

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

"Touching Lives Every Day"

Informational Briefing
Senate Ways & Means Committee
House Finance Committee
On Maui

August 11, 2008



HEALTHCARE CONCERNS TODAY AND TOMORROW

- Healthcare is in crisis today in the USA and it's not going to get better
- Delivery of healthcare in Hawaii has major unique problems
- Public healthcare is taking on more and more of the burden
- Quality/Patient Safe Care is HHSC's business



- HHSC made it through FY07 with \$10 million from FY08
- HHSC made it through FY08 with \$14 million EA + \$11 million loan for Maui



■ Briefed on \$57 M FY09 HHSC Supplemental Requirement

- October 16, 2007 - Administration
- October 22, 2007 – Six HHSC Boards
- November 14, 2007 - Senate WAM/House FIN
- December 18, 2007 - UPW
- December 19, 2007 - HGEA
- January 10, 2008 - Senate WAM/House FIN + Corp Board on Plan by June 30, 2008
- January 18, 2008 - Senate Health Committee
- January 25, 2008 - House Health Committee
- Other hearings throughout 2008 session



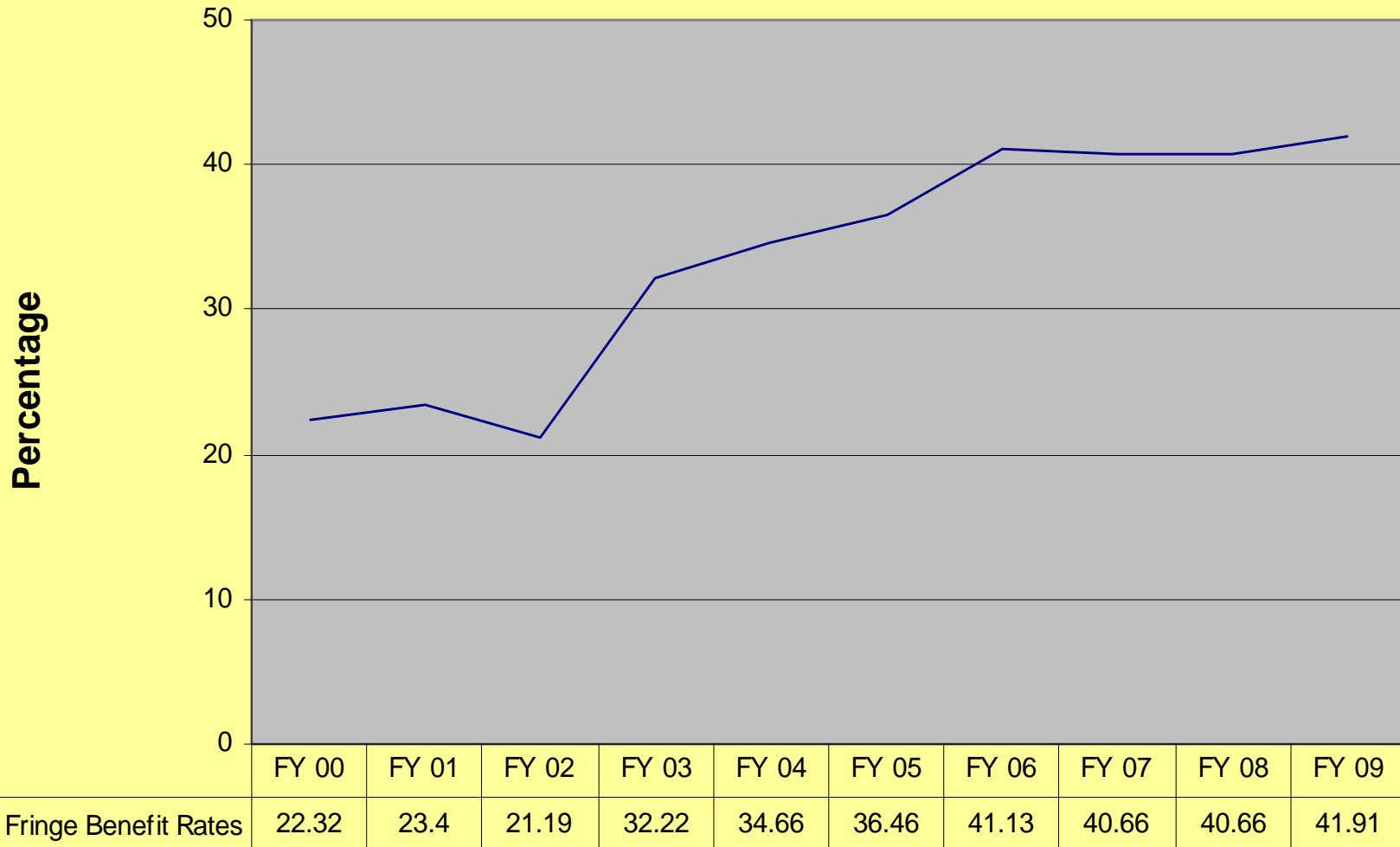
- NO supplemental for FY09 = \$62 million shortfall + 4% cut on FY09 General Fund Appropriation



