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## A BILL FOR AN ACT

RELATING TO HEALTH.

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

1           SECTION 1. Prior to the establishment of the Hawaii health  
2 systems corporation, the State's community hospitals system was  
3 a division of the department of health. Rapid changes in the  
4 health industry and impending implementation of national and  
5 local health care reform prompted legislative action to  
6 permanently allow the community hospitals system to gain greater  
7 control over operations to compete and remain viable. In 1996,  
8 the Hawaii health systems corporation was created to provide  
9 improved health care for all persons in the State, including  
10 those served by small rural facilities by coordinating and  
11 overseeing statewide health policy and services.

12           Today, the Hawaii health systems corporation is the fourth  
13 largest public health system in the United States, the largest  
14 provider of health care on every island except Oahu and Molokai,  
15 and the only acute care provider on Lanai and Maui. The  
16 corporation is also the safety net for neighbor island acute  
17 care and for long-term care in the State.



1 Ongoing financial challenges faced by the Hawaii health  
2 systems corporation are a risk to the public health care  
3 services provided by the corporation. Under current conditions,  
4 the Hawaii health systems corporation continues to face  
5 financial challenges, including budget shortfalls, increased  
6 operational and capital improvement costs, declining government  
7 and third-party payer subsidies, and inadequate reimbursements,  
8 among other challenges.

9 Structural reform to the Hawaii health systems corporation  
10 provides an opportunity to improve the delivery of health care  
11 services and resources in the community. Eliminating the  
12 corporation board and the centralized authority of the Hawaii  
13 health systems corporation, and instead establishing regional  
14 health care systems, each to be headed by a regional system  
15 board, will give the regional health care systems administrative  
16 and operational autonomy. Establishing autonomous regional  
17 health care systems will also streamline government operations  
18 and allocate greater resources directly to the respective  
19 regional health care systems for the provision of public health  
20 care services.

21 However, such an undertaking is complex. It requires well-  
22 coordinated and careful planning to provide a seamless



1 transition to ensure continuity of health care services in the  
2 community and to maintain the viability of the State's health  
3 care delivery system.

4 Many of the issues to be considered in the transition are  
5 finance- and budget-related. Other considerations are the  
6 impact on the types of health services offered statewide, the  
7 additional responsibilities and greater roles that will be  
8 absorbed by the regional system boards, and the status of  
9 employees in the new structure.

10 The purpose of this Act is to ensure continuity of health  
11 care services to the community and maintain the viability of the  
12 health care delivery system in the State by requiring the  
13 governor to establish a task force to develop an organizational  
14 and functional plan that:

- 15 (1) Eliminates the corporation board and the centralized  
16 authority of the Hawaii health systems corporation;
- 17 (2) Establishes autonomous regional health care systems,  
18 each to be headed by a regional system board; and
- 19 (3) Gives the regional system boards complete  
20 administrative and operational oversight over their  
21 respective regional health care systems.



1           SECTION 2. (a) The governor shall establish a task force  
2 to develop an organizational and functional plan that:

- 3           (1) Eliminates the corporation board and centralized  
4 authority of the Hawaii health systems corporation;  
5           (2) Establishes autonomous regional health care systems,  
6 each to be headed by a regional system board; and  
7           (3) Gives the regional system boards complete  
8 administrative and operational oversight over their  
9 respective regional health care systems.

10           (b) As part of the organizational and functional plan, the  
11 task force shall, among other things:

- 12           (1) Establish clear and consistent roles and  
13 responsibilities for the regional system boards in  
14 overseeing their respective regional health care  
15 systems;  
16           (2) Develop appropriate transition plans;  
17           (3) Review personnel classifications and position  
18 descriptions for employees of the State's public  
19 health care system;  
20           (4) Develop an organizational structure for the regional  
21 health care systems and their boards;



1           (5) Prepare proposed budgets for each of the regional  
2           health care systems; and

3           (6) Attend to other administrative details necessary to  
4           complete the transition.

5           (c) The task force shall consist of representatives of the  
6 departments of health, budget and finance, human resources  
7 development, accounting and general services, and attorney  
8 general; the chairperson of the Hawaii health systems  
9 corporation; the respective chairs of the current regional  
10 health care system boards; the designated collective bargaining  
11 representatives of current employees of the Hawaii health  
12 systems corporation; representatives of the hospital industry;  
13 representatives of insurers and health maintenance  
14 organizations; and community members from each county.

15           (d) The task force shall submit the organizational and  
16 functional plan, including any proposed legislation necessary to  
17 implement the transition from the Hawaii health systems  
18 corporation structure to a regional health care systems  
19 structure, to the legislature no later than thirty days prior to  
20 the convening of the regular session of 2015 as part of the  
21 biennial executive budget request.



1           (e) Upon completion of the organizational and functional  
2 plan, the governor shall appoint a management team to develop  
3 transition plans, finalize position descriptions and revise  
4 personnel classifications, establish a personnel records system,  
5 develop accounting and fiscal controls, and attend to other  
6 administrative details so that by January 1, 2016:

- 7           (1) The transition from the Hawaii health systems  
8                corporation structure to a regional health care  
9                systems structure is complete; and
- 10          (2) The transfer of functions of the Hawaii health systems  
11               corporation to the respective regional health care  
12               systems and all other actions necessary in the  
13               transfer are complete.

14          (f) Members of the task force shall not be considered  
15 employees of the State for purposes of chapter 84, Hawaii  
16 Revised Statutes, based solely upon their participation on the  
17 task force.

18          (g) The task force shall be exempt from the requirements  
19 of chapter 92, Hawaii Revised Statutes.

20           SECTION 3. There is appropriated out of the general  
21 revenues of the State of Hawaii the sum of \$                    or so much



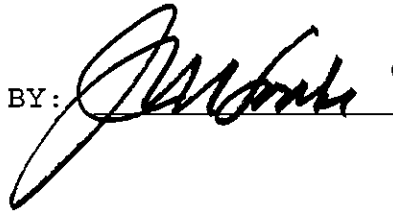
1 thereof as may be necessary for fiscal year 2014-2015 for the  
2 purposes of this Act.

3 The sum appropriated shall be expended by the office of the  
4 governor for the purposes of this Act.

5 SECTION 4. This Act shall take effect upon its approval;  
6 provided that section 3 shall take effect on July 1, 2014.

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INTRODUCED BY: \_\_\_\_\_



JAN 17 2014



# H.B. NO. 1937

**Report Title:**

Hawaii Health Systems Corporation; Structural Reform

**Description:**

Requires the Office of the Governor to establish a task force to develop an organizational and functional plan that eliminates the corporation board and centralized authority of the Hawaii Health Systems Corporation and establishes autonomous regional health care systems headed by a regional system board by January 1, 2016. Makes appropriation.

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

