

JAN 17 2020

A BILL FOR AN ACT

RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE
SYSTEM FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO THE
DEPARTMENT OF HEALTH.

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

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PART I

SECTION 1. The legislature finds that the Hawaii health systems corporation is comprised of five semi-autonomous health care regions within the State, including east Hawaii, west Hawaii, Kauai, Oahu, and Maui. The Maui regional health care system no longer operates any health care facilities.

The legislature further finds that the Oahu regional health care system is unique and distinguishable from the other regions due to the logistical complexities of the Oahu regional health care system facilities and the limited but crucial nature of the services these facilities, Leahi hospital and Maluhia, currently provide. 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 regional health care system's long-term care operations are run more as a safety-net social service and,



1 compared to the other regions, have less opportunity for
2 additional revenue generation.

3 While the need for long-term care beds on Oahu has
4 decreased in recent years, a study completed by the department
5 of business, economic development, and tourism has projected
6 that the population aged sixty-five and older will grow by one
7 hundred forty-eight per cent over the next twenty-five years.
8 On Oahu, this translates to an estimated shortfall of one
9 thousand one hundred long-term care beds in the next five to ten
10 years alone. Thus, despite the costs of long-term care, it is
11 vital that state facilities continue to operate to ensure that
12 beds remain available for our aging population.

13 Similar to the Oahu regional health care system, the
14 department of health operates the Hawaii state hospital, a
15 facility that does not generate revenue, but is nonetheless
16 necessary to provide care and treatment for mentally ill
17 patients in Hawaii. In recent years, the Hawaii state hospital
18 has experienced a challenge in providing sufficient bed space
19 for admitted patients. As of September 2019, two hundred
20 twenty-six patients - well over the maximum capacity of two
21 hundred two - occupied beds at the Hawaii state hospital. To



1 meet its needs, the Hawaii state hospital was also required to
2 contract with Kahi Mohala, a privately-run facility, to care for
3 an additional forty-six patients.

4 Beyond the Hawaii state hospital, the department of health
5 has also been charged with addressing the significant gap in the
6 behavioral health care system between acute psychiatric care
7 facilities and low acuity residential treatment. Data collected
8 in the State estimates that more than half of all individuals
9 experiencing a mental health crisis, or fifty-four per cent,
10 have needs that align better with services delivered within a
11 subacute level of care facility rather than an emergency room.

12 Subacute residential stabilization services have been a
13 missing component of a comprehensive behavioral health continuum
14 of care, which would bridge the gap between acute
15 hospitalization and lower level residential and community
16 resources. Many individuals who are taken to the emergency room
17 on an MH-1, or for emergency examination and hospitalization,
18 are often not acute enough in their illness to warrant
19 psychiatric hospitalization. On the other hand, their
20 symptomology is too acute for them to be admitted to a group
21 home, shelter, or other existing low acuity residential program,



1 or, if they are admitted, they are often unsuccessful in those
2 environments. More often than not, they fail because they have
3 not had time to stabilize in an environment where they can be
4 closely monitored. This lack of post-acute care contributes to
5 the poor outcomes of both acute behavioral health inpatient and
6 community-based services because many individuals are not
7 appropriate for either level, but fall somewhere in the middle.

8 In its efforts to address the need for subacute residential
9 stabilization services, the department of health recognized the
10 lack of state facilities within the department that could be
11 utilized for this purpose. Through discussions with the Oahu
12 regional health care system, however, it was determined that
13 some of the Oahu regional health care system's facilities,
14 particularly at Leahi hospital, are currently underutilized and
15 have the potential to be re-purposed for other important health
16 care and social services.

17 The legislature further finds that, while statutorily tied
18 to the Hawaii health systems corporation, the Oahu regional
19 health care system operates mostly autonomously and its
20 functions - including target population - are unique from those
21 of the other regional health care systems. As such, there is



1 little necessity to keep the Oahu regional healthcare system a
2 part of the Hawaii health systems corporation. With proper
3 planning and implementation, the Oahu regional health care
4 system could be strategically assimilated into the department of
5 health and its facilities could be used - in addition to long-
6 term care - to help alleviate the need for subacute residential
7 stabilization and other services.

8 The purpose of this Act is set a date for the transition of
9 the Oahu regional health care system from the Hawaii health
10 systems corporation to the department of health and to establish
11 a working group by and between the Oahu regional health care
12 system and department of health that shall be responsible for
13 developing a comprehensive plan that addresses all necessary
14 components of such transition.

15 **PART II**

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

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

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

21 ~~(2)]~~ (1) The Kauai regional health care system;



1 [~~(3)~~] (2) The Maui regional health care system;

2 [~~(4)~~] (3) The east Hawaii regional health care system,

3 comprising the Puna district, north Hilo district,

4 south Hilo district, Hamakua district, and Kau

5 district; and

6 [~~(5)~~] (4) The west Hawaii regional health care system,

7 comprising the north Kohala district, south Kohala

8 district, north Kona district, and south Kona

9 district;

10 and shall be identified as regional systems I, II, III, and IV,

11 [~~and V,~~] respectively."

12 SECTION 3. Section 323F-3, Hawaii Revised Statutes, is

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

14 "(b) The members of the corporation board shall be

15 appointed as follows:

- 16 (1) The director of health as an ex officio, voting
- 17 member;
- 18 (2) The [~~five~~] three regional chief executive officers as
- 19 ex officio, nonvoting members;
- 20 (3) Three members who reside in the county of Maui, two of
- 21 whom shall be appointed by the Maui regional system



1 board and one of whom shall be appointed by the
2 governor, all of whom shall serve as voting members;

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

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

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

17 [~~(7) Two members who reside on the island of Oahu, one of~~
18 ~~whom shall be appointed by the Oahu regional system~~
19 ~~board and one of whom shall be appointed by the~~
20 ~~governor, both of whom shall serve as voting members,]~~

21 and



1 ~~[(8)]~~ (7) One member who shall be appointed by the governor
2 and serve as an at-large voting member.

