

STATE OF HAWAII
DEPARTMENT OF HEALTH
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LATE

**Testimony in SUPPORT of H.B. 2630 H.D. 2
RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM FROM THE
HAWAII HEALTH SYSTEMS CORPORATION INTO THE DEPARTMENT OF HEALTH**

SENATOR ROSALYN H. BAKER, CHAIR
SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION AND HEALTH

Hearing Date and Time: Tuesday, March 10, 2020 at 9:30 a.m.

Room: 229

1 **Department Position:** The Department of Health (“Department”) strongly supports this
2 measure offering comments and attaching a proposed S.D. 1.

3 **Department Testimony:** The subject matter of this measure intersects with the scope of the
4 Department’s Behavioral Health Administration (BHA) whose statutory mandate is to assure a
5 comprehensive statewide behavioral health care system by leveraging and coordinating public,
6 private and community resources. Through the BHA, the Department is committed to carrying
7 out this mandate by reducing silos, ensuring behavioral health care is readily accessible, and
8 person-centered. The BHA’s Adult Mental Health Division (AMHD) provides the following
9 testimony on behalf of the Department.

10 The Department strongly supports the goals of H.B. 2630 H.D. 2. We continue to work
11 with all stakeholders on transition details and refinement of the language of the bill to address
12 input and feedback of those stakeholders. We feel strongly that this measure further advances
13 achievement of recommendations made by the Mental Health Task Force; but understand that
14 a transition such as this requires careful thought and action.

15 The attached proposed S.D. 1 is the result of input feedback from a number of
16 stakeholders and seeks to incorporate that input. We have reviewed this proposed S.D. 1 with

1 the primary stakeholder, Hawaii Health Systems Corporation (HHSC) Oahu Regional Health Care
2 System (Oahu Region), and believe the changes bring us several steps closer to a manageable,
3 but timely transition approach.

4 We have also sought to address in this proposed S.D. 1 some of the input and questions
5 raised by other stakeholders such as the State Procurement Office. We are committed to
6 continuing to work with all stakeholders and seek to incorporate their input in the most
7 effective manner possible.

8 There is a significant gap in the behavioral health care system between acute psychiatric
9 care facilities and low acuity residential treatment. The goal for repurposing underutilized
10 hospital beds for much needed behavioral health treatment will help break the “revolving
11 door” cycle in hospital emergency departments and relieve pressure on acute care hospital
12 facilities, law enforcement entities, and other systems of care, including social and legal
13 services. This is a rare opportunity to add significant value to our residents’ quality of life which
14 benefits both public and private sectors.

15 The transition of the HHSC Oahu Region to the Department would ensure the continued
16 availability of long-term care beds for our aging population and facilitate more efficient use of
17 the HHSC Oahu Region’s facilities to address the need for additional behavioral health services
18 such as mental health and substance use treatment.

19 The Department has been working very closely with the HHSC Oahu Region to evaluate
20 both the viability and the process by which this transition would take place and this measure
21 reflects the continued discussion and evolution of this effort.

22 In addition to the HHSC Oahu Region, the Department is committed to collaborating
23 with the legislature, the Hawaii Government Employees Association (HGEA), the United Public
24 Workers Union (UPW), the HHSC, and community stakeholders in achieving the best interests
25 of all parties.

1 **Offered Amendments:** The Department respectfully offers the attached proposed S.D. 1 that
2 includes additional language to clarify the transition process, re-formats the bill for clarity and
3 consistency, and continues to address and respond to input from partners and other
4 stakeholders.

5 Thank you for the opportunity to testify.

6 **Fiscal Implications:** Undetermined.

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:

1 PART I

2 SECTION 1. The legislature finds that the Hawaii health
3 systems corporation comprises five semi-autonomous health care
4 regions within the State, including east Hawaii, west Hawaii,
5 Kauai, Oahu, and Maui. The Maui region no longer operates any
6 health care facilities.

7 The legislature further finds that the Oahu region is
8 unique and distinguishable from the other regions due to the
9 logistical complexities of the Oahu regional health care system
10 facilities and the limited but crucial nature of the services
11 these facilities, Leahi hospital and Maluhia, currently provide.
12 Because the Oahu facilities almost exclusively serve long-term
13 care and medicaid patients, groups traditionally underserved by
14 private facilities because of the high cost of their care, the
15 Oahu region's long-term care operations are run more as a

1 safety-net social service and, compared to the other regions,
2 have less opportunity for 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 region, the department of health
14 operates the Hawaii state hospital, a facility that does not
15 generate revenue, but is nonetheless necessary to provide care
16 and treatment for mentally ill patients in Hawaii. In recent
17 years, the Hawaii state hospital has experienced a challenge in
18 providing sufficient bed space for admitted patients. As of
19 September 2019, two hundred twenty patients - well over the
20 maximum capacity of two hundred two - occupied beds at the
21 Hawaii state hospital. To meet its needs, the Hawaii state
22 hospital was also required to contract with Kahi Mohala, a
23 privately-run facility, to care for an additional forty-six
24 patients.

