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



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

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



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

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

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



1 struggling with substance use, mental health conditions, and  
2 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. In Hawaii, the Oahu homeless point  
6 in time count reported that 36.4 per cent of homeless single  
7 adults suffer from some type of mental illness. The  
8 intersection of homelessness and behavioral health conditions is  
9 a crisis in Hawaii, which contributes to Hawaii having the  
10 second highest rate of homelessness in the nation.  
11 Unfortunately, there is currently no coordinated system of  
12 stabilization from the streets that assesses for and links to  
13 the next level of 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 conditions, and homelessness are  
17 overburdened and inadequate, and emergency facilities throughout  
18 the State have experienced substantial increases in psychiatric  
19 emergency admissions, resulting in overcrowding and unsafe  
20 environments 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 appropriately placing individuals in  
5 more suitable levels of care will improve outcomes for patients,  
6 reduce 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 or for emergency examination and hospitalization are not  
14 acute enough in their illness to warrant psychiatric  
15 hospitalization. On the other hand, their symptomology is too  
16 acute for them to be admitted to a group home, shelter, or other  
17 existing low acuity residential program or, if they are  
18 admitted, they are often unsuccessful in those environments.  
19 More often than not, these individuals fail because they have  
20 not had time to stabilize in an environment where they can be  
21 closely monitored. This lack of post-acute care contributes to



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

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



1 regional health care system could be strategically assimilated  
2 into the department of health, and its facilities could be used,  
3 in addition to long-term care, to help alleviate the need for  
4 subacute residential mental health stabilization and other  
5 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, to be  
10 completed no later than December 31, 2022;
- 11 (2) Enable the Oahu regional health care system,  
12 department of health, Hawaii health systems  
13 corporation, and other state agencies to implement the  
14 processes and transactions required to effectuate the  
15 completion of the transition;
- 16 (3) Require the department of health to consult with the  
17 University of Hawaii regarding services provided at  
18 Leahi hospital and Maluhia, and allow University of  
19 Hawaii students to rotate through those facilities for  
20 training purposes;



- 1           (4) Authorize the department of health to pay rent to the  
2           University of Hawaii for the use of the Leahi hospital  
3           property at a rate and on terms to be negotiated  
4           between the department of health and the University of  
5           Hawaii;
- 6           (5) Clarify the rights, powers, and exemptions held by the  
7           Oahu regional health care system during the transition  
8           period and the rights, powers, and exemptions held by  
9           the inpatient services division of the department of  
10          health following completion of the transfer of the  
11          Oahu regional health care system;
- 12          (6) Establish a working group to develop, evaluate, and  
13          implement the transition plan;
- 14          (7) Appropriate moneys from the mental health and  
15          substance abuse special fund to formulate and execute  
16          a comprehensive business and transition plan; and
- 17          (8) Appropriate moneys from the funds received by the  
18          State of Hawaii from the American Rescue Plan Act of  
19          2021, Public Law 117-2 (Section 9901) to transfer the  
20          Oahu regional health care system in its entirety from



1 the Hawaii health systems corporation to the  
2 department of health.

3 PART II

4 SECTION 2. Section 323F-2, Hawaii Revised Statutes, is  
5 amended by amending subsection (b) to read as follows:

6 "(b) The corporate organization shall be divided into  
7 [~~five~~] four regional systems, as follows:

8 [~~(1)~~] ~~The Oahu regional health care system;~~

9 ~~(2)]~~ (1) The Kauai regional health care system;

10 [~~(3)]~~ (2) The Maui regional health care system;

11 [~~(4)]~~ (3) The east Hawaii regional health care system,  
12 comprising the Puna district, north Hilo district,  
13 south Hilo district, Hamakua district, and Kau  
14 district; and

15 [~~(5)]~~ (4) The west Hawaii regional health care system,  
16 comprising the north Kohala district, south Kohala  
17 district, north Kona district, and south Kona  
18 district;

19 and shall be identified as regional systems I, II, III, and IV,  
20 [~~and V,~~] respectively."



