
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
7 one hundred forty-eight per cent over the next twenty-five
8 years. On Oahu, this translates to an estimated shortfall of
9 eleven hundred long-term care beds in the next five to ten years
10 alone. Thus, despite the costs of long-term care, it is vital
11 that state facilities continue to operate to ensure that beds
12 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 occupied beds at the
20 Hawaii state hospital--well over the maximum capacity of
21 two hundred two. To meet its needs, the Hawaii state hospital



1 was also required to contract with Kahi Mohala, a privately-run
2 facility, to care for an additional forty-six patients.

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

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



1 struggling with substance use, mental health conditions, and
2 homelessness.

3 The National Coalition for the Homeless has found that
4 sixty-four per cent of homeless individuals are dependent on
5 alcohol or other substances. In Hawaii, the Oahu homeless point
6 in time count reported that 36.4 per cent of homeless single
7 adults suffer from some type of mental illness. The
8 intersection of homelessness and behavioral health conditions
9 are a crisis in Hawaii, which contributes to Hawaii having the
10 second highest rate of homelessness in the nation.

11 Unfortunately, there is currently no coordinated system of
12 stabilization from the streets that assesses for and links to
13 the next level of clinical care.

14 The legislature additionally finds that the current options
15 for those needing stabilization from challenges related to
16 substance use, mental health, and homelessness are overburdened
17 and inadequate, and emergency facilities throughout the State
18 have experienced substantial increases in psychiatric emergency
19 admissions, resulting in overcrowding and unsafe environments
20 for patients and medical staff.



1 The legislature also finds that comprehensive crisis
2 response and stabilization services are crucial elements of the
3 continuum of care. Reducing unnecessary transportation to
4 emergency departments and appropriately placing individuals in
5 more suitable levels of care will improve outcomes for patients,
6 reduce inpatient hospital stays, and facilitate access to other
7 behavioral health services.

8 Subacute residential stabilization services have been a
9 missing component of a comprehensive behavioral health continuum
10 of care, which would bridge the gap between acute
11 hospitalization and lower-level residential and community
12 resources. Many individuals who are transported to an emergency
13 room or for emergency examination and hospitalization are not
14 acute enough in their illness to warrant psychiatric
15 hospitalization. On the other hand, their symptomology is too
16 acute for them to be admitted to a group home, shelter, or other
17 existing low acuity residential program or, if they are
18 admitted, they are often unsuccessful in those environments.
19 More often than not, these individuals fail because they have
20 not had time to stabilize in an environment where they can be
21 closely monitored. This lack of post-acute care contributes to



1 the poor outcomes of both acute behavioral health inpatient and
2 community-based services because many individuals are not
3 appropriate for either level, but fall somewhere in the middle.

4 The legislature further finds that state facilities exist
5 that have underutilized space that could accommodate these
6 services with minimal effort and adjustments and reduce certain
7 burdens and barriers. Therefore, assertive efforts should be
8 undertaken to ensure the availability of these resources and to
9 organize them in a way that is beneficial to the State.

10 Through discussions with the Oahu region, it has been
11 determined that some of the Oahu region's health care
12 facilities, particularly Leahi hospital, are currently
13 underutilized and have the potential to be re-purposed for other
14 important health care and social service needs.

15 The legislature further finds that, while statutorily tied
16 to the Hawaii health systems corporation, the Oahu region
17 operates mostly autonomously and its functions and target
18 population are unique from those of the other regional health
19 care systems. As such, there is little necessity for the Oahu
20 regional health care system to remain a part of the Hawaii
21 health systems corporation. With proper planning and



1 implementation, the Oahu regional health care system could be
2 strategically assimilated into the department of health, and its
3 facilities could be used, in addition to long-term care, to help
4 alleviate the need for subacute residential mental health
5 stabilization and other subacute care services.