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

9 The legislature further finds that Act 90, Session Laws of
10 Hawaii 2019, established the involuntary hospitalization task
11 force and Act 263, Session Laws of Hawaii 2019, established a
12 working group to evaluate current behavioral health care and
13 related systems, including existing resources, systems gaps, and
14 identification of action steps that would be taken to improve
15 the overall system of care. The findings from these initiatives
16 highlight the need in Hawaii for a coordinated network of
17 stabilization beds that will allow triage, clinical assessment,
18 and recommendation for the next level of care for those
19 struggling with substance use, mental health conditions, and
20 homelessness.

21 The National Coalition for the Homeless has found that
22 sixty-four per cent of homeless individuals are dependent on
23 alcohol or other substances. In Hawaii, the Oahu homeless point
24 in time count reported that 36.4 per cent of homeless single

1 adults suffer from some type of mental illness. The
2 intersection of homelessness and behavioral health conditions
3 are a crisis in Hawaii, which contributes to Hawaii having the
4 second highest rate of homelessness in the nation.
5 Unfortunately, there is currently no coordinated system of
6 stabilization from the streets that assesses for and links to
7 the next level of clinical care.

8 The legislature additionally finds that the current options
9 for those needing stabilization from substance use, mental
10 health, and homelessness are overburdened and inadequate; and
11 emergency facilities throughout the State have experienced
12 substantial increases in psychiatric emergency admissions, which
13 has resulted in overcrowding and unsafe environments for
14 patients and medical staff.

15 The legislature also finds comprehensive crisis response
16 and stabilization services are crucial elements of the continuum
17 of care. Reducing unnecessary transportation to emergency
18 departments and appropriately placing clients in more suitable
19 levels of care will improve outcomes for consumers, reduce
20 inpatient hospital stays, and facilitate access to other
21 behavioral health services.

22 Subacute residential stabilization services have been a
23 missing component of a comprehensive behavioral health continuum
24 of care, which would bridge the gap between acute

1 hospitalization and lower level residential and community
2 resources.

3 Many individuals who are taken to the emergency room on an
4 MH-1, or for emergency examination and hospitalization, are
5 often not acute enough in their illness to warrant psychiatric
6 hospitalization. On the other hand, their symptomology is too
7 acute for them to be admitted to a group home, shelter, or other
8 existing low acuity residential programs, or, if they are
9 admitted, they are often unsuccessful in those environments.
10 More often than not, they fail because they have not had time to
11 stabilize in an environment where they can be closely monitored.
12 This lack of post-acute care contributes to the poor outcomes of
13 both acute behavioral health inpatient and community-based
14 services because many individuals are not appropriate for either
15 level, but fall somewhere in the middle.

16 The legislature also finds that there exists state
17 facilities that have under-utilized space that could accommodate
18 these services with minimal effort and adjustments and reduce
19 certain burdens and barriers. Therefore, assertive efforts
20 should be undertaken to make use of these resources and to
21 organize them in a way that is beneficial to the State.

22 Through discussions with the Oahu region, it was determined
23 that some of the Oahu region's health care facilities,
24 particularly spaces at Leahi hospital, are currently

1 underutilized and have the potential to be re-purposed for other
2 important health care and social service needs.

3 The legislature finds that, while statutorily tied to the
4 Hawaii health systems corporation, the Oahu region operates
5 mostly autonomously and its functions - including target
6 population - are unique from those of the other regional health
7 care systems. As such, there is little necessity to keep the
8 Oahu regional health care system a part of the Hawaii health
9 systems corporation. With proper planning and implementation,
10 the Oahu regional health care system could be strategically
11 assimilated into the department of health and its facilities
12 could be used - in addition to long-term care, to help alleviate
13 the need for subacute residential mental health stabilization
14 and other subacute care services.

