



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

THE COMMITTEES ON HEALTH AND PUBLIC SAFETY, INTERGOVERNMENTAL AND  
MILITARY AFFAIRS

BY

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

March 16, 2022

Chair Keohokalole, Chair Nishihara, Vice Chair Baker, Vice Chair DeCoite, and members of the Committee.

I am 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 critical legislation is to transfer the Daniel K. Akaka State Veterans Home (DKA SVH) to the Oahu Regional Health Care System of the Hawaii Health Systems Corporation (HHSC).

After several discussions with the State Attorney General's Office in preparation for the "Request for Proposal" for the Administrator/Operator for the DKA SVH, 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 DKA SVH 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 DKA SVH as a long-term care facility.

Unlike any other State facility or program, the DKA SVH has the ability to create revenue that can offset the program budget needs for HHSC. 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 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 the DKA SVH from DOD to Oahu Regional Healthcare System, HHSC.

On February 24, 2022, a joint virtual session took place with the directors of DOH, HHSC, DAGS and DOD to cover the details of how the DKA SVH has progressed, the milestones that have been achieved, the projected revenues that will be generated and how this measure can address projected budget shortfalls that may be anticipated. DAGS, HHSC and DOD will continue to jointly meet on refining these details to support this transition.

**Finally, and most importantly**, all revenue projections and the future success of the DKA SVH now depend upon two (2) essential points:

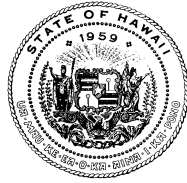
1. Strict adherence to a specific timeline with set milestones for contract operator selection via the Request for Proposal, construction and equipment completion, staff hiring, opening for patients, licensure/certification and census ramp up to capacity. This timeline can only be met if HB 1893 becomes law in this session, and the transfer of the DKA SVH to Oahu Regional Healthcare System, HHSC is completed no later than December 31, 2022.
2. An experienced SVH facility operator is contracted, in accordance with established timelines, to operate the DKA SVH, bringing Standard Operating Procedures (SOP's), hiring practices and proven automation systems support for patient safety, revenue collection and supply accountability **PLUS** the ability to **fully staff the facility with contract employees not civil service employees**. Please Note: The DKA SVH is a new service for State of Hawaii and a precedent has already been set for contract staffing of new service facilities by the Yukio Okutsu State Veterans Home, Hilo which was opened in 2007 fully staffed with contract employees and is still staffed by contract employees today.

**If either of these two essential points are not satisfied, then all updated revenue projections are null /void, and in all probability the DKA SVH will stand vacant for an unknown period until these two points can be properly addressed.**

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 Healthcare System, HHSC. 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](mailto:ronald.p.han@hawaii.gov) / (808) 433-0422.



**STATE OF HAWAII**  
**DEPARTMENT OF HEALTH**  
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**Testimony COMMENTING on H.B. 1893 H.D. 1**  
**RELATING TO THE OAHU REGIONAL HEALTH CARE SYSTEM**

SENATOR JARRETT KEOHOKALOLE, CHAIR  
SENATE COMMITTEE ON HEALTH

SENATOR CLARENCE K. NISHIHARA, CHAIR  
SENATE COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS

Hearing Date: 3/16/2022

Hearing Time: 1:00 p.m.

1 **Department Position:** The Department of Health (“Department”) SUPPORTS the transfer of the  
2 Daniel K. Akaka State Veterans Home to the Hawaii Health Systems Corporation (“HHSC”) Oahu  
3 Regional Health Care System (“Oahu Region”); however, the Department is OPPOSED to the  
4 complete transition of the Oahu Region into the Department as outlined in this measure, and  
5 offers the following comments.

6 **Department Testimony:** The Department supports the transfer of the Daniel K. Akaka State  
7 Veterans Home to the Oahu Region. This will bring the state’s three nursing homes under one  
8 leadership where they will have the benefit of consolidated purchasing and may gain efficiency  
9 dealing with similar compliance issues.

10 However, the Department opposes the transfer of the Oahu Region into the Department  
11 because it will cost \$10.3M initially and \$5M annually thereafter --- money which could be  
12 better spent by the Oahu Region.