6 The purpose of this Act is to:

7 (1) Commence the transfer of the Oahu regional health care
8 system in its entirety from the Hawaii health systems
9 corporation to the department of health, beginning
10 with the transfer of the Oahu regional health care
11 system's budget into the department of health;

12 (2) Enable the Oahu regional health care system,
13 department of health, Hawaii health systems
14 corporation, and other state agencies to implement the
15 processes and transactions required to effectuate the
16 completion of the transition;

17 (3) Require the department of health to consult with the
18 University of Hawaii regarding services provided at
19 Leahi hospital and Maluhia, and allow University of
20 Hawaii students to rotate through those facilities for
21 training purposes;



- 1 (4) Authorize the department of health to pay rent to the
2 University of Hawaii for the use of the Leahi hospital
3 property at a rate and on terms to be negotiated
4 between the department of health and the University of
5 Hawaii;
- 6 (5) Clarify the rights, powers, and exemptions held by the
7 Oahu regional health care system during the transition
8 period and the rights, powers, and exemptions held by
9 the inpatient services division of the department of
10 health following completion of the transfer of the
11 Oahu regional health care system;
- 12 (6) Appropriate moneys from the mental health and
13 substance abuse special fund to expand and operate
14 programs at Leahi hospital and Maluhia that are
15 mutually advantageous to the department of health, the
16 Oahu region, and the State; and
- 17 (7) Authorize the issuance of general obligation bonds and
18 appropriate the proceeds of the bonds for improvements
19 at Leahi hospital and Maluhia.



PART II

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

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

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

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

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

~~[(4)]~~ (3) The east Hawaii regional health care system, comprising the Puna district, north Hilo district, south Hilo district, Hamakua district, and Kau district; and

~~[(5)]~~ (4) The west Hawaii regional health care system, comprising the north Kohala district, south Kohala district, north Kona district, and south Kona district;

and shall be identified as regional systems I, II, III, and IV, ~~[and V,]~~ respectively."

PART III

SECTION 3. Section 323F-3, Hawaii Revised Statutes, is amended to read as follows:



1 "**§323F-3 Corporation board.** (a) The corporation shall be
2 governed by [~~an eighteen-member~~] a fifteen-member board of
3 directors that shall carry out the duties and responsibilities
4 of the corporation other than those duties and responsibilities
5 relating to the establishment of any captive insurance company
6 pursuant to section 323F-7(c)(20) and the operation thereof.

7 (b) The members of the corporation board shall be
8 appointed as follows:

9 (1) The director of health as an ex officio, voting
10 member;

11 (2) The [~~five~~] four regional chief executive officers as
12 ex officio, nonvoting members;

13 (3) Three members who reside in the county of Maui, two of
14 whom shall be appointed by the Maui regional system
15 board and one of whom shall be appointed by the
16 governor, all of whom shall serve as voting members;

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



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

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

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

15 ~~[(8)]~~ (7) One member who shall be appointed by the governor
16 and serve as an at-large voting member.

17 The appointed board members who reside in the county of
18 Maui, eastern section of the county of Hawaii, western section
19 of the county of Hawaii, and on the island of Kauai~~[, and on the~~
20 ~~island of Oahu]~~ shall each serve for a term of four years;
21 provided that the terms of the initial appointments of the



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

15 Any vacancy shall be filled in the same manner provided for
16 the original appointments. The corporation board shall elect
17 its own chair from among its members. Appointments to the
18 corporation board shall be as representative as possible of the
19 system's stakeholders as outlined in this subsection. The board
20 member appointments shall strive to create a board that includes



1 expertise in the fields of medicine, finance, health care
2 administration, government affairs, human resources, and law.

3 (c) The selection, appointment, and confirmation of any
4 nominee shall be based on ensuring that board members have
5 diverse and beneficial perspectives and experiences and that
6 they include, to the extent possible, representatives of the
7 medical, business, management, law, finance, and health sectors,
8 and patients or consumers. Members of the board shall serve
9 without compensation but may be reimbursed for actual expenses,
10 including travel expenses, incurred in the performance of their
11 duties.

12 (d) Any member of the board may be removed for cause by
13 vote of a two-thirds majority of the board's members then in
14 office. For purposes of this section, cause shall include
15 without limitation:

- 16 (1) Malfeasance in office;
17 (2) Failure to attend regularly called meetings;
18 (3) Sentencing for conviction of a felony, to the extent
19 allowed by section 831-2; or



(4) Any other cause that may render a member incapable or unfit to discharge the duties required under this chapter.

