DEPT. COMM. NO. 384

REPORT TO THE THIRTY-SECOND HAWAII STATE LEGISLATURE FOR FISCAL YEAR 2022

December 2022

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Report to the Legislature
Hawai'i Health Systems Corporation Annual Audit and Report for FY2022;
Pursuant to HRS Section 323F-22(a) and (b)

Hawai'i Health Systems Corporation (HHSC) is pleased to submit this report to the Legislature in accordance with section 323F-22, Hawai'i Revised Statutes (HRS) relating to HHSC's Annual Audit and Report. This report includes (a) projected revenues for each health care facility for FY2023 and a list of capital improvement projects planned for implementation in FY2023; and (b) regional system board reports.

The HHSC network of hospitals and clinics provide high quality healthcare services to residents and visitors in the State of Hawai'i regardless of the ability to pay. In this regard, HHSC continues to serve as a vital component of the State's system of healthcare. This is accomplished through the continued dedication and hard work of our employees, medical staff, community advisors, boards of directors, labor union partners, and many other stakeholders, with support from the Legislature and the state administration.

HHSC facilities include: Hilo Medical Center, Yukio Okutsu State Veterans Home, Hale Ho'ola Hamakua, and Ka'u Hospital (East Hawai'i Region); Kona Community Hospital and Kohala Hospital (West Hawai'i Region); Leahi Hospital and Maluhia (Oahu Region); Kauai Veterans Memorial Hospital and Samuel Mahelona Memorial Hospital (Kauai Region), in addition to three non-profit affiliate providers: Ali'i Community Care, Inc: Roselani Place – Maui; Ali'i Health Center – West Hawai'i, and Kahuku Medical Center – O'ahu. HHSC also owns and operates several physician clinics throughout the State.

In June 2015, the Legislature passed Act 103, H.B. 1075, effective June 10, 2015, which allowed for the transition of the management of the Maui Region facilities to a new entity. The Maui Region selected Kaiser Permanente as the entity that would manage the three Maui Region facilities. As a result, Kaiser Permanente formed a new not-for-profit entity, Maui Health System (MHS), to manage the three Maui Region facilities. In January 2016, HHSC entered into a transition agreement with an expected effective date of July 1, 2016. Due to legal challenges and other delays, the expected transition date was pushed back to July 1, 2017. The legal challenges were resolved with the passage of Act 18, S.B. 207, effective July 1, 2017, which provided severance benefits for those Maui Region employees affected by the transition of operations from HHSC to MHS. These severance benefits were paid out to eligible recipients in October 2017. HHSC entered into a transfer agreement and a lease agreement with Maui Health System to effectuate the transfer during fiscal year 2017. The transfer of operations was completed on July 1, 2017.

In fiscal year 2022, HHSC's facilities continued to deal with the impacts of the Coronavirus pandemic, which extended far beyond just the treatment of patients with the Coronavirus. While the spread and deadliness of the Coronavirus itself began to be mitigated by vaccines and boosters and most of the Coronavirus restrictions that had been in place during the past two years were removed, the healthcare community continued to suffer from the ancillary impacts of the Coronavirus. HHSC faced significant clinical staffing shortages as a result of staff absences as a result of contracting the Coronavirus and the limited capacity of Hawai'i colleges and universities to accept and graduate nursing students. As a result, HHSC has had to supplement its staff with contracted nursing and other clinical personnel. In fiscal year 2022, HHSC spent approximately $24.8 million in contracted nursing and other clinical personnel as compared to $14.4 million in fiscal year 2021, a 72% increase. HHSC and the private hospitals worked with the Healthcare Association of Hawai'i and the State Department of Health to obtain contracted clinical personnel (including nurses and radiology techs) through a Federal Emergency Management Agency program to supplement their staff during the Coronavirus Omicron variant surge. In fact, staffing shortages at all levels of care in Hawai'i healthcare facilities is having a tremendous negative impact on HHSC and other private acute hospitals in Hawai'i. Due to the staffing shortage at long-term care and other post-acute facilities, those facilities are not able to operate at full capacity and are limiting admissions, and as a result, acute care patients that no longer need acute levels of care that could be discharged to long-term care and other post-acute facilities are continuing to occupy acute care beds at the hospital (known as "wait-listed" patients). The current situation with wait-listed patients is very complex, as the majority of these patients have multiple reasons for being wait-listed, with the most common reasons being a lack of a place to be discharged, complex medical issues, behavioral issues, and lack of a guardian, among others. As a result, hospitals across the state have experienced a dramatic increase in the daily census of waitlisted patients. For example, Hilo Medical Center's waitlisted census is currently 36 patients; the waitlisted census in 2011 was approximately 10 patients. Kona Community Hospital's waitlisted census is currently 26 patients; the waitlisted census in 2011 was approximately 3 patients. As a result, patients requiring inpatient care are forced to wait for open acute care beds until these wait-listed patients can be discharged to an appropriate post-acute facility. Further, because of the supply chain shortages as a result of the Coronavirus pandemic, costs for pharmaceuticals and medical supplies have increased dramatically. According to the article "Health Care Costs are about to Skyrocket" that appeared in USA Today on October 27, 2022, "Early in the pandemic, health care supply prices spiked amid supply disruptions and higher demand. Between 2019 and 2022, pharmaceutical prices rose 21% and supplies by 18%." As a result, HHSC is faced with the double burden of caring for wait-listed patients for whom there is no additional reimbursement for their longer length of stay and the burden of bearing dramatic increases in costs for medical supplies and drugs as well as contracted nursing and other clinical personnel.

In order to mitigate the negative impacts of the Coronavirus pandemic on its facilities and to reduce the burden on the State of Hawai'i to provide general fund appropriations, HHSC aggressively sought after federal funding for Coronavirus relief. To date, HHSC applied for and received over $66 million in Health & Human Services Provider Relief Fund grants. HHSC also applied for and received approximately $22.6 million in Small Business Association Paycheck Protection Program (PPP) loans, all of which have been forgiven by the Small Business Administration. HHSC has applied and received various other grants and funding from federal, state, and county relating to the testing, treatment, and preparation costs for potential and actual Coronavirus patients.

The Coronavirus pandemic highlighted how critical HHSC's facilities are in terms of access to health care in the State of Hawai'i, particularly on the neighbor islands. In fiscal year 2022, HHSC's acute discharges for the four HHSC regions were 12,804, which accounts for approximately 12% of all acute care discharges in the State of Hawai'i. In fiscal year 2022, HHSC's emergency department visits for the four HHSC regions were 71,176, representing approximately 17.1% of all emergency department visits statewide. The impact of HHSC's facilities on the neighbor islands is even more impressive. For residents of the County of Hawai'i, HHSC's facilities cared for over 70% of all acute care discharges and 79% of all emergency department visits. For residents of the County of Kauai, HHSC's facilities cared for approximately 22.6% of all acute care discharges and 37.7% of all emergency department visits.

Despite the high volume of care that is provided at HHSC's facilities, HHSC continues to face growing operating losses due to excessive levels of salaries and benefits expense as compared to industry benchmarks. HHSC was forced to absorb collective bargaining raises of varying percentages due to agreements between the State of Hawai'i and public sector unions retroactive to July 1, 2021 and expiring on June 30, 2025. These raises are projected to cost HHSC a cumulative total of over $90 million at projected fringe benefit rates over the four-year period of the agreements. Further, the collective bargaining agreements negotiated by the State of Hawai'i are meant to cover employees supporting the static business environment of administrative offices, not the dynamic working environment found in the hospitals that HHSC operates. As a result, the work rules and pay schedules dictated by those collective bargaining agreements makes it difficult for HHSC to operate its facilities efficiently and cost effectively.

In addition, the State assessed HHSC a fringe benefit rate of 52.83% for fiscal year 2022. This represents a decrease in the fringe benefit rate assessed in fiscal year 2020 of 63.08%, resulting from the State of Hawai'i's decision to temporarily suspend the statutory funding requirement for its retiree health insurance program. Unfortunately, the State of Hawai'i has advised HHSC that the fringe benefit rate is expected to increase back up to 62.78% starting in fiscal year 2023. Other private hospitals across the United States pay a fringe benefit rate of between 25-30%. The impact to HHSC of the difference between its FY 22 fringe benefit rate and the private hospital fringe rate of 30% is approximately $45.7 million in additional annual expense to HHSC.

As a result of these ever-increasing cost pressures, HHSC's salaries & benefits expense as a % of net patient service revenue was 79% for fiscal year 2022, as compared to the U.S. Not-for-Profit Healthcare System Median of 57.6% (per Standard & Poors Global Ratings for 2021).

Although the Hawai'i economy continues to recover from the Coronavirus pandemic and general excise tax revenues are projected to grow at approximately 3.5% per year for fiscal years 2025-2028, there is still much uncertainty about the economic outlook for the State of Hawai'i in the near future. Potential events that could significantly impact the performance of the Hawai'i economy include new variants of

COVID-19, an aggressive monetary policy response from the Federal Reserve to combat inflation, high oil and commodity prices, geopolitical events including economic disruptions associated with the war in Ukraine, supply chain disruptions, labor shortages, sustained travel restrictions in Asian markets due to the pandemic, and the reduction in federal stimulus spending. The issue that HHSC faces going forward will be the significant increased need for State general fund appropriations for fiscal years 2024 and beyond due to the loss of federal funds (e.g. Provider Relief Fund grants, Small Business Association Paycheck Protection Program loans, American Rescue Plan Act funds, and the increased federal matching percentage from the CARES Act) that helped HHSC reduce its need for general fund appropriations during fiscal years 20201-2023. HHSC received over $172 million in those types of funding during that time period, and with those sources of funding no longer anticipated to be available going forward, those funds will need to be replaced with State general fund appropriations just to continue the services that HHSC currently provides. Combined with the anticipated increase in pharmaceutical and medical supply inflation, growing costs of obtaining hospital general and professional liability insurance, and the impacts of labor shortages at all levels of the healthcare industry in Hawai'i, HHSC's need for operational funding will continue to grow.

HHSC annually has a detailed independent financial audit conducted for the entire system. Additionally, HHSC has a myriad of internal reporting/performance measures that are utilized by the board of directors and management to insure compliance, quality, and financial efficiency in all system work. We have continued to focus on improving our financial management and accounting systems throughout the year. HHSC has received a "clean" unqualified consolidated audit for every fiscal year from FY 2000 through FY2022.

The following information is attached in accordance with section 323F-22, HRS: (1) projected revenues for each facility for FY2023, (2) proposed capital improvement projects during FY2023; and (3) Hawai'i Health Systems Corporation, Regional System Board Reports.

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Foundations

As a public hospital system, HHSC depends heavily upon input and support from our local communities. Over this past year, HHSC facilities have benefited from outstanding and dedicated service of community-based hospital auxiliaries that included donations of time and money to our facilities, statewide. HHSC management has also worked with respective hospital foundations to obtain donations and grants to both enhance services provided and to offset the cost of operating our system in predominantly rural areas. In this regard, HHSC has promoted the development of foundations at our hospitals and incorporated the Hawai'i Health Systems Foundation (HHSF) as a wholly owned subsidiary 501(c) (3). Nineteen years ago, there were three foundations supporting HHSC facilities of which only two were active. Today there are nine separate foundations, in addition to multiple hospital auxiliaries supporting one or more HHSC hospitals.

Respectfully submitted,

Linda Rosen, M.D., M.P.H.
Chief Executive Officer

Edward N. Chu
Chief Financial Officer

Attachments:

1. Projected FY2021 Revenues
2. CIP Expenditures FY2020
3. Regional Board Reports, FY2020.

Attachment A

Hawaii Health Systems Corporation

Financial Report
with Supplemental Information
June 30, 2022

Contents

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Independent Auditor's Report

To the Board of Directors
Hawaii Health Systems Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hawaii Health Systems Corporation (the "Corporation"), a component unit of the State of Hawaii, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Corporation's financial statements, as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2022 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Kahuku Medical Center, a blended component unit, which represents 2 percent of total assets, (3) percent of net deficit, and 3 percent of revenue as of June 30, 2022. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Kahuku Medical Center, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As described in Note 1, the financial statements present only Hawaii Health Systems Corporation (a component unit of the State of Hawaii) and do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2022 or the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified in respect to this matter.

As discussed in Note 2 to the financial statements, as of July 1, 2021, the Corporation adopted new accounting guidance, Governmental Accounting Standards Board 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

To the Board of Directors
Hawaii Health Systems Corporation

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of pension contributions, schedule of the proportionate share of the net OPEB liability, and schedule of OPEB contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors
Hawaii Health Systems Corporation

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hawaii Health Systems Corporation's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to the prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 14, 2022

This discussion and analysis of Hawaii Health Systems Corporation's (the "Corporation" or HHSC) financial performance provides an overview of the Corporation's financial activities for the fiscal years ended June 30, 2022 and 2021. Please read it in conjunction with the Corporation's financial statements, which begin on page 10.

Using This Annual Report

The Corporation's financial statements consist of three statements: (a) a statement of net position; (b) a statement of revenue, expenses, and changes in net position; and (c) a statement of cash flows. These financial statements and related notes provide information about the activities of the Corporation, including resources held by the Corporation but restricted for specific purposes.

The Statement of Net Position and Statement of Revenue, Expenses, and Changes in Net Position

Our analysis of the Corporation's finances begins on page 10. One of the most important questions asked about the Corporation's finances is, "Is the Corporation as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenue, expenses, and changes in net position report information about the Corporation's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Corporation's net position and changes in net position. The Corporation's net position - the difference between assets and deferred outflows and liabilities and deferred inflows - can be thought of as one way to measure the Corporation's financial health or financial position. Over time, increases or decreases in the Corporation's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Corporation's patient base and measures of the quality of service it provides to the community, as well as local economic factors, to assess the overall health of the Corporation.

The Corporation adopted GASB 87, *Leases*, as of July 1, 2021.

The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as, "Where did cash come from," "What was cash used for," and "What was the change in cash balance during the reporting period?"

The Corporation's Net Position

The Corporation's net position is the difference between its assets and deferred outflows and liabilities and deferred inflows, reported in the statement of net position on pages 10 and 11. The Corporation's net position increased by $77,988,916 and $10,045,040 in 2022 and 2021, respectively.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Summarized financial information of Hawaii Health Systems Corporation's statement of net position as of June 30, 2022 and 2021 is as follows:

	2022	2021
Assets		
Current assets	$ 380,731,947	$ 342,390,602
Capital assets - Net	356,582,674	335,095,675
Other	68,054,305	23,033,765
Total assets	805,368,926	700,520,042
Deferred Outflows of Resources	91,465,229	104,655,134
Total assets and deferred outflows of resources	896,834,155	805,175,176
Liabilities		
Current liabilities	108,407,399	104,473,479
Other postemployment liability	491,488,746	513,049,791
Due to the State of Hawaii	19,008,243	19,008,243
Pension liability	509,459,725	627,817,806
Other liabilities	67,151,641	57,244,200
Total liabilities	1,195,515,754	1,321,593,519
Deferred Inflows of Resources	184,078,699	44,330,871
Total liabilities and deferred inflows of resources	1,379,594,453	1,365,924,390
Net Position (Deficit)		
Net investment in capital assets	313,074,628	302,947,830
Restricted	5,147,621	8,700,287
Unrestricted	(800,982,547)	(872,397,331)
Total net position (deficit)	**$ (482,760,298)**	**$ (560,749,214)**

At June 30, 2022 and 2021, Hawaii Health Systems Corporation's current assets approximated 47 and 49 percent, respectively, of total assets. Current assets increased by approximately $38 million in 2022 primarily due to an increase in accounts receivable because of increased volumes and an increase in cash and cash equivalents because of Provider Relief Funds received during the year, as disclosed in Note 14.

At June 30, 2022 and 2021, Hawaii Health Systems Corporation's current liabilities approximated 9 and 8 percent, respectively, of total liabilities. Current liabilities increased by approximately $4 million in 2022 primarily due to the increase in accounts payable and accrued expenses.

At June 30, 2022 and 2021, Hawaii Health Systems Corporation's portion of net position that is reflected as its net investment in capital assets, net of related debt, was approximately $313 million and $303 million, respectively. Total net position was approximately $(483) million in 2022 and $(561) million in 2021.

Capital Assets

At June 30, 2022 and 2021, Hawaii Health Systems Corporation's capital assets, net of accumulated depreciation, comprised approximately 44 and 48 percent, respectively, of its total assets. These assets consist mainly of land, hospital buildings, and equipment that are used in Hawaii Health Systems Corporation's operations. The increase in the net capital assets is due to additional capital expenditures across the regions.

A summary of Hawaii Health Systems Corporation's capital assets as of June 30, 2022 and 2021 is as follows:

	2022	2021
Land and land improvements	$ 10,807,306	$ 10,807,306
Building and improvements	592,070,235	574,979,080
Equipment	267,231,909	275,367,019
Leased assets	25,717,982	-
Construction in progress	49,601,137	37,442,937
Total cost	945,428,569	898,596,342
Less accumulated depreciation and amortization	(588,845,895)	(563,500,667)
Capital assets - Net	**$ 356,582,674**	**$ 335,095,675**

Long-term Debt

At June 30, 2022 and 2021, Hawaii Health Systems Corporation had long-term debt totaling approximately $34 million and $41 million, respectively. The decrease of $7 million and $23 million in 2022 and 2021, respectively, was due to repayment of current amounts due and the forgiveness of Paycheck Protection Program loans, respectively. More detailed information about Hawaii Health Systems Corporation's long-term debt is presented in the notes to the financial statements.

Operating Results and Changes in Net Position

Summarized financial information of Hawaii Health Systems Corporation's statement of revenue, expenses, and changes in net position for the years ended June 30, 2022 and 2021 is as follows:

	2022	2021
Operating Revenue	$ 570,224,618	$ 495,179,592
Operating Expenses		
Salaries and wages	283,474,103	267,333,373
Employee benefits	113,439,213	180,691,908
Purchased services and professional fees	118,644,469	93,778,010
Medical supplies and drugs	68,743,384	58,265,444
Depreciation and amortization	37,062,462	34,403,065
Insurance	7,585,887	6,668,066
Other	65,115,517	60,759,120
Total operating expenses	694,065,035	701,898,986
Operating Loss	(123,840,417)	(206,719,394)
Nonoperating Revenue		
General appropriations from the State of Hawaii	83,185,903	129,100,403
Other nonoperating revenue - Net	3,441,205	735,710
Contributions - CARES Act and other	21,887,143	46,358,670
Contributions - American Rescue Plan funds	60,221,100	-
Forgiveness of Paycheck Protection Program loans	2,949,184	22,714,000
Total nonoperating revenue	171,684,535	198,908,783
Excess of Revenue Over (Under) Expenses before Capital Contributions	47,844,118	(7,810,611)
Capital Contributions	30,144,798	17,855,651
Increase in Net Position	**$ 77,988,916**	**$ 10,045,040**

Operating Losses

For the years ended June 30, 2022 and 2021, Hawaii Health Systems Corporation's operating expenses exceeded its operating revenue by $123.8 million and $206.7 million, respectively. General appropriations from the State of Hawaii totaled $83.1 million and $129.1 million, in 2022 and 2021, respectively. In addition, appropriations from the State of Hawaii for capital contributions totaled $30.1 million and $17.9 million in 2022 and 2021, respectively. Additionally, the Corporation saw a decrease in CARES contributions of approximately $24 million due to the winding down of the CARES Act funding. The Corporation also received new funding of $60 million in 2022 through the American Rescue Plan. These items, along with the other nonoperating revenue and the transfer of certain liabilities to the State of Hawaii, contributed to an increase in net position of $77.9 million and $10.0 million in 2022 and 2021, respectively.

Operating expenses for the fiscal years ended June 30, 2022 and 2021 totaled $694.1 million and $701.9 million, respectively.

Operating revenue for the fiscal years ended June 30, 2022 and 2021 increased by approximately 15.2 and 7.6 percent from 2021 and 2020, respectively, as patient service volumes rebounded from the coronavirus pandemic.

Systemwide Outlook

In fiscal year 2022, HHSC’s facilities continued to deal with the impacts of the coronavirus pandemic, which extended far beyond just the treatment of patients with the coronavirus. While the spread and deadliness of the coronavirus itself began to be mitigated by vaccines and boosters and most of the coronavirus restrictions that had been in place during the past two years were removed, the health care community continued to suffer from the ancillary impacts of the coronavirus. HHSC faced significant clinical staffing shortages due to staff absences as a result of staff members contracting the coronavirus and the limited capacity of Hawaii colleges and universities to accept and graduate nursing students. As a result, HHSC has had to supplement its staff with contracted nursing and other clinical personnel. In fiscal year 2022, HHSC spent approximately $24.8 million in contracted nursing and other clinical personnel as compared to $14.4 million in fiscal year 2021, a 72 percent increase. HHSC and the private hospitals worked with the Healthcare Association of Hawaii and the State Department of Health to obtain contracted clinical personnel (including nurses and radiology technicians) through a Federal Emergency Management Agency program to supplement their staff during the coronavirus omicron variant surge. In fact, staffing shortages at all levels of care in Hawaii health care facilities are having a tremendous negative impact on HHSC and other private acute-care hospitals in Hawaii. Due to the staffing shortage in long-term care and other post-acute-care settings, those facilities are not able to operate at full capacity and are limiting admissions, and, as a result, acute-care patients that no longer need acute levels of care are continuing to occupy acute-care beds at the hospital (known as waitlisted patients). The current situation with waitlisted patients is very complex, as the majority of these patients have multiple reasons for being waitlisted, with the most common reasons being a lack of a place to be discharged, complex medical issues, behavioral issues, and lack of a guardian, among others. As a result, hospitals across the state have experienced a dramatic increase in the daily census of waitlisted patients. For example, Hilo Medical Center’s waitlisted census is currently 36 patients; the waitlisted census in 2011 was approximately 10 patients. Kona Community Hospital’s waitlisted census is currently 26 patients; the waitlisted census in 2011 was approximately 3 patients. Further, because of the supply chain shortages as a result of the coronavirus pandemic, costs for pharmaceuticals and medical supplies have increased dramatically. According to the article, "Health Care Costs are about to Skyrocket," that appeared in *USA Today* on October 27, 2022, “Early in the pandemic, health care supply prices spiked amid supply disruptions and higher demand. Between 2019 and 2022, pharmaceutical prices rose 21 percent and supplies by 18 percent.” As a result, HHSC is faced with the double burden of caring for waitlisted patients for whom there is no additional reimbursement for their longer length of stay and of bearing dramatic increases in costs for medical supplies and drugs as well as contracted nursing and other clinical personnel.

In order to mitigate the negative impacts of the coronavirus pandemic on its facilities and to reduce the burden on the State of Hawaii to provide General Fund appropriations, Hawaii Health Systems Corporation aggressively sought after federal funding for coronavirus relief. To date, Hawaii Health Systems Corporation applied for and received over $66 million in U.S. Department of Health and Human Services Provider Relief Fund grants. Hawaii Health Systems Corporation also applied for and received approximately $22.6 million in Small Business Administration Paycheck Protection Program (PPP) loans, all of which have been forgiven by the Small Business Administration. Hawaii Health Systems Corporation has applied for and received various other grants and funding from federal, state, and county relating to the testing, treatment, and preparation costs for potential and actual coronavirus patients.

The coronavirus pandemic highlighted how critical Hawaii Health Systems Corporation’s facilities are in terms of access to health care in the State of Hawaii, particularly on the neighbor islands. In fiscal year 2022, Hawaii Health Systems Corporation’s acute-care discharges for the four Hawaii Health Systems Corporation regions totaled 12,804, which accounts for approximately 12 percent of all acute-care discharges in the State of Hawaii. In fiscal year 2022, Hawaii Health Systems Corporation’s emergency department visits for the four Hawaii Health Systems Corporation regions totaled 71,176, representing approximately 17.1 percent of all emergency department visits statewide. The impact of Hawaii Health Systems Corporation’s facilities on the neighbor islands is even more impressive. For residents of the County of Hawaii, Hawaii Health Systems Corporation’s facilities cared for over 70 percent of all acute-care discharges and 79 percent of all emergency department visits. For residents of the County of Kauai, Hawaii Health Systems Corporation’s facilities cared for approximately 22.6 percent of all acute-care discharges and 37.7 percent of all emergency department visits.

