
 <p>HAWAII HEALTH SYSTEMS C O R P O R A T I O N "Quality Healthcare for All"</p> <p>PROCEDURE</p>	<p>Department:</p> <p>Finance</p>	<p>Policy No.:</p> <p>PUR 0010B</p>
		<p>Supersedes Policy No:</p>
<p>Subject:</p> <p><i>Contract Approval and Procurement Reporting to HHSC Corporate Board</i></p>	<p>Approved by:</p>  <p>By: Edward N. Chu Its: HHSC President & CEO</p>	<p>Approved Date:</p> <p>April 24, 2025</p>
		<p>Last Reviewed:</p> <p>April 24, 2025</p>

I. **PURPOSE:** The Hawaii Health Systems Corporation (HHSC) Board of Directors (Corporate Board) has ultimate authority and responsibility for the contracts entered into on behalf of HHSC. In order to stay informed of the contracts and procurement practices followed by the facilities and the corporate office, the Corporate Board shall require regular reports. Oversight of the purchasing practices requires regular reporting of information. In addition, the Corporate Board will approve significant and high dollar contracts.

II. **DEFINITIONS:**

"Exclusive Physician Clinical Contract" means a contract with a physician group wherein they are the only group that is allowed to provide services in a particular designated service line.

III. **PROCEDURE:**

A. **HHSC Corporate Board Approval:** The HHSC President and Chief Executive Officer (PCEO), the Regional CEO, or their designees, must seek Board approval prior to finalizing contracts for the purchase of goods, services, and construction contracts as follows:

1. **Goods and Services Contracts That Do Not Require HHSC Corporate Board Approval:**

a. Contracts for goods or services, including non-exclusive physician/provider clinical services, may be entered into up to \$7,500,000, without the approval of the HHSC Corporate Board.

2. Goods and Services Contracts that Require HHSC Corporate Board Approval Prior to Execution:

- a. All exclusive contracts (including no-cost) for the provision of physician clinical services require the approval of the HHSC Corporate Board and the applicable Regional System Board(s) prior to execution.
- b. No contract for the purchase of goods or services in excess of \$7,500,000 will be entered into until first approved by the HHSC Corporate Board. This includes contract modifications that bring the contract total over \$7,500,000.
- c. Group Purchase Organization (GPO) locally negotiated contracts between HHSC and GPO Vendor for the purchase of goods or services must be submitted to the Board for approval where the expenditure exceeds \$7,500,000, even where the purchase does not include a fixed quantity. GPO Letters of Commitment or other GPO consolidated commitment forms to maximize tier level discounts do not require HHSC Corporate Board approval.

3. Capital Projects: The HHSC Corporate Board must approve capital budgets, which will include the capital improvement projects budget (CIP Budget), consisting of capital projects funded by the State of Hawaii and approved by the Regional System Boards, and the self-funded capital equipment and renovations budget approved by the Regional System Boards (Self-Funded Capital Budget). A motion must be presented to the HHSC Corporate Board seeking authorization for Corporate and Regional administrative staff to contract for each CIP project and Self-Funded capital project where the not-to-exceed amount or estimated contract amount exceeds \$7,500,000.

- a. Capital projects that are included in an HHSC Corporate Board approved Self-Funded Capital Budget may be contracted up to the approved amount without further board approval.
- b. Where a capital projects contract exceeds the total amount in the approved budget, either in the original contract or due to supplemental contracts, HHSC Corporate Board approval is required.
- c. Capital project expenditures that are not in the HHSC Corporate Board approved budget must be submitted for approval to the HHSC Corporate Board in order to increase the capital budget and to contract for the project, only if action is over \$7,500,000.

4. Computer Hardware and/or Software: Procurement of computers, servers and computer software being installed, implemented or accessing HHSC infrastructure exceeding \$10,000 requires prior approval of the HHSC Chief Information Officer (CIO). Procurements up to \$10,000 will be reviewed and approved by the Regional Information Technology representative. All procurement requests for information technology related items over \$10,000 must be processed thru the CIO for approval. Any rejected actions by the CIO will be presented to the Information Technology Governance Committee (ITGC) by the Regional Information Technology representative for review. If it is deemed to be in the best interest of the regional facility, the procurement decision may be overturned by the ITGC.

