

STATE OF HAWAII
DEPARTMENT OF HEALTH
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Testimony in SUPPORT of S.B. 628 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 ROSALYN H. BAKER, CHAIR
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

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

Hearing Date: 3/4/2021

Hearing Time: 9:30 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. 1. There is a significant gap
10 in the behavioral health care system between acute psychiatric care facilities and low acuity
11 residential treatment. This measure would provide additional pathways and resources for the
12 state to better address much needed behavioral health treatment will help break the
13 “revolving door” cycle in hospital emergency departments and relieve pressure on acute care
14 hospital facilities, law enforcement entities, and other systems of care, including social and

1 legal services. This is a rare opportunity to add significant value to our residents' quality of life
2 which benefits both public and private sectors.

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

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

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

14 **Offered Amendments:** None.

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

16 **Fiscal Implications:** Undetermined.



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

ON THE FOLLOWING MEASURE:

S.B. NO. 628, 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.

BEFORE THE:

SENATE COMMITTEES ON COMMERCE AND CONSUMER PROTECTION
AND ON WAYS AND MEANS

DATE: Thursday, March 4, 2021 **TIME:** 9:30 a.m.

LOCATION: State Capitol, Via Videoconference , Room 211

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**
(For more information, contact Diane K. Taira,
Deputy Attorney General, at 587-3050)

Chairs Baker and Dela Cruz and Members of the Committees:

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 8, paragraph 15, 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 33, lines 17-20. 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. This bill also exempts the Board from chapter 40, HRS, Audit and Accounting, and, does not otherwise address how the Board would address the exemption from audit and accounting controls. The Committee may want to consider these types of ramifications in moving this bill forward.

Further, this bill provides for an exemption of the Board from section 103-53(e), HRS (page 33, line 19). This conflicts with page 33, line 13, which provides that the Board shall enjoy the exemptions under section 103-53(e), HRS. If this exemption is unintended, we recommend deleting reference to section 103-53(e), HRS.

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



STATE OF HAWAII
STATE PROCUREMENT OFFICE

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email: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>

LATE

TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEES
ON
COMMERCE AND CONSUMER PROTECTION
AND
WAYS AND MEANS
Thursday, March 4, 2021

SENATE BILL 628, SD1
RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM FROM THE
HAWAII HEALTH SYSTEMS CORPORATION INTO THE DEPARTMENT OF HEALTH

Chair Baker, Chair Dela Cruz, Vice Chair Chang, Vice Chair Keith-Agaran, and members of the committees, thank you for the opportunity to submit testimony on SB628, SD1. 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, SD1.

- SECTION 8, Item 13, Page 33, Line 13: Remove "and chapter 103D " so Lines 13 -14 will read

"exemption under section 103-53(e) [~~and chapter 103D~~],
Hawaii Revised Statutes; "

- SECTION 8, Item 15, Page 33, Line 18: Remove "103D " so Lines 17 - 19 will read

"The regional system board shall be exempt from chapters 36
to 38, 40, and 41D [~~and 103D~~] as well as part I ... "

- SECTION 10, Page 38, Line 7: Remove "and chapter 103D" so Lines 6 - 8 will read

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

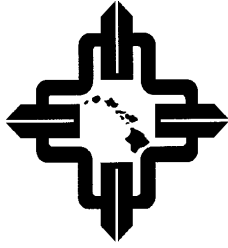
When public bodies are removed from the Code, it results in the harm described above. As these entities create their own procurement rules, businesses are forced to track their various practices. Moreover, a public body often can no longer achieve the benefits of aggregation by using another public body's 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

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Senate Committee on Commerce and Consumer Protection
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jurisdictions and the entire procurement process becomes less efficient and costlier for the state and vendors.

Thank you.



OAHU REGION HAWAII HEALTH SYSTEMS CORPORATION

Committee on Commerce and Consumer Protection
Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice-Chair

Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice-Chair

March 4, 2021, 9:30 A.M.
(Via Video Conference)
Conference Room 211
Hawaii State Capitol

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

SB 628, SD1 Relating to the Transition of the Oahu Regional Health Care System from the Hawaii Health Systems Corporation into the Department of Health

Chairs Baker and Dela Cruz, Vice-Chairs Chang and Keith-Agaran, and Members of the Committees on Commerce and Consumer Protection and Ways and Means:

Aloha! We begin by thanking you for your support and guidance as we have tried our best to navigate the many challenges posed by COVID-19 while, at the same time, developing important initiatives for the future of our facilities. Needless to say, we have placed a high value on the input provided regarding our current operations and vision for potential strategic projects.

Through the leadership of the Oahu Regional Health Care System Board of Directors (hereinafter, "OR Board"), which has been heavily invested in every important project concerning the Oahu Region, the Oahu Region submits this testimony in **strong support** of SB 628, SD1.