15 The purpose of this Act is to:

16 (1) Commence the transfer of the Oahu regional health care
17 system in its entirety from the Hawaii health systems
18 corporation to the department of health, beginning
19 with the transfer of the Oahu regional health care
20 system's budget and position count into the department
21 of health; and

22 (2) Enable the Oahu regional health care system,
23 department of health, Hawaii health systems
24 corporation, and other state agencies to manage and

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

3 (1) The director of health as an ex officio, voting
4 member;

5 (2) The four regional chief executive officers as ex
6 officio, nonvoting members;

7 (3) Three members who reside in the county of Maui, two of
8 whom shall be appointed by the Maui regional system
9 board and one of whom shall be appointed by the
10 governor, all of whom shall serve as voting members;

11 (4) Two members who reside in the eastern section of the
12 county of Hawaii, one of whom shall be appointed by
13 the East 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 (5) Two members who reside in the western section of the
17 county of Hawaii, one of whom shall be appointed by
18 the West Hawaii regional system board and one of whom
19 shall be appointed by the governor, both of whom shall
20 serve as voting members;

21 (6) Two members who reside on the island of Kauai, one of
22 whom shall be appointed by the Kauai regional system

23 (7) Two members who reside on the island of Oahu, one of
24 whom shall be appointed by the Oahu regional system

1 under the direction of the director of health and one
2 of whom shall be appointed by the governor, both of
3 whom shall 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 Section 323F-3, Hawaii Revised Statutes, is also amended by
7 adding language to read as follows:

8 [e] [With regard to all corporation board matters concerning
9 the Oahu regional health care system, the director of health
10 shall have sole decision-making authority over those matters,
11 commencing on June 30, 2020, and continuing until the transition
12 of the Oahu regional health care system into the department of
13 health is complete. Upon completion of the transition, the
14 corporation board shall have no legal relationship with the Oahu
15 regional health care system or its facilities.]

16 SECTION 3. Section 323F-7.6, Hawaii Revised Statutes, is
17 amended by amending subsection (a) and subsection (b) to read as
18 follows:

19 (a) Notwithstanding any other law to the contrary, including but
20 not limited to section 27-1 and chapter 171, any of the regional
21 systems or individual facilities of the Hawaii health systems
22 corporation is hereby authorized to transition into a new legal
23 entity in any form recognized under the laws of the state,
24 including but not limited to:

- 1 (1) A nonprofit corporation;
2 (2) A for profit corporation;
3 (3) A municipal facility;
4 (4) A public benefit corporation;
5 [(5) A division or branch under a state executive department;
6 or,]
7 ~~(5)~~ [(6)] any two or more of the entities in paragraphs (1)
8 through ~~(4)~~ [(5)].

9 A transition shall occur through the sale, lease or transfer of
10 all or substantially all of the assets of the facility or
11 regional system, except for real property which shall only be
12 transferred by lease; [unless such transfer is effectuated under
13 paragraph (5) above, in which case real property shall
14 transition to the executive department.]

15 (b) A transition shall only occur upon approval of the
16 appropriate regional system board in the case of a regional
17 system or individual facility transition, or upon approval of
18 the regional system boards and the corporation in the case of
19 the transition of the entire corporation. Any transition shall
20 be subject to legal review by the attorney general who shall
21 approve the transition if satisfied that the transition conforms
22 to all applicable laws, subject to the review of the director of
23 the department of budget and finance who shall approve the
24 transition if it conforms to all applicable financing

1 procedures, and subject to the governor's approval. In addition
2 the transition shall be subject to the following terms and
3 conditions:

4 (1) All proceeds from the sale, lease, or transfer of
5 assets shall be used for health care services in the respective
6 regional system or facility, except that real property shall
7 only be transferred by lease [unless such transfer is
8 effectuated under paragraph (a-5), in which case real property
9 shall transition to the executive department];

10 (2) Any and all liabilities of a regional system or
11 facility transitioning into a new entity that were transferred
12 to the Hawaii health systems corporation upon its creation by
13 Act 262, Session Laws of Hawaii 1996, and all liabilities of the
14 regional system or facility related to collective bargaining
15 contracts negotiated by the State, shall become the
16 responsibility of the State; and

17 (3) During the period of transition:

18 (A) The State shall continue to fund the provision of
19 health care services provided for by the regional
20 system or individual facility; and

21 (B) All applicable provisions of this chapter shall
22 continue to apply.

23 Upon the completion of the transition of all the facilities
24 in a regional system to a new entity, the regional system board

1 for that regional system shall terminate; provided that if not
2 all of a regional system's facilities are transitioned to a new
3 entity, the existing regional system board shall not terminate
4 but shall continue to retain jurisdiction over those facilities
5 remaining in the regional system.

6 PART III

7 Hawaii Department of Health,

8 Oahu Regional Health Systems

9 SECTION 1. The transfer of the Oahu region to the
10 department of health shall commence with the transfer of the
11 budget and position count associated with the Oahu region as
12 follows:

13 (1) On June 30, 2020, the budget of the Oahu regional
14 health care system shall be transferred from the
15 Hawaii health systems corporation to the department of
16 health.

