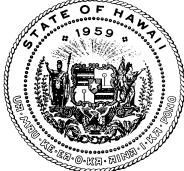


JOSH GREEN, M.D.  
GOVERNOR OF HAWAII  
KE KIA'ĀINA O KA MOKU'ĀINA 'O HAWAII'



KENNETH S. FINK, M.D., M.G.A, M.P.H  
DIRECTOR OF HEALTH  
KA LUNA HO'OKELI

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
KA 'OIHANA OLAKINO  
P. O. Box 3378  
Honolulu, HI 96801-3378  
[doh.testimony@doh.hawaii.gov](mailto:doh.testimony@doh.hawaii.gov)

**Testimony in SUPPORT of SB 3128  
RELATING TO ACT 212, SESSION LAWS OF HAWAII 2021**

SENATOR DONOVAN DELA CRUZ, CHAIR  
SENATE COMMITTEE ON WAYS & MEANS

Friday, February 23, 2024, 10:30AM, Room 211

- 1   **Fiscal Implications:** None.
- 2   **Department Position:** The Department of Health (Department) supports this measure.
- 3   **Department Testimony:** The Behavioral Health Administration (BHA) provides the following
- 4   testimony on behalf of the Department.

5                 This measure repeals the requirement to transfer the Oahu Regional Health Care System  
6   (Oahu Region) in its entirety from the Hawaii Health Systems Corporation (HHSC) to the  
7   Department.

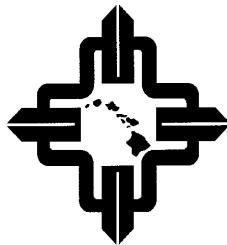
8                 The Department strongly supports this measure and supports the Oahu Region  
9   remaining under the HHSC with its own program ID. The Department respectfully requests the  
10   original language of the bill replace Section 1 of the SD1 to ensure that all transition activities  
11   and working groups will cease.

12               On December 30, 2021, the Department submitted a report to the Legislature that  
13   included a consultant's assessment of the transition plans and associated costs of incorporating  
14   the Oahu Region into the Department. The report included a 5-year operating budget pro-  
15   forma and a 10-year Capital Improvement Plan. The report detailed the complexity of the  
16   transition, the associated cost, and the estimated timeline. The transition cost was estimated at  
17   **\$10.3 million** with an annual post-transition cost of \$5 million.

1       The Department believes that the intended goals of the transfer can still be achieved  
2 without a costly transition. For example, the Department already rents space from the Oahu  
3 Region on the Leahi Hospital campus for three of its programs through Memorandums of  
4 Understanding. The Department is interested in additional space and will continue to work  
5 collaboratively with the Oahu Region for any useable space they identify within their facilities.  
6 The Department appreciates the insertion of Section 2 of the SD1 and is committed to working  
7 with the Oahu Region on the required agreement.

8       Thank you for the opportunity to testify in support of this measure.

9       **Suggested Amendments:** The Department respectfully requests that Section 1 of the SD1 be  
10 replaced with Sections 1 and 2 of SB 3128 as introduced.



## OAHU REGION HAWAII HEALTH SYSTEMS CORPORATION

---

Committee on Ways and Means  
Senator Donovan M. Dela Cruz, Chair  
Senator Sharon Y. Moriwaki, Vice Chair

February 23, 2024, 10:30 A.M.  
Conference Room 211 and Via Videoconference  
Hawaii State Capitol

Sean Sanada  
Oahu Region Chief Administrative Officer  
Hawaii Health Systems Corporation

**Re: Testimony in Support of Intent, Request for Amendments**

SB 3128, SD1 RELATING TO ACT 212, SESSION LAWS  
OF HAWAII 2021

---

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee on Ways and Means:

In its current iteration, SB 3128, SD1 is intended to repeal Act 212, Session Laws of Hawaii 2021, as amended by Act 150, Session Laws of Hawaii 2022 (hereinafter, "Act 212") and require the Oahu Regional Health Care System (hereinafter, "Oahu Region") to enter into an agreement with the Department of Health (hereinafter, "DOH") regarding the Oahu Region taking care of low acuity patients in the DOH's custody by the end of 2024.

