TRANSCRIPTION FOR

TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM INTO THE DOH

WEDNESDAY, DECEMBER 15, 2021

11:00 a.m. – 11:37 a.m.

VIA ZOOM

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[Housekeeping tips]

>>BRANDY CANNON

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Welcome to today's meeting. We have first Marian Tsuji to give us the call to order.

>>MARIAN TSUJI

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Hi, good morning. I'm sitting in for Dr Char. And as always, she's so appreciative for everybody's input and time on this project. She was called to an emergency meeting, so asked for us to move forward.

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So this meeting is now called to order, and I think we have a packed agenda so let's get started.

Okay. So, Back to you, Brandi.

>>BRANDY CANNON

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Right. So we're going to start off with project updates with the human resources and union workstream.

So I'll invite Heather Ching-Manzano to provide this update.

>>HEATHER CHING-MANZANO

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Good morning, everyone. This is Heather Ching-Manzano from the Department of Health Human Resources Office, and I'll be providing our status update for the HR and union work streams.

The DOH and the Department of Human Resources Development, also known as DHRD, have been meeting regularly with the HHSC to discuss the transfer of approximately 500 positions. The HHSC has provided the DOH and DHRD with position and personal data, along with applicable policies and procedures.

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The DOH continues to analyze the information provided. We've identified the need for 20 incremental heads for the DOH and DHRD for this transition. An initial meeting with the UPW and HGEA

unions was held to request a list of concerns, and to provide a communication method for voicing concerns.

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A couple of issues and risks that have been identified. 1) HR to provide feedback on how non-exempt employees will be handled in the transition. And the resolution is to provide FAQs to the affected employees. 2) Integration of any special compensation arrangements specific to the HHSC and its effect to current DOH programs. The resolution is to identify these special arrangements and escalate for proper application. A major decision which has been added to our major transition steps timeline is the submittal of the initial letter of consultation to the unions.

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This has been projected to occur during the second to fourth quarters of 2022.

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All other major transition steps remain the same at this time.

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Can I have the next slide please.

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Here is a detailed breakdown of the resources needed to successfully transition the HHSC to the DOH. In terms of costs, the second column represents the costs over the two-year transition period.

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And the third column represents the annual operational costs, after the transition.

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A total of 20 full-time employees are needed to make this transition successful. Nine specialists to perform position classification review, and evaluate job descriptions, and exempt status. Four technicians to review and process the position action requisition and support the classification actions. Four HR assistants to support the specialist and technicians and to ensure the actions are complete. One office assistant to support the clerical needs of the DOH HR office staff.

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One specialist for the DHRD to manage active workers compensation claims that are previously outsourced by the HHSC as well as one HR assistant for the DHRD to manage these active workers compensation claims that were previously outsourced.

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Additionally, equipment such as computer, software, workstations were factored in at a one-time cost of $60,000. Over at supplies, it's estimated at $42,000 for the transition and $30,000 annually, thereafter.

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Facility allocations for the additional staff, which is estimated at $6000 per head or about $500 per month. Education and training to onboard the HHSC staff is estimated about $15,000.

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All of these estimates are based on the assumptions that no additional service lines are needed. Transition period is two years, and inflation was not factored into these estimates. Thank you.

>>BRANDY CANNON

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Thank you, Heather. We'll keep moving to the next work stream update, and this is for finance, accounting, and facilities and we have Janis Morita to present.

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Janis available. Janis, you are currently on mute. Okay, there we go. Alright, Janis, are you ready to get started with update for finance, accounting and facilities?

>>JANIS MORITA

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Basically, I’m not going to reiterate what's on the screen here, but just to kind of update everybody that you know we're continuing to take a look at those areas that you see regarding work accomplished as well as issues and risks.

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There are still some major decisions that need to be made. Bottom line is, you know, to decide on what accounting system is going to be used.

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You know, as part of the transition, as well as some CIP issues that we've been able to identify. So that's kind of in a nutshell. This particular screen. Can you go on to the next screen?

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This is some of the requirements as far as costs for resources that are going to be needed as part of the transition. So, we're looking at, you know, transition period costs as well as post transition.

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And so, this is what we feel that would be needed in order for us to effectively manage the additional, workload that's going to be given to DOH.

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And this is a timeline. So, as you can see, the timeline goes out beyond 2022. So, you know, based on some of the information that we receive, this is kind of what we're looking at in so far as when these tas can be accomplished. That's it.

>>BRANDY CANNON

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Thank you, Janis.

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Alright, our next work stream update is on IT infrastructure and systems, and we have Steve Sakamoto to present.