Filing nomination papers for elective office or appointment to elective office, or conviction of a felony consistent with section 831-3.1, shall automatically and immediately disqualify a board member from office.

(e) The director of health shall have sole decision-making authority over all corporation board matters that concern the Oahu regional health care system, commencing on June 30, 2021, and continuing until the transition of the Oahu regional health care system into the department of health is complete. Upon completion of the transition, the corporation board shall have no legal relationship with the Oahu regional health care system or its facilities."

SECTION 4. Section 323F-7.6, Hawaii Revised Statutes, is amended to read as follows:

"[f]§323F-7.6[f] Transition of Hawaii health systems regional system or health facility to a new entity. (a)
Notwithstanding any other law to the contrary, including but not limited to section 27-1 and chapter 171, any of the regional



1 systems or individual facilities of the Hawaii health systems
2 corporation is hereby authorized to transition into a new legal
3 entity in any form recognized under the laws of the State,
4 including but not limited to:

5 (1) A nonprofit corporation;

6 (2) A for-profit corporation;

7 (3) A municipal facility;

8 (4) A public benefit corporation; ~~[or]~~

9 (5) A division or branch under a state executive

10 department; or

11 ~~[(5)]~~ (6) Any two or more of the entities in paragraphs (1)

12 through ~~[(4)]~~ (5).

13 A transition shall occur through the sale, lease, or transfer of
14 all or substantially all of the assets of the facility or
15 regional system, except for real property, which shall only be
16 transferred by lease~~[-]~~; provided that under a transfer that is
17 effectuated pursuant to paragraph (5), real property shall
18 transfer in its then-existing state, whether in lease, fee, or
19 otherwise, to the executive department. Any transition shall
20 comply with chapter 323D.



1 (b) A transition shall only occur upon approval of the
2 appropriate regional system board in the case of a regional
3 system or individual facility transition, or upon approval of
4 the regional system boards and the corporation in the case of
5 the transition of the entire corporation. Any transition shall
6 be subject to legal review by the attorney general, who shall
7 approve the transition if satisfied that the transition conforms
8 to all applicable laws, subject to the review of the director of
9 the department of budget and finance, who shall approve the
10 transition if it conforms to all applicable financing
11 procedures, and subject to the governor's approval. In
12 addition, the transition shall be subject to the following terms
13 and conditions:

- 14 (1) All proceeds from the sale, lease, or transfer of
15 assets shall be used for health care services in the
16 respective regional system or facility, except that
17 real property shall only be transferred by lease;
18 provided that under a transfer that is effectuated
19 pursuant to subsection (a)(5), real property shall
20 transfer in its then-existing state, whether in lease,
21 fee, or otherwise, to the executive department;



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

(3) During the period of transition:

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

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

Upon the completion of the transition of all the facilities in a regional system to a new entity, the regional system board for that regional system shall terminate; provided that if not all of a regional system's facilities are transitioned to a new entity, the existing regional system board shall not terminate but shall continue to retain jurisdiction over those facilities remaining in the regional system."



PART IV

SECTION 5. Chapter 321, Hawaii Revised Statutes, is amended by adding a new part to be appropriately designated and to read as follows:

"PART . LEAHI HOSPITAL AND MALUHIA

§321- Authority of the department of health. The department of health may:

- (1) Conduct long-term care and substance abuse treatment at Leahi hospital and Maluhia;
- (2) Pay rent to the University of Hawaii for the use of the Leahi hospital property, at a rate and on terms to be negotiated between the department of health and the University of Hawaii;
- (3) Use moneys from the mental health and substance abuse special fund established pursuant to section 334-15 to fund the department's operations at Leahi hospital and Maluhia;
- (4) Develop and implement its own policies, procedures, and rules necessary or appropriate to plan, operate, manage, and control Leahi hospital and Maluhia without regard to chapter 91;



1 (5) Enter into and perform any contract, lease,
2 cooperative agreement, partnership, or other
3 transaction whatsoever that may be necessary or
4 appropriate in the performance of its purposes and
5 responsibilities, and on any terms the department may
6 deem appropriate with either:

