



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*

April 29, 2008

WEST KAUAI MEDICAL CENTER/KVMH  
WEST KAUAI CLINICS – WAIMEA, ELEELE, KALAHEO  
MAHELONA MEDICAL CENTER/SMMH

**INTERIM AND TRANSITION PLAN**

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**West Kauai Medical Center/KVMH; West Kauai Clinics – Waimea, Eleele, Kalaheo; Mahelona Medical Center/SMMH are the Safety-Net Providers for the Island of Kauai Ensuring Quality Health Care for the Communities We Serve:**

The West Kauai Medical Center/Kauai Veterans Memorial Hospital (WKMC/KVMH) and the Mahelona Medical Center/Samuel Mahelona Memorial Hospital (MMC/SMMH) are part of the Kauai Region, Hawaii Health Systems Corporation, a public benefit corporation of the State of Hawaii operating 12 facilities statewide.

WKMC/KVMH, located in Waimea, Kauai, is accredited by the Joint Commission and is licensed to operate a 45-bed facility. WKMC/KVMH is a Critical Access Hospital with 25 acute / swing beds and a distinct part 20 bed dually certified skilled/intermediate nursing care facility. Also a part of the Kauai Region is the West Kauai Clinic (WKC), comprised of three clinics located in Waimea, Eleele and Kalaheo and Mahelona Medical Center/SMMH, located in Kapaa. MMC/SMMH is also a Critical Access Hospital licensed to operate an 80-bed facility (9 acute psychiatric beds; 5 acute/swing beds; and a distinct part 66 bed dually certified skilled/intermediate nursing care facility). WKMC/KVMH services include Long Term Care, ICU, Surgery, Medical/Surgical, OB/GYN, Pediatrics, 24-hour Emergency services and Outpatient ancillary services and MMC/SMMH services include Long Term Care, Acute and 24-hour Emergency services, Acute Behavioral Health, and Outpatient ancillary services.

**Overall Transition Plan Objective:**

The HHSC Board of Directors has tasked the Regions with developing "interim plans" describing how we will provide the services in the most cost efficient manner. The Kauai Region's plan to provide services in the most cost efficient manner has been an actuality for some time now by gaining Critical Access Hospital (CAH) status for both hospitals and by growing our Region. This combination of CAH status and growth will make us much more self-sufficient decreasing our level of State support. However, as a safety net, rural hospital

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KVMH • 4643 WAIMEA CANYON RD. • WAIMEA, HAWAII 96796 • PHONE: (808) 338-9431 • FAX: (808) 338-9420

MAHELONA • 4800 KAWAHIAL RD. • KAPAA, HAWAII 96746 • PHONE: (808) 822-4961 • FAX: (808) 822-5781

Regional System that is encumbered by the State civil service/collective bargaining system and other legal restrictions on our ability to operate as a private hospital, it is not anticipated that the Kauai Region will be able to fully eliminate general fund assistance in the foreseeable future. Our continued goal, therefore, is to become as efficient as possible while continuing to provide quality healthcare services to our communities.

### **Strategies:**

The Kauai Region is in a somewhat unique position in the system. West Kauai Medical Center/KVMH (WKMC/KVMH) is not operating at capacity (although we have touched on that level recently) and we face active private competition by Wilcox Memorial Hospital. In response to these challenges management has engaged the services of various consultants over the years seeking guidance from shared experiences with other rural CAH providers. Our consultants have repeatedly opined that the: **"potential to grow revenues through added or expanded services is great but facility in its' present design is a tremendous rate limiter"** (Stroudwater Associates Performance Improvement Consultation, February 7, 2007). We must grow our levels of service in primary care, grow our physician base, modernize our facilities and develop the Mahelona Medical Center/Samuel Mahelona Memorial Hospital (MMC/SMMH) campus (Kapaa).

