$16.6M, a 10% favorable variance. FY12 Total Operating Expense was \$13.2M versus a budget of \$14.2M, a 7% favorable variance. Operating Income (Loss) for FY12 was (\$2.1M) compared to budget of (\$2.4M). After Corporate Overhead and other appropriations, the Net Income (Loss) was (\$.16M) for FY12 versus a budget of (\$1.1M).

Ka'u Hospital Executive Summary

Total Operating Revenue for FY12 was \$5.31M compared to a budget of \$5.30M. FY12 Total Operating Expense was \$6.9M versus a budget of \$7.3M, a 5% favorable variance. Operating Income (Loss) for FY12 was (\$1.6M) compared to budget of (\$2.0M). After Corporate Overhead and other appropriations, the Net Income (Loss) was (\$.48M) for FY12 versus a budget of (\$.84M).

Hawaii Health System Corporation
West Hawaii Region
July 1, 2011 – June 30, 2012

On behalf of the employees, physicians, volunteers, management and board of the HHSC West Hawaii Region (Kona Community Hospital and Kohala Hospital) we are pleased to submit this brief report highlighting our accomplishments of the last fiscal year.

Kona Community Hospital

Kona Community Hospital (KCH) is a 94-bed full-service acute care hospital with 24-hour emergency services, proudly serving the West Hawaii community. We are a public benefit health care facility accredited by the Joint Commission on Accreditation of Health Care Organizations.

The staff includes over 450 highly skilled employees and 100 medical staff practitioners, many who have been with our hospital for over 20 years. We also are one of the largest employers in West Hawaii.

Accolades and accomplishments include being voted Best Hospital in West Hawaii in the 2012 West Hawaii Today “Best Of” poll and the 2012 American Heart Association’s Gold Performance Award in Heart Failure.

Kohala Hospital

Kohala Hospital is a 26-bed Critical Access Hospital, founded in 1917, that serves the population of North Kohala. Located in Kapaau, it is part of the West Hawaii Region of the Hawaii Health Systems Corporation, a special state agency established in 1996.

Kohala Hospital (KOH) employs 58 full-time, part-time and casual-hire employees. With 22 beds dedicated to Long Term Care, KOH provides emergency services, outpatient lab, radiology and EKG services, inpatient short-stay acute care and inpatient rehab services. There are emergency physicians on-call at all times, servicing more than 1600 emergency room patients per year.

QUALITY

KCH was designated as a Level III Trauma Center in August 2011. The Level III designation increases efficiency in the treatment of traumatic injury and better equips Hawaii County to reduce death rates from trauma.

KCH staff continue seek excellence and to improve clinical quality measures. Since 2009, we have maintained composite scores of 90% or higher. In 2011, KCH’s overall composite rate for Core Measures (evidence based practice standards) was 95%.

At KCH, Hospital Acquired Infections are trending down across all infection types. Success here is due to continued attention to infection prevention measures by a hospital-wide multidisciplinary team combined with a two-year collaborative effort with Healthcare Association of Hawaii (HAH) to reduce central line associated bloodstream infections and catheter associated urinary tract infections. Of note, in the previous six quarters, KCH has had no healthcare acquired Methicillin-resistant Staphylococcus aureus (MRSA) infections.

Kohala Hospital passed its annual Centers for Medicare and Medicaid Services (CMS) survey with no significant violations. The surveyors found Kohala's Emergency Department to be 100% improved; a model for small, rural hospitals. The hospital is certified as a Trauma Support Facility.

WORKFORCE

New Regional management teams member appointments include the Regional Medical Director and Regional Chief Nurse Executive. Kohala Hospital hired a new Hospital Administrator.

Employee engagement activities were held throughout the year. These included: Town Hall meetings, employee of the month recognition program and the monthly Employee Birthday Lunch where all employees with birthdays in the current month are invited to have lunch with and meet the CEO. KCH continues to celebrate National Nurse and Hospital Weeks.

Exempt and excluded employees continue to have wage reductions in place.

PHYSICIAN RETENTION & RECRUITMENT

Kona Community Hospital has approximately sixty-five physicians representing 22 specialties on its active medical staff. In FY 2012, we saw additions to the permanent medical staff in the fields of anesthesia, cardiology, general surgery and urology. We have since added an orthopedics and obstetrics.

Recruiting and retention of permanent physicians to our community remains a challenge. However, we are addressing this challenge with a progressive recruitment and retention plan in collaboration with our non-profit affiliate, Ali'i Health Center.