7 (A) Any agency or instrumentality of the United
8 States, or with any state, territory, possession,
9 or subdivision thereof; or

10 (B) Any person, firm, association, partnership, or
11 corporation, whether operated on a for-profit or
12 not-for-profit basis; provided that the
13 transaction furthers the public interest;

14 (6) Conduct activities and enter into business
15 relationships the department deems necessary or
16 appropriate, including but not limited to:

17 (A) Creating nonprofit corporations, including but
18 not limited to charitable fundraising
19 foundations, to be controlled wholly by the
20 department or jointly with others; and



1 (B) Entering into partnerships and other joint
2 venture arrangements, or participating in
3 alliances, purchasing consortia, health insurance
4 pools, or other cooperative agreements with any
5 public or private entity; provided that any
6 corporation, venture, or relationship entered
7 into under this section shall further the public
8 interest;

9 (7) Make and alter facility bylaws and rules for the
10 organization and management of Leahi hospital and
11 Maluhia without regard to chapter 91;

12 (8) Contract for and accept any gifts, grants, and loans
13 of funds or property, or any other aid in any form
14 from the federal government, the State, any state
15 agency, or any other source, or any combination
16 thereof, in compliance with the terms and conditions
17 thereof;

18 (9) Provide health and medical services to the public
19 directly or by agreement or lease with any person,
20 firm, or private or public corporation, partnership,



1 or association through or in Leahi hospital and

2 Maluhia or otherwise; and

3 (10) Approve medical staff bylaws, rules, and medical staff
4 appointments and reappointments for Leahi hospital and
5 Maluhia, including but not limited to determining the
6 conditions under which a health professional may be
7 extended the privilege of practicing within Leahi
8 hospital or Maluhia, as determined by the department
9 or facility management, and adopting and implementing
10 reasonable rules, without regard to chapter 91, for
11 the credentialing and peer review of all persons and
12 health professionals within the facility; provided
13 that the department or facility management shall be
14 the governing body responsible for all medical staff
15 organization, peer review, and credentialing
16 activities to the extent allowed by law.

17 **§321- Consultation with the University of Hawaii**

18 **required.** The department of health shall regularly consult with
19 the University of Hawaii regarding services provided at Leahi
20 hospital and Maluhia. The department may coordinate with the
21 University of Hawaii to allow university students to rotate



1 through the facilities for training purposes and may take any
2 action necessary or proper to effectuate this purpose.

3 **§321- Reduction or elimination of direct patient care**
4 **services.** (a) No planned substantial reduction or elimination
5 of direct patient care services at Leahi hospital or Maluhia
6 shall be undertaken unless all of the following requirements are
7 met:

8 (1) An initial determination is made by the department as
9 to critical and emergency services, which shall not be
10 subject to reduction or elimination pursuant to this
11 section;

12 (2) The plan of the facility to substantially reduce or
13 eliminate any direct patient care services at Leahi
14 hospital or Maluhia shall first be presented to the
15 director of health for approval;

16 (3) Subsequent to the requisite director approval, the
17 department shall present the plan to the community in
18 which the facility is located at a community
19 informational meeting, in order to obtain community
20 input on the plan; and



1 (4) After the community informational meeting, but at
2 least twenty days prior to the implementation of the
3 approved plan, the director shall give notice of the
4 implementation of the plan to the governor, president
5 of the senate, and speaker of the house of
6 representatives.

7 (b) Upon meeting the requirements of subsection (a), the
8 approved plan shall be implemented unless legislation has been
9 enacted that:

10 (1) Requires the reinstatement and continuation of direct
11 patient care services that are subject to reduction or
12 elimination under the plan; and

13 (2) Includes an appropriation of additional moneys
14 sufficient to adequately fund the mandated
15 reinstatement and continuation of the direct patient
16 care services that are subject to reduction or
17 elimination under the plan."

