
A BILL FOR AN ACT

RELATING TO HAWAII HEALTH SYSTEMS CORPORATION.

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

1 PART I

2 SECTION 1. Chapter 323F, Hawaii Revised Statutes, is
3 amended by adding a new part to be appropriately designated and
4 to read as follows:

5 "PART . TRANSITION OF HAWAII HEALTH SYSTEMS CORPORATION,
6 REGIONAL SYSTEM, OR COMBINED REGIONAL SYSTEM

7 §323F-A Hawaii health systems corporation; transition
8 authority. Notwithstanding any other law to the contrary, the
9 corporation, a regional system, or a combined regional system of
10 two or more regional systems may transition to a new healthcare
11 management system organized under the laws of the State as a
12 nonprofit corporation or public benefit corporation registered
13 to do business in the State. The transition may occur through
14 the sale, lease, or transfer of the assets of the corporation,
15 regional system, or combined regional system to implement a more
16 economically efficient system of health care delivery in the
17 communities being served; provided that any real property shall
18 only be transferred by lease.



1 **§323F-B Transition committee; establishment.** There is
2 established a transition committee to be chaired by the governor
3 or the governor's designee. The committee shall consist of the
4 following members:

- 5 (1) The director of finance or the director's designee;
- 6 (2) The attorney general or the attorney general's
7 designee;
- 8 (3) Members representative of the Hawaii health systems
9 corporation corporate board;
- 10 (4) Members representative of the affected Hawaii health
11 systems corporation regional board or boards, who
12 shall each be a resident of the respective region
13 represented; and
- 14 (5) Representatives of public sector labor unions with
15 members who are employed by the Hawaii health systems
16 corporation.

17 The chair and the committee shall serve until a new
18 healthcare management system and transition are selected.
19 Additional members shall be selected by the governor. The terms
20 of the members of the transition committee shall be four years.
21 New members of the transition committee shall be selected by a



1 two-thirds affirmative vote of the existing transition committee
2 members.

3 **§323F-C Transition committee; powers.** (a) The transition
4 committee shall assist the governor in implementing, reviewing,
5 and negotiating the transition of the corporation, a regional
6 system, or a combined regional system of two or more regional
7 systems to a new healthcare management system.

8 (b) The transition committee shall:

- 9 (1) Give notice inviting healthcare management systems,
10 with expertise and experience in operating an
11 integrated clinical health care delivery system, to
12 submit a transition plan for the transition of the
13 management structure and health care delivery system
14 of the corporation, regional system, or combined
15 regional systems pursuant to the transition plan
16 criteria in section 323F-D;
- 17 (2) Evaluate the transition plans and any other pertinent
18 information submitted;
- 19 (3) Consult with the medical staff, hospital staff, and
20 the affected communities on the transition plans that
21 have been submitted;



- 1 (4) Based on the transition committee's findings, select a
2 transition plan that meets the requirements of section
3 323F-D;
- 4 (5) Enter into contracts, leases, agreements, or other
5 transactions with the selected healthcare management
6 system to execute the transition plan approved by the
7 transition committee to operate, manage, and control
8 the public health facilities of the corporation,
9 regional system, or combined regional systems;
- 10 (6) Monitor the execution of the transition plan by the
11 selected healthcare management system and develop
12 measures to determine the effectiveness of the
13 healthcare management system in achieving the outcomes
14 proposed in the transition plan;
- 15 (7) If general funds are requested by the selected
16 healthcare management system during the period of
17 transition, submit to the legislature a proposed
18 budget for which the funds are to be used;
- 19 (8) After the period of transition, monitor the activities
20 of the selected healthcare management system to
21 ensure:



1 (A) The basic health needs of the communities being
2 served are fulfilled through the provision of
3 adequate and accessible services and facilities;
4 and

5 (B) The efficient execution of budgeting, personnel,
6 procurement, fiscal, capital planning, and
7 accounting policies; and

8 (9) Approve the issuance of revenue bonds, as provided in
9 sections 323F-7(c)(15)(A) and 323F-7(c)(15)(B).

10 (c) The transition committee shall submit a report to the
11 governor and to the legislature twenty days prior to the
12 convening of each regular session on the achievements of the
13 selected healthcare management system in meeting the goals
14 proposed in the transition plan and the health care needs of the
15 communities being served.

16 **§323F-D Transition plan; criteria.** (a) The transition
17 committee shall develop criteria for evaluating and selecting a
18 plan for the transitioning of the corporation, a regional
19 system, or a combined regional system to a new healthcare
20 management system. The transition plan shall include
21 requirements for:



- 1 (1) Establishing a governance and management structure
2 that will improve the performance of the hospitals and
3 facilities of the corporation, regional system, or
4 combined regional systems;
- 5 (2) Applying efficiencies of scale, consolidation of
6 shared services, and administrative and technological
7 expertise to improve the health care performance of
8 the hospitals and facilities of the corporation,
9 regional system, or combined regional system;
- 10 (3) Implementing operational efficiencies and a financial
11 structure that will reduce or eliminate the need for
12 state subsidies during the period of transition;
- 13 (4) Establishing a personnel system that notwithstanding
14 any law to the contrary, is exempt from Title 7,
15 including but not limited to chapters 77, 89, and 89A,
16 and, notwithstanding any provision of a collective
17 bargaining agreement to the contrary, provides for
18 non-public operation of its health facility or
19 facilities without the need to bargain or consult with
20 any person or entity; provided that the rights of
21 employees under Article XIII, section 1, of the Hawaii
22 State Constitution shall not be abridged; and



1 (5) Protecting and promoting the health care needs of the
2 areas being served and delivering a high quality of
3 clinical care and patient services.