Five Primary Reasons Why HHSC Hospitals Are Losing \$'s

1. **No Disproportionate Share Hospital** – Approx \$33M per year
2. **Under-Reimbursement** – Approx \$90M per year
3. **Wait-List Problem** – Approx \$30M - \$50M per year
4. **Physician Call Coverage and Recruitment Cost** – Over \$15M per year
5. **Cost of Operating as a State Agency** – Approx \$50M Fringe + Salary vs Hourly + Time off

State of Hawaii Composite Fringe Benefit Rates



• ERS 15% \$37.4m • EUTF Retirement Benefits 8.5% \$21.2m • Overall Fringe at 41.9% \$104.6m



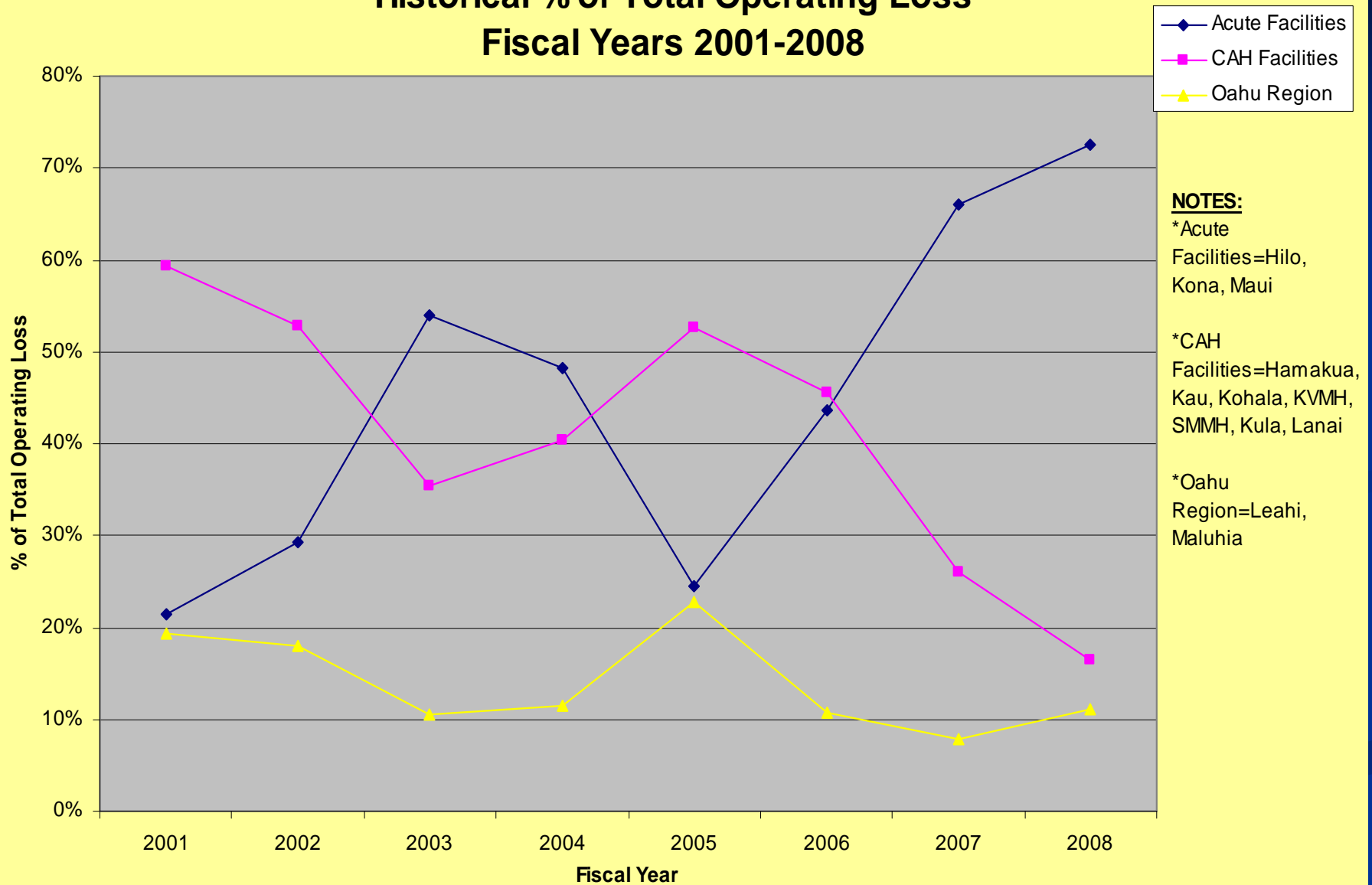
Act 290

Good for Governance BUT no relief on
financial/management constraints

Hawaii Health Systems Corporation Historical Operating Income (Loss) Trending Fiscal Years 1998-2008



