

STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. Box 3378
Honolulu, HI 96801-3378
doh.bha.testimony@doh.hawaii.gov

Testimony COMMENTING on H.B. 1893 H.D. 1
RELATING TO THE OAHU REGIONAL HEALTH CARE SYSTEM

REPRESENTATIVE AARON LING JOHANSON, CHAIR
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

Hearing Date: 2/16/2022

Hearing Time: 2:00 P.m.

1 **Department Position:** The Department of Health (“Department”) agrees in concept with this
2 measure and offers the following comments.

3 **Department Testimony:**

4 As specified in Act 212, SLH 2021, the Department commenced the transition of the
5 Oahu Regional Health Care System, a part of the Hawaii Health Systems Corporation, to the
6 Department. The transition includes the transition of the Oahu Region’s property, including the
7 Leahi Hospital and Maluhia facilities, employees, funding and all other things necessary to the
8 operation of the Oahu Region. This report was submitted to the Legislature on December 30,
9 2021.

10 The report identifies the transition plans and associated costs of incorporating the Oahu
11 Region into the Department. It also includes the 5-year operating budget pro-forma and the
12 10-year Capital Improvement Plan.

13 The report details the complexity of the transition, the associated cost and estimated
14 timeline. The transition would cost an estimated \$10.3 million with an annual post-transition
15 cost of \$5 million. At best, the timeframe would take us to 12/31/2024 for completion. Thus,
16 we requested the committee to extend the transition date to 12/31/2025 in H.B. 1579. The

1 addition of the Daniel K. Akaka state veterans' home would require additional resources and
2 time that were not factored into this report.

3 The report also identifies an alternative structure that would enable the Oahu Region to
4 maintain a quasi-association with the Department, much as HHSC currently has with the
5 Department. It would cost approximately \$1.7 million for transition with an annual post-
6 transition cost of \$1.36 million while achieving the same goal. However, the addition of the
7 Daniel K. Akaka state veterans' home is not factored into this cost or timeline.

8 The Department seeks further clarification from the Legislature regarding the preferred
9 structure.

10 **Offered Amendments:** We respectfully request the Legislature extend the transition date of
11 the Oahu Regional Health Care System to 12/31/2025.

12 Thank you for the opportunity to testify on this measure.

OFFICE OF INFORMATION PRACTICES

STATE OF HAWAII
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EMAIL: oip@hawaii.gov

To: House Committee on Consumer Protection & Commerce

From: Cheryl Kakazu Park, Director

Date: February 16, 2022, 2:00 p.m.
State Capitol, Conference Room 329 and Via Videoconference

Re: Testimony on H.B. No. 1893, H.D. 1
Relating to the Oahu Regional Health Care System

Thank you for the opportunity to submit testimony on this bill, which would extend the deadline for transfer of the Oahu Regional Health Care System to the Department of Health and would transfer the Daniel K. Akaka State Veterans Home to the Oahu Regional Health Care System. The Office of Information Practices (OIP) takes no position on the substance of this bill, but offers comments and **a technical amendment regarding the exemption** of the Oahu Regional Health Care Transition Working Group **from chapter 92, part I of which is the Sunshine Law.**

The Oahu Regional Health Care Transition Working Group is an existing group that has not previously been exempted from the Sunshine Law, part I of chapter 92, HRS. The bill does not explain why its exemption is now necessary. The transition overseen by this group is one of general interest to Oahu residents. In the absence of any justification for exempting this group from the Sunshine Law's requirements, **OIP recommends that the exemption at page 22, lines 3-4, be deleted from this bill for the Oahu Regional Health Care Transition Working Group.** However, if there are reasons not explained in the bill why full

compliance with the Sunshine Law has been problematic for this group, **OIP would be happy to work with interested parties on a permitted interaction or other partial exception to the Sunshine Law’s usual requirements tailored to the specific problems the group has experienced.** OIP also notes that the Sunshine Law is only part I of chapter 92, and the rest of the chapter includes provisions addressing an assortment of topics including quorum, authorized copy charges for government records, and neighborhood boards, so **as a technical matter an exemption from the Sunshine Law should be an exemption from part I of chapter 92 rather than from chapter 92 as a whole.**

