

---

---

# 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**

1  
2 SECTION 1. The legislature finds that the State's  
3 community hospital system, the Hawaii health systems  
4 corporation, provides essential hospital and long-term care  
5 services, in addition to physician and other health care  
6 services throughout the State. Hawaii health systems  
7 corporation facilities are often the only hospitals and  
8 emergency care providers in many rural communities. Due to  
9 rapid changes taking place in the health care industry, the  
10 legislature acknowledges that the governing structure of our  
11 public hospital system must provide the appropriate flexibility  
12 and autonomy needed to compete and remain viable and to respond  
13 to the needs of the specific communities served, by furthering  
14 the development of centers of excellence in health care.

15 The current administrative arrangement places the public  
16 hospital system in a single statewide public agency, the Hawaii  
17 health systems corporation, which operates with some autonomy  
18 from the executive branch. This arrangement is the result of



1 landmark legislation, Act 262, Session Laws of Hawaii 1996, (Act  
2 262), after years of study. Act 262 was largely the result of  
3 the work of a task force established pursuant to Act 266,  
4 Session Laws of Hawaii 1994, charged with studying the  
5 establishment of an agency for community hospitals, then a  
6 division of the department of health. On December 20, 1994, the  
7 task force issued its report to the governor and the legislature  
8 entitled *The Preliminary Report of the Governor's Task Force on*  
9 *the Establishment of an Agency for Community Hospitals*. Many of  
10 the recommendations of the task force were adopted by the  
11 legislature, resulting in passage of Act 262, and the creation  
12 of the Hawaii health systems corporation in 1996.

13 One significant recommendation of the task force included  
14 the establishment of regional system boards of directors, along  
15 with the system-wide board. This was accomplished in Act 290,  
16 Session Laws of Hawaii 2007, where the legislature established a  
17 two-tiered board system, giving the regional boards custodial  
18 control over the operations, facilities, and personnel, to be  
19 exercised within corporate policy.

20 The legislature further limited the corporation's  
21 centralized operational authority through Act 182, Session Laws



1 of Hawaii 2009 (Act 182), which prohibits the corporation from  
2 granting mortgages on corporation real property in order to  
3 secure loans and revenue bonds. However, the legislature finds  
4 that the inability to leverage its biggest asset of real  
5 property by pledging it as collateral as well as the dollar cap  
6 that Act 182 imposed on the corporation's authority to enter  
7 into municipal leases has hindered the ability of the  
8 corporation to obtain outside financing and refinance loans for  
9 more favorable terms.

10 The legislature finds that the decentralization, while in  
11 some ways beneficial, also caused inefficiencies that are  
12 detrimental to the financial accountability and stability of the  
13 system. Consequently, there is a need to stabilize the network  
14 of public hospitals that are the primary source of medical care  
15 on the neighbor islands, as well as a safety net for thousands  
16 of elderly and needy patients.

17 The purpose of this part is to centralize personnel,  
18 purchasing, and other administrative functions wherever feasible  
19 within the Hawaii health systems corporation and remove  
20 unnecessary operational limitations to achieve greater



1 efficiency, effectiveness, and meaningful financial  
2 accountability.

3 SECTION 2. Chapter 323F, Hawaii Revised Statutes, is  
4 amended by adding a new section to part II to be appropriately  
5 designated and to read as follows:

6 "§323F- Financial and management audits. The auditor  
7 shall conduct a financial and management audit of the Hawaii  
8 health systems corporation every five years."

