
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 Hawaii health systems corporation operates
2 public health care facilities that provide essential safety net
3 hospital and long-term care services throughout the State. Due
4 to rapid changes taking place in the health care industry and
5 implementation of national health care reform, the legislature
6 finds that the governance structure of the Hawaii health systems
7 corporation must be provided with the appropriate flexibility
8 and autonomy needed for community hospitals to compete and
9 remain viable.

10 The current Hawaii health systems corporation governance
11 structure includes regional chief executive officers serving as
12 ex-officio, voting members, who have been instrumental in
13 bringing additional expertise to the board during the time of
14 transition to a multi-level board system. However, the
15 legislature finds that the roles, powers, and responsibilities
16 of the corporate board and regional boards have been the subject
17 of extensive debate since the establishment of regional boards
18 in 2007. In light of the successful establishment of the



1 regional boards, significant challenges imposed by an ever-
2 changing and complex health environment, the time commitment
3 required of individuals who serve on the corporate board, and
4 the desire for additional community participation, the time has
5 come to change the composition of the Hawaii health systems
6 corporation board by adding more community members with
7 expertise in health care, finance, business, and related
8 disciplines, and changing the role of the regional chief
9 executive officers to nonvoting status. A new board structure
10 will support clear and consistent roles for all regions and
11 reduce the conflicts of interest of regional chief executive
12 officers who not only sit as voting members on the Hawaii health
13 systems corporation board but also must look out for the best
14 interests of their respective regions. A new board structure
15 will create a more balanced multi-board tiered system.

16 Furthermore, revamping the Hawaii health systems
17 corporation employee structure is necessary for the corporation
18 to improve efficiencies, operate more like private hospitals,
19 and compete for qualified health care workers. This Act will:

20 (1) Clarify and separate the powers of the Hawaii health
21 systems corporation to provide a clear line of
22 authority and accountability;



1 (2) Allow the Hawaii health systems corporation to
2 leverage one of its major assets--property owned in
3 fee simple--by mortgaging it to secure loans and
4 expanding the ability to enter into financing leases.
5 These changes will provide the corporation with the
6 flexibility intended by the legislature in 1996 when
7 the corporation was first created to run the state
8 hospitals;

9 (3) Establish a separate benefits structure, including a
10 new retirement system, for new employees to allow the
11 corporation to negotiate contracts for its health care
12 employees; and

13 (4) Build on the progress made by the regions to
14 coordinate service delivery and improve health care.

15 The purpose of this Act is to affirm the State's commitment
16 to provide high-quality health care for the people of the State
17 by amending the structure and composition of the Hawaii health
18 systems corporation to increase flexibility for the corporation
19 and improve accountability and sustainability within the system.

20 SECTION 2. Chapter 323F, Hawaii Revised Statutes, is amended
21 by adding five new sections to be appropriately designated and to
22 read as follows:



1 "§323F-A Hawaii health systems corporation personnel
2 system. (a) Notwithstanding any other law to the contrary, the
3 corporation board may establish without regard to the public
4 notice or public hearing requirements of chapter 91, a personnel
5 system separate from the existing system, to be known as the
6 Hawaii health systems corporation personnel system, for employees
7 commencing employment on or after July 1, 2014.

8 (b) General administration and responsibility for the
9 proper operation of the personnel system of the corporation shall
10 be vested in the corporation board and may be delegated to the
11 regional system boards for their respective employees.

12 (c) Any person hired after the establishment of the Hawaii
13 health systems corporation personnel system shall become an
14 employee of the Hawaii health systems corporation personnel system.

15 (d) Any person who commenced employment with the corporation
16 or any of the regional systems prior to the establishment of the
17 Hawaii health systems corporation personnel system and continues
18 uninterrupted to be employed by the same shall remain an employee
19 of the personnel system in existence prior to the establishment of
20 the Hawaii health systems corporation personnel system.

21 (e) No rights are created under this section for employees
22 without tenure.



1 (f) For purposes of this chapter, "employees without tenure"
2 means employees who are not members of the civil service system
3 entitled to hold the member's position for the duration of the
4 member's appointment, as provided in section 76-27.

5 **§323F-B Collective bargaining agreements.** Collective
6 bargaining agreements in effect on July 1, 2014, covering
7 employees of the Hawaii health systems corporation personnel
8 system, shall continue in full force and effect and shall be
9 recognized by the corporation until the termination date of the
10 agreements or until mutually modified by the parties. Upon
11 expiration of those agreements, the corporation may negotiate
12 collective bargaining agreements or sub-agreements under chapter 89
13 to address its needs for efficiency and effectiveness.

14 **§323F-C Hawaii health systems corporation personnel**
15 **system; rights.** (a) All employees of the corporation shall
16 have full rights under all applicable laws to self-organize;
17 to form, join, or assist labor organizations; to bargain
18 collectively through representatives of their own choosing,
19 and to undertake other concerted activities for the purpose of
20 collective bargaining or other mutual aid or protection and
21 shall have the right to refrain from any or all such
22 activities, except to the extent that such right may be



1 affected by an agreement requiring membership in a labor
2 organization as a condition of employment, as may be
3 permitted under all applicable laws; provided that the
4 corporation
5 shall recognize the continuing effect of collective bargaining
6 agreements in effect on July 1, 2014, covering employees of
7 the corporation, until such agreements are altered or amended
8 by the parties in conformance with all applicable laws and as
9 otherwise provided.

10 §323F-D Hawaii health systems corporation retirement
11 system. (a) Notwithstanding any other law to the contrary,
12 the corporation board may establish without regard to the
13 public notice or public hearing requirements of chapter 91, a
14 retirement system separate from the state employees' retirement
15 system to provide retirement allowances and other benefits for any
16 person commencing employment on or after July 1, 2014, with the
17 corporation or any of its regions and who would otherwise be
18 eligible for membership in the state employees' retirement system.
19 (b) The general administration and responsibility for the
20 proper operation of the Hawaii health systems corporation
21 retirement system shall be vested in the corporation board.



1 (c) The corporation board may establish vesting periods for
2 the members of the Hawaii health systems corporation retirement
3 system that are different from those applicable to members of the
4 state employees' retirement system.

5 (d) The corporation board may establish retirement
6 allowances and other benefits for the Hawaii health systems
7 corporation retirement system.

8 (e) Members of the state employees' retirement system
9 employed by the corporation on the date the Hawaii health
10 systems corporation retirement system is established shall have
11 the right to opt into membership in the Hawaii health systems
12 corporation retirement system, consistent with a process and
13 criteria established by the corporation.

14 (f) Any person hired after the establishment of the Hawaii
15 health systems corporation retirement system shall be enrolled as
16 a member of the Hawaii health systems corporation retirement
17 system, except employees hired for less than ninety-day periods,
18 who shall not be entitled to enroll in any corporation or state
19 retirement system. A person who remains employed by the
20 corporation may not transfer from the Hawaii health systems
21 corporation retirement system to the state employees' retirement
22 system. Service under the Hawaii health systems corporation



1 retirement system shall not be creditable as service under the
2 state employees' retirement system.

3 (g) Notwithstanding any other law to the contrary,
4 retirement benefits for the Hawaii health systems corporation
5 retirement system shall be a subject of collective bargaining
6 negotiations for bargaining units (14) through (20) and any other
7 collective bargaining units established for corporation
8 employees."

9 SECTION 3. Section 89-6, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "**§89-6 Appropriate bargaining units.** (a) All employees
12 throughout the State within any of the following categories
13 shall constitute an appropriate bargaining unit:

- 14 (1) Nonsupervisory employees in blue collar positions;
- 15 (2) Supervisory employees in blue collar positions;
- 16 (3) Nonsupervisory employees in white collar positions;
- 17 (4) Supervisory employees in white collar positions;
- 18 (5) Teachers and other personnel of the department of
19 education under the same pay schedule, including part-
20 time employees working less than twenty hours a week
21 who are equal to one-half of a full-time equivalent;



- 1 (6) Educational officers and other personnel of the
2 department of education under the same pay schedule;
- 3 (7) Faculty of the University of Hawaii and the community
4 college system;
- 5 (8) Personnel of the University of Hawaii and the
6 community college system, other than faculty;
- 7 (9) Registered professional nurses;
- 8 (10) Institutional, health, and correctional workers;
- 9 (11) Firefighters;
- 10 (12) Police officers;[and]
- 11 (13) Professional and scientific employees, who cannot be
12 included in [~~any of the other~~] bargaining units[-]
13 (1), (2), (3), (4), (5), (6), (7), (8), (9), (10),
14 (11), and (12);
- 15 (14) Nonsupervisory employees in blue collar positions with
16 the Hawaii health systems corporation;
- 17 (15) Supervisory employees in blue collar positions with
18 the Hawaii health systems corporation;
- 19 (16) Nonsupervisory employees in white collar positions
20 with the Hawaii health systems corporation;
- 21 (17) Supervisory employees in white collar positions with
22 the Hawaii health systems corporation;



- 1 (18) Registered professional nurses with the Hawaii health
2 systems corporation;
- 3 (19) Institutional and health workers with the Hawaii
4 health systems corporation; and
- 5 (20) Professional and scientific employees with the Hawaii
6 health systems corporation, who cannot be included in
7 bargaining units (14), (15), (16), (17), (18), and
8 (19).

