

JAN 29 2015

A BILL FOR AN ACT

RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

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

1 SECTION 1. The legislature finds that the decentralization
2 of personnel, purchasing and other administrative functions to
3 the four regions within the Hawaii health systems corporation
4 caused inefficiencies that are detrimental to the financial
5 stability of the system, operational effectiveness, and employee
6 morale. The current organizational structure of the Hawaii
7 health systems corporation is ineffective. Consequently, there
8 is an urgent need to stabilize the network of public hospitals
9 that are the primary source of medical care on the neighbor
10 islands, as well as a safety net for thousands of elderly and
11 needy patients.

12 The purpose of this Act is to centralize personnel,
13 purchasing, and other administrative functions within the Hawaii
14 health systems corporation to achieve greater efficiency,
15 effectiveness, and meaningful financial accountability.



1 SECTION 2. Chapter 323F, Hawaii Revised Statutes, is
2 amended by adding a new section to part II to be appropriately
3 designated and to read as follows:

4 "**§323F- Financial and management audits.** The auditor
5 shall conduct a financial and management audit of the Hawaii
6 health systems corporation every five years."

7 SECTION 3. Section 323F-1, Hawaii Revised Statutes, is
8 amended as follows:

9 1. By inserting a new definition to be appropriately
10 inserted and to read:

11 "Regional public health care facility management advisory
12 committee" means a regional committee that advises the chief
13 executive officer and the corporation board."

14 2. By repealing the definition of "regional system board":
15 ~~["Regional system board" means a community based governing~~
16 ~~board of directors of a regional system of the corporation."]~~

17 SECTION 4. Section 323F-2, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "**§323F-2 Hawaii health systems corporation.** (a) There is
20 established the Hawaii health systems corporation, which shall
21 be a public body corporate and politic and an instrumentality



1 and agency of the State. The corporation shall be placed within
2 the department of health for the administrative purposes
3 specified in section 26-35(a)(6) only.

4 (b) The corporate organization shall be divided into five
5 regional systems, as follows:

6 (1) The [~~Oahu regional health care system,~~] city and
7 county of Honolulu;

8 (2) The [~~Kauai regional health care system,~~] county of
9 Kauai;

10 (3) The [~~Maui regional health care system,~~] county of
11 Maui, except for the county of Kalawao;

12 (4) The [~~east Hawaii regional health care system,~~] eastern
13 section of the county of Hawaii, comprising the Puna
14 district, north Hilo district, south Hilo district,
15 Hamakua district, and Kau district; and

16 (5) The [~~west Hawaii regional health care system,~~] western
17 section of the county of Hawaii, comprising the north
18 Kohala district, south Kohala district, north Kona
19 district, and south Kona district;

20 and shall be identified as regional systems I, II, III, IV, and
21 V, respectively."



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

"§323F-3 Corporation board. (a) The corporation shall be governed by ~~[an eighteen member]~~ a thirteen-member board of directors that shall carry out the duties and responsibilities of the corporation ~~[other than those duties and responsibilities relating to the establishment of any captive insurance company pursuant to section 323F-7(c)(20) and the operation thereof]~~.

~~[(b) The members of the corporation board shall be appointed as follows:~~

~~(1) The director of health as an ex officio, voting member;~~

~~(2) The five regional chief executive officers as ex officio, nonvoting members;~~

~~(3) Three members who reside in the county of Maui, two of whom shall be appointed by the Maui regional system board and one of whom shall be appointed by the governor, all of whom shall serve as voting members;~~

~~(4) Two members who reside in the eastern section of the county of Hawaii, one of whom shall be appointed by the East Hawaii regional system board and one of whom~~



1 ~~shall be appointed by the governor, both of whom shall~~
2 ~~serve as voting members,~~

3 ~~(5) Two members who reside in the western section of the~~
4 ~~county of Hawaii, one of whom shall be appointed by~~
5 ~~the West Hawaii regional system board and one of whom~~
6 ~~shall be appointed by the governor, both of whom shall~~
7 ~~serve as voting members,~~

8 ~~(6) Two members who reside on the island of Kauai, one of~~
9 ~~whom shall be appointed by the Kauai regional system~~
10 ~~board and one of whom shall be appointed by the~~
11 ~~governor, both of whom shall serve as voting members,~~

12 ~~(7) Two members who reside on the island of Oahu, one of~~
13 ~~whom shall be appointed by the Oahu regional system~~
14 ~~board and one of whom shall be appointed by the~~
15 ~~governor, both of whom shall serve as voting members,~~
16 ~~and~~

17 ~~(8) One member who shall be appointed by the governor and~~
18 ~~serve as an at large voting member.~~

19 ~~The appointed board members who reside in the county of~~
20 ~~Maui, eastern section of the county of Hawaii, western section~~
21 ~~of the county of Hawaii, on the island of Kauai, and on the~~



~~island of Oahu shall each serve for a term of four years;
provided that the terms of the initial appointments of the
members who are appointed by their respective regional system
boards shall be as follows: one of the initial members from the
county of Maui shall be appointed to serve a term of two years
and the other member shall be appointed to serve a term of four
years; the initial member from East Hawaii shall be appointed to
serve a term of two years; the initial member from West Hawaii
shall be appointed to serve a term of four years; the initial
member from the island of Kauai shall be appointed to serve a
term of two years; and the initial member from the island of
Oahu shall be appointed to serve a term of four years; and
provided further that the terms of the initial appointments of
the members who are appointed by the governor shall be four
years. The at large member appointed by the governor shall
serve a term of two years.]~~

(b) Ten members of the corporation board shall be
appointed by the governor pursuant to section 26-34 as follows:

(1) One member from region I who resides in the city and
county of Honolulu;



(2) One member from region II who resides in the county of Kauai;

(3) One member from region III who resides in the county of Maui;

(4) One member from region IV who resides in the eastern section of the county of Hawaii;

(5) One member from region V who resides in the western section of the county of Hawaii;

(6) One member from region II who resides in the county of Kauai or from region III who resides in the district of Hana or on the island of Lanai; provided that in no event shall the member be appointed from the same region for two consecutive terms; and

(7) Four at-large members who reside in the State.

The eleventh member shall be the chairperson of the executive public health facility management advisory committee, who shall serve as an ex officio, voting member.

The twelfth member, who shall serve as a voting member, shall be a physician with active medical staff privileges at one of the corporation's public health facilities. The physician member shall serve a term of two years. The initial physician



1 member shall be from region II, and subsequent physician members
2 shall come from regions IV, III, and V, respectively. The
3 physician member position shall continue to rotate in this
4 order. The physician member shall be appointed to the
5 corporation board by a simple majority vote of the members of
6 the executive public health facility management advisory
7 committee from a list of qualified nominees submitted by the
8 public health facility management advisory committee for the
9 region from which the physician member is to be chosen. If for
10 any reason a physician member is unable to serve a full term,
11 the remainder of that term shall be filled by a physician from
12 the same region.

13 The thirteenth member shall be the director of health or
14 the director's designee, who shall serve as an ex officio,
15 voting member.

16 Prior to the transfer date, the public health facility
17 management advisory committees appointed pursuant to section
18 323F-10 for each county may recommend names to the governor for
19 each position on the corporation board designated for a region
20 that corresponds to its county. After the transfer date, the
21 public health facility management advisory committees appointed



1 pursuant to section 323F-10 for each region may make
2 recommendations to the governor. The appointed board members
3 shall serve for a term of four years; provided that upon the
4 initial appointment of the first ten members:

5 (1) Two at-large members shall be appointed for a term of
6 two years;

7 (2) Three at-large members shall be appointed for a term
8 of three years; and

9 (3) Five regional members shall be appointed for a term of
10 four years.

11 Any vacancy shall be filled in the same manner provided for
12 the original appointments. The corporation board shall elect
13 its own chair from among its members. ~~[Appointments to the~~
14 ~~corporation board shall be as representative as possible of the~~
15 ~~system's stakeholders as outlined in this subsection. The board~~
16 ~~member appointments shall strive to create a board that includes~~
17 ~~expertise in the fields of medicine, finance, health care~~
18 ~~administration, government affairs, human resources, and law.]~~

19 (c) The selection, appointment, and confirmation of any
20 nominee shall be based on ensuring that board members have
21 diverse and beneficial perspectives and experiences and that



1 they include, to the extent possible, representatives of the
2 medical, business, management, law, finance, and health sectors,
3 and patients or consumers. Members of the board shall serve
4 without compensation but may be reimbursed for actual expenses,
5 including travel expenses incurred in the performance of their
6 duties.

7 (d) Any member of the board may be removed for cause by
8 the governor or for cause by vote of a two-thirds majority of
9 the board's members then in office. For purposes of this
10 section, cause shall include without limitation:

11 (1) Malfeasance in office;

12 (2) Failure to attend regularly called meetings;

13 (3) Sentencing for conviction of a felony, to the extent
14 allowed by section 831-2; or

15 (4) Any other cause that may render a member incapable or
16 unfit to discharge the duties required under this
17 chapter.

