
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 Hawaii health
3 systems corporation has five semi-independent health care
4 regions within the State, including Kauai, Maui, East Hawaii,
5 West Hawaii, and Oahu. Oahu is unique in the regional system
6 because of the logistical complexities of the Oahu regional
7 health care system facilities and the limited but crucial nature
8 of the services these facilities provide.

9 The legislature further finds that two Oahu regional health
10 care system facilities, Leahi hospital and Maluhia hospital, are
11 long-term care facilities that play a vital role in their
12 communities where long-term care needs are high. Because the
13 Oahu facilities almost exclusively serve long-term care and
14 medicaid patients, groups traditionally underserved by private
15 facilities because of the high cost of their care, the Oahu
16 regional health care system is not as profitable as neighbor
17 island regions. Despite the Oahu regional health care system



1 facilities filling a gap in services and playing an important
2 role in stabilizing the health care safety net on Oahu, concerns
3 have been raised about the long-term viability of the Oahu
4 regional health care system.

5 The purpose of this Act is for the Oahu regional health
6 care system to maintain its autonomy and to continue under the
7 Oahu regional system board while that board works to address the
8 concerns raised about the Oahu regional health care system's
9 long-term viability. While this measure is the beginning of a
10 transition plan for the Oahu regional health care system to exit
11 the Hawaii health systems corporation in five years, it is the
12 intention of the legislature that the transition be implemented
13 only if concerns about the viability of the Oahu regional health
14 care system continue unaddressed.

15 PART II

16 SECTION 2. The purpose of this part is to:

- 17 (1) Require prior authorization by the Oahu regional
18 system board for all actions to sell, lease, rent,
19 partially or fully privatize, or change the scope or
20 quantity of services provided at Oahu regional health
21 care system facilities; and



1 (2) Amend the composition of the Hawaii health systems
2 corporation board by reducing the number of Maui
3 representatives from three to two. This reduction
4 reflects the board's reduced influence in Maui
5 following the Maui regional health care system's
6 successful public-private partnership with Maui Health
7 System, a Kaiser Permanente affiliate.

8 SECTION 3. Chapter 323F, Hawaii Revised Statutes, is
9 amended by adding a new section to be appropriately designated
10 and to read as follows:

11 "§323F- Hawaii health systems corporation board; Oahu
12 regional system board. All actions to buy, sell, lease, rent,
13 fully privatize, partially privatize, or reduce the scope or
14 quantity of services at any facility within the Oahu regional
15 health care system shall require prior approval by the Oahu
16 regional system board."

17 SECTION 4. Section 323F-3, Hawaii Revised Statutes, is
18 amended by amending subsections (a) and (b) to read as follows:"

19 "(a) The corporation shall be governed by an [~~eighteen-~~
20 ~~member~~] twenty-member board of directors that shall carry out
21 the duties and responsibilities of the corporation other than



1 those duties and responsibilities relating to the establishment
2 of any captive insurance company pursuant to section 323F-
3 7(c)(20) and the operation thereof.

4 (b) The members of the corporation board shall be
5 appointed as follows:

6 (1) The director of health as an ex officio, voting
7 member;

8 (2) The five regional chief executive officers as ex
9 officio, nonvoting members;

10 (3) [~~Three~~] Two members who reside in the county of Maui,
11 [~~two~~] one of whom shall be appointed by the Maui
12 regional system board and one of whom shall be
13 appointed by the governor, all of whom shall serve as
14 voting members;

15 (4) Two members who reside in the eastern section of the
16 county of Hawaii, one of whom shall be appointed by
17 the East Hawaii regional system board and one of whom
18 shall be appointed by the governor, both of whom shall
19 serve as voting members;

20 (5) Two members who reside in the western section of the
21 county of Hawaii, one of whom shall be appointed by



1 the West Hawaii regional system board and one of whom
2 shall be appointed by the governor, both of whom shall
3 serve as voting members;

4 (6) Two members who reside on the island of Kauai, one of
5 whom shall be appointed by the Kauai regional system
6 board and one of whom shall be appointed by the
7 governor, both of whom shall serve as voting members;

8 (7) [~~Two~~] Five members who reside on the island of Oahu,
9 [~~one~~] three of whom shall be appointed by the Oahu
10 regional system board and [~~one~~] two of whom shall be
11 appointed by the governor, [~~both~~] all of whom shall
12 serve as voting members; and

13 (8) One member who shall be appointed by the governor and
14 serve as an at-large voting member.

