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# A BILL FOR AN ACT

RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

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

1 PART I

2 SECTION 1. The legislature finds that the State's  
3 community hospital system, the Hawaii health systems  
4 corporation, provides essential hospital and long-term care  
5 services, in addition to physician and other health care  
6 services throughout the State. Hawaii health systems  
7 corporation facilities are often the only hospitals and  
8 emergency care providers in many rural communities. Due to  
9 rapid changes taking place in the health care industry, the  
10 legislature acknowledges that the governing structure of our  
11 public hospital system must provide the appropriate flexibility  
12 and autonomy needed to compete and remain viable and to respond  
13 to the needs of the specific communities served, by furthering  
14 the development of centers of excellence in health care.

15 The current administrative arrangement places the public  
16 hospital system in a single statewide public agency, the Hawaii  
17 health systems corporation, which operates with some autonomy



1 from the executive branch. This arrangement is the result of  
2 landmark legislation, Act 262, Session Laws of Hawaii 1996, (Act  
3 262), after years of study. Act 262 was largely the result of  
4 the work of a task force established pursuant to Act 266,  
5 Session Laws of Hawaii 1994, charged with studying the  
6 establishment of an agency for community hospitals, then a  
7 division of the department of health. On December 20, 1994, the  
8 task force issued its report to the governor and the legislature  
9 entitled *The Preliminary Report of the Governor's Task Force on*  
10 *the Establishment of an Agency for Community Hospitals*. Many of  
11 the recommendations of the task force were adopted by the  
12 legislature, resulting in passage of Act 262, and the creation  
13 of the Hawaii health systems corporation in 1996.

14 One significant recommendation of the task force included  
15 the establishment of regional system boards of directors, along  
16 with the system-wide board. This was accomplished in Act 290,  
17 Session Laws of Hawaii 2007, where the legislature established a  
18 two-tiered board system, giving the regional boards custodial  
19 control over the operations, facilities, and personnel, to be  
20 exercised within corporate policy.



1           The legislature further limited the corporation's  
2 centralized operational authority through Act 182, Session Laws  
3 of Hawaii 2009, which prohibits the corporation from granting  
4 mortgages on corporation real property in order to secure loans  
5 and revenue bonds. However, the legislature finds that the  
6 inability to leverage its biggest asset of real property by  
7 pledging it as collateral as well as the dollar cap that Act 182  
8 imposed on the corporation's authority to enter into municipal  
9 leases has hindered the ability of the corporation to obtain  
10 outside financing and refinance loans for more favorable terms.

11           The legislature finds that the decentralization of  
12 personnel, purchasing, and other administrative functions to the  
13 four regions within the Hawaii health systems corporation  
14 following this decentralization of the system-wide board caused  
15 inefficiencies that are detrimental to the financial stability  
16 of the system, operational effectiveness, and employee morale.  
17 Additional limits on the corporation's ability to leverage its  
18 own assets have further limited the corporation's operational  
19 effectiveness. The current organizational structure of the  
20 Hawaii health systems corporation is ineffective. Consequently,  
21 there is an urgent need to stabilize the network of public



1 hospitals that are the primary source of medical care on the  
2 neighbor islands, as well as a safety net for thousands of  
3 elderly and needy patients.

4 The purpose of this part is to centralize personnel,  
5 purchasing, and other administrative functions within the Hawaii  
6 health systems corporation and remove unnecessary operational  
7 limitations to achieve greater efficiency, effectiveness, and  
8 meaningful financial accountability.

9 SECTION 2. Chapter 323F, Hawaii Revised Statutes, is  
10 amended by adding a new section to part II to be appropriately  
11 designated and to read as follows:

12 "**§323F- Financial and management audits.** The auditor  
13 shall conduct a financial and management audit of the Hawaii  
14 health systems corporation every five years."

15 SECTION 3. Section 89-8.5, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 "~~[-]~~**§89-8.5**~~[+]~~ **Negotiating authority; Hawaii health**  
18 **systems corporation.** Notwithstanding any law to the contrary,  
19 including section 89-6(d), the Hawaii health systems corporation  
20 ~~[or any of the regional boards]~~, as a sole employer negotiator,  
21 may negotiate with the exclusive representative of any



1 appropriate bargaining unit and execute memorandums of  
2 understanding for employees under its control to alter any  
3 existing or new collective bargaining agreement on any item or  
4 items subject to section 89-9."

5 SECTION 4. Section 323F-1, Hawaii Revised Statutes, is  
6 amended as follows:

7 1. By inserting a new definition to be appropriately  
8 inserted and to read:

9 "Regional public health care facility management advisory  
10 committee" means a regional committee that advises the chief  
11 executive officer and the corporation board."

12 2. By repealing the definition of "regional system board":  
13 [~~"Regional system board" means a community based governing~~  
14 ~~board of directors of a regional system of the corporation."]~~

15 SECTION 5. Section 323F-2, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 **"§323F-2 Hawaii health systems corporation.** (a) There is  
18 established the Hawaii health systems corporation, which shall  
19 be a public body corporate and politic and an instrumentality  
20 and agency of the State. The corporation shall be placed within



1 the department of health for the administrative purposes  
2 specified in section 26-35(a)(6) only.

3 (b) The corporate organization shall be divided into five  
4 regional systems, as follows:

5 (1) The [~~Oahu regional health care system,~~] city and  
6 county of Honolulu;

7 (2) The [~~Kauai regional health care system,~~] county of  
8 Kauai;

9 (3) The [~~Maui regional health care system,~~] county of  
10 Maui, except for the county of Kalawao;

11 (4) The [~~east Hawaii regional health care system,~~] eastern  
12 section of the county of Hawaii, comprising the Puna  
13 district, north Hilo district, south Hilo district,  
14 Hamakua district, and Kau district; and

15 (5) The [~~west Hawaii regional health care system,~~] western  
16 section of the county of Hawaii, comprising the north  
17 Kohala district, south Kohala district, north Kona  
18 district, and south Kona district;

19 and shall be identified as regional systems I, II, III, IV, and  
20 V, respectively[~~];~~ provided that regional systems IV and V  
21 shall administratively merge on July 1, 2017, and; provided

1 further that the merger shall not affect corporation board  
2 representation pursuant to section 323F-3."

3 SECTION 6. Section 323F-3, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 "~~§323F-3~~ **Corporation board.** (a) The corporation shall be  
6 governed by [~~an eighteen member~~] a thirteen-member board of  
7 directors that shall carry out the duties and responsibilities  
8 of the corporation [~~other than those duties and responsibilities~~  
9 ~~relating to the establishment of any captive insurance company~~  
10 ~~pursuant to section 323F 7(c)(20) and the operation thereof.~~

11 ~~(b) The members of the corporation board shall be~~  
12 ~~appointed as follows:~~

13 ~~(1) The director of health as an ex officio, voting~~  
14 ~~member;~~

15 ~~(2) The five regional chief executive officers as ex~~  
16 ~~officio, nonvoting members;~~

17 ~~(3) Three members who reside in the county of Maui, two of~~  
18 ~~whom shall be appointed by the Maui regional system~~  
19 ~~board and one of whom shall be appointed by the~~  
20 ~~governor, all of whom shall serve as voting members;~~



- 1       ~~(4) Two members who reside in the eastern section of the~~  
2       ~~county of Hawaii, one of whom shall be appointed by~~  
3       ~~the East Hawaii regional system board and one of whom~~  
4       ~~shall be appointed by the governor, both of whom shall~~  
5       ~~serve as voting members;~~
- 6       ~~(5) Two members who reside in the western section of the~~  
7       ~~county of Hawaii, one of whom shall be appointed by~~  
8       ~~the West Hawaii regional system board and one of whom~~  
9       ~~shall be appointed by the governor, both of whom shall~~  
10       ~~serve as voting members;~~
- 11       ~~(6) Two members who reside on the island of Kauai, one of~~  
12       ~~whom shall be appointed by the Kauai regional system~~  
13       ~~board and one of whom shall be appointed by the~~  
14       ~~governor, both of whom shall serve as voting members;~~
- 15       ~~(7) Two members who reside on the island of Oahu, one of~~  
16       ~~whom shall be appointed by the Oahu regional system~~  
17       ~~board and one of whom shall be appointed by the~~  
18       ~~governor, both of whom shall serve as voting members;~~  
19       ~~and~~
- 20       ~~(8) One member who shall be appointed by the governor and~~  
21       ~~serve as an at-large voting member.~~





1       ~~The appointed board members who reside in the county of~~  
2 ~~Maui, eastern section of the county of Hawaii, western section~~  
3 ~~of the county of Hawaii, on the island of Kauai, and on the~~  
4 ~~island of Oahu shall each serve for a term of four years,~~  
5 ~~provided that the terms of the initial appointments of the~~  
6 ~~members who are appointed by their respective regional system~~  
7 ~~boards shall be as follows: one of the initial members from the~~  
8 ~~county of Maui shall be appointed to serve a term of two years~~  
9 ~~and the other member shall be appointed to serve a term of four~~  
10 ~~years; the initial member from East Hawaii shall be appointed to~~  
11 ~~serve a term of two years; the initial member from West Hawaii~~  
12 ~~shall be appointed to serve a term of four years; the initial~~  
13 ~~member from the island of Kauai shall be appointed to serve a~~  
14 ~~term of two years; and the initial member from the island of~~  
15 ~~Oahu shall be appointed to serve a term of four years; and~~  
16 ~~provided further that the terms of the initial appointments of~~  
17 ~~the members who are appointed by the governor shall be four~~  
18 ~~years. The at large member appointed by the governor shall~~  
19 ~~serve a term of two years].~~

20       (b) Ten members of the corporation board shall be  
21 appointed by the governor pursuant to section 26-34 as follows:



- 1        (1) One member from region I who resides in the city and  
2                county of Honolulu;
- 3        (2) One member from region II who resides in the county of  
4                Kauai;
- 5        (3) One member from region III who resides in the county  
6                of Maui;
- 7        (4) Prior to July 1, 2017, one member from region IV who  
8                resides in the eastern section of the county of Hawaii  
9                and one member from region V who resides in the  
10               western section of the county of Hawaii;
- 11       (5) After June 30, 2017, two members from the  
12               administratively merged regions IV and V; provided  
13               that one member shall reside in the eastern section of  
14               the county of Hawaii and one shall reside in the  
15               western section of the county of Hawaii;
- 16       (6) One member from region II who resides in the county of  
17               Kauai or from region III who resides in the district  
18               of Hana or on the island of Lanai; provided that in no  
19               event shall a member be appointed from the same region  
20               for two consecutive terms; and
- 21       (7) Four at-large members who reside in the State.