13 As specified in Act 212, SLH 2021, the Department commenced the transition of the  
14 Oahu Region to the Department. The transition includes the transfer of the Oahu Region’s  
15 property, including the Leahi Hospital and Maluhia facilities, employees, funding and all other

1 things necessary to the operation of the Oahu Region to the Department. As requested by the  
2 Legislature, a report was submitted on December 30, 2021.

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

6 The report details the complexity of the transition, the associated cost and estimated  
7 timeline. The transition would cost an estimated **\$10.3 million** with an annual post-transition  
8 cost of \$5 million. At best, the timeframe would take us to 12/31/2024 for completion. Thus, if  
9 the Legislature chooses this option, we request your committees extend the transition date to  
10 12/31/2025, and allocate appropriate funds to effectuate the transition.

11 The report also identifies an alternative structure that would enable the Oahu Region to  
12 maintain a quasi-association with the Department, much as HHSC currently has with the  
13 Department. It could likely be implemented by the date listed in H.B. 1579 H.D. 2 and would  
14 cost approximately **\$1.7 million** for the transition with an annual post-transition cost of \$1.36  
15 million while achieving the same goal.

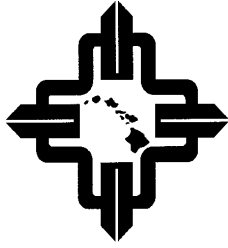
16 However, the Department strongly recommends the Oahu Region remain under HHSC  
17 with its own program ID, which it has. The intended goals of the transfer, increased utilization of  
18 the Oahu Region's facilities by the Department's Behavioral Health Administration can currently  
19 be achieved without a costly transition. The Department already rents space from the Oahu  
20 Region in the Leahi Hospital campus for three of its programs through MOUs. The Department  
21 would be interested in additional space; however, the campus needs significant renovations.  
22 Funds would be better utilized investing in capital improvement projects.

23 Further, leaving the Oahu Region with HHSC prevents the creation of duplicative  
24 functions within the Department, enables it to continue to take advantage of the group

1 hospitals' purchasing power, more nimble business processes, and enlist HHSC's compliance  
2 office and other resources which address issues unique to the hospital setting.

3           The Department seeks a decision from the Legislature regarding the preferred structure.  
4 Regardless of the Legislature's decision, the Department will continue to work collaboratively  
5 with the Oahu Region.

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



**OAHU REGION  
HAWAII HEALTH SYSTEMS CORPORATION**

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**Committee on Health  
Senator Jarrett Keohokalole, Chair  
Senator Rosalyn H. Baker, Vice-Chair**

**Committee on Public Safety, Intergovernmental and Military Affairs  
Senator Clarence K. Nishihara, Chair  
Senator Lynn DeCoite, Vice-Chair**

March 16, 2022, 1:00 P.M.  
(Via Video Conference)  
Conference Room 225  
Hawaii State Capitol

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

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

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Chairs Keohokalole and Nishihara, Vice-Chairs Baker and DeCoite, and Members of the Committees on Health and Public Safety, Intergovernmental and Military Affairs:

Aloha! We begin by thanking you, your colleagues, and your predecessors 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** this measure as it aims to place the VA Home under a state agency with experience managing long term care facilities. We believe that it makes

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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 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.

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 transition of the Daniel K. Akaka State Veterans Home into the Oahu Region and then to the DOH. It is for these reasons that – should the legislature intend



for us to continue with the transition – we must request an extension of the transition deadline to December 31, 2025.

### **Alternate Options to Transition**

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 \$10.3 million and the estimated costs to sustain the Oahu Region under the DOH is an additional \$5 million per year.

Having recognized 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 lower 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.

Finally, as a third and less complex option, the Oahu Region could remain with HHSC but maintain its own independent Program ID for funding. Under this approach, the Oahu Region would be able to secure funding for its current operations and future expansion of mental health and substance use programs directly from the legislature and not have to compete with the regional acute facilities for its portion of the HHSC appropriation. While the Oahu Region would still be subject to HHSC's system-wide policies and procedures and remain within HHSC's jurisdictional and classification system, the Oahu Region could still continue to collaborate with the DOH – albeit through MOUs and other contractual arrangements – in our efforts to increase mental health and substance use treatment resources for the community.

