



HAWAII HEALTH SYSTEMS

C O R P O R A T I O N

Quality Healthcare For All

January 3, 2024

The Honorable Ronald D. Kouchi,
President and Members of the Senate
State Capitol, Room 409
Honolulu, HI 96813

The Honorable Nadine K. Nakamura,
Speaker and Members of the
House of Representatives
State Capitol, Room 431
Honolulu, HI 96813

Aloha President Kouchi, Speaker Nakamura, and Members of the Legislature:

For your information, I am transmitting a copy of the Hawaii Health Systems Corporation's annual audit and report for Fiscal Year 2024.

Pursuant to section 93-16, Hawaii Revised Statutes, this report may be viewed online at:

<https://www.hhsc.org/about-us/hhsc-reports/>

Sincerely,

Edward Chu
President and Chief Executive Officer
Hawaii Health Systems Corporation

Enclosures

C: Legislative Reference Bureau
Hawaii State Library System (2)
Hamilton Library

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HAWAII HEALTH SYSTEMS

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Quality Healthcare For All

**REPORT TO THE
THIRTY-THIRD
HAWAI‘I STATE
LEGISLATURE
FOR FISCAL YEAR 2024**

January 2025

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

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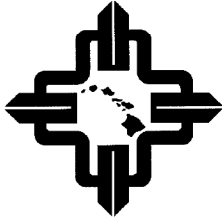
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East Hawai'i

West Hawai'i

Kaua'i

O'ahu



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

PCEO-25-001

Report to the Legislature
Hawaii Health Systems Corporation Annual Audit and Report for FY2024;
Pursuant to HRS Section 323F-22(a) and (b)

Hawaii Health Systems Corporation (HHSC) is pleased to submit this report to the Legislature in accordance with section 323F-22, Hawaii Revised Statutes (HRS) relating to HHSC's Annual Audit and Report. This report includes (a) projected revenues for each health care facility for FY2025 and a list of capital improvement projects planned for implementation in FY2025; and (b) regional system board reports.

The HHSC network of hospitals and clinics provide high quality healthcare services to residents and visitors in the State of Hawaii regardless of the ability to pay. In this regard, HHSC continues to serve as a vital component of the State's system of healthcare. 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); Leahi Hospital, Maluhia, and Daniel K. Akaka State Veterans Home (O'ahu Region); Kaua'i Veterans Memorial Hospital and Samuel Mahelona Memorial Hospital (Kaua'i Region), in addition to three non-profit affiliate providers: Ali'i Community Care, Inc: Roselani Place – Maui; Ali'i Health Center – West Hawaii, and Kahuku Medical Center – O'ahu. HHSC also owns and operates several physician clinics and outpatient pharmacies throughout the State.

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

In fiscal year 2024, HHSC's facilities continued to experience increasing patient volumes over previous years. HHSC's acute admissions for fiscal year 2024 increased over 9% from fiscal year 2023, and long-term care admissions for fiscal year 2024 increased 6% from fiscal year 2023. HHSC's emergency department visits for fiscal year 2024 increased approximately 4% from fiscal year 2023, and HHSC's long-term care patient days for fiscal year 2024 increased almost 3% from fiscal year 2023.

These increasing patient volumes demonstrated how critical HHSC's facilities are for access to healthcare in the State of Hawaii, especially on the neighbor islands. In fiscal year 2024, HHSC's acute discharges were 14,017 which accounts for approximately 13% of all acute care discharges in the State of Hawaii. In fiscal year 2024, HHSC's emergency department visits were 91,459, representing approximately 19% of all emergency department visits statewide. The impact of HHSC's facilities on the neighbor islands is even more impressive. For residents of the County of Hawaii, HHSC's facilities cared for nearly 70% of all acute care discharges and 81% of all emergency department visits. For residents of the County of Kauai, HHSC's facilities cared for 22% of all acute care discharges and 40% of all emergency department visits.

While the demand for care increased, HHSC continued to endure significant clinical staffing shortages due to lack of available staff as a result of challenging economic conditions such as high cost of living, scarcity of affordable and available housing, and the limited capacity of Hawaii colleges and universities to accept and graduate nursing students and clinical technicians. For this reason, HHSC has had to supplement its staff with contracted nursing and other clinical personnel. In fiscal year 2024, HHSC spent nearly \$40 million in contracted nursing and other clinical personnel as compared to \$14 million in fiscal year 2021. HHSC's regions implemented workforce programs and initiatives, many in conjunction with community partners, in an effort to lessen the ongoing staffing shortages. HHSC has seen recruitment success with its continued commitment to its surgical technologist programs, nurse residency programs, specialized nursing certificate programs, certified nurse assistant program, the Hawaii Island Family Residency Program at Hilo Medical Center, and working with the Healthcare Association of Hawaii, and the Good Jobs Hawaii Program.

In addition to staffing shortage challenges and high cost of contract labor, HHSC continues to face increasing operating losses due to excessive levels of salaries and benefits expense as compared to the private healthcare industry. HHSC was forced to absorb collective bargaining raises of varying percentages due to agreements between the State of Hawaii and public sector unions retroactive to July 1, 2021 and expiring on June 30, 2025. These raises are projected to cost HHSC a cumulative total of over \$90 million at projected fringe benefit rates over the four-year period of the agreements. Further, the collective bargaining agreements negotiated by the State of Hawaii are meant to cover employees supporting the static business environment of administrative offices, not the dynamic working environment found in the hospitals that HHSC operates. As a result, the work rules and pay schedules dictated by those collective bargaining agreements makes it difficult for HHSC to operate its facilities efficiently and cost effectively. In addition, the State assessed HHSC a fringe benefit rate of 64.25% for fiscal year 2024. This represents an increase in the fringe benefit rate assessed in fiscal year 2023 of 52.83%, resulting from the State of Hawaii's decision to temporarily suspend the statutory funding requirement for its retiree health insurance program. Other private hospitals across the nation pay a fringe benefit rate of between 25-30%. The impact to HHSC of the difference between its fiscal year 2024 fringe benefit rate and the private hospital fringe rate of 30% is approximately \$90 million in additional annual expense to HHSC. As a result of these ever-increasing cost pressures, HHSC's salaries & benefits

expense as a percentage of net patient service revenue was 67% for fiscal year 2024, as compared to the U.S. Not-for-Profit Healthcare System Median of 58.9% from Standard & Poor's Global Ratings for 2023.

HHSC recognizes the need to continually seek new ways to fund its operations outside of seeking additional general fund appropriations from the State of Hawaii in order to improve services to the community and improve HHSC's financial performance. HHSC has implemented and continued its efforts with several initiatives:

- Focus on Growing Revenue:

Achieving Third-Party Payor Rates on Par with Private Hospitals in the State of Hawaii

Utilizing the resources of a consulting firm and published payment rates available as a result of federal price transparency legislation, HHSC continued negotiation of contracts for its commercial lines of business that will bring HHSC's reimbursement rates for healthcare services up to par with those of the private hospitals in the State of Hawaii. The increases in reimbursement rates have contributed to HHSC's revenue growth in the prior fiscal year, fiscal year 2024, and will continue into the future as new contracts are negotiated.

Focus on Revenue-Generating Services that Improve Services to the Community:

In fiscal year 2024, Hilo Benioff Medical Center developed revenue generating services by continuing to expand their specialty care services including dermatology and plastic surgery. A new CT scanner was installed at Samuel Mahelona Memorial Hospital in fiscal year 2024. Not only did it generate new revenue for the facility, it provided residents on the east and north sides of Kauai with CT services that previously did not exist. The closest facility with CT services required residents to drive nearly 30 miles from their home. Samuel Mahelona Memorial Hospital also became a provider of meals to homebound seniors on the island of Kauai for the Meals on Wheels program. With the successful expansion of their meal service delivery, the facility also sells meals to the local community.

- Maximizing Federal Funding Opportunities:

HHSC's East Hawaii and Kauai Regions have continued to convert some of their outpatient clinics to rural health clinics to achieve enhanced Medicare and Medicaid reimbursement for those services. As a result of the conversions to rural health clinics, in fiscal year 2024, revenue increased by approximately \$16 million from the previous fiscal year. HHSC worked with the State of Hawaii MedQUEST Division to establish a public hospital uncompensated care pool which provides federal funds to partially subsidize HHSC's losses from providing care to Medicaid, MedQUEST, and uninsured patients. HHSC received over \$66 million in funds in fiscal year 2024 from this program. HHSC has also been successful in working with Hawaii's Congressional delegation to obtain Congressional Directed Spending grants, receiving \$2.5 million for electronic medical records optimization for the HHSC-West Hawaii Region.

- Seeking Philanthropy:

HHSC's facilities have always worked with their associated foundations to provide funding for medical equipment and other needed items for the facilities. HHSC facilities have successfully sought private funding through philanthropy. In fiscal year 2024, the HHSC-East Hawaii Region secured an astonishing \$50 million donation to help build out critical areas of care of the existing hospital, including a state-of-the-art family birthing center and

intensive care unit. The donation will also support a neurosurgical program and behavioral health services.

In fiscal year 2024, the deadliest U.S. wildfire in over a century devastated Maui, claiming lives and destroyed nearly all of Lahaina and impacted other areas on the island. While progress has been made with the help of county, state, federal and community partners, there is still much work to be done to help Maui recover. The State has prioritized Maui's recovery and are committed to fund settlement agreements for Maui's property and personal injury damages. The State's tax collections will be impacted in fiscal year 2025 due to Act 46, SLH 2024, Relating to Income Tax, which incrementally increases standard deduction amounts and widens income tax brackets and Act 47, SLH 2024, Relating to the General Excise Tax (GET), which exempts medical and dental services provided by health care providers to patients who receive Medicaid, Medicare, or TRICARE benefits from the GET. While these tax relief measures will be beneficial to the residents of Hawaii, the estimated revenue loss to the State is significant.

While HHSC focuses on retaining employees and managing its expenses, increases in labor costs and inflation will continue. Nationally, the supply of healthcare employees in 2025 will meet only 94% of the demand, according to the Health and Human Services Administration. For HHSC facilities, there will be even more shortages as recruitment and retention are more difficult in Hawaii and especially on the neighbor islands. Medical supply inflation will continue to rise and pharmaceutical costs will see mid-to-high single digit percentage ranges into 2025, according to Moody's. With continued threats to cybersecurity, the need for ongoing protection and prevention will drive up costs. We have already seen the tremendous impact of the Change Healthcare cyberattack in February 2024 on the operations and cash collections of healthcare providers nationwide. Cyberattacks have also occurred at other Hawaii healthcare entities. The cost impact of cybersecurity for hospitals can be overwhelming, leading to significant financial losses from data breaches, disruption of patient care due to system outages, legal fees from patient privacy violations, reputational damage, and potential loss of revenue due to decreased patient trust. Increasing hospital general and professional liability insurance costs will continue to rise due to a hardened market, also potentially resulting in difficulties in obtaining coverage.

With the future potential impacts on rising costs, HHSC faces the issue of increased need for State general fund appropriations. HHSC is continuously analyzing how to better meet the challenges of delivering vital health care to the communities it serves. In doing so, HHSC continues to evaluate its current operations to see where there may be opportunities for the system as a whole to operate more efficiently and effectively in providing accessible, high quality services that address the healthcare needs of Hawaii's unique island communities.

HHSC annually has a detailed independent financial audit conducted for the entire system. Additionally, HHSC has a myriad of internal reporting/performance measures that are utilized by the board of directors and management to insure compliance, quality, and financial efficiency in all system work. We have continued to focus on improving our financial management and accounting systems throughout the year. HHSC has received a "clean" unqualified consolidated audit for every fiscal year from FY 2000 through FY2024.

The following information is attached in accordance with section 323F-22, HRS: (1) HHSC Consolidated Audited Financial Statement for FY 2024, (2) projected revenues for each facility for FY2025, (3) proposed capital improvement projects during FY2025; and (4) Hawaii Health Systems Corporation, Regional System Board Reports.

Foundations

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

Respectfully submitted,



Edward N. Chu
President and Chief Executive Officer



Joyce M. Tamori
Vice-President and Chief Financial Officer

Attachments:

1. HHSC Consolidated Audited Financial Statements, FY2024
2. Projected Revenues, FY2025
3. CIP Expenditures, FY2025
4. Regional Board Reports, FY2024

Attachment A

HHSC Consolidated Audited Financial Statements, FY2024

Hawaii Health Systems Corporation

**Financial Report
with Supplementary Information
June 30, 2024**

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Independent Auditor's Report

To the Board of Directors
Hawaii Health Systems Corporation

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Hawaii Health Systems Corporation (the "Corporation"), a component unit of the State of Hawaii, as of and for the years ended June 30, 2024 and 2023 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of Hawaii Health Systems Corporation as of June 30, 2024 and 2023 and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Kahuku Medical Center, a blended component unit, which represents 2 percent of total assets, (6) percent of net deficit, and 3 percent of revenue as of June 30, 2024 and 2 percent of total assets, (4) percent of net deficit, and 4 percent of revenue as of June 30, 2023. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Kahuku Medical Center, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1, the financial statements present only Hawaii Health Systems Corporation (a component unit of the State of Hawaii) and do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2024 and 2023 or the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified in respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors
Hawaii Health Systems Corporation

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

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

To the Board of Directors
Hawaii Health Systems Corporation

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2024 on our consideration of Hawaii Health Systems Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hawaii Health Systems Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hawaii Health Systems Corporation's internal control over financial reporting and compliance.



December 13, 2024

This discussion and analysis of Hawaii Health Systems Corporation's (the "Corporation" or "HHSC") financial performance provides an overview of the Corporation's financial activities for the fiscal years ended June 30, 2024, 2023, and 2022. Please read it in conjunction with the Corporation's financial statements, which begin on page 10.

Using This Annual Report

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

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

Our analysis of the Corporation's finances begins on page 10. One of the most important questions asked about the Corporation's finances is, "Is the Corporation as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenue, expenses, and changes in net position report information about the Corporation's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

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

The Corporation adopted GASB 96, *Subscription-Based Information Technology Arrangements* ("SBITA"), as of July 1, 2022.

The Statement of Cash Flows

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

The Corporation's Net Position

The Corporation's net position is the difference between its assets and deferred outflows and liabilities and deferred inflows, reported in the statement of net position on pages 10 and 11. The Corporation's net position increased by \$154,292,132, \$62,003,449, and \$77,988,916 in 2024, 2023, and 2022, respectively.

Hawaii Health Systems Corporation

Management's Discussion and Analysis (Continued)

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

Summarized financial information of Hawaii Health Systems Corporation's statement of net position as of June 30, 2024, 2023, and 2022 is as follows:

	2024	2023	2022
Assets			
Current assets	\$ 517,486,846	\$ 411,804,545	\$ 380,731,947
Capital assets - Net	369,389,562	364,459,180	356,582,674
Other	154,251,599	105,236,961	68,054,305
Total assets	1,041,128,007	881,500,686	805,368,926
Deferred Outflows of Resources	131,671,437	97,136,799	91,465,229
Total assets and deferred outflows of resources	1,172,799,444	978,637,485	896,834,155
Liabilities			
Current liabilities	176,602,769	121,937,851	108,407,399
Other postemployment liability	456,319,648	459,810,487	491,488,746
Due to the State of Hawaii	19,008,243	19,008,243	19,008,243
Pension liability	598,853,271	555,205,199	509,459,725
Other liabilities	81,849,806	86,654,357	67,151,641
Total liabilities	1,332,633,737	1,242,616,137	1,195,515,754
Deferred Inflows of Resources	106,630,424	156,778,197	184,078,699
Total liabilities and deferred inflows of resources	1,439,264,161	1,399,394,334	1,379,594,453
Net Position (Deficit)			
Net investment in capital assets	327,333,206	322,849,458	313,074,628
Restricted	52,437,255	5,145,863	5,147,621
Unrestricted	(646,235,178)	(748,752,170)	(800,982,547)
Total net position (deficit)	\$ (266,464,717)	\$ (420,756,849)	\$ (482,760,298)

At June 30, 2024, 2023, and 2022, Hawaii Health Systems Corporation's current assets approximated 50, 47, and 47 percent, respectively, of total assets. Current assets increased by approximately \$106 million in 2024 primarily due to an increase in accounts receivable because of increased volumes and an increase in cash and cash equivalents because of American Rescue Plan funds passed through State of Hawaii appropriations, as disclosed in Note 2.

At June 30, 2024, 2023, and 2022, Hawaii Health Systems Corporation's current liabilities approximated 13, 10, and 9 percent, respectively, of total liabilities. Current liabilities increased by approximately \$55 million in 2024 primarily due to the increase in accounts payable and accrued expenses.

At June 30, 2024, 2023, and 2022, Hawaii Health Systems Corporation's portion of net position that is reflected as its net investment in capital assets, net of related debt, was approximately \$327 million, \$323 million, and \$313 million, respectively. Total net position was approximately \$(266) million in 2024, \$(421) million in 2023, and \$(483) million in 2022.

Capital Assets

At June 30, 2024, 2023, and 2022, Hawaii Health Systems Corporation's capital assets, net of accumulated depreciation, comprised approximately 35, 41, and 44 percent, respectively, of its total assets. These assets consist mainly of land, hospital buildings, and equipment that are used in Hawaii Health Systems Corporation's operations. The increase in the net capital assets is due to additional capital expenditures across the regions.

Hawaii Health Systems Corporation

Management's Discussion and Analysis (Continued)

A summary of Hawaii Health Systems Corporation's capital assets as of June 30, 2024, 2023, and 2022 is as follows:

	2024	2023	2022
Land and land improvements	\$ 13,266,279	\$ 11,278,017	\$ 10,569,221
Building and improvements	654,018,845	627,012,467	601,202,343
Equipment	280,464,092	269,303,531	260,294,418
Leased assets	32,390,771	29,940,182	35,226,042
Construction in progress	45,077,540	48,023,598	47,357,619
Total cost	1,025,217,527	985,557,795	954,649,643
Less accumulated depreciation and amortization	(655,827,965)	(621,098,615)	(588,544,162)
Capital assets - Net	\$ 369,389,562	\$ 364,459,180	\$ 366,105,481

Long-term Debt

At June 30, 2024, 2023, and 2022, Hawaii Health Systems Corporation had long-term debt totaling approximately \$35 million, \$35 million, and \$34 million, respectively. The increase of \$1 million in 2023 was due to modest new debt taken on. More detailed information about Hawaii Health Systems Corporation's long-term debt is presented in the notes to the financial statements.

Operating Results and Changes in Net Position

Summarized financial information of Hawaii Health Systems Corporation's statement of revenue, expenses, and changes in net position for the years ended June 30, 2024, 2023, and 2022 is as follows:

	2024	2023	2022
Operating Revenue	\$ 707,532,662	\$ 636,579,336	\$ 570,224,618
Operating Expenses			
Salaries and wages	368,613,381	309,689,509	283,474,103
Employee benefits	131,533,982	112,621,950	113,439,213
Purchased services and professional fees	166,443,168	156,169,052	118,644,469
Medical supplies and drugs	79,882,224	72,521,875	68,743,384
Depreciation and amortization	47,418,255	41,435,312	37,062,462
Insurance	9,716,336	7,923,399	7,585,887
Other	69,457,934	69,720,290	65,115,517
Total operating expenses	873,065,280	770,081,387	694,065,035
Operating Loss	(165,532,618)	(133,502,051)	(123,840,417)
Nonoperating Revenue			
General appropriations from the State of Hawaii	182,185,305	118,989,303	83,185,903
Restricted contributions	49,543,777	-	-
Other nonoperating revenue - Net	14,408,755	9,132,111	3,441,205
Contributions - CARES Act and other	404,822	1,783,657	21,887,143
Contributions - American Rescue Plan funds	-	41,238,400	60,221,100
Forgiveness of Paycheck Protection Program loans	-	-	2,949,184
Total nonoperating revenue	246,542,659	171,143,471	171,684,535
Excess of Revenue Over Expenses before Capital Contributions	81,010,041	37,641,420	47,844,118
Capital Contributions	73,282,091	24,362,029	30,144,798
Increase in Net Position	\$ 154,292,132	\$ 62,003,449	\$ 77,988,916

Hawaii Health Systems Corporation

Management's Discussion and Analysis (Continued)

Operating Losses

For the years ended June 30, 2024, 2023, and 2022, Hawaii Health Systems Corporation's operating expenses exceeded its operating revenue by \$165.5 million, \$133.5 million, and \$123.8 million, respectively. General appropriations from the State of Hawaii totaled \$182.2 million, \$119.0 million, and \$83.2 million in 2024, 2023, and 2022, respectively. In addition, appropriations from the State of Hawaii for capital contributions totaled \$73.3 million, \$24.4 million, and \$30.1 million in 2024, 2023, and 2022, respectively. Additionally, the Corporation saw a decrease in Coronavirus Aid, Relief, and Economic Security ("CARES") Act contributions of approximately \$20 million and \$24 million in 2023 and 2022, respectively, due to the winding down of the CARES Act funding. The Corporation also received new funding of \$41 million in 2023 and \$60 million in 2022 through the American Rescue Plan. These items, along with the other nonoperating revenue and the transfer of certain liabilities to the State of Hawaii, contributed to an increase in net position of \$154.3 million in 2024, an increase of \$62.0 million in 2023, and an increase of \$78.0 million in 2022.

Operating expenses for the fiscal years ended June 30, 2024, 2023, and 2022 totaled \$873.1 million, \$770.1 million, and \$694.1 million, respectively.

Operating revenue for the fiscal years ended June 30, 2024, 2023, and 2022 increased by approximately 11.1 percent, 11.6 percent, and 15.2 percent year over year, respectively, as patient service volumes rebounded from the coronavirus pandemic.

A new donor-restricted contribution was made in fiscal year 2024. East Hawaii Region Foundation ("EHRF"), which was formed in 2024, exists to oversee and maintain the donor-restricted contributions made to East Hawaii Region. During 2024, the EHRF received a \$50 million restricted pledge, which will be received in \$10 million increments from 2024 through 2029. The pledged amount is required to be used to fund specific projects as laid out in the donor agreement. As of June 30, 2024, the first \$10 million of the pledge had been received and is included as an asset limited as to use; the \$10 million to be received in 2025 is included as a current restricted pledge receivable, and the remaining pledge amount to be received subsequent to 2025 is included as a long-term restricted pledge receivable, recorded at present value, on the statement of net position. The full amount of the pledge has been recognized as a donor-restricted contribution on the statement of revenue, expenses, and changes in net assets. Subsequent to June 30, 2024, EHRF received an additional \$25 million pledge to assist with the construction of a new outpatient health center within the region.

Systemwide Outlook

In fiscal year 2024, HHSC's facilities continued to experience increasing patient volumes over previous years. HHSC's acute admissions for fiscal year 2024 increased by over 9 percent from fiscal year 2023, and long-term care admissions for fiscal year 2024 increased by 6 percent from fiscal year 2023. HHSC's emergency department visits for fiscal year 2024 increased by approximately 4 percent from fiscal year 2023, and HHSC's long-term care patient days for fiscal year 2024 increased by almost 3 percent from fiscal year 2023.

These increasing patient volumes demonstrated how critical HHSC's facilities are for access to health care in the State of Hawaii, especially on the neighbor islands. In fiscal year 2024, HHSC's acute discharges were 14,017, which accounts for approximately 13 percent of all acute-care discharges in the State of Hawaii. In fiscal year 2024, HHSC's emergency department visits were 91,459, representing approximately 19 percent of all emergency department visits statewide. The impact of HHSC's facilities on the neighbor islands is even more impressive. For residents of the County of Hawaii, HHSC's facilities cared for nearly 70 percent of all acute-care discharges and 81 percent of all emergency department visits. For residents of the County of Kauai, HHSC's facilities cared for 22 percent of all acute-care discharges and 40 percent of all emergency department visits.

Hawaii Health Systems Corporation

Management's Discussion and Analysis (Continued)

While the demand for care increased, HHSC continued to endure significant clinical staffing shortages due to lack of available staff as a result of challenging economic conditions, such as high cost of living, scarcity of affordable and available housing, and the limited capacity of Hawaii colleges and universities to accept and graduate nursing students and clinical technicians. For this reason, HHSC has had to supplement its staff with contracted nursing and other clinical personnel. In fiscal year 2024, HHSC spent nearly \$40 million in contracted nursing and other clinical personnel compared to over \$14 million in fiscal year 2021. HHSC's regions implemented workforce programs and initiatives, many in conjunction with community partners, in an effort to lessen the ongoing staffing shortages. HHSC has seen recruitment success with its continued commitment to its surgical technologist programs, nurse residency programs, specialized nursing certificate programs, certified nurse assistant program, the Hawaii Island Family Residency Program at Hilo Medical Center, its work with the Healthcare Association of Hawaii, and the Good Jobs Hawaii Program.