OIP also notes that the bill would exempt the “board of directors, if any” for the Daniel K. Akaka State Veterans Home from part I of chapter 92. If the board of directors is not created by statute it may not be subject to the Sunshine Law in any event, and since the board of directors for a veterans’ home is unlikely to be engaged in policymaking affecting the broader public, OIP views this proposed exemption as being not inconsistent with the Sunshine Law’s general purpose to open up government decisionmaking to public view. Thus, **OIP does not object to the proposed exemption for the Daniel K. Akaka State Veterans Home board of directors.**

Thank you for considering OIP’s testimony and suggested amendment.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
ON
HOUSE BILL NO. 1893, H.D. 1

February 16, 2022
2:00 p.m.
Room 329 and Videoconference

RELATING TO THE OAHU REGIONAL HEALTH CARE SYSTEM

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill (H.B.) No. 1893, H.D. 1, transfers the Daniel K. Akaka State Veterans Home (DKASVH) to the O'ahu Regional Health Care System (O'ahu Region); amends Act 212, SLH 2021, by extending the deadline by which the transfer of O'ahu Region from the Hawai'i Health Systems Corporation (HHSC) to the Department of Health (DOH) shall take place; clarifies that during the transition period, O'ahu Region's operational budget requests shall be submitted with HHSC's budget requests and any appropriations for O'ahu Region shall be designated under program ID HTH 215; exempts the working group for the transition of O'ahu Region from Chapter 92, HRS; and appropriates an undetermined sum of general funds for FY 23 for the creation of a comprehensive business plan and transfer framework for existing O'ahu Region facilities and the future DKASVH.

B&F defers to DOH, HHSC, and O'ahu Region on the potential operational impacts of this measure to their respective agencies. The measure requires that DKASVH be assimilated into O'ahu Region no later than December 31, 2022, or a date

determined by the Governor, subject to negotiations between HHSC and the Department of Defense. The measure also provides that the transition of O'ahu Region into DOH be completed by December 31, 2023. Similar to H.B. No. 1579, B&F notes that the December 31st deadline takes place in the middle of a fiscal year and recommends that the completion date be amended to coincide with the change of the fiscal year to allow for appropriate budget adjustments to effectuate the transfer of O'ahu Region from HHSC to DOH.

Finally, B&F further notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

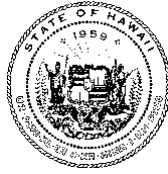
- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and

- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR



CURT T. OTAGURO
COMPTROLLER
AUDREY HIDANO
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
CURT T. OTAGURO, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE

HOUSE COMMITTEE
ON
CONSUMER PROTECTION AND COMMERCE

WEDNESDAY, FEBRUARY 16, 2022, 2:00 P.M.
VIA VIDEOCONFERENCE, STATE CAPITOL

H.B. 1893, H.D. 1

RELATING TO THE OAHU REGIONAL HEALTH CARE SYSTEM

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee, thank you for the opportunity to submit testimony on H.B. 1893, H.D. 1. The Department of Accounting and General Services (DAGS) strongly supports the intent of the bill to transfer the Daniel K. Akaka State Veterans Home to the Oahu Regional Health Care System of the Hawaii Health Systems Corporation (HHSC) so that when the Oahu Regional Health Care System is transferred from the Hawaii Health Systems Corporation to the Department of Health pursuant to Act 212, Session Laws 2021, the Daniel K. Akaka State Veterans Home will become part of the Department of Health (DOH).

DAGS understands and agrees with the State Office of Veterans Service's (OVS's) recognition that the Department of Defense (DOD) lacks the medical expertise and the legal flexibility to contract, administer and provide operational oversight for a long-term care facility, as well as legislative authority to create 501-c3 tax-free structures as does HHSC.

