



OAHU REGION HAWAII HEALTH SYSTEMS CORPORATION

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

April 5, 2022, 10:15 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 Support and Comments

HB 1579, HD 2, SD1, Relating to the Department of Health

Chair Dela Cruz, Vice-Chair Keith-Agaran, and Members of the Committee on Ways and Means:

HB 1579, HD2, SD1 is intended to accomplish the following goals:

- (1) Set the proper manner by which the Oahu regional health care system should seek operational funding during the pendency of the transition process;
- (2) Extend the date by which the transfer is to be completed from December 31, 2022, to December 31, 2025;
- (3) Require the transition working group to submit an additional report to the legislature prior to the convening of the regular session of 2025;
- (4) Clarify the procedure for the working group to discuss matters concerning patient privacy and prospective bidders; and
- (5) Appropriate moneys from the general fund to formulate and execute a comprehensive business and transition plan.

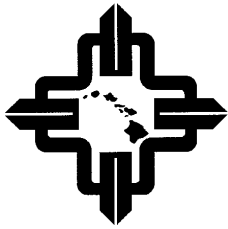
In accordance with Act 212, SLH 2021, the Oahu Region and DOH duly began the process of transitioning the Oahu Region into the DOH upon its passage. The working group was comprised of directors, supervisors, and staff from all jurisdictions and departments that would be impacted by the transition. Collectively and individually, working group members assessed the steps necessary in their subject matter areas (e.g., HR, procurement, IT, etc.), including timelines, to effectuate and maintain the transition. They also identified the corresponding resources required and reported them to our consultant to assist in the preparation of the 5-year pro forma operating and budget plan mandated by Act 212, SLH 2021.

Under the 5-year operating budget pro forma – which was completed and presented to the legislature in December 2021 – the department heads and supervisors in both jurisdictions have determined that an additional 2 1/2 – 3 years are reasonably required to successfully complete the Oahu Region's transition out of HHSC and into the DOH. Arguably, this timeline may need to be further extended with the proposed transition of the Daniel K. Akaka State Veterans Home into the Oahu Region and then to the DOH. Additionally, it was determined that the DOH and supporting executive branch departments will need roughly fifty-one (51) new FTEs in order to effectuate the transition and thereafter maintain the Oahu Region's operations. Combined with the costs of administrative expenses and supplies, our consultants concluded that the total amount necessary to complete the transition is approximately \$10.3 million and the estimated costs to sustain the Oahu Region under the DOH is an additional \$5 million per year.

In recognition of the extensive additional costs necessary to transition the Oahu Region out of HHSC and into the DOH, two other alternative approaches have been proposed: (1) reestablishment of the Oahu Region as a separate and independent agency that is administratively attached to the DOH; and (2) continuance of the Oahu Region as a part of HHSC with a mechanism for direct operational and programmatic funding from the legislature.

Given the complexity of the transition and all attendant issues, it is the Oahu Region's belief that further time and discussion is necessary to explore the proposed alternatives and develop a more fiscally responsible strategy to accomplish the original goals of the transition. For these reasons, the Oahu Region supports this measure in its current form and respectfully requests that this Committee pass HB 1579 HD2, SD1 as is. In regard to Section 3, the Oahu Region does not believe that any additional transition funding is necessary at this time.

Thank you for the opportunity to testify and provide comments on this important measure.



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

COMMITTEE ON WAYS AND MEANS
Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair

April 5, 2022
10:15 a.m.
Hawaii State Capitol
Room 211 & Via Videoconference

**Testimony Providing Comments with Suggested Amendments on
H.B. 1579, H.D.2, S.D.1
RELATING TO THE DEPARTMENT OF HEALTH**

Sets the manner by which the Oahu regional health care system should request operational funding during the transitional period of the Oahu regional health care system from the Hawaii health systems corporation to the department of health. Extends the deadline by which the transfer shall take place. Requires a report to the legislature prior to the Regular Session of 2025. Clarifies the procedure for the working group to discuss matters concerning patient privacy and prospective bidders. Appropriates funds. Effective 7/1/2050. (SD1)

Linda Rosen, M.D., M.P.H.
President & 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 **comments with suggested amendments on H.B. 1579, HD2, SD1.**

In 2020, Act 212 was passed which sought to transition the Oahu Region into the Department of Health (DOH). The report of the Working Group, called for by Act 212, estimated costs for implementing that transition at approximately \$10 million over 3 years, with an annual cost of approximately \$5 million thereafter. This cost is primarily due to the need to establish 51 new positions in the DOH and Executive Branch to perform services such as information technology, contracting, legal and compliance necessary for the Oahu region to conduct its current operations. These are all services which are currently provided by approximately 80 positions in the HHSC Corporate office to service all four of the HHSC regions who share in the cost relative to the size of their operations. As the smallest region, Oahu's share for corporate support in FY2021 was approximately \$450,000.

