
A BILL FOR AN ACT

RELATING TO HEALTH CARE TRANSFORMATION.

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

1 SECTION 1. The legislature finds that the effectiveness of
2 our health care system is of considerable importance to every
3 state resident from the perspective of cost, accessibility, and
4 quality. The State has a particular responsibility for the
5 effectiveness of the health care system as the purchaser of
6 health insurance for nearly forty per cent of the population.

7 In addition, the quality of care in our system is not
8 consistently high, access to needed care is not reliably
9 available across all islands or for all people, and health
10 information technology is not used to its full capacity for
11 improving care and reducing errors and duplication.

12 The legislature recognizes that health care transformation
13 is necessary and will require alignment of health care
14 strategies, priorities, and investments for both the private
15 sector and state agencies.

16 Pursuant to Act 224, Session Laws of Hawaii 2013, Hawaii's
17 health care transformation program resides temporarily, through
18 June 30, 2015, in the office of the governor. There is



1 currently no permanent state agency with authority to support,
2 coordinate, oversee, and evaluate change and innovation in our
3 health care system.

4 The purpose of this Act is to continue the program on a
5 long-term basis and codify Hawaii's commitment to health care
6 transformation by:

- 7 (1) Creating the structure and authority for health care
8 transformation;
- 9 (2) Extending to June 30, 2017, the duration of the health
10 care transformation program, which is established and
11 temporarily placed within the office of the governor;
- 12 (3) On July 1, 2017, transferring the functions of
13 Hawaii's health care transformation program to the
14 state health planning and development agency of the
15 department of health, along with its existing
16 resources and personnel, and renaming the state health
17 planning and development agency to encompass this
18 expanded purpose; and
- 19 (4) Appropriating funds for the healthcare transformation
20 coordinator to carry out the functions, operations,
21 and purposes of the health care transformation
22 program.



1 SECTION 2. Chapter 323D, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By amending its title to read:

4 "CHAPTER 323D
5 HAWAII HEALTH CARE PLANNING AND [RESOURCES DEVELOPMENT AND
6 HEALTH CARE COST CONTROL] POLICY AUTHORITY"

7 2. By adding a new part to be appropriately designated and
8 to read:

9 "PART . OFFICE OF HEALTH CARE TRANSFORMATION

10 §323D-A Office of health care transformation. (a) There
11 is established within the Hawaii health care planning and policy
12 authority an office of health care transformation. The office
13 shall be headed by a health care transformation officer who
14 shall be appointed by the governor subject to section 26-34 and
15 who shall report directly to the governor.

16 (b) Section 26-35(a)(1) shall not apply to the office of
17 health care transformation. Notwithstanding section
18 26-35(a)(2), the financial requirements from state funds of the
19 office shall be submitted through the director of health and
20 included in the budget for the department of health, and neither
21 the authority administrator nor director of health shall change
22 the office's submissions in any way. Notwithstanding section



1 26-35(a)(4), the employment, appointment, promotion, transfer,
2 demotion, discharge, and job descriptions of all officers and
3 employees of or under the jurisdiction of the office shall be
4 determined by the office, subject to applicable personnel laws,
5 and shall not be subject to the approval of the authority
6 administrator or the director of health.

7 (c) The health care transformation officer shall oversee
8 and supervise the office of health care transformation and shall
9 organize, manage, and lead multi-sector statewide health care
10 transformation activities, including:

- 11 (1) Identifying the issues that need to be addressed to
12 achieve statewide health care transformation;
- 13 (2) Developing health system goals, strategies,
14 frameworks, and timelines, as well as proposed
15 legislation and rules, directed at health care
16 transformation;
- 17 (3) Coordinating health policy and purchasing across state
18 agencies to promote alignment in quality measures,
19 data collection, payment strategies, insurance
20 regulation, waivers, and plan amendments consistent
21 with improving public and population health to the
22 extent allowable under federal law;



- 1 (4) Identifying processes, measures, and goals to evaluate
2 and improve the quality and cost-effectiveness of
3 health care services;
- 4 (5) Pursuing opportunities for administrative uniformity
5 or alignment of processes, measures, and other matters
6 directed at improving the quality and cost-
7 effectiveness of health care services;
- 8 (6) Identifying fair and efficient payment models for
9 health care services;
- 10 (7) Coordinating and overseeing policy and programs to
11 improve, expand, and use health information technology
12 to organize, store, safeguard, exchange, report, and
13 analyze clinical, cost, educational, technical,
14 administrative, regulatory, and other health care-
15 related data;
- 16 (8) Identifying and overseeing state and private sector
17 initiatives to improve access to care including but
18 not limited to insurance expansion, workforce
19 training, and support for community-based health
20 organizations;
- 21 (9) Developing a state health care transformation plan;



1 (10) Reporting annually to the governor and the legislature
2 on the status and implementation of the state health
3 care transformation plan;

4 (11) Performing other necessary or desirable functions to
5 facilitate the intent of this section;

6 (12) Notwithstanding section 323D-61, employing persons in
7 the office exempt from chapters 76 and 89; and

8 (13) Contracting for services that may be necessary for the
9 purposes of this section.

