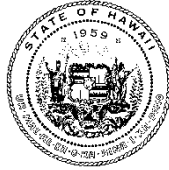


DAVID Y. IGE  
GOVERNOR



BONNIE KAHAKUI  
ACTING ADMINISTRATOR

**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>

**LATE**

TESTIMONY  
OF  
BONNIE KAHAKUI, ACTING ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE  
ON  
FINANCE  
Wednesday, April 7, 2021, 2:00 P.M.

SENATE BILL 628, SD2, 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 SB628, SD2, HD2. The State Procurement Office (SPO) appreciates the intent of the bill but opposes the exemption from Chapter 103D, Hawaii Revised Statutes, the Hawaii Public Procurement Code, for the two-year period following the completion of the transition from the Hawaii health system corporation to the department of health, inpatient services division.

The SPO proposes revisions to SB 628, SD2, HD2.

- SECTION 8, Page 35, Lines13-15: Remove "under chapter 103D" so Lines 13-15 will read

"financial legislative 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.



**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. 2, 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 FINANCE

**DATE:** Wednesday, April 7, 2021

**TIME:** 2:00 p.m.

**LOCATION:** State Capitol, Room 308, Via Videoconference

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

**LATE**

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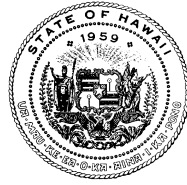
Chair Luke and Members of the Committee:

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.



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

**Testimony COMMENTING on SB628 HD2**  
**RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE**  
**SYSTEM FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO THE**  
**DEPARTMENT OF HEALTH.**

REP. SYLVIA LUKE, CHAIR  
HOUSE COMMITTEE ON FINANCE

Hearing Date: April 6, 2021

Room Number: N/A

1 **Department Testimony:** The Department of Health (DOH) respectfully withdraws support for  
2 this measure and requests more time, specifically over the interim, to return with more  
3 comprehensive recommendations.

4 The department appreciates the effort from the Legislature in moving this measure, and it needs  
5 to be clearly stated that the Legislature bears no fault for the shift in the department's position.  
6 DOH has negotiated in good faith with stakeholders but recent scrutiny reveals that planning is  
7 incomplete.

8 Although establishing crisis stabilization beds as an alternative to the emergency department  
9 treat-and-discharge cycle remains a shared goal, impacts to other agencies have not adequately  
10 been addressed. As a result, the department's previous public testimony in support was  
11 regrettably premature.

12 The department looks forward to closer cooperation with agencies such as the Department of the  
13 Attorney General, Department of Budget and Finance, and the Department of Human Resources  
14 Development, and all other stakeholders to make more comprehensive recommendations.

15 Thank you for the opportunity to testify.

16 **Offered Amendments:** N/A.



**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 Finance

**LATE**

Testimony by  
Hawaii Government Employees Association  
April 7, 2021

S.B. 628, S.D. 2, 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 to S.B. 628, S.D. 2, H.D. 2 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 amendments made by the House Labor and Tourism Committee to address our concerns about the layoff provisions.**

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.

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,

Randy Perreira  
Executive Director



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

Testimony Presented Before the  
House Committee on Finance  
April 7, 2021 at 2:00 p.m.

by

Kalbert K. Young

Vice President for Budget and Finance/Chief Financial Officer  
University of Hawai'i System

**LATE**

SB 628 SD2 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 present testimony today. The University of Hawai'i (UH) supports Senate Bill (SB) No. 628 SD2 HD2, 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 HD2 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 HD2 recognizes and accommodates inclusion of UH's interest and potential returns in each of these regards.

Thank you for this opportunity to testify.

**HAWAII  
PACIFIC  
HEALTH**

**KAPI'OLANI  
MEDICAL CENTER**  
FOR WOMEN & CHILDREN



**LATE**

Wednesday, April 7, 2021 2:00 pm  
Via Video Conference

**House Committee on Finance**

To: Representative Sylvia Luke, Chair  
Representative Ty Cullen, Vice Chair

From: Gidget Ruscetta, Chief Operating Officer

Re: **Testimony in Support of SB 628, SD2, HD2**

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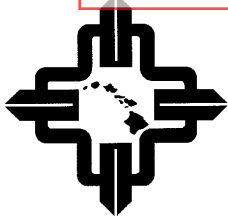
My name is Gidget Ruscetta, and I serve as the Chief Operating Officer at Kapi'olani Medical Center for Women and Children (Kapi'olani). Kapi'olani is an affiliate of Hawaii Pacific Health. Kapi'olani Medical Center is the state's only maternity, newborn and pediatric specialty hospital. It is also a tertiary care, medical teaching and research facility.

