



# **HAWAII HEALTH SYSTEMS**

C O R P O R A T I O N

*Quality Healthcare For All*

## **Oahu Regional Health Care System, Hawaii Health Systems Corporation (HHSC) 2024 Legislative Budget Briefing**

### **HOUSE COMMITTEE ON FINANCE**

**Representative Kyle T. Yamashita, Chair  
Representative Lisa Kitagawa, Vice Chair**

### **HOUSE COMMITTEE ON HEALTH & HOMELESSNESS**

**Representative Della Au Belatti, Chair  
Representative Jenna Takenouchi, Vice Chair**

**Tuesday, January 16, 2024**

**9:00 A.M.**

**State Capitol, Room 308**

### **Oahu Regional Health Care System: Vision and Mission**

Our Vision is to be a proud center of long-term care excellence – to inspire hope, aloha, and a feeling of ohana to those entrusted to us.

Our mission is to provide the highest quality of life in long term care.

### **Background**

The Oahu Regional Health Care System (hereinafter, “Oahu Region”) plays a vital role in our local community as an important safety net provider of long-term care and adult day health services. The Oahu Region almost exclusively serves Medicaid patients, a group that is overwhelmingly underserved by private facilities because of the high cost of their care. Leahi Hospital and Maluhia generally accounts for approximately 11% of the total inpatient licensed skilled nursing/intermediate bed capacity for the island of Oahu and 14% of the total number of Medicaid beds.

In addition to inpatient care, Maluhia and Leahi also operate two of the only three remaining Adult Day Health Centers on Oahu. These programs enable families to keep their loved ones at home while providing a therapeutic and recreational place to send them when they are at work or otherwise unavailable.

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For many of our nursing home residents and day health participants – especially those receiving Medicaid benefits due to a lack of personal assets (approximately 86% of our inpatients), the Oahu Region’s facilities are often the only options for quality post-acute and community-based health care services.

In an additional effort to serve our local population, the Oahu Region began partnering with Hawaii Meals on Wheels from 2019 to provide hot meals for disabled elders on Oahu, which enables them to sustain their independence at home and in the community.

## **Challenges**

### **Residents Financially Vulnerable and Dependent on Medicaid**

As noted above, approximately 86% of the Oahu Region’s residents are financially deficient and dependent on Medicaid. Given the historically low rate of Medicaid reimbursements – the primary reason why private facilities do not admit Medicaid patients – our revenues require legislative subsidies to sustain the costs of our labor, supplies and other necessary overhead.

### **COVID-19 and Staffing Impact**

For nearly three (3) years, the impact of the COVID-19 virus on society, the economy and businesses has been significant and continues to pose challenges for our facilities. Despite the health impacts of COVID-19 gradually becoming more controlled, we must still exercise the highest level of precautions and restrictions in our infection prevention protocols to ensure the continued safety of our vulnerable residents and staff. Such efforts in FY23 alone amounted to roughly \$545K in additional expenditures.

In terms of staffing, healthcare facilities locally and around the nation are currently struggling to fill vital gaps in their workforce, especially in clinical positions like Certified Nurse Aides (“CNA”) and Registered Nurses (“RN”). To alleviate some of the strain, we have repurposed employees from other departments to assist in clinical care, approved overtime for existing nursing staff, and sought agency staff when possible. We have also begun investing heavily in new recruitment initiatives, such as offering subsidized or fully-covered training and test fees for CNAs who commit to full-time employment with the Oahu Region for at least one year.

Due to the COVID-19 prevention efforts and staffing shortage issues, the Oahu Region has had to decline admissions and operate at a decreased census level in order to maintain the same high quality of care for the existing residents at our facilities. This naturally led us to experience a commensurate reduction in operating revenues for both our long-term care and Adult Day Health services. Until we are able to return to normal

staffing levels in our units, the community need for our services will continue to grow and our census/revenues will remain below our facilities' capabilities.

### **Other Challenges**

- Escalating costs related to clinical staff recruitment and retention
- Labor costs well above industry norms
- Increasing demand for long-term care services from aging population
- The need for capital investment in new medical technology.
- Aging facilities, with life and safety code issues and deferred maintenance, well beyond the average for similar facilities across the country.
- The impact of national changes to healthcare policy, federal mandates, and federal budget reductions.

