
A BILL FOR AN ACT

RELATING TO THE TRANSITION OF THE OAHU REGIONAL HEALTH CARE
SYSTEM FROM THE HAWAII HEALTH SYSTEMS CORPORATION INTO THE
DEPARTMENT OF HEALTH.

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

1 PART I

2 SECTION 1. The legislature finds that the Hawaii health
3 systems corporation comprises five semi-autonomous health care
4 regions within the State, including east Hawaii, west Hawaii,
5 Kauai, Oahu, and Maui. The Maui region no longer operates any
6 health care facilities.

7 The legislature further finds that the Oahu region is
8 unique and distinguishable from the other regions due to the
9 logistical complexities of the Oahu regional health care system
10 facilities and the limited but crucial nature of the services
11 these facilities, Leahi hospital and Maluhia, currently provide.
12 Because the Oahu facilities almost exclusively serve long-term
13 care and medicaid patients, groups traditionally underserved by
14 private facilities because of the high cost of their care, the
15 Oahu region's long-term care operations are run more as a



1 safety-net social service and, compared to the other regions,
2 have less opportunity for additional revenue generation.

3 While the need for long-term care beds on Oahu has
4 decreased in recent years, a study completed by the department
5 of business, economic development, and tourism has projected
6 that the population aged sixty-five and older will grow by one
7 hundred forty-eight per cent over the next twenty-five years.
8 On Oahu, this translates to an estimated shortfall of eleven
9 hundred long-term care beds in the next five to ten years alone.
10 Thus, despite the costs of long-term care, it is vital that
11 state facilities continue to operate to ensure that beds remain
12 available for our aging population.

13 Similar to the Oahu region, the department of health
14 operates the Hawaii state hospital, a facility that does not
15 generate revenue but is nonetheless necessary to provide care
16 and treatment for mentally ill patients in Hawaii. In recent
17 years, the Hawaii state hospital has experienced a challenge in
18 providing sufficient bed space for admitted patients. As of
19 September 2019, two hundred twenty patients occupied beds at the
20 Hawaii state hospital--well over the maximum capacity of two
21 hundred two patients. To meet its needs, the Hawaii state



1 hospital was also required to contract with Kahi Mohala, a
2 privately-run facility, to care for an additional forty-six
3 patients.

4 Beyond its responsibility for the Hawaii state hospital,
5 the department of health has also been charged with addressing
6 the significant gap in the behavioral health care system between
7 acute psychiatric care facilities and low acuity residential
8 treatment. Data collected in the State estimate that fifty-four
9 per cent, or more than half, of all individuals experiencing a
10 mental health crisis have needs that align better with services
11 delivered within a subacute level of care facility rather than
12 an emergency room.

13 The legislature also finds that Act 90, Session Laws of
14 Hawaii 2019, established the involuntary hospitalization task
15 force and Act 263, Session Laws of Hawaii 2019, established a
16 working group to evaluate current behavioral health care and
17 related systems, including existing resources, systems gaps, and
18 identification of action steps that would be taken to improve
19 the overall system of care. The findings from these initiatives
20 highlight the need for a coordinated network of stabilization
21 beds that will allow triage, clinical assessment, and



1 recommendation for the next level of care for those struggling
2 with substance use, mental health conditions, and homelessness.

3 The National Coalition for the Homeless has found that
4 sixty-four per cent of homeless individuals are dependent on
5 alcohol or other substances. The Oahu homeless point in time
6 count reported that 36.4 per cent of homeless single adults
7 suffer from some type of mental illness. The intersection of
8 homelessness and behavioral health conditions are a crisis in
9 the State, which contributes to the State having the second
10 highest rate of homelessness in the nation. Unfortunately,
11 there is currently no coordinated system of stabilization from
12 the streets that assesses for and links to the next level of
13 clinical care.

14 The legislature additionally finds that the current options
15 for those needing stabilization from challenges related to
16 substance use, mental health, and homelessness are overburdened
17 and inadequate, and emergency facilities throughout the State
18 have experienced substantial increases in psychiatric emergency
19 admissions, resulting in overcrowding and unsafe environments
20 for patients and medical staff.



1 The legislature also finds that comprehensive crisis
2 response and stabilization services are crucial elements of the
3 continuum of care. Reducing unnecessary transportation to
4 emergency departments and placing individuals in more suitable
5 levels of care will improve outcomes for patients, reduce
6 inpatient hospital stays, and facilitate access to other
7 behavioral health services.