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

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

9 (b) The members of the corporation board shall be  
10 appointed as follows:

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

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

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

19 (4) Two members who reside in the eastern section of the  
20 county of Hawaii, one of whom shall be appointed by  
21 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~~] (7) One member who shall be appointed by the governor  
18 and 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, and on the island of Kauai [~~7~~ and on the



1 ~~island of Oahu]~~ shall each serve for a term of four years;  
2 provided that the terms of the initial appointments of the  
3 members who are appointed by their respective regional system  
4 boards shall be as follows: one of the initial members from the  
5 county of Maui shall be appointed to serve a term of two years  
6 and the other member shall be appointed to serve a term of  
7 four years; the initial member from East Hawaii shall be  
8 appointed to serve a term of two years; the initial member from  
9 West Hawaii shall be appointed to serve a term of four years;  
10 and the initial member from the island of Kauai shall be  
11 appointed to serve a term of two years; [~~and the initial member~~  
12 ~~from the island of Oahu shall be appointed to serve a term of~~  
13 ~~four years,~~] and provided further that the terms of the initial  
14 appointments of the members who are appointed by the governor  
15 shall be four years. The at-large member appointed by the  
16 governor shall serve a term of two years.

17 Any vacancy shall be filled in the same manner provided for  
18 the original appointments. The corporation board shall elect  
19 its own chair from among its members. Appointments to the  
20 corporation board shall be as representative as possible of the  
21 system's stakeholders as outlined in this subsection. The board



1 member appointments shall strive to create a board that includes  
2 expertise in the fields of medicine, finance, health care  
3 administration, government affairs, human resources, and law.

4 (c) The selection, appointment, and confirmation of any  
5 nominee shall be based on ensuring that board members have  
6 diverse and beneficial perspectives and experiences and that  
7 they include, to the extent possible, representatives of the  
8 medical, business, management, law, finance, and health sectors,  
9 and patients or consumers. Members of the board shall serve  
10 without compensation but may be reimbursed for actual expenses,  
11 including travel expenses, incurred in the performance of their  
12 duties.

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

- 17 (1) Malfeasance in office;  
18 (2) Failure to attend regularly called meetings;  
19 (3) Sentencing for conviction of a felony, to the extent  
20 allowed by section 831-2; or



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

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

8 (e) Upon completion of the transition of the Oahu regional  
9 health care system into the department of health, the  
10 corporation board shall have no legal relationship with the Oahu  
11 regional health care system or its facilities."

12 PART III

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

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



1 entity in any form recognized under the laws of the State,

2 including but not limited to:

3 (1) A nonprofit corporation;

4 (2) A for-profit corporation;

5 (3) A municipal facility;

6 (4) A public benefit corporation; [~~or~~]

7 (5) A division or branch under a state executive  
8 department; or

9 [~~(5)~~] (6) Any two or more of the entities in paragraphs (1)  
10 through [~~(4)~~] (5).

11 A transition shall occur through the sale, lease, or transfer of  
12 all or substantially all of the assets of the facility or  
13 regional system, except for real property, which shall only be  
14 transferred by lease~~[-]~~; provided that under a transfer that is  
15 effectuated pursuant to paragraph (5), real property shall  
16 transfer in its then-existing state, whether in lease, fee, or  
17 otherwise, to the department of land and natural resources. Any  
18 transition shall comply with chapter 323D.

19 (b) A transition shall only occur upon approval of the  
20 appropriate regional system board in the case of a regional  
21 system or individual facility transition, or upon approval of



1 the regional system boards and the corporation in the case of  
2 the transition of the entire corporation. Any transition shall  
3 be subject to legal review by the attorney general, who shall  
4 approve the transition if satisfied that the transition conforms  
5 to all applicable laws, subject to the review of the director of  
6 the department of budget and finance, who shall approve the  
7 transition if it conforms to all applicable financing  
8 procedures, and subject to the governor's approval. In  
9 addition, the transition shall be subject to the following terms  
10 and conditions:

- 11 (1) All proceeds from the sale, lease, or transfer of  
12 assets shall be used for health care services in the  
13 respective regional system or facility, except that  
14 real property shall only be transferred by lease;  
15 provided that under a transfer that is effectuated  
16 pursuant to subsection (a)(5), real property shall  
17 transfer in its then-existing state, whether in lease,  
18 fee, or otherwise, to the department of land and  
19 natural resources;
- 20 (2) Any and all liabilities of a regional system or  
21 facility transitioning into a new entity that were



1 transferred to the Hawaii health systems corporation  
2 upon its creation by Act 262, Session Laws of  
3 Hawaii 1996, and all liabilities of the regional  
4 system or facility related to collective bargaining  
5 contracts negotiated by the State, shall become the  
6 responsibility of the State; and