In addition to staffing shortage challenges and high cost of contract labor, HHSC continues to face increasing operating losses due to excessive levels of salaries and benefits expense compared to the private health care industry. HHSC was forced to absorb collective bargaining raises of varying percentages due to agreements between the State of Hawaii and public sector unions retroactive to July 1, 2021 and expiring on June 30, 2025. These raises are projected to cost HHSC a cumulative total of over \$90 million at projected fringe benefit rates over the four-year period of the agreements. Further, the collective bargaining agreements negotiated by the State of Hawaii are meant to cover employees supporting the static business environment of administrative offices, not the dynamic working environment found in the hospitals that HHSC operates. As a result, the work rules and pay schedules dictated by those collective bargaining agreements make it difficult for HHSC to operate its facilities efficiently and cost effectively. In addition, the State assessed HHSC a fringe benefit rate of 64.25 percent for fiscal year 2024. This represents an increase in the fringe benefit rate assessed in fiscal year 2023 of 52.83 percent, resulting from the State of Hawaii's decision to temporarily suspend the statutory funding requirement for its retiree health insurance program. Other private hospitals across the nation pay a fringe benefit rate of between 25 and 30 percent. The impact to HHSC of the difference between its fiscal year 2024 fringe benefit rate and the private hospital fringe rate of 30 percent is approximately \$90.4 million in additional annual expense to HHSC. As a result of these ever-increasing cost pressures, HHSC's salaries and benefits expense as a percentage of net patient service revenue was 67 percent for fiscal year 2024 compared to the U.S. Not-for-Profit Healthcare System Median of 58.9 percent from Standard & Poor's Global Ratings for 2023.

HHSC recognizes the need to continually seek new ways to fund its operations outside of seeking additional general fund appropriations from the State of Hawaii in order to improve services to the community and improve HHSC's financial performance. HHSC has implemented and continued its efforts with several initiatives:

- **Focus on Revenue-generating Services that Improve Services to the Community** - In fiscal year 2024, Hilo Benioff Medical Center developed revenue-generating services by continuing to expand its specialty care services, including dermatology and plastic surgery. A new CT scanner was installed at Samuel Mahelona Memorial Hospital in fiscal year 2024. It not only generated new revenue for the facility but also provided residents on the east and north sides of Kauai with CT services that previously did not exist. The closest facility with CT services required residents to drive nearly 30 miles from their homes. Samuel Mahelona Memorial Hospital also became a provider of meals to homebound seniors on the island of Kauai for the Meals on Wheels program. With the successful expansion of its meal service delivery, the facility also sells meals to the local community.
- **Maximizing Federal Funding Opportunities** - HHSC's East Hawaii and Kauai Regions have continued to convert some of their outpatient clinics to rural health clinics to achieve enhanced Medicare and Medicaid reimbursement for those services. As a result of the conversions to rural health clinics, in fiscal year 2024, revenue increased by approximately \$16 million from the previous fiscal year. HHSC worked with the State of Hawaii MedQUEST Division to establish a public hospital uncompensated care pool, which provides federal funds to partially subsidize HHSC's losses from providing care to Medicaid, MedQUEST, and uninsured patients. HHSC received over \$66 million in funds in fiscal year 2024 from this program. HHSC has also been successful in working with Hawaii's Congressional delegation to obtain Congressional Directed Spending grants, receiving \$2.5 million for electronic medical records optimization for the HHSC - West Hawaii Region.

Hawaii Health Systems Corporation

Management's Discussion and Analysis (Continued)

- **Seeking Philanthropy** - HHSC's facilities have always worked with their associated foundations to provide funding for medical equipment and other needed items for the facilities. HHSC facilities have successfully sought private funding through philanthropy. In fiscal year 2024, the HHSC - East Hawaii Region secured an impressive \$50 million donation to help build out critical areas of care of the existing hospital, including a state-of-the-art family birthing center and intensive care unit. The donation will also support a neurosurgical program and behavioral health services.

Future Outlook

In fiscal year 2024, the deadliest U.S. wildfire in over a century devastated Maui, claiming lives, destroying nearly all of Lahaina, and impacting other areas on the island. While progress has been made with the help of county, state, federal, and community partners, there is still much work to be done to help Maui recover. The State has prioritized Maui's recovery and is committed to fund settlement agreements for Maui's property and personal injury damages. The State's tax collections will be impacted in fiscal year 2025 due to Act 46, SLH 2024, Relating to Income Tax, which incrementally increases standard deduction amounts and widens income tax brackets, and Act 47, SLH 2024, Relating to the General Excise Tax (GET), which exempts medical and dental services provided by health care providers to patients who receive Medicaid, Medicare, or TRICARE benefits from the GET. While these tax relief measures will be beneficial to the residents of Hawaii, the estimated revenue loss to the State is significant.

While HHSC focuses on retaining employees and managing its expenses, increases in labor costs and inflation will continue. Nationally, the supply of health care employees in 2025 will meet only 94 percent of the demand, according to the Health and Human Services Administration. For HHSC facilities, there will be even more shortages, as recruitment and retention are more difficult in Hawaii and especially on the neighbor islands. Medical supply inflation will continue to rise, and pharmaceutical costs will see mid to high single-digit percentage ranges into 2025, according to Moody's. With continued threats to cybersecurity, the need for ongoing protection and prevention will drive up costs. We have already seen the tremendous impact of the Change Healthcare cyberattack in February 2024 on the operations and cash collections of health care providers nationwide. Cyberattacks have also occurred at other Hawaii health care entities. The cost impact of cybersecurity for hospitals can be overwhelming, leading to significant financial losses from data breaches, disruption of patient care due to system outages, legal fees from patient privacy violations, reputational damage, and potential loss of revenue due to decreased patient trust. Increasing hospital general and professional liability insurance costs will continue to rise due to a hardened market, also potentially resulting in difficulties in obtaining coverage.

With the future potential impacts on rising costs, HHSC faces the issue of increased need for State General Fund appropriations. HHSC is continuously analyzing how to better meet the challenges of delivering vital health care to the communities it serves. In doing so, HHSC continues to evaluate its current operations to see where there may be opportunities for the system as a whole to operate more efficiently and effectively in providing accessible, high-quality services that address the health care needs of Hawaii's unique island communities.

Contacting the Corporation's Financial Management

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

Hawaii Health Systems Corporation

Statement of Net Position

June 30, 2024 and 2023

	2024	2023
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 212,078,532	\$ 191,522,088
Cash and cash equivalents - State of Hawaii (Note 2)	22,191,826	15,396,460
Lease receivable (Note 11)	834,648	1,409,994
Patient accounts receivable - Less allowance for doubtful accounts of \$42,280,072 and \$27,515,437 in 2024 and 2023, respectively (Notes 2 and 3)	111,280,557	86,322,863
Restricted pledge receivable (Note 1)	10,000,000	-
Investments (Note 4)	22,653,047	21,977,253
Due from the State of Hawaii (Note 6)	91,426,463	47,399,521
Assets limited as to use (Note 2)	9,590,802	15,090,802
Supplies and other current assets	21,469,190	19,367,583
Estimated third-party payor settlements	15,961,781	13,317,981
Total current assets	517,486,846	411,804,545
Assets Limited as to Use - Net of current portion (Note 2)	67,040,501	43,827,513
Investments - Net of current portion (Note 4)	14,233,190	13,838,370
Subscriptions (Note 5)	27,928,895	28,833,377
Lease Receivable - Net of current portion (Note 11)	18,587,824	18,737,701
Capital Assets - Net (Note 5)	369,389,562	364,459,180
Restricted Pledge Receivable - Net of current portion (Note 1)	26,461,189	-
Total assets	1,041,128,007	881,500,686
Deferred Outflows of Resources		
Pension (Note 8)	65,624,341	61,781,118
Postemployment benefits other than pensions (Note 9)	66,047,096	35,355,681
Total deferred outflows of resources	131,671,437	97,136,799
Total assets and deferred outflows of resources	\$ 1,172,799,444	\$ 978,637,485

Hawaii Health Systems Corporation

Statement of Net Position (Continued)

June 30, 2024 and 2023

	2024	2023
Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)		
Current Liabilities		
Accounts payable and accrued expenses	\$ 128,730,441	\$ 79,706,243
Current portion of accrued vacation (Note 7)	21,172,136	19,545,033
Current portion of long-term debt (Note 10)	10,705,132	10,402,599
Current portion of subscription obligations (Notes 10 and 12)	5,457,123	4,190,014
Current portion of lease obligations (Notes 10 and 11)	4,688,271	4,056,855
Current portion of accrued workers' compensation (Note 13)	2,428,000	2,527,000
Other current liabilities	3,421,666	1,510,107
Total current liabilities	176,602,769	121,937,851
Long-term Debt - Net of current portion (Note 10)	24,065,746	24,148,106
Subscriptions - Net of current portion (Notes 10 and 12)	11,693,715	13,563,459
Lease Obligation - Net of current portion (Notes 10 and 11)	13,375,264	14,082,066
Other Liabilities		
Accrued vacation - Less current portion (Note 7)	22,323,366	20,881,350
Accrued workers' compensation - Less current portion (Note 13)	10,081,000	9,321,000
Other postemployment liability (Note 9)	456,319,648	459,810,487
Due to the State of Hawaii (Note 6)	19,008,243	19,008,243
Pension liability (Note 8)	598,853,271	555,205,199
Other liabilities	114,987	4,442,138
Patients' safekeeping deposits (Note 2)	195,728	216,238
Total liabilities	1,332,633,737	1,242,616,137
Deferred Inflows of Resources		
Pension (Note 8)	22,021,543	60,017,223
Postemployment benefits other than pensions (Note 9)	65,764,254	77,066,613
Leases (Note 11)	18,844,627	19,694,361
Total deferred inflows of resources	106,630,424	156,778,197
Total liabilities and deferred inflows of resources	1,439,264,161	1,399,394,334
Net Position (Deficit)		
Unrestricted	(646,235,178)	(748,752,170)
Restricted by donor (Note 1)	47,286,568	-
Net investment in capital assets	327,333,206	322,849,458
Restricted for lender covenants and other (Note 2)	5,150,687	5,145,863
Total net position (deficit)	(266,464,717)	(420,756,849)
Total liabilities, deferred inflows of resources, and net position (deficit)	<u>\$ 1,172,799,444</u>	<u>\$ 978,637,485</u>

Hawaii Health Systems Corporation

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2024 and 2023

	2024	2023
Operating Revenue		
Net patient service revenue (net of provision for doubtful accounts of \$28,033,374 and \$22,183,887 for 2024 and 2023, respectively) (Note 2)	\$ 623,803,307	\$ 559,466,684
Uncompensated care revenue	67,940,347	64,404,910
Other operating revenue	15,789,008	12,707,742
Total operating revenue	707,532,662	636,579,336
Operating Expenses		
Salaries	368,613,381	309,689,509
Employee benefits	131,533,982	112,621,950
Purchased services	138,071,327	133,248,980
Medical supplies and drugs	79,882,224	72,521,875
Depreciation and amortization	47,418,255	41,435,312
Professional fees	28,371,841	22,920,072
Other supplies	18,851,431	15,933,273
Repairs and maintenance	16,250,120	15,028,147
Utilities	14,863,444	15,389,401
Insurance	9,716,336	7,923,399
Rent and lease	6,693,490	6,181,049
Other	12,799,449	17,188,420
Total operating expenses	873,065,280	770,081,387
Operating Loss	(165,532,618)	(133,502,051)
Nonoperating Income (Expense)		
General appropriations from the State of Hawaii (Note 2)	182,185,305	118,989,303
Restricted contributions	49,543,777	2,025,066
Interest and dividend income	13,078,039	7,071,984
Interest expense	(2,711,737)	(2,125,287)
Contributions - Pandemic funding (Note 2)	404,822	1,783,657
Contributions - State of Hawaii appropriations - American Rescue Plan funds (Note 2)	-	41,238,400
Other nonoperating revenue - Net	4,042,453	2,160,348
Total nonoperating income	246,542,659	171,143,471
Excess of Revenue Over Expenses before Capital Contributions	81,010,041	37,641,420
Capital Contributions	73,282,091	24,362,029
Increase in Net Position	154,292,132	62,003,449
Net Position (Deficit) - Beginning of year	(420,756,849)	(482,760,298)
Net Position (Deficit) - End of year	\$ (266,464,717)	\$ (420,756,849)

Hawaii Health Systems Corporation

Statement of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Cash received from government, patients, and third-party payors	\$ 664,867,383	\$ 621,561,792
Cash payments to employees for services	(534,947,772)	(435,199,418)
Cash payments to suppliers for services and goods	(286,060,567)	(297,537,757)
Other receipts from operations	15,789,008	12,707,742
Net cash used in operating activities	(140,351,948)	(98,467,641)
Cash Flows from Noncapital Financing Activities		
Appropriations from the State of Hawaii	182,185,305	118,989,303
Contributions - Pandemic funding	404,822	535,734
Contributions - American Rescue Plan funds	-	41,238,400
Other nonoperating revenue - Net	4,042,453	2,160,348
Net cash provided by noncapital financing activities	186,632,580	162,923,785
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(11,354,517)	(14,546,965)
Interest paid	(2,711,737)	(2,125,287)
Repayments on long-term debt	(2,174,798)	(1,912,300)
Repayments on lease and subscription obligations	(12,459,766)	(18,184,693)
Restricted contributions	13,082,588	2,025,066
Proceeds from long-term debt	2,394,971	2,470,793
Net cash used in capital and related financing activities	(13,223,259)	(32,273,386)
Cash Flows from Investing Activities		
Interest and dividend income	13,078,039	7,071,984
Purchase of short-term investments and assets limited as to use	(18,783,602)	(7,161,698)
Net cash used in investing activities	(5,705,563)	(89,714)
Net Increase in Cash and Cash Equivalents	27,351,810	32,093,044
Cash and Cash Equivalents - Beginning of year	206,918,548	174,825,504
Cash and Cash Equivalents - End of year	\$ 234,270,358	\$ 206,918,548
Statement of Net Position Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 212,078,532	\$ 191,522,088
Cash and cash equivalents - State of Hawaii	22,191,826	15,396,460
Total cash and cash equivalents	\$ 234,270,358	\$ 206,918,548

Hawaii Health Systems Corporation

Statement of Cash Flows (Continued)

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
A reconciliation of operating loss to net cash used in operating activities is as follows:		
Cash Flows from Operating Activities		
Operating loss	\$ (165,532,618)	\$ (133,502,051)
Adjustments to reconcile operating loss to net cash from operating activities:		
Provision for doubtful accounts	28,033,374	22,183,887
Depreciation and amortization	47,418,255	41,435,312
Gain on disposal of capital assets	947,256	239,528
Changes in assets and liabilities:		
Patient accounts receivable	(52,991,068)	(20,286,485)
Supplies and other assets	(2,101,607)	(3,416,045)
Accounts payable, accrued expenses, and other liabilities	46,588,096	14,196,877
Accrued workers' compensation liability	661,000	(119,000)
Postemployment benefit liability	(3,490,839)	(31,678,259)
Pension liability	43,648,072	45,745,474
Deferred outflows and inflows	(84,682,411)	(32,972,072)
Estimated third-party payor settlements	(2,643,800)	(1,786,399)
Accrued vacation	3,069,119	3,912,397
Medicare advance funds	-	(3,041,757)
Lease receivable	725,223	620,952
Net cash used in operating activities	<u><u>\$ (140,351,948)</u></u>	<u><u>\$ (98,467,641)</u></u>
Noncash Financing and Investing Activities		
Capital assets contributed by the State of Hawaii and others	\$ 29,255,149	\$ 25,823,228
Change in due from the State of Hawaii	(44,026,942)	1,461,199
Assets acquired via lease and subscription	11,781,745	28,344,482
Contributions receivable - Donor restricted	47,287,826	-

June 30, 2024 and 2023

Note 1 - Organization

Structure

Hawaii Health Systems Corporation (the "Corporation" or "HHSC") is a public body corporate and politic and an instrumentality and agency of the State of Hawaii (the "State"). Hawaii Health Systems Corporation is managed by a chief executive officer under the control of a 15-member board of directors.

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

East Hawaii Region

- Hilo Benioff Medical Center, formerly known as Hilo Medical Center
- Honoka'a Hospital, formerly known as Hale Ho'ola Hamakua
- Ka'u Hospital

West Hawaii Region

- Kona Community Hospital
- Kohala Hospital

Kauai Region

- Kauai Veterans Memorial Hospital
- Samuel Mahelona Memorial Hospital

Oahu Region

- Leahi Hospital
- Maluhia

Kahuku Medical Center

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

Maui Region (or HHSC - Maui)

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

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

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

Negotiations between Hawaii Health Systems Corporation and the State relating to the transfer of assets and assumption of liabilities pursuant to Act 262 had not been finalized as of June 30, 2024. Accordingly, the assets, liabilities, and net assets of Hawaii Health Systems Corporation reflected in the accompanying statement of revenue, expenses, and changes in net position may be significantly different from those eventually included in the final settlement.

June 30, 2024 and 2023

Note 1 - Organization (Continued)

The following entities are being presented as part of Hawaii Health Systems Corporation: Hawaii Health Systems Foundation ("HHSF"); Ali'i Community Care, Inc. ("Ali'i"); Ali'i Health Center ("AHC"); East Hawaii Health Pharmacy ("EHHP"); East Hawaii Medical Group ("EHMG"); East Hawaii Region Foundation ("EHRF"); Kauai Region Medical Group ("KRMG"); Kauai Region Pharmacy - West ("KRPW"); Kauai Region Recovery Services ("KRRS"); and Yukio Okutsu State Veterans Home ("YOSVH"). The purpose of HHSF is to raise funds and to obtain gifts and grants on behalf of Hawaii Health Systems Corporation. The purpose of Ali'i is to own, manage, and operate assisted living and other health care facilities in the state.

Kona Ambulatory Center ("KASC"), located in Kailua, Hawaii, on the island of Hawaii, was an outpatient surgical facility that provided services to residents and visitors of the Kona district of Hawaii County. On July 29, 2022, AHC and KASC entered into an asset purchase agreement. As part of the agreement, KASC agreed to sell substantially all of its assets to AHC. The transaction date was effective as of December 31, 2022. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations*, the merger transaction is recorded as though the entities had been combined at the beginning of the continuing entity's reporting period, July 1, 2022.

East Hawaii Region Foundation ("EHRF"), which was formed in 2024, exists to oversee and maintain donor-restricted contributions made to East Hawaii Region. During 2024, the EHRF received a \$50 million restricted pledge, which will be received in \$10 million increments from 2024 through 2029. The pledged amount is required to be used to fund specific projects as laid out in the donor agreement. As of June 30, 2024, the first \$10 million of the pledge had been received and is included as an asset limited as to use; the \$10 million to be received in 2025 is included as a current restricted pledge receivable, and the remaining pledge amount to be received subsequent to 2025 is included as a long-term restricted pledge receivable, recorded at present value, on the statement of net position. The full amount of the pledge has been recognized as a donor-restricted contribution on the statement of revenue, expenses, and changes in net assets. Recognition of the full pledge amount is appropriate under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Subsequent to June 30, 2024, EHRF received an additional \$25 million pledge to assist with the construction of a new outpatient health center within the region.

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

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

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

June 30, 2024 and 2023

Note 1 - Organization (Continued)

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

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

Maui Region

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

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

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

Kahuku Medical Center

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

Oahu Region

In June 2021, the Legislature passed SB628 SD2 HD2 CD1, effective July 6, 2021, which initiated the transition of the region into the State of Hawaii Department of Health and required the transfer to be completed no later than December 31, 2022. During fiscal year 2022, HB1579 HD2 was passed by the Legislature, which extended the deadline to complete the transition to December 31, 2025.

In July 2022, the Legislature passed H.B. 1893, which requires the region to take ownership of the Daniel K. Akaka State Veterans Home ("DKASVH") upon completion. The facility is being funded by the Department of Defense and the State. As of June 30, 2024, the facility was still under construction. Subsequent to June 30, 2024, construction of DKASVH was completed and the property was transferred to the region to operate.

June 30, 2024 and 2023

Note 1 - Organization (Continued)

Liquidity

During the years ended June 30, 2024 and 2023, Hawaii Health Systems Corporation incurred losses from operations of approximately \$166 and \$134 million, respectively, and had negative cash flows from operations of approximately \$140 and \$98 million, respectively. Management believes maintaining the current levels of service provided by Hawaii Health Systems Corporation will require continued funding by the State of Hawaii.

Note 2 - Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less. It also includes amounts held in the State Treasury. The State of Hawaii Director of Finance is responsible for the safekeeping of all moneys paid into the State Treasury. Hawaii Health Systems Corporation's portion of the State Treasury at June 30, 2024 and 2023 is indicated in the accompanying statement of net position as cash and cash equivalents - State of Hawaii. The Hawaii Revised Statutes authorize the Director of Finance to invest in obligations of, or guaranteed by, the U.S. government; obligations of the State; federally insured savings and checking accounts; time certificates of deposit; and repurchase agreements with federally insured financial institutions. Cash and deposits with financial institutions are collateralized in accordance with State statutes. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State.

Hawaii Health Systems Corporation has cash and certificates of deposit, as described in Note 4, in financial institutions that are in excess of available depository insurance coverage. The amount of uninsured and uncollateralized deposits for cash and cash equivalents totaled approximately \$261,396,000 and \$237,188,000 at June 30, 2024 and 2023, respectively. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a financial institution failure, Hawaii Health Systems Corporation's deposits might not be returned to it. Hawaii Health Systems Corporation believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, Hawaii Health Systems Corporation evaluates each financial institution with which it deposits funds; only those institutions with an acceptable estimated risk level are used as depositories.

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Accounts Receivable

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

Supplies

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

Capital Assets

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

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

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

Leases

Lessee

The Corporation has a policy to recognize a lease liability and a right-to-use lease asset ("lease asset") in the financial statements. The Corporation recognizes lease liabilities with an initial individual value of \$25,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the Corporation initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Corporation has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Key estimates and judgments related to leases include how the Corporation determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Corporation uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Corporation generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Corporation is reasonably certain to exercise.

The Corporation monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use assets with other capital assets, and lease liabilities are reported with long-term liabilities on the statement of net position.

Lessor

The Corporation is a lessor for various Maui Region assets, and serving as the lessor is the Maui Region's sole operating purpose. As a result, rental income is recorded as other operating revenue. The Corporation recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the Corporation initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the Corporation determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Corporation uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Corporation monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscriptions

The Corporation has a policy to recognize a subscription-based liability and a right-to-use asset ("subscription asset") in the financial statements. The Corporation recognized subscription liabilities with an initial individual value of \$50,000 or more with a subscription term greater than one year. Variable payments based on future performance of the Corporation, usage of the underlying information technology ("IT") asset, or number of user seats are not included in measurement of the subscription liability; rather, those variable payments are recognized as outflows of resources (expenses) in the period during which the obligation for those payments incurred.

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

At the commencement of the subscription-based information technology arrangement ("SBITA"), the Corporation initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Subscription assets are recorded at the amount of initial measurement of the subscription liabilities, less any payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Costs associated with a SBITA, other than subscription payments, are accounted for as follows:

- Preliminary Project Stage: Outlays are expensed as incurred.
- Initial Implementation Stage: Outlays are capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage: Outlays are expensed as incurred unless they meet specific capitalization criteria.

Upon adoption, the Corporation elected to exclude the capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage that were incurred prior to the implementation of this statement in the measurement of subscription assets as of July 1, 2022.

Subscription assets are reported in long-term assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the Corporation has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

Key estimates and judgments related to SBITA include how the Corporation determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Corporation uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Corporation generally uses its incremental borrowing rate as the discount rate for SBITA.
- The subscription term includes the noncancelable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the Corporation is reasonably certain to exercise.
- The Corporation monitors changes in circumstances that would require a remeasurement of its subscription liability and will remeasure the subscription receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the subscription receivable.

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Assets Limited as to Use

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

At June 30, 2024 and 2023, assets limited as to use consisted of restricted cash of \$76,631,303 and \$58,918,315, respectively.