18 Filing nomination papers for elective office or appointment to
19 elective office, or conviction of a felony consistent with
20 section 831-3.1, shall automatically and immediately disqualify
21 a board member from office."



1 SECTION 6. Section 323F-4, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "**§323F-4 Board meetings.** (a) The corporation board [~~and~~
4 ~~each regional system board~~] shall be exempt from part I of
5 chapter 92 and shall meet no fewer than four times [~~a~~] per
6 year [~~; provided that the regional system boards and the~~
7 ~~corporation board shall meet together at least once a year.~~]
8 Each regional [~~board~~] public health facility management advisory
9 committee shall meet at least six times each year; provided that
10 two of these meetings shall be public community meetings for the
11 purpose of informing the community and taking comment on the
12 regional [~~system's~~] public health facility management advisory
13 committee performance [~~if these meetings are in addition to the~~
14 ~~four board meetings~~]. The public community meetings shall be
15 advertised in a newspaper of general circulation in the regional
16 system at least two weeks in advance.

17 (b) All business of the corporation board [~~and each~~
18 ~~regional system board~~] shall be conducted at a regular or
19 special meeting at which a quorum is present, consisting of at
20 least a majority of the directors then in office. The
21 corporation board [~~and each regional system board~~] shall adopt



1 procedural rules for meetings, not subject to chapter 91, that
2 shall include provisions for meetings via electronic and
3 telephonic communications and other methods that allow the
4 ~~[boards]~~ board to conduct business in a timely and efficient
5 manner. Any action of the corporation board ~~[or each regional~~
6 ~~system board]~~ shall require the affirmative vote of a majority
7 of those present and voting at the meeting; except that a vote
8 of two-thirds of the entire membership of the respective board
9 then in office shall be required for any of the following
10 actions:

11 (1) Removal by the corporation board ~~[or respective~~
12 ~~regional system board]~~ of one of its members; provided
13 that the eleventh and twelfth members set forth in
14 section 323F-3 may be removed only pursuant to
15 sections 323F-10 and 323F-10.5;

16 (2) Amendment by the corporation ~~[or a regional system]~~
17 board of its bylaws;

18 (3) Hiring or removing ~~[a regional]~~ the chief executive
19 officer~~[+]~~ of the corporation; and

20 ~~[(4) Filling of vacancies on a board; and~~



1 ~~(5)]~~ (4) Any other actions as provided by the corporation
2 ~~[or regional system board]~~ bylaws ~~[, except the hiring~~
3 ~~or removing of the chief executive officer of the~~
4 ~~corporation]~~."

5 SECTION 7. Section 323F-5, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**§323F-5 Disclosure of interests.** All corporation ~~[and~~
8 ~~regional system]~~ board members and employees of the corporation
9 shall be subject to chapter 84."

10 SECTION 8. Section 323F-7, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§323F-7 Duties and powers of the corporation [and**
13 ~~regional system boards.~~ ~~(a) Notwithstanding any other law to~~
14 ~~the contrary and unless otherwise specified, only those duties~~
15 ~~and powers related to corporation wide matters, including but~~
16 ~~not limited to corporation wide budgeting, personnel policies,~~
17 ~~procurement policies, fiscal policies, accounting policies,~~
18 ~~policies related to affiliations, joint ventures and contracts,~~
19 ~~regulatory compliance, risk management, continuing medical~~
20 ~~education programs, strategic planning, and capital planning,~~
21 ~~including the issuance of revenue bonds in any amount, shall be~~



1 ~~carried out by the corporation board in collaboration with the~~
2 ~~regional system boards. Duties and powers related to the~~
3 ~~operation of facilities within each regional system, including~~
4 ~~but not limited to regional system and facility budgeting,~~
5 ~~employment and removal of regional system and facility~~
6 ~~personnel, purchasing, regional system strategic and capital~~
7 ~~planning, organization, quality assurance, improvement and~~
8 ~~reporting, credentialing of medical staff, and the issuance of~~
9 ~~revenue bonds in any amount with corporation board approval,~~
10 ~~shall be carried out by the regional system boards, either~~
11 ~~directly or by delegation to regional and facility~~
12 ~~administration. Unless otherwise prohibited, the duties and~~
13 ~~powers granted to the corporation board may be delegated to the~~
14 ~~regional system boards.~~

15 ~~(b) Duties and powers exercised by the regional system~~
16 ~~boards under this chapter or delegated to the regional system~~
17 ~~boards by the corporation board shall be consistent with~~
18 ~~corporation wide policies. Wherever appropriate, corporation-~~
19 ~~wide policies shall take into account differences among regional~~
20 ~~systems and among types of facilities, particularly acute care,~~



1 ~~critical access, and long-term care facilities within the~~
2 ~~system.~~

3 ~~New corporation-wide policies, and major changes to~~
4 ~~existing policies other than those changes mandated by legal or~~
5 ~~regulatory requirements, shall be developed by the corporation~~
6 ~~board after consultation with a policies committee. The~~
7 ~~policies committee shall be made up of representatives of the~~
8 ~~corporation board and each regional system board or designees of~~
9 ~~each board. The corporation board shall have two~~
10 ~~representatives on this committee. The corporation board shall~~
11 ~~review and consider approval of the policies within thirty days~~
12 ~~of transmittal by the policies committee or at the next board~~
13 ~~meeting; provided that, if the policies committee fails to take~~
14 ~~action within thirty days of receiving the proposed policy, the~~
15 ~~corporation board may consider and adopt or reject or revise the~~
16 ~~policy. The regional system boards and corporation board, as~~
17 ~~needed, may submit a request to the committee to alter~~
18 ~~corporation-wide policies along with detailed justification for~~
19 ~~the request. The regional system boards and the corporation~~
20 ~~board shall collaboratively establish a procedure to further~~
21 ~~implement this section.~~



1 ~~(e)]~~ (a) Notwithstanding any other law to the contrary,
2 the corporation ~~[and any of the regional system boards]~~ shall
3 have and exercise the following duties and powers:

4 (1) Developing ~~[corporation wide policies, procedures, and~~
5 ~~rules necessary or appropriate to plan, operate,~~
6 ~~manage, and control the system of public health~~
7 ~~facilities and services without regard to chapter 91,~~
8 ~~provided that each regional system board shall be~~
9 ~~responsible for its own]~~ corporate-wide policies,
10 procedures, and rules necessary or appropriate to
11 plan, operate, manage, and control the system of
12 public health facilities ~~[within its own regional~~
13 ~~system consistent with corporation policies,]~~ and
14 services without regard to chapter 91;

15 (2) Evaluating the need for ~~[additional]~~ health facilities
16 and services; ~~[provided that each regional system~~
17 ~~board shall be responsible for the evaluation within~~
18 ~~its own regional system,]~~

19 (3) Entering into and performing any contracts, leases,
20 cooperative agreements, partnerships, or other
21 transactions whatsoever that may be necessary or



1 appropriate in the performance of its purposes and
2 responsibilities, and on terms the corporation[, or
3 ~~regional system boards, may deem appropriate,~~] with
4 either:

- 5 (A) Any agency or instrumentality of the United
6 States, or with any state, territory, or
7 possession, or with any subdivision thereof; or
8 (B) Any person, firm, association, partnership, or
9 corporation, whether operated on a for-profit or
10 not-for-profit basis;

11 provided that the transaction furthers the public
12 interest; ~~[and provided further that if any dispute
13 arises between any contract, lease, cooperative
14 agreement, partnership, or other transaction entered
15 into by the corporation and a regional system board
16 with regard to matters solely within that regional
17 system, after July 1, 2007, the contract, lease,
18 cooperative agreement, partnership, or other
19 transaction entered into by the regional system board
20 shall prevail; and provided further that such
21 agreements are consistent with corporation policies,]~~



1 (4) Conducting activities and entering into business
2 relationships as the corporation board, or any
3 regional system board, deems necessary or appropriate,
4 including but not limited to:

5 (A) Creating nonprofit corporations, including but
6 not limited to charitable fund-raising
7 foundations, to be controlled wholly by the
8 corporation, [~~any regional system board,~~] or
9 jointly with others;

10 (B) Establishing, subscribing to, and owning stock in
11 business corporations individually or jointly
12 with others; and

13 (C) Entering into partnerships and other joint
14 venture arrangements, or participating in
15 alliances, purchasing consortia, health insurance
16 pools, or other cooperative arrangements, with
17 any public or private entity; provided that any
18 corporation, venture, or relationship entered
19 into under this section furthers the public
20 interest; provided further that this paragraph
21 shall not be construed to authorize the



1 corporation ~~[or a regional system board]~~ to
2 abrogate any responsibility or obligation under
3 paragraph (15);