Despite the high volume of care that is provided at Hawaii Health Systems Corporation’s facilities, Hawaii Health Systems Corporation continues to face growing operating losses due to excessive levels of salaries and benefits expense as compared to industry benchmarks. Hawaii Health Systems Corporation was forced to absorb collective bargaining raises of varying percentages due to agreements between the State of Hawaii and public sector unions retroactive to July 1, 2021 and expiring on June 30, 2025. These raises are projected to cost Hawaii Health Systems Corporation a cumulative total of over $90 million at projected fringe benefit rates over the four-year period of the agreements. Further, the collective bargaining agreements negotiated by the State of Hawaii are meant to cover employees supporting the static business environment of administrative offices, not the dynamic working environment found in the hospitals that Hawaii Health Systems Corporation operates. As a result, the work rules and pay schedules dictated by those collective bargaining agreements makes it difficult for Hawaii Health Systems Corporation to operate its facilities efficiently and cost effectively.

In addition, the State assessed Hawaii Health Systems Corporation a fringe benefit rate of 52.83 percent for fiscal year 2022. This represents a decrease from the fringe benefit rate assessed in fiscal year 2021 of 63.08 percent, resulting from the State of Hawaii’s decision to temporarily suspend the statutory funding requirement for its retiree health insurance program. Unfortunately, the State of Hawaii has advised Hawaii Health Systems Corporation that the fringe benefit rate is expected to increase back up to 62.78 percent starting in fiscal year 2023. Other private hospitals across the United States pay a fringe benefit rate of between 25-30 percent. The impact to Hawaii Health Systems Corporation of the difference between its fiscal year 2022 fringe benefit rate and the private hospital fringe rate of 30 percent is approximately $45.7 million in additional annual expense to Hawaii Health Systems Corporation.

As a result of these ever-increasing cost pressures, Hawaii Health Systems Corporation’s salaries and benefits expense as a percent of net patient service revenue was 69.5 percent for fiscal year 2022, as compared to the U.S. Not-for-Profit Health Care System Median of 57.6 percent (per Standard & Poor's Global Ratings for 2021).

Future Outlook

Although the Hawaii economy continues to recover from the coronavirus pandemic and general excise tax revenue is projected to grow at approximately 3.5 percent per year for fiscal years 2025-2028, there is still much uncertainty about the economic outlook for the State of Hawaii in the near future. Potential events that could significantly impact the performance of the Hawaii economy include new variants of COVID-19; an aggressive monetary policy response from the Federal Reserve to combat inflation; high oil and commodity prices; geopolitical events, including economic disruptions associated with the war in Ukraine; supply chain disruptions; labor shortages; sustained travel restrictions in Asian markets due to the pandemic; and the reduction in federal stimulus spending. The issue that Hawaii Health Systems Corporation faces going forward will be the significant increased need for State General Fund appropriations for fiscal years 2024 and beyond due to the loss of federal funds (e.g. Provider Relief Fund grants, Small Business Administration Paycheck Protection Program loans, American Rescue Plan Act funds, and the increased federal matching percentage from the CARES Act) that helped Hawaii Health Systems Corporation reduce its need for General Fund appropriations during fiscal years 2021-2023. Hawaii Health Systems Corporation received over $172 million in those types of funding during that time period, and with those sources of funding no longer anticipated to be available going forward, those funds will need to be replaced with State General Fund appropriations just to continue the services that Hawaii Health Systems Corporation currently provides. Combined with the anticipated increase in pharmaceutical and medical supply inflation, growing costs of obtaining hospital general and professional liability insurance, and the impacts of labor shortages at all levels of the health care industry in Hawaii, Hawaii Health Systems Corporation's need for operational funding will continue to grow.

Hawaii Health Systems Corporation is continuously analyzing how to better meet the challenges of delivering vital health care to the communities it serves. In doing so, Hawaii Health Systems Corporation continues to evaluate its current operations to see where there may be opportunities for the system as a whole to operate more efficiently and effectively in providing accessible, high-quality services that address the health care needs of Hawaii's unique island communities.

Contacting the Corporation's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hawaii Health Systems Corporation's corporate office at Hawaii Health Systems Corporation, 3675 Kilauea Avenue, Honolulu, HI 96816.

Statement of Net Position

June 30, 2022

Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents (Note 2)	$ 160,289,566
Cash and cash equivalents - State of Hawaii (Note 2)	14,535,938
Lease receivable (Note 11)	1,409,506
Patient accounts receivable - Less allowance for doubtful accounts of $22,151,951 (Notes 2 and 3)	88,220,265
Investments (Note 4)	23,755,876
Due from the State of Hawaii (Note 6)	48,860,720
Assets limited as to use (Note 2)	15,121,200
Supplies and other current assets	17,007,294
Estimated third-party payor settlements	11,531,582
Total current assets	380,731,947
Assets Limited as to Use - Net of current portion (Note 2)	37,115,565
Investments - Net of current portion (Note 4)	11,579,599
Lease Receivable - Net of current portion (Note 11)	19,359,141
Capital Assets - Net (Note 5)	356,582,674
Total assets	805,368,926
Deferred Outflows of Resources	
Pension (Note 8)	60,437,565
Postemployment benefits other than pensions (Note 9)	31,027,664
Total deferred outflows of resources	91,465,229
Total assets and deferred outflows of resources	**$ 896,834,155**

	June 30, 2022
Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)	
Current Liabilities	
Accounts payable and accrued expenses	$ 69,798,192
Current portion of accrued vacation (Note 7)	16,292,963
Current portion of long-term debt (Note 10)	10,340,308
Current portion of lease obligations (Note 10)	3,555,747
Current portion of accrued workers' compensation (Note 12)	2,498,000
Other current liabilities:	
Medicare accelerated payments (Note 14)	3,041,757
Unearned revenue - CARES Act Provider Relief Fund and other pandemic grants (Note 14)	1,247,923
Other current liabilities	1,632,509
Total current liabilities	108,407,399
Long-term Debt - Net of current portion (Note 10)	23,651,904
Lease Obligation - Net of current portion (Note 10)	13,562,566
Other Liabilities	
Accrued vacation - Less current portion (Note 7)	20,221,023
Accrued workers' compensation - Less current portion (Note 12)	9,469,000
Other postemployment liability (Note 9)	491,488,746
Due to the State of Hawaii (Note 6)	19,008,243
Pension liability (Note 8)	509,459,725
Other liabilities	16,206
Patients' safekeeping deposits	230,942
Total liabilities	1,195,515,754
Deferred Inflows of Resources	
Pension (Note 8)	112,607,349
Postemployment benefits other than pensions (Note 9)	50,955,498
Leases (Note 11)	20,515,852
Total deferred inflows of resources	184,078,699
Total liabilities and deferred inflows of resources	1,379,594,453
Net Position (Deficit)	
Unrestricted	(800,982,547)
Net investment in capital assets	313,074,628
Restricted for lender covenants and other (Note 2)	5,147,621
Total net position (deficit)	(482,760,298)
Total liabilities, deferred inflows of resources, and net position (deficit)	**$ 896,834,155**

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30, 2022
Operating Revenue	
Net patient service revenue (net of provision for doubtful accounts of $15,508,480)	$ 502,256,934
Uncompensated care revenue	55,346,515
Other revenue	12,621,169
Total operating revenue	570,224,618
Operating Expenses	
Salaries	283,474,103
Employee benefits	113,439,213
Medical supplies and drugs	68,743,384
Depreciation and amortization	37,062,462
Utilities	13,341,363
Repairs and maintenance	18,046,907
Other supplies	14,502,291
Purchased services	101,606,862
Professional fees	17,037,607
Insurance	7,585,887
Rent and lease	4,956,955
Other	14,268,001
Total operating expenses	694,065,035
Operating Loss	(123,840,417)
Nonoperating Income (Expense)	
General appropriations from the State of Hawaii	83,185,903
Restricted contributions	2,034,982
Interest expense	(1,675,317)
Interest and dividend income	1,049,281
Contributions - CARES Act Provider Relief Fund (Note 14)	21,887,143
Contributions - State of Hawaii appropriations American Rescue Plan funds (Note 14)	60,221,100
Forgiveness of Paycheck Protection Program loan (Note 10)	2,949,184
Other nonoperating revenue - Net	2,032,259
Total nonoperating income	171,684,535
Excess of Revenue Over Expenses before Capital Contributions	47,844,118
Capital Contributions	30,144,798
Increase in Net Position	77,988,916
Net Position (Deficit) - Beginning of year	(560,749,214)
Net Position (Deficit) - End of year	**$ (482,760,298)**

See notes to financial statements.

Statement of Cash Flows

	Year Ended June 30, 2022
Cash Flows from Operating Activities	
Cash received from government, patients, and third-party payors	$ 527,096,927
Cash payments to employees for services	(399,794,265)
Cash payments to suppliers for services and goods	(252,981,536)
Other receipts from operations	12,621,169
Net cash used in operating activities	(113,057,705)
Cash Flows from Noncapital Financing Activities	
Appropriations from the State of Hawaii	83,185,903
Contributions - CARES Act Provider Relief Fund	22,215,749
Contributions - American Rescue Plan funds	60,221,100
Other nonoperating revenue - Net	2,032,259
Proceeds from long-term debt	3,634,235
Net cash provided by noncapital financing activities	171,289,246
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(18,936,548)
Interest paid	(1,675,317)
Repayments on long-term debt	(1,834,859)
Repayments on lease obligations	(4,224,733)
Repayment of Paycheck Protection Program loans	(405,576)
Restricted capital contributions	2,034,982
Net cash used in capital and related financing activities	(25,042,051)
Cash Flows from Investing Activities	
Interest and dividend income	1,049,281
Purchase of short-term investments and assets limited as to use	(29,600,514)
Net cash used in investing activities	(28,551,233)
Net Increase in Cash and Cash Equivalents	4,638,257
Cash and Cash Equivalents - Beginning of year	170,187,247
Cash and Cash Equivalents - End of year	**$ 174,825,504**
Statement of Net Position Classification of Cash and Cash Equivalents	
Cash and cash equivalents	$ 160,289,566
Cash and cash equivalents - State of Hawaii	14,535,938
Total cash and cash equivalents	**$ 174,825,504**

See notes to financial statements.

Year Ended June 30, 2022

A reconciliation of operating loss to net cash used in operating activities is as follows:

Cash Flows from Operating Activities	
Operating loss	$ (123,840,417)
Adjustments to reconcile operating loss to net cash from operating activities:	
Provision for doubtful accounts	15,508,480
Depreciation and amortization	37,062,462
Gain on disposal of capital assets	677,567
Changes in assets and liabilities:	
Patient accounts receivable	(33,830,529)
Supplies and other assets	(544,810)
Accounts payable, accrued expenses, and other liabilities	11,216,631
Accrued workers' compensation liability	410,000
Postemployment benefit liability	(21,561,045)
Pension liability	(118,358,081)
Deferred outflows and inflows	130,614,738
Estimated third-party payor settlements	(3,441,923)
Accrued vacation	1,771,772
Medicare advance funds	(10,081,968)
Lease receivable	1,339,418
Net cash used in operating activities	**$ (113,057,705)**
Noncash Financing and Investing Activities	
Capital assets contributed by the State of Hawaii and others	$ 24,620,472
Change in due from the State of Hawaii	5,524,326
Assets acquired via lease	1,388,017
Forgiveness of Paycheck Protection Program loans	2,949,184

Note 1 - Organization

Structure

Hawaii Health Systems Corporation (the "Corporation") is a public body corporate and politic and an instrumentality and agency of the State of Hawaii (the "State"). Hawaii Health Systems Corporation is managed by a chief executive officer under the control of an 18-member board of directors.

In June 1996, the Legislature of the State passed Act 262, S.B. 2522. The act, which became effective in fiscal year 1997, transferred all facilities under the administration of the Department of Health - Division of Community Hospitals to Hawaii Health Systems Corporation. Hawaii Health Systems Corporation currently operates the following facilities:

East Hawaii Region:

- Hilo Medical Center
- Hale Ho'ola Hamakua
- Ka'u Hospital
- Yukio Okutsu Veterans Care Home (Yukio is not included in the East Hawaii Region audited financial statements)

West Hawaii Region:

- Kona Community Hospital
- Kohala Hospital

Kauai Region:

- Kauai Veterans Memorial Hospital
- Samuel Mahelona Memorial Hospital

Oahu Region:

- Leahi Hospital
- Maluhia

Kahuku Medical Center

The operations of the following facilities were transferred to Kaiser Permanente on July 1, 2017:

Maui Region (or HHSC - Maui):

- Maui Memorial Medical Center (MMMC)
- Kula Hospital
- Lanai Community Hospital

Act 262 also amended a previous act to exempt all facilities from the obligation to pay previously allocated central service and departmental administration expenses by the State.

Hawaii Health Systems Corporation is considered to be administratively attached to the Department of Health of the State and is a component unit of the State. The accompanying financial statements relate only to Hawaii Health Systems Corporation and the facilities and are not intended to present the financial position, results of operations, or cash flows of the Department of Health.

Note 1 - Organization (Continued)

Negotiations between Hawaii Health Systems Corporation and the State relating to the transfer of assets and assumption of liabilities pursuant to Act 262 had not been finalized as of June 30, 2022. Accordingly, the assets, liabilities, and net assets of Hawaii Health Systems Corporation reflected in the accompanying statement of revenue, expenses, and changes in net position may be significantly different from those eventually included in the final settlement.

The following entities are being presented as part of Hawaii Health Systems Corporation: Hawaii Health Systems Foundation (HHSF); Alii Community Care, Inc. (Alii); Alii Health Center (AHC); Kona Ambulatory Surgery Center (KASC); East Hawaii Medical Group (EHMG); Kauai Region Medical Group (KRMG); Kauai Region Pharmacy - West (KRPW); and Kauai Adolescent Treatment Center for Healing (KATCH). HHSF and Alii are nonprofit organizations of which Hawaii Health Systems Corporation is the sole member. The purpose of HHSF is to raise funds and to obtain gifts and grants on behalf of Hawaii Health Systems Corporation. The purpose of Alii is to own, manage, and operate assisted living and other health care facilities in the state.

In June 2007, the state Legislature passed Act 290, S.B. 1792. This act, which became effective on July 1, 2007, required the establishment of a 7- to 15-member regional system board of directors for each of the five regions of the Hawaii Health Systems Corporation system. Each regional board was given custodial control and responsibility for management of the facilities and other assets in their respective regions. This act also restructured the 13-member Hawaii Health Systems Corporation board of directors to 15 members, composed of 10 members appointed by the governor from nominees submitted by legislative leadership, 2 at-large members at the governor's discretion, 2 physician members selected by the Hawaii Health Systems Corporation board, and the state director of health.

Act 290 also exempted the regions from the requirements of the state procurement code and other exemptions from state agency laws, such as tax clearance certificate requirements, the concession law, and the sunshine law.

In 2009, the Legislature passed Act 182, S.B. 1673, effective July 1, 2009, which allowed the individual facilities or regions of Hawaii Health Systems Corporation to transition into a new legal entity in any form recognized under the laws of the State of Hawaii, including, but not limited to, a nonprofit corporation, a for-profit corporation, a municipal facility, a public benefit corporation, or a combination of the above. The act also amended the requirement for maintenance of services to outline a process that must be followed in order for a facility to substantially reduce or eliminate a direct patient care service. Furthermore, the act reconstituted the Hawaii Health Systems Corporation board of directors to a 12-member board of directors, which includes the 5 regional chief executive officers; 1 representative each appointed by the East Hawaii, West Hawaii, Kauai, and Oahu regional boards; 2 members appointed by the Maui regional board; and the director of the Department of Health as an ex officio nonvoting member.

In June 2011, the Legislature passed Act 126, S.B. 1300, effective July 1, 2011, which reconstituted the Hawaii Health Systems Corporation board of directors to a 13-member board of directors by adding an at-large voting member appointed by the governor of the State of Hawaii and changing the voting status of the director of the Department of Health from a nonvoting to a voting member.

In June 2013, the Legislature passed Act 278, H.B. 1130, effective July 2013, which reconstituted the Corporation's board of directors by adding five regional members appointed by the governor and making the five regional chief executive officers ex officio nonvoting members.

Maui Region

In June 2015, the Legislature passed Act 103, H.B. 1075, effective June 10, 2015, which allowed for the transition of the management of the Maui Region facilities to a new entity.

Note 1 - Organization (Continued)

Following the State of Hawaii Legislature passing Act 103, the Maui Region entered into a transfer agreement with Kaiser Permanente (Kaiser). As of July 1, 2017, operations of HHSC - Maui's facilities were transferred to Kaiser. HHSC - Maui continues to own all capital assets that are now leased to Kaiser as part of a lease agreement. As of the transfer date, the main economic function of the region is related to lease activity, and there will be no other significant revenue streams. See Note 11 for further discussion regarding lease activity.

Act 103 also called for the transfer of certain liabilities from the Corporation to the State. These liabilities included the net pension liability and other postemployment benefit liability and any related deferred inflows and deferred outflows of resources. As part of Act 103, these liabilities were transferred back to the State.

Kahuku Medical Center

In June 2007, the state Legislature passed Act 113, H.B. 843. This act amended Hawaii Revised Statutes 323F to allow for the assimilation of Kahuku Hospital into Hawaii Health Systems Corporation in a manner and to an extent that was to be negotiated between Kahuku Hospital and Hawaii Health Systems Corporation. The act also specified that none of the liabilities of Kahuku Hospital were to become the liabilities of Hawaii Health Systems Corporation, that Hawaii Health Systems Corporation could adjust the levels of services provided by Kahuku Hospital, and that the employees of Kahuku Hospital were not to be considered employees of the State. This act appropriated $3,900,000, which was disbursed through the Department of Health of the State, to pay for the cost of acquiring the assets of Kahuku Hospital and to operate the facility. On March 14, 2008, the asset purchase was completed for a purchase price of approximately $2,652,000 in cash, including transaction costs of $197,000 in cash, and the facility is now operating as Kahuku Medical Center. The purchase price was allocated to assets based on their respective estimated fair values at the acquisition date.

Oahu Region

In June 2021, the Legislature passed SB628 SD2 HD2 CD1, effective July 6, 2021, which initiated the transition of the Oahu Region into the State of Hawaii Department of Health and required the transfer to be completed no later than December 31, 2022. During fiscal year 2022, HB1579 HD2 was passed by Legislature, which extended the deadline to complete the transition to December 31, 2025.

In July 2022, the Legislature passed H.B. 1893, which requires the region to take ownership of the Daniel K. Akaka veterans home (the "VA Home") no later than June 30, 2023. The facility is currently under construction with an expected completion date of spring 2023 and is being funded by the Department of Defense. After the transfer is complete, the VA Home will become the property of the region, and the region will manage and operate the VA Home.

Liquidity

During the year ended June 30, 2022, Hawaii Health Systems Corporation incurred losses from operations of approximately $124 million and had negative cash flows from operations of approximately $113 million. Management believes maintaining the current levels of service provided by Hawaii Health Systems Corporation will require continued funding by the State of Hawaii.

Note 2 - Significant Accounting Policies

Basis of Accounting

Hawaii Health Systems Corporation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, as prescribed by Governmental Accounting Standards Board (GASB).

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less. It also includes amounts held in the State Treasury. The state director of finance is responsible for the safekeeping of all moneys paid into the State Treasury (cash pool). Hawaii Health Systems Corporation's portion of this cash pool at June 30, 2022 is indicated in the accompanying statement of net position as cash and cash equivalents - State of Hawaii. The Hawaii Revised Statutes authorize the director of finance to invest in obligations of, or guaranteed by, the U.S. government; obligations of the State; federally insured savings and checking accounts; time certificates of deposit; and repurchase agreements with federally insured financial institutions. Cash and deposits with financial institutions are collateralized in accordance with state statutes. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State.

Hawaii Health Systems Corporation has cash and certificates of deposit, as described in Note 4, in financial institutions that are in excess of available depository insurance coverage. The amount of uninsured and uncollateralized deposits for cash and cash equivalents totaled approximately $197,878,000 at June 30, 2022. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a financial institution failure, Hawaii Health Systems Corporation's deposits might not be returned to it. Hawaii Health Systems Corporation believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, Hawaii Health Systems Corporation evaluates each financial institution with which it deposits funds; only those institutions with an acceptable estimated risk level are used as depositories.

Accounts Receivable

Patient accounts receivable are stated at net realizable value amounts. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting Hawaii Health Systems Corporation's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. An allowance for contractual adjustments is based on expected payment rates from payors based on current reimbursement methodologies.

Supplies

Supplies consist principally of medical and other supplies and are recorded at the lower of first-in, first-out cost or market.

Note 2 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets assumed from the State at inception are recorded at cost less accumulated depreciation. Other capital assets are recorded at cost or acquisition value at the date of donation. Capital assets are defined by the Corporation as assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year. Donated buildings, equipment, and land are recognized as revenue when all eligibility requirements have been met, generally at the date of donation. Buildings, equipment, and improvements are depreciated by the straight-line method using these asset lives:

- Buildings and improvements and land and land improvements: 5-40 years
- Equipment: 3-20 years

Gains or losses on the sale of capital assets are reflected in other nonoperating revenue. Normal repairs and maintenance expenses are charged to operations as incurred.

Leases

Lessee

The Corporation has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the financial statements. The Corporation recognizes lease liabilities with an initial, individual value of $25,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the Corporation initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Corporation has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the Corporation determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Corporation uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Corporation generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Corporation is reasonably certain to exercise.

The Corporation monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right to use along with other capital assets, and lease liabilities are reported with long-term liabilities on the statement of net position.

Note 2 - Significant Accounting Policies (Continued)

Lessor

The Corporation is a lessor for the Maui hospital location, and serving as the lessor for this location is the Maui Region's sole operating purpose, as such the rent revenue received has been recorded as other operating revenue. The Corporation recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease receivable.

At the commencement of a lease, the Corporation initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the Corporation determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Corporation uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Corporation monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Assets Limited as to Use

Assets limited as to use include patients' safekeeping deposits, restricted contributions to be earned, board-designated cash, internally designated investments, cash in escrow accounts related to future lease draws, and restricted net position, which have restrictions that have been externally imposed by contributors or by collateral agreements. Restricted resources are applied before unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Patients' safekeeping deposits represent funds received or property belonging to the patients that are held by Hawaii Health Systems Corporation in a fiduciary capacity as custodian. Receipts and disbursements of these funds are not reflected in Hawaii Health Systems Corporation's operations.

At June 30, 2022, assets limited as to use consisted of restricted cash of $52,236,765.

Grant Revenue

Revenue received for grants is considered a nonexchange transaction and is recognized as the eligibility requirements of the grants have been met. Grant funding received in advance of eligibility requirements being met is recorded as unearned revenue.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Hawaii Health Systems Corporation has two items that qualify for reporting in this category. They are the deferred outflows of resources related to the cost-sharing defined benefit pension plan and the State of Hawaii OPEB plan.

Note 2 - Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Hawaii Health Systems Corporation has various items that qualify for reporting in this category. They are the deferred inflows of resources related to the cost-sharing defined benefit pension plan and the State of Hawaii OPEB plan and leases.

Accrued Vacation and Compensatory Pay

Hawaii Health Systems Corporation accrues all vacation and compensatory pay at current salary rates, including additional amounts for certain salary-related expenses associated with the payment of compensated absences (such as employer payroll taxes and fringe benefits), in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation is earned at a rate of one and three-quarters working days for each month of service. Vacation days may be accumulated to a maximum of 90 days.

Postemployment Benefits

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Pension

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) and additions to/deductions from the ERS' fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Net Position

Net position is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Corporation. The restricted net position at June 30, 2022 was composed of $147,621 restricted for capital purchases and $8,479,509 restricted by lender covenants. Unrestricted net position is the remaining net assets that do not meet the definition of net investment in capital assets or restricted.

Operating Revenue and Expenses

Hawaii Health Systems Corporation has defined its operating revenue and expenses as those relating to the provision of health care services. The income and expenses relating to capital and related financing activities, noncapital financing activities, and investing activities are excluded from that definition.

Net Patient Service Revenue

Net patient service revenue is recorded on an accrual basis in the period in which the related services are provided at established rates, less contractual adjustments and provision for doubtful accounts. Hawaii Health Systems Corporation, as a safety net provider, provides charity care to certain patients; the specific cost of such care for the year ended June 30, 2022 was approximately $2,330,000.

Note 2 - Significant Accounting Policies (Continued)

Hawaii Health Systems Corporation has agreements with third-party payors that provide for payments at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The adjustments to the final settlements did not have a significant impact on the fiscal year 2022 financial statements.

Hawaii Health Systems Corporation participates in the State of Hawaii Hospital Uncompensated Care Program. Under this program, governmentally operated hospitals receive supplemental payments from participating Medicaid HMO plans. The program is intended to provide funding to cover the loss of providing hospital and nursing facility services to Medicaid managed-care subscribers.

The estimated third-party payor settlements are based on estimates because complete information is not currently available to determine the final settlement amounts for certain cost report years. Management has used its best effort, judgment, and certain methodologies to estimate the anticipated final outcome.