H.B. 1893, H.D. 1

Page 2

DAGS defers to the OVS testimony regarding recommended revisions to H.B. 1893,
H.D. 1.

Thank you for the opportunity to submit testimony on this matter.

TESTIMONY ON HOUSE BILL 1893
A BILL RELATING TO THE OAHU REGIONAL HEALTH CARE SYSTEM

PRESENTATION TO
COMMITTEE ON HEALTH, HUMAN SERVICES, & HOMELESSNESS

BY

Wade Ishii

FEBRUARY 16, 2022

2:00 PM

Chair Yamane, and Vice Chair Tam, and Members of the Committee.

I'm Wade Ishii and I am testifying in strong **SUPPORT** of HB 1893, Relating to the Oahu Regional Health Care System.

The purpose of this legislation is to transfer the Daniel K. Akaka State Veterans Home to the Oahu Regional Health Care System of the Hawaii Health Systems Corporation (HHSC) so that when the Oahu Regional Health Care System is transferred from HHSC to the Department of Health (DOH) pursuant to Act 212, Session Laws 2021, the Daniel K. Akaka State Veterans Home will become part of DOH.

The Department of Defense has worked hard to align the Daniel K. Akaka State Veterans Home under their administration to acquire an administrator/operator, but they do not have the medical expertise for continued operational oversight of a long-term care facility, and more importantly, the legal flexibility to contract, administer and provide operational oversight for a long-term care facility. Additionally, DOD lacks legislative authority to create 501-c3 tax-free structures like HHSC.

Thank you for your consideration and support of this measure to ensure the Veterans of the State of Hawaii are properly cared for and aligned with the appropriate State healthcare entity.

Wade Ishii/ wade.t.ishii@hawaii.gov / (808) 369-3484



STATE OF HAWAII
DEPARTMENT OF DEFENSE
OFFICE OF THE VETERANS' SERVICES
459 PATTERSON ROAD, E-WING, ROOM 1-A103
HONOLULU, HAWAII 96819-1522
Telephone Number 433-0420

TESTIMONY ON HOUSE BILL 1893, HD1
A BILL RELATING TO THE OAHU REGIONAL HEALTH CARE SYSTEM

PRESENTATION TO
COMMITTEE ON CONSUMER PROTECTION & COMMERCE

BY

RONALD P. HAN JR., DIRECTOR, STATE OFFICE OF VETERANS SERVICES

FEBRUARY 16, 2022

Chair Johanson, and Vice Chair Kitagawa, and Members of the Committee.

I'm Ron Han, Director, State Office of Veterans Services, and I am testifying in strong **SUPPORT** of HB 1893, HD1 Relating to the Oahu Regional Health Care System with the following comments.

The purpose of this legislation is to transfer the Daniel K. Akaka State Veterans Home to the Oahu Regional Health Care System of the Hawaii Health Systems Corporation (HHSC) so that when the Oahu Regional Health Care System is transferred from HHSC to the Department of Health (DOH) pursuant to Act 212, Session Laws 2021, the Daniel K. Akaka State Veterans Home will become part of DOH.

After several discussions with the State Attorney General's Office in preparation for the "Request for Proposal" for the Administrator/Operator for the Daniel K. Akaka State Veterans Home, it was noted that the Department of Defense (DOD) lacks the medical expertise for continued operational oversight of a long-term care facility, and more importantly, the legal flexibility to contract, administer and provide operational oversight for a long-term care facility. Furthermore, DOD lacks legislative power including the ability to create 501-c3 tax-free structures like HHSC.

The DOD, along with the Department of Accounting and General Services (DAGS), is currently in charge of the construction of the Daniel K. Akaka State Veterans Home on the island of Oahu, which is projected to be completed by spring of 2023. State Veterans homes provide long-term care for veterans, their spouses, and gold-star parents. HHSC currently oversees the operation of the Yukio Okutsu State Veterans Home in Hilo and is the State Agency most capable in managing and operating the Daniel K. Akaka State Veterans Home as a long-term care facility. Similarly, when the Oahu Regional Health Care System, which includes Leahi

Hospital and Maluhia, both long-term care facilities, is transferred to DOH pursuant to Act 212, Session Laws 2021, the Daniel K. Akaka State Veterans Home, should be part of the transfer.