Hawaii Health Systems Corporation Historical % of Total Operating Loss Fiscal Years 2001-2008





FY09 - \$62 Million Deficit for HHSC

No Supplemental Support

Short Term Issue

- HHSC SYSTEM TOTAL \$62.0 million
 - East HI 26.9 million
 - Kauai 4.2 million
 - Maui 21.8 million
 - Oahu 1.5 million
 - West HI 7.6 million

- 83% of the \$62 million FY09 Shortfall for MMMC/HMC/KCH



FY09 - \$21.8 Million Deficit for Maui

No Supplemental Support

Short Term Issue

■ MAUI TOTAL	\$21.8 million
■ MMMC	18.5
■ Kula	2.6
■ Lanai	.7



FY09 General Fund Subsidy Distribution for HHSC

■ HHSC SYSTEM TOTAL	\$53,622,961
■ East HI	16,385,961
■ Kauai	6,268,000
■ Maui	16,660,000
■ Oahu	7,040,000
■ West HI	7,269,000

FY09 General Fund Subsidy Distribution for Maui

■ MAUI TOTAL	\$16,660,000
■ MMMC	13,520,000
■ Kula	2,337,000
■ Lanai	803,000

FY09 General Funds to Support HHSC Collective Bargaining Expenses

■ HHSC SYSTEM TOTAL	\$25,123,237
■ East HI	7,052,000
■ Kauai	2,193,237
■ Maui	9,231,000
■ Oahu	2,923,000
■ West HI	3,445,000
■ Corp	279,000

FY09 General Funds to Support Maui Collective Bargaining Expenses

■ MAUI TOTAL	\$9,231,000
■ MMMC	7,802,000
■ Kula	1,234,000
■ Lanai	195,000



FY09 Estimated Distribution of Supplemental Payments (or DSH-Like Payments) for HHSC

■ HHSC SYSTEM TOTAL	\$6,932,000
■ East HI	1,881,000
■ Kauai	408,000
■ Maui	2,369,000
■ Oahu	954,000
■ West HI	1,320,000

FY09 Estimated Distribution of Supplemental Payments (or DSH-Like Payments) for Maui

■ MAUI TOTAL	\$2,369,000
■ MMMC	2,276,000
■ Kula	88,000
■ Lanai	5,000

FY10 and Beyond HHSC Must Have Significant Change Long Term Issue

- “Task Force/Panel”



HHSC Corporate Board Strategic Plan

Proposed Task Force Members

- Unions - 3 (1 each from UPW, HGEA, ILWU)
- Regions - 5 (1 from each Region)
- Key Business Leaders - 3 (1 each appointed by Governor, House & Senate)
- Medical Staff Leaders - 2 (Selected by HHSC Physician Leader Group)
- Legislature - 2 (1 each from House and Senate Leaders)
- Department of Health - 1
- Healthcare Association of Hawaii – 1
- Corporate – 1

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- Consider Increase Legislators 2 to 4 or 6
 - Consider Increase Corp 1 to 2
 - Consider add JABSOM 1



“Blue Sky” Strategic Alternatives

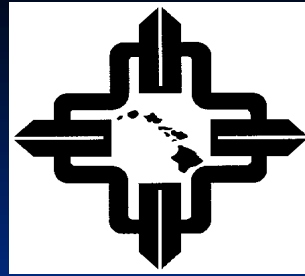
- Sale of Major HHSC Acute Facilities, Then Only Ask State to Help Fund Safety Net CAH and LTC Facilities
- Sale of Entire System
- Establish Ability for HHSC to Move from Current Posture to a Regional Based Joint Venture in Public/Private Partnerships Posture
- HHSC 501C3
- Transition HHSC Facilities to Counties with Counties Picking up the Cost of Care Above Reimbursements as County Hospital Systems (with Retention of Group Purchasing Organization, Insurance Coverage, etc.) for System Savings

“Blue Sky”

Strategic Alternatives

(Continued)

- Return to Department of Health
- Set in Place a Carved Percentage of General Excise Tax (GET) for HHSC so Whole System can Operate as a Mainland Style County Hospital System
- Modify Act 323F, HRS, to create a federation of multiple 501C3s to give autonomy to communities we serve with incentive for progressive development, opportunity for private/public partnerships, patient referral, teaching programs and achieve major cost effectiveness while ensuring access to quality care.



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Q & A

Thank You