9 (b) Because of the nature of the work involved and the
10 essentiality of certain occupations that require specialized
11 training, supervisory employees who are eligible for inclusion
12 in bargaining units (9) through (13) shall be included in
13 bargaining units (9) through (13), respectively, instead of
14 bargaining unit (2) or (4).

15 (c) The classification systems of each jurisdiction shall
16 be the bases for differentiating blue collar from white collar
17 employees, professional from institutional, health and
18 correctional workers, supervisory from nonsupervisory employees,
19 teachers from educational officers, and faculty from nonfaculty.
20 In differentiating supervisory from nonsupervisory employees,
21 class titles alone shall not be the basis for determination.
22 The nature of the work, including whether a major portion of the



1 working time of a supervisory employee is spent as part of a
2 crew or team with nonsupervisory employees, shall be considered
3 also.

4 (d) For the purpose of negotiating a collective bargaining
5 agreement, the public employer of an appropriate bargaining unit
6 shall mean the governor together with the following employers:

7 (1) For bargaining units (1), (2), (3), (4), (9), (10),
8 and (13), the governor shall have [~~six~~] five votes and
9 the mayors[~~7~~] and the chief justice[~~7~~, ~~and the Hawaii~~
10 ~~health systems corporation board~~] shall each have one
11 vote if they have employees in the particular
12 bargaining unit;

13 (2) For bargaining units (11) and (12), the governor shall
14 have four votes and the mayors shall each have one
15 vote;

16 (3) For bargaining units (5) and (6), the governor shall
17 have three votes, the board of education shall have
18 two votes, and the superintendent of education shall
19 have one vote;

20 (4) For bargaining units (7) and (8), the governor shall
21 have three votes, the board of regents of the
22 University of Hawaii shall have two votes, and the



1 president of the University of Hawaii shall have one
2 vote[-]; and

3 (5) For bargaining units (14), (15), (16), (17), (18),
4 (19), and (20), the governor shall have one vote and
5 the Hawaii health systems corporation board shall have
6 one vote.

7 Any decision to be reached by the applicable employer group
8 shall be on the basis of simple majority, except when a
9 bargaining unit includes county employees from more than one
10 county. In [~~such~~] that case, the simple majority shall include
11 at least one county."

12 (e) In addition to a collective bargaining agreement under
13 subsection (d), each employer may negotiate, independently of
14 one another, supplemental agreements that apply to their
15 respective employees; provided that any supplemental agreement
16 reached between the employer and the exclusive representative
17 shall not extend beyond the term of the applicable collective
18 bargaining agreement and shall not require ratification by
19 employees in the bargaining unit.

20 (f) For the purposes of negotiating contributions by the
21 State and the counties to a voluntary employees' beneficiary
22 association trust as part of a collective bargaining agreement,



1 all prospective retirees who retire on or after July 1, 2005,
2 shall be considered members of the bargaining unit to which they
3 belonged immediately prior to their retirement from the State or
4 the counties.

5 [~~f~~] (g) The following individuals shall not be included
6 in any appropriate bargaining unit or be entitled to coverage
7 under this chapter:

8 (1) Elected or appointed official;
9 (2) Member of any board or commission; provided that
10 nothing in this paragraph shall prohibit a member of a
11 collective bargaining unit from serving on a local
12 school board of a charter school or the charter school
13 review panel established under chapter 302B;

14 (3) Top-level managerial and administrative personnel,
15 including the department head, deputy or assistant to
16 a department head, administrative officer, director,
17 or chief of a state or county agency or major
18 division, and legal counsel;

19 (4) Secretary to top-level managerial and administrative
20 personnel under paragraph (3);

21 (5) Individual concerned with confidential matters
22 affecting employee-employer relations;



- 1 (6) Part-time employee working less than twenty hours per
- 2 week, except part-time employees included in
- 3 bargaining unit (5);
- 4 (7) Temporary employee of three months' duration or less;
- 5 (8) Employee of the executive office of the governor or a
- 6 household employee at Washington Place;
- 7 (9) Employee of the executive office of the lieutenant
- 8 governor;
- 9 (10) Employee of the executive office of the mayor;
- 10 (11) Staff of the legislative branch of the State;
- 11 (12) Staff of the legislative branches of the counties,
- 12 except employees of the clerks' offices of the
- 13 counties;
- 14 (13) Any commissioned and enlisted personnel of the Hawaii
- 15 national guard;
- 16 (14) Inmate, kokua, patient, ward, or student of a state
- 17 institution;
- 18 (15) Student help;
- 19 (16) Staff of the Hawaii labor relations board;
- 20 (17) Employee of the Hawaii national guard youth challenge
- 21 academy; or
- 22 (18) Employee of the office of elections.



1 [~~(g)~~] (h) Where any controversy arises under this section,
2 the board shall, pursuant to chapter 91, make an investigation
3 and, after a hearing upon due notice, make a final determination
4 on the applicability of this section to specific individuals,
5 employees, or positions."

6 SECTION 4. Section 89-8.5, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "**§89-8.5 Negotiating authority; Hawaii health systems**
9 **corporation.** Notwithstanding any law to the contrary, including
10 section 89-6(d), the Hawaii health systems corporation [~~or any~~
11 ~~of the regional boards~~], as a sole employer negotiator, may
12 negotiate with the exclusive representative of any appropriate
13 bargaining unit and execute memorandums of understanding for
14 employees under its control to alter any existing or new
15 collective bargaining agreement on any item or items subject to
16 section 89-9."

17 SECTION 5. Section 89-11, Hawaii Revised Statutes, is
18 amended by amending subsection (e) to read as follows:

19 "(e) If an impasse exists between a public employer and
20 the exclusive representative of bargaining unit (2), supervisory
21 employees in blue collar positions; bargaining unit (3),
22 nonsupervisory employees in white collar positions; bargaining



1 unit (4), supervisory employees in white collar positions;
2 bargaining unit (6), educational officers and other personnel of
3 the department of education under the same salary schedule;
4 bargaining unit (8), personnel of the University of Hawaii and
5 the community college system, other than faculty; bargaining
6 unit (9), registered professional nurses; bargaining unit (10),
7 institutional, health, and correctional workers; bargaining unit
8 (11), firefighters; bargaining unit (12), police officers;
9 bargaining unit (13), professional and scientific employees[7];
10 bargaining unit (14), nonsupervisory employees in blue collar
11 positions with the Hawaii health systems corporation; bargaining
12 unit (15), supervisory employees in blue collar positions with
13 the Hawaii health systems corporation; bargaining unit (16),
14 nonsupervisory employees in white collar positions with the
15 Hawaii health systems corporation; bargaining unit (17),
16 supervisory employees in white collar positions with the Hawaii
17 health systems corporation; bargaining unit (18), registered
18 professional nurses with the Hawaii health systems corporation;
19 bargaining unit (19), institutional and health workers with the
20 Hawaii health systems corporation; or bargaining unit (20),
21 professional and scientific employees with the Hawaii health



1 systems corporation, the board shall assist in the resolution of
2 the impasse as follows:

3 (1) Mediation. During the first twenty days after the
4 date of impasse, the board shall immediately appoint a
5 mediator, representative of the public from a list of
6 qualified persons maintained by the board, to assist
7 the parties in a voluntary resolution of the impasse.

8 (2) Arbitration. If the impasse continues twenty days
9 after the date of impasse, the board shall immediately
10 notify the employer and the exclusive representative
11 that the impasse shall be submitted to a three-member
12 arbitration panel who shall follow the arbitration
13 procedure provided herein.

14 (A) Arbitration panel. Two members of the
15 arbitration panel shall be selected by the
16 parties; one shall be selected by the employer
17 and one shall be selected by the exclusive
18 representative. The neutral third member of the
19 arbitration panel, who shall chair the
20 arbitration panel, shall be selected by mutual
21 agreement of the parties. In the event that the
22 parties fail to select the neutral third member



1 of the arbitration panel within thirty days from
2 the date of impasse, the board shall request the
3 American Arbitration Association, or its
4 successor in function, to furnish a list of five
5 qualified arbitrators from which the neutral
6 arbitrator shall be selected. Within five days
7 after receipt of such list, the parties shall
8 alternately strike names from the list until a
9 single name is left, who shall be immediately
10 appointed by the board as the neutral arbitrator
11 and chairperson of the arbitration panel.

12 (B) Final positions. Upon the selection and
13 appointment of the arbitration panel, each party
14 shall submit to the panel, in writing, with copy
15 to the other party, a final position which shall
16 include all provisions in any existing collective
17 bargaining agreement not being modified, all
18 provisions already agreed to in negotiations, and
19 all further provisions which each party is
20 proposing for inclusion in the final agreement.