Thank you for the opportunity to testify and provide comments on this important measure.



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**  
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Thirty-First Legislature, State of Hawaii  
The Senate  
Committee on Health  
Committee on Public Safety, Intergovernmental, and Military Affairs

Testimony by  
Hawaii Government Employees Association

March 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 and a proposed amendment 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.

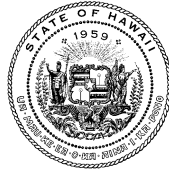
**We respectfully ask that the bill be amended to state that employees of the Daniel K. Akaka State Veterans Home will be considered state/public employees and will not be exempt from Chapters 76, 87A, 88, and 89, Hawaii Revised Statutes.**

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

Respectfully submitted,

Randy Perreira  
Executive Director

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

SENATE COMMITTEES ON  
HEALTH  
AND  
PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS

WEDNESDAY, MARCH 16, 2022, 1:00 P.M.  
CONFERENCE ROOM 225, STATE CAPITOL

H.B. 1893, H.D. 1

RELATING TO THE OAHU REGIONAL HEALTH CARE SYSTEM

Chairs Keohokalole and Nishihara, Vice Chairs Baker and DeCoite, and members of both Committees, 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).

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.

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.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR

GLORIA CHANG  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
P.O. BOX 150  
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EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

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 SENATE COMMITTEES ON HEALTH AND PUBLIC SAFETY,  
INTERGOVERNMENTAL, AND MILITARY AFFAIRS  
ON  
HOUSE BILL NO. 1893, H.D. 1

**March 16, 2022**  
**1:00 p.m.**  
**Room 225 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 H.D. 2, 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



KENNETH S. HARA  
MAJOR GENERAL  
ADJUTANT GENERAL

STEPHEN F. LOGAN  
BRIGADIER GENERAL  
DEPUTY ADJUTANT GENERAL

STATE OF HAWAII  
**DEPARTMENT OF DEFENSE**  
OFFICE OF THE ADJUTANT GENERAL  
3949 DIAMOND HEAD ROAD  
HONOLULU, HAWAII 96816-4495

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

PRESENTATION TO THE COMMITTEES ON HEALTH AND PUBLIC SAFETY,  
INTERGOVERNMENTAL, AND MILITARY AFFAIRS

BY

KENNETH S. HARA,  
MAJOR GENERAL, STATE ADJUTANT GENERAL

March 16, 2022

Chair Keohokalole, Chair Nishihara, Vice Chair Baker, Vice Chair DeCoite and respective Committee members.

I am 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 (DKA SVH) from the Department of Defense (DOD) to the Oahu Regional Health Care System of the Hawaii Health Systems Corporation (HHSC). DOD has neither the expertise nor legislative authority necessary to oversee a long-term care facility; however, Oahu Region has both the expertise and legislative authority already in place.

A conservative revenue estimate for the DKA SVH projects a partial year start-up loss in FY24 (to be covered by the contracted operator at no cost to the State), and a revenue profit in FY25 of over \$4M and a revenue profit in FY26 of over \$6M with a positive revenue stream comparable to these amounts in the out years. These profits will more than cover any additional cost for the DKA SVH transition and can also be used to reduce the overall cost of Oahu Regional Healthcare System, HHSC.

Most importantly, the future success of the DKA SVH now depends upon two (2) essential points:

1. Strict adherence to a timeline for contract operator selection via Request for Proposal (RFP), construction and equipment completion, staff hiring, opening for patients, licensure/certification and census ramp up to capacity. This timeline can only be met by transfer of the DKA SVH to Oahu Regional Healthcare System, HHSC NLT Dec 31, 2022.
2. An experienced state veterans home facility operator is contracted to operate DKA SVH, with the ability to **fully staff the facility with contract employees and not civil service employees.**

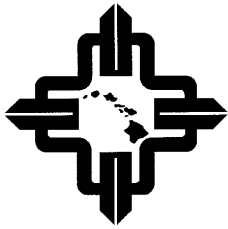


If either of these essential points are not satisfied, then all revenue projections are null / void and, in all probability, the DKA SVH will stand vacant until these essential points can be properly addressed.

