

ACT 266

H.B. NO. 3327

A Bill for an Act Relating to Establishment of an Agency for Community Hospitals.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The purpose of this Act is to affirm the State's commitment to providing quality health care to all people by creating an agency for community hospitals.

The legislature recognizes that the State's community hospitals system is the fifth largest in the nation. With rapid changes taking place in the health care industry and the impending implementation of uncertain national and local health care reforms, the legislature recognizes the necessity of permanently allowing the community hospitals system to gain more control over their operations to compete and remain viable.

The current administrative arrangement places the State's community hospitals system in a division within the department of health. However, a health care system of such critical significance to the quality of people's lives requires more independence of function.

Act 211, Session Laws of Hawaii 1993, extended the pilot autonomy project to eight of thirteen facilities in the division of community hospitals, which has contributed effectively to expediting and improving the delivery of health care services by the community hospitals system. Positive benefits have been gained in the operations and financial performance of the hospitals. However, the pilot project and its benefits will be lost in June 1996, when Act 211 is repealed. Thus, for the community hospitals system to maintain these benefits, this Act

starts the process of making the provisions of the pilot project permanent by establishing a task force and management team to facilitate the transition of the division of community hospitals into an agency for community hospitals, administratively placed within the department of health.

SECTION 2. (a) Before the convening of the regular session of 1995, the governor shall prepare an organizational and functional plan for the agency for community hospitals. For this purpose, the governor shall appoint an assisting task force consisting of, but not limited to, representatives of the departments of health, budget and finance, personnel services, accounting and general services, attorney general, the designated collective bargaining representatives of employees in bargaining units (1), (2), (3), (4), (9), (10), and (13), representatives from the hospital industry, representatives from health maintenance organizations, and community members from each county. The organizational and functional plan shall be submitted to the legislature no later than thirty days prior to the convening of the regular session of 1995 as part of the biennial executive budget request.

(b) Upon the completion of the organizational and functional plan, the governor shall appoint a management team to develop transition plans, finalize position descriptions and revise personnel classifications, establish a personnel records system, develop accounting and fiscal controls, and attend to other administrative details so that the new agency will be operational by July 1, 1996. A report describing the action taken shall be submitted to the legislature not less than thirty days prior to the convening of the regular session of 1996. A budget request for the agency for community hospitals shall be included as part of the supplemental executive budget request.

(c) Upon completion of any government employee's assignment to the task force, the employee shall return to the position in which the employee last held a permanent appointment. No employee shall suffer any loss of salary, seniority, prior service credit, vacation, sick leave, or other employee benefits or privileges as a consequence of assignment to the task force.

(d) The task force and management team shall give quarterly progress reports to a committee composed of the director of health, the deputy director for community hospitals, and the division of community hospitals' management advisory committee county chairs.

SECTION 3. (a) The task force established in section 2 shall consider, evaluate, and recommend the scope of authority to be granted to the agency for community hospitals, including but not limited to the following:

- (1) Developing its own policies, procedures, and rules necessary to plan, operate, manage, and control the system of public health facilities;
- (2) Evaluating the need for new public health facilities;
- (3) Entering into and performing any contracts, leases, cooperative agreements, or other transactions that may be necessary in the performance of its duties and responsibilities, and on terms it may deem appropriate, with any agency or instrumentality of the United States, or with any state, territory, or possession, or with any subdivision thereof, or with any person, firm, association, or corporation; provided that the transaction furthers the public interest;
- (4) Entering into business relationships, including but not limited to:
  - (A) Creating nonprofit corporations;

- (B) Establishing, subscribing to, and owning stock in for-profit corporations individually or jointly with others; and
- (C) Entering into partnerships and other joint venture arrangements;
  - provided that the relationship furthers the public interest;
- (5) Participating in prepaid health care service and insurance programs and other alternative health care delivery programs;
- (6) Setting rates and charges for all services provided in each public health facility and establishing operating and capital improvement budgets;
- (7) Developing a hospital personnel system;
- (8) Acquiring in any lawful manner any property, real, personal, or mixed, tangible or intangible, or any interest therein; holding, maintaining, using, and operating the same; and selling, leasing, or otherwise disposing of the same at any time, in any manner, and to the extent deemed necessary or appropriate to carry out its purposes;
- (9) Determining the character of and the necessity for its obligations and expenditures, and the manner in which they shall be incurred, allowed, and paid, subject to laws specifically applicable to the agency;
- (10) Executing in accordance with its bylaws, all instruments necessary or appropriate in the exercise of any of its powers;
- (11) Issuing revenue bonds; and
- (12) Taking any actions that may be necessary or appropriate to carry out the powers conferred upon it by law and as required by this Act.

(b) The task force shall consider and evaluate the establishment of a board of directors and local community boards to oversee the operations of the agency for community hospitals. The task force shall consider the roles of the board of directors and local community boards, vesting the local community boards with as much authority over their local public health facilities as possible.

(c) The task force shall evaluate the provisions of the division of community hospitals' pilot autonomy project and its authorizations, and develop means to integrate the project into the agency for community hospitals.

(d) With the governor's approval, the task force may engage a consultant knowledgeable in health care to assist in its efforts.

SECTION 4. The Governor, the task force and any consultant engaged to assist the task force, the task force members, including the representatives of the departments of health, budget and finance, personnel services, accounting and general services, attorney general, the designated collective bargaining representatives of employees in bargaining units (1), (2), (3), (4), (9), (10), and (13), representatives from the hospital industry, representatives from health maintenance organizations, and community members from each county, the management team, the director of health, the deputy director for community hospitals, and the division of community hospitals' management advisory committee county chairs, shall cooperate fully with any review of all participating community hospitals granted autonomy in the autonomy pilot project carried out by the auditor, should such a review be required by law.

SECTION 5. Statutory material to be repealed is bracketed. New statutory material is underscored.<sup>1</sup>

**SECTION 6.** This Act shall take effect upon its approval and shall be repealed on June 30, 1996.

(Approved July 1, 1994.)

**Note**

1. So in original.