These projects have already begun. Last fall, the HHSC Board of Directors approved a plan for a \$79 million construction and renovation project on the Waimea campus. In short, this project will expand our OR, ER, and ability to operate at capacity by converting our acute beds into single occupancy rooms. An increase in the diagnostic services is also included. We are aiming for as fuel efficient a campus as possible and hope to exceed LEEDS Silver rating, which will cut operating expenses. The new structure will be able to withstand 200 mph hurricane winds (Dade County Florida hurricane standards), will include a heliport on the roof, and will withstand a tsunami. In the event of a natural disaster, this structure could be the only one standing, and will convert into a stand alone hospital. This project will help to stabilize our market share and our medical staff recruitment and retention, as a high tech, desirable and beautiful environment for patients, physicians, and employees. Financial studies indicate that this project will reduce the Hospital's operating deficit by more than \$20 million over the first 20 years of service. The projected completion date is May, 2010.

Currently, we are seeking funding from the Legislature (funds are in the budget as of today) for master planning of the SMMH campus. This beautiful, large site (36 acres) has sweeping views of the Sleeping Giant Mountain and the ocean. The existing 90 year old building must be replaced. The size and location of the SMMH campus will enable us to partner with the appropriate entities to develop the property and provide services needed on the Island. Preliminary ideas expressed on the potential development include a 25 bed acute care hospital, a long term care facility of adequate size, a mental health unit, a medical office building, a cancer care center, imaging and outpatient surgery, and residential housing units

in support of our mission. Our desire is to make MMC/SMMH a center of excellence for geriatric care. We anticipate accomplishing the master planning in the FY '09 fiscal year.

We will seek partners to develop and participate in these new projects. Continuing past practice, all projects are planned after extensive input from our "customers" – the public, our physicians, our employees, our legislators, and our governance. Due to the lack of direct State support for most of our expansion projects, we will be using alternative financing (municipal and other lease arrangements, mortgages, USDA guaranteed loans, HUD guaranteed loans, etc.) and will be seeking active partnerships where appropriate. We believe that by providing modern facilities and equipment we can attract and retain the most qualified and dedicated medical professionals and in so doing provide the best care for our community.

To deal with the immediate challenges of costs rising faster than revenues we are streamlining our revenue cycle through major reorganizations of patient accounting services (merging hospital and clinics into one department under competent, proven leadership) and of hospital accounting into a fully regionalized department. We have expanded use of our contract outpatient billing service to provide for quicker, more efficient billing and collections.

Recognizing the growth in population, we are expanding clinic services in Eleele/Port Allen and Koloa, resulting in an increase from three clinics to four in the next two years. As a corollary, we will recruit and retain qualified primary care and specialty physicians to provide clinic services and increase the hospital referral base throughout our service area. An increase in the hospital referral base has a positive impact on the revenues of the hospitals, thereby lessening the need for general fund support.

We are in the process of revamping our Physician Compensation plan. While it will lead to an increase in expenditures, productivity levels will be established as incentives. It will also help to stabilize our physician base and improve recruitment and retention. Finally, a larger and more stable physician base will improve revenues in the clinics and hospitals, in addition to providing better access to health care for our citizens.

Recognizing that we are in a competitive market, we will adopt a public relations plan and hire a public relations officer. More resources will be devoted to advertising, marketing, and public relations, with an anticipated increase in market share.

### **Quality of Care:**

Quality of medical care remains the core objective of the Kauai Region. Quality begins with the careful selection and training of hospital and medical staff. Physician credentialing is especially rigorous. Quality of care must be measured, documented, and supported by data. Primary data targets are the Core Measures of CMS, patient and staff surveys, and the Joint Commission Patient Safety Goals. The Kauai Region uses the data warehouse of Rural

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Performance Management, financed by a rural hospital grant. RPM collates data and provides a variety of reports. The region is transitioning to this resource for all quality data for both efficacy and efficiency. Use of RPM takes the place of at least one FTE.

We will continue to work closely with our Regional Board of Directors to implement these programs and seek further efficiencies.

## Finance

As financial stakeholders, how do we intend to meet the goals and objectives in the hospital's mission statement?

Outcome Oriented Objectives

## Community and Providers

As customers of the hospital's services, what do we want, need or expect?

