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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 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 changing the role of the regional chief  
7 executive officers to nonvoting status. A new board structure  
8 will support clear and consistent roles for all regions and  
9 reduce the conflicts of interest of regional chief executive  
10 officers who not only sit as voting members on the Hawaii health  
11 systems corporation board but also must look out for the best  
12 interests of their respective regions. A new board structure  
13 will create a more balanced multi-board tiered system.

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

- 18 (1) Clarify and separate the powers of the Hawaii health  
19 systems corporation to provide a clear line of  
20 authority and accountability;
- 21 (2) Allow the Hawaii health systems corporation to  
22 leverage one of its major assets--property owned in



1 fee simple--by mortgaging it to secure loans and  
2 expanding the ability to enter into financing leases.  
3 These changes will provide the corporation with the  
4 flexibility intended by the legislature in 1996 when  
5 the corporation was first created to run the state  
6 hospitals;

7 (3) Establish a separate benefits structure for new  
8 employees to allow the corporation to negotiate  
9 contracts for its health care employees; and

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

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

17 SECTION 2. Chapter 323F, Hawaii Revised Statutes, is  
18 amended by adding three new sections to be appropriately  
19 designated and to read as follows:

20 "§323F-A Hawaii health systems corporation personnel  
21 system. (a) Notwithstanding any other law to the contrary, the  
22 corporation board may establish without regard to the public



1 notice or public hearing requirements of chapter 91, a personnel  
2 system separate from the existing system, to be known as the  
3 Hawaii health systems corporation personnel system, for  
4 employees commencing employment on or after July 1, 2014.

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

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

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

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



1        (f) For purposes of this chapter, "employees without  
2 tenure" means employees who are not members of the civil service  
3 system entitled to hold the member's position for the duration  
4 of the 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  
13 89 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; to  
17 form, join, or assist labor organizations; to bargain  
18 collectively through representatives of their own choosing, and  
19 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 activities,  
22 except to the extent that such right may be affected by an



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

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

10 1. By amending subsections (a) and (b) to read:

11 "(a) All employees throughout the State within any of the  
12 following categories shall constitute an appropriate bargaining  
13 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       2. By amending subsection (d) to read:

16       "(d) For the purpose of negotiating a collective  
17      bargaining agreement, the public employer of an appropriate  
18      bargaining unit shall mean the governor together with the  
19      following employers:

20       (1) For bargaining units (1), (2), (3), (4), (9), (10),  
21           and (13), the governor shall have [~~six~~] five votes and  
22           the mayors[~~7~~] and the chief justice[~~7~~ ~~and the Hawaii~~





1 ~~health systems corporation board]~~ shall each have one  
2 vote if they have employees in the particular  
3 bargaining unit;

4 (2) For bargaining units (11) and (12), the governor shall  
5 have four votes and the mayors shall each have one  
6 vote;

7 (3) For bargaining units (5) and (6), the governor shall  
8 have three votes, the board of education shall have  
9 two votes, and the superintendent of education shall  
10 have one vote;

11 (4) For bargaining units (7) and (8), the governor shall  
12 have three votes, the board of regents of the  
13 University of Hawaii shall have two votes, and the  
14 president of the University of Hawaii shall have one  
15 vote[-]; and

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

20 Any decision to be reached by the applicable employer group  
21 shall be on the basis of simple majority, except when a  
22 bargaining unit includes county employees from more than one



1 county. In [~~such~~] that case, the simple majority shall include  
2 at least one county."

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

5 "**§89-8.5 Negotiating authority; Hawaii health systems**  
6 **corporation.** Notwithstanding any law to the contrary, including  
7 section 89-6(d), the Hawaii health systems corporation [~~or any~~  
8 ~~of the regional boards~~], as a sole employer negotiator, may  
9 negotiate with the exclusive representative of any appropriate  
10 bargaining unit and execute memorandums of understanding for  
11 employees under its control to alter any existing or new  
12 collective bargaining agreement on any item or items subject to  
13 section 89-9."

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

16 "(e) If an impasse exists between a public employer and  
17 the exclusive representative of bargaining unit (2), supervisory  
18 employees in blue collar positions; bargaining unit (3),  
19 nonsupervisory employees in white collar positions; bargaining  
20 unit (4), supervisory employees in white collar positions;  
21 bargaining unit (6), educational officers and other personnel of  
22 the department of education under the same salary schedule;



1 bargaining unit (8), personnel of the University of Hawaii and  
2 the community college system, other than faculty; bargaining  
3 unit (9), registered professional nurses; bargaining unit (10),  
4 institutional, health, and correctional workers; bargaining unit  
5 (11), firefighters; bargaining unit (12), police officers; [~~or~~]  
6 bargaining unit (13), professional and scientific employees[~~7~~];  
7 bargaining unit (14), nonsupervisory employees in blue collar  
8 positions with the Hawaii health systems corporation; bargaining  
9 unit (15), supervisory employees in blue collar positions with  
10 the Hawaii health systems corporation; bargaining unit (16),  
11 nonsupervisory employees in white collar positions with the  
12 Hawaii health systems corporation; bargaining unit (17),  
13 supervisory employees in white collar positions with the Hawaii  
14 health systems corporation; bargaining unit (18), registered  
15 professional nurses with the Hawaii health systems corporation;  
16 bargaining unit (19), institutional and health workers with the  
17 Hawaii health systems corporation; or bargaining unit (20),  
18 professional and scientific employees with the Hawaii health  
19 systems corporation, the board shall assist in the resolution of  
20 the impasse as follows:

21 (1) Mediation. During the first twenty days after the  
22 date of impasse, the board shall immediately appoint a



1 mediator, representative of the public from a list of  
2 qualified persons maintained by the board, to assist  
3 the parties in a voluntary resolution of the impasse.