In regard to its intent to repeal Act 212, the Oahu Region supports SB 3128, SD1 due to the high costs to complete and maintain the transition without gaining additional services for the community and because all usable spaces in the Oahu Region have been, or will soon be occupied for purposes consistent with the aims of Act 212.

### **High Costs to Complete Transition and Maintain Operations with no Gain in Additional Services**

- Act 212 provides for the transition of the Oahu Region from the Hawaii Health Systems Corporation ("HHSC") into the Department of Health ("DOH").
  - Upon its passage, a working group comprised of directors, deputy directors, supervisors, and staff from all impacted jurisdictions and departments determined that it would take at least two and a half years to reasonably complete the transition at an estimated cost of \$10.3 million. An additional \$5 million per year (not including the Oahu Region's annual subsidy requirements) would also be necessary to maintain operations.
  - Under the foregoing framework, the funding invested would only cover the costs to place the Oahu Region and its facilities under the DOH, and not provide for any additional public services.
-

- Given the dilapidated state of many unused areas on the Leahi Hospital campus, the Oahu Region believes that the transition and maintenance funding could be more strategically utilized for capital improvements to open the campus up for more public benefit and revenue generating initiatives.

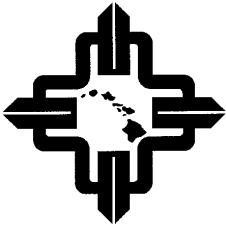
### **All Usable Spaces in the Oahu Region Are or Will Be Appropriately Utilized**

- One of the primary reasons for Act 212 was to grant the DOH additional infrastructure and resources in the Oahu Region's facilities to assist the DOH in addressing the gap in the behavioral health care system between acute psychiatric care facilities and low acuity residential treatment.
- In the years following passage of Act 212, however, through active engagement with the DOH and other agencies, the Oahu Region has been able to fill all of the usable spaces on the Leahi Hospital campus and developed plans for the usable space at Maluhia in a manner that is consistent with the aims of Act 212.
- First, the Palekana behavioral health program in Leahi Hospital's North Trotter Building, which started in December 2019 as a pilot project to provide residential mental health and substance use treatment for DOH Adult Mental Health Division ("AMHD") patients who would otherwise likely be treated at the Hawaii State Hospital or other higher cost facilities, was expanded from its initial six (6) beds to its current capacity of 28 beds. Based on calculations made by AMHD, the Palekana program at Leahi yields the DOH estimated annual savings of over \$15 million in comparison to housing such participants at other facilities.
- Second, the Oahu Region worked with the DOH Hansen's Disease Branch to move its residents from the South Trotter Building to an open unit in the Young Building where all of Leahi Hospital's long-term care residents reside. In turn, we partnered with the City and County of Honolulu (hereinafter, "City"), Emergency Medical Services Department ("EMS") and Queen's Medical Center ("QMC") for a medical respite facility in the newly vacated space. The program, which is slated to begin operations by the end of February 2024, will be managed by the City's Crisis Outreach Response and Engagement ("CORE") branch and is intended to house lower acuity hospital patients and homeless individuals in need of medical care. The program will be supported by QMC through the provision of psychiatric and other clinical services. The Oahu Region will also support the program with dietary and general maintenance services. We are hopeful that this project will help increase bed availability at local hospitals for acutely ill patients and effectively assist in transitioning the program's residents back into the community or to an appropriate step-down facility.
- Finally, at the Oahu Region's other facility, Maluhia, we have developed a pilot program with QMC to fill the only open unit with waitlisted patients who have not been accepted by other long-term care facilities due to financial and logistical limitations such as lack of guardianship and other Medicaid prohibitive circumstances. Thus far, we have admitted seven (7) waitlisted patients. Through the continuing success of our recruitment efforts, we believe that we will be able to slowly increase the number of our staffed beds and admit more waitlisted patients from both QMC and other local hospitals.

