
A BILL FOR AN ACT

RELATING TO HAWAII HEALTH SYSTEMS CORPORATION.

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

1 SECTION 1. The purpose of this Act is to ensure that all
2 of the people of Hawaii, especially those residing in
3 underserved rural communities, have continued access to health
4 care services, by establishing a process for determining whether
5 the health care services presently provided by the Hawaii health
6 systems corporation, one or more of the corporation's five
7 regional health care systems, or one of more of the
8 corporation's health systems facilities can be delivered more
9 cost-effectively by partnering with healthcare management
10 systems that are presently providing hospital services in the
11 State and have provided such services, without interruption, for
12 at least ten years.

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

16 "PART . PARTNERING PROCESS FOR THE OPERATION OF THE HAWAII
17 HEALTH SYSTEMS CORPORATION, ONE OR MORE REGIONAL SYSTEMS, OR ONE
18 OR MORE HEALTH SYSTEMS FACILITIES.



1 **§323F-A Authority to partner.** Notwithstanding any other
2 law to the contrary, including but not limited to chapters 76,
3 89, 103D, 323D, and 343, the governor, with the assistance of
4 the advisory committee established in section 323F-B, may select
5 and enter into written agreements, reviewed and approved by the
6 attorney general, with one or more healthcare management systems
7 that offer to assume some or all of the responsibilities of one
8 or more of the corporation's regional systems or one or more of
9 the corporation's health systems facilities to deliver health
10 care in the communities the regional systems or health system
11 facilities serve.

12 For purposes of this part, the term "healthcare management
13 system" means a nonprofit or public benefit corporation
14 registered to do business in the State, with expertise and
15 experience operating an integrated clinical health care delivery
16 system in the State for no less than ten years and has been
17 providing hospital services, including trauma, pediatric,
18 neonatal, cardiac, and other specialty health care.

19 **§323F-B Advisory committee; establishment.** There is
20 established an advisory committee chosen by the governor or the
21 governor's designee consisting of, at a minimum:



- 1 (1) The attorney general or the attorney general's
2 designee;
- 3 (2) The director of finance or the director's designee;
4 and
- 5 (3) The chief executive officer or acting chief executive
6 officer of the corporation.

7 **§323F-C Request for proposals.** The chief executive
8 officer of the corporation shall give notice inviting healthcare
9 management systems to submit a transition plan for assuming some
10 or all of the responsibilities of one or more of the
11 corporation's regional systems, or one or more of the
12 corporation's health systems facilities, to deliver health care
13 in the communities the systems or facilities serve.

14 **§323F-D Transition plan.** The transition plan a healthcare
15 management system submits in response to a notice published
16 under section 323F-C shall include provisions to:

- 17 (1) Establish a governance and management structure that
18 will improve the performance of the hospitals and
19 facilities of the corporation, regional system, or
20 combined regional systems;



1 (2) Increase efficiencies of scale, shared services, and
2 administrative and technological expertise to improve
3 the health care performance of the hospitals and
4 facilities of the corporation, regional system, or
5 combined regional system;

6 (3) Implement operational efficiencies and a financial
7 structure that will reduce or eliminate the need for
8 state subsidies during the period of transition; and

9 (4) Protect and promote the health care needs of the areas
10 being served and deliver a high quality of clinical
11 care and patient services.

12 **§323F-E Management agreement executed by the State and**
13 **selected healthcare management systems.** At a minimum, the
14 agreement executed by the State and any healthcare management
15 system selected to implement its transition plan shall include
16 provisions that:

17 (1) Specify that any and all liabilities of the
18 corporation, regional system, or combined regional
19 system transitioning into a new healthcare management
20 system that were transferred to the corporation upon
21 its creation pursuant to Act 262, Session Laws of



- 1 Hawaii 1996, and all liabilities of the corporation,
2 regional system, or combined regional system related
3 to collective bargaining contracts negotiated by the
4 State, shall remain the responsibility of the State;
- 5 (2) Assure that the selected healthcare management system
6 shall pursue general fund support from the State
7 sufficient to maintain equivalent hospital services in
8 acquired regions for no more than five years after its
9 assumption of the responsibilities of one or more
10 regional systems or health systems facilities to
11 deliver health care in the communities served by the
12 systems or facilities and shall not exceed current
13 levels of support;
- 14 (3) Allow the State or the selected healthcare management
15 system to terminate the agreement with a minimum of
16 one hundred eighty days written notice to ensure that
17 the delivery of health care to the community served
18 will not be disrupted;
- 19 (4) Allow the selected healthcare management system
20 exclusive control of all matters related to the



- 1 management and operation of the facility or regional
2 system subject to the transition plan;
- 3 (5) Dissolve the regional system board if the transition
4 plan that is selected provides that the selected
5 healthcare management system shall operate and manage
6 all of the facilities in a region;
- 7 (6) Permit the selected healthcare management system to
8 submit to the advisory committee a written offer to
9 purchase all of the tangible assets, excluding real
10 property, of one or more facilities in a regional
11 system, including but not limited to buildings,
12 fixtures, equipment, machinery, and inventory located
13 on, about, or under the facilities;
- 14 (7) Permit the State, upon a recommendation of the
15 advisory committee and approval of the governor, to
16 accept the written offer to purchase submitted by the
17 selected healthcare management system, and to enter
18 into a written purchase and sale agreement for the
19 transfer of all of the assets of one or more regional
20 systems or facilities, except real property, to the
21 healthcare management system; provided that any



