

LATE

HB 1064

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER, ESQ.
DIRECTOR

HENRY OLIVA
DEPUTY DIRECTOR

LATE TESTIMONY

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

LATE

April 6, 2009

MEMORANDUM

TO: Honorable Donna Mercado Kim, Chair
Senate Committee on Ways and Means

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 1064, H.D. 1, S.D. 1 – MAKING AN EMERGENCY
APPROPRIATION FOR THE DEPARTMENT OF HUMAN
SERVICES TO ADDRESS THE BUDGET SHORTFALL**

Hearing: Monday April 6, 2009, 9:30 am
Conference Room 211, State Capitol

PURPOSE: The purpose of this bill is to make an Emergency appropriation to address the budget shortfall for general assistance payments in April, May, and June of 2009, and to address the budget shortfall in fiscal year 2008-2009 for mental health services and Hawaii Health Systems Corporation (HHSC).

DEPARTMENT'S POSITION: The Department of Human Services (DHS) offers comment on this bill to clarify the mechanism by which funding could be paid by DHS to HHSC.

DHS recognizes the important role HHSC has in providing care to Medicaid recipients and the uninsured, particularly on the Neighbor Islands. For this and other reasons, DHS gives HHSC an annual supplemental payment of \$6.9 million.

DHS also understands that Medicaid payments are generally less than the cost of care, and in the case of HHSC, that difference when caring for Medicaid recipients is a State share eligible for Federal match, called certified expenditures. DHS uses HHSC certified expenditures as the State share for the annual \$7.5 million direct waiver payments to private hospitals, a similar amount for funding the QUEST-ACE program, and potentially to draw down some or all of the Federal disproportionate share hospital (DSH) funds.

Increased payments by DHS to HHSC could decrease the amount of certified expenditures and require additional State appropriations to access the DSH or direct waiver payment Federal funds. This is in part because there are caps on the amount of Federal funds available for direct waiver payments and DSH payments to hospitals. In other words, the Federal funding comes in one way or another, and the new appropriation to HHSC in this bill may not necessarily result in the expected full amount of new Federal funds. DHS is working with HHSC to determine how much funding is needed to cover its shortfalls and how much additional Federal funding could be realized to contribute to that shortfall.

DHS would make every effort to maximize the receipt of new Federal funds, which would need to pass through the health plans to receive Federal match, but depending on the level of capitation that would be permissible it may be preferable to pay some portion of the new appropriation directly to HHSC. This direct payment might not receive Federal match, but it would not decrease the amount of Federal funds otherwise available based on HHSC certified expenditures.

To clearly give DHS the most flexibility to maximize Federal funding, we request that on page 7 line 4 the words “to the extent possible” be added just before the words “for medicaid eligible services.”

“The sum appropriated shall be expended by the department of human services to the extent possible, for medicaid eligible services provided by the Hawaii health systems corporation.”

Thank you for the opportunity to testify on this bill.

Faith Action for



Community Equity

Gamaliel Foundation Affiliate

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The Rev. Alan Mark
Statewide President

The Rev. Robert Nakata
Oahu President

The Rev. Bill Albinger
Maui President

Ms. Judy Ott
Statewide Secretary

The Rev. Frances Wiebenga
Oahu Vice President, Clergy

Dr. Clementina Ceria-Ulep
Oahu Vice President, Laity

Dr. Kathy Jaycox
Oahu Secretary

Ms. Emily Milioni
Oahu Assistant Secretary

Mr. Rosario Baniaga
Oahu Treasurer

Mr. Drew Astolfi
Executive Director

Mr. Patrick Zukemura
Oahu Lead Organizer

April 6, 2009

LATE

THE SENATE
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009

COMMITTEE ON WAYS AND MEANS

Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair

DATE: Monday April 6, 2009
TIME: 9:30 a.m.
PLACE: Conference Room 211
State Capitol
415 South Beretania Street

HB 1064

**MAKING AN EMERGENCY APPROPRIATION FOR THE DEPARTMENT OF
HUMAN SERVICES TO ADDRESS THE BUDGET SHORTFALL**

Chair Kim and members of this committee:

We are Rev. Bob Nakata, President of FACE and Rev. Sam Domingo Chair of the FACE Healthcare Committee. FACE is in support of Sub part C of this bill which is to appropriate emergency funds for the Hawaii Health Systems Corporation.

FACE believes that one of most valuable public asset, our public hospitals, is severely underfunded and under reimbursed.

Please pass this measure with the funding for the HHSC intact.



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

"Touching Lives Every Day"

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The Senate Committee on Ways and Means
Senator Donna Mercardo Kim, Chair
Senator Shan Tsutsui, Vice Chair

Monday, April 6, 2009
9:30 AM
Room 211
Hawaii State Capitol

HB 1064, HD1, SD1
Making an Emergency Appropriation for the Department of Human Services
to Address the Budget Shortfall

Thomas M. Driskill, Jr.
President and Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for this opportunity to provide strong support for HB1064, HD1, SD1 that would fill an urgent need for funding to ensure that facilities have sufficient cash to continue to operate at the current levels of service and meet the safety net mission of the state.