10 (d) The health care transformation officer may apply for,
11 receive, and disburse grants, fees, and donations from all
12 sources for health care transformation activities; provided that
13 all donations accepted from private sources shall be expended in
14 the manner prescribed by the contributor, and all moneys shall
15 be deposited into the health care transformation special fund
16 established under section 323D-B. The health care
17 transformation officer may also receive directly for the
18 office's purposes, donated personal services and personal
19 property for which funding is not required.

20 (e) The health care transformation officer shall submit an
21 annual report to the governor and the legislature no later than
22 twenty days prior to the convening of each regular session of

1 the legislature on the activities under the authority of the
2 health care transformation officer, and the expenditure of all
3 moneys received from all sources and deposited into the health
4 care transformation special fund in support of this section.

5 **§323D-B Health care transformation special fund;**
6 **established.** (a) There is established in the state treasury
7 the health care transformation special fund, which shall be
8 administered by the health care transformation officer. All
9 moneys collected by the officer pursuant to section 323D-A(d)
10 shall be deposited into the health care transformation special
11 fund.

12 (b) Moneys in the health care transformation special fund
13 shall be used for the purposes of this part."

14 SECTION 3. Section 323D-2, Hawaii Revised Statutes, is
15 amended as follows:

16 1. By adding a new definition to be appropriately inserted
17 and to read:

18 "Authority" means the Hawaii health care planning and
19 policy authority."

20 2. By repealing the definition of "state agency".

21 [~~"State agency" means the state health planning and~~
22 ~~development agency established in section 323D-11."~~]



1 SECTION 4. Section 323D-12, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "**§323D-12 Health care planning and [~~development~~] policy**
4 **functions; [~~state agency~~] authority.** (a) The [~~state agency~~]
5 authority shall:

- 6 (1) Have as a principal function the responsibility for
- 7 promoting accessibility for all the people of the
- 8 State to quality health care services at reasonable
- 9 cost. The [~~state agency~~] authority shall conduct such
- 10 studies and investigations as may be necessary as to
- 11 the causes of health care costs including inflation.
- 12 The [~~state agency~~] authority may contract for services
- 13 to implement this paragraph. The certificate of need
- 14 program mandated under part V shall serve this
- 15 function. The [~~state agency~~] authority shall promote
- 16 the sharing of facilities or services by health care
- 17 providers whenever possible to achieve economies and
- 18 shall restrict unusual or unusually costly services to
- 19 individual facilities or providers where appropriate;
- 20 (2) Serve as staff to and provide technical assistance and
- 21 advice to the statewide council and the subarea

- 1 councils in the preparation, review, and revision of
- 2 the state health services and facilities plan;
- 3 (3) Conduct the health planning activities of the State in
- 4 coordination with the subarea councils, implement the
- 5 state health services and facilities plan, and
- 6 determine the statewide health needs of the State
- 7 after consulting with the statewide council; ~~and~~
- 8 (4) Perform the health care transformation functions
- 9 described in part ; and
- 10 ~~(4)~~ (5) Administer the state certificate of need program
- 11 pursuant to part V.
- 12 (b) The ~~[state agency]~~ authority may:
- 13 (1) Prepare such reports and recommendations on Hawaii's
- 14 health care costs and public or private efforts to
- 15 reduce or control costs and health care quality as it
- 16 deems necessary. The report may include, but not be
- 17 limited to, a review of health insurance plans, the
- 18 availability of various kinds of health insurance and
- 19 malpractice insurance to consumers, and strategies for
- 20 increasing competition in the health insurance field.
- 21 (2) Prepare and revise as necessary the state health
- 22 services and facilities plan.