>>STEVE SAKAMOTO

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Good morning everyone. For the past few weeks and last month, we are continuing to meet. The Department of Health and HHSC team on what was required as far as applications and ownerships of the various systems that are in place.

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So we've identified what applications and services would need to come over to DOH.

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And we've kind of in the process now of getting some estimated costs for some of the application services. We have received some which we will outline, you know, in the next slide but know there's still a few more that still need to be updated.

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Also, there will be three current HHSC Oahu region IT resources that will be transferred over to DOH during this transition process. And due to the scope of the work that will be done for all the IT infrastructure transition, and the limited staff that DOH IT has, we're looking at having at least two IT project managers to assist with the transition.

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And on the timeline below on the chart, kind of pushed it back a little bit. So, based on the application planning, implementation in the contracting and migration to a system setup and training, we're looking at, pushing out the actual transition date to possibly 2024 in that timeline. So that's kind of the estimated dates for these activities, and go to the next slide.

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On here we kind of identified some of the causes I mentioned, but this is not complete yet. But we do have that contingency at the towards the bottom of the event transition support costs that should accommodate what spending, we would need to help everything transition over.

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Some of the assumptions is that, you know, some applications will have some support from the Enterprise Technology Services Office.

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So, they will be able to act as a resource. And then again, looking at a two-period transition time. And again, the cost I’m not sure, they may you know fluctuate during the time of the transition.

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So, that's the overall update on the IT infrastructure and systems. Thank you.

>>BRANDY CANNON

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Thanks Steven.

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Next we have compliance and legal, and we'll have Michelle Kato to start and then followed up by Tracy Kitaoka.

>>MICHELLE KATO

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Hello everybody. I’m Michelle Kato responsible for compliance and risk for Oahu region.

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Some of the works that were accomplished: we continue to meet on a weekly basis and we added Tracy Kitaoka from DAGS Risk Management to the group.

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The issues and the risk is to cut the cost. To maintain the compliance program could increase after the transition, and the resolution is to perform an assessment of the Oahu region compliance program. For the major decisions, we need to determine

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what will remain with Oahu region, the Department of Health, or other state departments. For the transition steps, we've added some steps to reflect the assessments of the compliance program, the HIPAA Privacy and Security walkthrough, and IT security requirements.

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And the timeline is adjusted to line up with the IT financial worksheet with the transition date of June 2024.

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So the next slide. For the budget, we have the transition costs and the post transitional costs. For the transitional cost we've added the cost for the compliance assessment, we have legal support, and other costs for insurance. And then for post transition, we've added a position,

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upgraded the Department of Health EEO/AA position, and we have legal support from the AG’s office.

So the total cost is 1.2 million.

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Now, I'll have Tracy Kitaoka from DAGS Risk Management to speak about the insurance.

>>TRACY KITAOKA

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Hi, I'm Tracy Kitaoka Risk Management with DAGS. So this office is in charge of buying statewide insurance policies and coverage.

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And I've been asked to assist with that transition for the insurance. For the most part the transition will take place a year out from the actual transition to get all the insurance policies in line.

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And so far, there's two coverages that have been identified.

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For more attention and details and that would be the cyber insurance coverage and the medical malpractice insurance.

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Department of Health and HHSC does have, carries medical malpractice insurance. So we have to just make sure that on the transition of covered individuals are, are placed on the DOH insurance policy and the cyber coverage is basically

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one that is of concern that we have to make sure you have coverage, but the insurance market is very volatile right now based on what you see in the media and on the news.

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And so that will depend on what kind of coverages will be offered to government entities for, for, so that'll be a transition for, for us to identify and address as the time comes.

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It's kind of early so we're doing some pre planning up here to make sure that it will be a smooth transition.

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Other than that, that's all we have going on for now and providing updates as we go along.

>>BRANDY CANNON

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Thank you Michelle and Tracy. Next we have vendor transition and contracting. And we also have Janis Morita to provide the update.

>>JANIS MORITA

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Thank you very much. As far as the vendor transition and contracting, we're still working on taking a look at the contracts that would possibly be coming over during the transition.

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Some of the things that we're looking at is to determine, you know, which contracts need to be either renegotiated or brought over to DOH versus those that may be don't have to come over due to duplication of services that are currently being done I guess at DOH.

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So those that's one of the things that we're looking at. Also to, we are you know looking at some of the corporate contracts. Primarily the Vizient contract to see what options we have for you that continuing that particular contract with HHSC.

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So those are some of the things that we are looking at right now. So right now the timeline.

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You know, right, you know, as far as you know trying to complete the whole contracting process, we're looking at, possibly moving it up to 2024.

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Next slide, please. Thank you.

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This is the approximate amount of resources that we're going to need.

