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# 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 drive on a single access road that is periodically  
10 closed by 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) Kahuku hospital shall be exempt from chapters 92 and  
17 102 and section 103-53."

18 SECTION 3. The director of health, as an interested third  
19 party, shall act in the role of honest broker to help facilitate  
20 the successful acquisition of Kahuku hospital by the Hawaii  
21 health systems corporation during the transition period.



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

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

8 SECTION 5. New statutory material is underscored.

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11 section 3 shall be repealed upon:

- 12 (1) The receipt of a letter by the director of health from  
13 the corporation board of the Hawaii health systems  
14 corporation officially notifying the director of  
15 health that the acquisition of Kahuku hospital by the  
16 corporation has been successfully completed; and
- 17 (2) The issuance of a proclamation by the governor that  
18 the events in paragraph (1) have occurred.



**Report Title:**

Kahuku Hospital; Hawaii Health Systems Corporation

**Description:**

Authorizes 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. Makes an appropriation. (SD1)

