TRANSCRIPTION FOR

TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM INTO THE DOH

WEDNESDAY, DECEMBER 22, 2021

11:00 a.m. - 11:32 a.m.

VIA ZOOM

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[Housekeeping tips]

>>LIBBY CHAR

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Alright aloha, everybody. Thank you for joining us today. I know this is an additional meeting, and it was just added on last week, so thank you very much for joining us on a one week’s notice.

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I’d like to call the meeting to order please.

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And today we're going to go over the transition goals. We’ll then touch on the organizational structure and how we think there may be some other options for the integration, and then we'll go over the cost estimate and discuss thereafter. Thank you.

>>BRANDY CANNON

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Thank you, Libby. Next, we have Sean Sanada to talk about the transfer goals.

>> SEAN SANADA

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Good morning everyone. This is Sean. So, just to recap from last week, and we all have pretty wide eyes when we looked at the estimated numbers for the transition, and we just want to let everyone know that, you know, this isn't,

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this isn't something that we're trying to implement and effectuate recklessly or anything along those lines. Truth of the matter is, when we started it, it'd be important to bring everyone back up to speed, to the genesis of this entire project.

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It wasn't like we're just saying, hey, let's transition to the DOH and have no reasons for it or no particular plan in mind. It was a very important concept that we embraced based on what factors existed back in the day when we started, you know,

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going down this route in the first place. So, I think, as a precursor to this meeting, it's important for us to explain, you know what, how this all originated, and then how that factors into where we are now, and what the particular proposals are especially

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in light of the extensive costs that we, you know, were able to see last week.

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So, as we all know, that the bill that passed and became Act 212 was Senate Bill 628. And it really was meant to commence the transfer of the Oahu region into the Department of Health.

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Well, when we first began this process we were discussing, you know, what ways can we better serve the community by using the resources of the Oahu region for things that were very important at the time, and still are important today, like mental health

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treatment. And I guess, additionally, there's the, the COVID response that I think is on everyone's minds on a daily basis, and that has developed since then as well.

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But based on our conversations with the Department of Health and our collaboration back in the day, the DOH had certain goals in mind, you know, the access in particular to our infrastructure and our resources, particularly at Leahi Hospital, but also there's some space in Maluhia that we felt could be utilized properly.

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We wanted to fabricate and purpose, you know, the facilities, especially at Leahi to house lower acuity mental health patients, because at the time the, Hawaii State Hospital was inundated with patients that are all forensic.

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And it was becoming a problem because you had patients who were out in the hallways, and, you now, it was just filled over to overcapacity, and during the same time period there was construction being undertaken for the new state hospital facility.

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But the whole idea is that it costs a lot of money for each of these beds to be occupied at the Hawaii State Hospital, and we felt that some people could actually be transferred out into community setting or a setting, such as Leahi Hospital. They’re low acuity,

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lower risk, don't require that many resources, and then that would free up beds at the Hawaii State Hospital. So that was one of the purposes of us integrating because we felt that we could do it seamlessly without having to do contracts and get approvals from multiple departments, things like that. But, I mean, those were the concepts that we had in mind.

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In addition, for the Oahu region, what we looked at was that we run two long-term care facilities and of course we have other space at both of our facilities.

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That being said, our long-term care facilities are, and our entire region’s makeup is kind of different from the rest of the Hawaii Health Systems Corporation, which run primarily acute facilities on the neighbor islands.

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And so that distinction between our type of operation and the rest of HHSC created the situation that, it's a strange scenario where we're all collectively asking for funding from the legislature,

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whereas, we have all different types of operation. And then, once funding happens, or is granted, a lot of times it's less than what we originally ask, then it creates internal, I guess, effort and challenge to figure out how to divvy out those

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funds, and it’s very, we found it very difficult for the Oahu region because of the fact that our operations are so materially different from the other regions and trying to justify our, our piece of the pie and the legislative appropriation.

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So, part of separating out from HHSC was to really to create that distinction, and you know become part of administrative or a jurisdiction that is focused on the type of operation, where we're not looking at profit and, and revenues and we're looking more towards the public service that we provide, which is pretty much what we're doing in the realm of long-term care.

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Well, at the end of the day, we also felt that there would be more security for our operations in the sense that we believed at the time that our funding for collective bargaining increases for all of our employees, and usually we have to be, as part of HHSC,

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we have to request that separate, separately as opposed to it being automatically funded as a line item which is, which was what occurs in the you know in the executive branch.