8 Subacute residential stabilization services have been a
9 missing component of a comprehensive behavioral health continuum
10 of care, which would bridge the gap between acute
11 hospitalization and lower level residential and community
12 resources. Many individuals who are transported to an emergency
13 room for emergency examination and hospitalization are not acute
14 enough in their illness to warrant psychiatric hospitalization.
15 On the other hand, their symptomology is too acute for them to
16 be admitted to a group home, shelter, or other existing low
17 acuity residential program or, if they are admitted, they are
18 often unsuccessful in those environments. More often than not,
19 these individuals fail because they have not had time to
20 stabilize in an environment where they can be closely monitored.
21 This lack of post-acute care contributes to the poor outcomes of



1 both acute behavioral health inpatient and community-based
2 services because many individuals are not appropriate for either
3 level, but fall somewhere in between.

4 The legislature further finds that state facilities exist
5 that have underutilized space that could accommodate these
6 services with minimal effort and adjustments and reduce certain
7 burdens and barriers. Therefore, assertive efforts should be
8 undertaken to ensure the availability of these resources and to
9 organize them in a way that is beneficial to the State.

10 Through discussions with the Oahu region, it has been
11 determined that some of the Oahu region's health care
12 facilities, particularly Leahi hospital, are currently
13 underutilized and have the potential to be re-purposed for other
14 important health care and social service needs.

15 The legislature further finds that, while statutorily tied
16 to the Hawaii health systems corporation, the Oahu region
17 operates mostly autonomously and its functions and target
18 population are unique from those of the other regional health
19 care systems. As such, there is little need for the Oahu
20 regional health care system to remain a part of the Hawaii
21 health systems corporation. With proper planning and



1 implementation, the Oahu regional health care system could be
2 strategically assimilated into the department of health, and its
3 facilities could be used, in addition to long-term care, to help
4 alleviate the need for subacute residential mental health
5 stabilization and other subacute care services.

6 The purpose of this Act is to:

- 7 (1) Commence the transfer of the Oahu regional health care
8 system in its entirety from the Hawaii health systems
9 corporation to the department of health, beginning
10 with the transfer of the Oahu regional health care
11 system's budget;
- 12 (2) Enable the Oahu regional health care system,
13 department of health, Hawaii health systems
14 corporation, and other state agencies to implement the
15 processes and transactions required to effectuate the
16 completion of the transition;
- 17 (3) Require the department of health to consult with the
18 University of Hawaii regarding services provided at
19 Leahi hospital and Maluhia, and allow University of
20 Hawaii students to rotate through those facilities for
21 training purposes;



1 of the corporation other than those duties and responsibilities
2 relating to the establishment of any captive insurance company
3 pursuant to section 323F-7(c)(20) and the operation thereof.

4 (b) The members of the corporation board shall be
5 appointed as follows:

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

8 (2) The [~~five~~] four regional chief executive officers as
9 ex officio, nonvoting members;

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

14 (4) Two members who reside in the eastern section of the
15 county of Hawaii, one of whom shall be appointed by
16 the East Hawaii regional system board and one of whom
17 shall be appointed by the governor, both of whom shall
18 serve as voting members;

19 (5) Two members who reside in the western section of the
20 county of Hawaii, one of whom shall be appointed by
21 the West 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 (6) Two members who reside on the island of Kauai, one of
4 whom shall be appointed by the Kauai regional system
5 board and one of whom shall be appointed by the
6 governor, both of whom shall serve as voting members;

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

12 ~~[(8)]~~ (7) One member who shall be appointed by the governor
13 and serve as an at-large voting member.

14 The appointed board members who reside in the county of
15 Maui, eastern section of the county of Hawaii, western section
16 of the county of Hawaii, and on the island of Kauai ~~[, and on the
17 island of Oahu]~~ shall each serve for a term of four years;
18 provided that the terms of the initial appointments of the
19 members who are appointed by their respective regional system
20 boards shall be as follows: one of the initial members from the
21 county of Maui shall be appointed to serve a term of two years



1 and the other member shall be appointed to serve a term of four
2 years; the initial member from East Hawaii shall be appointed to
3 serve a term of two years; the initial member from West Hawaii
4 shall be appointed to serve a term of four years; and the
5 initial member from the island of Kauai shall be appointed to
6 serve a term of two years; [~~and the initial member from the~~
7 ~~island of Oahu shall be appointed to serve a term of four~~
8 ~~years;~~] and provided further that the terms of the initial
9 appointments of the members who are appointed by the governor
10 shall be four years. The at-large member appointed by the
11 governor shall serve a term of two years.

