



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Touching Lives Every Day"

HHSC Corporate Office Financial contingency plan – June 1, 2008

In order to minimize the corporate overhead costs to the five Regions, the HHSC corporate office will decrease operational costs in the two areas of non-payroll and payroll expenses while at the same time making every effort to achieve system savings and maintain support for Regions.

First, FY 09 non-payroll expenses. Current budgeted expenses will be reduced for any services, contracts, supplies or other materials directly affecting the staff in the corporate office to ensure these costs are appropriately recorded. These reductions will take place in various service departments of the corporate office, with an expected decrease of \$39,600 (3.87%) from previously submitted FY 09 corporate office non-payroll budget. Expected \$10,000 in costs at the corporate office to manage restructuring of the work force at the corporate office and system-wide will be absorbed. Where appropriate, costs will be appropriately apportioned directly to the Regions. This will require revisiting workflows and processes for contracting as well as contract and invoice monitoring.

Second, payroll expenses. The HHSC Corporate office will begin the process of creating a smaller corporate office in order to reduce expenses. Coordination has been initiated with the Regional CEOs (RCEOs) on the total impact of eliminating the suggested corporate office positions. As part of that discussion, the PCEO will work with the RCEOs to determine the levels of service required and where best to have the resources placed in order to most efficiently provide necessary support functions. The resulting corporate office changes are expected to ultimately result in a decrease of several positions for an estimated annual reduction in salary and benefits expenses of \$709,515 (5.24% reduction from the first draft corporate office payroll budget for FY 09. Because it may take several months to accomplish personnel reductions (until approximately December 1, 2008), only approximately \$413,884 in savings may be realized in FY 09.

Communication with the RCEO's and CFO's is continuing in order to define and understand the impact of all changes at the corporate office. Discussion is necessary to identify any changes that will be needed to either the Region's budgets or the Region's workflow processes with budget dollars transferred from Corporate Office budget to Regional budgets where appropriate. Transition plans will also need to be developed to ensure there is no adverse impact to the Region's operations as a result of changes at the Corporate Office. While there will be reduction of services available to regions from the corporate office, it is our intention to minimize that reduction to acceptable levels that will have been coordinated with the Regional Chief Executive Officers. Total proposed corporate office budget (not counting system depreciation and amortization and interest charges) of \$8,464,516 will be \$453,484 (5.09%) less than previously submitted FY 09 corporate office budget of \$8,918,000.

1-Jun-08
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COMPARISON OF FY 09 CORPORATE OFFICE CONTINGENCY PLAN BUDGET
TO INITIAL FY 09 CORPORATE OFFICE BUDGET

	INITIAL FY 09 CORPORATE OFFICE BUDGET SUBMISSION	PROPOSED FY 09 BUDGET	CHANGE FROM INITIAL FY 09 BUDGET SUBMISSION	%
PAYROLL	7,894,000	7,480,116	(413,884)	-5.24%
NON-PAYROLL	<u>1,024,000</u>	<u>984,400</u>	<u>(39,600)</u>	-3.87%
TOTAL	<u><u>8,918,000</u></u>	<u><u>8,464,516</u></u>	<u><u>(453,484)</u></u>	-5.09%
Depreciation (System-Wide)		360,000		
Interest Expense (System-Wide)		3,236,000		
Other Non-Operating Income		(586,000)		
Collective Bargaining Funding		<u>(278,754)</u>		
TOTAL CORPORATE OFFICE ALLOCATION		<u><u>11,195,762</u></u>		