

JAN 23 2015

A BILL FOR AN ACT

RELATING TO HAWAII HEALTH SYSTEMS CORPORATION.

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

1 SECTION 1. The purpose of this Act is to ensure that all
2 of the people of Hawaii, especially those residing in
3 underserved rural communities, have continued access to health
4 care services, by establishing a process for determining whether
5 the health care services presently provided by the Hawaii health
6 systems corporation, one or more of the corporation's five
7 regional health care systems, or one of more of the
8 corporation's health systems facilities can be delivered more
9 cost-effectively, by partnering with a healthcare management
10 system that is presently providing hospital services in the
11 State, and has provided such services, without interruption, for
12 at least ten years.

13 SECTION 2. Chapter 323F, Hawaii Revised Statutes, is
14 amended by adding a new part to be appropriately designated and
15 to read as follows:



1 "PART . PARTNERING PROCESS FOR THE OPERATION OF THE HAWAII
2 HEALTH SYSTEMS CORPORATION, ONE OR MORE REGIONAL SYSTEMS, OR ONE
3 OR MORE HEALTH SYSTEMS FACILITIES.

4 §323F-A Authority to partner. Notwithstanding any other
5 law to the contrary, including but not limited to chapters 76,
6 89, 103D, 323D, and 343, and subject to the disapproval of two-
7 thirds of the members of each house of the legislature, the
8 governor, with the assistance of the transition committee
9 established in section 323F-B, may select and enter into written
10 agreements, reviewed and approved by the attorney general, with
11 a healthcare management system that offers to assume some or all
12 of the responsibilities of one or more of the corporation's
13 regional systems or one or more of the corporation's health
14 systems facilities to deliver health care in the communities the
15 regional systems or health system facilities serve.

16 For purposes of this part, the term "healthcare management
17 system" means a nonprofit or public benefit corporation
18 registered to do business in the State, with expertise and
19 experience operating an integrated clinical health care delivery
20 system in the State for no less than ten years and has been



1 providing hospital services, including trauma, pediatric,
2 neonatal, cardiac, and other specialty health care.

3 **§323F-B Transition committee; establishment.** (a) There
4 is established a transition committee of nineteen members that
5 is to be chaired by the governor or the governor's designee. In
6 addition to the governor or the governor's designee, the members
7 of the committee shall include the following members:

- 8 (1) The attorney general or the attorney general's
9 designee;
- 10 (2) The director of finance or the director's designee;
- 11 (3) A representative of the corporation board designated
12 by the corporation board;
- 13 (4) One representative of each of two public sector labor
14 unions with members who are employed by the
15 corporation designated by their respective unions;
- 16 (5) The chief executive officer or acting chief executive
17 officer of the corporation;
- 18 (6) Five representatives, one from each of the
19 corporation's five regional systems, designated by
20 each of the regional system boards;



1 (7) Five physician representatives, one from each of the
2 corporation's five regional systems, designated by the
3 medical staff of the corporation's five regional
4 systems;

5 (8) The speaker of the house of representatives, or the
6 speaker's designee; and

7 (9) The president of the senate, or the president's
8 designee.

9 Each representative member shall serve without a fixed term, at
10 the pleasure of the representative's designating entity;
11 provided that each entity's designation is confirmed in writing
12 to the governor, by the designating entity, before the
13 representative may serve.

14 (b) A majority of all of the members to which the
15 committee is entitled shall constitute a quorum for the
16 committee to do business. Only the governor or the governor's
17 designee, the members described in subsection (a)(1), (2), (3),
18 (4), (5), (8), and (9) and the representative member and the
19 physician representative from the regional system affected may
20 vote on final decisions of the committee and recommendations to
21 the governor to accept or reject a transition plan, or offer to



1 purchase the assets of one or more facilities, and at least six
2 members shall vote in the affirmative in order for the decision
3 to be valid and binding. All members of the committee may vote
4 on all other matters the committee acts upon, and the
5 concurrence of a majority of all members in attendance at a
6 meeting where that action is proposed shall be necessary to make
7 that action valid.

