
A BILL FOR AN ACT

RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

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

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PART I

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SECTION 1. The legislature finds that the Hawaii health systems corporation has five semi-independent health care regions within the State, including Kauai, Maui, East Hawaii, West Hawaii, and Oahu. Oahu is unique in the regional system because of the logistical complexities of the Oahu region's facilities and the limited but crucial nature of the services these facilities provide.

The legislature further finds that two Oahu region facilities, Leahi hospital and Maluhia hospital, are long-term care facilities that play a vital role in their communities where long-term care needs are high. Because the Oahu facilities almost exclusively serve long-term care and medicaid patients, groups traditionally underserved by private facilities because of the high cost of their care, the Oahu region is not as profitable as neighbor island regions. Despite the Oahu region facilities filling a gap in services and playing an



1 important role in stabilizing the health care safety net on
2 Oahu, concerns have been raised about the long-term viability of
3 the Oahu region.

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

13 **PART II**

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

- 15 (1) Require prior authorization by the Oahu regional board
- 16 for all actions to sell, lease, rent, partially or
- 17 fully privatize, or change the scope or quantity of
- 18 services provided at Oahu regional facilities; and
- 19 (2) Amend the composition of the Hawaii health systems
- 20 corporation board by reducing the number of Maui
- 21 representatives from three to two. This reduction



1 reflects the board's reduced influence in Maui
2 following the Maui region's successful public-private
3 partnership with Maui Health System, a Kaiser
4 Permanente affiliate.

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

8 "§323F- Hawaii health systems corporation board; Oahu
9 regional board. All actions to buy, sell, lease, rent, fully
10 privatize, partially privatize, or reduce the scope or quantity
11 of services at any facility within the Oahu region shall require
12 prior approval by the Oahu regional board."

13 SECTION 4. Section 323F-3, Hawaii Revised Statutes, is
14 amended by amending subsection (b) to read as follows:

15 "(b) The members of the corporation board shall be
16 appointed as follows:

17 (1) The director of health as an ex officio, voting
18 member;

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



1 (3) [~~Three~~] Two members who reside in the county of Maui,
2 [~~two~~] one of whom shall be appointed by the Maui
3 regional system board and one of whom shall be
4 appointed by the governor, all of whom shall serve as
5 voting members;

6 (4) Two members who reside in the eastern section of the
7 county of Hawaii, one of whom shall be appointed by
8 the East 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 (5) Two members who reside in the western section of the
12 county of Hawaii, one of whom shall be appointed by
13 the West Hawaii regional system board and one of whom
14 shall be appointed by the governor, both of whom shall
15 serve as voting members;

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

20 (7) [~~Two~~] Five members who reside on the island of Oahu,
21 [~~one~~] three of whom shall be appointed by the Oahu



1 regional system board and [~~one~~] two of whom shall be
2 appointed by the governor, [~~both~~] all of whom shall
3 serve as voting members; and

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

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



1 the members who are appointed by the governor shall be four
2 years. The at-large member appointed by the governor shall
3 serve a term of two years.

4 Any vacancy shall be filled in the same manner provided for
5 the original appointments. The corporation board shall elect
6 its own chair from among its members. Appointments to the
7 corporation board shall be as representative as possible of the
8 system's stakeholders as outlined in this subsection. The board
9 member appointments shall strive to create a board that includes
10 expertise in the fields of medicine, finance, health care
11 administration, government affairs, human resources, and law."

12 **PART III**

13 SECTION 5. The purpose of this part, which takes effect on
14 July 1, 2024, is to transition the Oahu region out of the Hawaii
15 health systems corporation on July 1, 2024, if at that time the
16 legislature's concerns about the viability of the Oahu region
17 have not been sufficiently addressed.

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



1 "§323F- Maluhia hospital; Leahi hospital; privatization.

2 Prior to full or partial privatization of Leahi hospital or

3 Maluhia hospital, the director of health, governor's coordinator

4 on homelessness, and mayor of the city and county of Honolulu

5 shall, in their respective official capacities, have the right

6 of first refusal to purchase the portion of the property, or

7 rights to the lease, of Maluhia hospital or Leahi hospital that

8 is being privatized or to purchase the entirety of the property

9 or lease of Maluhia hospital or Leahi hospital."

10 SECTION 7. Section 323F-2, Hawaii Revised Statutes, is

11 amended by amending subsection (b) to read as follows:

12 "(b) The corporate organization shall be divided into

13 [~~five~~] four regional systems, as follows:

- 14 [~~(1)~~] ~~The Oahu regional health care system;~~
- 15 ~~(2)~~] (1) The Kauai regional health care system;
- 16 [~~(3)~~] (2) The Maui regional health care system;
- 17 [~~(4)~~] (3) The [~~east~~] East Hawaii regional health care
- 18 system, comprising the Puna district, north Hilo
- 19 district, south Hilo district, Hamakua district, and
- 20 Kau district; and



1 ~~[-5-]~~ (4) The ~~[west]~~ West Hawaii regional health care
2 system, comprising the north Kohala district, south
3 Kohala district, north Kona district, and south Kona
4 district~~[7]~~,
5 and shall be identified as regional systems I, II, III, and IV,
6 ~~[and V]~~ respectively."