- 1 [~~3~~] ~~Prepare, review, and revise the annual implementation~~
- 2 ~~plan.~~
- 3 ~~4~~] (3) Assist the statewide council in the performance
- 4 of its functions.
- 5 ~~5~~] (4) Determine the need for new health services
- 6 proposed to be offered within the State.
- 7 ~~6~~] (5) Assess existing health care services and
- 8 facilities to determine whether there are redundant,
- 9 excessive, or inappropriate services or facilities and
- 10 make public findings of any that are found to be so.
- 11 The ~~[state agency]~~ authority shall weigh the costs of
- 12 the health care services or facilities against the
- 13 benefits the services or facilities provide and there
- 14 shall be a negative presumption against marginal
- 15 services.
- 16 ~~7~~] (6) Provide technical assistance to persons, public
- 17 or private, in obtaining and filling out the necessary
- 18 forms for the development of projects and programs.
- 19 ~~8~~] (7) Prepare reports, studies, and recommendations on
- 20 emerging health issues [~~such as medical ethics,~~
- 21 ~~health care rationing, involuntary care, care for the~~

1 ~~indigent, and standards for research and development~~
2 ~~of biotechnology and genetic engineering].~~

3 ~~[-9-]~~ (8) Conduct such other activities as are necessary to
4 meet the purposes of this chapter."

5 SECTION 5. Section 323D-12.6, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "[~~§~~323D-12.6~~]~~ ~~State health]~~ Health care planning and
8 [development] policy special fund; created; deposits;
9 expenditures; fees. (a) There is established within the state
10 treasury, to be administered by the ~~[state health planning and~~
11 ~~development agency, the state health planning and development]~~
12 authority, the health care planning and policy special fund into
13 which shall be deposited all moneys collected under chapter
14 323D[-], with the exception of all moneys collected under part
15 , which shall be deposited into the health care
16 transformation special fund established under section 323D-B.

17 (b) Moneys in the health care planning and policy special
18 fund shall be expended by the [state health planning and
19 development agency] authority to assist in offsetting program
20 expenses of the [agency-] authority.



1 (c) The [agency] authority shall adopt rules in accordance
2 with chapter 91 to establish reasonable fees for the purposes of
3 this chapter."

4 SECTION 6. Act 224, Session Laws of Hawaii 2013, is
5 amended as follows:

6 1. By amending section 2 to read:

7 "SECTION 2. (a) There is established and temporarily
8 placed within the office of the governor the health care
9 transformation program, which shall terminate on [~~July 1, 2015.~~]
10 June 30, 2017. The principal mission of the program is to
11 identify the issues that need to be addressed to achieve
12 statewide health care transformation, and develop a strategy,
13 framework, and timeline, as well as proposed legislation and
14 rules, directed at the transformation, and to thereby improve
15 the quality and cost-effectiveness of the health care delivery
16 system, and ensure that Hawaii residents and visitors have
17 access to high-quality and cost effective health care. The
18 governor shall consider a broad range of initiatives, issues,
19 and strategies, including:

20 (1) The identification of processes, measures, and goals
21 to evaluate and improve the quality and cost-
22 effectiveness of health care services;



- 1 (2) Opportunities for administrative uniformity or the
2 standardization of processes, measures, and other
3 matters directed at improving the quality and cost-
4 effectiveness of health care service;
- 5 (3) Fair and efficient payment models for health care
6 services;
- 7 (4) Streamlined authorization procedures for health care
8 services;
- 9 (5) Improvement and expansion of the use of information
10 technologies to organize, store, safeguard, exchange,
11 and report clinical, cost, educational, technical,
12 administrative, regulatory, and other health care-
13 related data;
- 14 (6) Improvement and promotion of the establishment and use
15 of cost-effective preferred drug lists; and
- 16 (7) Any other issue, solution, or initiative necessary or
17 appropriate to further the principal mission of the
18 program.
- 19 (b) To facilitate the development of the strategy,
20 framework, and timeline, as well as legislation and rules
21 pursuant to subsection (a), the governor may obtain information
22 by informally consulting, individually or as a group, with any



1 stakeholder or subject-matter expert selected by the program.
2 The governor may informally collaborate, individually or as a
3 group, with any stakeholder or subject-matter expert, to enable
4 the program to plan and develop proposed strategies, including
5 proposed legislation and rules."

6 2. By amending section 3 to read:

7 "SECTION 3. The governor shall submit a progress report
8 containing the status of the health care transformation program,
9 including findings and recommendations to the legislature, no
10 later than twenty days prior to the convening of the regular
11 [~~session~~] sessions of 2014[~~-~~], 2015, and 2016. The governor
12 shall submit a final report on the health care transformation
13 program, including findings, recommendations, and any proposed
14 legislation, to the legislature no later than twenty days prior
15 to the convening of the regular session of [~~2015-~~] 2017."

16 SECTION 7. Effective July 1, 2015, chapter 323D, Hawaii
17 Revised Statutes, is amended by replacing all references to the
18 "state health planning and development program" with references
19 to the "Hawaii health care planning and policy program," by
20 replacing all references to the "state health planning and
21 development agency" with references to the "Hawaii health care
22 planning and policy authority," and by replacing all references



1 to the "state agency" and the "agency" with references to the
2 "authority" as the context requires.