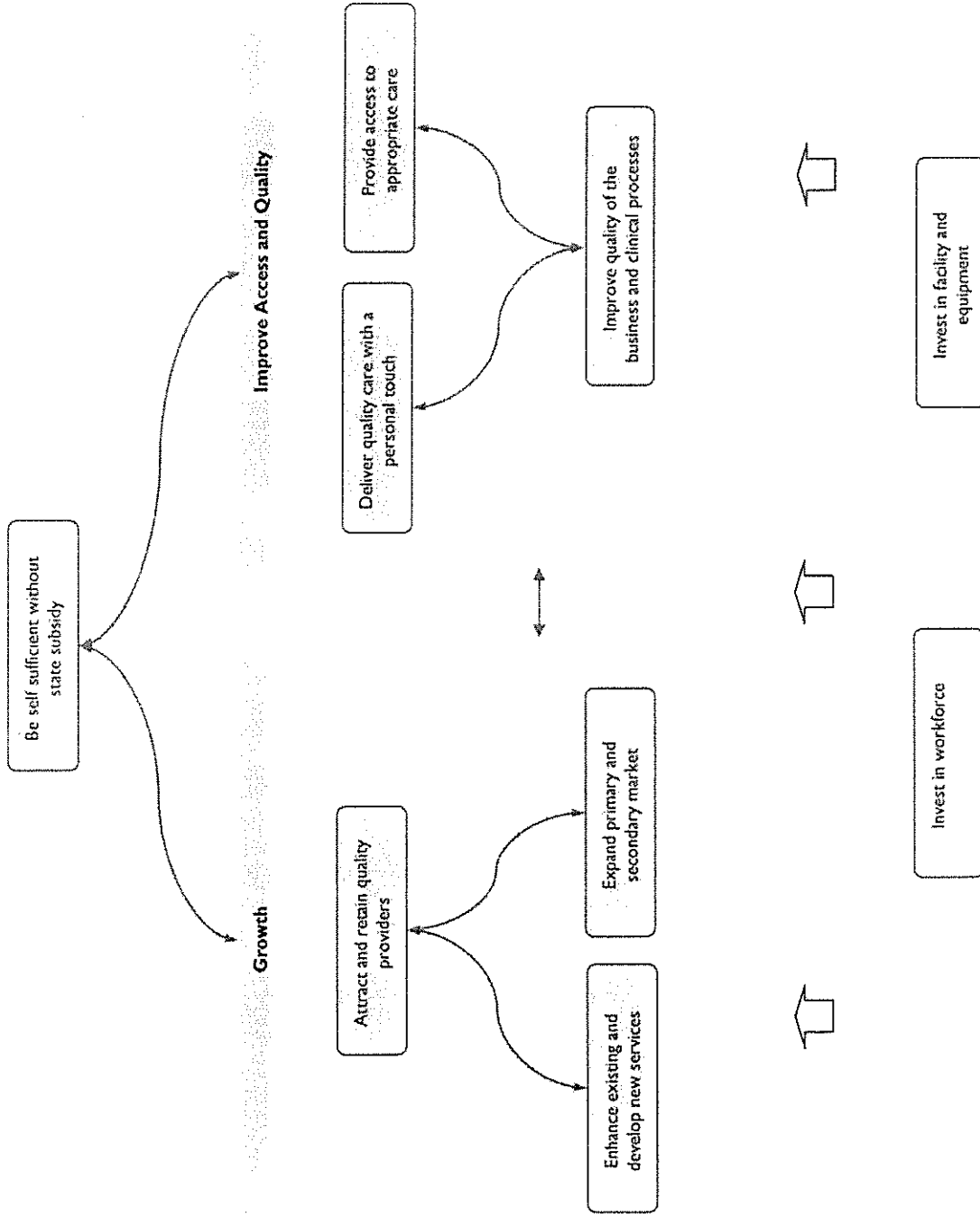
## Clinical and Business Processes

As members of the hospital staff, what do we need to do to meet the needs of the patients and healthcare community?