Grant Revenue

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

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted on March 27, 2020 and authorizes \$100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare- and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds is to reimburse providers for lost revenue attributable to the coronavirus disease pandemic, such as forgone revenue from canceled procedures, and to provide support for related health care expenses, such as constructing temporary structures or emergency operation centers; retrofitting facilities; purchasing medical supplies and equipment, including personal protective equipment and testing supplies; and increasing workforce. These CARES Act funds were distributed to qualifying health care entities through various general and targeted distributions between 2020 and 2023. There was also an additional \$8.5 billion in funds appropriated under the American Rescue Plan (ARP) Act of 2021, which was distributed in December 2021 to eligible health care providers.

Through June 30, 2024, the Corporation received \$69.1 million as part of general and targeted distributions of the CARES Act Provider Relief Fund and ARP Rural payments under the American Rescue Plan Act of 2021, which were distributed between April 2020 and December 2021. Of these funds received, \$67.9 million of revenue was recognized in previous years. The final \$1.2 million was recognized in fiscal year 2023 as contribution revenue within nonoperating income (expense) on the statement of revenue, expenses, and changes in net position as a result of the Corporation concluding that the terms and conditions of the funding had been met. These payments are not subject to repayment, provided the Corporation is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for health care-related expenses or lost revenue attributed to COVID-19. Based on an analysis of compliance and reporting requirements of the Provider Relief Fund and ARP Rural payment and the impact of the pandemic on the Corporation's operating results through June 30, 2023, the Corporation believes there is reasonable assurance the applicable terms and conditions required to retain the funds were met as of June 30, 2024 and 2023.

The U.S. Department of Health and Human Services' (HHS) requirements for the uses of the CARES Act funds and ARP Rural payments were subject to change and open to interpretation and clarification; therefore, there may be changes in the amounts recognized as contribution revenue during the years ended June 30, 2024 and 2023.

In the year ended June 30, 2023, Hawaii Health Systems Corporation received \$41 million in American Rescue Plan funds passed through State of Hawaii appropriations. No funds were received for the year ended June 30, 2024. These payments are not subject to repayment, and there are no required terms and conditions related to the appropriation funding; therefore, all amounts have been recognized as nonoperating revenue in the year received.

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

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

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

Accrued Vacation and Compensatory Pay

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

Postemployment Benefits

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

Pension

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

Net Position

Net position is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted by donor net position at June 30, 2024 was composed of pledge amounts earned that were restricted for use on specific projects. Restricted expendable net position is noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Corporation. The restricted net position for lender covenants and other at June 30, 2024 was composed of \$150,687 restricted for capital purchases and \$5,000,000 restricted by lender covenants. The restricted net position for lender covenants and other at June 30, 2023 was composed of \$145,863 restricted for capital purchases and \$5,000,000 restricted by lender covenants. Unrestricted net position is the remaining net assets that do not meet the definition of net investment in capital assets or restricted.

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Operating Revenue and Expenses

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

Net Patient Service Revenue

Net patient service revenue is recorded on an accrual basis in the period in which the related services are provided at established rates, less contractual adjustments and provision for doubtful accounts. Hawaii Health Systems Corporation, as a safety net provider, provides charity care to certain patients; the specific cost of such care for the years ended June 30, 2024 and 2023 was approximately \$2,390,000 and \$400,000, respectively.

Hawaii Health Systems Corporation has agreements with third-party payors that provide for payments at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The adjustments to the final settlements did not have a significant impact on the fiscal year 2024 and 2023 financial statements.

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

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

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

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

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

- Critical Access Hospital ("CAH") - Hawaii Health Systems Corporation has six facilities (Honoka'a Hospital, Kauai Veterans Memorial Hospital, Kahuku Medical Center, Ka'u Hospital, Kohala Hospital, and Samuel Mahelona Memorial Hospital) that are designated as critical access hospitals by the Centers for Medicare & Medicaid Services ("CMS"). CAHs are limited-service hospitals located in rural areas that receive cost-based reimbursement. To be designated a CAH, a facility must, among other requirements: (1) be located in a county or equivalent unit of a local government in a rural area, (2) be located more than a 35-mile drive from a hospital or another health care facility, or (3) be certified by the State as being a necessary provider of health care services to residents in the area. These facilities are paid an interim reimbursement rate throughout the year based on each facility's expected costs per inpatient day or the allowable outpatient cost to charge. After the close of each fiscal year, the facility would receive retrospective settlements for the difference between interim payments received and the total allowable cost, as documented in the Medicare cost reports.
- Skilled nursing services provided to Medicare beneficiaries are paid on a per diem prospective payment system covering all costs (routine, ancillary, and capital) related to the services furnished. The per diem payments for each admission are case-mix adjusted using a resident classification system (resource utilization groups) based on data from resident assessments and relative weights developed from staff time data.
- Sole Community Hospital - Hawaii Health Systems Corporation has two facilities (Hilo Benioff Medical Center and Kona Community Hospital) that are designated as sole community hospitals by the CMS. Inpatient case rates for services rendered to Medicare beneficiaries are finally determined upon the filing of the annual Medicare cost reports.
- Hawaii Medical Service Association ("HMSA") - Inpatient services rendered to HMSA subscribers are reimbursed at prospectively determined case rates. The prospectively determined case rates are not subject to retroactive adjustment. In addition, outpatient surgical procedures and emergency room visits are reimbursed at a negotiated case rate. All other outpatient services are reimbursed based on a fee schedule using standard CPT codes.
- Other Commercial - Hawaii Health Systems Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established rates, and prospectively determined daily rates.
- Medicare - Inpatient acute services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge referred to as the inpatient prospective payment system ("IPPS"). Under the IPPS, each case is categorized into a diagnosis-related group ("DRG"). Each DRG has a payment weight assigned to it based on the average resources used to treat Medicare patients in that DRG.
- Outpatient services rendered to Medicare beneficiaries are paid under a prospective payment system called ambulatory payment classifications (APC). Services in each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC, and, depending on the services provided, hospitals may be paid for more than one APC for an encounter.

State Appropriations

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

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

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

Bond Interest

Hawaii Health Systems Corporation is allocated an amount for interest paid by the State of Hawaii for general obligation bonds whose proceeds were used for hospital construction. A corresponding contribution from the State is also allocated to Hawaii Health Systems Corporation. The bonds are obligations for the State, to be paid by the State's General Fund, and are not reported as liabilities of Hawaii Health Systems Corporation. For the years ended June 30, 2024 and 2023, interest expense totaled approximately \$10,100,000 and \$9,694,000, respectively.

Risk Management

Hawaii Health Systems Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; cybersecurity; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The facilities are self-insured for workers' compensation and disability claims and judgments, as discussed in Note 13.

Upcoming Accounting Pronouncements

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Corporation's financial statements for the year ending June 30, 2025. The Corporation is currently evaluating the impact this standard will have on the financial statements when adopted.

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the Corporation's financial statements for the year ending June 30, 2025. The Corporation is currently evaluating the impact this standard will have on the financial statements when adopted.

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Corporation's financial statements for the year ending June 30, 2026. The Corporation is currently evaluating the impact this standard will have on the financial statements when adopted.

Note 2 - Significant Accounting Policies (Continued)

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-to-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the Corporation's financial statements for the year ending June 30, 2026. The Corporation is currently evaluating the impact this standard will have on the financial statements when adopted.

Note 3 - Accounts Receivable

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

	2024	2023
Medicare	43.00 %	41.00 %
Medicaid	24.00	25.00
HMSA	8.00	8.00
Other third-party payors	13.00	17.00
Patient and other	12.00	9.00
Total	100.00 %	100.00 %

Note 4 - Fair Value Measurements

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

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

Hawaii Health Systems Corporation has the following recurring fair value measurements as of June 30, 2024 and 2023:

- U.S. Treasury securities of \$26,928,710 and \$25,087,992, respectively, are valued using quoted market prices (Level 2 inputs).
- U.S. government agencies of \$8,509,416 and \$9,274,697, respectively, are valued using a matrix pricing model (Level 2 inputs).
- Municipal obligations of \$1,328,295 and \$1,364,961, respectively (Level 2 inputs)
- Money market funds of \$119,816 and \$87,973, respectively, are valued using a matrix pricing model (Level 2 inputs).

June 30, 2024 and 2023

Note 4 - Fair Value Measurements (Continued)

The fair values of U.S. Treasury obligations, U.S. government agencies, and money market funds at June 30, 2024 and 2023 were determined primarily based on Level 2 inputs. Hawaii Health Systems Corporation estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

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

Custodial Credit Risk of Investments

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

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from interest rates, Hawaii Health Systems Corporation's investment policy generally limits maturities on investments to no more than five years from the date of investment. All of Hawaii Health Systems Corporation's investments at June 30, 2024 and 2023 have an original maturity date within five years from the date of investment.

Credit Risk

Hawaii Health Systems Corporation's investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds maintaining a Triple-A rating. As of June 30, 2024 and 2023, Hawaii Health Systems Corporation held investments in U.S. Treasury securities and U.S. government agencies.

Concentration of Credit Risk

Hawaii Health Systems Corporation's investment policy provides guidelines for portfolio diversification by placing limits on the amount that may be invested in any one issuer, types of investment instruments, and position limits per issue of an investment instrument. There were no investments except for the certificates of deposit that individually exceed 5 percent of Hawaii Health Systems Corporation's total investments at June 30, 2024 and 2023.

June 30, 2024 and 2023

Note 5 - Capital Assets and Subscriptions

Capital asset and subscription activity of the Corporation's governmental activities for the years ended June 30, 2024 and 2023 was as follows:

	Balance July 1, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
Assets not subject to depreciation and amortization:					
Land and land improvements	\$ 11,278,017	\$ 954,777	\$ -	\$ 1,033,485	\$ 13,266,279
Construction in progress	48,023,598	33,151,400	(495,617)	(35,601,841)	45,077,540
Subtotal	59,301,615	34,106,177	(495,617)	(34,568,356)	58,343,819
Assets subject to depreciation:					
Buildings and improvements	627,012,467	1,129,178	(139,758)	26,016,958	654,018,845
Equipment	269,303,531	6,922,508	(4,623,627)	8,861,680	280,464,092
Leased assets - Buildings and improvements	9,587,166	887,576	-	-	10,474,742
Leased assets - Equipment	20,353,016	1,774,896	(211,883)	-	21,916,029
Subscription assets	33,051,050	7,571,076	-	-	40,622,126
Subtotal	959,307,230	18,285,234	(4,975,268)	34,878,638	1,007,495,834
Less accumulated depreciation:					
Buildings and improvements	393,946,010	25,266,831	(955,150)	(1,388,827)	416,868,864
Equipment	215,656,948	9,901,374	(3,355,202)	1,699,109	223,902,229
Leased assets - Buildings and improvements	2,051,802	731,351	-	-	2,783,153
Leased assets - Equipment	9,443,855	3,043,141	(213,277)	-	12,273,719
Subscription assets	4,217,673	8,475,558	-	-	12,693,231
Subtotal	625,316,288	47,418,255	(4,523,629)	310,282	668,521,196
Capital assets and subscriptions - Net	<u>\$ 393,292,557</u>	<u>\$ 4,973,156</u>	<u>\$ (947,256)</u>	<u>\$ -</u>	<u>\$ 397,318,457</u>

June 30, 2024 and 2023

Note 5 - Capital Assets and Subscriptions (Continued)

	Balance July 1, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Assets not subject to depreciation:					
Land and land improvements	\$ 10,569,221	\$ 708,796	\$ -	\$ -	\$ 11,278,017
Construction in progress	47,357,619	32,161,342	-	(31,495,363)	48,023,598
Subtotal	57,926,840	32,870,138	-	(31,495,363)	59,301,615
Assets subject to depreciation:					
Buildings and improvements	601,202,343	770,499	(910,904)	25,950,529	627,012,467
Equipment	260,294,418	7,241,980	(3,712,104)	5,479,237	269,303,531
Lease assets - Buildings and improvements	9,433,477	153,689	-	-	9,587,166
Lease assets - Equipment	16,122,517	4,444,608	(214,109)	-	20,353,016
Subscription assets	9,670,048	23,381,002	-	-	33,051,050
Subtotal	896,722,803	35,991,778	(4,837,117)	31,429,766	959,307,230
Less accumulated depreciation:					
Buildings and improvements	372,755,043	22,090,922	(899,955)	-	393,946,010
Equipment	207,104,603	12,101,467	(3,483,525)	(65,597)	215,656,948
Lease assets - Buildings and improvements	1,518,388	533,414	-	-	2,051,802
Lease assets - Equipment	7,166,128	2,491,836	(214,109)	-	9,443,855
Subscription assets	-	4,217,673	-	-	4,217,673
Subtotal	588,544,162	41,435,312	(4,597,589)	(65,597)	625,316,288
Capital assets - Net	<u>\$ 366,105,481</u>	<u>\$ 27,426,604</u>	<u>\$ (239,528)</u>	<u>\$ -</u>	<u>\$ 393,292,557</u>

The State Department of Accounting and General Services and others transferred capital assets, including construction in progress, aggregating \$29,255,149 and \$25,823,228 to Hawaii Health Systems Corporation during the years ended June 30, 2024 and 2023, respectively.

Note 6 - State of Hawaii Advances and Receivable

The amount due to the State of \$19,008,243 at June 30, 2024 and 2023 is made up of cash advances to the Department of Health - Division of Community Hospitals, which was assumed by Hawaii Health Systems Corporation at the date of its formation.

At June 30, 2024 and 2023, \$91,426,463 and \$47,399,521, respectively, was due from the State for allotments made to Hawaii Health Systems Corporation before June 30, 2024 and 2023.

Note 7 - Accrued Vacation

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

Activity for the years ended June 30, 2024 and 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Accrued vacation - 2024	\$ 40,426,383	\$ 21,959,141	\$(18,890,022)	\$ 43,495,502	\$ 21,172,136	\$ 22,323,366
Accrued vacation - 2023	36,513,986	19,780,397	(15,868,000)	40,426,383	19,545,033	20,881,350

June 30, 2024 and 2023

Note 8 - Cost-sharing Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

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

Contributions

Contributions are established by Hawaii Revised Statutes ("HRS") Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal years 2024 and 2023 was 24 percent. Contributions to the pension plan from the Corporation were approximately \$57 million and \$52 million for the fiscal years ended June 30, 2024 and 2023, respectively.

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

June 30, 2024 and 2023

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

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2024 and 2023, the Corporation reported a liability of approximately \$599 million and \$555 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Corporation's proportion of the net pension liability was based on the Corporation's actuarially required contribution for the years ended June 30, 2023 and 2022 relative to all other contributing employers. At June 30, 2024 and 2023, the Corporation's proportion was 4.3 percent.

For the years ended June 30, 2024 and 2023, the Corporation recognized pension expense of approximately \$58,445,000 and \$44,017,000, respectively. At June 30, 2024 and 2023, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 11,231,861	\$ (6,653,871)	\$ 9,488,950	\$ (8,929,706)
Net difference between projected and actual earnings on plan investments	-	(8,602,493)	-	(42,225,867)
Changes in assumptions	(6,011,698)	(5,459,293)	(5,328,051)	(7,349,293)
Changes in proportion	3,768,115	(1,305,886)	5,415,208	(1,512,357)
Employer contributions to the plan subsequent to the measurement date	56,636,063	-	52,205,011	-
Total	\$ 65,624,341	\$ (22,021,543)	\$ 61,781,118	\$ (60,017,223)

The \$56,636,063 reported at June 30, 2024 as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending June 30, 2025. The \$52,205,011 reported at June 30, 2023 as deferred outflows of resources resulting from contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2025	\$ 3,521,593
2026	14,736,943
2027	(21,626,959)
2028	(9,362,110)
2029	(302,732)

Actuarial Assumptions

The total pension liability in the June 30, 2023 and 2022 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Salary increases	3.50%
Investment rate of return	7.00% per year, compounded annually, including inflation

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

There were no changes to ad hoc postemployment benefits, including cost of living adjustments, in the June 30, 2023 valuation.

In the June 30, 2023 and 2022 valuations, the postretirement mortality rates are based on the 2022 Public Retirees of Hawaii mortality tables with full generational projections in future years, respectively. Preretirement mortality rates are based on multiples of the Pub-2010 Mortality Table based on the occupation of the member.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2021. The ERS updates its experience studies every five years.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023 and 2022 consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the ERS will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Projected Cash Flows

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

The long-term expected rate of return on pension plan investments for June 30, 2023 and 2022 was determined using a top-down approach of the client-constrained simulation-based optimization model (a statistical technique known as resampling with a replacement that directly keys in on specific plan-level risk factors, as stipulated by the ERS' board of trustees) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return (real returns and inflation) by the target asset allocation percentage.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table for June 30, 2023 and 2022:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad growth	63 %	8 %
Diversifying strategies	37	5

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

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

The following presents the net pension liability of the Corporation at June 30, 2024 and 2023 calculated using the discount rate of 7.00 percent, as well as what the Corporation's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net pension liability - 2024	\$ 797,251,442	\$ 598,853,271	\$ 434,545,326
Net pension liability - 2023	744,547,857	555,205,199	398,465,597

Pension Plan Fiduciary Net Position

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

Note 9 - Other Postemployment Benefit Plan

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF"), an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues a publicly available annual financial report that is available to the public at <https://eutf.hawaii.gov/reports/>. The report may also be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, HI 96805-2121.

Benefits Provided

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

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

Note 9 - Other Postemployment Benefit Plan (Continued)

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

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Corporation were \$53,576,379 and \$24,300,692 for the fiscal years ended June 30, 2024 and 2023, respectively. The Corporation is required to make all contributions for members. During 2021, a temporary reduction in the statutory funding requirement of the fringe benefit rate for ongoing plan contributions was implemented. During 2024, the temporary reduction ended and the fringe benefit rate increased.

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

At June 30, 2024 and 2023, the Corporation reported a net OPEB liability of approximately \$456 million and \$460 million, respectively. The net OPEB liability was measured as of July 1, 2023 and 2022, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2024, the Corporation's proportion was 9.80 percent, which was an increase from its proportion measurement at June 30, 2023. At June 30, 2023, the Corporation's proportion was 9.65 percent, which was an increase from its proportion measurement at June 30, 2022, which was 9.07 percent.

There were no changes between the measurement date, July 1, 2023 and 2022, and the reporting date, June 30, 2024 and 2023, that are expected to have a significant effect on the net OPEB liability.

For the years ended June 30, 2024 and 2023, the Corporation recognized OPEB expense of approximately \$8,091,767 and \$14,405,533, respectively. At June 30, 2024 and 2023, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual experience	\$ -	\$ (61,787,074)	\$ -	\$ (71,446,871)
Difference between projected and actual earnings on OPEB plan investments	9,327,738	6,073,748	7,016,901	6,073,748
Changes in assumptions	3,142,979	(10,050,928)	4,038,088	(11,693,490)
Contributions subsequent to the measurement date	53,576,379	-	24,300,692	-
Total	\$ 66,047,096	\$ (65,764,254)	\$ 35,355,681	\$ (77,066,613)

Note 9 - Other Postemployment Benefit Plan (Continued)

The \$53,576,379 reported at June 30, 2024 as deferred outflows of resources related to OPEB resulting from the Corporation's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. The \$24,300,692 reported at June 30, 2023 as deferred outflows of resources related to OPEB resulting from the Corporation's contributions subsequent to the measurement date was recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2025	\$ (16,875,364)
2026	(18,156,383)
2027	(8,778,767)
2028	(8,914,427)
2029	<u>(568,596)</u>
Total	<u>\$ (53,293,537)</u>

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 and 2022 actuarial valuation was determined using the following actuarial assumptions adopted by the board of trustees of the Hawaii Employer-Union Health Benefits Trust Fund of the State of Hawaii on January 9, 2023 based on the experience study covering the five-year period ended June 30, 2023:

	2023
Inflation	2.50 percent
Salary increases	3.75 percent to 6.75 percent, including inflation
Discount rate	7.00 percent
Health care cost trend rates:	
Preferred Provider Organization*	Initial rate of 6.30 percent, declining to a rate of 4.25 percent after 21 years
HMO*	Initial rate of 6.30 percent, declining to a rate of 4.25 percent after 21 years
Part B and base monthly contribution	Initial rate of 5.00 percent, declining to a rate of 4.25 percent after 21 years
Dental	4.00 percent
Vision	2.50 percent
Life insurance	0.00 percent
	2022
Inflation	2.50 percent
Salary increases	3.75 percent to 6.75 percent, including inflation
Discount rate	7.00 percent
Health care cost trend rates:	
Preferred Provider Organization*	Initial rate of 6.40 percent, declining to a rate of 4.25 percent after 22 years
HMO*	Initial rate of 6.40 percent, declining to a rate of 4.25 percent after 22 years
Part B and base monthly contribution	Initial rate of 5.00 percent, declining to a rate of 4.25 percent after 22 years
Dental	4.00 percent
Vision	2.50 percent
Life insurance	0.00 percent

*Blended rates for medical and prescription drugs.

June 30, 2024 and 2023

Note 9 - Other Postemployment Benefit Plan (Continued)

Change in Actuarial Assumptions

The changes in actuarial assumption between 2023 and 2022 are as follows: PPO and HMO cost trend rates decreased by 0.10 percent.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments at June 30, 2023 and 2022 was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

Asset class:	2023	
	Target Allocation	Long-term Expected Real Rate of Return
Private equity	15.00 %	10.00 %
U.S. microcap	3.00	8.70
Global equity	27.50	7.60
Global options	-	4.90
Real estate	12.00	4.30
Private credit	10.00	7.80
Reinsurance	5.00	3.40
Treasury inflation-protected securities	5.00	2.00
Long treasurys	5.50	2.40
Alternative risk premia	5.00	3.30
Trend following	10.00	2.40
Tail risk/long volatility	2.00	(1.10)
Asset class:	2022	
	Target Allocation	Long-term Expected Real Rate of Return
Private equity	12.50 %	11.72 %
U.S. microcap	6.00	8.28
Global equity	27.50	6.62
Global options	5.00	4.45
Real estate	10.00	6.59
Private credit	8.00	6.38
Treasury inflation-protected securities	5.00	1.35
Long treasurys	6.00	2.32
Alternative risk premia	5.00	3.74
Trend following	10.00	4.53
Reinsurance	5.00	4.81

Note 9 - Other Postemployment Benefit Plan (Continued)

Discount Rate

The discount rate used to measure the net OPEB liability at June 30, 2024 and 2023 was 7.00 percent, based on the expected rate of return on OPEB plan investments of 7.00 percent and the municipal bond rate of 3.86 and 3.69 percent, respectively, (based on the daily rate closest to but no later than the measurement date of the Fidelity 20-year Municipal GO AA Index). Beginning with the fiscal year 2019 contribution, the State’s funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. In July 2020, the governor’s office issued the Tenth Proclamation related to the COVID-19 emergency, allowing employers of the EUTF to suspend Act 268 contributions for the fiscal year ended June 30, 2021 and instead limit their contribution amounts to the OPEB benefits due. This relief provision related to OPEB funding was extended to fiscal years 2022 and 2023 by Act 229, SLH 2021. The OPEB plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

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

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

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

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

	1 Percentage Point Decrease (6.00%)	Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability - 2024	\$ 570,619,667	\$ 456,319,648	\$ 365,088,809
Net OPEB liability - 2023	569,451,366	459,810,487	372,668,528

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

	1 Percentage Point Decrease	Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB liability - 2024	\$ 354,285,857	\$ 456,319,648	\$ 586,919,341
Net OPEB liability - 2023	367,933,579	459,810,487	577,285,785

June 30, 2024 and 2023

Note 10 - Long-term Debt

Long-term debt activity for the years ended June 30, 2024 and 2023 can be summarized as follows:

	2024					Due within One Year
	Beginning Balance	Additions	Reductions	Ending Balance		
Long-term debt	\$ 15,726,007	\$ -	\$ (486,649)	\$ 15,239,358	\$ 8,392,359	
Direct borrowings and direct placements - Notes payable	18,824,698	2,394,971	(1,688,149)	19,531,520	2,312,773	
Leases	18,138,921	4,363,521	(4,438,907)	18,063,535	4,688,271	
Subscription obligations	17,753,473	7,418,224	(8,020,859)	17,150,838	5,457,123	
	2023					
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year	
Long-term debt	\$ 16,191,303	\$ -	\$ (465,296)	\$ 15,726,007	\$ 8,649,008	
Direct borrowings and direct placements - Notes payable	17,800,909	2,470,793	(1,447,004)	18,824,698	1,753,591	
Leases	17,118,313	4,598,297	(3,577,689)	18,138,921	4,056,855	
Subscription obligations	8,614,292	23,746,185	(14,607,004)	17,753,473	4,190,014	

The long-term debt obligations are summarized as follows:

Roselani Place

In 2007, Ali'i exercised the option to purchase the facility from the developer/landlord. In connection with the purchase, Ali'i also assumed the land lease on which the facility is situated. HHSC entered into a loan transaction with a financing institution and then entered into a loan arrangement with Ali'i with the same terms. In 2019, Ali'i refinanced the loan with an outside institution. The refinanced loan is payable in monthly installments of \$109,431 to the outside institution, including interest at 4.53 percent through April 2029. The note is collateralized by certain property and equipment of Ali'i.