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We thought that that would be good for security for our employees. That's why the unions got behind it as well. And we felt that taking this approach would, you know really solidify our operations, our current operations and give us more flexibility to engage

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in new ones with the Department of Health, particularly in the realm of mental health treatment, and I guess now COVID as well.

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And we also felt that we could utilize some of the funding from the adult behavioral health special fund, which at the time, you know, had quite a bit of money in it, and since then, things have changed.

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But what I just wanted to do was reiterate, why this all happened in the first place, and how we got into the passage of Act 212 or Senate Bill 628, and you know, what we were focusing on in terms of goals, and what we wanted to accomplish by doing this, and we do

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also recognize that since that time, you know, a lot of things have changed. COVID got introduced into the equation, and we learned a lot of things about the transition that, you know particularly, were particularly unforeseeable at least in our eyes.

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And going to the idea of the cost we can emphasize that you know from the Oahu region standpoint, initially, you know, we're looking at, we're pretty as we operate today, we're pretty autonomous in our general day to day operations whether it goes from

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finance to, you know, payroll HR, operations on the clinical side, you know, compliance.

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It's a structure that we operate under that is pretty seamless right now. We do rely on the Corporation for certain other things like IT support with our servers.

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I mean those, and being part of GPOs. Those things are important as well. But at the time that we were going through this, we just figured it’d just be a cut and paste. You know, Oahu region's operations are out of HHSC and in the Department

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of Health, and that it would be pretty seamless. That was the impression that we had initially, but of course as we've all seen the transition to do a full transition it's going to cost a heck of a lot more money, because mostly because of the personnel

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that we learned would be necessary on the executive branch side, in order for us to integrate and maintain our operation, under that system. So, that being said, we find ourselves in a situation where we're trying to be reasonable, we're trying to

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be fiscally responsible, especially given the, the cost and the price tag we looked at last week that we discussed with RGP, you know, and a lot of the participants from all of the jurisdiction to really see if there's a better way, a more

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cost-efficient way, and more responsible way to effectuate the same goals that we had in the beginning. So that's the purpose of this meeting and then we can take it from here with some of the ideas that, that came to mind.

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Thanks Brandy.

>>BRANDY CANNON

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Thanks, Sean.

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Next we have Dr. Char to talk about the organization structure options. Dr. Char over to you.

>>LIBBY CHAR

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Thanks. So, if we look at the original structure that we were heading for,

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the transfer of Oahu region into the Department of Health, you know, one of the big questions was where, where would we place them within the org chart.

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It obviously makes no sense to put Oahu region in environmental health. It’s just not an appropriate fit. But nor did it really fit under public health or behavioral health, because it's really a different mission and a different thing for us, and we don't really run

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long term care facilities or nursing homes. So, we had a lot of thought about it and figured that, you know, if we were to do that, it would actually end up being a separate administration.

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So, you can see that on the left side of your page under current state. There are four main administrations under the Department of Health, and that's the admin side, which is all the budget, finance, contracts, HR functions, IT functions, and then under

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Health Resources Administration, that's the public health side. So that's all the stuff you've been hearing about with contact tracing and whatnot.

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It's family health, it's the epidemiology folks it's the data side of things, it's the chronic disease, it's public health nursing and all of that. Under the next box it's environmental health.

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So that's environmental management, environmental safety, that's your clean water your, your drinking water, things that you would typically think of related to EPA mandates.

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You know, clean air, solid waste, the food inspections in restaurants, all that kind of stuff that's environmental health.

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And then the last one is behavioral health, and there are four divisions there. It’s adult mental health, child,

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addictions, and then also developmental disabilities. So, you can see that it really doesn't sync up well with, Oahu region. It was, it was a very different entity.

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So, option one was that we would we would move it from,

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you see on the bottom left under HHSC, Oahu region would get pulled out of that and would get created into Department of Health as a separate entity, sort of a separate administration.

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And so, we would probably need another Deputy Director. We would end up quite a large department.

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Already we have four deputy directors, where most departments have one. And so, this would require a fifth, a fifth direct deputy director to oversee it, and then the resulting change in the bottom right corner to HHSC would be, you know that they would continue

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with, with the Big Island regions and then the Hawaii region.

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So that, that's the option that we came up with for a transition solely into the Department of Health.

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And then, you know, just as Sean was saying, looking at all of this and trying to make sure we're being fiscally responsible and that it would, that it functionally would work, we came up with option two.