21 (C) Arbitration hearing. Within one hundred twenty
22 days of its appointment, the arbitration panel



1 shall commence a hearing at which time the
2 parties may submit either in writing or through
3 oral testimony, all information or data
4 supporting their respective final positions. The
5 arbitrator, or the chairperson of the arbitration
6 panel together with the other two members, are
7 encouraged to assist the parties in a voluntary
8 resolution of the impasse through mediation, to
9 the extent practicable throughout the entire
10 arbitration period until the date the panel is
11 required to issue its arbitration decision.

12 (D) Arbitration decision. Within thirty days after
13 the conclusion of the hearing, a majority of the
14 arbitration panel shall reach a decision pursuant
15 to subsection (f) on all provisions that each
16 party proposed in its respective final position
17 for inclusion in the final agreement and transmit
18 a preliminary draft of its decision to the
19 parties. The parties shall review the
20 preliminary draft for completeness, technical
21 correctness, and clarity and may mutually submit
22 to the panel any desired changes or adjustments



1 that shall be incorporated in the final draft of
 2 its decision. Within fifteen days after the
 3 transmittal of the preliminary draft, a majority
 4 of the arbitration panel shall issue the
 5 arbitration decision."

6 SECTION 6. Section 323F-2, Hawaii Revised Statutes,
 7 is amended by amending subsection (b) to read as follows:

8 "(b) The corporate organization shall be divided into
 9 [~~five~~] two regional systems, as follows:

- 10 (1) The Oahu regional health care system; and
 - 11 (2) The Kauai regional health care system;
 - 12 ~~[(3) The Maui regional health care system;~~
 - 13 ~~(4) The east Hawaii regional health care system,~~
 14 ~~comprising the Puna district, north Hilo district,~~
 15 ~~south Hilo district, Hamakua district, and Kau~~
 16 ~~district; and~~
 - 17 ~~(5) The west Hawaii regional health care system,~~
 18 ~~comprising the north Kohala district, south Kohala~~
 19 ~~district, north Kona district, and south Kona district;]~~
- 20 and shall be identified as regional systems I[~~7~~]and II[~~7, III,~~
 21 ~~IV, and V~~], respectively."

22 SECTION 7. Section 323F-3, Hawaii Revised Statutes,



1 is amended by amending subsections (a) and (b) to read as
2 follows:

3 "(a) The corporation shall be governed by a thirteen-
4 member board of directors that shall carry out the duties and
5 responsibilities of the corporation other than those duties and
6 responsibilities relating to the establishment of any captive
7 insurance company pursuant to section [~~323F-7(e)-(20)~~] 323F-
8 7(c)(19) and the operation thereof.

9 (b) The members of the corporation board shall be
10 appointed as follows:

11 (1) The director of health as an ex-officio, voting
12 member;

13 (2) The [~~five~~] two regional chief executive officers as
14 ex-officio, [~~voting~~] nonvoting members;

15 (3) [~~Two~~] Four members who reside in the county of [~~Maui~~]
16 Kauai [~~who~~], two of whom shall be appointed by the
17 [~~Maui~~] Kauai regional system board[~~+~~] and two of whom
18 shall be appointed by the governor;

19 (4) [~~One member~~] Four members who [~~resides~~] reside in the
20 [~~eastern section of the county of Hawaii who~~] city and
21 county of Honolulu, two of whom shall be appointed by



1 the ~~[East Hawaii]~~ Oahu regional system board~~[+]~~ and
 2 two of whom shall be appointed by the governor; and
 3 ~~[(5) One member who resides in the western section of the~~
 4 ~~county of Hawaii who shall be appointed by the West~~
 5 ~~Hawaii regional system board;~~
 6 ~~(6) One member who resides on the island of Kauai who~~
 7 ~~shall be appointed by the Kauai regional system board;~~
 8 ~~(7) One member who resides on the island of Oahu who shall~~
 9 ~~be appointed by the Oahu regional system board; and]~~
 10 ~~[(+8)]~~ (5) ~~[One member]~~ Two members who shall be appointed by
 11 the governor and serve as ~~[an]~~ at-large voting
 12 ~~[member.]~~ members.

13 The ~~[appointed]~~ board members appointed by the regional
 14 system boards ~~[who reside in the county of Maui, eastern section~~
 15 ~~of the county of Hawaii, western section of the county of~~
 16 ~~Hawaii, on the island of Kauai, and on the island of Oahu]~~ shall
 17 each serve for a term of four years; provided that the terms of
 18 the initial appointments by the regional boards shall be as
 19 follows: one of the initial members from ~~[the county of Maui~~
 20 ~~shall be appointed to serve a term of two years and the other~~
 21 ~~member shall be appointed to serve a term of four years; the~~
 22 ~~initial member from East Hawaii shall be appointed to serve a~~



1 ~~term of two years; the initial member from West Hawaii] each~~
2 region shall be appointed to serve a term of four years[+] and
3 the other initial member shall be appointed to serve a term of
4 two years; the initial [member] members from [~~the island of~~
5 ~~Kauai]~~ each region appointed by the governor shall [be appointed
6 ~~to] serve a term of two years[+] and the other member shall be~~
7 appointed to serve a term of four years; [and the initial member
8 ~~from the island of Oahu shall be appointed to serve a term of~~
9 ~~four years;].~~ The at-large [member] members appointed by the
10 governor shall serve a term of two years. Appointments by the
11 governor shall be confirmed by the senate pursuant to section
12 26-34.

13 Any vacancy shall be filled in the same manner provided for
14 the original appointments. The corporation board shall elect
15 its own chair from among its members. Appointments to the
16 corporation board shall be as representative as possible of the
17 system's stakeholders as outlined in this subsection[-] and
18 shall include at least one physician."

19 SECTION 9. Section 323F-3.5, Hawaii Revised Statutes, is
20 amended by amending subsection (a) to read as follows:

21 "(a) There is hereby established a regional system board
22 of directors to govern each of the [~~five]~~ two regional systems



1 specified in section 323F-2, no later than January 1, 2008. The
2 regional system boards of directors shall carry out the duties
3 and responsibilities as set forth in this chapter and as further
4 delegated by the corporation."

5 SECTION 9. Section 323F-7, Hawaii Revised Statutes,
6 is amended to read as follows:

7 "~~§323F-7~~ **Duties and powers of the corporation [and**
8 ~~regional system boards]~~. (a) Notwithstanding any other law to
9 the contrary and unless otherwise specified, those duties and
10 powers related to corporation-wide matters, including but not
11 limited to [~~corporation-wide budgeting~~], approval of the system-
12 wide, regional, and facility budgets; personnel policies[~~τ~~];
13 procurement policies[~~τ~~]; fiscal policies[~~τ~~]; accounting
14 policies[~~τ~~]; policies and decisions related to affiliations[~~τ~~]
15 and joint ventures [and contracts]; legal affairs; legislative
16 affairs; regulatory compliance[~~τ~~]; risk management[~~τ~~];
17 continuing medical education programs[~~τ~~]; strategic planning[~~τ~~]
18 and capital planning, [including] the issuance of revenue bonds
19 in any amount[~~τ~~]; and collective bargaining negotiations, shall
20 be carried out by the corporation board in collaboration with
21 the regional system boards. [~~Duties and powers related to the~~
22 ~~operation of facilities within each regional system, including~~



1 ~~but not limited to regional system and facility budgeting,~~
2 ~~employment and removal of regional system and facility~~
3 ~~personnel, purchasing, regional system strategic and capital~~
4 ~~planning, organization, quality assurance, improvement and~~
5 ~~reporting, credentialing of medical staff, and the issuance of~~
6 ~~revenue bonds in any amount with corporation board approval,~~
7 ~~shall be carried out by the regional system boards, either~~
8 ~~directly or by delegation to regional and facility~~
9 ~~administration.] Unless otherwise prohibited, the duties and~~
10 powers granted to the corporation board may be delegated to the
11 regional system boards.

12 (b) Duties and powers exercised by the regional system
13 boards under this chapter or delegated to the regional system
14 boards by the corporation board shall be consistent with
15 corporation-wide policies. Wherever appropriate, corporation-
16 wide policies shall take into account differences among regional
17 systems and among types of facilities, particularly acute care,
18 critical access, and long-term care facilities within the
19 system.

20 New corporation-wide policies, and major changes to
21 existing policies other than those changes mandated by legal or
22 regulatory requirements, shall be developed by the corporation



1 board after consultation with a policies committee. The
2 policies committee shall be made up of representatives of the
3 corporation board and each regional system board or designees of
4 each board. The corporation board shall have two
5 representatives on this committee. The corporation board shall
6 review and consider approval of the policies within thirty days
7 of transmittal by the policies committee or at the next board
8 meeting; provided that, if the policies committee fails to take
9 action within thirty days of receiving the proposed policy, the
10 corporation board may consider and adopt or reject or revise the
11 policy. The regional system boards and corporation board, as
12 needed, may submit a request to the committee to alter
13 corporation-wide policies along with detailed justification for
14 the request. The regional system boards and the corporation
15 board shall collaboratively establish a procedure to further
16 implement this section.