Thank you for your consideration and support of this bill which is vitally important for our Hawaii Veterans.

MG Kenneth Hara, [kenneth.s.hara@hawaii.gov](mailto:kenneth.s.hara@hawaii.gov), (808) 672-1211

Director Ron Han, [ronald.p.han@hawaii.gov](mailto:ronald.p.han@hawaii.gov), (808) 433-0422



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

*"Quality Healthcare For All"*

**COMMITTEE ON HEALTH**  
**COMMITTEE ON PUBLIC SAFETY,**  
**INTERGOVERNMENTAL, and MILITARY AFFAIRS**

March 16, 2022  
1:00 pm  
Hawaii State Capitol  
Room 225 and 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: 3/12/2022 12:35:02 AM

Testimony for HTH on 3/16/2022 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Jennifer Azuma Chrupalyk	Individual	Oppose	Written Testimony Only

Comments:

What's being hidden in this bill? There is no transparency given here and why would it be moved from one entity to the next? No support given here. There is something corrupt about this file.

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

PRESENTATION TO  
COMMITTEES ON HEALTH AND PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY  
AFFAIRS

BY

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Office of Veterans Services  
Department of Defense  
State of Hawaii

MARCH 16, 2022

1:00 PM

Chair Keohokalole, Chair Nishihara, Vice Chair Baker and Vice Chair DeCoite and  
respective Committee members.

I'm Tommy Driskill and I am testifying in strong **SUPPORT** of HB 1893 HD1, Relating  
to the Oahu Regional Healthcare 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 multiple healthcare facilities here in Hawaii including 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 Healthcare System.

The Department of Defense (DOD) has worked hard to align the DKA SVH under their  
administration and to acquire a contract 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.

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 jointly by 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 45% 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 tier-up rent capped annual payment starting in 2026 dependent on the revenue reimbursement. Since HB 1893 HD1 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 (SHPDA) effective February 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, self-sustaining facility.
- **The DKA SVH does not require any State appropriation in the 2022 legislative session or future sessions.**

Consulting with industry experts, and taking all pandemic considerations into account, we have developed and updated a conservative set of revenue projections for DKA SVH. Following a partial year start-up loss in FY24 (to be covered by contact operator at no cost to the State), revenue profit for the facility 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. Thus DKA SVH will be a self-sustaining entity requiring no further State appropriations. Further, any concern over additional cost attributed to transferring DKA SVH to Oahu Regional Healthcare System, HHSC will be more than offset because the year-after-year profits will not only cover any additional cost for DKA SVH transition, but can also be used to significantly reduce the overall cost of Oahu Regional Healthcare System, HHSC.

**Finally, and most importantly,** all revenue projections and the future success of DKA SVH now depend upon two essential points:

1. Strict adherence to a specific timeline with set milestones for contract operator selection via RFP, construction and equipment completion, staff hiring, opening for patients, licensure/certification and census ramp up to capacity. This timeline can only be met if HB 1893 HD1 becomes law establishing a NLT date of December 31, 2022 for DOD transfer of DKA SVH to Oahu Regional Healthcare System, HHSC.
2. An experienced SVH facility operator is contracted, in accordance with established timelines, to operate DKA SVH, bringing Standard Operating

Procedures (SOP's), hiring practices and proven automation systems support for patient safety, revenue collection and supply accountability **PLUS** the ability to **fully staff the facility with contract employees not civil service employees**. Please Note: DKA SVH is a new service for State of Hawaii and a precedent has already been set for contact staffing of new service facilities by the Yukio Okutsu SVH, Hilo which was opened in 2007 fully staffed with contact employees and is still staffed by contact employees today.

**If either of these two essential points are not satisfied, then all updated revenue projections are null / void and, in all probability, DKA SVH will stand vacant for an unknow period of time until these two points can be properly addressed.**

Thank you for your consideration and support of this measure to ensure the Veterans of the State of Hawaii are properly and safely cared for in a facility that is aligned with the appropriate State healthcare entity and staffed for success as a selfsustaining entity that will not require future State appropriations.

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