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



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

9 **PART III**

10 SECTION 4. (a) There is established a working group to be
11 led by and between the Oahu regional health care system and
12 department of health to develop, evaluate, and implement the
13 steps necessary to transition the Oahu regional health care
14 system into the department of health.

15 (b) The working group shall consist of the following
16 members:

17 (1) The director of health, or the director's designee,
18 who shall serve as co-chair;

19 (2) The chair of the Oahu regional health care system
20 board, or the chair's designee, who shall serve as co-
21 chair;



- 1 (3) The chief executive officer of the Oahu regional
2 health care system, or the chief executive officer's
3 designee;
- 4 (4) One representative from the behavioral health
5 administration of the department of health;
- 6 (5) One representative from the department of human
7 resources development;
- 8 (6) One representative from the department of accounting
9 and general services;
- 10 (7) The chair of the Hawaii health systems corporation
11 board, or the chair's designee;
- 12 (8) One representative from the Hawaii health systems
13 corporation human resources department;
- 14 (9) One representative from the Hawaii health systems
15 corporation finance department; and
- 16 (10) Others as recommended by the co-chairs.
- 17 (c) The working group shall be responsible to complete the
18 following items as part of the transition plan:
- 19 (1) Develop a statutory framework to govern the transition
20 of the Oahu regional health care system into the
21 department of health that shall, where possible,



1 preserve the rights and exemptions that the Oahu
2 regional health care system enjoyed as a region within
3 the Hawaii health systems corporation;

4 (2) Identify all real property, appropriations, records,
5 equipment, machines, files, supplies, contracts,
6 books, papers, documents, maps, and other property
7 made, used, acquired, or held by the Oahu regional
8 health care system that will be transferred to the
9 department of health;

10 (3) Identify all debts and other liabilities that will
11 remain with the Hawaii health systems corporation and
12 those that will be transferred to the department of
13 health;

14 (4) Identify and resolve all contractual arrangements and
15 obligations, including but not limited to those
16 related to personal service contracts, vendor
17 contracts, and capital improvement projects;

18 (5) Develop a comprehensive plan to transition all
19 employees into the classification system of the
20 executive branch and the department of health with due



1 consideration of collective bargaining rights and
2 civil service rules;

3 (6) Develop and implement any and all policies and
4 procedures necessary to ensure that the facilities
5 within the Oahu regional health care system remain
6 compliant with all federal, state and local laws and
7 regulations; and

8 (7) Develop a proposed budget for the Oahu regional health
9 care system during the transition period and a plan to
10 transfer all fiscal and accounting functions to the
11 department of health.

12 (d) Members of the working group shall serve without
13 compensation but shall be reimbursed for reasonable expenses
14 necessary for the performance of their duties, including travel
15 expenses. No member of the working group shall be subject to
16 chapter 84, Hawaii Revised Statutes, solely because of the
17 member's participation in the working group.

18 (e) Two or more members of the working group, but less
19 than the number of members which would constitute a quorum for
20 the working group, may discuss between themselves matters
21 relating to official business of the working group to enable



1 them to faithfully perform their duties to the working group and
2 the organizations they represent, as long as no commitment to
3 vote is made or sought. Such discussions shall be a permitted
4 interaction under section 92-2.5, Hawaii Revised Statutes.

5 (f) The working group shall submit a report of its
6 transition plan, including any proposed legislation, to the
7 legislature no later than twenty days prior to the convening of
8 the regular session of 2021.

9 (g) The transition plan shall be subject to the following
10 conditions:

11 (1) The attorney general shall approve the legality and
12 form of any transition plan created by the working
13 group, and the director of finance shall evaluate and
14 approve any expenditure of public funds determined to
15 be in accordance with the budget laws and controls in
16 force;

17 (2) Any and all liabilities of the Oahu regional health
18 care system that were transferred to the Hawaii health
19 systems corporation upon its creation by Act 262,
20 Session Laws of Hawaii 1996, or to the Oahu regional
21 health care system upon its establishment by Act 290,



1 Session Laws of Hawaii 2007, and all other contractual
2 liabilities of the Oahu regional health care system,
3 including those related to collective bargaining
4 contracts negotiated by the State, shall become the
5 responsibility of the State upon the transition of the
6 Oahu regional health care system into the department
7 of health;

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



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

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

14 (h) The working group shall be dissolved on June 30, 2022,
15 or upon completion of the transition of the Oahu regional health
16 care system into the department of health, whichever is later.

17 **PART IV**

18 SECTION 5. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

20 SECTION 6. This Act shall take effect upon its approval;
21 provided that part II of this Act shall take effect on



1 June 30, 2022, unless such date is earlier modified through
2 legislation or the adoption of a concurrent resolution.

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INTRODUCED BY:

A large, stylized handwritten signature in black ink, positioned above a horizontal line.A second handwritten signature in black ink, positioned below the first signature and above the printed names.

Russell H Baker

Michelle A Sedani



S.B. NO. 2504

Report Title:

Hawaii Health Systems Corporation; Oahu Regional Health Care System; Department of Health; Transition; Working Group

Description:

Sets a date for the transition of the Oahu regional health care system from the Hawaii health systems corporation to the department of health. Establishes a working group to develop a comprehensive plan that addresses all necessary components of such transition.

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