8 **§323F-C Transition committee; powers and**

9 **responsibilities.** (a) The transition committee shall:

- 10 (1) Give notice inviting healthcare management systems to
11 submit a transition plan for assuming some or all of
12 the responsibilities of one or more of the
13 corporation's regional systems, or one or more of the
14 corporation's health systems facilities, to deliver
15 health care in the communities the systems or
16 facilities serve;
- 17 (2) Develop criteria for evaluating the transition plans
18 and any other pertinent information healthcare
19 management systems submitted in response to the notice
20 published pursuant to paragraph (1);



- 1 (3) Consult with the medical staff, hospital staff, and
2 the affected communities on the transition plans that
3 have been submitted;
- 4 (4) Evaluate the transition plans submitted by the
5 healthcare management systems in response to the
6 notice published pursuant to paragraph (1), and
7 prepare and submit findings and recommendations to the
8 governor for selecting one or more healthcare
9 management systems to assume the responsibilities of
10 one or more regional systems or health systems
11 facilities to deliver health care in the communities
12 they serve;
- 13 (5) In conjunction with the attorney general's review and
14 approval, prepare the State's proposed agreements that
15 are to be executed by the State and each healthcare
16 management system selected by the governor to
17 implement its transition plan; provided that the
18 governor shall have the authority to modify the
19 proposed agreements;
- 20 (6) Monitor the selected healthcare management systems'
21 implementation of the agreements; and



1 (7) Submit a report to the governor and to the legislature
2 no later than twenty days prior to the convening of
3 each regular session on the achievements of the
4 selected healthcare management systems in meeting the
5 goals proposed in the transition plan and the health
6 care needs of the communities being served.

7 (b) All meetings and deliberations of the transition
8 committee shall be subject to chapter 92.

9 **§323F-D Transition plan.** The transition plan a healthcare
10 management system submits in response to a notice published
11 under section 323F-C shall include provisions to:

12 (1) Establish a governance and management structure that
13 will improve the performance of the hospitals and
14 facilities of the corporation, regional system, or
15 combined regional systems;

16 (2) Increase efficiencies of scale, shared services, and
17 administrative and technological expertise to improve
18 the health care performance of the hospitals and
19 facilities of the corporation, regional system, or
20 combined regional system;



- 1 (3) Implement operational efficiencies and a financial
2 structure that will reduce or eliminate the need for
3 state subsidies during the period of transition;
4 (4) Establish a personnel system comprised exclusively of
5 public employees; and
6 (5) Protect and promote the health care needs of the areas
7 being served and deliver a high quality of clinical
8 care and patient services.

9 **§323F-E Management agreement executed by the State and**
10 **selected healthcare management systems.** At a minimum, the
11 agreement executed by the State and any healthcare management
12 system selected to implement its transition plan shall include
13 provisions that:

- 14 (1) Specify that any and all liabilities of the
15 corporation, regional system, or combined regional
16 system transitioning into a new healthcare management
17 system that were transferred to the corporation upon
18 its creation pursuant to Act 262, Session Laws of
19 Hawaii 1996, and all liabilities of the corporation,
20 regional system, or combined regional system related



1 to collective bargaining contracts negotiated by the
2 State, shall remain the responsibility of the State;

3 (2) Assure that the selected healthcare management system
4 shall receive general fund support from the State
5 sufficient to maintain equivalent hospital services in
6 acquired regions for no more than five years after its
7 assumption of the responsibilities of one or more
8 regional systems or health systems facilities to
9 deliver health care in the communities served by the
10 systems or facilities;

11 (3) Allow the State or the selected healthcare management
12 system to terminate the agreement with a minimum of
13 one hundred eighty days written notice to ensure that
14 the delivery of health care to the community served
15 will not be disrupted;

16 (4) Allow the selected healthcare management system
17 exclusive control of all matters related to the
18 management and operation of the facility or regional
19 system subject to the transition plan;

20 (5) Dissolve the regional system board if the transition
21 plan that is selected provides that the selected



1 healthcare management system shall operate and manage
2 all of the facilities in a region;

3 (6) Permit the selected healthcare management system to
4 submit to the transition committee a written offer to
5 purchase all of the tangible assets, excluding real
6 property, of one or more facilities in a regional
7 system, including but not limited to buildings,
8 fixtures, equipment, machinery, and inventory located
9 on, about, or under the facilities;

10 (7) Permit the State, upon an affirmative vote of at least
11 six voting members and approval of the governor, to
12 accept the written offer to purchase submitted by the
13 selected healthcare management system, and to enter
14 into a written purchase and sale agreement for the
15 transfer of all of the assets of one or more regional
16 systems or facilities, except real property, to the
17 healthcare management system; provided that any
18 property or services acquired pursuant to the purchase
19 and sale agreement shall be exempt from chapter 323D,
20 part V; provided further that the purchase and sale
21 agreement may not be executed by the State until the



