
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
14 July 1, 1996, and thereafter. Finally, it is the purpose of
15 this Act 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**

19 **July 1, 1996; assumption by department of health; report. (a)**

20 On 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.

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. (SD1)