In light of the foregoing, the Oahu Region strongly supports the repeal of Act 212. That being said, we must additionally agree with the Corporation's suggested amendments to SB 3128, SD1 as we believe that such amendments are necessary to properly effectuate the repeal without adversely impacting the well-established statutory framework of HHSC. As such, **the Oahu Region respectfully requests that this Committee adopt the amendments proposed by the Corporation in its related testimony.**

With respect to the requirement that the Oahu Region enter into an agreement with the DOH regarding the Oahu Region taking care of low acuity patients in the DOH's custody by the end of 2024, the Corporation is correct in noting that the Oahu Region is amenable to placing, where appropriate, patients from the DOH or other agencies into the various programs operating in our facilities. Over the past several years, the Oahu Region has developed a very collaborative working relationship with the DOH. As such, whether through a formal agreement or otherwise, it is the Oahu Region's intent to continue assisting the DOH and other related agencies in fulfilling their obligations to the community.

Thank you for the opportunity to testify in support of this important measure.



**HAWAII HEALTH SYSTEMS**  
C O R P O R A T I O N

*"Quality Healthcare For All"*

**COMMITTEE ON WAYS AND MEANS**  
**Senator Donovan M. Dela Cruz, Chair**  
**Senator Sharon Y. Moriwaki, Vice-Chair**

February 23, 2024  
10:30 AM  
Hawaii State Capitol  
Room 211 & Via Videoconference

**Testimony Requesting Amendments to SB 3128, SD1  
RELATING TO ACT 212, SESSION LAWS OF HAWAII 2021**

Repeals the requirement to transfer the Oahu Regional Health Care System from the Hawai'i Health Systems Corporation to the Department of Health. Requires the Oahu Regional Health Care System to enter into an agreement with the Department of Health regarding Oahu Regional Health Care System taking care of low acuity patients in the Department's custody by the end of 2024. Takes effect 12/31/2050.

Edward N. Chu  
President & Chief Executive Officer  
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony **requesting amendments to SB 3128, SD1**.

In 2021, when this Legislature passed Act 212, the HHSC Oahu Region's facilities were viewed as potential sites to assist the Department of Health with addressing the gap in the behavioral health care system between acute psychiatric care facilities and low acuity residential treatment with the idea to utilize Leahi Hospital and Maluhia as subacute level of care facilities. In the time since its passage, there is a broader, better understanding of the constraints and costs this idea posed. Additionally, Oahu Region has worked with community partners towards fulfilling the general intent of Act 212, while remaining within the HHSC structure. As such, HHSC is supportive of the Oahu Region's desire to remain with HHSC through the repeal of Act 212, Session Laws of Hawaii.

As written, SB 3128, SD1 ensures that HRS §323F does not reflect Oahu Region's transfer to DOH, as was the subject-matter committee's intent. However, SB 3128, SD1 does not specifically repeal the operational mandates that were a substantive part of Act 212, Session Laws of Hawaii 2021, as amended by Act 150 of Session Laws of Hawaii 2022.

Furthermore, HHSC strongly suggests retaining the statutory language establishing a program ID for the Oahu Region, designated as HTH215, as highlighted in the below suggested language.

Finally, the Oahu Region is amendable to an agreement with DOH to receive appropriate referrals from the Department of Health. However, those individuals are not necessarily in the care and custody of the Department of Health. For flexibility, we have also provided suggested language for your consideration.

While we believe there may still be more discussion ahead for this proposal, to achieve what we understand to be the Senate subject-matter committee's intent, we respectfully suggest to the Senate Committee on Ways and Means to consider amending SB 3128 S.D.1 to read:

RELATING TO ACT 212, SESSION LAWS OF HAWAII 2021.

