



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
House Committee on Finance
March 28, 2025 at 2:00 p.m.

By

Kalbert K. Young

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

SB 1441 SD2 HD1 – RELATING TO THE TRANSITION OF THE OAHU REGIONAL
HEALTH CARE SYSTEM FROM THE HAWAII HEALTH SYSTEMS CORPORATION
INTO THE DEPARTMENT OF HEALTH

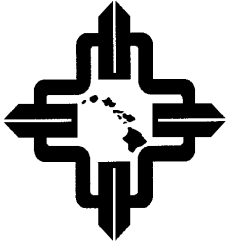
Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee:

Thank you for the opportunity to provide comments by testifying on this measure, which repeals 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 Leahi Hospital is located. A facility of HHSC and its O'ahu Region, Leahi 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 is part of a broader plan to preserve and improve health care in Hawai'i and on O'ahu. To the extent that Leahi Hospital is a component of that strategy, the UH wants to support whatever strategy bolsters Leahi Hospital's sustainability. The UH wants for Leahi Hospital and HHSC to be successful.

Thank you for the opportunity to testify on this measure.



OAHU REGION HAWAII HEALTH SYSTEMS CORPORATION

Committee on Finance
Representative Kyle T. Yamashita, Chair
Representative Jenna Takenouchi, Vice Chair

March 28, 2025, 2:00 P.M.
Conference Room 308 and Via Videoconference
Hawaii State Capitol

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

SB 1441, SD2, HD1 RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO THE DEPARTMENT OF HEALTH

Chair Yamashita, Vice-Chair Takenouchi, and Members of the Committee on Finance:

SB 1441, SD2, HD1 is intended to repeal Act 212, Session Laws of Hawaii 2021, as amended by Act 150, Session Laws of Hawaii 2022 (hereinafter, "Act 212") and require the Oahu Regional Health Care System (hereinafter, "Oahu Region") to enter into an agreement with the Department of Health (hereinafter, "DOH") regarding the Oahu Region taking care of low acuity patients in the DOH's custody. SB 1441, SD2, HD1 also requires the Oahu Region and DOH to submit a report to the Legislature regarding the agreement prior to the regular session of 2026.

In regard to Parts I-III of SB 1441, SD2, HD1, the Oahu Region supports the repeal of Act 212 for the following reasons:

- Completion and maintenance of the transition will come at an exceptionally high cost and will not result in additional services for the community;
- All usable spaces in the Oahu Region have been, or will soon be occupied for purposes consistent with the aims of Act 212; and
- Effectuating the transition may create a myriad of challenges for the Oahu Region's management of the Daniel Kahikina Akaka State Veterans Home in Kapolei.

High Costs to Complete Transition and Maintain Operations with no Gain in Additional Services

- Act 212 provides for the transition of the Oahu Region from the Hawaii Health Systems Corporation ("HHSC") into the DOH.
- Upon its passage, a working group comprised of directors, deputy directors, supervisors, and staff from all impacted jurisdictions and departments determined that it would take at least two and a half years to reasonably complete the transition at an estimated cost of \$10.3 million. An

additional \$5 million per year (not including the Oahu Region's annual subsidy requirements) would also be necessary to maintain operations.

- Under the foregoing framework, the funding invested would only cover the costs to place the Oahu Region and its facilities under the DOH, and not provide for any additional public services.
- Given the dilapidated state of many unused areas on the Leahi Hospital campus, the Oahu Region believes that the transition and maintenance funding could be more strategically utilized for capital improvements to open the campus up for more public benefit and revenue generating initiatives.