15 The appointed board members who reside in the county of
16 Maui, eastern section of the county of Hawaii, western section
17 of the county of Hawaii, on the island of Kauai, and on the
18 island of Oahu shall each serve for a term of four years;
19 provided that the terms of the initial appointments of the
20 members who are appointed by their respective regional system
21 boards shall be as follows: one of the initial members from the



1 county of Maui shall be appointed to serve a term of two years
2 and the other member shall be appointed to serve a term of four
3 years; the initial member from East Hawaii shall be appointed to
4 serve a term of two years; the initial member from West Hawaii
5 shall be appointed to serve a term of four years; the initial
6 member from the island of Kauai shall be appointed to serve a
7 term of two years; and the initial member from the island of
8 Oahu shall be appointed to serve a term of four years; [~~and~~]
9 provided further that the terms of the initial appointments of
10 the members who are appointed by the governor shall be four
11 years. The at-large member appointed by the governor shall
12 serve a term of two years.

13 Any vacancy shall be filled in the same manner provided for
14 the original appointments. The corporation board shall elect
15 its own chair from among its members. Appointments to the
16 corporation board shall be as representative as possible of the
17 system's stakeholders as outlined in this subsection. The board
18 member appointments shall strive to create a board that includes
19 expertise in the fields of medicine, finance, health care
20 administration, government affairs, human resources, and law."



1 PART III

2 SECTION 5. The purpose of this part, which takes effect on
3 July 1, 2024, is to transition the Oahu regional health care
4 system out of the Hawaii health systems corporation on July 1,
5 2024, if at that time the legislature's concerns about the
6 viability of the Oahu regional health care system have not been
7 sufficiently addressed.

8 SECTION 6. Chapter 323F, Hawaii Revised Statutes, is
9 amended by adding a new section to be appropriately designated
10 and to read as follows:

11 "§323F- Maluhia hospital; Leahi hospital;
12 privatization. Prior to full or partial privatization of Leahi
13 hospital or Maluhia hospital, the director of health, governor's
14 coordinator on homelessness, and mayor of the city and county of
15 Honolulu shall, in their respective official capacities, have
16 the right of first refusal to purchase the portion of the
17 property, or rights to the lease, of Maluhia hospital or Leahi
18 hospital that is being privatized or to purchase the entirety of
19 the property or lease of Maluhia hospital or Leahi hospital."

20 SECTION 7. Section 323F-2, Hawaii Revised Statutes, is
21 amended by amending subsection (b) to read as follows:



1 "(b) The corporate organization shall be divided into
2 [~~five~~] four regional systems, as follows:

3 [~~(1)~~] ~~The Oahu regional health care system;~~

4 ~~(2)~~] (1) The Kauai regional health care system;

5 [~~(3)~~] (2) The Maui regional health care system;

6 [~~(4)~~] (3) The [~~east~~] East Hawaii regional health care
7 system, comprising the Puna district, north Hilo
8 district, south Hilo district, Hamakua district, and
9 Kau district; and

10 [~~(5)~~] (4) The [~~west~~] West Hawaii regional health care
11 system, comprising the north Kohala district, south
12 Kohala district, north Kona district, and south Kona
13 district~~]~~,

14 and shall be identified as regional systems I, II, III, and IV,
15 [~~and V,~~] respectively."