### **Accomplishments**

In spite of our many challenges, the Oahu Region continues to provide high quality healthcare to the communities we serve and is making progress in key areas. The following are some of the major accomplishments over the past year:

### **Strategic Plan**

The Oahu Regional Board of Directors and Management previously completed a Strategic Plan that was submitted to the Legislature in December 2019, but due to the onset of the pandemic, the initiatives had to be deferred so that we could prioritize infection control and other safety measures for our residents and staff. Now that COVID-19 has become more controlled from a medical standpoint, we have begun redirecting some of our efforts and resources back to our strategic initiatives.

Briefly stated, the Strategic Plan focused on the growing needs of our aging population and the anticipation that, in the next 5-10 years, it is projected that an additional 1,100 long-term care beds will be necessary to accommodate the aging community on Oahu. The Oahu Region team also recognized that its resources, particularly areas throughout the Leahi campus, are currently underutilized and could be improved and repurposed to provide other important public benefits. Specifically, there is an immediate need to address the lack of facilities and housing on Oahu for people with a history of mental health, housing instability, and/or substance use issues. There is also a need for facilities that could help alleviate the overcrowding of waitlisted patients in our acute hospitals.

We have been actively working with the DOH to address the expanding need for mental health and substance use treatment. One important project on the Leahi campus that has thus far been successful is the Palekana Residential Treatment Program ("Palekana"), a collaboration with the DOH Adult Mental Health Division ("AMHD") and

Care Hawaii. Originally opening as a proof of concept pilot for a handful of individuals in December 2019, Palekana currently operates as a Group Home that provides 28 beds for adults with serious mental and co-occurring substance use disorders in a warm, welcoming and safe environment where personnel are supportive, encouraging, and professional. Referrals into Palekana are received and approved by the AMHD from the Hawaii State Hospital (“HSH”) and community based mental health providers. By housing and treating such individuals in Palekana rather than HSH, the state has benefited from estimated savings of over \$15 million annually.

Palekana facilitates a team approach in its provision of independent living skills and supportive services twenty-four (24) hours a day, seven (7) days a week. Services are designed to rehabilitate with individualized treatment goals to support a successful re-integration into the community under the least restrictive level of care. Treatments are focused on relapse prevention and recovery, and provide residents with the opportunity to participate in structured therapeutic programs while being able to reside, albeit under professional supervision, in the community. Activities include group counseling, education, skill building, recreational therapy, and family services to gain access to necessary medical and rehabilitative services to reduce psychiatric and substance abuse addiction symptoms and develop optimal community living skills.

Another significant project that we have initiated on the Leahi campus is a partnership with the City and County of Honolulu (“City”), Emergency Medical Services Department (“EMS”) and Queen’s Medical Center (“QMC”) for a medical respite facility in the space formerly occupied by Hale Mohalu, the DOH’s Hansen’s disease program. The program, which is slated to begin operations in January/February 2024 and will be managed by the City’s Crisis Outreach Response and Engagement (CORE) division, will house lower acuity hospital patients and homeless individuals in need of medical care. The program will be supported by QMC through the provision of psychiatric and other clinical services. In addition to providing the necessary space, the Oahu Region will also support the program with dietary and maintenance services. We are hopeful that this project will help increase bed availability at the hospital for acutely ill patients and effectively assist in transitioning the residents back into the community or to an appropriate step-down facility.

### **Daniel K. Akaka State Veterans Home**

The Oahu Region, working in tandem with the Office of Veterans’ Services (OVS), a division of the State’s Department of Defense (“DOD”), secured legislation during the 2022 Legislative Session (introduced as HB1893 HD1 SD2 CD1 and signed into law as Act 285, SLH 2022) that transfers the Daniel K. Akaka State Veterans Home (DKASVH) from the DOD to the Oahu Region once its construction is completed.

Despite a number of delays due to supply chain and electrical connectivity issues, we anticipate that construction of the DKASVH will be completed by February 2024. In

terms of operations, the Oahu Region and DOD partnered in soliciting proposals from potential operators with the experience necessary to successfully open, license, and operate the DKASVH at the highest U.S. Department of Veterans Affairs (VA) standards. We are currently in negotiations with the selected operator and anticipate finalizing the terms of the operating agreement shortly.

At present, there are approximately 85,000 Veterans on Oahu who may be eligible to receive care at the new home in addition to their spouses and Gold Star Parents. DKASVH is designed to provide long term nursing home care, rehabilitation therapies, hospice care, geriatric mental health, Dementia and Alzheimer's care, respite and adult day health. DKASVH will be a 120 bed, 130,000 square foot facility with single occupancy rooms situated on seven (7) acres in Kapolei.

