

Honolulu, Hawaii  
MARCH 21, 2014

RE: S.B. No. 3064  
S.D. 2  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committees on Health and Labor & Public Employment, to which was referred S.B. No. 3064, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO HAWAII HEALTH SYSTEMS CORPORATION,"

beg leave to report as follows:

The purpose of this measure is to amend the transition process of the Hawaii Health Systems Corporation (HHSC) by:

- (1) Authorizing HHSC, a regional system, or a combined regional system of two or more regional systems to transition to a nonprofit hospital corporation incorporated in the State before January 1, 2000;
- (2) Requiring a nonprofit hospital corporation to maintain equivalent hospital services in acquired regions for a minimum of five years following finalization of the transition; and
- (3) Requiring the State to assume the liabilities of the HHSC, regional system, or combined regional system transitioning into a nonprofit hospital corporation that were transferred to HHSC upon its creation by Act 262, Session Laws of Hawaii 1996.



The Mayor of the County of Maui, HHSC Corporate Board of Directors, HHSC Kauai Region Board of Directors, HHSC East Hawaii Regional Chief Executive Officer, Hawai'i Pacific Health, Healthcare Association of Hawaii, and numerous individuals supported this measure. Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO opposed this measure. The Office of the Governor, Department of Budget and Finance, Regional Chief Executive Officer of Maui Memorial Medical Center, ILWU Local 142, West Maui Taxpayers Association, Kaiser Permanente Hawaii, and several individuals commented on this measure.

Upon careful consideration, your Committees have amended this measure by:

- (1) Authorizing the transition of HHSC, a regional system, or a combined regional system of two or more regional systems to a nonprofit corporation or public benefit corporation;
- (2) Establishing a transition committee, to be chaired by the Governor or Governor's designee, to assist the Governor in implementing, reviewing, and negotiating the transitioning of HHSC, a regional system, or a combined regional system of two or more regional systems to transition to a new healthcare management system;
- (3) Requiring the transition committee to develop criteria for evaluating and selecting a plan for the transition;
- (4) Making the transition plan subject to legislative approval by a two-thirds vote of both the Senate and the House of Representatives;
- (5) Providing that employees of HHSC who were as of January 1, 2014, in Units (01) to (14) will continue to be covered by the collective bargaining agreements in effect as of this date; provided that the collective bargaining agreements will be renegotiated once the employer enters into an agreement to form a new entity;
- (6) Creating a new Bargaining Unit 15 for former HHSC employees in the same employer group for the purpose of negotiating a collective bargaining agreement as Bargaining Units 01, 02, 03, 04, 09, 10, 13, and 14;



- (7) Specifying that no employee who is separated from service as a result of the transition of the HHSC, a regional system board, or a combined regional system of two or more regional system boards to a new healthcare management system shall suffer any loss of retirement allowance earned;
- (8) Changing its effective date to July 1, 2150, to facilitate further discussion; and
- (9) Making technical, nonsubstantive amendments for clarity, consistency, and style.

The extensive questions and comments raised in your Committees' joint public hearing on the transition process of HHSC point to the need for greater and ongoing discussion on this matter. Your Committees recognize that a strong HHSC Corporate Board is necessary to address the overarching and encompassing healthcare needs of the State that affect all regions. As such, your Committees respectfully request the Committee on Finance to consider the repeal of Act 290, Session Laws of Hawaii 2007, which established regional system boards for all regions. Your Committees also request that the Committee on Finance look at community collaboration from all regions in considering change.

The inclusion of a transition committee in this measure acknowledges the importance of the HHSC Corporate Board to ensure that healthcare decisions address statewide healthcare needs for all residents. Your Committees believe that maintaining the HHSC Corporate Board is critical to support the State's healthcare system as transition of the statewide and regional systems are contemplated.

The maintenance of hospital services timeframe following finalization of any transition is unspecified in the bill to enable greater discussion, including consideration of community participation and input in the continuation and maintenance of services.

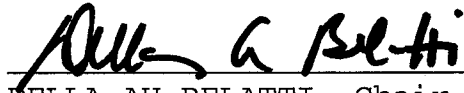
As affirmed by the records of votes of the members of your Committees on Health and Labor & Public Employment that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3064, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3064, S.D. 2, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committees on Health and Labor  
& Public Employment,



MARK M. NAKASHIMA, Chair



DELLA AU BELATTI, Chair