All Usable Spaces in the Oahu Region Are or Will Be Appropriately Utilized

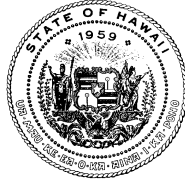
- One of the primary reasons for Act 212 was to grant the DOH additional infrastructure and resources in the Oahu Region's facilities to assist the DOH in addressing the gap in the behavioral health care system between acute psychiatric care facilities and low acuity residential treatment.
- In the years following passage of Act 212, however, through active engagement with the DOH and other agencies, the Oahu Region has been able to fill all of the usable spaces on the Leahi Hospital campus and is developing plans for the usable space at Maluhia in a manner that is consistent with the aims of Act 212.
- First, the Palekana behavioral health program in Leahi Hospital's North Trotter Building, which started in December 2019 as a pilot project to provide residential mental health and substance use treatment for DOH Adult Mental Health Division ("AMHD") patients who would otherwise likely be treated at the Hawaii State Hospital or other higher cost facilities, was expanded from its initial six (6) beds to its current capacity of 28 beds. Based on calculations made by AMHD, the Palekana program at Leahi yields the DOH estimated annual savings of over \$15 million in comparison to housing such participants at other facilities.
- Second, the Oahu Region worked with the DOH Hansen's Disease Branch to move its residents from the South Trotter Building to an open unit in the Young Building where all of Leahi Hospital's long-term care residents reside. In turn, we partnered with the City and County of Honolulu (hereinafter, "City"), Emergency Medical Services Department ("EMS") and Queen's Medical Center ("QMC") for a medical respite facility in the newly vacated space. The program, which opened at the end of February 2024, is managed by the City's Crisis Outreach Response and Engagement ("CORE") branch in tandem with North Shore Mental Health, and houses lower acuity hospital patients and homeless individuals in need of medical care. The program is supported by QMC through the provision of psychiatric and other clinical services. The Oahu Region supports the program with dietary and general maintenance services upon request. We are hopeful that this project will help increase bed availability at local hospitals for acutely ill patients and effectively assist in transitioning the program's residents back into the community or to an appropriate step-down facility.
- Third, the Oahu Region is assisting the Judiciary's Children's Justice Center ("CJC") in moving its Nuuanu facility into the Sinclair Building on the Leahi Hospital campus. This project envisions a two-phased approach that would ultimately bring all services provided by the CJC under one roof. The CJC has an initial appropriated CIP budget of roughly \$6M that must be encumbered by the end of FY26.
- Finally, at the Oahu Region's other facility, Maluhia, we have developed a pilot program with QMC to fill the only open unit with waitlisted patients who have not been accepted by other long-term care facilities due to financial and logistical limitations such as lack of guardianship and other Medicaid prohibitive circumstances. Thus far, we have admitted about fourteen (14) waitlisted patients. Through the continuing success of our recruitment efforts, we believe that we will be able to slowly increase the number of our staffed beds and admit more waitlisted patients from both QMC and other local hospitals.

Daniel Kahikina Akaka State Veterans Home

- Construction of the Daniel Kahikina Akaka State Veterans Home ("DKA SVH") reached substantial completion at the end of August 2024 whereupon the Oahu Region took formal possession of the facility from the Department of Defense and Department of Accounting and General Services.
- After a series of necessary infrastructure improvements, the Oahu Region and the facility operator, Ohana Pacific Management, successfully obtained preliminary licensure from the Office of Health Care Assurance and the Centers for Medicare and Medicaid Services. While obtaining VA certification will be a more protracted process, the first set of six (6) residents have already been admitted to the facility.
- In addition to the legislation that was necessary to facilitate the successful construction and subsequent management of the facility by the Oahu Region, the Oahu Region was required to enter into a great deal of MOUs and other agreements with important stakeholders. Some of these stakeholders include, but are not limited to, Ohana Pacific Management, the Hawaii Housing Finance and Development Corporation, and the Villages of Kapolei Association. Likewise, many infrastructure and operational projects to support the facility were made possible through the use of the Oahu Region's exemption from HRS ch 103D.
- Needless to say, having to assign the Oahu Region's rights and obligations under the transition will be a very challenging endeavor. Additionally, if the 103D exemption is not extended to future facility projects, it is very likely that such projects will be much more difficult to complete with necessary expedience.

With respect to Part IV of SB 1441, SD2, which requires the Oahu Region to enter into an agreement with the DOH regarding the Oahu Region taking care of low acuity patients in the DOH's custody by the end of 2025, a master draft agreement has been prepared and is currently being reviewed by the DOH. In the meantime, the Oahu Region and DOH have been contracting individually for patient transfers. In fact, it should be noted that the Oahu Region already admitted two (2) HSH patients through this process. As required by Part IV, the Oahu Region will be happy to submit the required report to the Legislature that details our continued progress with HSH admissions.

Thank you for the opportunity to testify in support of this important measure.



