



**STATE OF HAWAII**  
**STATE PROCUREMENT OFFICE**

P.O. Box 119  
Honolulu, Hawaii 96810-0119  
Tel: (808) 586-0554  
email: [state.procurement.office@hawaii.gov](mailto:state.procurement.office@hawaii.gov)  
<http://spo.hawaii.gov>

TESTIMONY  
OF  
BONNIE KAHAKUI, ACTING ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE  
ON  
LABOR & TOURISM  
Tuesday, March 23, 2021, 10:00 A.M.

SENATE BILL 628, SD2, HD1  
RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM FROM THE  
HAWAII HEALTH SYSTEMS CORPORATION INTO THE DEPARTMENT OF HEALTH

Chair Onishi, Vice Chair Sayama, and members of the committee, thank you for the opportunity to submit testimony on SB628, SD2, HD1. The State Procurement Office (SPO) appreciates the intention of the bill but opposes the exemption from Chapter 103D, Hawaii Revised Statutes, the Hawaii Public Procurement Code.

The SPO proposes revisions to SB 628, SD2, HD1.

- SECTION 8, Page 35, Line 14: Remove "under chapter 103D" so Lines 13-15 will read

"audits; provided that the division shall enjoy the exemptions under [~~chapter 103D~~] and section 103-53(e) Hawaii Revised Statutes. "

The SPO objects to the procurement exemption and testifies that services should be competitively procured.

Chapter 103D, HRS, 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 Chapter 103D, HRS, conveys a sense of disproportionate equality in the law's application.

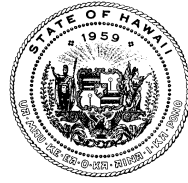
Exemptions to the code mean that all procurements made with taxpayer monies will not have the same oversight, accountability and transparency requirements mandated by those procurements processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration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

According to the National Association of State Procurement Officials, "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 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.



**STATE OF HAWAII**  
**DEPARTMENT OF HEALTH**  
P. O. Box 3378  
Honolulu, HI 96801-3378  
doh.testimony@doh.hawaii.gov

**Testimony in SUPPORT of S.B. 628 S.D. 2 H.D. 1  
RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM FROM THE  
HAWAII HEALTH SYSTEMS CORPORATION INTO THE DEPARTMENT OF HEALTH**

REPRESENTATIVE RICHARD H. K. ONISHI, CHAIR  
HOUSE COMMITTEE ON LABOR AND TOURISM

Hearing Date: 3/23/2021

Hearing Time: 10:00 a.m.

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

9 The Department strongly supports the goals of S.B. 628 S.D. 2 H. D. 1. There is a  
10 significant gap in the behavioral health care system between acute psychiatric care facilities  
11 and low acuity residential treatment. This measure would provide additional pathways and  
12 resources for the state to better address much needed behavioral health treatment will help  
13 break the “revolving door” cycle in hospital emergency departments and relieve pressure on  
14 acute care hospital facilities, law enforcement entities, and other systems of care, including  
15 social and legal services. This is a rare opportunity to add significant value to our residents’  
16 quality of life which benefits both public and private sectors.

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

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

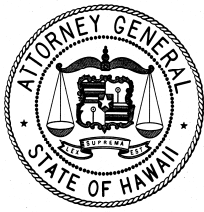
9           In addition to the HHSC Oahu Region, the Department is committed to collaborating  
10 with the legislature, the Hawaii Government Employees Association (HGEA), the United Public  
11 Workers Union (UPW), the HHSC, and community stakeholders in achieving the best interests  
12 of all parties.

13           We also note that H.B. 1282 H.D. 2 is also active as a measure for this endeavor and  
14 while materially the same, we respectfully pose that of the two measures, H.B. 1282 H.D. 2 is  
15 preferred by the Department.

16 **Offered Amendments:** None.

17           Thank you for the opportunity to testify on this measure.

18 **Fiscal Implications:** Undetermined.



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
THIRTY-FIRST LEGISLATURE, 2021**

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**ON THE FOLLOWING MEASURE:**

S.B. NO. 628, S.D. 2, H.D. 1, RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO THE DEPARTMENT OF HEALTH.