9 SECTION 3. Section 323F-7, Hawaii Revised Statutes, is  
10 amended by amending subsections (c) and (d) to read as follows:

11 "(c) Notwithstanding any other law to the contrary, the  
12 corporation and any of the regional system boards shall exercise  
13 the following duties and powers:

14 (1) Developing corporation-wide policies, procedures, and  
15 rules necessary or appropriate to plan, operate,  
16 manage, and control the system of public health  
17 facilities and services without regard to chapter 91;  
18 provided that each regional system board shall be  
19 responsible for its own policies, procedures, and  
20 rules necessary or appropriate to plan, operate,  
21 manage, and control the public health facilities



1           within its own regional system consistent with  
2           corporation policies;  
3       (2)   Evaluating the need for additional health facilities  
4           and services; provided that each regional system board  
5           shall be responsible for the evaluation within its own  
6           regional system;  
7       (3)   Entering into and performing any contracts, leases,  
8           cooperative agreements, partnerships, or other  
9           transactions whatsoever that may be necessary or  
10          appropriate in the performance of its purposes and  
11          responsibilities, and on terms the corporation, or  
12          regional system boards, may deem appropriate, with  
13          either:  
14       (A)   Any agency or instrumentality of the United  
15           States, or with any state, territory, or  
16           possession, or with any subdivision thereof; or  
17       (B)   Any person, firm, association, partnership, or  
18           corporation, whether operated on a for-profit or  
19           not-for-profit basis;  
20          provided that the transaction furthers the public  
21          interest; and provided further that if any dispute



1 arises between any contract, lease, cooperative  
2 agreement, partnership, or other transaction entered  
3 into by the corporation and a regional system board  
4 with regard to matters solely within that regional  
5 system, after July 1, 2007, the contract, lease,  
6 cooperative agreement, partnership, or other  
7 transaction entered into by the regional system board  
8 shall prevail; and provided further that such  
9 agreements are consistent with corporation policies;

10 (4) Conducting activities and entering into business  
11 relationships as the corporation board, or any  
12 regional system board, deems necessary or appropriate,  
13 including but not limited to:

14 (A) Creating nonprofit corporations, including but  
15 not limited to charitable fund-raising  
16 foundations, to be controlled wholly by the  
17 corporation, any regional system board, or  
18 jointly with others;

19 (B) Establishing, subscribing to, and owning stock in  
20 business corporations individually or jointly  
21 with others; and



1 (C) Entering into partnerships and other joint  
2 venture arrangements, or participating in  
3 alliances, purchasing consortia, health insurance  
4 pools, or other cooperative arrangements, with  
5 any public or private entity; provided that any  
6 corporation, venture, or relationship entered  
7 into under this section furthers the public  
8 interest; provided further that this paragraph  
9 shall not be construed to authorize the  
10 corporation or a regional system board to  
11 abrogate any responsibility or obligation under  
12 paragraph (15);

13 provided that each regional system board shall be  
14 responsible for conducting the activities under this  
15 paragraph in its own regional system consistent with  
16 policies established by the corporation board;

17 (5) Participating in and developing prepaid health care  
18 service and insurance programs and other alternative  
19 health care delivery programs, including programs  
20 involving the acceptance of capitated payments or  
21 premiums that include the assumption of financial and



1 actuarial risk; provided that each regional system  
2 board shall be responsible for conducting the  
3 activities under this paragraph in its own regional  
4 system consistent with policies established by the  
5 corporation board;

6 (6) Executing, in accordance with all applicable bylaws,  
7 rules, and laws, all instruments necessary or  
8 appropriate in the exercise of any powers of the  
9 corporation or regional system boards;

10 (7) Preparing and executing all corporation-wide budgets,  
11 policies, and procedures or any regional system  
12 budgets, policies, and procedures; provided that the  
13 regional system boards shall submit their regional and  
14 facility budgets to the corporation [~~to be~~  
15 ~~consolidated into a corporation-wide budget for~~  
16 ~~purposes of corporation-wide planning and~~  
17 ~~appropriation requests. Regional system and facility~~  
18 ~~budgets shall be received by the corporation and shall~~  
19 ~~be included in the corporation-wide budget upon~~  
20 ~~submittal to the corporation;] for approval,  
21 amendment, or rejection;~~