1       The eleventh member shall be the chairperson of the  
2 executive public health facility management advisory committee,  
3 who shall serve as an ex officio, voting member.

4       The twelfth member, who shall serve as a voting member,  
5 shall be a physician with active medical staff privileges at one  
6 of the corporation's public health facilities. The physician  
7 member shall serve a term of two years. The initial physician  
8 member shall be from region II, and subsequent physician members  
9 shall come from regions IV, III, and V, respectively. The  
10 physician member position shall continue to rotate in this  
11 order. The physician member shall be appointed to the  
12 corporation board by a simple majority vote of the members of  
13 the executive public health facility management advisory  
14 committee from a list of qualified nominees submitted by the  
15 public health facility management advisory committee for the  
16 region from which the physician member is to be chosen. If for  
17 any reason a physician member is unable to serve a full term,  
18 the remainder of that term shall be filled by a physician from  
19 the same region.



1       The thirteenth member shall be the director of health or  
2 the director's designee, who shall serve as an ex officio,  
3 voting member.

4       Prior to the transfer date, the public health facility  
5 management advisory committees appointed pursuant to section  
6 323F-10 for each county may recommend names to the governor for  
7 each position on the corporation board designated for a region  
8 that corresponds to its county. After the transfer date, the  
9 public health facility management advisory committees appointed  
10 pursuant to section 323F-10 for each region may make  
11 recommendations to the governor. The appointed board members  
12 shall serve for a term of four years; provided that upon the  
13 initial appointment of the first ten members:

14       (1) Two at-large members shall be appointed for a term of  
15       two years;

16       (2) Three at-large members shall be appointed for a term  
17       of three years; and

18       (3) Five regional members shall be appointed for a term of  
19       four years.

20       Any vacancy shall be filled in the same manner provided for  
21 the original appointments. The corporation board shall elect



1 its own chair from among its members. [~~Appointments to the~~  
2 ~~corporation board shall be as representative as possible of the~~  
3 ~~system's stakeholders as outlined in this subsection. The board~~  
4 ~~member appointments shall strive to create a board that includes~~  
5 ~~expertise in the fields of medicine, finance, health care~~  
6 ~~administration, government affairs, human resources, and law.]~~

7 (c) The selection, appointment, and confirmation of any  
8 nominee shall be based on ensuring that board members have  
9 diverse and beneficial perspectives and experiences and that  
10 they include, to the extent possible, representatives of the  
11 medical, business, management, law, finance, and health sectors,  
12 and patients or consumers. Members of the board shall serve  
13 without compensation but may be reimbursed for actual expenses,  
14 including travel expenses incurred in the performance of their  
15 duties.

16 (d) Any member of the board may be removed for cause by  
17 the governor or for cause by vote of a two-thirds majority of  
18 the board's members then in office. For purposes of this  
19 section, cause shall include without limitation:

- 20 (1) Malfeasance in office;
- 21 (2) Failure to attend regularly called meetings;



1 (3) Sentencing for conviction of a felony, to the extent  
2 allowed by section 831-2; or

3 (4) Any other cause that may render a member incapable or  
4 unfit to discharge the duties required under this  
5 chapter.

6 Filing nomination papers for elective office or appointment to  
7 elective office, or conviction of a felony consistent with  
8 section 831-3.1, shall automatically and immediately disqualify  
9 a board member from office."

10 SECTION 7. Section 323F-4, Hawaii Revised Statutes, is  
11 amended to read as follows:

12 "**§323F-4 Board meetings.** (a) The corporation board [~~and~~  
13 ~~each regional system board~~] shall be exempt from part I of  
14 chapter 92 and shall meet no fewer than four times [~~a~~] per  
15 ~~year[, provided that the regional system boards and the~~  
16 ~~corporation board shall meet together at least once a year]~~.

17 Each regional [~~board~~] public health facility management advisory  
18 committee shall meet at least six times each year; provided that  
19 two of these meetings shall be public community meetings for the  
20 purpose of informing the community and taking comment on the  
21 regional [~~system's~~] public health facility management advisory



1 committee performance [~~if these meetings are in addition to the~~  
2 ~~four board meetings~~]. The public community meetings shall be  
3 advertised in a newspaper of general circulation in the regional  
4 system at least two weeks in advance.

5 (b) All business of the corporation board [~~and each~~  
6 ~~regional system board~~] shall be conducted at a regular or  
7 special meeting at which a quorum is present, consisting of at  
8 least a majority of the directors then in office. The  
9 corporation board [~~and each regional system board~~] shall adopt  
10 procedural rules for meetings, not subject to chapter 91, that  
11 shall include provisions for meetings via electronic and  
12 telephonic communications and other methods that allow the  
13 [~~boards~~] board to conduct business in a timely and efficient  
14 manner. Any action of the corporation board [~~or each regional~~  
15 ~~system board~~] shall require the affirmative vote of a majority  
16 of those present and voting at the meeting; except that a vote  
17 of two-thirds of the entire membership of the [~~respective~~] board  
18 then in office shall be required for any of the following  
19 actions:

20 (1) Removal by the corporation board [~~or respective~~  
21 ~~regional system board~~] of one of its members; provided



1           that the eleventh and twelfth members set forth in  
 2           section 323F-3 may be removed only pursuant to  
 3           sections 323F-10 and 323F-10.5;

4           (2) Amendment by the corporation [~~or a regional system~~]  
 5           board of its bylaws;

6           (3) Hiring or removing [~~a regional~~] the chief executive  
 7           officer[~~}] of the corporation; and~~

8           [~~(4) Filling of vacancies on a board; and~~

9           ~~(5)] (4) Any other actions as provided by the corporation~~

10           [~~or regional system board] bylaws[, except the hiring~~  
 11           ~~or removing of the chief executive officer of the~~  
 12           ~~corporation]."~~

13           SECTION 8. Section 323F-5, Hawaii Revised Statutes, is  
 14           amended to read as follows:

15           "**§323F-5 Disclosure of interests.** All corporation [~~and~~  
 16           ~~regional system] board members and employees of the corporation~~  
 17           shall be subject to chapter 84."

18           SECTION 9. Section 323F-7, Hawaii Revised Statutes, is  
 19           amended to read as follows:

20           "**§323F-7 Duties and powers of the corporation [~~and~~**  
 21           ~~regional system boards].~~ [~~(a) Notwithstanding any other law to~~





1 ~~the contrary and unless otherwise specified, only those duties~~  
2 ~~and powers related to corporation wide matters, including but~~  
3 ~~not limited to corporation wide budgeting, personnel policies,~~  
4 ~~procurement policies, fiscal policies, accounting policies,~~  
5 ~~policies related to affiliations, joint ventures and contracts,~~  
6 ~~regulatory compliance, risk management, continuing medical~~  
7 ~~education programs, strategic planning, and capital planning,~~  
8 ~~including the issuance of revenue bonds in any amount, shall be~~  
9 ~~carried out by the corporation board in collaboration with the~~  
10 ~~regional system boards. Duties and powers related to the~~  
11 ~~operation of facilities within each regional system, including~~  
12 ~~but not limited to regional system and facility budgeting,~~  
13 ~~employment and removal of regional system and facility~~  
14 ~~personnel, purchasing, regional system strategic and capital~~  
15 ~~planning, organization, quality assurance, improvement and~~  
16 ~~reporting, credentialing of medical staff, and the issuance of~~  
17 ~~revenue bonds in any amount with corporation board approval,~~  
18 ~~shall be carried out by the regional system boards, either~~  
19 ~~directly or by delegation to regional and facility~~  
20 ~~administration. Unless otherwise prohibited, the duties and~~



1 ~~powers granted to the corporation board may be delegated to the~~  
2 ~~regional system boards.~~

3 ~~(b) Duties and powers exercised by the regional system~~  
4 ~~boards under this chapter or delegated to the regional system~~  
5 ~~boards by the corporation board shall be consistent with~~  
6 ~~corporation wide policies. Wherever appropriate, corporation~~  
7 ~~wide policies shall take into account differences among regional~~  
8 ~~systems and among types of facilities, particularly acute care,~~  
9 ~~critical access, and long term care facilities within the~~  
10 ~~system.~~

11 ~~New corporation wide policies, and major changes to~~  
12 ~~existing policies other than those changes mandated by legal or~~  
13 ~~regulatory requirements, shall be developed by the corporation~~  
14 ~~board after consultation with a policies committee. The~~  
15 ~~policies committee shall be made up of representatives of the~~  
16 ~~corporation board and each regional system board or designees of~~  
17 ~~each board. The corporation board shall have two~~  
18 ~~representatives on this committee. The corporation board shall~~  
19 ~~review and consider approval of the policies within thirty days~~  
20 ~~of transmittal by the policies committee or at the next board~~  
21 ~~meeting; provided that, if the policies committee fails to take~~



1 ~~action within thirty days of receiving the proposed policy, the~~  
2 ~~corporation board may consider and adopt or reject or revise the~~  
3 ~~policy. The regional system boards and corporation board, as~~  
4 ~~needed, may submit a request to the committee to alter~~  
5 ~~corporation wide policies along with detailed justification for~~  
6 ~~the request. The regional system boards and the corporation~~  
7 ~~board shall collaboratively establish a procedure to further~~  
8 ~~implement this section.~~

9       ~~(e)]~~ (a) Notwithstanding any other law to the contrary,  
10 the corporation ~~[and any of the regional system boards]~~ shall  
11 have and exercise the following duties and powers:

12       (1) Developing ~~[corporation wide policies, procedures, and~~  
13       ~~rules necessary or appropriate to plan, operate,~~  
14       ~~manage, and control the system of public health~~  
15       ~~facilities and services without regard to chapter 91,~~  
16       ~~provided that each regional system board shall be~~  
17       ~~responsible for its own]~~ corporate-wide policies,  
18       procedures, and rules necessary or appropriate to  
19       plan, operate, manage, and control the system of  
20       public health facilities ~~[within its own regional~~