Presumably due to the high cost of the transfer, the Working Group put forth an alternative to transferring the Oahu region into the DOH, described as "Option 2". In this option the Oahu Region would become an independent agency, only attached administratively to the DOH and no longer part of HHSC, with a lower cost because various support services would still be provided by HHSC. The Working Group did not discuss this option with the corporate office or other regions of HHSC. It is important to note that there are a number of reasons why Option 2 cannot be supported by HHSC. Providing services to another agency's employees, especially information technology, insurance and compliance, presents risks that could negatively impact the remaining HHSC regions. Even if it were practical, this option would add additional cost as compared to the current structure without any programmatic advantage.

To justify leaving HHSC it has been asserted that the Oahu region's operations are very different than the other regions. However, every other HHSC region also operates nursing home beds, though they additionally operate hospital and outpatient services. The Oahu Region provides *only* long term care, and thus a sub-set of what the other regions provide. The other regions also serve primarily a Medicare/Medicaid population and do not make money on long term care. As to the division of the lump sum appropriation to the HHSC regions, historically the other regions have forgone some of their funding to assist the Oahu region. In terms of autonomy, the Oahu region board has full autonomy and authority under the current HHSC statute.

HHSC recognizes that the Legislature is interested in the opportunities that the Oahu region's facilities may present to help address systemic mental health shortages of sub-acute stabilization beds. We believe the Oahu region, under their current structure, can work with the DOH to identify opportunities and implement programs through inter-governmental agreements without the costs of a transfer. Considering the limited resources available for all essential programs, and the continued need for HHSC to seek financial support to provide healthcare services, we advocate that state funds should not be used to simply change administrative structures. Accordingly, we suggest that the continuation of the Working Group, Section 2 item 4, and the appropriation in Section 3 be deleted from this measure as unnecessary. We urge the legislature to reconsider whether change in the current HHSC structure is the best way forward.

Thank you for the opportunity to provide testimony on this matter.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
April 5, 2022 at 10:15 a.m.

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

HB 1579 HD2 SD1 – RELATING TO THE DEPARTMENT OF HEALTH

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee:

Thank you for the opportunity to present testimony today. The University of Hawai'i (UH) supports House Bill (HB) No. 1579 HD2 SD1, Relating to the Department of Health (DOH). This bill extends the provision of time for the DOH to implement the transition of operations and assets for the O'ahu-based functions of Hawai'i Health Systems Corporation (HHSC) into the DOH. As with the bill towards the eventual Act 212, Session Laws of Hawai'i (SLH) 2021, the UH does not have any objections to the concept proposed in the bill. UH recognizes that such a transition must entail many issues to resolve whereby affording the department more time would be extremely valuable.

I will re-state UH's position from last year for the record. The UH has a number of academic programs throughout its various campuses of relevance to the health care industry. The background of the approach proposed in the bill has considered that 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 Act 212, SLH 2021, adequately recognizes and sufficiently accounts for UH's interest in these regards. The UH would welcome the opportunity to work with the DOH on their transition of O'ahu-based health functions of HHSC.

Thank you for this opportunity to testify.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1579, H.D. 2, S.D. 1

April 5, 2022
10:15 a.m.
Room 211 and Videoconference

RELATING TO THE DEPARTMENT OF HEALTH

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 1579, H.D. 2, S.D. 1, amends Act 212, SLH 2021, by extending the deadline by which the transfer of the O'ahu Regional Health Care System (O'ahu Region) from the Hawai'i Health Systems Corporation (HHSC) to the Department of Health (DOH) shall take place; clarifies that during the transition period, O'ahu Region's operational budget requests shall be submitted with HHSC's budget requests and any appropriations for O'ahu Region shall be designated under program ID HTH 215; requires the transition working group to submit an additional report to the Legislature no later than 20 days prior to the regular session of 2025; allows the working group to hold executive sessions, following the procedures of Section 92-4, HRS, to discuss individually identifiable information that could affect patient privacy or information that could identify prospective bidders; and appropriates an undetermined sum of general funds to DOH for FY 23 for the creation of a comprehensive business plan and transfer framework.

