

House District 39
Attn: Jo Hamasaki – Room 306

Senate District 22
Attn: Roderick Becker – Room 208

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

Log No:

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 2013-2015: \$ 1,000,000 PER YEAR

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 \$


AUTHORIZED SIGNATURE

R. DON OLDEN, CEO
NAME & TITLE

JANUARY 29, 2012
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 67 acute care beds and 93 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 650 full time and part time employees and approximately 472 FTE's working on a weekly basis. Since the closure of HMCW in December of 2011, Wahiawa General Hospital has experienced a growth in patient services and a need to hire approximately 70 additional FTEs. The combination of annual employee payroll and professional fees paid to physicians of over \$37 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, or insignificant, over the past decade. Patient revenues are primarily provided from treatment of Medicare and Medicaid patients which do not provide sufficient operating margins to create positive operating cash flows and cash flows to fund normal operating expenses and 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 Fiscal Year 2013, WGH has operated profitably due to increased patients from HMCW's closure and special funding from the State and Federal Government. The window of time until HMCW reopens is expected to be 12 to 14 months and Wahiawa needs to continue receiving funding from GIA during this period and subsequent periods. However, for most prior years, the Hospital operated at a substantial deficit (see Exhibit I). The deficits were primarily caused by the following:

- Small annual increases in net patient revenues
- a very high percentage of Medicare and Medicaid patients, 85%
- union driven salary and wage increases in nursing services, which are unmatched with rate increases from Government 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

- increases in surgical physician costs to cover emergency on-call needs
- significant bad debt expenses
- Subsidies to support the Family Practice Residency teaching faculty
- significant nursing and operating inefficiencies to support the Family Practice Residency Program
- information systems development costs related to achieving the Federally mandated Meaningful Use
- in addition, the Hospital has been impacted with costs to treat patients transferred from Hawaii Medical Center West's recent closure

These issues have all contributed to creating annual deficits of \$1.2 million and \$4.9 million in Fiscal Years 2012 and 2011 respectively. Fortunately a very high percentage of the deficits are created by the defined benefit pension expenses (see Exhibit I).

Special note: The defined benefit pension plan has significant pension and excise tax liabilities of over \$27 million 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. The PBGC notified the Hospital in August 2012 that it legally took over the pension plan and a settlement agreement is being negotiated. The outcome is uncertain at this time, but the Hospital is optimistic the liability will be substantially reduced.

After HMCW's closure, the number of emergency visits 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 60% and the acute medical surgical census has increased from an average of approximately 20 patients per day to an average of 36 PPD. Peaks in emergency visits and acute census at the Hospital have been approximately 77 and 47 patients per day. 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. The financial impact due to HMCW's closure has been positive overall but has included additional bad debts, increased Medicare/Medicaid admissions and admissions of underinsured who need charity care.

Funding Request: Wahiawa General Hospital needs continued GIA support to offset the bad debts experienced by the Hospital 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. In FY 2013, the legislature approved a one-year GIA grant for \$1,000,000 to support these two issues. The Hospital is asking for the funding to continue.

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 did 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 the Hospital's 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 inadequate funding; but with the closure of HMCW and the increase in acute patients the program, had 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 in the respective physicians practice. All Hospitals on Oahu now have Hospitalists to cover this problem. Closure of HMCW acerbated the problem. Wahiawa community physicians have been very supportive of the Hospitalist program.

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 HMCW. Suddenly, and almost without notice, the emergency services at HMCW were closed in three days. HMCW was treating 70 to 90 emergency patients per day and admitting approximately 9 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 HMCW reopens, for WGH to continue support the citizens in an around the Central Oahu area, including the West Oahu area, Wahiawa needs GIA operating support to fund the cost shortfalls related to Hospitalists 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 support existing services and meet the demands of patients from the West Oahu Area without creating additional short term debt. 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 and \$2.5 million per year for fiscal years 2011 and 2012 and the six month trend for fiscal year 2013 is on track for \$3.2 million. 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 continue at a high level until HMCW reopens.

In addition, to meet the increased demand for inpatient services, the Hospital's operating expense is expected to increase by another \$650,000 due to the retention of Hospitalists.

As a result, Wahiawa is asking for \$1,000,000 to offset the increased bad debts and Hospitalists Physician costs for fiscal year 2014.

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

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 67-bed general acute care hospital with emergency services and a 93-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 II.

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 fees of approximately \$4 million and development opportunities related to services provided several years ago. In April 2012, the case was litigated in the Hawaii court system and the Judge's findings have been completed. Wahiawa had to pay \$15,000 to the consultant. In essence, the Hospital won but the case is currently under appeal by the plaintiff. Wahiawa does not expect the plaintiff's appeal to be successful.

Wahiawa General Hospital is involved with an investigation by the US Attorney's Office and the State Attorney General'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 Attorney General's Office of the State of Hawaii is separately investigating the teaching faculty's compliance with Medicaid rules and regulations. The ultimate outcome, or any payback to Medicare and Medicaid programs, is uncertain at this time. However, it is estimated that some payback will be required.

