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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



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. To meet its needs, the Hawaii state hospital was



1 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 estimates 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 would be taken to improve  
18 the 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  
9 are 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, 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 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 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 necessity 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 into the department of health;
- 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 (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) Appropriate moneys from the mental health and  
13 substance abuse special fund to expand and operate  
14 programs at Leahi hospital and Maluhia that are  
15 mutually advantageous to the department of health, the  
16 Oahu region, and the State; and
- 17 (7) Authorize the issuance of general obligation bonds and  
18 appropriate the proceeds of the bonds for improvements  
19 at Leahi hospital and Maluhia.



1 PART II

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

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

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

7 ~~(2)~~] (1) The Kauai regional health care system;

8 [~~(3)~~] (2) The Maui regional health care system;

9 [~~(4)~~] (3) The east Hawaii regional health care system,

10 comprising the Puna district, north Hilo district,

11 south Hilo district, Hamakua district, and Kau

12 district; and

13 [~~(5)~~] (4) The west Hawaii regional health care system,

14 comprising the north Kohala district, south Kohala

15 district, north Kona district, and south Kona

16 district;

17 and shall be identified as regional systems I, II, III, and IV,

18 [~~and V,~~] respectively."

19 PART III

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



1           "**§323F-3 Corporation board.** (a) The corporation shall be  
2 governed by [~~an eighteen-member~~] a fifteen-member board of  
3 directors that shall carry out the duties and responsibilities  
4 of the corporation other than those duties and responsibilities  
5 relating to the establishment of any captive insurance company  
6 pursuant to section 323F-7(c) (20) and the operation thereof.

7           (b) The members of the corporation board shall be  
8 appointed as follows:

- 9           (1) The director of health as an ex officio, voting  
10 member;
- 11           (2) The [~~five~~] four regional chief executive officers as  
12 ex officio, nonvoting members;
- 13           (3) Three members who reside in the county of Maui, two of  
14 whom shall be appointed by the Maui regional system  
15 board and one of whom shall be appointed by the  
16 governor, all of whom shall serve as voting members;
- 17           (4) Two members who reside in the eastern section of the  
18 county of Hawaii, one of whom shall be appointed by  
19 the East Hawaii regional system board and one of whom  
20 shall be appointed by the governor, both of whom shall  
21 serve as voting members;



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

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

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

15 [~~8~~] (7) One member who shall be appointed by the governor  
16 and serve as an at-large voting member.

17 The appointed board members who reside in the county of  
18 Maui, eastern section of the county of Hawaii, western section  
19 of the county of Hawaii, and on the island of Kauai~~[, and on the~~  
20 ~~island of Oahu]~~ shall each serve for a term of four years;  
21 provided that the terms of the initial appointments of the



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

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



1 expertise in the fields of medicine, finance, health care  
2 administration, government affairs, human resources, and law.

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

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

- 16 (1) Malfeasance in office;  
17 (2) Failure to attend regularly called meetings;  
18 (3) Sentencing for conviction of a felony, to the extent  
19 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) The director of health shall have sole decision-making  
9 authority over all corporation board matters that concern the  
10 Oahu regional health care system, commencing on June 30, 2021,  
11 and continuing until the transition of the Oahu regional health  
12 care system into the department of health is complete. Upon  
13 completion of the transition, the corporation board shall have  
14 no legal relationship with the Oahu regional health care system  
15 or its facilities."

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

18           "~~§~~323F-7.6~~§~~ **Transition of Hawaii health systems**  
19 **regional system or health facility to a new entity.** (a)  
20 Notwithstanding any other law to the contrary, including but not  
21 limited to section 27-1 and chapter 171, any of the regional



1 systems or individual facilities of the Hawaii health systems  
2 corporation is hereby authorized to transition into a new legal  
3 entity in any form recognized under the laws of the State,  
4 including but not limited to:

- 5 (1) A nonprofit corporation;  
6 (2) A for-profit corporation;  
7 (3) A municipal facility;  
8 (4) A public benefit corporation; [~~or~~]  
9 (5) A division or branch under a state executive  
10 department; or

11 [~~+5~~] (6) Any two or more of the entities in paragraphs (1)  
12 through [~~+4~~] (5).