- 1 (8) Setting rates and charges for all services provided by  
2 the corporation without regard to chapter 91; provided  
3 that the duty and power of the corporation board shall  
4 be limited to approving the rates and charges  
5 developed by the regional system boards for the  
6 regional system's facilities and services. Rates and  
7 charges may vary among regional systems and facilities  
8 and may be consolidated with the rates of other  
9 regional systems into one charge master. Third-party  
10 payer contracts may be negotiated at the corporation-  
11 wide level with input from the regional systems,  
12 taking into consideration the rates set by the  
13 regional system boards. For purposes of securing  
14 revenue bonds, the corporation or regional system  
15 board may covenant to set, and if necessary increase,  
16 rates and charges as needed to pay debt service and  
17 related obligations plus a coverage factor;
- 18 (9) Developing a corporation-wide hospital system that is  
19 subject to chapters 76 and 89; provided that employees  
20 transitioned to a private entity pursuant to this  
21 chapter shall not be governed by chapters 76 and 89;



1 provided that employment of regional system and  
2 facility personnel shall be the responsibility of the  
3 regional system boards pursuant to corporation-wide  
4 policies and procedures, applicable laws, rules,  
5 regulations, and collective bargaining agreements;

6 (10) Developing the corporation's corporation-wide capital  
7 and strategic plans or any regional system board's  
8 capital and strategic plans; provided that each  
9 regional system board shall be responsible for  
10 development of capital and strategic plans in its own  
11 regional system that shall be consistent with, and  
12 incorporated into, the overall corporation-wide plans;  
13 and provided further that the corporation and each  
14 regional system board shall be entitled to undertake  
15 the acquisition, construction, and improvement of  
16 property, facilities, and equipment to carry out these  
17 capital and strategic plans;

18 (11) Suing and being sued; provided that only the  
19 corporation may sue or be sued; and provided further  
20 that the corporation and regional system boards shall



1           enjoy the same sovereign immunity available to the  
2           State;

3       (12) Making and altering corporation board and regional  
4           system board bylaws for its organization and  
5           management without regard to chapter 91 and consistent  
6           with this chapter; provided that each regional system  
7           board shall be responsible for the final approval of  
8           its regional system board bylaws;

9       (13) Adopting rules without regard to chapter 91 governing  
10           the exercise of the corporation's or regional system  
11           boards' powers and the fulfillment of its purpose  
12           under this chapter;

13       (14) Entering into any contract or agreement whatsoever,  
14           not inconsistent with this chapter or the laws of this  
15           State, and authorizing the corporation, regional  
16           system boards, and chief executive officers to enter  
17           into all contracts, execute all instruments, and do  
18           all things necessary or appropriate in the exercise of  
19           the powers granted in this chapter, including securing  
20           the payment of bonds; provided that the corporation  
21           board shall delegate to a regional system board its



1 authority to enter into and execute contracts or  
2 agreements relating to matters exclusively affecting  
3 that regional system; provided further that a regional  
4 system board shall exercise this power consistent with  
5 corporation-wide policies; and provided further that  
6 contracts or agreements executed by a regional system  
7 board shall encumber only the regional subaccounts of  
8 that regional system board;

9 (15) Issuing revenue bonds up to \$100,000,000 subject to  
10 the approval of the governor or the director of  
11 finance; provided that:

12 (A) All revenue bonds shall be issued pursuant to  
13 part III, chapter 39;

14 (B) The corporation and any regional system board  
15 shall have the power to issue revenue bonds in  
16 any amount without regard to any limitation in  
17 chapter 39; and

18 (C) The corporation shall have the power to incur  
19 debt, including the issuance of revenue bonds in  
20 any amount, and the regional system boards shall



1           have the power to issue revenue bonds in any  
2           amount upon approval by the corporation board;

3       (16) Reimbursing the state general fund for debt service on  
4       general obligation bonds or reimbursable general  
5       obligation bonds issued by the State for the purposes  
6       of the corporation or any regional system board;