A summary of the payment arrangements with major third-party payors is as follows:

- Medicaid - Inpatient acute services rendered to Medicaid program beneficiaries are reimbursed under a prospectively determined rate per day and per discharge, with a cost settlement for capital costs. Medicaid long-term care services are reimbursed based on a price-based case-mix reimbursement system. The case-mix reimbursement system uses the resource utilization groups classification system calculated from the minimum data set assessment. The case-mix reimbursement payment method takes into account a patient's clinical condition and the resources needed to provide care for the patient. Medicaid outpatient services are reimbursed based on a fee schedule using current procedure terminology (CPT) codes established for the State.

- Critical Access Hospital (CAH) - Hawaii Health Systems Corporation has six facilities (Hale Ho'ola Hamakua, Kauai Veterans Memorial Hospital, Kahuku Medical Center, Ka'u Hospital, Kohala Hospital, and Samuel Mahelona Memorial Hospital) that are designated as critical access hospitals by the Centers for Medicare & Medicaid Services (CMS). CAHs are limited-service hospitals located in rural areas that receive cost-based reimbursement. To be designated a CAH, a facility must, among other requirements: (1) be located in a county or equivalent unit of a local government in a rural area, (2) be located more than a 35-mile drive from a hospital or another health care facility, or (3) be certified by the State as being a necessary provider of health care services to residents in the area. These facilities are paid an interim reimbursement rate throughout the year based on each facility's expected costs per inpatient day or the allowable outpatient cost to charge. After the close of each fiscal year, the facility would receive retrospective settlements for the difference between interim payments received and the total allowable cost, as documented in the Medicare cost reports.

- Skilled nursing services provided to Medicare beneficiaries are paid on a per diem prospective payment system covering all costs (routine, ancillary, and capital) related to the services furnished. The per diem payments for each admission are case-mix adjusted using a resident classification system (resource utilization groups) based on data from resident assessments and relative weights developed from staff time data.

- Sole Community Hospital - Hawaii Health Systems Corporation has two facilities (Hilo Medical Center and Kona Community Hospital) that are designated as sole community hospitals by the CMS. Inpatient case rates for services rendered to Medicare beneficiaries are finally determined upon the filing of the annual Medicare cost reports.

Note 2 - Significant Accounting Policies (Continued)

- Hawaii Medical Service Association (HMSA) - Inpatient services rendered to HMSA subscribers are reimbursed at prospectively determined case rates. The prospectively determined case rates are not subject to retroactive adjustment. In addition, outpatient surgical procedures and emergency room visits are reimbursed at a negotiated case rate. All other outpatient services are reimbursed based on a fee schedule using standard CPT codes.

- Other Commercial - Hawaii Health Systems Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established rates, and prospectively determined daily rates.

- Medicare - Inpatient acute services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge referred to as the inpatient prospective payment system (IPPS). Under the IPPS, each case is categorized into a diagnosis-related group (DRG). Each DRG has a payment weight assigned to it based on the average resources used to treat Medicare patients in that DRG.

  Outpatient services rendered to Medicare beneficiaries are paid under a prospective payment system called ambulatory payment classifications (APC). Services in each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC, and, depending on the services provided, hospitals may be paid for more than one APC for an encounter.

  Skilled nursing services provided to Medicare beneficiaries are paid on a per diem prospective payment system covering all costs (routine, ancillary, and capital) related to the services furnished. The per diem payments for each admission are case-mix adjusted using a resident classification system (resource utilization groups) based on data from resident assessments and relative weights developed from staff time data.

State Appropriations

Hawaii Health Systems Corporation recognizes general and capital appropriations at the time allotments are made available to the facility for expenditure.

Effective July 1, 2008, HHSC - Corporate (Corporate) permanently allocated general appropriations to each facility. General appropriations are reflected as nonoperating revenue, and capital appropriations are included in capital contributions after the nonoperating revenue (expense) subtotal in the statement of revenue, expenses, and changes in net position. If restrictions are placed on such appropriations, the restrictions are given separate and discrete accounting recognition.

Bond Interest

Hawaii Health Systems Corporation is allocated an amount for interest paid by the State of general obligation bonds whose proceeds were used for hospital construction. A corresponding contribution from the State is also allocated to Hawaii Health Systems Corporation. The bonds are obligations for the State, to be paid by the State's General Fund, and are not reported as liabilities of Hawaii Health Systems Corporation. For the year ended June 30, 2022, interest expense totaled approximately $10,012,000.

Risk Management

Hawaii Health Systems Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The facilities are self-insured for workers' compensation and disability claims and judgments, as discussed in Note 12.

Note 2 - Significant Accounting Policies (Continued)

Change in Accounting Principle

In June 2017, GASB issued Statement No. 87, *Leases*, to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this statement had a significant effect on the Corporation's financial statements for the year ended June 30, 2022. Upon implementation on July 1, 2021, the Corporation recognized lease liabilities and right-to-use assets as the lessee. The Corporation recognized lease receivables and deferred inflows of resources as the lessor. There was no effect on net position previously reported on July 1, 2021.

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Corporation is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Corporation's financial statements for the year ending June 30, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the Corporation's financial statements for the year ending June 30, 2024.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Corporation's financial statements for the year ending June 30, 2025.

Note 3 - Accounts Receivable

Patient accounts receivable consist of amounts due from insurance companies and patients for services rendered by the facilities. The facilities grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor arrangements. The mix of receivables from patients and third-party payors as of June 30, 2022 is as follows:

Medicare	40.00 %
Medicaid	27.00
HMSA	10.00
Other third-party payors	15.00
Patient and other	8.00
Total	100.00 %

Note 4 - Fair Value Measurements

Hawaii Health Systems Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Hawaii Health Systems Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Hawaii Health Systems Corporation has the following recurring fair value measurements as of June 30, 2022:

- U.S. Treasury securities of $25,675,974 are valued using quoted market prices (Level 2 inputs).
- U.S. government agencies of $8,535,608 are valued using a matrix pricing model (Level 2 inputs).
- Municipal obligations of $941,733 (Level 2 inputs)
- Money market funds of $182,160 are valued using a matrix pricing model (Level 2 inputs).

The fair values of U.S. Treasury obligations, U.S. government agencies, and money market funds at June 30, 2022 were determined primarily based on Level 2 inputs. Hawaii Health Systems Corporation estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Hawaii Health Systems Corporation's investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Hawaii Health Systems Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of Hawaii Health Systems Corporation's investments, including certificates of deposit, are held by financial institutions registered in Hawaii Health Systems Corporation's name.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from interest rates, Hawaii Health Systems Corporation's investment policy generally limits maturities on investments to no more than five years from the date of investment. All of Hawaii Health Systems Corporation's investments at June 30, 2022 have an original maturity date within five years from the date of investment.

Credit Risk

Hawaii Health Systems Corporation's investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds maintaining a Triple-A rating. As of June 30, 2022, Hawaii Health Systems Corporation held investments in U.S. Treasury securities and U.S. government agencies.

Note 4 - Fair Value Measurements (Continued)

Concentration of Credit Risk

Hawaii Health Systems Corporation's investment policy provides guidelines for portfolio diversification by placing limits on the amount that may be invested in any one issuer, types of investment instruments, and position limits per issue of an investment instrument. There were no investments except for the certificates of deposit that individually exceed 5 percent of Hawaii Health Systems Corporation's total investments at June 30, 2022.

Note 5 - Capital Assets

Capital asset activity of the Corporation's governmental activities for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Transfers and Adjustments	Additions	Retirements	Balance June 30, 2022
Assets not subject to depreciation and amortization:					
Land and land improvements	$ 10,807,306	$ -	$ -	$ -	$ 10,807,306
Construction in progress	37,442,937	(23,080,823)	35,548,151	(309,128)	49,601,137
Subtotal	48,250,243	(23,080,823)	35,548,151	(309,128)	60,408,443
Assets subject to depreciation:					
Buildings and improvements	574,979,080	17,246,946	356,676	(512,467)	592,070,235
Equipment	262,361,227	5,833,877	7,652,193	(8,872,478)	266,974,819
Leased assets - Land and land improvements	3,451,441	-	-	-	3,451,441
Leased assets - Buildings and improvements	6,135,725	-	-	-	6,135,725
Leased assets - Equipment	17,700,617	-	1,388,017	(2,700,728)	16,387,906
Subtotal	864,628,090	23,080,823	9,396,886	(12,085,673)	885,020,126
Less accumulated depreciation:					
Buildings and improvements	324,253,962	(4,026,204)	22,526,512	(364,979)	342,389,291
Equipment	230,901,615	4,026,204	11,153,624	(8,651,527)	237,429,916
Leased assets - Land and land improvements	-	-	96,096	-	96,096
Leased assets - Buildings and improvements	642,024	-	887,720	-	1,529,744
Leased assets - Equipment	7,703,066	-	2,398,510	(2,700,728)	7,400,848
Subtotal	563,500,667	-	37,062,462	(11,717,234)	588,845,895
Capital assets - Net	$ 349,377,666	$ -	$ 7,882,575	$ (677,567)	$ 356,582,674

The State Department of Accounting and General Services and others transferred capital assets, including construction in progress, aggregating $24,620,472 to Hawaii Health Systems Corporation during the year ended June 30, 2022.

Note 6 - State of Hawaii Advances and Receivable

The amount due to the State of $19,008,243 at June 30, 2022 is made up of cash advances to the Department of Health - Division of Community Hospitals, which was assumed by Hawaii Health Systems Corporation at the date of its formation.

At June 30, 2022, $48,860,720 was due from the State for allotments made to Hawaii Health Systems Corporation before June 30, 2022.

Note 7 - Accrued Vacation

Among the Corporation's short-term and long-term liabilities is accrued vacation.

Activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Accrued vacation - 2022	$ 34,742,214	$ 16,661,546	$ (14,889,774)	$ 36,513,986	$ 16,292,963	$ 20,221,023

Note 8 - Cost-sharing Defined Benefit Pension Plan

Plan Description

All full-time employees of Hawaii Health Systems Corporation are eligible to participate in the Employees' Retirement System of the State of Hawaii, a cost sharing, multiple employer, public employee retirement system covering eligible employees of the State and counties. The ERS issues a publicly available financial report that can be obtained at ERS' website: http://ers.ehawaii.gov/resources/financials.

Benefits Provided

The ERS is composed of a contributory retirement plan and a noncontributory retirement plan. Eligible employees who were in service and members of the existing contributory plan on June 30, 1984 were given an option to remain in the existing plan or join the noncontributory plan effective January 1, 1985. All new eligible employees hired after June 30, 1984 automatically become members of the noncontributory plan. Both plans provide death and disability benefits and cost of living increases. Benefits are established by state statute. In the contributory plan, employees may elect normal retirement at age 55 with 5 years of credited service or elect early retirement at any age with 25 years of credited service. Such employees are entitled to retirement benefits, payable monthly for life, of 2 percent of their average final salary, as defined, for each year of credited service. Benefits fully vest on reaching 5 years of service; retirement benefits are actuarially reduced for early retirement. Covered contributory plan employees are required by state statute to contribute between 7.8 and 9.8 percent of their salary to the plan; Hawaii Health Systems Corporation is required by state statute to contribute the remaining amounts necessary to pay contributory plan benefits when due. In the noncontributory plan, employees may elect normal retirement age at age 62 with 10 years of credited service or at age 55 with 30 years of credited service, or elect early retirement at age 55 with 20 years of credited service. Such employees are entitled to retirement benefits, payable monthly for life, of 1.25 percent of their average final salary, as defined, for each year of credited service. Benefits fully vest on reaching 10 years of service; retirement benefits are actuarially reduced for early retirement. Hawaii Health Systems Corporation is required by state statute to contribute all amounts necessary to pay noncontributory plan benefits when due.

On July 1, 2006, a new hybrid contributory plan became effective pursuant to Act 179, Session Laws of Hawaii of 2004. Participants prior to July 1, 2006 could choose to participate in this hybrid plan or remain in the existing plans. New employees hired from July 1, 2006 are required to join the hybrid plan. Participants will contribute between 6 and 8 percent of their salary to this plan. Furthermore, members in the hybrid plan are eligible for retirement at age 62 with 5 years of credited service or at age 55 with 30 years of credited service. Members will receive a multiplier of between 1.75 and 2 percent for each year of credited service in the hybrid plan. The benefit payment options are similar to the current contributory plan.

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

Contributions

Contributions are established by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal year 2022 was 24 percent. Contributions to the pension plan from the Corporation were approximately $49 million for the fiscal year ended June 30, 2022.

The employer is required to make all contributions for members in the ERS. For contributory plan employees hired prior to July 1, 2012, general employees are required to contribute 7.8 percent of their salary. For contributory plan employees hired after July 1, 2012, general employees are required to contribute 9.8 percent of their salary. Hybrid plan members hired prior to July 1, 2012 are required to contribute 6.0 percent of their salary. Hybrid plan members hired after June 30, 2012 are required to contribute 8.0 percent of their salary.

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2022, the Corporation reported a liability of approximately $510 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Corporation's proportion of the net pension liability was based on the Corporation's actuarially required contribution for the years ended June 30, 2022 relative to all other contributing employers. At June 30, 2022, the Corporation's proportion was 4.2 percent, which was a minor change from its proportion measurement at June 30, 2021 of 4.1 percent.

For the year ended June 30, 2022, the Corporation recognized pension expense of approximately $52,550,000. At June 30, 2022, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 14,296,487	$ (126,763)
Net difference between projected and actual earnings on plan investments	-	(109,704,980)
Changes in assumptions	(4,736,446)	-
Changes in proportion	2,337,626	(2,775,606)
Employer contributions to the plan subsequent to the measurement date	48,539,898	-
Total	$ 60,437,565	$ (112,607,349)

The $48,539,898 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2023	$ (21,383,990)
2024	(20,220,585)
2025	(24,267,358)
2026	(35,300,549)
2027	462,800

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021
Inflation	2.50%
Salary increases	3.50%
Investment rate of return	7.00% per year, compounded annually, including inflation

There were no changes to ad hoc postemployment benefits, including COLA, in the June 30, 2021 valuation.

In the June 30, 2021 valuation, the postretirement mortality rates are based on the 2019 Public Retirees of Hawaii Mortality Table, with adjustments based on generational projections of the BB projection table for 2019 and full generational projections in future years. Preretirement mortality rates are based on multiples of the Pub-2010 Mortality Table based on the occupation of the member.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2018. The ERS updates its experience studies every five years.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the ERS will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments for June 30, 2021 was determined using a top-down approach of the client-constrained simulation-based optimization model (a statistical technique known as resampling with a replacement that directly keys in on specific plan-level risk factors, as stipulated by the ERS' board of trustees) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return (real returns and inflation) by the target asset allocation percentage.

Note 8 - Cost-sharing Defined Benefit Pension Plan (Continued)

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following tables for June 30, 2021:

	2021	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Broad growth	63 %	8 %
Diversifying strategies	37	5

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Corporation at June 30, 2022 calculated using the discount rate of 7.00 percent, as well as what the Corporation's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net pension liability - 2022	$ 695,373,777	$ 509,459,725	$ 356,184,286

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued ERS financial report, which is available at http://www.ers.ehawaii.gov. The plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenue is recorded in the accounting period in which it is earned and becomes measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

Note 9 - Other Postemployment Benefit Plan

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the Hawaii Employer-Union Health Benefits Trust Fund, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues a publicly available annual financial report that is available to the public at https://eutf.hawaii.gov/reports/. The report may also be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

Benefits Provided

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with 10 years or more of credited service and 50 percent of the base monthly contribution for employees retiring with fewer than 10 years of credited service. A retiree can elect a family plan to cover dependents.

Note 9 - Other Postemployment Benefit Plan (Continued)

For employees hired after June 30, 1996 but before July 1, 2001 and who retire with fewer than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50 percent of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001 and who retire with fewer than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50 percent of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Corporation were $21,701,762 for the fiscal year ended June 30, 2022. The Corporation is required to make all contributions for members. During 2021, a temporary reduction in the statutory funding requirement of the fringe benefit rate for ongoing plan contributions was implemented. The Corporation has not yet been informed when the temporary reduction will cease.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the Corporation reported a net OPEB liability of approximately $491 million. The net OPEB liability was measured as of July 1, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2022, the Corporation's proportion was 9.07 percent, which was an increase from its proportion measurement at June 30, 2021. At June 30, 2021, the Corporation's proportion was 7.87 percent.

There were no changes between the measurement date, July 1, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2022, the Corporation recognized OPEB expense of approximately $10,194,232. At June 30, 2022, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on OPEB plan investments	$ -	$ (43,107,938)
Difference between projected and actual earnings	4,030,169	(5,173,534)
Changes in assumptions	5,295,733	(2,674,026)
Contributions subsequent to the measurement date	21,701,762	-
Total	$ 31,027,664	$ (50,955,498)

Note 9 - Other Postemployment Benefit Plan (Continued)

The $21,701,762 reported as deferred outflows of resources related to OPEB resulting from the Corporation's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2023	$ (9,727,680)
2024	(9,686,850)
2025	(9,441,092)
2026	(10,590,239)
2027	(2,183,735)
Total	$ (41,629,596)

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions adopted by the board of trustees of the Hawaii Employer-Union Health Benefits Trust Fund of the State of Hawaii on January 13, 2020 based on the experience study covering the five-year period ended June 30, 2018:

	2021
Inflation	2.50 percent
Salary increases	3.50 percent to 7.00 percent, including inflation
Discount rate	7.00 percent
Health care cost trend rates:	
PPO*	Initial rate of 7.25 percent, declining to a rate of 4.70 percent after 12 years
HMO*	Initial rate of 7.25 percent, declining to a rate of 4.70 percent after 12 years
Part B and base monthly contribution	Initial rate of 5.00 percent, declining to a rate of 4.70 percent after 9 years
Dental	4.00 percent
Vision	2.50 percent
Life insurance	0.00 percent

Change in Actuarial Assumptions

The changes in actuarial assumption between 2022 and 2021 are as follows: PPO and HOM health care cost trends decreased by 0.25 percent, dental decreased by 1 percent, and vision decreased by 2.5 percent.

Note 9 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments at June 30, 2022 was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the follow table:

	Target Allocation	Long-term Expected Real Rate of Return
Asset class:		
Private equity	12.50 %	10.19 %
U.S. microcap	6.00	7.62
U.S. equity	16.00	6.09
Non-U.S. equity	11.50	7.12
Global options	5.00	4.33
Real estate	10.00	6.16
Private credit	8.00	5.83
TIPS	5.00	(0.07)
Long treasurys	6.00	1.06
Alternative risk premia	5.00	1.46
Trend following	10.00	2.01
Reinsurance	5.00	4.44

Discount Rate

The discount rate used to measure the net OPEB liability at June 30, 2022 was 7.00 percent, based on the expected rate of return on OPEB plan investments of 7.00 percent and the municipal bond rate of 1.92 percent (based on the daily rate closest to but no later than the measurement date of the Fidelity 20-year Municipal GO AA index). Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 9 - Other Postemployment Benefit Plan (Continued)

OPEB Plan Fiduciary Net Position

The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. The EUTF's complete financial statements are available at https://eutf.hawaii.gov/reports/.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The following table presents the Corporation's net OPEB liability calculated using the discount rate of 7.00 percent, as well as what the Corporation's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current discount rate:

	1 Percentage Point Decrease (6.00%)	Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability - 2022	$ 607,945,466	$ 491,488,746	$ 399,603,137

The following table presents the Corporation's net OPEB liability calculated using the assumed health care cost trend rate, as well as what the Corporation's net OPEB liability would be if it were calculated using the trend rate that is 1 percentage point lower or 1 percentage point higher than the current health care cost trend rate:

	1 Percentage Point Decrease	Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB liability - 2022	$ 394,642,809	$ 491,488,746	$ 616,585,130

Note 10 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Long-term debt	$ 16,635,764	$ -	$ (444,461)	$ 16,191,303	$ 8,893,304
Direct borrowings and direct placements - Notes payable	18,911,832	3,634,235	(4,745,158)	17,800,909	1,447,004
Leases	19,955,029	1,388,017	(4,224,733)	17,118,313	3,555,747

Note 10 - Long-term Debt (Continued)

The long-term debt obligations are summarized as follows:

Roselani Place

In 2007, Alii exercised the option to purchase the facility from the developer/landlord. In connection with the purchase, Alii also assumed the land lease on which the facility is situated. HHSC entered into a loan transaction with a financing institution and then entered into a loan arrangement with Alii with the same terms. In 2019, Alii refinanced the loan with an outside institution. The refinanced loan is payable in monthly installments of $109,431 to the outside institution, including interest at 4.53 percent through April 2029. The note is collateralized by certain property and equipment of the Company. The outstanding amount on this note payable is $7,793,892

Maui Bonds

In 2012, MMMC issued general obligation bonds. These bonds were executed in two parts: Series 2012A and Series 2012B. The Series 2012A bonds were issued to refinance MMMC's existing $8 million loan, which had been held with the Bank of Montreal. Total borrowing under the first agreement was $8,100,000. These bonds carry an interest rate of 4.05 percent. The Series 2012A bonds are secured by a loan note guarantee issued by the United States Department of Agriculture (USDA) through its Rural Development division. The Series 2012B bonds provided initial funding for the purpose of construction of a physician clinic adjacent to the hospital and partial funding for a building renovation and equipment associated with imaging services. Borrowing costs under the second agreement totaled $901,000. These bonds carried a variable interest rate that started at 5 percent until September 1, 2017, at which point the rate shall reset on each September 1, occurring every five years thereafter at a rate equal to 3.75 percent over the prevailing five-year FHLB Bulled Rate (Seattle). In the event that such rate is no longer available or practicable, a similar index as mutually agreed upon by the issuer and holders of the bonds will be used. The effective interest rate on the Series 2012B bonds as of June 30, 2022 was 5.875 percent. The Series 2012B bonds are unsecured. The bonds are payable in annual installments ranging from $196,000 to $978,000. In connection with the Series 2012A and Series 2012B bond issuance, MMMC is subject to certain financial covenants. As of June 30, 2022, MMMC was not in compliance with those covenants. A waiver for the covenant requirements was granted by the lender.

In January 2015, MMMC issued Revenue Bond Number 3 for $10,137,894, the proceeds of which were used to refinance the previously issued Series 2013 bonds. These bonds were issued under the existing master trust indenture dated April 1, 2008. Monthly payments are due in the amount of $46,433, including principal and interest, through January 2045 when all remaining principal and accrued interest are payable. Revenue Bond Number 3 carries an interest rate of 3.50 percent as of June 30, 2022. In connection with the Revenue Bond Number 3, MMMC is subject to certain financial covenants. As of June 30, 2022, MMMC was not in compliance with those covenants. A waiver was not obtained for the covenant requirements from the lender for the year ended June 30, 2022, and, as a result, Revenue Bond Number 3 for $8,683,136, is shown as current in the financial statements.

East Hawaii Region

In June 2001, HHSC acquired land, building, and medical equipment of $11,893,162 from Hilo Residency Training Program, Inc. (HRTP) to ensure the uninterrupted operation of the Hilo Medical Center Cancer Treatment Center and its radiation and medical oncology services. As part of the acquisition, HHSC assumed HRTP's outstanding balances on the loans and notes payable (the "HRTP Loan") of $5.9 million from Central Pacific Bank and the United States Department of Agriculture (USDA). The assets and related liabilities have been recorded in the region's accounting records. The HRTP Loan is collateralized by a security interest in the capital assets acquired from HRTP, as well as any rights, interest, and other tangible assets relating to such property. In October 2007, the HRTP Loan to Central Pacific Bank and the USDA were refinanced into a single note payable to Academic Capital Group, Inc. This HRTP Loan was again refinanced during 2019 with American Savings Bank (ASB). The underlying collateral of the note remained unchanged as a result of the ASB refinancing.

Note 10 - Long-term Debt (Continued)

In 2022, the region amended the HRTP Loan with ASB. The amended HRTP Loan allows for additional borrowings of up to $8.5 million to be used for construction of additional facilities for the Region. Of the total $8.5 million available for distribution, $3,634,235 million was drawn at June 30, 2022. The additional borrowings are to be repaid on a 15-year term, beginning as of the earlier of 18 months after the initial loan agreement, or the date of completion of the construction. The agreement bears interest at a fixed rate of 2.79 percent.

Under the current terms of the HRTP Loan, HHSC is subject to semiannual financial covenants, including days cash on hand being no less than 30 days and a cash to debt ratio of 0.75. Additionally, the region is required to maintain a minimum of $5 million cash balance with ASB. Failure to meet these covenants results in an event of default.

