

# S.B. NO. 2827

JAN 23 2014

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## A BILL FOR AN ACT

RELATING TO HEALTH CARE TRANSFORMATION.

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

1       SECTION 1. The legislature finds that the effectiveness of  
2       our health care system is of considerable importance to every  
3       state resident from the perspective of cost, accessibility, and  
4       quality. The State has a particular responsibility for the  
5       effectiveness of the health care system as purchaser of health  
6       insurance for nearly forty per cent of the population.

7       In addition, the quality of care in our system is not  
8       consistently high, access to needed care is not reliably  
9       available across all islands or for all people, and health  
10      information technology is not used to its full capacity for  
11      improving care and reducing errors and duplication.

12      The legislature recognizes that health care transformation  
13      is necessary and will require alignment of health care  
14      strategies, priorities, and investments for both the private  
15      sector and state agencies.

16      Pursuant to Act 224, Session Laws of Hawaii 2013, Hawaii's  
17      health care transformation program resides temporarily, through  
18      June 30, 2015, in the office of the governor. There is

1 currently no permanent state agency with authority to support,  
2 coordinate, oversee, and evaluate change and innovation in our  
3 health care system.

4 Accordingly, the purpose of this Act is to continue the  
5 program on a long-term basis and codify Hawaii's commitment to  
6 health care transformation by:

7 (1) Creating the structure and authority for health care  
8 transformation; and

9 (2) Transferring the functions of Hawaii's health care  
10 transformation program to the state health planning  
11 and development agency of the department of health,  
12 along with its existing resources and personnel, and  
13 to rename the state health planning and development  
14 agency to encompass this expanded purpose.

15 SECTION 2. Chapter 323D, Hawaii Revised Statutes, is  
16 amended as follows:

17 1. Amending its title to read:

18 "CHAPTER 323D

19 ~~[HEALTH PLANNING AND RESOURCES DEVELOPMENT AND HEALTH CARE COST~~  
20 ~~CONTROL]~~

21 HAWAII HEALTH CARE PLANNING AND POLICY AUTHORITY"

1           2.     Adding a new part to be appropriately designated and  
2 to read:

3                   "PART     .     OFFICE OF HEALTH CARE TRANSFORMATION

4           §323D-A       Office of health care transformation.     (a)

5     There is established within the Hawaii health care planning and  
6 policy authority an office of health care transformation.     The  
7 office shall be headed by a health care transformation officer  
8 who shall be appointed by the governor subject to section 26-34  
9 and who shall report directly to the governor.

10           (b)    The provisions of section 26-35(a)(1) shall not apply  
11 to the office of health care transformation.     Notwithstanding  
12 section 26-35(a)(2), the financial requirements from state funds  
13 of the office shall be submitted through the director of health  
14 and included in the budget for the department of health, and  
15 neither the authority administrator nor director shall change  
16 the office's submissions in any way.     Notwithstanding section  
17 26-35(a)(4), the employment, appointment, promotion, transfer,  
18 demotion, discharge, and job descriptions of all officers and  
19 employees of or under the jurisdiction of the office shall be  
20 determined by the office, subject to applicable personnel laws,  
21 and shall not be subject to the approval of the authority  
22 administrator or the director.

1           (c) The health care transformation officer shall oversee  
2 and supervise the office of health care transformation and shall  
3 organize, manage, and lead multi-sector statewide health care  
4 transformation activities, including:

5           (1) Identifying the issues that need to be addressed to  
6 achieve statewide health care transformation;

7           (2) Developing health system goals, strategies,  
8 frameworks, and timelines, as well as proposed  
9 legislation and rules, directed at health care  
10 transformation;

11          (3) Coordinating health policy and purchasing across state  
12 agencies to promote alignment in quality measures,  
13 data collection, payment strategies, insurance  
14 regulation, waivers, and plan amendments consistent  
15 with improving public and population health to the  
16 extent allowable under federal law;

17          (4) Identifying processes, measures, and goals to evaluate  
18 and improve the quality and cost-effectiveness of  
19 health care services;

20          (5) Pursuing opportunities for administrative uniformity  
21 or alignment of processes, measures, and other matters

