
A BILL FOR AN ACT

RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

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

1 PART I

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

10 The legislature also finds that, prior to the creation of
11 the Hawaii health systems corporation by Act 262, Session Laws
12 of Hawaii 1996, which took effect on July 1, 1996, the community
13 hospitals then located within the division of community
14 hospitals of the department of health had on its books a certain
15 amount of accrued liabilities that were subsequently transferred
16 to the Hawaii health systems corporation. The legislature
17 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 The purpose of this Act is to support the healthy financial
4 operations of the Hawaii health systems corporation by reducing
5 the corporation's debt obligations by determining why the
6 current obligation as set forth was not rectified following the
7 establishment of the health systems corporation on July 1, 1996.
8 Correspondingly, it is a further purpose of this Act to require
9 the Hawaii health systems corporation to assume all liabilities
10 or debts or other obligations accrued by the community hospitals
11 beginning on July 1, 1996, and thereafter. Finally, it is the
12 purpose of this Act to clarify the Hawaii health systems
13 corporation's responsibility for making payments into the
14 employees' retirement system funds for its employees.

15 SECTION 2. **Community hospitals; liabilities prior to**
16 **July 1, 1996; assumption by department of health; report.** (a)

17 The department of health may assume the total amount of all
18 liabilities and debts or other obligations of the Hawaii health
19 systems corporation that had been accrued up to June 30, 1996,
20 by the community hospitals while the community hospitals were
21 operating within the division of community hospitals of the
22 department of health. The Hawaii health systems corporation,



1 with the assistance and cooperation of the department of health,
2 shall determine the final amount of the liabilities and debts or
3 other obligations to that may be transferred and provide to the
4 department of health pursuant this subsection, a complete
5 account of why the accrued liability was not repaid.

6 (b) The Hawaii health systems corporation shall report to
7 the legislature the details of the total amount of liabilities
8 and debts or other obligations that may be transferred from the
9 department of health and assumed by the Hawaii health systems
10 corporation pursuant to subsection (a) and a detailed account of
11 why the repayment was not completed no later than twenty days
12 prior to the convening of the regular session of 2010.

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

20 **SECTION 4. Hawaii health systems corporation; employees'**
21 **retirement system liabilities; after June 30, 1996.** The Hawaii
22 health systems corporation shall bear sole responsibility for



1 making all appropriate employer payments into funds of the
2 employees' retirement system under chapter 88, Hawaii Revised
3 Statutes beginning on July 1, 1996, and thereafter.

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

6 "**§88-125 Contributions by certain state agencies.** (a)

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

21 (b) Whenever any department or agency of the State or the
22 Hawaii health systems corporation receives federal-aid funds



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

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



1 fund. The director of finance shall place all such sums to the
2 credit of the State as part payment of the State's contributions
3 to the various funds of the system.

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

7 PART II

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

11 "§323F- Annual management and performance audit. (a)

12 The auditor shall annually perform a management and performance
13 audit of the corporation. The auditor shall contract with an
14 independent auditing entity that shall be authorized full access
15 to all information required for a complete and thorough
16 management and performance audit of the corporation. Funding
17 for all aspects of the audit shall be provided by the
18 corporation.

19 (b) The auditor shall submit a report of its findings and
20 recommendations, including:

21 (1) A full evaluation of all corporation assets,
22 liabilities, and contracts that deal with the



Report Title:

Hawaii Health Systems Corporation; Transfer Prior Liabilities

Description:

Requires (1) Hawaii health systems corporation (HHSC) with the Department of Health's assistance to determine the current amount of all community hospital liabilities accrued up to 6/30/1996 that still exist; and (2) HHSC to assume all subsequent liabilities. Clarifies HHSC responsibility for payments into the employees' retirement system funds for its employees. Provides for an annual audit of HHSC. (SB44 HD1)