1 property or services acquired pursuant to the purchase
2 and sale agreement shall be exempt from chapter 323D,
3 part V; provided further that the purchase and sale
4 agreement may not be executed by the State until the
5 selected healthcare management system and the
6 exclusive representatives of the employees of the
7 corporation who are employed in the facility or region
8 that is the subject of the purchase and sale agreement
9 negotiate and enter into a written agreement regarding
10 the rights of the employees of the corporation
11 affected by the purchase and sale, and that agreement
12 is incorporated into the purchase and sale agreement
13 in its entirety so that it is binding upon the
14 selected healthcare management system;

- 15 (8) Permit the selected healthcare management system, upon
16 receipt of the transition committee's written
17 acceptance of the offer to purchase, to commence labor
18 negotiations with the public sector labor unions that
19 then represent the employees employed in the facility
20 or region that is the subject of the purchase and sale
21 agreement; and



1 (9) Permit the incumbent union to negotiate with the
2 purchasing healthcare management system in lieu of the
3 public employer.

4 Upon the closing of the purchase of the assets of a
5 regional system, chapter 323F shall be inapplicable as to that
6 regional system."

7 SECTION 3. Section 323F-7.6, Hawaii Revised Statutes, is
8 repealed.

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

- 17 ~~(1) A nonprofit corporation;~~
- 18 ~~(2) A for-profit corporation;~~
- 19 ~~(3) A municipal facility;~~
- 20 ~~(4) A public benefit corporation; or~~



1 ~~(5) Any two or more of the entities in paragraphs (1)~~
2 ~~through (4).~~

3 ~~A transition shall occur through the sale, lease, or transfer of~~
4 ~~all or substantially all of the assets of the facility or~~
5 ~~regional system, except for real property which shall only be~~
6 ~~transferred by lease. Any transition shall comply with chapter~~
7 ~~323D.~~

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



- 1 ~~(1) All proceeds from the sale, lease, or transfer of~~
- 2 ~~assets shall be used for health care services in the~~
- 3 ~~respective regional system or facility, except that~~
- 4 ~~real property shall only be transferred by lease;~~
- 5 ~~(2) Any and all liabilities of a regional system or~~
- 6 ~~facility transitioning into a new entity that were~~
- 7 ~~transferred to the Hawaii health systems corporation~~
- 8 ~~upon its creation by Act 262, Session Laws of Hawaii~~
- 9 ~~1996, and all liabilities of the regional system or~~
- 10 ~~facility related to collective bargaining contracts~~
- 11 ~~negotiated by the State, shall become the~~
- 12 ~~responsibility of the State; and~~
- 13 ~~(3) During the period of transition:~~
- 14 ~~(A) The State shall continue to fund the provision of~~
- 15 ~~health care services provided for by the regional~~
- 16 ~~system or individual facility; and~~
- 17 ~~(B) All applicable provisions of this chapter shall~~
- 18 ~~continue to apply.~~
- 19 ~~Upon the completion of the transition of all the facilities~~
- 20 ~~in a regional system to a new entity, the regional system board~~
- 21 ~~for that regional system shall terminate; provided that if not~~



1 ~~all of a regional system's facilities are transitioned to a new~~
2 ~~entity, the existing regional system board shall not terminate~~
3 ~~but shall continue to retain jurisdiction over those facilities~~
4 ~~remaining in the regional system."]~~

5 SECTION 4. No employee of the Hawaii health systems
6 corporation who is separated from service as a result of the
7 implementation of a transition plan under section 2 of this Act
8 shall suffer any loss of retirement allowance earned as provided
9 in section 88-74, Hawaii Revised Statutes.

10 SECTION 5. The Hawaii health systems corporation and each
11 of its five regional boards shall submit reports to the
12 legislature no later than twenty days prior to the convening of
13 the regular sessions of 2016 and 2017, which shall include long-
14 term, multi-biennium plans to reduce the Hawaii health systems
15 corporation's operating deficits.

16 SECTION 6. In codifying the new sections added by section
17 2 of this Act, the revisor of statutes shall substitute
18 appropriate section numbers for the letters used in designating
19 the new sections in this Act.

20 SECTION 7. Statutory material to be repealed is bracketed
21 and stricken.



1 SECTION 8. This Act shall take effect on July 1, 2015.

2



Report Title:

Hawaii Health Systems Corporation; Transition Guidelines;
Nonprofit Hospital Corporations

Description:

Establishes a process to enable the Hawaii health systems corporation, a regional system, or a combined regional system of two or more regional systems or a facility or service to transition to a new healthcare management system organized under the laws of the State as a nonprofit corporation or public benefit corporation registered to do business in the State. Establishes an advisory committee to assist the governor in reviewing and monitoring the transitioning of the corporation, a regional system, or a combined regional system to a new healthcare management system. (SD1)

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

