
A BILL FOR AN ACT

MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HEALTH.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. This Act is recommended by the governor for
2 immediate passage in accordance with section 9 of article VII of
3 the Constitution of the State of Hawaii.

4 SECTION 2. Although funds were appropriated to the
5 department of health for comprehensive medical and health care
6 services for the Kahuku community for the fiscal period
7 beginning July 1, 2006, and ending June 30, 2007, a critical
8 funding emergency now exists.

9 The purpose of this Act is to request an emergency
10 appropriation of \$950,000 in general funds for fiscal year 2006-
11 2007 to fund a grant pursuant to chapter 42F, Hawaii Revised
12 Statutes, to Kahuku Hospital on Oahu; provided that the
13 legislature during this regular session of 2007, whether before
14 or after the effective date of this Act, authorizes such a
15 grant.

16 SECTION 3. Kahuku Hospital is a twenty-five bed facility
17 that provides emergency care, general acute care, surgery,
18 skilled nursing, ancillary care, and other health care services



1 to the residents of the north shore of Oahu from Waimea Bay to
2 Kahana. Because of continuing operating losses at the hospital,
3 the board of directors of Kahuku Hospital in November 2006,
4 voted to file a petition in the U.S. Bankruptcy Court under
5 chapter 7 of the U.S. Bankruptcy Code to liquidate non-exempt
6 assets and close the hospital and cease operating on December
7 31, 2006. Due to the compelling potential harm the closing of
8 Kahuku Hospital could bring to the community, the board of
9 directors of Kahuku Hospital has agreed to continue the
10 hospital's operations for the first six months of 2007 under a
11 reorganization proceeding pursuant to chapter 11 of the U.S.
12 Bankruptcy Code pending the enactment of legislation that will
13 have the effect of causing Kahuku Hospital to be acquired by the
14 Hawaii health systems corporation, or otherwise to become
15 affiliated with the Hawaii health systems corporation in a
16 manner that will permit Kahuku Hospital to operate in a
17 financially sound manner.

18 The department of health has released to Kahuku Hospital in
19 fiscal year 2006-2007, \$500,000 granted by the legislature
20 pursuant to chapter 42F, Hawaii Revised Statutes, and an
21 additional \$500,000 which represents the money awarded to Kahuku
22 Hospital through a chapter 103F, Hawaii Revised Statutes,



1 procurement for health and medical services in the Kahuku
2 community. It is estimated that these moneys will permit Kahuku
3 Hospital to continue operating until the first week of March
4 2007. The \$950,000 requested by this Act represents the
5 estimated cash shortfall after the expenditure of the department
6 of health's funds already released to Kahuku Hospital that will
7 be incurred for the period from January 1, 2007, through June
8 30, 2007, for projected operating losses, the costs associated
9 with the chapter 11 reorganization proceeding, and the transfer
10 of hospital operations to the Hawaii health systems corporation.

11 It is in the public interest to keep Kahuku Hospital
12 operating in order to serve the residents of the north shore of
13 Oahu by enabling it to file for chapter 11 rather than for
14 chapter 7 bankruptcy, which would allow the hospital to:
15 continue operations; preserve its hospital license; retain its
16 certificate of need and critical access hospital designation;
17 reorganize; and settle its debts.

18 The legislature finds that this Act is in the public
19 interest and for the public health, safety, and general welfare.

20 SECTION 4. In accordance with section 9 of article VII of
21 the Constitution of the State of Hawaii and sections 37-91 and
22 37-93, Hawaii Revised Statutes, the legislature has determined



1 that the general fund expenditure ceiling for fiscal year 2006-
2 2007 has already been exceeded by \$90,137,694 or 1.68 per cent.
3 The appropriations contained in this Act will cause the state
4 general fund expenditure ceiling for fiscal year 2006-2007 to be
5 exceeded by an additional \$950,000 or an additional 0.018 per
6 cent. The calculation contained in the foregoing sentence
7 relates only to the amount of general funds appropriated in this
8 Act for fiscal year 2006-2007. The reasons for exceeding the
9 general fund expenditure ceiling are that the appropriations
10 made in this Act are necessary to serve the public interest and
11 to meet the needs provided for by this Act.

12 SECTION 5. There is appropriated out of the general
13 revenues of the State of Hawaii the sum of \$950,000 or so much
14 thereof as may be necessary for fiscal year 2006-2007 to fund a
15 grant pursuant to chapter 42F, Hawaii Revised Statutes, to
16 Kahuku Hospital on Oahu; provided that the legislature during
17 this regular session of 2007, whether before or after the
18 effective date of this Act, authorizes such a grant.

19 SECTION 6. The sum appropriated shall be expended by the
20 department of health.

21 SECTION 7. This Act shall take effect upon its approval.



Report Title:

Emergency Appropriation; Department of Health

Description:

Appropriates \$950,000 in general funds for FY 2006-2007, to fund a grant to Kahuku Hospital on Oahu. (HB1378 HD1)