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



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

14 (1) All proceeds from the sale, lease, or transfer of  
15 assets shall be used for health care services in the  
16 respective regional system or facility, except that  
17 real property shall only be transferred by lease;  
18 provided that under a transfer that is effectuated  
19 pursuant to subsection (a) (5), real property in its  
20 then-existing state, whether in lease, fee, or



1           otherwise, shall transition to the executive  
2           department;

3           (2) Any and all liabilities of a regional system or  
4           facility transitioning into a new entity that were  
5           transferred to the Hawaii health systems corporation  
6           upon its creation by Act 262, Session Laws of Hawaii  
7           1996, and all liabilities of the regional system or  
8           facility related to collective bargaining contracts  
9           negotiated by the State, shall become the  
10          responsibility of the State; and

11          (3) During the period of transition:

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

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

17          Upon the completion of the transition of all the facilities  
18          in a regional system to a new entity, the regional system board  
19          for that regional system shall terminate; provided that if not  
20          all of a regional system's facilities are transitioned to a new  
21          entity, the existing regional system board shall not terminate



1 but shall continue to retain jurisdiction over those facilities  
2 remaining in the regional system."

3 PART IV

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

7 "PART . LEAHI HOSPITAL AND MALUHIA

8 §321- Authority of the department of health. The  
9 department of health may:

- 10 (1) Conduct long-term care and substance abuse treatment
- 11 at Leahi hospital and Maluhia;
- 12 (2) Pay rent to the university of Hawaii for the use of
- 13 the Leahi hospital property, at a rate and on terms to
- 14 be negotiated between the department of health and the
- 15 university of Hawaii;
- 16 (3) Use moneys from the mental health and substance abuse
- 17 special fund established pursuant to section 334-15 to
- 18 fund the department's operations at Leahi hospital and
- 19 Maluhia;
- 20 (4) Develop and implement its own polices, procedures, and
- 21 rules necessary or appropriate to plan, operate,



- 1 manage, and control Leahi hospital and Maluhia without  
2 regard to chapter 91;
- 3 (5) Enter into and perform any contract, lease,  
4 cooperative agreement, partnership, or other  
5 transaction whatsoever that may be necessary or  
6 appropriate in the performance of its purposes and  
7 responsibilities, and on any terms the department may  
8 deem appropriate with either:
- 9 (A) Any agency or instrumentality of the United  
10 States, or with any state, territory, possession,  
11 or subdivision thereof; or
- 12 (B) Any person, firm, association, partnership, or  
13 corporation, whether operated on a for-profit or  
14 not-for-profit basis; provided that the  
15 transaction furthers the public interest;
- 16 (6) Conduct activities and enter into business  
17 relationships the department deems necessary or  
18 appropriate, including but not limited to:
- 19 (A) Creating nonprofit corporations, including but  
20 not limited to charitable fundraising



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



1 firm, or private or public corporation, partnership,  
 2 or association through or in Leahi hospital and  
 3 Maluhia or otherwise; and

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

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



1 university of Hawaii to allow university students to rotate  
2 through the facilities for training purposes and may take any  
3 action necessary or proper to effectuate this purpose.

