

CONFERENCE COMMITTEE REP. NO. 197

Honolulu, Hawaii

May 1, 2007

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

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

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

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 1792, S.D. 3, H.D. 3, entitled:

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

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

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

- (1) Adopting the original task force recommendation of community-based governance; and
- (2) Establishing regional affiliate boards for all regions to be governed by a community-based regional affiliate board of directors, and to provide the necessary authority for



each region to accomplish the goal of community-based governance.

Your Committee has amended this bill by:

- (1) Changing regional affiliate boards to regional system boards, increasing the initial membership on the board from eleven to twelve, and specifying that:
 - (A) The regional system boards shall be established no later than January 1, 2008; and
 - (B) No additional debts or liabilities or superior debts shall be added to any regional board that would negatively impact the holders of bond notes;
- (2) Inserting that, until December 31, 2008, a regional system board may appoint a regional chief financial officer and may discharge a regional chief executive officer or regional chief financial officer for cause and that, effective January 1, 2009, the hiring and firing of the regional chief executive officers shall be subject to approval of both the regional system board and the corporation board;
- (3) Inserting the provision that up to December 31, 2008, the discharge of a regional chief executive officer shall only be for cause and after January 1, 2009, regional chief executive officers and other exempt personnel shall be subject to discipline, including discharge in accordance with duly executed contracts, laws governing exempt personnel of the State, and regional system policies adopted in accordance with corporate policies;
- (4) Reducing from ten to eight members of the corporation board to be appointed by the governor from a list of two non-physicians submitted by the senate president and the speaker of the house of representatives within fifteen days of the effective date of this Act as follows:
 - (A) One member from region I from the city and county of Honolulu;
 - (B) One member from region II from Kauai county;



- (C) Two members from region III from Maui county, except the senate president and the speaker of the house of representatives shall submit two non-physician candidates each;
 - (D) Two members from region IV from eastern Hawaii county, except the senate president and the speaker of the house of representatives shall submit two non-physician candidates each;
 - (E) One member from region V from western Hawaii county, except the senate president and the speaker of the house of representatives shall submit two non-physician candidates each; and
 - (F) Two additional members residing in the State;
- (5) Reinstating the rotation of physician members on the corporation board;
 - (6) Specifying that a regional system board, in addition to the public health facility management advisory committee, may submit physician candidates for the board and requiring the Governor to attempt to choose physician members from different regions and to rotate their appointments among the five regions;
 - (7) Adding continuing medical education programs to the duties of the corporation board;
 - (8) Adding the provisions that:
 - (A) Duties and powers exercised by the regional system boards shall be consistent with corporation-wide policies, and wherever appropriate, corporation-wide policies shall take into account differences among regions and among types of facilities, particularly acute care, critical access, and long-term care facilities within the system; and
 - (B) New corporation-wide policies, and major changes to existing policies other than those changes mandated by legal or regulatory requirements, shall be developed by the corporation board after consultation with a policies committee. The policies committee shall be made up of representatives of the



corporation board and each regional system board or designees of each board. The corporation board shall have two representatives on this committee. The corporation board shall review and consider approval of the policies within thirty days of transmittal by the policies committee or at the next board meeting; provided that, if the policies committee fails to take action within thirty days of receiving the proposed policy, the corporation board may consider and adopt or reject or revise the policy. The regional system boards and corporation board, as needed, may submit a request to the committee to alter corporation-wide policies along with detailed justification for the request. The regional system boards and the corporation board shall establish a procedure to further implement this section collaboratively;

- (9) Adding that the regional system boards shall submit their regional and facility budgets to the corporation to be consolidated into a corporation-wide budget for purposes of corporation-wide planning and appropriation requests;
- (10) Adding that rates and charges may vary among regions and facilities and may be consolidated with the rates of other regions into one charge master. Third-party payer contracts may be negotiated at the corporation-wide level with input from the regions, taking into consideration the rates set by the regional system boards. For purposes of securing revenue bonds, the corporation or regional board may covenant to set, and if necessary increase, rates and charges as needed to pay debt service and related obligations plus a coverage factor;
- (11) Adding that the corporation and each regional system board shall be entitled to undertake the acquisition, construction, and improvement of property, facilities, and equipment to carry out these capital and strategic plans;
- (12) Clarifying that only the corporation may sue or be sued and that the corporation or any of its regional system boards may waive sovereign immunity for any bonds to the same extent as the State of Hawaii;
- (13) Clarifying that the corporation board shall delegate to a regional system board its authority to enter into and



execute contracts relating to matters exclusively affecting that region;