18 PART V

19 SECTION 6. (a) The transfer of the Oahu regional health
20 care system to the department of health shall commence with the



1 transfer of the budget count associated with the Oahu region as
2 follows:

3 (1) On June 30, 2021, the budget of the Oahu regional
4 health care system shall be transferred from the
5 Hawaii health systems corporation to the department of
6 health; provided that:

7 (A) The Oahu regional health care system's budget
8 codes and all related allocated funds of the Oahu
9 region shall be reflected in the state budget and
10 all other related tables and documents under the
11 program code HTH ; and

12 (B) The program code HTH shall be known as the
13 inpatient services division within the department
14 of health's behavioral health administration.

15 The organizational structure of the Oahu regional
16 health care system shall remain unchanged, unless
17 modified and approved by the working group
18 identified in this Act, and as approved by the
19 conditions established in this part or as
20 required by law; and



1 (2) On June 30, 2021, the working group established
2 pursuant to this Act shall have the authority to begin
3 transferring, at its discretion, the positions and
4 class specifications of the Oahu region from the
5 Hawaii health systems corporation's personnel system
6 to the department of health; provided that:

7 (A) All employees of the Oahu region who are employed
8 as of June 30, 2021, shall be transferred to the
9 department of health before the transition of the
10 Oahu regional health care system into the
11 department of health is complete;

12 (B) 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



1 Act shall follow standard union consultation
2 process prior to implementation;

3 (C) Employees shall be transferred without loss of
4 salary; seniority, except as prescribed by
5 applicable collective bargaining agreements;
6 retention points; prior service credit; any
7 vacation and sick leave credits previously
8 earned; and other rights, benefits, and
9 privileges, in accordance with state employment
10 laws;

11 (D) The personnel structure of the Oahu regional
12 health care system shall remain unchanged, unless
13 modified and approved by the working group and as
14 approved by the conditions established pursuant
15 to this Act;

16 (E) Any employee who, prior to this Act, is exempt
17 from civil service or collective bargaining and
18 is transferred as a consequence of this Act shall
19 be transferred without loss of salary and shall
20 not suffer any loss of prior service credit,
21 contractual rights, vacation or sick leave



1 credits previously earned, or other employee
2 benefits or privileges, and, except in the
3 instance of discipline, shall be entitled to
4 remain employed in the employee's current
5 position for a period of no less than one year
6 after the transition of the Oahu regional health
7 care system into the department of health is
8 complete;

9 (F) The wages, hours, and other conditions of
10 employment shall be negotiated or consulted, as
11 applicable, with the respective exclusive
12 representative of the affected employees, in
13 accordance with chapter 89, Hawaii Revised
14 Statutes; and

15 (G) The rights, benefits, and privileges currently
16 enjoyed by employees, including those rights,
17 benefits, and privileges under chapters 76, 78,
18 87A, 88, and 89, Hawaii Revised Statutes, shall
19 not be impaired or diminished as a result of
20 these employees being transitioned to the
21 department of health pursuant to this Act. The



1 transition to the department of health shall not
2 result in any break in service for the affected
3 employees. The rights, benefits, and privileges
4 currently enjoyed by employees shall be
5 maintained under their existing collective
6 bargaining or other agreements and any successor
7 agreement.

8 (b) Upon effectuation of subsection (a), the Oahu regional
9 board shall, through the Oahu regional board chair, facilitate
10 the transition of the Oahu region into the department of health
11 as part of the working group established pursuant to this Act
12 and effectuate the assignment of all contracts and agreements in
13 which the Oahu region is a party to the department of health.

14 (c) Notwithstanding any law to the contrary, the terms of
15 the following members of the board of directors of the Hawaii
16 health systems corporation shall expire on June 30, 2021:

17 (1) The regional chief executive officer of the Oahu
18 regional health care system; and

19 (2) The two board members residing on the island of Oahu
20 appointed pursuant to section 323F-3(b)(7), Hawaii



1 Revised Statutes, as that section read prior to the
2 effective date of this Act.

3 SECTION 7. (a) During the transition period commencing on
4 July 1, 2021, to and including the completion of the transition
5 of the Oahu regional health care system into the department of
6 health, the Oahu regional system board may:

