

JAN 19 2007

A BILL FOR AN ACT

RELATING TO KAHUKU HOSPITAL.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that Kahuku hospital has
2 been serving the residents of the north shore of Oahu from
3 Kualoa to Waimea Bay, with a population of about twenty-seven
4 thousand, since 1929. Kahuku hospital is a twenty-five bed
5 facility that has provided an array of health care services
6 including emergency care, general acute care, surgery, skilled
7 nursing, ancillary care, and health education. It is one of
8 nine hospitals in the State with a federal medicare designation
9 as a critical access hospital, which allows it to receive higher
10 reimbursements amounting to about \$1,000,000 in additional
11 revenue annually.

12 On November 6, 2006, the board of directors of Kahuku
13 hospital voted to file for Chapter 7 bankruptcy and close down
14 the hospital on December 31, 2006, because of continuing
15 operating losses of about \$1,500,000 a year and that has now
16 reached \$3,500,000. If such closure were to occur, the hospital
17 would lose its hospital license, its certificate of need, and
18 its critical access hospital designation, all of which would



1 require time and expense for another hospital to obtain,
2 effectively shutting down hospital-based health care services in
3 the area for an indefinite period. Closing down Kahuku hospital
4 would pose a grave threat to the health and safety of all
5 residents on the north shore and windward areas of Oahu, who
6 would have to drive either twenty-two miles to Wahiawa general
7 hospital or thirty-two miles to Castle Medical Center in Kailua
8 for hospital-based care, both trips requiring over an hour to
9 make a long a single access road that is periodically closed by
10 inclement weather or traffic mishap.

11 Accordingly, the legislature finds that it is in the public
12 interest to keep Kahuku hospital operating in order to serve the
13 residents of the north shore of Oahu by enabling it to file for
14 Chapter 11 rather than Chapter 7 bankruptcy, which would allow
15 the hospital to: continue operations; preserve its hospital
16 license, retain its certificate of need and critical access
17 hospital designation; reorganize; and settle its debts. It is
18 the purpose of this Act to authorize the Hawaii health systems
19 corporation to bring Kahuku hospital under its governance
20 through formal affiliation with the corporation and to provide
21 for transitional facilitation by the director of health.



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

4 "§323F- Acquisition of Kahuku hospital. (a) Kahuku
5 hospital on Oahu may be assimilated into the Hawaii health
6 systems corporation in a manner and to an extent that may be
7 negotiated. After assimilation, all the assets of Kahuku
8 hospital shall become the property of the corporation and Kahuku
9 hospital shall be operated by the corporation.

10 (b) None of the liabilities of Kahuku hospital shall
11 become liabilities of the corporation.

12 (c) The corporation, at its discretion, may retain any or
13 all medical and nonmedical employees of Kahuku hospital.

14 (d) The corporation, without regard to section 323F-31,
15 may adjust the levels of services provided by Kahuku hospital.

16 (e) The purchase of goods and services by, or on behalf
17 of, Kahuku hospital shall be exempt from chapters 103D and 103F.

18 (f) Kahuku hospital shall be exempt from chapters 92 and
19 102 and section 103-53."

20 SECTION 3. **Kahuku hospital; acquisition by Hawaii health**
21 **systems corporation; transitional facilitation by director of**
22 **health.** The director of health, as an interested third party,



1 shall act in the role of honest broker to help facilitate the
2 successful acquisition of Kahuku hospital by the Hawaii health
3 systems corporation during the transition period.

4 SECTION 4. There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$, or so much
6 thereof as may be necessary for fiscal year 2007-2008, to carry
7 out the purposes of this Act, including the hiring of necessary
8 staff.

9 The sum appropriated shall be expended by the department of
10 health for the purposes of this Act.

11 SECTION 5. New statutory material is underscored.

12 SECTION 6. This Act shall take effect upon its approval,
13 except that section 4 shall take effect on July 1, 2007 and
14 section 3 shall be repealed upon:

- 15 (1) The receipt of a letter by the director of health from
16 the corporation board of the Hawaii health systems
17 corporation officially notifying the director of
18 health that the acquisition of Kahuku hospital by the
19 corporation has been successfully completed; and



1 (2) The issuance of a proclamation by the governor that
2 the events in paragraph (1) have occurred.

3

INTRODUCED BY: Byron Hill



Report Title:

Kahuku Hospital; Acquisition by HHSC; DOH Facilitation

Description:

Requires the Hawaii health systems corporation to acquire Kahuku hospital on negotiated terms. Requires the director of health to assume a facilitating role during the transition period. Appropriation.