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As far as the whole contracting procurement process, please note that you know the state's procurement process, you know there's a lot of processes involved.

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And so it's going to take, you know, for those 200 contracts, a lot of effort and resources are going to be needed in order to effect those contracts timing. So we're looking at an initial transition period costs as well as post transition. And that's pretty much all I have. Thank you.

>>BRANDY CANNON

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Thank you, Janis. Next update we have is for clinical operations and we have Trisha Won.

>>STEVEN LEE

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Brandy, I think Vi is going to present.

>>VIOLET GONZALES

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I will be presenting the updates for clinical operations. I’m the administrator for Leahi Hospital. The clinical team met to review transition requirements. We have estimated transition timeline and major transition steps.

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We also have determined that a consultant is needed to review and revise policies and procedures. We have identified required licenses and they are all current. For major transition steps, review current license and P&Ps for name change. Timeline is three months. Transition policies and procedures to DOH, as needed. Twelve months.

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Transition licenses to DOH, as needed. Twelve months. Update or obtain new licenses, twelve months. Work with the DOH to implement new IT clinical issues support system, six months.

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Next slide please. For the identified resources that we have, we have identified Healthcare Consultant to review of the policies and procedures for transition. Transition period costs is $215,000 for the time of about 1,000 hours of work review and transition of policies and procedures.

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Assumptions, no additional service lines. Transition period is two years. Inflation is not factored in the system. That's all I have. Thank you.

>>BRANDY CANNON

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Thank you, Vi. Next we have the estimated timeline for the transition, and we have Mikhail.

>>MIKHAIL GORBATENKO

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What we’ve done on this slide, consider it as a summary slide. We put together with timelines for all the work stream that have just presented.

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What would it take for them to accomplish task, so it's one area to represent that timeline, and let me walk you through major workstream timing.

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One is a legislative session. They happen every year, as you know. So for this session, which starts next year we were looking for a session to review timelines, potentially review fundings and provide directions and approval on how to proceed forward.

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And then for the next sessions we would consider their legislation guidance to review additional service lines, could be potentially launched in their Oahu region.

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While the legislature working on their portion, we have a steering committee that will focus next year on investigating developing business cases in Hawaii for potential new service lines and then working with them.

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Budgetary office to put those assumptions into proposal format. In the meantime, they have Human Resources, finance, compliance, IT, clinical, and vendor workstream.

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There will be a first portion of each workstream, which is in blue, is to talk about continued detailed planning, answer all the assumptions.

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Get to the decisions we need to get to. And then the second kind of big phase once the detailed planning is completed, is to perform, actually execute the plan.

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Transfer vendors, transfer people, transfer system. Basically process and system transition. And when it will, all that work will lead us to I call the cut over, which happens in the middle of 2024, in which will coincide with the start of a new fiscal year.

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This is it for me, Brandy.

>>BRANDY CANNON

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Thank you, Mikhail. Next agenda item is a review of the five year budget. And we have Todd to provide this update.

>>TODD OKAMOTO

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This is the combination of all of the workstreams impacts, with the current operations and of HHSC Oahu region to get an idea of what kind of impact carve out would have. The first five years are historically how HHSC Oahu region has performed.

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In fiscal year 22 since we're just, we're halfway through, and there are two more quarters to assess or strategize the carve out. There's not much activity going on for the transitions, as is.

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From fiscal 23 to 26, we apply an inflation rate for the revenues and expenses, as given to us by the state's budget and finance office. All standard inflation rates and benefit rate of 62% also provided to us. Those rates were all applied to the respective operating expenses across the five-year projection.

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The non-cash transactions such as depreciation and the pension accrual were removed to get an estimated operating cash flow or deficit, in this case, for the fiscal years 22 through 26. To get an idea of what the funding requirements would be like.

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We move down to the transition costs. We separated the one-time expenses such as implementation of applications, programs, assessments for facilities, things like that.

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And things like transferring the FTEs to the State of Hawaii’s, I don’t know if custody is the word, but supervision, and the recurring costs, such as subscriptions, new FTEs and other consulting expenses. For example, the Medicare cost reporting and the other regulatory reporting.

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That is all combined in the recurring costs. All inflation factors were applied the same way they were to the core financials at the top.

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The impact is quite significant. I'll say that the majority of the recurring costs that are incurred are because of labor. As is the entire operations, quite a bit of staffing up 51 FTEs in our current model that will be required almost exclusively on the state side, in order to facilitate the standard protocol for executing transactions and just ongoing operations as they are with any other entity within the state.

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As far as the assumptions go, I'll just note that the administrative at the bottom, kind of note that and HR, Finance, IT, Procurement and Legal are the examples that we provided of functions that will need to be moved over to the state. That's it for this option. Mikhail, would you want to discuss the next slide?