17 (c) Notwithstanding any other law to the contrary, the
18 corporation [~~and any of the regional system boards~~] shall
19 exercise the following duties and powers:

20 (1) Developing corporation-wide policies, procedures, and
21 rules necessary or appropriate to plan, operate,
22 manage, and control the system of public health



1 facilities and services without regard to chapter 91;
2 ~~[provided that each regional system board shall be~~
3 ~~responsible for its own policies, procedures, and~~
4 ~~rules necessary or appropriate to plan, operate,~~
5 ~~manage, and control the public health facilities~~
6 ~~within its own regional system consistent with~~
7 ~~corporation policies;~~

8 ~~(2) Evaluating the need for additional health facilities~~
9 ~~and services; provided that each regional system~~
10 ~~board shall be responsible for the evaluation within~~
11 ~~its own regional system;~~

12 ~~(3)]~~ (2) Entering into and performing any contracts,
13 leases, cooperative agreements, partnerships, or
14 other transactions whatsoever that may be necessary
15 or appropriate in the performance of its purposes
16 and responsibilities, and on terms the corporation,
17 ~~[or regional system boards,]~~ may deem appropriate,
18 with either:

19 (A) Any agency or instrumentality of the United
20 States, or with any state, territory, or
21 possession, or with any subdivision thereof; or



1 (B) Any person, firm, association, partnership, or
 2 corporation, whether operated on a for-profit or
 3 not-for-profit basis;

4 provided that the transaction furthers the public
 5 interest; [~~and provided further that if any dispute~~
 6 ~~arises between any contract, lease, cooperative~~
 7 ~~agreement, partnership, or other transaction entered~~
 8 ~~into by the corporation and a regional system board~~
 9 ~~with regard to matters solely within that regional~~
 10 ~~system, after July 1, 2007, the contract, lease,~~
 11 ~~cooperative agreement, partnership, or other~~
 12 ~~transaction entered into by the regional system~~
 13 ~~board shall prevail;]~~ and provided further that such
 14 agreements are consistent with corporation policies;

15 or

16 (C) A collective bargaining representative;

17 [~~(4)~~] (3) Conducting activities and entering into
 18 business relationships as the corporation board [~~or~~
 19 ~~any regional system board,~~] deems necessary or
 20 appropriate, including but not limited to:

21 (A) Creating nonprofit corporations, including but
 22 not limited to charitable fund-raising



1 foundations, to be controlled wholly by the
2 corporation [~~any regional system board,~~] or
3 jointly with others;

4 (B) Establishing, subscribing to, and owning stock
5 in business corporations individually or jointly
6 with others; and

7 (C) Entering into partnerships and other
8 joint venture arrangements, or participating in
9 alliances, purchasing consortia, health
10 insurance pools, or other cooperative
11 arrangements, with any public or private entity;
12 provided that any corporation, venture, or
13 relationship entered into under this section
14 furthers the public interest; provided further
15 that this paragraph shall not be construed to
16 authorize the corporation [~~or a regional~~
17 ~~system]~~ board to abrogate any responsibility or
18 obligation under paragraph (15); [~~provided that~~
19 ~~each regional system board shall be responsible~~
20 ~~for conducting the activities under this~~
21 ~~paragraph in its own regional system consistent~~



1 ~~with policies established by the corporation~~
2 ~~board;~~]

3 ~~[+5)]~~ (4) Participating in and developing prepaid
4 health care service and insurance programs and
5 other alternative health care delivery programs,
6 including programs involving the acceptance of
7 capitated payments or premiums that include the
8 assumption of financial and actuarial risk;
9 ~~[provided that each regional system board shall~~
10 ~~be responsible for conducting the activities~~
11 ~~under this paragraph in its own regional system~~
12 ~~consistent with policies established by the~~
13 ~~corporation board;~~]

14 ~~[+6)]~~ (5) Executing, in accordance with all
15 applicable bylaws, rules, and laws, all
16 instruments necessary or appropriate in the
17 exercise of any powers of the corporation ~~[or~~
18 ~~regional system boards];~~

19 ~~[+7)]~~ (6) Preparing and executing all corporation-
20 wide budgets, policies, and procedures or
21 approving, rejecting, or amending any regional
22 system budgets, policies, and procedures;



1 provided that the regional system boards shall
2 submit their regional and facility budgets to
3 the corporation to be reviewed, approved, or
4 rejected and consolidated into a corporation-
5 wide budget for purposes of corporation-wide
6 planning and appropriation requests. Regional
7 system and facility budgets shall be received
8 by the corporation and shall be reviewed,
9 approved, or rejected and included in the
10 corporation-wide budget upon submittal to the
11 corporation;

12 [~~(8)~~] (7) Setting rates and charges for all services
13 provided by the corporation without regard to
14 chapter 91[~~; provided that the duty and power of~~
15 ~~the corporation board shall be limited to~~
16 ~~approving the rates and charges developed by the~~
17 ~~regional system boards for the regional system's~~
18 ~~facilities and services. Rates and charges may~~
19 ~~vary among regional systems and facilities and~~
20 ~~may be consolidated with the rates of other~~
21 ~~regional systems into one charge master]. Third-~~
22 party payer contracts [~~may~~] shall be negotiated



1 at the corporation-wide level with input from
2 the regional systems [~~, taking into consideration~~
3 ~~the rates set by the regional system boards. For~~
4 ~~purposes of securing revenue bonds, the~~
5 ~~corporation or regional system board may~~
6 ~~covenant to set, and if necessary increase,~~
7 ~~rates and charges as needed to pay debt service~~
8 ~~and related obligations plus a coverage~~
9 ~~factor];~~

10 [~~(9) Developing a corporation-wide hospital system~~
11 ~~that is subject to chapters 76 and 89; provided~~
12 ~~that employment of regional system and facility~~
13 ~~personnel shall be the responsibility of the~~
14 ~~regional system boards pursuant to corporation-~~
15 ~~wide policies and procedures, applicable laws,~~
16 ~~rules, regulations, and collective bargaining~~
17 ~~agreements;]~~

18 (8) Employing personnel as
19 needed to conduct the business of the
20 corporation and its facilities and programs,
21 and to classify, prescribe the duties and
22 qualifications, and fix the compensation and
benefits of all officers, employees, and agents



1 of the corporation as needed in accordance with
2 chapters 76 and 89;

3 ~~[(10)]~~ (9) Developing the ~~[corporation's corporation-~~
4 ~~wide]~~ capital and strategic plans ~~[or any~~
5 ~~regional system board's capital and strategic~~
6 ~~plans; provided that each regional system board~~
7 ~~shall be responsible for development of capital~~
8 ~~and strategic plans in its own regional system~~
9 ~~that shall be consistent with, and incorporated~~
10 ~~into, the overall corporation-wide plans]; [and]~~
11 provided ~~[further]~~ that the corporation ~~[and~~
12 ~~each regional system]~~ board shall be entitled to
13 undertake the acquisition, construction, and
14 improvement of property, facilities, and
15 equipment to carry out these capital and
16 strategic plans;

17 ~~[(11)]~~ (10) Suing and being sued; provided that only
18 the corporation may sue or be sued; and provided
19 further that the corporation ~~[and regional~~
20 ~~system boards]~~ shall enjoy the same sovereign
21 immunity available to the State;



1 ~~[(12)]~~ (11) Making and altering corporation board [~~and~~
2 ~~regional system board~~] bylaws for its
3 organization and management without regard to
4 chapter 91 and consistent with this chapter;
5 provided that each regional system board shall
6 be responsible for the final approval of its
7 regional system board bylaws;

8 ~~[(13)]~~ (12) Adopting rules without regard to chapter
9 91 governing the exercise or the corporation's
10 ~~[or regional system boards']~~ powers and the
11 fulfillment of its purpose under this chapter;

12 ~~[(14)]~~ (13) Entering into any contract or agreement
13 whatsoever, not inconsistent with this chapter
14 or the laws of this State, and authorizing the
15 corporation, [~~regional system boards,~~] and chief
16 executive [~~officers~~] officer to enter into all
17 contracts, execute all instruments, and do all
18 things necessary or appropriate in the exercise
19 of the powers granted in this chapter, including
20 securing the payment of bonds; [~~provided that~~
21 ~~the corporation board shall delegate to a~~
22 ~~regional system board its authority to enter~~



1 ~~into and execute contracts or agreements~~
2 ~~relating to matters exclusively affecting that~~
3 ~~regional system; provided further that a~~
4 ~~regional system board shall exercise this power~~
5 ~~consistent with corporation wide policies; and~~
6 ~~provided further that contracts or agreements~~
7 ~~executed by a regional system board shall~~
8 ~~encumber only the regional subaccounts of that~~
9 ~~regional system board;]~~

10 ~~[-15-]~~ 14) Issuing revenue bonds up to \$100,000,000

11 subject to the approval of the governor or the
12 director of finance; provided that:

13 (A) All revenue bonds shall be issued pursuant
14 to part III, chapter 39;

15 (B) The corporation [~~and any regional system]~~
16 board shall have the power to issue revenue
17 bonds in any amount without regard to any
18 limitation in chapter 39; and

19 (C) The corporation shall have the power to
20 incur debt, including the issuance of
21 revenue bonds in any amount [~~and the~~

22 ~~regional system boards shall have the power~~



1 ~~to issue revenue bonds in any amount upon~~
2 ~~approval by the corporation board];~~