17 a. The Oahu regional health care system's budget
18 codes and all related allocated funds of the Oahu
19 region shall be reflected in the state budget and
20 all other related tables and documents under
21 program code HTHxxx.

22 b. Program code HTHxxx shall be known as the
23 behavioral and elder care facilities division
24 within the department of health's behavioral

1 health administration. The organizational
2 structure of the Oahu regional health care system
3 shall remain unchanged unless modified and
4 approved by the transition working group
5 identified in Section 3 of this part, and as
6 approved by the conditions established in this
7 part; or as required by law.

8 (2) On June 30, 2020, the total position count and class
9 specifications of the Oahu region shall be transferred
10 in their entirety to the department of health and
11 associated with HTHxxx.

12 a. All employees of the Oahu region who occupy civil
13 service positions shall be transferred to the
14 department of health by this Act and retain their
15 civil service status, whether permanent or
16 temporary and shall maintain their respective
17 functions as reflected in their current position
18 descriptions during the transition period;
19 provided that any changes determined necessary by
20 the working group established pursuant to this
21 part shall follow standard union consultation
22 process prior to implementation.

23 b. Employees shall be transferred without loss of
24 salary; seniority, except as prescribed by

1 applicable collective bargaining agreements;
2 retention points; prior service credit; any
3 vacation and sick leave credits previously
4 earned; and other rights, benefits, and
5 privileges, in accordance with state employment
6 laws.

7 c. The personnel structure of the Oahu regional
8 health care system shall remain unchanged unless
9 modified and approved by the working group and as
10 approved by the conditions established in this
11 part and this Act.

12 d. Any employee who, prior to this Act, is exempt
13 from civil service or collective bargaining and
14 is transferred as a consequence of this Act shall
15 be transferred without loss of salary and shall
16 not suffer any loss of prior service credit,
17 contractual rights, vacation or sick leave
18 credits previously earned, or other employee
19 benefits or privileges and shall be entitled to
20 remain employed in the employee's current
21 position for a period of no less than one year
22 after the transition of the Oahu regional health
23 care system into the department of health is
24 complete.

1 e. The wages, hours, and other conditions of
2 employment shall be negotiated or consulted, as
3 applicable, with the respective exclusive
4 representative of the affected employees, in
5 accordance with chapter 89, Hawaii Revised
6 Statutes.

7 f. The rights, benefits, and privileges currently
8 enjoyed by employees, including those rights,
9 benefits, and privileges under chapters 76, 78,
10 87A, 88 and 89, Hawaii Revised Statutes, shall
11 not be impaired or diminished as a result of
12 these employees being transitioned to the
13 department of health pursuant to this Act. The
14 transition to the department of health shall not
15 result in any break in service for the affected
16 employees. The rights, benefits, and privileges
17 currently enjoyed by employees shall be
18 maintained under their existing collective
19 bargaining or other agreements and any successor
20 agreement.

21 Section 2. Upon effectuation of Part III Section 1 above,
22 the Oahu regional board shall be placed within the department of
23 health pursuant to section 26-35 of the Hawaii revised statutes
24 for the purposes of facilitating the transition of the Oahu

1 region into the department of health as part of the working
2 group described in section 3 of this part, and to effectuate the
3 assignment of all contracts and agreements in which the Oahu
4 region is a party to the department of health.

5 SECTION 3. There is established a working group of the Oahu
6 regional health care system and department of health to develop,
7 evaluate and implement any additional steps necessary to
8 complete transition of the Oahu regional health care system into
9 the department of health. The working group shall consist of
10 the following members:

11 (1) The director of health or the director's designee, who
12 shall serve as co-chair and who, along with the chair
13 of the Oahu regional health care system, or the
14 chair's designee, shall have final authority over
15 transfer activities to be implemented by the working
16 group;

17 (2) The chair of the Oahu regional health care system
18 board, or the chair's designee, who shall serve as co-
19 chair and who, along with the director of health, or
20 the director's designee, shall have final authority
21 over transfer activities to be implemented by the
22 working group;

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 or more department of health staff members as
5 deemed necessary by the director of health, or the
6 director's designee; and

7 5) One or more Oahu regional health care system staff
8 members as deemed necessary by the chief executive
9 officer of the Oahu regional health care system, or
10 the chief executive officer's designee.