The Daniel K. Akaka State Veterans Home, like the Yukio Okutsu State Veterans Home in Hilo, is designed with a sound business case model. In Yukio Okutsu's case, when they first started hiring staffing and did their first in-takes in 2007, they were in the red for several years. For the last 10 years before the pandemic, they were in the black adding approximately a \$1.5M to their repository each year after clearing all expenses. For the Daniel K. Akaka State Veterans Home, the projection is that we will also be in the red in FY24 as we build up staff and census. However, our revenue projections for the home in FY25 is projected to be over \$4M and in FY26 over \$6M with a positive revenue stream comparable to these amounts in the outyears. These projections are conservatively based upon construction, equipping, operator selection, operational opening, certification and patient ramp up in accordance with current funding appropriation plan. In that regard, these significant profits will more than offset any potential additional cost associated with transition of DKA SVH from DOD to Oahu Regional Healthcare System, HHSC and subsequently to DOH.

Unlike any other State facility or program, the Daniel K. State Veterans Home has the ability to create revenue that can offset the program budget needs for HHSC and DOH.

Once again, thank for your support and kokua for this measure that will align the administrative health care responsibilities of the Daniel K. Akaka State Veterans Home under the Oahu Regional HHSC and eventually DOH. This will provide critically needed health care services and benefits to our Veterans and their eligible loved ones who are honored to call Hawaii their home.

Point of Contact: Ron Han/ email: ronald.p.han@hawaii.gov / (808) 433-0422.

DAVID Y. IGE
GOVERNOR



KENNETH S. HARA
MAJOR GENERAL
ADJUTANT GENERAL

STEPHEN F. LOGAN
BRIGADIER GENERAL
DEPUTY ADJUTANT GENERAL

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DEPARTMENT OF DEFENSE
OFFICE OF THE ADJUTANT GENERAL
3949 DIAMOND HEAD ROAD
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TESTIMONY ON HOUSE BILL 1893 HD1
A BILL RELATING TO THE OAHU REGIONAL HEALTH CARE SYSTEM

PRESENTATION TO
COMMITTEE ON CONSUMER PROTECTION & COMMERCE

BY

KENNETH S. HARA,
MAJOR GENERAL, STATE ADJUTANT GENERAL

FEBRUARY 16, 2022

Chair Johanson, and Vice Chair Kitagawa, and Members of the Committee.

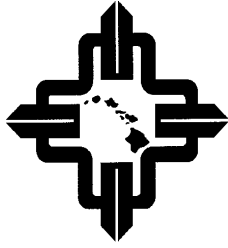
I'm Major General Kenneth Hara, State Adjutant General, and I am testifying in strong **SUPPORT** of HB 1893 HD1, Relating to the Oahu Regional Health Care System.

The purpose of this legislation is to transfer the Daniel K. Akaka State Veterans Home to the Oahu Regional Health Care System of the Hawaii Health Systems Corporation (HHSC) so that when the Oahu Regional Health Care System is transferred from HHSC to the Department of Health (DOH) pursuant to Act 212, Session Laws 2021, the Daniel K. Akaka State Veterans Home will become part of DOH.

The Department of Defense (DOD) lacks the medical expertise for continued operational oversight of a long-term care facility, and more importantly, the legal flexibility to contract, administer and provide operational oversight for a long-term care facility. This was discovered during my staff's engagement in several discussions with the State Attorney General's Office in preparation for the "Request for Proposal" for the Administrator/Operator for the Daniel K. Akaka State Veterans Home. Furthermore, DOD lacks legislative power including the ability to create 501-c3 tax-free structures like HHSC. Without this important legislation, there is a likelihood that this State Home will not be operational and will not be able to accept patients after construction is completed in April 2023.