7 (3) During the period of transition:

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

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

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

20 PART IV



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

4 "PART . LEAHI HOSPITAL AND MALUHIA

5 §321- Authority of the department of health. The  
6 department of health may:

- 7 (1) Conduct long-term care and substance abuse treatment
- 8 at Leahi hospital and Maluhia;
- 9 (2) Pay rent to the University of Hawaii for the use of
- 10 the Leahi hospital property, at a rate and on terms to
- 11 be negotiated between the department of health and the
- 12 University of Hawaii;
- 13 (3) Use moneys from the mental health and substance abuse
- 14 special fund established pursuant to section 334-15 to
- 15 fund the department's operations at Leahi hospital and
- 16 Maluhia;
- 17 (4) Develop and implement its own policies, procedures,
- 18 and rules necessary or appropriate to plan, operate,
- 19 manage, and control Leahi hospital and Maluhia without
- 20 regard to chapter 91;



1           (5) Enter into and perform any contract, lease,  
2           cooperative agreement, partnership, or other  
3           transaction whatsoever that may be necessary or  
4           appropriate in the performance of its purposes and  
5           responsibilities, and on any terms the department may  
6           deem appropriate with either:

7           (A) Any agency or instrumentality of the United  
8           States, or with any state, territory, possession,  
9           or subdivision thereof; or

10          (B) Any person, firm, association, partnership, or  
11          corporation, whether operated on a for-profit or  
12          not-for-profit basis; provided that the  
13          transaction furthers the public interest;

14          (6) Conduct activities and enter into business  
15          relationships the department deems necessary or  
16          appropriate, including but not limited to:

17          (A) Creating nonprofit corporations, including but  
18          not limited to charitable fundraising  
19          foundations, to be controlled wholly by the  
20          department or jointly with others; and



- 1 (B) Entering into partnerships and other joint  
2 venture arrangements, or participating in  
3 alliances, purchasing consortia, health insurance  
4 pools, or other cooperative agreements with any  
5 public or private entity; provided that any  
6 corporation, venture, or relationship entered  
7 into under this section shall further the public  
8 interest;
- 9 (7) Make and alter facility bylaws and rules for the  
10 organization and management of Leahi hospital and  
11 Maluhia without regard to chapter 91;
- 12 (8) Contract for and accept any gifts, grants, and loans  
13 of funds or property, or any other aid in any form  
14 from the federal government, the State, any state  
15 agency, or any other source, or any combination  
16 thereof, in compliance with the terms and conditions  
17 thereof;
- 18 (9) Provide health and medical services to the public  
19 directly or by agreement or lease with any person,  
20 firm, or private or public corporation, partnership,



1 or association through or in Leahi hospital and  
2 Maluhia or otherwise; and  
3 (10) Approve medical staff bylaws, rules, and medical staff  
4 appointments and reappointments for Leahi hospital and  
5 Maluhia, including but not limited to determining the  
6 conditions under which a health professional may be  
7 extended the privilege of practicing within Leahi  
8 hospital or Maluhia, as determined by the department  
9 or facility management, and adopting and implementing  
10 reasonable rules, without regard to chapter 91, for  
11 the credentialing and peer review of all persons and  
12 health professionals within the facility; provided  
13 that the department or facility management shall be  
14 the governing body responsible for all medical staff  
15 organization, peer review, and credentialing  
16 activities to the extent allowed by law.

17 **§321- Consultation with the University of Hawaii**  
18 **required.** The department of health shall regularly consult with  
19 the University of Hawaii regarding services provided at Leahi  
20 hospital and Maluhia. The department may coordinate with the  
21 University of Hawaii to allow university students to rotate



1 through the facilities for training purposes and may take any  
2 action necessary or proper to effectuate this purpose.