- 1 ~~system consistent with corporation policies,] and~~  
2 services without regard to chapter 91;
- 3 (2) Evaluating the need for [additional] health facilities  
4 and services; [~~provided that each regional system~~  
5 ~~board shall be responsible for the evaluation within~~  
6 ~~its own regional system,]~~
- 7 (3) Entering into and performing any contracts, leases,  
8 cooperative agreements, partnerships, or other  
9 transactions whatsoever that may be necessary or  
10 appropriate in the performance of its purposes and  
11 responsibilities, and on terms the corporation[~~, or~~  
12 ~~regional system boards, may deem appropriate,]~~ with  
13 either:
- 14 (A) Any agency or instrumentality of the United  
15 States, or with any state, territory, or  
16 possession, or with any subdivision thereof; or
- 17 (B) Any person, firm, association, partnership, or  
18 corporation, whether operated on a for-profit or  
19 not-for-profit basis;
- 20 provided that the transaction furthers the public  
21 interest; [~~and provided further that if any dispute~~



1 ~~arises between any contract, lease, cooperative~~  
2 ~~agreement, partnership, or other transaction entered~~  
3 ~~into by the corporation and a regional system board~~  
4 ~~with regard to matters solely within that regional~~  
5 ~~system, after July 1, 2007, the contract, lease,~~  
6 ~~cooperative agreement, partnership, or other~~  
7 ~~transaction entered into by the regional system board~~  
8 ~~shall prevail; and provided further that such~~  
9 ~~agreements are consistent with corporation policies,]~~

10 (4) Conducting activities and entering into business  
11 relationships as the corporation board[~~, or any~~  
12 ~~regional system board,~~] deems necessary or  
13 appropriate, including but not limited to:

14 (A) Creating nonprofit corporations, including but  
15 not limited to charitable fund-raising  
16 foundations, to be controlled wholly by the  
17 corporation, [~~any regional system board,~~] or  
18 jointly with others;

19 (B) Establishing, subscribing to, and owning stock in  
20 business corporations individually or jointly  
21 with others; and



1 (C) Entering into partnerships and other joint  
2 venture arrangements, or participating in  
3 alliances, purchasing consortia, health insurance  
4 pools, or other cooperative arrangements, with  
5 any public or private entity; provided that any  
6 corporation, venture, or relationship entered  
7 into under this section furthers the public  
8 interest; provided further that this paragraph  
9 shall not be construed to authorize the  
10 corporation [~~or a regional system board~~] to  
11 abrogate any responsibility or obligation under  
12 paragraph (15);

13 [~~provided that each regional system board shall be~~  
14 ~~responsible for conducting the activities under this~~  
15 ~~paragraph in its own regional system consistent with~~  
16 ~~policies established by the corporation board;~~]

17 (5) Participating in and developing prepaid health care  
18 service and insurance programs and other alternative  
19 health care delivery programs, including programs  
20 involving the acceptance of capitated payments or  
21 premiums that include the assumption of financial and



1           actuarial risk; [~~provided that each regional system~~  
 2           ~~board shall be responsible for conducting the~~  
 3           ~~activities under this paragraph in its own regional~~  
 4           ~~system consistent with policies established by the~~  
 5           ~~corporation board;~~]

6           (6) Executing, in accordance with all applicable bylaws,  
 7           rules, and laws, all instruments necessary or  
 8           appropriate in the exercise of any powers of the  
 9           corporation [~~or regional system boards~~];

10          (7) Preparing and executing all corporation-wide budgets,  
 11          policies, and procedures [~~or any regional system~~  
 12          ~~budgets, policies, and procedures; provided that the~~  
 13          ~~regional system boards shall submit their regional and~~  
 14          ~~facility budgets to the corporation to be consolidated~~  
 15          ~~into a corporation wide budget for purposes of~~  
 16          ~~corporation wide planning and appropriation requests.~~  
 17          ~~Regional system and facility budgets shall be received~~  
 18          ~~by the corporation and shall be included in the~~  
 19          ~~corporation wide budget upon submittal to the~~  
 20          ~~corporation~~];



- 1           (8)   Setting rates and charges for all services provided by  
2                   the corporation without regard to chapter 91;  
3                   ~~[provided that the duty and power of the corporation~~  
4                   ~~board shall be limited to approving the rates and~~  
5                   ~~charges developed by the regional system boards for~~  
6                   ~~the regional system's facilities and services. Rates~~  
7                   ~~and charges may vary among regional systems and~~  
8                   ~~facilities and may be consolidated with the rates of~~  
9                   ~~other regional systems into one charge master. Third-~~  
10                  ~~party payer contracts may be negotiated at the~~  
11                  ~~corporation wide level with input from the regional~~  
12                  ~~systems, taking into consideration the rates set by~~  
13                  ~~the regional system boards. For purposes of securing~~  
14                  ~~revenue bonds, the corporation or regional system~~  
15                  ~~board may covenant to set, and if necessary increase,~~  
16                  ~~rates and charges as needed to pay debt service and~~  
17                  ~~related obligations plus a coverage factor,]~~
- 18           (9)   Developing a centralized corporation-wide hospital  
19                   system that is subject to chapters 76 and 89;  
20                   ~~[provided that employment of regional system and~~  
21                   ~~facility personnel shall be the responsibility of the~~





1           ~~regional system boards pursuant to corporation-wide~~  
2           ~~policies and procedures, applicable laws, rules,~~  
3           ~~regulations, and collective bargaining agreements,]~~  
4       (10) Developing the corporation's corporation-wide capital  
5           and strategic plans [~~or any regional system board's~~  
6           ~~capital and strategic plans, provided that each~~  
7           ~~regional system board shall be responsible for~~  
8           ~~development of capital and strategic plans in its own~~  
9           ~~regional system that shall be consistent with, and~~  
10          ~~incorporated into, the overall corporation wide plans,~~  
11          ~~and provided further that the corporation and each~~  
12          ~~regional system board shall be entitled to undertake~~  
13          ~~the acquisition, construction, and improvement of~~  
14          ~~property, facilities, and equipment to carry out these~~  
15          ~~capital and strategic plans];~~  
16       (11) Suing and being sued; provided that [~~only the~~  
17          ~~corporation may sue or be sued, and provided further~~  
18          ~~that]~~ the corporation [~~and regional system boards]~~  
19          shall enjoy the same sovereign immunity available to  
20          the State;

- 1           (12) Making and altering corporation board [~~and regional~~
- 2                   ~~system board~~] bylaws for its organization and
- 3                   management without regard to chapter 91 [~~and~~
- 4                   ~~consistent with this chapter, provided that each~~
- 5                   ~~regional system board shall be responsible for the~~
- 6                   ~~final approval of its regional system board bylaws];~~
- 7           (13) Adopting rules without regard to chapter 91 governing
- 8                   the exercise of the corporation's [~~or regional system~~
- 9                   ~~boards~~] powers and the fulfillment of its purpose
- 10                  under this chapter;
- 11          (14) Entering into any contract or agreement whatsoever,
- 12                  not inconsistent with this chapter or the laws of this
- 13                  State, and authorizing the corporation[~~, regional~~
- 14                  ~~system boards, and chief executive officers~~] and its
- 15                  chief executive officer to enter into all contracts,
- 16                  execute all instruments, and do all things necessary
- 17                  or appropriate in the exercise of the powers granted
- 18                  in this chapter, including securing the payment of
- 19                  bonds; [~~provided that the corporation board shall~~
- 20                  ~~delegate to a regional system board its authority to~~
- 21                  ~~enter into and execute contracts or agreements~~



1 ~~relating to matters exclusively affecting that~~  
2 ~~regional system; provided further that a regional~~  
3 ~~system board shall exercise this power consistent with~~  
4 ~~corporation wide policies; and provided further that~~  
5 ~~contracts or agreements executed by a regional system~~  
6 ~~board shall encumber only the regional subaccounts of~~  
7 ~~that regional system board;]~~

8 (15) Issuing revenue bonds [~~up to \$100,000,000~~] subject to  
9 the approval of the governor or the director of  
10 finance; provided that:

11 (A) All revenue bonds shall be issued pursuant to  
12 part III, chapter 39;

13 (B) The corporation [~~and any regional system board~~]  
14 shall have the power to issue revenue bonds in  
15 any amount without regard to any limitation in  
16 chapter 39; and

17 (C) The corporation shall have the power to incur  
18 debt, including the issuance of revenue bonds in  
19 any amount [~~, and the regional system boards shall~~  
20 ~~have the power to issue revenue bonds in any~~  
21 ~~amount upon approval by the corporation board];~~



- 1 (16) Reimbursing the state general fund for debt service on  
2 general obligation bonds or reimbursable general  
3 obligation bonds issued by the State for the purposes  
4 of the corporation [~~or any regional system board~~];
- 5 (17) Pledging or assigning all or any part of the receipts,  
6 revenues, and other financial assets of the  
7 corporation [~~or the regional system boards~~] for  
8 purposes of meeting or securing bond or health systems  
9 liabilities; [~~provided that each regional system board~~  
10 ~~shall be responsible for conducting the activities~~  
11 ~~under this paragraph in its own regional system. Any~~  
12 ~~pledge or assignment by the corporation or any~~  
13 ~~regional system board to secure revenue bonds or~~  
14 ~~health system liabilities shall be valid and binding~~  
15 ~~in accordance with its terms against the pledgor,~~  
16 ~~creditors, and all others asserting rights thereto~~  
17 ~~from the time the pledge or assignment is made,~~  
18 ~~without the need of physical delivery, recordation,~~  
19 ~~filing, or further act. The corporation shall not~~  
20 ~~take or omit to take any act that would interfere~~  
21 ~~with, impair, or adversely affect any pledge or~~



1 ~~assignment by a regional system board pursuant to this~~  
2 ~~chapter. In connection with issuing revenue bonds or~~  
3 ~~related obligations, consistent with corporation~~  
4 ~~policies and procedures, any regional system board may~~  
5 ~~make such other covenants, binding on the regional~~  
6 ~~system board and the corporation, that the regional~~  
7 ~~system board determines to be necessary or appropriate~~  
8 ~~to establish and maintain security for the revenue~~  
9 ~~bonds or related obligations,]~~

10 (18) Owning, purchasing, leasing, exchanging, or otherwise  
11 acquiring property, whether real, personal, or mixed,  
12 tangible or intangible, and of any interest therein,  
13 in the name of the corporation, [~~which~~] for property  
14 that is not owned or controlled by the State but is  
15 owned or controlled by the corporation; [~~provided~~  
16 ~~that~~;