Management has indicated they have remained in compliance with all covenants during 2022.

Kahuku Medical Center

Kahuku Medical Center had secured a line of credit for $500,000 that matured on September 1, 2022. As of June 30, 2022, the facility had no borrowings against the line.

Paycheck Protection Program

During 2021, Hawaii Health Systems Corporation received a Second Draw Paycheck Protection Program (PPP) loan for approximately $3 million. The Second Draw PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security Act and is administered by the Small Business Administration (SBA). Borrowers may qualify if they previously received a First Draw PPP loan and will or have used the full amount only for authorized uses, have no more than 300 employees, and can demonstrate at least a 25 percent reduction in gross receipts between comparable quarters in 2019 and 2020. Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. Hawaii Health Systems Corporation may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid with interest accruing at a rate of 1.00 percent. The lender will calculate the monthly payments after the lender receives payment of any forgiven loan amounts from the SBA.

During the year ended June 30, 2022, Hawaii Health Systems Corporation applied for and received notification of forgiveness of the loans from the SBA. Loan forgiveness in the amount of approximately $3 million has been recorded in nonoperating income (expense) on the statement of revenue, expenses, and changes in net position.

If the SBA determines Hawaii Health Systems Corporation was not initially eligible under the program or concludes that the Corporation did not have an adequate basis for making the good-faith certification of necessity at the time of application for the loans, the loans could become payable on demand. In the event the SBA subsequently determines the Corporation did not meet the initial eligibility requirements for the loans or did not qualify for loan forgiveness, the Corporation could be required to repay the PPP loans plus interest.

Note 10 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

The table below indicates the future scheduled principal and interest payments as of June 30, 2022. While presentation of the statement of net position contains certain amounts that are included within current portion of long-term debt, the schedule below has been prepared based on contractually scheduled payments as of June 30, 2022:

	Long-term Debt		Direct Borrowings and Direct Placements - Notes Payable	
Years Ending June 30	Principal	Interest	Principal	Interest
2023	$ 465,296	$ 606,743	$ 1,447,004	$ 527,608
2024	486,659	589,499	1,653,354	544,479
2025	505,896	569,906	1,768,841	503,399
2026	525,709	550,353	1,838,469	433,785
2027	545,871	530,035	1,910,850	361,391
2028-2032	3,070,540	2,317,170	6,307,311	895,453
2033-2037	3,724,284	1,672,369	2,509,974	190,796
2038-2042	4,518,370	889,219	365,106	6,931
Thereafter	2,348,678	84,896	-	-
Total	$ 16,191,303	$ 7,810,190	$ 17,800,909	$ 3,463,842

Significant Terms

The outstanding obligations discussed above contain events of default with finance-related consequences. There are provisions that (a) if certain financial covenants are not met or (b) payments are not made according to normal schedules, the lender could accelerate payment of the principal amounts due if those provision violations are not waived.

Note 11 - Leases

The Corporation leases certain assets from various third parties. The assets leased include equipment and buildings. Payments are generally fixed monthly. During the year ended June 30, 2022, the Corporation recognized insignificant outflows as a result of variable payments that were properly excluded from the initial measurement of the lease liability

Lease asset activity of the Corporation is included in Note 5.

Future principal and interest payment requirements related to the Corporation's lease liability at June 30, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	$ 3,555,747	$ 432,186	$ 3,987,933
2024	3,179,605	341,283	3,520,888
2025	2,767,794	258,442	3,026,236
2026	1,958,925	192,329	2,151,254
2027	1,269,611	141,454	1,411,065
2028-2032	1,713,062	471,624	2,184,686
2033-2037	400,415	355,546	755,961
2038-2042	461,531	292,894	754,425
2043-2047	531,702	220,716	752,418
2048-2052	612,541	137,618	750,159
2053-2057	667,380	41,720	709,100
Total	$ 17,118,313	$ 2,885,812	$ 20,004,125

Note 11 - Leases (Continued)

The Corporation leases certain facilities to various third parties. Payments are generally fixed monthly.

During the year ended June 30, 2022, the Corporation recognized the following related to its lessor agreements:

Lease revenue	$ 1,603,087
Interest income related to its leases	631,977

In addition, as of June 30, 2022, the Corporation has recognized $20,515,852 of deferred inflows related to the Corporation’s leasing arrangements.

Future principal and interest payment requirements related to the Corporation’s lease receivable at June 30, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	$ 1,427,445	$ 574,508	$ 2,001,953
2024	1,404,461	534,792	1,939,253
2025	559,236	506,456	1,065,692
2026	575,499	490,145	1,065,644
2027	592,235	473,382	1,065,617
2028-2032	3,227,299	2,100,182	5,327,481
2033-2037	3,726,266	1,600,077	5,326,343
2038-2042	4,300,765	1,024,267	5,325,032
2043-2047	4,963,851	359,670	5,323,521
Total	$ 20,777,057	$ 7,663,479	$ 28,440,536

Note 12 - Commitments and Contingencies

Professional Liability

Hawaii Health Systems Corporation maintains professional and general liability insurance with a private insurance carrier with a $1 million limit per claim and a $5 million aggregate. Hawaii Health Systems Corporation has also purchased additional excess insurance with a $34 million per claim and aggregate limit. Hawaii Health Systems Corporation's general counsel advises that, in the unlikely event any judgments rendered against Hawaii Health Systems Corporation exceed Hawaii Health Systems Corporation's professional liability coverage, such amounts would likely be paid from an appropriation from the State's General Fund. Settled claims have not exceeded the coverage provided by the insurance carrier in any of the past three fiscal years. The Corporation has accrued approximately $1,132,000 as of June 30, 2022 as accounts payable and accrued expenses on the statement of net position.

Workers' Compensation Liability

Hawaii Health Systems Corporation is self-insured for workers' compensation claims. Hawaii Health Systems Corporation pays a portion of wages for injured workers (as required by law), medical bills, judgments as stipulated by the State's Department of Labor, and other costs. Hawaii Health Systems Corporation also directly provides treatment for injured workers. The estimated liability is based on actuarial projections of costs using historical claims-paid data. Estimates are continually monitored and reviewed, and, as settlements are made or estimates adjusted, differences are reflected in current operations. Hawaii Health Systems Corporation has accrued a liability of $11,967,000 for unpaid claims as of June 30, 2022.

Note 12 - Commitments and Contingencies (Continued)

	2022	2021
Estimated liability - Beginning of year	$ 11,557,000	$ 11,584,000
Estimated claims incurred - Including changes in estimates	2,862,000	2,596,000
Claim payments	(2,452,000)	(2,623,000)
Estimated liability - End of year	$ 11,967,000	$ 11,557,000

Ceded Lands

The Office of Hawaiian Affairs (OHA) and the State are presently in litigation involving the State's alleged failure to properly account for and pay to OHA moneys due to OHA under the provisions of the Hawaii State Constitution and Chapter 10 of the Hawaii Revised Statutes for use by the State of certain ceded lands.

During the 2006 legislative session, the State of Hawaii Legislature enacted Act 178, which provided interim measures to ensure that a certain amount of proceeds was made available to OHA from the prorated portion of the public land trust for the betterment of the conditions of native Hawaiians. The act provided that the state agencies that collect receipts from the use of lands within the public land trust transfer a total of $3,775,000 to OHA within 30 days of the close of each fiscal quarter (or $15,100,000 per fiscal year), beginning with the 2006 fiscal year. In addition, the act appropriated $17,500,000 out of the State's general revenue to pay OHA for underpayments of the State's use of lands in the public land trust for the period from July 1, 2001 to June 30, 2005.

On September 20, 2006, the governor of the State of Hawaii issued Executive Order No. 06-06, which established procedures for the state agencies to follow in order to carry out the requirements of Act 178. Each state agency that collects receipts from the use of ceded or public land trust land is to determine OHA's share of such receipts by calculating the ceded/nonceded fraction of the parcel that generated the receipt, multiplying the receipt by the ceded/nonceded fraction, and multiplying that result by 20 percent. The resulting amounts are to be deposited into a trust holding account established for such purpose and within 10 days of the close of each fiscal quarter, the amounts are to be transferred to OHA. Within a specified period after the close of each quarter, the director of finance is to reconcile the actual amounts transferred to OHA with the required amount of $3.8 million and adjust each specific agency's payments accordingly.

For the year ended June 30, 2022, there were no payments made to OHA.

Litigation

Hawaii Health Systems Corporation is a party to certain litigation arising in the normal course of business. In management's opinion, the outcome of such litigation will not have a material impact on Hawaii Health Systems Corporation's financial statements.

Note 13 - Employee Benefits

Sick Leave

Accumulated sick leave as of June 30, 2022 was approximately $63,016,000. Sick leave accumulates at the rate of 14 hours for each month of service, as defined, without limit. Sick pay can be taken only in the event of illness and is not convertible to pay upon termination of employment. Accordingly, no liability for sick pay is recorded in the accompanying financial statements.

Note 14 - Impact of Disease Outbreak

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted hundreds of thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. During the last quarter of fiscal year 2020, the Corporation's operations were significantly impacted, as shelter-in-place orders and government mandates related to the suspension of elective procedures and travel restrictions to the state of Hawaii reduced volumes at the Corporation during this period. The Corporation has moved to mitigate the impact by adjusting its workforce, eliminating and delaying capital expenditures, and actively managing cash disbursements.

The CARES Act was enacted on March 27, 2020 and authorizes $100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare- and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds is to reimburse providers for lost revenue attributable to the coronavirus disease pandemic, such as forgone revenue from canceled procedures, and to provide support for related health care expenses, such as constructing temporary structures or emergency operation centers; retrofitting facilities; purchasing medical supplies and equipment, including personal protective equipment and testing supplies; and increasing workforce. Further, these relief funds ensure uninsured patients are receiving testing and treatment for COVID-19. There was also an additional $8.5 billion in funds appropriated under America Rescue Plan (ARP) Act of 2021, which were distributed in December 2021 to eligible health care providers.

Through June 30, 2022, the Corporation received $69.1 million as part of general and targeted distributions of the CARES Act Provider Relief Fund and ARP Rural payments under the American Rescue Plan Act of 2021, which were distributed between April 2020 and December 2021. Of these funds received, $46.0 million of revenue was recognized in previous years. These payments are not subject to repayment, provided the Corporation is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for health care-related expenses or lost revenue attributed to COVID-19. Based on an analysis of compliance and reporting requirements of the Provider Relief Fund and ARP Rural payment and the impact of the pandemic on the Corporation’s operating results through June 30, 2022, the Corporation believes there is reasonable assurance the applicable terms and conditions required to retain the funds are met as of June 30, 2022. Therefore, the Corporation has recognized $21.9 million as contribution revenue within nonoperating revenue (expense) on the statement of revenue, expenses, and changes in net position for the year ended June 30, 2022.

The Corporation recorded $1.2 million within unearned revenue in the statement of net position as of June 30, 2022 where conditions for recognition have not yet been met. The Corporation will continue to monitor the terms and conditions of the CARES Act funds and ARP Rural payments and the impact of the pandemic on revenue and expenses.

HHS’ requirements for the uses of the CARES Act funds and ARP Rural payments are subject to change and are open to interpretation and clarification; therefore, there may be changes in the amounts recognized as contribution revenue during the year ended June 30, 2022. If the Corporation is unable to attest to or comply with future terms and conditions, the ability to retain some or all of the distributions received may be impacted. Any changes in amounts recognized as a result of new guidance, interpretation, or clarification will be recognized in the period in which the change occurred.

Note 14 - Impact of Disease Outbreak (Continued)

Additionally, in the year ended June 30, 2022, the Corporation received $60.2 million in American Rescue Plan funds passed through State of Hawaii appropriations. These payments are not subject to repayment, and there are no required terms and conditions related to the appropriation funding; therefore, all amounts received have been recognized as nonoperating revenue as of June 30, 2022.

Medicare Accelerated Payments

During 2020, Hawaii Health Systems Corporation requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to 6 months of accelerated Medicare payments for acute-care hospitals. Effective October 1, 2020, the repayment term of the accelerated payments began one year after the first payment was issued, and the payments are initially recouped at 25 percent of the Medicare payments to the Corporation for 11 months. After 11 months, the recoupment will increase to 50 percent of the Medicare payments to the Corporation for 6 additional months (or until all amounts are repaid). Any unapplied accelerated payment amounts that are unpaid after this 17-month period are due to CMS, plus interest at a rate of 4 percent on the outstanding balance. As of June 30, 2022, the Corporation received approximately $14 million from these accelerated Medicare payment requests. As of June 30, 2022, approximately $11 million was recouped by CMS. As of June 30, 2022, approximately $3 million remained as a current liability on the statement of net position.

Required Supplemental Information

Required Supplemental Information
Schedule of the Proportionate Share of the Net Pension Liability
Employees' Retirement System of the State of Hawaii

Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Corporation's proportion of the net pension liability	4.2 %	4.1 %	4.1 %	4.1 %	4.1 %	6.9 %	7.1 %	7.3 %	7.2 %
Corporation's proportionate share of the net pension liability	$ 509,459,725	$ 627,817,806	$ 576,687,523	$ 542,374,488	$ 530,455,687	$ 916,111,059	$ 623,325,233	$ 583,997,239	$ 638,368,793
Corporation's covered payroll	$ 213,773,542	$ 202,294,694	$ 197,655,015	$ 191,534,713	$ 172,037,521	$ 282,760,136	$ 288,121,862	$ 285,988,382	$ 268,597,949
Corporation's proportionate share of the net pension liability as a percentage of its covered payroll	238.3 %	310.3 %	291.8 %	283.2 %	308.3 %	324.0 %	216.3 %	204.2 %	237.7 %
Plan fiduciary net position as a percentage of total pension liability	64.3 %	53.2 %	54.9 %	55.5 %	54.8 %	51.3 %	62.4 %	63.9 %	58.0 %

See note to pension required supplemental information schedules.

Required Supplemental Information
Schedule of Pension Contributions
Employees' Retirement System of the State of Hawaii

Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 50,978,100	$ 51,346,400	$ 45,328,800	$ 38,354,000	$ 33,088,000	$ 50,418,500	$ 51,584,604	$ 49,213,969	$ 53,279,579
Contributions in relation to the contractually required contribution	50,978,100	51,346,400	45,328,800	38,354,000	33,088,000	50,418,500	51,584,604	50,272,620	47,500,308
Contribution (Excess) Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (1,058,651)**	**$ 5,779,271**
Corporation's Covered Payroll	$ 217,913,914	$ 213,773,542	$ 202,294,694	$ 197,655,015	$ 191,534,713	$ 172,037,521	$ 282,760,136	$ 288,121,862	$ 285,988,382
Contributions as a Percentage of Covered Payroll	23.4 %	24.0 %	22.4 %	19.4 %	17.3 %	29.3 %	18.2 %	17.4 %	16.6 %

See note to pension required supplemental information schedules.

Note to Pension Required Supplemental Information Schedules

June 30, 2022

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension and other postemployment benefit obligations as a factor.

The schedule of pension contributions is presented to show the responsibility of the Corporation in meeting the actuarial requirements to maintain the system on a sound financial basis.

The schedule of the proportionate share of the net pension liability and schedule of pension contributions are schedules required in the implementation of GASB Statement No. 68. The schedule of the proportionate share of the net pension liability represents, in actuarial terms, the accrued liability less the market value of assets. The schedule of pension contributions is a comparison of the Corporation's contributions to the actuarially determined contributions.

The information presented in the schedule of pension contributions was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. Additional information as of the latest actuarial valuation for the pension plan follows.

The valuation methods and assumptions used to determine contribution for the fiscal year ended June 30, 2022 are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent, closed
Remaining amortization period	25 years
Asset valuation method	Market
Inflation	2.5 percent
Salary increases	3.5 percent wage inflation
Investment rate of return	7.0 percent per year, compounded annually, including inflation

Required Supplemental Information
Schedule of the Proportionate Share of the Net OPEB Liability

Last Five Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018
Corporation's proportion of the net OPEB liability	1.81150 %	5.76070 %	5.81510 %	5.81710 %	6.79050 %
Corporation's proportionate share of the net OPEB liability	$ 491,488,746	$ 513,049,791	$ 547,829,574	$ 547,178,995	$ 541,845,124
Corporation's covered payroll	$ 213,773,542	$ 202,294,694	$ 197,656,054	$ 191,546,061	$ 172,037,521
Corporation's proportionate share of the net OPEB liability as a percentage of its covered payroll	229.91 %	253.62 %	270.81 %	276.83 %	282.88 %
Plan fiduciary net position as a percentage of total OPEB liability	34.26 %	21.78 %	17.24 %	12.10 %	8.63 %

See note to OPEB required supplemental information schedules.

Last Five Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018
Contractually required contribution	$ 35,678,307	$ 15,249,898	$ 49,002,433	$ 43,988,025	$ 43,306,409
Contributions in relation to the contractually required contribution	21,701,762	22,326,446	46,929,719	45,645,221	38,382,284
Contribution (Deficiency) Excess	**$ (13,976,545)**	**$ 7,076,548**	**$ (2,072,714)**	**$ 1,657,196**	**$ (4,924,125)**
Corporation's Covered Payroll	$ 217,913,914	$ 213,773,542	$ 202,294,694	$ 197,656,054	$ 191,546,061
Contributions as a Percentage of Covered Payroll	9.96 %	10.44 %	23.20 %	23.09 %	20.04 %

See note to OPEB required supplemental information schedules.

Actuarial valuation information relative to the determination of contributions:

Valuation date	The actuarially determined contribution for fiscal year ended June 30, 2022 was developed in the July 1, 2019 valuation.
Methods and assumptions:	
Actuarial cost method	Entry age normal
Discount rate	7.00 percent
Inflation	2.50 percent
Amortization method	Level percent, open
Equivalent single amortization period	23.0 as of the fiscal year ended June 30, 2022
Payroll growth	3.50 percent
Salary increase	3.50 percent to 6.5 percent, including inflation
Demographic assumptions	Based on experience study covering the five-year period ended June 30, 2018, as conducted for the Hawaii Employees' Retirement System
Health care cost trend rates:	
PPO*	Initial rate of 8.00 percent, declining to a rate of 4.86 percent after 12 years
HMO*	Initial rate of 8.00 percent, declining to a rate of 4.86 percent after 12 years
Part B	Initial rate of 5.00 percent, declining to a rate of 4.70 percent after 11 years
Dental	Initial rate of 5.00 percent for first two years, followed by 4.00 percent for all future years
Vision	Initial rate of 0.00 percent for first two years, followed by 2.50 percent for all future years
Life insurance	0.00 percent

*Blended rates for medical prescription drugs

Other Supplemental Information

Hawaii Health Systems Corporation

Supplemental Schedule of Reconciliation of Cash on Deposit and Assets Limited as to Use with the State of Hawaii

	June 30, 2022
Cash and Cash Equivalents - State of Hawaii	
Special funds:	
S-22-303-H	$ 587,195
S-22-350-H	5,875,016
S-22-351-H	493,265
T-04-918	1,273
S-22-352-H	596,614
T-04-921	6,679
S-21-350-H	245
S-22-365-H	675,719
S-22-312-H	1,091,374
S-22-359	1,274,194
S-22-373	891,843
S-22-353-H	392,840
S-21/22-354-H	2,649,681
Total per State	14,535,938
Assets Limited as to Use - Patient Funds	
Appropriation symbol T-04-923-H	11,039
Appropriation symbol T-04-919-H	36,587
Appropriation symbol T-22-911-H	22,912
Appropriation symbol T-22-909-H	6,630
Appropriation symbol T-22-925-H	70,440
Total per State	147,608
Reconciling Items	
Patients' safekeeping deposits held by financial institutions	126,708
Restricted assets held by financial institutions	51,962,449
Total per HHSC	**$ 66,772,703**

Statement of Net Position of Facilities

June 30, 2022

	Hilo Medical Center	Hale Ho'ola Hamakua	Ka'u Hospital	Yukio Okutsu Veterans Care Home - Hilo	Kona Community Hospital	Kohala Hospital	Maui Memorial Medical Center	Kula Hospital	Lanai Community Hospital	Leahi Hospital	Maluhia	Kauai Veterans Memorial Hospital	Samuel Mahelona Memorial Hospital	Facilities
Assets and Deferred Outflows of Resources														
Current Assets														
Cash and cash equivalents	$ 55,918,140	$ 10,130	$ 29,549	$ 5,169,193	$ 20,043,756	$ 4,654,599	$ 18,887,151	$ 1,468,376	$ 353,247	$ 3,390,322	$ 5,261,182	$ 26,775,326	$ 439,314	$ 142,400,285
Cash and cash equivalents - State of Hawaii	5,875,261	494,538	603,293	-	2,649,681	392,840	-	-	-	1,091,374	675,719	1,274,194	891,843	13,948,743
Lease receivable	548,963	154,551	-	-	54,863	-	553,982	-	-	-	-	97,147	-	1,409,506
Patient accounts receivable - Less allowances for doubtful accounts	37,709,201	622,848	2,362,716	1,327,754	22,718,936	5,029,092	-	-	-	919,924	1,090,992	7,997,760	4,892,516	84,671,739
Investments	22,022,774	-	-	-	-	-	-	-	-	-	-	1,733,102	-	23,755,876
Due from the State of Hawaii	14,869,000	1,678,000	147,000	-	5,472,000	392,000	3,008,000	-	-	3,616,000	4,016,000	5,788,000	7,858,000	46,844,000
Due from affiliates - Net	-	32,160,065	8,973,748	-	2,540,146	1,436,932	2,821,904	131,375	-	2,569,281	-	-	16,891,254	67,524,705
Assets limited as to use	15,000,000	-	-	-	-	-	-	-	-	-	-	-	-	15,000,000
Supplies and other current assets	6,147,978	220,121	605,614	55,718	5,420,563	172,098	47,788	14	-	289,770	319,534	1,181,706	299,468	14,760,372
Estimated third-party payor settlements	4,557,521	829,046	-	-	2,136,919	630,928	8,146	-	-	1,068,841	602,582	530,694	1,066,805	11,431,482
Total current assets	162,648,838	36,169,299	12,721,920	6,552,665	61,036,864	12,708,489	25,326,971	1,599,765	353,247	12,945,512	11,966,009	45,377,929	32,339,200	421,746,708
Assets Limited as to Use - Net of current portion	23,046,531	41,088	13,163	-	11,389,144	-	1,114,235	-	-	90,244	51,538	11,039	36,587	35,793,569
Investments - Net of current portion	-	-	-	-	-	-	-	-	-	-	-	11,579,599	-	11,579,599
Lease Receivable	565,645	159,041	-	-	56,530	-	18,255,196	-	-	-	-	59,057	-	19,095,469
Capital Assets - Net	73,019,347	15,427,955	9,465,530	18,551,999	45,657,934	6,539,633	88,577,617	12,487,677	4,609,211	16,238,191	11,734,063	18,301,048	15,544,249	336,154,454
Other Assets	-	-	-	-	(116,372)	-	-	-	-	-	-	-	-	(116,372)
Total assets	259,280,361	51,797,383	22,200,613	25,104,664	118,024,100	19,248,122	133,274,019	14,087,442	4,962,458	29,273,947	23,751,610	75,328,672	47,920,036	824,253,427
Deferred Outflows of Resources														
Pension	24,323,584	2,113,526	2,872,404	-	11,040,976	1,673,756	-	-	-	3,769,367	2,855,416	5,825,884	3,733,823	58,208,736
Postemployment benefits other than pensions	13,435,477	1,099,709	762,871	-	5,358,395	694,624	-	-	-	1,998,465	1,617,442	3,355,750	1,368,818	29,691,551
Total assets and deferred outflows of resources	**$ 297,039,422**	**$ 55,010,618**	**$ 25,835,888**	**$ 25,104,664**	**$ 134,423,471**	**$ 21,616,502**	**$ 133,274,019**	**$ 14,087,442**	**$ 4,962,458**	**$ 35,041,779**	**$ 28,224,468**	**$ 84,510,306**	**$ 53,022,677**	**$ 912,153,714**