7       (17) Pledging or assigning all or any part of the receipts,  
8       revenues, and other financial assets of the  
9       corporation or the regional system boards for purposes  
10      of meeting or securing bond or health systems  
11      liabilities; provided that each regional system board  
12      shall be responsible for conducting the activities  
13      under this paragraph in its own regional system. Any  
14      pledge or assignment by the corporation or any  
15      regional system board to secure revenue bonds or  
16      health system liabilities shall be valid and binding  
17      in accordance with its terms against the pledgor,  
18      creditors, and all others asserting rights thereto  
19      from the time the pledge or assignment is made,  
20      without the need of physical delivery, recordation,  
21      filing, or further act. The corporation shall not



1 take or omit to take any act that would interfere  
2 with, impair, or adversely affect any pledge or  
3 assignment by a regional system board pursuant to this  
4 chapter. In connection with issuing revenue bonds or  
5 related obligations, consistent with corporation  
6 policies and procedures, any regional system board may  
7 make such other covenants, binding on the regional  
8 system board and the corporation, that the regional  
9 system board determines to be necessary or appropriate  
10 to establish and maintain security for the revenue  
11 bonds or related obligations;

12 (18) Owning, purchasing, leasing, exchanging, or otherwise  
13 acquiring property, whether real, personal, or mixed,  
14 tangible or intangible, and of any interest therein,  
15 in the name of the corporation, which property is not  
16 owned or controlled by the State but is owned or  
17 controlled by the corporation; provided that:

18 (A) Regional system boards shall have custodial  
19 control over facilities and physical assets in  
20 their respective regional systems. A regional  
21 system board may own, purchase, lease, exchange,



1 or otherwise acquire property, whether real,  
2 personal, or mixed, tangible or intangible, and  
3 of any interest therein, other than property  
4 owned or controlled by the corporation, in the  
5 name of the regional system board; provided  
6 further that a regional system board shall be  
7 subject to section 323F-3.5; and

8 (B) Each regional system board shall be responsible  
9 for conducting the activities under this  
10 paragraph in its own regional system;

11 (19) Maintaining, improving, pledging, mortgaging, selling,  
12 or otherwise holding or disposing of property, whether  
13 real, personal, or mixed, tangible or intangible, and  
14 of any interest therein, at any time and manner, in  
15 furtherance of the purposes and mission of the  
16 corporation or any regional system board; provided  
17 that the corporation or any regional system board  
18 legally holds or controls the property in its own  
19 name; provided further that other than to secure  
20 revenue bonds and related obligations and agents, and  
21 to transition into a new entity, the corporation or



1 any regional system board shall not sell, assign,  
2 lease, hypothecate, mortgage, pledge, give, or dispose  
3 of all or substantially all of its property; and  
4 provided further that each regional system board shall  
5 be responsible for conducting the activities under  
6 this paragraph in its own regional system, and control  
7 over such property shall be delegated to each regional  
8 system board; [~~provided further that this paragraph~~  
9 ~~shall not be construed to authorize the sale, pledge,~~  
10 ~~or mortgage of real property under the control of the~~  
11 ~~corporation or a regional system board;~~]

12 (20) Purchasing insurance and creating captive insurers in  
13 any arrangement deemed in the best interest of the  
14 corporation, including but not limited to funding and  
15 payment of deductibles and purchase of reinsurance;  
16 provided that only the corporation shall have the  
17 power to create captive insurers to benefit public  
18 health facilities and operations in all regional  
19 systems; and provided further that a regional system  
20 board may purchase insurance for its regional system  
21 in collaboration with the other regional systems and





- 1 the corporation until captive coverage is provided by  
2 the corporation;
- 3 (21) Acquiring by condemnation, pursuant to chapter 101,  
4 any real property required by the corporation to carry  
5 out the powers granted by this chapter;
- 6 (22) Depositing any moneys of the corporation or any  
7 regional system board in any banking institution  
8 within or without the State, and appointing, for the  
9 purpose of making deposits, one or more persons to act  
10 as custodians of the moneys of the corporation or any  
11 regional system board; provided that regional system  
12 boards may deposit moneys in banking institutions  
13 pursuant to corporation-wide guidelines established by  
14 the corporation board;
- 15 (23) Contracting for and accepting any gifts, grants, and  
16 loans of funds, property, or any other aid in any form  
17 from the federal government, the State, any state  
18 agency, or any other source, or any combination  
19 thereof, and complying, subject to this chapter, with  
20 the terms and conditions thereof; provided that the  
21 regional system boards shall be responsible for