7 SECTION 8. Section 323F-3, Hawaii Revised Statutes, is
8 amended by amending subsection (b) to read as follows:

9 "(b) The members of the corporation board shall be
10 appointed as follows:

- 11 (1) The director of health as an ex officio, voting
12 member;
- 13 (2) The ~~[five]~~ four regional chief executive officers as
14 ex officio, nonvoting members;
- 15 (3) ~~[Three]~~ Two members who reside in the county of Maui,
16 ~~[two]~~ one of whom shall be appointed by the Maui
17 regional system board and one of whom shall be
18 appointed by the governor, all of whom shall serve as
19 voting members;
- 20 (4) Two members who reside in the eastern section of the
21 county of Hawaii, one of whom shall be appointed by



1 the East 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 (5) Two members who reside in the western section of the
5 county of Hawaii, one of whom shall be appointed by
6 the West Hawaii regional system board and one of whom
7 shall be appointed by the governor, both of whom shall
8 serve as voting members;

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

13 (7) [~~Two~~] Five members who reside on the island of Oahu,
14 [~~one of whom shall be appointed by the Oahu regional~~
15 ~~system board and one of whom~~] who shall be appointed
16 by the governor, [~~both of whom~~] and who shall serve as
17 voting members; and

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

20 The appointed board members who reside in the county of
21 Maui, eastern section of the county of Hawaii, western section



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

18 Any vacancy shall be filled in the same manner provided for
19 the original appointments. The corporation board shall elect
20 its own chair from among its members. Appointments to the
21 corporation board shall be as representative as possible of the



1 system's stakeholders as outlined in this subsection. The board
2 member appointments shall strive to create a board that includes
3 expertise in the fields of medicine, finance, health care
4 administration, government affairs, human resources, and law."

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

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

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

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

16 All employees who occupy civil service positions and whose
17 functions are transferred to the board of directors of the
18 Hawaii health systems corporation by this Act shall retain their
19 civil service status, whether permanent or temporary. Employees
20 shall be transferred without loss of salary, seniority (except
21 as prescribed by applicable collective bargaining agreements),



1 retention points, prior service credit, any vacation and sick
2 leave credits previously earned, and other rights, benefits, and
3 privileges, in accordance with state personnel laws and this
4 Act; provided that the employees possess the minimum
5 qualifications and public employment requirements for the class
6 or position to which transferred or appointed, as applicable;
7 provided further that subsequent changes in status may be made
8 pursuant to applicable civil service and compensation laws.

9 Any employee who, prior to this Act, is exempt from civil
10 service and is transferred as a consequence of this Act shall be
11 transferred without loss of salary and shall not suffer any loss
12 of prior service credit, vacation or sick leave credits
13 previously earned, or other employee benefits or privileges as a
14 consequence of this Act and shall be entitled to remain employed
15 in the employee's current position for a period of no less than
16 one year after being transferred.

17 SECTION 11. All appropriations, records, equipment,
18 machines, files, supplies, contracts, books, papers, documents,
19 maps, and other personal property heretofore made, used,
20 acquired, or held by the Oahu regional health care system
21 relating to the functions transferred to the board of directors



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

3 **PART IV**

4 SECTION 12. The purpose of this part is to assist the Oahu
5 regional board coordinate with departments and partners as it
6 moves forward with plans to improve the financial viability of
7 the Oahu region. Furthermore, to keep the legislature abreast
8 of this issue, this part requires the Oahu regional board to
9 provide an interim report on the board's strategic plan to the
10 legislature prior to the beginning of the regular session of
11 2020, and a final report prior to the regular session of 2024,
12 at which time the legislature may revisit the appropriate role
13 for the Oahu regional board.

14 SECTION 13. (a) The Oahu regional board, in consultation
15 with the behavioral health services administration of the
16 department of health, governor's coordinator on homelessness,
17 and city and county of Honolulu, shall develop a five-year
18 strategic plan for the sustainability and viability of Leahi
19 hospital and Maluhia hospital as long-term care facilities on
20 the island of Oahu. In addition to any other projects,



1 partnerships, or efficiency measures deemed appropriate by the
2 Oahu regional board, the plan shall include:

3 (1) Facility management efficiencies;

4 (2) Cost benefit analysis of structural changes to the
5 facilities;

6 (3) Full or partial privatization options; provided that
7 any steps taken toward full or partial privatization
8 shall have the approval of the Oahu regional board;

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

15 (5) Any other issues that the Oahu regional board
16 considers necessary or relevant.

17 (b) The Oahu regional board shall submit an interim report
18 on the strategic plan to the legislature no later than twenty
19 days prior to the convening of the regular session of 2020.

20 (c) The Oahu regional board shall submit a final report on
21 the achievements of the strategic plan and short- and long-term



1 plans for financial viability of the Oahu region to the
2 legislature no later than twenty days prior to the convening of
3 the regular session of 2024.

4 **PART V**

5 SECTION 14. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

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

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

13 (2) Part III shall take effect on July 1, 2024;
14 provided that paragraphs (1) and (2) shall not take effect if
15 the legislature adopts a concurrent resolution prior to June 30,
16 2024, finding that retention of the Oahu regional board is in
17 the best interest of the State.



Report Title:

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

Description:

Requires Oahu regional board approval to privatize, sell or change services at all Oahu regional facilities. Amends the membership of the Hawaii Health Systems Corporation board. Requires the Oahu regional board to create a five-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 July 1, 2024, and integrates it into the Hawaii Health Systems Corporation Board. (SD1)

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

