



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

TO THE SENATE COMMITTEE  
ON  
WAYS AND MEANS  
February 25, 2020, 12:40 PM

SB 2504, SD1  
RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM  
FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO  
THE DEPARTMENT OF HEALTH

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee, thank you for the opportunity to submit testimony on SB 2504, SD1. The State Procurement Office (SPO) offers the following comments to the bill specifically the exemption language in Section 3, page 14, lines 5-7 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 policy.

- 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.

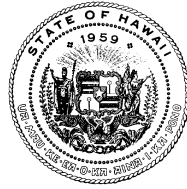
Exemptions to the code mean that all procurements made with taxpayer monies will not have the same oversight, accountability and transparency requirements mandated by those procurement processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration 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.



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DEPARTMENT OF HEALTH  
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**Testimony in SUPPORT of S.B. 2504 S.D. 1  
RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM FROM THE  
HAWAII HEALTH SYSTEMS CORPORATION INTO THE DEPARTMENT OF HEALTH**

SENATOR DONOVAN M. DELA CRUZ, CHAIR  
SENATE COMMITTEE ON WAYS AND MEANS

Hearing Date and Time: Tuesday, February 25, 2020 at 12:40 p.m. Room: 211

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 S.B. 2504 S.D. 1. 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.

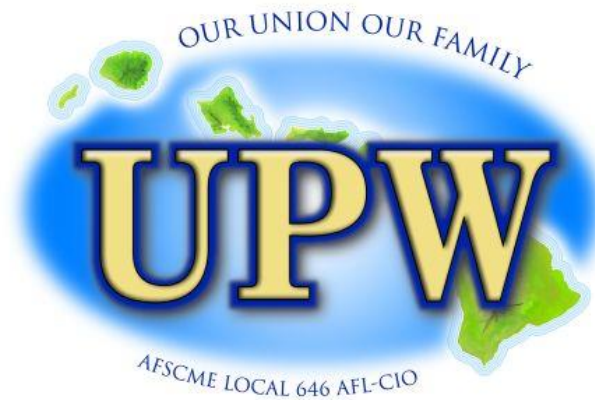
1           The Department has been working very closely with the HHSC Oahu Regional Health  
2 Care System to evaluate both the viability and the process by which this transition would take  
3 place and this measure reflects the continued discussion and evolution of this effort.

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.



**THE HAWAII STATE SENATE**

The Thirtieth Legislature  
Regular Session of 2020

**Committee on Ways and Means**

Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice Chair

Date of Hearing: Tuesday, February 25, 2020  
Time of Hearing: 12:40 p.m.  
Place of Hearing: Conference Room 211  
State Capitol  
415 South Beretania St.

**Testimony on SB 2504, S.D.1 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.

SB2504, SD1 commences the transfer of the Oahu Regional Health Care System in its entirety from the Hawaii Health Systems Corporation to the Department of Health beginning with the transfer of the Oahu Regional Health Care System's budget into the Department of Health. The bill also establishes a working group by and between the Oahu Regional Health

Care System, the Department of Health and other stakeholders that shall be responsible for managing and implementing the processes to effectuate the completion of such transition.

In addition to the Working Group there will be several agency representatives acting in a consultative capacity. The UPW is requesting to be part of this consultative group. The UPW strongly supports SB2504, SD1 and appreciates the efforts of the Legislature, HHSC, ORHCS, the State Administration and others for planning for a better future for Maluhia and Leahi Hospitals, their patients and employees of the facilities.

Thank you for the opportunity to submit this testimony.



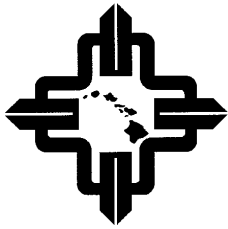
**SB-2504-SD-1**

Submitted on: 2/21/2020 5:22:38 PM

Testimony for WAM on 2/25/2020 12:40:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Elena Cabatu	Testifying for Hilo Medical Center	Support	No

Comments:



## **HAWAII HEALTH SYSTEMS**

C O R P O R A T I O N

*Quality Healthcare For All*

### **COMMITTEE ON WAYS AND MEANS Senator Donovan M. Dela Cruz, Chair Senator Gilbert S.C. Chang, Vice Chair**

February 25, 2020  
Conference Room 211  
12:40 p.m.  
Hawaii State Capitol

#### **Comments**

on

#### **Senate Bill 2504, SD1**

#### **RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTHCARE SYSTEM FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO THE DEPARTMENT OF HEALTH**

Commences the transfer of the Oahu Regional Health Care System in its entirety from the Hawaii Health Systems Corporation to the Department of Health, beginning with the transfer of the Oahu Regional Health Care System's budget into the Department of Health. Establish a working group by and between the Oahu Regional Health Care System, Department of Health, and other stakeholders that shall be responsible for managing and implementing the processes required to effectuate the completion of such transition.

