

JAN 23 2015

A BILL FOR AN ACT

RELATING TO THE 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 people of the State, especially those residing in the county of
3 Maui, have continued access to health care services in the
4 county of Maui and ensure those health care services are
5 delivered more cost-effectively by enabling the Maui regional
6 health care system of the Hawaii health systems corporation to
7 collaborate with a private entity to transition one or more of
8 its facilities, including Maui memorial medical center, Kula
9 hospital, and Lanai community hospital, into operation as a new
10 private nonprofit corporation.

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

14 **"PART . PUBLIC-PRIVATE TRANSITION FOR THE OPERATION OF MAUI**
15 **REGIONAL HEALTH CARE SYSTEM FACILITIES**

16 **§323F-A Definitions.** As used in this part:



1 "Pre-transition facility" means the facility or facilities
2 of the Maui regional health care system, prior to the transition
3 into the transitioned hospital.

4 "Private entity" means the private party authorized under
5 this part to enter into an agreement with the Maui regional
6 health care system to transition a facility or facilities into
7 the transitioned hospital.

8 "Transitioned hospital" means the new private nonprofit
9 corporation established under this part.

10 **§323F-B Maui regional health care system; transition**
11 **authority.** Notwithstanding any other law to the contrary,
12 including but not limited to section 27-1 and chapters 76, 78,
13 89, and 171, the Maui regional health care system is hereby
14 authorized to enter into an agreement with a private entity to
15 transition one or more of its facilities, including Maui
16 memorial medical center, Kula hospital, and Lanai community
17 hospital, into a new private Hawaii nonprofit corporation, to be
18 operated and managed by the private entity as the facility's or
19 facilities' sole member and operator.

20 **§323F-C Attorney general, director of finance, governor;**
21 **approval.** The agreement and transition authorized under this



1 part shall occur only upon approval of the Maui regional system
2 board. Any agreement and transition shall be subject to legal
3 review by the attorney general, who shall approve the transition
4 if satisfied that the transition conforms to all applicable
5 laws; subject to the review of the director of finance, who
6 shall approve the transition if it conforms to all applicable
7 financing procedures; and subject to the governor's approval.

8 **§323F-D Nonprofit corporation; established; lease**
9 **agreement.** (a) The private entity shall establish a nonprofit
10 corporation organized pursuant to chapter 414D. The purpose of
11 the nonprofit corporation established under this section shall
12 be consistent with the language in the incorporation documents
13 for the nonprofit corporation.

14 (b) The Maui regional system board, as lessor, is hereby
15 authorized to enter into a fixed long-term lease operator
16 agreement, or lease, of not less than twenty-five years with the
17 transitioned hospital, wherein the transitioned hospital, as
18 lessee, leases the facilities under the custodial control of the
19 Maui regional system board and operates and manages the leased
20 facilities.

1 (c) The provisions of the lease authorized under this
2 section shall specify that:

3 (1) The annual rent shall be \$1 a year, payable in advance
4 and in full for the term of the lease;

5 (2) The lease shall not be terminated other than for good
6 cause; provided that the lease may be terminated only
7 with a minimum of three hundred sixty-five days'
8 notice, to ensure that the delivery of health care to
9 the community will not be disrupted;

10 (3) The transitioned hospital shall be allowed exclusive
11 control of all matters related to the management and
12 operation of the leased facilities, except as
13 otherwise provided in the lease; and

14 (4) The Maui regional system board, as lessor, shall have
15 the responsibility to oversee the performance of the
16 terms of the lease by the transitioned hospital.

17 **§323F-E Assets.** (a) The corporation shall retain
18 ownership of all real property associated with the lease entered
19 into pursuant to section 323F-D.

20 (b) The Maui regional system board shall be authorized to:



1 (1) Lease real assets under its custodial control,
2 including all lands and facilities in the Maui
3 regional health care system under its custodial
4 control, to the transitioned hospital at nominal rent;
5 and

6 (2) Transfer to the transitioned hospital all other
7 assets, other than real assets, and all equipment
8 relating to the operation of the transitioned
9 hospital.

10 (c) The transitioned hospital shall assume the medicare
11 provider agreement or agreements of the leased facilities.

12 **§323F-F Liabilities.** (a) The State, the corporation, the
13 Maui regional health care system, or any combination thereof,
14 shall assume current liabilities associated with accounts
15 payable, accrued time off, debt, capital leases, malpractice
16 liabilities, and other liabilities as specifically set forth in
17 the lease entered into pursuant to section 323F-D.