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

10 (A) Arbitration panel. Two members of the  
11 arbitration panel shall be selected by the  
12 parties; one shall be selected by the employer  
13 and one shall be selected by the exclusive  
14 representative. The neutral third member of the  
15 arbitration panel, who shall chair the  
16 arbitration panel, shall be selected by mutual  
17 agreement of the parties. In the event that the  
18 parties fail to select the neutral third member  
19 of the arbitration panel within thirty days from  
20 the date of impasse, the board shall request the  
21 American Arbitration Association, or its  
22 successor in function, to furnish a list of five



1 qualified arbitrators from which the neutral  
2 arbitrator shall be selected. Within five days  
3 after receipt of such list, the parties shall  
4 alternately strike names from the list until a  
5 single name is left, who shall be immediately  
6 appointed by the board as the neutral arbitrator  
7 and chairperson of the arbitration panel.

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

17 (C) Arbitration hearing. Within one hundred twenty  
18 days of its appointment, the arbitration panel  
19 shall commence a hearing at which time the  
20 parties may submit either in writing or through  
21 oral testimony, all information or data  
22 supporting their respective final positions. The



1 arbitrator, or the chairperson of the arbitration  
2 panel together with the other two members, are  
3 encouraged to assist the parties in a voluntary  
4 resolution of the impasse through mediation, to  
5 the extent practicable throughout the entire  
6 arbitration period until the date the panel is  
7 required to issue its arbitration decision.

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



1 of the arbitration panel shall issue the  
2 arbitration decision."

3 SECTION 6. Section 323F-3, Hawaii Revised Statutes,  
4 is amended by amending subsections (a) and (b) to read as  
5 follows:

6 "(a) The corporation shall be governed by a thirteen-  
7 member board of directors that shall carry out the duties and  
8 responsibilities of the corporation other than those duties and  
9 responsibilities relating to the establishment of any captive  
10 insurance company pursuant to section [~~323F-7(e)-(20)~~] 323F-  
11 7(c)(19) and the operation thereof.

12 (b) The members of the corporation board shall be  
13 appointed as follows:

- 14 (1) The director of health as an ex-officio, voting  
15 member;
- 16 (2) The five regional chief executive officers as ex-  
17 officio, [~~voting~~] nonvoting members;
- 18 (3) Two members who reside in the county of Maui shall be  
19 appointed by the Maui regional system board;
- 20 (4) One member who resides in the eastern section of the  
21 county of Hawaii who shall be appointed by the East  
22 Hawaii regional system board;



- 1 (5) One member who resides in the western section of the  
2 county of Hawaii who shall be appointed by the West  
3 Hawaii regional system board;
- 4 (6) One member who resides on the island of Kauai who  
5 shall be appointed by the Kauai regional system board;
- 6 (7) One member who resides on the island of Oahu who shall  
7 be appointed by the Oahu regional system board; and
- 8 (8) One member who shall be appointed by the governor and  
9 serve as an at-large voting member.

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





1 member from the island of Oahu shall be appointed to serve a  
2 term of four years. The at-large member appointed by the  
3 governor shall serve a term of two years. Appointments by the  
4 governor shall be made with the advice and consent of the senate  
5 pursuant to section 26-34.

6 Any vacancy shall be filled in the same manner provided for  
7 the original appointments. The corporation board shall elect  
8 its own chair from among its members. Appointments to the  
9 corporation board shall be as representative as possible of the  
10 system's stakeholders as outlined in this subsection[-] and  
11 shall include at least one physician."

12 SECTION 7. Section 323F-7, Hawaii Revised Statutes,  
13 is amended as follows:

14 1. By amending its title and subsection (a) to read:

15 "**§323F-7 Duties and powers of the corporation [and**  
16 **~~regional system boards~~**]. (a) Notwithstanding any other law to  
17 the contrary and unless otherwise specified, only those duties  
18 and powers related to corporation-wide matters, including but  
19 not limited to [~~corporation-wide budgeting,~~] approval of the  
20 system-wide, regional, and facility budgets; personnel  
21 policies[-]; procurement policies[-]; fiscal policies[-];  
22 accounting policies[-]; policies and decisions related to



1 affiliations[~~7~~]; and joint ventures [~~and contracts~~7~~~~]; legal  
2 affairs; legislative affairs; regulatory compliance[~~7~~]; risk  
3 management[~~7~~]; continuing medical education programs[~~7~~];  
4 strategic planning[~~7~~]; [~~and~~] capital planning[~~7~~~~including~~]; the  
5 issuance of revenue bonds in any amount[~~7~~]; and collective  
6 bargaining negotiations, shall be carried out by the corporation  
7 board in collaboration with the regional system boards. [~~Duties~~  
8 ~~and powers related to the operation of facilities within each~~  
9 ~~regional system, including but not limited to regional system~~  
10 ~~and facility budgeting, employment and removal of regional~~  
11 ~~system and facility personnel, purchasing, regional system~~  
12 ~~strategic and capital planning, organization, quality assurance,~~  
13 ~~improvement and reporting, credentialing of medical staff, and~~  
14 ~~the issuance of revenue bonds in any amount with corporation~~  
15 ~~board approval, shall be carried out by the regional system~~  
16 ~~boards, either directly or by delegation to regional and~~  
17 ~~facility administration.] Unless otherwise prohibited, the  
18 duties and powers granted to the corporation board may be  
19 delegated to the regional system boards."~~



1           2. By amending subsections (c) and (d) to read:

2           "(c) Notwithstanding any other law to the contrary, the  
3 corporation [~~and any of the regional system boards~~] shall  
4 exercise the following duties and powers:

5           (1) Developing corporation-wide policies, procedures, and  
6 rules necessary or appropriate to plan, operate,  
7 manage, and control the system of public health  
8 facilities and services without regard to chapter 91;  
9 [~~provided that each regional system board shall be~~  
10 ~~responsible for its own policies, procedures, and~~  
11 ~~rules necessary or appropriate to plan, operate,~~  
12 ~~manage, and control the public health facilities~~  
13 ~~within its own regional system consistent with~~  
14 ~~corporation policies,~~

15       ~~(2) Evaluating the need for additional health facilities~~  
16 ~~and services, provided that each regional system board~~  
17 ~~shall be responsible for the evaluation within its own~~  
18 ~~regional system,~~

19       ~~(3)]~~ (2) Entering into and performing any contracts,  
20 leases, cooperative agreements, partnerships, or other  
21 transactions whatsoever that may be necessary or  
22 appropriate in the performance of its purposes and