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

The Hawaii Health Systems Corporation (HHSC) wish to provide **comments on SB 2504, SD1** that commences the transfer and 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. To be very clear, 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

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will direct corporate resources to the working group and subsequent transition activities in support.

However, SB2504, SD1 seeks to accelerate the transfer of certain functions from HHSC to the DOH. While we are willing to expedite the transfer, we can only do so in a legally and administratively compliant way.

It must be re-emphasized that the Oahu Region Board exercises complete control over the budget and operations of its regional services and facilities. By our statute, neither the System Board nor the Corporate Office have statutory authority to interfere in operations or change the budget of the Regions. The Oahu Board may hand over operational decisions to the Director of Health today if it wishes, but HHSC will still be legally responsible for all legal and compliance related requirements until the transfer is accomplished. Therefore, Part II, SECTION 2, page 11, lines 3-10 is problematic. As in most instances, but especially in the highly regulated world of health care compliance, only one entity can be legally responsible for the services provided and billed for. As written, this section requires review and analysis by the Department of the Attorney General.

The requested amendments also include a proposed Part III, SECTION 4 (1), which provides that as of June 30, 2020 the budget of the Oahu Region shall be transferred to the DOH to be reflected in the state budget and all other related tables and documents. Again, we have no wish to delay the transfer, but funds must transfer at the same time as legal responsibilities. As an example, the measure contemplates transfer off all employees of the Oahu Region to the DOH. HHSC is a separate employer from the Executive Branch, similar to the counties or the University of Hawaii. It is unclear if existing positions in the Oahu Region can be wholly transferred to DOH or whether new positions will need to be created in DOH for over 400 employees. If these positions remain on the HHSC payroll, the funds must remain with HHSC until they are transferred. For this clarification on positions and budgetary matters, we defer to the Department of Human Resource Development and the Department of Budget and Finance regarding matters of the Executive Branch organization.

Finally, if the Oahu Region and DOH wish to expedite the transfer of budgetary and other responsibilities by June 30, 2020, given the number of questions and concerns, we respectfully suggest convening a working group prior to that deadline, rather than after. If this occurs, we believe the transfer could be effectuated on July 1, 2021.

Thank you for the opportunity to testify.

**SB-2504-SD-1**

Submitted on: 2/24/2020 6:16:20 AM

Testimony for WAM on 2/25/2020 12:40:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Derek Akiyoshi	Testifying for Oahu Region Hawaii Health Systems Corporation	Support	No

Comments:



## HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

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

**LATE**

The Thirtieth Legislature, State of Hawaii  
The Senate  
Committee on Ways & Means

Testimony by  
Hawaii Government Employees Association

February 25, 2020

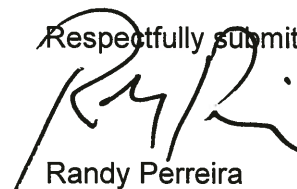
### S.B. 2504, S.D. 1 – RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO would like to offer comments on S.B. 2504, S.D. 1 which transfers in its entirety the Oahu Region of the Hawaii Health Systems Corporation to the Department of Health, beginning with the Oahu Region budget, and establishes a working group to develop a comprehensive plan for the transition. We appreciate the Committee on Consumer Protection, Commerce, and Health's adoption of our requested amendments to clarify the measure and add protection for HHSC employees.

While we are generally supportive of the proposed 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, particularly with the Oahu Region budget transfer effective June 30, 2020, as outlined in Section 4 of the measure. We want to ensure that if the budget transfer necessitates negotiation or consultation, that there is ample time to complete the requisite process. Further, 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 S.D. 1 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 prior 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

**SB-2504-SD-1**

Submitted on: 2/23/2020 3:43:10 PM

Testimony for WAM on 2/25/2020 12:40:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Stephen Smith	Individual	Support	No

Comments:

I support this bill, and think it is in the best interest of all parties to advance it. Please support SB2504 SD1.

Stephen Smith, MD

Medical laboratory Director HMC,

Board member East Hawaii Region HHSC