Process Oriented Objectives

## Staff and Facility

As a hospital, what type of culture, skills, training and technology are we going to develop to support our processes?



Expand Staff and Facility

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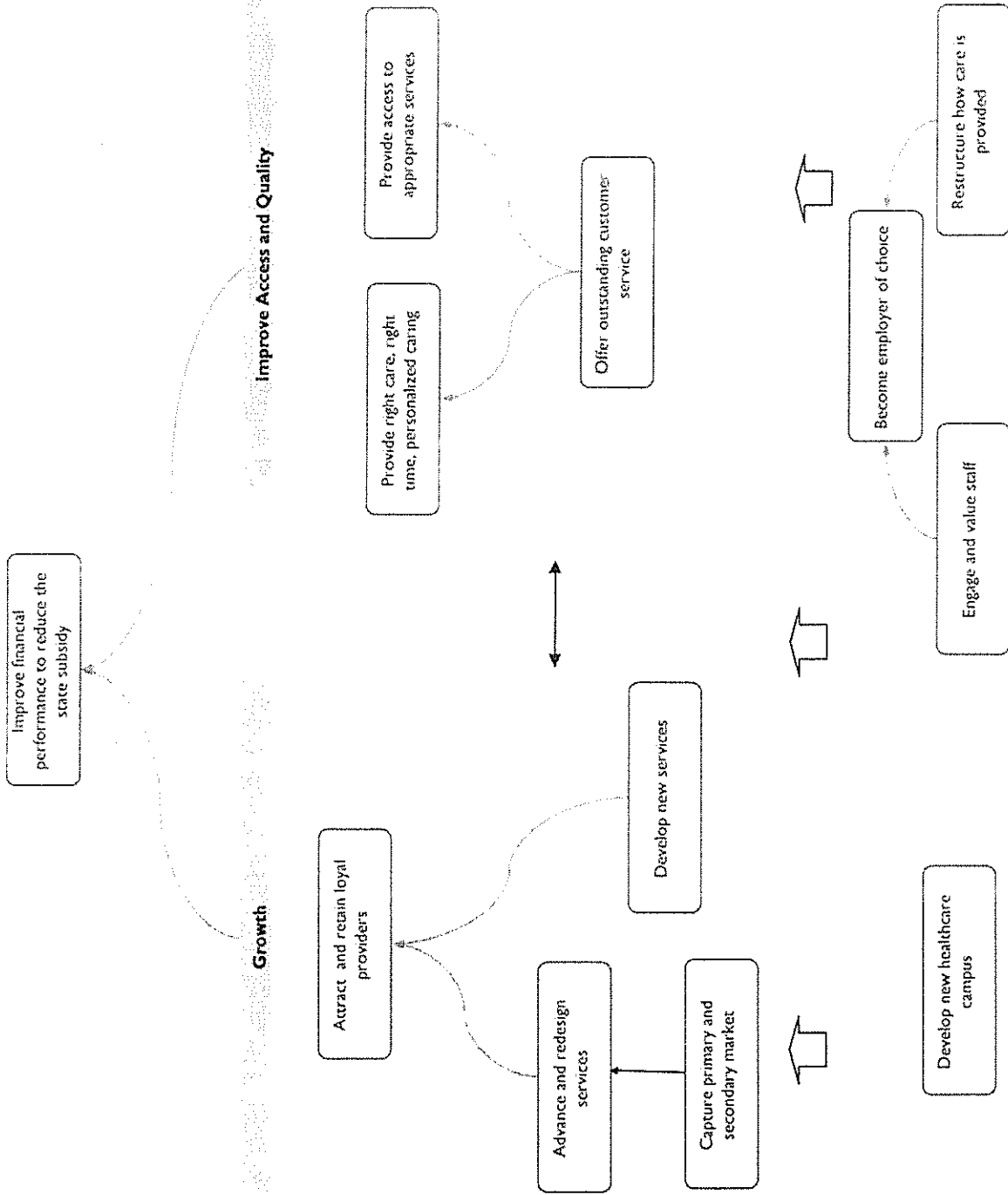
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