

Honolulu, Hawaii

MAY 05 2009

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RE: S.B. No. 1673
S.D. 2
H.D. 2
C.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 1673, S.D. 2, H.D. 2, entitled:

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

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to ensure the strength of the State's health care safety net by addressing critical economic shortfalls currently faced by the Hawaii Health Systems Corporation (HHSC) by:

- (1) Temporarily transferring the management, operation, and maintenance of the community hospital system from HHSC to the Department of Health (DOH) from July 1, 2009 to June 30, 2012 by establishing a community hospital system within the DOH comprising all community hospitals of the state government;



- (2) Transferring to DOH on July 2, 2010, all certificates, licenses, permits, and other approvals required by state law for the community hospitals that are held on June 30, 2010, by HHSC or any of its regional systems or facilities;
- (3) Requiring, after June 30, 2009, the Director of Health to apply for the transfer, issuance, or renewal of all certificates, licenses, permits, and other approvals required by federal law for the operation of the community hospitals by DOH and eligibility of the community hospitals for Medicare and Medicaid funds;
- (4) Establishing a community hospitals transition committee to conduct a study of a permanent structure for the community hospital system and submit its findings and recommendations to the Legislature;
- (5) Establishing a transition committee to study and recommend a permanent structure for the community hospital system; and
- (6) Establishing a special fund to be known as the community hospital system special fund.

Your Committee finds that the HHSC is the fourth largest public hospital system in the nation and operates public health care facilities that provide essential safety-net hospital and long-term care services throughout the State. Your Committee further finds that the continued financial challenges faced by the HHSC and the State pose a risk to the public health care services provided by the HHSC. In addition, these factors hinder efforts to improve the quality of health care services provided to the public.

Your Committee finds that allowing the regional systems of the HHSC and their facilities to transition into a corporation or corporations and providing State support during the transition will improve the operations and efficiencies of the HHSC and benefit the health care of the people of Hawaii.

Your Committee further finds that it is essential that this transition be an option available to the various regional systems and facilities and that the transition be carefully evaluated by the community representatives that comprise the HHSC board.



Your Committee has amended this measure by substituting an amended version of the Senate Draft No. 2 of this measure, which amended statutes regarding the Hawaii Health Systems Corporation and regional boards by:

- (1) Allowing regional systems more autonomy;
- (2) Authorizing the transition of the regional systems into a corporation or corporations to provide central support services to the regional systems and facilities seeking to remain a part of the state agency;
- (3) Allowing the corporation to conduct criminal history record checks; and
- (4) Requiring commercial health plans to provide a minimum reimbursement level of the cost for all services provided to plan beneficiaries by critical access hospitals and federally qualified health centers.

This current iteration of this measure, as amended:

- (1) Deletes provisions relating to cost-based payments to critical access hospitals and federally qualified health centers;
- (2) Modifies part 5 by utilizing the language provided in H.B. No. 1137 providing for criminal history background checks;
- (3) Adds internal audit language for additional accountability;
- (4) Provides that real property of the HHSC shall not be sold, but may be leased, and that other assets shall be eligible for sale, transfer, or lease for the purposes of providing health care services;
- (5) Limits the current exemption from Chapter 37D (financing agreements), Hawaii Revised Statutes, in order to allow HHSC to execute such agreements if they are \$5,000,000 or less per agreement and less than \$25,000,000 in the aggregate in any fiscal year;
- (6) Reconstitutes the corporate board of the HHSC by:
 - (A) Providing for twelve, rather than fifteen, members;



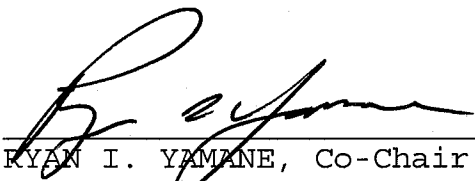
- (B) Providing for greater regional representation in the HHSC by including regional CEOs as voting members of the corporation and including two members from the County of Maui, two members from the County of Hawaii, one member from the island of Oahu, and one member from the island of Kauai; and
 - (C) Requiring the corporate board, in consultation with the regional boards, to effectuate the board's membership reduction by July 1, 2010, while ensuring appropriate regional representation;
- (7) Changes the effective date to July 1, 2009; and
- (8) Makes technical, nonsubstantive changes for the purpose of clarity and accuracy.


As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 1673, S.D. 2, H.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 1673, S.D. 2, H.D. 2, C.D. 1.

Respectfully submitted on behalf of the managers:

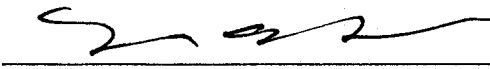
ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE


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 DAVID Y. IGE, Chair


 MARCUS R. OSHIRO, Co-Chair


 SHAN S. TSUTSUI, Co-Chair


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