1 contracting for and accepting any gifts, grants,  
2 loans, property, or other aid if intended to benefit  
3 the public health facilities and operations  
4 exclusively in their respective regional systems; and  
5 provided further that all contracting for or  
6 acceptance of gifts, grants, loans, property, or other  
7 aid shall be consistent with corporation-wide policies  
8 established by the corporation board;

9 (24) Providing health and medical services for the public  
10 directly or by agreement or lease with any person,  
11 firm, or private or public corporation, partnership,  
12 or association through or in the health facilities of  
13 the corporation or regional system boards or  
14 otherwise; provided that the regional system boards  
15 shall be responsible for conducting the activities  
16 under this paragraph in their respective regional  
17 systems;

18 (25) Approving medical staff bylaws, rules, and medical  
19 staff appointments and reappointments for all public  
20 health facilities of the corporation or any regional  
21 system board, including but not limited to determining



1 the conditions under which a health professional may  
2 be extended the privilege of practicing within a  
3 health facility, as determined by the respective  
4 regional system board and consistent with corporation-  
5 wide policies, and adopting and implementing  
6 reasonable rules, without regard to chapter 91, for  
7 the credentialing and peer review of all persons and  
8 health professionals within the facility; provided  
9 that regional system boards shall be the governing  
10 body responsible for all medical staff organization,  
11 peer review, and credentialing activities to the  
12 extent allowed by law;

13 (26) (A) Investing any funds not required for immediate  
14 disbursement in property or in securities that  
15 meet the standard for investments established in  
16 chapter 88 as provided by the corporation board  
17 or any regional system board; provided that  
18 proceeds of bonds and moneys pledged to secure  
19 bonds may be invested in obligations permitted by  
20 any document that authorizes the issuance or  
21 securing of bonds; and provided further that the



1 investment assists the corporation or any  
2 regional system board in carrying out its public  
3 purposes; selling from time to time securities  
4 thus purchased and held, and depositing any  
5 securities in any bank or financial institution  
6 within or without the State. Any funds deposited  
7 in a banking institution or in any depository  
8 authorized in this section shall be secured in a  
9 manner and subject to terms and conditions as the  
10 corporation board or a regional system board may  
11 determine, with or without payment of any  
12 interest on the deposit, including without  
13 limitation time deposits evidenced by  
14 certificates of deposit. Any bank or financial  
15 institution incorporated under the laws of this  
16 State may act as depository of any funds of the  
17 corporation or a regional system board and may  
18 issue indemnity bonds or may pledge securities as  
19 may be required by the corporation or regional  
20 system board; provided that regional system  
21 boards may exercise the powers under this



1 subsection with respect to financial assets of  
2 the regional system consistent with corporation-  
3 wide policies; and  
4 (B) Notwithstanding subparagraph (A), contracting  
5 with the holders of any of its notes or bonds as  
6 to the custody, collection, securing, investment,  
7 and payment of any moneys of the corporation or  
8 regional system board and of any moneys held in  
9 trust or otherwise for the payment of notes or  
10 bonds and carrying out the contract. Moneys held  
11 in trust or otherwise for the payment of notes or  
12 bonds or in any way to secure notes or bonds, and  
13 deposits of such moneys, may be secured in the  
14 same manner as moneys of the corporation or  
15 regional system board, and all banks and trust  
16 companies are authorized to give security for the  
17 deposits;  
18 (27) Entering into any agreement with the State, including  
19 but not limited to contracts for the provision of  
20 goods, services, and facilities in support of the  
21 corporation's programs or the regional system boards'