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And you can see that on the right-hand side of your page, if we took Oahu region

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and they remained as sort of like an attached agency, a quasi-agency as HHSC does right now

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but separate from HHSC so it’d almost be like its own, like we would split it out from HHSC, and then have just specifically Oahu region.

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And that actually seems like that would be a smoother transition and would organizationally work a bit better. So those are the two options that, that we have on the table, and then the result for HHSC is pretty much the same.

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You can see on the org chart on the bottom, they transitioned from the left side to the right, and then that doesn't change between option one and option two.

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Discuss or take questions on that afterwards. Thank you.

>>BRANDY CANNON

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Thank you, Dr. Char.

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Next, we’ll have Mikhail to discuss the integration approaches and cost estimate compares.

>>MIKHAIL GORBATENKO

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Thank you, Brandy.

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So, it's a little bit of a busy slide so let me explain what we are all looking at.

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If you look at option one which is on the left-hand side, the premises of this option was the focus is that clinical functions or services being offered by both facilities remain unchanged as-is and the focus of transition becomes moving corporate functions,

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like HR, finance, contracting, IT, and associated systems and applications from under HHSC umbrella into the Department of Health corresponding functions. As a result of their transition most of the integration cost is would be accrued on a Department of Health side.

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And you can see in the table the estimated expense for each functions to be transitioned, where we are talking about potentially adding 51 positions on the Department of Health side to support this, this, this Oahu region.

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And that what we discovered that, currently, Department of Health, corporate functions are operating at full capacity, and there is no bandwidth to absorb Oahu region functions as-is. It will require added new positions, and overall cost for two and

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a half transition years to transition would be about $10 million, and then ongoing annual expense will be close to $5 million afterwards. When you look at option two, which is the same premises with clinical functions will remain the same as pre-transition. However, we are earmarking and requesting funding to perform in both options, perform a feasibility study to add

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additional service lines, as it relates to behavioral health analysis and others to support the public needs.

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Under this option, option two, since clinical side remains the same, the corporate functions, the same functions, HR, finance, and IT will be performed by Oahu region itself.

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And they would rely for certain functions like IT, maintenance and support as well as access to contract like group purchasing organization and Vizient, and like other software like HR software for management and payroll they would rely or contract

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with HHSC to performance those functions. Everything else will be done by Oahu region itself. In that transition we're talking about,

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as you can see an option two transition cost, most of the cost is transition costs associated for in the IT infrastructure and system area. And there we have our project management support to create separate firewalls, across all the applications being

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used by both HHSC and Oahu region, as well as be earmark estimated potential costs vendor may request to perform system configurations.

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We, we also, if you look at the people side, we are adding three individuals on the HR side to perform a human resource functions for the 400, close to 500 employees, we are adding revenue cycle and finance and accounting for two FTEs each in

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each functions. We’re also adding two FTEs to perform vendor contract management contract and the contract management.

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The other area of transition compliance, legal. We have about 355,000 associated transition expense there, and it's still needed to do further research because most of it is about 250, our insurance policy changes, if we are able to participate in a

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HHSC existing insurance policy, that cost may not be required. So, as you can see, the both transitional expense and annual support in option two significantly lower than in option one.

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And just to compare two options to summarize a comparison.

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In both options clinical functions remain similar and most of the transition costs come and how a corporate functions will be provided. In option one of those functions will be provided by Department of Health teams. In the option two Oahu region will

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perform most of the functions themselves in the contract with HHSC for areas where they need that expertise. Brandy if you can go to the next slide.

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I think Todd, this is your slide we added this to the agenda.

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Since we didn't have good numbers for our presentation last week and by this presentation, we had the numbers, so we felt it would be important to share with everybody our 10-year capital budgets, so Todd.

>>TODD OKAMOTO

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Okay. Thank you, Mikhail.

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This 10-year capital budget is relatively close to the 10 million per year that we had estimated in as a extremely high level estimate, in the last presentation.

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When we got the information for this estimate

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it was provided to us by HHSC Oahu region, based on a third-party architecture and engineering firm’s draft preliminary assessment based on site visits where they actually inspected the facilities, had conversations with staff and facility management to figure out what,

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on the surface, was necessary to both maintain facility functionality and remain in compliance.

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For example, ADA compliance, where that might be necessary. Cost estimates were used were made using current market rates, which included labor materials and that took inflation rates into consideration.

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Overall, the assumption is that funding will be made available for those projects in order to maintain the facilities and keep them in compliance. It is a high-level estimate

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overall and does not include the annual inspections that are done, nor does it include the, any of those projects that may arise due to things that we cannot assess without an extremely thorough inspection of the facilities.

