

STAND. COM. REP. NO.

1019

Honolulu, Hawaii

MAR 02 2007

RE: S.B. No. 1792
S.D. 2

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

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 1792, S.D. 1, 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 affiliate 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 affiliate corporations to accomplish the goal of community-based governance.

Your Committee received comments in support of this measure from the Chairperson of the County Council of Maui, various officials from Maui Memorial Medical Center, Maui Medical Group, two members of the Maui Region Management Advisory Group, Pioneer Inn, and two hundred ten individuals. Comments in opposition were received from various officials from the Hawaii Health Systems

SB1792 SD2 SSCR LRB 07-2970.doc



Corporation and its board of directors, Chairperson of the Public Health Management Advisory Committee, officials from the Kauai region and its board of directors, officials from the West Hawaii region, medical director of the Oahu region, Kau Hospital, Mahelona Medical Center, Kohala Hospital, Kauai Management Advisory Committee, East Hawaii Management Committee, and various individuals from the Mahelona Medical Center Charitable Foundation. The Department of Accounting and General Services, the State Procurement Office, the Office of Information Practices, HGEA/ASFCME, and one individual offered comments.

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

- (1) Clarifying that the Hawaii Health Systems Corporation board and each regional affiliate corporation board shall be exempt from only the sunshine law with respect to meetings and not to the entire public agency meetings and records law;
- (2) Clarifying that no real property, including land, structures, and fixtures, or other physical assets, such as personal property, including furnishings, equipment, and inventory, of the Hawaii Health Systems Corporation shall be transferred to any regional affiliate corporation; provided that health systems financial assets and financial liabilities within the region shall be transferred to the regional affiliate corporation;
- (3) Clarifying that, upon the establishment of a regional affiliate corporation:
 - (A) The regional affiliate corporation shall assume custodial care of all real property, including land, structures, and fixtures, and any other physical assets, such as personal property, including furnishings, equipment, and inventory, of the Hawaii Health Systems Corporation within its region;
 - (B) No sale or encumbrance of any such real property or such other physical assets of the corporation shall be permitted without the mutual consent of the Hawaii Health Systems Corporation board and the appropriate regional board; and



- (C) The Hawaii health systems corporation board shall enter into an agreement with a regional board to lease, at a nominal annual rent of \$1, any such real property or such other physical assets for use by the regional affiliate corporation;
- (4) Clarifying that each regional affiliate corporation shall be responsible for various powers and duties with respect to facilities, operations, and activities within its own region, as opposed to the Hawaii Health Systems Corporation's powers and duties on a corporate-wide level, as enumerated in section 323-7, Hawaii Revised Statutes;
- (5) Clarifying that the Hawaii Health Systems Corporation board and any regional affiliate corporation board shall hire their own attorneys to represent and defend a member in any civil action for which immunity is conferred, and deleting the power to call on the Attorney General for legal services as the Hawaii Health Systems Corporation requires;
- (6) Including the members of the Hawaii Health Systems Corporation board or any regional affiliate corporation as members immune from and indemnified for civil liability;
- (7) Specifying the amount that a regional affiliate corporation is authorized to issue in revenue bonds at up to and including \$100,000,000;
- (8) Clarifying that regional and facility budgets of regional affiliate corporations are to be consolidated into a corporation-wide budget for corporation-wide planning and appropriation requests;
- (9) Clarifying that the capital and strategic plans developed by regional affiliate corporations must be consistent with, and incorporated into, the overall corporation-wide plans;
- (10) Clarifying that a regional affiliate corporation has the power to purchase, lease, exchange, or otherwise acquire, in its own name, property other than property owned by the Hawaii Health Systems Corporation;



- (11) Clarifying that only the Hawaii Health Systems Corporation has the power to create captive insurance companies to benefit public health facilities and operations in all regions;
- (12) Clarifying that there is only one health systems special fund, but that a regional subaccount shall be established for each regional affiliate corporation within the special fund;
- (13) Clarifying that, upon request, a regional affiliate corporation may share its surplus or resources with a facility outside of its own region, subject to authorization by its regional board, to benefit the corporation-wide system of health care;
- (14) Clarifying that each regional affiliate corporation shall submit its annual budgets collaboratively with the Hawaii Health Systems Corporation to the legislature beginning in the 2009-2011 fiscal biennium;
- (15) Clarifying that each regional affiliate corporation is exempt from paying county assessments and state taxes of any kind;
- (16) Clarifying that only the rights, powers, functions, and operational authority, but not physical assets, of the Hawaii Health Systems Corporation are transferred to a regional affiliate corporation, and that physical assets are leased to a regional affiliate corporation;
- (17) Making conforming amendments related to the transfer of financial assets to and assumption of custodial control by a regional affiliate corporation;
- (18) Deleting the appropriation to support the transition from the Hawaii Health Systems Corporation to the Maui regional affiliate corporation;
- (19) Changing the effective date of the measure to July 1, 2007, and changing the effective date of section 2, which creates the Maui regional affiliate corporation, to July 1, 2008; and



- (20) Making technical nonsubstantive amendments for the purposes of consistency and clarity.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1792, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1792, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,




ROSALYN H. BAKER, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No. :* SB 1792 SDI	Committee Referral: HTH, WAM	Date: 2/26/07		
<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
BAKER, Rosalyn H. (C)	/			
TSUTSUI, Shan S. (VC)	/			
CHUN OAKLAND, Suzanne		/		
ENGLISH, J. Kalani	/			
FUKUNAGA, Carol	/			
HOOSER, Gary L.		/		
KIM, Donna Mercado	/			
MENOR, Ron	/			
TOKUDA, Jill N.	/			
HEMMINGS, Fred			/	
WHALEN, Paul				/
TOTAL	7	2	1	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted				
<input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:				
Original	Yellow	Pink		
File with Committee Report	Clerk's Office	Drafting Agency		

*Only one measure per Record of Votes