

House District 39
Attn: Puna Chai – Room 306

Senate District 22
Attn: Rodrick Becker – Room 215

THE TWENTY-SIXTH LEGISLATURE
HAWAII STATE LEGISLATURE
APPLICATION FOR GRANTS & SUBSIDIES
CHAPTER 42F, HAWAII REVISED STATUTES

Log No: 98-0

For Legislature's Use Only

Type of Grant or Subsidy Request:

GRANT REQUEST – OPERATING

GRANT REQUEST

SUBSIDY REQUEST

"Grant" means an award of state funds by the legislature, by an appropriation to a specified recipient, to support the activities of the recipient and permit the community to benefit from those activities.

"Subsidy" means an award of state funds by the legislature, by an appropriation to a recipient specified in the appropriation, to reduce the costs incurred by the organization or individual in providing a service available to some or all members of the public.

"Recipient" means any organization or person receiving a grant or subsidy.

STATE DEPARTMENT OR AGENCY RELATED TO THIS REQUEST (LEAVE BLANK IF UNKNOWN):

STATE PROGRAM I.D. NO. (LEAVE BLANK IF UNKNOWN):

1. APPLICANT INFORMATION:

Legal Name of Requesting Organization or Individual:

Dbas: **Wahiawa General Hospital**

Street Address: 128 Lehua Street

Mailing Address: Wahiawa, HI 96786

2. CONTACT PERSON FOR MATTERS INVOLVING THIS APPLICATION:

Name **R. DON OLDEN**

Title **CEO**

Phone # **808-621-4211**

Fax # **808-621-4451**

e-mail **rdolden@aol.com; mariay@wahiawageneral.com**

3. TYPE OF BUSINESS ENTITY:

NON PROFIT CORPORATION

FOR PROFIT CORPORATION

LIMITED LIABILITY COMPANY

SOLE PROPRIETORSHIP/INDIVIDUAL

6. DESCRIPTIVE TITLE OF APPLICANT'S REQUEST:

**EMERGENCY SERVICES SUPPORT –
WAHIAWA GENERAL HOSPITAL**

4. FEDERAL TAX ID #:



5. STATE TAX ID #:



7. AMOUNT OF STATE FUNDS REQUESTED:

FY 2012-2014: \$ 1,000,000

8. STATUS OF SERVICE DESCRIBED IN THIS REQUEST:

NEW SERVICE (PRESENTLY DOES NOT EXIST)

EXISTING SERVICE (PRESENTLY IN OPERATION)

SPECIFY THE AMOUNT BY SOURCES OF FUNDS AVAILABLE
AT THE TIME OF THIS REQUEST:

STATE \$

FEDERAL \$

COUNTY \$

PRIVATE/OTHER \$

TYPE NAME & TITLE OF AUTHORIZED REPRESENTATIVE:

R. DON OLDEN, CEO

JANUARY 31, 2012

AUTHORIZED SIGNATURE

NAME & TITLE

DATE SIGNED

Application for Grants and Subsidies

If any item is not applicable to the request, the applicant should enter "not applicable".

I. Background and Summary(Emergency Services Support)

1. A brief description of the applicant's background:

Wahiawa General Hospital, a 501(c)(3) tax exempt organization has served the healthcare needs of the Central Oahu and North Shore populations since 1944. Currently the hospital is licensed for 53 acute care beds and 107 skilled nursing beds with excellent emergency services supported with state-of-the-art radiology and laboratory services. What began as a basic OP clinic operation for plantation workers, military personnel and other Central Oahu residents has evolved into a complex emergency services, surgery, general acute care, senior behavioral health, OP clinics, Home Health, Family Practice Residency Teaching and long- term-care hospital. The hospital serves the needs of a diverse population of adults, seniors, military personnel and tourists. The hospital's emergency room is the nearest full-service emergency service for residents from Kahuku on the North Shore through Haleiwa, Wahiawa and Mililani—a distance of approximately 30 miles primarily on a two-lane road. The DOH considers WGH to be a critical link in the emergency services network for Central Oahu.

Wahiawa General Hospital is a major employer in the area with approximately 550 full time and part time employees and approximately 400 FTE's working on a weekly basis. The combination of annual employee payroll and professional fees paid to physicians of over \$32 million is reinvested many times over in the community and the State. Approximately 65% of the WGH employees live in Kahuku, Haleiwa, Waialua, Wahiawa, and Mililani. Physicians providing services at WGH live in many areas of Oahu, including Kailua, Honolulu, Central Oahu and the North Shore.

