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

7 (1) Creating the structure and authority for health care
8 transformation; and

9 (2) Transferring the functions of Hawaii's health care
10 transformation program to the state health planning
11 and development agency of the department of health,
12 along with its existing resources and personnel; and

13 (3) Renaming the state health planning and development
14 agency to the Hawaii health care planning and policy
15 authority, to encompass this expanded purpose.

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

18 1. Amending its title to read:

19 "CHAPTER 323D

20 ~~[HEALTH PLANNING AND RESOURCES DEVELOPMENT AND HEALTH CARE COST~~
21 ~~CONTROL]~~ HAWAII HEALTH CARE PLANNING AND POLICY AUTHORITY"

22 2. Amending the title of part II to read:



1 "PART II. [~~STATE HEALTH PLANNING AND DEVELOPMENT PROGRAM~~]

2 HAWAII HEALTH CARE PLANNING AND POLICY PROGRAM"

3 3. Adding a new part to be appropriately designated and to
4 read:

5 "PART . OFFICE OF HEALTH CARE TRANSFORMATION

6 §323D-A Office of health care transformation. (a) There
7 is established within the Hawaii health care planning and policy
8 authority an office of health care transformation. The office
9 shall be headed by a health care transformation officer who
10 shall be appointed by the governor subject to section 26-34 and
11 who shall report directly to the governor.

12 (b) The provisions of section 26-35(a)(1) shall not apply
13 to the office of health care transformation. Notwithstanding
14 section 26-35(a)(2), the financial requirements from state funds
15 of the office shall be submitted through the director of health
16 and included in the budget for the department of health, and
17 neither the authority administrator nor director shall change
18 the office's submissions in any way. Notwithstanding section
19 26-35(a)(4), the employment, appointment, promotion, transfer,
20 demotion, discharge, and job descriptions of all officers and
21 employees of or under the jurisdiction of the office shall be
22 determined by the office, subject to applicable personnel laws,



1 and shall not be subject to the approval of the authority
2 administrator or the director.

3 (c) The health care transformation officer shall oversee
4 and supervise the office of health care transformation and shall
5 organize, manage, and lead multi-sector statewide health care
6 transformation activities, including:

7 (1) Identifying the issues that need to be addressed to
8 achieve statewide health care transformation;

9 (2) Developing health system goals, strategies,
10 frameworks, and timelines, as well as proposed
11 legislation and rules, directed at health care
12 transformation;

13 (3) Coordinating health policy and purchasing across state
14 agencies to promote alignment in quality measures,
15 data collection, payment strategies, insurance
16 regulation, waivers, and plan amendments consistent
17 with improving public and population health to the
18 extent allowable under federal law;

19 (4) Identifying processes, measures, and goals to evaluate
20 and improve the quality and cost-effectiveness of
21 health care services;



- 1 (5) Pursuing opportunities for administrative uniformity
2 or alignment of processes, measures, and other matters
3 directed at improving the quality and cost-
4 effectiveness of health care services;
- 5 (6) Identifying fair and efficient payment models for
6 health care services;
- 7 (7) Coordinating and overseeing policy and programs to
8 improve, expand, and use health information technology
9 to organize, store, safeguard, exchange, report, and
10 analyze clinical, cost, educational, technical,
11 administrative, regulatory, and other health care-
12 related data;
- 13 (8) Identifying and overseeing state and private sector
14 initiatives to improve access to care, including but
15 not limited to insurance expansion, workforce
16 training, and support for community-based health
17 organizations;
- 18 (9) Developing a state health care transformation plan;
- 19 (10) Performing other necessary or desirable functions to
20 facilitate the intent of this section;
- 21 (11) Notwithstanding section 323D-61, employing persons in
22 the office exempt from chapters 76 and 89; and



1 (12) Contracting for services that may be necessary for the
2 purposes of this section.