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

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



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

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

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

19 Filing nomination papers for elective office or appointment to
20 elective office, or conviction of a felony consistent with



1 section 831-3.1, shall automatically and immediately disqualify
2 a board member from office.

3 (e) The director of health shall have sole decision-making
4 authority over all corporation board matters that concern the
5 Oahu regional health care system, commencing on June 30, 2021,
6 and continuing until the transition of the Oahu regional health
7 care system into the department of health is complete. Upon
8 completion of the transition, the corporation board shall have
9 no legal relationship with the Oahu regional health care system
10 or its facilities."

11 SECTION 4. Section 323F-7.6, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "~~{}~~§323F-7.6~~{}~~ Transition of Hawaii health systems
14 regional system or health facility to a new entity. (a)
15 Notwithstanding any other law to the contrary, including but not
16 limited to section 27-1 and chapter 171, any of the regional
17 systems or individual facilities of the Hawaii health systems
18 corporation is hereby authorized to transition into a new legal
19 entity in any form recognized under the laws of the State,
20 including but not limited to:

21 (1) A nonprofit corporation;



- 1 (2) A for-profit corporation;
- 2 (3) A municipal facility;
- 3 (4) A public benefit corporation; [~~or~~]
- 4 (5) A division or branch under a state executive
- 5 department; or
- 6 ~~[(5)]~~ (6) Any two or more of the entities in paragraphs (1)
- 7 through ~~[(4)-]~~ (5).

8 A transition shall occur through the sale, lease, or transfer of

9 all or substantially all of the assets of the facility or

10 regional system, except for real property, which shall only be

11 transferred by lease~~[-]~~; provided that under a transfer that is

12 effectuated pursuant to paragraph (5), real property shall

13 transfer in its then-existing state, whether in lease, fee, or

14 otherwise, to the executive department. Any transition shall

15 comply with chapter 323D.

16 (b) A transition shall only occur upon approval of the

17 appropriate regional system board in the case of a regional

18 system or individual facility transition, or upon approval of

19 the regional system boards and the corporation in the case of

20 the transition of the entire corporation. Any transition shall

21 be subject to legal review by the attorney general, who shall



1 approve the transition if satisfied that the transition conforms
2 to all applicable laws, subject to the review of the director of
3 the department of budget and finance, who shall approve the
4 transition if it conforms to all applicable financing
5 procedures, and subject to the governor's approval. In
6 addition, the transition shall be subject to the following terms
7 and conditions:

- 8 (1) All proceeds from the sale, lease, or transfer of
9 assets shall be used for health care services in the
10 respective regional system or facility, except that
11 real property shall only be transferred by lease;
12 provided that under a transfer that is effectuated
13 pursuant to subsection (a)(5), real property shall
14 transfer in its then-existing state, whether in lease,
15 fee, or otherwise, to the executive department;
- 16 (2) Any and all liabilities of a regional system or
17 facility transitioning into a new entity that were
18 transferred to the Hawaii health systems corporation
19 upon its creation by Act 262, Session Laws of
20 Hawaii 1996, and all liabilities of the regional
21 system or facility related to collective bargaining



1 contracts negotiated by the State, shall become the
2 responsibility of the State; and

3 (3) During the period of transition:

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

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

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

16 PART IV

17 SECTION 5. Chapter 321, Hawaii Revised Statutes, is
18 amended by adding a new part to be appropriately designated and
19 to read as follows:

20 "PART . LEAHI HOSPITAL AND MALUHIA



- 1 §321- Authority of the department of health. The
2 department of health may:
- 3 (1) Conduct long-term care and substance abuse treatment
4 at Leahi hospital and Maluhia;
- 5 (2) Pay rent to the University of Hawaii for the use of
6 the Leahi hospital property, at a rate and on terms to
7 be negotiated between the department of health and the
8 University of Hawaii;
- 9 (3) Use moneys from the mental health and substance abuse
10 special fund established pursuant to section 334-15 to
11 fund the department's operations at Leahi hospital and
12 Maluhia;
- 13 (4) Develop and implement its own policies, procedures,
14 and rules necessary or appropriate to plan, operate,
15 manage, and control Leahi hospital and Maluhia without
16 regard to chapter 91;
- 17 (5) Enter into and perform any contract, lease,
18 cooperative agreement, partnership, or other
19 transaction whatsoever that may be necessary or
20 appropriate in the performance of its purposes and