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

SECTION 1. Act 212, Session Laws of Hawaii 2021, as amended by section 2 of Act 150, Session Laws of Hawaii 2022, is amended as follows:

1. By amending sections 2 and 3 to read:

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

~~"(b) The corporate organization shall be divided into four regional systems, as follows:~~

~~(1) The Kauai regional health care system;~~

~~(2) The Maui regional health care system;~~

~~(3) The east Hawaii regional health care system, comprising the Puna district, north Hilo district, south Hilo district, Hamakua district, and Kau district; and~~

~~(4) The west Hawaii regional health care system, comprising the north Kohala district, south Kohala district, north Kona district, and south Kona district;~~

~~and shall be identified as regional systems I, II, III, and IV, respectively.] Repealed.~~

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

**"S323F-3 Corporation board.** (a) The corporation shall be governed by a fifteen member board of directors that shall carry out the duties and responsibilities of the corporation other than those duties and responsibilities relating to the establishment of any captive insurance company pursuant to section 323F-7(c)(20) and the operation thereof.

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

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

(2) The four regional chief executive officers as ex officio, nonvoting members;

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

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

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

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

(7) One member who shall be appointed by the governor and serve as an at-large voting member.

The appointed board members who reside in the county of Maui, eastern section of the county of Hawaii, western section

of the county of Hawaii, and on the island of Kauai shall each serve for a term of four years; provided that the terms of the initial appointments of the members who are appointed by their respective regional system boards shall be as follows: one of the initial members from the county of Maui shall be appointed to serve a term of two years and the other member shall be appointed to serve a term of four years; the initial member from East Hawaii shall be appointed to serve a term of two years; the initial member from West Hawaii shall be appointed to serve a term of four years; and the initial member from the island of Kauai shall be appointed to serve a term of two years; and provided further that the terms of the initial appointments of the members who are appointed by the governor shall be four years. The at large member appointed by the governor shall serve a term of two years.

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

(e) The selection, appointment, and confirmation of any nominee shall be based on ensuring that board members have diverse and beneficial perspectives and experiences and that they include, to the extent possible, representatives of the

~~medical, business, management, law, finance, and health sectors, and patients or consumers. Members of the board shall serve without compensation but may be reimbursed for actual expenses, including travel expenses, incurred in the performance of their duties.~~

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

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

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

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

2. By amending section 4 to read:

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

**"§323F-7.6 Transition of Hawaii health systems regional system or health facility to a new entity.** (a) Notwithstanding

any other law to the contrary, including but not limited to section 27-1 and chapter 171, any of the regional systems or individual facilities of the Hawaii health systems corporation is hereby authorized to transition into a new legal entity in any form recognized under the laws of the State, including but not limited to:

- (1) A nonprofit corporation;
- (2) A for-profit corporation;
- (3) A municipal facility;
- (4) A public benefit corporation; or

~~[+5] A division or branch under a state executive department; or]~~

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

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

(b) A transition shall only occur upon approval of the appropriate regional system board in the case of a regional system or individual facility transition, or upon approval of the regional system boards and the corporation in the case of the transition of the entire corporation. Any transition shall be subject to legal review by the attorney general, who shall approve the transition if satisfied that the transition conforms to all applicable laws, subject to the review of the director of the department of budget and finance, who shall approve the

transition if it conforms to all applicable financing procedures, and subject to the governor's approval. In addition, the transition shall be subject to the following terms and conditions:

(1) All proceeds from the sale, lease, or transfer of assets shall be used for health care services in the respective regional system or facility, except that real property shall only be transferred by lease; [provided that under a transfer that is effectuated pursuant to subsection (a)(5), real property shall transfer in its then-existing state, whether in lease, fee, or otherwise, to the department of land and natural resources;]

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

(3) During the period of transition:

- (A) The State shall continue to fund the provision of health care services provided for by the regional system or individual facility; and
- (B) All applicable provisions of this chapter shall continue to apply.