B&F defers to DOH, HHSC, and O'ahu Region on the potential operational impacts of this measure to their respective agencies. The measure requires that the transition of O'ahu Region into DOH be completed by December 31, 2025. B&F notes, however, that the December 31st deadline takes place in the middle of a fiscal year and recommends that the completion date be amended to coincide with the change of the fiscal year to allow for appropriate budget adjustments to effectuate the transfer of O'ahu Region from HHSC to DOH.

Finally, B&F further notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

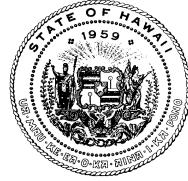
Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and

- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.



STATE OF HAWAII
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**Testimony COMMENTING on H.B. 1579, H.D. 2, S.D. 1
RELATING TO THE DEPARTMENT OF HEALTH**

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

Hearing Date: 4/5/2022

Hearing Time: 10:15 a.m.

1 **Department Position:** The Department of Health (“Department”) offers comments on H.B.
2 1579, H.D.2, S.D.1 relating to the complete transition of the Oahu Regional Health Care System
3 (“Oahu Region”) to the Department.

4 **Department Testimony:** As specified in Act 212, SLH 2021, the Department commenced the
5 transition of the Oahu Region, a part of the Hawaii Health Systems Corporation (“HHSC”), to the
6 Department. The transition includes the transition of the Oahu Region’s property, including the
7 Leahi Hospital and Maluhia facilities, employees, funding and all other things necessary to the
8 operation of the Oahu Region. This report was submitted to the Legislature on December 30,
9 2021.

10 The report identifies the transition plans and associated costs of incorporating the Oahu
11 Region into the Department. It also includes the 5-year operating budget pro-forma and the
12 10-year Capital Improvement Plan.

13 The report details the complexity of the transition, the associated cost and estimated
14 timeline. The transition would cost an estimated **\$10.3 million** with an annual post-transition
15 cost of \$5 million. At best, the timeframe would take us to 12/31/2024 for completion. The
16 Department appreciates the recognition that this transition needs to be extended to

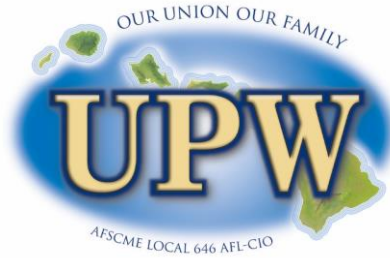
1 12/31/2025. If the legislature chooses this option, we request the committee allocate
2 appropriate funds to effectuate the transition.

3 The report also identifies an alternative structure that would enable the Oahu Region to
4 maintain a quasi-association with the Department, much as HHSC currently has with the
5 Department. It would cost approximately **\$1.7 million** for transition with an annual post-
6 transition cost of \$1.36 million while achieving the same goal.

7 However, the Department strongly recommends Act 212 be repealed, and the Oahu
8 Region remain under HHSC with its own program ID. The intended goals of the transfer can be
9 achieved without a costly transition. The Department already rents space from the Oahu
10 Region in the Leahi Hospital campus for three of its programs through MOUs. The Department
11 would be interested in additional space; however, the campus needs significant renovations.
12 Leaving the Oahu Region with HHSC enables it to continue to take advantage of the group
13 hospitals' purchasing power and enlists HHSC's compliance office which addresses issues
14 unique to the hospital setting.

15 The Department seeks a decision from the Legislature regarding the preferred structure.
16 Regardless of the Legislature's decision, the Department will continue to work collaboratively
17 with the Oahu Region.

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



**THE SENATE
THE THIRTY-FIRST LEGISLATURE
REGULAR SESSION OF 2022**

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

Tuesday, April 5, 2022, 10:15AM
Conference Room 211 and via Videoconference

Re: Testimony in SUPPORT of HB1579, HD2, SD1 – RELATING TO THE DEPARTMENT OF HEALTH

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

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 **supports** HB1579, HD2, SD1, which extends the deadline by which the transfer of the Oahu regional health care system from the Hawaii Health Systems Corporation to the Department of Health shall take place. This bill also sets the manner by which the Oahu Regional Health Care System should request operational funding during the transitional period and clarifies the procedure for the working group to discuss matters concerning patient privacy and prospective bidders and requires a report to the legislature prior to the Regular Session of 2025.

UPW recognizes the intent of this measure regarding trying to find the best path forward for the Oahu region and its employees. Extending the transfer date that was established in Act 212 (2021), will help to ensure that the transition is properly completed given its high complexity. UPW also appreciates the opportunity to have a representative in the working group established in Act 212 to help to provide input during this transition period.

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

Sincerely,

Kalani Werner
State Director