- (14) Adding that the corporation board may issue revenue bonds up to \$100,000,000 and that the regional system boards shall have the power to issue revenue bonds in any amount;
- (15) Adding that the corporation board may pledge other financial assets of the corporation or the regional system boards to secure bond liabilities;
- (16) Clarifying the custodial control of the regional system boards over facilities and physical assets in the respective regions;
- (17) Adding that all contracting for or acceptance of gifts, grants, loans, property, or other aid shall be consistent with corporation-wide policies established by the corporation board;
- (18) Adding that proceeds of bonds and moneys pledged to secure bonds may be invested in obligations permitted by any document that authorizes the issuance or securing of bonds;
- (19) Adding that, regarding internal policies, the corporation board shall be subject to management and financial audits and clarifying that the regional system boards and the corporation board shall enjoy the exemption from section 103-53(e), Hawaii Revised Statutes, that the corporation board shall be subject to the Hawaii procurement code but that the regional system boards shall not be subject to the code;
- (20) Clarifying that a regional chief financial officer and chief executive officer may only be hired or dismissed with the regional system board's approval and the corporation board;
- (21) Adding that regional system boards and the corporation board are also exempt from the public meeting requirements under part I of chapter 92, Hawaii Revised Statutes;
- (22) Adding that the corporation and any regional system board may deposit moneys into trustee accounts for the purposes of securing or issuing bonds;



- (23) Adding that each regional system board shall submit the results of the annual audit to the corporation board within one hundred twenty days after the close of the regional system board's fiscal year;
- (24) Adding language to protect officers and employees transferred;
- (25) Adding that the terms of membership of the corporation board shall expire as follows:
 - (A) The terms of board members whose date of appointment was prior to and including July 1, 2004, shall expire on December 31, 2007;
 - (B) The terms of board members whose date of appointment was after July 1, 2004, shall expire on September 30, 2008;
- (26) Adding an appropriation of \$750,000 to the Hawaii Health Systems Corporation to support establishment of the regional system boards;
- (27) Changing the effective date from upon its approval to July 1, 2007; provided that:
 - (A) Section 19 shall take effect on January 1, 2009;
 - (B) Section 16 and section 323F-7(c)(30)(B), Hawaii Revised Statutes, shall be repealed on January 1, 2009, and the statutes amended in those sections shall be reinstated in the form they were in before the adoption of this Act; and
 - (C) The amendments made to section 323F-7(c)(15), Hawaii Revised Statutes, in section 23 of this Act shall not take effect if House Bill No. 1764 in any form passed by the legislature, regular session of 2007, becomes an Act.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 1792, S.D. 3, H.D. 3, as amended herein, and recommends



that it pass Final Reading in the form attached hereto as S.B.
No. 1792, S.D. 3, H.D. 3, C.D. 1.



Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE

Bob Nakasone

BOB NAKASONE, Co-Chair

- Excused -

JOSHUA B. GREEN M.D., Co-
Chair

James Kunene Tokioka

JAMES KUNENE TOKIOKA, Co-
Chair

David Y. Ice

DAVID Y. ICE, Chair

Rosalyn H. Baker

ROSALYN H. BAKER, Co-Chair



Hawaii State Legislature

Record of Votes of a
Conference Committee

Bill / Concurrent Resolution No.: SB 1792, SD 3, HD 3	Date/Time: 4/27/2007 11:15 PM
---	--------------------------------------

The recommendation of the House and Senate managers is to pass with amendments (CD).

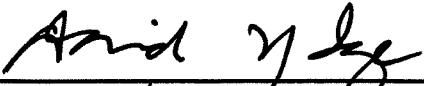

The Committee is reconsidering its previous decision.

<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure	<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.
---	---

Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
IGE, David Y., Chr.	✓				NAKASONE, Bob, Co-Chr.	✓			
BAKER, Rosalyn H., Co-Chr.	✓				GREEN, Josh, M.D., Co-Chr.				✓
TSUTSUI, Shan S.	✓				TOKIOKA, James Kunane, Co-Chr.	✓			
WHALEN, Paul				✓	MIZUNO, John	✓			
					AWANA, Karen Leinani	✓			
TOTAL	3	-	-	1	TOTAL	4	-	1	-

A = Aye WR = Aye with Reservations N = Nay E = Excused

Senate Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted	House Recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted
---	--

Senate Lead Chair's or Designee's Signature: 	House Lead Chair's or Designee's Signature: 
---	---

Distribution: Original Yellow Pink Goldenrod
 File with Conference Committee Report House Clerk's Office Senate Clerk's Office Drafting Agency