4 ~~[provided that each regional system board shall be~~
5 ~~responsible for conducting the activities under this~~
6 ~~paragraph in its own regional system consistent with~~
7 ~~policies established by the corporation board;]~~

8 (5) Participating in and developing prepaid health care
9 service and insurance programs and other alternative
10 health care delivery programs, including programs
11 involving the acceptance of capitated payments or
12 premiums that include the assumption of financial and
13 actuarial risk; ~~[provided that each regional system~~
14 ~~board shall be responsible for conducting the~~
15 ~~activities under this paragraph in its own regional~~
16 ~~system consistent with policies established by the~~
17 ~~corporation board;]~~

18 (6) Executing, in accordance with all applicable bylaws,
19 rules, and laws, all instruments necessary or
20 appropriate in the exercise of any powers of the
21 corporation ~~[or regional system boards];~~



1 (7) Preparing and executing all corporation-wide budgets,
2 policies, and procedures [~~or any regional system~~
3 ~~budgets, policies, and procedures; provided that the~~
4 ~~regional system boards shall submit their regional and~~
5 ~~facility budgets to the corporation to be consolidated~~
6 ~~into a corporation wide budget for purposes of~~
7 ~~corporation wide planning and appropriation requests.~~
8 ~~Regional system and facility budgets shall be received~~
9 ~~by the corporation and shall be included in the~~
10 ~~corporation wide budget upon submittal to the~~
11 ~~corporation];~~

12 (8) Setting rates and charges for all services provided by
13 the corporation without regard to chapter 91;
14 ~~[provided that the duty and power of the corporation~~
15 ~~board shall be limited to approving the rates and~~
16 ~~charges developed by the regional system boards for~~
17 ~~the regional system's facilities and services. Rates~~
18 ~~and charges may vary among regional systems and~~
19 ~~facilities and may be consolidated with the rates of~~
20 ~~other regional systems into one charge master. Third-~~
21 ~~party payer contracts may be negotiated at the~~



~~corporation-wide level with input from the regional systems, taking into consideration the rates set by the regional system boards. For purposes of securing revenue bonds, the corporation or regional system board may covenant to set, and if necessary increase, rates and charges as needed to pay debt service and related obligations plus a coverage factor;]~~

- (9) Developing a centralized corporation-wide hospital system that is subject to chapters 76 and 89;

~~[provided that employment of regional system and facility personnel shall be the responsibility of the regional system boards pursuant to corporation-wide policies and procedures, applicable laws, rules, regulations, and collective bargaining agreements;]~~

- (10) Developing the corporation's corporation-wide capital and strategic plans ~~[or any regional system board's capital and strategic plans; provided that each regional system board shall be responsible for development of capital and strategic plans in its own regional system that shall be consistent with, and incorporated into, the overall corporation-wide plans;~~



1 ~~and provided further that the corporation and each~~
2 ~~regional system board shall be entitled to undertake~~
3 ~~the acquisition, construction, and improvement of~~
4 ~~property, facilities, and equipment to carry out these~~
5 ~~capital and strategic plans];~~

6 (11) Suing and being sued; provided that ~~[only the~~
7 ~~corporation may sue or be sued, and provided further~~
8 ~~that]~~ the corporation ~~[and regional system boards]~~
9 shall enjoy the same sovereign immunity available to
10 the State;

11 (12) Making and altering corporation board ~~[and regional~~
12 ~~system board]~~ bylaws for its organization and
13 management without regard to chapter 91 ~~[and~~
14 ~~consistent with this chapter, provided that each~~
15 ~~regional system board shall be responsible for the~~
16 ~~final approval of its regional system board bylaws];~~

17 (13) Adopting rules without regard to chapter 91 governing
18 the exercise of the corporation's ~~[or regional system~~
19 ~~boards]~~ powers and the fulfillment of its purpose
20 under this chapter;



- 1 (14) Entering into any contract or agreement whatsoever,
2 not inconsistent with this chapter or the laws of this
3 State, and authorizing the corporation[, regional
4 ~~system boards, and chief executive officers~~] and its
5 chief executive officer to enter into all contracts,
6 execute all instruments, and do all things necessary
7 or appropriate in the exercise of the powers granted
8 in this chapter, including securing the payment of
9 bonds; [~~provided that the corporation board shall~~
10 ~~delegate to a regional system board its authority to~~
11 ~~enter into and execute contracts or agreements~~
12 ~~relating to matters exclusively affecting that~~
13 ~~regional system; provided further that a regional~~
14 ~~system board shall exercise this power consistent with~~
15 ~~corporation wide policies; and provided further that~~
16 ~~contracts or agreements executed by a regional system~~
17 ~~board shall encumber only the regional subaccounts of~~
18 ~~that regional system board;~~]
19 (15) Issuing revenue bonds [~~up to \$100,000,000~~] subject to
20 the approval of the governor or the director of
21 finance; provided that:



(A) All revenue bonds shall be issued pursuant to part III, chapter 39;

(B) The corporation [~~and any regional system board~~] shall have the power to issue revenue bonds in any amount without regard to any limitation in chapter 39; and

(C) The corporation shall have the power to incur debt, including the issuance of revenue bonds in any amount [~~, and the regional system boards shall have the power to issue revenue bonds in any amount upon approval by the corporation board~~];

(16) Reimbursing the state general fund for debt service on general obligation bonds or reimbursable general obligation bonds issued by the State for the purposes of the corporation [~~or any regional system board~~];

(17) Pledging or assigning all or any part of the receipts, revenues, and other financial assets of the corporation [~~or the regional system boards~~] for purposes of meeting or securing bond or health systems liabilities; [~~provided that each regional system board shall be responsible for conducting the activities~~]



1 ~~under this paragraph in its own regional system. Any~~
2 ~~pledge or assignment by the corporation or any~~
3 ~~regional system board to secure revenue bonds or~~
4 ~~health system liabilities shall be valid and binding~~
5 ~~in accordance with its terms against the pledgor,~~
6 ~~creditors, and all others asserting rights thereto~~
7 ~~from the time the pledge or assignment is made,~~
8 ~~without the need of physical delivery, recordation,~~
9 ~~filing, or further act. The corporation shall not~~
10 ~~take or omit to take any act that would interfere~~
11 ~~with, impair, or adversely affect any pledge or~~
12 ~~assignment by a regional system board pursuant to this~~
13 ~~chapter. In connection with issuing revenue bonds or~~
14 ~~related obligations, consistent with corporation~~
15 ~~policies and procedures, any regional system board may~~
16 ~~make such other covenants, binding on the regional~~
17 ~~system board and the corporation, that the regional~~
18 ~~system board determines to be necessary or appropriate~~
19 ~~to establish and maintain security for the revenue~~
20 ~~bonds or related obligations;]~~



1 (18) Owning, purchasing, leasing, exchanging, or otherwise
2 acquiring property, whether real, personal, or mixed,
3 tangible or intangible, and of any interest therein,
4 in the name of the corporation, [~~which~~] for property
5 that is not owned or controlled by the State but is
6 owned or controlled by the corporation; [~~provided~~
7 ~~that:~~

8 ~~(A) Regional system boards shall have custodial~~
9 ~~control over facilities and physical assets in~~
10 ~~their respective regional systems. A regional~~
11 ~~system board may own, purchase, lease, exchange,~~
12 ~~or otherwise acquire property, whether real,~~
13 ~~personal, or mixed, tangible or intangible, and~~
14 ~~of any interest therein, other than property~~
15 ~~owned or controlled by the corporation, in the~~
16 ~~name of the regional system board; provided~~
17 ~~further that a regional system board shall be~~
18 ~~subject to section 323F-3.5; and~~

19 ~~(B) Each regional system board shall be responsible~~
20 ~~for conducting the activities under this~~
21 ~~paragraph in its own regional system;]~~



1 (19) Maintaining, improving, pledging, mortgaging, selling,
2 or otherwise holding or disposing of property, whether
3 real, personal, or mixed, tangible or intangible, and
4 of any interest therein, at any time and manner, in
5 furtherance of the purposes and mission of the
6 corporation ~~[or any regional system board]~~; provided
7 that the corporation ~~[or any regional system board]~~
8 legally holds or controls the property in its own
9 name; provided further that other than to secure
10 revenue bonds and related obligations and agents, and
11 to transition into a new entity, the corporation ~~[or~~
12 ~~any regional system board]~~ shall not sell, assign,
13 lease, hypothecate, mortgage, pledge, give, or dispose
14 of all or substantially all of its property; ~~[and~~
15 ~~provided further that each regional system board shall~~
16 ~~be responsible for conducting the activities under~~
17 ~~this paragraph in its own regional system, and control~~
18 ~~over such property shall be delegated to each regional~~
19 ~~system board; provided further that this paragraph~~
20 ~~shall not be construed to authorize the sale, pledge,~~



1 ~~or mortgage of real property under the control of the~~
2 ~~corporation or a regional system board;]~~