Due to socio-economic conditions in the area, Wahiawa General Hospital has experienced a fragile financial condition for over a decade. The Hospital does not have access to adequate operating or capital funds other than support through state funding combined with charitable funding. Unfortunately, new charitable funding has been very hard to develop over the past decade. Patient revenues are primarily provided from treatment of Medicare and Medicaid patients which do not provide sufficient operating margins to either fund normal operating expenses or fund all the hospital's capital needs. Admissions to the acute hospital services consist of approximately 65% Medicare, 20% Medicaid, 12.5% private insurance and 2.5% uninsured. The financial characteristic of the skilled nursing services also includes 85+% of Medicare and Medicaid patients. For the past two years, the Hospital has operated at a deficit and the deficit has continued through December 31, 2011. (See Exhibit I) The deficit is primarily caused by the following:

- Small annual increases in net patient revenues
- A very high percentage of Medicare and Medicaid patients
- Union driven salary and wage increases in nursing services, which are not sufficiently funded with annual rate increases from Medicare and Medicaid Programs
- A defined benefit pension plan that cannot be funded and has not been funded for several years but continues to have significant annual expenses
- Increased physician costs to cover emergency on-call needs and Resident program faculty
- Significant bad debt expenses
- Operating inefficiencies due to supporting the Family Practice Residency Program (RPR)—Resident teaching programs are inefficient

- Subsidies to support FPR teaching faculty
- Information systems development costs related to achieving the Federally mandated Meaningful Use
- Ramp up costs to treat patients transferred from Hawaii Medical Center West's recent closure—revenues to support these patients is uncertain since Wahiawa only has one month of experience as of the date of this report. Marginal patient revenues from these services will be constrained as a function of the number of Medicaid and Underinsured patients and the related bad debt.

These issues have all contributed to creating annual deficits of \$4.6 million and \$4.7 million in Fiscal Years 2011 and 2010 respectively. Fiscal Year 2012 is trending similar to prior years. Fortunately a very high percentage or approximately 65% of the deficits are created by the defined benefit pension expenses. (See Exhibit I and Special Note below)

Special note: The defined benefit pension plan has significant pension and excise tax liabilities and annual costs that cannot be paid by the hospital. The Hospital formally requested through legal counsel in January 2010 that the PBGC take over the pension plan and the Hospital is awaiting a final decision by the PBGC. Initial indications are that the PBGC will take over the plan but the decision is subject to a final review and approval by a special PBGC committee that makes the ultimate decision. A final decision is expected by June 30, 2012 and the decision could be as early as February 2012. The pension and excise tax accrued liabilities as of December 31, 2011 was \$27.3 million. For WGH's survival, it is imperative that the PBGC take over the plan.

After HMC's closure the number of emergency visits has increased from an average of 50 patients per day to an average of 60 PPD. Plus, acute inpatient admissions through the emergency room has increased by over 80% and the acute medical surgical census has increased from an average of approximately 20 patients per day to over 40 PPD, plus increases in the use of skilled nursing services. Peaks in emergency visits and acute census at the Hospital have been 77 and 47 patients per day respectively. The Hospital has adapted to the increased patient demands; however, the number of physicians needed to care for the patients has strained the hospital's medical staff and nursing personnel. It is too early to determine affirmatively the financial impact due to HMCW's closure but there will be additional bad debts, increased Medicaid admissions and admissions of underinsured who will need charity care due to the socio-economic conditions in West Oahu.

Conclusion: Wahiawa General Hospital needs additional GIA support to offset the bad debts experienced by the hospital, fund inefficiencies related to the Family Practice Residency Program and to fund additional physician staffing for a Hospitalist Program to treat the increased patient admissions to the hospital due to the closure of HMCW.

2. Goals and objectives related to request

Wahiawa General Hospital needs to create positive cash flows to achieve financial stability. Without GIA support, the risk of the hospital running out of cash is a very high probability. Wahiawa needs financial assistance to fund the bad debts, inefficiencies of the Family Practice Residency Program, unfunded services to Medicaid and under insured, increased costs due to meeting Meaningful Use and funding a Hospitalist Program. Wahiawa is the only hospital on Oahu that does not have a Hospitalist Program and there are insufficient private physicians in the Central Oahu Area to treat the patients admitted to the hospital. In addition, the Family Practice Residency Program can only treat a very limited number of patients and subsidy funding of the Residency Program is compromising the survival of the Hospital. The Hospital had been deferring development of a Hospitalist Program due to a lack of funding but with the closure of HMCW and

the increase in acute patients the program needs to be developed immediately. It has been estimated that most inpatients at HMCW were treated by Hospitalists due to an inadequate number of community physicians. Wahiawa also does not have an adequate number of community physicians, plus community physicians do not want to cover hospital inpatients unless the patient is a patient of the respective physicians practice. All Hospitals on Oahu now have Hospitalists to cover this problem, except Wahiawa. Closure of HMCW acerbated the problem.