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

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

3. By amending section 5 to read:

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

~~"PART . LEAHI HOSPITAL AND MALUHIA~~

~~S321- Authority of the department of health.~~ The department of health may:

- ~~(1) Conduct long term care and substance abuse treatment at Leahi hospital and Maluhia;~~
- ~~(2) Pay rent to the University of Hawaii for the use of the Leahi hospital property, at a rate and on terms to be negotiated between the department of health and the University of Hawaii;~~
- ~~(3) Use moneys from the mental health and substance abuse special fund established pursuant to section 334-15 to fund the department's operations at Leahi hospital and Maluhia;~~
- ~~(4) Develop and implement its own policies, procedures, and rules necessary or appropriate to plan, operate, manage, and control Leahi hospital and Maluhia without regard to chapter 91;~~
- ~~(5) Enter into and perform any contract, lease, cooperative agreement, partnership, or other transaction whatsoever that may be necessary or appropriate in the performance of its purposes and responsibilities, and on any terms the department may deem appropriate with either:~~

- \_\_\_\_ (A) Any agency or instrumentality of the United States, or with any state, territory, possession, or subdivision thereof; or
- \_\_\_\_ (B) Any person, firm, association, partnership, or corporation, whether operated on a for profit or not for profit basis; provided that the transaction furthers the public interest;
- \_\_\_\_ (6) Conduct activities and enter into business relationships the department deems necessary or appropriate, including but not limited to:
- \_\_\_\_ (A) Creating nonprofit corporations, including but not limited to charitable fundraising foundations, to be controlled wholly by the department or jointly with others; and
- \_\_\_\_ (B) Entering into partnerships and other joint venture arrangements, or participating in alliances, purchasing consortia, health insurance pools, or other cooperative agreements with any public or private entity; provided that any corporation, venture, or relationship entered into under this section shall further the public interest;
- \_\_\_\_ (7) Make and alter facility bylaws and rules for the organization and management of Leahi hospital and Maluhia without regard to chapter 91;
- \_\_\_\_ (8) Contract for and accept any gifts, grants, and loans of funds or property, or any other aid in any form from the federal government, the State, any state agency, or any other source, or any combination thereof, in compliance with the terms and conditions thereof;

- \_\_\_\_ (9) Provide health and medical services to the public directly or by agreement or lease with any person, firm, or private or public corporation, partnership, or association through or in Leahi hospital and Maluhia or otherwise; and
- \_\_\_\_ (10) Approve medical staff bylaws, rules, and medical staff appointments and reappointments for Leahi hospital and Maluhia, including but not limited to determining the conditions under which a health professional may be extended the privilege of practicing within Leahi hospital or Maluhia, as determined by the department or facility management, and adopting and implementing reasonable rules, without regard to chapter 91, for the credentialing and peer review of all persons and health professionals within the facility; provided that the department or facility management shall be the governing body responsible for all medical staff organization, peer review, and credentialing activities to the extent allowed by law.

**\$321- Consultation with the University of Hawaii**

**required.** The department of health shall regularly consult with the University of Hawaii regarding services provided at Leahi hospital and Maluhia. The department may coordinate with the University of Hawaii to allow university students to rotate through the facilities for training purposes and may take any action necessary or proper to effectuate this purpose.

**\$321- Reduction or elimination of direct patient care services.** (a) No planned substantial reduction or elimination of direct patient care services at Leahi hospital or Maluhia

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

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

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

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

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

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

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

(2) Includes an appropriation of additional moneys sufficient to adequately fund the mandated reinstatement and

~~continuation of the direct patient care services that are subject to reduction or elimination under the plan."~~] Repealed.

4. By amending section 6 to read:

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

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

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

— (3) During the transition period, [a] All requests for operational funds necessary for the Oahu regional health care system to maintain its operations at Leahi hospital and Maluhia shall be made by the Oahu regional health care system and shall be submitted with budget requests made by the Hawaii health systems corporation; provided further that, when appropriated, funding for the Oahu regional health care system shall be designated under HTH 215, the program ID assigned to the Oahu regional health care system.