1           responsibilities, and on terms the corporation, [~~or~~  
2           ~~regional system boards,~~] may deem appropriate, with  
3           either:

4           (A) Any agency or instrumentality of the United  
5           States, or with any state, territory, or  
6           possession, or with any subdivision thereof; or

7           (B) Any person, firm, association, partnership, or  
8           corporation, whether operated on a for-profit or  
9           not-for-profit basis;

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

21          or

22          (C) A collective bargaining representative;



1        [~~4~~] (3) Conducting activities and entering into business  
2        relationships as the corporation board[, ~~or any~~  
3        ~~regional system board,~~] deems necessary or  
4        appropriate, including but not limited to:

5        (A) Creating nonprofit corporations, including but  
6        not limited to charitable fund-raising  
7        foundations, to be controlled wholly by the  
8        corporation[, ~~any regional system board,~~] or  
9        jointly with others;

10       (B) Establishing, subscribing to, and owning stock in  
11       business corporations individually or jointly  
12       with others; and

13       (C) Entering into partnerships and other joint  
14       venture arrangements, or participating in  
15       alliances, purchasing consortia, health insurance  
16       pools, or other cooperative arrangements, with  
17       any public or private entity; provided that any  
18       corporation, venture, or relationship entered  
19       into under this section furthers the public  
20       interest; provided further that this paragraph  
21       shall not be construed to authorize the  
22       corporation [~~or a regional system~~] board to



1 abrogate any responsibility or obligation under  
 2 paragraph (15); ~~provided that each regional~~  
 3 ~~system board shall be responsible for conducting~~  
 4 ~~the activities under this paragraph in its own~~  
 5 ~~regional system consistent with policies~~  
 6 ~~established by the corporation board;~~

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

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

21 ~~(7)]~~ (6) Preparing and executing all corporation-wide  
 22 budgets, policies, and procedures or approving,



1           rejecting, or amending any regional system budgets,  
2           policies, and procedures; provided that the regional  
3           system boards shall submit their regional and facility  
4           budgets to the corporation to be reviewed, approved,  
5           or rejected and consolidated into a corporation-wide  
6           budget for purposes of corporation-wide planning and  
7           appropriation requests. Regional system and facility  
8           budgets shall be received by the corporation and shall  
9           be reviewed, 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 chapter  
14        91 ~~[, provided that the duty and power of the~~  
15        ~~corporation board shall be limited to approving the~~  
16        ~~rates and charges developed by the regional system~~  
17        ~~boards for the regional system's facilities and~~  
18        ~~services. Rates and charges may vary among regional~~  
19        ~~systems and facilities and may be consolidated with~~  
20        ~~the rates of other regional systems into one charge~~  
21        ~~master].~~ Third-party payer contracts ~~[may]~~ shall be  
22        negotiated at the corporation-wide level with input



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

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

15 (8) Employing personnel as needed to conduct the business  
16 of the corporation and its facilities and programs,  
17 and to classify, prescribe the duties and  
18 qualifications, and fix the compensation and benefits  
19 of all officers, employees, and agents of the  
20 corporation as needed in accordance with chapters 76  
21 and 89;





1       ~~[(10)]~~ (9) Developing the ~~[corporation's corporation-wide]~~  
2       capital and strategic plans ~~[or any regional system~~  
3       ~~board's capital and strategic plans; provided that~~  
4       ~~each regional system board shall be responsible for~~  
5       ~~development of capital and strategic plans in its own~~  
6       ~~regional system that shall be consistent with, and~~  
7       ~~incorporated into, the overall corporation wide plans;~~  
8       ~~and];~~ provided ~~[further]~~ that the corporation ~~[and~~  
9       ~~each regional system]~~ board shall be entitled to  
10       undertake the acquisition, construction, and  
11       improvement of property, facilities, and equipment to  
12       carry out these capital and strategic plans;  
13       ~~[(11)]~~ (10) Suing and being sued; provided that only the  
14       corporation may sue or be sued; and provided further  
15       that the corporation ~~[and regional system boards]~~  
16       shall enjoy the same sovereign immunity available to  
17       the State;  
18       ~~[(12)]~~ (11) Making and altering corporation board ~~[and~~  
19       ~~regional system board]~~ bylaws for its organization and  
20       management without regard to chapter 91 and consistent  
21       with this chapter; provided that each regional system



1 board shall be responsible for the final approval of  
 2 its regional system board bylaws;

3 ~~[(13)]~~ (12) Adopting rules without regard to chapter 91  
 4 governing the exercise of the corporation's ~~[or~~  
 5 ~~regional system boards]~~ powers and the fulfillment of  
 6 its purpose under this chapter;

7 ~~[(14)]~~ (13) Entering into any contract or agreement  
 8 whatsoever, not inconsistent with this chapter or the  
 9 laws of this State, and authorizing the corporation,  
 10 ~~[regional system boards,~~] and chief executive  
 11 ~~[officers]~~ officer to enter into all contracts,  
 12 execute all instruments, and do all things necessary  
 13 or appropriate in the exercise of the powers granted  
 14 in this chapter, including securing the payment of  
 15 bonds; ~~[provided that the corporation board shall~~  
 16 ~~delegate to a regional system board its authority to~~  
 17 ~~enter into and execute contracts or agreements~~  
 18 ~~relating to matters exclusively affecting that~~  
 19 ~~regional system; provided further that a regional~~  
 20 ~~system board shall exercise this power consistent with~~  
 21 ~~corporation wide policies; and provided further that~~  
 22 ~~contracts or agreements executed by a regional system~~

1 ~~board shall encumber only the regional subaccounts of~~  
2 ~~that regional system board;~~

3 ~~(15)]~~ (14) Issuing revenue bonds up to \$100,000,000 subject  
4 to the approval of the governor or the director of  
5 finance; provided that:

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

8 (B) The corporation [~~and any regional system~~] board  
9 shall have the power to issue revenue bonds in  
10 any amount without regard to any limitation in  
11 chapter 39; and

12 (C) The corporation shall have the power to incur  
13 debt, including the issuance of revenue bonds in  
14 any amount [~~, and the regional system boards shall~~  
15 ~~have the power to issue revenue bonds in any~~  
16 ~~amount upon approval by the corporation board~~];