**BEFORE THE:**

HOUSE COMMITTEE ON LABOR AND TOURISM

**DATE:** Tuesday, March 23, 2021                      **TIME:** 10:00 a.m.

**LOCATION:** State Capitol, Room 312 and Via Videoconference

**TESTIFIER(S):** Clare E. Connors, Attorney General, or  
Diane K. Taira, Deputy Attorney General

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Chair Onishi and Members of the Committee:

The Department of Attorney General provides the following comments on this measure.

The purpose of this measure is to transfer the Oahu regional health care system, a part of the Hawaii Health Systems Corporation, to the Department of Health. This transfer includes the transfer of property, including Maluhia and Leahi hospitals, employees, funding, and other things necessary to the operation of the Oahu regional health care system.

Section 7 of the bill, which exempts the Oahu regional system board (Board) from various administrative provisions of the Hawaii Revised Statutes (HRS), applicable to most state agencies, may lead to some unintended consequences. See page 34, line 20, through page 35, line 4. For example, the bill exempts the Board from chapter 36, HRS, Management of State Funds. If the Board needed to obtain a short-term loan from the Director of Finance, it would not be able to do so because section 36-24, HRS, would not be operative. In addition, because the Board would be exempt from chapter 38, HRS, Deposits of Public Funds, it would not have the benefits of the State's collateralization of deposits of moneys in excess of the insurance limits on deposits in financial institutions. The Committees may want to consider these types of ramifications in moving this bill forward.

Thank you for the opportunity to submit testimony on this measure.



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
House Committee on Labor & Tourism  
March 23, 2021 at 10:00 a.m.

by  
Kalbert K. Young  
Vice President for Budget and Finance/Chief Financial Officer  
University of Hawai'i System

SB 628 SD2 HD1 – RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO THE DEPARTMENT OF HEALTH

Chair Onishi, Vice Chair Sayama, and members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawai'i (UH) supports Senate Bill (SB) No. 628 SD2 HD1, Relating to the Transition of the O'ahu Regional Health Care System from the Hawai'i Health Systems Corporation (HHSC) into the Department of Health (DOH). This bill lays out a framework for moving the assets and the O'ahu-based functions of HHSC into the DOH. The bill explicitly identifies the UH as involved in aspects of the transition. The UH does not have any objections to the concept proposed in the bill, but recognize that much of the issues will be in the details.

The UH has a number of academic programs throughout its various campuses of relevance to the health care industry. SB No. 628 SD2 HD1 contemplates that the UH could partner and participate with the DOH on repositioning services offered by HHSC and/or redevelopment opportunities at Lē'ahi in advancing possible health services on the site. The UH does not object with this concept and believes we can be a very good partner in those regards.

The UH is the recorded landowner of the parcel where Lē'ahi Hospital is located. The UH also owns other parcels adjacent or near to Lē'ahi Hospital and Kapi'olani Community College. Under the current arrangement, UH has leased the Lē'ahi parcel to HHSC at no cost for decades. While the UH would not intend to displace HHSC from the Lē'ahi Hospital property, if HHSC were to no longer use the property, the UH would expect that any new use would be consistent and compatible with our nearby campus and properties. Additionally, the UH's strategic objective for real estate expects that non-UH use of real property will be to increase lease revenue, increase utility of the property for the UH, and/or increase broader academic opportunities. At this point, we are content that SB No. 628 SD2 HD1 recognizes and accommodates inclusion of UH's interest and potential returns in each of these regards.

Thank you for this opportunity to testify.



**OAHU REGION  
HAWAII HEALTH SYSTEMS CORPORATION**

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**Committee on Labor & Tourism  
Representative Richard H.K. Onishi, Chair  
Representative Jackson D. Sayama, Vice-Chair**

March 23, 2021, 10:00 A.M.  
Conference Room 312  
(Via Video Conference)  
Hawaii State Capitol

Sean Sanada  
Oahu Region Chief Administrative Officer  
Hawaii Health Systems Corporation  
**Re: Testimony in Strong Support**

SB 628, S.D. 2, H.D.1, Relating to the Transition of the Oahu Regional Health Care System from the Hawaii Health Systems Corporation into the Department of Health

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Chair Onishi, Vice-Chair Sayama, and Members of the Committee on Labor & Tourism:

As you are aware, SB 628, S.D.2, H.D.1 is the Senate companion bill to HB 1282, H.D.2. Based on our reading of the two measures, both appear essentially identical regarding all material terms. The Oahu Region accordingly submits this testimony in **strong support** of SB 628 for the same reasons previously expressed in regard to HB 1282.