3 ~~[(16)]~~ (15) Reimbursing the state general fund for
4 debt service on general obligation bonds or
5 reimbursable general obligation bonds issued by
6 the State for the purposes of the corporation
7 ~~[or any regional system board];~~

8 ~~[(17)]~~ (16) Pledging or assigning all or any part of
9 the receipts, revenues, and other financial
10 assets of the corporation ~~[or the regional~~
11 ~~system boards]~~ for purposes of meeting or
12 securing bond or health systems liabilities ~~[~~
13 ~~provided that each regional system board shall~~
14 ~~be responsible for conducting the activities~~
15 ~~under this paragraph in its own regional~~
16 ~~system].~~ Any pledge or assignment by the
17 corporation ~~[or any regional system board]~~ to
18 secure revenue bonds or health system
19 liabilities shall be valid and binding in
20 accordance with its terms against the pledgor,
21 creditors, and all others asserting rights
22 thereto from the time the pledge or assignment



1 is made, without the need of physical delivery,
2 recordation, filing, or further act[.—The
3 ~~corporation shall not take or omit to take any~~
4 ~~act that would interfere with, impair, or~~
5 ~~adversely affect any pledge or assignment by a~~
6 ~~regional system board pursuant to this chapter.~~
7 ~~In connection with issuing revenue bonds or~~
8 ~~related obligations, consistent with corporation~~
9 ~~policies and procedures, any regional system~~
10 ~~board may make such other covenants, binding on~~
11 ~~the regional system board and the corporation,~~
12 ~~that the regional system board determines to be~~
13 ~~necessary or appropriate to establish and~~
14 ~~maintain security for the revenue bonds or~~
15 ~~related obligations];~~

16 ~~[(18)]~~ (17) Owning, purchasing, leasing, exchanging, or
17 otherwise acquiring property, whether real,
18 personal, or mixed, tangible or intangible, and
19 of any interest therein, in the name of the
20 corporation, which property is not owned or
21 controlled by the State but is owned or
22 controlled by the corporation; provided that:



1 (A) Regional system boards shall have custodial
2 control over facilities and physical assets
3 in their respective regional systems[~~—A~~
4 ~~regional system board may own, purchase,~~
5 ~~lease, exchange, or otherwise acquire~~
6 ~~property, whether real, personal, or mixed,~~
7 ~~tangible or intangible, and of any interest~~
8 ~~therein, other than property owned or~~
9 ~~controlled by the corporation, in the name~~
10 ~~of the regional system board]; provided
11 further that a regional system board shall
12 be subject to section 323F-3.5; and~~

13 (B) Each regional system board shall be
14 responsible for conducting the activities
15 under [~~this paragraph~~] subparagraph (A)
16 in its own regional system;

17 [~~(19)~~] (18) Maintaining, improving, pledging,
18 mortgaging, selling, or otherwise holding or
19 disposing of property, whether real, personal, or
20 mixed, tangible or intangible, and of any
21 interest therein, at any time and manner, in
22 furtherance of the purposes and mission of the



1 corporation or any regional system board;
2 provided that the corporation or any regional
3 system board legally holds or controls the
4 property in its own name; provided further that
5 other than to secure revenue bonds and related
6 obligations and agents, and to transition into a
7 new entity, the corporation or any regional
8 system board shall not sell, assign, lease,
9 hypothecate, mortgage, pledge, give, or dispose
10 of all or substantially all of its property; and
11 provided further that each regional system board
12 shall be responsible for conducting the
13 activities under this paragraph in its own
14 regional system, and control over such property
15 shall be delegated to each regional system board;
16 provided further that this paragraph shall not be
17 construed to authorize the sale, pledge, or
18 mortgage of real property under the control of
19 the corporation or a regional system board;

20 [~~+20~~] (19) Purchasing insurance and creating captive
21 insurers in any arrangement deemed in the best
22 interest of the corporation, including but not



1 limited to funding and payment of deductibles
2 and purchase of reinsurance; provided that only
3 the corporation shall have the power to create
4 captive insurers to benefit public health
5 facilities and operations in all regional
6 systems; [~~and provided further that a regional~~
7 ~~system board may purchase insurance for its~~
8 ~~regional system in collaboration with the other~~
9 ~~regional systems and the corporation until~~
10 ~~captive coverage is provided by the~~
11 ~~corporation;~~]

12 [~~(21)~~] (20) Acquiring by condemnation, pursuant to
13 chapter 101, any real property required by the
14 corporation to carry out the powers granted by
15 this chapter;

16 [~~(22)~~] (21) Depositing any moneys of the corporation
17 or any regional system board in any banking
18 institution within or without the State, and
19 appointing, for the purpose of making deposits,
20 one or more persons to act as custodians of the
21 moneys of the corporation or any regional system
22 board; [~~provided that regional system boards may~~



1 ~~deposit moneys in banking institutions pursuant~~
2 ~~to corporation-wide guidelines established by~~
3 ~~the corporation board;]~~

4 [+23+] (22) Contracting for and accepting any gifts,
5 grants, and loans of funds, property, or any
6 other aid in any form from the federal
7 government, the State, any state agency, or any
8 other source, or any combination thereof, and
9 complying, subject to this chapter, with the
10 terms and conditions thereof; [~~provided that~~
11 ~~the regional system boards shall be responsible~~
12 ~~for contracting for and accepting any gifts,~~
13 ~~grants, loans, property, or other aid if~~
14 ~~intended to benefit the public health facilities~~
15 ~~and operations exclusively in their respective~~
16 ~~regional systems; and provided further that all~~
17 ~~contracting for or acceptance of gifts, grants,~~
18 ~~loans, property, or other aid shall be~~
19 ~~consistent with corporation-wide policies~~
20 ~~established by the corporation board;]~~

21 [+24+] (23) Providing health and medical services for
22 the public directly or by agreement or lease



1 with any person, firm, or private or public
2 corporation, partnership, or association through
3 or in the health facilities of the corporation
4 or regional system boards or otherwise; ~~provided~~
5 ~~that the regional system boards shall be~~
6 ~~responsible for conducting the activities under~~
7 ~~this paragraph in their respective regional~~
8 ~~systems;]~~

9 ~~[(+25)]~~ (24) Approving medical staff bylaws, rules, and
10 medical staff appointments and reappointments
11 for all public health facilities of the
12 corporation or any regional system board,
13 including but not limited to determining the
14 conditions under which a health professional may
15 be extended the privilege of practicing within
16 a health facility, as determined by the
17 respective regional system board and consistent
18 with corporation-wide policies, and adopting
19 and implementing reasonable rules, without
20 regard to chapter 91, for the credentialing and
21 peer review of all persons and health
22 professionals within the facility; ~~provided~~



1 ~~that regional system boards shall be the~~
2 ~~governing body responsible for all medical staff~~
3 ~~organization, peer review, and credentialing~~
4 ~~activities to the extent allowed by law;]~~

5 [(26)] (25) (A) Investing any funds not required for
6 immediate disbursement in property or in
7 securities that meet the standard for
8 investments established in chapter 88 as
9 provided by the corporation board [~~or any~~
10 ~~regional system board~~]; provided that proceeds
11 of bonds and moneys pledged to secure bonds may
12 be invested in obligations permitted by any
13 document that authorizes the issuance or
14 securing of bonds; and provided further that the
15 investment assists the corporation or any
16 regional system board in carrying out its
17 public purposes; selling from time to time
18 securities thus purchased and held, and
19 depositing any securities in any bank or
20 financial institution within or without the
21 State. Any funds deposited in a banking
22 institution or in any depository authorized in



1 this section shall be secured in a manner and
2 subject to terms and conditions as the
3 corporation board [~~or a regional system board~~]
4 may determine, with or without payment of any
5 interest on the deposit, including without
6 limitation time deposits evidenced by
7 certificates of deposit. Any bank or financial
8 institution incorporated under the laws of this
9 State may act as depository of any funds of the
10 corporation or a regional system board and may
11 issue indemnity bonds or may pledge securities
12 as may be required by the corporation [~~or~~
13 ~~regional system board; provided that regional~~
14 ~~system boards may exercise the powers under this~~
15 ~~subsection with respect to financial assets of~~
16 ~~the regional system consistent with corporation-~~
17 ~~wide policies]; and ,~~

18 (B) Notwithstanding subparagraph (A),
19 contracting with the holders of any of its
20 notes or bonds as to the custody,
21 collection, securing, investment, and
22 payment of any moneys of the corporation or



1 regional system board and of any moneys
2 held in trust or otherwise for the payment
3 of notes or bonds and carrying out the
4 contract. Moneys held in trust or
5 otherwise for the payment of notes or bonds
6 or in any way to secure notes or bonds, and
7 deposits of such moneys, may be secured in
8 the same manner as moneys of the
9 corporation or regional system board, and
10 all banks and trust companies are
11 authorized to give security for the
12 deposits;

