

JAN 26 2011

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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 is the fourth largest public hospital system  
3 in the nation and operates public health care facilities that  
4 provide essential safety-net hospital and long-term care  
5 services throughout the State. Due to rapid change taking place  
6 in the health care industry and the impending implementation of  
7 national health care reform, the legislature acknowledges that  
8 the corporation's governing board of directors (board) must have  
9 the appropriate flexibility and autonomy needed for the  
10 community hospitals to compete and remain viable.

11           The current board includes the five regional chief  
12 executive officers serving as ex-officio, voting members. The  
13 regional chief executive officers have been instrumental in  
14 bringing additional expertise to the board during the time of  
15 transition from a single corporation board to a multi-level  
16 board system. In light of the successful establishment of the  
17 regional system boards, the significant challenges imposed by an

1 ever-changing and complex health care environment, the time  
2 required to serve on the corporate board, and the desire for  
3 additional community participation, the legislature finds it  
4 appropriate to replace the regional chief executive officers on  
5 the board with community members from each of the regional  
6 systems. The regional chief executive officers will continue to  
7 participate in the corporation's board meetings, along with the  
8 president and chief executive officer, as invited staff.

9 In addition, the director of health is currently an ex-  
10 officio, nonvoting member of the board. In order to increase  
11 the input of the administration and further the implementation  
12 of public health policies, the director of health will be given  
13 voting rights. In order to create an uneven number of board  
14 members for voting purposes, an additional member shall be  
15 appointed by the Governor and serve as an at-large member.

16 The purpose of this Act is to affirm the State's commitment  
17 to provide quality health care for the people of our State, by  
18 amending the corporation's board structure in line with  
19 considerations consistent with the provisions of Act 290,  
20 Session Laws of Hawaii (SLH) 2007, and Act 182, SLH 2009, while  
21 improving the accountability and sustainability of the health  
22 system. The proposed amendments will build on the excellent

1 progress made by the regional systems to coordinate service  
2 delivery and improve the health of the island communities. The  
3 corporation's new board structure will support clear and  
4 consistent roles for all regional systems and create a more  
5 balanced multi-board tiered system. Equally important, the  
6 amendments will create an opportunity for more participation on  
7 the board by community members, and enable them to strengthen  
8 the board's focus on quality care and services responsive to the  
9 needs of their communities. The amendments will enable the  
10 health system to move forward as a region-focused health system,  
11 thereby advancing the delivery of health care services,  
12 improving flexibility, and promoting collaboration with other  
13 health service organizations.

14 SECTION 2. Section 323F-3, Hawaii Revised Statutes, is  
15 amended by amending subsections (a) and (b) to read as follows:

16 "(a) The corporation shall be governed by a [~~twelve-~~  
17 ~~member~~] thirteen-member board of directors that shall carry out  
18 the duties and responsibilities of the corporation other than  
19 those duties and responsibilities relating to the establishment  
20 of any captive insurance company pursuant to section 323F-7  
21 (c)(20) and the operation thereof.

22 (b) The members of the corporation board shall be

1 appointed as follows:

2 (1) The director of health as an ex-officio, [~~nonvoting~~]  
3 voting member;

4 [~~(2) The five regional chief executive officers as ex-~~  
5 ~~officio, voting members; and]~~

6 [~~(3)~~] (2) [~~Two~~] Three members who reside in the county of  
7 Maui who shall be appointed by the Maui regional  
8 system board;

9 [~~(4)~~] (3) [~~One member~~] Two members who [~~resides~~] reside in  
10 the eastern section of the county of Hawaii who shall  
11 be appointed by the East Hawaii regional system board;

12 [~~(5)~~] (4) [~~One member~~] Two members who [~~resides~~] reside in  
13 the western section of the county of Hawaii who shall  
14 be appointed by the West Hawaii regional system board;

15 (5) One member who shall be appointed by the Governor,  
16 and serve as an at-large member.

17 (6) [~~One member~~] Two members who [~~resides~~] reside on the  
18 island of Kauai who shall be appointed by the Kauai  
19 regional system board; and

20 (7) [~~One member~~] Two members who [~~resides~~] reside on the  
21 island of Oahu who shall be appointed by the Oahu  
22 regional system board.