3 (20) Purchasing insurance and creating captive insurers in
4 any arrangement deemed in the best interest of the
5 corporation, including but not limited to funding and
6 payment of deductibles and purchase of reinsurance;

7 ~~[provided that only the corporation shall have the~~
8 ~~power to create captive insurers to benefit public~~
9 ~~health facilities and operations in all regional~~
10 ~~systems; and provided further that a regional system~~
11 ~~board may purchase insurance for its regional system~~
12 ~~in collaboration with the other regional systems and~~
13 ~~the corporation until captive coverage is provided by~~
14 ~~the corporation;]~~

15 (21) Acquiring by condemnation, pursuant to chapter 101,
16 any real property required by the corporation to carry
17 out the powers granted by this chapter;

18 (22) Depositing any moneys of the corporation ~~[or any~~
19 ~~regional system board]~~ in any banking institution
20 within or without the State, and appointing, for the
21 purpose of making deposits, one or more persons to act



1 as custodians of the moneys of the corporation [~~or any~~
2 ~~regional system board; provided that regional system~~
3 ~~boards may deposit moneys in banking institutions~~
4 ~~pursuant to corporation wide guidelines established by~~
5 ~~the corporation board];~~

6 (23) Contracting for and accepting any gifts, grants, and
7 loans of funds, property, or any other aid in any form
8 from the federal government, the State, any state
9 agency, or any other source, or any combination
10 thereof, and complying, subject to this chapter, with
11 the terms and conditions thereof; [~~provided that the~~
12 ~~regional system boards shall be responsible for~~
13 ~~contracting for and accepting any gifts, grants,~~
14 ~~loans, property, or other aid if intended to benefit~~
15 ~~the public health facilities and operations~~
16 ~~exclusively in their respective regional systems; and~~
17 ~~provided further that all contracting for or~~
18 ~~acceptance of gifts, grants, loans, property, or other~~
19 ~~aid shall be consistent with corporation wide policies~~
20 ~~established by the corporation board;]~~



1 (24) Providing health and medical services for the public
2 directly or by agreement or lease with any person,
3 firm, or private or public corporation, partnership,
4 or association through or in the health facilities of
5 the corporation [~~or regional system boards~~] or
6 otherwise; [~~provided that the regional system boards~~
7 ~~shall be responsible for conducting the activities~~
8 ~~under this paragraph in their respective regional~~
9 ~~systems;~~]

10 (25) Approving medical staff bylaws, rules, and medical
11 staff appointments and reappointments for all public
12 health facilities of the corporation [~~or any regional~~
13 ~~system board~~], including but not limited to
14 determining the conditions under which a health
15 professional may be extended the privilege of
16 practicing within a health facility, [~~as determined by~~
17 ~~the respective regional system board and~~] consistent
18 with corporation-wide policies], and adopting and
19 implementing reasonable rules, without regard to
20 chapter 91, for the credentialing and peer review of
21 all persons and health professionals within the



1 facility; ~~[provided that regional system boards shall~~
2 ~~be the governing body responsible for all medical~~
3 ~~staff organization, peer review, and credentialing~~
4 ~~activities to the extent allowed by law;]~~

5 (26) (A) Investing any funds not required for immediate
6 disbursement in property or in securities that
7 meet the standard for investments established in
8 chapter 88 as provided by the corporation board
9 ~~[or any regional system board]~~; provided that
10 proceeds of bonds and moneys pledged to secure
11 bonds may be invested in obligations permitted by
12 any document that authorizes the issuance or
13 securing of bonds; and provided further that the
14 investment assists the corporation ~~[or any~~
15 ~~regional system board]~~ in carrying out its public
16 purposes; selling from time to time securities
17 thus purchased and held, and depositing any
18 securities in any bank or financial institution
19 within or without the State. Any funds deposited
20 in a banking institution or in any depository
21 authorized in this section shall be secured in a



1 manner and subject to terms and conditions as the
2 corporation board [~~or a regional system board~~]
3 may determine, with or without payment of any
4 interest on the deposit, including without
5 limitation time deposits evidenced by
6 certificates of deposit. Any bank or financial
7 institution incorporated under the laws of this
8 State may act as depository of any funds of the
9 corporation [~~or a regional system board~~] and may
10 issue indemnity bonds or may pledge securities as
11 may be required by the corporation [~~or regional~~
12 ~~system~~] board; [~~provided that regional system~~
13 ~~boards may exercise the powers under this~~
14 ~~subsection with respect to financial assets of~~
15 ~~the regional system consistent with corporation~~
16 ~~wide policies;~~] and

17 (B) Notwithstanding subparagraph (A), contracting
18 with the holders of any of its notes or bonds as
19 to the custody, collection, securing, investment,
20 and payment of any moneys of the corporation [~~or~~
21 ~~regional system board~~] and of any moneys held in



1 trust or otherwise for the payment of notes or
2 bonds and carrying out the contract. Moneys held
3 in trust or otherwise for the payment of notes or
4 bonds or in any way to secure notes or bonds, and
5 deposits of ~~[such]~~ the moneys, may be secured in
6 the same manner as moneys of the corporation ~~[or~~
7 ~~regional system board]~~, and all banks and trust
8 companies are authorized to give security for the
9 deposits;

10 (27) Entering into any agreement with the State, including
11 but not limited to contracts for the provision of
12 goods, services, and facilities in support of the
13 corporation's programs ~~[or the regional system boards'~~
14 ~~programs]~~, and contracting for the provision of
15 services to or on behalf of the State; ~~[provided that~~
16 ~~the regional system boards shall be responsible for~~
17 ~~entering into agreements to provide goods, services,~~
18 ~~and facilities in support of programs in their~~
19 ~~respective regional systems consistent with~~
20 ~~corporation wide policies;]~~

21 (28) Having a seal and altering the same at pleasure;



1 (29) Waiving, by means that the corporation [~~er regional~~
2 ~~system board~~] deems appropriate, the exemption from
3 federal income taxation of interest on the
4 corporation's [~~er regional system boards~~] bonds,
5 notes, or other obligations provided by the Internal
6 Revenue Code of 1986, as amended, or any other federal
7 statute providing a similar exemption;

8 (30) Developing internal policies and procedures for the
9 procurement of goods and services, consistent with the
10 goals of public accountability and public procurement
11 practices, and subject to management and financial
12 legislative audits; provided that [~~the regional system~~
13 ~~boards shall be responsible for developing internal~~
14 ~~policies and procedures for each of their regional~~
15 ~~systems consistent with the corporation's policies and~~
16 ~~procedures; and further provided that:~~

17 [~~(A)~~ The regional system boards and the corporation
18 board shall enjoy the exemption under section
19 103-53(e);

20 ~~(B)~~ The regional system boards shall enjoy the
21 exemption under chapter 103D; and



1 ~~(C)~~ The] the corporation shall be subject to chapter
2 103D;

3 (31) Authorizing and establishing positions; ~~[provided that~~
4 ~~regional system boards shall be responsible for hiring~~
5 ~~and firing regional and facility personnel consistent~~
6 ~~with corporation policies, except a regional chief~~
7 ~~executive officer shall only be hired or dismissed~~
8 ~~upon the approval of the regional system board as~~
9 ~~further set forth in section 323F-8.5;]~~

10 (32) Having and exercising all rights and powers necessary
11 or incidental to or implied from the specific powers
12 granted in this chapter, which ~~[specific powers]~~ shall
13 not be considered as a limitation upon any power
14 necessary or appropriate to carry out the purposes
15 ~~[and intent]~~ of this chapter; ~~[provided that the~~
16 ~~regional system boards shall be responsible for having~~
17 ~~and exercising all powers and rights with respect to~~
18 ~~matters in their regional systems consistent with the~~
19 ~~law;]~~ and

20 (33) ~~[Each regional system, through its regional system~~
21 ~~board, shall.~~



- 1 ~~(A) Develop policies and procedures necessary or~~
2 ~~appropriate to plan, operate, manage, and control~~
3 ~~the day to day operations of facilities within~~
4 ~~the regional system that are consistent with~~
5 ~~corporation-wide policies;~~
- 6 ~~(B) Exercise custodial control over and use of all~~
7 ~~assets of the corporation that are located in the~~
8 ~~regional system pursuant to this chapter; and~~
- 9 ~~(C) Expend funds within its approved regional system~~
10 ~~budget and expend additional funds in excess of~~
11 ~~its approved regional system budget upon approval~~
12 ~~of the corporation board.] Calling upon the~~
13 ~~attorney general for legal services that the~~
14 ~~corporation may require.~~

15 ~~[(d) Each regional system board shall not be subject to~~
16 ~~chapters 36 to 38, 40, 41D, and 103D as well as part I of~~
17 ~~chapter 92 and shall enjoy the exemptions contained in sections~~
18 ~~102-2 and 103-53(e), except as otherwise provided in this~~
19 ~~chapter. The corporation shall not be subject to chapters 36 to~~
20 ~~38, 40, and 41D, as well as part I of chapter 92, and shall~~
21 ~~enjoy the exemptions contained in sections 102-2 and 103-53(e);~~



~~provided that the exemption provided under this subsection to chapter 37D shall only apply to financing agreements of \$5,000,000 or less; provided further that the aggregate value of financing agreements per fiscal year shall not exceed \$25,000,000.]~~

(b) The corporation shall not be subject to chapters 36, 37, 37D, 38, 40, and 41D, except as otherwise provided in this chapter.