### **Recruitment Initiatives**

In an effort to fill vital gaps in our workforce, especially in clinical positions like Certified Nurse Aides ("CNA") and Registered Nurses ("RN"), the Oahu Region has pursued two creative programs to find qualified staff.

First, both of our facilities participate in the Healthcare Association of Hawaii's ("HAH") Good Jobs Hawaii Program, in which students in health care programs such as those for CNA and other certifications are granted free tuition/certification exam fees along with immediate placement opportunities both during and after graduation. Because the program funds do not come from the Oahu Region, however, students are free to seek employment at any healthcare facility. Through the Oahu Region's efforts in the program, such as personal presentations at various schools and participation in the program's rapid hire events, we have thus far been able to hire two (2) CNA students and three (3) recent graduates at Maluhia and one (1) CNA student at Leahi Hospital ("Leahi").

Second, we started a pilot recruitment program at Maluhia that is similar to Good Jobs HI. Under the program, we offer "no-cost" training with a reputable CNA training program, Healthcare Training & Career Consultants (HT&CC), and the subsequent costs of CNA certification to students who commit to working at Maluhia for at least one (1) year after becoming certified. Our first cohort consists of six (6) students who, if successful in the program, will even be offered the opportunity to work as Nurse Aides while they complete the requirements for certification. We believe that this program will benefit all parties as it will help alleviate our staffing shortages while also giving those who could not otherwise afford the costs the opportunity to become CNA certified. Our intent is to expand this program to Leahi and continue with successive cohorts until our staffing needs are met at both facilities.

### **QMC and Oahu Region Acute to Long-Term Care Transfer Pilot Program**

During the 2018 legislative session, the legislature passed House Concurrent Resolution 95, Senate Draft 1, in an effort to address the issue of overcrowding at acute facilities by waitlisted patients (patients who no longer require acute-level services but still occupy acute-level beds while awaiting placement into skilled/intermediate care facilities). As a result of the high number of waitlisted patients, acute facilities statewide have been sustaining significant annual net losses and have been unable to provide sufficient bed space for the general public. House Concurrent Resolution 95 requested that providers work with acute facilities on Oahu and develop recommendations to reduce the wait times for placement of waitlisted patients into long-term care settings.

Through our efforts, we determined that approximately one-third of the waitlisted patients at acute facilities have not been placed because they were deemed inappropriate for admission due to lack of guardianship/POA, were awaiting Medicaid approval, or other non-clinical reasons. In order to address this extensive group of waitlisted patients, the Oahu Region recently started a pilot program where the same are admitted to our facilities with certain up front financial guarantees from the discharging facility.

Under the program, the discharging facility provides guardianship/POA and admission costs to the Oahu Region for admitted residents until such time that Medicaid is approved. If approved, all retroactive Medicaid payments will be reimbursed to the discharging facility and future care costs will be covered by Medicaid. If Medicaid is not approved, the discharging facility will bear the costs of care for the admitted resident until Medicaid is approved or the resident is discharged. Even if the discharging facility is obligated to independently bear the care costs, however, the discharging facility still experiences a net benefit because such costs are a fraction of the amount that would otherwise be incurred by the discharging facility if it had to continue treating the resident. The public also receives a collateral benefit from this program because each admitted patient from an acute facility creates one additional open acute bed.

The program began in November 2023 and, since then, we have already admitted several waitlisted patients.

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

Oahu Region's partnership with Beyond Green Partners ("BGP") provided our staff the opportunity to learn ways to improve the quality of meals we serve to our residents, the benefits of utilizing local products and fresh ingredients, and minimizing food waste.

Despite the pandemic, our kitchens continue to implement quality food production practices introduced to us by BGP. We regularly serve scratch-cooked foods and use

fresh ingredients instead of frozen as much as possible. Although the costs for local products have significantly increased, we still seek and utilize more local food sources – where possible - to support our local farmers and Hawaii’s economy. Moreover, as we have learned from our partnership with BGP, it is essential for us to consistently provide fresh, healthy meals both internally to our residents and Adult Day Health participants, and externally to the community through the Hawaii Meals on Wheels Program. Having a steady stream of locally produced products supports this approach.