17 ~~(A) Regional system boards shall have custodial~~  
18 ~~control over facilities and physical assets in~~  
19 ~~their respective regional systems. A regional~~  
20 ~~system board may own, purchase, lease, exchange,~~  
21 ~~or otherwise acquire property, whether real,~~



1                   ~~personal, or mixed, tangible or intangible, and~~  
2                   ~~of any interest therein, other than property~~  
3                   ~~owned or controlled by the corporation, in the~~  
4                   ~~name of the regional system board; provided~~  
5                   ~~further that a regional system board shall be~~  
6                   ~~subject to section 323F-3.5; and~~

7                   ~~(B) Each regional system board shall be responsible~~  
8                   ~~for conducting the activities under this~~  
9                   ~~paragraph in its own regional system;]~~

10           (19) Maintaining, improving, pledging, mortgaging, selling,  
11           or otherwise holding or disposing of property, whether  
12           real, personal, or mixed, tangible or intangible, and  
13           of any interest therein, at any time and manner, in  
14           furtherance of the purposes and mission of the  
15           corporation [~~or any regional system board~~]; provided  
16           that the corporation [~~or any regional system board~~]  
17           legally holds or controls the property in its own  
18           name; provided further that other than to secure  
19           revenue bonds and related obligations and agents, and  
20           to transition into a new entity, the corporation [~~or~~  
21           ~~any regional system board~~] shall not sell, assign,



1            lease, hypothecate, mortgage, pledge, give, or dispose  
2            of all or substantially all of its property; [and  
3            ~~provided further that each regional system board shall~~  
4            ~~be responsible for conducting the activities under~~  
5            ~~this paragraph in its own regional system, and control~~  
6            ~~over such property shall be delegated to each regional~~  
7            ~~system board; provided further that this paragraph~~  
8            ~~shall not be construed to authorize the sale, pledge,~~  
9            ~~or mortgage of real property under the control of the~~  
10           ~~corporation or a regional system board;]~~

11           (20) Purchasing insurance and creating captive insurers in  
12           any arrangement deemed in the best interest of the  
13           corporation, including but not limited to funding and  
14           payment of deductibles and purchase of reinsurance;  
15           ~~[provided that only the corporation shall have the~~  
16           ~~power to create captive insurers to benefit public~~  
17           ~~health facilities and operations in all regional~~  
18           ~~systems; and provided further that a regional system~~  
19           ~~board may purchase insurance for its regional system~~  
20           ~~in collaboration with the other regional systems and~~



- 1 ~~the corporation until captive coverage is provided by~~  
2 ~~the corporation,]~~
- 3 (21) Acquiring by condemnation, pursuant to chapter 101,  
4 any real property required by the corporation to carry  
5 out the powers granted by this chapter;
- 6 (22) Depositing any moneys of the corporation [~~or any~~  
7 ~~regional system board]~~ in any banking institution  
8 within or without the State, and appointing, for the  
9 purpose of making deposits, one or more persons to act  
10 as custodians of the moneys of the corporation [~~or any~~  
11 ~~regional system board; provided that regional system~~  
12 ~~boards may deposit moneys in banking institutions~~  
13 ~~pursuant to corporation wide guidelines established by~~  
14 ~~the corporation board]~~;
- 15 (23) Contracting for and accepting any gifts, grants, and  
16 loans of funds, property, or any other aid in any form  
17 from the federal government, the State, any state  
18 agency, or any other source, or any combination  
19 thereof, and complying, subject to this chapter, with  
20 the terms and conditions thereof; [~~provided that the~~  
21 ~~regional system boards shall be responsible for~~





1 ~~contracting for and accepting any gifts, grants,~~  
2 ~~loans, property, or other aid if intended to benefit~~  
3 ~~the public health facilities and operations~~  
4 ~~exclusively in their respective regional systems; and~~  
5 ~~provided further that all contracting for or~~  
6 ~~acceptance of gifts, grants, loans, property, or other~~  
7 ~~aid shall be consistent with corporation wide policies~~  
8 ~~established by the corporation board;]~~

9 (24) Providing health and medical services for the public  
10 directly or by agreement or lease with any person,  
11 firm, or private or public corporation, partnership,  
12 or association through or in the health facilities of  
13 the corporation [~~or regional system boards~~] or  
14 otherwise; [~~provided that the regional system boards~~  
15 ~~shall be responsible for conducting the activities~~  
16 ~~under this paragraph in their respective regional~~  
17 ~~systems;]~~

18 (25) Approving medical staff bylaws, rules, and medical  
19 staff appointments and reappointments for all public  
20 health facilities of the corporation [~~or any regional~~  
21 ~~system board~~], including but not limited to



1 determining the conditions under which a health  
 2 professional may be extended the privilege of  
 3 practicing within a health facility, [~~as determined by~~  
 4 ~~the respective regional system board and~~] consistent  
 5 with corporation-wide policies, and adopting and  
 6 implementing reasonable rules, without regard to  
 7 chapter 91, for the credentialing and peer review of  
 8 all persons and health professionals within the  
 9 facility; [~~provided that regional system boards shall~~  
 10 ~~be the governing body responsible for all medical~~  
 11 ~~staff organization, peer review, and credentialing~~  
 12 ~~activities to the extent allowed by law;]~~

13 (26) (A) Investing any funds not required for immediate  
 14 disbursement in property or in securities that  
 15 meet the standard for investments established in  
 16 chapter 88 as provided by the corporation board  
 17 [~~or any regional system board~~]; provided that  
 18 proceeds of bonds and moneys pledged to secure  
 19 bonds may be invested in obligations permitted by  
 20 any document that authorizes the issuance or  
 21 securing of bonds; and provided further that the



1 investment assists the corporation [~~or any~~  
2 ~~regional system board~~] in carrying out its public  
3 purposes; selling from time to time securities  
4 thus purchased and held, and depositing any  
5 securities in any bank or financial institution  
6 within or without the State. Any funds deposited  
7 in a banking institution or in any depository  
8 authorized in this section shall be secured in a  
9 manner and subject to terms and conditions as the  
10 corporation board [~~or a regional system board~~]  
11 may determine, with or without payment of any  
12 interest on the deposit, including without  
13 limitation time deposits evidenced by  
14 certificates of deposit. Any bank or financial  
15 institution incorporated under the laws of this  
16 State may act as depository of any funds of the  
17 corporation [~~or a regional system board~~] and may  
18 issue indemnity bonds or may pledge securities as  
19 may be required by the corporation [~~or regional~~  
20 ~~system~~] board; [~~provided that regional system~~  
21 ~~boards may exercise the powers under this~~



1 ~~subsection with respect to financial assets of~~  
2 ~~the regional system consistent with corporation-~~  
3 ~~wide policies;]~~ and

4 (B) Notwithstanding subparagraph (A), contracting  
5 with the holders of any of its notes or bonds as  
6 to the custody, collection, securing, investment,  
7 and payment of any moneys of the corporation [~~or~~  
8 ~~regional system board~~] and of any moneys held in  
9 trust or otherwise for the payment of notes or  
10 bonds and carrying out the contract. Moneys held  
11 in trust or otherwise for the payment of notes or  
12 bonds or in any way to secure notes or bonds, and  
13 deposits of [~~such~~] the moneys, may be secured in  
14 the same manner as moneys of the corporation [~~or~~  
15 ~~regional system board~~], and all banks and trust  
16 companies are authorized to give security for the  
17 deposits;

18 (27) Entering into any agreement with the State, including  
19 but not limited to contracts for the provision of  
20 goods, services, and facilities in support of the  
21 corporation's programs [~~or the regional system boards'~~



1 ~~programs]~~, and contracting for the provision of  
2 services to or on behalf of the State; ~~[provided that~~  
3 ~~the regional system boards shall be responsible for~~  
4 ~~entering into agreements to provide goods, services,~~  
5 ~~and facilities in support of programs in their~~  
6 ~~respective regional systems consistent with~~  
7 ~~corporation wide policies;]~~

8 (28) Having a seal and altering the same at pleasure;

9 (29) Waiving, by means that the corporation ~~[or regional~~  
10 ~~system board]~~ deems appropriate, the exemption from  
11 federal income taxation of interest on the  
12 corporation's ~~[or regional system boards']~~ bonds,  
13 notes, or other obligations provided by the Internal  
14 Revenue Code of 1986, as amended, or any other federal  
15 statute providing a similar exemption;

16 (30) Developing internal policies and procedures for the  
17 procurement of goods and services, consistent with the  
18 goals of public accountability and public procurement  
19 practices, and subject to management and financial  
20 legislative audits; ~~provided that [the regional system~~  
21 ~~boards shall be responsible for developing internal~~



1 ~~policies and procedures for each of their regional~~  
2 ~~systems consistent with the corporation's policies and~~  
3 ~~procedures, and further provided that:~~

4 ~~(A) The regional system boards and the corporation~~  
5 ~~board shall enjoy the exemption under section~~  
6 ~~103-53(e);~~

7 ~~(B) The regional system boards shall enjoy the~~  
8 ~~exemption under chapter 103D; and~~

9 ~~(C) The] the corporation shall be subject to chapter~~  
10 ~~103D;~~

11 (31) ~~Authorizing and establishing positions; [provided that~~  
12 ~~regional system boards shall be responsible for hiring~~  
13 ~~and firing regional and facility personnel consistent~~  
14 ~~with corporation policies, except a regional chief~~  
15 ~~executive officer shall only be hired or dismissed~~  
16 ~~upon the approval of the regional system board as~~  
17 ~~further set forth in section 323F-8.5;] and~~

18 (32) Having and exercising all rights and powers necessary  
19 or incidental to or implied from the specific powers  
20 granted in this chapter, which [~~specific powers~~] shall  
21 not be considered as a limitation upon any power



1 necessary or appropriate to carry out the purposes  
2 [and intent] of this chapter[, provided that the  
3 regional system boards shall be responsible for having  
4 and exercising all powers and rights with respect to  
5 matters in their regional systems consistent with the  
6 law; and

7 ~~(33) Each regional system, through its regional system  
8 board, shall:~~

9 ~~(A) Develop policies and procedures necessary or  
10 appropriate to plan, operate, manage, and control  
11 the day to day operations of facilities within  
12 the regional system that are consistent with  
13 corporation-wide policies;~~

14 ~~(B) Exercise custodial control over and use of all  
15 assets of the corporation that are located in the  
16 regional system pursuant to this chapter; and~~

17 ~~(C) Expend funds within its approved regional system  
18 budget and expend additional funds in excess of  
19 its approved regional system budget upon approval  
20 of the corporation board.~~



1       ~~(d) Each regional system board shall not be subject to~~  
2 ~~chapters 36 to 38, 40, 41D, and 103D as well as part I of~~  
3 ~~chapter 92 and shall enjoy the exemptions contained in sections~~  
4 ~~102-2 and 103-53(e), except as otherwise provided in this~~  
5 ~~chapter].~~

6       **(b)** The corporation shall not be subject to chapters 36  
7 ~~[to]~~ 37, 37D, 38, 40, and 41D, as well as part I of chapter 92,  
8 and shall enjoy the exemptions contained in sections 102-2 and  
9 103-53(e); provided that the exemption provided under this  
10 subsection to chapter 37D shall only apply to financing  
11 agreements of \$5,000,000 or less; provided further that the  
12 aggregate value of financing agreements per fiscal year shall  
13 not exceed \$25,000,000~~[-]~~ per region.