1 responsibilities, and on any terms the department may
2 deem appropriate with either:

3 (A) Any agency or instrumentality of the United
4 States, or with any state, territory, possession,
5 or subdivision thereof; or

6 (B) Any person, firm, association, partnership, or
7 corporation, whether operated on a for-profit or
8 not-for-profit basis; provided that the
9 transaction furthers the public interest;

10 (6) Conduct activities and enter into business
11 relationships the department deems necessary or
12 appropriate, including but not limited to:

13 (A) Creating nonprofit corporations, including but
14 not limited to charitable fundraising
15 foundations, to be controlled wholly by the
16 department or jointly with others; and

17 (B) Entering into partnerships and other joint
18 venture arrangements, or participating in
19 alliances, purchasing consortia, health insurance
20 pools, or other cooperative agreements with any
21 public or private entity; provided that any



1 corporation, venture, or relationship entered
2 into under this section shall further the public
3 interest;

4 (7) Make and alter facility bylaws and rules for the
5 organization and management of Leahi hospital and
6 Maluhia without regard to chapter 91;

7 (8) Contract for and accept any gifts, grants, and loans
8 of funds or property, or any other aid in any form
9 from the federal government, the State, any state
10 agency, or any other source, or any combination
11 thereof, and in compliance with the terms and
12 conditions thereof;

13 (9) Provide health and medical services to the public
14 directly or by agreement or lease with any person,
15 firm, or private or public corporation, partnership,
16 or association through or in Leahi hospital and
17 Maluhia or otherwise; and

18 (10) Approve medical staff bylaws, rules, and medical staff
19 appointments and reappointments for Leahi hospital and
20 Maluhia, including but not limited to determining the
21 conditions under which a health professional may be



1 extended the privilege of practicing within Leahi
2 hospital or Maluhia, as determined by the department
3 or facility management, and adopting and implementing
4 reasonable rules, without regard to chapter 91, for
5 the credentialing and peer review of all persons and
6 health professionals within the facility; provided
7 that the department or facility management shall be
8 the governing body responsible for all medical staff
9 organization, peer review, and credentialing
10 activities to the extent allowed by law.

11 **§321- Consultation with the University of Hawaii**
12 **required.** The department of health shall regularly consult with
13 the University of Hawaii regarding services provided at Leahi
14 hospital and Maluhia. The department may coordinate with the
15 University of Hawaii to allow university students to rotate
16 through the facilities for training purposes and may take any
17 action necessary or proper to effectuate this purpose.

18 **§321- Reduction or elimination of direct patient care**
19 **services.** (a) No planned substantial reduction or elimination
20 of direct patient care services at Leahi hospital or Maluhia



1 shall be undertaken unless all of the following requirements are
2 met:

3 (1) An initial determination is made by the department as
4 to critical and emergency services, which shall not be
5 subject to reduction or elimination pursuant to this
6 section;

7 (2) The plan of the facility to substantially reduce or
8 eliminate any direct patient care services at Leahi
9 hospital or Maluhia shall first be presented to the
10 director of health for approval;

11 (3) Subsequent to the requisite director approval, the
12 department shall present the plan to the community in
13 which the facility is located at a community
14 informational meeting, in order to obtain community
15 input on the plan; and

16 (4) After the community informational meeting, but at
17 least twenty days prior to the implementation of the
18 approved plan, the director shall give notice of the
19 implementation of the plan to the governor, president
20 of the senate, and speaker of the house of
21 representatives.



1 (A) The Oahu regional health care system's budget
2 codes and all related allocated funds of the Oahu
3 region shall be reflected in the state budget and
4 all other related tables and documents under the
5 program code HTH ; and

6 (B) The program code HTH shall be known as the
7 inpatient services division within the department
8 of health's behavioral health administration.