13 ~~[(+27)]~~ (26) Entering into any agreement with the
14 State, including but not limited to contracts
15 for the provision of goods, services, and
16 facilities in support of the corporation's
17 programs or the regional system boards'
18 programs, and contracting for the provision of
19 services to or on behalf of the State; ~~[provided~~
20 ~~that the regional system boards shall be~~
21 ~~responsible for entering into agreements to~~
22 ~~provide goods, services, and facilities in~~



1 ~~support of programs in their respective regional~~
2 ~~systems consistent with corporation-wide~~
3 ~~policies;]~~

4 [(28)] (27) Having a seal and altering the same at
5 pleasure;

6 [(29)] (28) Waiving, by means that the corporation
7 [~~or regional system board~~] deems appropriate,
8 the exemption from federal income taxation of
9 interest on the corporation's or regional
10 system boards' bonds, notes, or other
11 obligations provided by the Internal Revenue
12 Code of 1986, as amended, or any other federal
13 statute providing a similar exemption;

14 [(30)] (29) Developing internal policies and
15 procedures for the procurement of goods and
16 services, consistent with the goals of public
17 accountability and public procurement
18 practices, and subject to management and
19 financial legislative audits; provided that [~~the~~
20 ~~regional system boards shall be responsible for~~
21 ~~developing internal policies and procedures for~~
22 ~~each of their regional systems consistent with~~



1 ~~the corporation's policies and procedures; and~~
2 ~~further provided that]:~~

3 [A] The [~~regional system boards and the~~]
4 corporation board shall enjoy the exemption
5 under section 103-53(e);

6 ~~[(B) The regional system boards shall enjoy the~~
7 ~~exemption under chapter 103D; and~~

8 ~~(C) The corporation shall be subject to chapter~~
9 ~~103D;]~~

10 ~~[(31)]~~ (30) Authorizing and establishing positions;

11 ~~[provided that regional system boards shall be~~
12 ~~responsible for hiring and firing regional and~~
13 ~~facility personnel consistent with corporation~~
14 ~~policies, except a regional chief executive~~
15 ~~officer shall only be hired or dismissed upon~~
16 ~~the approval of the regional system board as~~
17 ~~further set forth in section 323F-8.5;]~~

18 ~~[(32)]~~ (31) Having and exercising all rights and powers
19 necessary or incidental to or implied from the
20 specific powers granted in this chapter, which
21 specific powers shall not be considered as a
22 limitation upon any power necessary or



1 appropriate to carry out the purposes and intent
2 of this chapter; [~~provided that the regional~~
3 ~~system boards shall be responsible for having~~
4 ~~and exercising all powers and rights with~~
5 ~~respect to matters in their regional systems~~
6 ~~consistent with the law;~~] and

7 ~~[(33) Each regional system, through its regional~~
8 ~~system board, shall:~~

9 ~~(A) Develop policies and procedures~~
10 ~~necessary or appropriate to plan, operate,~~
11 ~~manage, and control the day-to-day~~
12 ~~operations of facilities within the~~
13 ~~regional system that are consistent with~~
14 ~~corporation-wide policies;~~

15 ~~(B) Exercise custodial control over and~~
16 ~~use of all assets of the corporation that~~
17 ~~are located in the regional system pursuant~~
18 ~~to this chapter; and~~

19 ~~(C) Expend funds within its approved regional~~
20 ~~system budget and expend additional funds~~
21 ~~in excess of its approved regional system~~



1 ~~budget upon approval of the corporation~~
2 ~~board.]~~

3 (d) ~~[Each regional system board shall not be subject to~~
4 ~~chapters 36 to 38, 40, 41D, and 103D as well as part I of~~
5 ~~chapter 92 and shall enjoy the exemptions contained in~~
6 ~~sections 102-2 and 103-53(e), except as otherwise provided in~~
7 ~~this chapter.]~~ The corporation shall not be subject to
8 chapters 36 to 38, 40, and 41D, as well as part I of chapter
9 92, and shall enjoy the exemptions contained in sections 102-2
10 and 103-53(e) [~~; provided that the exemption provided under~~
11 ~~this subsection to chapter 37D shall only apply to financing~~
12 ~~agreements of \$5,000,000 or less; provided further that the~~
13 ~~aggregate value of financing agreements per fiscal year shall~~
14 ~~not exceed \$25,000,000].~~

15 (e) The duties and powers granted to the corporation or
16 any regional system board may not be used to enter into
17 contractual or business relationships that have the practical
18 effect of allowing or are intended to allow private-sector
19 counterparts to replace existing employee positions or
20 responsibilities within the corporation or in any regional
21 system or its facilities; provided the corporation or regional
22 system boards shall be allowed to enter into such



1 relationships to the extent and for the purposes that the
2 division of community hospitals could have done under
3 collective bargaining contracts that were in effect for the
4 1995-1996 fiscal year."

5 SECTION 10. Section 323F-7.5, Hawaii Revised Statutes, is
6 amended to read as follows:

7 **"§323F-7.5 Regional system boards; delegated authority.**
8 ~~[If the Hawaii health systems corporation board is unable to~~
9 ~~act on important transactions in as timely a manner as the~~
10 ~~chairperson of the corporation board deems reasonable, the~~
11 ~~chairperson of the corporation board may further delegate~~
12 ~~authority to the regional system boards to take action on~~
13 ~~specific matters.]~~ (a) Duties and powers related to the day-to-
14 day operation of facilities within each regional system,
15 including but not limited to development of regional system and
16 facility budgets, employment and removal of regional system and
17 facility personnel, purchasing, regional system strategic and
18 capital planning consistent with the system-wide strategic and
19 capital plan, quality assurance, improvement and reporting, and
20 governance and credentialing of medical staff, shall be carried
21 out by the regional system boards, either directly or by
22 delegation to regional and facility administration.



1 Notwithstanding any other law to the contrary, the regional
2 system boards shall exercise the following duties and powers
3 consistent with corporation policies and procedures:

4 (1) Developing policies, procedures, and rules necessary
5 or appropriate to plan, operate, and manage, the
6 regional system of public health facilities and
7 services without regard to chapter 91;

8 (2) Evaluating the need for additional health facilities
9 and services; provided that each regional system
10 board shall be responsible for the evaluation within
11 its own regional system;

12 (3) Entering into and performing any contracts, leases,
13 or other transactions whatsoever that may be
14 necessary or appropriate in the performance of its
15 purposes and responsibilities, and on terms the
16 regional system boards may deem appropriate, with
17 either:

18 (A) Any agency or instrumentality of the United
19 States, or with any state, territory, or
20 possession, or with any subdivision thereof; or

21 (B) Any person, firm, association, partnership, or
22 corporation, whether operated on a for-profit or



- 1 not-for-profit basis; provided that the
2 transaction furthers the public interest;
- 3 (4) Participating in and developing prepaid health care
4 service and insurance programs and other alternative
5 health care delivery programs, including programs
6 involving the acceptance of capitated payments or
7 premiums that include the assumption of financial
8 and actuarial risk;
- 9 (5) Executing, in accordance with all applicable bylaws,
10 rules, and laws, all instruments necessary or
11 appropriate in the exercise of any powers of the
12 regional system boards;
- 13 (6) Preparing and executing facility and regional
14 budgets, policies, and procedures; provided that the
15 regional system boards shall submit their regional
16 and facility budgets to the corporation to be
17 reviewed, rejected, or approved and consolidated
18 into a corporation-wide budget for purposes of
19 corporation-wide planning and appropriation
20 requests;
- 21 (7) Hiring, firing, and management of regional system and
22 facility personnel pursuant to applicable



1 laws, rules, regulations, and collective bargaining
2 agreements; provided that the regional chief
3 executive officer shall be hired and fired upon
4 approval of the corporation and the regional system
5 board;

6 (8) Developing of capital and strategic plans in its own
7 regional system that shall be consistent with, and
8 incorporated into, the overall corporation-wide
9 plans; provided that each regional system board
10 shall be entitled to undertake the construction and
11 improvement of property, facilities, and equipment
12 to carry out these capital and strategic plans;

13 (9) Enjoying full immunity from suit; provided that
14 regional system boards shall enjoy the same
15 sovereign immunity available to the State;

16 (10) Making and altering regional system board bylaws for
17 its organization and management without regard to
18 chapter 91 and consistent with this chapter;

19 (11) Adopting rules without regard to chapter 91 governing
20 the exercise of the regional system board's powers
21 and the fulfillment of its purpose under this
22 chapter;



- 1 (12) Authorizing regional system boards to enter into all
2 contracts, execute all instruments, and do all things
3 necessary or appropriate in the exercise of the
4 powers granted in this chapter with respect to matters
5 exclusively affecting that regional system and within
6 their approved budgets and appropriations, including
7 securing the payment of bonds; provided that
8 contracts or agreements executed by a regional
9 system board shall encumber only the regional
10 subaccounts of that regional system board;
- 11 (13) Reimbursing the state general fund for debt service
12 on general obligation bonds or reimbursable general
13 obligation bonds issued by the State for the purposes
14 of the corporation or any regional system board;
- 15 (14) Controlling the day-to-day decisions relating to the
16 facilities and physical assets in their respective
17 regional systems; provided that all leases and
18 mortgages of corporation real property to third
19 parties shall require corporation approval;
- 20 (15) Maintaining, improving, or otherwise holding or
21 disposing of property, whether real, personal, or
22 mixed, tangible or intangible, and of any interest



