Hawaii Health Systems Corporation

House Health Committee Presentation

June 25, 2014

Hawaii Health Systems Corporation

Acute Care Hospitals
Critical Access Hospitals - limited acute, ER, Long term care
Long Term Facilities - Skilled Nursing, Intermediate Care, TB
Physician Clinics

5 Regions

East Hawaii
- Hilo Med Center - Acute, Long term care, Physician Clinics
  - Veterans Home - Long term care
- Kau - Critical Access Hospital, Physician Clinic
- Honokaa - Critical Access Hospital

West Hawaii
- Kona - Acute, Physician Clinic
- Kohala - Critical Access Hospital

Maui
- Maui Memorial - Acute, Physician Clinic
- Kula - Critical Access Hospital, Physician Clinic
- Lanai - Critical Access Hospital

Kauai
- West Kauai - Acute, Long Term Care, Physician Clinics
- Malehona - Critical Access Hospital, Physician Clinic

Oahu
- Maluhia - Long Term Care
- Leahi - Long Term Care, Acute TB

Primarily Neighbor Island and Rural
Oftentimes the only provider
Heavy Long Term Care - Intermediate Care - Medicaid
Older facilities
Physician Clinics

House Health Committee Hearing
June 25, 2014
Questions*

1a. Governor's direction on how and whether we should proceed on course of public-private partnership.

1b. Status of Board governance and status of Governor's appointees.

1c. Process being used by corporate board to look at reducing/streamlining operational expenses at both regional and corporate level.

1d. Status of larger systemwide expenses (i.e. electronic medical records) and steps being taken to ensure efficiencies and wise use of monies.

1e. Progress on discussions with labor unions vis a vis the Governor's office and/or HHSC.

1f. Prospects for public-private partnership bill for 2015.

Kauai CEO and CFO invited to brief committee on regional plans and answer questions in advance of island specific briefing.

* Questions contained in Draft prepared by DAB as of June 10, 2014

House Health Committee Hearing
June 25, 2014
Questions

1a. Governor's direction on how and whether we should proceed on course of public-private partnership

To be addressed by Governor's representative.

1b. Status of Board governance and status of Governor's appointees

Status of Governor's appointees to be addressed by Governor's representative.

Background Information
HHSC Corporate Board is composed of 18 members

13 Voting
- 6 Community members selected by 5 regions with Maui selecting 2 members. Cannot be both regional and corporate board members at the same time. 1 vacant from Maui
- 1 Director of Health
- 6 Appointed by Governor:
  - 1 At large
  - 5 One from each region (2 vacant)

5 Nonvoting
- Regional CEOs

Each of the 5 regions has its own Regional Board

1c. Process being used by corporate board to look at reducing/streamlining operational expenses at both regional and corporate level.

Operating Expense management is primarily the responsibility of each region. The Corporate Board provides general oversight of each region's management of operating expenses.

For FY15 with anticipated deficit more than legislative approved amount, each region began developing contingency plans to meet its respective FY15 shortfall.

First draft due by June 12, 2014

June 19 - general overall discussion at Corporate Board. Issues raised such as timing of activities affecting cash flow, assumptions used, key stakeholder discussions, etc.

June/early July - regional review and modifications

July - Community meetings regarding service eliminations, staffing changes, etc.

July 11 - Corporate Board Finance and Information Systems Committee review

July 17 - Corporate Board review

Mid/late July - further regional review and modifications

Late July - early August - coordination and initiation of major changes

The Corporate Board is responsible for corporate expenses.

June 19 - Corporate Board review of Corporate Office expenses with resultant reduction of two department head level positions.

July/August - further review of corporate office expenses.

Anticipated cash deficit in FY15 of $34 Million and FY16 of $70 Million cannot be eliminated with operational reductions and service eliminations.

1d. Status of larger systemwide expenses (i.e. electronic medical records) and steps being taken to ensure efficiencies and wise use of monies

Electronic Health Record (EHR) project encompasses 4 regions. West Hawaii Region began in February 2013 and Maui began in March 2014.

Significant issues have arisen with these two go-lives:

- Emergency Department
- Longterm Care
- Accounts Receivable Management
- Federal Meaningful Use Requirements and Payment

Discussions continue with vendor Siemens; however, simultaneous review of options have begun.

- June 19, 2014 Corporate Board action to begin an external EHR review.
- Plans for go-lives with anticipated accounts receivable cash flow deficit and increased operation costs not included in Draft 1 of Kauai and Oahu contingency plans.

1e. Progress on discussions with labor unions vis a vis the Governor's office and/or HHSC

Correspondence exchanged between HHSC and HGEA both indicating a willingness to engage in Supplemental Agreement discussions.

Outstanding Issues:

1. HHSC authority to negotiate
   HHSC contacted Blake Oshiro Deputy Chief of Staff for assistance
   HGEA contacted Bruce Coppa Chief of Staff for assistance

2. Supplemental Agreement
   What areas can be modified vs Master Agreement
   Wages, Benefits, Work Rules?

1f. Prospects for public-private partnership bill for 2015.

GOALS:

1. Better patient care through improved standardized clinical practice using evidence-based guidelines, access to best practices and health information systems tracking and progress monitoring/correction.

2. Increased access to nongovernmental capital funding to address physical plant deficiencies, increase physical plant replacement and increased spending on needed clinical; equipment.

3. Offer improved wage/benefit/work rules compensation package that meets current healthcare market place.

4. Increased ability to financially and organizationally meet current and future healthcare pressures from outside HHSC such as price decreases, quality factors as part of payment, EHR requirements, federal realignment (Obamacare, Medicare, Medicaid, ICD-10, etc.)Improved governance and management through partnership with larger and deeper health systems.

5. Reduced reliance on state subsidy for operations.

NEED TO DO:

1. HHSC/ Legislature/Governor collectively develop a multiyear plan. As an example:
   - A. Jan-May 2015: Legislative/Community discussion with passage of bill allowing formal discussions.
   - B. June - December 2015 - development of criteria, soliciting/evaluating proposals, community input.
   - C. Jan - May 2016 - formal review by HHSC, Legislature, Governor, Unions, and other key stakeholders. Legislative Approval of plan(s) and Implementation schedule.
   - D. Implementation Timetable
   - E. Transition Complete.

* Note that individual regions may continue to pursue public private partnerships simultaneously with (A) to allow legislation that meets the need of all parties.