Maui Bonds

In 2012, MMMC issued general obligation bonds. These bonds were executed in two parts: Series 2012A and Series 2012B. The Series 2012A bonds were issued to refinance MMMC's existing \$8 million loan, which had been held with the Bank of Montreal. Total borrowing under the first agreement was \$8,100,000. These bonds carry an interest rate of 4.05 percent. The Series 2012A bonds are secured by a loan note guarantee issued by the United States Department of Agriculture (USDA) through its Rural Development division. The Series 2012B bonds provided initial funding for the purpose of construction of a physician clinic adjacent to the hospital, partial funding for a building renovation, and equipment associated with imaging services. Borrowing costs under the second agreement totaled \$901,000. These bonds carried a variable interest rate that started at 5 percent until September 1, 2017, at which point the rate shall reset on each September 1, occurring every five years thereafter at a rate equal to 3.75 percent over the prevailing five-year FHLB Bullied Rate (Seattle). In the event that such rate is no longer available or practicable, a similar index mutually agreed upon by the issuer and holders of the bonds will be used. The effective interest rate on the Series 2012B bonds as of June 30, 2024 and 2023 was 7.38 percent. The Series 2012B bonds are unsecured. The bonds are payable in annual installments ranging from \$196,000 to \$978,000. In connection with the Series 2012A and Series 2012B bond issuance, MMMC is subject to certain financial covenants. As of June 30, 2024 and 2023, MMMC was not in compliance with those covenants. A waiver for the covenant requirements was granted by the lender.

Note 10 - Long-term Debt (Continued)

In January 2015, MMMC issued Revenue Bond Number 3, the proceeds of which were used to refinance the previously issued Series 2013 bonds. These bonds were issued under the existing master trust indenture dated April 1, 2008. Monthly payments are due in the amount of \$46,433, including principal and interest, through January 2045 when all remaining principal and accrued interest are payable. Revenue Bond Number 3 carries an interest rate of 3.50 percent as of June 30, 2023 and 2024. In connection with the Revenue Bond Number 3, MMMC is subject to certain financial covenants. As of June 30, 2024 and 2023, MMMC was not in compliance with those covenants. A waiver was not obtained for the covenant violations for the years ended June 30, 2024 and 2023 and, as a result, Revenue Bond Number 3 is shown as current in the financial statements.

East Hawaii Region

In June 2001, HHSC acquired land, building, and medical equipment of \$11.9 million from the Hilo Residency Training Program, Inc. ("HRTP") to ensure the uninterrupted operation of the Hilo Benioff Medical Center Cancer Treatment Center and its radiology and oncology services. As part of the acquisition, HHSC assumed HRTP's outstanding balances on the loans and notes payable ("HRTP Loan") of \$5.9 million. The assets and related liabilities were recorded in Hilo Benioff Medical Center's accounting records. Subsequently, the HRTP Loan was refinanced in fiscal year 2008, and again in fiscal year 2019 with a financial institution. The HRTP Loan is collateralized by a security interest in the capital assets acquired from HRTP.

In fiscal year 2022, the HRTP loan was amended and allowed for additional borrowings up to \$8.5 million to be used for construction of additional facilities for the East Hawaii Region at a fixed interest rate of 2.79 percent. Of the total \$8.5 million available financing, \$8,500,000 and \$6,105,029 were drawn as of June 30, 2024 and 2023, respectively. The additional borrowings mature in 2034 and are due in monthly installments of \$80,673.

Under the terms of the HRTP Loan, HHSC is subject to certain financial covenants, which management has asserted to be in compliance with during fiscal years 2024 and 2023.

Debt Service Requirements to Maturity

The table below indicates the future scheduled principal and interest payments as of June 30, 2024. While presentation of the statement of net position contains certain amounts that are included within current portion of long-term debt, the schedule below has been prepared based on contractually scheduled payments as of June 30, 2024:

Years Ending June 30	Long-term Debt		Direct Borrowings and Direct Placements - Notes Payable	
	Principal	Interest	Principal	Interest
2025	\$ 505,896	\$ 586,554	\$ 2,312,773	\$ 629,881
2026	525,709	566,441	2,397,692	545,010
2027	545,871	545,541	2,485,794	456,894
2028	567,707	517,188	2,577,243	365,444
2029	590,267	486,929	2,453,873	270,879
2030-2034	3,316,242	2,073,909	7,304,145	571,837
2035-2039	4,024,062	1,377,387	-	-
2040-2044	4,846,183	512,150	-	-
2045-2049	317,421	3,694	-	-
Total	\$ 15,239,358	\$ 6,669,793	\$ 19,531,520	\$ 2,839,945

June 30, 2024 and 2023

Note 10 - Long-term Debt (Continued)

Significant Terms

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

Note 11 - Leases

The Corporation leases certain assets from various third parties. The assets leased include equipment and buildings. Payments are generally fixed monthly. During the year ended June 30, 2024, the Corporation recognized insignificant outflows as a result of variable payments that were properly excluded from the initial measurement of the lease liability.

Lease asset activity of the Corporation is included in Note 5.

Future principal and interest payment requirements related to the Corporation's lease liability at June 30, 2024 are as follows:

Years Ending	Principal	Interest	Total
2025	\$ 4,688,271	\$ 590,891	\$ 5,279,162
2026	4,067,468	653,701	4,721,169
2027	3,091,963	282,609	3,374,572
2028	1,803,125	178,433	1,981,558
2029	1,051,386	119,834	1,171,220
2030-2034	813,049	411,784	1,224,833
2035-2039	420,655	346,980	767,635
2040-2044	485,512	282,123	767,635
2045-2049	560,273	207,362	767,635
2050-2054	646,810	120,825	767,635
2055-2059	435,023	25,557	460,580
Total	\$ 18,063,535	\$ 3,220,099	\$ 21,283,634

The Corporation leases certain facilities to various third parties. Payments are generally fixed monthly.

As of June 30, 2024 and 2023, the Corporation has recognized \$18,844,627 and \$19,694,361, respectively, of deferred inflows related to the Corporation's leasing arrangements.

Future principal and interest payment requirements related to the Corporation's lease receivable at June 30, 2024 are as follows:

Years Ending	Principal	Interest	Total
2025	\$ 834,648	\$ 563,683	\$ 1,398,331
2026	1,043,647	532,288	1,575,935
2027	813,080	503,437	1,316,517
2028	813,702	477,407	1,291,109
2029	755,038	450,184	1,205,222
2030-2034	3,598,699	1,922,669	5,521,368
2035-2039	3,946,050	1,388,790	5,334,840
2040-2044	4,554,217	780,623	5,334,840
2045-2049	3,063,391	137,515	3,200,906
Total	\$ 19,422,472	\$ 6,756,596	\$ 26,179,068

June 30, 2024 and 2023

Note 12 - Subscriptions

The Corporation obtains the right to use vendors' information technology software through various long-term contracts. Payments are generally fixed monthly, with certain variable payments not included in the measurement of the lease liability required based on future performance of the Corporation, usage of the underlying IT asset, or number of user seats.

Subscription asset activity of the Corporation is included in Note 5.

Future principal and interest payment requirements related to the Corporation's subscription liability at June 30, 2024 are as follows:

Years Ending	Principal	Interest	Total
2025	\$ 5,457,123	\$ 596,902	\$ 6,054,025
2026	2,340,504	465,794	2,806,298
2027	930,766	361,924	1,292,690
2028	783,553	321,527	1,105,080
2029	659,696	291,301	950,997
2030-2034	3,614,839	1,050,371	4,665,210
2035-2039	3,364,357	272,992	3,637,349
Total	\$ 17,150,838	\$ 3,360,811	\$ 20,511,649

Note 13 - Commitments and Contingencies

Professional Liability

Hawaii Health Systems Corporation maintains professional and general liability insurance with a private insurance carrier with a \$1 million limit per claim and a \$5 million aggregate. Hawaii Health Systems Corporation has also purchased additional excess insurance with a \$34 million per claim and aggregate limit. Hawaii Health Systems Corporation's general counsel advises that, in the unlikely event any judgments rendered against Hawaii Health Systems Corporation exceed Hawaii Health Systems Corporation's professional liability coverage, such amounts would likely be paid from an appropriation from the State's General Fund. Settled claims have not exceeded the coverage provided by the insurance carrier in any of the past three fiscal years. The Corporation has accrued approximately \$2,150,000 and \$810,000 as of June 30, 2024 and 2023, respectively, as accounts payable and accrued expenses on the statement of net position.

Workers' Compensation Liability

Hawaii Health Systems Corporation is self-insured for workers' compensation claims. Hawaii Health Systems Corporation pays a portion of wages for injured workers (as required by law), medical bills, judgments as stipulated by the State's Department of Labor, and other costs. Hawaii Health Systems Corporation also directly provides treatment for injured workers. The estimated liability is based on actuarial projections of costs using historical claims-paid data. Estimates are continually monitored and reviewed, and, as settlements are made or estimates adjusted, differences are reflected in current operations. Hawaii Health Systems Corporation has accrued a liability of \$12,509,000, \$11,848,000, and \$11,967,000 for unpaid claims as of June 30, 2024 and 2023, and 2022, respectively.

	2024	2023	2022
Estimated liability - Beginning of year	\$ 11,848,000	\$ 11,967,000	\$ 11,557,000
Estimated claims incurred - Including changes in estimates	3,092,000	2,391,000	2,862,000
Claim payments	(2,431,000)	(2,510,000)	(2,452,000)
Estimated liability - End of year	\$ 12,509,000	\$ 11,848,000	\$ 11,967,000

June 30, 2024 and 2023

Note 13 - Commitments and Contingencies (Continued)

Ceded Lands

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

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

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

For the years ended June 30, 2024 and 2023, there were no payments made to OHA.

Paycheck Protection Program (PPP)

During fiscal years 2020 and 2021, several Hawaii Health System Corporation regions received loans from banks pursuant to the Coronavirus Aid, Relief, and Economic Security Act's Paycheck Protection Program. The note structure required the HHSC regional officials to certify certain statements that permitted the HHSC regions to qualify for the loans and provided loan forgiveness if the HHSC regions used the loan proceeds for the permitted loan purpose described in the note agreements. During fiscal years 2021 and 2022, the HHSC regions applied for and received notification of forgiveness of the loans from the Small Business Administration (SBA).

If the SBA determines HHSC was not initially eligible under the program for any of the PPP loans received or concludes that the Corporation did not have an adequate basis for making the good-faith certification of necessity at the time of application for the loans, the loans could become payable on demand. Although management considers it probable that the Corporation was initially eligible for the loans, the SBA has the ability to review the loan files for a 10-year period subsequent to the date the loans are forgiven or repaid in full and could request additional documentation to support the initial eligibility for the loans obtained. In the event the SBA subsequently determines the Corporation did not meet the initial eligibility requirements for the loans or did not qualify for loan forgiveness, the Corporation could be required to repay the PPP loans plus interest.

Litigation

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

June 30, 2024 and 2023

Note 14 - Employee Benefits

Sick Leave

Accumulated sick leave as of June 30, 2024 and 2023 was approximately \$72,637,000 and \$66,836,000, respectively. Sick leave accumulates at the rate of 14 hours for each month of service, as defined, without limit. Sick pay can be taken only in the event of illness and is not convertible to pay upon termination of employment. Accordingly, no liability for sick pay is recorded in the accompanying financial statements.

Required Supplementary Information

Hawaii Health Systems Corporation

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

	Years Ended June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Corporation's proportion of the net pension liability	4.3 %	4.3 %	4.2 %	4.1 %	4.1 %	4.1 %	4.1 %	6.9 %	7.1 %	7.3 %
Corporation's proportionate share of the net pension liability	\$ 598,853,271	\$ 555,205,199	\$ 509,459,725	\$ 627,817,806	\$ 576,687,523	\$ 542,374,488	\$ 530,455,687	\$ 916,111,059	\$ 623,325,233	\$ 583,997,239
Corporation's covered payroll	\$ 237,933,182	\$ 217,913,914	\$ 213,773,542	\$ 202,294,694	\$ 197,655,015	\$ 191,534,713	\$ 172,037,521	\$ 282,780,136	\$ 288,121,862	\$ 285,988,382
Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	251.7 %	254.8 %	238.3 %	310.3 %	291.8 %	283.2 %	308.3 %	324.0 %	216.3 %	204.2 %
Plan fiduciary net position as a percentage of total pension liability	61.9 %	62.8 %	64.3 %	53.2 %	54.9 %	55.5 %	54.8 %	51.3 %	62.4 %	63.9 %

Hawaii Health Systems Corporation

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

	Years Ended June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 61,992,000	\$ 55,317,600	\$ 50,978,100	\$ 51,346,400	\$ 45,328,800	\$ 38,354,000	\$ 33,088,000	\$ 50,418,500	\$ 51,584,604	\$ 49,213,969
Contributions in relation to the contractually required contribution	<u>61,992,000</u>	<u>55,317,600</u>	<u>50,978,100</u>	<u>51,346,400</u>	<u>45,328,800</u>	<u>38,354,000</u>	<u>33,088,000</u>	<u>50,418,500</u>	<u>51,584,604</u>	<u>50,272,620</u>
Contribution Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,058,651)</u>
Corporation's Covered Payroll	\$ 254,700,393	\$ 237,933,182	\$ 217,913,914	\$ 213,773,542	\$ 202,294,694	\$ 197,655,015	\$ 191,534,713	\$ 172,037,521	\$ 282,760,136	\$ 288,121,862
Contributions as a Percentage of Covered Payroll	24.3 %	23.2 %	23.4 %	24.0 %	22.4 %	19.4 %	17.3 %	29.3 %	18.2 %	17.4 %

Hawaii Health Systems Corporation

Note to Pension Required Supplementary Information Schedules

June 30, 2024

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

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

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

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

The valuation methods and assumptions used to determine contribution for the fiscal year ended June 30, 2024 are as follows:

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

Hawaii Health Systems Corporation

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

	Last Seven Fiscal Years						
	Years Ended June 30						
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Corporation's proportion of the net OPEB liability	9.79564 %	9.64849 %	9.07478 %	7.87263 %	7.85112 %	7.85132 %	7.85603 %
Corporation's proportionate share of the net OPEB liability	\$ 456,319,648	\$ 459,810,487	\$ 491,488,746	\$ 513,049,791	\$ 547,829,574	\$ 547,178,995	\$ 541,845,124
Corporation's covered payroll	\$ 237,933,182	\$ 217,913,914	\$ 213,773,542	\$ 202,294,694	\$ 197,656,054	\$ 191,546,061	\$ 172,037,521
Corporation's proportionate share of the net OPEB liability as a percentage of its covered payroll	191.78 %	211.01 %	229.91 %	253.62 %	270.81 %	276.83 %	282.88 %
Plan fiduciary net position as a percentage of total OPEB liability	40.94 %	37.65 %	34.26 %	21.78 %	17.24 %	12.10 %	8.63 %

Hawaii Health Systems Corporation

Required Supplementary Information Schedule of OPEB Contributions

	Last Seven Fiscal Years						
	Years Ended June 30						
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 53,576,379	\$ 24,300,692	\$ 35,678,307	\$ 15,249,898	\$ 49,002,433	\$ 43,988,025	\$ 43,306,409
Contributions in relation to the contractually required contribution	<u>53,576,379</u>	<u>24,300,692</u>	<u>21,701,762</u>	<u>22,326,446</u>	<u>46,929,719</u>	<u>45,645,221</u>	<u>38,382,284</u>
Contribution (Deficiency) Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,976,545)</u>	<u>\$ 7,076,548</u>	<u>\$ (2,072,714)</u>	<u>\$ 1,657,196</u>	<u>\$ (4,924,125)</u>
Corporation's Covered Payroll	\$ 254,700,393	\$ 237,933,182	\$ 217,913,914	\$ 213,773,542	\$ 202,294,694	\$ 197,656,054	\$ 191,546,061
Contributions as a Percentage of Covered Payroll	21.04 %	10.21 %	9.96 %	10.44 %	23.20 %	23.09 %	20.04 %

Hawaii Health Systems Corporation

Note to OPEB Required Supplementary Information Schedules

June 30, 2024

Actuarial valuation information relative to the determination of contributions:

Valuation date	The actuarially determined contribution for the fiscal year ended June 30, 2024 was developed in the July 1, 2021 valuation.
Methods and assumptions:	
Actuarial cost method	Entry age normal
Discount rate	7.00 percent
Inflation	2.50 percent
Amortization method	Level percent, closed bases are established at each valuation for new unfunded liabilities
Equivalent single amortization period	21.0 years as of fiscal year ended June 30, 2024
Asset valuation method	4-year smoothed market
Payroll growth	3.50 percent
Salary increase	3.50 to 7.00 percent including inflation
Demographic assumptions	Based on the experience study covering the five-year period ended June 30, 2018, as conducted for the Hawaii Employees' Retirement System (ERS)
Mortality	System-specific mortality tables utilizing scale BB to project generational mortality improvement
Participation rates	98 percent health care participation assumption for retirees who receive 100 percent of the base monthly contribution. Health care participation rates of 25 percent, 65 percent, and 90 percent for retirees who receive 0 percent, 50 percent, or 75 percent of the base monthly contribution, respectively. 100 percent for life insurance and 98 percent for Medicare Part B
Health care cost trend rates:	
PPO*	Initial rate of 7.25 percent, declining to an ultimate rate of 4.70 percent after 12 years
HMO*	Initial rate of 7.25 percent, declining to an ultimate rate of 4.70 percent after 12 years
Part B	Initial rate of 5.00 percent, declining to an ultimate rate of 4.70 percent after 9 years
Dental	4.00 percent
Vision	2.50 percent
Life insurance	0.00 percent

*Blended rates for medical prescription drugs

Supplementary Information

Hawaii Health Systems Corporation

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

June 30, 2024

Cash and Cash Equivalents - State of Hawaii

Special funds:

S-24-303-H	\$ 674,563
S-24-350-H	11,299,803
S-24-351-H	783,792
T-04-918-H	1,273
S-24-352-H	1,172,469
T-04-921-H	6,679
S-23-350-H	3,194
S-22-352-H	4,113
S-24-365-H	699,566
S-24-312-H	1,203,397
S-24-359-H	1,604,834
S-23-359-H	5,544
S-24-373-H	1,119,737
S-20-373-H	2,572
S-23-353-H	449,145
S-23-354-H	3,161,145

Total per State 22,191,826

Assets Limited as to Use - Patient Funds

Appropriation symbol T-04-923-H	19,871
Appropriation symbol T-04-919-H	33,330
Appropriation symbol T-23-911-H	22,912
Appropriation symbol T-20-909-H	6,630
Appropriation symbol T-20-925-H	70,440

Total per State 153,183

Reconciling Items

Patients' safekeeping deposits held by financial institutions	78,038
Donor-restricted assets	10,825,379
Restricted assets held by financial institutions	65,574,703

Total per HHSC \$ 98,823,129

June 30, 2024

	Hilo Benioff Medical Center	Honoka'a Hospital	Ka'u Hospital	Yukio Okutsu State Veterans Home - Hilo	Kona Community Hospital	Kohala Hospital	Maui Memorial Medical Center	Kula Hospital	Lanai Community Hospital	Leahi Hospital	Maluhia	Akaka State Veterans Home - Oahu	Kauai Veterans Memorial Hospital	Samuel Mahelona Memorial Hospital	Facilities
Assets and Deferred Outflows of Resources															
Current Assets															
Cash and cash equivalents	\$ 87,248,884	\$ 16,116	\$ 8,641	\$ 6,241,211	\$ 3,643,926	\$ 8,584,157	\$ 15,137,274	\$ 1,181,735	\$ 355,788	\$ 12,590,692	\$ 14,067,348	\$ 2,000,000	\$ 31,731,828	\$ 6,299,567	\$ 189,107,167
Cash and cash equivalents - State of Hawaii	11,302,997	785,065	1,183,261	-	3,161,145	449,145	-	-	-	1,203,397	699,566	-	1,610,378	1,122,309	21,517,263
Lease receivable	8,022	1	-	-	113,572	-	559,209	-	-	-	-	-	153,844	-	834,648
Patient accounts receivable - Less allowances for doubtful accounts	50,546,043	1,024,844	2,143,870	1,097,111	25,528,763	4,156,500	-	-	-	2,381,724	2,012,580	-	10,824,596	5,448,791	105,164,822
Restricted pledge receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	22,653,047	-	-	-	-	-	-	-	-	-	-	-	-	-	22,653,047
Due from the State of Hawaii	56,609,811	217,029	3,492,515	-	3,774,521	1,157,522	-	-	-	6,136,817	2,768,749	194,491	5,210,439	9,326,711	88,888,605
Due from affiliates - Net	1,808,582	42,800,471	2,571,794	1,931	7,759,073	4,030,243	3,566,618	136,946	-	3,165,534	812,299	-	72,119	9,328,428	76,054,038
Assets limited as to use	9,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	9,500,000
Supplies and other current assets	8,496,197	263,932	495,397	84,848	6,759,728	646,217	49,657	13	-	327,519	244,467	-	1,187,231	682,839	19,238,045
Estimated third-party payor settlements	3,051,288	3,967,957	799,001	-	895,811	1,052,789	-	-	-	988,275	689,585	-	1,131,867	3,239,124	15,815,697
Total current assets	251,224,871	49,075,415	10,694,479	7,425,101	51,636,539	20,076,573	19,312,758	1,318,694	355,788	26,793,958	21,294,594	2,194,491	51,922,302	35,447,769	548,773,332
Assets Limited as to Use - Net of current portion	51,030,641	25,426	9,853	-	2,290,266	-	1,298,979	-	-	95,771	39,481	-	19,871	33,330	54,843,618
Investments - Net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	14,233,190	-	14,233,190
Subscriptions	2,703,135	-	62,999	-	10,964,712	9,988,895	-	-	-	51,237	54,245	-	-	-	23,825,223
Lease Receivable	-	-	-	-	733,365	-	17,385,542	-	-	-	-	-	287,504	-	18,406,411
Capital Assets - Net	87,826,205	14,741,030	11,014,654	16,967,889	45,548,918	7,291,710	73,726,575	10,090,103	3,979,498	16,853,289	13,438,692	1,178,798	22,887,421	21,087,283	346,632,065
Restricted Pledge Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	392,784,852	63,841,871	21,781,985	24,392,990	111,173,800	37,357,178	111,723,854	11,408,797	4,335,286	43,794,255	34,827,012	3,373,289	89,350,288	56,568,382	1,006,713,839
Deferred Outflows of Resources															
Pension	27,306,960	2,314,523	4,697,493	-	11,597,092	1,591,286	-	-	-	3,469,752	2,452,625	-	5,839,777	3,910,903	63,180,411
Postemployment benefits other than pensions	27,223,580	2,327,200	3,920,417	-	11,856,143	1,710,391	-	-	-	3,748,202	2,774,367	-	6,021,490	4,013,578	63,595,368
Total assets and deferred outflows of resources	\$ 447,315,392	\$ 68,483,594	\$ 30,399,895	\$ 24,392,990	\$ 134,627,035	\$ 40,658,855	\$ 111,723,854	\$ 11,408,797	\$ 4,335,286	\$ 51,012,209	\$ 40,054,004	\$ 3,373,289	\$ 101,211,555	\$ 64,492,863	\$ 1,133,489,618