7 (1) Develop and implement its own policies, procedures,
8 and rules necessary or appropriate to plan, operate,
9 manage, and control its facilities without regard to
10 chapter 91, Hawaii Revised Statutes;

11 (2) Enter into and perform any contract, lease,
12 cooperative agreement, partnership, or other
13 transaction whatsoever that may be necessary or
14 appropriate in the performance of its purposes and
15 responsibilities, and on any terms the regional system
16 board may deem appropriate with either:

17 (A) Any agency or instrumentality of the United
18 States, or with any state, territory, possession,
19 or subdivision thereof; or

20 (B) Any person, firm, association, partnership, or
21 corporation, whether operated on a for-profit or



1 not-for-profit basis; provided that the
2 transaction furthers the public interest;

3 (3) Conduct activities and enter into business
4 relationships the regional system board deems
5 necessary or appropriate, including but not limited
6 to:

- 7 (A) Creating nonprofit corporations, including but
8 not limited to charitable fundraising
9 foundations, to be controlled wholly by the
10 regional system board or jointly with others;
- 11 (B) Establishing, subscribing to, and owning stock in
12 business corporations individually or jointly
13 with others; and
- 14 (C) Entering into partnerships and other joint
15 venture arrangements, or participating in
16 alliances, purchasing consortia, health insurance
17 pools, or other cooperative agreements, with any
18 public or private entity; provided that any
19 corporation, venture, or relationship entered
20 into under this subsection shall further the
21 public interest;



- 1 (4) Execute, in accordance with all applicable bylaws,
2 rules, and laws, all instruments necessary or
3 appropriate in the exercise of any powers of the
4 regional system board;
- 5 (5) Make and alter regional system board bylaws and rules
6 for its organization and management without regard to
7 chapter 91, Hawaii Revised Statutes;
- 8 (6) Enter into any contract or agreement whatsoever, not
9 inconsistent with the laws of the State, execute all
10 instruments, and do all things necessary or
11 appropriate in the exercise of the powers granted
12 under chapter 323F, Hawaii Revised Statutes, including
13 securing the payment of bonds; provided that contracts
14 or agreements executed by the regional system board
15 shall only encumber the regional subaccounts of the
16 regional system board;
- 17 (7) Own, purchase, lease, exchange, or otherwise acquire
18 property, whether real, personal, or mixed, tangible
19 or intangible, and any interest therein, in the name
20 of the regional system board; provided that the
21 regional system board shall be subject to the



requirements of section 323F-3.5, Hawaii Revised
Statutes;

(8) Contract for and accept any gifts, grants, and loans
of funds or property, or any other aid in any form
from the federal government, the State, any state
agency, or any other source, or any combination
thereof, in compliance, subject to chapter 323F,
Hawaii Revised Statutes, with the terms and conditions
thereof; provided that the regional system board shall
be responsible for contracting for and accepting any
gifts, grants, loans, property, or other aid if
intended to exclusively benefit the Oahu region public
health facilities and operations;

(9) Provide health and medical services to the public
directly or by agreement or lease with any person,
firm, or private or public corporation, partnership,
or association through or in the health facilities of
the regional system board or otherwise; provided that
the regional system board shall be responsible for
conducting the activities under this paragraph solely
within the Oahu regional system;



1 (10) Approve medical staff bylaws, rules, and medical staff
2 appointments and reappointments for all public health
3 facilities of the regional system board, including but
4 not limited to determining the conditions under which
5 a health professional may be extended the privilege of
6 practicing within a health facility, as determined by
7 the regional system board, and adopting and
8 implementing reasonable rules, without regard to
9 chapter 91, Hawaii Revised Statutes, for the
10 credentialing and peer review of all persons and
11 health professionals within the facility; provided
12 that the regional system board shall be the governing
13 body responsible for all medical staff organization,
14 peer review, and credentialing activities to the
15 extent allowed by law;

16 (11) Enter into any agreement with the State, including but
17 not limited to contracts for the provision of goods,
18 services, and facilities for the support of the
19 regional system board's programs, and contracting for
20 the provision of services to or on behalf of the
21 State;



1 (12) Develop internal policies and procedures for the
2 procurement of goods and services, consistent with the
3 goals of public accountability and public procurement
4 practices, and subject to management and financial
5 legislative audits; provided that the regional system
6 board shall enjoy the exemptions under
7 section 103-53(e) and chapter 103D, Hawaii Revised
8 Statutes;

9 (13) Authorize, establish, and abolish positions; and

10 (14) Employ or retain any attorney, by contract or
11 otherwise, for the purpose of representing the
12 regional system board in any litigation, rendering
13 legal counsel, or drafting legal documents for the
14 regional system board.