— (b) The transfer of positions and respective class specifications of the Oahu region from the Hawaii health systems corporation's personnel system to the department of health, as

set forth in [a] the transition [document] documents submitted by the working group established pursuant to section 9 of this Act no later than twenty days prior to the convening of the regular [session] sessions of 2022[,] and 2025, shall be completed no later than December 31, [2022,] 2025; provided that:

- \_\_\_\_ (1) All employees of the Oahu region who are employed as of December 31, 2025, shall be transferred to the department of health before the transition of the Oahu regional health care system into the department of health is complete;
- \_\_\_\_ (2) All employees of the Oahu region who occupy civil service positions shall be transferred to the department of health by this Act and retain their civil service status, whether permanent or temporary, and shall maintain their respective functions as reflected in their current position descriptions during the transition period; provided that any changes determined necessary by the working group established pursuant to section 9 of this Act shall follow standard union consultation process prior to implementation;
- \_\_\_\_ (3) Employees shall be transferred without loss of salary, seniority, except as prescribed by applicable collective bargaining agreements; retention points; prior service credit; any vacation and sick leave credits previously earned; and other rights, benefits, and privileges, in accordance with state employment laws;
- \_\_\_\_ (4) The personnel structure of the Oahu regional health care system shall remain unchanged, unless modified and approved

~~by the working group and as approved by the conditions established pursuant to this Act;~~

~~(5) Any employee who, prior to this Act, is exempt from civil service or collective bargaining and is transferred as a consequence of this Act shall be transferred without loss of salary and shall not suffer any loss of prior service credit, contractual rights, vacation or sick leave credits previously earned, or other employee benefits or privileges, and, except in the instance of discipline, shall be entitled to remain employed in the employee's current position for a period of no less than one year after the transition of the Oahu regional health care system into the department of health is complete;~~

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

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

5. By amending section 7 to read:

" SECTION 7. [(a) The Oahu regional board shall, through the Oahu regional board chair, facilitate the transition of the Oahu region into the department of health as part of the working group established pursuant to section 9 of this Act and effectuate the assignment of all contracts and agreements in which the Oahu region is a party to the department of health.]  
—(b) Notwithstanding any law to the contrary, the terms of the following members of the board of directors of the Hawaii health systems corporation shall expire on December 31, 2025:  
—(1) The regional chief executive officer of the Oahu regional health care system; and  
—(2) The two board members residing on the island of Oahu appointed pursuant to section 323F 3(b)(7), Hawaii Revised Statutes."] Repealed."

6. By amending section 8 to read:

"SECTION 8. [(a) During the transition planning period commencing on July 1, 2021, to and including the completion of the transition of the Oahu regional health care system into the department of health no later than December 31, 2025, the Oahu regional system board may:  
—(1) Develop and implement its own policies, procedures, and rules necessary or appropriate to plan, operate, manage, and control its facilities without regard to chapter 91, Hawaii Revised Statutes;  
—(2) Enter into and perform any contract, lease, cooperative agreement, partnership, or other transaction whatsoever that may be necessary or appropriate in the performance of its purposes and]

~~responsibilities, and on any terms the regional system board may deem appropriate with either:~~

- ~~(A) Any agency or instrumentality of the United States, or with any state, territory, possession, or subdivision thereof; or~~
- ~~(B) Any person, firm, association, partnership, or corporation, whether operated on a for-profit or not-for-profit basis; provided that the transaction furthers the public interest;~~
- ~~(3) Conduct activities and enter into business relationships the regional system board deems necessary or appropriate, including but not limited to:~~
  - ~~(A) Creating nonprofit corporations, including but not limited to charitable fundraising foundations, to be controlled wholly by the regional system board or jointly with others;~~
  - ~~(B) Establishing, subscribing to, and owning stock in business corporations individually or jointly with others; and~~
  - ~~(C) Entering into partnerships and other joint venture arrangements, or participating in alliances, purchasing consortia, health insurance pools, or other cooperative agreements, with any public or private entity; provided that any corporation, venture, or relationship entered~~