June 30, 2024

	Hawaii Health Systems Corporation	Eliminations	HHSC Combined	Hawaii Health Systems Foundation	Ali'i Community Care, Inc.	Ali'i Health Center	East Hawaii Region Foundation	East Hawaii Medical Group	East Hawaii Health Pharmacy	Kauai Region Medical Group	Kauai Region Pharmacy-West	Kauai Region Recovery Services	Kahuku Medical Center	Eliminations	HHSC Consolidated
Assets and Deferred Outflows of Resources															
Current Assets															
Cash and cash equivalents	\$ 15,159,585	\$ -	\$ 204,266,752	\$ 38,491	\$ 1,923,530	\$ 1,306,298	\$ -	\$ 262,872	\$ 145,855	\$ 1,896,812	\$ 427,363	\$ 224,495	\$ 1,586,064	\$ -	\$ 212,078,532
Cash and cash equivalents - State of Hawaii	674,563	-	22,191,826	-	-	-	-	-	-	-	-	-	-	-	22,191,826
Lease receivable	-	-	834,648	-	-	-	-	-	-	-	-	-	-	-	834,648
Patient accounts receivable - Less allowances for doubtful accounts	-	-	105,164,822	-	67,230	1,664,940	-	-	103,403	-	42,310	-	4,237,852	-	111,280,557
Restricted pledge receivable	-	-	-	-	-	-	10,000,000	-	-	-	-	-	-	-	10,000,000
Investments	-	-	22,653,047	-	-	-	-	-	-	-	-	-	-	-	22,653,047
Due from the State of Hawaii	192,109	-	89,080,714	-	-	-	-	-	-	-	-	-	2,345,749	-	91,426,463
Due from affiliates - Net	-	(75,785,639)	268,399	-	-	-	-	725,767	-	-	-	-	-	(994,166)	-
Assets limited as to use	-	-	9,500,000	-	-	-	-	-	-	-	-	-	90,802	-	9,590,802
Supplies and other current assets	422,738	-	19,660,783	-	103,937	520,998	-	-	233,616	6,873	309,064	44	633,875	-	21,469,190
Estimated third-party payor settlements	-	-	15,815,697	-	-	-	-	-	-	-	-	-	205,595	(59,511)	15,961,781
Total current assets	16,448,995	(75,785,639)	489,436,688	38,491	2,094,697	3,492,236	10,000,000	988,639	482,874	1,903,685	778,737	224,539	9,099,937	(1,053,677)	517,486,846
Assets Limited as to Use - Net of current portion	1,371,504	-	56,215,122	-	-	-	10,825,379	-	-	-	-	-	-	-	67,040,501
Investments - Net of current portion	-	-	14,233,190	-	-	-	-	-	-	-	-	-	-	-	14,233,190
Subscriptions	4,103,672	-	27,928,895	-	-	-	-	-	-	-	-	-	-	-	27,928,895
Lease Receivable	-	-	18,406,411	-	-	-	-	-	-	-	-	-	181,413	-	18,587,824
Capital Assets - Net	3,093,751	-	349,725,816	-	5,935,420	2,556,623	-	-	26,309	-	84,505	-	11,060,889	-	369,389,562
Restricted Pledge Receivable	-	-	-	-	-	-	26,461,189	-	-	-	-	-	-	-	26,461,189
Total assets	25,017,922	(75,785,639)	955,946,122	38,491	8,030,117	6,048,859	47,286,568	988,639	509,183	1,903,685	863,242	224,539	20,342,239	(1,053,677)	1,041,128,007
Deferred Outflows of Resources															
Pension	2,443,930	-	65,624,341	-	-	-	-	-	-	-	-	-	-	-	65,624,341
Postemployment benefits other than pensions	2,451,728	-	66,047,096	-	-	-	-	-	-	-	-	-	-	-	66,047,096
Total assets and deferred outflows of resources	\$ 29,913,580	\$ (75,785,639)	\$ 1,087,617,559	\$ 38,491	\$ 8,030,117	\$ 6,048,859	\$ 47,286,568	\$ 988,639	\$ 509,183	\$ 1,903,685	\$ 863,242	\$ 224,539	\$ 20,342,239	\$ (1,053,677)	\$ 1,172,799,444

June 30, 2024

	Hilo Benioff Medical Center	Honoka'a Hospital	Ka'u Hospital	Yukio Okutsu State Veterans Home - Hilo	Kona Community Hospital	Kohala Hospital	Maui Memorial Medical Center	Kula Hospital	Lanai Community Hospital	Leahi Hospital	Maluhia	Akaka State Veterans Home - Oahu	Kauai Veterans Memorial Hospital	Samuel Mahelona Memorial Hospital	Facilities
Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)															
Current Liabilities															
Accounts payable and accrued expenses	\$ 51,318,296	\$ 3,178,991	\$ 9,740,307	\$ 1,117,861	\$ 27,959,803	\$ 3,438,492	\$ 291,638	\$ 850	\$ 316	\$ 3,839,817	\$ 2,746,876	\$ -	\$ 11,030,564	\$ 5,164,907	\$ 119,828,718
Current portion of accrued vacation	8,062,491	587,956	1,527,973	207,163	3,063,452	498,718	-	-	-	1,172,728	746,037	-	1,466,375	1,031,749	18,364,642
Current portion of long-term debt	1,218,642	-	-	-	-	-	8,392,359	-	-	-	-	-	-	-	9,611,001
Current portion of subscription obligations	1,645,628	-	36,336	-	610,555	140,379	-	-	-	54,184	58,198	-	-	-	2,545,280
Current portion of lease obligations	1,041,348	4,361	619,439	-	362,225	2,829	310,882	-	-	20,487	22,704	-	1,658,770	439,224	4,482,269
Due to affiliates - Net	45,165,815	-	-	-	407,930	7,613,333	-	-	3,184,623	-	2,146,351	2,022,619	5,508,596	33,272	66,082,539
Current portion of accrued workers' compensation	814,000	216,000	14,000	-	571,000	93,000	52,000	35,000	-	181,000	336,000	-	39,000	67,000	2,418,000
Other current liabilities:															
Estimated third-party settlement	59,024	-	-	-	-	-	-	-	-	-	487	-	-	-	59,511
Other current liabilities	1,401,682	-	6,896	-	24,267	5,654	-	-	-	-	-	-	566,119	179,374	2,183,992
Total current liabilities	110,726,926	3,987,308	11,944,951	1,325,024	32,999,232	11,792,405	9,046,879	35,850	3,184,939	5,268,216	6,056,653	2,022,619	20,269,424	6,915,526	225,575,952
Long-term Debt - Net of current portion	12,574,000	-	-	-	-	-	6,846,999	-	-	-	-	-	-	-	19,420,999
Subscriptions	1,062,734	-	28,202	-	4,819,697	4,612,982	-	-	-	-	-	-	-	-	10,523,615
Lease Obligation - Net of current portion	3,237,820	12,244	1,944,026	-	501,717	7,954	570,085	-	-	57,517	63,741	-	2,589,700	802,478	9,787,282
Other Liabilities															
Accrued vacation - Less current portion	7,751,239	565,257	1,468,986	-	3,078,066	501,097	-	-	-	1,721,073	1,609,648	-	2,023,620	1,295,621	20,014,607
Accrued workers' compensation - Less current portion	3,818,000	266,000	655,000	-	1,794,000	422,000	333,000	98,000	7,000	514,000	500,000	-	818,000	541,000	9,766,000
Other postemployment liability	188,087,819	16,078,635	27,086,178	-	81,914,140	11,817,093	-	-	-	25,896,339	19,168,109	-	41,602,503	27,729,818	439,380,634
Due to the State of Hawaii	-	506,153	-	-	7,605,205	528,149	-	-	-	6,416,791	491,450	-	1,043,345	2,417,150	19,008,243
Pension liability	242,975,000	21,570,777	15,105,913	-	103,220,415	12,470,481	-	-	-	44,123,675	36,247,640	-	71,147,817	27,505,266	574,366,984
Other liabilities	324	1,500	-	-	10,746	-	-	-	-	-	-	-	-	-	12,570
Patients' safekeeping deposits	7,489	25,426	9,853	-	-	-	-	-	-	89,142	13,269	-	22,939	27,610	195,728
Total liabilities	570,241,351	43,013,300	58,243,109	1,325,024	235,943,218	42,152,161	16,796,963	133,850	3,191,939	84,086,753	64,150,510	2,022,619	139,517,348	67,234,469	1,328,052,614
Deferred Inflows of Resources															
Pension	9,163,389	776,684	1,576,336	-	3,891,634	533,987	-	-	-	1,164,344	823,027	-	1,959,653	1,312,380	21,201,434
Postemployment benefits other than pensions	27,106,996	2,317,234	3,903,628	-	11,805,371	1,703,065	-	-	-	3,732,150	2,762,486	-	5,995,704	3,996,388	63,323,022
Leases	31,389	1	-	-	846,045	-	17,406,817	-	-	-	-	-	439,258	-	18,723,510
Total deferred inflows of resources	36,301,774	3,093,919	5,479,964	-	16,543,050	2,237,052	17,406,817	-	-	4,896,494	3,585,513	-	8,394,615	5,308,768	103,247,966
Total liabilities and deferred inflows of resources	606,543,125	46,107,219	63,723,073	1,325,024	252,486,268	44,389,213	34,203,780	133,850	3,191,939	88,983,247	67,736,023	2,022,619	147,911,963	72,543,237	1,431,300,580
Net Position (Deficit)															
Unrestricted	(233,976,901)	7,651,950	(41,772,828)	6,100,077	(168,077,415)	(16,248,073)	19,913,826	1,184,844	(2,836,153)	(54,743,376)	(41,054,848)	171,872	(65,343,125)	(27,904,419)	(616,934,569)
Restricted by donor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net investment in capital assets	69,749,168	14,724,425	8,449,650	16,967,889	50,218,182	12,517,715	57,606,248	10,090,103	3,979,500	16,772,338	13,348,294	1,178,798	18,638,951	19,845,581	314,086,842
Restricted for lender covenants and other	5,000,000	-	-	-	-	-	-	-	-	-	24,535	-	3,766	8,464	5,036,765
Total net position (deficit)	(159,227,733)	22,376,375	(33,323,178)	23,067,966	(117,859,233)	(3,730,358)	77,520,074	11,274,947	1,143,347	(37,971,038)	(27,682,019)	1,350,670	(46,700,408)	(8,050,374)	(297,810,962)
Total liabilities, deferred inflows of resources, and net position (deficit)	\$ 447,315,392	\$ 68,483,594	\$ 30,399,895	\$ 24,392,990	\$ 134,627,035	\$ 40,658,855	\$ 111,723,854	\$ 11,408,797	\$ 4,335,286	\$ 51,012,209	\$ 40,054,004	\$ 3,373,289	\$ 101,211,555	\$ 64,492,863	\$ 1,133,489,618

June 30, 2024

	Hawaii Health Systems Corporation	Eliminations	HHSC Combined	Hawaii Health Systems Foundation	Ali'i Community Care, Inc.	Ali'i Health Center	East Hawaii Region Foundation	East Hawaii Medical Group	East Hawaii Health Pharmacy	Kauai Region Medical Group	Kauai Region Pharmacy-West	Kauai Region Recovery Services	Kahuku Medical Center	Eliminations	HHSC Consolidated
Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)															
Current Liabilities															
Accounts payable and accrued expenses	\$ 2,529,965	\$ -	\$ 122,358,683	\$ -	\$ 403,905	\$ 2,919,438	\$ -	\$ 50,000	\$ 197,936	\$ 321,674	\$ 20,032	\$ 6,410	\$ 2,488,542	\$ (36,179)	\$ 128,730,441
Current portion of accrued vacation	570,933	-	18,935,575	-	-	471,767	-	504,049	-	346,138	34,451	3,209	876,947	-	21,172,136
Current portion of long-term debt	-	-	9,611,001	-	1,094,131	-	-	-	-	-	-	-	-	-	10,705,132
Current portion of subscription obligations	2,732,519	-	5,277,799	-	-	-	-	-	-	-	-	-	179,324	-	5,457,123
Current portion of lease obligations	58,033	-	4,540,302	-	59,380	-	-	-	-	-	-	-	88,589	-	4,688,271
Due to affiliates - Net	4,057,365	(75,785,639)	(5,645,735)	-	-	-	-	-	1,825,903	1,591,671	2,104,606	123,555	957,987	(957,987)	-
Current portion of accrued workers' compensation	10,000	-	2,428,000	-	-	-	-	-	-	-	-	-	-	-	2,428,000
Other current liabilities:															
Estimated third-party settlement	-	-	59,511	-	-	-	-	-	-	-	-	-	-	(59,511)	-
Other current liabilities	374,036	-	2,558,028	-	711,736	-	-	-	-	-	78	151,824	-	-	3,421,666
Total current liabilities	10,332,851	(75,785,639)	160,123,164	-	2,269,152	3,391,205	-	554,049	2,023,839	2,259,483	2,159,167	284,998	4,591,389	(1,053,677)	176,602,769
Long-term Debt - Net of current portion	-	-	19,420,999	-	4,644,747	-	-	-	-	-	-	-	-	-	24,065,746
Subscriptions	629,176	-	11,152,791	-	-	-	-	-	-	-	-	-	540,924	-	11,693,715
Lease Obligation - Net of current portion	199,034	-	9,986,316	-	3,168,882	-	-	-	-	-	-	-	220,066	-	13,375,264
Other Liabilities															
Accrued vacation - Less current portion	1,350,152	-	21,364,759	-	-	474,017	-	484,590	-	-	-	-	-	-	22,323,366
Accrued workers' compensation - Less current portion	315,000	-	10,081,000	-	-	-	-	-	-	-	-	-	-	-	10,081,000
Other postemployment liability	16,939,014	-	456,319,648	-	-	-	-	-	-	-	-	-	-	-	456,319,648
Due to the State of Hawaii	-	-	19,008,243	-	-	-	-	-	-	-	-	-	-	-	19,008,243
Pension liability	24,486,287	-	598,853,271	-	-	-	-	-	-	-	-	-	-	-	598,853,271
Other liabilities	-	-	12,570	-	-	102,417	-	-	-	-	-	-	-	-	114,987
Patients' safekeeping deposits	-	-	195,728	-	-	-	-	-	-	-	-	-	-	-	195,728
Total liabilities	54,251,514	(75,785,639)	1,306,518,489	-	10,082,781	3,967,639	-	1,038,639	2,023,839	2,259,483	2,159,167	284,998	5,352,379	(1,053,677)	1,332,633,737
Deferred Inflows of Resources															
Pension	820,109	-	22,021,543	-	-	-	-	-	-	-	-	-	-	-	22,021,543
Postemployment benefits other than pensions	2,441,232	-	65,764,254	-	-	-	-	-	-	-	-	-	-	-	65,764,254
Leases	-	-	18,723,510	-	-	-	-	-	-	-	-	-	121,117	-	18,844,627
Total deferred inflows of resources	3,261,341	-	106,509,307	-	-	-	-	-	-	-	-	-	121,117	-	106,630,424
Total liabilities and deferred inflows of resources	57,512,855	(75,785,639)	1,413,027,796	-	10,082,781	3,967,639	-	1,038,639	2,023,839	2,259,483	2,159,167	284,998	5,473,496	(1,053,677)	1,439,264,161
Net Position (Deficit)															
Unrestricted	(31,177,936)	-	(648,112,505)	38,491	979,056	(475,403)	-	(50,000)	(1,540,965)	(355,798)	(1,380,430)	(60,459)	4,722,835	-	(646,235,178)
Restricted by donor	-	-	-	-	-	-	47,286,568	-	-	-	-	-	-	-	47,286,568
Net investment in capital assets	3,578,661	-	317,665,503	-	(3,031,720)	2,556,623	-	-	26,309	-	84,505	-	10,031,986	-	327,333,206
Restricted for lender covenants and other	-	-	5,036,765	-	-	-	-	-	-	-	-	-	113,922	-	5,150,687
Total net position (deficit)	(27,599,275)	-	(325,410,237)	38,491	(2,052,664)	2,081,220	47,286,568	(50,000)	(1,514,656)	(355,798)	(1,295,925)	(60,459)	14,868,743	-	(266,464,717)
Total liabilities, deferred inflows of resources, and net position (deficit)	\$ 29,913,580	\$ (75,785,639)	\$ 1,087,617,559	\$ 38,491	\$ 8,030,117	\$ 6,048,859	\$ 47,286,568	\$ 988,639	\$ 509,183	\$ 1,903,685	\$ 863,242	\$ 224,539	\$ 20,342,239	\$ (1,053,677)	\$ 1,172,799,444

Year Ended June 30, 2024

	Hilo Benioff Medical Center	Honoka'a Hospital	Ka'u Hospital	Yukio Okutsu State Veterans Home - Hilo	Kona Community Hospital	Kohala Hospital	Maui Memorial Medical Center	Kula Hospital	Lanai Community Hospital	Leahi Hospital	Maluhia	Akaka State Veterans Home - Oahu	Kauai Veterans Memorial Hospital	Samuel Mahelona Memorial Hospital	Facilities
Operating Revenue															
Net patient service revenue	\$ 269,618,624	\$ 28,731,006	\$ 45,064,767	\$ 12,481,772	\$ 102,922,889	\$ 15,415,991	\$ -	\$ -	\$ -	\$ 14,864,781	\$ 11,884,800	\$ -	\$ 50,166,407	\$ 35,633,387	\$ 586,784,424
Uncompensated care revenue	26,697,158	444,537	2,369,364	1,385,976	14,411,294	5,376,015	-	-	-	8,636,169	5,928,678	-	1,932,636	758,520	67,940,347
Other revenue	4,408,875	315,322	216,285	-	657,556	56,061	1,169,971	13,675	6,340	765,160	266,081	-	1,847,492	239,785	9,962,603
Total operating revenue	300,724,657	29,490,865	47,650,416	13,867,748	117,991,739	20,848,067	1,169,971	13,675	6,340	24,266,110	18,079,559	-	53,946,535	36,631,692	664,687,374
Operating Expenses															
Salaries	124,365,524	10,650,702	19,505,370	5,852,914	50,457,287	9,848,688	-	2,194	-	14,682,114	11,566,143	-	25,966,225	18,378,742	291,275,903
Employee benefits	55,405,203	4,521,094	14,841,018	1,814,864	18,245,124	3,240,663	(53,298)	89,305	(2,000)	4,369,623	2,321,100	-	5,375,314	8,685,484	118,853,494
Purchased services	57,647,421	3,445,687	5,436,525	3,647,685	45,241,214	3,457,656	522,394	57,815	3,479	893,687	467,345	-	12,551,908	12,154,949	145,527,765
Medical supplies and drugs	46,621,532	750,959	2,361,354	988,181	17,484,725	318,642	-	-	-	408,600	402,551	153,711	2,941,549	1,403,643	73,835,447
Depreciation and amortization	11,549,528	1,119,195	1,483,765	787,334	6,781,882	1,083,745	7,438,769	1,181,346	304,099	1,405,342	974,298	-	3,595,132	1,944,826	39,649,261
Professional fees	27,377,114	1,755,338	17,766,511	29,627	1,355,164	70,754	-	-	-	54,367	41,779	-	2,760,955	1,597,102	52,808,711
Other supplies	8,347,856	915,121	1,057,178	-	2,177,456	648,257	-	-	-	1,289,267	706,898	-	1,223,652	905,332	17,271,017
Repairs and maintenance	7,432,863	572,209	664,005	59,046	7,079,598	125,229	-	-	-	847,100	1,418	22,619	668,386	254,504	17,726,977
Utilities	4,746,789	737,845	693,589	837,415	2,130,939	293,155	-	-	-	1,086,002	799,476	-	825,375	843,378	12,993,963
Insurance	3,500,758	180,267	407,412	222,790	1,694,180	124,104	-	-	-	193,261	200,566	-	524,587	419,113	7,467,038
Rent and lease	2,752,272	261,739	334,764	17,847	800,459	129,516	-	-	-	26,169	2,380	-	318,345	619,151	5,262,642
Other	3,002,563	329,359	930,313	60,658	165,633	2,837,293	101,649	907	163	137,262	142,432	-	1,558,111	576,731	9,843,074
Total operating expenses	352,749,423	25,239,515	65,481,804	14,318,361	153,613,661	22,177,702	8,009,514	1,331,567	305,741	25,392,794	17,626,386	176,330	58,309,539	47,782,955	792,515,292
Operating (Loss) Income	(52,024,766)	4,251,350	(17,831,388)	(450,613)	(35,621,922)	(1,329,635)	(6,839,543)	(1,317,892)	(299,401)	(1,126,684)	453,173	(176,330)	(4,363,004)	(11,151,263)	(127,827,918)
Nonoperating Income (Expense)															
General appropriations from the State of Hawaii	76,159,000	6,563,000	6,426,000	-	39,503,000	1,392,001	-	-	-	10,498,280	9,690,721	-	13,226,000	8,500,000	171,958,002
Restricted contributions	1,535,634	55,671	124,164	-	466,884	69,598	-	-	-	-	4,000	-	-	-	2,255,951
Interest and dividend income	6,492,311	7,395	5,660	2,678	499,300	14,944	1,159,507	-	-	383,454	368,797	-	2,617,582	11,341	11,562,969
Interest expense	(561,307)	(873)	(85,867)	-	(277,754)	(194,508)	(640,247)	-	-	(13,117)	(14,024)	-	(163,359)	(57,843)	(2,008,899)
Contributions - Pandemic funding	-	-	-	-	-	-	-	-	-	-	-	-	217,394	40,897	258,291
Corporate allocation to affiliates	(2,881,000)	(207,000)	(504,000)	-	(1,282,000)	(146,000)	(1,178,576)	-	-	(222,000)	(170,000)	-	(510,000)	(383,000)	(7,483,576)
Other nonoperating revenue (expense) - Net	2,902,165	306,653	(39,547)	(11,589)	(15,207,168)	20,202	-	-	-	54,260	-	-	641	506,476	(11,467,907)
Total nonoperating income (expense)	83,646,803	6,724,846	5,926,410	(8,911)	23,702,262	1,156,237	(659,316)	-	-	10,700,877	9,879,494	-	15,388,258	8,617,871	165,074,831
Excess of Revenue Over (Under) Expenses before Capital Contributions and Transfers	31,622,037	10,976,196	(11,904,978)	(459,524)	(11,919,660)	(173,398)	(7,498,859)	(1,317,892)	(299,401)	9,574,193	10,332,667	(176,330)	11,025,254	(2,533,392)	37,246,913
Capital Contributions (Lapsed Funds)	57,450,667	-	-	-	2,300,000	800,000	(3,008,000)	-	-	2,853,384	784,522	-	5,201,762	2,959,790	69,342,125
Transfer (to) from Affiliate	(270,515)	-	(49,851)	-	(143,171)	(13,897)	-	-	-	(43,319)	(36,777)	-	(48,160)	(51,762)	(657,452)
Increase (Decrease) in Net Position	88,802,189	10,976,196	(11,954,829)	(459,524)	(9,762,831)	612,705	(10,506,859)	(1,317,892)	(299,401)	12,384,258	11,080,412	(176,330)	16,178,856	374,636	105,931,586
Net Position (Deficit) - Beginning of year	(248,029,922)	11,400,179	(21,368,349)	23,527,490	(108,096,402)	(4,343,063)	88,026,933	12,592,839	1,442,748	(50,355,296)	(38,762,431)	1,527,000	(62,879,264)	(8,425,010)	(403,742,548)
Net Position (Deficit) - End of year	\$ (159,227,733)	\$ 22,376,375	\$ (33,323,178)	\$ 23,067,966	\$ (117,859,233)	\$ (3,730,358)	\$ 77,520,074	\$ 11,274,947	\$ 1,143,347	\$ (37,971,038)	\$ (27,682,019)	\$ 1,350,670	\$ (46,700,408)	\$ (8,050,374)	\$ (297,810,962)