14       ~~[(e)]~~ **(c)** The duties and powers granted to the corporation  
15 ~~[or any regional system board]~~ may not be used to enter into  
16 contractual or business relationships that have the practical  
17 effect of allowing or are intended to allow private-sector  
18 counterparts to replace existing employee positions or  
19 responsibilities within the corporation ~~[or in any regional~~  
20 ~~system or its facilities; provided the corporation or regional~~  
21 ~~system boards shall be allowed to enter into such relationships~~





1 ~~to the extent and for the purposes that the division of~~  
2 ~~community hospitals could have done under collective bargaining~~  
3 ~~contracts that were in effect for the 1995-1996 fiscal year]."~~

4 SECTION 10. Section 323F-7.6, Hawaii Revised Statutes, is  
5 amended by amending subsection (b) to read as follows:

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

19 (1) All proceeds from the sale, lease, or transfer of  
20 assets shall be used for health care services in the



1           respective regional system or facility, except that  
2           real property shall only be transferred by lease;

3           (2) Any and all liabilities [~~of a regional system or~~  
4           ~~facility transitioning into a new entity~~] that were  
5           transferred to the Hawaii health systems corporation  
6           upon its creation by Act 262, Session Laws of Hawaii  
7           1996, and all liabilities [~~of the regional system or~~  
8           ~~facility~~] related to collective bargaining contracts  
9           negotiated by the State, shall become the  
10          responsibility of the State; and

11          (3) During the period of transition:

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

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

17          Upon the completion of the transition of all the facilities  
18          in a regional system to a new entity, the regional [~~system~~  
19          ~~board~~] public health care facility management advisory committee  
20          for that regional system shall terminate; provided that if not  
21          all of a regional system's facilities are transitioned to a new



1 entity, the existing regional [~~system-board~~] committee shall not  
2 terminate but shall continue to retain jurisdiction over those  
3 facilities remaining in the regional system."

4 SECTION 11. Section 323F-8, Hawaii Revised Statutes, is  
5 amended to read as follows:

6 "**§323F-8 Chief executive officer; exempt positions.** (a)

7 The corporation board may appoint, by majority vote of its  
8 entire membership, a chief executive officer of the corporation  
9 whose salary shall be set by the corporation board and who shall  
10 be exempt from chapter 76 and section 26-35(a)(4). The chief  
11 executive officer may also appoint up to eighteen other  
12 personnel, exempt from chapters 76 and 89, to work directly for  
13 the chief executive officer and the corporate board.

14 (b) The corporation board or its designee may discharge  
15 its exempt personnel with or without cause; provided that  
16 removal without cause shall not prejudice any contract rights of  
17 personnel.

18 [~~The discharge of the chief executive officer shall require~~  
19 ~~a majority vote of the entire membership of the corporation~~  
20 ~~board.~~]



1           (c) The corporation's chief executive officer or the chief  
2 executive officer's designee may appoint, exempt from chapters  
3 76 and 89, hospital administrators, assistant administrators,  
4 directors of nursing, medical directors, and staff physicians,  
5 to facilitate the management of facilities within the  
6 corporation[; ~~provided that directors of nursing appointed~~  
7 ~~before July 1, 1998, may maintain their civil service status as~~  
8 ~~provided in chapter 76 by so communicating in writing to the~~  
9 ~~chief executive officer by October 31, 1998. Hospital~~  
10 ~~administrators and assistant administrators appointed before~~  
11 ~~July 1, 1983, may maintain their permanent civil service status~~  
12 ~~as provided in chapter 76.~~

13           ~~(d) Hiring, firing, compensation packages, and other~~  
14 ~~personnel actions with respect to employees not covered by~~  
15 ~~chapter 76 and 89 shall be governed by policies and guidelines~~  
16 ~~established by the corporation, except as otherwise provided in~~  
17 ~~this chapter.~~

18           ~~(e) Upon the establishment of a regional system board, the~~  
19 ~~authority to appoint regional hospital administrators, assistant~~  
20 ~~administrators, directors of nursing, medical directors, and~~  
21 ~~staff physicians under subsection (c) shall be superseded by~~



1 ~~section 323F-8.5 for that regional system. No incumbent~~  
2 ~~personnel shall lose a position without specific action taken by~~  
3 ~~the regional system board]."~~

4 SECTION 12. Section 323F-9, Hawaii Revised Statutes, is  
5 amended to read as follows:

6 "**§323F-9 Hiring of attorneys.** The corporation [~~and~~  
7 ~~regional system boards~~] may employ or retain any attorney, by  
8 contract or otherwise, for the purpose of representing the  
9 corporation [~~or regional system boards~~] in any litigation,  
10 rendering legal counsel, or drafting legal documents for the  
11 corporation [~~or regional system boards~~]."

12 SECTION 13. Section 323F-10, Hawaii Revised Statutes, is  
13 amended to read as follows:

14 "**§323F-10 Regional public health facility management**  
15 **advisory committees.** (a) [~~On the transfer date, there~~] There  
16 shall be established within the corporation for each region, a  
17 public health facility management advisory committee to consist  
18 of nine members initially to be appointed by the chief executive  
19 officer of the corporation with the advice of the hospital  
20 administrators of the facilities in the affected regions. The  
21 members shall serve for a term of four years; provided that upon



1 the initial appointment of the members, two shall be appointed  
2 for a term of one year, two for a term of two years, two for a  
3 term of three years, and three for a term of four years.

4 Following the initial appointments by the chief executive  
5 officer of the corporation board, any vacancies on a regional  
6 committee shall be filled by a simple majority vote of the  
7 members of the executive committee from a list of qualified  
8 nominees submitted by the regional committee in which the  
9 vacancy occurred. If a regional committee vacancy remains  
10 unfilled for more than thirty days, that vacancy may be filled  
11 by the chief executive officer of the corporation.

12 Each regional management advisory committee shall include  
13 medical and health care providers, consumers, and knowledgeable  
14 individuals in other appropriate areas such as business and law;  
15 provided that at least one member shall be a physician with  
16 active medical staff privileges at one of the region's public  
17 health facilities. At least three members of the committee  
18 shall be consumers.

19 The management advisory committee for the East Hawaii  
20 region shall have three members who reside in the Ka'u district,  
21 three members who reside in the Hamakua/North Hilo districts,



1 and three members who reside in the South Hilo/Puna districts.  
2 The management advisory committee for the West Hawaii region  
3 shall have not less than three members who reside in the North  
4 Kohala/South Kohala districts.

5 Each regional committee shall select its own chairperson  
6 and vice chairperson and shall adopt rules governing the terms  
7 for removal of its chairperson from the executive management  
8 advisory committee. [~~In the event of~~] If a regional committee  
9 [~~vetting~~] votes to remove its chairperson who concurrently sits  
10 on the corporation board, that vote shall be unanimous. [~~In the~~  
11 ~~event of~~] If a regional committee [~~vetting~~] votes to remove its  
12 physician member from the corporation board, that vote shall  
13 also be unanimous. Each regional committee may also adopt other  
14 rules as it may consider necessary for the conduct of its  
15 business.

16 The members of the regional committees shall serve without  
17 compensation, but shall be reimbursed for traveling expenses  
18 incurred in the performance of their duties. The corporation  
19 shall provide for the necessary expenses of the committees;  
20 provided that no expenses may be incurred without prior  
21 authorization by the chief executive officer.



1           (b) Each regional committee shall sit in an advisory  
2 capacity to the chief executive officer on matters concerning  
3 the formulation of regional operational and capital improvement  
4 budgets, and the planning, construction, improvement,  
5 maintenance, and operation of public health facilities within  
6 its respective jurisdiction and shall sit in an advisory  
7 capacity to the governor on matters concerning the nominees for  
8 positions on the corporation board. Nothing in this section  
9 shall be construed as precluding or preventing the committees  
10 from coordinating their efforts and activities with the facility  
11 administrators within their counties.

12           (c) Each regional committee may prepare a report for  
13 inclusion with the corporation's annual report and audit, which  
14 shall include but not be limited to comments and analyses on the  
15 corporation's regional operational and capital improvement  
16 budgets for its respective region.

17           ~~[(d) Upon the establishment of a regional system board for  
18 a regional system pursuant to section 323F-3.5, this section  
19 shall no longer apply to that regional system.]"~~

20           SECTION 14. Section 323F-10.5, Hawaii Revised Statutes, is  
21 amended to read as follows:





1           **"§323F-10.5 Executive public health facility management**  
2 **advisory committee; establishment.** (a) There is established  
3 within the corporation an executive public health facility  
4 management advisory committee to consist of the chairpersons of  
5 each of the five regional public health facility management  
6 advisory committees. The executive committee [~~shall~~], through  
7 its chairperson, shall represent the interests of all regional  
8 committees on the corporation board.

9           (b) The executive committee shall select its own  
10 chairperson to serve on the corporation board and shall adopt  
11 rules governing the terms of office and removal from the  
12 corporation board. The executive committee shall also adopt  
13 rules governing the terms of office for each of the five  
14 regional committee chairpersons. The executive committee may  
15 also adopt other rules as it may consider necessary for the  
16 conduct of its business.

17           (c) The members of the executive committee shall serve  
18 without compensation, but shall be reimbursed for reasonable  
19 expenses incurred in the performance of their duties.