1 programs, and contracting for the provision of  
2 services to or on behalf of the State; provided that  
3 the regional system boards shall be responsible for  
4 entering into agreements to provide goods, services,  
5 and facilities in support of programs in their  
6 respective regional systems consistent with  
7 corporation-wide policies;

8 (28) Having a seal and altering the same at pleasure;

9 (29) Waiving, by means that the corporation or regional  
10 system board deems appropriate, the exemption from  
11 federal income taxation of interest on the  
12 corporation's or regional system boards' bonds, notes,  
13 or other obligations provided by the Internal Revenue  
14 Code of 1986, as amended, or any other federal statute  
15 providing a similar exemption;

16 (30) Developing internal policies and procedures for the  
17 procurement of goods and services, consistent with the  
18 goals of public accountability and public procurement  
19 practices, and subject to management and financial  
20 legislative audits; provided that the regional system  
21 boards shall be responsible for developing internal



1 policies and procedures for each of their regional  
2 systems consistent with the corporation's policies and  
3 procedures; and further provided that:

4 (A) The regional system boards and the corporation  
5 board shall enjoy the exemption under section  
6 103-53(e);

7 (B) The regional system boards shall enjoy the  
8 exemption under chapter 103D; and

9 (C) The corporation shall be subject to chapter 103D;

10 (31) Authorizing and establishing positions; provided that  
11 regional system boards shall be responsible for hiring  
12 and firing regional and facility personnel consistent  
13 with corporation policies, except a regional chief  
14 executive officer shall only be hired or dismissed  
15 upon the approval of the regional system board as  
16 further set forth in section 323F-8.5;

17 (32) Having and exercising all rights and powers necessary  
18 or incidental to or implied from the specific powers  
19 granted in this chapter, which specific powers shall  
20 not be considered as a limitation upon any power  
21 necessary or appropriate to carry out the purposes and



1 intent of this chapter; provided that the regional  
2 system boards shall be responsible for having and  
3 exercising all powers and rights with respect to  
4 matters in their regional systems consistent with the  
5 law; and

6 (33) Each regional system, through its regional system  
7 board, shall:

8 (A) Develop policies and procedures necessary or  
9 appropriate to plan, operate, manage, and control  
10 the day-to-day operations of facilities within  
11 the regional system that are consistent with  
12 corporation-wide policies;

13 (B) Exercise custodial control over and use of all  
14 assets of the corporation that are located in the  
15 regional system pursuant to this chapter; and

16 (C) Expend funds within its approved regional system  
17 budget and expend additional funds in excess of  
18 its approved regional system budget upon approval  
19 of the corporation board.

20 (d) Each regional system board shall not be subject to  
21 chapters 36 to 38, 40, 41D, and 103D as well as part I of





1 chapter 92 and shall enjoy the exemptions contained in sections  
2 102-2 and 103-53(e), except as otherwise provided in this  
3 chapter. The corporation shall not be subject to chapters 36 to  
4 38, 40, and 41D, as well as part I of chapter 92, and shall  
5 enjoy the exemptions contained in sections 102-2 and 103-53(e);  
6 provided that the exemption provided under this subsection to  
7 chapter 37D shall only apply to financing agreements of  
8 \$5,000,000 or less; provided further that the aggregate value of  
9 financing agreements per fiscal year shall not exceed  
10 \$25,000,000[-] per region."

11 SECTION 4. Section 323F-21, Hawaii Revised Statutes, is  
12 amended as follows:

13 1. By amending subsection (b) to read:

14 "(b) The corporation board and regional system boards  
15 shall collaboratively develop budgetary guidelines and annual  
16 operating and capital budgets for each facility, taking into  
17 account anticipated surpluses from or subsidies to the  
18 facilities pursuant to the annual guidelines described in this  
19 section, accumulated corporation and regional reserves and  
20 accounts, subsidies, if any, that are determined to be needed  
21 from the general fund, and other sources of corporation-wide and



1 regional income as may be identified. Two-year budgets will be  
2 [~~approved for~~] recommended for approval by regional system  
3 boards, in alignment with State of Hawaii biennium budgeting.