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, 2013 to June 30, 2014

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		650,000			
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)		\$2,950,000			
SOURCES OF FUNDING			Budget Prepared By:		
(a) Total State Funds Requested		\$1,000,000	R. Don Olden 741-6534		
(b)					
(c) Wahiawa Hospital Funded		1,950,000			
(d)					
TOTAL BUDGET (cost – funding)		0	Signature of Authorized Official Date		
			R. Don Olden CEO		
			Name and Title (Please type or print)		

**BUDGET JUSTIFICATION
PERSONNEL – SALARIES AND WAGES**

Applicant: **Wahiawa General Hospital**

Period July 1, 2013 to June 30, 2014

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, 2013 to June 30, 2014

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

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

**BUDGET JUSTIFICATION
CAPITAL PROJECT DETAILS**

Applicant: **Wahiawa General Hospital**

Period: July 1, 2013 to June 30, 2014

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, HAWAII 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, Hawaii's 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)

11/29/2013
(Date)

R. Don Olden
(TYPED NAME)

Chief Executive Officer

The Wahiawa Hospital Association and Affiliates

Combined Balance Sheets Fiscal Years 2011 and 2012

EXHIBIT I

	6/30/2012	6/30/2011
Assets		
Current assets:		
Cash and cash equivalents	\$1,396,971	\$2,755,799
Patient accounts receivable (less allowance for uncollectible accounts)	8,206,081	7,725,409
Third party receivable	157,656	357,970
Other receivables	358,172	193,009
Inventories	385,535	389,932
Prepaid expenses and other current assets	770,471	779,818
Total current assets	11,274,885	12,201,937
Assets whose use is limited or restricted:		
Board designated for debt service or capital improvements	0	0
Temporarily restricted by donor	1,125,350	1,168,118
Permanently restricted by donor	4,941,135	4,941,135
Collateral & deposits	868,220	868,220
Total assets whose use is limited or restricted	6,934,705	6,977,473
Property, plant and equipment	5,840,289	5,732,561
Other assets	1,370	26,370
Total assets	\$24,051,249	\$24,938,341
 Liabilities and net assets		
Current liabilities:		
Accounts payable	3,915,819	4,377,419
Accrued expenses	1,873,975	2,199,248
Third Party Payable	0	0
Long Term Debt, current portion	0	0
Total current liabilities	5,789,794	6,576,667
Capital lease obligations, less current portion	577,884	605,707
Long Term Debt, less current portion	3,452,975	4,099,520
Total capital leases and long term debt	4,030,859	4,705,227
Accrued pension liability	17,563,383	16,216,949
Pension Excise Tax Liability	9,726,858	9,726,858
Total pension and excise tax liabilities	27,290,241	25,943,807
Net assets:		
Unrestricted	(19,162,829)	(18,432,812)
Temporarily restricted	1,162,050	1,204,317
Permanently restricted	4,941,135	4,941,135
	(13,059,644)	(12,287,360)
Total liabilities and net assets	\$24,051,249	24,938,341

The Wahiawa Hospital Association and Affiliates

Combined Statements of Unrestricted Revenues and Expenses

EXHIBIT I Page 2

*FY 2012 includes 6 months operation post closure of Hawaii Medical Centers
and 6 months before the closure*

	Twelve Months FY 2012 6/30/2012 YTD	Twelve Months FY 2011 6/30/2011 YTD	Change 2012 vs 2011 inc (dec)
Unrestricted revenues, gains, and other support			
Patient Revenue	104,586,964	86,215,924	18,371,040
Provision for bad debts	(2,459,900)	(1,854,624)	(605,276)
Deductions from Revenue	(52,788,239)	(41,340,067)	(11,448,172)
Net Patient Revenue	49,338,825	43,021,233	6,317,592
Other Operating Revenues			
Hospital snack bar	294,998	287,492	7,506
Rental income	379,620	508,262	(128,642)
Investment income	25,281	22,432	2,849
State Support	942,469	960,000	(17,531)
Contributions	7,966	6,407	1,559
Miscellaneous	55,840	65,740	(9,900)
Total revenues, gains, and other support	51,045,000	44,871,566	6,173,434
Expenses			
Salaries and benefits	30,145,776	28,123,963	1,876,408
Professional fees	3,862,536	4,199,536	(337,000)
Other purchased services	3,766,646	3,125,333	641,313
Drugs and supplies	5,835,601	5,002,382	833,219
Utilities	1,673,381	1,411,742	261,639
Repair and maintenance	1,272,767	1,332,235	(59,468)
Depreciation and amortization	1,196,773	957,509	239,264
Insurance	802,696	946,831	(144,135)
Interest	331,566	294,952	36,614
Other expenses	1,529,952	2,980,763	(1,450,811)
Total expenses	50,417,694	48,375,246	1,897,042
Operating Income (Loss)	627,306	(3,503,680)	4,130,986
Less: Defined Benefit Pension Expense	(1,417,743)	(1,480,520)	62,777
Litigation and legal fees	(393,054)	-	(393,054)
Unrestricted revenue over expenses (net income)	(1,183,491)	(4,984,200)	3,800,709

WAHIAWA GENERAL HOSPITAL ORGANIZATION CHART

EXHIBIT II