JOSH GREEN, M.D.
GOVERNOR OF HAWAII
KE KIA'ĀINA O KA MOKU'ĀINA 'O HAWAII

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KENNETH S. FINK, M.D., M.G.A., M.P.H.
DIRECTOR OF HEALTH
KA LUNA HO'OKELE

Testimony in SUPPORT of S.B. 1441 SD2 HD1

RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO THE DEPARTMENT OF HEALTH

REPRESENTATIVE KYLE T. YAMASHITA, CHAIR
REPRESENTATIVE JENNA TAKENOUCI, VICE CHAIR
HOUSE COMMITTEE ON FINANCE

Hearing Date: March 28, 2025, 2:00 PM Room Number: 308

1 **Department Position:** The Department of Health (Department) supports this measure.

2

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

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

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

10 On December 30, 2021, the Department submitted a report to the Legislature that
11 included a consultant's assessment of the transition plans and associated costs of incorporating
12 the Oahu Region into the Department. The report included a 5-year operating budget pro-forma
13 and a 10-year Capital Improvement Plan. The report detailed the complexity of the transition, the
14 associated cost, and the estimated timeline. The transition cost was estimated at **\$10.3 million**
15 with an annual post-transition cost of \$5 million.

16 The Department believes that the intended goals of the transfer can still be achieved
17 without a costly transition and appreciates the inclusion of the Department's amendments in the
18 HD1. The Department is committed to entering into a formal memorandum of agreement with

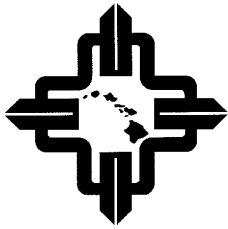
1 the Oahu Region to accept psychiatrically stable patients transferred or discharged from the
2 Hawaii State Hospital who meet institutional level of care as outlined in the bill.

3

4 **Offered Amendments:** The Department respectfully requests an effective date of upon approval
5 for this measure.

6

7 Thank you for the opportunity to testify in support of this measure.



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

"Quality Healthcare For All"

COMMITTEE ON FINANCE

Rep. Kyle T. Yamashita, Chair
Rep. Jenna Takenouchi, Vice Chair

March 28, 2025
2:00 PM
Hawaii State Capitol
Room 308 & Via Videoconference

**Testimony in Strong Support of S.B. 1441, S.D. 2, H.D.1
Relating to the Transition of the Oahu Regional Health Care System
from the Hawaii Health Systems Corporation into the
Department of Health**

Repeals the requirement to transfer the Oahu Regional Health Care System (Oahu Region) from the Hawaii Health Systems Corporation to the Department of Health. Repeals certain changes to the HRS that were made by Act 212, SLH 2021. Requires the Oahu Region and the Department of Health to enter into a formal memorandum of agreement regarding the care of certain psychiatrically stable patients transferred or discharged from the Hawaii State Hospital to an appropriate Oahu Region facility, subject to certain conditions. Requires the Oahu Region to submit a report to the Legislature. Effective 7/1/3000. (HD1)

Edward N. Chu
President & Chief Executive Officer
Hawai'i Health Systems Corporation

On behalf of the Hawai'i Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in strong support of S.B.1441, SD2, HD1.

In 2021, when this Legislature passed Act 212, the HHSC O'ahu Region's facilities were viewed as potential sites to assist the Department of Health (DOH) with addressing the gap in the behavioral health care system between acute psychiatric care facilities and low acuity residential treatment with the idea to utilize Le'ahi Hospital and Maluhia as subacute level of care facilities. In the time since its passage, there is a broader, better understanding of the constraints and costs this idea posed. Those concerns remain. Additionally, O'ahu Region has worked with community partners towards fulfilling the general intent of Act 212, while still within the HHSC structure. HHSC remains

supportive of the O'ahu Region's desire to stay with HHSC through the repeal of Act 212, Session Laws of Hawai'i. The time and resources that would be dedicated to continuing to implement this transition are otherwise better invested in building out the programs that are underway through the established partnership between DOH and the O'ahu Region. Both the Department of Health and O'ahu Region no longer feel the transition is necessary to accomplish the goal of working together to improve the healthcare delivery system.

As such, HHSC strongly supports S.B. 1441, SD2, HD1.

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