16 SECTION 8. Section 323F-3, Hawaii Revised Statutes, is
17 amended by amending subsections (a) and (b) to read as follows:"

18 "(a) The corporation shall be governed by an [~~eighteen-~~
19 ~~member~~] nineteen-member board of directors that shall carry out
20 the duties and responsibilities of the corporation other than
21 those duties and responsibilities relating to the establishment



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

3 (b) The members of the corporation board shall be
4 appointed as follows:

5 (1) The director of health as an ex officio, voting
6 member;

7 (2) The [~~five~~] four regional chief executive officers as
8 ex officio, nonvoting members;

9 (3) [~~Three~~] Two members who reside in the county of Maui,
10 [~~two~~] one of whom shall be appointed by the Maui
11 regional system board and one of whom shall be
12 appointed by the governor, all of whom shall serve as
13 voting members;

14 (4) Two members who reside in the eastern section of the
15 county of Hawaii, one of whom shall be appointed by
16 the East Hawaii regional system board and one of whom
17 shall be appointed by the governor, both of whom shall
18 serve as voting members;

19 (5) Two members who reside in the western section of the
20 county of Hawaii, one of whom shall be appointed by
21 the West Hawaii regional system board and one of whom



1 shall be appointed by the governor, both of whom shall
2 serve as voting members;

3 (6) Two members who reside on the island of Kauai, one of
4 whom shall be appointed by the Kauai regional system
5 board and one of whom shall be appointed by the
6 governor, both of whom shall serve as voting members;

7 (7) [~~Two~~] Five members who reside on the island of Oahu,
8 [~~one of whom shall be appointed by the Oahu regional~~
9 ~~system board and one of whom~~] who shall be appointed
10 by the governor, [~~both of whom~~] and who shall serve as
11 voting members; and

12 (8) One member who shall be appointed by the governor and
13 serve as an at-large voting member.

14 The appointed board members who reside in the county of
15 Maui, eastern section of the county of Hawaii, western section
16 of the county of Hawaii, on the island of Kauai, and on the
17 island of Oahu shall each serve for a term of four years;
18 provided that the terms of the initial appointments of the
19 members who are appointed by their respective regional system
20 boards shall be as follows: one of the initial members from the
21 county of Maui shall be appointed to serve a term of two years



1 and the other member shall be appointed to serve a term of four
2 years; the initial member from East Hawaii shall be appointed to
3 serve a term of two years; the initial member from West Hawaii
4 shall be appointed to serve a term of four years; and the
5 initial member from the island of Kauai shall be appointed to
6 serve a term of two years; [~~and the initial member from the~~
7 ~~island of Oahu shall be appointed to serve a term of four years;~~
8 ~~and~~] provided further that the terms of the initial appointments
9 of the members who are appointed by the governor shall be four
10 years. The at-large member appointed by the governor shall
11 serve a term of two years.

12 Any vacancy shall be filled in the same manner provided for
13 the original appointments. The corporation board shall elect
14 its own chair from among its members. Appointments to the
15 corporation board shall be as representative as possible of the
16 system's stakeholders as outlined in this subsection. The board
17 member appointments shall strive to create a board that includes
18 expertise in the fields of medicine, finance, health care
19 administration, government affairs, human resources, and law."

20 SECTION 9. Section 323F-3.5, Hawaii Revised Statutes, is
21 amended by amending subsection (a) to read as follows:



1 "(a) There is hereby established a regional system board
2 of directors to govern each of the [~~five~~] four regional systems
3 specified in section 323F-2 [~~no later than January 1, 2008~~].

4 The regional system boards of directors shall carry out the
5 duties and responsibilities as set forth in this chapter and as
6 further delegated by the corporation."

7 SECTION 10. All rights, powers, functions, and duties of
8 the Oahu regional health care system are transferred to the
9 board of directors of the Hawaii health systems corporation.

10 All employees who occupy civil service positions and whose
11 functions are transferred to the board of directors of the
12 Hawaii health systems corporation by this Act shall retain their
13 civil service status, whether permanent or temporary. Employees
14 shall be transferred without loss of salary, seniority (except
15 as prescribed by applicable collective bargaining agreements),
16 retention points, prior service credit, any vacation and sick
17 leave credits previously earned, and other rights, benefits, and
18 privileges, in accordance with state personnel laws and this
19 Act; provided that the employees possess the minimum
20 qualifications and public employment requirements for the class
21 or position to which transferred or appointed, as applicable;



1 provided further that subsequent changes in status may be made
2 pursuant to applicable civil service and compensation laws.