3. State the public purpose and need to be served:

The public purpose of this grant request is to assure the continued provision of Emergency and Acute Services to residents of Central Oahu, West Oahu and The North Shore at Wahiawa General Hospital.

4. Describe the target population to be served

The overall population served by Wahiawa General Hospital is approximately 110,000 residents of the Central Oahu and North Shore area. These areas include the communities of Kahuku, Waialua, Haleiwa, Wahiawa and Mililani with some overlap into Waipahu and Kunia, plus, over two million tourists annually. On December 16, 2011, Hawaii Medical Centers started their closure process which caused an increase in patients being treated from HMCW's service area.

HMC closure impact: The fragile condition of emergency services in West and Central Oahu was highlighted with the closure of HMC-W. Suddenly and almost without notice, the emergency services at HMC-W were closed in three days. HMC-W was treating 70 to 90 emergency patients per day and admitting approximately 10 acute patients per day. The ambulance network and other hospitals in the area and in Honolulu had to immediately respond. Wahiawa responded through the superb efforts of the hospital's nurses, emergency physicians and private medical staff, plus the efforts of the ambulance network that responded in an outstanding manner. Independent of when HMC-W reopens, for WGH to continue supporting the citizens in and around the Central Oahu Area, including the West Oahu Area, Wahiawa needs GIA operating support to fund the cost shortfalls related to providing services to Central and West Oahu.

5. Describe the geographic coverage

See item 4 above

II. Service Summary and Outcomes

Wahiawa General Hospital does not plan to create or develop new services. Wahiawa needs to meet the increased demand created by the closure of HMCW. To continue meeting these demands, it simply needs additional funding to fund existing services and meet the demands of patients from the West Oahu Area without creating additional short term debt through increased trade account payables. If WGH cannot fund the increased costs on an ongoing basis, the closure of HMCW will most likely become a catastrophic event for WGH.

III. Financial: See Exhibit 1 and Section I-1

Wahiawa experienced bad debt expenses of approximately \$1.9 million per year for fiscal years 2010 and 2011 and the six month trend for fiscal year 2012 is on track for \$2.3 million without consideration for new patients from Hawaii Medical Center West over the next six months. Since 95% of all inpatient admissions come through the Emergency Room, substantially all the bad debt is due to patients who used emergency services at the Hospital. Due to the increased Emergency patient visits expected from HMCW's closure, bad debts are expected to increase for fiscal year 2012 by another \$200,000 to \$300,000.

In addition, to meet the increased demand for inpatient services, the hospital's operating expense is expected to increase by another \$300,000 to \$600,000 due to the retention of Hospitalists for next fiscal

year.

As a result, Wahiawa is asking for \$1,000,000 to offset the increased bad debts and Hospitalists Physician costs for fiscal year 2013. One million will offset less than 50% of the expected bad debts for the next fiscal year.

The funding request is front loaded in Quarter 1 due to HMCW closure:

State Quarterly Funding Request			
Q1	Q2	Q3	Q4
\$500,000	\$250,00	\$250,000	0

IV. Experience and Capability

A. Necessary Skills and Experience

Wahiawa General Hospital has been in operation since 1944 and is properly licensed and operated as an acute care hospital and skilled nursing facility.

B. Facilities

Wahiawa General Hospital is a 53-bed general acute care hospital with emergency services and a 107 bed skilled nursing unit. The Hospital has been in operation since 1944. The Hospital meets ADA requirements and is licensed by the State Department of Health and accredited by the Joint Commission.

V. Personnel: Project Organization and Staffing

A. Proposed Staffing, Staff Qualifications, Supervision and Training

Wahiawa General Hospital is staffed by Board Certified and/or State Licensed Physicians, Registered Nurses, Certified Nurse Assistants and clerical personnel per State Licensing requirements for hospitals.

B. Organization Chart

All hospital personnel report to the hospital CEO and/or through the Organized Medical Staff to the Board of Directors of the hospital. An organizational chart is provided as Exhibit III.