9 The organizational structure of the Oahu regional
10 health care system shall remain unchanged, unless
11 modified and approved by the working group
12 identified in this Act, and as approved by the
13 conditions established in this part or as
14 required by law; and

15 (2) On June 30, 2021, the working group established
16 pursuant to this Act shall have the authority to begin
17 transferring, at its discretion, the positions and
18 class specifications of the Oahu regional health care
19 system from the Hawaii health systems corporation's
20 personnel system to the department of health; provided
21 that:



- 1 (A) All employees of the Oahu regional health care
2 system who are employed as of June 30, 2021,
3 shall be transferred to the department of health
4 before the transition of the Oahu regional health
5 care system into the department of health is
6 complete;
- 7 (B) All employees of the Oahu regional health care
8 system who occupy civil service positions shall
9 be transferred to the department of health by
10 this Act and retain their civil service status,
11 whether permanent or temporary, and shall
12 maintain their respective functions as reflected
13 in their current position descriptions during the
14 transition period; provided that any changes
15 determined necessary by the working group
16 established pursuant to this Act shall follow
17 standard union consultation process prior to
18 implementation;
- 19 (C) Employees shall be transferred without loss of
20 salary; seniority, except as prescribed by
21 applicable collective bargaining agreements;



1 retention points; prior service credit; any
2 vacation and sick leave credits previously
3 earned; and other rights, benefits, and
4 privileges, in accordance with state employment
5 laws;

6 (D) The personnel structure of the Oahu regional
7 health care system shall remain unchanged, unless
8 modified and approved by the working group and as
9 approved by the conditions established pursuant
10 to this Act;

11 (E) Any employee who, prior to this Act, is exempt
12 from civil service or collective bargaining and
13 is transferred as a consequence of this Act shall
14 be transferred without loss of salary and shall
15 not suffer any loss of prior service credit,
16 contractual rights, vacation or sick leave
17 credits previously earned, or other employee
18 benefits or privileges, and, except in the
19 instance of discipline, shall be entitled to
20 remain employed in the employee's current
21 position for a period of no less than one year



1 after the transition of the Oahu regional health
2 care system into the department of health is
3 complete;

4 (F) The wages, hours, and other conditions of
5 employment shall be negotiated or consulted, as
6 applicable, with the respective exclusive
7 representative of the affected employees, in
8 accordance with chapter 89, Hawaii Revised
9 Statutes; and

10 (G) The rights, benefits, and privileges currently
11 enjoyed by employees, including those rights,
12 benefits, and privileges under chapters 76, 78,
13 87A, 88, and 89, Hawaii Revised Statutes, shall
14 not be impaired or diminished as a result of
15 these employees being transitioned to the
16 department of health pursuant to this Act. The
17 transition to the department of health shall not
18 result in any break in service for the affected
19 employees. The rights, benefits, and privileges
20 currently enjoyed by employees shall be
21 maintained under their existing collective



1 bargaining or other agreements and any successor
2 agreement.

3 (b) Upon effectuation of subsection (a), the Oahu regional
4 board shall, through the Oahu regional board chair, facilitate
5 the transition of the Oahu region into the department of health
6 as part of the working group established pursuant to this Act
7 and effectuate the assignment of all contracts and agreements in
8 which the Oahu region is a party to the department of health.

9 (c) Notwithstanding any law to the contrary, the terms of
10 the following members of the board of directors of the Hawaii
11 health systems corporation shall expire on June 30, 2021:

12 (1) The regional chief executive officer of the Oahu
13 regional health care system; and

14 (2) The two board members residing on the island of Oahu
15 appointed pursuant to section 323F-3(b)(7), Hawaii
16 Revised Statutes, as that section read prior to the
17 effective date of this Act.

18 SECTION 7. (a) During the transition period commencing on
19 July 1, 2021, to and including the completion of the transition
20 of the Oahu regional health care system into the department of
21 health, the Oahu regional health care system board may:



1 (1) Develop and implement its own policies, procedures,
2 and rules necessary or appropriate to plan, operate,
3 manage, and control its facilities without regard to
4 chapter 91, Hawaii Revised Statutes;

5 (2) Enter into and perform any contract, lease,
6 cooperative agreement, partnership, or other
7 transaction that may be necessary or appropriate in
8 the performance of its purposes and responsibilities,
9 and on terms the regional system board may deem
10 appropriate with either:

11 (A) Any agency or instrumentality of the United
12 States, or with any state, territory, possession,
13 or subdivision thereof; or