June 30, 2022

	Hawaii Health Systems Corporation	Eliminations	HHSC Combined	Hawaii Health Systems Foundation	Alii Community Care - Maui	Alii Health Center	Kona Ambulatory Surgery Center	East Hawaii Medical Group	Kauai Region Medical Group	Kauai Region Pharmacy-West	Kauai Adolecent Treatment Center for Healing	Kahuku	Eliminations	HHSC Consolidated
Assets and Deferred Outflows of Resources														
Current Assets														
Cash and cash equivalents	$ 10,551,782	$ -	$ 152,952,067	$ 38,896	$ 1,341,045	$ 327,600	$ 306,242	$ 1,171,410	$ 1,542,608	$ 505,196	$ 1,096	$ 2,103,406	$ -	$ 160,289,566
Cash and cash equivalents - State of Hawaii	587,195	-	14,535,938	-	-	-	-	-	-	-	-	-	-	14,535,938
Lease receivable	-	-	1,409,506	-	-	-	-	-	-	-	-	-	-	1,409,506
Patient accounts receivable - Less allowances for doubtful accounts	-	-	84,671,739	-	157,868	431,147	33,536	-	-	24,710	-	2,901,265	-	88,220,265
Investments	-	-	23,755,876	-	-	-	-	-	-	-	-	-	-	23,755,876
Due from the State of Hawaii	-	-	46,844,000	-	-	-	-	-	-	-	-	2,016,720	-	48,860,720
Due from affiliates - Net	1,385,005	(68,008,653)	901,057	-	-	-	-	535,853	-	-	-	-	(1,436,910)	-
Assets limited as to use	-	-	15,000,000	-	-	-	-	-	-	-	-	121,200	-	15,121,200
Supplies and other current assets	550,431	-	15,310,803	-	64,974	340,187	303,211	-	3,406	107,188	-	877,525	-	17,007,294
Estimated third-party payor settlements	-	(316,059)	11,115,423	-	-	-	-	-	-	-	-	416,159	-	11,531,582
Total current assets	13,074,413	(68,324,712)	366,496,409	38,896	1,563,887	1,098,934	642,989	1,707,263	1,546,014	637,094	1,096	8,436,275	(1,436,910)	380,731,947
Assets Limited as to Use - Net of current portion	1,321,996	-	37,115,565	-	-	-	-	-	-	-	-	-	-	37,115,565
Investments - Net of current portion	-	-	11,579,599	-	-	-	-	-	-	-	-	-	-	11,579,599
Lease Receivable	-	-	19,095,469	-	-	-	-	-	-	-	-	263,672	-	19,359,141
Capital Assets - Net	198,764	-	336,353,218	-	7,627,310	358,249	2,414,490	-	-	127,553	-	9,701,854	-	356,582,674
Other Assets	-	-	(116,372)	-	-	-	-	-	-	-	-	-	116,372	-
Total assets	14,595,173	(68,324,712)	770,523,888	38,896	9,191,197	1,457,183	3,057,479	1,707,263	1,546,014	764,647	1,096	18,401,801	(1,320,538)	805,368,926
Deferred Outflows of Resources														
Pension	2,228,829	-	60,437,565	-	-	-	-	-	-	-	-	-	-	60,437,565
Postemployment benefits other than pensions	1,336,113	-	31,027,664	-	-	-	-	-	-	-	-	-	-	31,027,664
Total assets and deferred outflows of resources	**$ 18,160,115**	**$ (68,324,712)**	**$ 861,989,117**	**$ 38,896**	**$ 9,191,197**	**$ 1,457,183**	**$ 3,057,479**	**$ 1,707,263**	**$ 1,546,014**	**$ 764,647**	**$ 1,096**	**$ 18,401,801**	**$ (1,320,538)**	**$ 896,834,155**

Statement of Net Position of Facilities (Continued)

June 30, 2022

	Hilo Medical Center	Hale Ho'ola Hamakua	Ka'u Hospital	Yukio Okutsu Veterans Care Home - Hilo	Kona Community Hospital	Kohala Hospital	Maui Memorial Medical Center	Kula Hospital	Lanai Community Hospital	Leahi Hospital	Maluhia	Kauai Veterans Memorial Hospital	Samuel Mahelona Memorial Hospital	Facilities
Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)														
Current Liabilities														
Accounts payable and accrued expenses	$ 31,487,001	$ 2,021,442	$ 3,962,150	$ 674,968	$ 13,941,965	$ 1,062,481	$ 504,517	$ 1,093	$ 273	$ 2,366,039	$ 1,658,629	$ 4,249,142	$ 2,400,344	$ 64,330,044
Current portion of accrued vacation	5,700,351	333,472	693,810	166,656	2,431,331	482,526	-	-	-	1,095,638	855,300	1,958,128	811,255	14,528,467
Current portion of long-term debt	440,478	-	-	-	-	-	8,893,304	-	-	-	-	-	-	9,333,782
Current portion of lease obligations	558,778	-	299,167	-	535,626	12,891	318,484	-	-	-	-	1,191,915	464,293	3,381,154
Due to affiliates - Net	41,280,741	-	-	12,415	889,345	2,557,459	-	-	3,184,624	185,969	2,815,571	14,675,194	155,088	65,756,406
Current portion of accrued workers' compensation	831,000	233,000	14,000	-	686,000	69,000	92,000	50,000	-	172,000	193,000	57,000	83,000	2,480,000
Other current liabilities:														
Medicare accelerated payments	-	-	-	-	1,883,346	-	-	-	-	-	-	1,158,411	-	3,041,757
Estimated third-party settlement	-	-	316,059	-	-	-	-	-	-	-	-	-	-	316,059
Unearned revenue - CARES Act Provider Relief Fund and other pandemic grants	-	-	905,923	-	-	-	-	-	-	-	-	-	342,000	1,247,923
Other current liabilities	322	-	6,350	-	2,026	31	-	-	-	-	-	513,441	124,745	646,915
Total current liabilities	80,298,671	2,587,914	6,197,459	854,039	20,369,639	4,184,388	9,808,305	51,093	3,184,897	3,819,646	5,522,500	23,803,231	4,380,725	165,062,507
Long-term Debt - Net of current portion	9,566,539	-	-	-	-	-	7,297,999	-	-	-	-	-	-	16,864,538
Lease Obligation - Net of current portion	1,169,636	-	2,364,766	-	1,068,803	-	981,772	-	-	-	-	3,278,160	1,316,376	10,179,513
Other Liabilities														
Accrued vacation - Less current portion	7,587,215	443,855	923,466	-	2,989,769	593,355	-	-	-	1,390,792	1,445,141	1,098,750	1,433,723	17,906,066
Accrued workers' compensation - Less current portion	3,510,000	181,000	444,000	-	1,716,000	356,000	82,000	451,000	-	543,000	505,000	780,000	594,000	9,162,000
Other postemployment liability	212,822,524	17,419,770	12,084,144	-	84,878,804	11,003,076	-	-	-	31,656,363	25,620,822	53,156,229	21,682,538	470,324,270
Due to the State of Hawaii	-	506,153	-	-	7,605,205	528,149	-	-	-	6,416,791	491,450	1,043,345	2,417,150	19,008,243
Pension liability	205,784,870	18,395,025	9,483,455	-	87,254,152	10,203,828	-	-	-	39,225,167	32,649,844	63,179,027	22,096,823	488,272,191
Other liabilities	10,873	1,500	-	-	3,833	-	-	-	-	-	-	-	-	16,206
Patients' safekeeping deposits	23,379	41,088	13,163	-	-	-	-	-	-	83,615	25,318	14,106	30,273	230,942
Total liabilities	520,773,707	39,576,305	31,510,453	854,039	205,886,205	26,868,796	18,170,076	502,093	3,184,897	83,135,374	66,260,075	146,352,848	53,951,608	1,197,026,476
Deferred Inflows of Resources														
Pension	45,319,733	3,937,926	5,351,867	-	20,571,562	3,118,545	-	-	-	7,023,089	5,320,214	10,854,795	6,956,862	108,454,593
Postemployment benefits other than pensions	22,064,549	1,806,009	1,252,833	-	8,799,880	1,140,753	-	-	-	3,281,999	2,656,260	5,511,015	2,247,954	48,761,252
Leases	1,099,931	309,913	-	-	109,927	-	18,647,849	-	-	-	-	153,184	-	20,320,804
Total deferred inflows of resources	68,484,213	6,053,848	6,604,700	-	29,481,369	4,259,298	18,647,849	-	-	10,305,088	7,976,474	16,518,994	9,204,816	177,536,649
Total liabilities and deferred inflows of resources	589,257,920	45,630,153	38,115,153	854,039	235,367,574	31,128,094	36,817,925	502,093	3,184,897	93,440,462	74,236,549	162,871,842	63,156,424	1,374,563,125
Net Position (Deficit)														
Unrestricted	(358,502,414)	(6,047,490)	(19,080,862)	4,915,326	(144,997,608)	(16,038,334)	18,587,983	8,957,538	(10,710,116)	(74,636,874)	(57,770,679)	(92,193,934)	(23,905,066)	(771,422,530)
Net investment in capital assets	61,283,916	15,427,955	6,801,597	19,335,299	44,053,505	6,526,742	77,868,111	4,627,811	12,487,677	16,238,191	11,734,063	13,830,973	13,763,580	303,979,420
Restricted for lender covenants and other	5,000,000	-	-	-	-	-	-	-	-	-	24,535	1,425	7,739	5,033,699
Total net position (deficit)	(292,218,498)	9,380,465	(12,279,265)	24,250,625	(100,944,103)	(9,511,592)	96,456,094	13,585,349	1,777,561	(58,398,683)	(46,012,081)	(78,361,536)	(10,133,747)	(462,409,411)
Total liabilities, deferred inflows of resources, and net position (deficit)	**$ 297,039,422**	**$ 55,010,618**	**$ 25,835,888**	**$ 25,104,664**	**$ 134,423,471**	**$ 21,616,502**	**$ 133,274,019**	**$ 14,087,442**	**$ 4,962,458**	**$ 35,041,779**	**$ 28,224,468**	**$ 84,510,306**	**$ 53,022,677**	**$ 912,153,714**

	Hawaii Health Systems Corporation	Eliminations	HHSC Combined	Hawaii Health Systems Foundation	Alii Community Care - Maui	Alii Health Center	Kona Ambulatory Surgery Center	East Hawaii Medical Group	Kauai Region Medical Group	Kauai Region Pharmacy-West	Kauai Adolescent Treatment Center for Healing	Kahuku	Eliminations	HHSC Consolidated
Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)														
Current Liabilities														
Accounts payable and accrued expenses	$ 1,442,239	$ -	$ 65,772,283	$ -	$ 216,805	$ 1,307,187	$ 160,946	$ 892,897	$ 168,206	$ 17,331	$ -	$ 1,478,404	$ (215,867)	$ 69,798,192
Current portion of accrued vacation	424,611	-	14,953,078	-	-	214,464	-	349,362	85,025	14,991	-	676,043	-	16,292,963
Current portion of long-term debt	-	-	9,333,782	-	1,006,526	-	-	-	-	-	-	-	-	10,340,308
Current portion of lease obligations	-	-	3,381,154	-	54,590	-	-	-	-	-	-	120,003	-	3,555,747
Due to affiliates - Net	-	(68,008,653)	(2,252,247)	-	-	-	-	-	1,107,193	1,132,286	12,768	1,221,043	(1,221,043)	-
Current portion of accrued workers' compensation	18,000	-	2,498,000	-	-	-	-	-	-	-	-	-	-	2,498,000
Other current liabilities:														
Medicare accelerated payments	-	-	3,041,757	-	-	-	-	-	-	-	-	-	-	3,041,757
Estimated third-party settlement	-	(316,059)	-	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue - CARES Act Provider Relief Fund and other pandemic grants	-	-	1,247,923	-	-	-	-	-	-	-	-	-	-	1,247,923
Other current liabilities	505,195	-	1,152,110	-	471,804	-	-	-	-	67	-	8,528	-	1,632,509
Total current liabilities	2,390,045	(68,324,712)	99,127,840	-	1,749,725	1,521,651	160,946	1,242,259	1,360,424	1,164,675	12,768	3,504,021	(1,436,910)	108,407,399
Long-term Debt - Net of current portion	-	-	16,864,538	-	6,787,366	-	-	-	-	-	-	-	-	23,651,904
Lease Obligation - Net of current portion	-	-	10,179,513	-	3,243,324	-	-	-	-	-	-	139,729	-	13,562,566
Other Liabilities														
Accrued vacation - Less current portion	1,451,866	-	19,357,932	-	-	263,723	-	465,004	120,185	14,179	-	-	-	20,221,023
Accrued workers' compensation - Less current portion	307,000	-	9,469,000	-	-	-	-	-	-	-	-	-	-	9,469,000
Other postemployment liability	21,164,476	-	491,488,746	-	-	-	-	-	-	-	-	-	-	491,488,746
Due to the State of Hawaii	-	-	19,008,243	-	-	-	-	-	-	-	-	-	-	19,008,243
Pension liability	21,187,534	-	509,459,725	-	-	-	-	-	-	-	-	-	-	509,459,725
Other liabilities	-	-	16,206	-	-	-	-	-	-	-	-	-	-	16,206
Patients' safekeeping deposits	-	-	230,942	-	-	-	-	-	-	-	-	-	-	230,942
Total liabilities	46,500,921	(68,324,712)	1,175,202,685	-	11,780,415	1,785,374	160,946	1,707,263	1,480,609	1,178,854	12,768	3,643,750	(1,436,910)	1,195,515,754
Deferred Inflows of Resources														
Pension	4,152,756	-	112,607,349	-	-	-	-	-	-	-	-	-	-	112,607,349
Postemployment benefits other than pensions	2,194,246	-	50,955,498	-	-	-	-	-	-	-	-	-	-	50,955,498
Leases	-	-	20,320,804	-	-	-	-	-	-	-	-	195,048	-	20,515,852
Total deferred inflows of resources	6,347,002	-	183,883,651	-	-	-	-	-	-	-	-	195,048	-	184,078,699
Total liabilities and deferred inflows of resources	52,847,923	(68,324,712)	1,359,086,336	-	11,780,415	1,785,374	160,946	1,707,263	1,480,609	1,178,854	12,768	3,838,798	(1,436,910)	1,379,594,453
Net Position (Deficit)														
Unrestricted	(34,886,572)	-	(806,309,102)	38,896	875,278	(686,440)	482,043	-	65,405	(541,760)	(11,672)	4,988,433	116,372	(800,982,547)
Net investment in capital assets	198,764	-	304,178,184	-	(3,464,496)	358,249	2,414,490	-	-	127,553	-	9,460,648	-	313,074,628
Restricted for lender covenants and other	-	-	5,033,699	-	-	-	-	-	-	-	-	113,922	-	5,147,621
Total net position (deficit)	(34,687,808)	-	(497,097,219)	38,896	(2,589,218)	(328,191)	2,896,533	-	65,405	(414,207)	(11,672)	14,563,003	116,372	(482,760,298)
Total liabilities, deferred inflows of resources, and net position (deficit)	**$ 18,160,115**	**$ (68,324,712)**	**$ 861,989,117**	**$ 38,896**	**$ 9,191,197**	**$ 1,457,183**	**$ 3,057,479**	**$ 1,707,263**	**$ 1,546,014**	**$ 764,647**	**$ 1,096**	**$ 18,401,801**	**$ (1,320,538)**	**$ 896,834,155**

	Hilo Medical Center	Hale Ho'ola Hamakua	Ka'u Hospital	Yukio Okutsu Veterans Care Home - Hilo	Kona Community Hospital	Kohala Hospital	Maui Memorial Medical Center	Kula Hospital	Lanai Community Hospital	Leahi Hospital	Maluhia	Kauai Veterans Memorial Hospital	Samuel Mahelona Memorial Hospital	Facilities
Operating Revenue														
Net patient service revenue	$ 213,821,169	$ 18,752,905	$ 34,941,567	$ 8,915,521	$ 97,034,258	$ 16,952,505	$ -	$ -	$ -	$ 8,408,603	$ 8,124,203	$ 39,979,564	$ 26,541,782	$ 473,472,077
Uncompensated care revenue	23,671,262	952,676	2,037,774	-	11,793,358	2,686,378	-	-	-	5,497,168	2,995,577	2,704,417	3,007,905	55,346,515
Other revenue	4,291,100	188,296	126,475	-	465,661	21,202	1,204,232	1,356	110	567,426	134,248	1,199,877	225,811	8,425,794
Total operating revenue	241,783,531	19,893,877	37,105,816	8,915,521	109,293,277	19,660,085	1,204,232	1,356	110	14,473,197	11,254,028	43,883,858	29,775,498	537,244,386
Operating Expenses														
Salaries	92,654,772	8,603,164	11,017,519	4,622,850	43,007,614	6,589,357	-	-	-	13,294,613	11,352,802	19,271,606	16,588,333	227,002,630
Employee benefits	42,544,435	3,889,063	4,939,666	1,515,997	18,848,774	2,873,090	(343,368)	339,384	-	7,090,999	5,625,782	9,913,031	6,098,978	103,335,831
Medical supplies and drugs	39,297,499	726,473	1,153,623	899,047	17,127,276	116,016	-	-	-	689,316	424,098	2,878,507	1,055,678	64,367,533
Depreciation and amortization	8,865,148	907,169	1,086,469	783,300	5,901,903	447,175	8,581,879	1,197,253	322,530	1,308,166	925,096	2,482,694	1,595,508	34,404,290
Utilities	4,715,196	663,002	471,754	545,918	1,886,986	259,822	-	-	-	989,129	666,635	765,440	757,303	11,721,185
Repairs and maintenance	7,222,855	422,136	447,612	80,957	4,481,138	459,369	-	-	-	602,320	356,736	413,733	43,528	14,530,384
Other supplies	6,334,292	869,523	730,548	238	1,989,653	562,769	-	-	-	843,275	563,551	820,267	607,065	13,321,181
Purchased services	47,342,345	3,393,195	2,586,865	2,095,037	32,891,147	1,992,677	701,498	14,282	1,040	450,545	467,280	6,737,048	4,585,094	103,258,053
Professional fees	19,050,225	1,562,105	10,964,531	161,103	946,295	58,385	-	-	-	48,134	37,824	2,854,069	1,191,470	36,874,141
Insurance	2,495,331	307,833	147,524	171,530	1,015,372	82,541	(20,000)	-	-	159,497	147,951	705,654	150,971	5,364,204
Rent and lease	2,078,786	92,674	295,971	15,882	462,711	89,625	-	-	-	27,859	2,638	357,004	375,892	3,799,042
Other	2,844,070	266,697	839,362	43,882	1,559,121	138,474	138,263	712	390	109,084	162,137	2,147,634	671,962	8,921,788
Total operating expenses	275,444,954	21,703,034	34,681,444	10,935,741	130,117,990	13,669,300	9,058,272	1,551,631	323,960	25,612,937	20,732,530	49,346,687	33,721,782	626,900,262
Operating (Loss) Income	(33,661,423)	(1,809,157)	2,424,372	(2,020,220)	(20,824,713)	5,990,785	(7,854,040)	(1,550,275)	(323,850)	(11,139,740)	(9,478,502)	(5,462,829)	(3,946,284)	(89,655,876)
Nonoperating Income (Expense)														
General appropriations from the State of Hawaii	36,846,750	2,282,652	3,226,898	-	18,162,679	1,213,673	-	-	-	-	-	7,475,375	3,660,876	72,868,903
Restricted contributions	644,615	306,382	471,002	-	607,004	5,979	-	-	-	-	-	-	-	2,034,982
Interest expense	(282,545)	(1)	(83,732)	-	(40,091)	(1,049)	(675,932)	-	-	(347)	(281)	(75,299)	(52,875)	(1,212,152)
Interest and dividend income	242,748	26,895	5,813	5,371	68,356	8,912	584,349	-	-	25,236	3,270	59,829	5,298	1,036,077
Contributions - CARES Act Provider Relief Fund	8,695,848	1,156,745	2,095,268	1,003,291	4,591,554	141,606	-	-	-	248,576	331,681	1,731,224	661,234	20,657,027
Contributions - State of Hawaii appropriations American Rescue Plan funds	22,233,909	1,377,388	1,947,160	-	10,959,646	732,349	-	-	-	8,486,700	7,834,000	3,654,775	2,995,173	60,221,100
Forgiveness of Paycheck Protection Program loan	-	-	1,354,760	-	-	-	-	-	-	-	-	2,000,000	-	3,354,760
Corporate allocation to affiliates	(2,306,000)	(180,000)	(293,000)	-	(1,075,000)	(114,000)	(2,322,475)	-	-	(207,000)	(168,000)	(401,000)	(287,000)	(7,353,475)
Other nonoperating revenue (expense) - Net	918,890	211,872	(12,513)	166,281	(13,654,519)	595,051	-	-	-	-	-	3,002	3,071	(11,768,865)
Total nonoperating income (expense)	66,994,215	5,181,933	8,711,656	1,174,943	19,619,629	2,582,521	(2,414,058)	-	-	8,553,165	8,000,670	14,447,906	6,985,777	139,838,357
Excess of Revenue Over (Under) Expenses before Capital Contributions and Transfers	33,332,792	3,372,776	11,136,028	(845,277)	(1,205,084)	8,573,306	(10,268,098)	(1,550,275)	(323,850)	(2,586,575)	(1,477,832)	8,985,077	3,039,493	50,182,481
Capital Contributions	21,186,082	(1,017)	594	-	4,730,801	(9,665)	-	-	-	(127,679)	(147,208)	3,412,197	(94,011)	28,950,094
Transfer (to) from Affiliate	(293,698)	(24,206)	(38,730)	-	(125,068)	(15,327)	-	-	-	(27,430)	(24,206)	(65,356)	(25,823)	(639,844)
Increase (Decrease) in Net Position	54,225,176	3,347,553	11,097,892	(845,277)	3,400,649	8,548,314	(10,268,098)	(1,550,275)	(323,850)	(2,741,684)	(1,649,246)	12,331,918	2,919,659	78,492,731
Net Position (Deficit) - Beginning of year	(346,443,674)	6,032,912	(23,377,157)	25,095,902	(104,344,752)	(18,059,906)	106,724,192	15,135,624	2,101,411	(55,656,999)	(44,362,835)	(90,693,454)	(13,053,406)	(540,902,142)
Net Position (Deficit) - End of year	**$ (292,218,498)**	**$ 9,380,465**	**$ (12,279,265)**	**$ 24,250,625**	**$ (100,944,103)**	**$ (9,511,592)**	**$ 96,456,094**	**$ 13,585,349**	**$ 1,777,561**	**$ (58,398,683)**	**$ (46,012,081)**	**$ (78,361,536)**	**$ (10,133,747)**	**$ (462,409,411)**

Statement of Revenue, Expenses, and Changes in Net Position of Facilities (Continued)