1        [~~(d) Upon the establishment of a regional system board for~~  
2 ~~a regional system pursuant to section 323F-3.5, this section~~  
3 ~~shall no longer apply to that regional system.] "~~

4        SECTION 15. Section 323F-11, Hawaii Revised Statutes, is  
5 amended to read as follows:

6        "**§323F-11 Executive branch; noninterference.**

7 Notwithstanding any other law to the contrary, the governor and  
8 executive branch agencies shall limit their responsibilities to  
9 that of review and oversight when the corporation [~~or regional~~  
10 ~~system board~~] receives general funds from the State to subsidize  
11 the operating budgets of deficit facilities. The governor and  
12 executive branch agencies shall not interfere with the systemic  
13 change, capacity building, advocacy, budget, personnel, system  
14 plan development, or plan implementation activities of the  
15 corporation [~~or any regional system board~~]. The governor and  
16 executive branch agencies shall not interfere with the ability  
17 of the corporation [~~or regional system board~~] to function as a  
18 multiple facility public hospital system delivering health care  
19 services to the residents of the State."

20        SECTION 16. Section 323F-21, Hawaii Revised Statutes, is  
21 amended to read as follows:



1           **"§323F-21 Fiscal provisions.** (a) There is created in the  
 2 state treasury a special fund to be known as the health systems  
 3 special fund, into which shall be deposited all fees, proceeds,  
 4 reimbursements, and the like owed to or received by the  
 5 corporation[~~, any regional system board,~~] and its facilities,  
 6 except as herein provided. [~~There shall be established within~~  
 7 ~~the special fund regional subaccounts for each regional system~~  
 8 ~~board upon its establishment.~~] The special fund [~~and the~~  
 9 ~~regional subaccounts~~] shall be used solely to fulfill the  
 10 purposes outlined in this chapter.

11           The corporation [~~and each regional system board~~] may  
 12 establish and maintain, within the health systems special fund  
 13 [~~or any regional subaccount~~], any [~~other~~] accounts that [~~may be~~]  
 14 are necessary [~~and appropriate~~] to carry out its purposes and  
 15 responsibilities.

16           [~~The corporation and any regional system board may deposit~~  
 17 ~~moneys into trustee accounts for the purposes of securing or~~  
 18 ~~issuing bonds.~~]

19           The corporation [~~and regional system boards~~] may provide  
 20 reasonable reserves for any of the following purposes:

- 21           (1) Insurance deductibles;



- 1           (2) The improvement, replacement, or expansion of their  
2           facilities or services;
- 3           (3) The securing of the corporation's [~~or regional system~~  
4           ~~boards~~] bonds, notes, or other instruments of  
5           indebtedness; or
- 6           (4) Any other purpose the corporation [~~or the regional~~  
7           ~~system boards deem~~] deems necessary [~~or appropriate~~]  
8           in the performance of [~~their~~] its purposes and  
9           responsibilities.
- 10          (b) The corporation board [~~and regional system boards~~]  
11 shall [~~collaboratively~~] develop budgetary guidelines and annual  
12 operating and capital budgets for each facility, taking into  
13 account anticipated surpluses from or subsidies to the  
14 facilities pursuant to the annual guidelines described in this  
15 section, accumulated corporation [~~and regional~~] reserves and  
16 accounts, subsidies, if any, that are determined to be needed  
17 from the general fund, and other sources of [~~corporation wide~~  
18 ~~and regional~~] income as may be identified. [~~Two year budgets~~  
19 ~~will be approved for regional system boards, in alignment with~~  
20 ~~State of Hawaii biennium budgeting. The corporate board shall~~  
21 ~~not alter the two year budget of a regional system except:~~



- 1       ~~(1) Where state general funding is reduced,~~  
2       ~~(2) An emergency exists, or~~  
3       ~~(3) There is a renegotiated budget approved by a regional~~  
4           ~~system board.]~~

5 The corporation [~~and regional system boards~~] shall  
6 [~~collaboratively~~] develop budgetary guidelines [~~and negotiate~~  
7 ~~with each facility~~], and may allocate to each facility  
8 reasonable corporation administrative costs, including funds  
9 determined by the corporation [~~or any regional system board~~] to  
10 be needed from or provided to each facility to:

- 11       (1) Repay corporation [~~or regional system board~~] debts;  
12       (2) Provide subsidies to any facility determined to be  
13           unable to fund from within that facility's programs  
14           and services deemed essential to community needs; and  
15       (3) Maintain appropriate reserves.

16       (c) The corporation [~~and regional system boards~~] shall  
17 [~~collaboratively~~] develop annual corporation operating and  
18 capital budgets, taking into account anticipated surpluses from  
19 or subsidies to the facilities pursuant to the annual guidelines  
20 described in this section, accumulated corporation [~~and regional~~  
21 ~~system board~~] reserves and accounts, subsidies, if any, that are



1 determined to be needed from the general fund, and other sources  
2 of [~~corporation wide and regional system board~~] income as may be  
3 identified.

4 [~~(d)~~] ~~Beginning with the first of the legislative biennium~~  
5 ~~budget years following the establishment of a regional system~~  
6 ~~board, and for each biennium period thereafter, the corporation~~  
7 ~~shall call together all the regional systems through~~  
8 ~~representatives selected by each regional system board, and the~~  
9 ~~chairs of the facility management advisory committees, if any,~~  
10 ~~to determine which services and functions should be provided by~~  
11 ~~the corporation for the next biennium budget period, consistent~~  
12 ~~with this chapter. As part of the biennium budgeting process,~~  
13 ~~the corporation board and the representatives of each regional~~  
14 ~~system, working through the corporation board regional~~  
15 ~~representatives, shall agree upon an allocation methodology for~~  
16 ~~funding the agreed upon and statutorily created corporate~~  
17 ~~services and functions.~~

18 ~~(e)]~~ (d) The corporation may share in any facility's  
19 surplus and may offset any facility's deficits as provided  
20 herein. [~~Any regional system board shall share in the surplus~~  
21 ~~of any facility within the regional system and shall offset any~~



1 ~~facility deficits within its regional system. Operating~~  
2 ~~surpluses of the regional system board shall be reinvested in~~  
3 ~~the operations of that regional system in any prudent manner,~~  
4 ~~provided that upon request, and subject to authorization by the~~  
5 ~~regional system board, the regional system board may share its~~  
6 ~~surplus or resources with a facility outside of the regional~~  
7 ~~system to benefit the corporation wide system of health care.]~~  
8 Obligations undertaken by a facility shall be paid only from  
9 funds of that facility, unless the corporation board[, the  
10 regional system board managing the facility, or an] or its  
11 authorized agent explicitly agrees to guarantee the obligation.  
12 [~~Loans and other transfers may be made between regional systems~~  
13 ~~upon approval of the affected regional system boards to assist~~  
14 ~~in the cash flow and operations of the public health facilities.~~  
15 ~~(f)]~~ (e) In accordance with each annual facility budget,  
16 and subject to policies established by the corporation board  
17 [~~and by each regional system board,~~] each facility of the  
18 corporation [~~and regional system board, respectively,~~] shall:  
19 (1) Bill and collect for its services;  
20 (2) Maintain bank accounts; and



1           (3) Pay for needed personnel, supplies, equipment, and  
2           other operational and capital expenditures.

3           ~~[(g)]~~ (f) The corporation ~~[and each regional system~~  
4 ~~board]~~, subject to policies established by the corporation ~~[and~~  
5 ~~each regional system board, respectively]~~, may elect to manage  
6 its own capital improvement project and funds, either directly  
7 or indirectly by contract; provided that annual reports of the  
8 project moneys are provided to the governor and legislature.

9           ~~[(h)]~~ (g) The corporation board ~~[and regional system~~  
10 ~~boards]~~ may hold public informational meetings on ~~[their]~~ its  
11 budgets. Representatives of any county government, state  
12 government, or any other person having an interest in the  
13 budget, shall have the right to be heard at the meetings."

14           SECTION 17. Section 323F-22, Hawaii Revised Statutes, is  
15 amended to read as follows:

16           "**§323F-22 Annual audit and report; disclosure of revenue**  
17 **projections**~~[, internal performance audit]~~. (a) The corporation  
18 shall engage a certified public accountant to conduct an annual  
19 audit of its financial affairs, books, and records in accordance  
20 with generally accepted accounting principles. ~~[The~~  
21 ~~corporation, in consultation with a regional system board, may~~





1 ~~permit or require a regional system board to retain an audit~~  
2 ~~firm to conduct an independent audit of the regional system.~~  
3 ~~Each regional system board shall submit the results of the~~  
4 ~~annual audit to the corporation board within one hundred twenty~~  
5 ~~days after the close of the regional system board's fiscal~~  
6 ~~year.] The corporation shall submit to the governor and the~~  
7 ~~legislature, within one hundred fifty days after the close of~~  
8 ~~the corporation's fiscal year, a report that shall include the~~  
9 ~~audited financial report for that fiscal year for the~~  
10 ~~corporation [and each regional system board].~~

11 (b) In addition to the submittal of the audit required  
12 under subsection (a), the corporation~~[, in cooperation with the~~  
13 ~~regional system boards,]~~ shall submit a report to the  
14 legislature at least twenty days prior to the convening of each  
15 regular session that shall include but not be limited to:

- 16 (1) The projected revenues for each health care facility;  
17 (2) A list of all proposed capital improvement projects  
18 planned for implementation during the following fiscal  
19 year; and



1 (3) All reports submitted by regional public health  
2 facility management advisory committees pursuant to  
3 section 323F-10(c).

4 (c) ~~[The regional system boards shall prepare a report for~~  
5 ~~inclusion with the corporation's annual report and audit.~~

6 ~~(d)]~~ There shall be an annual internal audit of the  
7 management and operations of the corporation ~~[and regions]~~. The  
8 corporation~~[, in cooperation with the regional system boards,]~~  
9 shall submit a report to the legislature at least twenty days  
10 prior to the convening of each regular session on the results of  
11 the annual internal audit of the management and operations of  
12 the corporation ~~[and regions]~~."

13 SECTION 18. Section 323F-23, Hawaii Revised Statutes, is  
14 amended to read as follows:

15 "**§323F-23 Exemption from taxation.** The corporation ~~[and~~  
16 ~~each regional system board]~~ shall be exempt from paying any:

- 17 (1) Assessments levied by any county; and  
18 (2) State taxes of any kind."

