

STATE OF HAWAII
DEPARTMENT OF HEALTH
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Testimony in SUPPORT of S.B. 1369
RELATING TO THE REPEAL OF ACT 212, SLH 2021,
AS AMENDED BY ACT 150, SLH 2022

SENATOR JOY A. SAN BUENAVENTURA, CHAIR
SENATE COMMITTEE HEALTH AND HUMAN SERVICES

Hearing Date, Time and Room Number: Monday February 13, 2023, 1 p.m. Rm. 225/VIDEO

1 **Fiscal Implications:** None.

2 **Department Position:** The Department of Health (“Department”) supports this measure and
3 offers comments.

4 **Department Testimony:** The Behavioral Health Administration (BHA) provides the following
5 testimony on behalf of the Department.

6 This measure repeals the requirement to transfer the Oahu Regional Health Care System
7 (“Oahu Region”) in its entirety from the Hawaii Health Systems Corporation (HHSC) to the
8 Department.

9 The Department strongly supports this measure and supports the Oahu Region
10 remaining under the HHSC with its own program ID.

11 On December 30, 2021, the Department submitted a report to the Legislature that
12 included a consultant’s assessment of the transition plans and associated costs of incorporating
13 the Oahu Region into the Department. The report included a 5-year operating budget pro-
14 forma and a 10-year Capital Improvement Plan. The report detailed the complexity of the

1 transition, the associated cost and the estimated timeline. The transition cost was estimated at
2 **\$10.3 million** with an annual post-transition cost of \$5 million.

3 The Department believes that the intended goals of the transfer can still be achieved
4 without a costly transition. For example, the Department already rents space from the Oahu
5 Region on the Leahi Hospital campus for three of its programs through Memorandums of
6 Understanding. The Department is interested in additional space and will continue to work
7 collaboratively with the Oahu Region for any useable space they identify within their facilities.

8 **Offered Amendments:** None.

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



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
Senate Committee on Health and Human Services
February 13, 2023 at 1:00 p.m.

By

Kalbert K. Young

Vice President for Budget and Finance/Chief Financial Officer
University of Hawai'i System

SB 1369 – RELATING TO THE REPEAL OF ACT 212, SESSION LAWS OF HAWAII
2021, AS AMENDED BY ACT 150, SESSION LAWS OF HAWAII 2022

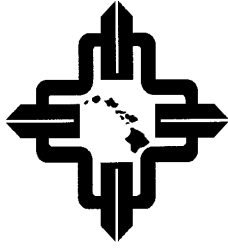
Chair San Buenaventura, Vice Chair Aquino, and Members of the Committee:

Thank you for the opportunity to testify on this measure, which repeals the statute that requires the transfer of the O'ahu Regional Health care system from the Hawai'i Health Systems Corporation (HHSC) to the Department of Health (DOH).

The University of Hawai'i (UH) is the landowner under which the Lē'ahi Hospital is located. A facility of HHSC and its O'ahu Region, Lē'ahi Hospital has been located on UH property under a long-established lease. When Act 212 (2021) was considered by the Legislature in 2021, the UH acknowledged its support of the contemplated transfer, because both HHSC and DOH wanted the transfer to occur and it made sense for either agency.

The UH is supportive of both agencies and hopes that there is cooperative agreement that repeal of this statute is part of a broader plan to preserve and improve health care in Hawai'i and on O'ahu. To the extent that Lē'ahi Hospital is a component of that strategy, the UH wants to support whatever strategy bolsters Lē'ahi Hospital's sustainability. The UH wants for Lē'ahi Hospital and HHSC to be successful.

Thank you for the opportunity to testify on this measure.



OAHU REGION HAWAII HEALTH SYSTEMS CORPORATION

**Committee on Health and Human Services
Senator Joy A. San Buenaventura, Chair
Senator Henry J.C. Aquino, Vice Chair**

February 13, 2023, 1:00 P.M.
Conference Room 225
Hawaii State Capitol

Sean Sanada
Oahu Region Chief Administrative Officer
Hawaii Health Systems Corporation
Re: Comments

SB 1369, RELATING TO THE REPEAL OF ACT 212, SESSION LAWS
OF HAWAII 2021, AS AMENDED BY ACT 150, SESSION
LAWS OF HAWAII 2022

Chair San Buenaventura, Vice-Chair Aquino, and Members of the Committee on Health and Human Services:

SB 1369 repeals Act 212, Session Laws of Hawaii 2021, as amended by Act 150, Session Laws of Hawaii 2022.