Year Ended June 30, 2022

	Hawaii Health Systems Corporation	Eliminations	HHSC Combined	Hawaii Health Systems Foundation	Alii Community Care - Maui	Alii Health Center	Kona Ambulatory Surgery Center	East Hawaii Medical Group	Kauai Region Medical Group	Kauai Region Pharmacy-West	Kauai Adolecent Treatment Center for Healing	Kahuku	Eliminations	HHSC Consolidated
Operating Revenue														
Net patient service revenue	$ -	$ -	$ 473,472,077	$ -	$ -	$ 8,104,976	$ 1,802,039	$ -	$ -	$ 27,345	$ -	$ 18,850,497	$ -	$ 502,256,934
Uncompensated care revenue	-	-	55,346,515	-	-	-	-	-	-	-	-	-	-	55,346,515
Other revenue	-	-	8,425,794	-	4,270,896	2,027,030	63,699	22,330,632	4,898,701	650,000	-	727,645	(30,773,228)	12,621,169
Total operating revenue	-	-	537,244,386	-	4,270,896	10,132,006	1,865,738	22,330,632	4,898,701	677,345	-	19,578,142	(30,773,228)	570,224,618
Operating Expenses														
Salaries	7,785,520	-	234,788,150	-	-	15,146,611	1,532,226	16,882,151	3,587,599	412,207	-	11,125,159	-	283,474,103
Employee benefits	3,820,095	-	107,155,926	-	-	-	(38,019)	2,839,134	380,344	80,706	-	3,021,122	-	113,439,213
Medical supplies and drugs	-	-	64,367,533	-	-	896,933	1,845,107	-	53	6,701	-	1,627,057	-	68,743,384
Depreciation and amortization	66,207	-	34,470,497	-	957,141	96,946	246,965	-	-	13,771	-	1,277,142	-	37,062,462
Utilities	294,026	-	12,015,211	-	455,312	308,236	-	-	1,851	-	-	560,753	-	13,341,363
Repairs and maintenance	752,807	-	15,283,191	-	84,031	1,847,928	477,155	-	-	38,244	-	316,358	-	18,046,907
Other supplies	537,552	-	13,858,733	-	450,995	33,283	-	-	979	4,078	-	154,223	-	14,502,291
Purchased services	-	-	103,258,053	-	66,666	1,414,938	634,645	-	639,330	425,946	-	1,585,985	(6,418,701)	101,606,862
Professional fees	197,839	-	37,071,980	-	2,862,423	158,057	-	82,171	7,702	2,576	6,956	1,200,269	(24,354,527)	17,037,607
Insurance	560,244	-	5,924,448	-	167,305	1,113,392	10,000	-	183,100	838	-	186,804	-	7,585,887
Rent and lease	223,002	-	4,022,044	-	25,727	769,491	-	-	141	12,055	-	127,497	-	4,956,955
Other	761,614	-	9,683,402	183	110,434	580,570	-	2,527,176	62,504	60,845	4,716	1,238,171	-	14,268,001
Total operating expenses	14,998,906	-	641,899,168	183	5,180,034	22,366,385	4,708,079	22,330,632	4,863,603	1,057,967	11,672	22,420,540	(30,773,228)	694,065,035
Operating (Loss) Income	(14,998,906)	-	(104,654,782)	(183)	(909,138)	(12,234,379)	(2,842,341)	-	35,098	(380,622)	(11,672)	(2,842,398)	-	(123,840,417)
Nonoperating Income (Expense)														
General appropriations from the State of Hawaii	8,517,000	-	81,385,903	-	-	-	-	-	-	-	-	1,800,000	-	83,185,903
Restricted contributions	-	-	2,034,982	-	-	-	-	-	-	-	-	-	-	2,034,982
Interest expense	(201)	-	(1,212,353)	-	(446,448)	-	-	-	(54)	(12)	-	(16,450)	-	(1,675,317)
Interest and dividend income	9,100	-	1,045,177	-	4,050	4	-	-	26	24	-	-	-	1,049,281
Contributions - CARES Act Provider Relief Fund	-	-	20,657,027	-	-	-	-	-	-	-	-	1,230,116	-	21,887,143
Contributions - State of Hawaii appropriations American Rescue Plan funds	-	-	60,221,100	-	-	-	-	-	-	-	-	-	-	60,221,100
Forgiveness of Paycheck Protection Program loan	-	-	3,354,760	-	-	-	-	-	-	-	-	(405,576)	-	2,949,184
Corporate allocation to affiliates	7,353,475	-	-	-	-	-	-	-	-	-	-	-	-	-
Other nonoperating revenue (expense) - Net	60,749	-	(11,708,116)	-	-	10,920,000	-	-	-	22,150	-	-	2,798,225	2,032,259
Total nonoperating income (expense)	15,940,123	-	155,778,480	-	(442,398)	10,920,004	-	-	(28)	22,162	-	2,608,090	2,798,225	171,684,535
Excess of Revenue Over (Under) Expenses before Capital Contributions and Transfers	941,217	-	51,123,698	(183)	(1,351,536)	(1,314,375)	(2,842,341)	-	35,070	(358,460)	(11,672)	(234,308)	2,798,225	47,844,118
Capital Contributions	-	-	28,950,094	-	-	-	2,145,000	-	-	-	-	1,194,704	(2,145,000)	30,144,798
Transfer (to) from Affiliate	(708,000)	-	(1,347,844)	-	1,347,844	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Position	233,217	-	78,725,948	(183)	(3,692)	(1,314,375)	(697,341)	-	35,070	(358,460)	(11,672)	960,396	653,225	77,988,916
Net Position (Deficit) - Beginning of year	(34,921,025)	-	(575,823,167)	39,079	(2,585,526)	986,184	3,593,874	-	30,335	(55,747)	-	13,602,607	(536,853)	(560,749,214)
Net Position (Deficit) - End of year	**$ (34,687,808)**	**$ -**	**$ (497,097,219)**	**$ 38,896**	**$ (2,589,218)**	**$ (328,191)**	**$ 2,896,533**	**$ -**	**$ 65,405**	**$ (414,207)**	**$ (11,672)**	**$ 14,563,003**	**$ 116,372**	**$ (482,760,298)**

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Hawaii Health Systems Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hawaii Health Systems Corporation (the "Corporation"), a component unit of the State of Hawaii, which comprise the statement of net position as of June 30, 2022 and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 14, 2022. Our report includes a reference to other auditors who audited the financial statements of Kahuku Medical Center, as described in our report on the basic financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2022-001, 2022-002, 2022-003, and 2022-004 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As a result of our testing, we did not identify any deficiencies that we consider to be significant deficiencies; however, significant deficiencies could exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and Board of Directors
Hawaii Health Systems Corporation

The Corporation's Responses to the Findings

Government Auditing Standards require the auditor to perform limited procedures on the Corporation's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Corporation's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

December 14, 2022

Financial Statement Audit Findings

Reference Number	Finding
2022-001	**Finding Type** - Material weakness, Oahu Region

Criteria - Capital asset accounts should be reviewed to ensure that repairs and maintenance expenditures are not capitalized.

Condition - The costs associated with a painting project were incorrectly capitalized as capital assets. An adjustment was recorded to charge the project to operations during the year ended June 30, 2022.

Context - The adjustment recorded decreased capital assets and increased operating expenses by approximately $298,000.

Cause - Internal controls and accounting procedures were not designed effectively to ensure that only expenditures that meet the criteria for capitalization were recorded to capital assets.

Effect - The adjustment recorded significantly impacted the results of operations previously reported to governance.

Recommendation - We recommend that the region put appropriate controls in place to ensure that capital assets only include expenditures that meet the criteria laid out in the region's accounting policies.

Views of Responsible Officials and Planned Corrective Actions - Management has already started implementing a corrective action plan by using a software developed by HHSC corporate office to account for CIP-related allotments, encumbrances, and expenditures. This software will allow the facility to track, monitor, and review CIP-related transactions timely to ensure repairs and maintenance expenditures are not capitalized.

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2022-002	**Finding Type** - Material weakness, Alii Region

Criteria - Property and equipment lapse schedules for Roselani Place should be maintained by the company to track capital assets and the related depreciation expense on those assets. Reconciliation of the detailed lapse schedule to the general ledger is essential to ensure amounts presented in the financial statements are accurate.

Condition - Depreciation expense had not been recorded correctly in fiscal year 2022.

Context - Capital asset amounts recorded in the general ledger did not have adequate supporting documentation, and, as a result, the depreciation expense was not adjusted to account for additions or disposals throughout the year.

Cause - A schedule needed to be updated for current year capital asset activity and depreciation expense calculated for the year and posted properly in the general ledger, as this was not performed by management.

Effect - The statement of net position and statement of revenue, expenses, and changes in net position were misstated throughout the year. An adjusting journal entry of $45,651 was posted to increase depreciation expense to correct this misstatement in fiscal year 2022.

Recommendation - We recommend management at Roselani Place perform formal review of property and equipment accounts to ensure what is being reported is properly supported by lapse schedules or other detailed records. Additionally, management should document their review of a reconciliation between the detailed lapse schedule and the general ledger to ensure all asset activity is properly captured.

Views of Responsible Officials and Planned Corrective Actions - The Roselani Place accountant will review property and equipment accounts to ensure what is being reported is properly supported by lapse schedules or other detailed reports. This process will occur monthly and will include proper documentation of reconciliation activity between the lapse schedules and the general ledger to ensure accurate capturing of asset activity.

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2022-003	**Finding Type** - Material weakness, East Hawaii Region

Criteria - Management should have controls in place related to the review and analysis of system-generated reports to ensure that data used is reliable and accurate.

Condition - Incorrect reports were used within the accounts receivable reconciliation process for the gross up of credit balances in accounts receivable at year end and also for the posting of unposted cash.

Context - Reports initially used for the preparation of the accounts receivable reconciliation did not include all activity. When updated reports were obtained, adjustments to increase net patient service revenue and accounts receivable of approximately $2 million were identified.

Cause - Lack of sufficient and timely review and analysis of reports used within the accounts receivable reconciliation process.

Effect - As a result of this issue, accounts receivable and revenue balances on the financial statements were misstated and an adjustment was recorded.

Recommendation - We recommend adequate controls be put in place to ensure timely and sufficient account reconciliation's of accounts receivable, including processes to ensure that the data used within the account reconciliation process is reviewed for accuracy.

Views of Responsible Officials and Planned Corrective Actions - Management has implemented a new review and oversight process related to the process for accounts receivable reconciliations. Additionally, a process for reviewing reconciling items and additional reports to be used within the account reconciliation process has also been put in place.

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2022-004	**Finding Type** - Material weakness, East Hawaii Region

Criteria - Management should have controls in place to ensure that transactions relating to long-term debt, lease obligations, right-to-use lease assets (lease assets), and construction in progress for the region are recorded within the general ledger as incurred.

Condition - Long-term debt, leases obligations, lease assets, and capital assets obtained by the region during the year were not recorded. As a result, long-term debt, lease obligations, accounts payable, lease assets, and construction in progress were understated at year end.

Context - An adjustment was identified and subsequently recorded by management to increase debt by $3.6 million, accounts payable by $2.2 million, and construction in progress by $5.8 million. An adjustment was identified and passed on recording by management to increase lease assets by $1.5 million and to increase lease obligations by $1.5 million.

Cause - Appropriate review and monitoring of ongoing construction in progress projects and internal communication around issued leases and long-term debt was not adequate to identify transactions that occurred prior to year end.

Effect - As a result of this issue, long-term debt, accounts payable, and construction in progress balances on the financial statements were misstated, and an adjustment was recorded. Additionally, lease assets and lease obligations were misstated on the financial statements, and a passed adjustment was identified.

Recommendation - We recommend that the region put in place controls to ensure that communication around financing and leases allows for timely recording of amounts obtained. Additionally, we recommend that adequate controls be put in place around the recording and monitoring of balances of construction projects that are in place.

Views of Responsible Officials and Planned Corrective Actions - Management has implemented a communication process around funding obtained with HHSC corporate. Additionally, a process for reviewing and monitoring construction in progress projects and lease obligations has also been put in place.

Attachment B

HAWAII HEALTH SYSTEMS CORPORATION
PROJECTED REVENUES FOR FISCAL YEAR 2023
AMOUNTS IN $'000'S
NOTE: Amounts represent estimated cash collections, not accrual basis revenues

Hilo	237,084
Hamakua	18,449
Ka'u	37,346
Kona	113,444
Kohala	13,944
KVMH	46,546
SMMH	32,082
Leahi	15,572
Maluhia	12,841
TOTAL	**527,308**

CIP Annual Report

Act/Yr	Item No.	Project Title and Brief Project Description	Apprn
248/22	E.04	Hawaii Health Systems Corporation - Corporate Office, Proof of Concept for Maui Health System	500,000
248/22	E-1	Lump Sum Kahuku Medical Center, Improvements and Renovation - Plantation Wing additional cost	400,000
248/22	E-1	Lump Sum Kahuku Medical Center, Improvements and Renovation - IT room Renovations	175,000
248/22	E-1	Lump Sum Kahuku Medical Center, Improvements and Renovation - Installation of Modular Building	350,000
248/22	E-1	Lump Sum Kahuku Medical Center, Improvements and Renovation - Remodel of existing Clinic	75,000
248/22	E-2.01	Kahuku Medical Center, Remodel Restrooms to be ADA Compliant	200,000
248/22	E-2.02	Kahuku Medical Center, Long Term Development Plan	200,000
248/22	E-2.03	Kahuku Medical Center, Remodel Nurses Station	350,000
248/22	E-2.04	Kahuku Medical Center, Extend ED Ramp Awnings	150,000
248/22	E-2.05	Kahuku Medical Center, Replace Hot Water Heaters	100,000
248/22	E-2.06	Kahuku Medical Center, Expand Oxygen Generating Room	100,000
248/22	E-2.07	Kahuku Medical Center, Patient Room Renovations	500,000
88/21 & 248/22	E-3	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Leahi Hospital, Upgrade Young elevators	808,000
88/21 & 248/22	E-3	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Maluhia, Replace Heat Pump	221,800
88/21 & 248/22	E-3	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Maluhia, Automatic Doors	125,000
88/21 & 248/22	E-3	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Maluhia, Upgrade Walk-in Refrigerators	10,000
88/21 & 248/22	E-3	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Maluhia, Reroof Lower Roof	51,532
88/21 & 248/22	E-3	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Maluhia, Replace Fire Doors	739,818
88/21 & 248/22	E-3	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Leahi Hospital, Replace Fire Doors	187,850

88/21 & 248/22	E-3	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Leahi Hospital, Fire Sprinkler Renovation	5,000
88/21 & 248/22	E-3	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Leahi Hospital, Repaint Patient Rooms	3,859
88/21 & 248/22	E-3	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Leahi Hospital, Security Walls and Door	51,534
88/21 & 248/22	E-3	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Leahi Hospital, Hazardous Materials Removal	208,007
248/22	E-4	Lump Sum Hawaii Health Systems Corporation, Kauai Region - SMMH, Solarium renovation and Pharmacy relocation	4,000,000
248/22	E-4	Lump Sum Hawaii Health Systems Corporation, Kauai Region - ER Renovation, Phase III	1,000,000
248/22	E-5	Lump Sum Hawaii Health Systems Corporation, East Hawaii Region - Operating Room Renovation, Expansion, and Electrical Upgrade	8,000,000
248/22	E-6.01	Hilo Medical Center, Two Replacement Chillers	1,500,000
248/22	E-6.02	Kau Hospital and Rural Health Clinic, Renovations, repairs and upgrades for Deteriorating infrastructure and expansion of the medical facility and rural health clinic	4,000,000
248/22	E-6.03	Kona Community Hawaii, Oncology Facility	2,500,000
248/22	E-7.01	Kona Community Hawaii, Pharmacy Expansion	674,000
248/22	E-7.02	Kauai Veterans Memorial Hospital, Add'l Funding for ED renovation	1,000,000
248/22	E-7.04	Samuel Mahelona Memorial Hospital, Signage	175,000
248/22	E-7.05	Samuel Mahelona Memorial Hospital, Add'l Technical Studies needed for Programmatic EIS, Project Development, Class IV Zoning Resubdivision	380,000
248/22	E-9.02	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Leahi Hospital, Renovate Sinclair restrooms for ADA	150,000
248/22	E-9.02	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Leahi Hospital, Relighting	75,000
248/22	E-9.02	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Leahi Hospital, Repaint Kilauea side of Young	158,603
248/22	E-9.02	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Leahi Hospital, Replace First Floor Windows	950,000
248/22	E-9.02	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Leahi Hospital, Renovate X-ray area for program space	641,397

248/22	E-9.02	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Maluhia, Renovate for Maintenance under First Floor	600,000
248/22	E-9.02	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Maluhia, Upgrade Parking Lot Lighting	100,000
248/22	E-9.02	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Maluhia, Relighting	75,000
248/22	E-9.02	Lump Sum Hawaii Health Systems Corporation, Oahu Region, Maluhia, Recoat Roof	250,000

ATTACHMENT C

Regional Reports

December 2022

EAST HAWAIʻI REGION 2022 LEGISLATIVE REPORT

The East Hawaiʻi Region, consisting of Hilo Medical Center, Hale Hoʻola Hamakua, Kaʻu Hospital, Yukio Okutsu State Veterans Home and the East Hawaiʻi Health Clinics, is the largest region in the Hawaiʻi Health Systems Corporation. The Region is the largest employer on Hawaiʻi Island with over 1,600 employees.

Hilo Medical Center originated in 1897 as a 10-bed hospital, created by the Hawaiian Government. HMC has grown to the present facility of 166-licensed beds, consisting acute, long term care, and psychiatric beds, and 24 temporary licensed beds. Hilo Medical Center is the only 5-star ranked hospital by Centers for Medicaid & Medicare on Hawaiʻi Island. Built in 1984, the facility sits on roughly 20.5 acres of land, next to the new 95-bed Yukio Okutsu Veterans Home, Hawaiʻi's first State Veterans Home, and the previous site of the "old Hilo Hospital."

<u>Hilo Medical Center patient services include:</u>

- 24-Hour CAP-Accredited Pathology Laboratory and Blood Bank Services
- 24-Hour Physician-Staffed Emergency Care
- Acute Inpatient Dialysis
- Adult Psychiatric Care
- Bronchoscopy
- Cardiac Care: Diagnostic & Interventional Cardiology, Echocardiography, Thallium Stress Treadmills, Pacemakers, Cardiac Telemetry, Cardiac Rehab, Sports Cardiology
- EEG
- Endoscopy
- Food and Nutrition Services and Counseling
- Gastroenterology
- Hospitalist Services
- Imaging Services – X-ray, CT, MRI, Angiography/Cardiac Catheterization, Interventional Radiology, Nuclear Medicine, Ultrasound
- Inpatient Dialysis and Acute Nephrology
- Inpatient and Outpatient Rehabilitation Services – Cardiac Rehab, Physical, Occupational, and Speech Therapies
- Inpatient Pharmacy
- Critical and Progressive Care
- Neurology
- Obstetrics/Gynecology Services, Labor and Delivery, Post-Partum, and Childbirth, Breastfeeding and Car Seat Classes
- Oncology Care—Medical and Radiation Oncology
- Outpatient Clinics – Behavioral Health, Cardiology, Primary Care, Oncology, Orthopedics, Neurology, ENT, Allergy, Surgery, Vascular, and Urology
- Inpatient Pediatrics
- Respiratory Therapy
- Skilled Nursing and Long Term Care
- Social Services and Case Management
- Surgical Services—Same Day Surgery, Post-Anesthesia Care, and Special Procedures

- Subspecialty Surgical Services—Orthopedics, Ophthalmology, Otorhinolaryngology, Urology
- Telemedicine
- Vascular
- Wound and Ostomy Care

PATIENT CENSUS FY 2021:

• Admissions	9,521
• Emergency Department Visits	44,188
• Births	930
• East Hawaiʻi Health Visits	107,514

COMMUNITY-BASED FOUNDATION SUPPORT OF HILO MEDICAL CENTER

Total Grants	$454,538
Total Fundraising	$68,900
Total Private Donations	$243,183
Total	**$766,621**

In FY 2022, **Hale Hoʻola Hamakua** (HHH), originally known as Honoka'a Hospital, has served the healthcare needs of the communities of Hamakua, North Hawaiʻi and South Kohala since 1951. In November 1995, a new fifty-bed (50) facility was opened above the old hospital, to provide long-term-care services. The facility was renamed Hale Hoʻola Hamakua (Haven of Wellness in Hamakua) in 1997 to reflect its new focus. Adjacent to HHH is the Hamakua Health Center that provides primary care and behavioral health services to the community in a building owned and leased from HHH.

The greater part of the “old” Honokaʻa Hospital building is being leased to the University of Hawaiʻi-Hilo for the North Hawaiʻi Education and Research Center (NHERC), a project providing college, vocational, and special interest courses in North Hawaiʻi. It will also function as a base for offsite distance learning for the university to all parts of the State.

HHH was converted as a Critical Access Hospital on November 2005, which resulted in bed configuration changes and the provision of new Emergency Room (ER) and expanded ancillary services. In 2010, the Maile Wing was added to HHH, bringing the total number of beds to 77 and increasing its capacity. HHH employs dedicated medical professionals who care for members of the communities along the Hamakua Coast.

<u>Services provided by HHH include:</u>

- 11 Acute/SNF Swing Beds
- 66 Long Term Care (ICF/SNF) Beds
- Emergency Room Services, 24 hours/7 days per week, on call within 30 minute
- Inpatient and Outpatient Rehabilitation Services for Physical, Occupational, and Speech Therapies
- Inpatient Social Services
- Inpatient and Outpatient Laboratory Services
- Inpatient and Outpatient X-Ray Services
- Inpatient Dietary/Food Services
- Auxiliary and Community Volunteer Services

PATIENT CENSUS:

- Admissions 149
- ER Visits 1,602

COMMUNITY-BASED FOUNDATION SUPPORT OF KA`U HOSPITAL

Total Fundraising $20,214.38

Ka`u Hospital, in Pahala, is a 21-swing bed facility that also operates a 24-hour/7 day a week Emergency Department. Replacing the last sugar plantation hospital on the island, Ka’u Hospital was built in 1971 to serve the needs of a vast rural area. There are no other hospitals within a 55-mile radius in any direction. As of July 2001, Ka'u Hospital was designated as a CAH (Critical Access Hospital). This is a federal designation given to small hospitals that provide essential emergency and acute services in remote areas to assist them with the financial burdens associated with their size and isolation. Adding to the spectrum of services provided by Kaʻu Hospital, a Medicare certified Rural Health Clinic was established on the hospital campus in September of 2003.

The people of Kaʻu truly support their hospital. Their partnership of volunteerism and fundraising has enabled Kaʻu Hospital to make many improvements in appearance, functionality and medical equipment that the hospital would be unable to fund on its own. It is a true community hospital where staff work toward being the very best they can be for the people of Kaʻu. Demand for services has been growing steadily.

<u>Services provided by Kaʻu Hospital include:</u>

- 24-hour Emergency Services
- Acute Care
- Intermediate and Skilled Level Care
- Inpatient and Physical Rehabilitation
- Inpatient and Outpatient Radiology
- Inpatient and Outpatient Laboratory Services
- Family Practice Rural Health Clinic

PATIENT CENSUS:

- Admissions 70
- ER Visits 2,485
- East Hawaiʻi Health Clinic Visits 6,905

East Hawaiʻi Region Foundations Supporting HHSC Hospitals
Background / Contact Information

Hilo Medical Center Foundation

Founded in 1995, the Foundation supports the healthcare of the community and its visitors by assisting Hilo Medical Center (HMC) through volunteerism, community education, and financial support. With no private hospitals in the East Hawaiʻi region, HMC is truly a community institution with quality of facilities and services dependent upon both psychological and financial community support. We view our mission as attempting to enhance that support.

Foundation President: Chuck Erskine
Foundation Administrator: Lisa Rantz
lrantz@hhsc.org

Contact information:
Hilo Medical Center Foundation
www.hilomedicalcenterfoundation.com
1190 Waianuenue Avenue, Box 629
Hilo, HI 96720
Tel: 808-932-3636 Fax: 808-974-4746

Ka`u Hospital Charitable Foundation
Ka’u Hospital Charitable Foundation was created to raise funds for the benefit of Ka‘u Hospital and Rural Health Clinic in order to supplement the financial resources available to it through the hospital’s own revenue (which comes from income, shared resources from other HHSC facilities, and any monies granted by the State.) Funds raised are used to enhance the quality of care provided by Ka‘u Hospital through improvements in the facility, medical equipment, and training of staff.

Foundation President/Director: Vacant
Foundation Vice President/Director: Wayne Kawachi
Contact information:
Ka`u Hospital Charitable Foundation
P.O. Box 773
Pahala, HI 96777
KauHCF@gmail.com
https://www.facebook.com/4KauHospital/

Hawai‘i Health Systems Corporation East Hawai‘i Region Accomplishments

On behalf of the East Hawai‘i Region of Hawai‘i Health Systems Corporation (HHSC), we are pleased to submit our end of year report highlighting the accomplishments of the Region.

Our vision continues to be “To create a health care system that provides patient centered, culturally competent, cost effective care with exceptional outcomes and superior patient satisfaction. We will achieve success by pursuing a leadership role in partnership with community health care organizations and providers.”

People

Physicians, Physician Associates, Nurse Practitioners
The East Hawai‘i Region had an excellent year in growing our medical staff by welcomed 30 new physicians, 11 nurse practitioners/physicians associates to the community. These providers specialize in family medicine, cardiology, internal medicine, emergency medicine, gastroenterology, gynecology, psychiatry, urology and vascular. In addition, the Hawai‘i Island Family Medicine Residency Program welcomed the seventh class of six residents and graduated six residents in its sixth class.

Nursing
Hilo Medical Center’s training programs stepped up to answer the nursing shortage for registered nurses, critical care nurses and nurse aides. Nurse Residency Program graduated 20 nurses in the class of 2022 and welcomed them onto our nursing staff. In anticipation of staffing needs and bed expansion, Nursing leadership doubled enrollment for the Nurse Residency Program to 40 nurse residents that are in the midst of their training. HMC’s Critical Care Training Program graduated two nurses who came from other units to step up into the Intensive Care Unit. At the end of the fiscal year, plans for the Paid Nurse Aide Training Program were solidified scheduled to carry out three cohorts starting in the fall of 2022.

Regional Board
In FY 2022, the East Hawaiʻi Regional Board appointed new members Laura Gomez and Yvonne Wong.

Growth

Service Growth
Hilo Medical Center broke ground to expand its cancer center and outpatient clinic building, located across the hospital. The building is expected to be completed in the spring of 2023. The hospital also began to renovate its lobby to improve the patient and customer experience at the beginning of 2022. The project also included the installation of a retail pharmacy to enhance medication compliance for hospital, ER and clinic patients. Final touches on the lobby renovation project is expected to be completed 2022.