19 SECTION 19. Section 323F-24, Hawaii Revised Statutes, is  
20 amended to read as follows:



1           "**§323F-24 Budget oversight.** The corporation's ~~[and each~~  
2 ~~regional system board's]~~ operating and capital improvement  
3 budgets shall not be subject to review or approval by the  
4 governor or any state agency, except where state general funds  
5 or capital improvement moneys are requested. If general funds  
6 or capital improvement moneys are requested, then the  
7 corporation ~~[or any regional system board]~~ shall include, with  
8 its request, the proposed budget for which the funds or moneys  
9 are to be included. The corporation ~~[and regional system~~  
10 ~~boards, once operational,]~~ shall ~~[collaboratively]~~ submit  
11 ~~[their]~~ its budgets annually to the legislature for review and  
12 approval at least twenty days prior to the convening of the  
13 regular legislative session~~[, beginning with the budgets for the~~  
14 ~~2010-2011 biennium fiscal years]."~~

15           SECTION 20. Section 323F-25, Hawaii Revised Statutes, is  
16 amended to read as follows:

17           "~~[§]§323F-25[§ Regional system board, community]~~ Community  
18 hospitals; community health centers; collaboration. Each  
19 ~~[regional system board and each]~~ community hospital under the  
20 jurisdiction of the corporation shall collaborate with community



1 health centers within their respective geographic jurisdictions  
2 to maximize funding from the state and federal governments to:

- 3 (1) Maximize reimbursement for health care services  
4 provided;
- 5 (2) Acquire funds for capital investment;
- 6 (3) Provide expanded hours of service; and
- 7 (4) Ensure the provision of the appropriate level of care  
8 to the community served by each community health  
9 center."

10 SECTION 21. Section 323F-31, Hawaii Revised Statutes, is  
11 amended to read as follows:

12 "**§323F-31 Maintenance of services.** (a) Prior to  
13 implementation, the corporation shall notify the legislature of  
14 any planned substantial expansion, reduction, or elimination of  
15 direct patient care services.

16 [~~(a)~~] (b) No [~~planned~~] substantial reduction or  
17 elimination of direct patient care services at any facility  
18 shall be undertaken [~~unless all of the following requirements~~  
19 ~~are met:~~

20 ~~(1) An initial determination is made by the regional chief~~  
21 ~~executive officer as to critical and emergency~~



1 ~~services which shall not be subject to reduction or~~  
2 ~~elimination pursuant to this section;~~

3 ~~(2) The plan of the facility to substantially reduce or~~  
4 ~~eliminate any direct patient care services at the~~  
5 ~~health facility shall first be presented to the~~  
6 ~~regional system board for its approval;~~

7 ~~(3) Subsequent to the requisite regional system board~~  
8 ~~approval, the regional chief executive officer shall~~  
9 ~~present the plan to the community in which the~~  
10 ~~facility is located, at a community informational~~  
11 ~~meeting, in order to obtain community input on the~~  
12 ~~plan; and~~

13 ~~(4) Provided that if the regional system board approves~~  
14 ~~the plan, the plan as approved by the regional system~~  
15 ~~board shall be submitted to the corporation board for~~  
16 ~~ratification.~~

17 ~~(b) After the community informational meeting, but at~~  
18 ~~least twenty days prior to the implementation of the plan~~  
19 ~~approved by the regional system board, the regional system board~~  
20 ~~shall give notice of implementation of the plan to the governor,~~



1 ~~senate president, and the speaker of the house of~~  
2 ~~representatives.~~

3 ~~(c) The decision of the regional system board shall be the~~  
4 ~~final decision with respect to the plan. Implementation of the~~  
5 ~~plan shall commence and continue, provided that no legislation~~  
6 ~~is enacted that:~~

7 ~~(1) Requires the reinstatement and continuation of the~~  
8 ~~direct patient care services that are subject to~~  
9 ~~reduction or elimination under the plan; and~~

10 ~~(2) Includes an appropriation of additional moneys~~  
11 ~~sufficient to adequately fund the mandated~~  
12 ~~reinstatement and continuation of the subject direct~~  
13 ~~patient care services.] by the corporation without the~~  
14 ~~approval of the legislature.~~

15 (c) The legislature shall maintain review and oversight  
16 authority over the provision of direct patient care services  
17 provided at each facility and may intervene to counter or  
18 restrict any substantial reduction or elimination of patient  
19 care services."

20 SECTION 22. Section 323F-3.5, Hawaii Revised Statutes, is  
21 repealed.



1           ~~["§323F-3.5 Regional system boards. (a) There is hereby~~  
2 ~~established a regional system board of directors to govern each~~  
3 ~~of the five regional systems specified in section 323F-2, no~~  
4 ~~later than January 1, 2008. The regional system boards of~~  
5 ~~directors shall carry out the duties and responsibilities as set~~  
6 ~~forth in this chapter and as further delegated by the~~  
7 ~~corporation.~~

8           ~~(b) Upon its establishment, a regional system board shall~~  
9 ~~assume custodial care of all financial assets, real property,~~  
10 ~~including land, structures, and fixtures, or other physical~~  
11 ~~assets, such as personal property, including furnishings,~~  
12 ~~equipment, and inventory, of the corporation within its regional~~  
13 ~~system. No sale or encumbrance of any such real property or~~  
14 ~~such other financial assets, physical assets of the corporation~~  
15 ~~shall be permitted without the mutual consent of the Hawaii~~  
16 ~~health systems corporation board and the appropriate regional~~  
17 ~~system board. No additional debts or liabilities or superior~~  
18 ~~debts shall be added by the corporation to any regional system~~  
19 ~~board that would negatively impact the holders of bond notes.~~  
20 ~~Each regional system board shall be liable for any liabilities~~



1 ~~arising from financial assets, real or personal property in its~~  
2 ~~custodial care.~~

3 ~~(c) Each regional system shall be governed by a regional~~  
4 ~~system board of directors to consist of not less than seven~~  
5 ~~members and not more than fifteen members, as determined by the~~  
6 ~~regional system board after the initial regional system board is~~  
7 ~~established.~~

8 ~~(1) Each regional system board shall initially consist of~~  
9 ~~twelve members to be appointed by the governor under~~  
10 ~~section 26 34 or as provided in this section, as~~  
11 ~~follows:~~

12 ~~(A) Four members shall be appointed by the governor~~  
13 ~~within thirty days of receipt of a qualified list~~  
14 ~~of candidates as follows:~~

15 ~~(i) Two members shall be chosen from a list of~~  
16 ~~four individuals submitted by the speaker of~~  
17 ~~the house of representatives within fifteen~~  
18 ~~days of July 1, 2007; provided that this~~  
19 ~~list shall not include physicians; and~~

20 ~~(ii) Two members shall be chosen from a list of~~  
21 ~~four individuals submitted by the president~~





1 ~~of the senate within fifteen days of July 1,~~  
2 ~~2007; provided that this list shall not~~  
3 ~~include physicians;~~

4 ~~(B) Four members shall be appointed by the governor~~  
5 ~~within thirty days from a list of eight~~  
6 ~~individuals nominated by the regional public~~  
7 ~~health facility management advisory committee~~  
8 ~~within fifteen days of July 1, 2007. These~~  
9 ~~individuals may be medical and health care~~  
10 ~~providers and professionals, consumers, and~~  
11 ~~knowledgeable individuals in other appropriate~~  
12 ~~areas such as business, finance, and law;~~  
13 ~~provided that these individuals shall not be~~  
14 ~~physicians currently in active practice;~~

15 ~~(C) Three physicians shall be appointed by the~~  
16 ~~governor within thirty days from a list submitted~~  
17 ~~within fifteen days of July 1, 2007, of six~~  
18 ~~physicians nominated by a majority vote of the~~  
19 ~~medical staff of the public health facilities in~~  
20 ~~the regional system present at a duly noticed~~  
21 ~~meeting from a list of qualified candidates~~



- 1                   ~~submitted by the medical executive committees in~~  
2                   ~~the regional system; and~~
- 3           ~~(D) The corporation board chairperson or~~  
4                   ~~chairperson's designee shall serve as an ex~~  
5                   ~~officio, nonvoting member of each regional system~~  
6                   ~~board;~~
- 7           ~~(2) One member of each regional system board nominated by~~  
8                   ~~the speaker of the house of representatives, the~~  
9                   ~~president of the senate, and medical executive~~  
10                  ~~committees in a regional system shall be appointed for~~  
11                  ~~a term of two years;~~
- 12           ~~(3) One member of each initial regional system board~~  
13                   ~~nominated by the regional public health facility~~  
14                   ~~management advisory committee for the regional system~~  
15                   ~~shall be appointed for a term of two years;~~
- 16           ~~(4) The remaining members of each initial regional system~~  
17                   ~~board and all members appointed thereafter shall be~~  
18                   ~~appointed for terms of three years; and~~
- 19           ~~(5) New regional system board members appointed to any~~  
20                   ~~regional system board after the initial regional~~  
21                   ~~system board shall be selected by a two thirds~~



1           ~~affirmative vote of the existing regional system board~~  
2           ~~members.~~

3   ~~Except for the ex officio members of each regional system board,~~  
4   ~~all other members of a regional system board shall be residents~~  
5   ~~of the region. Each regional system board shall elect its own~~  
6   ~~chair.~~

7           ~~(d) Each regional system board shall:~~

8           ~~(1) Be responsible for local governance, operations, and~~  
9           ~~administration of the delivery of services in its~~  
10           ~~respective regional system as set forth in this~~  
11           ~~chapter and as further delegated by the corporation;~~

12           ~~(2) Include medical and health care providers and~~  
13           ~~professionals, consumers, and knowledgeable~~  
14           ~~individuals in other appropriate areas, such as~~  
15           ~~business, finance, and law; provided that no more than~~  
16           ~~three members of the regional system board shall be~~  
17           ~~physicians;~~

18           ~~(3) Be as balanced and representative of the community~~  
19           ~~stakeholders as possible; and~~



1       ~~(4) Have the powers, duties, and responsibilities that are~~  
2           ~~specific to the regional system board as provided in~~  
3           ~~this chapter.~~

4       ~~(c) Any member of a regional system board may be removed~~  
5       ~~for cause by the governor or for cause by vote of a two thirds~~  
6       ~~majority of the regional system board's voting members then in~~  
7       ~~office. For purposes of this section, "cause" shall include~~  
8       ~~without limitation:~~

9       ~~(1) Malfeasance in office;~~

10       ~~(2) Persistent failure to attend regularly called~~  
11       ~~meetings;~~