3       **§321- Reduction or elimination of direct patient care**  
4 **services.** (a) No planned substantial reduction or elimination  
5 of direct patient care services at Leahi hospital or Maluhia  
6 shall be undertaken unless all of the following requirements are  
7 met:

8       (1) An initial determination is made by the department as  
9 to critical and emergency services, which shall not be  
10 subject to reduction or elimination pursuant to this  
11 section;

12       (2) The plan of the facility to substantially reduce or  
13 eliminate any direct patient care services at Leahi  
14 hospital or Maluhia shall first be presented to the  
15 director of health for approval;

16       (3) Subsequent to the requisite director approval, the  
17 department shall present the plan to the community in  
18 which the facility is located at a community  
19 informational meeting, in order to obtain community  
20 input on the plan; and



1 (4) After the community informational meeting, but at  
2 least twenty days prior to the implementation of the  
3 approved plan, the director shall give notice of the  
4 implementation of the plan to the governor, president  
5 of the senate, and speaker of the house of  
6 representatives.

7 (b) Upon meeting the requirements of subsection (a), the  
8 approved plan shall be implemented unless legislation has been  
9 enacted that:

10 (1) Requires the reinstatement and continuation of direct  
11 patient care services that are subject to reduction or  
12 elimination under the plan; and

13 (2) Includes an appropriation of additional moneys  
14 sufficient to adequately fund the mandated  
15 reinstatement and continuation of the direct patient  
16 care services that are subject to reduction or  
17 elimination under the plan."

18 PART V

19 SECTION 6. (a) The budget of the Oahu regional health  
20 care system shall be transferred from the Hawaii health systems  
21 corporation to the department of health; provided that:



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

5 (2) The organizational structure of the Oahu regional  
6 health care system shall remain unchanged, unless  
7 modified and approved by the working group established  
8 pursuant to section 9 of this Act, and as approved by  
9 the conditions established in this part or as required  
10 by law.

11 (b) The transfer of positions and respective class  
12 specifications of the Oahu region from the Hawaii health systems  
13 corporation's personnel system to the department of health, as  
14 set forth in a transition document submitted by the working  
15 group established pursuant to section 9 of this Act no later  
16 than twenty days prior to the convening of the regular session  
17 of 2022, shall be completed no later than December 31, 2022,  
18 provided that:

19 (1) All employees of the Oahu region who are employed as  
20 of December 31, 2022, shall be transferred to the  
21 department of health before the transition of the Oahu



1 regional health care system into the department of  
2 health is complete;

3 (2) All employees of the Oahu region who occupy civil  
4 service positions shall be transferred to the  
5 department of health by this Act and retain their  
6 civil service status, whether permanent or temporary,  
7 and shall maintain their respective functions as  
8 reflected in their current position descriptions  
9 during the transition period; provided that any  
10 changes determined necessary by the working group  
11 established pursuant to section 9 of this Act shall  
12 follow standard union consultation process prior to  
13 implementation;

14 (3) Employees shall be transferred without loss of salary;  
15 seniority, except as prescribed by applicable  
16 collective bargaining agreements; retention points;  
17 prior service credit; any vacation and sick leave  
18 credits previously earned; and other rights, benefits,  
19 and privileges, in accordance with state employment  
20 laws;



- 1           (4) The personnel structure of the Oahu regional health  
2           care system shall remain unchanged, unless modified  
3           and approved by the working group and as approved by  
4           the conditions established pursuant to this Act;
- 5           (5) Any employee who, prior to this Act, is exempt from  
6           civil service or collective bargaining and is  
7           transferred as a consequence of this Act shall be  
8           transferred without loss of salary and shall not  
9           suffer any loss of prior service credit, contractual  
10          rights, vacation or sick leave credits previously  
11          earned, or other employee benefits or privileges, and,  
12          except in the instance of discipline, shall be  
13          entitled to remain employed in the employee's current  
14          position for a period of no less than one year after  
15          the transition of the Oahu regional health care system  
16          into the department of health is complete;
- 17          (6) The wages, hours, and other conditions of employment  
18          shall be negotiated or consulted, as applicable, with  
19          the respective exclusive representative of the  
20          affected employees, in accordance with chapter 89,  
21          Hawaii Revised Statutes; and



1 (7) The rights, benefits, and privileges currently enjoyed  
2 by employees, including those rights, benefits, and  
3 privileges under chapters 76, 78, 87A, 88, and 89,  
4 Hawaii Revised Statutes, shall not be impaired or  
5 diminished as a result of these employees being  
6 transitioned to the department of health pursuant to  
7 this Act. The transition to the department of health  
8 shall not result in any break in service for the  
9 affected employees. The rights, benefits, and  
10 privileges currently enjoyed by employees shall be  
11 maintained under their existing collective bargaining  
12 or other agreements and any successor agreement.