11 In addition, the working group shall include the following
12 members, who shall serve in a consultative capacity:

13 (1) One representative from the behavioral health
14 administration of the department of health;

15 (2) One representative from the department of Human
16 resources development;

17 (3) One representative from the department of accounting
18 and general services;

19 (4) The chair of the Hawaii health systems corporation
20 board, or the chair's designee;

21 (5) One representative from the Hawaii health systems
22 corporation human resources department;

23 (6) One representative from the Hawaii health systems
24 corporation finance department;

- 1 (7) One representative from the State procurement Office;
- 2 (8) One representative from the Hawaii Government Employee
- 3 Association;
- 4 (9) One representative from the United Public Workers
- 5 Union; and,
- 6 (10) Others as recommended and invited by the co-chairs.

7 SECTION 4. In carrying out its purpose, the working group

8 shall develop a transfer framework to govern and manage the

9 additional steps necessary to complete the transfer of the Oahu

10 region into the department of health. The transfer framework

11 shall include, but not be limited to, the following steps:

- 12 (1) Identification and preparation of proposed additional
- 13 legislation to address any matters not covered by this
- 14 act that may be necessary to complete the transfer of
- 15 the Oahu region into the department of health;
- 16 (2) Identification of all real property, appropriations,
- 17 records, equipment, machines, files, supplies,
- 18 contracts, books, papers, documents, maps, and other
- 19 property made, used, acquired, or held by the Oahu
- 20 regional health care system and effectuate the
- 21 transfer of the same to the department of health. In
- 22 all cases applicable and appropriate, section 26-35 of
- 23 the Hawaii revised statutes will apply;

- 1 (3) Identification of all debts and other liabilities that
2 will remain with the Hawaii health systems corporation
3 and transfer any remaining debts and liabilities to
4 the department of health. In all cases applicable and
5 appropriate, section 26-35 of the Hawaii revised
6 statutes will apply;
- 7 (4) Identification of all contractual arrangements and
8 obligations of the Oahu region, including but not
9 limited to those related to personal service
10 contracts, vendor contracts, and capital improvement
11 projects. Assignment of the Oahu region's rights and
12 obligations in such contracts to the department of
13 health. In all cases applicable and appropriate,
14 section 26-35 of the Hawaii revised statutes will
15 apply;
- 16 (5) Development and implementation of any and all policies
17 and procedures necessary to ensure that the facilities
18 within the Oahu regional health care system remain
19 compliant with all federal, state and local laws and
20 regulations. In all cases applicable and appropriate,
21 section 26-35 of the Hawaii revised statutes will
22 apply;
- 23 (6) Development and implementation of procedures to
24 extricate the Oahu region from system-wide services

1 secured or provided by the Hawaii health systems
2 corporation or enable the Oahu region to continue to
3 utilize such services on a temporary or permanent
4 basis through inter-agency agreement. In all cases
5 applicable and appropriate, section 26-35 of the
6 Hawaii revised statutes will apply;

7 (e) Members of the working group shall serve without
8 compensation but shall be reimbursed for reasonable expenses
9 necessary for the performance of their duties, including travel
10 expenses. No member of the working group shall be subject to
11 chapter 84, Hawaii Revised Statutes, solely because of the
12 member's participation in the working group.

13 (f) The working group shall submit an interim report to
14 the legislature no later than twenty days prior to the convening
15 of the regular session of 2021 that outlines all components of
16 the transition that have been effectuated to date and any
17 legislative action needed to complete the transfer;

18 (g) The working group shall be dissolved on June 30, 2022,
19 or upon completion of the transition of the Oahu regional health
20 care system into the department of health, whichever is later.
21 Prior to its dissolution, the working group shall submit a final
22 report to the legislature that documents the completion of the
23 transfer and dissolution of the Oahu regional health care
24 system.

1 SECTION 5. All transition actions with the exception of
2 those covered in Part III, Section 1 shall be subject to the
3 following conditions:

4 (1) The attorney general shall approve the legality and
5 form of any material transition actions created by the
6 working group prior to implementation, and the
7 director of finance shall evaluate and approve any
8 expenditure of public funds determined to be in
9 accordance with the budget laws and controls in force;

10 (2) Liabilities of the Oahu regional health care system
11 that were transferred to the Hawaii health care system
12 that were transferred to the Hawaii health systems
13 corporation upon its creation by Act 262, Session Laws
14 of Hawaii 1996, or to the Oahu regional health care
15 system upon its establishment by Act 290, Session Laws
16 of Hawaii 2007, and all other contractual liabilities
17 of the Oahu regional health care system, including
18 those related to collective bargaining contracts
19 negotiated by the State in existence at the time they
20 are transferred to the department of health, shall
21 become the responsibility of the State;

22 (3) In all cases applicable and appropriate, section 26-35
23 of the Hawaii revised statutes will apply to questions
24 of legal authority.