1           The appointed board members residing in the county of Maui,  
2 eastern section of the county of Hawaii, western section of the  
3 county of Hawaii, county of Kauai and city and county of  
4 Honolulu, shall serve for a term of four years; provided that  
5 the terms of the initial appointments shall be as follows: one  
6 of the initial members from the county of Maui shall be  
7 appointed to serve a term of two years and the other two members  
8 shall be appointed to serve a term of four years[+]each; the  
9 initial member from East Hawaii shall be appointed to serve a  
10 term of two years; the initial member from West Hawaii shall be  
11 appointed to serve a term of four years; the initial member from  
12 the island of Kauai shall be appointed to serve a term of two  
13 years; and the initial member from the island of Oahu shall be  
14 appointed to serve a term of four years. The at-large member  
15 appointed by the Governor shall serve a term of two years.

16           Any vacancy shall be filled in the same manner provided for  
17 the original appointments. The corporation board shall elect  
18 its own chair from among its members. Appointments to the  
19 corporation board shall be as representative as possible of the  
20 system's stakeholders as outlined in this subsection."

21           (c) The selection, appointment, and confirmation of any  
22 nominee shall be based on ensuring that board members have

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1 diverse and beneficial perspectives and experiences and that  
2 they include, to the extent possible, representatives of the  
3 medical, business, management, law, finance, and health sectors,  
4 and patients or consumers. Members of the board shall serve  
5 without compensation but may be reimbursed for actual expenses,  
6 including travel expenses incurred in the performance of their  
7 duties.

8 (d) Any member of the board may be removed for cause by  
9 vote of a two-thirds majority of the board's members then in  
10 office. For purposes of this section, cause shall include  
11 without limitation:

- 12 (1) Malfeasance in office;
- 13 (2) Failure to attend regularly called meetings;
- 14 (3) Sentencing for conviction of a felony, to the extent  
15 allowed by section 831-2; or
- 16 (4) Any other cause that may render a member incapable or  
17 unfit to discharge the duties required under this  
18 chapter.

19 Filing nomination papers for elective office or appointment to  
20 elective office, or conviction of a felony consistent with  
21 section 831-3.1, shall automatically and immediately disqualify  
22 a board member from office."



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. B. NO.

1302

**Report Title:**

Hawaii Health Systems Corporation; Board of Directors

**Description:**

Amends corporation board composition to add an at-large member appointed by the Governor, give voting rights to the ex-officio Director of Health member, and replace the regional chief executive officer ex-officio voting members with community members from the respective regional system boards.



JUSTIFICATION SHEET

DEPARTMENT: Health

TITLE: A BILL FOR AN ACT RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

PURPOSE: To enhance the State's commitment to provide quality health care for the people of our state by amending the composition of the Hawaii health systems corporation board.

MEANS: Amend chapter 323F-3, Hawaii Revised Statutes, to add one (1) additional board member appointed by the Governor to serve as an at-large member, to give the director of health an ex officio member of the board voting rights, and to replace the regional chief executive officer members with corresponding regional community members. As a result the total board membership is increased to 13 (all voting) from 12 (11 voting). All community board members would be appointed by the respective regional system boards.

JUSTIFICATION: The regional chief executive officers (RCEOs) have provided expertise to the corporation's board over the past two years; however, that expertise can be provided by the RCEOs attending and participating in the meetings without being voting members. Conflicts of interest have arisen with the RCEOs on the corporation's board, as they report to the regional system boards, which tend to have regional goals rather than system-wide goals. In addition, the RCEOs are extremely busy and serving as voting members on the HHSC board and its various committees adds a great deal of additional work that takes the RCEOs away from their primary duties. Having more community members on the board furthers the goal of prior legislation to enhance community input into HHSC especially since all board members, except the director of health, are

into HHSC especially since all board members, except the director of health, are appointed by the regional system boards. Giving the DOH Director voting rights will enhance input from the administration and public health policy makers. The additional at-large member appointed by the Governor is intended to create an uneven number of members.

Impact on the public: This amendment is important to the continued mission of HHSC. The ability of the State's community-hospital system to respond to the health care needs of both the regions and system would continue to be upheld, including the State's ability to provide safety-net services, by allowing each regional system board to appoint the community board members.

Impact on the department and other agencies:  
Same as above.

GENERAL FUND: none.

OTHER FUNDS: none.

PPBS PROGRAM  
DESIGNATION: none.

OTHER AFFECTED  
AGENCIES: Department of Health

EFFECTIVE DATE: July 1, 2011.