14 (B) Any person, firm, association, partnership, or
15 corporation, whether operated on a for-profit or
16 not-for-profit basis; provided that the
17 transaction furthers the public interest;

18 (3) Conduct activities and enter into business
19 relationships the regional system board deems
20 necessary or appropriate, including but not limited
21 to:



- 1 (A) Creating nonprofit corporations, including but
2 not limited to charitable fundraising
3 foundations, to be controlled wholly by the
4 regional system board or jointly with others;
- 5 (B) Establishing, subscribing to, and owning stock in
6 business corporations individually or jointly
7 with others; and
- 8 (C) Entering into partnerships and other joint
9 venture arrangements, or participating in
10 alliances, purchasing consortia, health insurance
11 pools, or other cooperative agreements, with any
12 public or private entity; provided that any
13 corporation, venture, or relationship entered
14 into under this subsection shall further the
15 public interest;
- 16 (4) Execute, in accordance with all applicable bylaws,
17 rules, and laws, all instruments necessary or
18 appropriate in the exercise of any powers of the
19 regional system board;



- 1 (5) Make and alter regional system board bylaws and rules
2 for its organization and management without regard to
3 chapter 91, Hawaii Revised Statutes;
- 4 (6) Enter into any contract or agreement, not inconsistent
5 with the laws of the State, execute all instruments,
6 and do all things necessary or appropriate in the
7 exercise of the powers granted under chapter 323F,
8 Hawaii Revised Statutes, including securing the
9 payment of bonds; provided that contracts or
10 agreements executed by the regional system board shall
11 only encumber the regional subaccounts of the regional
12 system board;
- 13 (7) Own, purchase, lease, exchange, or otherwise acquire
14 property, whether real, personal, or mixed, tangible
15 or intangible, and any interest therein, in the name
16 of the regional system board; provided that the
17 regional system board shall be subject to the
18 requirements of section 323F-3.5, Hawaii Revised
19 Statutes;
- 20 (8) Contract for and accept any gifts, grants, and loans
21 of funds or property, or any other aid in any form



1 from the federal government, the State, any state
2 agency, or any other source, or any combination
3 thereof, and in compliance, subject to chapter 323F,
4 Hawaii Revised Statutes, with the terms and conditions
5 thereof; provided that the regional system board shall
6 be responsible for contracting for and accepting any
7 gifts, grants, loans, property, or other aid if
8 intended to exclusively benefit the Oahu region public
9 health facilities and operations;

10 (9) Provide health and medical services to the public
11 directly or by agreement or lease with any person,
12 firm, or private or public corporation, partnership,
13 or association through or in the health facilities of
14 the regional system board or otherwise; provided that
15 the regional system board shall be responsible for
16 conducting the activities under this paragraph solely
17 within the Oahu regional system;

18 (10) Approve medical staff bylaws, rules, and medical staff
19 appointments and reappointments for all public health
20 facilities of the regional system board, including but
21 not limited to determining the conditions under which



1 a health professional may be extended the privilege of
2 practicing within a health facility, as determined by
3 the regional system board, and adopting and
4 implementing reasonable rules, without regard to
5 chapter 91, Hawaii Revised Statutes, for the
6 credentialing and peer review of all persons and
7 health professionals within the facility; provided
8 that the regional system board shall be the governing
9 body responsible for all medical staff organization,
10 peer review, and credentialing activities to the
11 extent allowed by law;

12 (11) Enter into any agreement with the State, including but
13 not limited to contracts for the provision of goods,
14 services, and facilities for the support of the
15 regional system board's programs, and contracting for
16 the provision of services to or on behalf of the
17 State;

18 (12) Develop internal policies and procedures for the
19 procurement of goods and services, consistent with the
20 goals of public accountability and public procurement
21 practices, and subject to management and financial



1 legislative audits; provided that the regional system
2 board shall enjoy the exemption under
3 section 103-53(e) and chapter 103D, Hawaii Revised
4 Statutes;

5 (13) Authorize, establish, and abolish positions; and

6 (14) Employ or retain any attorney, by contract or
7 otherwise, for the purpose of representing the
8 regional system board in any litigation, rendering
9 legal counsel, or drafting legal documents for the
10 regional system board.