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- 1 directed at improving the quality and cost-  
2 effectiveness of health care services;
- 3 (6) Identifying fair and efficient payment models for  
4 health care services;
- 5 (7) Coordinating and overseeing policy and programs to,  
6 improve, expand, and use health information technology  
7 to organize, store, safeguard, exchange, report, and  
8 analyze clinical, cost, educational, technical,  
9 administrative, regulatory, and other health care-  
10 related data;
- 11 (8) Identifying and overseeing state and private sector  
12 initiatives to improve access to care, including but  
13 not limited to insurance expansion, workforce  
14 training, and support for community-based health  
15 organizations;
- 16 (9) Developing a state health care transformation plan;
- 17 (10) Reporting annually to the governor and the legislature  
18 on the status and implementation of the state health  
19 care transformation plan;
- 20 (11) Performing other necessary or desirable functions to  
21 facilitate the intent of this section;

1           (12) Notwithstanding section 323D-61, employing persons in  
2           the office exempt from chapters 76 and 89; and

3           (13) Contracting for services that may be necessary for the  
4           purposes of this section.

5           (d) The health care transformation officer may apply for,  
6           receive, and disburse grants, fees, and donations from all  
7           sources for health care transformation activities; provided that  
8           all donations accepted from private sources shall be expended in  
9           the manner prescribed by the contributor, and all moneys shall  
10          be deposited into the health care transformation special fund  
11          established under section 323D-B. The health care  
12          transformation officer may also receive directly for the  
13          office's purposes donated personal services and personal  
14          property for which funding is not required.

15          (e) The health care transformation officer shall submit an  
16          annual report to the governor and the legislature no later than  
17          twenty days prior to the convening of each regular session of  
18          the legislature on the activities under the authority of the  
19          health care transformation officer, and the expenditure of all  
20          moneys received from all sources and deposited into the health  
21          care transformation special fund in support of this section.

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1        §323D-B Health care transformation special fund;  
2    **established.** (a) There is established in the state treasury  
3    the health care transformation special fund, which shall be  
4    administered by the health care transformation officer. All  
5    moneys collected by the officer pursuant to section 323D-A(d)  
6    shall be deposited into the health care transformation special  
7    fund.

8        (b) Moneys in the health care transformation special fund  
9    shall be used for the purposes of this part."

10       SECTION 3. Section 323D-2, Hawaii Revised Statutes, is  
11    amended as follows:

12       1. By adding a new definition to be appropriately  
13    inserted and to read:

14       "Authority" means the Hawaii health care planning and  
15    policy authority."

16       2. By repealing the definition of "state agency".

17       [~~"State agency" means the state health planning and~~  
18    ~~development agency established in section 323D-11."~~]

19       SECTION 4. Section 323D-12, Hawaii Revised Statutes, is  
20    amended to read as follows:

1           "§323D-12   ~~[Health planning and development functions;~~  
2   ~~state agency.]~~   Health care planning and policy functions;  
3   authority.   (a)   The ~~[state agency]~~ authority shall:

- 4           (1)   Have as a principal function the responsibility for  
5               promoting accessibility for all the people of the  
6               State to quality health care services at reasonable  
7               cost.   The ~~[state agency]~~ authority shall conduct such  
8               studies and investigations as may be necessary as to  
9               the causes of health care costs including inflation.  
10           The ~~[state agency]~~ authority may contract for services  
11           to implement this paragraph. The certificate of need  
12           program mandated under part V shall serve this  
13           function.   The ~~[state agency]~~ authority shall promote  
14           the sharing of facilities or services by health care  
15           providers whenever possible to achieve economies and  
16           shall restrict unusual or unusually costly services to  
17           individual facilities or providers where appropriate;  
18           (2)   Serve as staff to and provide technical assistance and  
19               advice to the statewide council and the subarea  
20               councils in the preparation, review, and revision of  
21               the state health services and facilities plan;



(3) Conduct the health planning activities of the State in coordination with the subarea councils, implement the state health services and facilities plan, and determine the statewide health needs of the State after consulting with the statewide council; ~~and~~

(4) Perform the health care transformation functions described in part \_\_\_\_\_ ; and

~~[(4)]~~ (5) Administer the state certificate of need program pursuant to part V.

(b) The ~~[state agency]~~ authority may:

(1) Prepare such reports and recommendations on Hawaii's health care costs and public or private efforts to reduce or control costs and health care quality as it deems necessary. The report may include, but not be limited to, a review of health insurance plans, the availability of various kinds of health insurance and malpractice insurance to consumers, and strategies for increasing competition in the health insurance field.

(2) Prepare and revise as necessary the state health services and facilities plan.

~~(3) [Prepare, review, and revise the annual implementation plan.]~~

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1       ~~(4)~~] Assist the statewide council in the performance of  
2               its functions.