1

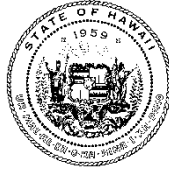
PART IV

2

SECTION 7. New statutory material is underscored.

3

SECTION 8. This Act shall take effect on June 30, 2020.



**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH
March 10, 2020, 9:30 AM

HB 2630, HD2
RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM
FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO
THE DEPARTMENT OF HEALTH

Chair Baker, Vice Chair Chang, and members of the committee, thank you for the opportunity to submit testimony on HB 2630,HD2. The State Procurement Office (SPO) offers the following comments to the bill specifically the exemption language in Section 4, page 11, lines 19-21 set forth below.

“...preserve the rights and exemptions that the Oahu regional health care system enjoyed as a region within the Hawaii health systems corporation;”

The SPO has concerns that if the Oahu Regional Health Care System is transferred to the Department of Health and continues to be exempt from the procurement code, inclusive of chapters 103D and 103F, oversight will be limited. Additionally, it would be challenging for the Department of Health to oversee the various hospitals within their management that follow different procurement processes and requirements. The current State Hospital has to adhere to the Procurement Code. If others are transferred into DOH, which is required to procure per HRS103D, then the additional hospitals should also adhere to this regulatory requirement. The whole point of working inside of one system is to:

- Give contractors and vendors peace of mind that the State has a formal, transparent, and fair process for all competitors
- Leverage economies of scales in order to achieve better pricing and performance – this is lost when dealing with diverse and inconsistent policies.
- Allow for proper monitoring and oversight on state contracts. The Executive Branch is working towards implementing an eProcurement system. All contracts should be inputted into this system to allow for 100% data spend analysis, compliance and efficiencies that

would exclude any exempt contracts. This process will end up being the faster, more economical and more efficient than piece-by-piece contracting.

- Avoid ethical breaches as when contracts are exempt, it becomes easier to fall into ethical challenges because there is no formal, written procedures or expectations.
- Allow for protests. The only real difference between an exempt contract and a non-exempt contract is whether it is competed. All the rest of procurement is still required such as creating a contract, adding some level of terms and conditions, and post-award contract management. The main thing you are doing when you allow exemptions is to take away competition and the right to protest. Protests are actually good for government, because they give us a way to highlight challenges inside government and also encourage transparency in government.

The Hawaii Public Procurement Code (code) is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure and transparency in the procurement and contracting process vital to good government.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion, or fraud in awarding of contracts. To legislate that any one entity should be exempt from compliance with both HRS chapter 103D and 103F conveys a sense of disproportionate equality in the law's application.

Exemptions to the code mean that all procurements made with taxpayer monies will not have the same oversight, accountability and transparency requirements mandated by those procurement processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration of protections for the state in contract terms and conditions, nor are there any set requirements to conduct cost and price analysis and market research or post-award contract management. As such, Agencies can choose whether to compete with any procurement or go directly to one contractor. As a result, leveraging economies of scale and cost savings efficiencies found in the consistent application of the procurement code is lost. It also means Agencies are not required to adhere to the code's procurement integrity laws.

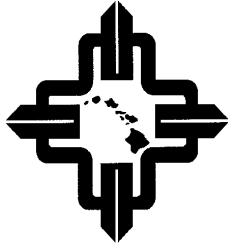
The National Association of State Procurement Officials states: "Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of numerous jurisdictions discourage competition by raising the costs to businesses to understand and comply with these different rules. Higher costs are recovered through the prices offered by a smaller pool of competitors, resulting in unnecessarily inflated costs to state and local governments."

When public bodies, are removed from the state's procurement code it results in the harm described above. As these entities create their own procurement rules, businesses are forced to track their various practices. Moreover, a public body often can no longer achieve the benefits of aggregation by using another public body's contract because different state laws and regulations may apply to the various public bodies making compliance more difficult.

Each year new procurement laws are applied to state agencies causing state agency contracts to become more complex and costly, while other public bodies, such as agencies with strong

legislative influence, are exempted. Relieving some public bodies from some laws by exempting or excluding them from compliance with a common set of legal requirements creates an imbalance wherein the competitive environment becomes different among the various jurisdictions and the entire procurement process becomes less efficient and costlier for the state and vendors.

Thank you.



OAHU REGION HAWAII HEALTH SYSTEMS CORPORATION

**Committee on Commerce, Consumer Protection and Health
Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice-Chair**

March 10, 2020, 9:30 A.M.
Conference Room 229
Hawaii State Capitol

Derek Akiyoshi
Oahu Region Chief Executive Officer
Hawaii Health Systems Corporation

Re: Testimony in Strong Support

HB 2630, HD2 Relating to the Transition of the Oahu Regional Health Care System into the Department of Health

Chair Baker, Vice-Chair Chang, and Members of the Committee on Commerce, Consumer Protection and Health:

Aloha! We begin by thanking you and your colleagues for your support and guidance over these past few years. It was a pleasure to have you tour our facilities – sometimes on multiple occasions – and provide invaluable input regarding our current operations and vision for potential strategic projects.