13 PART VI

14 SECTION 7. (a) The Oahu regional board shall, through the  
15 Oahu regional board chair, facilitate the transition of the Oahu  
16 region into the department of health as part of the working  
17 group established pursuant to section 9 of this Act and  
18 effectuate the assignment of all contracts and agreements in  
19 which the Oahu region is a party to the department of health.



1 (b) Notwithstanding any law to the contrary, the terms of  
2 the following members of the board of directors of the Hawaii  
3 health systems corporation shall expire on December 31, 2022:

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

6 (2) The two board members residing on the island of Oahu  
7 appointed pursuant to section 323F-3(b)(7), Hawaii  
8 Revised Statutes.

9 SECTION 8. (a) During the transition planning period  
10 commencing on July 1, 2021, to and including the completion of  
11 the transition of the Oahu regional health care system into the  
12 department of health no later than December 31, 2022, the Oahu  
13 regional system board may:

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

18 (2) Enter into and perform any contract, lease,  
19 cooperative agreement, partnership, or other  
20 transaction whatsoever that may be necessary or  
21 appropriate in the performance of its purposes and



1 responsibilities, and on any terms the regional system  
2 board may 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 (3) Conduct activities and enter into business  
11 relationships the regional system board deems  
12 necessary or appropriate, including but not limited  
13 to:

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

18 (B) Establishing, subscribing to, and owning stock in  
19 business corporations individually or jointly  
20 with others; and



- 1 (C) Entering into partnerships and other joint
- 2 venture arrangements, or participating in
- 3 alliances, purchasing consortia, health insurance
- 4 pools, or other cooperative agreements, with any
- 5 public or private entity; provided that any
- 6 corporation, venture, or relationship entered
- 7 into under this subsection shall further the
- 8 public interest;
  
- 9 (4) Execute, in accordance with all applicable bylaws,
- 10 rules, and laws, all instruments necessary or
- 11 appropriate in the exercise of any powers of the
- 12 regional system board;
  
- 13 (5) Make and alter regional system board bylaws and rules
- 14 for its organization and management without regard to
- 15 chapter 91, Hawaii Revised Statutes;
  
- 16 (6) Enter into any contract or agreement whatsoever, not
- 17 inconsistent with the laws of the State, execute all
- 18 instruments, and do all things necessary or
- 19 appropriate in the exercise of the powers granted
- 20 under chapter 323F, Hawaii Revised Statutes, including
- 21 securing the payment of bonds; provided that contracts



1 or agreements executed by the regional system board  
2 shall only encumber the regional subaccounts of the  
3 regional system board;

4 (7) Own, purchase, lease, exchange, or otherwise acquire  
5 property, whether real, personal, or mixed, tangible  
6 or intangible, and any interest therein, in the name  
7 of the regional system board; provided that the  
8 regional system board shall be subject to the  
9 requirements of section 323F-3.5, Hawaii Revised  
10 Statutes;

11 (8) Contract for and accept any gifts, grants, and loans  
12 of funds or property, or any other aid in any form  
13 from the federal government, the State, any state  
14 agency, or any other source, or any combination  
15 thereof, in compliance, subject to chapter 323F,  
16 Hawaii Revised Statutes, with the terms and conditions  
17 thereof; provided that the regional system board shall  
18 be responsible for contracting for and accepting any  
19 gifts, grants, loans, property, or other aid if  
20 intended to exclusively benefit the Oahu region public  
21 health facilities and operations;



- 1           (9) Provide health and medical services to 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 regional system board or otherwise; provided that  
6           the regional system board shall be responsible for  
7           conducting the activities under this paragraph solely  
8           within the Oahu regional system;
- 9           (10) Approve medical staff bylaws, rules, and medical staff  
10           appointments and reappointments for all public health  
11           facilities of the regional system board, including but  
12           not limited to determining the conditions under which  
13           a health professional may be extended the privilege of  
14           practicing within a health facility, as determined by  
15           the regional system board, and adopting and  
16           implementing reasonable rules, without regard to  
17           chapter 91, Hawaii Revised Statutes, for the  
18           credentialing and peer review of all persons and  
19           health professionals within the facility; provided  
20           that the regional system board shall be the governing  
21           body responsible for all medical staff organization,