VI. Other

A. Litigation

Wahiawa General Hospital is involved in litigation concerning the original Koa Ridge Project which was being pursued by the Wahiawa Hospital Association, the Parent Company of the Hospital. A project consultant to the Association initiated a claim for unpaid reimbursement related to services provided several years ago. The Hospital and The Association are both named in the litigation and a counter claim has been filed by the Association and the Hospital. The Hospital anticipates a positive outcome.

Wahiawa General Hospital is involved with an investigation by the US Attorney's Office concerning improper billing by the Family Practice Residency Faculty. The US Attorney has permitted the hospital to investigate the improper billing charges in conjunction with the Medicare and Medicaid Programs and self report any improper billings. The ultimate outcome, or any payback to Medicare and Medicaid programs, is uncertain at this time.

B. Licensure or Accreditation

Wahiawa General Hospital is licensed by the State of Hawaii and Accredited by The Joint Commission. Copies of the license and accreditation notice are enclosed in Exhibit II.

BUDGET REQUEST BY SOURCE OF FUNDS
(Period July 1, 2012 to June 30, 2013)

Applicant: **Wahiawa General Hospital**

BUDGET CATEGORIES		Total State Funds requested (a)	(b)	©	(d)
A.	PERSONNEL COST				
	1. Salaries				
	2. Payroll Taxes & Assessments				
	3. Fringe Benefits				
	TOTAL PERSONNEL COSTS				
B.	OTHER CURRENT EXPENSES				
	1. Airfare, Inter-Island				
	2. Insurance				
	3. Lease/Rental of Equipment				
	4. Lease/Rental of Space				
	5. Staff Training				
	6. Supplies				
	7. Telecommunication				
	8. Utilities				
	9.				
	10.				
	11. Bad Debts	\$2,300,000			
	12. Hospitalist Program	600,000			
	13.				
	14.				
	15.				
	16.				
	17.				
	18.				
	19.				
	20.				
	TOTAL OTHER CURRENT EXPENSES				
C.	EQUIPMENT PURCHASES				
D.	MOTOR VEHICLE PURCHASES				
E.	CAPITAL				
TOTAL (A=B+C+D+E)		\$2,900,000			
SOURCES OF FUNDING			Budget Prepared By:		
	(a) Total State Funds Requested	\$1,000,000	R. Don Olden	741-6534	
	(b)		Name (Please type or print) Phone		
	(c) Wahiawa Hospital Funded	1,900,000	[REDACTED]		
	(d)		Signature of Authorized Official Date		
TOTAL BUDGET (cost – funding)		0	R. Don Olden	CEO	
			Name and Title (Please type or print)		

**BUDGET JUSTIFICATION
PERSONNEL – SALARIES AND WAGES**

Applicant: **Wahiawa General Hospital**

Period July 1, 2012 to June 30, 2012

POSITION TITLE	FULL TIME EQUIVALENT	ANNUAL SALARY	% OF TIME ALLOCATED TO GRANT REQUEST B	TOTAL STATE FUNDS REQUESTED (A+B)
				\$
NOT APPLICABLE				
TOTAL:				
JUSTIFICATION/COMMENTS				

BUDGET JUSTIFICATION – EQUIPMENT AND MOTOR VEHICLES

Applicant: **Wahiawa General Hospital**

Period: July 1, 2012 to June 30, 2012

DESCRIPTION OF EQUIPMENT	NO. OF ITEMS	COST PER ITEM	TOTAL COST	TOTAL BUDGETED
			\$	
	NOT APPLICABLE			
	NOT APPLICABLE			
	NOT APPLICABLE			
			\$	
TOTAL:				
JUSTIFICATION/COMMENTS:				

DESCRIPTION OF MOTOR VEHICLE	NO. OF VEHICLES	COST PER VEHICLE	TOTAL COST	TOTAL BUDGETED
			\$	
	NOT APPLICABLE			
	NOT APPLICABLE			
	NOT APPLICABLE			
			\$	
TOTAL:				
JUSTIFICATION/COMMENTS:				

**BUDGET JUSTIFICATION
CAPITAL PROJECT DETAILS**

Applicant: **Wahiawa General Hospital**

Period: July 1, 2012 to June 30, 2012

TOTAL PROJECT COST	ALL SOURCES OF FUNDS RECEIVED IN PRIOR YEARS		STATE FUNDS REQUESTED	OF FUNDS REQUESTED	FUNDING REQUIRED IN SUCCEEDING YEARS		
	FY: 2010-2011	FY: 2011-2012	FY: 2012-2013	FY: 2012-2013	FY: 2013-2014	FY: 2013-2014	
PLANS							
LAND ACQUISITION	NOT APPLICABLE						
DESIGN							
CONSTRUCTION							
EQUIPMENT							
TOTAL:							
JUSTIFICATION/COMMENTS:							