3       ~~[(5)]~~ (4) Determine the need for new health services  
4               proposed to be offered within the State.

5       ~~[(6)]~~ (5) Assess existing health care services and  
6               facilities to determine whether there are redundant,  
7               excessive, or inappropriate services or facilities and  
8               make public findings of any that are found to be so.  
9               The ~~[state agency]~~ authority shall weigh the costs of  
10              the health care services or facilities against the  
11              benefits the services or facilities provide and there  
12              shall be a negative presumption against marginal  
13              services.

14      ~~[(7)]~~ (6) Provide technical assistance to persons, public  
15              or private, in obtaining and filling out the necessary  
16              forms for the development of projects and programs.

17      ~~[(8)]~~ (7) Prepare reports, studies, and recommendations on  
18              emerging health issues ~~[, such as medical ethics,~~  
19              ~~health care rationing, involuntary care, care for the~~  
20              ~~indigent, and standards for research and development~~  
21              ~~of biotechnology and genetic engineering]~~.

1           ~~[-9-]~~ (8) Conduct such other activities as are necessary  
2           to meet the purposes of this chapter."

3           SECTION 5. Section 323D-12.6, Hawaii Revised Statutes, is  
4 amended to read as follows:

5           " ~~[+] §323D-12.6 [-] — State health planning and development]~~  
6 Health care planning and policy special fund; created; deposits;  
7 expenditures; fees. (a) There is established within the state  
8 treasury, to be administered by the ~~[state health planning and~~  
9 ~~development agency, the state health planning and development]~~  
10 Hawaii health care planning and policy authority, the health  
11 care planning and policy special fund into which shall be  
12 deposited all moneys collected under chapter 323D~~[-]~~, with the  
13 exception of all moneys collected under part           , which shall  
14 be deposited into the health care transformation special fund  
15 established under section 323D-B.

16           (b) Moneys in the health care planning and policy special  
17 fund shall be expended by the ~~[state health planning and~~  
18 ~~development agency]~~ authority to assist in offsetting program  
19 expenses of the ~~[agency-]~~ authority.

20           (c) The ~~[agency]~~ authority shall adopt rules in accordance  
21 with chapter 91 to establish reasonable fees for the purposes of  
22 this chapter."

1       SECTION 6. Effective July 1, 2015, chapter 323D, Hawaii  
2 Revised Statutes, is amended by replacing all references to the  
3 "state health planning and development program" with references  
4 to the "Hawaii health care planning and policy program," by  
5 replacing all references to the "state health planning and  
6 development agency" with references to the "Hawaii health care  
7 planning and policy authority," and by replacing all references  
8 to the "state agency" and the "agency" with references to the  
9 "authority."

10       SECTION 7. All rights, powers, functions, and duties of  
11 the health care transformation program in the office of the  
12 governor are transferred to the Hawaii health care planning and  
13 policy authority. All employees who occupy civil service  
14 positions and whose functions are transferred to the Hawaii  
15 health care planning and policy authority by this Act shall  
16 retain their civil service status, whether permanent or  
17 temporary. Employees shall be transferred without loss of  
18 salary, seniority (except as prescribed by applicable collective  
19 bargaining agreements), retention points, prior service credit,  
20 any vacation and sick leave credits previously earned, and other  
21 rights, benefits, and privileges, in accordance with state  
22 personnel laws and this Act; provided that the employees possess

1 the minimum qualifications and public employment requirements  
2 for the class or position to which transferred or appointed, as  
3 applicable; provided further that subsequent changes in status  
4 may be made pursuant to applicable civil service and  
5 compensation laws.

6 Any employee who, prior to this Act, is exempt from civil  
7 service and is transferred as a consequence of this Act may  
8 retain the employee's exempt status, but shall not be appointed  
9 to a civil service position as a consequence of this Act. An  
10 exempt employee who is transferred by this Act shall not suffer  
11 any loss of prior service credit, vacation or sick leave credits  
12 previously earned, or other employee benefits or privileges as a  
13 consequence of this Act; provided that the employee possesses  
14 legal and public employment requirements for the position to  
15 which transferred or appointed, as applicable; provided further  
16 that subsequent changes in status may be made pursuant to  
17 applicable employment and compensation laws. The health care  
18 transformation officer of the Hawaii health care planning and  
19 policy authority may prescribe the duties and qualifications of  
20 these employees and fix their salaries without regard to chapter  
21 76, Hawaii Revised Statutes.