As you are aware, this bill is the House companion to SB 2504, which was recently transmitted to the House. With the leadership of the Oahu Regional Health Care System Board of Directors (hereinafter, “OR Board”), which has been an instrumental part of every important initiative concerning the Oahu Region, the Oahu Region likewise submits this testimony in strong support of HB 2630.

Unlike the Hawaii Health System Corporation’s (hereinafter, “HHSC”) neighbor island facilities, which are generally the primary acute care providers for their respective communities, the Oahu Region’s facilities almost exclusively provide safety-net, long-term care and adult-day health services to patients who are unable to find much-needed care in private facilities. Most of the patients admitted to Leahi Hospital and Maluhia are destitute and rely on Medicaid to fund their care. Private facilities will not admit them since their care tends to require a significant amount of resources and have low corresponding Medicaid reimbursement rates. The Oahu Region also provides care for incarcerated inmates released for compassionate care and psychiatric patients from the Hawaii State Hospital (“HSH”) who have significant long-term care needs.

While HHSC and the regions were originally established and designed to be run like a corporate health care venture, the Oahu Region operates more as a necessary social service than a

health care business. We have little opportunity to increase revenues, yet our services are vital to the community. This will be especially true in the very near future given recent projections by the State of Hawaii, Department of Business, Economic Development and Tourism that the island of Oahu will require an additional 1,100 long-term care beds in the next 5-10 years alone.

To ensure the continued availability of long-term care beds for our aging population and facilitate more efficient use of the Oahu Region's facilities to address the need for additional social services such as mental health and substance use treatment, we believe that it would be beneficial to transition the Oahu Region from HHSC into the State of Hawaii Department of Health (hereinafter, "DOH").

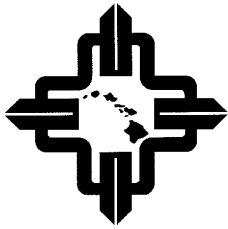
As one example of the benefits that can be realized through a union with the DOH, the Oahu Region and DOH recently developed and implemented a pilot program to provide treatment for low-risk, non-violent HSH patients at Leahi Hospital. Given the pilot program's successes thus far, we anticipate that the program could be expanded to treat up to 32 total patients in the unit currently being occupied. If the program was expanded into other available spaces, this number could be more than doubled. Such expansion, especially when taken in tandem with the new facility being constructed on the HSH campus, could free up higher acuity psychiatric beds within the HSH and enable the DOH to provide care for non-forensic patients in significant need of mental health treatment.

It should be noted that in order to make the foregoing pilot program a reality, the Oahu Region and DOH were required to enter into a series of agreements to ensure that we were individually compliant with our respective regulatory and insurance obligations and that inter-jurisdictional payments were addressed to cover the costs of ancillary services. Needless to say, if the Oahu Region became a part of the DOH, it is our belief that the pilot and other new programs could be initiated and streamlined more seamlessly.

With regard to the procedural approach taken by the instant bill, we agree that a working group is necessary to ensure that the transition is thoroughly planned and executed. In cooperation with the DOH and other members of the working group, we believe that we will be able to resolve the many complex issues inherent in this process and successfully complete the transition.

We note that the Oahu Region continues to collaborate with the DOH on this project and, collectively, we have been working diligently to fine tune the statutory language required to properly effectuate the transition. As such, we fully support the proposed S.D.1 submitted under separate cover by the DOH. While it is possible that more edits may become necessary to address unforeseen legal and logistical issues as HB 2630 and SB 2504 move forward, we believe that the language in the proposed S.D.1 represents a significant step in the right direction.

Thank you for the opportunity to offer testimony on this very important measure.



HAWAII HEALTH SYSTEMS

C O R P O R A T I O N

Quality Healthcare For All

COMMITTEE ON COMMERCE, CONSUMER AFFAIRS, and HEALTH
Senator Rosalyn H. Baker, Chair
Stanley Chang, Vice Chair

March 10, 2020
Conference Room 229
9:30 a.m.
Hawaii State Capitol

Support
House Bill 2630, HD2
RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTHCARE
SYSTEM FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO THE
DEPARTMENT OF HEALTH

Sets a date of 6/30/2022 for the transition of the Oahu regional health care system facilities from the Hawaii health systems corporation to the department of health. Establishes a working group to develop a comprehensive plan that addresses necessary components of such transition. Takes effect on 7/1/2050. Part II takes effect on 1/1/2050.