17 ~~[(16)]~~ (15) Reimbursing the state general fund for debt  
18 service on general obligation bonds or reimbursable  
19 general obligation bonds issued by the State for the  
20 purposes of the corporation [~~or any regional system~~  
21 ~~board~~];



1       ~~[(17)]~~ (16) Pledging or assigning all or any part of the  
2           receipts, revenues, and other financial assets of the  
3           corporation ~~[or the regional system boards]~~ for  
4           purposes of meeting or securing bond or health systems  
5           liabilities ~~[, provided that each regional system~~  
6           ~~board shall be responsible for conducting the~~  
7           ~~activities under this paragraph in its own regional~~  
8           ~~system]~~. Any pledge or assignment by the corporation  
9           ~~[or any regional system board]~~ to secure revenue bonds  
10          or health system liabilities shall be valid and  
11          binding in accordance with its terms against the  
12          pledgor, creditors, and all others asserting rights  
13          thereto from the time the pledge or assignment is  
14          made, without the need of physical delivery,  
15          recordation, filing, or further act~~[-. The corporation~~  
16          ~~shall not take or omit to take any act that would~~  
17          ~~interfere with, impair, or adversely affect any pledge~~  
18          ~~or assignment by a regional system board pursuant to~~  
19          ~~this chapter. In connection with issuing revenue~~  
20          ~~bonds or related obligations, consistent with~~  
21          ~~corporation policies and procedures, any regional~~  
22          ~~system board may make such other covenants, binding on~~



1 ~~the regional system board and the corporation, that~~  
2 ~~the regional system board determines to be necessary~~  
3 ~~or appropriate to establish and maintain security for~~  
4 ~~the revenue bonds or related obligations];~~

5 ~~[-(18)]~~ (17) Owning, purchasing, leasing, exchanging, or  
6 otherwise acquiring property, whether real, personal,  
7 or mixed, tangible or intangible, and of any interest  
8 therein, in the name of the corporation, which  
9 property is not owned or controlled by the State but  
10 is owned or controlled by the corporation; provided  
11 that:

12 (A) Regional system boards shall have custodial  
13 control over facilities and physical assets in  
14 their respective regional systems [~~— A regional~~  
15 ~~system board may own, purchase, lease, exchange,~~  
16 ~~or otherwise acquire property, whether real,~~  
17 ~~personal, or mixed, tangible or intangible, and~~  
18 ~~of any interest therein, other than property~~  
19 ~~owned or controlled by the corporation, in the~~  
20 ~~name of the regional system board]; provided~~  
21 further that a regional system board shall be  
22 subject to section 323F-3.5; and

1 (B) Each regional system board shall be responsible  
2 for conducting the activities under [~~this~~  
3 ~~paragraph~~] subparagraph (A) in its own regional  
4 system;

5 [~~(19)~~] (18) Maintaining, improving, pledging, mortgaging,  
6 selling, or otherwise holding or disposing of  
7 property, whether real, personal, or mixed, tangible  
8 or intangible, and of any interest therein, at any  
9 time and manner, in furtherance of the purposes and  
10 mission of the corporation or any regional system  
11 board; provided that the corporation or any regional  
12 system board legally holds or controls the property in  
13 its own name; provided further that other than to  
14 secure revenue bonds and related obligations and  
15 agents, and to transition into a new entity, the  
16 corporation or any regional system board shall not  
17 sell, assign, lease, hypothecate, mortgage, pledge,  
18 give, or dispose of all or substantially all of its  
19 property; and provided further that each regional  
20 system board shall be responsible for conducting the  
21 activities under this paragraph in its own regional  
22 system, and control over such property shall be



1 delegated to each regional system board; provided  
2 further that this paragraph shall not be construed to  
3 authorize the sale, pledge, or mortgage of real  
4 property under the control of the corporation or a  
5 regional system board;

6 ~~[(+20)]~~ (19) Purchasing insurance and creating captive  
7 insurers in any arrangement deemed in the best  
8 interest of the corporation, including but not limited  
9 to funding and payment of deductibles and purchase of  
10 reinsurance; provided that only the corporation shall  
11 have the power to create captive insurers to benefit  
12 public health facilities and operations in all  
13 regional systems; ~~[and provided further that a  
14 regional system board may purchase insurance for its  
15 regional system in collaboration with the other  
16 regional systems and the corporation until captive  
17 coverage is provided by the corporation,~~

18 ~~(+21)]~~ (20) Acquiring by condemnation, pursuant to chapter  
19 101, any real property required by the corporation to  
20 carry out the powers granted by this chapter;

21 ~~[(+22)]~~ (21) Depositing any moneys of the corporation or any  
22 regional system board in any banking institution



1 within or without the State, and appointing, for the  
 2 purpose of making deposits, one or more persons to act  
 3 as custodians of the moneys of the corporation or any  
 4 regional system board; ~~[provided that regional system~~  
 5 ~~boards may deposit moneys in banking institutions~~  
 6 ~~pursuant to corporation wide guidelines established by~~  
 7 ~~the corporation board;~~

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





1       ~~(24)]~~ (23) Providing health and medical services for the  
2           public directly or by agreement or lease with any  
3           person, firm, or private or public corporation,  
4           partnership, or association through or in the health  
5           facilities of the corporation or regional system  
6           boards or otherwise; ~~[provided that the regional~~  
7           ~~system boards shall be responsible for conducting the~~  
8           ~~activities under this paragraph in their respective~~  
9           ~~regional systems;~~

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



1 ~~be the governing body responsible for all medical~~  
2 ~~staff organization, peer review, and credentialing~~  
3 ~~activities to the extent allowed by law;~~

4 ~~(26)]~~ (25) (A) Investing any funds not required for  
5 immediate disbursement in property or in  
6 securities that meet the standard for investments  
7 established in chapter 88 as provided by the  
8 corporation board [~~or any regional system board~~];  
9 provided that proceeds of bonds and moneys  
10 pledged to secure bonds may be invested in  
11 obligations permitted by any document that  
12 authorizes the issuance or securing of bonds; and  
13 provided further that the investment assists the  
14 corporation or any regional system board in  
15 carrying out its public purposes; selling from  
16 time to time securities thus purchased and held,  
17 and depositing any securities in any bank or  
18 financial institution within or without the  
19 State. Any funds deposited in a banking  
20 institution or in any depository authorized in  
21 this section shall be secured in a manner and  
22 subject to terms and conditions as the