4 The corporate board shall [~~not alter~~] approve the two-year  
5 budget of [a] the regional system [~~except:~~

6 (1) ~~Where state general funding is reduced;~~

7 (2) ~~An emergency exists; or~~

8 (3) ~~There is a renegotiated budget approved by a regional  
9 system board].~~

10 The corporation and regional system boards shall collaboratively  
11 develop budgetary guidelines and negotiate with each facility  
12 reasonable corporation administrative costs, including funds  
13 determined by the corporation or any regional system board to be  
14 needed from or provided to each facility to:

15 (1) Repay corporation or regional system board debts;

16 (2) Provide subsidies to any facility determined to be  
17 unable to fund from within that facility's programs  
18 and services deemed essential to community needs; and

19 (3) Maintain appropriate reserves."

20 2. By amending subsection (d) to read:



1           "(d) Beginning with the first of the legislative biennium  
2 budget years following the establishment of a regional system  
3 board, and for each biennium period thereafter, the corporation  
4 shall call together all the regional systems through  
5 representatives selected by each regional system board, and the  
6 chairs of the facility management advisory committees, if any,  
7 to determine which services and functions should be provided by  
8 the corporation for the next biennium budget period, consistent  
9 with this chapter. As part of the biennium budgeting process,  
10 the corporation board and the representatives of each regional  
11 system, working through the corporation board regional  
12 representatives, shall agree upon an allocation methodology for  
13 funding the agreed upon and statutorily created corporate  
14 services and functions. When allocation decisions cannot be  
15 reached by agreement of the regional and corporate boards, the  
16 corporate board shall decide the allocation for that service or  
17 function for that biennium period."

18                                   **PART II**

19           SECTION 5. The legislature finds that under current law,  
20 employees of the Hawaii health systems corporation are included  
21 in seven bargaining units that also include employees of other

1 public employers. While this arrangement is not unique to the  
2 Hawaii health systems corporation, the corporation's status as  
3 one of the nation's largest public health care organizations  
4 providing acute and long term health care services makes its  
5 workforce needs wholly different from other government agencies  
6 in the State.

7 Other health care workers are employed by the State;  
8 however, none of them provide acute hospital care or residential  
9 long term care. The ability to negotiate comprehensive master  
10 collective bargaining agreements that address the wages, hours,  
11 and working conditions of its employees will allow the Hawaii  
12 health systems corporation to expeditiously respond to and  
13 address the unique issues inherent in its hospital operations,  
14 including census, acuity, process improvement, and most  
15 importantly, quality patient care.

16 The purpose of this part is to provide for negotiation of  
17 master collective bargaining agreements by the Hawaii health  
18 systems corporation for its employees.

19 SECTION 6. Section 89-8.5, Hawaii Revised Statutes, is  
20 amended to read as follows:





1 SECTION 8. Section 323F-7.6, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "~~[‡]~~§323F-7.6~~[‡]~~ **Transition of Hawaii health systems**  
4 **regional system or health facility to a new entity.** (a)

5 Notwithstanding any other law to the contrary, including but not  
6 limited to section 27-1 and ~~[chapter]~~ chapters 76, 78, 89, and  
7 171, any of the regional systems or individual facilities of the  
8 Hawaii health systems corporation is hereby authorized to  
9 ~~[transition]:~~

10 (1) Enter into agreements with other health care entities  
11 to transition some or all of the responsibilities of a  
12 facility or region; and

13 (2) Transition into a new legal entity in any form  
14 recognized under the laws of the State, including but  
15 not limited to:

16 ~~[+1)]~~ (A) A nonprofit corporation;

17 ~~[+2)]~~ (B) A for-profit corporation;

18 ~~[+3)]~~ (C) A municipal facility;

19 ~~[+4)]~~ (D) A public benefit corporation; or

20 ~~[+5)]~~ (E) Any two or more of the entities in ~~[paragraphs~~

21 ~~(1) through (4).]~~ subparagraphs (A) through (D).



