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## A BILL FOR AN ACT

RELATING TO HEALTH.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The purpose of this Act is to ensure that the  
2 people of the State have continued access to health care  
3 services in the county of Maui. Accordingly, this Act  
4 authorizes the Maui regional system of the Hawaii health systems  
5 corporation, in collaboration with a private entity, to  
6 transition any one or more of its facilities, which include Maui  
7 memorial medical center, Kula hospital and clinic, and Lanai  
8 community hospital, to operation by a new private nonprofit  
9 corporation.

10           SECTION 2. Chapter 323F, Hawaii Revised Statutes, is  
11 amended by adding a new part to be appropriately designated and  
12 to read as follows:

13           "PART     . PUBLIC-PRIVATE COLLABORATION AND TRANSITION OF  
14                    MAUI REGIONAL SYSTEM FACILITIES TO A NEW ENTITY

15           §323F-A Definitions. Whenever used in this part, unless a  
16 different meaning clearly appears from the context:



1 "Pre-transition facility" means a facility of the Maui  
2 regional system prior to its transition into a new private  
3 nonprofit corporation under this part.

4 "Private entity" means a private entity with which the Maui  
5 regional system is authorized to enter into an agreement with  
6 under this part.

7 "Transitioned facility" means a facility of the Maui  
8 regional system that has transitioned into a new private  
9 nonprofit corporation under this part.

10 §323F-B Transition of the facility or facilities of the  
11 Maui regional system to a new private nonprofit entity.  
12 Notwithstanding any other law to the contrary including, but not  
13 limited to, section 27-1, chapters 76, 78, and 89, and chapter  
14 171, the Maui regional system, a division of the Hawaii health  
15 systems corporation, is hereby authorized to enter into an  
16 agreement with a private entity to transition one or more of its  
17 facilities, including Maui memorial medical center, Kula  
18 hospital and clinic, and Lanai community hospital, into a new  
19 private Hawaii nonprofit corporation, to be operated and managed  
20 by the private entity as its sole member and operator.



1           The private entity shall be responsible for establishing  
2 the new private nonprofit corporation, which shall be organized  
3 under the laws of this State, for purposes of this part.

4           **§323F-C Approvals required.** Transition under this part  
5 shall occur only upon approval by the Maui regional system  
6 board. Any transition shall be subject to legal review by the  
7 attorney general who shall approve the transition if satisfied  
8 that the transition conforms to all applicable laws, subject to  
9 the review of the director of finance who shall approve the  
10 transition if it conforms to all applicable financing  
11 procedures, and subject to the governor's approval.

12           **§323F-D Lease; terms and conditions.** (a) The Maui  
13 regional system board is authorized to enter into a fixed long-  
14 term lease of no less than twenty-five years with the  
15 transitioned facility, which shall lease the facilities under  
16 custodial control of the Maui regional system board and shall  
17 operate and manage the leased facilities.

18           (b) The lease shall be subject to the following terms and  
19 conditions:



1           (1) Rent for the lease shall be a nominal \$1.00 per year  
2           payable in advance and in full for the term of the  
3           lease;

4           (2) The lease shall not be terminated other than for good  
5           cause and upon a minimum of three hundred sixty-five  
6           days prior notice to ensure that the delivery of  
7           health care to the community served will not be  
8           disrupted;

9           (3) The transitioned facility shall be allowed to have  
10          exclusive control of all matters related to the  
11          management and operation of the leased facilities,  
12          except as otherwise set forth in the lease; and

13          (4) The responsibility to oversee the performance of the  
14          terms of the lease by the transitioned facility shall  
15          rest with the Maui regional system board as the  
16          lessor.

17          §323F-E Assets; real property. (a) The corporation shall  
18          retain ownership of all real property associated with the lease.

19          (b) The Maui regional system board, having custodial  
20          control over all lands and facilities in the Maui region, is  
21          authorized to lease real assets under its custodial control to



1 the transitioned facility at nominal rent. The board shall not  
2 dispose of any real assets other than by lease. The Maui  
3 regional system board may transfer to the transitioned facility  
4 all equipment relating to the operation of the hospital and all  
5 other assets except real assets.

6 (c) The transitioned facility shall assume any medicare  
7 provider agreements of the leased facilities.

8 **§323F-F Liabilities.** (a) The State, the Maui region, the  
9 corporation, or one or more of these, shall assume current  
10 liabilities associated with accounts payable, accrued paid time  
11 off, debt, capital leases, malpractice liabilities, and other  
12 liabilities as specifically set forth in the lease. Any and all  
13 liabilities of the pre-transition facility that were transferred  
14 to the corporation upon its creation by Act 262, Session Laws of  
15 Hawaii 1996, all liabilities of the pre-transition facility  
16 related to collective bargaining contracts negotiated by the  
17 State, and the liability for the current outstanding post-  
18 employment benefits, shall become the responsibility of the  
19 State.