3 (d) The health care transformation officer may apply for,
4 receive, and disburse grants, fees, and donations from all
5 sources for health care transformation activities; provided that
6 all donations accepted from private sources shall be expended in
7 the manner prescribed by the contributor. The health care
8 transformation officer may also receive directly for the
9 office's purposes donated personal services and personal
10 property for which funding is not required.

11 (e) The health care transformation officer shall submit an
12 annual report to the governor and the legislature, no later than
13 twenty days prior to the convening of each regular session, on:

14 (1) The activities under the authority of the health care
15 transformation officer, including the status and
16 implementation of the state health care transformation
17 plan; and

18 (2) The expenditure of all moneys received from all
19 sources and deposited into the health care
20 transformation special fund in support of this
21 section.



1 §323D-B Health care transformation special fund;
2 **established.** (a) There is established in the state treasury
3 the health care transformation special fund, which shall be
4 administered by the health care transformation officer. All
5 moneys collected by the health care transformation officer
6 pursuant to section 323D-A(d) shall be deposited into the health
7 care transformation special fund.

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

10 SECTION 3. Section 323D-1, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§323D-1 Purpose.** The purpose of this chapter is to
13 establish a [~~health planning and resources development program~~]
14 Hawaii health care planning and policy program to promote
15 accessibility for all the people of the State to quality health
16 care services at reasonable cost."

17 SECTION 4. Section 323D-2, Hawaii Revised Statutes, is
18 amended as follows:

19 1. By adding a new definition to be appropriately inserted
20 and to read:

21 ""Authority" means the Hawaii health care planning and
22 policy authority."



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

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

4 SECTION 5. Section 323D-11, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "§323D-11 [~~State health planning and development agency.]~~

7 Hawaii health care planning and policy authority. There is
8 established within the department of health for administrative
9 purposes only, the [~~state health planning and development~~
10 ~~agency.] Hawaii health care planning and policy authority. The
11 [~~state agency] authority shall be headed by an administrator who
12 shall be appointed by the governor subject to section 26-34.
13 The [~~state agency] authority shall administer the [~~state health~~
14 ~~planning and cost-containment activities] health care planning
15 and policy authority activities as required by law."~~~~~~~~

16 SECTION 6. Section 323D-12, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "§323D-12 [~~Health planning and development functions;~~
19 ~~state agency.] Health care planning and policy functions;~~

20 authority. (a) The [~~state agency] authority shall:~~

21 (1) Have as a principal function the responsibility for
22 promoting accessibility for all the people of the



1 State to quality health care services at reasonable
2 cost. The [~~state agency~~] authority shall conduct
3 [~~such~~] studies and investigations as may be necessary
4 as to the causes of health care costs including
5 inflation. The [~~state agency~~] authority may contract
6 for services to implement this paragraph. The
7 certificate of need program mandated under part V
8 shall serve this function. The [~~state agency~~]
9 authority shall promote the sharing of facilities or
10 services by health care providers whenever possible to
11 achieve economies and shall restrict unusual or
12 unusually costly services to individual facilities or
13 providers where appropriate;

14 (2) Serve as staff to and provide technical assistance and
15 advice to the statewide council and the subarea
16 councils in the preparation, review, and revision of
17 the state health services and facilities plan;

18 (3) Conduct the health planning activities of the State in
19 coordination with the subarea councils, implement the
20 state health services and facilities plan, and
21 determine the statewide health needs of the State
22 after consulting with the statewide council; [~~and~~]



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



1 ~~[(+6)]~~ (5) Assess existing health care services and
2 facilities to determine whether there are redundant,
3 excessive, or inappropriate services or facilities and
4 make public findings of any that are found to be so.
5 The ~~[state agency]~~ authority shall weigh the costs of
6 the health care services or facilities against the
7 benefits the services or facilities provide and there
8 shall be a negative presumption against marginal
9 services~~[-]~~;

10 ~~[(+7)]~~ (6) Provide technical assistance to persons, public
11 or private, in obtaining and filling out the necessary
12 forms for the development of projects and programs~~[-]~~;

13 ~~[(+8)]~~ (7) Prepare reports, studies, and recommendations on
14 emerging health issues~~[, such as medical ethics,~~
15 ~~health care rationing, involuntary care, care for the~~
16 ~~indigent, and standards for research and development~~
17 ~~of biotechnology and genetic engineering.]~~; and

18 ~~[(+9)]~~ (8) Conduct ~~[such]~~ any other activities ~~[as are]~~
19 necessary to meet the purposes of this chapter."