- 1 peer review, and credentialing activities to the  
2 extent allowed by law;
- 3 (11) Enter into any agreement with the State, including but  
4 not limited to contracts for the provision of goods,  
5 services, and facilities for the support of the  
6 regional system board's programs, and contracting for  
7 the provision of services to or on behalf of the  
8 State;
- 9 (12) Develop internal policies and procedures for the  
10 procurement of goods and services, consistent with the  
11 goals of public accountability and public procurement  
12 practices, and subject to management and financial  
13 legislative audits; provided that the regional system  
14 board shall enjoy the exemptions under  
15 section 103-53(e) and chapter 103D, Hawaii Revised  
16 Statutes;
- 17 (13) Authorize, establish, and abolish positions; and
- 18 (14) Employ or retain any attorney, by contract or  
19 otherwise, for the purpose of representing the  
20 regional system board in any litigation, rendering



1 legal counsel, or drafting legal documents for the  
2 regional system board.

3 (b) During the transition period commencing on July 1,  
4 2021, to and including the completion of the transition of the  
5 Oahu regional health care system into the department of health  
6 no later than December 31, 2022, the Oahu regional system board  
7 shall continue to enjoy the same sovereign immunity available to  
8 the State.

9 (c) During the transition period commencing on July 1,  
10 2021, to and including the completion of the transition of the  
11 Oahu regional health care system into the department of health  
12 no later than December 31, 2022, the Oahu regional system board  
13 shall be exempt from chapters 36, 37, 38, 40, 41D, 103D, 103F,  
14 part I of chapter 92, and section 102-2, Hawaii Revised  
15 Statutes.

16 PART VII

17 SECTION 9. (a) There is established a working group of  
18 the Oahu regional health care system and department of health to  
19 develop, evaluate, and implement any additional steps necessary  
20 to complete the transition of the Oahu regional health care  
21 system into the department of health.



- 1 (b) The working group shall consist of the following  
2 members:
- 3 (1) The director of health or the director's designee, who  
4 shall serve as co-chair and who, along with the chair  
5 of the Oahu regional system board or the chair's  
6 designee, shall have final authority over transfer  
7 activities to be implemented by the working group;
- 8 (2) The chair of the Oahu regional system board or the  
9 chair's designee, who shall serve as co-chair and who,  
10 along with the director of health or the director's  
11 designee, shall have final authority over transfer  
12 activities to be implemented by the working group;
- 13 (3) The chief executive officer of the Oahu regional  
14 health care system or the chief executive officer's  
15 designee;
- 16 (4) One or more department of health staff members as  
17 deemed necessary by the director of health or the  
18 director's designee; and
- 19 (5) One or more Oahu regional health care system staff  
20 members as deemed necessary by the chief executive



1 officer of the Oahu regional health care system or the  
2 chief executive officer's designee.

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

- 5 (1) One representative from the behavioral health  
6 administration of the department of health;
- 7 (2) One representative from the department of human  
8 resources development;
- 9 (3) One representative from the department of accounting  
10 and general services;
- 11 (4) One representative from the department of the attorney  
12 general;
- 13 (5) One representative from the department of budget and  
14 finance;
- 15 (6) One representative from the office of planning;
- 16 (7) The chair of the Hawaii health systems corporation  
17 board or the chair's designee;
- 18 (8) One representative from the Hawaii health systems  
19 corporation human resources department;
- 20 (9) One representative from the Hawaii health systems  
21 corporation finance department;



- 1       (10) One representative from the state procurement office;
- 2       (11) One representative from the Hawaii Government
- 3             Employees Association, who shall be invited to
- 4             participate;
- 5       (12) One representative from the United Public Workers, who
- 6             shall be invited to participate;
- 7       (13) Community representatives as recommended and invited
- 8             by the co-chairs; and
- 9       (14) Others as recommended and invited by the co-chairs.
- 10       (d) In carrying out its purpose, the working group shall
- 11       develop a comprehensive business plan and transfer framework to
- 12       govern and manage the additional steps necessary to complete the
- 13       transfer of the Oahu region into the department of health. The
- 14       comprehensive business plan and transfer framework shall include
- 15       but not be limited to the following:
- 16           (1) Preparation of a five-year pro forma operating plan
- 17                 and budget for the continuing operations of Leahi
- 18                 hospital and Maluhia;
- 19           (2) Preparation of a ten-year pro forma capital
- 20                 improvement plan and budget for the continuing
- 21                 operations of Leahi hospital and Maluhia;



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



1           (7) Development and implementation of any and all policies  
2           and procedures necessary to ensure that the facilities  
3           within the Oahu regional health care system remain  
4           compliant with all federal, state, and local laws and  
5           regulations; and

6           (8) Development and implementation of procedures to  
7           extricate the Oahu regional health care system from  
8           system-wide services secured or provided by the Hawaii  
9           health systems corporation or enable the Oahu region  
10          to continue to utilize those services on a temporary  
11          or permanent basis through interagency agreement.