3 Any employee who, prior to this Act, is exempt from civil
4 service and is transferred as a consequence of this Act shall be
5 transferred without loss of salary and shall not suffer any loss
6 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 and shall be entitled to remain employed
9 in the employee's current position for a period of no less than
10 one year after being transferred.

11 SECTION 11. All appropriations, records, equipment,
12 machines, files, supplies, contracts, books, papers, documents,
13 maps, and other personal property heretofore made, used,
14 acquired, or held by the Oahu regional health care system
15 relating to the functions transferred to the board of directors
16 of the Hawaii health systems corporation shall be transferred
17 with the functions to which they relate.

18 PART IV

19 SECTION 12. The purpose of this part is to assist the Oahu
20 regional system board coordinate with departments and partners
21 as it moves forward with plans to improve the financial



1 viability of the Oahu regional health care system. Furthermore,
2 to keep the legislature abreast of this issue, this part
3 requires the Oahu regional system board to provide an interim
4 report on the board's strategic plan to the legislature prior to
5 the beginning of the regular session of 2020, and a final report
6 prior to the regular session of 2024, at which time the
7 legislature may revisit the appropriate role for the Oahu
8 regional system board.

9 SECTION 13. (a) The Oahu regional system board, in
10 consultation with the behavioral health administration of the
11 department of health, governor's coordinator on homelessness,
12 and city and county of Honolulu, shall develop a five-year
13 strategic plan for the sustainability and viability of Leahi
14 hospital and Maluhia hospital as long-term care facilities on
15 the island of Oahu. In addition to any other projects,
16 partnerships, or efficiency measures deemed appropriate by the
17 Oahu regional system board, the plan shall include:

- 18 (1) Facility management efficiencies;
19 (2) Cost benefit analysis of structural changes to the
20 facilities;



1 (3) Full or partial privatization options; provided that
2 any steps taken toward full or partial privatization
3 shall have the approval of the Oahu regional system
4 board;

5 (4) The feasibility of providing housing, addiction
6 treatment, or mental health treatment services to meet
7 unmet health and treatment needs of vulnerable
8 populations on the island of Oahu; provided that the
9 Oahu regional system board shall continue to manage
10 its facilities; and

11 (5) Any other issues that the Oahu regional system board
12 considers necessary or relevant.

13 (b) The Oahu regional system board shall submit an interim
14 report on the strategic plan to the legislature no later than
15 twenty days prior to the convening of the regular session of
16 2020.

17 (c) The Oahu regional system board shall submit a final
18 report on the achievements of the strategic plan and short- and
19 long-term plans for financial viability of the Oahu regional
20 health care system to the legislature no later than twenty days
21 prior to the convening of the regular session of 2024.



1 PART V

2 SECTION 14. Statutory material to be repealed is bracketed
3 and stricken. New statutory material is underscored.

4 SECTION 15. This Act shall take effect on July 1, 2019;
5 provided that:

6 (1) Part II shall be repealed on June 30, 2024, and
7 section 323F-3(b), Hawaii Revised Statutes, shall be
8 reenacted in the form in which it read on the day
9 before the effective date of this Act; and

10 (2) Part III shall take effect on July 1, 2024;
11 provided that part II shall not be repealed and part III shall
12 not take effect if the legislature adopts a concurrent
13 resolution prior to June 30, 2024, finding that retention of the
14 Oahu regional system board is in the best interest of the State.



Report Title:

Hawaii Health Systems Corporation; Oahu Regional Health Care System; Oahu Regional System Board; Consolidation; Board of Directors; Composition

Description:

Requires Oahu regional system board approval to privatize, sell or change services at all Oahu regional health care system facilities. Amends the membership of the Hawaii Health Systems Corporation board. Requires the Oahu regional system board to create a 5-year sustainability plan in consultation with other government stakeholders and report to the Legislature. Creates a right of first refusal for the Director of Health, Governor's Coordinator on Homelessness, and Mayor of the City and County of Honolulu if the Hawaii Health Systems Corporation board fully or partially privatizes Leahi or Maluhia Hospital. Sunsets the Oahu regional health care system on 7/1/2024 and integrates it into the Hawaii Health Systems Corporation Board. (SD2)

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