Once again, I request for your support and advocacy for this measure that will align the administrative health care responsibilities of the Daniel K. Akaka State Veterans Home under the Oahu Regional HHSC and eventually DOH. This critical measure, once enacted, will provide vital health care services and benefits to our Veterans and their eligible loved ones who have served our Great Nation and State.

Point of Contact: MG Kenneth Hara/email: kenneth.s.hara@hawaii.gov / (808) 672-1211.



**OAHU REGION
HAWAII HEALTH SYSTEMS CORPORATION**

**Committee on Consumer Protection and Commerce
Representative Aaron Ling Johanson, Chair
Representative Lisa Kitagawa, Vice-Chair**

February 16, 2022, 2:00 P.M.
(Via Video Conference)
Conference Room 329
Hawaii State Capitol

Sean Sanada
Oahu Region Chief Administrative Officer
Hawaii Health Systems Corporation
Re: Testimony in Support of Intent and Comments

HB 1893, HD1, Relating to the Oahu Regional Health Care System

Chair Johanson, Vice-Chair Kitagawa, and Members of the Committee on Consumer Protection and Commerce:

Aloha! We begin by thanking you, your colleagues, and your predecessors on this Committee for your support and guidance as we have tried our best to navigate the many challenges posed by COVID-19 while, at the same time, developing important plans for the future of our facilities. Needless to say, we have placed a high value on the input provided regarding our current operations and strategic projects including the transition of our facilities into the Department of Health (“DOH”).

HB 1893, HD1 requires the transfer of the Daniel K. Akaka state veterans home (hereinafter, “VA Home”) – which is being constructed to provide long term care services for veterans, their spouses, and gold-star parents – to the Hawaii Health Systems Corporation, and then to the Department of Health as part of the Oahu Regional Health Care System. HB 1893, HD1 also extends the date of the transfer of the Oahu Regional Health Care System to the Department of Health by one (1) year. We will address each of the foregoing items individually.

Daniel K. Akaka State Veterans Home

In regard to the transfer of the VA Home to HHSC, the Oahu Regional Health Care System (hereinafter, “Oahu Region”) **supports the intent** of this measure as it aims to place the VA Home under a state agency with experience managing long term care facilities. While the Oahu Region Board has not yet had a full opportunity to thoroughly vet all aspects of this endeavor, we can assert that it makes natural sense for the Oahu Region – which already operates two long-term care facilities – to assume management authority over the VA Home. That being

said, we must nonetheless express that this undertaking will require extensive planning, preparation, and additional resources in order to be successful. Moreover, similar to the Yukio Okutsu State Veterans Home in Hilo – we believe that it is important for the VA Home, while ultimately managed by the Oahu Region, to be initially operated by a private entity with specific expertise in VA regulations.

Oahu Region Transition to DOH

As previously stated in our testimony in support of Act 212, SLH 2021, we maintain that the Oahu Region is distinctly different from the other regions within the Hawaii Health System Corporation (HHSC). While the facilities in these regions generally serve as the primary acute care providers for their respective communities, the Oahu Region's facilities differ in that they almost exclusively provide safety-net, long-term care and adult-day health services to patients who are unable to find much-needed care in a private setting. Most of the patients admitted to Leahi Hospital and Maluhia are destitute and rely on Medicaid to fund their care. Private facilities will not admit them since their care tends to require a significant amount of resources and have low corresponding Medicaid reimbursement rates. That being said, we believe that the Oahu Region could operate more independently and efficiently if our facilities are separated from HHSC and are no longer required to contend with the differently situated acute care facilities in the other regions for much needed resources.

While HHSC and the regions were originally established and designed to be run like a corporate health care venture, the Oahu Region operates more as a necessary social service than a health care business. We have little opportunity to increase revenues, yet our services are vital to the community. This will be especially true in the very near future given recent projections by the State of Hawaii, Department of Business, Economic Development and Tourism that the island of Oahu will require an additional 1,100 long-term care beds in the next 5-10 years alone. Likewise, our facilities are anticipated to take on even more importance as we work to expand our capacity for mental health and substance use treatment.