1           (b) All future liabilities arising out of the transitioned  
2 facility's operation of the leased facilities shall be the  
3 responsibility of the transitioned facility.

4           §323F-G Employment, wages, and benefits. (a) A personnel  
5 system for employees working at the transitioned facility shall  
6 be established and governed by laws and regulations that apply  
7 to private sector employees. The personnel system of the  
8 transitioned facility shall not be governed by state laws that  
9 apply to public officers and employees of the State including,  
10 but not limited to, the civil service system laws, state  
11 collective bargaining laws, and any other laws and regulations  
12 that govern public or government employment in the State.

13           (b) Employees of the pre-transition facility shall be  
14 transitioned to the private party standard wage and benefit  
15 structure and the personnel system established under subsection  
16 (a).

17           (c) The transitioned facility shall offer all medical and  
18 nonmedical employees of the pre-transition facility, who satisfy  
19 the job qualifications for comparable positions and the  
20 employment requirements of the private party, continued  
21 employment for a period of no less than six months after



1 commencement of the lease. The transitioned facility, at its  
2 discretion, may thereafter continue to employ any or all medical  
3 and nonmedical employees at the transitioned facility.

4 (d) No employee of the corporation who is separated from  
5 service as a result of implementation of an agreement and  
6 transition under this part shall suffer any loss of retirement  
7 allowance earned as provided in section 88-74 or any loss of  
8 vacation leave earned and accumulated.

9 (e) The private entity shall provide a plan for a smooth  
10 transition of the employees of the pre-transition facility from  
11 state employment to private employment by the transitioned  
12 facility.

13 **§323F-H Operating subsidy.** The State shall subsidize the  
14 operation of the transitioned facility pursuant to a subsidy  
15 schedule in which the guaranteed maximum annual subsidy shall  
16 not exceed the 2014 fiscal year subsidy and may be lowered based  
17 on operating performance.

18 **§323F-I Capital subsidy.** (a) For the first ten years of  
19 the lease, the State shall jointly fund capital expenditures  
20 with the private entity that operates and manages the



1 transitioned facility on terms to be agreed upon as part of the  
2 lease required by section 323F-E; provided that:

3 (1) Capital planning and expenditures shall be completed  
4 in accordance with the private party's operative  
5 capital planning procedures; and

6 (2) Capital funding shall be consistent with the pre-  
7 transition facility's funding level, previously  
8 approved capital improvement project requests, and  
9 pending capital improvement project requests at the  
10 time the lease is executed.

11 (b) After the first ten years of the lease, the new  
12 private nonprofit corporation formed pursuant to section 323F-B  
13 and the private entity shall be responsible for funding all  
14 capital expenditures of the new transitioned facility.

15 §323F-J Strategic commitment during term of lease. (a)  
16 The private entity shall be committed to supporting the  
17 transitioned facility to achieve excellence and improve access  
18 to services in Maui county.

19 (b) The private entity shall establish a governance and  
20 management structure that improves the performance of the  
21 transitioned facility. The private entity shall apply



1 efficiencies of scale, consolidation of shared services, and  
2 administrative and technological expertise to improve the health  
3 care performance of the transitioned facility.

4 (c) The private entity shall support the transitioned  
5 facility in:

- 6 (1) Expanding primary care access throughout Maui;
- 7 (2) Recruiting and rotating specialists to fill current  
8 service gaps;
- 9 (3) Extending the private entity's service line  
10 coordination to Maui, including but not limited to  
11 cancer, cardiology, orthopedics, pediatrics, and  
12 women's health services;
- 13 (4) Coordinating long term care patients and reducing the  
14 wait list;
- 15 (5) Upgrading facilities and equipment as needed to  
16 provide high quality care and to enhance patient  
17 experience; and
- 18 (6) Incorporating Maui region into the private entity's  
19 value-based contracting initiatives to better align  
20 quality and cost initiatives."



# H.B. NO. 1075

1 SECTION 3. In codifying the new sections added by section  
 2 of this Act, the revisor of statutes shall substitute  
 3 appropriate section numbers for the letters used in designating  
 4 the new sections in this Act.

5 SECTION 4. This Act shall take effect upon its approval.  
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INTRODUCED BY:

*[Handwritten signature]*  
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*Cindy Evans*

*Richard*

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*John M. [Signature]*  
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# H.B. NO. 1075

**Report Title:**

Maui Regional System Facilities; Public-Private Collaboration;  
Transition to New Private Nonprofit Entity

**Description:**

Authorizes the Maui Regional System to enter into an agreement with a private entity to transition one or more of its facilities into a new private Hawaii nonprofit corporation.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