12          (e) Members of the working group shall serve without  
13          compensation but shall be reimbursed for reasonable expenses  
14          necessary for the performance of their duties, including travel  
15          expenses. No member of the working group shall be subject to  
16          chapter 84, Hawaii Revised Statutes, solely because of the  
17          member's participation in the working group.

18          (f) The working group shall submit a report to the  
19          legislature no later than twenty days prior to the convening of  
20          the regular session of 2022 that shall include the five-year pro  
21          forma operating and budget plan, ten-year pro forma capital



1 improvement plan, proposed legislation to address any matters  
2 not covered by this Act that may be necessary to complete the  
3 transfer of the Oahu regional health care system into the  
4 department of health, and a timeline of major milestones  
5 necessary to effectuate the transfer of personnel, assets,  
6 liabilities, and contracts needed to complete the transfer  
7 pursuant to this Act. The report shall also document the  
8 completion of the transfer and dissolution of the Oahu regional  
9 health care system.

10 (g) The working group shall be dissolved on December 31,  
11 2022, or upon completion of the transition of the Oahu regional  
12 health care system into the department of health, whichever is  
13 first.

14 SECTION 10. All transition actions shall be subject to the  
15 following conditions:

16 (1) The attorney general shall approve the legality and  
17 form of any material transition actions created by the  
18 working group prior to implementation; the director of  
19 finance shall evaluate and approve any expenditure of  
20 public funds determined to be in accordance with the  
21 budget laws and controls in force; the director of



1 human resources development and comptroller shall  
2 approve the transition of employee positions and  
3 payroll in accordance with all applicable laws, rules,  
4 policies and procedures; and the director of  
5 accounting and general services shall approve  
6 transition actions in accordance with all applicable  
7 laws, rules, policies, and procedures; and  
8 (2) Liabilities of the Oahu regional health care system  
9 that were transferred to the Hawaii health systems  
10 corporation upon its creation by Act 262, Session Laws  
11 of Hawaii 1996, or to the Oahu regional health care  
12 system upon its establishment by Act 290, Session Laws  
13 of Hawaii 2007, and all other contractual liabilities  
14 of the Oahu regional health care system, including  
15 those related to collective bargaining contracts  
16 negotiated by the State in existence at the time they  
17 are transferred to the department of health, shall  
18 become the responsibility of the State.

19 PART VIII

20 SECTION 11. There is appropriated out of the mental health  
21 and substance abuse special fund the sum of \$200,000 or so much



1 thereof as may be necessary for fiscal year 2021-2022 for the  
2 formulation of a comprehensive business plan and transfer  
3 framework for the transfer of Leahi hospital and Maluhia to the  
4 department of health.

5 The sum appropriated shall be expended by the department of  
6 health for the purposes of this part.

7 SECTION 12. There is appropriated out of the funds  
8 received by the State of Hawaii from the American Rescue Plan  
9 Act of 2021, Public Law 117-2 (Section 9901) the sum of  
10 \$16,320,700 or so much thereof as may be necessary for fiscal  
11 year 2021-2022 for the transfer of the Oahu regional health care  
12 system in its entirety from the Hawaii health systems  
13 corporation to the department of health.

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

16 PART IX

17 SECTION 13. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.

19 SECTION 14. This Act shall take effect on July 1, 2021;  
20 provided that part II of this Act shall take effect on  
21 December 31, 2022.



**Report Title:**

Hawaii Health Systems Corporation; Oahu Region; Department of Health; 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. Requires the transfer to be completed no later than 12/31/22. 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. Establishes a working group. Appropriates moneys from the mental health and substance abuse special fund. Appropriates moneys from the funds received by the State of Hawaii from the American Rescue Plan Act of 2021, Public Law 117-2 (Section 9901). (CD1)

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