20 SECTION 7. Section 323D-12.6, Hawaii Revised Statutes, is
21 amended to read as follows:



1 "~~[§323D-12.6] State health planning and development~~
2 Health care planning and policy special fund; created; deposits;
3 expenditures; fees. (a) There is established within the state
4 treasury, to be administered by the ~~[state health planning and~~
5 ~~development agency, the state health planning and development]~~
6 Hawaii health care planning and policy authority, the health
7 care planning and policy special fund into which shall be
8 deposited all moneys collected under this chapter [323D-],
9 except any moneys collected under part .

10 (b) Moneys in the health care planning and policy special
11 fund shall be expended by the ~~[state health planning and~~
12 ~~development agency]~~ authority to assist in offsetting program
13 expenses of the ~~[agency-]~~ authority.

14 (c) The ~~[agency]~~ authority shall adopt rules in accordance
15 with chapter 91 to establish reasonable fees for the purposes of
16 this chapter."

17 SECTION 8. Effective July 1, 2015, section 321-225 and
18 chapter 323D, Hawaii Revised Statutes, are amended by replacing
19 all references to the "state health planning and development
20 agency" with references to the "Hawaii health care planning and
21 policy authority" and by replacing all references to the "state
22 agency" and "agency" with references to the "authority".



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

19 Any employee who, prior to this Act, is exempt from civil
20 service and is transferred as a consequence of this Act may
21 retain the employee's exempt status, but shall not be appointed
22 to a civil service position as a consequence of this Act. An



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

13 SECTION 10. All appropriations, other funds, records,
14 equipment, machines, files, supplies, contracts, books, papers,
15 documents, maps, and other personal property heretofore made,
16 used, acquired, or held by the health care transformation
17 program in the office of the governor relating to the functions
18 transferred to the Hawaii health care planning and policy
19 authority shall be transferred with the functions to which they
20 relate.

21 SECTION 11. All deeds, leases, contracts, loans,
22 agreements, permits, or other documents executed or entered into



1 by or on behalf of the health care transformation program in the
2 office of the governor shall remain in full force and effect.
3 Effective July 1, 2015, every reference to the governor's health
4 care transformation program in those deeds, leases, contracts,
5 loans, agreements, permits, or other documents shall be
6 construed as a reference to the office of health care
7 transformation or health care transformation officer, as
8 appropriate.

9 SECTION 12. The administrative rules of the state health
10 planning and development agency that are in effect as of the
11 effective date of this Act shall remain in effect until amended
12 by the Hawaii health care planning and policy authority. All
13 references in those rules to the "state health planning and
14 development program" shall be read to mean the "Hawaii health
15 care planning and policy program", all references to the "state
16 health planning and development agency" shall be read to mean
17 the "Hawaii health care planning and policy authority", and all
18 references to the "state agency" and "agency" shall be read to
19 mean the "authority".

20 SECTION 13. In codifying the new sections added by section
21 2 of this Act, the revisor of statutes shall substitute



1 appropriate section numbers for the letters used in designating
2 the new sections in this Act.

3 SECTION 14. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 15. This Act shall take effect on July 1, 2050.



Report Title:

Health Care Transformation

Description:

Establishes the Office of Health Care Transformation within the State Health Planning and Development Agency. Changes the name of the State Health Planning and Development Agency to the Hawaii Health Care Planning and Policy Authority. Establishes the Health Care Transformation Special Fund. Effective 7/1/2050. (SD2)

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