3 SECTION 8. Effective July 1, 2017, all rights, powers,
4 functions, and duties of the health care transformation program
5 in the office of the governor are transferred to the Hawaii
6 health care planning and policy authority. All employees who
7 occupy civil service positions and whose functions are
8 transferred to the Hawaii health care planning and policy
9 authority by this Act shall retain their civil service status,
10 whether permanent or temporary. Employees shall be transferred
11 without loss of salary, seniority (except as prescribed by
12 applicable collective bargaining agreements), retention points,
13 prior service credit, any vacation and sick leave credits
14 previously earned, and other rights, benefits, and privileges,
15 in accordance with state personnel laws and this Act; provided
16 that the employees possess the minimum qualifications and public
17 employment requirements for the class or position to which
18 transferred or appointed, as applicable; provided further that
19 subsequent changes in status may be made pursuant to applicable
20 civil service and compensation laws.

21 Any employee who, prior to this Act, is exempt from civil
22 service and is transferred as a consequence of this Act may



1 retain the employee's exempt status, but shall not be appointed
2 to a civil service position as a consequence of this Act. An
3 exempt employee who is transferred by this Act shall not suffer
4 any loss of prior service credit, vacation or sick leave credits
5 previously earned, or other employee benefits or privileges as a
6 consequence of this Act; provided that the employee possesses
7 legal and public employment requirements for the position to
8 which transferred or appointed, as applicable; provided further
9 that subsequent changes in status may be made pursuant to
10 applicable employment and compensation laws. The health care
11 transformation officer of the Hawaii health care planning and
12 policy authority may prescribe the duties and qualifications of
13 these employees and fix their salaries without regard to chapter
14 76, Hawaii Revised Statutes.

15 SECTION 9. Effective July 1, 2017, all appropriations,
16 other funds, records, equipment, machines, files, supplies,
17 contracts, books, papers, documents, maps, and other personal
18 property heretofore made, used, acquired, or held by the health
19 care transformation program relating to the functions
20 transferred to the office of health care transformation shall be
21 transferred with the functions to which they relate.



1 SECTION 10. Effective July 1, 2017, all deeds, leases,
2 contracts, loans, agreements, permits, or other documents
3 executed or entered into by or on behalf of the health care
4 transformation program in the office of the governor are
5 transferred to the Hawaii health care planning and policy
6 authority.

7 SECTION 11. All deeds, leases, contracts, loans,
8 agreements, permits, or other documents executed or entered into
9 by or on behalf of the health care transformation program in the
10 office of the governor shall remain in full force and effect.
11 Effective July 1, 2017, every reference to the governor's health
12 care transformation program in those deeds, leases, contracts,
13 loans, agreements, permits, or other documents shall be
14 construed as a reference to the office of health care
15 transformation or health care transformation officer, as
16 appropriate.

17 SECTION 12. The administrative rules of the State health
18 planning and development agency that are in effect as of the
19 effective date of this Act shall remain in effect until amended
20 by the Hawaii health care planning and policy authority. All
21 references in those rules to the "state health planning and
22 development program" shall be read to mean the "Hawaii health



1 care planning and policy program," all references to the "state
2 health planning and development agency" shall be read to mean
3 the "Hawaii health care planning and policy authority," and all
4 references to the "state agency" and the "agency" shall be read
5 to mean the "authority" as the context requires.

6 SECTION 13. There is appropriated out of the general
7 revenues of the State of Hawaii the sum of \$752,870 or so much
8 thereof as may be necessary for fiscal year 2014-2015 for the
9 healthcare transformation coordinator to carry out the
10 functions, operations, and purposes of the health care
11 transformation program.

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

14 SECTION 14. In codifying the new sections added by section
15 2 of this Act, the revisor of statutes shall substitute
16 appropriate section numbers for the letters used in designating
17 the new sections in this Act.

18 SECTION 15. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

20 SECTION 16. This Act shall take effect on July 1, 2014.



Report Title:

Health Care Transformation; Appropriation

Description:

Establishes the Office of Health Care Transformation within the State Health Planning and Development Agency, and changes the agency's name to the Hawaii Health Care Planning and Policy Authority. Establishes the Health Care Transformation Special Fund. Extends from July 1, 2015, to June 30, 2017, the Health Care Transformation Program, which is temporarily placed within the Office of the Governor, and effective July 1, 2017, transfers the Health Care Transformation Program to the Hawaii Health Care Planning and Policy Authority. Appropriates funds. (SD1)

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