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

16 (B) Notwithstanding subparagraph (A), contracting  
17 with the holders of any of its notes or bonds as  
18 to the custody, collection, securing, investment,  
19 and payment of any moneys of the corporation or  
20 regional system board and of any moneys held in  
21 trust or otherwise for the payment of notes or  
22 bonds and carrying out the contract. Moneys held



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

8 ~~[(27)]~~ (26) Entering into any agreement with the State,  
9 including but not limited to contracts for the  
10 provision of goods, services, and facilities in  
11 support of the corporation's programs or the regional  
12 system boards' programs, and contracting for the  
13 provision of services to or on behalf of the State;  
14 ~~[provided that the regional system boards shall be~~  
15 ~~responsible for entering into agreements to provide~~  
16 ~~goods, services, and facilities in support of programs~~  
17 ~~in their respective regional systems consistent with~~  
18 ~~corporation-wide policies;~~

19 ~~(28)]~~ (27) Having a seal and altering the same at pleasure;

20 ~~[(29)]~~ (28) Waiving, by means that the corporation [~~or~~  
21 ~~regional system board]~~ deems appropriate, the  
22 exemption from federal income taxation of interest on



1 the corporation's or regional system boards' bonds,  
2 notes, or other obligations provided by the Internal  
3 Revenue Code of 1986, as amended, or any other federal  
4 statute providing a similar exemption;

5 ~~[(30)]~~ (29) Developing internal policies and procedures for  
6 the procurement of goods and services, consistent with  
7 the goals of public accountability and public  
8 procurement practices, and subject to management and  
9 financial legislative audits; provided that ~~[the~~  
10 ~~regional system boards shall be responsible for~~  
11 ~~developing internal policies and procedures for each~~  
12 ~~of their regional systems consistent with the~~  
13 ~~corporation's policies and procedures; and further~~  
14 ~~provided that]:~~

15 ~~[(A) The regional system boards and]~~ the corporation  
16 board shall enjoy the exemption under section  
17 103-53(e);

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

20 ~~[(C) The corporation shall be subject to chapter 103D;~~

21 ~~-(31)-]~~ (30) Authorizing and establishing positions ~~[+~~  
22 ~~provided that regional system boards shall be~~



1 ~~responsible for hiring and firing regional and~~  
2 ~~facility personnel consistent with corporation~~  
3 ~~policies, except a regional chief executive officer~~  
4 ~~shall only be hired or dismissed upon the approval of~~  
5 ~~the regional system board as further set forth in~~  
6 ~~section 323F-8.5]; and~~

7 ~~(32)]~~ (31) Having and exercising all rights and powers  
8 necessary or incidental to or implied from the  
9 specific powers granted in this chapter, which  
10 specific powers shall not be considered as a  
11 limitation upon any power necessary or appropriate to  
12 carry out the purposes and intent of this chapter[~~+~~  
13 ~~provided that the regional system boards shall be~~  
14 ~~responsible for having and exercising all powers and~~  
15 ~~rights with respect to matters in their regional~~  
16 ~~systems consistent with the law; and~~

17 ~~(33)~~ Each regional system, through its regional system  
18 board, shall:

19 ~~(A)~~ Develop policies and procedures necessary or  
20 appropriate to plan, operate, manage, and control  
21 the day to day operations of facilities within



1 ~~the regional system that are consistent with~~  
2 ~~corporation-wide policies;~~  
3 ~~(B) Exercise custodial control over and use of all~~  
4 ~~assets of the corporation that are located in the~~  
5 ~~regional system pursuant to this chapter; and~~  
6 ~~(C) Expend funds within its approved regional system~~  
7 ~~budget and expend additional funds in excess of~~  
8 ~~its approved regional system budget upon approval~~  
9 ~~of the corporation board].~~

10 (d) ~~[Each regional system board shall not be subject to~~  
11 ~~chapters 36 to 38, 40, 41D, and 103D as well as part I of~~  
12 ~~chapter 92 and shall enjoy the exemptions contained in sections~~  
13 ~~102-2 and 103-53(e), except as otherwise provided in this~~  
14 ~~chapter.] The corporation shall not be subject to chapters 36~~  
15 ~~to 38, 40, and 41D, as well as part I of chapter 92, and shall~~  
16 ~~enjoy the exemptions contained in sections 102-2 and 103-53(e) [+~~  
17 ~~provided that the exemption provided under this subsection to~~  
18 ~~chapter 37D shall only apply to financing agreements of~~  
19 ~~\$5,000,000 or less; provided further that the aggregate value of~~  
20 ~~financing agreements per fiscal year shall not exceed~~  
21 ~~\$25,000,000]."~~



1 SECTION 8. Section 323F-7.5, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 " ~~[+]§323F-7.5[+]~~ **Regional system boards; delegated**  
4 **authority.** ~~[If the Hawaii health systems corporation board is~~  
5 ~~unable to act on important transactions in as timely a manner as~~  
6 ~~the chairperson of the corporation board deems reasonable, the~~  
7 ~~chairperson of the corporation board may further delegate~~  
8 ~~authority to the regional system boards to take action on~~

9 ~~specific matters.]~~ (a) Duties and powers related to the day-  
10 to-day operation of facilities within each regional system,  
11 including but not limited to development of regional system and  
12 facility budgets, employment and removal of regional system and  
13 facility personnel, purchasing, regional system strategic and  
14 capital planning consistent with the system-wide strategic and  
15 capital plan, quality assurance, improvement and reporting, and  
16 governance and credentialing of medical staff, shall be carried  
17 out by the regional system boards, either directly or by  
18 delegation to regional and facility administration.