12       ~~(3) Sentencing for conviction of a felony, to the extent~~  
13       ~~allowed by section 831-3.1; or~~

14       ~~(4) Any other cause that may render a member incapable of~~  
15       ~~discharging or unfit to discharge the duties required~~  
16       ~~under this chapter." ]~~

17       SECTION 23. Section 323F-4.5, Hawaii Revised Statutes, is  
18       repealed.

19       ~~[ "**§323F-4.5** Captive insurance board. (a) There is~~  
20       ~~established a ten member captive insurance board that shall~~  
21       ~~carry out the corporation's duties and responsibilities relating~~



1 ~~to the establishment of any captive insurance company pursuant~~  
2 ~~to section [323F 7(c)(20)] and the operation thereof.~~

3 ~~(b) Eight members of the captive insurance board shall be~~  
4 ~~appointed by the governor as follows:~~

5 ~~(1) Three members from a list of five persons submitted by~~  
6 ~~the president of the senate; provided that at least~~  
7 ~~one of these members shall have experience in the~~  
8 ~~insurance industry and financial matters;~~

9 ~~(2) Three members from a list of five persons submitted by~~  
10 ~~the speaker of the house of representatives; provided~~  
11 ~~that at least one of these members shall have~~  
12 ~~experience in the insurance industry and financial~~  
13 ~~matters; and~~

14 ~~(3) Two members, one of whom shall be the chief executive~~  
15 ~~officer or chief financial officer of an insurer~~  
16 ~~licensed to do business in the State and shall serve~~  
17 ~~as a nonvoting member.~~

18 ~~The director of health or the director's designee and the~~  
19 ~~insurance commissioner or the commissioner's designee shall~~  
20 ~~serve as ex officio, nonvoting members.~~



1 ~~Any vacancy shall be filled in the same manner provided for~~  
2 ~~the original appointments. The captive insurance board shall~~  
3 ~~elect its own chair from among its members.~~

4 ~~(c) The selection, appointment, and confirmation of any~~  
5 ~~appointed nominee shall be based on ensuring that captive~~  
6 ~~insurance board members have diverse and beneficial perspectives~~  
7 ~~and experiences and that they include, to the extent possible,~~  
8 ~~representatives of the insurance and/or finance sectors.~~

9 ~~Members of the captive insurance board shall serve without~~  
10 ~~compensation but may be reimbursed for actual expenses,~~  
11 ~~including travel expenses incurred in the performance of their~~  
12 ~~duties.~~

13 ~~(d) Any appointed member of the captive insurance board~~  
14 ~~may be removed for cause by the governor or for cause by vote of~~  
15 ~~a two-thirds majority of the captive insurance board members~~  
16 ~~then in office. For purposes of this section, cause shall~~  
17 ~~include without limitation:~~

- 18 ~~(1) Malfeasance in office;~~
- 19 ~~(2) Failure to attend regularly called meetings;~~
- 20 ~~(3) Sentencing for conviction of a felony, to the extent~~  
21 ~~allowed by section 831-2; or~~



1       ~~(4) Any other cause that may render a member incapable or~~  
2           ~~unfit to discharge the duties required under this~~  
3           ~~chapter.~~

4       ~~Filing nomination papers for elective office, appointment to~~  
5       ~~elective office, or conviction of a felony consistent with~~  
6       ~~section 831 3.1, shall automatically and immediately disqualify~~  
7       ~~a board member from office.~~

8       ~~(e) No member of the captive insurance board shall be an~~  
9       ~~employee or vendor of the corporation, or an immediate family~~  
10       ~~member thereof. For purposes of this subsection, "immediate~~  
11       ~~family member" means a corporation board employee's or vendor's~~  
12       ~~spouse, child, parent, grandparent, or any related individual~~  
13       ~~who resides in the same household of the employee or vendor." ]~~

14       SECTION 24. Section 323F-7.5, Hawaii Revised Statutes, is  
15       repealed.

16       ~~[ "~~§323F-7.5~~ Regional system boards, delegated authority.~~

17       ~~If the Hawaii health systems corporation board is unable to act~~  
18       ~~on important transactions in as timely a manner as the~~  
19       ~~chairperson of the corporation board deems reasonable, the~~  
20       ~~chairperson of the corporation board may further delegate~~



1 ~~authority to the regional system boards to take action on~~  
2 ~~specific matters." ]~~

3 SECTION 25. Section 323F-8.5, Hawaii Revised Statutes, is  
4 repealed.

5 [~~"§323F-8.5 Regional chief executive officer, exempt~~  
6 ~~position. (a) Upon establishment, a regional system board may~~  
7 ~~appoint a regional chief executive officer whose salary shall be~~  
8 ~~set by the corresponding regional system board and may discharge~~  
9 ~~a regional chief executive officer, provided that the position~~  
10 ~~shall be exempt from chapter 76 and section 26 35(a)(4). Each~~  
11 ~~regional chief executive officer may also appoint, as necessary,~~  
12 ~~other personnel, exempt from chapters 76 and 89, to work~~  
13 ~~directly for the regional chief executive officer for the~~  
14 ~~regional system and for the corresponding regional system board.~~

15 ~~(b) Any regional system board or its designee may~~  
16 ~~discharge its exempt personnel with or without cause, provided~~  
17 ~~that removal without cause shall not prejudice any contract~~  
18 ~~rights of personnel.~~

19 ~~(c) Each regional chief executive officer or their~~  
20 ~~designees may appoint, exempt from chapters 76 and 89, hospital~~  
21 ~~administrators, assistant administrators, directors of nursing,~~





1 ~~medical directors, and staff physicians, to facilitate the~~  
2 ~~management of facilities within the regional system.~~

3 ~~(d) Hiring, firing, compensation packages, and other~~  
4 ~~personnel actions with respect to employees not covered by~~  
5 ~~chapters 76 and 89 shall be governed by policies adopted by each~~  
6 ~~regional system board. These policies and guidelines shall be~~  
7 ~~consistent with policies and guidelines adopted by the~~  
8 ~~corporation board after consultation with the regional system~~  
9 ~~boards." ]~~

10 SECTION 26. The auditor shall conduct a comprehensive  
11 financial and management audit of the Hawaii health systems  
12 corporation, including an analysis of information technology  
13 operations, procurement practices, contract administration, cash  
14 collections, accounts receivable, and personnel management.

15 The auditor shall submit a report of its findings and  
16 recommendations, including any proposed legislation, to the  
17 legislature no later than twenty days prior to the convening of  
18 the regular session of 2016.

19 SECTION 27. Sections 26-5, 26-35.5, 28-8.3, 36-27, 36-30,  
20 37-53, 37-74, 37D-1, 37D-2, 41D-2, 102-2, 103-53, 103D-102, and  
21 846-27, Hawaii Revised Statutes, are amended by deleting the



1 words "regional system board", or like term, whenever the words  
2 "regional system board", or like term, appear, as the context  
3 requires.

4 PART II

5 SECTION 28. The legislature finds that under current law,  
6 employees of the Hawaii health systems corporation are included  
7 in seven bargaining units that also include employees of other  
8 public employers. While this arrangement is not unique to the  
9 Hawaii health systems corporation, the corporation's status as  
10 one of the nation's largest public health care organizations  
11 providing acute and long term health care services makes its  
12 workforce needs wholly different from other government agencies  
13 in the State.

14 Other health care workers are employed by the State;  
15 however, none of them provide acute hospital care or residential  
16 long term care. The ability to negotiate collective bargaining  
17 agreements that address the wages, hours, and working conditions  
18 of its employees will allow the Hawaii health systems  
19 corporation to expeditiously respond to and address the unique  
20 issues inherent in its hospital operations, including census,



1 acuity, process improvement, and most importantly, quality  
2 patient care.

3 The purpose of this part is to amend collective bargaining  
4 requirements to provide for negotiation of supplemental  
5 bargaining agreements for employees of the Hawaii health systems  
6 corporation.

7 SECTION 29. Section 89-6, Hawaii Revised Statutes, is  
8 amended by amending subsection (d) to read as follows:

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

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

18 (2) For bargaining units (11) and (12), the governor shall  
19 have four votes and the mayors shall each have one  
20 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[~~-~~]; and

10 (5) For Hawaii health systems corporation supplemental  
11 bargaining agreements for units (1), (2), (3), (4),  
12 (9), (10), and (13), the governor shall have three  
13 votes, the corporation board of directors shall have  
14 two votes, and the executive director of the Hawaii  
15 health systems corporation shall have one vote. The  
16 supplemental agreements shall be approved concurrent  
17 with any master agreement.

18 Any decision to be reached by the applicable employer group  
19 shall be on the basis of simple majority, except when a  
20 bargaining unit includes county employees from more than one



1 county. In that case, the simple majority shall include at  
2 least one county."

3 PART III

4 SECTION 30. All rights, powers, functions, and duties of  
5 the Hawaii health systems corporation regional system boards are  
6 transferred to the Hawaii health systems corporation.

7 All employees who occupy civil service positions and whose  
8 functions are transferred to the Hawaii health systems  
9 corporation 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.



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

16 SECTION 31. All appropriations, records, equipment,  
17 machines, files, supplies, contracts, books, papers, documents,  
18 maps, and other personal property heretofore made, used,  
19 acquired, or held by the Hawaii health systems corporation  
20 regional system boards relating to the functions transferred to



1 the Hawaii health systems corporation shall be transferred with  
2 the functions to which they relate.

3 SECTION 32. All acts passed prior to or during the regular  
4 session of 2015, whether enacted before or after passage of this  
5 Act, shall be amended to conform to this Act unless such acts  
6 specifically provide that this Act is being amended. Insofar as  
7 this Act is inconsistent with any other law, this Act shall  
8 control.

9 SECTION 33. This Act does not affect rights and duties  
10 that matured, penalties that were incurred, and proceedings that  
11 were begun before its effective date.

12 SECTION 34. Statutory material to be repealed is bracketed  
13 and stricken. New statutory material is underscored.

14 SECTION 35. This Act shall take effect on July 1, 2050;  
15 provided that part II of this Act shall apply to collective  
16 bargaining agreements negotiated after July 1, 2015.



**Report Title:**

Hawaii Health Systems Corporation

**Description:**

Reconsolidates HHSC operational administration and oversight by eliminating regional system boards. Repeals certain limits on operational authority. Amends HHSC supplemental bargaining agreements for HHSC employees. (HB1112 HD2)

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

