

JAN 22 2009

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# A BILL FOR AN ACT

RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

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

1           SECTION 1. The legislature finds that the Hawaii health  
2 systems corporation faces fiscal challenges amounting to a  
3 projected deficit of \$62,000,000 for fiscal year 2009-2010 in  
4 addition to an estimated shortfall of over \$40,000,000 in fiscal  
5 year 2008-2009. This situation presents a potential crisis that  
6 may seriously affect the delivery of health care to Hawaii's  
7 residents by community hospitals statewide, especially health  
8 facilities on the neighbor islands.

9           The legislature also finds that, prior to the creation of  
10 the Hawaii health systems corporation by Act 262, Session Laws  
11 of Hawaii 1996, which took effect on July 1, 1996, the community  
12 hospitals then located within the division of community  
13 hospitals of the department of health had on its books a certain  
14 amount of accrued liabilities that were subsequently transferred  
15 to the Hawaii health systems corporation. The legislature  
16 further finds it necessary to take action to safeguard the



1 delivery of health care through the statewide community  
2 hospitals to all Hawaii residents.

3       Accordingly the purpose of this Act is to support the  
4 healthy financial operations of the Hawaii health systems  
5 corporation by reducing the corporation's debt obligations by  
6 transferring back to the department of health the amount of the  
7 liabilities that the community hospitals had accrued while  
8 operating within the division of community hospitals of the  
9 department of health prior to the establishment of the Hawaii  
10 health systems corporation on July 1, 1996. Correspondingly, it  
11 is a further purpose of this Act to require the Hawaii health  
12 systems corporation to assume all liabilities or debts or other  
13 obligations accrued by the community hospitals beginning on July  
14 1, 1996, and thereafter. Finally, it is the purpose of this Act  
15 to clarify the Hawaii health systems corporation's  
16 responsibility for making payments into the employees'  
17 retirement system funds for its employees.

18       SECTION 2. Community hospitals; liabilities prior to July  
19 1, 1996; assumption by department of health; report. (a) On  
20 July 1, 2009, the department of health shall assume the total  
21 amount of all liabilities and debts or other obligations of the  
22 Hawaii health systems corporation that had been accrued up to



1 June 30, 1996, by the community hospitals while the community  
2 hospitals were operating within the division of community  
3 hospitals of the department of health. The department of  
4 health, with the assistance and cooperation of the Hawaii health  
5 systems corporation, shall determine the final amount of the  
6 liabilities and debts or other obligations to be transferred to  
7 and assumed by the department of health pursuant this  
8 subsection.

9 (b) The department of health shall report to the  
10 legislature the details of the total amount of liabilities and  
11 debts or other obligations transferred from the Hawaii health  
12 systems corporation and assumed by the department pursuant to  
13 subsection (a) no later than December 1, 2009.

14 SECTION 3. Community hospitals; assumption of liabilities  
15 by Hawaii health systems corporation; after June 30, 1996. The  
16 Hawaii health systems corporation shall bear the sole  
17 responsibility for assuming all liabilities and debts or other  
18 obligations accrued beginning on July 1, 1996, and thereafter,  
19 by the community hospitals operating within the Hawaii health  
20 systems corporation.

21 SECTION 4. Hawaii health systems corporation; employees'  
22 retirement system liabilities; after June 30, 1996. The Hawaii



1 health systems corporation shall bear sole responsibility for  
2 making all appropriate employer payments into funds of the  
3 employees' retirement system under chapter 88, Hawaii Revised  
4 Statutes beginning on July 1, 1996, and thereafter.

5 SECTION 5. Section 88-125, Hawaii Revised Statutes, is  
6 amended to read as follows:

7 "§88-125 Contributions by certain state agencies. (a)  
8 Each of the departments and agencies hereinafter described  
9 [and], the office of Hawaiian affairs, and the Hawaii health  
10 systems corporation shall reimburse the State for the respective  
11 amounts payable by the State to cover the liability of the State  
12 to the various funds of the system on account of the employees  
13 in ~~[such]~~ the departments and agencies ~~[and],~~ the trustees of  
14 the office of Hawaiian affairs[-], and the employees of the  
15 Hawaii health systems corporation. This provision shall apply  
16 to any department or agency of the State ~~[which]~~ that is  
17 authorized by law to fix, regulate, and collect rents, rates,  
18 fees, or charges of any nature. ~~[The provisions herein]~~ This  
19 subsection shall not apply as to rental units receiving federal  
20 subsidies until approval has been obtained from the appropriate  
21 federal agency.



1 (b) Whenever any department or agency of the State or the  
2 Hawaii health systems corporation receives federal-aid funds  
3 [~~which~~] that may be expended for the purpose of covering the  
4 liability of the State to the various funds of the system, the  
5 department or agency or the Hawaii health systems corporation  
6 shall set aside a portion of these funds sufficient to cover the  
7 amount of the State's liability to the various funds of the  
8 system on account of the employees in the department or agency  
9 or the Hawaii health systems corporation whose compensation is  
10 paid in whole or part from federal funds.

11 (c) The amount payable by each department or agency of the  
12 State, [~~or~~] the office of Hawaiian affairs, or the Hawaii health  
13 systems corporation, covered by this section shall be determined  
14 at least quarterly by the department of budget and finance on  
15 the basis of the payroll of the employees of the department or  
16 agency, [~~or~~] trustees of the office of Hawaiian affairs, or the  
17 Hawaii health systems corporation who are members of the system  
18 in the same manner the allocation of employer contributions is  
19 determined in section 88-123. The comptroller of the State, the  
20 office of Hawaiian affairs, the Hawaii health systems  
21 corporation, or any department or agency having control of its  
22 own funds [~~shall~~], upon information furnished by the department



1 of budget and finance, shall issue a check for the proper amount  
 2 to the director of finance, charging the same to the appropriate  
 3 fund. The director of finance shall place all such sums to the  
 4 credit of the State as part payment of the State's contributions  
 5 to the various funds of the system."

6 (d) With respect to the Hawaii health systems corporation  
 7 only, this section shall be operative with respect to costs  
 8 accrued beginning July 1, 1996."

9 SECTION 6. Statutory material to be repealed is bracketed  
 10 and stricken. New statutory material is underscored.

11 SECTION 7. This Act shall take effect upon its approval.

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INTRODUCED BY:

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**Report Title:**

Hawaii Health Systems Corporation; Transfer Prior Liabilities

**Description:**

Requires (1) department of health to assume all community hospital liabilities accrued up to 6/30/1996; and (2) Hawaii health systems corporation (HHSC) to assume all subsequent liabilities. Clarifies HHSC responsibility for payments into the employees' retirement system funds for its employees.