11 (b) During the transition period commencing on July 1,
12 2021, to and including the completion of the transition of the
13 Oahu regional health care system into the department of health,
14 the Oahu regional system board shall continue enjoy the same
15 sovereign immunity available to the State.

16 (c) During the transition period commencing on July 1,
17 2021, to and including the completion of the transition of the
18 Oahu regional health care system into the department of health,
19 the Oahu regional system board shall be exempt from chapters 36,
20 37, 38, 40, 41D, 103D, part I of chapter 92, and section 102-2,
21 Hawaii Revised Statutes.



1 SECTION 8. For a period of two years following the
2 completed transition of the Oahu regional health care system
3 from the Hawaii health systems corporation to the department of
4 health, the inpatient services division of the department of
5 health shall be authorized to develop internal policies and
6 procedures for the procurement of goods and services, consistent
7 with the goals of public accountability and public procurement
8 practices, subject to management and financial legislative
9 audits; provided that the division shall enjoy the exemptions
10 under section 103-53(e) and chapter 103D, Hawaii Revised
11 Statutes.

12 SECTION 9. (a) There is established a working group to
13 develop, evaluate, and implement any additional steps necessary
14 to complete the transition of the Oahu regional health care
15 system into the department of health.

16 (b) The working group shall consist of the following
17 members:

18 (1) The director of health or the director's designee, who
19 shall serve as co-chair and who, along with the chair
20 of the Oahu regional system board or the chair's



1 designee, shall have final authority over transfer
2 activities to be implemented by the working group;

3 (2) The chair of the Oahu regional system board or the
4 chair's designee, who shall serve as co-chair and who,
5 along with the director of health or the director's
6 designee, shall have final authority over transfer
7 activities to be implemented by the working group;

8 (3) The chief executive officer of the Oahu regional
9 health care system or the chief executive officer's
10 designee;

11 (4) One or more department of health staff members as
12 deemed necessary by the director of health or the
13 director's designee; and

14 (5) One or more Oahu regional health care system staff
15 members as deemed necessary by the chief executive
16 officer of the Oahu regional health care system or the
17 chief executive officer's designee.

18 (c) In addition, the working group shall include the
19 following members who shall serve in a consultative capacity:

20 (1) One representative from the behavioral health
21 administration of the department of health;



- 1 (2) One representative from the department of human
2 resources development;
- 3 (3) One representative from the department of accounting
4 and general services;
- 5 (4) One representative from the department of the attorney
6 general;
- 7 (5) One representative from the department of budget and
8 finance;
- 9 (6) The chair of the Hawaii health systems corporation
10 board or the chair's designee;
- 11 (7) One representative from the Hawaii health systems
12 corporation human resources department;
- 13 (8) One representative from the Hawaii health systems
14 corporation finance department;
- 15 (9) One representative from the state procurement office;
- 16 (10) One representative from the Hawaii Government
17 Employees Association, who shall be invited to
18 participate;
- 19 (11) One representative from United Public Workers, who
20 shall be invited to participate; and
- 21 (12) Others as recommended and invited by the co-chairs.



1 (d) In carrying out its purpose, the working group shall
2 develop a transfer framework to govern and manage the additional
3 steps necessary to complete the transfer of the Oahu regional
4 health care system into the department of health. The transfer
5 framework shall include but not be limited to the following
6 steps:

- 7 (1) Identification and preparation of proposed legislation
8 to address any matters not covered by this Act that
9 may be necessary to complete the transfer of the Oahu
10 regional health care system into the department of
11 health;
- 12 (2) Identification of all real property, appropriations,
13 records, equipment, machines, files, supplies,
14 contracts, books, papers, documents, maps, and other
15 property made, used, acquired, or held by the Oahu
16 regional health care system to effectuate the transfer
17 of the same to the department of health;
- 18 (3) Identification of all debts and other liabilities that
19 will remain with the Hawaii health systems corporation
20 and the remaining debts and liabilities to be
21 transferred to the department of health;



- 1 (4) Identification of all contractual arrangements and
2 obligations of the Oahu regional health care system,
3 including but not limited to those related to personal
4 service contracts, vendor contracts, and capital
5 improvement projects;
- 6 (5) Development and implementation of any and all policies
7 and procedures necessary to ensure that the facilities
8 within the Oahu regional health care system remain
9 compliant with all federal, state, and local laws and
10 regulations; and
- 11 (6) Development and implementation of procedures to
12 extricate the Oahu regional health care system from
13 system-wide services secured or provided by the Hawaii
14 health systems corporation or enable the Oahu regional
15 health care system to continue to utilize those
16 services on a temporary or permanent basis through
17 interagency agreement.
- 18 (e) Members of the working group shall serve without
19 compensation but shall be reimbursed for reasonable expenses
20 necessary for the performance of their duties, including travel
21 expenses. No member of the working group shall be subject to



1 chapter 84, Hawaii Revised Statutes, solely because of the
2 member's participation in the working group.

