

Honolulu, Hawaii

FEB 20 2015

RE: S.B. No. 311  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Madam:

Your Committee on Health, to which was referred S.B. No. 311  
entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish 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; and
- (2) Establish 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.

Your Committee received testimony in support of this measure from the Department of Budget and Finance, Hawaii Health Systems Corporation, and one individual. Your Committee received testimony in opposition to this measure from sixty-three individuals. Your Committee received comments on this measure from the Department of the Attorney General; Hawaii Health Systems



Corporation, Kauai Regional Board; and Hawaii Government Employees Association.

Your Committee finds that health care is a very specialized, complex, and rapidly changing business. Operators of health care facilities often face constant pressure to provide higher quality care and customer satisfaction at a lower cost. Hawaii Health Systems Corporation facilities can benefit greatly from partners who can accelerate access to investments, such as health information technology, physician networks, quality improvement, supply chain management, and expertise in revenue cycle maximization.

Your Committee notes that notwithstanding any other law to the contrary, including but not limited to section 27-1 and chapters 76, 78, 89, and 171, Hawaii Revised Statutes, the Maui Regional Health Care System is hereby authorized to enter into an agreement with a private entity to transition one or more of its facilities, including Maui Memorial Medical Center, Kula Hospital, and Lanai Community Hospital, into a new private Hawaii nonprofit corporation, to be operated and managed by the private entity as the facility's or facilities' sole member and operator.

Your Committee has amended this measure by:

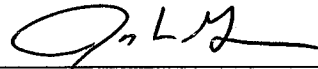
- (1) Deleting language that would have required approval of two-thirds of the members of each house of the Legislature prior to the Governor commencing the partnering process with a healthcare management system;
- (2) Deleting provisions related to a transition committee, including membership composition, powers, and responsibilities;
- (3) Establishing provisions related to an advisory committee, including membership composition, appointment, and responsibilities;
- (4) Inserting language that requires the Chief Executive Officer of the Hawaii Health Systems Corporation to invite healthcare management systems to submit a transition plan;



- (5) Deleting the requirement for a transition plan to include provisions to establish a personnel system comprised exclusively of public employees;
- (6) Clarifying that the agreement executed by the State and any healthcare management system selected to implement its transition plan shall include provisions that assure that the selected healthcare management system pursues general fund support from the State that does not exceed its current level of support and permits the State, upon a recommendation of the advisory committee and approval of the Governor, to accept the written offer to purchase submitted by the healthcare management system; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 311, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 311, S.D. 1, and be referred to the Committee on Ways and Means.

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



---

JOSH GREEN, Chair



The Senate  
Twenty-Eighth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Health**  
**HTH**

Bill / Resolution No.:* <div style="font-size: 1.5em; font-family: cursive;">SB 311</div>	Committee Referral: <div style="font-size: 1.5em; font-family: cursive;">HTH, WAM</div>	Date: <div style="font-size: 1.5em; font-family: cursive;">2/13/15</div>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div style="text-align: center;"> <input type="checkbox"/> Pass, unamended 2312         </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Pass, with amendments 2311         </div> <div style="text-align: center;"> <input type="checkbox"/> Hold 2310         </div> <div style="text-align: center;"> <input type="checkbox"/> Recommit 2313         </div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
GREEN, Josh (C)	✓			
WAKAI, Glenn (VC)				✓
BAKER, Rosalyn H.		✓		
GABBARD, Mike	✓			
RIVIERE, Gil				✓
RUDERMAN, Russell E.		✓		
SLOM, Sam				✓
<b>TOTAL</b>	2	2	0	3
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <input checked="" type="checkbox"/> Adopted         <input type="checkbox"/> Not Adopted         </div>				
Chair's or Designee's Signature: <div style="text-align: center; margin-top: 10px;"> </div>				
<div style="display: flex; justify-content: space-between; font-size: 0.8em;"> <div>Distribution:</div> <div>Original</div> <div>Yellow</div> <div>Pink</div> <div>Goldenrod</div> </div> <div style="display: flex; justify-content: space-between; font-size: 0.7em; margin-top: 2px;"> <div>File with Committee Report</div> <div>Clerk's Office</div> <div>Drafting Agency</div> <div>Committee File Copy</div> </div>				

\*Only one measure per Record of Votes