1 selected healthcare management system and the
2 exclusive representatives of the employees of the
3 corporation who are employed in the facility or region
4 that is the subject of the purchase and sale agreement
5 negotiate and enter into a written agreement regarding
6 the rights of the employees of the corporation
7 affected by the purchase and sale, and that agreement
8 is incorporated into the purchase and sale agreement
9 in its entirety so that it is binding upon the
10 selected healthcare management system;

11 (8) Permit the selected healthcare management system upon
12 receipt of the transition committee's written
13 acceptance of the offer to purchase, to commence labor
14 negotiations with the public sector labor unions that
15 then represent the employees employed in the facility
16 or region that is the subject of the purchase and sale
17 agreement; and

18 (9) Permit the incumbent union to negotiate with the
19 purchasing healthcare management system in lieu of the
20 public employer.



1 Upon the closing of the purchase of the assets of a
2 regional system, the provisions of chapter 323F shall be
3 inapplicable as to that regional system."

4 SECTION 3. Section 323F-7.6, Hawaii Revised Statutes, is
5 repealed.

6 ~~["§323F-7.6] Transition of Hawaii health systems regional~~
7 ~~system or health facility to a new entity. (a) Notwithstanding~~
8 ~~any other law to the contrary, including but not limited to~~
9 ~~section 27-1 and chapter 171, any of the regional systems or~~
10 ~~individual facilities of the Hawaii health systems corporation~~
11 ~~is hereby authorized to transition into a new legal entity in~~
12 ~~any form recognized under the laws of the State, including but~~
13 ~~not limited to:~~

14 ~~(1) A nonprofit corporation;~~

15 ~~(2) A for-profit corporation;~~

16 ~~(3) A municipal facility;~~

17 ~~(4) A public benefit corporation; or~~

18 ~~(5) Any two or more of the entities in paragraphs (1)~~

19 ~~through (4).~~

20 ~~A transition shall occur through the sale, lease, or transfer of~~
21 ~~all or substantially all of the assets of the facility or~~



1 ~~regional system, except for real property which shall only be~~
2 ~~transferred by lease. Any transition shall comply with chapter~~
3 ~~323D.~~

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

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



~~(2) Any and all liabilities of a regional system or facility transitioning into a new entity that were transferred to the Hawaii health systems corporation upon its creation by Act 262, Session Laws of Hawaii 1996, and all liabilities of the regional system or facility related to collective bargaining contracts negotiated by the State, shall become the responsibility of the State; and~~

~~(3) During the period of transition:~~

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

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

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



1 SECTION 4. No employee of the Hawaii health systems
2 corporation who is separated from service as a result of the
3 implementation of a transition plan under section 2 of this Act
4 shall suffer any loss of retirement allowance earned as provided
5 in section 88-74, Hawaii Revised Statutes.

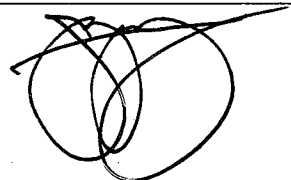
6 SECTION 5. The Hawaii health systems corporation and each
7 of its five regional boards shall submit reports to the
8 legislature no later than twenty days prior to the convening of
9 the regular sessions of 2016 and 2017, which shall include long-
10 term, multi-biennium plans to reduce the Hawaii health systems
11 corporation's operating deficits.

12 SECTION 6. In codifying the new sections added by section
13 2 of this Act, the revisor of statutes shall substitute
14 appropriate section numbers for the letters used in designating
15 the new sections in this Act.

16 SECTION 7. Statutory material to be repealed is bracketed
17 and stricken.

18 SECTION 8. This Act shall take effect on July 1, 2015.

19
INTRODUCED BY: _____

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Report Title:

Hawaii Health Systems Corporation; Transition Guidelines;
Nonprofit Hospital Corporations

Description:

Establishes a process to enable the Hawaii health systems corporation, a regional system, or a combined regional system of two or more regional systems or a facility or service to transition to a new healthcare management system organized under the laws of the State as a nonprofit corporation or public benefit corporation registered to do business in the State. Establishes a transition committee to assist the governor in reviewing and monitoring the transitioning of the corporation, a regional system, or a combined regional system to a new healthcare management system.

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