Year Ended June 30, 2024

	Hawaii Health Systems Corporation	Eliminations	HHSC Combined	Hawaii Health Systems Foundation	Ali'i Community Care, Inc.	Ali'i Health Center	East Hawaii Region Foundation	East Hawaii Medical Group	East Hawaii Health Pharmacy	Kauai Region Medical Group	Kauai Region Pharmacy-West	Kauai Region Recovery Services	Kahuku Medical Center	Eliminations	HHSC Consolidated
Operating Revenue															
Net patient service revenue	\$ -	\$ -	\$ 586,784,424	\$ -	\$ -	\$ 12,308,087	\$ -	\$ -	\$ 1,812,605	\$ -	\$ 60,162	\$ -	\$ 22,838,029	\$ -	\$ 623,803,307
Uncompensated care revenue	-	-	67,940,347	-	-	-	-	-	-	-	-	-	-	-	67,940,347
Other revenue	489,977	-	10,452,580	-	6,235,858	2,225,077	-	30,413,252	-	9,491,070	650,000	16,585	592,801	(44,288,215)	15,789,008
Total operating revenue	489,977	-	665,177,351	-	6,235,858	14,533,164	-	30,413,252	1,812,605	9,491,070	710,162	16,585	23,430,830	(44,288,215)	707,532,662
Operating Expenses															
Salaries	9,748,340	-	301,024,243	-	-	20,582,740	-	25,815,675	507,981	6,655,000	442,101	115,346	13,470,295	-	368,613,381
Employee benefits	3,706,362	-	122,559,856	-	-	-	-	4,443,582	152,557	845,676	90,457	10,237	3,431,617	-	131,533,982
Purchased services	-	-	145,527,765	-	73,273	1,439,640	-	-	199,551	1,188,261	391,490	48,340	3,077,970	(13,874,963)	138,071,327
Medical supplies and drugs	-	-	73,835,447	-	-	2,308,677	-	-	1,549,095	-	382	-	2,188,623	-	79,882,224
Depreciation and amortization	4,611,403	-	44,260,664	-	945,581	399,319	-	7,925	-	-	21,554	-	1,783,212	-	47,418,255
Professional fees	230,465	-	53,039,176	-	3,461,176	672,652	-	124,344	143,704	9,546	8,934	5,732	1,319,829	(30,413,252)	28,371,841
Other supplies	480,928	-	17,751,945	-	613,472	139,818	-	-	38,891	3,876	53,887	287	249,255	-	18,851,431
Repairs and maintenance	(4,605,485)	-	13,121,492	-	98,502	2,516,096	-	-	-	-	84,298	-	429,732	-	16,250,120
Utilities	260,244	-	13,254,207	-	504,079	447,589	-	907	-	-	-	-	656,662	-	14,863,444
Insurance	954,386	-	8,421,424	-	215,514	553,273	-	50,000	-	329,480	1,070	32	145,543	-	9,716,336
Rent and lease	(12,176)	-	5,250,466	-	53,132	1,186,478	-	-	54,174	-	1,270	-	147,970	-	6,693,490
Other	880,968	-	10,724,042	223	319,792	405,791	-	29,651	51,061	96,148	9,248	5,492	1,158,001	-	12,799,449
Total operating expenses	16,255,435	-	808,770,727	223	6,284,521	30,652,073	-	30,463,252	2,705,846	9,127,987	1,104,691	185,466	28,058,709	(44,288,215)	873,065,280
Operating (Loss) Income	(15,765,458)	-	(143,593,376)	(223)	(48,663)	(16,118,909)	-	(50,000)	(893,241)	363,083	(394,529)	(168,881)	(4,627,879)	-	(165,532,618)
Nonoperating Income (Expense)															
General appropriations from the State of Hawaii	8,517,303	-	180,475,305	-	-	-	-	-	-	-	-	-	1,710,000	-	182,185,305
Restricted contributions	-	-	2,255,951	-	-	-	47,287,826	-	-	-	-	-	-	-	49,543,777
Interest and dividend income	1,499,346	-	13,062,315	-	13,140	1,315	-	-	-	938	331	-	-	-	13,078,039
Interest expense	(272,505)	-	(2,281,404)	-	(358,836)	-	-	-	-	-	-	-	(71,497)	-	(2,711,737)
Contributions - Pandemic funding	-	-	258,291	-	-	136,531	-	-	-	-	-	-	10,000	-	404,822
Corporate allocation to affiliates	7,483,576	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other nonoperating revenue (expense) - Net	49,455	-	(11,418,452)	-	-	15,340,000	(1,258)	-	-	-	-	122,163	-	-	4,042,453
Total nonoperating income (expense)	17,277,175	-	182,352,006	-	(345,696)	15,477,846	47,286,568	-	-	938	331	122,163	1,648,503	-	246,542,659
Excess of Revenue Over (Under) Expenses before Capital Contributions and Transfers	1,511,717	-	38,758,630	(223)	(394,359)	(641,063)	47,286,568	(50,000)	(893,241)	364,021	(394,198)	(46,718)	(2,979,376)	-	81,010,041
Capital Contributions (Lapsed Funds)	2,844,000	-	72,186,125	-	-	-	-	-	-	-	-	-	1,095,966	-	73,282,091
Transfer (to) from Affiliate	(708,000)	-	(1,365,452)	-	1,365,452	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Position	3,647,717	-	109,579,303	(223)	971,093	(641,063)	47,286,568	(50,000)	(893,241)	364,021	(394,198)	(46,718)	(1,883,410)	-	154,292,132
Net Position (Deficit) - Beginning of year	(31,246,992)	-	(434,989,540)	38,714	(3,023,757)	2,722,283	-	-	(621,415)	(719,819)	(901,727)	(13,741)	16,752,153	-	(420,756,849)
Net Position (Deficit) - End of year	<u>\$ (27,599,275)</u>	<u>\$ -</u>	<u>\$ (325,410,237)</u>	<u>\$ 38,491</u>	<u>\$ (2,052,664)</u>	<u>\$ 2,081,220</u>	<u>\$ 47,286,568</u>	<u>\$ (50,000)</u>	<u>\$ (1,514,656)</u>	<u>\$ (355,798)</u>	<u>\$ (1,295,925)</u>	<u>\$ (60,459)</u>	<u>\$ 14,868,743</u>	<u>\$ -</u>	<u>\$ (266,464,717)</u>

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

Independent Auditor's Report

To Management and the Board of Directors
Hawaii Health Systems Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hawaii Health Systems Corporation (the "Corporation") as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated December 13, 2024. Our report includes a reference to other auditors who audited the financial statements of Kahuku Medical Center, as described in our report on Hawaii Health Systems Corporation's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control that we consider to be a material weakness and a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings as Finding 2024-002 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2024-001 to be a significant deficiency.

To Management and Board of Directors
Hawaii Health Systems Corporation

Report on Compliance and Other Matters

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

The Corporation's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Corporation's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of this Report

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

Plante & Moran, PLLC

December 13, 2024

Financial Statement Audit Findings

Reference Number	Finding
2024-001	<p>Finding Type - Significant deficiency, Ali'i Community Care</p> <p>Criteria - Property and equipment lapse schedules for Roselani Place should be maintained by Ali'i Community Care to track capital assets and the related depreciation expense on those assets. Reconciliation of the detailed lapse schedule to the general ledger is essential to ensure amounts presented in the financial statements are accurate.</p> <p>Condition - Depreciation expense had not been recorded correctly in fiscal year 2024.</p> <p>Context - Capital asset amounts recorded in the general ledger did not have adequate supporting documentation; as a result, the depreciation expense was not adjusted to account for additions or disposals throughout the year.</p> <p>Cause - A schedule needed to be updated for current year capital asset activity and depreciation expense calculated for the year and posted properly in the general ledger, as this was not performed by management.</p> <p>Effect - The statement of net position and statement of revenue, expenses, and changes in net position were misstated throughout the year. An adjusting journal entry of \$43,690 was posted to increase depreciation expense to correct this misstatement in fiscal year 2024.</p> <p>Recommendation - We recommend management at Roselani Place perform formal review of property and equipment accounts to ensure what is being reported is properly supported by lapse schedules or other detailed records. Additionally, management should document their review of a reconciliation between the detailed lapse schedule and the general ledger to ensure all asset activity is properly captured..</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Roselani Place accountant will review property and equipment accounts to ensure what is being reported is properly supported by lapse schedules or other detailed reports. This process will occur monthly and will include proper documentation of reconciliation activity between the lapse schedules and the general ledger to ensure accurate capturing of asset activity.</p>

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2024-002	<p>Finding Type - Material weakness, Ali'i Community Care</p> <p>Criteria - Audit adjustments should be posted to roll forward net position.</p> <p>Condition - Entries from previous fiscal years were not posted, causing a difference between net position in the general ledger and the prior year audited financial statements.</p> <p>Context - Entries related to leases and depreciation identified by the auditor in previous years were not posted by management, and, as a result, net position did not roll forward in fiscal year 2024.</p> <p>Cause - Management did not have processes or controls in place to track entries identified during the audit and post them properly in the general ledger.</p> <p>Effect - The statement of net position and statement of revenue, expenses, and changes in net position were misstated throughout the year. An adjusting journal entry of \$39,253 was posted to increase purchase expense within other expense on the statement of revenue, expenses, and changes in net position to correct this misstatement in fiscal year 2024.</p> <p>Recommendation - We recommend management at Roselani Place perform formal review of audit entries provided and post to their general ledger system.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Roselani Place accountant will review audit adjustments to ensure that the entries are appropriately posted to ensure the general ledger system agrees to the audited financial statements.</p>

Attachment B

Projected Revenues, FY 2025

**HAWAII HEALTH SYSTEMS CORPORATION
PROJECTED REVENUES FOR FISCAL YEAR 2025
AMOUNTS IN \$'000'S**

NOTE: Amounts represent estimated cash collections, not accrual basis revenues

Hilo	300,374
Hamakua	21,362
Ka'u	50,355
Kona	132,459
Kohala	22,451
KVMH	54,100
SMMH	39,761
Leahi	26,088
Maluhia	<u>22,706</u>
TOTAL	<u>669,656</u>

Attachment C

CIP Expenditures, FY 2025

**DEPARTMENT: Health - Hawaii Health Systems Corporation
FY 25 CIP EXPENDITURE PLAN**

Act/Yr	Item No.	Project Title and Brief Project Description	Apprn
164/23	E-14	Lump Sum Hawaii Health Systems Corporatio, Oahu Region - Maluhia Renovation for ADA	1,000,000
164/23	E-14	Lump Sum Hawaii Health Systems Corporation, Oahu Region - Leahi Hospital, Upgrade sewer system	500,000
164/23	E-14	Lump Sum Hawaii Health Systems Corporation, Oahu Region - Leahi Hospital Replace Atherton generator	429,085
164/23	E-14	Lum Sum Hawaii Health Systems Corporation, Oahu Region - Leahi Hospital Fire sprinkler upgrade Young Building	100,000
164/23	E-14	Lump Sum Hawaii Health Systems Corporatio, Oahu Region - Maluhia Sundeck roof	450,000
164/23	E-14	Lump Sum Hawaii Health Systems Corporatio, Oahu Region - Maluhia Upgrade fire alarm system	400,000
164/23	E-3	Lump Sum, Hawaii Health Systems Corporation - East Hawaii - Operating Room Renovations and Electrical Upgrade	4,459,168
164/23	E-3	Lump Sum, Hawaii Health Systems Corporation - West Hawaii, Various Renovation of Hospital Projects	976,301
164/23	E-3	Lump Sum, Hawaii Health Systems Corporation - West, Relocate Ultrasound Room	1,511,000
164/23	E-6	Kona Community Hospital, Risk of Closure Infrastructure Upgrades	16,247,000
164/23	E-9	Samuel Mahelona Memorial Hospital, New Psychiatric Unit	7,400,000
230/24	E-2	Lump Sum, Kahuku Medical Center, Replace Emergency Generator Ph.II	1,000,000
230/24	E-2	Lump Sum, Kahuku Medical Center, PA System Replacement	50,000
230/24	E-2	Lump Sum, Kahuku Medical Center, Medical Vacuum Replacement	150,000
230/24	E-2	Lump Sum, Kahuku Medical Center, Long Term Development Plan	700,000
230/24	E-2	Lump Sum, Kahuku Medical Center, Lobby/ Registration Renovation	425,000

230/24	E-2	Lump Sum, Kahuku Medical Center, Elevator Upgrades	150,000
230/24	E-2	Lump Sum, Kahuku Medical Center, Patient Balcony Remodel	550,000
230/24	E-2	Lump Sum, Kahuku Medical Center, First Floor AC Replacement	200,000
230/24	E-2	Lump Sum, Kahuku Medical Center, Laboratory Renovations	250,000
230/24	E-2	Lump Sum, Kahuku Medical Center, ED Renovations	500,000
230/24	E-2	Lump Sum, Kahuku Medical Center, Hospital Exterior Painting	350,000
230/24	E-2	Lump Sum, Kahuku Medical Center, Transportation Program	125,000
230/24	E-2	Lump Sum, Kahuku Medical Center, Rehabilitation Remodel	250,000
230/24	E-2	Lump Sum, Kahuku Medical Center, Nurses Station Remodel Ph.II	300,000
230/24	E-3	Lump Sum, Hawaii Health Systems Corporation - East Hawaii, Operating Room Renovations	7,549,074
230/24	E-3	Lump Sum, Hawaii Health Systems Corporation - West Hawaii, Various Renovation of Hospital Projects	4,210,419
		Lump Sum, Hawaii Health Systems Corporation - Kauai, KCMH, Emergency Department Rnovation	2,209,531
230/24	E-3	Lump Sum, Hawaii Health Systems Corporation - Kauai, SMMH, CAH Renovation, Phase II	1,530,976
230/24	E-14	Lump Sum, Oahu Region, Leahi Hospital Sound attenuation for heat pump room	700,000
230/24	E-14	Lump Sum, Oahu Region, Maluhia Drainage measures for condensation leaks	500,000
230/24	E-14	Lump Sum, Oahu Region,Leahi Hospital Replace exhaust on Young roof	100,000
230/24	E-14	Lump Sum, Oahu Region, Leahi Hospital Replace wet/dry standpipes in Young and Trotter	800,000
230/24	E-14	Lump Sum, Oahu Region, Leahi Hospital Replace heat pump in Young	600,000
230/24	E-14	Lump Sum, Oahu Region, Maluhia Hazmat study	300,000
230/24	E-4.1	Kau Hospital, Keauu Ambulatory Center	4,000,000
230/24	E-4.2	Kau Hosital, Waste Water Treatment Plant and Building Renovation	5,000,000

230/24	E-4.3	Kohala Hospital, Admin Building	2,600,000
230/24	E-4.4	Kohala Hospital, CT Scan and Expansion	500,000
230/24	E-4.5	Kona Community Hospital, Imaging	5,000,000
230/24	E-10	Samuel Mahelona, New Psychiatric Unit	7,500,000
230/24	E-11	Samuel Mahelona, Emergency Dept Expansion	3,000,000
230/24	E-12	Kauai Veterans Memorial Hosp, Operating Room Renovation	3,000,000
230/24	E-12.1	Kauai Veterans Memorial Hosp, Rehab Renovation	1,183,000
230/24	E-14	Lump Sum, Oahu Region, Leahi Hospital, Hazmat Study	500,000

Attachment D

Regional Board Reports, FY 2024

EAST HAWAII REGION 2024 LEGISLATIVE REPORT

EAST HAWAII REGION

The East Hawaii Region, consisting of Hilo Medical Center, Hale Ho'ola Hamakua, Ka'u Hospital, Yukio Okutsu State Veterans Home and the East Hawaii Health Clinics, is the largest region in the Hawaii Health Systems Corporation. The Region is the largest employer on Hawaii Island with over 1,600 employees.

Hilo Benioff Medical Center originated in 1897 as a 10-bed hospital, created by the Hawaiian Government. HMC has grown to the present facility of 166 licensed beds, consisting acute, long term care, and psychiatric beds, and 32 temporary licensed beds. Built in 1984, the facility sits on roughly 20.5 acres of land, next to the new 95-bed Yukio Okutsu Veterans Home, Hawaii's first State Veterans Home, and the previous site of the "old Hilo Hospital."

Hilo Benioff Medical Center patient services include:

- 24-Hour CAP-Accredited Pathology Laboratory and Blood Bank Services
- 24-Hour Physician-Staffed Emergency Care
- Acute Inpatient Dialysis
- Adult Psychiatric Care
- Bronchoscopy
- Cardiac Care: Diagnostic & Interventional Cardiology, Echocardiography, Thallium Stress Treadmills, Pacemakers, Cardiac Telemetry, Cardiac Rehab, Sports Cardiology
- EEG
- Endoscopy
- Food and Nutrition Services and Counseling
- Gastroenterology
- Hospitalist Services
- Imaging Services – X-ray, CT, MRI, Angiography/Cardiac Catheterization, Interventional Radiology, Nuclear Medicine, Ultrasound
- Inpatient Dialysis and Acute Nephrology
- Inpatient and Outpatient Rehabilitation Services – Cardiac Rehab, Physical, Occupational, and Speech Therapies
- Inpatient and Retail Pharmacy
- Critical and Progressive Care
- Obstetrics/Gynecology Services, Labor and Delivery, Post-Partum, and Childbirth, Breastfeeding and Car Seat Classes
- Outpatient Clinics – Behavioral Health, Cardiology, Dermatology, Neurology, Plastic Surgery, Primary Care, Psychiatry, Oncology, Orthopedics, Neurology, ENT, General Surgery, Vascular Surgery, and Urology
- Inpatient Pediatrics
- Respiratory Therapy
- Skilled Nursing and Long Term Care
- Social Services and Case Management
- Surgical Services—Same Day Surgery, Post-Anesthesia Care, and Special Procedures, Robotic Surgery
- Subspecialty Surgical Services—Gynecological Robotic Surgery, Orthopedics, Ophthalmology, Otorhinolaryngology, Urology

- Telemedicine
- Wound and Ostomy Care

PATIENT CENSUS FY 2024

- Admissions 10,562
- Emergency Department Visits 52,182
- Births 924
- East Hawaii Health Visits 24,132

COMMUNITY-BASED FOUNDATION SUPPORT OF HILO BENIOFF MEDICAL CENTER

Total Grants	\$ 627,246.83
Total Fundraising	\$ 109,327.50
Total Private Donations	<u>\$ 136,667.59</u>
Total	\$ 873,241.92

In FY 2024, **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 50-bed 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. Adjacent to HHH is the Hamakua Health Center that provides primary care and behavioral health services to the community in a building owned and leased from HHH.

HHH was converted as a Critical Access Hospital in November 2005, which resulted in bed configuration changes and the provision of new Emergency Room (ER) and expanded ancillary services. In 2010, the Maile Wing was added to HHH, bringing the total number of beds to 77 and increasing its capacity. HHH employs dedicated medical professionals who care for members of the communities along the Hamakua Coast. In 2024, HHH earned the Silver Quality Award from the American Healthcare Association for Long Term Care Facilities.

Services provided by HHH include:

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

PATIENT CENSUS

- Admissions 221
- ER Visits 1,854

Ka'u Hospital, in Pahala, is a 21-swing bed facility that also operates a 24-hour/7 day a week Emergency Department. Replacing the last sugar plantation hospital on the island, Ka'u Hospital was built in 1971 to serve the needs of a vast rural area. There are no other hospitals within a 55-mile radius in any direction. As of July 2001, Ka'u Hospital was designated as a CAH (Critical Access Hospital). This is a federal designation given to small hospitals that provide essential emergency and acute services in remote areas to assist them with the financial burdens associated with their size and isolation. Adding to the spectrum of services provided by Ka'u Hospital, a Medicare certified Rural Health Clinic was established on the hospital campus in September of 2003.

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

Services provided by Ka'u Hospital include:

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

PATIENT CENSUS

- Admissions 60
- ER Visits 3,435
- East Hawaii Health Clinic Visits 126,060

COMMUNITY-BASED FOUNDATION SUPPORT OF KA'U HOSPITAL

Total Fundraising \$ 124,163.59

East Hawaii Region Foundations Supporting HHSC Hospitals

Background / Contact Information

Hilo Benioff Medical Center Foundation

The Hilo Medical Center Foundation (HMCF) is a 501(c) (3) nonprofit corporation that was founded in 1995. The Foundation supports the healthcare of our community and its visitors by assisting the East Hawaii Region through volunteerism, community education, and financial

support. The Foundation provides an avenue for people to donate money, stocks, equipment, personal property, time, services, and other assets for the support of projects, programs and services to enhance the healthcare services in our community.

Foundation President: Rodney Powell

Foundation Administrator: Lisa Rantz

lrantz@hhsc.org

Contact information:

Hilo Medical Center Foundation

www.hbmcfoundation.org

1190 Waianuenue Avenue, Box 629

Hilo, HI 96720

Tel: 808-932-3636 Fax: 808-974-4746

Ka'u Hospital Charitable Foundation

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

Foundation President/Director: Vacant

Foundation Vice President/Director: Wayne Kawachi

Contact information:

Ka'u Hospital Charitable Foundation

P.O. Box 773

Pahala, HI 96777

info@kauhospitalcharity.org

www.Kauhospitalcharity.org

Hawaii Health Systems Corporation East Hawaii Region Accomplishments

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

Our vision continues to be "To create a health care system that provides patient centered, culturally competent, cost effective care with exceptional outcomes and superior patient

satisfaction. We will achieve success by pursuing a leadership role in partnership with community health care organizations and providers.”

People

Physicians, Physician Associates, Nurse Practitioners

The East Hawaii Region had an excellent year in growing our medical staff by welcomed 60 new physicians, nurse practitioners/physicians associates to the medical staff. These providers specialize in family medicine, cardiology, internal medicine, emergency medicine, hospitalist, oncology, palliative care, pathology, psychiatry, psychology, urgent care, and wound care. In addition, the Hawaii Island Family Medicine Residency Program welcomed six residents in the class of 2027 and graduated the eighth class with five residents in 2024.

Workforce Development

Paid training programs, benefitting Hilo Benioff Medical Center, East Hawaii Health Clinics, Hale Ho‘ola Hamakua and Yukio Okutsu State Veterans Home, continue to be the solution to the staffing shortage in key patient care positions. Over the last year, these programs produced: 33 registered nurses, 100 nurse aides, 21 Certified Nurse Assistants, 30 medical aides, and 46 clinic receptionists.

Growth

Hilo Benioff Medical Center Expansion

The 2024 legislative session was the most productive in recent HHSC history that resulted in the legislature funding \$50 million and an additional \$50 million donated by Marc and Lynne Benioff to expand Hilo Medical Center’s bed capacity and build a family birthing center. The first phase of the project to expand the hospital includes a new wing that has a 19-bed Intensive Care Unit on the second floor and 36 additional hospital beds on the third floor. Groundbreaking for this consequential project took place in April 2024. Construction is expected to last until 2026. The hospital then rebranded under its new name Hilo Benioff Medical Center at the end of the fiscal year.

East Hawaii Health Clinics Expansion

The East Hawaii Health Clinics, the outpatient sector of the East Hawaii Region, continues to grow with the start of construction of its third, 20,000 square-foot, medical office building, located across the hospital at 1285 Waianuenu Avenue.

Finance

Hilo Benioff Medical Center

Total Operating Revenue for FY2024 was \$300.8M compared to a budget of \$260.3M, a 16% favorable variance. FY2024 Total Operating Expense was \$352.4M versus a budget of \$361.7M, a 3% favorable variance. Operating Income (Loss) for FY2024 was (\$51.7M) compared to a budget of (\$101.4M). After Corporate Overhead and other appropriations, the Net Income was \$40.1M for FY2024 versus a budgeted Net Loss of \$(28.9M).

Hale Ho‘ola Hamakua

Total Operating Revenue for FY2024 was \$29.2M compared to a budget of \$19.1M, a 53% favorable variance. FY2024 Total Operating Expense was \$25.8M versus a budget of \$29.3M, an 12% favorable variance. Operating Income for FY2024 was \$3.4M compared to a budgeted Loss of (\$10.3M). After Corporate Overhead and other appropriations, the Net Income was \$10.5M for FY2024 versus a budgeted Net Loss of (\$3.7M).

Ka‘u Hospital

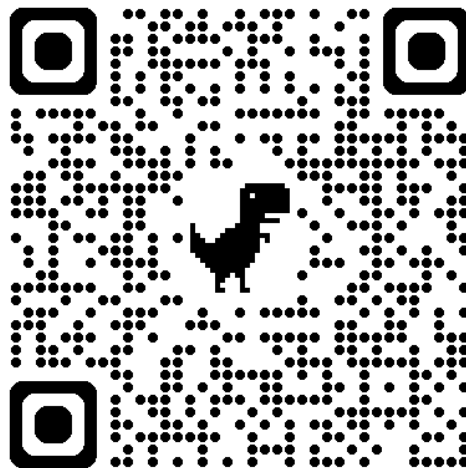
Total Operating Revenue for FY2024 was \$47.4M compared to a budget of \$45.4M, a 4% favorable variance. FY2024 Total Operating Expense was \$61.0M versus a budget of \$65.2M, a 6% favorable variance. Operating Income (Loss) for FY2024 was (\$13.7M) compared to a budget of (\$19.8M). After Corporate Overhead and other appropriations, the Net Loss was (\$7.3M) for FY2024 versus a budgeted Net Loss of (\$14.0M).

Yukio Okutsu State Veterans Home

Total Operating Revenue for FY2024 was \$13.9M compared to a budget of \$15.2M, a 9% unfavorable variance. FY2024 Total Operating Expense was \$14.3M versus a budget of \$15.2M, a 6% favorable variance. Operating Income (Loss) for FY2024 was (\$0.4M) compared to a budget of (\$0.04M). The Net Income (Loss) was (\$0.5M) for FY2024 versus a budget of (\$0.04M).

Additional Highlights

The East Hawaii Region of HHSC has a robust YouTube channel. For additional highlights of our services and developments, scan the QR code below.