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

- 9       (1) An initial determination is made by the department as  
10       to critical and emergency services, which shall not be  
11       subject to reduction or elimination pursuant to this  
12       section;
- 13       (2) The plan of the facility to substantially reduce or  
14       eliminate any direct patient care services at Leahi  
15       hospital or Maluhia shall first be presented to the  
16       director of health for approval;
- 17       (3) Subsequent to the requisite director approval, the  
18       department shall present the plan to the community in  
19       which the facility is located at a community  
20       informational meeting, in order to obtain community  
21       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 transfer of the Oahu regional health  
20 care system to the department of health shall commence with the



1 transfer of the budget count associated with the Oahu region as  
2 follows:

3 (1) On June 30, 2021, the budget of the Oahu regional  
4 health care system shall be transferred from the  
5 Hawaii health systems corporation to the department of  
6 health; provided that:

7 (A) The Oahu regional health care system's budget  
8 codes and all related allocated funds of the Oahu  
9 region shall be reflected in the state budget and  
10 all other related tables and documents under the  
11 program code HTH ; and

12 (B) The program code HTH shall be known as the  
13 inpatient services division within the department  
14 of health's behavioral health administration.  
15 The organizational structure of the Oahu regional  
16 health care system shall remain unchanged, unless  
17 modified and approved by the transition working  
18 group identified in this Act, and as approved by  
19 the conditions established in this part or as  
20 required by law; and



1 (2) On June 30, 2021, the transition working group  
2 established pursuant to this Act shall have the  
3 authority to begin transferring, at its discretion,  
4 the positions and class specifications of the Oahu  
5 region from the Hawaii health systems corporation's  
6 personnel system to the department of health; provided  
7 that:

8 (A) All employees of the Oahu region who are employed  
9 as of June 30, 2021, shall be transferred to the  
10 department of health before the transition of the  
11 Oahu regional health care system into the  
12 department of health is complete;

13 (B) All employees of the Oahu region who occupy civil  
14 service positions shall be transferred to the  
15 department of health by this Act and retain their  
16 civil service status, whether permanent or  
17 temporary, and shall maintain their respective  
18 functions as reflected in their current position  
19 descriptions during the transition period;  
20 provided that any changes determined necessary by  
21 the working group established pursuant to this



1 Act shall follow standard union consultation  
2 process prior to implementation;

3 (C) Employees shall be transferred without loss of  
4 salary; seniority, except as prescribed by  
5 applicable collective bargaining agreements;  
6 retention points; prior service credit; any  
7 vacation and sick leave credits previously  
8 earned; and other rights, benefits, and  
9 privileges, in accordance with state employment  
10 laws;

11 (D) The personnel structure of the Oahu regional  
12 health care system shall remain unchanged, unless  
13 modified and approved by the working group and as  
14 approved by the conditions established pursuant  
15 to this Act;

16 (E) Any employee who, prior to this Act, is exempt  
17 from civil service or collective bargaining and  
18 is transferred as a consequence of this Act shall  
19 be transferred without loss of salary and shall  
20 not suffer any loss of prior service credit,  
21 contractual rights, vacation or sick leave



1 credits previously earned, or other employee  
2 benefits or privileges and shall be entitled to  
3 remain employed in the employee's current  
4 position for a period of no less than one year  
5 after the transition of the Oahu regional health  
6 care system into the department of health is  
7 complete;

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

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



1 result in any break in service for the affected  
2 employees. The rights, benefits, and privileges  
3 currently enjoyed by employees shall be  
4 maintained under their existing collective  
5 bargaining or other agreements and any successor  
6 agreement.

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

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

- 16 (1) The regional chief executive officer of the Oahu  
17 regional health care system; and  
18 (2) The two board members residing on the island of Oahu  
19 appointed pursuant to section 323F-3(a)(7), Hawaii  
20 Revised Statutes, as that section read prior to the  
21 effective date of this section.