4 (b) To develop the criteria for the transition plan, the
5 transition committee shall consider:

6 (1) Issues relating to the decline of revenues and growth
7 of expenses;

8 (2) Implementation of measures to more effectively and
9 efficiently administer the delivery and monitoring of
10 health care;

11 (3) Required improvements to existing physical facilities
12 to more efficiently deliver health care in the
13 communities being served; and

14 (4) Workforce requirements to maintain, improve, or expand
15 health care in the communities being served.

16 **§323F-E Transition plan; legislative approval.** Any
17 transition plan selected by the transition committee shall be
18 approved by the legislature by a two-thirds vote of both houses
19 in any regular or special session following the date of the
20 selection of the transition plan.

21 **§323F-F Liabilities; period of transition.** (a) Any and
22 all liabilities of the corporation, regional system, or combined



1 regional system transitioning into a new healthcare management
2 system that were transferred to the Hawaii health systems
3 corporation upon its creation by Act 262, Session Laws of Hawaii
4 1996, and all liabilities of the corporation, regional system,
5 or combined regional system related to collective bargaining
6 contracts negotiated by the State, shall become the
7 responsibility of the State.

8 (b) As used in this section, "period of transition" means
9 the time in the transition plan submitted by the selected
10 healthcare management system during which structural,
11 operational, and financial changes are implemented by the
12 selected healthcare management system to promote the delivery of
13 high quality health care in the areas being served, while
14 reducing or eliminating the need for state subsidies.

15 **§323F-G Hospital services; state funding.** (a) The
16 selected healthcare management system shall maintain equivalent
17 hospital services in acquired regions for no less than
18 years following the finalization of the transition.

19 (b) The selected healthcare management system shall
20 receive general fund support from the State sufficient to
21 maintain equivalent hospital services in acquired regions for no



1 less than years following the finalization of the
2 transition."

3 SECTION 2. Section 323F-7.6, Hawaii Revised Statutes, is
4 repealed.

5 [~~"[§323F-7.6] Transition of Hawaii health systems regional~~
6 ~~system or health facility to a new entity.~~ (a) Notwithstanding
7 any other law to the contrary, including but not limited to
8 section 27-1 and chapter 171, any of the regional systems or
9 individual facilities of the Hawaii health systems corporation
10 is hereby authorized to transition into a new legal entity in
11 any form recognized under the laws of the State, including but
12 not limited to:

- 13 (1) A nonprofit corporation;
- 14 (2) A for-profit corporation;
- 15 (3) A municipal facility;
- 16 (4) A public benefit corporation; or
- 17 (5) Any two or more of the entities in paragraphs (1)
18 through (4).

19 A transition shall occur through the sale, lease, or transfer of
20 all or substantially all of the assets of the facility or
21 regional system, except for real property which shall only be



1 ~~transferred by lease. Any transition shall comply with chapter~~
2 ~~323D.~~

3 ~~(b) A transition shall only occur upon approval of the~~
4 ~~appropriate regional system board in the case of a regional~~
5 ~~system or individual facility transition, or upon approval of~~
6 ~~the regional system boards and the corporation in the case of~~
7 ~~the transition of the entire corporation. Any transition shall~~
8 ~~be subject to legal review by the attorney general who shall~~
9 ~~approve the transition if satisfied that the transition conforms~~
10 ~~to all applicable laws, subject to the review of the director of~~
11 ~~the department of budget and finance who shall approve the~~
12 ~~transition if it conforms to all applicable financing~~
13 ~~procedures, and subject to the governor's approval. In addition~~
14 ~~the transition shall be subject to the following terms and~~
15 ~~conditions:~~

16 ~~(1) All proceeds from the sale, lease, or transfer of~~
17 ~~assets shall be used for health care services in the~~
18 ~~respective regional system or facility, except that~~
19 ~~real property shall only be transferred by lease;~~

20 ~~(2) Any and all liabilities of a regional system or~~
21 ~~facility transitioning into a new entity that were~~
22 ~~transferred to the Hawaii health systems corporation~~



~~upon its creation by Act 262, Session Laws of Hawaii
1996, and all liabilities of the regional system or
facility related to collective bargaining contracts
negotiated by the State, shall become the
responsibility of the State; and~~

~~(3) During the period of transition:~~

~~(A) The State shall continue to fund the provision of
health care services provided for by the regional
system or individual facility; and~~

~~(B) All applicable provisions of this chapter shall
continue to apply.~~

~~Upon the completion of the transition of all the facilities
in a regional system to a new entity, the regional system board
for that regional system shall terminate; provided that if not
all of a regional system's facilities are transitioned to a new
entity, the existing regional system board shall not terminate
but shall continue to retain jurisdiction over those facilities
remaining in the regional system."]~~