3 (f) The working group shall submit an interim report to
4 the legislature no later than twenty days prior to the convening
5 of the regular session of 2022 that outlines all components of
6 the transition that have been effectuated to date and any
7 legislative action needed to complete the transfer pursuant to
8 this Act.

9 (g) The working group shall be dissolved on June 30, 2023,
10 or upon completion of the transition of the Oahu regional health
11 care system into the department of health, whichever is later.
12 Prior to its dissolution, the working group shall submit a final
13 report to the legislature that documents the completion of the
14 transfer and dissolution of the Oahu regional health care
15 system.

16 SECTION 10. All transition actions, with the exception of
17 those covered under section 6(a) of this Act, shall be subject
18 to the following conditions:

19 (1) The attorney general shall approve the legality and
20 form of any material transition actions created by the
21 working group prior to implementation, and the



1 director of finance shall evaluate and approve any
2 expenditure of public funds determined to be in
3 accordance with the budget laws and controls in force;
4 and

5 (2) Liabilities of the Oahu regional health care system
6 that were transferred to the Hawaii health systems
7 corporation upon its creation by Act 262, Session Laws
8 of Hawaii 1996, or to the Oahu regional health care
9 system upon its establishment by Act 290, Session Laws
10 of Hawaii 2007, and all other contractual liabilities
11 of the Oahu regional health care system, including
12 those related to collective bargaining contracts
13 negotiated by the State in existence at the time they
14 are transferred to the department of health, shall
15 become the responsibility of the State.

16 PART VI

17 SECTION 11. The director of finance is authorized to issue
18 general obligation bonds in the sum of \$ or so much
19 thereof as may be necessary and the same sum or so much thereof
20 as may be necessary is appropriated for fiscal year 2021-2022



1 for the purpose of making improvements to Leahi hospital and
2 Maluhia.

3 SECTION 12. The appropriation made for the capital
4 improvement project authorized by this part shall not lapse at
5 the end of the fiscal biennium for which the appropriation is
6 made; provided that all moneys from the appropriation
7 unencumbered as of June 30, 2024, shall lapse as of that date.

8 PART VII

9 SECTION 13. There is appropriated out of the mental health
10 and substance abuse special fund the sum of \$ or so
11 much thereof as may be necessary for fiscal year 2021-2022 and
12 the same sum or so much thereof as may be necessary for fiscal
13 year 2022-2023 for the operations of Leahi hospital and Maluhia.

14 The sums appropriated shall be expended by the department
15 of health for the purposes of this Act.

16 PART VIII

17 SECTION 14. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 15. This Act shall take effect on July 1, 2050;
20 provided that part II of this Act shall take effect on July 1,



1 2023, and parts VI and VII of this Act shall take effect on
2 July 1, 2021.



Report Title:

HHSC; Oahu Region; DOH; Transition; Working Group; Appropriation

Description:

Commences the transfer of the Oahu regional health care system in its entirety from the Hawaii health systems corporation to the department of health, beginning with the transfer of the Oahu regional health care system's budget into the department of health. Enables the Oahu regional health care system, department of health, Hawaii health systems corporation, and other state agencies to manage and implement the processes required to effectuate the completion of the transition. Authorizes the department of health to conduct long-term care and substance abuse treatment at Leahi hospital and Maluhia and to pay rent for the use of the Leahi hospital property. Requires the department of health to consult with the university of Hawaii regarding programs at Leahi hospital and Maluhia. Clarifies the rights, powers, and exemptions of the Oahu regional system board during the transition period of the Oahu regional health care system into the department of health and the rights and powers of the department of health after the transition is completed. Appropriates monies from the mental health and substance abuse special fund. Authorizes the issuance of general obligation bonds. Part II effective 7/1/2023. Effective 7/1/2050. (SD1)

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