~~[(e)] (c) The duties and powers granted to the corporation [or any regional system board] may not be used to enter into contractual or business relationships that have the practical effect of allowing or are intended to allow private-sector counterparts to replace existing employee positions or responsibilities within the corporation [or in any regional system or its facilities; provided the corporation or regional system boards shall be allowed to enter into such relationships to the extent and for the purposes that the division of community hospitals could have done under collective bargaining contracts that were in effect for the 1995-1996 fiscal year]."~~

SECTION 9. Section 323F-7.6, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:



1 "(b) A transition shall only occur upon approval of the
2 ~~[appropriate regional system board in the case of a regional~~
3 ~~system or individual facility transition, or upon approval of~~
4 ~~the regional system boards and the corporation in the case of~~
5 ~~the transition of the entire]~~ corporation. Any transition shall
6 be subject to legal review by the attorney general who shall
7 approve the transition if satisfied that the transition conforms
8 to all applicable laws, subject to the review of the director of
9 the department of budget and finance who shall approve the
10 transition if it conforms to all applicable financing
11 procedures, and subject to the governor's approval. In addition
12 the transition shall be subject to the following terms and
13 conditions:

14 (1) All proceeds from the sale, lease, or transfer of
15 assets shall be used for health care services in the
16 respective regional system or facility, except that
17 real property shall only be transferred by lease;

18 (2) Any and all liabilities of a regional system or
19 facility transitioning into a new entity that were
20 transferred to the Hawaii health systems corporation
21 upon its creation by Act 262, Session Laws of Hawaii



1 1996, and all liabilities of the regional system or
2 facility related to collective bargaining contracts
3 negotiated by the State, shall become the
4 responsibility of the State; and

5 (3) During the period of transition:

6 (A) The State shall continue to fund the provision of
7 health care services provided for by the regional
8 system or individual facility; and

9 (B) All applicable provisions of this chapter shall
10 continue to apply.

11 Upon the completion of the transition of all the facilities
12 in a regional system to a new entity, the regional system board
13 for that regional system shall terminate; provided that if not
14 all of a regional system's facilities are transitioned to a new
15 entity, the existing regional system board shall not terminate
16 but shall continue to retain jurisdiction over those facilities
17 remaining in the regional system."

18 SECTION 10. Section 323F-8, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "**§323F-8 Chief executive officer; exempt positions.** (a)

21 The corporation board may appoint, by majority vote of its



1 entire membership, a chief executive officer of the corporation
2 whose salary shall be set by the corporation board and who shall
3 be exempt from chapter 76 and section 26-35(a)(4). The chief
4 executive officer may also appoint up to eighteen other
5 personnel, exempt from chapters 76 and 89, to work directly for
6 the chief executive officer and the corporate board.

7 (b) The corporation board or its designee may discharge
8 its exempt personnel with or without cause; provided that
9 removal without cause shall not prejudice any contract rights of
10 personnel.

11 ~~[The discharge of the chief executive officer shall require~~
12 ~~a majority vote of the entire membership of the corporation~~
13 ~~board.]~~

14 (c) The corporation's chief executive officer or the chief
15 executive officer's designee may appoint, exempt from chapters
16 76 and 89, hospital administrators, assistant administrators,
17 directors of nursing, medical directors, and staff physicians,
18 to facilitate the management of facilities within the
19 corporation~~[- provided that directors of nursing appointed~~
20 ~~before July 1, 1998, may maintain their civil service status as~~
21 ~~provided in chapter 76 by so communicating in writing to the~~



1 ~~chief executive officer by October 31, 1998. Hospital~~
2 ~~administrators and assistant administrators appointed before~~
3 ~~July 1, 1983, may maintain their permanent civil service status~~
4 ~~as provided in chapter 76.~~

5 ~~(d) Hiring, firing, compensation packages, and other~~
6 ~~personnel actions with respect to employees not covered by~~
7 ~~chapter 76 and 89 shall be governed by policies and guidelines~~
8 ~~established by the corporation, except as otherwise provided in~~
9 ~~this chapter.~~

10 ~~(e) Upon the establishment of a regional system board, the~~
11 ~~authority to appoint regional hospital administrators, assistant~~
12 ~~administrators, directors of nursing, medical directors, and~~
13 ~~staff physicians under subsection (c) shall be superseded by~~
14 ~~section 323F-8.5 for that regional system. No incumbent~~
15 ~~personnel shall lose a position without specific action taken by~~
16 ~~the regional system board]."~~

17 SECTION 11. Section 323F-9, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "§323F-9 **Hiring of attorneys.** The corporation [and
20 ~~regional system boards~~] may employ or retain any attorney, by
21 contract or otherwise, for the purpose of representing the



1 corporation [~~or regional system boards~~] in any litigation,
2 rendering legal counsel, or drafting legal documents for the
3 corporation [~~or regional system boards~~]."

4 SECTION 12. Section 323F-10, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "§323F-10 Regional public health facility management
7 advisory committees. (a) [~~On the transfer date, there~~] There
8 shall be established within the corporation for each region, a
9 public health facility management advisory committee to consist
10 of nine members initially to be appointed by the chief executive
11 officer of the corporation with the advice of the hospital
12 administrators of the facilities in the affected regions. The
13 members shall serve for a term of four years; provided that upon
14 the initial appointment of the members, two shall be appointed
15 for a term of one year, two for a term of two years, two for a
16 term of three years, and three for a term of four years.

17 Following the initial appointments by the chief executive
18 officer of the corporation board, any vacancies on a regional
19 committee shall be filled by a simple majority vote of the
20 members of the executive committee from a list of qualified
21 nominees submitted by the regional committee in which the



1 vacancy occurred. If a regional committee vacancy remains
2 unfilled for more than thirty days, that vacancy may be filled
3 by the chief executive officer of the corporation.

4 Each regional management advisory committee shall include
5 medical and health care providers, consumers, and knowledgeable
6 individuals in other appropriate areas such as business and law;
7 provided that at least one member shall be a physician with
8 active medical staff privileges at one of the region's public
9 health facilities. At least three members of the committee
10 shall be consumers.

11 The management advisory committee for the East Hawaii
12 region shall have three members who reside in the Ka'u district,
13 three members who reside in the Hamakua/North Hilo districts,
14 and three members who reside in the South Hilo/Puna districts.
15 The management advisory committee for the West Hawaii region
16 shall have not less than three members who reside in the North
17 Kohala/South Kohala districts.

18 Each regional committee shall select its own chairperson
19 and vice chairperson and shall adopt rules governing the terms
20 for removal of its chairperson from the executive management
21 advisory committee. [~~In the event of~~] If a regional committee



1 ~~[voting]~~ votes to remove its chairperson who concurrently sits
2 on the corporation board, that vote shall be unanimous. ~~[In the~~
3 ~~event of]~~ If a regional committee ~~[voting]~~ votes to remove its
4 physician member from the corporation board, that vote shall
5 also be unanimous. Each regional committee may also adopt other
6 rules as it may consider necessary for the conduct of its
7 business.

8 The members of the regional committees shall serve without
9 compensation, but shall be reimbursed for traveling expenses
10 incurred in the performance of their duties. The corporation
11 shall provide for the necessary expenses of the committees;
12 provided that no expenses may be incurred without prior
13 authorization by the chief executive officer.

14 (b) Each regional committee shall sit in an advisory
15 capacity to the chief executive officer on matters concerning
16 the formulation of regional operational and capital improvement
17 budgets, and the planning, construction, improvement,
18 maintenance, and operation of public health facilities within
19 its respective jurisdiction and shall sit in an advisory
20 capacity to the governor on matters concerning the nominees for
21 positions on the corporation board. Nothing in this section



1 shall be construed as precluding or preventing the committees
2 from coordinating their efforts and activities with the facility
3 administrators within their counties.

4 (c) Each regional committee may prepare a report for
5 inclusion with the corporation's annual report and audit, which
6 shall include but not be limited to comments and analyses on the
7 corporation's regional operational and capital improvement
8 budgets for its respective region.

9 ~~[(d) Upon the establishment of a regional system board for~~
10 ~~a regional system pursuant to section 323F-3.5, this section~~
11 ~~shall no longer apply to that regional system.] "~~

12 SECTION 13. Section 323F-10.5, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "§323F-10.5 Executive public health facility management
15 advisory committee; establishment. (a) There is established
16 within the corporation an executive public health facility
17 management advisory committee to consist of the chairpersons of
18 each of the five regional public health facility management
19 advisory committees. The executive committee ~~[shall]~~, through
20 its chairperson, shall represent the interests of all regional
21 committees on the corporation board.