Finance

Hilo Medical Center
Total Operating Revenue for FY2022 was $240.9M compared to a budget of $199.3M, a 21% favorable variance. FY2022 Total Operating Expense was $279.0M versus a budget of $277.5M, a 1% unfavorable variance. Operating Income (Loss) for FY2022 was ($38.1M) compared to a budget of ($78.2M). After Corporate Overhead and other appropriations, the Net Income was $31.9M for FY2022 versus a budgeted Net Loss of $(20.9M).

Hale Ho'ola Hamakua
Total Operating Revenue for FY2022 was $20.0M compared to a budget of $17.4M, a 15% favorable variance. FY2022 Total Operating Expense was $22.0M versus a budget of $22.6M, a 3% favorable variance. Operating Income (Loss) for FY2022 was ($1.9M) compared to a budget of ($5.2M). After Corporate Overhead and other appropriations, the Net Income was $2.3M for FY2022 versus a budgeted Net Loss of ($1.6M).

Ka'u Hospital
Total Operating Revenue for FY2022 was $33.7M compared to a budget of $22.6M, a 49% favorable variance. FY2022 Total Operating Expense was $35.1M versus a budget of $36.1M, a 3% favorable variance. Operating Income (Loss) for FY2022 was ($1.4M) compared to a budget of ($13.5M). After Corporate Overhead and other appropriations, the Net Income was $3.9M for FY2022 versus a budget of ($8.6M).

Yukio Okutsu State Veterans Home
Total Operating Revenue for FY2022 was $9.5M compared to a budget of $11.1M, a 14% unfavorable variance. FY2022 Total Operating Expense was $10.9M versus a budget of $11.5M, a 17% favorable variance. Operating Income (Loss) for FY2022 was ($1.4M) compared to a budget of ($0.4M). The Net Income (Loss) was ($1.2M) for FY2022 versus a budget of ($0.4M).

WEST HAWAIʻI REGION 2022 LEGISLATIVE REPORT

The West Hawaiʻi Region consists of Kona Community Hospital (KCH), Kohala Hospital (KH), and the Kona Ambulatory Surgery Center. The WHR is also affiliated with Alii Health Center, a primary and specialty care clinic.

Kona Community Hospital

Founded in 1914, Kona Community Hospital (KCH) was established by an Act of the Territory of Hawaiʻi to "provide a hospital in each of the Districts of North and South Kona." The original Kona Hospital was located approximately 2 miles south of today's hospital in Kealakekua. The hospital became part of the County of Hawaiʻi in 1939 when it was relocated to a new building with a 50-bed capacity and four physicians. The hospital moved 100 yards up Haukapila Street to its current location on 11 acres in 1974. Finally, in 1994, the hospital's name was changed to Kona Community Hospital by HB 3406 Act 011 SLH.

Today, KCH is a full-service acute care, safety-net hospital and certified Level III Trauma Center, proudly serving the West Hawaiʻi community. KCH is accredited by The Joint Commission. The hospital includes 94 beds which are comprised of acute care, intensive care, obstetrics, and psychiatric beds.

As one of West Hawaiʻi's largest employers, the staff at KCH includes nearly 675 highly skilled employees. KCH has 304 credentialed and privileged medical staff, 95 of whom are active, including several telemedicine providers. KCH continues to struggle with critical provider shortages, which are detailed in the Physician Retention and Recruitment section of this report.

- 24-hour Emergency Room
- Level III Trauma Center
- Inpatient & Outpatient Surgery
- Acute Inpatient Care: Obstetrics/Gynecology, Medical/Surgical, Intensive Care, Behavioral Health
- Hospitalist Services
- Outpatient Nursing Services (Infusion and Chemotherapy)
- Rehabilitation Services (PT, OT, Speech Therapy)
- Respiratory Therapy – Inpatient and Outpatient
- Pharmacy
- Laboratory and Pathology Services
- Imaging Center: MRI, CT Scan, Ultrasound, Echocardiogram, Nuclear Medicine, Cardiac telemetry monitoring
- Radiation Therapy
- Physician Specialties (General Surgery, Internal Medicine, Cardiology, Medical Oncology, Radiation Oncology, Pediatrics, OB/GYN, ENT, Ophthalmology, Plastic Surgery, Orthopedics, Psychiatry, Gastroenterology, and Urology)

Covid had a much more significant impact on Hospital volumes and ER visits as compared to prior years:

HOSPITAL STATISTICS	2021		2022		
Admissions		2,964		2,933	
Patient Days		18,370		23,626	
Waitlist Patient Days		3,861		7,454	
Births		409		423	
Emergency Visits		16,896		20,491	
Surgeries		2,224		2,183	
	% of Total Admits		% of Total Admits		% of Total Admits
Covid Admits	0.1%	49	1.7%	243	8.3%
Covid Patient Days		589		2,555	
Covid+ ER Visits		54		771	
Covid Average Length of Stay		12		10.5	

Kohala Hospital

Kohala Hospital (KH), originally a 14-bed facility located in Kapaau, was founded in 1917. At the time, the cost of hospitalization was $1.50 per day. The hospital was relocated to its present location in 1962.

On July 1, 2020, Kohala successfully converted to a 25-bed Critical Access Hospital (CAH). The hospital employs 67 full-time and part-time employees.

KH provides a state-of-the-art emergency room, outpatient lab, radiology, and EKG services.

HOSPITAL STATISTICS	2021	2022
Admissions	38	51
Patient Days	7,209	7,804
Emergency Visits	1,301	1,515

PEOPLE

The West Hawaiʻi Region Board appointed one new member during FY 2022.

Employee engagement activities were held throughout the year. Activities include:

- Quarterly Town Hall meetings
- Employee of the Month recognitions
- Quarterly DAISY Award Program honoring one nurse per quarter for extraordinary, compassionate patient care.
- Annual DAISY Nurse Leader Award for outstanding leadership.
- National Nurses’ and National Hospital Week celebrations.
- The Employee Engagement Committee and Marketing Department sponsored employee-giving programs to benefit the community:
    - Salvation Army’s Angel Giving Tree and Back to School Supply Drive
    - Hawaiʻi Diaper Bank’s Holiday Diaper Drive
    - Hawaiʻi Food Basket’s Summer Food Drive
    - Partners for Safe Keiki Car Seat Safety Clinic

QUALITY

KCH programs to improve patient outcomes:

- Began the planning phase to convert all West Hawaiʻi Region EMR systems to EPIC in partnership with The Queen's Health System.
- Level III Trauma Center – averages 30 trauma activations per month.
- Participates in the Hawaiʻi Stroke Network stroke program.
- Telemedicine including Psychiatry and Stroke.
- Circle of Life Program to meet the psychosocial needs of employees and patients by offering education and tools relating to traumatic events, end-of-life matters, and bereavement.
- Designated Baby-Friendly Hospital. World Health Organization (WHO) and the United Nations Children's Fund (UNICEF).
- All Women's Services nurses completed certifications in Advanced Life Support in Obstetrics.
- Dietary services continued its successful farm-to-table program of locally sourced, scratch cooking for patients and employees. Locally sourced products accounted for 32% of produce, proteins, dairy, and other food items, down from 50% during pre-pandemic years. The decrease is attributed to factors such as farmers cutting production in response to fewer customers (restaurants, resorts), severe staffing shortages, and other supply-chain issues. We are seeing a reversal in the downward trend, and expect to purchase 50% locally-sourced products in the upcoming fiscal year.

KCH programs offer employee, patient, and community engagement:

- The WHR entered year two of a 3-year evidence-based Leadership Development Initiative.
- KCH Employee Engagement Committee
- KCH Education Department is an American Heart Association Certified Training Center
- KCH Women's Services Unit offers programs for expectant mothers:
    - Certified childbirth educators offer prenatal education
    - Partner with NEST for Families – a community-based resource to assist new families with breastfeeding support.
    - All OB RNs are certified in ALSO (Advanced Life Support in Obstetrics)
    - OB nurses/child passenger technicians provide car seat inspections before newborn discharge from KCH
    - Outpatient lactation consultations.

PHYSICIAN RETENTION & RECRUITMENT

Kohala hospital has 2 physicians.

Kona Community Hospital has 95 active physicians representing 28 specialties on its medical staff. However, not all are readily available as a number live off-island. Those providers either work via telemedicine or report to work at the hospital when scheduled.

Additionally, KCH experiences ongoing challenges with critical provider shortages most notably in anesthesia, gastroenterology, general surgery, and our hospitalists group. We also do not currently have a nephrologist or a medical intensivist.

- KCH welcomed a dual board certified Infectious Disease and Internal Medicine doctor to our Medical Staff.
- The contracted hospitalist group providing comprehensive in-patient services at KCH has 7 full-time hospitalists and a clinical performance nurse on staff. The hospitalists cover acute care medical units and ICU.
- 24/7 emergency medicine services are provided by a contract physician group that employs 35 doctors and 4 physician assistants on staff at KCH.
- Anesthesia services are provided by a contracted physician group that employs 11 anesthesia doctors and 19 Certified Registered Nurse Anesthetists (CRNAs) on staff at KCH.

Recruiting and retention of permanent physicians is an ongoing challenge for Hawai‘i County. The West Hawai‘i Region continues to address this deficit with a progressive recruitment and retention plan in collaboration with our non-profit affiliate, Ali`i Health Center.

Recruitment is adversely affected by low reimbursements, economic uncertainty, Hawai‘i County’s high cost of living, an aging physical plant, remote location from mainland medical centers ,and distance from family and friends.

PARTNERSHIPS & AFFILIATIONS

KCH has long-term partnerships with healthcare stakeholders in order to expand and enhance the services we can provide to the community, including:

- HHSC (Hawai‘i Health Systems Corporation)
- Kona Ambulatory Surgery Center
- Alii Health Center
- Queen’s Health Systems Affiliation Agreement
- Community First Hawai‘i
- Hawai‘i Life Flight
- West Hawai‘i Community Health Centers

West Hawai‘i Region Foundations

The Kona Hospital Foundation

The Kona Hospital Foundation is dedicated to improving Kona Community Hospital for the entire community. The Foundation’s mission is to support medical technology, expanded services, and enhanced facilities that would otherwise be unavailable. Since its inception in 1984, the Foundation has provided over five million dollars in equipment and facilities to Kona Community Hospital. The volunteer seven-member Board of Trustees is completely separate from the management of the hospital.

Throughout Kona Community Hospital, you'll find plentiful evidence of the extraordinary impact made by the numerous donors. During FY 2022, we were able to fund Two Belmont Rapid Infuser for the ER, Six Infusion Chairs and Dividers for the Cancer Center and Oncology department, Mobile Room Sterilizer for respiratory care, Fetal Portable Monitor, 5 sleeper sofas and Two Infant Panda Warmers for the OB department, Noella Labor and Delivery Stimulator & Pedi Neonatal Patient Stimulator.

Foundation Chair: Ikaika Hauanio
Foundation Vice Chair: Peter S. R. Olson, Esq.
Contact Information: Kona Hospital Foundation
www.khfHawai'i.org
79-1019 Haukapila Street
Kealakekua, HI 96750-7920
Email: info@khfHawai'i.org
Telephone: 808-322-4587

COMMUNITY - BASED FOUNDATION SUPPORT OF KONA COMMUNITY HOSPITAL

Total Private Donations	$ 204,563
Total Fundraising	49,791
Total Federal / State / Private Grants	200,000
TOTAL	**454,644**

VOLUNTEER SERVICES

Kona Community Hospital Auxiliary provides volunteer support for service and fundraising Their primary mission is to fund nursing scholarships and continuing education for hospital employees.

- Number of Active Volunteers: 37
- Number of Total Volunteer Hours: 758*
- Volunteer Auxiliary Contributions:
  - Nursing Scholarship $14,000
  - Continuing Education Grants $1,318

*Volunteering hours continued to be greatly curtailed during FY 2022 due to COVID-19.

The Kohala Hospital Charitable Foundation was established in 2003, to assist Kohala Hospital, its programs, facilities, staff and patients. It supports the hospital by purchasing equipment, renovating facilities, assisting in education and outreach programs, and aiding other hospital programs or activities.

Foundation President: Dixie Adams
Foundation Vice President: Shoshana Matsumura
Contact Information: Kohala Hospital Charitable Foundation
P.O. Box 430
Kapaau, HI 96755
Telephone: 808-889-5730
808-313-1997

COMMUNITY – KOHALA HOSPITAL CHARITABLE FOUNDATION SUPPORT OF KOHALA HOSPITAL

Total Private Donations	$ 27,121
Total Fundraising	0
Total Federal / State / Private Grants	500
TOTAL	**$ 27,621**

VOLUNTEER SERVICES

Kohala Hospital Volunteer Services provides volunteer support for resident activities.
- Number of Active Volunteers: 3
- Number of Total Volunteer Hours: 1250
- Volunteer Auxiliary Contributions: $ 0.00

*Volunteering hours were greatly curtailed during FY 2022 due to COVID-19.

FACILITIES

During FY 20222, $4.2 million in CIP funding helped Kona Community hospital to conclude a number of multi-year projects:
- Patient Bathrooms - Phase II - ongoing
- Surgery Storage HVAC Upgrade -complete
- Reheat System Modification – complete
- Replace Surgery Sterilizer & Upgrade Sterile Processing Room - complete
- CSR HVAC – complete
- Patient Bathrooms - Phase I - Rooms 101, 201, 202
- Auto Transfer Switch Life Safety Branch – complete
- (3) Washers & (4) Gas Dryers (Laundry) – complete
- SSB HVAC – progress payments
- Pharmacy Dept Expansion - design
- Sewer System Upgrade – design
- New Ultrasound Space - design
- Chapel & Dayroom - complete

Master Facility Plan (MFP): In planning future needs, Kona Community Hospital has embarked on a major initiative to modernize and implement much needed upgrades to our infrastructure, medical capabilities, equipment and technology. The $80.3 million, 6-year project will ensure that KCH remains operational and can meet the healthcare needs of the West Hawaiʻi community.

Priorities include “risk of closure” projects totaling $24.9 include:

Project Description	Cost (000s)
Central Utility Plant (CUP)	4,573
Site Utilities	3,652

Roofing Replacement	3,297
Building Infrastructure	7,770
Campus-wide Transient, Surge and Lightning Protection	5,576

At Kohala Hospital, $500,000 State CIP dollars assisted with the design and construction of a new administration building extension.

CLINICAL SERVICES & TECHNOLOGY

Kohala Hospital implemented remote triage capabilities using iPad technology. KH also hosts remote meetings.

FINANCIAL

Kona Community Hospital experienced a ($37) million operating loss, driven by increased pharmaceutical, PPE and Registry staffing expenses. This was partially offset by $29 million in State appropriations and $4.6 million in Cares Act Funding to realize a net shortfall of ($3.6 million).

With its Critical Access Hospital designation and Cost Based Reimbursement from Medicare, Kohala Hospital had a net operating income of $4.2 million, further enhanced by $1.9M in State appropriations and $0.5 Million in Federal Provider Relief Funds, resulting in a net income of $6.7 million for FY 2022.

The West Hawaiʻi Region continues to provide comprehensive community healthcare services to our community that are quality-driven, customer-focused and cost-effective. We continue to implement strategies and initiatives to produce improved patient outcomes, deliver new clinical services and create strong community partnerships.

With a strong leadership team in place along with the dedication of employees, physicians, volunteers, Foundation and its Board, the Region has made progressive advancements. We will continue to face critical financial challenges moving into 2022. However, we are focused on projects and initiatives to address the healthcare needs of West Hawaiʻi.

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COVID-19 IMPACT AS OF JUNE 30, 2022

Summary: Since the onset of the COVID-19 in Hawaiʻi, the West Hawaiʻi Region facilities have planned for implemented strong infection prevention guidelines and policies that protect employees and our communities. To name a few:

- Ongoing COVID Task Force meetings assess readiness, review, and revise our COVID-19 Management Plan as needed.
- Infection Control policies that align with CDC and the Hawaiʻi Department of Health best practices.
- On-going, rigorous employee education empowering employees with the knowledge and skills to protect themselves, their families and our communities.
- Careful management of *Visitor* policies to align with the hospitals' COVID Management Plans.

COVID-19 IMPACT AS OF JUNE 30, 2022

Financial Impact (combined West Hawaiʻi Region hospitals)

Gross Provider Relief Funds (PRF)	$15,551,200
Other PRF Payments Applied to Unreimbursed Expenses Attributable to Coronavirus	5,493,111
Other PRF Remaining for Possible Lost Revenues Reimbursement	10,058,089

Moving forward, we will continue to work diligently to provide the best practices, PPE and technology possible for infection prevention and quality patient care that keep employees, patients and our communities safe and healthy.

KAUAI REGION 2022 LEGISLATIVE REPORT

Hawaiʻi Health Systems Corporation (HHSC) – Kauai Region; Kauai Veterans Memorial Hospital (KVMH), a Joint Commission accredited hospital was founded in October 1957 and dedicated to the Veterans of the Korean War. KVMH was built to meet the healthcare needs of all citizens of the surrounding communities. Accredited as a critical access hospital, KVMH has 45 licensed beds, including 25 acute and 20 long-term care beds.

Today, KVMH employs 268 people and provides the following services:

24-Hour Emergency Services (ER)

Imaging/Radiology

Acute Care

Long Term Care

Rehabilitation

Physical Therapy

Occupational Therapy

Speech Therapy

Social Services

Pharmacy

Laboratory

Intensive Care Unit

Operating Room/Surgical Services

Obstetrics and Nursery

Respiratory Therapy

Pediatrics

Additional services are provided on the KVMH Campus by agencies leasing space in the Kawaiola Medical Office Building and include:

Ho'ola La Hui Hawai'i (FQHC)

Liberty Dialysis

Clinical Labs

KVMH Patient Volumes:

Inpatient Admissions -	**1,134**
LTC Admissions -	**15**
Births -	**249**
ER Visits -	**5,504**
Outpatient Ancillary Visits -	**4,800**
Outpatient Clinic Visits -	**36,701**
Same Day Surgery -	**1,278**

Average Daily Census:

Acute	**7.06**
Swing	**7.62**
LTC	**19.4**
Total	**34.08**

In comparison to the prior year, inpatient admissions increase by 18%, outpatient clinic visits increased by 32% and outpatient surgeries increased by 27%. Births increased by 16%. There was a 13% increase in ER visit volume and LTC census was 98%.

Samuel Mahelona Memorial Hospital (SMMH) is the oldest operating hospital on Kauai, and is designated a Critical Access Hospital. Founded in 1917 as a tuberculosis hospital, it received its name from a member of the Wilcox family, who died of TB as a young man. In the 1960s, with a cure for TB well established, SMMH gradually transitioned to providing acute care, psychiatric care, skilled nursing care, and ancillary inpatient and outpatient services. Today, SMMH has 80 licensed beds, with 66 long term-care beds, 9 psychiatric beds, and 5 acute care beds. The hospital has approximately 148 employees. Currently, SMMH patient services include:

24-Hour Emergency Services (ER)

Imaging/Radiology

Acute Care

Long Term Care

Social Services

Inpatient Pharmacy

Laboratory

Rehabilitation

Physical Therapy

Occupational Therapy

Speech Therapy

Inpatient Adult Behavioral Health (Only facility on Kauai)

Hoʻola La Hui Hawai'i who leases space on the grounds at SMMH provides additional services on this campus.

SMMH Patient Volumes:

Inpatient Admissions	**187**
LTC Admissions	**20**
ER Visits	**5,656**
Outpatient Visits	**392**

Average Daily Census:

Psych	**3.3**
LTC	**48.6**
Swg	**1.0**
Total	**52.90**

Inpatient psychiatric admissions decreased by 21% over the prior year; Long Term Care average daily increased by 5%.

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The Kauai Region Clinics consist of five clinics and one urgent care located in Waimea, Port Allen, Kalaheo, Poipu and Kapaa and employs 77 people. Each clinic offers the following services:

The Clinic at Waimea

OB

Surgery

Pediatrics

Podiatry

Primary Care

The Clinic at Port Allen

Pediatrics

Primary Care

Urology

Urgent Care at Poipu

Specialty Clinic at Kalaheo

Pediatrics

Women's Health

The Clinic at Kalaheo

Primary Care

The Clinic at Poipu

Primary Care

Specialty Clinic at Kapaa

OB

Urology

Primary Care

CHARITABLE ORGANIZATIONS SERVING THE KAUAI REGION

Kauai Veterans Memorial Hospital Charitable Foundation, Inc.

The KVMH Foundation was founded in the fall of 1998. The foundation's main focus is to support the many services, equipment purchases, and programs that KVMH provides for its island communities. Through donations and fundraising the Foundation has been able to purchase equipment utilized for the comfort and safety of patients.

Foundation President: Steven Kline

Foundation Secretary: Kelly Liberatore

Contact Information:

Kauai Veterans Memorial Hospital

PO Box 356

Waimea, HI 96796

TEL: 808-338-9431 FAX: 808-338-9420

Active Foundation Volunteers

Total active volunteers *currently inactive due to COVID pandemic*

Number of Volunteer Hours provided N/A

Volunteer Foundation Contributions - N/A

KVMH Auxiliary

President, Charlene Dorsey, leads the KVMH Auxiliary. The Auxiliary operates the KVMH Auxiliary Gift Shop located at KVMH. Funds raised from the gift shop and other fundraising events are used to purchase equipment for the hospital.

Active Auxiliary Volunteers

Auxiliary operations were limited during the past year due to COVID, but we were able to restart monthly meetings in February. The KVMH Auxiliary Gift Shop remained closed

SMMH Auxiliary

Auxiliary operates the SMMH Auxiliary Thrift Shop located at SMMH. Funds raised from the thrift shop and other fundraising events are used to purchase equipment for the hospital.

Active Auxiliary Volunteers

Due to COVID, the Auxiliary was inactive this year. The SMMH Auxiliary Thrift Shop remains closed with no fundraising activities.

Number of Active Volunteers: *currently inactive due to COVID pandemic*

Number of Total Volunteer Hours: N/A

Volunteer Auxiliary Contributions: N/A

2022 LEGISLATIVE BRIEF

KAUAI REGION ACCOMPLISHMENTS

On behalf of the Kauai Region of the Hawaiʻi Health Systems Corporation (HHSC), we are pleased to submit our report highlighting the accomplishments in calendar year 2022. The report is organized into four areas: People, Quality, Facilities, and Operation

PEOPLE

Mrs. Donna Okada-Asher serves as Chair of the Kauai Regional Board which includes directors, Mr. Tito Villanueva, Mr. Dee Crowell, Mrs. Janet Kass, Mrs. Glenda Nogami-Streufert and Mr. Ernie Kanekoa. Mr. Lance K. Segawa has served as the Chief Executive Officer since March of 2018.

The Kauai Region's medical staff totals 47 active staff members with full privileges at KVMH and SMMH of which 22 are employed providers. We have successfully recruited for part-time Psychiatrist, full-time Geriatrician, and mid-level providers (Physician Assistants and Nurse Practitioners with focus on urgent care and family practice), active in CY2022. Also recruited a full-time Psychiatrist Medical Director, OB/GYN, and Urgent Care Physician to be active in CY2023.

Our current employee turnover rate has decreased from 10.3% to 8% in comparison to CY2021 data. The national healthcare turnover rate in CY2022 is 25.9%, with the median and mode recorded at 23.5% and 25.4%, respectively. A total of 86 staff members separated from HHSC Kauai Region in CY2022 and of that, 3% retired, 1% left for other employment, 13% resigned for personal reasons, and 1% left due to performance issues.

QUALITY

In 2021 and 2022, the Kauai Region participated in a total of 4 surveys between Medicare / State Office of Healthcare Assurance, Centers for Medicare & Medicaid Federal Licensure. Kauai Veterans Memorial Hospital (KVMH), Samuel Mahelona Memorial Hospital (SMMH) and the Kauai Region Clinics were recertified for state licensure. KVMH was accredited in good standing with The Joint Commission came to KVMH in December of 2021. We had an excellent survey and was told by The Joint Commission Surveyors that KVMH was one of the best Critical Access Hospitals it has surveyed. The Kauai Region Clinics went through a Rural Health Clinic Survey in September 2021 and was awarded Rural Health Clinic certification (HRSA) in October of 2021.

Recognition and Programs:

KVMH/SMMH participates in the following projects to improve the quality of healthcare and preventative care for Kauai residents:

KVMH was awarded the 2021 Bronze AHCA/NCAL National Quality Award for Long Term Care.

SMMH was awarded the 2020 Bronze AHCA/NCAL National Quality Award for Long Term Care.

SMMH is a 5-Star Facility on Medicare Nursing Home Compare

Participation with National Healthcare Safety Network (NHSN) for infection prevention initiatives including utilization of central line insertion checklists, sepsis protocols, and limiting indwelling urinary catheters to prevent UTIs, documentation of COVID-19 for both acute and Long Term Care.

KVMH participates in the American Heart Association Get with the Guidelines Stroke initiative.

