

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:

FAMILY PRACTICE RESIDENCY PROGRAM SUPPORT

WAHIAWA GENERAL HOSPITAL

4. FEDERAL TAX ID #: 

5. STATE TAX ID #: 

7. AMOUNT OF STATE FUNDS REQUESTED:

FY 2013-2015: \$ 750,000 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, 2013

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 (Family Medicine Residency 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.

Wahiawa General Hospital has subsidized and supported the Family Practice Residency Program for 20 years. The program has always required subsidy support because it is inherently an inefficient teaching program that never generated patient revenues and Medicare GME funding needed to support its operating costs.

Funding Request: Wahiawa General Hospital needs funding support to assist in funding the Family Practice Residency Program. Over the past three years, Wahiawa General Hospital has needed to increase its funding of the teaching faculty due to JABSOM cutting its funding to the teaching faculty. Wahiawa must cut its subsidy funding to the Family Practice Residency Faculty to survive and needs financial assistance through GIA funding to continue supporting the program.

2. Goals and objectives related to request

The Family Practice Residency Program can only treat a very limited number of patients relative to the cost of the program and funding of the Residency Program has compromised the survival of the Hospital.

Wahiawa needs GIA support funding to support the FM Residency faculty because JABSOM has not provided the necessary funds. Without continued funding support for the Residency Program, it will need to be moved to another hospital or closed.

Wahiawa General Hospital needs to create continued positive cash flows to achieve financial stability. Without GIA support, the risk of the hospital facing a scenario

experienced by HMCW is a very high probability. Wahiawa needs financial assistance to fund the Family Medicine Residency, bad debts, 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. Funding needed for the Hospitalist Program is covered by a separate GIA request.

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. Continued development in the area and increased emergency visits are stressing the existing facility's capacity to meet community needs. Plus, the increased demand due to HMCW's closure increased the need to treat patients from West Oahu and increased the costs of operating Wahiawa Hospital. This funding request is submitted to save the Family Practice Residency Program at Wahiawa General Hospital which provides coverage to the inpatients admitted through emergency services.

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. The Family Practice Residency Program provides care to approximately 13,000 OP visits annually in the OP Physicians Clinic Mililani (PCM) and 40% of the inpatients admitted to the hospital. PCM also is the referral clinic for follow up care to hospital Emergency Patients who do not have Primary Care Physicians.

HMCW closure impact: On December 16, 2011, Hawaii Medical Centers started their bankruptcy closure process which caused an increase in patients being treated from HMCW's service area. 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. Wahiawa estimates 30% of HMCW's inpatient admissions have been transferred to WGH primarily by way of ambulance services.

5. Describe the geographic coverage

See item 4 above

II. **Service Summary and Outcomes**

Wahiawa General Hospital does not plan to expand existing programs or services other than provide increased staffing. It simply needs additional financial support to fund existing services and meet the demands of normal growth and patients from the West Oahu Area without creating additional short term debt.

To meet these increased needs, Wahiawa needs special GIA assistance to fund the shortfall of the Family Practice Residency Program so the program can continue to provide OP Physician and Resident support to patients at Physicians Clinic Mililani and in the Hospital, plus meet the needs for training of the Residents.

III. Financial: See Exhibit II

The Teaching Faculty supporting the Family Practice Residency Program requires funding from Wahiawa General Hospital in the amount of \$1,000,000+ per year (see Exhibit II). Wahiawa General Hospital has needed to increase funding to the program due to JABSOM cutting funds to the faculty. However, Wahiawa cannot continue funding at high levels and not create an insolvent situation for the hospital.

To save the Family Practice Program from closure, Wahiawa is requesting funding to support the faculty in the amounts provided below. Wahiawa can provide some funding but the State needs to provide a significant portion of the funding.

Quarterly State Funding Amount			
Q1	Q2	Q3	Q4
\$250,000	\$250,000	\$250,000	0

GIA Funding: \$ 750,000
WGH Funding: 250,000
Total funding: \$1,000,000

Wahiawa General Hospital will provide funding in the amount of \$250,000 and the GIA funding will provide \$750,000.

Overall, the Hospital provides approximately \$1.4 million in funding to the residents and \$1.0 million in faculty funding.

The primary reason for the State GIA funding is due to the Family Practice Residency Program primarily benefiting the state of Hawaii through providing new teaching faculty plus supporting Hospitals on the neighbor islands, Kaiser, other hospitals on Oahu but not Wahiawa Hospital. Very few of the Residents who have graduated from the program over the last 20 years are practicing at Wahiawa General Hospital. For example, of a recent class that graduated 6 Residents in 2011, four went to work at Kaiser facilities on Oahu and the mainland and two entered Geriatric Fellowships at Kuakini. Wahiawa General Hospital has been supporting a program that benefits the State and other hospitals but not necessarily Wahiawa General Hospital. Wahiawa has subsidized the program by at least \$12 million over the last 20 years without the expected benefits. Over the past three year, through 2012, Wahiawa Hospital has increased its faculty funding support by \$900,000 while John A Burns School of Medicine has cut faculty funding. The positive aspect of the program is that approximately 100 FM residents have graduated and almost 80% of them still work in Hawaii.