**DECLARATION STATEMENT
APPLICANTS FOR GRANTS AND SUBSIDIES
CHAPTER 42F, HAWAI'I REVISED STATUTES**

The undersigned authorized representative of the applicant acknowledges that said applicant meets and will comply with all of the following standards for the award of grants and subsidies pursuant to section 42F-103, Hawai'i Revised Statutes:

- (1) Is licensed or accredited, in accordance with federal, state, or county statutes, rules, or ordinances, to conduct the activities or provide the services for which a grant or subsidy is awarded;
- (2) Comply with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability;
- (3) Agree not to use state funds for entertainment or lobbying activities; and
- (4) Allow the state agency to which funds for the grant or subsidy were appropriated for expenditure, legislative committees and their staff, and the auditor full access to their records, reports, files, and other related documents and information for purposes of monitoring, measuring the effectiveness, and ensuring the proper expenditure of the grant or subsidy.

In addition, a grant or subsidy may be made to an organization only if the organization:

- (1) Is incorporated under the laws of the State; and
- (2) Has bylaws or policies that describe the manner in which the activities or services for which a grant or subsidy is awarded shall be conducted or provided.

Further, a grant or subsidy may be awarded to a non-profit organization only if the organization:

- (1) Has been determined and designated to be a non-profit organization by the Internal Revenue Service; and
- (2) Has a governing board whose members have no material conflict of interest and serve without compensation.

For a grant or subsidy used for the acquisition of land, when the organization discontinues the activities or services on the land acquired for which the grant or subsidy was awarded and disposes of the land in fee simple or by lease, the organization shall negotiate with the expending agency for a lump sum or installment repayment to the State of the amount of the grant or subsidy used for the acquisition of the land.

Further, the undersigned authorized representative certifies that this statement is true and correct to the best of the applicant's knowledge.

Wahiawa General Hospital
(Typed Name of Organization)



(Signature)

1/31/2012
(Date)

R. Don Olden
(TYPED NAME)

Chief Executive Officer

EXHIBIT I

The Wahiawa Hospital Association and Affiliates

Consolidated Statements of Unrestricted Revenues and Expenses Fiscal Years Ending June 30, 2011 and June 30, 2010

	Internal Twelve Months FY 2011 6/30/2011 YTD	Internal Twelve Months FY 2010 6/30/2010 YTD	Change 2011 vs 2010 inc (dec)
Unrestricted revenues, gains, and other support			
Patient Revenue	86,215,924	84,450,640	1,765,284
Less: Deductions from revenue	(40,905,747)	(39,781,639)	(1,124,108)
Net Patient Revenue	45,310,177	44,669,001	641,176
Hospital snack bar	287,492	319,101	(31,609)
Rental income	508,262	372,860	135,402
Investment income	22,432	36,361	(13,929)
State Support	960,000	960,000	-
Contributions	6,407	2,461	3,946
Gain on disposal of PP&E		60,722	
Miscellaneous	65,740	69,277	(3,537)
Total revenues, gains, and other support	47,160,511	46,489,783	731,450
Expenses			
Salaries and benefits	28,164,865	28,528,381	(363,516)
Professional fees	4,166,427	3,916,661	249,766
Other purchased services	3,125,333	3,129,812	(4,479)
Drugs and supplies	5,002,382	5,104,896	(102,514)
Utilities	1,411,742	1,331,050	80,692
Repairs maintenance rentals	2,361,980	2,031,373	330,607
Depreciation and amortization	957,509	841,773	115,736
Insurance	946,831	889,630	57,201
Provision for bad debts	1,854,624	1,894,599	(39,975)
Interest	294,952	417,176	(122,224)
Other expenses	441,409	187,845	253,564
Total expenses	48,728,054	48,273,196	454,858
Operating Income (Loss)	(1,567,544)	(1,783,413)	215,869
Less: Defined Benefit Pension Expense	(1,490,129)	(1,155,408)	(334,721)
IRS Excise Tax	(1,500,000)	(1,816,677)	316,677
Unrestricted revenues over expenses (net income)	(4,557,673)	(4,755,498)	197,825