~~into under this subsection shall further the public interest;~~

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

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

- ~~(9) Provide health and medical services to the public directly or by agreement or lease with any person, firm, or private or public corporation, partnership, or association through or in the health facilities of the regional system board or otherwise; provided that the regional system board shall be responsible for conducting the activities under this paragraph solely within the Oahu regional system;~~
- ~~(10) Approve medical staff bylaws, rules, and medical staff appointments and reappointments for all public health facilities of the regional system board, including but not limited to determining the conditions under which a health professional may be extended the privilege of practicing within a health facility, as determined by the regional system board, and adopting and implementing reasonable rules, without regard to chapter 91, Hawaii Revised Statutes, for the credentialing and peer review of all persons and~~

~~health professionals within the facility; provided that the regional system board shall be the governing body responsible for all medical staff organization, peer review, and credentialing activities to the extent allowed by law;~~

- ~~(11) Enter into any agreement with the State, including but not limited to contracts for the provision of goods, services, and facilities for the support of the regional system board's programs, and contracting for the provision of services to or on behalf of the State;~~
  - ~~(12) Develop internal policies and procedures for the procurement of goods and services, consistent with the goals of public accountability and public procurement practices, and subject to management and financial legislative audits; provided that the regional system board shall enjoy the exemptions under section 103-53(e) and chapter 103D, Hawaii Revised Statutes;~~
  - ~~(13) Authorize, establish, and abolish positions; and~~
  - ~~(14) Employ or retain any attorney, by contract or otherwise, for the purpose of representing the regional system board in any litigation, rendering legal counsel, or drafting legal documents for the regional system board.~~
- ~~(b) During the transition period commencing on July 1, 2021, to and including the completion of the transition of the~~

Oahu regional health care system into the department of health no later than December 31, 2025, the Oahu regional system board shall continue to enjoy the same sovereign immunity available to the State.

(c) During the transition period commencing on July 1, 2021, to and including the completion of the transition of the Oahu regional health care system into the department of health no later than December 31, 2025, the Oahu regional system board shall be exempt from chapters 36, 37, 38, 40, 41D, 103D, 103F, part I of chapter 92, and section 102-2, Hawaii Revised Statutes."] Repealed."

7. By amending section 9 to read:

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

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

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

- ~~designee, shall have final authority over transfer activities to be implemented by the working group;~~
- (3) ~~The chief executive officer of the Oahu regional health care system or the chief executive officer's designee;~~
- (4) ~~One or more department of health staff members as deemed necessary by the director of health or the director's designee; and~~
- (5) ~~One or more Oahu regional health care system staff members as deemed necessary by the chief executive officer of the Oahu regional health care system or the chief executive officer's designee.~~
- (e) ~~In addition, the working group shall include the following members who shall serve in a consultative capacity:~~
- (1) ~~One representative from the behavioral health administration of the department of health;~~
- (2) ~~One representative from the department of human resources development;~~
- (3) ~~One representative from the department of accounting and general services;~~
- (4) ~~One representative from the department of the attorney general;~~
- (5) ~~One representative from the department of budget and finance;~~
- (6) ~~One representative from the office of planning;~~
- (7) ~~The chair of the Hawaii health systems corporation board or the chair's designee;~~