1 (b) The executive committee shall select its own
2 chairperson to serve on the corporation board and shall adopt
3 rules governing the terms of office and removal from the
4 corporation board. The executive committee shall also adopt
5 rules governing the terms of office for each of the five
6 regional committee chairpersons. The executive committee may
7 also adopt other rules as it may consider necessary for the
8 conduct of its business.

9 (c) The members of the executive committee shall serve
10 without compensation, but shall be reimbursed for reasonable
11 expenses incurred in the performance of their duties.

12 ~~[(d) Upon the establishment of a regional system board for~~
13 ~~a regional system pursuant to section 323F-3.5, this section~~
14 ~~shall no longer apply to that regional system.] "~~

15 SECTION 14. Section 323F-11, Hawaii Revised Statutes, is
16 amended to read as follows:

17 **"§323F-11 Executive branch; noninterference.**

18 Notwithstanding any other law to the contrary, the governor and
19 executive branch agencies shall limit their responsibilities to
20 that of review and oversight when the corporation ~~[or regional~~
21 ~~system board]~~ receives general funds from the State to subsidize



1 the operating budgets of deficit facilities. The governor and
2 executive branch agencies shall not interfere with the systemic
3 change, capacity building, advocacy, budget, personnel, system
4 plan development, or plan implementation activities of the
5 corporation [~~or any regional system board~~]. The governor and
6 executive branch agencies shall not interfere with the ability
7 of the corporation [~~or regional system board~~] to function as a
8 multiple facility public hospital system delivering health care
9 services to the residents of the State."

10 SECTION 15. Section 323F-21, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§323F-21 Fiscal provisions.** (a) There is created in the
13 state treasury a special fund to be known as the health systems
14 special fund, into which shall be deposited all fees, proceeds,
15 reimbursements, and the like owed to or received by the
16 corporation[~~, any regional system board,~~] and its facilities,
17 except as herein provided. [~~There shall be established within~~
18 ~~the special fund regional subaccounts for each regional system~~
19 ~~board upon its establishment.~~] The special fund [~~and the~~
20 ~~regional subaccounts~~] shall be used solely to fulfill the
21 purposes outlined in this chapter.



1 The corporation ~~[and each regional system board]~~ may
2 establish and maintain, within the health systems special fund
3 ~~[or any regional subaccount]~~, any ~~[ether]~~ accounts that ~~[may be]~~
4 are necessary ~~[and appropriate]~~ to carry out its purposes and
5 responsibilities.

6 ~~[The corporation and any regional system board may deposit~~
7 ~~moneys into trustee accounts for the purposes of securing or~~
8 ~~issuing bonds.]~~

9 The corporation ~~[and regional system boards]~~ may provide
10 reasonable reserves for any of the following purposes:

- 11 (1) Insurance deductibles;
- 12 (2) The improvement, replacement, or expansion of their
13 facilities or services;
- 14 (3) The securing of the corporation's ~~[or regional system~~
15 ~~boards]~~ bonds, notes, or other instruments of
16 indebtedness; or
- 17 (4) Any other purpose the corporation ~~[or the regional~~
18 ~~system boards deem]~~ deems necessary ~~[or appropriate]~~
19 in the performance of their purposes and
20 responsibilities.



1 (b) The corporation board [~~and regional system boards~~]
2 shall [~~collaboratively~~] develop budgetary guidelines and annual
3 operating and capital budgets for each facility, taking into
4 account anticipated surpluses from or subsidies to the
5 facilities pursuant to the annual guidelines described in this
6 section, accumulated corporation and regional reserves and
7 accounts, subsidies, if any, that are determined to be needed
8 from the general fund, and other sources of corporation-wide and
9 regional income as may be identified. [~~Two year budgets will be~~
10 ~~approved for regional system boards, in alignment with State of~~
11 ~~Hawaii biennium budgeting. The corporate board shall not alter~~
12 ~~the two year budget of a regional system except:~~

13 ~~(1) Where state general funding is reduced;~~

14 ~~(2) An emergency exists; or~~

15 ~~(3) There is a renegotiated budget approved by a regional~~
16 ~~system board].~~

17 The corporation [~~and regional system boards~~] shall
18 [~~collaboratively~~] develop budgetary guidelines [~~and negotiate~~
19 ~~with each facility~~], and may allocate to each facility
20 reasonable corporation administrative costs, including funds



1 determined by the corporation [~~or any regional system board~~] to
2 be needed from or provided to each facility to:

3 (1) Repay corporation [~~or regional system board~~] debts;

4 (2) Provide subsidies to any facility determined to be
5 unable to fund from within that facility's programs
6 and services deemed essential to community needs; and

7 (3) Maintain appropriate reserves.

8 (c) The corporation [~~and regional system boards~~] shall
9 [~~collaboratively~~] develop annual corporation operating and
10 capital budgets, taking into account anticipated surpluses from
11 or subsidies to the facilities pursuant to the annual guidelines
12 described in this section, accumulated corporation [~~and regional~~
13 ~~system board~~] reserves and accounts, subsidies, if any, that are
14 determined to be needed from the general fund, and other sources
15 of corporation-wide [~~and regional system board~~] income as may be
16 identified.

17 [~~(d) Beginning with the first of the legislative biennium~~
18 ~~budget years following the establishment of a regional system~~
19 ~~board, and for each biennium period thereafter, the corporation~~
20 ~~shall call together all the regional systems through~~
21 ~~representatives selected by each regional system board, and the~~



~~chairs of the facility management advisory committees, if any,
to determine which services and functions should be provided by
the corporation for the next biennium budget period, consistent
with this chapter. As part of the biennium budgeting process,
the corporation board and the representatives of each regional
system, working through the corporation board regional
representatives, shall agree upon an allocation methodology for
funding the agreed upon and statutorily created corporate
services and functions.~~

~~(e)] (d) The corporation may share in any facility's
surplus and may offset any facility's deficits as provided
herein. [Any regional system board shall share in the surplus
of any facility within the regional system and shall offset any
facility deficits within its regional system. Operating
surpluses of the regional system board shall be reinvested in
the operations of that regional system in any prudent manner,
provided that upon request, and subject to authorization by the
regional system board, the regional system board may share its
surplus or resources with a facility outside of the regional
system to benefit the corporation wide system of health care.]~~
Obligations undertaken by a facility shall be paid only from



1 funds of that facility, unless the corporation board~~[, the~~
2 ~~regional system board managing the facility, or an]~~ or its
3 authorized agent explicitly agrees to guarantee the obligation.
4 ~~[Loans and other transfers may be made between regional systems~~
5 ~~upon approval of the affected regional system boards to assist~~
6 ~~in the cash flow and operations of the public health~~
7 ~~facilities.]~~

8 ~~[-(f)]~~ (e) In accordance with each annual facility budget,
9 and subject to policies established by the corporation board
10 ~~[and by each regional system board,]~~ each facility of the
11 corporation ~~[and regional system board, respectively,]~~ shall:

- 12 (1) Bill and collect for its services;
13 (2) Maintain bank accounts; and
14 (3) Pay for needed personnel, supplies, equipment, and
15 other operational and capital expenditures.

16 ~~[-(g)]~~ (f) The corporation ~~[and each regional system~~
17 ~~board],~~ subject to policies established by the corporation ~~[and~~
18 ~~each regional system board, respectively],~~ may elect to manage
19 its own capital improvement project and funds, either directly
20 or indirectly by contract; provided that annual reports of the
21 project moneys are provided to the governor and legislature.



1 ~~[(h)]~~ (g) The corporation board ~~[and regional system~~
2 ~~boards]~~ may hold public informational meetings on ~~[their]~~ its
3 budgets. Representatives of any county government, state
4 government, or any other person having an interest in the
5 budget, shall have the right to be heard at the meetings."

6 SECTION 16. Section 323F-22, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "**§323F-22 Annual audit and report; disclosure of revenue**
9 **projections** ~~[; internal performance audit]~~. (a) The corporation
10 shall engage a certified public accountant to conduct an annual
11 audit of its financial affairs, books, and records in accordance
12 with generally accepted accounting principles. ~~[The~~
13 ~~corporation, in consultation with a regional system board, may~~
14 ~~permit or require a regional system board to retain an audit~~
15 ~~firm to conduct an independent audit of the regional system.~~
16 ~~Each regional system board shall submit the results of the~~
17 ~~annual audit to the corporation board within one hundred twenty~~
18 ~~days after the close of the regional system board's fiscal~~
19 ~~year.]~~ The corporation shall submit to the governor and the
20 legislature, within one hundred fifty days after the close of
21 the corporation's fiscal year, a report that shall include the



1 audited financial report for that fiscal year for the
2 corporation [~~and each regional system board~~].

