
A BILL FOR AN ACT

RELATING TO HEALTHCARE.

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

1 SECTION 1. Health care systems delivery expert Stroudwater
2 Associates, as well as other experts, have recommended changes
3 be made to the Hawaii health systems corporation to improve the
4 delivery of Hawaii's hospital healthcare safety net. These
5 changes entail making the Hawaii health systems corporation
6 financially stable by reducing its operational expenses. These
7 expenses include civil service labor costs, procurement
8 impediments, a lack of scaled buying power, and other
9 unavoidable inefficiencies that guarantee the Hawaii health
10 systems corporation will continue to need subsidies in the range
11 of \$50 million to \$100 million or more annually to operate.
12 These subsidies will remain a burden to taxpayers indefinitely
13 unless dramatic changes to the Hawaii health systems corporation
14 are made.

15 The purpose of this Act is to:

- 16 (1) Develop a plan to convert the Hawaii health systems
17 corporation to a nonprofit organization exempt from



1 income tax under section 501 of the Internal Revenue
2 Code and to a Hawaii nonprofit corporation; and
3 (2) Require submittal of the plan to the legislature as
4 well as yearly updates.

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

8 **"§323F- Transition plan; development; reporting**
9 **requirements.** The Hawaii health systems corporation shall
10 develop a plan detailing how it will transition from a
11 corporation to a nonprofit entity that qualifies for exemption
12 from income tax under section 501 of the Internal Revenue Code
13 and chapter 414D, Hawaii Revised Statutes. The plan shall
14 include a transition timetable and projected costs of the
15 transition, and analyze and address, among other things,
16 financing options, potential partnerships, operations issues,
17 the impact of the transition on employees, patients, and other
18 stakeholders, and needed amendments to existing law to
19 effectuate the transition. The Hawaii health systems
20 corporation shall submit the transition plan to the legislature
21 no later than forty days prior to the convening of the 2011
22 Regular Session, and submit annual updates to the plan to the



1 legislature no later than forty days prior to the convening of
2 each regular session."

3 SECTION 3. The director of finance is authorized to issue
4 general obligation bonds in the sum of \$ or so much
5 thereof as may be necessary and the same sum or so much thereof
6 as may be necessary is appropriated for fiscal year 2010-2011
7 for the purpose of general repair and maintenance of the
8 facilities of the Hawaii health systems corporation, and for
9 expenses incurred in the transition of the Hawaii health systems
10 corporation to a nonprofit entity including but not limited to:

- 11 (1) Compensating employees of the Hawaii health systems
12 corporation who are transitioned from civil service
13 status to private status pursuant to section 2 of this
14 Act for accrued vacation leave as provided under
15 section 78-23, Hawaii Revised Statutes; and
- 16 (2) Satisfaction of accounts payable that is deemed
17 necessary by the board of directors of the Hawaii
18 health systems corporation.

19 SECTION 4. The appropriation made and authorized by this
20 Act shall not lapse at the end of the fiscal biennium for which
21 the appropriation is made; provided that all moneys from the



1 appropriation unencumbered as of June 30, 2012, shall lapse as
2 of that date.

3 SECTION 5. New statutory material is underscored.

4 SECTION 6. This Act shall take effect July 1, 2050.

5



Report Title:

Hawaii Health Systems Corporation; Nonprofit Status; Plan; Appropriation

Description:

Requires the Hawaii health systems corporation to develop a plan to transition to federal and state nonprofit status. Makes appropriation for general obligation bonds for the repair and maintenance of facilities and transition expenses. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