WEST HAWAII REGION 2024 LEGISLATIVE REPORT

The West Hawaii Region (WHR) consists of Kona Community Hospital (KCH) and Kohala Hospital (KH). The WHR is also affiliated with Ali'i Health Center, a primary and specialty care clinic, and the Ali'i Ambulatory Surgery Center.

Mission, Vision, and Values

West Hawaii Region senior leaders updated and restated our Mission, Vision and Values to better reflect our Region's purpose and ideals.

Mission:

- To provide a healing environment for all the people of Hawaii.

Vision:

- To deliver quality, accessible care for all people that leads to optimal health.

Values:

- Respect, Inclusion, Compassion, Excellence

Kona Community Hospital

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

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

As one of West Hawaii's largest employers, the staff at KCH includes nearly 552 highly skilled employees. Due to ongoing staffing shortages in Hawaii County, KCH contracts Agency Staff to fill critical positions in nursing, imaging, pharmacy. As of the fiscal year end, KCH employed 89 Agency Staff, down from 140 last year.

KCH has 419 credentialed and privileged medical staff, 73 of whom are active, including numerous telemedicine providers.

- 24-hour Emergency Room
- Level III Trauma Center
- Inpatient & Outpatient Surgery
- Acute Inpatient Care: Obstetrics/Gynecology, Medical/Surgical, Intensive Care, Behavioral Health
- Hospitalist Services
- Outpatient Nursing Services (Infusion and Chemotherapy)

- Rehabilitation Services (PT, OT, Speech Therapy)
- Respiratory Therapy – Inpatient and Outpatient
- Pharmacy
- Laboratory and Pathology Services
- Imaging Center: MRI, CT Scan, Ultrasound, Echocardiogram, Nuclear Medicine, Cardiac telemetry monitoring
- Radiation Therapy
- Physician Specialties (General Surgery, Internal Medicine, Cardiology, Medical Oncology, Radiation Oncology, Pediatrics, OB/GYN, ENT, Ophthalmology, Plastic Surgery, Orthopedics, Psychiatry, Gastroenterology, and Urology)

HOSPITAL STATISTICS	2023	2024
Admissions	2949	3317
Births	439	421
Emergency Visits	22,998	24,151
Surgeries	2541	2539
Trauma Patients	520	546
Average Daily Census	74	66

Kohala Hospital

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

On July 1, 2020, Kohala successfully converted to a 25-bed Critical Access Hospital (CAH). The hospital employs 70 full-time and part-time employees. As of the fiscal year end, KH employed 38 Agency Staff to fill critical positions.

KH provides a state-of-the-art emergency room, outpatient lab, radiology, EKG services, and inpatient physical and occupational therapy rehab services.

HOSPITAL STATISTICS	2023	2024
Admissions	100	97
Patient Days	7286	6104
Emergency Visits	1709	1706

PEOPLE

The West Hawaii Region Board appointed one new member during FY 2024.

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

- Town Hall meetings
- Employee of the Month recognition celebrations
- Quarterly DAISY Award Program honoring one nurse per quarter for extraordinary, compassionate patient care.
- Annual DAISY Nurse Leader Award for outstanding leadership.
- National Nurses' and National Hospital Week celebrations.
- The Employee Engagement Committee sponsored employee-giving programs to benefit the community:
 - Valentine's Day drive to benefit the West Hawaii Humane Society.
 - Back to School Supply Drive
 - Salvation Army's Angel Giving Tree and Back to School Supply Drive
 - Hawaii Diaper Bank's Holiday Diaper Drive
- The KCH Workplace Violence Committee hosted quarterly *Coffee with a Cop* events to encourage employee engagement with Community Police Officers.

QUALITY

KCH programs to improve patient outcomes:

- Created Patient Advocate position to ensure daily patient rounding
- Established Health Equity Committee to analyze demographic data to identify disparities based on social determinants of health.
- Launched emergency department initiative to identify patients who screen positive for food insecurity. Implemented "meal to go" program.
- Level III Trauma Center – averages 30 trauma activations per month.
- Participates in the Hawaii Stroke Network stroke program.
- Circle of Life Program to meet the psychosocial needs of employees and patients by offering education and tools relating to traumatic events, end-of-life matters, and bereavement.
- Designated Baby-Friendly Hospital. World Health Organization (WHO) and the United Nations Children's Fund (UNICEF).
- All Women's Services nurses completed certifications in Advanced Life Support in Obstetrics.
- Dietary services continued its farm-to-table program of locally sourced, scratch cooking for patients and employees. Locally sourced products accounted for 28% of produce, proteins, and dairy, and other food items.

KCH programs offer patient and community engagement:

- KCH hosted 2nd annual "Empowering Caregiver Resource Fair." This free community event provided education and resources to community caregivers with a goal to prevent or shorten hospitalizations, assist with discharge planning and help caregivers prioritize self-care.
- KCH Education Department is an American Heart Association Certified Training Center
- KCH Women's Services Unit offers programs for staff and expectant mothers:

- Certified childbirth educators offer prenatal education
- Partner with NEST for Families – a community-based resource to assist new families with breastfeeding support.
- All OB RNs are certified in ALSO (Advanced Life Support in Obstetrics)
- OB nurses/child passenger technicians provide car seat inspections before newborn discharge from KCH.

TECHNOLOGY

- Telemedicine including:
 - Tele-psychiatry
 - Tele-stroke
 - Tele-cardiology
 - Tele-neurology

EDUCATION

- KCH Education Department has established a Center of Excellence to develop sustainable solutions for the current workforce crisis through education. Programs include:
 - Surgical Technology Program – Full time, accredited program to train students to be certified surgical technologists.
 - Nurse Residency Program
 - Specialized Nursing Certificate Courses – Curriculum includes certifications in difficult to receive courses include emergency pediatric nursing, trauma nursing and a number of specialized obstetric certifications at no cost to KCH nurses, favorable tuition to community nurses.
 - Certified Nursing Assistant Program – Collaboration with Island CPR made possible by a grant from the Healthcare Association of Hawai`i.
 - Basic Life Support for High School Students – Provides high school students (island0wide) life-saving skills and offers them a glimpse into the healthcare industry.

PHYSICIAN RETENTION & RECRUITMENT

Kohala hospital has 2 physicians.

Kona Community Hospital has 79 active physicians representing 28 specialties on its medical staff. However, not all are readily available as a number live off-island. Those providers either work via telemedicine or report to work at the hospital when scheduled.

Additionally, KCH experiences ongoing challenges with critical provider shortages most notably in anesthesia, gastroenterology, general surgery, and our hospitalists group. We also do not currently have a nephrologist or a medical intensivist.

- KCH welcomed a dual board certified Infectious Disease and Internal Medicine doctor to our Medical Staff.
- The contracted hospitalist group providing comprehensive in-patient services at KCH has 7 full-time hospitalists and a clinical performance nurse on staff. The hospitalists cover acute care medical units and ICU.

- 24/7 emergency medicine services are provided by a contract physician group that employs 40 doctors and 5 physician assistants on staff at KCH.
- Anesthesia services are provided by a contracted physician group that employs 8 anesthesia doctors and 10 Certified Registered Nurse Anesthetists (CRNAs) on staff at KCH.

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

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

PARTNERSHIPS & AFFILIATIONS

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

- HHSC (Hawaii Health Systems Corporation)
- Alii Health Center
- Alii Ambulatory Surgery Center
- Queen's Health Systems Affiliation Agreement
- Community First Hawaii
- Hawaii Life Flight
- Hawaii Island Community Health Centers

WEST HAWAII REGION FOUNDATIONS

The Kona Hospital Foundation

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

Throughout Kona Community Hospital, you'll find plentiful evidence of the extraordinary impact made by the numerous donors. During FY 2024, we were able to fund a Glidescope and Fillmaster for the Emergency Department, 20 EZ-IO Drivers, a 12" C-ARM for Surgical Services, ten Invacare wheelchairs and two recliner Wheelchairs for Medical and Surgical departments, a Newborn Tory for Education/Obstetrics, nine bedside tables for Obstetrics and a Blanket Warmer for the KCH Cancer Center.

Foundation Chair: Ikaika Hauanio

Foundation Vice Chair: Peter S. R. Olson, Esq.

Contact Information: Kona Hospital Foundation
www.khfhawaii.org
 79-1019 Haukapila Street
 Kealahou, HI 96750-7920

Email: info@khfhawaii.org

Telephone: 808-322-4587

COMMUNITY-BASED FOUNDATION SUPPORT OF KONA COMMUNITY HOSPITAL

Total Private Donations	\$ 236,775
Total Fundraising	41,890
Total Federal / State / Private Grants	1,130,915
TOTAL	1,409,580

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

Foundation President: Dixie Adams
Foundation Vice President: Shoshana Matsumura
 Contact Information: Kohala Hospital Charitable Foundation
 P.O. Box 430
 Kapaau, HI 96755
 Telephone: 808-889-5730
 808-313-1997

COMMUNITY-BASED FOUNDATION SUPPORT OF KOHALA HOSPITAL

Total Private Donations	\$ 11,014
Total Fundraising	0
Total Federal / State / Private Grants	0
TOTAL	\$ 11,014

VOLUNTEER SERVICES

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

- Number of Active Volunteers: 37
- Number of Total Volunteer Hours: 1080
- Volunteer Auxiliary Contributions:
 - Nursing Scholarship \$16,000

- Continuing Education Grants \$0
- Spinning Babies Education \$1000

*First Hawaiian Bank awarded \$10,000 scholarship grants to the KCH Surgical Technology Program first year graduates. We appreciate the KCH Auxiliary for helping to facilitate the transfer of those funds.

Kohala Hospital Volunteer Services provides volunteer support for resident activities.

- Number of Active Volunteers: 5
- Number of Total Volunteer Hours: 1296
- Volunteer Auxiliary Contributions: \$ 0.00

FACILITIES

During FY 2024, \$18.5 million in CIP funding helped Kona Community hospital to conclude a number of multi-year projects:

- Patient Bathrooms - Phase II – ongoing, final bathroom renovation expected to be completed soon.
- Pharmacy Dept Expansion - design complete, construction underway, expected completion pushed to January, 2025
- Sewer System Upgrade – design underway
- New Ultrasound Space – design complete
- Lab relocation – Redesign in process to modify original laboratory layout.
- Acute Unit patient rooms headwall upgrades – electrical engineer contracted, design pending
- Domestic hot water boiler – design underway
- Behavioral Health Unit ante room doors upgrade – design complete, awaiting funding.
- Parking lot pavement replace, reseal – design complete, awaiting construction funding.
- HVAC cooling tower replacement – project 100% complete and functional
- Infusion clinic relocate and build out – design complete, construction for both Radiation Oncology and the new Infusion Clinic space will begin in January, 2025.

At Kohala Hospital, \$800,000 State CIP dollars assisted in the design and construction of a new administration building extension.

FINANCIAL

Kona Community Hospital faced a challenging fiscal year in FY24, navigating the implementation of a new Electronic Medical Record (EMR) system. While this transition temporarily impacted revenue reporting and incurred system implementation costs, it represents a significant step toward enhancing patient care and operational efficiency. Additionally, the hospital managed rising expenses from registry staffing and increased

provider costs. Despite these challenges, KCH received substantial support through \$39.5 million in State appropriations, helping to offset the financial impact and ensuring the hospital's continued commitment to serving the community.

With its Critical Access Hospital designation and Cost Based Reimbursement from Medicare, Kohala Hospital had a net operating income of \$2.3 million, further enhanced by \$1.3 M in State appropriations, resulting in a net income of \$3 million for FY 2024.

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

With a strong leadership team in place along with the dedication of employees, physicians, volunteers, Foundation and its Board, the Region has made progressive advancements. We will continue to face critical financial challenges moving into 2025.

However, we continue to implement strategies and initiatives to produce improved patient outcomes, deliver new clinical services and create strong community partnerships.

KAUA'I REGION 2024 LEGISLATIVE REPORT

Kaua'i Veterans Memorial Hospital (KVMH), a Joint Commission accredited hospital was founded in October 1957 and dedicated to the Veterans of the Korean War. KVMH was built to meet the healthcare needs of all citizens of the surrounding communities. Accredited as a critical access hospital, KVMH has 45 licensed beds, including 25 acute and 20 long-term care beds.

Today, KVMH employs 277 people and provides the following services:

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

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

- Ho'ola La Hui Hawai'i (FQHC)
- Fresenius Dialysis Kauai
- Diagnostic Laboratory Services, Inc.

KVMH Patient Volumes:

Inpatient Admissions -	970
LTC Admissions -	15
Births -	235
ER Visits -	7,128
Outpatient Ancillary Visits -	6,234
Outpatient Clinic Visits -	49,212
Same Day Surgery -	1,634

Average Daily Census

Acute	6.16
Swing	7.50
<u>LTC</u>	<u>19.66</u>
Total	33.32

In comparison to the prior year, inpatient admissions decreased by 12%, outpatient clinic visits increased by 9% and outpatient surgeries decreased by 4%. Births decreased by 7%. There was a 6% increase in ER visit volume and LTC census was 98%.

Samuel Mahelona Memorial Hospital (SMMH) is the oldest operating hospital on Kaua'i, and is designated a Critical Access Hospital. Founded in 1917 as a tuberculosis hospital, it received its name from a member of the Wilcox family, who died of TB as a young man. In the 1960s, with a cure for TB well established, SMMH gradually transitioned to providing acute care, psychiatric care, skilled nursing care, and ancillary inpatient and outpatient services. Today, SMMH has 80 licensed beds, with 66 long-term care beds, 9 psychiatric beds, and 5 acute care beds. The hospital has approximately 168 employees. Currently, SMMH patient services include:

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

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

SMMH Patient Volumes		Average Daily Census	
Inpatient Admissions	220	Psych	3.29
LTC Admissions	18	LTC	47.8
ER Visits	6,881	Swg	<u>0.3</u>
Outpatient Visits	1078	Total	51.39

Over the prior year, inpatient psychiatric admissions rose by 7%. Concurrently, the average daily census in Long Term Care decreased by 7% due to renovations and modernization efforts. To facilitate these improvements, new admissions were temporarily suspended

The Kaua'i Region Clinics consist of six clinics and one urgent care located in Waimea, Port Allen, Kalaheo, Poipu, Lihue, and Kapa'a and employs 61 people. Each clinic offers the following services:

The Clinic at Waimea

- OB
- Surgery
- Pediatrics
- Podiatry
- Primary Care

The Clinic at Port Allen

- Pediatrics
- Primary Care
- Urology

Urgent Care at Poipu

The Clinic at Lihue

The Clinic at Kalaheo

- Primary Care

- Primary Care
- Behavioral Health

Specialty Clinic at Kalaheo

- Pediatrics
- Women’s Health

Specialty Clinic at Kapa‘a

- OB
- Urology
- Primary Care

CHARITABLE ORGANIZATIONS SERVING THE KAUA‘I REGION

Kaua‘i Veterans Memorial Hospital Charitable Foundation, Inc.

The KVMH Foundation was founded in the fall of 1998. The foundation’s main focus is to support the many services, equipment purchases, and programs that KVMH provides for its island communities. Through donations and fundraising, the Foundation has been able to purchase equipment utilized for the comfort and safety of patients. The Foundation has not yet reactivated since the COVID pandemic ended.

Foundation President: Steven Kline

Foundation Secretary: Kelly Liberatore

Contact Information:

Kaua‘i Veterans Memorial Hospital

PO Box 356

Waimea, HI 96796

TEL: 808-338-9431 FAX: 808-338-9420

Active Foundation Volunteers

Total active volunteers	<i>*currently inactive since COVID pandemic</i>
Number of Volunteer Hours provided	N/A
Volunteer Foundation Contributions	N/A

KVMH Auxiliary

President, Charlene Dorsey, leads the KVMH Auxiliary. The Auxiliary operates the KVMH Auxiliary Gift Shop located at KVMH. Funds raised from the gift shop and other fundraising events are used to purchase equipment for the hospital, support hospital activities, and provide scholarships for students pursuing a career in healthcare.

Active Auxiliary Volunteers

Number of Active Volunteers:	19 active members during this time
Number of Total Volunteer Hours:	4,131
Volunteer Auxiliary Contributions:	\$11,516
Scholarships	\$9,000

SMMH Auxiliary

The Auxiliary is currently awaiting the reinstatement of its 501(c)(3) status to resume operations.

Active Auxiliary Volunteers

Newly recruited Auxiliary members are prepared to commence their duties once the 501(c)(3) status is officially reinstated.

Number of Active Volunteers:	6
Number of Total Volunteer Hours:	N/A
Volunteer Auxiliary Contributions:	N/A

2024 LEGISLATIVE BRIEF

KAUA'I REGION ACCOMPLISHMENTS

On behalf of the Kaua'i Region of the Hawai'i Health Systems Corporation (HHSC), we are pleased to submit our report highlighting the accomplishments in calendar year 2024.

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

PEOPLE

Ms. Donna Okada-Asher serves as Chair of the Kaua'i Regional Board which includes directors, Mr. Dee Crowell, Ms. Glenda Nogami-Streufert, Mr. Ernie Kanekoa, Dr. Theodor Rintel, Mr. Walter Barnes, Mr. Christopher Yuh, Antonette Torres, and Mr. Dennis Rowley. Mr. Lance K. Segawa has served as the Chief Executive Officer since March of 2018.

The Kaua'i Region's medical staff totals 47 active staff members with full privileges at KVMH and SMMH of which 35 are employed providers. We have successfully recruited for full-time Psychiatrist, Clinic Administrative Director, part-time Urgent Care Physician, active in FY2024. Also actively recruiting a full-time Psychiatrist Medical Director, Radiologist, Advance Practice Providers in Urgent Care and Behavioral Health, Internal Medicine, and Family Practice to be active in CY2025.

Our current employee turnover rate has decreased from 4.13% to 0.86% in comparison to CY2023 data. The national healthcare turnover rate in FY2024 is 20.7%, with the median and mode recorded at 23% and 22%, respectively. A total of 47 staff members separated from HHSC

Kaua'i Region in FY2024 and of that, 15% retired, 80% resigned for personal reasons, 4.98% were in temporary-only positions, and 0.02% were terminated due to performance issues.

QUALITY

In 2023 and 2024, the Kaua'i Region successfully participated in four comprehensive surveys conducted by Medicare, the State Office of Healthcare Assurance, and the Centers for Medicare & Medicaid Services (CMS) Federal Licensure. As a result, Kauai Veterans Memorial Hospital (KVMH), Samuel Mahelona Memorial Hospital (SMMH), and the Kaua'i Region Clinics were recertified for state licensure, underscoring our commitment to maintaining high standards of healthcare. In September 2024, KVMH achieved accreditation in good standing from The Joint Commission, following an exceptionally successful survey. The Joint Commission Surveyors commended KVMH for its outstanding organizational culture and were notably impressed with the hospital's dedication to patient care and quality improvement initiatives.

In October 2024, the Kaua'i Region Clinics underwent a resurvey for the Rural Health Clinic designation and were subsequently awarded certification by the Health Resources and Services Administration (HRSA). In 2024, we proudly achieved accreditation for our Centering program. This significant milestone reflects our commitment to providing innovative, high-quality prenatal care that supports the holistic well-being of our patients. The CenteringPregnancy program, which focuses on group care models that foster additional time with obstetric providers, community development and peer support, is an integral part of our efforts to enhance patient outcomes and satisfaction as well as reducing health disparities in care.

These accomplishments underscore our commitment to maintaining the highest standards of healthcare delivery and continuous improvement across all facilities.

Recognition and Programs:

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

- SMMH named as one of the Top 20 Critical Access Hospitals in the Nation for Quality for both 2023 and 2024 by the National Rural Health Association
- SMMH Emergency Department ranked in the Top 10 Hospitals in the Nation for the fastest ED throughput times
- KVMH awarded the 2024 Bronze AHCA/NCAL National Quality Award for Long Term Care.
- SMMH awarded the 2024 Bronze AHCA/NCAL National Quality Award for Long Term Care.
- SMMH is a 5-Star Facility on Medicare Nursing Home Compare
- KVMH received the Mountain Pacific 2024 Nursing Home Excellence in Quality Award
-

Participation with National Healthcare Safety Network (NHSN) for infection prevention initiatives including utilization of central line insertion checklists, sepsis protocols, and limiting indwelling urinary catheters to prevent UTIs, Clostridium Difficile (C.diff.) Infection, MRSA Bacteremia, Surgical Site Infection prevention for both colonoscopies and hysterectomies, continued documentation of COVID-19 for both acute and Long Term Care, influenza, and respiratory syncytial virus (RSV)

KVMH and SMMH actively participate in the American Heart Association's Get With The Guidelines® Stroke initiative. These facilities serve as stroke resource centers for the island of Kauai.

KVMH is meeting or surpassing the thresholds for evidence-based care and safety for 2023 and 2024. Notably, our mortality rate is declining, with no occurrence of unexpected excess deaths.

In both 2023 and 2024, SMMH was honored to be recognized by the National Rural Health Association as one of the Top 20 Critical Access Hospitals in the area of Quality. This prestigious national recognition reflects the exceptional quality of care provided at our facility.

KVMH has achieved consistently high Core Measure compliance over the past 2 years as reported to CMS and available at www.HospitalCompare.gov. There were no incidents of ventilator-associated pneumonia, catheter-associated urinary tract infections nor central line-associated bloodstream infections.

SMMH and KVMH are deeply committed to the health and well-being of our residents. We take pride in offering a robust activities program designed to keep our residents actively engaged and enriched. Our comprehensive enrichment programs are tailored to promote psychological well-being, ensuring that each resident experiences a vibrant and fulfilling life. We believe in nurturing the mind, body, and spirit through a variety of stimulating activities that cater to the diverse interests and needs of our community.

The Regional Falls Prevention Task Force is dedicated to rigorously evaluating and enhancing patient safety protocols, with the ambitious goal of not only reducing fall incidents but ultimately eliminating them throughout the region. Demonstrating our commitment, SMMH and KVMH achieved a significant 25% reduction in falls in 2023. We remain steadfast in our efforts to build on this success, continually implementing additional preventative measures to further decrease fall rates by 16% in 2024. Our unwavering focus on patient safety underscores our dedication to providing the highest standards of care and ensuring the well-being of our community. Additionally, we have achieved a reduction in 30-day readmission rates to 2.7% and reduced Against Medical Advice (AMA) rates by 5%, further highlighting our commitment to patient safety and care.

We have collaborated with our HCAHPS vendor to ensure the collection of relevant population surveys. By integrating our Clinics and Emergency Department into the survey process, we have developed a comprehensive approach to gathering patient satisfaction data. This enables us to thoroughly review and continuously improve our focus on patient satisfaction, maintaining it as our top priority. Additionally, we have enlisted a vendor to assist us with managing online Google reviews and responses, enhancing our online presence and capturing valuable feedback from our patients.

To enhance our ability to monitor ongoing performance on specific quality measures, KVMH and SMMH remains actively involved in various critical initiatives. We continue to participate in the Hospital Association of Hawaii (HAH), Health Services Advisory Group (HSAG), and Med-QUEST quality initiatives. Our commitment to these collaborative efforts ensures that we successfully meet the statements of work associated with each specific measure. Furthermore, our participation in these programs allows us to stay abreast of industry best practices, implement evidence-based strategies, and continuously improve the quality of care we provide

to our patients. By engaging with these respected organizations, we are dedicated to advancing healthcare outcomes and maintaining the highest standards of excellence.

FACILITIES

Capital improvements to the facilities of the Kaua'i Region in FY2024 included projects to address patient care needs, quality of life issues for our patients and residents, and the replacement of aging plant infrastructure.

Kaua'i Region completed \$14,430,924 in capital projects:

KVMH

- 3D Mammography Machine
- CT Scanner
- Imaging Department Renovations
- Emergency Room Renovations
- Exterior Signage

SMMH

- CT Scanner
- Imaging Department Renovations
- Electrical Upgrades
- Psychiatric Unit Renovations
- Nursing Facility (LTC) Renovations

Ongoing projects of \$2,999,792 include:

KVMH

- Imaging Department Renovations
- Emergency Room Renovation
- Exterior Signage including Monument Signage
- Physical Therapy (PT/OT) Renovation
- Walk in Freezer

SMMH

- Asset Analysis
- Clinic Air Conditioning System
- EIS Master Plan
- Structural Repair
- Nursing Facility Renovation (Shower Room)
- Renovation for CAH Beds
- Exterior Signage
- Imaging Department Renovation completion

OPERATIONS

CY 2024 began with a strategic planning retreat involving the Kaua'i Regional Board and Executive Leadership. Following two days of deliberation, review, and visioning, several themes emerged which are reflected in the FY 2024 – FY 2026 Strategic Plan. The strategic goals are: 1) Continue modernizing facilities and equipment 2) Strengthen clinical competency thru education programs for staff and providers 3) Implement the behavioral health service line 4) Expand community outreach programs 5) Improve financial performance of the Region. The new strategic plan will build on the accomplishments of the previous plan.