1       SECTION 8. All appropriations, other funds, records,  
2       equipment, machines, files, supplies, contracts, books, papers,  
3       documents, maps, and other personal property heretofore made,  
4       used, acquired, or held by the health care transformation  
5       program relating to the functions transferred to the office of  
6       health care transformation shall be transferred with the  
7       functions to which they relate.

8       SECTION 9. All deeds, leases, contracts, loans,  
9       agreements, permits, or other documents executed or entered into  
10      by or on behalf of the health care transformation program in the  
11      office of the governor shall remain in full force and effect.  
12      Effective July 1, 2015, every reference to the governor's  
13      health care transformation program in those deeds, leases,  
14      contracts, loans, agreements, permits, or other documents shall  
15      be construed as a reference to the office of health care  
16      transformation or health care transformation officer, as  
17      appropriate.

18      SECTION 10. The administrative rules of the State health  
19      planning and development agency that are in effect as of the  
20      effective date of this Act shall remain in effect until amended  
21      by the Hawaii health care planning and policy authority. All  
22      references in those rules to the "state health planning and

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1 development program" shall be read to mean the "Hawaii health  
2 care planning and policy program;" all references to the "state  
3 health planning and development agency" shall be read to mean  
4 the "Hawaii health care planning and policy authority," and all  
5 references to the "state agency" and the "agency" shall be read  
6 to mean the "authority."

7 SECTION 11. In codifying the new sections added by section  
8 2 of this Act, the revisor of statutes shall substitute  
9 appropriate section numbers for the letters used in designating  
10 the new sections in this Act.

11 SECTION 12. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13 SECTION 13. This Act, upon its approval, shall take effect  
14 on July 1, 2015.

15  
16 INTRODUCED BY:



17 BY REQUEST

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**Report Title:**

Health Care Transformation

**Description:**

Establishes the Office of Health Care Transformation within the State Health Planning and Development Agency. Changes the name of the State Health Planning and Development Agency to the Hawaii Health Care Planning and Policy Authority. Establishes the Health Care Transformation Special Fund.



JUSTIFICATION SHEET

DEPARTMENT: OFFICE OF THE GOVERNOR

TITLE: A BILL FOR AN ACT RELATING TO HEALTH CARE TRANSFORMATION.

PURPOSE: To establish the State's health care transformation program as an office within the Department of Health's State health planning and development agency, and to change the name of the State health planning and development agency to the Hawaii health care planning and policy authority.

MEANS: Add a new part in chapter 323D, Hawaii Revised Statutes (HRS); amend the title of chapter 323D, HRS; and amend sections 323D-2, 323D-12, and 323D-12.6, HRS.

JUSTIFICATION: Our health care system is of considerable importance to every Hawaii resident. The State has a particular responsibility for the effectiveness of the health care system as purchaser of health insurance for nearly forty per cent of the population. Our health care system does not demonstrate consistently high quality, sustainable cost, or focus on population health. Transforming the health care system requires public authority to support, coordinate, oversee, and evaluate change and innovation. This bill would create the structure and authority for health care transformation.

Pursuant to Act 224, Session Laws of Hawaii 2013, Hawaii's health care transformation function resides temporarily, through June 30, 2015, in the office of the governor. This Act transfers those functions to the State health planning and development agency of the department of health, along with its existing resources and personnel, continuing the program on a long-term basis and

codifying Hawaii's commitment to health care transformation.

Impact on the public: Improvement in the efficiency and cost of the health care system.

Impact on the department and other agencies:

Improved coordination, reduced cost, and increased effectiveness of health care services that the State regulates or provides, in particular those of the department of health (DOH), the department of human services (DHS), the employer-union health benefits trust fund (EUTF), the department of public safety (PSD), and the insurance division of the department of commerce and consumer affairs (DCCA). Improved coordination between the activities of these programs and the private sector.

The impact on the state health planning and development agency is expected to be insignificant since its resources and purposes remain separate from the new office of health care transformation. The effect of having the health care transformation officer report to the governor rather than to the director of health is intentional, providing the officers with the authority to convene departmental directors to participate in aligning health care policies and resources across state agencies.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION:

OTHER AFFECTED  
AGENCIES:

Department of Health, Department of Human Services, Department of Commerce and Consumer Affairs, Employer-Union Health Care

Trust Fund, and the Department of Public  
Safety.

EFFECTIVE DATE: July 1, 2015.