19 Notwithstanding any other law to the contrary, the regional  
20 system boards shall exercise the following duties and powers  
21 consistent with corporation policies and procedures:





- 1       (1) Developing policies, procedures, and rules necessary  
2       or appropriate to plan, operate, and manage, the  
3       regional system of public health facilities and  
4       services without regard to chapter 91;
- 5       (2) Evaluating the need for additional health facilities  
6       and services; provided that each regional system board  
7       shall be responsible for the evaluation within its own  
8       regional system;
- 9       (3) Entering into and performing any contracts, leases, or  
10       other transactions whatsoever that may be necessary or  
11       appropriate in the performance of its purposes and  
12       responsibilities, and on terms the regional system  
13       boards may deem appropriate, with either:
- 14       (A) Any agency or instrumentality of the United  
15       States, or with any state, territory, or  
16       possession, or with any subdivision thereof; or
- 17       (B) Any person, firm, association, partnership, or  
18       corporation, whether operated on a for-profit or  
19       not-for-profit basis; provided that the  
20       transaction furthers the public interest;
- 21       (4) Participating in and developing prepaid health care  
22       service and insurance programs and other alternative



1 health care delivery programs, including programs  
2 involving the acceptance of capitated payments or  
3 premiums that include the assumption of financial and  
4 actuarial risk;

5 (5) Executing, in accordance with all applicable bylaws,  
6 rules, and laws, all instruments necessary or  
7 appropriate in the exercise of any powers of the  
8 regional system boards;

9 (6) Preparing and executing facility and regional budgets,  
10 policies, and procedures; provided that the regional  
11 system boards shall submit their regional and facility  
12 budgets to the corporation to be reviewed, rejected,  
13 or approved and consolidated into a corporation-wide  
14 budget for purposes of corporation-wide planning and  
15 appropriation requests;

16 (7) Hiring, firing, and management of regional system and  
17 facility personnel pursuant to applicable laws,  
18 rules, regulations, and collective bargaining  
19 agreements; provided that the regional chief executive  
20 officer shall be hired and fired upon approval of the  
21 corporation and the regional system board;



- 1       (8) Developing of capital and strategic plans in its own  
2       regional system that shall be consistent with, and  
3       incorporated into, the overall corporation-wide plans;  
4       provided that each regional system board shall be  
5       entitled to undertake the construction and improvement  
6       of property, facilities, and equipment to carry out  
7       these capital and strategic plans;
- 8       (9) Enjoying full immunity from suit; provided that  
9       regional system boards shall enjoy the same sovereign  
10      immunity available to the State;
- 11      (10) Making and altering regional system board bylaws for  
12      its organization and management without regard to  
13      chapter 91 and consistent with this chapter;
- 14      (11) Adopting rules without regard to chapter 91 governing  
15      the exercise of the regional system board's powers and  
16      the fulfillment of its purpose under this chapter;
- 17      (12) Authorizing regional system boards to enter into all  
18      contracts, execute all instruments, and do all things  
19      necessary or appropriate in the exercise of the powers  
20      granted in this chapter with respect to matters  
21      exclusively affecting that regional system and within  
22      their approved budgets and appropriations, including



1           securing the payment of bonds; provided that contracts  
2           or agreements executed by a regional system board  
3           shall encumber only the regional subaccounts of that  
4           regional system board;

5           (13) Reimbursing the state general fund for debt service on  
6           general obligation bonds or reimbursable general  
7           obligation bonds issued by the State for the purposes  
8           of the corporation or any regional system board;

9           (14) Controlling the day-to-day decisions relating to the  
10           facilities and physical assets in their respective  
11           regional systems; provided that all leases and  
12           mortgages of corporation real property to third  
13           parties shall require corporation approval;

14           (15) Maintaining, improving, or otherwise holding or  
15           disposing of property, whether real, personal, or  
16           mixed, tangible or intangible, and of any interest  
17           therein, at any time and manner, in furtherance of the  
18           purposes and mission of the corporation or any  
19           regional system board;

20           (16) Depositing any moneys of the corporation or any  
21           regional system board in any banking institution  
22           within or without the State, and appointing, for the



1 purpose of making deposits, one or more persons to act  
2 as custodians of the moneys of the corporation or any  
3 regional system board;

4 (17) Contracting for and accepting any gifts, grants,  
5 property, or any other aid from the federal  
6 government, the State, any state agency, or any other  
7 source, or any combination thereof, and complying,  
8 subject to this chapter, with the terms and conditions  
9 thereof;

10 (18) Providing health and medical services for the public  
11 directly or by agreement or lease with any person,  
12 firm, or private or public corporation, partnership,  
13 or association through or in the regional system's  
14 health facilities;

15 (19) Approving medical staff bylaws with the concurrence of  
16 the corporation board and approving rules, medical  
17 staff appointments and reappointments, as governing  
18 body, for all public health facilities of the regional  
19 system board, including but not limited to determining  
20 the conditions under which a health professional may  
21 be extended the privilege of practicing within a  
22 health facility, and adopting and implementing



1 reasonable rules, without regard to chapter 91, for  
2 the credentialing and peer review of all persons and  
3 health professionals within the facility;

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



1 determine, with or without payment of any  
2 interest on the deposit, including without  
3 limitation, time deposits evidenced by  
4 certificates of deposit. Any bank or financial  
5 institution incorporated under the laws of this  
6 State may act as depository of any funds of a  
7 regional system board and may issue indemnity  
8 bonds or may pledge securities as may be required  
9 by the corporation or regional system board; and  
10 (B) Notwithstanding subparagraph (A), contracting  
11 with the holders of any of its notes or bonds as  
12 to the custody, collection, securing, investment,  
13 and payment of any moneys of the regional system  
14 board and of any moneys held in trust or  
15 otherwise for the payment of notes or bonds and  
16 carrying out the contract. Moneys held in trust  
17 or otherwise for the payment of notes or bonds or  
18 in any way to secure notes or bonds, and deposits  
19 of such moneys, may be secured in the same manner  
20 as moneys of the corporation or regional system  
21 board, and all banks and trust companies are  
22 authorized to give security for the deposits;



1        (21) Entering into any agreement with the State, including  
2        but not limited to contracts for the provision of  
3        goods, services, and facilities in support of the  
4        corporation's programs or the regional system boards'  
5        programs, and contracting for the provision of  
6        services to or on behalf of the State; and

7        (22) Developing internal policies and procedures for the  
8        procurement of goods and services, consistent with the  
9        goals of public accountability and public procurement  
10       practices, and subject to management and financial  
11       legislative audits; provided that the regional system  
12       boards shall be exempt from chapter 103D;

13       (b) Each regional system, through its regional system  
14 board, shall:

15       (1) Develop policies and procedures necessary or  
16       appropriate to plan, operate, and manage the day-to-  
17       day operations of facilities within the regional  
18       system that are consistent with corporation-wide  
19       policies;

20       (2) Exercise custodial control over and use of all assets  
21       of the corporation that are located in the regional  
22       system pursuant to this chapter; and





1       (3) Expend operating and capital funds within its approved  
 2       regional system budget and expend additional funds in  
 3       excess of its approved regional system budget upon  
 4       approval of the corporation board.