While we anticipate that more edits may become necessary to address unforeseen legal and logistical issues as SB 628 moves forward, we believe that this bill represents a significant step in the right direction. We will continue to work with the Department of Health and gather input from other important stakeholders to address any new issues as they arise.

Thank you for the opportunity to offer testimony in **strong support** of this very important measure.



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**  
AFSCME Local 152, AFL-CIO

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

The Thirty-First Legislature, State of Hawaii  
House of Representatives  
Committee on Labor and Tourism

Testimony by  
Hawaii Government Employees Association

March 23, 2021

S.B. 628, S.D. 2, H.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 and propose an amendment** to S.B. 628, S.D. 2, H.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.

**First and foremost, our priority is to ensure that employees' rights and benefits remain intact, therefore we respectfully request the deletion of the phrase "or layoffs" on page 27, line 3.** The intent of this section is to ensure that all employees who are exempt from civil service maintain their position for at least a year after the transition, therefore references to layoffs within the year are unnecessary and contradictory. We appreciate that the Senate Committees on Commerce & Consumer Protection and Ways & Means adopted an identical amendment on the S.D. versions of both S.B. 628 and its companion H.B.1282.

With the exception of the proposed amendment above, we are generally supportive of the transition to the Department of Health and agree that this may be the best path forward for the Oahu Region and its employees, however we also recognize that there continue to be many unanswered questions regarding the impact to staff operations. 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 opportunity for us to have a seat on the working group to ensure that our members have a voice at these meetings.



Committee on Labor and Tourism

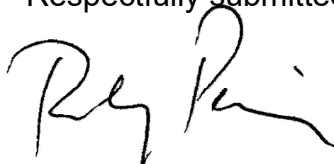
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March 23, 2021

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 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,

A handwritten signature in black ink, appearing to read "Randy Perreira". The signature is fluid and cursive, with the first name "Randy" and last name "Perreira" clearly distinguishable.

Randy Perreira  
Executive Director



## THE QUEEN'S HEALTH SYSTEMS

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To: The Honorable Richard H.K. Onishi, Chair  
The Honorable Jackson D. Sayama, Vice Chair  
Members, House Committee on Labor & Tourism

From: Colette Masunaga, Director, Government Relations & External Affairs, The Queen's Health Systems

Date: March 23, 2021

Re: Support for SB628, SD2, HD1: Relating to the Transition of the Oahu Regional Health Care System from the Hawaii Health Systems Corporation into the Department of Health

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The Queen's Health Systems (Queen's) is a nonprofit corporation that provides expanded health care capabilities to the people of Hawai'i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai'i. Over the years, the organization has grown to four hospitals, and more than 1,500 affiliated physicians and providers statewide. As the preeminent health care system in Hawai'i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's appreciates the opportunity to submit testimony in support of SB628, SD2, HD1 which transfers the Oahu regional health care system in from the Hawaii Health Systems Corporation to the Department of Health. We support this measure as it seeks to ultimately expand access to beds and services for patients suffering from mental health and substance abuse disorders (including many MH-1 designated patients).

The Queen's Medical Center, Punchbowl has experienced disproportionate increases in the numbers of MH-1 patients brought to our facility over the years. In calendar year 2019, over 1,600 individuals were brought in on an MH-1. Although we have dedicated patient rooms for treating those with psychiatric illness, we have frequently experienced times when we are at capacity and must find space in our Emergency Department to evaluate and treat. SB628, SD1, HD1 will help address this pressure by aligning the DOH's focus on a comprehensive behavioral health continuum of care with the needed facilities and space found within the O'ahu region. We believe this could help alleviate pressure on our hospital system and help provide the appropriate level of care to those in need.

Thank you for allowing The Queen's Health Systems to testify in support of this measure.

*The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.*