

STAND. COM. REP. NO. 1451

Honolulu, Hawaii

March 23, 2007

RE: S.B. No. 1792  
S.D. 3  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Sir:

Your Committee on Health, to which was referred S.B. No. 1792, S.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION,"

begs leave to report as follows:

The purpose of this bill is to advance the State's commitment to providing quality health care for the people of Hawaii, by:

- (1) Adopting the original task force's recommendation of community-based governance;
- (2) Establishing a regional affiliate corporation for the Maui region to be governed by a community-based regional board of directors;
- (3) Providing the necessary authority for other regions to create regional affiliate corporations to accomplish the goal of community-based governance;
- (4) Authorizing each regional affiliate corporation to issue revenue bonds in an amount up to and including \$100,000,000; and

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- (5) Establishing the process for enabling other regions to develop regional boards and become regional affiliate corporations.

The Mayor of Maui County, individual members of the Maui County Council, members of the Maui Management Advisory Committee, and numerous concerned individuals supported this bill. The State Procurement Office did not support this measure. The Hawaii Health Systems Corporation (HHSC), several of HHSC's board members and affiliated hospitals, including Hilo Medical Center, Kona Community Hospital, West Kauai Medical Center, Kohala Hospital, Ka'u Hospital, Leahi Hospital; the Mayor of Hawaii County; a member of the Kauai County Council; Hawaii Government Employees Association; United Public Workers; the President of Kahuku Hospital's Board of Directors; and numerous concerned individual opposed this bill. The National Association of Public Hospitals and Health Systems submitted comments.

Your Committee finds that this bill is a work in progress. Many strong arguments from both the proponents and opponents of this bill were heard, demonstrating the need that further effort be made to find a mutually agreeable outcome to this situation.

The proposed division of HHSC into five affiliate corporations, all of which are state agencies attached to the Department of Health and with the pending addition of Kahuku Hospital to HHSC, has raised many concerns by your Committee, including:

- (1) Five separate corporations seeking funding from the Legislature could lead to unbalanced support for the regions;
- (2) The use of five separate information (IT) systems rather than one central IT system may be less cost-effective, cause confusion, and unnecessarily duplicate services;
- (3) The proposed division of HHSC may induce a lack of confidence in the ability of HHSC to repay existing notes and create problems in financial dealings;
- (4) Some existing members of the HHSC Board of Directors (BOD) have indicated their intention to resign if the ability to provide meaningful oversight for Hawaii's health care system is removed while fiduciary responsibilities remain;



- (5) Authorizing the issuance of up to \$100,000,000 in revenue bonds per affiliate corporation with no BOD oversight or input is problematic;
- (6) Annual financial audits could entail the use of different auditors for each separate corporation, which was shown to be one of the biggest drawbacks to the efficient management of Hawaii's hospital system prior to the formation of HHSC; and
- (7) Allowing the division into five affiliate regional corporations could jeopardize the plan for HHSC to acquire Kahuku Hospital to ensure access to health care for Oahu's North Shore residents;

With these concerns noted, your Committee on Finance is encouraged to look closely at the possible benefits this measure could provide to the state. The creation of a task force to further investigate this issue may be something your Committee on Finance could consider to find the most beneficial outcome for the people of Hawaii.

Your Committee has amended this bill by:

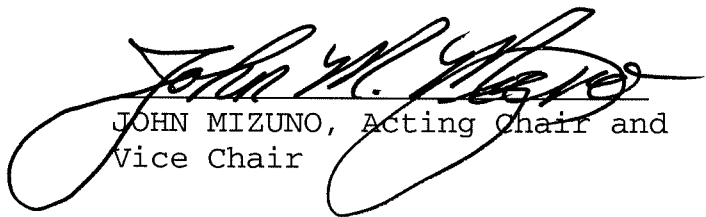
- (1) Providing that this initiative will be a five-year pilot program to provide insight into the benefits of local operation of community hospitals through an independent regional board;
- (2) Specifying that there will be only a Maui Regional Affiliate Corporation (MRAC) of HHSC and a Maui Regional Board;
- (3) Deleting provisions authorizing other regions to create regional affiliate corporations;
- (4) Allowing for the issuance of an unspecified amount of revenue bonds by the MRAC;
- (5) Inserting a sunset date of June 30, 2012;
- (6) Changing the effective dates to July 1, 2121, and July 1, 2122, to promote further discussion; and



- (7) Making technical, nonsubstantive changes for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1792, S.D. 3, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1792, S.D. 3, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Health,


  
JOHN MIZUNO, Acting Chair and  
Vice Chair



HSR 1451

State of Hawaii  
House of Representatives  
The Twenty-fourth Legislature

Record of Votes of the Committee on Health

Bill/Resolution No.: <b>SB 1792 SD3</b>		Date: <b>3-20-07</b>		
Committee Referral: <b>HLT, FIN</b>		<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.		
The recommendation is to: <input type="checkbox"/> Pass, unamended <input checked="" type="checkbox"/> Pass, with amendments <input type="checkbox"/> Hold <input type="checkbox"/> Pass, with amendments, for recommitment for further consideration				
HLT Members	Ayes	Ayes (WR)	Nays	Excused
1. GREEN, Josh, M.D. (C)				✓
2. MIZUNO, John (VC)	✓	<del>WR</del>		
3. BELATTI, Della Au		✓		
4. BERTRAM, Joe, III	✓			
5. CABANILLA, Rida T.R.			✓	
6. RHOADS, Karl		✓		
7. SHIMABUKURO, Maile S. L.	✓			
8. TAKAI, K. Mark				✓
9. TOKIOKA, James Kunane	✓			
10. AWANA, Karen Leinani	✓			
11. WARD, Gene, Ph.D.		✓		
<b>TOTAL</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>2</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair/s or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Clerk's Office				