A BILL FOR AN ACT

RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

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

PART I

SECTION 1. The legislature finds that the Hawaii health systems corporation has five semi-independent health care regions within the State, including Kauai, Maui, East Hawaii, West Hawaii, and Oahu. Oahu is unique in the regional system because of the logistical complexities of the Oahu regional health care system facilities and the limited but crucial nature of the services these facilities provide.

The legislature further finds that two Oahu regional health care system facilities, Leahi hospital and Maluhia hospital, are long-term care facilities that play a vital role in their communities where long-term care needs are high. Because the Oahu facilities almost exclusively serve long-term care and medicaid patients, groups traditionally underserved by private facilities because of the high cost of their care, the Oahu regional health care system is not as profitable as neighbor island regions. Despite the Oahu regional health care system
facilities filling a gap in services and playing an important role in stabilizing the health care safety net on Oahu, concerns have been raised about the long-term viability of the Oahu regional health care system.

The purpose of this Act is for the Oahu regional health care system to maintain its autonomy and to continue under the Oahu regional system board while that board works to address the concerns raised about the Oahu regional health care system's long-term viability. While this measure is the beginning of a transition plan for the Oahu regional health care system to exit the Hawaii health systems corporation in five years, it is the intention of the legislature that the transition be implemented only if concerns about the viability of the Oahu regional health care system continue unaddressed.

PART II

SECTION 2. The purpose of this part is to:

(1) Require prior authorization by the Oahu regional system board for all actions to sell, lease, rent, partially or fully privatize, or change the scope or quantity of services provided at Oahu regional health care system facilities; and
(2) Amend the composition of the Hawaii health systems corporation board by reducing the number of Maui representatives from three to two. This reduction reflects the board's reduced influence in Maui following the Maui regional health care system's successful public-private partnership with Maui Health System, a Kaiser Permanente affiliate.

SECTION 3. Chapter 323F, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§323F- Hawaii health systems corporation board; Oahu regional system board. All actions to buy, sell, lease, rent, fully privatize, partially privatize, or reduce the scope or quantity of services at any facility within the Oahu regional health care system shall require prior approval by the Oahu regional system board."

SECTION 4. Section 323F-3, Hawaii Revised Statutes, is amended by amending subsections (a) and (b) to read as follows:

"(a) The corporation shall be governed by an [eighteen-member] twenty-member board of directors that shall carry out the duties and responsibilities of the corporation other than
those duties and responsibilities relating to the establishment
of any captive insurance company pursuant to section 323F-
7(c)(20) and the operation thereof.

(b) The members of the corporation board shall be
appointed as follows:

(1) The director of health as an ex officio, voting
member;

(2) The five regional chief executive officers as ex
officio, nonvoting members;

(3) Two members who reside in the county of Maui,
one of whom shall be appointed by the Maui
regional system board and one of whom shall be
appointed by the governor, all of whom shall serve as
voting members;

(4) Two members who reside in the eastern section of the
county of Hawaii, one of whom shall be appointed by
the East Hawaii regional system board and one of whom
shall be appointed by the governor, both of whom shall
serve as voting members;

(5) Two members who reside in the western section of the
county of Hawaii, one of whom shall be appointed by
the West Hawaii regional system board and one of whom
shall be appointed by the governor, both of whom shall
serve as voting members;

(6) Two members who reside on the island of Kauai, one of
whom shall be appointed by the Kauai regional system
board and one of whom shall be appointed by the
governor, both of whom shall serve as voting members;

(7) [Two] Five members who reside on the island of Oahu,
[three] three of whom shall be appointed by the Oahu
regional system board and [two] two of whom shall be
appointed by the governor, [all] all of whom shall
serve as voting members; and

(8) One member who shall be appointed by the governor and
serve as an at-large voting member.

The appointed board members who reside in the county of
Maui, eastern section of the county of Hawaii, western section
of the county of Hawaii, on the island of Kauai, and on the
island of Oahu shall each serve for a term of four years;
provided that the terms of the initial appointments of the
members who are appointed by their respective regional system
boards shall be as follows: one of the initial members from the
county of Maui shall be appointed to serve a term of two years
and the other member shall be appointed to serve a term of four
years; the initial member from East Hawaii shall be appointed to
serve a term of two years; the initial member from West Hawaii
shall be appointed to serve a term of four years; the initial
member from the island of Kauai shall be appointed to serve a
term of two years; and the initial member from the island of
Oahu shall be appointed to serve a term of four years; [and]
provided further that the terms of the initial appointments of
the members who are appointed by the governor shall be four
years. The at-large member appointed by the governor shall
serve a term of two years.