In accordance with Act 212, SLH 2021, the Oahu Region and DOH duly began the process of transitioning the Oahu Region into the DOH upon its passage. This process commenced with the procurement of a transition consultant by the DOH and the establishment of the statutory "working group." As you are aware, the working group was comprised of directors, supervisors, and staff from all jurisdictions and departments that would be impacted by the transition. Collectively and individually, working group members assessed the steps necessary in their subject matter areas (e.g., HR, procurement, IT, etc.), including timelines, to effectuate and maintain the transition. They also identified the corresponding resources required and reported them to our consultant to assist in the preparation of the 5-year pro forma operating and budget plan mandated by Act 212, SLH 2021.

Here, it must be pointed out that, under the 5-year operating budget pro forma – which was completed and presented to the legislature in December 2021 – the department heads and supervisors in both jurisdictions have determined that an additional 2 1/2 – 3 years are reasonably required to successfully complete the Oahu Region's transition out of HHSC and into the DOH. Arguably, this timeline may need to be further extended with the proposed transition of the VA Home into the Oahu Region and then to the DOH. It is for these reasons that we are requesting an extension of the transition deadline to December 31, 2025.

Another item that must be highlighted from the 5-year operating budget pro forma is the cost of the transition. Briefly stated, based on information discerned during the working group's interactions/discussions, it was determined that the DOH and supporting executive branch departments will need roughly fifty-one (51) additional FTEs in order to effectuate the transition and thereafter maintain the Oahu Region's operations. Combined with the costs of administrative expenses and supplies, our consultants concluded that the total amount necessary to complete the transition is approximately \$4.1 million and the estimated costs to sustain the Oahu Region under the DOH is an additional \$6.6 million per year.

Alternate Option to Transition

In completing the 5-year operating budget pro forma and recognizing the extensive additional costs necessary to transition the Oahu Region out of HHSC and into the DOH, our consultants revisited the original intent of the transition to explore whether there was another viable alternative available for us to realize the same goals.

From the beginning, the DOH and Oahu Region sought this transition with mutually beneficial aims. The DOH was in great need of new infrastructure and resources that could be fabricated to house and treat lower acuity patients from the Hawaii State Hospital. This would grant the Hawaii State Hospital and other DOH facilities more space for higher acuity admissions. For the Oahu Region, separating from HHSC would make our facilities more independent and efficient by freeing us from having to contend with the distinctly different acute facilities in the other regions for much needed resources. Additionally, we believed that, as part of the DOH, it would be easier for us to utilize DOH funding sources to expand our capacity for mental health and substance use treatment.

With the foregoing in mind, our consultants concluded that another option existed whereby the DOH and Oahu Region could very likely obtain the same goals at both a significantly reduced cost and in a shorter time frame. Specifically, it was recommended that the Oahu Region separate from HHSC and reestablish itself as the Oahu Regional Long-Term Care Health System. Under this framework – which could be accomplished statutorily – the Oahu Region would operate autonomously from HHSC but, like HHSC, be administratively attached strictly for budgetary purposes to the DOH.

As a new attached/quasi agency, the Oahu Region would maintain all of the rights and benefits it currently enjoys – including, but not limited to, its own Board of Directors, procurement exemptions, classification system, and ability to set up and run separate business/non-profit entities (including mental health and substance use ventures). Moreover, if the Oahu Region and HHSC agree to contract for continued IT and vendor management services (as opposed to hiring numerous FTEs for similar support under the DOH), the Oahu Region could keep administrative costs low and still avoid the challenges it has faced being part of a corporation designed more appropriately for acute facilities.

In terms of costs, the consultants tabulated the total amount necessary to complete this alternate transition to be approximately \$1.7 million and the estimated annual maintenance to be roughly \$1.35 million.

