

REPORT TO THE TWENTY NINTH LEGISLATURE
STATE OF HAWAII
2017

PURSUANT TO REQUESTS MADE BY THE HAWAII STATE LEGISLATURE DURING
THE REGULAR SESSION OF 2016 TO AGENCIES AND OFFICIALS OF THE
FEDERAL, STATE AND COUNTY GOVERNMENTS AND OF QUASI-PUBLIC AND
PRIVATE AGENCIES, THIS REPORT INCLUDES INFORMATION REQUESTED
THROUGH HB 1700, HD1, SD1, CD1, PART III, SECTION 16.4
HAWAII STATE HOSPITAL BUDGET

PREPARED BY:
STATE OF HAWAII
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EXECUTIVE SUMMARY

In accordance with requests made by the Hawaii State Legislature during the Regular Session of 2016 to agencies and officials of the federal, state and county governments and of quasi-public and private agencies, this report includes information requested through HB 1700, HD1, SD1, CD1, Part III, Section 16.4 Hawaii State Hospital Budget.

HB 1700, HD1, SD1, CD1, Part III, Section 16.4 Hawaii State Hospital Budget requires the Governor and the Director of Health to formulate a budget request for the Hawaii State Hospital Under Adult Mental Health – Inpatient (HTH430) for each fiscal year of the fiscal biennium 2017-2019 that fully funds anticipated operating deficits and precludes the need for interdepartmental transfers-in from adult mental health – outpatient (HTH 420) or any other budget program ID of the Department. It further requires the Governor to include the formulated budget request in the multi-year program and financial plan and executive budget for the fiscal biennium 2017-2019 that is submitted to the Legislature before the Regular Session of 2017.

The attached Hawaii State Hospital Budget report for the fiscal biennium 2017-2019 includes a summary of the Hawaii State Hospital and the Adult Mental Health Division's budget review and findings as well as recommendations for changes and next steps.

HB 1700, HD1, SD1, CD1, PART III, SECTION 16.4
HAWAII STATE HOSPITAL BUDGET

Background

The Hawaii State Hospital (HSH) is a public facility providing psychiatric services to the citizens of Hawaii. Located on a 100 plus acre campus on the windward side of Oahu, HSH offers a wide array of services including, but not limited to, psychiatric evaluation and treatment, medication administration and management, nursing, psychology, substance abuse, recreational and occupational therapy, and social work. The specialized services at HSH require an extensive component of administrative and support services. Although previously HSH had the capacity to admit and provide services to both civil and forensic (criminal court-ordered commitments) patients, HSH is now a forensic hospital. All admissions this past fiscal year had a forensic context.

HSH was originally designed to house 168 patients. The demand for inpatient psychiatric services in Hawaii has exceeded that capacity and while census fluctuates with demand, HSH has housed as many as 218 patients at one time. The Department of Health (DOH) has contracted for 46 beds at Kahi Mohala Hospital in Ewa Beach to handle overflow for patients that are appropriate for that setting. Drivers of steadily increasing costs that result in necessary funding beyond that which the Legislature appropriated include: increase in census, an aging physical plant, and change in the acuity of the patients with resulting need for enhanced services to meet clinical needs. The DOH, the Adult Mental Health Division (AMHD), and the HSH have addressed these funding shortfalls via intra-departmental transfers. The Legislature has directed the DOH, AMHD, and HSH to determine the true amount needed to operate the hospital and to inform the Legislature, via a report, by the beginning of the 2017 session.

Actions Taken to Address Legislative Proviso

The HSH fiscal staff developed a plan of action to respond to the Legislative proviso in order to derive an accurate projection for funding needs, develop efficiencies in fiscal administration, and the fiscal team has implemented most of the action plan's components which are described below.

First, in collaboration with the DOH Administrative Services Office (ASO), a thorough review of all the cost centers within the hospital was completed which led to significant reduction in the number of cost centers. This reduction led to a more efficient organizational structure.

Secondly, expense projections for every line item of the spending plan were developed and formalized, resulting in data driven and reliable projections. These projection methodologies were shared with and approved by both the AMHD's fiscal office and DOH's ASO.

Third, an independent review of the entire budget process was obtained via contract and performed by the Western Interstate Commission of Higher Education (WICHE). This review was comprehensive and included an in-depth review of expense projection methodologies. The consultants concluded that the methodologies were sound and provided realistic and reliable predictions of necessary funding.

Fourth, the Director of Health and HSH Administrator met with chairs of the House Finance Committee and the Senate Ways and Means Committee to apprise them on the status of this report. During those meetings, the Director agreed to have DOH/HSH staff meet with committee staff to exchange information about the projection methodology. Those meetings are scheduled on January 25, 2017 for the House and January 31, 2017 for the Senate. Once consensus on methodology is achieved in these meetings, the amount necessary to fund HSH without relying on internal transfers will be determined. In the event that consensus is not achieved, additional discussion will occur until a mutually agreed upon projected amount is determined.

Expense Driver Concerns

There are several items of concern that are likely to increase future need for funding. These items are largely outside of the direct control of the HSH, AMHD and DOH. Key drivers of concern include, but are not limited to:

- The ongoing need to contract for 46 beds at Kahi Mohala to address inadequate space at HSH at an annual cost of \$11 million;
- The use of contracts with locums agencies to address past challenges in recruiting full-time psychiatrists which leads to an additional cost of approximately \$135,000 per doctor over and above budgeted amounts for psychiatrist salaries;
- The increasingly high and completely unpredictable cost of providing necessary medical care for patients at outside hospitals;
- The ongoing and increasing need to replace major physical plant components such as air conditioning and ventilation, security equipment, refrigeration, plumbing, and electrical systems throughout the campus, especially at the Guensberg building; and
- The cost of overtime and agency coverage to address shortages caused by patient acuity and the use of sick time by staff.

Although the projection methodologies developed over the past year are believed to be valid and to provide reliable information, there is concern that these items of concern and other areas outside of our control may result in increased expenses necessary to provide a safe and effective treatment environment

Recommendations

The HSH fiscal staff in conjunction with AMHD and DOH fiscal staff, will continue to refine the expenditure projection methodologies to derive an accurate amount to adequately fund the hospital's operations. HSH and DOH fiscal staff will meet with fiscal staff of the House Finance Committee and the Senate Ways and Means Committee for an information exchange to share those projections, answer questions, address concerns, and work toward developing an agreed upon total operations budget which can be utilized going forward.