Over the past year, patient volumes have experienced a steady increase. Specifically, Emergency Department visits have risen by 5% at KVMH and by 8% at SMMH. Additionally, the average length of stay in the KVMH Medical/Surgical Unit has increased by 5.4%.

The HHSC Kauai Region has embarked on a new partnership with Diagnostic Lab Services (DLS). Under this collaboration, the inpatient laboratory services at Kauai Veterans Memorial Hospital (KVMH) have been outsourced to DLS. This transition also includes the conversion of the existing outpatient Patient Service Center Lab at KVMH to be managed by DLS. As part of this strategic partnership, we are establishing a new Patient Service Center outpatient lab on the Samuel Mahelona Memorial Hospital (SMMH) campus. In addition, DLS is expanding its services at SMMH to include both inpatient and outpatient laboratory services on-site. This expansion aims to expedite the delivery of lab results, thereby eliminating the need to send specimens out for analysis and significantly enhancing our operational efficiency and patient care capabilities.

The Samuel Mahelona Master Campus Plan is progressing into the Environmental Impact Statement (EIS) phase, following the finalization of the preferred campus concept plan. We anticipate that the EIS phase will be completed within the next couple of months. This phase is crucial as it involves comprehensive assessments to ensure the project meets environmental and regulatory standards. For more detailed information and to view the campus plan, please visit the SMMH plan website at: www.planmahelona.com.

One of the significant milestones achieved in 2023 and 2024 was the installation of new CT scanners at both KVMH and SMMH. Specifically, the new CT scanner at SMMH provides state-of-the-art diagnostic imaging capabilities, significantly enhancing the hospital's ability to treat patients presenting to the emergency room. This initiative has substantially improved emergency care across Kaua'i County.

In 2023, we also finalized comprehensive construction plans to renovate the KVMH Emergency Department (ED) in totality, establish a short-term acute care unit at SMMH, and renovate the SMMH outpatient building, which houses clinic and rehabilitation services. To ensure the efficient and simultaneous renovation of the KVMH ED, portable units have been procured to temporarily house the departments that will be displaced to accommodate the relocation of the ED during renovation. This strategic move allows the renovation to proceed smoothly and without interruption expediting the expected

reopening of the ED. During the construction phase, non-clinical departments, including Finance, Human Resources, Education, and Health Information Management (HIM), will move into the portable units to make space for the temporary relocation of the ED. Additionally, the Rehabilitation Services Department will also be relocated to a portable unit to accommodate the EDs temporary move into their current location. To support the funding of this portables project, we have secured an approved loan from Kauai Island Utility Cooperative (KIUC) for \$1 million dollars.

In 2024, we launched our Behavioral Health Service Line and established a new integrated Behavioral Health/Primary Care Clinic in Lihue. This standalone outpatient clinic is the first of its kind for our region, and it officially opened in May of 2024. The clinic provides comprehensive outpatient behavioral health treatment and support to patients with various mental illnesses and substance abuse issues, including an Intensive Outpatient Treatment Program (IOP).

We are grateful to have received grant funding from the County of Kaua'i, as part of Mayor Kawakami's initiative to bolster the behavioral health safety net on the island. Our programs will focus on the following key areas:

Providing counseling and navigation support to recently released inmates from the Kaua'i County Correctional Facility. Offering counseling, treatment, and navigation support to recently discharged patients from the SMMH Inpatient Behavioral Health Unit.

Providing counseling support to adolescent patients held in hospital emergency rooms while awaiting placement at a treatment facility. We are enthusiastic about these opportunities to enhance the behavioral health service continuum on Kaua'i and look forward to making a meaningful impact in our community.

Beyond our medical services, the Kaua'i Region remains committed to addressing the diverse needs of our community. Through our executed contract with the Kauai County Elderly Affairs Agency, we have launched a Meals on Wheels program, delivering nutritious meals five days a week to home-bound seniors across the island. In addition to ensuring our senior population receives balanced and wholesome meals, we are exploring additional interventions to further support their well-being. These initiatives include conducting health assessments and providing patient navigation services to ensure seamless access to primary care. We are proud to contribute to the health and quality of life of our seniors through these comprehensive efforts and look forward to continuing to expand our support for the community.

We have developed a Mobile Medical Clinic to serve our patients within the communities we service, aiming to provide access to essential healthcare services and address the social determinants of health care access disparities. This initiative is designed to bring medical care directly to those who may otherwise face barriers to accessing traditional healthcare facilities, thereby ensuring that all members of our community have the opportunity to receive the medical attention they need. In addition to offering healthcare services with our Mobile Medical Clinic, we have partnered with the food banks of Kauai to offer food access during the Mobile Medical Clinic visits. This collaboration allows us to address not only the medical needs of our patients but also to provide nutritional

support, thereby contributing to their overall well-being. Our mobile clinic is equipped to deliver a comprehensive range of services, including preventive care, chronic disease management, and health education. Through these efforts, we are committed to improving health outcomes and enhancing the quality of life for our community members by ensuring that both healthcare and basic nutritional needs are met in a holistic and compassionate manner.

In 2024, the HHSC Kauai Region launched annual Healthy Living Fairs aimed at promoting medical education and raising awareness about the services available at our facilities. These fairs serve as a platform to engage with the community, offering valuable health information, screenings, and resources to enhance overall well-being. We organized a Spring Fair on the Samuel Mahelona Memorial Hospital (SMMH) campus and a Fall Fair on the Kauai Veterans Memorial Hospital (KVMH) campus. Both events featured interactive booths, health education sessions, and demonstrations of the latest healthcare technologies. Attendees had the opportunity to meet with our healthcare professionals, learn about preventive care, and receive information about the wide range of services we offer, including primary care, specialty services, and behavioral health. These fairs also provided a space for local organizations and partners to collaborate with us in addressing the health needs of our community. By fostering a culture of wellness and education, we aim to empower residents with the knowledge and resources necessary to lead healthier lives.

To optimize space utilization on campus, the HHSC Kauai Region initiated a project to relocate medical records stored at the hospital to an offsite, regulatory-compliant storage unit on Oahu. This project involved moving a total of 138,062 files and 3,969 boxes of inactive and closed medical records. In addition to freeing up significant space, this move ensures that our medical records are stored in a manner compliant with regulatory standards, enhancing both the efficiency and safety of our records management system.

2024 was a notably active year for the Kaua'i Region, marked by numerous initiatives and achievements. As we move forward into 2025, we remain firmly rooted in our unwavering commitment to serve as a trusted resource for our community. Our focus will continue to be on enhancing healthcare services, expanding community outreach programs, and fostering partnerships that support the well-being of our residents. We are dedicated to building on the successes of the past year and embracing new opportunities to improve the health and quality of life for everyone in our region.

O‘AHU REGION 2024 LEGISLATIVE REPORT

The Hawaii Health Systems Corporation (“HHSC”) O‘ahu Region plays a crucial role in serving our most vulnerable populations through the operation of two long-term care facilities on O‘ahu: Maluhia, located in lower Alewa Heights, and Leahi Hospital in Kaimuki. Maluhia and Leahi provide in-patient skilled nursing and intermediate care services for our community’s elderly, blind, disabled, and otherwise incapacitated individuals, most of whom are covered under Medicare and Medicaid programs.

These facilities also offer access to essential Adult Day Health services through our operation of two of the remaining three adult day health centers on the island. Additionally, both facilities partner with Hawaii Meals on Wheels to deliver 515 hot meals per week to disabled elders on O‘ahu, helping them maintain their independence at home and in the community. For many of our nursing home residents and adult day health participants, especially those receiving Medicaid benefits due to a lack of personal assets (approximately 85% of our inpatients), the O‘ahu Region's facilities are often the only options for quality post-acute and community-based health care services. The HHSC O‘ahu Region currently employs approximately 323 people.

A third facility located in Kapolei, the Daniel K. Akaka State Veterans Home (“DKA SVH”), which will serve Veterans, their spouses, and Gold Star parents, is slated to open in the first quarter of 2025. Veterans will be able to take advantage of Veterans Affairs nursing home and medical benefits earned through their service. This project was made possible through a collaborative effort by the Hawaii Legislature, State of Hawaii Department of Defense, Office of Veterans Services, the U.S. Department of Veterans Affairs, the State of Hawaii Department of Accounting and General Services, and the O‘ahu Regional Healthcare System, HHSC.

Key features of this facility include:

- A 120-bed facility with single occupancy rooms
- 130,000 square feet of space
- Support facilities such as rehabilitation rooms, therapy rooms, kitchen, dining area, laundry, pharmacy, and administrative offices
- Services including Skilled Nursing Care, Rehabilitation Therapies, Hospice Care, Respite Care, Adult Day Healthcare, Geriatric Mental Health Care, Alzheimer’s and Dementia Care

The O‘ahu Regional Health Care System selected ‘Ohana Pacific Health (“OPH”) to operate the DKA SVH, which is currently in the final phases of construction and preparation for necessary licensure. OPH brings decades of experience and an extensive network of services to meet the long-term care needs of Hawaii’s veterans.

LEAHI HOSPITAL

Leahi Hospital (“Leahi”), located in the heart of Kaimuki in Honolulu, Hawaii, was first established in 1901. Leahi is licensed for 159 beds: 155 nursing home beds (dual certified for Skilled Nursing and Intermediate Care) and 4 acute beds in Leahi’s tuberculosis (“TB”) unit, the only unit of its kind on the island of O’ahu. Individuals requiring long-term care, short-term restorative care or TB treatment are admitted to our nursing facility/acute beds. An interdisciplinary team of experienced healthcare professionals provides care. Currently, Leahi employs approximately 188 people.

Long-Term Care Inpatient Services:

- Currently operating 114 Dual Certified Skilled Nursing and Intermediate Care Beds.
- Hale Mohalu, the Department of Health’s (“DOH”) Hansen’s disease program, recently moved into the second floor of the Young Building.

Support:

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

Outpatient Services:

- Leahi Adult Day Health Center – is a program designed to enable participants to enrich their lives and to maintain their independence, dignity, and self-esteem while providing respite and support for caregivers. Importantly, the program facilitates and encourages families to continue caring for their loved ones in their homes, improving quality of life and reducing otherwise significant costs to MedQuest for institutional long-term care.
- In collaboration with Hawaii Meals on Wheels, our kitchen provides 266 meals per week (Monday through Friday), including medically tailored and therapeutic meals to meet the specific needs of residents in the Diamond Head, Kapahulu, University, Manoa, Kaimuki and Waikiki areas.

Patient Census and Other Services:

	<u>Long Term Care</u>	<u>TB</u>
Patient Days	37,720	60

Adult Day Health:

Participant Days 5,904

Baths Provided 907

Meals – Take Home 170

Hawaii Meals on Wheels:

Meals Provided: 13,840

Volunteer Services:

Due to facility COVID-19 restrictions, the number of volunteers were limited to special or cultural activities.

Number of Active Volunteers: 6

Number of Total Volunteer Hours: 120.25

Volunteer Auxiliary Contributions: \$9,000

MALUHIA

Maluhia, located in lower Alewa Heights in Honolulu, Hawaii, is licensed to operate 158 skilled nursing and intermediate care facility beds and employs approximately 135 employees. Maluhia was established in 1923 and provides the following services:

Long-Term Care Inpatient Services:

- Currently operating 120 Dual Certified Skilled Nursing and Intermediate Care Beds

Support:

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

Outpatient Services:

- Maluhia Adult Day Health Center (“MADHC”): This day program for seniors is dedicated to promoting healthy aging through nursing services and health monitoring. MADHC allows participants to maintain their independence, dignity and self-esteem. A key aspect of the program is providing caregiver respite and education, supporting better care at home and preventing caregiver burnout.

MADHC actively supports and encourages caregivers to look after their loved ones at home and in the community, thereby enhancing quality of life and significantly reducing costs to Med Quest for institutional long-term care. Notably, FY2024 includes a 23% increase in census and improved community engagement efforts through partnerships with various local organizations including:

- The Kupuna Collective,
 - Lanakila Pacific KupunaU,
 - Daniel K. Akaka Family Foundation,
 - City & County of Hawaii Elderly Affairs Division,
 - Veterans Affairs, Home and Community Based Services,
 - The Hawaii Executive Office on Aging,
 - Hawaii Dementia Coalition Task Force,
 - Adult Day Centers of Hawaii,
 - Catholic Charities of Hawaii.
- Collaboration with Hawaii Meals on Wheels to provide nearly 253 meals per week to residents in the Kalihi and Liliha areas

Patient Census and Other Services:

	<u>Long Term Care</u>
Patient Days	28,958

Adult Day Health:

Participant Days	6,563
Baths Provided	673
Meals – Take Home	463

Meals on Wheels:

Meals Provided	12,955
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Volunteer Services:

Number of Active Volunteers:	7
Number of Total Volunteer Hours:	695.75
Volunteer Auxiliary Contributions:	Approximately \$9,794 from the Friends of Maluhia

DANIEL K. AKAKA STATE VETERANS HOME

In collaboration with the Office of Veterans' Services ("OVS"), a division of the State Department of Defense ("DOD"), the O'ahu Region successfully secured legislation during the 2022 Legislative Session (introduced as HB1893 HD1 SD2 CD1 and signed into law as Act 285, SLH 2022) to mandate the transfer of the Daniel K. Akaka State Veterans Home ("DKA SVH") from the DOD to the O'ahu Region once its construction is complete.

With construction ongoing, the O'ahu Region and DOD worked together to solicit proposals from experienced operators capable of opening, licensing, and operating DKA SVH to the highest standards set by the U.S. Department of Veterans Affairs ("VA"). Following a lengthy and comprehensive process, 'Ohana Pacific Health ("OPH") was chosen as the facility's operator.

In August 2024, following a series of delays caused by supply chain issues, electrical connectivity problems, and water pressure concerns, the Department of Accounting and General Services ("DAGS"), which was responsible for ensuring the successful construction of the DKA SVH, determined that the facility reached the point of substantial completion. Although some follow up work was still required to be completed, the O'ahu Region formally took possession of the DKA SVH at the end of August 2024.

At present, we are working closely with DOD, DAGS, and OPH to address all outstanding issues necessary to meet the regulatory standards for licensure. We anticipate that the first patients at DKA SVH will be admitted by the end of the first quarter of 2025.

Approximately 85,000 veterans on O'ahu, along with their spouses and Gold Star Parents, may be eligible for care at the new home. DKA SVH is designed to offer long-term nursing home care, rehabilitation therapies, hospice care, geriatric mental health services, dementia and Alzheimer's care, respite care, and adult day health services. The facility will feature 120 single occupancy rooms, covering 130,000 square feet, situated on seven acres in Kapolei.

SARS-CoV-2 (Severe Acute Respiratory Syndrome Coronavirus-2) AND STAFFING

We remain vigilant in our infection control procedures, even though the COVID-19 pandemic ended on May 11, 2023, to ensure the ongoing safety of our residents, staff, and visitors. Simultaneously, we are addressing the residual effects of the pandemic, such as the financial stability of our facilities and significant staffing shortages.

We continue to face challenges with staffing shortages in nursing, which require us to operate with lower levels of both Licensed Nurses ("LN") and Certified Nurse Aides ("CNA"). To mitigate these gaps, we utilize employees from other departments where available to assist in clinical care, approve overtime for existing nursing staff, and use

agency staff when possible. Additionally, alongside our traditional recruitment strategies, such as advertisements, staffing agencies, and participation in local job fairs, we have implemented a Free CNA program to produce qualified staff.

This Free CNA pilot program, available at both Maluhia and Leahi, mirrors the Good Jobs HI initiative. The program offers no-cost training provided by Healthcare Training & Career Consultants – an established CNA training program - and covers the full cost of CNA education and certification for students who agree to work at Maluhia or Leahi for at least one year after becoming certified. Participants in the program can work as Nurse Aides while completing their certification requirements. We believe this program benefits everyone involved by addressing our staffing shortages and providing a valuable opportunity for individuals who may not otherwise afford CNA certification.

To date, the O‘ahu Region has successfully advanced 11 student CNAs through the training program and they are now working full-time at our facilities. Additionally, four new CNA students have recently enrolled in the program. It is our intent to continue recruiting and developing students through this initiative until our staffing needs have been met.

STRATEGIC PLAN ACHIEVEMENTS

The O‘ahu 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, we have redirected our attention 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 120 bed Daniel K. Akaka State Veterans Home significantly increases the number of available beds, addressing some of the projected shortage. The O‘ahu 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 on O‘ahu 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 and community based mental health providers. By housing and treating such individuals in Palekana, the state has incurred 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 began operations in March 2024 and is operated by North Shore Mental Health under the supervision of the City's Crisis Outreach Response and Engagement ("CORE") division. The program provides medical respite care for lower acuity hospital patients and homeless individuals. QMC supports the program through the provision of psychiatric and other clinical services. In addition to providing the necessary space, the O'ahu Region will also support the program with requested dietary and maintenance services. We are hopeful that this project will help to increase bed availability at local hospitals for more acutely ill patients and effectively assist in transitioning program participants back into the community or to an appropriate step-down facility.

NURSING

Our biggest challenge in Nursing is to bring our staffing levels to full capacity so that we may increase the number of our staffed beds and meet the rapidly growing needs for safety-net long-term care services on O'ahu. While we still engage in traditional recruitment practices, we also continue to participate in other strategic initiatives such as the Good Jobs HI program and the Free CNA program detailed above.

To help alleviate the shortage of acute beds due to long stay waitlisted patients at the Queens Medical Center, Maluhia has admitted twelve (12) of their patients since November 2023. Most of these patients have complex medical issues requiring maximal assistance to total care. Of the patients admitted, eight have a diagnosis of massive strokes with severe disabilities, while the other patients are afflicted with equally complex diagnoses such as traumatic brain injury with agitation/behavioral health disturbances and quadriplegia with decompensated schizophrenia and dementia.

From the community and acute hospitals, Leahi and Maluhia consistently admit hospice patients as the need for hospice care in nursing facilities constantly increases. Currently, about 26% of our census is comprised of hospice residents with various terminal diagnoses.

Despite the staffing and related census challenges, Leahi and Maluhia are committed to providing safe and high quality resident-centered care to our long-term care residents. With due credit given to our hardworking, dedicated staff members, we are proud to highlight that our facilities continue to have low incidents of facility acquired pressure ulcers, infections and grievances/complaints. Our facilities have also managed to responsibly limit the use of antibiotics.

QUALITY ASSURANCE PERFORMANCE IMPROVEMENT

In December 2023, Maluhia was presented with the Mountain Pacific Quality Improvement Organization's Achievement in Quality Award for the highest performing nursing homes in Hawaii. The award criteria were based on a quality measure point system that included decreasing adverse drug events, preventing infection, decreasing readmissions, and improving resident vaccination rates for influenza and pneumococcal vaccines.

As of November 2024, Maluhia is rated 5-Stars on Quality and 5-Stars overall on the Centers for Medicare and Medicaid Services Nursing Home Compare website. Leahi also maintains a rating of 5-Stars on Quality with an overall rating of 4-Stars.

Leahi Hospital recently began an Environmental Services Cleaning and Disinfection Performance Improvement Project based on recommendations from an Infection Control Assessment & Response ("ICAR") review by Mountain Pacific Quality Health. Proper hand hygiene along with cleaning and disinfecting the environment is effective in preventing the spread of disease contributing to Leahi's 5-star quality rating.

LOCALLY SOURCED AND SCRATCH COOKED FOOD – OAHU REGION AND BEYOND GREEN PARTNERS

O'ahu Region's partnership with Beyond Green Partners ("BGP") has provided our staff with valuable knowledge on improving meal quality for our residents. This includes the benefits of utilizing local products, fresh ingredients, and minimizing food waste.

Our kitchens continue to implement the quality food production practices introduced by BGP. We prioritize serving scratch-cooked foods and using fresh ingredients over frozen whenever possible. To support local farmers and Hawaii's economy, we consistently seek and use local food sources. Although the costs for local products have significantly increased, we remain committed to providing delicious and healthy meals to our residents and Adult Day Health participants. This commitment extends to the community as well through the Hawaii Meals on Wheels Program, where we create new menus that strategically utilize fresh and local products. We are very proud that our

fresh produce items, such as vegetables and fruits, and almost exclusively sourced locally.

PERSONNEL

Full Time Equivalent (“FTE”) figures are as follows:

FY 24 – 407.13

FY 23 – 414.97

FY 22 – 428.51

FY 21 – 453.79

FINANCIAL PICTURE

Approximately 85% of the O’ahu Region’s residents receive benefits through Hawaii’s Med-Quest Medicaid program. The O’ahu Region’s revenues and cash flow are dependent on the reimbursement rates and timeliness of payments provided by the Medicaid programs, despite being inadequate to cover our actual labor and overhead expenses, which steadily increase year-to-year.

Given the low Medicaid reimbursement rates, HGEA and UPW wage increases, higher post-employment fringe benefits rate, inflation and the increased costs of providing quality health care, the Oahu Region remains unable to maintain its provision of services without continued General Fund support from the Legislature.

Moreover, to prevent future COVID-19 outbreaks at Maluhia and Leahi, heightened pandemic precautions and restrictions continue to remain in place. These COVID prevention efforts, coupled with the ongoing nursing staff shortage has led the O’ahu Region to experience a lower census from our forecasted budget for both long-term care and Adult Day Health services during FY 2024. Fortunately, due to the increase in the daily Medicaid reimbursement rate effective January 1, 2024, we were able to defray some of the financial losses that accrued due to (1) public union pay raises; (2) the increase to the post-retirement fringe benefit rate; and (3) the use of overtime and contracted agency nursing costs to address staffing shortages. Nevertheless, as the daily Medicaid reimbursement rate remains lower than the cost of the quality care we provide, we remain dependent on the legislature’s assistance to cover the resulting deficits and ensure that we are able to continue serving the ever-growing needs of our community as the safety-net for long-term care and adult day health.

RISK MANAGEMENT

Improving our residents’ quality of life and providing individualized care are currently our primary areas of focus. In support of these goals, we promulgate an annual online staff

education fair to provide all staff with valuable information on a variety of topics, including infection control, protected health information, IT security, resident rights, and patient safety. We also provide regular hands on training to ensure that staff are performing their skills by “doing” instead of just observing. This approach also creates an opportunity for staff to engage in discussion with experienced personnel and receive real-time feedback. Throughout the year, our staff are also encouraged to attend education and training sessions provided by the Healthcare Association of Hawaii, American Health Care Association and Mountain Pacific Quality Health.

On July 11, 2024, Maluhia and Leahi Hospital participated in the 2024 Rim of the Pacific (“RIMPAC”) exercise facilitated by Hawaii Healthcare Emergency Management (“HHEM”). During the RIMPAC exercise, a simulated category 4 hurricane was presented to all participants, and we were instructed to anticipate significant damage to critical infrastructure, loss of essential utilities and telecommunication systems, and landslides that covered main access roads. Throughout the exercise, HHEM issued multiple injects that required responses via email and voice using various emergency communications devices, including Satellite Communication (“SATCOM”), amateur radio, Code-Division Multiple Access (“CDMA”), and telephone. In each instance, our staff were able to correctly implement the required protocols.

On May 7, 2024, Maluhia participated in an active shooter/active threat drill with the Honolulu Police Department (“HPD”). The drill was utilized to assess how staff, visitors and patients would respond to an active shooter/threat. HPD went into various areas of the facility portraying an active shooter event and evaluated staff responses. Following the drill, HPD immediately provided a debriefing session to review their observations and provide important recommendations to our staff. Given the importance of this type of preparation, we will continue to promote further training on workplace violence and active shooter response.

THE LEAHI-MALUHIA FOUNDATION

The Leahi-Maluhia Foundation was established in 2003.

Mission

To support the work of Leahi Hospital and Maluhia in their mission, development and the provision of quality health and long term care.

Vision

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

Board of Director Members for FY 2024

Michelle Kato, President

Jerilyn Yamashiro, Director

Sean Sanada, Director

Sean Simmons, Director

Neal Yanagihara, Director

Individual Donations \$11,200

Aloha United Way \$ 1,630

Total: \$12,830

Contact Information

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