While we anticipate that more edits may become necessary to address unforeseen legal and logistical issues as HB 1893, HD1 moves forward, we will continue to support the intent of this measure and greatly appreciate the opportunity to provide important comments.



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Representative Aaron Johanson, Chair
Representative Lisa Kitagawa, Vice Chair

February 16, 2021
2:00 pm
Hawaii State Capitol
Via Videoconference

Testimony Providing Comments on H.B. 1893, H.D. 1
RELATING TO THE DEPARTMENT OF HEALTH

Requires the transfer of the Daniel K. Akaka state veterans home to the Oahu regional health care system and then to the Department of Health as part of the Oahu regional health care system transfer pursuant to Act 212, SLH 2021. Extends the date of the transfer of the Oahu regional health care system to the department of health by one year. Effective 7/1/2060. (HD1)

Linda Rosen, M.D., M.P.H.
President & Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to provide comments on **H.B. 1893, HD1**.

The Oahu regional board has the power to assimilate the veterans home into the Oahu regional system, as set forth in §323F-7, HRS. Further, similar to comments provided for H.B. 1579, per §323F-7, HRS, each regional system board of HHSC is responsible for developing its own budget without interference from the corporation. The other HHSC regions have no objections to the establishment of a new organizational code, HTH 215, for the Oahu Region alone.

Thank you for the opportunity to provide testimony on this matter.

HB-1893-HD-1

Submitted on: 2/15/2022 9:48:31 AM

Testimony for CPC on 2/16/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Reyn Kaupiko	Individual	Support	No

Comments:

It is imerative for the transfer of the Daniel K. Akaka state veterans home to the Department of Health as part of the Oahu Regional Health Care System.

This will adminstraive correctivley place the State veterans home into the DOH where proper funding is avialable.

TESTIMONY ON HOUSE BILL 1893, HD1
A BILL RELATING TO THE OAHU REGIONAL HEALTH CARE SYSTEM

PRESENTATION TO
COMMITTEE ON CONSUMER PROTECTION & COMMERCE

BY

Thomas M. Driskill, Jr, COL, USA, MSC (Ret)
Healthcare Coordinator
Office of Veterans Services
Department of Defense
State of Hawaii

FEBRUARY 16, 2022

2:00 PM

Chair Johanson, and Vice Chair Kitagawa, and Members of the Committee.

I'm Tommy Driskill and I am testifying in strong **SUPPORT** of HB 1893, Relating to the Oahu Regional Health Care System.

Based upon my past years of experience as President/CEO, Hawaii Health Systems Corp (HHSC) Aug 1997 to Dec 2009, during which time I oversaw the planning, construction, opening and initial operation of the Yukio Okutsu State Veterans Home in Hilo, I feel uniquely qualified to fully **SUPPORT** the purpose of this legislation to transfer the Daniel K. Akaka State Veterans Home (DKA SVH) to the Oahu Regional Health Care System, HHSC so that when the Oahu Regional Health Care System is transferred from HHSC to the Department of Health (DOH) pursuant to Act 212, Session Laws 2021, the DKA SVH will become part of DOH.

The Department of Defense (DOD) has worked hard to align the DKA SVH under their administration and to acquire an administrator/operator, but they do not have **EITHER** the medical expertise for continued operational oversight of a long-term care facility, **NOR** the legal flexibility to contract, administer and provide operational oversight for a long-term care facility. Additionally, DOD lacks legislative authority to create 501-c3 tax-free structures like HHSC. The only state agency with the right legislative authorities already in place to oversee a long-term care facility is HHSC. If DKA SVH is not placed under HHSC in sync with effective dates set out in this legislation, then in all probability DKA SVH will remain vacant for an unknown period of time upon completion of facility construction and equipping.

Additional Summary Details:

- DKA SVH is a 120 bed, two story Skilled Nursing Facility, with 130,000 sq ft located on seven acres in Kapolei with total cost \$98.4M jointly funded by both Federal and State appropriations. Following Hilo, DKA SVH will be our second SVH here in Hawaii.

