



MAUI REGION

Maui Memorial Medical Center • Kula Hospital • Lanai Community Hospital

Background Information: Need for Total Healthcare Matrix for Maui County

We are not looking for ways to survive, we are looking for ways to grow – and provide the comprehensive, quality health care our community deserves, close to home. –Wes Lo, Regional CEO for Maui Memorial Medical Center, Kula Hospital and Lanai Community Hospital.

Who are we?

Maui Memorial Medical Center (MMMC), Kula Hospital and Lanai Community Hospital serve the populations of Maui County's three islands – Maui, Lanai and Molokai. In total, they care for over 11,000 inpatients and over 45,000 Emergency Room patients per year, and employ approximately 1,500 employees. MMMC is the only full-service hospital in the county. It is the only hospital in the state with a 24/7-stroke prevention program and only neighbor island hospital providing comprehensive cardiovascular services including open-heart surgery and angioplasty. MMMC is also one of the largest employers on Maui with close to 1,400 employees.

What are the current challenges facing MMMC and Maui Region facilities?

Across the nation, hospitals and other medical service providers are adjusting to radical changes in the healthcare landscape. Federally mandated system changes add to already increasing operating costs while health insurance reimbursements decrease. These challenges have led experts to project that 1 in 4 to 5 of the hospitals in the U.S. will disappear - either close, be acquired, or merge - over the next five years.

As a group of state-funded medical facilities that serve rural communities, MMMC and its sister Maui Region hospitals face additional and growing challenges. These have resulted in a serious financial deficit that threatens the current and future care of our community.

For the Maui Region, operating losses for fiscal year 2014 were \$38.2 million (before retiree health benefit expenses) and is estimated to end fiscal 2015 with an operating loss of \$46.3 million. The state appropriated \$43.3 million in 2014 to cover these losses, however for 2015, subsidy is expected to be

about \$10 million less. This will leave the Maui Region with a budgeted cash flow deficit of \$11 million this fiscal year and this deficit is expected to grow substantially every year.

Factors expected to increase this gap each year include:

- Decreased state funding (\$6.4 million less in General Funds for 2015 vs. 2014). Additionally, an extra 10 percent (approximately \$3 million) will be withheld after revised revenue forecast for the State of Hawaii;
- Decline in Medicare and Medicaid reimbursements due to changed payment methodologies;
- Growing expenditures for infrastructure upgrades and maintenance, and IT system upgrades to adhere to Affordable Care Act requirements;
- New Federal mandates (ICD-10), that could result in a significant loss of revenue;
- Medical inflation (4-7% per year);
- Salary increases mandated by state collective bargaining contracts (7-8% increase in 2014), but not accounted for in disbursement of state subsidies;
- Increase in fringe benefits to pre-fund retiree health benefits as required by law; and
- Increased demand for health care services by growing population. (MMMC ER patient visits increased by 6 percent in 2014 vs. 2013).

How does this affect facilities & services?

Aging facilities are in need of major updating to provide for the well-being and safety of our employees and patients. Infrastructure and grounds continue to deteriorate resulting in more costly repairs and increased difficulty with recruiting and retaining qualified staff. Growing losses will inevitably affect services, accessibility, staffing and the ability to remain competitive in quality and costs. If not

resolved, this may result in facility closures and loss of jobs, which will negatively impact communities served, especially low income and elderly.

What options are available to remedy the situation?

Hospitals can continue to request more financial support from the State, but the State's financial position is uncertain and fluctuates. As a provider of critical, life-saving services we need dependable and sustainable support. The practices of the past are no longer sufficient to provide the sustainable healthcare model our community deserves.

Hawaii Health Systems Corporation (HHSC), the parent company for all of Hawaii's state hospitals, has mandated that its facilities explore all options to address shortfalls including reductions in medical services, inventory of supplies and pharmaceuticals, availability of services and/or number of employees. While we are required to consider these and have already implemented a number of operational efficiencies and other expense reduction strategies, we feel strongly that cutting services or staff to keep afloat will have a devastating affect on our community. It is not the way to operate any business, much less one that lives depend on. It is not the answer.

For years we have recognized these challenges, and pursued and proposed forward thinking solutions. We feel that the only viable alternative is to explore a mutually beneficial coalition with another health care organization to create a **Total Healthcare Matrix** for Maui County.

What is a Total Healthcare Matrix?

A Total Healthcare Matrix is a partnership between Maui's public hospital system and an established, experienced and financially sound healthcare organization. It will help evolve MMMC from a hospital into a complete healthcare delivery system that can grow with the needs of our community and continue to provide quality health care, close to home.

The creation of a Total Healthcare Matrix for Maui County will:

- Reduce dependence on government subsidies that can't support the ever-changing healthcare environment and growing needs of our community;
- Broaden access to private capital and services, and address physical plant needs;
- Create efficiencies of scale and increased resources;
- Standardize and improve clinical practice through evidence-based guidelines, access to best practices and health information systems;
- Enhance information technology infrastructure;
- Offer highly competitive private sector compensation packages to attract, retain and integrate qualified medical service personnel; and
- Provide greater access to quality care and lower costs.

What can you do to help?

Several reputable healthcare organizations have expressed interest in partnering with Maui hospitals to care for our community. While we can continue to explore possible partners and scenarios, legal restrictions prevent us from any substantial progression. Next year, we will ask state officials to pass legislation that will allow us to pursue and engage a partner to create the Total Healthcare Matrix for Maui County so we can create a thriving future for our *keiki* through quality healthcare.

We encourage you to share this information and enlist advocates who want help by:

- Providing legislative testimony;
- Writing letters to their area legislators; and
- Submitting letters to the editor.