1 therein, at any time and manner, in furtherance of
2 the purposes and mission of the corporation or any
3 regional system board;

4 (16) Depositing any moneys of the corporation or any
5 regional system board in any banking institution
6 within or without the State, and appointing, for the
7 purpose of making deposits, one or more persons to
8 act as custodians of the moneys of the corporation
9 or any regional system board;

10 (17) Contracting for and accepting any gifts, grants,
11 property, or any other aid from the federal
12 government, the State, any state agency, or any other
13 source, or any combination thereof, and complying,
14 subject to this chapter, with the terms and
15 conditions thereof;

16 (18) Providing health and medical services for the public
17 directly or by agreement or lease with any person,
18 firm, or private or public corporation, partnership,
19 or association through or in the regional system's
20 health facilities;

21 (19) Approving medical staff bylaws with the concurrence
22 of the corporation board and approving rules, medical



1 staff appointments and reappointments, as governing
2 body, for all public health facilities of the
3 regional system board, including but not limited to
4 determining the conditions under which a health
5 professional may be extended the privilege of
6 practicing within a health facility, and adopting
7 and implementing reasonable rules, without regard to
8 chapter 91, for the credentialing and peer review of
9 all persons and health professionals within the
10 facility;

11 (20) (A) Investing any funds not required for immediate
12 disbursement in property or in securities that
13 meet the standard for investments established in
14 chapter 88 as provided by the corporation board
15 or any regional system board; provided that
16 proceeds of bonds and moneys pledged to secure
17 bonds may be invested in obligations permitted
18 by any document that authorizes the issuance or
19 securing of bonds; and provided further that the
20 investment assists the corporation or any
21 regional system board in carrying out its
22 public purposes; selling from time to time



1 securities thus purchased and held; and
2 depositing any securities in any bank or
3 financial institution within or without the
4 State. Any funds deposited in a banking
5 institution or in any depository authorized in
6 this section shall be secured in a manner and
7 subject to terms and conditions as the
8 corporation board or a regional system board
9 may determine, with or without payment of any
10 interest on the deposit, including without
11 limitation, time deposits evidenced by
12 certificates of deposit. Any bank or financial
13 institution incorporated under the laws of this
14 State may act as depository of any funds of a
15 regional system board and may issue indemnity
16 bonds or may pledge securities as may be
17 required by the corporation or regional system
18 board; and

19 (B) Notwithstanding subparagraph (A), contracting
20 with the holders of any of its notes or bonds as
21 to the custody, collection, securing,
22 investment, and payment of any moneys of the



1 regional system board and of any moneys held in
2 trust or otherwise for the payment of notes or
3 bonds and carrying out the contract. Moneys
4 held in trust or otherwise for the payment of
5 notes or bonds or in any way to secure notes or
6 bonds, and deposits of such moneys, may be
7 secured in the same manner as moneys of the
8 corporation or regional system board, and all
9 banks and trust companies are authorized to give
10 security for the deposits;

11 (21) Entering into any agreement with the State, including
12 but not limited to contracts for the provision of
13 goods, services, and facilities in support of the
14 corporation's programs or the regional system
15 boards' programs, and contracting for the provision
16 of services to or on behalf of the State;

17 (22) Developing internal policies and procedures for the
18 procurement of goods and services, consistent with
19 the goals of public accountability and public
20 procurement practices, and subject to management and
21 financial legislative audits; provided that the



1 regional system boards shall enjoy the exemption
2 under chapter 103D;

3 (b) Each regional system, through its regional system
4 board, shall:

5 (A) Develop policies and procedures necessary or
6 appropriate to plan, operate, and manage the
7 day-to-day operations of facilities within the
8 regional system that are consistent with
9 corporation-wide policies;

10 (B) Exercise custodial control over and use of all
11 assets of the corporation that are located in
12 the regional system pursuant to this chapter;
13 and

14 (C) Expend operating and capital funds within its
15 approved regional system budget and expend
16 additional funds in excess of its approved
17 regional system budget upon approval of the
18 corporation board.

19 (c) Each regional system board shall not be subject to
20 chapters 36 to 38, 40, 41D, and 103D as well as part I of
21 chapter 92 and shall enjoy the exemptions contained in



1 sections 102-2 and 103-53(e), except as otherwise provided in
2 this chapter."

3 SECTION 11. Section 323F-8.5, Hawaii Revised Statutes, is
4 amended by amending subsection (a) to read as follows:

5 "(a) Upon establishment, a regional system board may
6 appoint a regional chief executive officer, whose salary shall
7 be set by the corresponding regional system board, and may
8 discharge a regional chief executive officer; provided that
9 the position shall be exempt from chapter 76 and section 26-
10 35(a)(4) [-]; and provided further that the corporation concurs
11 with the hiring, firing, and compensation package. Each regional
12 chief executive officer may also appoint, as necessary, other
13 personnel, exempt from chapters 76 and 89, to work directly
14 for the regional chief executive officer for the regional
15 system and for the corresponding regional system board."

16 SECTION 12. Section 323F-21, Hawaii Revised Statutes, is
17 amended by amending subsections (b), (c), (d), and (e) to read
18 as follows:

19 "(b) The corporation board [~~and regional system boards~~]
20 shall [~~collaboratively~~] develop and adopt, upon consultation
21 with the regional system boards via the system policy committee
22 established in section 323- , budgetary guidelines and annual



1 operating and capital budgets for each facility~~[7]~~ and the
2 corporate office, taking into account anticipated surpluses
3 from or subsidies to the facilities pursuant to the annual
4 guidelines described in this section, accumulated corporation
5 and regional reserves and accounts, subsidies, if any, that
6 are determined to be needed from the general fund, and other
7 sources of corporation-wide and regional income as may be
8 identified. Two-year budgets will be approved for regional
9 system boards, in alignment with State of Hawaii biennium
10 budgeting. The corporate board shall ~~[not alter the two-year~~
11 ~~budget of a regional system except:]~~ approve, modify, or
12 reject the facility and regional budgets submitted by
13 the regional system boards.

14 ~~[(1) Where state general funding is reduced;~~
15 ~~(2) An emergency exists; or~~
16 ~~(3) There is a renegotiated budget approved by a regional~~
17 ~~system board.~~

18 ~~The corporation and regional system boards shall~~
19 ~~collaboratively develop budgetary guidelines and negotiate~~
20 ~~with each facility]~~ The corporation shall determine reasonable
21 corporation administrative costs, including funds determined



1 by the corporation or any regional system board to be needed
2 from or provided to each facility to:

- 3 (1) Repay corporation or regional system board debts;
- 4 (2) Provide subsidies to any facility determined to be
5 unable to fund from within that facility's programs
6 and services deemed essential to community needs; and
- 7 (3) Maintain appropriate reserves.

8 (c) The corporation [~~and regional system boards~~] shall
9 [~~collaboratively~~] develop annual corporation operating and
10 capital budgets, taking into account anticipated surpluses
11 from or subsidies to the facilities pursuant to the annual
12 guidelines described in this section, accumulated corporation
13 and regional system board reserves and accounts, subsidies,
14 if any, that are determined to be needed from the general
15 fund, and other sources of corporation-wide and regional
16 system board income as may be identified.

17 (d) Beginning with the first of the legislative biennium
18 budget years following the establishment of a regional system
19 board, and for each biennium period thereafter, the corporation
20 shall call together all the regional systems through
21 representatives selected by each regional system board[, ~~and the~~
22 ~~chairs of the facility management advisory committees, if~~



1 any,] to determine which additional services the regions desire
2 from the corporation in addition to the corporate functions
3 needed in order to implement this chapter [~~and functions should~~
4 ~~be provided by the corporation for the next biennium budget~~
5 ~~period, consistent with this chapter~~]. As part of the
6 biennium budgeting process, the corporation board and the
7 representatives of each regional system, working through the
8 corporation board regional representatives, shall agree upon
9 an allocation methodology for funding the agreed upon and
10 statutorily created corporate services and functions. When
11 allocation decisions cannot be reached by majority agreement,
12 with each region receiving one vote, the corporate board shall
13 decide the allocation for that service or function.

14 (e) The corporation may share in any facility's surplus
15 and may offset any facility's deficits as provided herein.
16 Any regional system board shall share in the surplus of any
17 facility within the regional system and shall offset any
18 facility deficits within its regional system. Operating
19 surpluses of the regional system board shall be reinvested in
20 the operations of that regional system in any prudent manner;
21 provided that upon request, and subject to authorization by
22 the regional system board, the regional system board may



1 share its surplus or resources with a facility outside of
2 the regional system to benefit the corporation-wide system of
3 health care obligations undertaken by a facility shall be
4 paid only from funds of that facility, unless the corporation
5 board, the regional system board managing the facility, or an
6 authorized agent explicitly agrees to guarantee the
7 obligation. Loans and other transfers may be made between
8 regional systems upon approval of the affected regional
9 system boards to assist in the cash flow and operations of
10 the public health facilities."