18 (b) Any and all liabilities of the Maui memorial medical
19 center that were transferred to the Hawaii health systems
20 corporation upon its creation by Act 262, Session Laws of Hawaii
21 1996, all liabilities of the Maui memorial medical center



1 related to collective bargaining contracts negotiated by the
2 State, and the liability for current outstanding post-employment
3 benefits, shall become the responsibility of the State.

4 (c) All future liabilities arising out of the transitioned
5 hospital's operation of the leased facilities shall be the
6 responsibility of the transitioned hospital.

7 **§323F-G Employment, wages, and benefits.** (a) A personnel
8 system shall be established for employees working at the
9 transitioned hospital that is exempt from title 7, including but
10 not limited to chapters 76, 89, and 89A.

11 (b) Employees of the pre-transition facility shall be
12 transitioned to the private entity's standard wage and benefit
13 structure.

14 (c) The transitioned hospital shall offer all medical and
15 nonmedical employees of the pre-transition facility, who satisfy
16 the job qualifications for comparable positions and the
17 employment requirements of the private entity, continued
18 employment for not less than six months after the commencement
19 of the lease; provided that at that time the transitioned
20 hospital may, at its discretion, continue to employ any or all
21 medical and nonmedical employees at the transitioned hospital.



1 (d) No employee of the corporation who is separated from
2 service as a result of the agreement and transition under this
3 part shall suffer any loss of retirement allowance earned as
4 provided in section 88-74, or of vacation leave accumulated and
5 earned while working as a state employee.

6 (e) The transitioned hospital shall provide a plan for a
7 smooth transition of the employees of the pre-transition
8 facility from state employment to private employment by the
9 transitioned hospital.

10 **§323F-H Operating subsidy; capital subsidy.** (a) The
11 State shall subsidize the operation of the transitioned
12 hospital. There shall be a subsidy schedule where the
13 guaranteed maximum annual subsidy shall not exceed the 2014
14 fiscal year subsidy; provided that there shall be an opportunity
15 for the subsidy to be lowered based on operating performance.

16 (b) The capital subsidy shall be as follows:

17 (1) For the first ten years of the lease, the State shall
18 jointly fund capital expenditures with the private
19 entity on terms to be agreed upon as part the lease
20 entered into under section 323F-D; provided that
21 capital planning and expenditures shall be completed



1 in accordance with the private entity's current
2 capital planning procedures; provided further that
3 capital funding shall be consistent with current
4 funding levels and previously approved capital
5 improvement plan requests for the pre-transition
6 facility and the current capital improvement plan
7 request list for the pre-transition facility; and

8 (2) After the first ten years of the lease, the
9 transitioned hospital and the private entity shall
10 fund all capital expenditures of the transitioned
11 hospital.

12 **§323F-I Lease; strategic commitment.** (a) The private
13 entity shall be committed to supporting the transitioned
14 hospital to achieve excellence and improve access to services
15 for community members in the county of Maui. The private entity
16 shall establish a governance and management structure to improve
17 the performance of the transitioned hospital. The private
18 entity shall apply efficiencies of scale, consolidation of
19 shared services, and administrative and technological expertise
20 to improve the health care performance of the transitioned
21 hospital.



1 (b) The private entity shall support the transitioned
2 hospital in the following areas:

3 (1) Expansion of primary care access throughout the county
4 of Maui;

5 (2) Recruitment and rotation of specialists to fill
6 existing service gaps;

7 (3) Extension of the private entity service line
8 coordination to the county of Maui, including cancer,
9 cardiology, orthopedics, pediatrics, and women's
10 services;

11 (4) Coordination of long-term care patients and reduction
12 of the wait list;

13 (5) Upgrading of facilities and equipment as needed to
14 provide high quality care and enhance patient
15 experience; and

16 (6) Incorporating the Maui regional health care system
17 into the private entity's value-based contracting
18 initiatives to better align quality and cost
19 initiatives."

20 SECTION 3. In codifying the new sections added by section
21 2 of this Act, the revisor of statutes shall substitute



S.B. NO. 795

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

3 SECTION 4. This Act shall take effect upon its approval.
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S.B. NO. 795

Report Title:

Hawaii Health Systems Corporation; Maui Regional Health Care System; Nonprofit Corporation; Transition; Agreement

Description:

Authorizes the Maui regional health care system to enter into an agreement with a private entity to transition one or more of its facilities, including Maui memorial medical center, Kula hospital, and Lanai community hospital, into a new private Hawaii nonprofit corporation.

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