15 (b) During the transition period commencing on July 1,
16 2021, to and including the completion of the transition of the
17 Oahu regional health care system into the department of health,
18 the Oahu regional system board shall continue to enjoy the same
19 sovereign immunity available to the State.

20 (c) During the transition period commencing on July 1,
21 2021, to and including the completion of the transition of the



1 Oahu regional health care system into the department of health,
2 the Oahu regional system board shall be exempt from chapters 36,
3 37, 38, 40, 41D, 103D, part I of chapter 92, and section 102-2,
4 Hawaii Revised Statutes.

5 SECTION 8. For a period of two years following the
6 completion of the transition of the Oahu regional health care
7 system from the Hawaii health systems corporation to the
8 department of health, the inpatient services division of the
9 department of health shall be authorized to develop internal
10 policies and procedures for the procurement of goods and
11 services, consistent with the goals of public accountability and
12 public procurement practices, subject to management and
13 financial legislative audits; provided that the division shall
14 enjoy the exemptions under chapter 103D and section 103-53(e),
15 Hawaii Revised Statutes.

16 SECTION 9. (a) There is established a working group of
17 the Oahu regional health care system and department of health to
18 develop, evaluate, and implement any additional steps necessary
19 to complete the transition of the Oahu regional health care
20 system into the department of health.



1 (b) The working group shall consist of the following
2 members:

3 (1) The director of health or the director's designee, who
4 shall serve as co-chair and who, along with the chair
5 of the Oahu regional system board or the chair's
6 designee, shall have final authority over transfer
7 activities to be implemented by the working group;

8 (2) The chair of the Oahu regional system board or the
9 chair's designee, who shall serve as co-chair and who,
10 along with the director of health or the director's
11 designee, shall have final authority over transfer
12 activities to be implemented by the working group;

13 (3) The chief executive officer of the Oahu regional
14 health care system or the chief executive officer's
15 designee;

16 (4) One or more department of health staff members as
17 deemed necessary by the director of health or the
18 director's designee; and

19 (5) One or more Oahu regional health care system staff
20 members as deemed necessary by the chief executive



1 officer of the Oahu regional health care system or the
2 chief executive officer's designee.

3 (c) In addition, the working group shall include the
4 following members who shall serve in a consultative capacity:

- 5 (1) One representative from the behavioral health
6 administration of the department of health;
- 7 (2) One representative from the department of human
8 resources development;
- 9 (3) One representative from the department of accounting
10 and general services;
- 11 (4) One representative from the department of the attorney
12 general;
- 13 (5) One representative from the department of budget and
14 finance;
- 15 (6) The chair of the Hawaii health systems corporation
16 board or the chair's designee;
- 17 (7) One representative from the Hawaii health systems
18 corporation human resources department;
- 19 (8) One representative from the Hawaii health systems
20 corporation finance department;
- 21 (9) One representative from the state procurement office;



1 (10) One representative from the Hawaii Government
2 Employees Association, who shall be invited to
3 participate;

4 (11) One representative from the United Public Workers, who
5 shall be invited to participate; and

6 (12) Others as recommended and invited by the co-chairs.