B. Approval Process:

1. Regional contracts will be routed through the applicable Region in conformity with Regional System Board policies before being brought to the HHSC Corporate Board for approval.
2. All requests for HHSC Corporate Board approval of contracts shall first be drafted and submitted to the HHSC Finance and Information Systems Committee (FISC) for review and recommendation to the full Board on or about two (2) weeks prior to the FISC meeting and shall include the following information:
 - a. Name of the contracting entity;
 - b. A full description of the purchase or project;
 - c. The business plan or information supporting the purchase, if the purchase is not part of a previously approved budget;
 - d. The procurement method used for the purchase;
 - e. Action by the Regional System Board or HHSC CIO, as applicable;
 - f. Number of contract years;
 - g. Actual or average annual dollar spend;
 - h. Funding source; and
 - i. Other information deemed prudent to make an informed decision about the purchase as requested by the FISC or Executive Management.
3. Obtaining HHSC Corporate Board approval will be the responsibility of the PCEO and/or HHSC Corporate CFO for Corporate/System purchases. For Regional contracts, the Regional CEO/CFO will prepare the FISC information packet and submit it to the Corporate CFO prior to the published FISC and Board meeting deadlines.
4. There will be no attempt to deliberately split purchases into two or more procurement actions or contracts in order to circumvent these approval requirements (parceling).
5. To the extent Regional System Board policies allow, Regional CEOs have the authority and flexibility to substitute new items for previously Board-approved budgeted goods and services. This authority is based upon the Regional CEO's determination that the new item cost is equal to or less than the previously approved budget item and the submission is in the best interest of the facility.

C. **Contract Signing Authority.**

1. The PCEO has the authority to enter into non-exclusive Corporate Office and System Contracts in any amount for any lawful expenditure under \$7,500,000 without HHSC Corporate Board approval.
2. The PCEO has the authority to enter into exclusive Corporate Office and System Contracts or Corporate Office and System Contracts above \$7,500,000 for the Corporate Office only after receiving HHSC Corporate Board approval.
3. The Regional CEO or their formally delegated person has the authority to enter into non-exclusive regional contracts for any lawful expenditure under \$7,500,000 for their Region, with Regional System Board approval as required, without further HHSC Corporate Board approval.
4. The Regional CEO or their formally delegated person has the authority to enter into exclusive regional contracts or regional contracts for any lawful expenditure above \$7,500,000 only after receiving HHSC Corporate Board approval.

IV. **APPLICABILITY:** All HHSC facilities and HHSC Corporate staff.

V. **REFERENCES:** HRS Chapter 323F, including 323F-3.5(b), 323F-7(b) and (c); 103D-102, 103D-203, 103D-208.

VI. **ATTACHMENT:** Appendix A – Procurement Authority Matrix

APPENDIX A

Procurement Authority Matrix Hawaii Health Systems Corporation

Corporate Board and Regional System Boards

	<u>HRS 103D</u>	<u>Corporate</u>	<u>Oahu</u>	<u>Kauai</u>	<u>East Hawaii</u>	<u>West Hawaii</u>
Authority Effective Date:	Jan-94	Nov-06	Jan-09	Sep-08	Aug-08	Oct-09
Name of Chief/Regional Procurement Officer:	SPO	Edward N. Chu PCEO	Derek Akiyoshi RCEO	Lance Segawa RCEO	Daniel Brinkman RCEO	Clayton McGhan RCEO
Contract / Purchase Order Signing Authority Limits	As delegated by the Policy & Board	HHSC Board > \$7.5M	Regional BOD - < \$7.5M			
		Pres/CEO: \$7.5M	RCEO: \$3M	RCEO: \$3M	RCEO: \$3M	RCEO: \$3M