1 A transition shall occur through the sale, lease, or transfer of  
2 all or substantially all of the assets of the facility or  
3 regional system, except for real property which shall only be  
4 transferred by lease. Any transition shall comply with chapter  
5 323D.

6 (b) A transition shall only occur upon approval of the  
7 appropriate regional system board in the case of a regional  
8 system or individual facility transition, or upon approval of  
9 the regional system boards and the corporation in the case of  
10 the transition of the entire corporation. Any transition shall  
11 be subject to legal review by the attorney general who shall  
12 approve the transition if satisfied that the transition conforms  
13 to all applicable laws, subject to the review of the director of  
14 the department of budget and finance who shall approve the  
15 transition if it conforms to all applicable financing  
16 procedures, and subject to the governor's approval. In addition  
17 the transition shall be subject to the following terms and  
18 conditions:

19 (1) All proceeds from the sale, lease, or transfer of  
20 assets shall be used for health care services in the



1           respective regional system or facility, except that  
2           real property shall only be transferred by lease;

3       (2) Any and all liabilities of a regional system or  
4           facility transitioning into a new entity that were  
5           transferred to the Hawaii health systems corporation  
6           upon its creation by Act 262, Session Laws of Hawaii  
7           1996, and all liabilities of the regional system or  
8           facility related to collective bargaining contracts  
9           negotiated by the State, shall become the  
10          responsibility of the State; and

11       (3) During the period of transition:

12           (A) The State shall continue to fund the provision of  
13           health care services provided for by the regional  
14           system or individual facility; and

15           (B) All applicable provisions of this chapter shall  
16           continue to apply.

17       ~~[Upon the completion of the transition of all the~~  
18 ~~facilities in a regional system to a new entity, the regional~~  
19 ~~system board for that regional system shall terminate; provided~~  
20 ~~that if not all of a regional system's facilities are~~  
21 ~~transitioned to a new entity, the existing regional system board~~





1 ~~shall not terminate but shall continue to retain jurisdiction~~  
2 ~~over those facilities remaining in the regional system.]~~

3 (c) The Hawaii health systems corporation and the regional  
4 system boards shall collaborate and adopt management and  
5 oversight policies for agreements entered into pursuant to  
6 subsection (a)(1). The regional system board of the area where  
7 the facilities and operations are located shall oversee the  
8 performance of the terms of the agreement by the private entity  
9 and shall manage the agreement on behalf of the State in  
10 accordance with the policies adopted."

11 **PART IV**

12 SECTION 9. No employee of the Hawaii health systems  
13 corporation who is separated from service as a result of the  
14 implementation of a transition plan under this chapter shall  
15 suffer any loss of retirement allowance earned as provided in  
16 section 88-74, Hawaii Revised Statutes.

17 SECTION 10. All acts passed prior to or during the regular  
18 session of 2015, whether enacted before or after passage of this  
19 Act, shall be amended to conform to this Act unless such acts  
20 specifically provide that this Act is being amended. Insofar as



1 this Act is inconsistent with any other law, this Act shall  
2 control.

3 SECTION 11. This Act does not affect rights and duties  
4 that matured, penalties that were incurred, and proceedings that  
5 were begun before its effective date.

6 SECTION 12. Statutory material to be repealed is bracketed  
7 and stricken. New statutory material is underscored.

8 SECTION 13. This Act shall take effect on July 1, 2015;  
9 provided that part II of this Act shall apply to collective  
10 bargaining agreements negotiated after July 1, 2015.



**Report Title:**

Hawaii Health Systems Corporation; Audit; Collective Bargaining; Transition

**Description:**

Repeals certain limits on operational authority. Requires the auditor to conduct a financial and management audit of HHSC every five years. Authorizes HHSC to negotiate master collective bargaining agreements for its employees. Clarifies that a region or facility may transition by partnering with a private healthcare management system notwithstanding civil service and related laws. (SD1)

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