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

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

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

15 (A) Any agency or instrumentality of the United  
16 States, or with any state, territory, possession,  
17 or subdivision thereof; or

18 (B) Any person, firm, association, partnership, or  
19 corporation, whether operated on a for-profit or  
20 not-for-profit basis; provided that the  
21 transaction furthers the public interest;



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



1 appropriate in the exercise of any powers of the  
2 regional system board;

3 (5) Make and alter regional system board bylaws and rules  
4 for its organization and management without regard to  
5 chapter 91, Hawaii Revised Statutes;

6 (6) Enter into any contract or agreement whatsoever, not  
7 inconsistent with the laws of the State, execute all  
8 instruments, and do all things necessary or  
9 appropriate in the exercise of the powers granted  
10 under chapter 323F, Hawaii Revised Statutes, including  
11 securing the payment of bonds; provided that contracts  
12 or agreements executed by the regional system board  
13 shall only encumber the regional subaccounts of the  
14 regional system board;

15 (7) Own, purchase, lease, exchange, or otherwise acquire  
16 property, whether real, personal, or mixed, tangible  
17 or intangible, and of any interest therein, in the  
18 name of the regional system board; provided that the  
19 regional system board shall be subject to the  
20 requirements of section 323F-3.5, Hawaii Revised  
21 Statutes;



- 1           (8) Contract for and accept any gifts, grants, and loans  
2           of funds or property, or any other aid in any form  
3           from the federal government, the State, any state  
4           agency, or any other source, or any combination  
5           thereof, and in compliance, subject to chapter 323F,  
6           Hawaii Revised Statutes, with the terms and conditions  
7           thereof; provided that the regional system board shall  
8           be responsible for contracting for and accepting any  
9           gifts, grants, loans, property, or other aid if  
10          intended to exclusively benefit the Oahu region public  
11          health facilities and operations;
- 12          (9) Provide health and medical services to the public  
13          directly or by agreement or lease with any person,  
14          firm, or private or public corporation, partnership,  
15          or association through or in the health facilities of  
16          the regional system board or otherwise; provided that  
17          the regional system board shall be responsible for  
18          conducting the activities under this paragraph solely  
19          within the Oahu regional system;
- 20          (10) Approve medical staff bylaws, rules, and medical staff  
21          appointments and reappointments for all public health



1 facilities of the regional system board, including but  
2 not limited to determining the conditions under which  
3 a health professional may be extended the privilege of  
4 practicing within a health facility, as determined by  
5 the regional system board, and adopting and  
6 implementing reasonable rules, without regard to  
7 chapter 91, Hawaii Revised Statutes, for the  
8 credentialing and peer review of all persons and  
9 health professionals within the facility; provided  
10 that the regional system board shall be the governing  
11 body responsible for all medical staff organization,  
12 peer review, and credentialing activities to the  
13 extent allowed by law;

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

20 (12) Develop internal policies and procedures for the  
21 procurement of goods and services, consistent with the



1 goals of public accountability and public procurement  
2 practices, and subject to management and financial  
3 legislative audits; provided that the regional system  
4 board shall enjoy the exemption under  
5 section 103-53(e) and chapter 103D, Hawaii Revised  
6 Statutes;

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

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

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

18 (c) During the transition period commencing on July 1,  
19 2021, to and including the completion of the transition of the  
20 Oahu regional health care system into the department of health,  
21 the Oahu regional health care system board shall be exempt from



1 chapters 36, 37, 38, 40, 41D, 103D, part I of chapter 92, and  
2 sections 102-2 and 103-53(e), Hawaii Revised Statutes.

3 SECTION 8. For a period of two years following the  
4 completed transition of the Oahu regional health care system  
5 from the Hawaii health systems corporation to the department of  
6 health, the inpatient services division of the department of  
7 health shall be authorized to develop internal policies and  
8 procedures for the procurement of goods and services, consistent  
9 with the goals of public accountability and public procurement  
10 practices, subject to management and financial legislative  
11 audits; provided that the division shall enjoy the exemptions  
12 under chapter 103D and section 105-53(e), Hawaii Revised  
13 Statutes.