7 (d) In carrying out its purpose, the working group shall
8 develop a transfer framework to govern and manage the additional
9 steps necessary to complete the transfer of the Oahu region into
10 the department of health. The transfer framework shall include
11 but not be limited to the following steps:

12 (1) Identification and preparation of proposed legislation
13 to address any matters not covered by this Act that
14 may be necessary to complete the transfer of the Oahu
15 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 to effectuate the transfer
21 of the same to the department of health;



1 (3) Identification of all debts and other liabilities that
2 will remain with the Hawaii health systems corporation
3 and the remaining debts and liabilities to be
4 transferred to the department of health;

5 (4) Identification of all contractual arrangements and
6 obligations of the Oahu region, including but not
7 limited to those related to personal service
8 contracts, vendor contracts, and capital improvement
9 projects;

10 (5) Development and implementation of any and all policies
11 and procedures necessary to ensure that the facilities
12 within the Oahu regional health care system remain
13 compliant with all federal, state, and local laws and
14 regulations; and

15 (6) Development and implementation of procedures to
16 extricate the Oahu region from system-wide services
17 secured or provided by the Hawaii health systems
18 corporation or enable the Oahu region to continue to
19 utilize those services on a temporary or permanent
20 basis through interagency agreement.



1 (e) Members of the working group shall serve without
2 compensation but shall be reimbursed for reasonable expenses
3 necessary for the performance of their duties, including travel
4 expenses. No member of the working group shall be subject to
5 chapter 84, Hawaii Revised Statutes, solely because of the
6 member's participation in the working group.

7 (f) The working group shall submit an interim report to
8 the legislature no later than twenty days prior to the convening
9 of the regular session of 2022 that outlines all components of
10 the transition that have been effectuated to date and any
11 legislative action needed to complete the transfer pursuant to
12 this Act.

13 (g) The working group shall be dissolved on June 30, 2023,
14 or upon completion of the transition of the Oahu regional health
15 care system into the department of health, whichever is later.
16 Prior to its dissolution, the working group shall submit a final
17 report to the legislature that documents the completion of the
18 transfer and dissolution of the Oahu regional health care
19 system.



1 SECTION 10. All transition actions, with the exception of
2 those covered under section 6(a) of this Act, shall be subject
3 to the 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 and

11 (2) Liabilities of the Oahu regional 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.



1 PART VI

2 SECTION 11. The director of finance is authorized to issue
3 general obligation bonds in the sum of \$ or so much
4 thereof as may be necessary and the same sum or so much thereof
5 as may be necessary is appropriated for fiscal year 2021-2022
6 for the purpose of making improvements to Leahi hospital and
7 Maluhia.

8 The sum appropriated shall be expended by the department of
9 health for the purposes of this part.

10 SECTION 12. The appropriation made for the capital
11 improvement project authorized by this part shall not lapse at
12 the end of the fiscal biennium for which the appropriation is
13 made; provided that all moneys from the appropriation
14 unencumbered as of June 30, 2024, shall lapse as of that date.

15 PART VII

16 SECTION 13. There is appropriated out of the mental health
17 and substance abuse special fund the sum of \$ or so
18 much thereof as may be necessary for fiscal year 2021-2022 and
19 the same sum or so much thereof as may be necessary for fiscal
20 year 2022-2023 for the operations of Leahi hospital and Maluhia.



1 The sums appropriated shall be expended by the department
2 of health for the purposes of this part.

3 PART VIII

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

6 SECTION 15. This Act shall take effect on July 1, 2060;
7 provided that part II of this Act shall take effect on July 1,
8 2023, and parts VI and VII of this Act shall take effect on
9 July 1, 2021.



Report Title:

Hawaii Health Systems Corporation; Oahu Region; Department of Health; Transition; Working Group; Appropriation

Description:

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. Enables the Oahu regional health care system, department of health, Hawaii health systems corporation, and other state agencies to manage and implement the processes required to effectuate the completion of the transition. Authorizes the department of health to conduct long-term care and substance abuse treatment at Leahi hospital and Maluhia and to pay rent for the use of the Leahi hospital property. Requires the department of health to consult with the university of Hawaii regarding programs at Leahi hospital and Maluhia. Clarifies the rights, powers, and exemptions of the Oahu regional system board during the transition period of the Oahu regional health care system into the department of health and the rights and powers of the department of health after the transition is completed. Appropriates moneys from the mental health and substance abuse special fund. Authorizes the issuance of general obligation bonds. Part II effective 7/1/2023. Effective 7/1/2060. (HD2)

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