Conclusion: Wahiawa General Hospital has tried to maintain the Family Practice Residency Program for the benefit of the state but the state support for Graduate Medical Education through JABSOM has been diverted to other programs. The diversion has caused Wahiawa Hospital significant financial problems. In addition, the Family Practice Residency Program has caused the Hospital and the Program to be investigated by the US Attorney's Office for fraudulent medical services billing due to alleged improper teaching faculty supervision of the residents. There is no doubt the Program significantly benefits the State of Hawaii but it needs to be financially supported by a much larger organization than Wahiawa General Hospital.

IV. Experience and Capability

A. Necessary Skills and Experience

Wahiawa General Hospital has been in operation since 1944 and is properly licensed 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 (see 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 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 III.

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. Family Practice Residency – Faculty Cost	\$1,000,000			
	12. (UCERA payments)				
	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)		\$1,000,000			
SOURCES OF FUNDING			Budget Prepared By:		
	(a) Total State Funds Requested - GIA	\$750,000	R. Don Olden	741-6534	
	(b)		[REDACTED]		
	(c) Wahiawa General Hospital	\$250,000	[REDACTED]		
	(d)		[REDACTED]		
TOTAL BUDGET (Cost less 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, 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, 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.

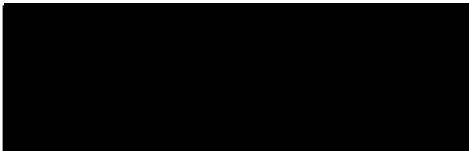
Further, a grant or subsidy may be awarded to a non-profit organization only if the organization:

- (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)



R. Don Olden
(Typed Name)

1/29/2013
(Date)

Chief Executive Officer
(Title)

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

<i>FY 2012 includes 6 months operation post closure of Hawaii Medical Centers and 6 months before the closure</i>

	Twelve Months FY 2012 6/30/2012	Twelve Months FY 2011 6/30/2011	Change 2012 vs 2011 inc (dec)
	YTD	YTD	
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

EXHIBIT II

**FAMILY PRACTICE RESIDENCY PROGRAM
FINANCIAL SUMMARY**

	<u>2007</u>	2008	<u>2009</u>	2010	<u>2011</u>	Estimate <u>2013 & 2014</u>
Wahiawa Hospital Revenues						
DME Medicare	515,103	582,540	565,097	573,242	809,424	809,424
DME HMSA 65c+	222,386	218,237	191,931	192,156	192,156	
IME Medicare	564,090	635,978	765,618	818,295	986,530	1,173,971
IME HMSA 65c+	214,578	224,164	251,450	253,932	253,932	
Medicaid	102,979	65,615	36,204	-	-	
Total DME and IME Revenues	<u>1,619,136</u>	1,726,534	<u>1,810,300</u>	1,837,625	2,242,042	1,983,395
GIA State FM Faculty Funding support						750,000
Physician Clinic Mililani Patient Revenues	<u>1,021,791</u>	1,131,930	<u>1,072,531</u>	1,115,186	1,235,000	<u>900,000</u>
Total revenues	<u>2,640,927</u>	2,858,464	<u>2,882,831</u>	2,952,811	3,477,042	3,633,395
Wahiawa Hospital Expenses						
Payments to HRP for resident support	1,193,792	1,130,331	1,198,948	1,217,949	1,347,100	1,400,000
Payments to JABSOM, UCERA, LLP for faculty	672,372	693,562	849,729	1,028,729	1,114,900	1,000,000
Other direct/indirect PCM costs: med rec, insurance etc	56,564	83,684	82,891	79,380	91,000	91,000
PCM Clinic coding audit and corporate compliance costs						175,000
Est. Repayment to CMS/Medicaid: Faculty investigation						500,000
PCM Clinic non-physician direct operating costs	745,525	889,545	1,012,544	1,084,759	1,111,162	<u>1,100,000</u>
Total direct expenses	<u>2,668,254</u>	2,797,121	<u>3,144,112</u>	3,410,817	3,664,162	4,266,000
Revenues less expenses before IME costs	(27,327)	61,343	(261,281)	(458,005)	(187,120)	(632,605)
Estimated Hospital indirect costs due to Residents	282,045	317,989	382,809	409,148	493,265	586,985
Annual Hospital Program Losses	<u>(309,372)</u>	<u>(256,646)</u>	<u>(644,090)</u>	<u>(867,153)</u>	<u>(680,385)</u>	<u>(1,219,591)</u>

WAHIAWA GENERAL HOSPITAL ORGANIZATION CHART

EXHIBIT III