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

19 (b) The working group shall consist of the following  
20 members:



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



- 1 (c) In addition, the working group shall include the  
2 following members who shall serve in a consultative capacity:
- 3 (1) One representative from the behavioral health  
4 administration of the department of health;
  - 5 (2) One representative from the department of human  
6 resources development;
  - 7 (3) One representative from the department of accounting  
8 and general services;
  - 9 (4) One representative from the department of the attorney  
10 general;
  - 11 (5) One representative from the department of budget and  
12 finance;
  - 13 (6) The chair of the Hawaii health systems corporation  
14 board or the chair's designee;
  - 15 (7) One representative from the Hawaii health systems  
16 corporation human resources department;
  - 17 (8) One representative from the Hawaii health systems  
18 corporation finance department;
  - 19 (9) One representative from the state procurement office;



- 1 (10) One representative from the Hawaii Government  
2 Employees Association, who shall be invited to  
3 participate;
- 4 (11) One representative from the United Public Workers  
5 Union, who shall be invited to participate; and
- 6 (12) Others as recommended and invited by the co-chairs.
- 7 (d) In carrying out its purpose, the working group shall  
8 develop a transfer framework to govern and manage the additional  
9 steps necessary to complete the transfer of the Oahu region into  
10 the department of health. The transfer framework shall include  
11 but not be limited to the following steps:
- 12 (1) Identification and preparation of proposed legislation  
13 to address any matters not covered by this Act that  
14 may be necessary to complete the transfer of the Oahu  
15 region into the department of health;
- 16 (2) Identification of all real property, appropriations,  
17 records, equipment, machines, files, supplies,  
18 contracts, books, papers, documents, maps, and other  
19 property made, used, acquired, or held by the Oahu  
20 regional health care system and effectuate the  
21 transfer of the same to the department of health;



- 1           (3) Identification of all debts and other liabilities that  
2           will remain with the Hawaii health systems corporation  
3           and transfer any remaining debts and liabilities to  
4           the department of health;
- 5           (4) Identification of all contractual arrangements and  
6           obligations of the Oahu region, including but not  
7           limited to those related to personal service  
8           contracts, vendor contracts, and capital improvement  
9           projects;
- 10          (5) Development and implementation of any and all policies  
11          and procedures necessary to ensure that the facilities  
12          within the Oahu regional health care system remain  
13          compliant with all federal, state, and local laws and  
14          regulations; and
- 15          (6) Development and implementation of procedures to  
16          extricate the Oahu region from system-wide services  
17          secured or provided by the Hawaii health systems  
18          corporation or enable the Oahu region to continue to  
19          utilize those services on a temporary or permanent  
20          basis through interagency agreement.



1           (e) Members of the working group shall serve without  
2 compensation but shall be reimbursed for reasonable expenses  
3 necessary for the performance of their duties, including travel  
4 expenses. No member of the working group shall be subject to  
5 chapter 84, Hawaii Revised Statutes, solely because of the  
6 member's participation in the working group.

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

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



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

4 (1) The attorney general shall approve the legality and  
5 form of any material transition actions created by the  
6 working group prior to implementation, and the  
7 director of finance shall evaluate and approve any  
8 expenditure of public funds determined to be in  
9 accordance with the budget laws and controls in force;  
10 and

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



1 PART VI

2 SECTION 11. The director of finance is authorized to issue  
3 general obligation bonds in the sum of \$ or so much  
4 thereof as may be necessary and the same sum or so much thereof  
5 as may be necessary is appropriated for fiscal year 2021-2022  
6 for the purpose of making improvements to Leahi hospital and  
7 Maluhia.

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

13 PART VII

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

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



1 PART VIII

2 SECTION 14. Statutory material to be repealed is bracketed  
3 and stricken. New statutory material is underscored.

4 SECTION 15. This Act shall take effect on July 1, 2060;  
5 provided that: Part II of this Act shall take effect on July 1,  
6 2023; and Parts VI and VII of this Act shall take effect on  
7 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, immunities, and exemptions of the Oahu regional health care 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 moneys from the mental health and substance abuse special fund. Authorizes the issuance of general obligation bonds. Part II effective 7/1/2023. Effective 7/1/2060. (HD1)

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