- \_\_\_\_ (8) One representative from the Hawaii health systems corporation human resources department;
  - \_\_\_\_ (9) One representative from the Hawaii health systems corporation finance department;
  - \_\_\_\_ (10) One representative from the state procurement office;
  - \_\_\_\_ (11) One representative from the Hawaii Government Employees Association, who shall be invited to participate;
  - \_\_\_\_ (12) One representative from the United Public Workers, who shall be invited to participate;
  - \_\_\_\_ (13) Community representatives as recommended and invited by the co-chairs; and
  - \_\_\_\_ (14) Others as recommended and invited by the co-chairs.
- \_\_\_\_ (d) In carrying out its purpose, the working group shall develop a comprehensive business plan and transfer framework to govern and manage the additional steps necessary to complete the transfer of the Oahu region into the department of health. The comprehensive business plan and transfer framework shall include but not be limited to the following:
- \_\_\_\_ (1) Preparation of a five-year pro forma operating plan and budget for the continuing operations of Leahi hospital and Maluhia;
  - \_\_\_\_ (2) Preparation of a ten-year pro forma capital improvement plan and budget for the continuing operations of Leahi hospital and Maluhia;
  - \_\_\_\_ (3) Identification and preparation of proposed legislation to address any matters not covered by this Act that

~~may be necessary to complete the transfer of the Oahu regional health care system into the department of health;~~

- (4) ~~Identification of all real property, appropriations, records, equipment, machines, files, supplies, contracts, books, papers, documents, maps, and other property made, used, acquired, or held by the Oahu regional health care system to effectuate the transfer of the same to the department of health;~~
- (5) ~~Identification of all debts and other liabilities that will remain with the Hawaii health systems corporation and the remaining debts and liabilities to be transferred to the department of health;~~
- (6) ~~Identification of all contractual arrangements and obligations of the Oahu regional health care system, including but not limited to those related to personal service contracts, vendor contracts, and capital improvement projects;~~
- (7) ~~Development and implementation of any and all policies and procedures necessary to ensure that the facilities within the Oahu regional health care system remain compliant with all federal, state, and local laws and regulations; and~~
- (8) ~~Development and implementation of procedures to extricate the Oahu regional health care system from system-wide services secured or provided by the Hawaii health systems corporation or enable the Oahu region~~

~~to continue to utilize those services on a temporary or permanent basis through interagency agreement.~~

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

~~(f) The working group shall submit reports to the legislature no later than twenty days prior to the convening of the regular sessions of 2022 and 2025 that shall include the five-year pro forma operating and budget plan, ten-year pro forma capital improvement plan, proposed legislation to address any matters not covered by this Act that may be necessary to complete the transfer of the Oahu regional health care system into the department of health, and a timeline of major milestones necessary to effectuate the transfer of personnel, assets, liabilities, and contracts needed to complete the transfer pursuant to this Act. The reports shall also document the completion of the transfer and dissolution of the Oahu regional health care system.~~

~~(g) The working group shall be dissolved on December 31, 2025, or upon completion of the transition of the Oahu regional health care system into the department of health, whichever is first.~~

~~(h) The working group may hold executive sessions in compliance with the procedures set out in section 92-4, Hawaii~~

~~Revised Statutes, to discuss individually identifiable information that could affect patient privacy or information that could identify prospective bidders."] Repealed."~~

8. By amending section 10 to read:

~~"SECTION 10. All transition actions shall be subject to the following conditions:~~

~~(1) The attorney general shall approve the legality and form of any material transition actions created by the working group prior to implementation; the director of finance shall evaluate and approve any expenditure of public funds determined to be in accordance with the budget laws and controls in force; the director of human resources development and comptroller shall approve the transition of employee positions and payroll in accordance with all applicable laws, rules, policies and procedures; and the director of accounting and general services shall approve transition actions in accordance with all applicable laws, rules, policies, and procedures; and~~

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

[2.] 9. By amending section 14 to read:

"SECTION 14. This Act shall take effect on July 1, 2021 [~~provided that part II of this Act shall take effect on December 31, 2025]~~]."

SECTION 2. The Oahu regional health care system and the department of health shall enter into an agreement [regarding Oahu regional health care system taking care of low acuity] for the Oahu regional health care system to receive appropriate patient referrals [patients in by] from the department of health[~~'s custody by the end of 2024.~~].

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

SECTION 4. This Act shall take effect on December 31, 2050.

Thank you for the opportunity to provide testimony on this matter.