Kapi'olani writes in **support** of SB 628, SD2, HD2 which commences the transfer of the Oahu Regional health care system in its entirety from the Hawai'i Health Systems Corporation (HHSC) to the Department of Health (DOH).

As the only pediatric hospital in the state, we have experienced nearly a tripling of the number of adolescent behavioral health patients presented to our emergency room requiring short term in-patient bed treatment. Adolescents requiring behavioral health services in our emergency room from November to February increased from 15 in 2020 to 45 in 2021. This has resulted in a 300% increase in adolescent patients with behavioral health needs who remain as boarders in an emergency room setting requiring 24 hour supervision until residential bed facility is available. For some adolescent patients this boarding period has lasted up to 13 days. This situation is neither appropriate for the patient nor an efficient use of scarce acute care hospital resources.

We understand that the details of the potential services and delivery methods related to the O'ahu Region into Department of Health proposed under SB 628 remain to be clarified. However we hope the transition and repurposing of the O'ahu region facilities could potentially alleviate the current crisis related to the growing need of adolescent behavioral health bed capacity that our community is confronting.

Thank you for the opportunity to testify.



**HAWAII HEALTH SYSTEMS**  
C O R P O R A T I O N  
*Quality Healthcare For All*

**LATE**

## HOUSE COMMITTEE ON FINANCE

April 7, 2021  
2:00 p.m.  
Via Videoconference

**Testimony in Support  
Senate Bill 628, S.D. 2, 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.**

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

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in **support of S.B. 628, SD2, HD2.**

The HHSC Corporate Board of Directors recognizes the differences in its regional systems and the statutory right of each HHSC region to operate their facilities and plan for the best future benefit to the communities they serve. As such, the HHSC Corporate Board of Directors has been and continues to be supportive of the HHSC Oahu regional health care system's direction and efforts that are represented in this measure.

Thank you for the opportunity to present testimony.





## OAHU REGION HAWAII HEALTH SYSTEMS CORPORATION

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Committee on Finance  
Representative Sylvia Luke, Chair  
Representative Ty J.K. Cullen, Vice-Chair

**LATE**

April 7, 2021, 2:00 P.M.  
(Via Video Conference)  
Conference Room 308  
Hawaii State Capitol

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

SB 628, SD2, HD2 Relating to the Transition of the Oahu Regional Health Care System from the Hawaii Health Systems Corporation into the Department of Health

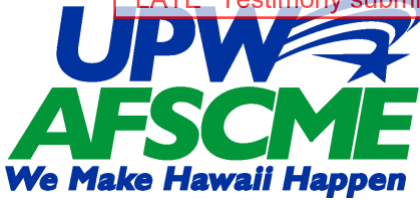
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Chair Luke, Vice-Chair Cullen, and Members of the Committee on Finance:

As you are aware, SB 628, SD2, HD2 is the Senate companion bill to HB 1282. 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 measure.



**LATE**

**HOUSE OF REPRESENTATIVES  
THE THIRTY-FIRST LEGISLATURE  
REGULAR SESSION OF 2021**

**COMMITTEE ON FINANCE**  
Representative Sylvia Luke, Chair  
Representative Ty Cullen, Vice Chair

Wednesday, April 7, 2021, 2:00 PM  
Conference Room 308

**Re: Testimony for SB628 SD2, 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 on Finance:

The United Public Workers, AFSCME Local 646, AFL-CIO (“UPW”) is the exclusive bargaining representative for approximately 14,000 public employees, which includes blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health, and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents 1,500 members in the private sector.

UPW **offers the following comments on SB628 SD2, HD2**, which 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, and other provisions. UPW recognizes the intent of this measure in regard to trying to find the best path forward for the Oahu region and its employees. As we do have members that would be affected by this transfer, we respectfully ask the Legislature to provide ample time to ensure this transfer is successful. We appreciate that this bill includes provisions to protect employees during the proposed transfer including language to protect transferred employees’ salary, service credits, contractual rights, vacation and sick leave credits among them. The transition working group included in the legislation would also be permitted to address other issues with the proposed transition, and UPW appreciates the opportunity to have a representative in the group.

Thank you for the opportunity to submit this testimony.



## THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Sylvia Luke, Chair  
The Honorable Ty J. K. Cullen, Vice Chair  
Members, House Committee on Finance

**LATE**

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

Date: April 7, 2021

Re: Support for SB628, SD2, HD2: Relating to the Transition of the Oahu Regional Health Care System from the Hawaii Health Systems Corporation into the Department of Health

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, HD2, that 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.*