Currently, we are primarily using local sources for our produce items, such as vegetables and fruits. Other non-produce items, such as coffee, soy sauce, meats, etc. are also ordered locally to the extent our dietary budgets allow.

### **Federal Funds**

The Oahu Region’s primary source of federal funds is Medicaid reimbursements, which account for approximately 86% of the Oahu Region’s patient gross revenues. Over the past years, the Oahu Region received additional federal funds through the Paycheck Protection Plan, the American Rescue Plan Act (ARPA) and Phase 4 grants available through the Health & Human Services Provider Relief Fund. In fiscal year 2023, however, the Oahu Region received no federal Provider Relief Funds.

### **Non-General Funds**

HHSC’s non-general funds report is attached to this memo.

## **OAHU REGION REQUEST**

### **Emergency Appropriation**

**The Oahu Region does not anticipate requiring an emergency appropriation in fiscal year 2024**, assuming that the Governor will release the 10% general fund restrictions of \$1.9 million that the Administration imposed. The Oahu Region is only able to do this because we plan to rely upon existing working capital to fund our anticipated cash flow deficit in fiscal year 2024. Of course, this will ultimately leave the Oahu Region with a diminished cash balance going into fiscal year 2025. While the Oahu Region has historically been required to exhaust all of its available funds to maintain our operations, we currently have a limited amount of working capital due to remaining balances on our Provider Relief Fund grants, savings from the continuance of the lower fringe benefits rate required to be charged on our payroll.

**Fiscal Years 2025 Supplemental Budget Request (HTH 215)**

In the 2023 Legislative Session, pursuant to HB300 HD1 SD1 CD1, the Legislature appropriated the Oahu Region, under Program ID 215, a subsidy of \$23,372,000 for FY 2025 operations and \$3,500,000 for FY 2025 capital improvement projects.

The Oahu Region is not requesting any additional appropriation for FY 2025 operations in this supplemental budget request. For capital improvements, however, the Oahu Region is requesting an additional appropriation of \$6,200,000 for continued infrastructure repair and renovation.

**Justification for Additional Funding Request for Capital Improvement Projects**

The supplemental capital improvement funds being requested of \$6,200,000 are intended to address current life safety and infrastructure deficiencies at both Maluhia and Leahi Hospital. Leahi Hospital has wet dry standpipe valves that need to be replaced to assure firemen can connect piping from fire hydrant. Also, exhaust fans, heat pumps and deteriorated windows need to be replaced for patient safety. Maluhia has condensation leakages and needs an upgrade to its patient monitoring for elevators (to prevent patients from eloping from the facility via the elevators). Also, both facilities are requesting hazmat studies which will determine when renovation will be affected by hazardous materials and the required remediation. Without these projects, we believe that the health and safety of our residents, staff and visitors could be compromised. The details on the individual projects can be provided upon request.

The chart below summarizes the following information: (1) the amounts for operations appropriated by the legislature for FY 2024 and FY 2025; (2) the CIP amounts appropriated by the legislature for FY 2024 and FY 2025; (3) the supplemental CIP amount requested for FY 2025; and (4) the supplemental CIP amount recommended by the Governor for FY 2025.

| Funding Type                          | FY 2024       | FY 2025       | FY 2025 Supplemental Request | FY 2025 Governor Recommendation |
|---------------------------------------|---------------|---------------|------------------------------|---------------------------------|
| <b>Appropriations for Operations:</b> |               |               |                              |                                 |
| <b>General Fund Appropriations</b>    | \$ 20,189,000 | \$ 23,372,000 | \$ -                         | \$ -                            |
|                                       |               |               |                              |                                 |
| <b>CIP Appropriations:</b>            | \$ 5,000,000  | \$ 3,500,000  | \$ 6,200,000                 | \$ -                            |

**Conclusion**

The Oahu Region provides an invaluable safety net service to the community in the forms of long-term care, adult day health, and targeted mental health treatment. In order to sustain these services while faced with the continued challenges of COVID-19,



collective bargaining pay increases, mandated increases in the fringe rate for pension and retiree health insurance cost (OPEB), limited Medicaid revenues and needed repair and renovations to our infrastructure, we must rely on the legislature for crucial financial support. Absent such support, the unfortunate reality is that our only immediate alternatives would include reductions in personnel and reductions in much needed services at great cost to the community and the families we serve. For these reasons, we are very grateful for your continued support of the Oahu Region and our mission.