

Honolulu, Hawaii

FEB 16 2007RE: S.B. No. 1792
S.D. 1

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

Madam:

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

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

begs leave to report as follows:

The purpose of this measure is to affirm the State's
commitment to provide quality health care for the people of the
State.

More specifically, this measure would:

- (1) Establish a regional subsidiary corporation of the
Hawaii Health Systems Corporation for the Maui region,
as a first step to more regional control for all regions
of the Corporation, to be governed by a community-based
regional board; and
- (2) Provide the necessary authority for regional subsidiary
corporations to accomplish the goal of community-based
governance.

Your Committee received testimony in support of this measure
from the Chairperson of the Maui County Council, Maui Memorial
Medical Center, Maui Memorial Medical Center Foundation,
Chairperson and three members of the Maui Management Advisory
Committee, Maui Medical Group, Inc., Roselani Ice Cream, Blaise
Noto & Associates, and twenty individuals. Testimony in



opposition was received from the Hawaii Health Systems Corporation (HHSC), Chief Executive Officers of the Oahu, West Hawaii, and East Hawaii Regions of the HHSC, four members of the board of directors of the HHSC, United Public Workers, and one individual. The Department of Accounting and General Services, Office of Information Practices, the State Procurement Office, and the Hawaii Government Employees Association commented.

Upon further consideration, your Committee has amended this bill by:

- (1) Clarifying the language in section 1 of the measure to better explain the purpose of this measure;
- (2) Amending the definition "regional subsidiary corporation" by renaming the term "regional affiliate corporation" to better reflect regional autonomy and substituting the term "affiliate" for "subsidiary" throughout the measure;
- (3) Inserting section designations -A, -B, -C, and -D for the four new sections in section 3 of the bill;
- (4) Deleting the description of the regional affiliate corporation as an instrumentality and agency of the State;
- (5) Clarifying membership on the regional boards;
- (6) Amending the appointment of ten Hawaii Health Systems Corporation board members to require the Governor to appoint from two lists of nominees, consisting of at least twenty candidates each, submitted by the President of the Senate and the Speaker of the House of Representatives, respectively;
- (7) Requiring each regional board to meet at least six times a year and to hold at least two public community meetings;
- (8) Amending the duties and power of the corporation and regional affiliate corporations to better reflect the original intent of the Governor's Task Force on the Establishment of an Agency for Community Hospitals to



operate the community hospitals in a decentralized fashion through five regional boards, by specifying:

- (A) Specific corporate-wide powers to the corporation, including the issuance of revenue bonds in any amount;
 - (B) Specific region-wide powers to regional affiliate corporations, including regional and facility budgeting, employment and removal of regional and facility personnel, purchasing, regional strategic and capital planning, organization, quality assurance, improvement and reporting, credentialing of medical staff, and issuing revenue bonds in an amount up to and including an unspecified amount; and
 - (C) Clarifying that regional boards shall be responsible for the carrying out of certain duties and powers, including evaluations for additional services within regions, preparing regional budgets, policies, and procedures for inclusion in the corporate-wide budget, setting regional rates and charges and limiting the corporation board's power to approving such regional rates and charges, implementing a regional personnel system; approving of regional board bylaws; credentialing activities; hiring and firing personnel; developing plans for day-to-day operations; exercising custodial control over corporation assets located in a region; and expending funds;
- (9) Clarifying, by adding four new sections 29, 30, 31, and 32, that the corporation and any regional affiliate corporations shall be exempt from the State Risk Management and Insurance Administration law (chapter 41D, Hawaii Revised Statutes), the Hawaii Public Procurement Code (chapter 103D, Hawaii Revised Statutes), the law relating to contracts for concessions on public property (section 102-2, Hawaii Revised Statutes), and the law relating to the requirement for tax clearances for contracts with the State or counties (section 103-53(e), Hawaii Revised Statutes);



- (10) Clarifying that no incumbent corporation personnel shall lose a position without affirmative action by the appropriate regional board;
- (11) Regarding fiscal provisions, requiring that operating surpluses of a regional affiliate corporation shall be reinvested in the operations of the region in any prudent manner and requiring any regional affiliate corporation to share in the surplus of any facility within its region and offset any facility deficits within its region;
- (12) Delaying the collaborative submittal of a corporation and regional affiliate corporation budget to the Legislature to the 2009-2010 fiscal year;
- (13) Adding the condition that transfers of special fund appropriations among community hospitals must be mutually agreed to by the corporation and the regional affiliate corporations;
- (14) Deleting former sections 29, 30, 31, and 32 relating to civil service provisions (sections 76-11 and 76-47, Hawaii Revised Statutes) and collective bargaining (sections 80-2 and 89-6, Hawaii Revised Statutes);
- (15) Clarifying that the intent of this measure includes transferring operational authority from the corporation to each regional affiliate corporation;
- (16) Clarifying the timetable for the transfer of governance and operational rights and functions from the corporation to regional affiliate corporations and setting the procedure for future establishment of other regional affiliate corporations without further legislative authorization;
- (17) Deleting the provision to allow a regional affiliate corporation to negotiate collective bargaining agreements upon the expiration of current agreements and inserting a requirement for regional affiliate corporation representation on the corporation's bargaining team to address regional needs for efficiency and effectiveness;



- (18) Inserting a section to direct the Revisor of Statutes to appropriately codify the four new sections added in section 3 of the measure;
- (19) Inserting a provision that the four new sections added in section 3 of the measure shall take effect on July 1, 2008;
- (20) In light of the fact that this amended draft is a product of ongoing discussions among all stakeholders, changing the effective date to July 1, 2030, for purposes of stimulating further discussion; and
- (21) Making various technical nonsubstantive amendments for the purposes of clarity and consistency.

Your Committee believes that these amendments better reflect and implement the purpose of decentralizing the operations of the community hospitals by enabling regions to attain autonomy through the establishment of regional affiliate corporations and regional boards.

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, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1792, S.D. 1, and be referred to the Committee on Ways and Means.

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

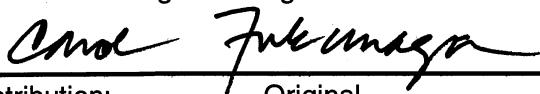


DAVID Y. IGE, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Health
HTH

Bill / Resolution No.:*	Committee Referral:	Date:
SB 1792	HTH, WAM	2/14/07
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____		
The Recommendation is:		
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313		
Members	Aye	Aye (WR)
Nay	Excused	
IGE, David Y. (C)	✓	
FUKUNAGA, Carol (VC)	✓	
BAKER, Rosalyn H.	✓	
MENOR, Ron	✓	
WHALEN, Paul	✓	
TOTAL	5	
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted		
Chair's or Designee's Signature:		
		
Distribution:		
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency

*Only one measure per Record of Votes