

STATE OF HAWAII
DEPARTMENT OF HEALTH
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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

REPRESENTATIVE SYLVIA LUKE, CHAIR
HOUSE COMMITTEE ON FINANCE

Hearing Date and Time: Tuesday, February 25, 2020 at 12:30 p.m. Room: 308

1 **Department Position:** The Department of Health (“Department”) strongly supports this
2 measure and offers the following comments.

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 feel that this measure further advances
12 achievement of shared goals of all stakeholders including alignment with recommendations
13 made by the Mental Health Task Force.

14 There is a significant gap in the behavioral health care system between acute psychiatric
15 care facilities and low acuity residential treatment. The goal for repurposing underutilized
16 hospital beds for much needed behavioral health treatment will help break the “revolving

1 door” cycle in hospital emergency departments and relieve pressure on acute care hospital
2 facilities, law enforcement entities, and other systems of care, including social and legal
3 services. This is a rare opportunity to add significant value to our residents’ quality of life which
4 benefits both public and private sectors.

5 The transition of the Hawaii Health Systems Corporation (HHSC) Oahu Regional Health
6 Care System to the Department would ensure the continued availability of long-term care beds
7 for our aging population and facilitate more efficient use of the HHSC Oahu Regional Health
8 Care System’s facilities to address the need for additional behavioral health services such as
9 mental health and substance use treatment.

10 One example of the benefits that can be realized through a union of the HHSC Oahu
11 Regional Health Care System and the Department is the recently developed and implemented
12 pilot project that provides intensive treatment to co-occurring low risk, non-violent individuals
13 that were patients at the Hawaii State Hospital (HSH) and are now ready for stepdown care.
14 Through this pilot program these individuals receive treatment at Leahi Hospital campus. Given
15 the pilot program’s success thus far, the Department anticipates that this program could be
16 expanded to treat up to 32 total patients in the Leahi Hospital unit that is currently being
17 occupied. If this program was expanded into other available space within the Leahi Hospital,
18 the total number of patients could be more than doubled. Such expansion, especially when
19 taken in tandem with the new psychiatric facility being constructed on the HSH campus, could
20 free up higher acuity psychiatric beds within the HSH and enable the Department to provide
21 care for non-forensic patients in significant need of behavioral health services. The transition of
22 the HHSC Oahu Regional Health Care System to the Department would allow for mental health
23 and substance use treatment to be managed more seamlessly and efficiently than doing so as
24 two separate entities.

1 The Department has been working very closely with the HHSC Oahu Regional Health
2 Care System to evaluate both the viability and the process by which this transition would take
3 place and this measure reflects the continued discussion and evolution of this effort.

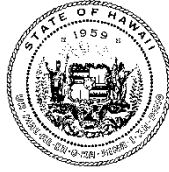
4 In addition to the HHSC Oahu Regional Health Care System, the Department is
5 committed to collaborating with the legislature, the Hawaii Government Employees Association
6 (HGEA), and community stakeholders in achieving the best interests of all parties.

7 **Offered Amendments:** None.

8 Thank you for the opportunity to testify.

9 **Fiscal Implications:** Undetermined.

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR
BONNIE KAHAKUI
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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**TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO THE HOUSE COMMITTEE
ON
FINANCE**

February 25, 2020, 12:30 PM

**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 Luke, Vice Chair Cullen, 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.

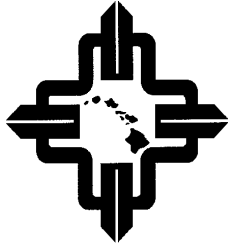
The National Association of State Procurement Officials states: "Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of numerous jurisdictions discourage competition by raising the costs to businesses to understand and comply with these 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 FINANCE
Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair

February 25, 2020 (12:30 p.m.)
Conference Room 308
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 Luke, Vice Chair Cullen and Members of the House Committee on Finance,

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 submits this testimony in strong support of HB 2630, HD2.

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

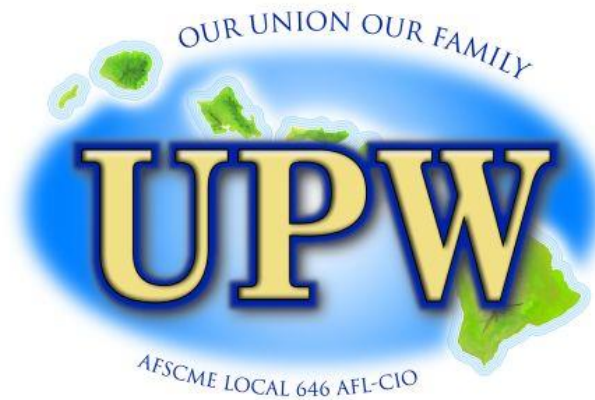
beneficial to transition the Oahu Region from HHSC into the State of Hawaii Department of Health (hereinafter, "DOH").

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 properly planned and executed. Several complex issues will need to be addressed, including, but not limited to, transfer of employees between different classification systems, resolution of outstanding contractual and other obligations, preservation of statutory exemptions, and transfer of budgetary, fiscal and accounting functions. In cooperation with the DOH and other members of the working group, we believe that the transition can be successfully implemented.

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



THE HAWAII STATE HOUSE OF REPRESENTATIVES

The Thirtieth Legislature
Regular Session of 2020

COMMITTEE ON FINANCE

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair

Date of Hearing: Tuesday, February 25, 2020
Time of Hearing: 12:30 p.m.
Place of Hearing: Conference Room 308
State Capitol
415 South Beretania Street

**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")

My name is 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 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.
(HD2)

The UPW strongly supports this measure. The UPW respectfully requests an amendment to the bill by creating a consultative group consisting of various departments to assist the working group in its decisions to plan the transfer. The UPW requests to be appointed to the consultative group.

The UPW appreciates the efforts of the Legislature, HHSC, ORHCS, the State Administration and others for planning for a better future for at least Maluhia and Leahi Hospitals, their patients and employees of the facilities.

Thank you for the opportunity to submit this testimony.



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
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association

February 25, 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,

Randy Perreira
Executive Director