

STAND. COM. REP. NO. 1710

Honolulu, Hawaii  
April 9, 2009

RE: S.B. No. 1673  
S.D. 2  
H.D. 2

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fifth State Legislature  
Regular Session of 2009  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 1673, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION,"

begs leave to report as follows:

The purpose of this bill is to ensure the strength of the state's health care safety net by addressing critical economic shortfalls currently faced by the Hawaii Health Systems Corporation (HHSC). Specifically, this bill provides for:

- (1) The temporary transfer of the community hospital system from HHSC to the Department of Health (DOH);
- (2) The abolishment of HHSC; and
- (3) The establishment of a transition committee to study and recommend a permanent structure for the community hospital system.

The ILWU Local 142 supported this bill. DOH; HHSC's Corporation Board; HHSC's Oahu, Maui, Kauai, East Hawaii, and West Hawaii Regional System Boards; Maui Memorial Medical Center; Maui Memorial Medical Center Foundation; Maui Medical Group; Valley Isle Kidney Disease LLC; Kona-Kohala Chamber of Commerce; Ka'u Hospital; and several concerned individuals opposed this bill.

SB1673 HD2 HSCR FIN HMS 2009-3685



The Department of Budget and Finance, Department of Human Resources Development, HHSC's Finance Information Systems and Audit Committee, Hawaii Government Employees Association, United Public Workers Local 646 AFL-CIO, and Community Healthcare Action Task Force of the Big Island submitted comments.

Despite receiving a great deal of testimony in opposition to this bill, your Committee agrees with your Committee on Health that the community hospital system requires drastic and immediate corrective action. Thus, your Committee retains the basic concepts of this bill, including that of:

- (1) Temporarily transferring the community hospital system to DOH;
- (2) Abolishing HHSC and its individual regional systems; and
- (3) Establishing a special committee to recommend a permanent structure to manage, operate, and maintain the community hospital system.

To address some of the concerns of testifiers and others, your Committee has amended this bill by, among other things:

- (1) Extending by one year:
  - (A) The effective date of the temporary transfer of the community hospital system to DOH from July 1, 2009, to July 1, 2010; and
  - (B) The sunset date of the temporary transfer to DOH from June 30, 2011, to June 30, 2012.
- (2) Transferring to DOH on July 1, 2010, all certificates, licenses, permits, and other approvals required by state law for the community hospitals that are held on June 30, 2010, by HHSC or any of its regional systems or facilities;
- (3) Requiring, after June 30, 2009, the Director of Health to apply for the transfer, issuance, or renewal of all certificates, licenses, permits, and other approvals required by federal law for the operation of the community hospitals by DOH and eligibility of the community hospitals for Medicare and Medicaid funds;



- (4) Expanding the community hospitals transition committee to include two residents of the island of Maui and two residents of the island of Kauai, one from each island to be appointed by the Senate President and one from each island to be appointed by the Speaker of the House of Representatives; and
- (5) Stating the Legislature's intention:
  - (A) To review the findings and recommendations of the transition committee, due on January 1, 2011, and to enact legislation during the 2011 Regular Session for a permanent structure to the community hospital system; and
  - (B) That the period from the enactment of this specific legislation in 2011, until June 30, 2012, when DOH's responsibility sunsets, serve as an orderly transition period.

Your Committee has provided no contingency provision within this bill should a federally-required certificate, license, permit, or approval not be issued, transferred, or renewed. Your Committee intends that, if DOH experiences or anticipates the failure of the transfer, issuance, or renewal of such a certificate, license, or permit, that DOH should submit proposed legislation during the 2010 Regular Session to address the situation.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1673, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1673, S.D. 2, H.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Finance,

  
MARCUS R. OSHIRO, Chair