- Construction on the DKA SVH started in April 2021 and is currently close to 40% completion. The construction is projected to be finished in April 2023 with patient admissions starting in October 2023.
- DOD has already executed a 99 years lease with the Hawaii Housing Finance and Development Corporation (HHFDC), owner of the seven acre parcel in Kapolei, with no payments up to 2025 followed by a 50% rent cap starting 2026 dependent on the revenue reimbursement. Since the bill proposes that Oahu Regional Healthcare system, HHSC replace DOD as the owner and operator, DOD will coordinate this transition with HHFDC to ensure there will no issues with changing the agency and updating the lease.
- DOD is still in coordination with the Village of Kapolei Association (VOKA) regarding annexation and assessment of the property, but will defer that coordination for the time being.
- DOD has completed and received Certificate of Need (CON) approval from the State Health Planning and Development Agency effective Feb 4, 2022.
- In collaboration with HHSC, DOD will continue to provide oversight for the construction and equipping of DKA SVH plus administer the RFP process up to point of contactor selection notification and contact solidification.
- Following the current RFP plan, once fully operational, DKA SVH will be a profitable selfsustaining facility.
- **The DKA SVH does not require any State appropriation in the 2022 legislative session or future sessions.**

Finally, the DKA SVH, like the Yukio Okutsu State Veterans Home in Hilo, is designed with a sound business case model. In Yukio Okutsu's case, when they first started hiring staffing and did their first in-takes in 2007, they were in the red for several years. For the last 10 years before the pandemic, they were in the black adding approximately a \$1.5M to their repository each year after clearing all expenses. For the DKA SVH, the projection is that we will also be in the red in FY24 as we build up staff and census. However, our revenue profit for the home in FY25 is projected to be over \$4M and in FY26 over \$6M with a positive revenue stream comparable to these amounts in the outyears. These projections are conservatively based upon construction, equipping, operator selection, operational opening, certification and patient ramp up in accordance with current funding appropriation plan. In that regard, these significant profits will more than offset any potential additional cost associated with transition of DKA SVH from DOD to Oahu Regional Healthcare System, HHSC and subsequently to DOH.

Thank you for your consideration and support of this measure to ensure the Veterans of the State of Hawaii are properly cared for and aligned with the appropriate State healthcare entity.

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HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

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LATE

The Thirty-First Legislature, State of Hawaii
House of Representatives
Committee on Consumer Protection & Commerce

Testimony by
Hawaii Government Employees Association
February 16, 2022

H.B. 1893, H.D. 1 – RELATING TO THE OAHU REGIONAL HEALTH CARE SYSTEM

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO would like to offer comments to H.B. 1893, H.D. 1 which transfers the Daniel K. Akaka State Veterans Home to the Oahu Regional Health Care System and then to the Department of Health when the Oahu Regional Health Care System is transferred from the Hawaii Health Systems Corporation to the Department of Health.

We agree that the Daniel K. Akaka State Veterans Home should be placed under the Oahu Regional Health Care System and are supportive of the eventual transfer of the Oahu Regional Health Care System to the Department of Health. However, we do not support, and we strongly oppose the provisions in this legislation stating that employees of the Daniel K. Akaka State Veterans Home would not be state/public employees and that they would be exempt from Chapters 76, 87A, 88, and 89, Hawaii Revised Statutes.

Employees of the Daniel K. Akaka State Veterans Home should be public employees and treated no differently to staff in the same or similar job classes at other Oahu Region long-term care facilities and the Department of Health where the Oahu Regional Health Care System will eventually be transferred.

We respectfully ask that the bill be amended to state that employees of the Daniel K. Akaka State Veterans Home will be considered state/public employees and will not be exempt from Chapters 76, 87A, 88, and 89, Hawaii Revised Statutes.

Thank you for the opportunity to provide testimony on this matter.

Respectfully submitted,



Randy Perreira
Executive Director