The recruitment process is 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.

Kohala hospital has 30 physicians; some who serve both Kona and Kohala.

PARTNERSHIPS

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

- Ali'i Health Center
- HHSC (Hawaii Health Systems Corporation)
- Hawaii Life Flight
- Kona Ambulatory Surgery Center
- Kona Community Hospital Auxiliary
- Kona Hospital Foundation
- Maui Memorial Medical Center's Maui Heart & Vascular

FACILITIES

Through previously released State CIP funds, improvement projects which were completed at KCH include: upgrades to the nurse call system, the fire alarm system and the hospital wastewater treatment plant. CIP dollars were also used to install a new security camera system at entry and exit doors for the purposes of infant security. CIP funded seismic mitigation measures to ceiling tiles is estimated to be completed by Q2 of 2013. Two patient rooms have been completely renovated as part of the Adopt-A-Room Project, which was started with funding from the Kona Hospital Foundation. Additional room renovations are pending electrical upgrades expected to be completed by year's end.

At Kohala Hospital, renovations to interior areas have progressed. Through State CIP dollars, improvements have been made to wall coverings, signage and new windows have been added. A waiting area was added to the lab. State-of-the-art, digital radiology equipment has been installed. A flooring project, new nurse's station and renovations to the dayroom have been completed. Planned and in-process renovations include: hospital-wide bathroom renovations, west-wing hallway and patient rooms wainscoting and closet installations. Exterior renovations include a new emergency access ramp.

CLINICAL SERVICES & TECHNOLOGY

Kona Hospital Foundation has continued to raise monies for their current capital campaigns: the Adopt-A-Room Project and the Buy-A-Bed Project. In addition, the Foundation has begun a progressive campaign to raise funds to purchase equipment for the new on-campus cardiology clinic.

KCH is partnering with Maui Memorial Medical Center to operate the Maui Heart and Vascular – Kona Clinic. The clinic opened on the KCH campus in April 2012. The clinic is staffed weekly by a non-invasive cardiologist. A thoracic surgeon provides once-a-month consulting and referral services to West Hawaii residents. To date, the non-invasive cardiologist has seen 60 new patients. The thoracic surgeon has seen 42 new patients.

KCH has contracted with Hawaii Life Flight to secure a medically equipped, over-water helicopter that will be in use beginning December 2013. This helicopter will be stationed at the Kona Airport and operate exclusively for KCH. This partnership has the potential to reduce emergency transit times from the 4 hours it currently takes to transport a patient to Oahu, to approximately one hour.

The West Hawaii Region is on target to be the first region in the HHSC system to implement electronic medical records (EMRs). Beginning September 2011 KCH clinical and operational teams along with teams from HHSC and Sieman's Medical Solution USA have been involved in building, designing and testing the new systems. KCH and KOH facilities both continue to be upgraded with additional technology infrastructure and new equipment. The "go-live" date for the West Region is February 2013.

Kona Community Hospital's Mobile Medical Van was named Ho'o ka ana (To Share) and was blessed in March 2012. The 32' van, is dedicated to rural healthcare, and is owned and operated by KCH. HMSA is providing operating funds for a two year period. KCH has a contract with a school in Ka'u to conduct physicals and other services. KCH also has a contract with a church in Ocean View to provide services to that community as needed.

REVENUE CYCLE IMPROVEMENT

During FY 2012 the primary focus of the Patient Financial Systems Department continued to be enhancement of our in-house collections efforts and reduction of our credit balances to comply with Medicare guidelines. These initiatives continue to have a positive impact on revenue. Volumes and revenue increased by 8% in FY 2012, along with a small increase in surgeries and a 1% decrease in Medicare revenue. For the Fiscal Year 2012, after \$11.8 million subsidy from the State of Hawaii, KCH net revenue was \$1.6 million.

The Kohala Hospital Revenue Cycle Team continues to focus on reducing challenges from QExA payors when updating authorizations for admission or continued stay in long term care. The Revenue Cycle Team addresses issues in pre-authorizations and the 1147 process both internally and with the payor company Quality Directors.

The West Hawaii Region continues to provide comprehensive community health care. We have implemented a wide range of strategies that are producing better patient outcomes, delivering new clinical services and creating 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 continue to innovate in order to provide exceptional patient care. Moving forward into 2013, we are focused on big projects that will match the evolving health care needs of West Hawaii.