Unlike the Hawaii Health System Corporation's (hereinafter, "HHSC") neighbor island facilities, which are generally the primary acute care providers for their respective communities, the Oahu Region's facilities almost exclusively provide safety-net, long-term care and adult-day health services to patients who are unable to find much-needed care in private facilities. Most of the patients admitted to Leahi Hospital and Maluhia are destitute and rely on Medicaid to fund their care. Private facilities will not admit them since their care tends to require a significant amount of resources and have low corresponding Medicaid reimbursement rates. The Oahu Region

also provides care for incarcerated inmates released for compassionate care and psychiatric patients from the Hawaii State Hospital (“HSH”) who have significant long-term care needs.

While HHSC and the regions were originally established and designed to be run like a corporate health care venture, the Oahu Region operates more as a necessary social service than a health care business. We have little opportunity to increase revenues, yet our services are vital to the community. This will be especially true in the very near future given recent projections by the State of Hawaii, Department of Business, Economic Development and Tourism that the island of Oahu will require an additional 1,100 long-term care beds in the next 5-10 years alone.

To ensure the continued availability of long-term care beds for our aging population and facilitate more efficient use of the Oahu Region’s facilities to address the need for additional social services such as mental health and substance use treatment, we believe that it would be beneficial to transition the Oahu Region from HHSC into the State of Hawaii Department of Health (hereinafter, “DOH”).

As one example of the benefits that can be realized through a union with the DOH, the Oahu Region and DOH recently developed and implemented a pilot program to provide treatment for low-risk, non-violent HSH patients at Leahi Hospital. Given the pilot program’s successes thus far, we anticipate that the program could be expanded to treat up to 32 total patients in the unit currently being occupied. If the program was expanded into other available spaces, this number could be more than doubled. Such expansion could free up higher acuity psychiatric beds within the HSH and enable the DOH to provide care for non-forensic patients in significant need of mental health treatment.

It should be noted that in order to make the foregoing pilot program a reality, the Oahu Region and DOH were required to enter into a series of agreements to ensure that we were individually compliant with our respective regulatory and insurance obligations and that inter-jurisdictional payments were addressed to cover the costs of ancillary services. Needless to say, if the Oahu Region became a part of the DOH, it is our belief that the pilot and other new programs could be initiated and streamlined more seamlessly.

With regard to the procedural approach taken by the instant bill, we agree that a working group is necessary to ensure that the transition is thoroughly planned and executed. In cooperation with the DOH and other members of the working group, we believe that we will be able to resolve the many complex issues inherent in this process and successfully effectuate the transition.

While we anticipate that more edits may become necessary to address unforeseen legal and logistical issues as SB 628, SD1 moves forward, we believe that this bill represents a significant step in the right direction.

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



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Consumer Protection and Commerce
and
Senate Committee on Ways and Means
March 4, 2021 at 9:30 a.m.
by
Kalbert K. Young
Vice President for Budget and Finance/Chief Financial Officer
University of Hawai'i System

SB 628 SD1 – RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE SYSTEM FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO THE DEPARTMENT OF HEALTH

Chairs Baker and Dela Cruz, Vice Chairs Chang and Keith-Agaran, and members of the Committees:

Thank you for the opportunity to present testimony today. The University of Hawai'i (UH) supports Senate Bill (SB) No. 628 SD1, 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 SD1 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 SD1 recognizes and accommodates inclusion of UH's interest and potential returns in each of these regards.

Thank you for this opportunity to testify.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Rosalyn H. Baker, Chair
The Honorable Stanley Chang, Vice Chair
Members, Senate Committee on Commerce & Consumer Protection

The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair
Members, Senate Committee on Ways and Means

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

Date: March 4, 2021

Re: Support for SB628, SD1: 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, SD1 which transfers the Oahu regional health care system in from the Hawaii Health Systems Corporation to the Department of Health. We support this proposed bill 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 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.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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

LATE

The Thirty-First Legislature, State of Hawaii
The Senate
Committee on Commerce and Consumer Protection
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association

March 4, 2021

S.B. 628, 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 and propose an amendment** to S.B 628 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 incorporation of our requested amendments to add protections for HHSC employees during the 2020 Legislative Session and the ongoing conversation about this issue.

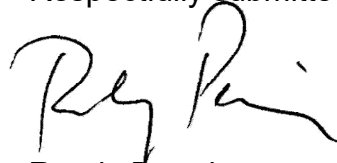
First and foremost, our priority is to ensure that employees' rights and benefits remain intact, therefore we respectfully request the deletion of the phrase "or layoffs" on page 19, line 20. The intent of this section is to ensure that all employees who are exempt from civil service maintain their position for at least a year after the transition, therefore references to layoffs within the year are unnecessary and contradictory.

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.

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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 a large initial "R" and a long, sweeping tail.

Randy Perreira
Executive Director