PART II

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

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



1 "(a) All employees throughout the State within any of the
2 following categories shall constitute an appropriate bargaining
3 unit:

- 4 (1) Nonsupervisory employees in blue collar positions;
- 5 (2) Supervisory employees in blue collar positions;
- 6 (3) Nonsupervisory employees in white collar positions;
- 7 (4) Supervisory employees in white collar positions;
- 8 (5) Teachers and other personnel of the department of
9 education under the same pay schedule, including part-
10 time employees working less than twenty hours a week
11 who are equal to one-half of a full-time equivalent;
- 12 (6) Educational officers and other personnel of the
13 department of education under the same pay schedule;
- 14 (7) Faculty of the University of Hawaii and the community
15 college system;
- 16 (8) Personnel of the University of Hawaii and the
17 community college system, other than faculty;
- 18 (9) Registered professional nurses;
- 19 (10) Institutional, health, and correctional workers;
- 20 (11) Firefighters;
- 21 (12) Police officers;



- 1 (13) Professional and scientific employees, who cannot be
2 included in any of the other bargaining units; [~~and~~]
- 3 (14) State law enforcement officers and state and county
4 ocean safety and water safety officers[-]; and
- 5 (15) Employees of the Hawaii health systems corporation who
6 were as of January 1, 2014, in any of units (1)
7 through (14); provided that such employees will
8 continue to be covered by the collective bargaining
9 agreements in effect as of that date except that such
10 collective bargaining agreements shall be renegotiated
11 once the employer enters into an agreement to form a
12 new entity pursuant to section 323F-A. The employees
13 of the Hawaii health systems corporation, a regional
14 system, or a combined regional system of two or more
15 regional systems electing to transition to a new
16 healthcare management system shall continue to be
17 covered by the collective bargaining agreements in
18 effect upon the establishment of the transition
19 committee; provided that the governor, assisted by the
20 transition committee, shall negotiate with the new
21 healthcare management system, the terms and conditions
22 of employment which are subject to collective



1 bargaining which are to be embodied in a written
2 agreement prior to the period of transition of the
3 selected transition plan.

4 (b) Because of the nature of work involved and the
5 essentiality of certain occupations that require specialized
6 training, supervisory employees who are eligible for inclusion
7 in units (9) through [~~(14)~~] (15) shall be included in units (9)
8 through [~~(14)~~] (15), respectively, instead of unit (2) or (4)."

9 2. By amending subsection (d) to read:

10 "(d) For the purpose of negotiating a collective
11 bargaining agreement, the public employer of an appropriate
12 bargaining unit shall mean the governor together with the
13 following employers:

14 (1) For bargaining units (1), (2), (3), (4), (9), (10),
15 (13), [~~and~~] (14), and (15) the governor shall have six
16 votes and the mayors, the chief justice, and the
17 Hawaii health systems corporation board shall each
18 have one vote if they have employees in the particular
19 bargaining unit;

20 (2) For bargaining units (11) and (12), the governor shall
21 have four votes and the mayors shall each have one
22 vote;



1 (3) For bargaining units (5) and (6), the governor shall
2 have three votes, the board of education shall have
3 two votes, and the superintendent of education shall
4 have one vote; and

5 (4) For bargaining units (7) and (8), the governor shall
6 have three votes, the board of regents of the
7 University of Hawaii shall have two votes, and the
8 president of the University of Hawaii shall have one
9 vote.

10 Any decision to be reached by the applicable employer group
11 shall be on the basis of simple majority, except when a
12 bargaining unit includes county employees from more than one
13 county. In that case, the simple majority shall include at
14 least one county."

15 SECTION 4. No employee who is separated from service as a
16 result of the transition of the Hawaii health systems
17 corporation, a regional system board, or a combined regional
18 system board to a new healthcare management system shall suffer
19 any loss of retirement allowance earned as provided in section
20 88-74, Hawaii Revised Statutes.

21



1 PART III

2 SECTION 5. In codifying the new sections added by section
3 1 of this Act, the revisor of statutes shall substitute
4 appropriate sections numbers for the letters used in designating
5 the new sections in this Act.

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

8 SECTION 7. This Act shall take effect on July 1, 2150;
9 provided that on January 1, 2025, sections 1 and 2 of this Act
10 shall be repealed and section 323F-7.6, Hawaii Revised Statutes,
11 shall be reenacted in the form in which it read on the day
12 before the effective date of this Act.



Report Title:

Hawaii Health Systems Corporation; Transition Guidelines;
Nonprofit Hospital Corporations

Description:

Allows for the transition of the Hawaii health systems corporation, a regional system, to a new healthcare management system organized under the laws of the State as a nonprofit corporation or public benefit corporation registered to do business in the State. Establishes a transition committee to assist the governor in implementing, reviewing, and negotiating the transitioning of the corporation, a regional system, or a combined regional system or two or more regional systems to a new healthcare management system. Effective July 1, 2150.
(SB3064 HD1)

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