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I'll take questions after.

>>BRANDY CANNON

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Thank you, Todd.

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And with that, we will go back to Mikhail for any follow up comments.

>>MIKHAIL GORBATENKO

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Yeah. This is the end of our presentation official portion for the presentation. As you recall, this is the add-on session where we, as we went on our journey earlier this year to plan

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transition expands to develop a project plan and estimate the scope and complexity and the costs associated with transitioning Oahu region to Department of Health. We focused on option one.

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And as we went along this journey, we discovered that it becomes, it is a bit complicated exercise and it does require a lot of effort on all the parties and the costs associated with that transition is high.

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We are at RGP using our expertise, we approached steering committee with alternative options and after multiple discussions we landed on option two, and the steering committee asked us to run the estimate of what the option two may look like, so we have an alternative to share.

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And with that, you've seen both. Both integrated transition options. And I think we are ready to take questions.

>>BRANDY CANNON

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Yup. Thank you, Mikhail. So now I’m going to stop sharing, and if you all could post your questions in the chat box, we will. Oh, we do have one question. Okay, this is from Linda. It says, can you please explain the advantages of option two over the current HHSC structure.

>> SEAN SANADA

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Okay I could take a stab at this, but I just want to preface this by I don't want this to spiral into a debate or an argument. So, I think that I'll give what our explanation might be.

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And then once that's done, you know, we’ll take follow up questions but I just want to preface this again by saying this should not spiral into some type of argument or debate. Essentially,

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when we got into this in the first place, and we had our discussions with the Department of Health,

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we were undergoing financial review of how, how we get our funding and bottom line is the way because our structure is set up that all of the regions will collectively determine how the distribution of the general fund subsidy is, it is distributed.

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It turns out, because the Oahu regions options are, are limited because we are a long-term care safety net,

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our voice in the greater HHSC arena is very small. And because of that, the funding that we are able to obtain as part of the big distribution is always

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limited as well, where, you know, a lot of times we end up not getting the funding that we actually need and we don't have the same type of voice within the system.

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So, just one example of why it is a advantage because we can deal directly with the legislature and request their funding directly from them without being beholden to any of the other regions and those arguments for the distribution of funding.

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I can go one by one, or I can address them all but it all boils down to the fact that our operations are materially different from the rest of HHSC, and it's very important to us that our communications with the legislature and other stakeholders as to

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the future of what we do in our campuses, you know is, is more independent. So that's the primary advantage of being separate from HHSC.

>>BRANDY CANNON

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Thank you, Sean. Okay, if anybody else has any additional questions, we are looking at the chat. And we'll read those out.

>>MIKHAIL GORBATENKO

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Brandy, it doesn’t look like we have a lot of questions, takers.

>>BRANDY CANNON

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No more questions so far.

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Would the steering committee, I think we have Sean. For the final agenda item which is adjournment.

>>MARIAN TSUJI

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Oh sorry Brandy, this is Marian.

>>BRANDY CANNON

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Yes.

>>MARIAN TSUJI

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Just one comment and just wanted to make clear that the slides that are, were shown today and yesterday, will all be part of what goes into compiling the report that will be submitted to the legislature. Just wanted to make sure that everybody was clear on that.

>>MIKHAIL GORBATENKO

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Thank you, Marian.

>>BRANDY CANNON

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Okay, Sean over to you.

>> SEAN SANADA

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Yup. Thanks Brandy. So, you know, with that being said, just want to reiterate that, you know, there’s always good intentions, from the very beginning as to how best to serve the community with this transition, and we understand that there's a big emphasis

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on mental health treatment for the community. And, as well as COVID in recent times since the genesis of this of the bill, and all of these actions that we've been taking.

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We understand that the costs are tremendous.

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And definitely not to the extent that we expected when we first undertook this endeavor. But that being said, through the help of our consultants, as well as all of you who have participated in providing information.

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You know, there are other options that we have been exploring so as not to be reckless and, and to just, you know, shoot from the hip, you know, moving forward, there's been a detailed analysis of every possible option to effectuate the same goals.

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And just know that we're trying our best to be responsible as we go through the process and all of this will come to light in our report, you know, to the legislature, which we are required to submit very shortly.

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So, thank you all for your continued support of our efforts, and we look forward to seeing how this all plays out in the legislature this coming session.

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Thank you very much.

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With that, I think we can adjourn the meeting.