5       (c) Each regional system board shall not be subject to  
 6       chapters 36 to 38, 40, 41D, and 103D as well as part I of  
 7       chapter 92 and shall be exempt from sections 102-2 and 103-  
 8       53(e), except as otherwise provided in this chapter."

9       SECTION 9. Section 323F-8.5, Hawaii Revised Statutes, is  
 10      amended by amending subsection (a) to read as follows:

11       "(a) Upon establishment, a regional system board may  
 12      appoint a regional chief executive officer, whose salary shall  
 13      be set by the corresponding regional system board, and may  
 14      discharge a regional chief executive officer; provided that the  
 15      position shall be exempt from chapter 76 and section 26-  
 16      35(a)(4) [-]; and provided further that the corporation concurs  
 17      with the hiring, firing, and compensation package. Each  
 18      regional chief executive officer may also appoint, as necessary,  
 19      other personnel, exempt from chapters 76 and 89, to work  
 20      directly for the regional chief executive officer for the  
 21      regional system and for the corresponding regional system  
 22      board."



1 SECTION 10. Section 323F-21, Hawaii Revised Statutes, is  
2 amended by amending subsections (b), (c), and (d) to read as  
3 follows:

4 "(b) The corporation board [~~and regional system boards~~]  
5 shall [~~collaboratively~~] develop and adopt, upon consultation  
6 with the regional system boards via the system policy committee  
7 established in section 323- , budgetary guidelines and annual  
8 operating and capital budgets for each facility[~~7~~] and the  
9 corporate office, taking into account anticipated surpluses from  
10 or subsidies to the facilities pursuant to the annual guidelines  
11 described in this section, accumulated corporation and regional  
12 reserves and accounts, subsidies, if any, that are determined to  
13 be needed from the general fund, and other sources of  
14 corporation-wide and regional income as may be identified. Two-  
15 year budgets will be approved for regional system boards, in  
16 alignment with State of Hawaii biennium budgeting. The  
17 corporate board shall [~~not alter the two year budget of a~~  
18 ~~regional system except:~~

- 19 (1) ~~Where state general funding is reduced;~~  
20 (2) ~~An emergency exists; or~~  
21 (3) ~~There is a renegotiated budget approved by a regional~~  
22 ~~system board.]~~



1 approve, modify, or reject the facility and regional budgets  
2 submitted by the regional system boards. The corporation [~~and~~  
3 ~~regional system boards~~] shall [~~collaboratively develop budgetary~~  
4 ~~guidelines and negotiate with each facility~~] determine  
5 reasonable corporation administrative costs, including funds  
6 determined by the corporation or any regional system board to be  
7 needed from or provided to each facility to:

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

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



1 (d) Beginning with the first of the legislative biennium  
2 budget years following the establishment of a regional system  
3 board, and for each biennium period thereafter, the corporation  
4 shall call together all the regional systems through  
5 representatives selected by each regional system board~~[, and the~~  
6 ~~chairs of the facility management advisory committees, if any,]~~  
7 to determine which additional services the regions require from  
8 the corporation in addition to the corporate functions needed in  
9 order to implement this chapter ~~[and functions should be~~  
10 ~~provided by the corporation for the next biennium budget period,~~  
11 ~~consistent with this chapter]~~. As part of the biennium  
12 budgeting process, the corporation board and the representatives  
13 of each regional system, working through the corporation board  
14 regional representatives, shall agree upon an allocation  
15 methodology for funding the agreed upon and statutorily created  
16 corporate services and functions. When allocation decisions  
17 cannot be reached by majority agreement, with each region  
18 receiving one vote, the corporate board shall decide the  
19 allocation for that service or function."

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



1           "(a) The corporation shall engage a certified public  
2 accountant to conduct an annual audit of its financial affairs,  
3 books, and records in accordance with generally accepted  
4 accounting principles. [~~The corporation, in consultation with a~~  
5 ~~regional system board, may permit or require a regional system~~  
6 ~~board to retain an audit firm to conduct an independent audit of~~  
7 ~~the regional system. Each regional system board shall submit~~  
8 ~~the results of the annual audit to the corporation board within~~  
9 ~~one hundred twenty days after the close of the regional system~~  
10 ~~board's fiscal year.] The corporation shall submit to the  
11 governor and the legislature, within one hundred [~~fifty~~] eighty  
12 days after the close of the corporation's fiscal year, a report  
13 that shall include the audited financial report for that fiscal  
14 year for the corporation and each regional system board.~~

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

20           (1) The projected revenues for each health care facility;  
21                 and



1 (2) A list of all proposed capital improvement projects  
2 planned for implementation during the following fiscal  
3 year [~~+~~ and

4 ~~(3) All reports submitted by regional public health~~  
5 ~~facility management advisory committees pursuant to~~  
6 ~~section 323F-10(e)]."~~

7 SECTION 12. Section 323F-24, Hawaii Revised Statutes, is  
8 amended to read as follows:

9 "**§323F-24 Budget oversight.** The corporation's [~~and each~~  
10 ~~regional system board's operating and capital improvement]~~  
11 combined corporation and regional operational and capital  
12 budgets shall not be subject to review or approval by the  
13 governor or any state agency, except where state general funds  
14 or capital improvement moneys are requested. If general funds  
15 or capital improvement moneys are requested, then the  
16 corporation or any regional system board shall include, with its  
17 request, the proposed budget for which the funds or moneys are  
18 to be included. The corporation [~~and regional system boards,~~  
19 ~~once operational,~~] shall [~~collaboratively~~] submit [~~their budget~~]  
20 the combined budgets annually to the legislature for review and  
21 approval at least twenty days prior to the convening of [~~the~~]



1 each regular [~~legislative~~] session, beginning with the budgets  
2 for the [~~2010-2011~~] 2016-2017 biennium fiscal years."