>>MIKHAIL GORBATENKO

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Yes. Okay.

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This is option number two, and it’s still work in progress.

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It's our preliminary projections. So, once we were able to put together their approach, scope, timing, and funding requirements to execute option number one which is direct transitional Oahu region from HHSC to the Department of Health.

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As you can saw on the previous slide, it was very, very expensive and require a lot of effort on both parties and departments to execute that. When we start working on other alternatives to direct transition to Department of Health, or some kind of a hybrid situation, and this is what we are working through financials impact in the potential timing.

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Those are preliminary numbers. What I wanted to highlight the first assumption, one is the operational cash from revenue and expenses have no change from option one where you see a significant change in the model is in transitional costs area, which is the second part in the middle of the slide, and the major assumption we made there is, what if Oahu region a

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Corporate or shared functions like Todd mentioned, HR, IT, Procurement could either remain within HHSC or perform independently by Oahu region.

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And it will be some kind of contractual relationship between Oahu region and HHSC to, especially in IT to provide support in the systems Oahu region’s using right now.

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That said, it's still, like I mentioned work in progress. Next week, we'll have another public meeting next Wednesday, and we plan to present more detailed overview of option two, which will be also included in our final report to a steering committee, and with our recommendations. Thank you, Brandy.

>>BRANDY CANNON

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Mikhail. Alright, next on our agenda is a review of the overview of the 10 year capital, year budget, and we have Todd presenting.

>>TODD OKAMOTO

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The ten-year capital budget was pretty high level. This is basically what HHSC Oahu region will strive for year-over-year with current operations. There was not enough time to do a full assessment of the facilities to prioritize what needs to be done in order to bring the facility up to an acceptable level for the services that they provide and may look at providing in their longer term strategic plan.

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We do also, hopefully the next meeting, hope to get more information on the facility needs. They do have consultants taking a closer look to see the building integrity and assess any other needs of the organization.

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But for now, the overall assessment just to sustain is the 100 million over 10 years which is five or approximately eight million a year with a five percent inflation assumption applied. That’s it.

>>BRANDY CANNON

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Thank you, Todd. Next thing on our agenda is an overview of the next steps. So what we have in front of us is as Mikhail mentioned is to finalize the planning and detail for option two. Later or by the end of this month, a legislative report will be submitted and following that as we saw also on the estimated timeline that the detailed implementation planning will begin.

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So we have scheduled the next public meeting for December 22, so that is next Wednesday. An invitation will be sent out soon. And at this point in time we’ll take any questions. You can put them in the chat box and then I’ll read off the questions to members of the team.

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So we’ll just give it a few moments to see if we get any questions. All right. So we do not have any questions so far. Would the steering committee like me to give it more time or move on?

>>SEAN SANADA

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Good morning, everyone. This is Sean. I think we can just move on for now. Just highlight a couple things from the meeting today as everyone can see that you know this endeavor is pretty grand and is taking a lot of collaboration. A lot of the things that we didn’t anticipate would exist have materialized. Primarily being the cost and you know all these things have been considered and reconsidered and debated among the steering committee, so with Derek and Marian and Dr. Char.

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We want to do right by our operations. We want to do right by you know our various jurisdictions in this whole process so in being responsible, you know it really helps when we get feedback from all of you. I know that no one’s asking questions now but we did get a lot of feedback in the independent discussions as RGP’s gathering all this information.

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So we’re going to continue to move forward with a responsible eye to this project and we’ll make sure that we keep everyone apprised of anything that may change and again feel free to contact any of us or RGP if you do have concerns that you might not want to share with the entire group but that are important concerns nonetheless. Thanks. Go ahead Brandy.

>>BRANDY CANNON

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So moving on from the question and answers, it’s back to you Sean, actually for the adjournment.

>>SEAN SANADA

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The meeting I’m going to adjourn it in one minute but before I do, I just want to mention and reiterate that next week Wednesday is when we plan to have another meeting which we’re going to have more details as to what’s going on because we do have to submit the performance to the legislature in January. Well, before January, before the legislative session starts I think. What was the specific timeline, Brandy? It was like 20 days?

>>BRANDY CANNON

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I believe it’s 20 days.

>>SEAN SANADA

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Yes, so this would kind of be like get up to speed meeting to inform all the parties of where we’re at. I think Todd will have more information on the CIP projects because our AE consultant should have the details by then, hopefully. And then from that point we’ll all be on the same page going into session next year. So assuming there’s no other questions, I’m going to go ahead and adjourn the meeting and thank everyone for being here in your continued support of this operational endeavor. Thank you.