The Oahu Region respectfully offers the following comments:

Background

- Act 212, SLH 2021, as amended by Act 150, SLH 2022 (hereinafter, “Act 212”), provides for the transition of the Oahu Regional Healthcare System (hereinafter, “Oahu Region”) from the Hawaii Health Systems Corporation (“HHSC”) into the Department of Health (“DOH”).
- The DOH and Oahu Region initially sought the transition with mutually beneficial aims. The DOH was in great need of additional infrastructure and resources that could be fabricated to house and treat lower acuity patients from the Hawaii State Hospital. This would grant the Hawaii State Hospital and other DOH facilities more space for higher acuity admissions. For the Oahu Region, separating from HHSC would make our facilities more independent and efficient by freeing us from having to contend with the distinctly different acute facilities in the other regions for much needed resources. Additionally, we believed that, as part of the DOH, it would be easier for the Oahu Region to utilize DOH funding sources to expand our capacity for behavioral health and substance use treatment.

- Upon passage of Act 212, the Oahu Region and DOH established the working group necessary to effectuate the transition. The working group was comprised of directors, deputy directors, supervisors, and staff from all impacted jurisdictions and departments (e.g., DOH, Department of the Attorney General, Department of Budget and Finance, Department of Accounting and General Services, Department of Human Resource Development, HHSC Corporate, Oahu Region, etc.). Collectively and individually, working group members assessed the steps they deemed necessary in their respective subject matter areas (e.g., HR, procurement, contracts, IT, etc.) for a successful transition. They also identified the corresponding resources required and reported them to our consultants to assist in the preparation of the 5-year pro forma operating and budget plan mandated by Act 212.
- Under the 5-year operating budget pro forma – which was completed and presented to the legislature in December 2021 – the working group determined that it would take at least two and a half years to reasonably complete the transition.
- In terms of costs, working group members and our consultants concluded that the DOH and supporting executive branch departments would need roughly fifty-one (51) additional FTEs in order to effectuate the transition and thereafter maintain the Oahu Region’s operations. Combined with the costs of administrative expenses and supplies, the total amount necessary to complete the transition would be \$10.3 million and an additional \$5 million per year to maintain operations.

Comments

- The Oahu Region and DOH understand that there is a current and immediate need for behavioral health and substance use services on Oahu. That being said, it should be emphasized that the Oahu Region and DOH – in addition to working on the transition – contemporaneously explored projects that could be quickly implemented in the Oahu Region’s facilities under existing conditions.
- One of the successful results of our work with the DOH was the Palekana behavioral health program, which started in December 2019 as a pilot project to provide lower acuity mental health and substance use treatment for Hawaii State Hospital patients. While the program initially started with only six (6) beds, we were able to expand the bed space to its current capacity of 28 beds. Based on calculations made by the DOH Adult Mental Health Division (“AMHD”), the Palekana program at Leahi yields the DOH estimated annual savings of over \$15 million in comparison to housing such participants at the Hawaii State Hospital.
- Although it is true that there is a reasonable measure of unused space at Leahi Hospital, it should also be noted that much of this space currently rests in a dilapidated state and will require millions of dollars and years of construction to fabricate it for clinical use.
- The Oahu Region has recently been working with the DOH to shift some of the existing programs at Leahi Hospital to new areas in an effort to maximize the amount of remaining space that is immediately usable. Given the success of the Palekana program, we would like to commit this remaining space to expand Palekana’s bed capacity.
- At the Oahu Region’s other facility, Maluhia, there is only one unit that could potentially be utilized for a DOH program. We are currently evaluating a number of projects that would be appropriate based upon regulatory and logistical considerations.

- The Oahu Region recognizes that the protracted timeline and estimated costs to implement and maintain its transition into the DOH may outweigh the anticipated benefits. This is especially so because the Oahu Region and DOH have already made quality use of a significant portion of the usable space in the Oahu Region and are currently working together – irrespective of the transition – to utilize the remaining areas.
- Moreover, in regard to the spaces currently unfit for any type of clinical operation, the loss of the Oahu Region’s procurement exemptions – which would occur under Act 212 following transition – could result in substantial delays in the future development of these areas for new projects. By the same token, investment of even a portion of the estimated \$10.3 million in transition implementation costs or \$5 million in maintenance costs, if done in tandem with reasonable exercise of the Oahu Region’s existing procurement exemptions, could arguably expedite such capital improvements.
- Notwithstanding the foregoing, the Oahu Region is aware that there are a number of very knowledgeable and respected members of this legislature that have legitimate reasons to believe the feasibility of transitioning the Oahu Region into the DOH may merit further review. Given the value and benefits originally envisioned from the transition, the Oahu Region would not be opposed to a more comprehensive examination if the same is requested and funded. We note that, per Act 150, SLH 2022, the deadline for the completed transition was extended to December 31, 2025.

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