11 SECTION 13. Section 323F-22, Hawaii Revised Statutes, is
12 amended by amending subsections (a) and (b) to read as follows:

13 "(a) The corporation shall engage a certified public
14 accountant to conduct an annual audit of its financial
15 affairs, books, and records in accordance with generally
16 accepted accounting principles. [~~The corporation, in
17 consultation with a regional system board, may permit or
18 require a regional system board to retain an audit firm to
19 conduct an independent audit of the regional system. Each
20 regional system board shall submit the results of the annual
21 audit to the corporation board within one hundred twenty days
22 after the close of the regional system board's fiscal year.]~~



1 The corporation shall submit to the governor and the
2 legislature, within one hundred [~~fifty~~] eighty days after
3 the close of the corporation's fiscal year, a report that
4 shall include the audited financial report for that fiscal
5 year for the corporation and each regional system board.

6 (b) In addition to the submittal of the audit required
7 under subsection (a), the corporation, in cooperation with the
8 regional system boards, shall submit a report to the
9 legislature at least twenty days prior to the convening of
10 each regular session that shall include but not be limited to:

11 (1) The projected revenues for each health care
12 facility; and

13 (2) A list of all proposed capital improvement projects
14 planned for implementation during the following
15 fiscal year[~~and~~

16 [~~(3) All reports submitted by regional public health~~
17 ~~facility management advisory committees pursuant to~~
18 ~~section 323F-10(c)]."~~

19 SECTION 14. Section 323F-24, Hawaii Revised Statutes, is
20 amended to read as follows:

21 "**§323F-24 Budget oversight.** The corporation's combined
22 corporation and regional operational and capital [~~and each~~



1 ~~regional system board's operating and capital improvement]~~
2 budgets shall not be subject to review or approval by the
3 governor or any state agency, except where state general funds
4 or capital improvement moneys are requested. If general funds
5 or capital improvement moneys are requested, then the
6 corporation or any regional system board shall include, with
7 its request, the proposed budget for which the funds or moneys
8 are to be included. The corporation [~~and regional system~~
9 ~~boards, once operational, shall collaboratively submit their~~
10 ~~budget]~~ shall submit the combined budgets annually to the
11 legislature for review and approval at least twenty days prior
12 to the convening of [~~the]~~ each regular [~~legislative]~~ session,
13 beginning with the budgets for the [~~2010-2011]~~ 2016-2017
14 biennium fiscal years."

15 SECTION 15. Section 323F-10, Hawaii Revised Statutes, is
16 repealed.

17 [~~"§323F-10 Regional public health facility management~~
18 ~~advisory committees. (a) On the transfer date, there shall~~
19 ~~be established within the corporation for each region, a~~
20 ~~public health facility management advisory committee to~~
21 ~~consist of nine members initially to be appointed by the~~
22 ~~chief executive officer of the corporation with the advice of~~



1 ~~the hospital administrators of the facilities in the affected~~
2 ~~regions. The members shall serve for a term of four years;~~
3 ~~provided that upon the initial appointment of the members,~~
4 ~~two shall be appointed for a term of one year, two for a term~~
5 ~~of two years, two for a term of three years, and three for a~~
6 ~~term of four years.~~

7 ~~Following the initial appointments by the chief executive~~
8 ~~officer of the corporation board, any vacancies on a regional~~
9 ~~committee shall be filled by a simple majority vote of the~~
10 ~~members of the executive committee from a list of qualified~~
11 ~~nominees submitted by the regional committee in which the~~
12 ~~vacancy occurred. If a regional committee vacancy remains~~
13 ~~unfilled for more than thirty days, that vacancy may~~
14 ~~be filled by the chief executive officer of the corporation.~~

15 ~~Each regional management advisory committee shall include~~
16 ~~medical and health care providers, consumers, and~~
17 ~~knowledgeable individuals in other appropriate areas such as~~
18 ~~business and law; provided that at least one member shall be a~~
19 ~~physician with active medical staff privileges at one of the~~
20 ~~region's public health facilities. At least three members of~~
21 ~~the committee shall be consumers.~~



1 ~~The management advisory committee for the East Hawaii~~
2 ~~region shall have three members who reside in the Ka'u~~
3 ~~district, three members who reside in the Hamakua/North Hilo~~
4 ~~districts, and three members who reside in the South~~
5 ~~Hilo/Puna districts. The management advisory committee for~~
6 ~~the West Hawaii region shall have not less than three~~
7 ~~members who reside in the North Kohala/South Kohala~~
8 ~~districts.~~

9 ~~Each regional committee shall select its own chairperson~~
10 ~~and vice chairperson and shall adopt rules governing the terms~~
11 ~~for removal of its chairperson from the executive management~~
12 ~~advisory committee. In the event of a regional committee voting~~
13 ~~to remove its chairperson who concurrently sits on the~~
14 ~~corporation board, that vote shall be unanimous. In the event~~
15 ~~of a regional committee voting to remove its physician member~~
16 ~~from the corporation board, that vote shall also be unanimous.~~
17 ~~Each regional committee may also adopt other rules as it may~~
18 ~~consider necessary for the conduct of its business.~~

19 ~~The members of the regional committees shall serve~~
20 ~~without compensation, but shall be reimbursed for traveling~~
21 ~~expenses incurred in the performance of their duties. The~~
22 ~~corporation shall provide for the necessary expenses of the~~



1 ~~committees; provided that no expenses may be incurred without~~
2 ~~prior authorization by the chief executive officer.~~

3 ~~(b) Each regional committee shall sit in an advisory~~
4 ~~capacity to the chief executive officer on matters concerning~~
5 ~~the formulation of regional operational and capital~~
6 ~~improvement budgets, and the planning, construction,~~
7 ~~improvement, maintenance, and operation of public health~~
8 ~~facilities within its respective jurisdiction and shall sit in~~
9 ~~an advisory capacity to the governor on matters concerning the~~
10 ~~nominees for positions on the corporation board. Nothing in~~
11 ~~this section shall be construed as precluding or preventing~~
12 ~~the committees from coordinating their efforts and activities~~
13 ~~with the facility administrators within their counties.~~

14 ~~(c) Each regional committee may prepare a report for~~
15 ~~inclusion with the corporation's annual report and audit,~~
16 ~~which shall include but not be limited to comments and~~
17 ~~analyses on the corporation's regional operational and~~
18 ~~capital improvement budgets for its respective region.~~

19 ~~(d) Upon the establishment of a regional system board~~
20 ~~for a regional system pursuant to section 323F 3.5, this~~
21 ~~section shall no longer apply to that regional system."]~~



1 SECTION 16. Section 323F-10.5, Hawaii Revised Statutes,
2 is repealed.

3 [~~"§323F-10.5 Executive public health facility management~~
4 ~~advisory committee; establishment.~~ (a) There is established
5 within the corporation an executive public health facility
6 management advisory committee to consist of the chairpersons
7 of each of the five regional public health facility
8 management advisory committees. The executive committee shall,
9 through its chairperson, represent the interests of all
10 regional committees on the corporation board.

11 (b) The executive committee shall select its own
12 chairperson to serve on the corporation board and shall adopt
13 rules governing the terms of office and removal from the
14 corporation board. The executive committee shall also adopt
15 rules governing the terms of office for
16 each of the five regional committee chairpersons. The
17 executive committee may also adopt other rules as it may
18 consider necessary for the conduct of its business.

19 (c) The members of the executive committee shall serve
20 without compensation, but shall be reimbursed for reasonable
21 expenses incurred in the performance of their duties.



1 ~~(d) Upon the establishment of a regional system board for a~~
2 ~~regional system pursuant to section 323F-3.5, this section~~
3 ~~shall no longer apply to that regional system."]~~

4 SECTION 17. In codifying the new sections added by
5 section 2 of this Act, the revisor of statutes shall
6 substitute appropriate section numbers for the letters used
7 in designating the new sections in this Act.

8 SECTION 18. All acts passed prior to or during the regular
9 session of 2013, whether enacted before or after passage of
10 this Act shall be interpreted to conform to this Act, unless
11 the acts specifically provide that this Act is being amended.
12 Insofar as this Act is inconsistent with any other law, this Act
13 shall control.

14 SECTION 19. If any provision of this Act, or the
15 application thereof to any person or circumstance is held
16 invalid, the invalidity does not affect other provisions or
17 applications of the Act, which can be given effect without the
18 invalid provision or application, and to this end the provisions
19 of this Act are severable.

20 SECTION 20. This Act does not affect rights and duties that
21 matured, penalties that were incurred, and proceedings that were
22 begun before its effective date.



1 SECTION 21. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 22. This Act shall take effect on July 1, 2013.

4

INTRODUCED BY: *Della A. Belotti*

JAN 24 2013



Report Title:

Hawaii Health Systems Corporation

Description:

Amends the governance structure of the Hawaii Health Systems Corporation (HHSC). Makes the regional chief executive officers nonvoting members. Establishes the HHSC personnel system and retirement system. Creates new collective bargaining units. Authorizes the Governor to appoint six additional community members. Clarifies the powers of the HHSC board and regional boards. Effective July 1, 2013.

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