3 (b) In addition to the submittal of the audit required
4 under subsection (a), the corporation[~~, in cooperation with the~~
5 ~~regional system boards,~~] shall submit a report to the
6 legislature at least twenty days prior to the convening of each
7 regular session that shall include but not be limited to:

8 (1) The projected revenues for each health care facility;

9 (2) A list of all proposed capital improvement projects
10 planned for implementation during the following fiscal
11 year; and

12 (3) All reports submitted by regional public health
13 facility management advisory committees pursuant to
14 section 323F-10(c).

15 (c) The regional [~~system boards~~] public health facility
16 management advisory committee shall prepare a report for
17 inclusion with the corporation's annual report and audit.

18 (d) There shall be an annual internal audit of the
19 management and operations of the corporation [~~and regions~~]. The
20 corporation[~~, in cooperation with the regional system boards,~~]
21 shall submit a report to the legislature at least twenty days



1 prior to the convening of each regular session on the results of
2 the annual internal audit of the management and operations of
3 the corporation [~~and regions~~]."

4 SECTION 17. Section 323F-23, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "**§323F-23 Exemption from taxation.** The corporation [~~and~~
7 ~~each regional system board~~] shall be exempt from paying any:

8 (1) Assessments levied by any county; and

9 (2) State taxes of any kind."

10 SECTION 18. Section 323F-24, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "**§323F-24 Budget oversight.** The corporation's [~~and each~~
13 ~~regional system board's~~] operating and capital improvement
14 budgets shall not be subject to review or approval by the
15 governor or any state agency, except where state general funds
16 or capital improvement moneys are requested. If general funds
17 or capital improvement moneys are requested, then the
18 corporation [~~or any regional system board~~] shall include, with
19 its request, the proposed budget for which the funds or moneys
20 are to be included. The corporation [~~and regional system~~
21 ~~boards, once operational,~~] shall [~~collaboratively~~] submit



1 ~~[their]~~ its budgets annually to the legislature for review and
2 approval at least twenty days prior to the convening of the
3 regular legislative session~~[, beginning with the budgets for the~~
4 ~~2010-2011 biennium fiscal years]~~."

5 SECTION 19. Section 323F-25, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "[~~f~~] ~~§323F-25~~ [~~f~~ ~~Regional system board; community~~] Community
8 hospitals; community health centers; collaboration. Each
9 ~~[regional system board and each]~~ community hospital under the
10 jurisdiction of the corporation shall collaborate with community
11 health centers within their respective geographic jurisdictions
12 to maximize funding from the state and federal governments to:

- 13 (1) Maximize reimbursement for health care services
14 provided;
15 (2) Acquire funds for capital investment;
16 (3) Provide expanded hours of service; and
17 (4) Ensure the provision of the appropriate level of care
18 to the community served by each community health
19 center."

20 SECTION 20. Section 323F-31, Hawaii Revised Statutes, is
21 amended to read as follows:



1 "§323F-31 Maintenance of services. (a) Prior to
2 implementation, the corporation shall notify the legislature of
3 any planned substantial expansion, reduction, or elimination of
4 direct patient care services.

5 ~~[-(a)]~~ (b) No ~~[planned]~~ substantial reduction or
6 elimination of direct patient care services at any facility
7 shall be undertaken ~~[unless all of the following requirements~~
8 ~~are met:~~

9 ~~(1) An initial determination is made by the regional chief~~
10 ~~executive officer as to critical and emergency~~
11 ~~services which shall not be subject to reduction or~~
12 ~~elimination pursuant to this section;~~

13 ~~(2) The plan of the facility to substantially reduce or~~
14 ~~eliminate any direct patient care services at the~~
15 ~~health facility shall first be presented to the~~
16 ~~regional system board for its approval;~~

17 ~~(3) Subsequent to the requisite regional system board~~
18 ~~approval, the regional chief executive officer shall~~
19 ~~present the plan to the community in which the~~
20 ~~facility is located, at a community informational~~
21 ~~meeting, in order to obtain community input on the~~



1 plan; and

2 ~~(4) Provided that if the regional system board approves~~
3 ~~the plan, the plan as approved by the regional system~~
4 ~~board shall be submitted to the corporation board for~~
5 ~~ratification.]~~ by the corporation without the approval
6 of the legislature.

7 ~~[(b) After the community informational meeting, but at~~
8 ~~least twenty days prior to the implementation of the plan~~
9 ~~approved by the regional system board, the regional system board~~
10 ~~shall give notice of implementation of the plan to the governor,~~
11 ~~senate president, and the speaker of the house of~~
12 ~~representatives.~~

13 ~~(c) The decision of the regional system board shall be the~~
14 ~~final decision with respect to the plan. Implementation of the~~
15 ~~plan shall commence and continue, provided that no legislation~~
16 ~~is enacted that:~~

17 ~~(1) Requires the reinstatement and continuation of the~~
18 ~~direct patient care services that are subject to~~
19 ~~reduction or elimination under the plan; and~~

20 ~~(2) Includes an appropriation of additional moneys~~
21 ~~sufficient to adequately fund the mandated~~



1 ~~reinstatement and continuation of the subject direct~~
2 ~~patient care services.]~~

3 (c) The legislature shall maintain review and oversight
4 authority over the provision of direct patient care services
5 provided at each facility and may intervene to counter or
6 restrict any substantial reduction or elimination of patient
7 care services."

8 SECTION 21. Section 323F-3.5, Hawaii Revised Statutes, is
9 repealed.

10 ~~["§323F-3.5 Regional system boards. (a) There is hereby~~
11 ~~established a regional system board of directors to govern each~~
12 ~~of the five regional systems specified in section 323F-2, no~~
13 ~~later than January 1, 2008. The regional system boards of~~
14 ~~directors shall carry out the duties and responsibilities as set~~
15 ~~forth in this chapter and as further delegated by the~~
16 ~~corporation.~~

17 ~~(b) Upon its establishment, a regional system board shall~~
18 ~~assume custodial care of all financial assets, real property,~~
19 ~~including land, structures, and fixtures, or other physical~~
20 ~~assets, such as personal property, including furnishings,~~
21 ~~equipment, and inventory, of the corporation within its regional~~



1 ~~system. No sale or encumbrance of any such real property or~~
2 ~~such other financial assets, physical assets of the corporation~~
3 ~~shall be permitted without the mutual consent of the Hawaii~~
4 ~~health systems corporation board and the appropriate regional~~
5 ~~system board. No additional debts or liabilities or superior~~
6 ~~debts shall be added by the corporation to any regional system~~
7 ~~board that would negatively impact the holders of bond notes.~~
8 ~~Each regional system board shall be liable for any liabilities~~
9 ~~arising from financial assets, real or personal property in its~~
10 ~~custodial care.~~

11 ~~(c) Each regional system shall be governed by a regional~~
12 ~~system board of directors to consist of not less than seven~~
13 ~~members and not more than fifteen members, as determined by the~~
14 ~~regional system board after the initial regional system board is~~
15 ~~established.~~

16 ~~(1) Each regional system board shall initially consist of~~
17 ~~twelve members to be appointed by the governor under~~
18 ~~section 26-34 or as provided in this section, as~~
19 ~~follows:~~



1 ~~(A) Four members shall be appointed by the governor~~
2 ~~within thirty days of receipt of a qualified list~~
3 ~~of candidates as follows:~~

4 ~~(i) Two members shall be chosen from a list of~~
5 ~~four individuals submitted by the speaker of~~
6 ~~the house of representatives within fifteen~~
7 ~~days of July 1, 2007; provided that this~~
8 ~~list shall not include physicians; and~~

9 ~~(ii) Two members shall be chosen from a list of~~
10 ~~four individuals submitted by the president~~
11 ~~of the senate within fifteen days of July 1,~~
12 ~~2007; provided that this list shall not~~
13 ~~include physicians;~~

14 ~~(B) Four members shall be appointed by the governor~~
15 ~~within thirty days from a list of eight~~
16 ~~individuals nominated by the regional public~~
17 ~~health facility management advisory committee~~
18 ~~within fifteen days of July 1, 2007. These~~
19 ~~individuals may be medical and health care~~
20 ~~providers and professionals, consumers, and~~
21 ~~knowledgeable individuals in other appropriate~~



