



**WEST KAUAI MEDICAL CENTER – MAHELONA MEDICAL CENTER**  
**WEST KAUAI CLINICS – WAIMEA, ELEELE, KALAHEO**  
**HAWAII HEALTH SYSTEMS**  
**C O R P O R A T I O N**

*"Touching Lives Everyday"*

*Orianna Skomoroch*  
*Regional CEO*

**Testimony of Kauai Regional System Board Chair, Norman Akita**  
**(REVISED)**

Thank you for visiting us and for giving us this opportunity to discuss Kauai region hospitals with you.

I am, Norman Akita, the Chair of the Kauai Regional System Board of Directors, and I am here to give you a briefing of our overall status as a Region and to support our supplemental request for more funds this fiscal year.

With me today are: Also, Dr. Richard Goding, another member of our Board, will testify and provide an additional perspective of our progress as Board. And of course, you all know Mike Perel, our Chief Financial Officer. He will detail our finances past, present, and future, including our efforts to mitigate our shortfall this fiscal year.

First a brief history. As a governance Board, we were organized last November, as provided by Act 290 which you passed in 2007. We started with eleven members.

Last October we attended an extensive and comprehensive orientation and training conference relating to the law, our reorganization or organization, the issues, and our new governance role. At the conference one attendee said to me and I quote: "we are going to go broke." That statement and discussion remain vivid as to the challenge we faced then and more so now. Not a year has passed and those words ring out to me as our system continues to struggle to cope with its statutory responsibilities while at the same time seek to turn around its financial dependency on the State.

As a Board, we have had one resignation already. Further, in the beginning we struggled to get a quorum to start our meetings promptly.

I share this brief background to give you some insight as to how we got started. While any beginning is not easy, I need to quickly report to you that our Board is making great strides going forward and progressing steadily as we deepen our understanding, not only of our role and responsibilities as a governing body, but more importantly how we are doing as a Region. Even more, we are getting to know and to work with our dedicated and hard working Senior Management Team increasingly and closely toward achieving the best medical care and service that we can delivery with economic effectiveness.

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**We feel privileged and proud of our Management Team. They have successfully minimized the financial crunch that is impacting hospitals in the State and Nation. You are well aware that healthcare becomes more expensive as new technologies and pharmaceuticals are developed and compounded by a decaying infrastructure. The rising cost of medical care and the inability of payors to support higher reimbursements contribute greatly to the overall decline of the healthcare system. However, the Kauai management team has succeeded to stay fairly consistent in reducing projected losses during past years. They have maintained conservative spending practices plus expand primary medical care services.**

**Despite our best efforts, we are still facing a shortfall of about \$3.5 million even after we receive our share of the general fund appropriation for fiscal year ending June 30, 2009.**

**While we proposed to cut service to cover our deficit, we prefer not to do so. Basically, the Kauai Board is opposed to a reduction in service to its long term and inpatient psychiatric unit at Samuel Mahelona Memorial Hospital. The inpatient psychiatric unit is the only one on the island and its closure would not serve the need and interest of patients, families, and other agencies that depend on the units' services. Similarly, cutting long term care would have a similar negative impact as well as hurt other agencies, especially hospitals that provide acute care services. Acute care hospitals already experience back up and delays due to insufficient number of long-term facilities and to close one would only place an undue strain to these acute service hospitals. In addition, cutting services does not immediately save money either, especially when it interfaces with collective bargaining employee termination rules; plus the overhead cost must still be spread to the remainder of the facility's operational cost.**

**A basic point that underlies the cause for our deficit is that Kauai Region like the other Regions is dedicated to provide safety net services; and it cannot be done without the support of State funding.**

**Instead of cutting service, we are making every effort to improve our income and revenue stream. We have put in place a four-point plan of action to minimize future deficits. The four-point plan that is in effect already or in the making now are:**

- 1. Put more resources into the improvement of our revenue cycle and patient accounting services departments to ensure we are billing and receiving payment for our services fully, properly, and timely.**
- 2. Expand services by increasing the number of physicians through an improved compensation package for our existing physicians, for their long-term retention, and for recruitment of credentialed, new physicians.**

- 3. Augment our clinic operations by adding clinics in two other places on this island.**
- 4. Complete the designing of a new addition and renovate part of our existing Kauai Veterans Memorial Hospital.**

**The design and plan to renovate our hospital is still in the making. It was conceived by our forward planning management team years ago. The Board believes it represents the heart of Act 290; that is, to enter into new partnerships and to become more self-supporting.**

**For your information, a financial model performed by consultants hired by our Region showed that under the most conservative estimates and growth, the project would save \$17 million over the life of the new building. Under the most likely scenario, we could save \$200 million. The bottom line is that Kauai Veterans Memorial Hospital may become profitable in its 6<sup>th</sup> year after completion of this project. We are excited yet realize we face risks. Our belief is we need to proceed but only as we are assured of another review of its viability that is to be received shortly.**

**Without the additional operating room space, a new emergency room, and the conversion to single occupancy beds planned in this project, it means we remain as is and keep the status quo and continue our dependency on the State.**

**We reject the status quo. We believe we must up grade and grow and follow the proven and successful national trends to make solid improvements to our daily and annual financial condition as a Region.**

**Along with the above efforts to reverse our dependency on the State we envision Samuel Mahelona Memorial Hospital as another source for new revenue. It is an asset that has not reached its full potential. The Legislature appropriated money for its master planning last year. We look forward to the release and receipt of those funds and thereby enable us to complete the master plan. We expect a new private/public partnership will emerge from the master plan to fully utilize the hospital surrounding property and better serve and benefit our communities. Included in this benefit is the development of new revenues to support our safety net and long-term care services.**

**We understand and appreciate various new structural models are under discussion that may result in changing the HHSC structure. The Kauai Regional Board is very interested to be a part of these important structural discussions. Certainly, such a change must be carefully considered and fully vetted by all partners in order to assure whatever direction it may take, it will result in a positive and constructive change and impact to the Regional Boards. We are willing to participate and explore all alternatives to help stabilize the health care system of our State.**

**In closing, we trust the initiatives we are taking with our forward planning management team meets with your expectations. We believe both our Board and management team are taking the necessary steps to achieve the provisions of your mandate under Act 290. And most importantly, we recommend your favorable action to our supplemental funding request of \$3.5 million.**

**Thank you.**