KVMH is meeting or exceeding the threshold for Evidence-Based care and Safety for 2021 and 2022. Our mortality rate is declining with no excess of unexpected deaths.

KVMH has achieved consistently high Core Measure compliance over the past 2 years as reported to CMS and available at www.HospitalCompare.gov. There were no incidents of ventilator associated pneumonia or central line associated infections.

SMMH and KVMH is deeply committed to the health and well-being of their residents. We have a vigorous activities program to ensure that we keep the residents engaged with life and participating in enrichment programs to facilitate their psychological well-being. SMMH and KVMH has excelled in providing teleconferencing with families during COVID-19 and purchased additional iPADs through a CMS grant to ensure that families could Face Time, ZOOM conference with families during the pandemic. We have opened up in person visitation and have been able to meet the needs of families and residents so they can be there for important events and end of life.

A regional Falls Prevention task force is in place to evaluate and ensure patient safety and strive for not only a reduction in falls but to eliminate all falls in the region. SMMH and KVMH has seen a 50% reduction in falls in 2021 and again in 2022.

Reduction in 30-day readmission rates to 1.3 % and reduced AMA rates by 5%

Changed our HCAHP vendor to ensure we received relevant population survey. We included our Clinics in the survey process as well as the Emergency Department so that we have a full spectrum of patient satisfaction surveys to review and improve our focus on patient satisfaction as our top priority

Implemented COVID-19 preparedness actionable items including:

Surge Plan

Drive thru testing

Kauai Region Action Plan

Policy and Procedures specifically for COVID-19

COVID Drills

COVID visitation screening and guidelines

COVID vaccination for the community including the pediatric population and booster shots

To better assist us in tracking our ongoing performance on specific quality measures, KVMH continues participation in HMSA's advanced hospital care program and successfully meets the statements of work associated with the specific measures including the additional COVID-19 measures.

FACILITIES

Capital improvements to the facilities of the Kauai Region in FY2022 included projects to address patient care needs, quality of life issues for our patients and residents, and the replacement of aging plant infrastructure.

Kauai Region completed $4,384,664.19 in capital projects:

KVMH

AC Upgrades

Electrical Room Replacement

Electrical Upgrades

LTC Renovations (Nursing Facility Reno)

IT Renovations

SMMH

Emergency Generator

Endoscopy Suite

Hazard Material

LTC Nursing Facility Bathroom Reno Phase 1

Water Piping

Ongoing projects of $13,744,432.02 include:

KVMH

3D Mammography

CT Scan Room Renovation

CT Scanner

Electrical Room Replacement

Electrical Upgrades

ER Renovation – Phase 1

PT/OT (From R&M)

Signage

SMMH

CT Scan Room Renovation

CT Scanner

EIS Master Plan

Electrical Upgrade

Emergency Generator

Endoscopy Suite

Exterior Door

LTC Nursing Facility Bathroom Reno Phase 1

LTC Nursing Facility Bathroom Reno Phase 2

Psych Unit Renovation

Retrofit Radiology

-Structural Repairs

OPERATIONS

CY2022 represented year two of the COVID pandemic. Fortunately, the omicron variant was not clinically serious for the general population. Although we experienced widespread disease, it did not pressure our hospitals (capacity) as outpatient treatments were very effective. Throughout the fall months, COVID infections have declined steadily. With flu season in full swing, we are seeing an increase in flu cases along with RSV. The majority of cases are being successfully treated on an outpatient basis.

With the start of a new year, 2023 will be extremely challenging on the workforce front. The pandemic has resulted in an exodus of healthcare workers across all professions. Recruiting physicians, technicians, and frontline workers is very difficult. This shortage is driving compensation up based on increasing demand. The cost of agency workers (nurses and physicians) has increased by 35% over the past year. In addition, workforce housing is extremely limited and overly priced compounding the difficulty in recruiting. These issues will be one we will have to contend with in 2023.

We implemented a Registered Nurse new graduate residency program in an effort to recruit and retain Kauai's own nursing graduates. This program affords the new graduates an opportunity to gain hospital experience that was limited due to the COVID pandemic.

The cost of construction on Kauai has increased dramatically due to COVID. Construction bids are at least 30% higher than initial estimates. Construction project timelines are also extended as the supply chain network is unpredictable. Combined together, overall construction cost is higher with no relief in the foreseeable future.

In spite of the challenges ahead, HHSC Kauai Region continues to make a difference in how healthcare is delivered in Kauai County. Our modernization efforts are in full swing with multiple construction projects underway. We are making progress strengthening our clinical programs in behavioral health at SMMH, inpatient care at KVMH, surgical services at KVMH, and outpatient clinic services throughout our clinic network. On a very exciting note, after 3 years of collaboration and hard work, the SMMH Master Campus Plan will be completed in 2023. This accomplishment will result in a coordinated plan which will address the healthcare needs of the community in a campus (34 plus acres) vision which will be supported by the public and private sector.

Finally, strategic planning is once again on the docket for HHSC Kauai Region. As we complete our current three-year strategic plan, the next three-year plan needs to be developed. HHSC Kauai Region leadership will convene in early 2023 to accomplish this task and once again create the operational roadmap, which will guide us into the future.

OAHU REGION 2022 LEGISLATIVE REPORT

The Hawai'i Health Systems Corporation ("HHSC") Oahu Region provides essential services to our community's most vulnerable populations through its operation of two long-term care facilities, **Maluhia** and **Leahi Hospital**, located respectively in lower Alewa Heights and Kaimuki. Maluhia and Leahi provide in-patient skilled nursing and intermediate care services to the elderly, blind, disabled and otherwise incapacitated population – most of whom are covered under Medicare and Medicaid programs. Maluhia and Leahi also provide access to much needed Adult Day Health Centers (two of only three remaining on Oahu) and both facilities partner with Hawai'i Meals on Wheels to provide 257 hot meals per week for disabled elders on Oahu, which enables them to sustain their independence at home and in the community. Additionally, Maluhia provides Medical services through its Geriatric Outpatient Physician's Clinic. For many of our clinic patients, nursing home residents and day health participants – especially those receiving Medicaid benefits due to a lack of personal assets (approximately 80% of our inpatients), the Oahu Region's facilities are often the only options for quality post-acute and community-based health care services.

Leahi Hospital

Leahi Hospital, located in the heart of Kaimuki in Honolulu, Hawai'i, was first established in 1901. Leahi Hospital is licensed for 159 beds: 155 nursing home beds (dual certified for Skilled Nursing and Intermediate Care) and 4 acute beds in Leahi's tuberculosis ("TB") unit, the only unit of its kind on the island of Oahu. Individuals requiring long-term care, short-term restorative care or TB treatment are admitted to our nursing facility/acute beds. Care is provided by an interdisciplinary team of experienced healthcare professionals. Currently, Leahi Hospital employs approximately 200 people.

Long-Term Care Inpatient Services:

- Currently operating 122 Dual Certified Skilled Nursing and Intermediate Care Beds

Support:

- Recreational Therapy
- Dietary Services
- Social Services
- Speech Therapy
- Occupational Therapy
- Physical Therapy
- 4 Acute TB Inpatient Beds - Outpatient Services (TB patients are discharged to the Lanakila TB Clinic for follow-up).

Outpatient Services:

- Adult Day Health Center- The Center was temporarily closed due to the COVID-19 pandemic on March 23, 2020 and has since reopened on January 10, 2022. Leahi Adult Day Health Center is a program designed to enable our participants to enrich their lives and to maintain their independence, dignity, and self-esteem while providing respite and support for caregivers. More meaningfully, the program facilitates and encourages families to continue caring for their loved

ones in their homes, improving quality of life and reducing otherwise significant costs to MedQuest for institutional long term care.
- In collaboration with Hawai‘i Meals on Wheels, our kitchens provide meals, including medically tailored and therapeutic meals to meet the specific needs of their clients to residents in the Diamond Head, Kapahulu, University and Waikiki areas.

Patient Census and Other Services:

	Long Term Care	TB
Patient Days	31,385	0

Adult Day Health:

Participant Days	1,450
Baths Provided	306

Hawai‘i Meals on Wheels:

Meals Provided	3,612

Volunteer Services: Due to facility COVID-19 restrictions, no volunteers were allowed in the facility during the fiscal year.

Number of Active Volunteers:	0
Number of Total Volunteer Hours:	0
Volunteer Auxiliary Contributions:	$9,000

Maluhia

Maluhia, located in lower Alewa Heights in Honolulu, Hawai‘i, is licensed to operate 158 skilled nursing and intermediate care facility beds and employs approximately 160 employees. Maluhia was established in 1923, and provides the following services:

Long-Term Care Inpatient Services:
- Currently operating 120 Dual Certified Skilled Nursing and Intermediate Care Beds

Support:
- Recreational Therapy
- Dietary Services
- Social Services
- Speech Therapy
- Occupational Therapy
- Physical Therapy

Outpatient Services:
- Primary Care Geriatric Outpatient Physician Clinic
- Adult Day Health Center (Re-opened December 6, 2021)
- Collaboration with Hawai‘i Meals on Wheels to provide nearly 145 meals per week to residents in Kalihi and Liliha areas

Patient Census and Other Services

Long Term Care:

Patient Days	28,954

Adult Day Health:

Participant Days	2,482
Baths Provided	0 (Re-started bathing services in October 2022)

Outpatient Clinic:

Clinic Visits	768

Meals on Wheels:

Meals Provided	7,530

Volunteer Services: Due to COVID-19, volunteers were strictly limited to recently retired employees.

Number of Total Volunteer Hours: 500

Volunteer Auxiliary Contributions: Approximately $4,000 from the Friends of Maluhia

Maluhia Residents Admitted between 7/1/21- 6/30/22

Description	Total	Percentage
Total New Admissions	73	
Male	31	42.5%
Female	42	57.5%
ICF (Intermediate Care Facility Admissions)	58	79.5%
SNF (Skilled Nursing Facility Admissions)	15	20.5%
Medicaid	50	68.5%
Lateral Transfers	9	1.2%
Wahiawa Admissions	3	0.4%
Medicaid Pending Admissions	4	0.5%
No Guardianship Admission	1	0.1%

Examples of challenging admissions include; a patient from an acute care facility that required Adult Protective Services (APS) intervention prior to discharge. After admission to Maluhia and many months of monitoring, the APS case was closed and the resident is still at Maluhia.

There were admissions of several incapacitated residents who had no legal guardian. As such, Maluhia was required, at its expense, to hire an attorney to file formal petitions in Family Court to have the Office of Public Guardian (OPG) be appointed as Guardian for the residents.

Resident Diagnoses between 7/1/21- 6/30/22

Diagnosis	Total	Percentage
Dementia/Alzheimers without behavioral disturbance	22	30.1%
History of Falls	19	26%
Pressure Ulcers	12	16.4%

Dementia/Alzheimers with behavioral disturbance	8	11%
Hemiplegia and Hemiparesis following cerebral infarction	7	9.6%
Heart Failure	5	6.8%
Pneumonia	5	6.8%
Chronic Obstructive Pulmonary Disease	3	4.1%

COVID-19

For over two (2) years, the impact of the COVID-19 virus on society, the economy and businesses has been significant and continues to pose challenges for our facilities. Through extensive outreach and pro-vaccination campaigns, we have managed to reach a collective vaccination rate of roughly 98% for residents and staff. Additionally, more than 80% of the residents and staff have received a booster. The many issues brought by this pandemic primarily center around residents' and employees' safety and health, the financial impact and stability of the facilities, and a multitude of operational difficulties such as staffing, temporary closures of the adult day health programs and supply chain challenges.

Successful efforts in obtaining personal protective equipment (PPE) such as gowns, eye protection/face shields, gloves, medical masks and respirators required the exercise of many unconventional and exceptional strategies given their exorbitant costs and unavailability through normal sources.

Thus far, although a number of staff had contracted the COVID-19 virus, very few Leahi residents have been infected. We attribute this success primarily to the infection control protocols implemented by our clinical leadership with a particular emphasis on strict hygiene and the use of proper PPE. Additionally, staff training and monitoring on infection prevention procedures are conducted regularly, as well as routine cleaning and disinfection of equipment and areas throughout the facilities.

The mental health of our residents, their families and our staff were negatively impacted due to the restrictive visitation protocols in place to protect everyone's health. However, there were no resident discharges from either Leahi or Maluhia despite the imposed constraints. From a financial standpoint, this pandemic has adversely affected our facilities' revenues and expenditures in several areas. For example, our facilities continue to maintain a designated unit to temporarily quarantine new admissions, re-admissions, and all residents who may have had a possible exposure to COVID-19. While this safety measure greatly aids in reducing the risks of infection to our general resident population, it also resulted in a significant decrease in the available bed space at our facilities because the number of residents assigned to the designated isolation and quarantine (ISOQ) unit has been much less than the overall capacity of the unit. This decrease led to contraction of our daily resident census which, in turn, has decreased our revenue.

Similarly, the Centers for Medicare and Medicaid Services (CMS), Centers for Diseases Control and Prevention (CDC) and the State Department of Health (DOH) agencies have issued numerous rules restricting the number and method by which people may visit or utilize long-term care facilities. In light of such rules, the only feasible option for compliance and to protect our long-term care residents from COVID-19 infection was to temporarily close the Adult Day Health Centers at both Maluhia and Leahi. While we were able to repurpose the Adult Day Health employees to fill staffing gaps in our long-term care operations, no revenues could be generated during the periods the Adult Day Health programs were closed.

Securing adequate staffing is another operational challenge that our facilities continue to face during this pandemic. Healthcare facilities locally and around the nation are currently struggling to fill significant staffing shortages, especially in clinical positions like Certified Nurse Aides and Registered Nurses. To alleviate some of the strain, we have repurposed employees from other departments to assist in clinical care, approved overtime for existing nursing staff, and sought agency staff when necessary.

To facilitate thorough and appropriate responses to the foregoing and other COVID-19 issues, the Oahu Region created a regional COVID-19 leadership team soon after the pandemic began that meets regularly to discuss implementation of the guidance and regulatory requirements set forth by the DOH, CDC and CMS. Through this leadership team, we have been able to develop a litany of safety measures including, but not limited to: (1) routine surveillance of the region’s residents encompassing regular monitoring for signs and symptoms of COVID-19, measurement of vital signs and oxygen saturation levels; (2) COVID-19 surveillance and routine testing, (3) pre-shift screening procedures to identify employees and visitors who may potentially infected by COVID19 corona virus, establishment of COVID-19 nursing units and protocols that will be activated in the event of a positive COVID-19 resident; and (4) comprehensive training modules for clinical and other staff.

Strategic Planning
The Oahu Regional Board of Directors and Management previously completed a Strategic Plan that was submitted to the Legislature in December 2019 and due to the pandemic, the initiatives were basically deferred since March 2020. Briefly stated, the Strategic Plan focused on the growing needs of our aging population and the anticipation that, in the next 5-10 years, it is projected that an additional 1,100 long-term care beds will be necessary to accommodate the needs of our aging population.

The Strategic Plan also focused on the escalating and immediate demand for behavioral health housing and services for the growing population with chronic mental health and substance use disorders. In an effort to address the foregoing needs, the Oahu Region, working in tandem with the Department of Health (“DOH”), proposed legislation (introduced as SB628 SD2 HD2 CD1 and signed into law as Act 212 SLH 2021) to transition its facilities from HHSC into the DOH. Act 212 anticipated a number of key benefits. The DOH would gain access to the Oahu Region’s infrastructure and resources, and could use the Oahu Region’s vacant spaces to house lower acuity mental health patients from Hawaiʻi State Hospital, thus increasing bed availability at Hawaiʻi State Hospital for higher acuity admissions without the need for inter-agency agreements. In turn, the Oahu Region would gain stability of funding for its existing operations separate and apart from HHSC, and ensure that the collective bargaining increases for its employees are funded

In December 2021, the DOH prepared a comprehensive report to the legislature relating to the transition that included the projected initial and ongoing costs to effectuate the changeover. Due to the approximately three-year time frame and significant associated costs, however, all parties ultimately determined that an alternative approach – in lieu of transition – should be explored to accomplish the same goals.

We have been actively working with the DOH to effectively address the expanding need for mental health and substance use treatment. One important project on the Leahi campus that has thus far been successful involved a collaboration with DOH Adult Mental Health Division (AMHD) and Care Hawaiʻi. Originally opening as a proof of concept pilot for a handful of individuals in December 2019, the Palekana Residential Program currently operates as a Group Home that provides 28 beds for adults with serious mental and co-occurring substance use disorders in a warm, welcoming and safe environment where personnel are supportive, encouraging, and professional. Referrals into Palekana are received and approved by the AMHD from the Hawaiʻi State Hospital (HSH) and community based mental health providers and, of particular note, saves the HSH over $15 million annually.

Palekana facilitates a team approach in its provision of independent living skills and supportive services twenty-four (24) hours a day, seven (7) days a week. Services are designed to rehabilitate with individualized treatment goals to support a successful re-integration into the community under the least restrictive level of care. Treatments are focused on relapse prevention and recovery, and provide residents with the opportunity to participate in structured therapeutic programs while being able to reside, albeit under professional supervision, in the community. Activities include group counseling, education, skill building, recreational therapy, and family services to gain access to necessary medical and rehabilitative services to reduce psychiatric and substance abuse addiction symptoms and develop optimal community living skills.

Daniel K. Akaka State Veterans Home
The OAHU Region, working in tandem with the Office of Veterans' Services (OVS), a division of the State's Department of Defense ("DOD"), proposed legislation (introduced as HB1893 HD1 SD2 CD1 and signed into law as Act 285, SLH 2022) that transfers the Daniel K. Akaka State Veterans Home (DKASVH) from the DOD to the OAHU Region once its construction is completed. Currently, there are approximately 85,000 Veterans on OAHU that are eligible to receive care at the new home in addition to their spouses and Gold Star Parents. DKASVH is designed to provide long term nursing home care, rehabilitation therapies, hospice care, geriatric mental health, Dementia and Alzheimer's care, respite and adult day health. DKASVH will be a 120 bed, 130,000 square foot facility with single occupancy rooms situation on seven acres in Kapolei. Facility construction started in April 2021 and was scheduled for completion in April 2023. The contractor recently reported, however, that transportation complications and key equipment component and other supply chain shortages will delay the project for at least one additional year, with completion of construction and opening of the DKASVH currently expected to occur late in 2024.

Nursing
As mentioned earlier, Leahi Hospital and Maluhia provide long-term and post-acute care to the frail, aged and disabled population generally with dementia and other chronic conditions. The pandemic continues to affect the overall occupancy at Leahi Hospital and Maluhia with an average census of 80%, in part due to the complexity of the health conditions and acuity of residents, with many being afflicted with multiple chronic

conditions, mental and behavioral afflictions, and other physical and functional impairments.

The leading challenge of COVID-19 is the staffing shortage that continues to severely impact the ability to accept admissions and protect the health of all residents and staff. Despite this challenge, efforts are being undertaken to safely admit and increase the census. While stressing the importance of vaccinations, Leahi and Maluhia have more than 96% of fully vaccinated residents 99% of vaccinated staff. Additionally, the approximate percentage of residents and staff that received the Bivalent booster are 50% and 24%, respectively since its release on August 31, 2022. Both facilities continue offering the COVID-19 bivalent booster to our residents and encouraging staff to receive this booster dose.

Visitation continues to be encouraged for all residents, including residents in quarantine or isolation. To provide safe visits, we continue to adhere to the core principles of COVID-19 infection prevention.

Quality Assurance Performance Improvement
To reduce the impact of COVID-19 variants to the residents, staff and visitors, both facilities continue efforts to ensure the use of personal protective equipment (PPE), disinfect high touch surfaces, maintain recommended testing, continue to promote proper hand hygiene and explore interventions to improve Bivalent vaccination rates.

Through an ongoing performance improvement plan, Maluhia has reduced the number of residents falling while continuing to decrease the use of bed alarms, improving their quality of life. At Leahi, improved hand hygiene practices contributed to a reduction in infections.

As our facilities continue to navigate through the ever-changing regulations throughout the COVID-19 pandemic, maintaining clear communication and immediate response/updates with staff, residents and families are of utmost importance.

Locally Sourced and Scratch Cooked Food – Oahu Region and Beyond Green Partners

Oahu Region’s partnership with Beyond Green Partners (BGP) provided our staff the opportunity to learn ways to improve the quality of meals we serve to our residents, the benefits of utilizing local products, and fresh ingredients, and minimizing food waste.

Despite the Pandemic, our kitchens continue to implement quality food production practices introduced to us by Beyond Green Partners. We continue to serve scratch-cooked foods, continue to use fresh ingredients instead of frozen as much as possible. We continue to seek and utilize more local food sources to support our local farmers and Hawai‘i’s economy. Unfortunately, the costs for local products have significantly increased. We strive to provide delicious but also healthy meals to our residents, Adult Day Health participants and the community, through the Hawai‘i Meals on Wheels Program with our newly created menus utilizing fresh and local products.

Currently, we are sourcing local for produce items needed in our kitchen, such as vegetables and fruits. Other non-produce items, such as coffee, soy sauce, meats, etc. are also ordered locally to the extent possible.

Personnel
Full Time Equivalent ("FTE") figures are as follows:

FY 22 – 428.51
FY 21 – 453.79
FY 20 – 438.65
FY 19- 428.28

Financial Picture

Approximately 80% of the Oahu Region's residents receive benefits through Hawai'i's Med-Quest Medicaid program. The Oahu Region's revenues and cash flow are dependent on the reimbursement rates and timeliness of payments provided by the Medicaid programs, despite being inadequate to cover our actual inflationary shortfalls.

Given the low Medicaid reimbursement rates, UPW and HGEA pay raises effective 7/1/2021, inflation and the increased costs of providing quality health care, the Oahu Region remains unable to maintain its provision of services without continued General Fund support from the Legislature.

Moreover, as described more fully above, the COVID-19 pandemic has led the Oahu Region to experience a significant reduction in operating revenue due to a decrease in available bed space and temporary closure of our Adult Day Health Programs. The pandemic has also caused an increase in expenditures due to additional expenses for required COVID-19 testing and purchase of supplementary personal protective equipment (PPE). PPE costs are currently five to ten times greater than pre-pandemic prices. For FY 2022, the negative impact on operating revenues was $3.4 million lower than pre COVID-19 levels (FY 2019). Likewise, the Oahu Region also incurred additional expenditures (purchase of PPE $490K and other related expenditures $850K) of $1.3 million.

Fortunately, to defray some of the financial loss, during FY 22, the Oahu Region received aid through the COVID-19 Aid, Relief and Economic Security ("CARES") Act stimulus, Phase IV Provider Relief Fund and American Rescue Plan Act Fund. Nevertheless, as a consequence of continuing COVID-19 prevention efforts and treatment of potential COVID-19 infections, the Oahu Region's operating revenues and expenditures will continue to be negatively affected – this time likely without continued federal funding – and we will require much needed assistance to cover the resulting shortfalls to enable us to continue caring for our residents and day health participants.

Risk Management
Improving the residents' quality of life and providing individualized care are areas that we focus on every day. To accomplish this, an annual online staff education fair is conducted to provide current information on a variety of topics, including: infection

control, protected health information, IT security, resident rights, and patient safety. Hands on training is also provided to ensure that staff are performing their skills by "doing" instead of just observing. This provides an opportunity for discussion and real-time feedback. Throughout the year, our staff also attended education and training sessions provided by the Healthcare Association of Hawaiʻi, American Health Care Association and Mountain Pacific Quality Health. Since the COVID-19 public health emergency was declared, the staff regularly receive updates on best practices for resident care and safety in nursing homes. In turn, we update our protocols to incorporate new regulations to keep the residents and staff safe from the devastating effects of COVID-19. In addition, we consistently communicate with the family members on COVID-19 facility updates through e-mail, family meetings via Zoom and phone calls.

The Leahi-Maluhia Foundation

The Leahi-Maluhia Foundation was established in 2003.

Mission
To support the work of Leahi Hospital and Maluhia, in their mission, development and the provision of quality health and long term care.

Vision
The Leahi – Maluhia Foundation provides gap funding to boost and expand the quality of life for patients. The Foundation supports Leahi and Maluhia the same way that Parent Teacher Associations support public schools. It proactively identifies and funds ongoing improvements to ensure that patients and their families experience unparalleled excellence throughout their healthcare journey.

Board of Director Members for FY 2022
Michelle Kato, President
Jane Schramko, Director
Jerilyn Yamashiro, Director
Sean Sanada, Director
Sean Simmons, Director
Neal Yanagihara, Director

Total Private Donations:	$3,806
Total Federal/State/Private Grants	1,295
Total:	$5,101

Contact Information:
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