Any vacancy shall be filled in the same manner provided for
the original appointments. The corporation board shall elect
its own chair from among its members. Appointments to the
corporation board shall be as representative as possible of the
system's stakeholders as outlined in this subsection. The board
member appointments shall strive to create a board that includes
expertise in the fields of medicine, finance, health care
administration, government affairs, human resources, and law."
PART III

SECTION 5. The purpose of this part, which takes effect on July 1, 2024, is to transition the Oahu regional health care system out of the Hawaii health systems corporation on July 1, 2024, if at that time the legislature's concerns about the viability of the Oahu regional health care system have not been sufficiently addressed.

SECTION 6. Chapter 323F, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§323F— Maluhia hospital; Leahi hospital;

privatization. Prior to full or partial privatization of Leahi hospital or Maluhia hospital, the director of health, governor's coordinator on homelessness, and mayor of the city and county of Honolulu shall, in their respective official capacities, have the right of first refusal to purchase the portion of the property, or rights to the lease, of Maluhia hospital or Leahi hospital that is being privatized or to purchase the entirety of the property or lease of Maluhia hospital or Leahi hospital."

SECTION 7. Section 323F-2, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:
"(b) The corporate organization shall be divided into
[five] four regional systems, as follows:

1. The Oahu regional health care system;

2. (1) The Kauai regional health care system;

3. (2) The Maui regional health care system;

4. (3) The [east] East Hawaii regional health care system, comprising the Puna district, north Hilo
district, south Hilo district, Hamakua district, and
Kau district; and

5. (4) The [west] West Hawaii regional health care system, comprising the north Kohala district, south
Kohala district, north Kona district, and south Kona
district,

and shall be identified as regional systems I, II, III, and IV,
respectively."

SECTION 8. Section 323F-3, Hawaii Revised Statutes, is
amended by amending subsections (a) and (b) to read as follows:

"(a) The corporation shall be governed by an [eighteen-
member] nineteen-member board of directors that shall carry out
the duties and responsibilities of the corporation other than
those duties and responsibilities relating to the establishment
of any captive insurance company pursuant to section 323F-7(c)(20) and the operation thereof.

(b) The members of the corporation board shall be appointed as follows:

(1) The director of health as an ex officio, voting member;

(2) The [five] four regional chief executive officers as ex officio, nonvoting members;

(3) [Three] Two members who reside in the county of Maui, [two] one of whom shall be appointed by the Maui regional system board and one of whom shall be appointed by the governor, all of whom shall serve as voting members;

(4) Two members who reside in the eastern section of the county of Hawaii, one of whom shall be appointed by the East Hawaii regional system board and one of whom shall be appointed by the governor, both of whom shall serve as voting members;

(5) Two members who reside in the western section of the county of Hawaii, one of whom shall be appointed by the West Hawaii regional system board and one of whom
shall be appointed by the governor, both of whom shall serve as voting members; (6) Two members who reside on the island of Kauai, one of whom shall be appointed by the Kauai regional system board and one of whom shall be appointed by the governor, both of whom shall serve as voting members; (7) [These] Five members who reside on the island of Oahu, [one of whom shall be appointed by the Oahu regional system board and one of whom] who shall be appointed by the governor, [both of whom] and who shall serve as voting members; and (8) One member who shall be appointed by the governor and serve as an at-large voting member.

The appointed board members who reside in the county of Maui, eastern section of the county of Hawaii, western section of the county of Hawaii, on the island of Kauai, and on the island of Oahu shall each serve for a term of four years; provided that the terms of the initial appointments of the members who are appointed by their respective regional system boards shall be as follows: one of the initial members from the county of Maui shall be appointed to serve a term of two years
and the other member shall be appointed to serve a term of four years; the initial member from East Hawaii shall be appointed to serve a term of two years; the initial member from West Hawaii shall be appointed to serve a term of four years; and the initial member from the island of Kauai shall be appointed to serve a term of two years; [and the initial member from the island of Oahu shall be appointed to serve a term of four years; and] provided further that the terms of the initial appointments of the members who are appointed by the governor shall be four years. The at-large member appointed by the governor shall serve a term of two years.

Any vacancy shall be filled in the same manner provided for the original appointments. The corporation board shall elect its own chair from among its members. Appointments to the corporation board shall be as representative as possible of the system's stakeholders as outlined in this subsection. The board member appointments shall strive to create a board that includes expertise in the fields of medicine, finance, health care administration, government affairs, human resources, and law."

SECTION 9. Section 323F-3.5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:
"(a) There is hereby established a regional system board of directors to govern each of the [five] four regional systems specified in section 323F-2,[, ne later than January 1, 2008].