3 SECTION 13. Section 323F-10, Hawaii Revised Statutes, is  
4 repealed.

5 [~~"§323F-10 Regional public health facility management~~  
6 ~~advisory committees.~~ (a) ~~On the transfer date, there shall be~~  
7 ~~established within the corporation for each region, a public~~  
8 ~~health facility management advisory committee to consist of nine~~  
9 ~~members initially to be appointed by the chief executive officer~~  
10 ~~of the corporation with the advice of the hospital~~  
11 ~~administrators of the facilities in the affected regions. The~~  
12 ~~members shall serve for a term of four years; provided that upon~~  
13 ~~the initial appointment of the members, two shall be appointed~~  
14 ~~for a term of one year, two for a term of two years, two for a~~  
15 ~~term of three years, and three for a term of four years.~~

16 ~~Following the initial appointments by the chief executive~~  
17 ~~officer of the corporation board, any vacancies on a regional~~  
18 ~~committee shall be filled by a simple majority vote of the~~  
19 ~~members of the executive committee from a list of qualified~~  
20 ~~nominees submitted by the regional committee in which the~~  
21 ~~vacancy occurred. If a regional committee vacancy remains~~  
22 ~~unfilled for more than thirty days, that vacancy may~~



1 ~~be filled by the chief executive officer of the corporation.~~

2 ~~Each regional management advisory committee shall include~~  
3 ~~medical and health care providers, consumers, and knowledgeable~~  
4 ~~individuals in other appropriate areas such as business and law,~~  
5 ~~provided that at least one member shall be a physician with~~  
6 ~~active medical staff privileges at one of the region's public~~  
7 ~~health facilities. At least three members of the committee shall~~  
8 ~~be consumers.~~

9 ~~The management advisory committee for the East Hawaii~~  
10 ~~region shall have three members who reside in the Ka'u district,~~  
11 ~~three members who reside in the Hamakua/North Hilo districts,~~  
12 ~~and three members who reside in the South Hilo/Puna districts.~~  
13 ~~The management advisory committee for the West Hawaii region~~  
14 ~~shall have not less than three members who reside in the North~~  
15 ~~Kohala/South Kohala districts.~~

16 ~~Each regional committee shall select its own chairperson~~  
17 ~~and vice chairperson and shall adopt rules governing the terms~~  
18 ~~for removal of its chairperson from the executive management~~  
19 ~~advisory committee. In the event of a regional committee voting~~  
20 ~~to remove its chairperson who concurrently sits on the~~  
21 ~~corporation board, that vote shall be unanimous. In the event~~  
22 ~~of a regional committee voting to remove its physician member~~





1 ~~from the corporation board, that vote shall also be unanimous.~~  
2 ~~Each regional committee may also adopt other rules as it may~~  
3 ~~consider necessary for the conduct of its business.~~

4 ~~The members of the regional committees shall serve without~~  
5 ~~compensation, but shall be reimbursed for traveling expenses~~  
6 ~~incurred in the performance of their duties. The corporation~~  
7 ~~shall provide for the necessary expenses of the committees,~~  
8 ~~provided that no expenses may be incurred without prior~~  
9 ~~authorization by the chief executive officer.~~

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

21 ~~(c) Each regional committee may prepare a report for~~  
22 ~~inclusion with the corporation's annual report and audit, which~~



1 ~~shall include but not be limited to comments and analyses on the~~  
2 ~~corporation's regional operational and capital improvement~~  
3 ~~budgets for its respective region.~~

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

7 SECTION 14. Section 323F-10.5, Hawaii Revised Statutes, is  
8 repealed.

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

17 ~~(b) The executive committee shall select its own~~  
18 ~~chairperson to serve on the corporation board and shall adopt~~  
19 ~~rules governing the terms of office and removal from the~~  
20 ~~corporation board. The executive committee shall also adopt~~  
21 ~~rules governing the terms of office for each of the five~~  
22 ~~regional committee chairpersons. The executive committee may~~



1 ~~also adopt other rules as it may consider necessary for the~~  
2 ~~conduct of its business.~~

3 ~~(c) The members of the executive committee shall serve~~  
4 ~~without compensation, but shall be reimbursed for reasonable~~  
5 ~~expenses incurred in the performance of their duties.~~

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

9 SECTION 15. In codifying the new sections added by section  
10 2 of this Act, the revisor of statutes shall substitute  
11 appropriate section numbers for the letters used in designating  
12 the new sections in this Act.

13 SECTION 16. All acts passed prior to or during the regular  
14 session of 2013, whether enacted before or after passage of this  
15 Act shall be interpreted to conform to this Act, unless the acts  
16 specifically provide that this Act is being amended. Insofar as  
17 this Act is inconsistent with any other law, this Act shall  
18 control.

19 SECTION 17. If any provision of this Act, or the  
20 application thereof to any person or circumstance is held  
21 invalid, the invalidity does not affect other provisions or  
22 applications of the Act, which can be given effect without the



1 invalid provision or application, and to this end the provisions  
2 of this Act are severable.

3 SECTION 18. This Act does not affect rights and duties  
4 that matured, penalties that were incurred, and proceedings that  
5 were begun before its effective date.

6 SECTION 19. Statutory material to be repealed is bracketed  
7 and stricken. New statutory material is underscored.

8 SECTION 20. This Act shall take effect on July 1, 2050.



**Report Title:**

Hawaii Health Systems Corporation; Regional System Boards

**Description:**

Amends the governance structure of Hawaii Health Systems Corporation (HHSC). Makes the regional chief executive officers nonvoting members. Establishes the HHSC personnel system and new collective bargaining units. Delineates the HHSC Board's and regional boards' powers. Effective July 1, 2050. (HB1484 HD1)

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