1 ~~areas such as business, finance, and law;~~

2 ~~provided that these individuals shall not be~~

3 ~~physicians currently in active practice;~~

4 ~~(C) Three physicians shall be appointed by the~~

5 ~~governor within thirty days from a list submitted~~

6 ~~within fifteen days of July 1, 2007, of six~~

7 ~~physicians nominated by a majority vote of the~~

8 ~~medical staff of the public health facilities in~~

9 ~~the regional system present at a duly noticed~~

10 ~~meeting from a list of qualified candidates~~

11 ~~submitted by the medical executive committees in~~

12 ~~the regional system; and~~

13 ~~(D) The corporation board chairperson or~~

14 ~~chairperson's designee shall serve as an ex~~

15 ~~officio, nonvoting member of each regional system~~

16 ~~board;~~

17 ~~(2) One member of each regional system board nominated by~~

18 ~~the speaker of the house of representatives, the~~

19 ~~president of the senate, and medical executive~~

20 ~~committees in a regional system shall be appointed for~~

21 ~~a term of two years;~~



- ~~(3) One member of each initial regional system board
nominated by the regional public health facility
management advisory committee for the regional system
shall be appointed for a term of two years;~~
- ~~(4) The remaining members of each initial regional system
board and all members appointed thereafter shall be
appointed for terms of three years; and~~
- ~~(5) New regional system board members appointed to any
regional system board after the initial regional
system board shall be selected by a two thirds
affirmative vote of the existing regional system board
members.~~

~~Except for the ex officio members of each regional system board,
all other members of a regional system board shall be residents
of the region. Each regional system board shall elect its own
chair.~~

~~(d) Each regional system board shall:~~

- ~~(1) Be responsible for local governance, operations, and
administration of the delivery of services in its
respective regional system as set forth in this
chapter and as further delegated by the corporation;~~



~~(2) Include medical and health care providers and professionals, consumers, and knowledgeable individuals in other appropriate areas, such as business, finance, and law; provided that no more than three members of the regional system board shall be physicians;~~

~~(3) Be as balanced and representative of the community stakeholders as possible; and~~

~~(4) Have the powers, duties, and responsibilities that are specific to the regional system board as provided in this chapter.~~

~~(e) Any member of a regional system board may be removed for cause by the governor or for cause by vote of a two thirds majority of the regional system board's voting members then in office. For purposes of this section, "cause" shall include without limitation:~~

~~(1) Malfeasance in office;~~

~~(2) Persistent failure to attend regularly called meetings;~~

~~(3) Sentencing for conviction of a felony, to the extent allowed by section 831-3.1; or~~



1 ~~(4) Any other cause that may render a member incapable of~~
2 ~~discharging or unfit to discharge the duties required~~
3 ~~under this chapter."]~~

4 SECTION 22. Section 323F-4.5, Hawaii Revised Statutes, is
5 repealed.

6 ~~["**§323F-4.5** Captive insurance board. (a) There is~~
7 ~~established a ten member captive insurance board that shall~~
8 ~~carry out the corporation's duties and responsibilities relating~~
9 ~~to the establishment of any captive insurance company pursuant~~
10 ~~to section [323F-7(c)(20)] and the operation thereof.~~

11 ~~(b) Eight members of the captive insurance board shall be~~
12 ~~appointed by the governor as follows:~~

13 ~~(1) Three members from a list of five persons submitted by~~
14 ~~the president of the senate; provided that at least~~
15 ~~one of these members shall have experience in the~~
16 ~~insurance industry and financial matters;~~

17 ~~(2) Three members from a list of five persons submitted by~~
18 ~~the speaker of the house of representatives; provided~~
19 ~~that at least one of these members shall have~~
20 ~~experience in the insurance industry and financial~~
21 ~~matters; and~~



~~(3) Two members, one of whom shall be the chief executive officer or chief financial officer of an insurer licensed to do business in the State and shall serve as a nonvoting member.~~

~~The director of health or the director's designee and the insurance commissioner or the commissioner's designee shall serve as ex officio, nonvoting members.~~

~~Any vacancy shall be filled in the same manner provided for the original appointments. The captive insurance board shall elect its own chair from among its members.~~

~~(c) The selection, appointment, and confirmation of any appointed nominee shall be based on ensuring that captive insurance board members have diverse and beneficial perspectives and experiences and that they include, to the extent possible, representatives of the insurance and/or finance sectors.~~

~~Members of the captive insurance board shall serve without compensation but may be reimbursed for actual expenses, including travel expenses incurred in the performance of their duties.~~

~~(d) Any appointed member of the captive insurance board may be removed for cause by the governor or for cause by vote of~~



~~a two thirds majority of the captive insurance board members
then in office. For purposes of this section, cause shall
include without limitation:~~

- ~~(1) Malfeasance in office;~~
- ~~(2) Failure to attend regularly called meetings;~~
- ~~(3) Sentencing for conviction of a felony, to the extent
allowed by section 831-2, or~~
- ~~(4) Any other cause that may render a member incapable or
unfit to discharge the duties required under this
chapter.~~

~~Filing nomination papers for elective office, appointment to
elective office, or conviction of a felony consistent with
section 831-3.1, shall automatically and immediately disqualify
a board member from office.~~

~~(e) No member of the captive insurance board shall be an
employee or vendor of the corporation, or an immediate family
member thereof. For purposes of this subsection, "immediate
family member" means a corporation board employee's or vendor's
spouse, child, parent, grandparent, or any related individual
who resides in the same household of the employee or vendor.] "~~



1 SECTION 23. Section 323F-7.5, Hawaii Revised Statutes, is
2 repealed.

3 ~~["§323F-7.5] Regional system boards; delegated authority.~~
4 ~~If the Hawaii health systems corporation board is unable to act~~
5 ~~on important transactions in as timely a manner as the~~
6 ~~chairperson of the corporation board deems reasonable, the~~
7 ~~chairperson of the corporation board may further delegate~~
8 ~~authority to the regional system boards to take action on~~
9 ~~specific matters."]~~

10 SECTION 24. Section 323F-8.5, Hawaii Revised Statutes, is
11 repealed.

12 ~~["§323F-8.5 Regional chief executive officer; exempt~~
13 ~~position. (a) Upon establishment, a regional system board may~~
14 ~~appoint a regional chief executive officer whose salary shall be~~
15 ~~set by the corresponding regional system board and may discharge~~
16 ~~a regional chief executive officer; provided that the position~~
17 ~~shall be exempt from chapter 76 and section 26-35(a)(4). Each~~
18 ~~regional chief executive officer may also appoint, as necessary,~~
19 ~~other personnel, exempt from chapters 76 and 89, to work~~
20 ~~directly for the regional chief executive officer for the~~
21 ~~regional system and for the corresponding regional system board.~~



1 ~~(b) Any regional system board or its designee may~~
2 ~~discharge its exempt personnel with or without cause, provided~~
3 ~~that removal without cause shall not prejudice any contract~~
4 ~~rights of personnel.~~

5 ~~(c) Each regional chief executive officer or their~~
6 ~~designees may appoint, exempt from chapters 76 and 89, hospital~~
7 ~~administrators, assistant administrators, directors of nursing,~~
8 ~~medical directors, and staff physicians, to facilitate the~~
9 ~~management of facilities within the regional system.~~

10 ~~(d) Hiring, firing, compensation packages, and other~~
11 ~~personnel actions with respect to employees not covered by~~
12 ~~chapters 76 and 89 shall be governed by policies adopted by each~~
13 ~~regional system board. These policies and guidelines shall be~~
14 ~~consistent with policies and guidelines adopted by the~~
15 ~~corporation board after consultation with the regional system~~
16 ~~boards."]~~

17 SECTION 25. The auditor shall conduct a comprehensive
18 financial and management audit of the Hawaii health systems
19 corporation, including an analysis of information technology
20 operations, procurement practices, contract administration, cash
21 collections, accounts receivable, and personnel management.



1 SECTION 26. The auditor shall submit a report of its
2 findings and recommendations, including any proposed
3 legislation, to the legislature no later than twenty days prior
4 to the convening of the regular session of 2016.

5 SECTION 27. All rights, powers, functions, and duties of
6 the Hawaii health systems corporation regional system boards are
7 transferred to the Hawaii health systems corporation.

8 All employees who occupy civil service positions and whose
9 functions are transferred to the Hawaii health systems
10 corporation by this Act shall retain their civil service status,
11 whether permanent or temporary. Employees shall be transferred
12 without loss of salary, seniority (except as prescribed by
13 applicable collective bargaining agreements), retention points,
14 prior service credit, any vacation and sick leave credits
15 previously earned, and other rights, benefits, and privileges,
16 in accordance with state personnel laws and this Act; provided
17 that the employees possess the minimum qualifications and public
18 employment requirements for the class or position to which
19 transferred or appointed, as applicable; provided further that
20 subsequent changes in status may be made pursuant to applicable
21 civil service and compensation laws.



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

16 SECTION 28. All appropriations, records, equipment,
17 machines, files, supplies, contracts, books, papers, documents,
18 maps, and other personal property heretofore made, used,
19 acquired, or held by the Hawaii health systems corporation
20 regional system boards relating to the functions transferred to



1 the Hawaii health systems corporation shall be transferred with
2 the functions to which they relate.

3 SECTION 29. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 30. This Act shall take effect on July 1, 2015.

6

INTRODUCED BY:

R. D. Dye
John Dyer



S.B. NO. 1355

Report Title:

HHSC; Regional System Boards

Description:

Repeals the regional system boards of the HHSC. Increases the size of the HHSC board and changes its composition.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