Linda Rosen, M.D., M.P.H.
Chief Executive Officer
Hawaii Health Systems Corporation

The Hawaii Health Systems Corporation (HHSC) Board of Directors is in **support** of HB 2630, HD2 that establishes a working group for the Department of Health and the Oahu Regional Healthcare System to determine their future integration.

HHSC's governing statute places the responsibility for its facilities and services across the state with five regional governing boards. The role of the HHSC system board and corporate office is to provide policy guidance and centralized services that support the regions' operations. HHSC's Oahu Region Board of Directors has determined that its resources can support important initiatives of the Department of Health for the community's benefit, and therefore a closer alignment of the two entities is sought. The HHSC system board supports the Oahu Region Board's decision and will direct corporate resources to the working group and subsequent transition activities.

Thank you for the opportunity to testify.

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HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Thirtieth Legislature, State of Hawaii
The Senate
Committee on Commerce, Consumer Protection, and Health

Testimony by
Hawaii Government Employees Association

March 10, 2020

H.B. 2630, H.D. 2 – RELATING TO THE TRANSITION OF THE
OAHU REGIONAL HEALTH CARE SYSTEM

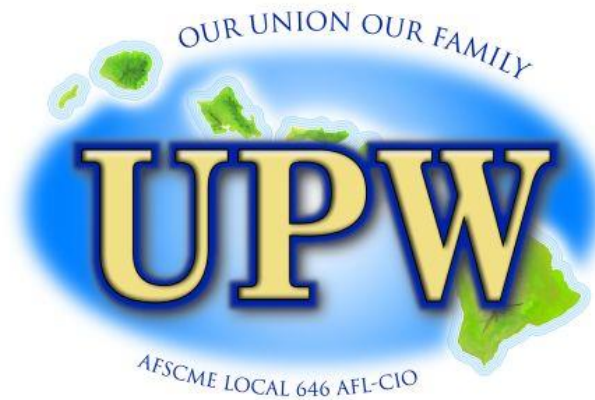
The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO would like to offer comments on H.B. 2630, H.D. 2 which sets a date for the transition of the Oahu Region of the Hawaii Health Systems Corporation to the Department of Health and establishes a working group to develop a comprehensive plan for the transition. We appreciate the Labor and Public Employment's adoption of our requested amendments to clarify the measure and add protection for HHSC employees.

While we are generally supportive of the proposed timeline and transition to the Department of Health and agree that this may be the best path forward for the Oahu Region and its employees, we also recognize that there are many unanswered questions regarding the impact to staff operations. We understand that the legislation empowers the transition working group to address a wide range of issues and therefore this measure itself cannot be prescriptive, however, this measure does not explicitly address whether the current HHSC staff will be required to provide behavioral health care services or what specific qualifications are necessary for continued employment. It is also unclear if the Department of Health will maintain or phase-out the current long-term care services and how it will expand its behavior health care services on the HHSC campuses. Therefore, we appreciate the amendments in the H.D. 2 that allow us a seat on the working group to ensure that our members have a voice at these meetings.

We appreciate the intent and extent that this measure takes to provide employees with job security and assurances that their rights and benefits will be preserved, as well as the Labor Committee's inclusion of protective language for all employees, and we want to actively participate in a smooth transition for our members to the Department of Health. Thank you for the opportunity to testify.

Respectfully submitted,

for Randy Perreira
Executive Director



THE HAWAII STATE SENATE

The Thirtieth Legislature
Regular Session of 2020

Committee on Commerce and Consumer Protection

Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice Chair

Date of Hearing: Tuesday, March 10, 2020
Time of Hearing: 9:30 a.m.
Place of Hearing: Conference Room 229
State Capitol, 415 South Beretania St.

Testimony on HB2630, HD2 Relating to the Transition of the Oahu Regional Health Care System from the Hawaii Health Systems Corporation into the Department of Health

By DAYTON M. NAKANELUA,
State Director of the United Public Workers,
AFSCME Local 646, AFL-CIO ("UPW")

The UPW is the exclusive bargaining representative for approximately 13,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and four counties. The UPW also represents about 1,500 members in the private sector.

HB2630, HD2 sets the date of 6/30/2022 for the transfer of the Oahu Regional Health Care System facilities from the Hawaii Health Systems Corporation to the Department of Health. The bill also establishes a working group to develop a comprehensive plan that addresses necessary components of the transition.

The UPW strongly supports this measure.

Thank you for the opportunity to submit this testimony.