The regional system boards of directors shall carry out the duties and responsibilities as set forth in this chapter and as further delegated by the corporation."

SECTION 10. All rights, powers, functions, and duties of the Oahu regional health care system are transferred to the board of directors of the Hawaii health systems corporation.

All employees who occupy civil service positions and whose functions are transferred to the board of directors of the Hawaii health systems corporation by this Act shall retain their civil service status, whether permanent or temporary. Employees shall be transferred without loss of salary, seniority (except as prescribed by applicable collective bargaining agreements), retention points, prior service credit, any vacation and sick leave credits previously earned, and other rights, benefits, and privileges, in accordance with state personnel laws and this Act; provided that the employees possess the minimum qualifications and public employment requirements for the class or position to which transferred or appointed, as applicable;
provided further that subsequent changes in status may be made pursuant to applicable civil service and compensation laws.

Any employee who, prior to this Act, is exempt from civil service and is transferred as a consequence of this Act shall be transferred without loss of salary and shall not suffer any loss of prior service credit, vacation or sick leave credits previously earned, or other employee benefits or privileges as a consequence of this Act and shall be entitled to remain employed in the employee's current position for a period of no less than one year after being transferred.

SECTION 11. All appropriations, records, equipment, machines, files, supplies, contracts, books, papers, documents, maps, and other personal property heretofore made, used, acquired, or held by the Oahu regional health care system relating to the functions transferred to the board of directors of the Hawaii health systems corporation shall be transferred with the functions to which they relate.

PART IV

SECTION 12. The purpose of this part is to assist the Oahu regional system board coordinate with departments and partners as it moves forward with plans to improve the financial
viability of the Oahu regional health care system. Furthermore, to keep the legislature abreast of this issue, this part requires the Oahu regional system board to provide an interim report on the board's strategic plan to the legislature prior to the beginning of the regular session of 2020, and a final report prior to the regular session of 2024, at which time the legislature may revisit the appropriate role for the Oahu regional system board.

SECTION 13. (a) The Oahu regional system board, in consultation with the behavioral health administration of the department of health, governor's coordinator on homelessness, and city and county of Honolulu, shall develop a five-year strategic plan for the sustainability and viability of Leahi hospital and Maluhia hospital as long-term care facilities on the island of Oahu. In addition to any other projects, partnerships, or efficiency measures deemed appropriate by the Oahu regional system board, the plan shall include:

(1) Facility management efficiencies;

(2) Cost benefit analysis of structural changes to the facilities;
(3) Full or partial privatization options; provided that any steps taken toward full or partial privatization shall have the approval of the Oahu regional system board;

(4) The feasibility of providing housing, addiction treatment, or mental health treatment services to meet unmet health and treatment needs of vulnerable populations on the island of Oahu; provided that the Oahu regional system board shall continue to manage its facilities; and

(5) Any other issues that the Oahu regional system board considers necessary or relevant.

(b) The Oahu regional system board shall submit an interim report on the strategic plan to the legislature no later than twenty days prior to the convening of the regular session of 2020.

(c) The Oahu regional system board shall submit a final report on the achievements of the strategic plan and short- and long-term plans for financial viability of the Oahu regional health care system to the legislature no later than twenty days prior to the convening of the regular session of 2024.
PART V

SECTION 14. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 15. This Act shall take effect on July 1, 2019; provided that:

(1) Part II shall be repealed on June 30, 2024, and section 323F-3(b), Hawaii Revised Statutes, shall be reenacted in the form in which it read on the day before the effective date of this Act; and

(2) Part III shall take effect on July 1, 2024; provided that part II shall not be repealed and part III shall not take effect if the legislature adopts a concurrent resolution prior to June 30, 2024, finding that retention of the Oahu regional system board is in the best interest of the State.
Report Title:
Hawaii Health Systems Corporation; Oahu Regional Health Care System; Oahu Regional System Board; Consolidation; Board of Directors; Composition

Description:
Requires Oahu regional system board approval to privatize, sell or change services at all Oahu regional health care system facilities. Amends the membership of the Hawaii Health Systems Corporation board. Requires the Oahu regional system board to create a 5-year sustainability plan in consultation with other government stakeholders and report to the Legislature. Creates a right of first refusal for the Director of Health, Governor's Coordinator on Homelessness, and Mayor of the City and County of Honolulu if the Hawaii Health Systems Corporation board fully or partially privatizes Leahi or Maluhia Hospital. Sunsets the Oahu regional health care system on 7/1/2024 and integrates it into the Hawaii Health Systems Corporation Board. (SD2)

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