Health care in the United States and Hawaii is in crisis. Healthcare in Hawaii has major unique problems and public health care is taking on more and more of the burden. Due to external conditions beyond our control and the mandate to meet a safety net mission for the State of Hawaii, HHSC is facing the worst cash crisis since the corporation was formed. In the beginning of fiscal year 2009 the systems' projections indicated a shortfall and a need for an emergency appropriation to be able to continue to operate for the rest of the year at the same levels of service.

As fiscal biennium 2009-2011 budget preparations began amidst forecast of state budget limits and a declining economy, all efforts became focused on the fact that reductions in funding were imminent and no emergency funding would be available to state agencies. Contingency plans were implemented by the HHSC regions and corporate office to abate the critical financial condition. Contingency plans included reductions in work force at Kona Community Hospital and the HHSC corporate office, curtailment of new physician services, hiring freeze, modified purchasing and scheduling of services, travel restrictions, and a loan for Maui region. The regions and corporate office worked diligently to implement cost saving actions and certain

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levels of success were achieved, however, due to the worsening economic climate, cash shortfalls proved to be far greater than originally projected. Our efforts, although substantial, have been insufficient to control the growing deficit.

The current financial condition is critical. At this time, the projected amount of funding needed by HHSC regions to make it through the remainder of FY 2009 and continue operations into the new fiscal year is \$34.6 million. The amounts per region are:

Maui region facilities:	\$16,000,000
Kauai region facilities:	\$7,900,000
East Hawaii region facilities:	\$7,000,000
West Hawaii region facilities:	\$3,700,000

Accounts payable balances are at dire levels and in some situations have exceeded 120 days. This amount of funding is urgently needed to pay down accounts payable (AP) balances to essential vendors, thus reducing the AP balances and ensuring the provision of current levels of services in HHSC facilities through this fiscal year.

Services of the safety-net hospital system have a tremendous impact on the public, in acute, long-term care and rural health care. Emergency funding would allow hospitals to continue to provide the levels of services necessary to meet community health care needs, which in conjunction with reimbursement shortfalls have substantially increased cash flow shortfalls of HHSC facilities, leaving them unable to make timely payment to vendors and suppliers, causing financial harm to Hawaii businesses and threatening the availability of essential and emergency medical services to the population at large. Because vendors and suppliers would be unable to indefinitely provide goods and services to HHSC hospitals without these overdue payments and HHSC is unable to improve cash flow to the point its hospitals would be able to make up these payments without critical legislation to empower organizational change, HHSC hospitals would be unable long term to sustain services at current levels without emergency influx of cash from the state.

We understand that, given the large projected shortfalls faced by the state of Hawaii, the HHSC emergency funding requests and the steady increases in need for general funds subsidy cannot continue to be supported. Other legislation is presently under consideration to empower regional system boards of directors to reorganize HHSC facilities and regions to achieve better operating efficiencies and financial results and to empower changes in the structure of the workforce to substantially reduce labor costs and establish more business-like operations that will enable management to more directly and timely control operating losses. We believe that proposed changes that are encompassed in SB 1673SD2HD1 relating to Hawaii Health Systems Corporation, will enable HHSC regions, over time, to restructure operations to reduce future escalating demands for subsidy for HHSC and its facilities, and eventually to work toward establishing a pre-determined annual general funds subsidy to sustain the system in future years.

We request passage of HB1064, HD1, SD1, that includes an emergency appropriation for HHSC Maui region facilities, Kauai region facilities, East Hawaii region facilities, and West Hawaii

region facilities to pay accounts payable balances to essential vendors and ensure the provision of current levels of services in HHSC facilities.

The HHSC Corporate Board and corporate management are committed to working collaboratively with each of its five regions to implement needed changes in structural and operational efficiencies to reduce dependency on state funding.

Thank you for your continued support.

LATE

George J. Zweibel, Esq.
President, Board of Directors

M. Nalani Fujimori, Esq.
Interim Executive Director

TESTIFYING IN SUPPORT OF HB1064 SD1
MAKING AN EMERGENCY APPROPRIATION FOR THE DEPARTMENT OF HUMAN SERVICES TO
ADDRESS THE BUDGET SHORTFALL

April 6, 2009 at 9:30 a.m.

Committee on Ways and Means

The Legal Aid Society of Hawaii hereby provides testimony in support of HB1064 SD1 – Making an Emergency Appropriation for the Department of Human Services to Address the Budget Shortfall to the Senate Committee on Human Services.

The Legal Aid Society of Hawaii provides free legal services to the low-income population of the State of Hawaii. We provided civil legal assistance to those in need through nine offices located in Lihue, Waianae, Honolulu, Kaneohe, Kaunakakai, Lanai City, Wailuku, Kona and Hilo. Over the years we have provided leadership around public benefits issues and on an annual basis update our public benefits manual and provide a two-day training on public benefits.

At the end of February, the Department of Human Services reduced already low GA benefits of \$469 per month to \$234 per month for April, May and June because the FY08-09 block grant could not meet the projected needs. Last week we began receiving our first calls from GA recipients subject to this cut. Many of whom are now at the risk of becoming homeless because they cannot make their rent payments for the next three months.

This emergency appropriation will help ensure GA recipients are able to maintain housing and not add to our already large homeless population. We ask for your support of this bill.

Thank you for the opportunity to testify.

Sincerely,

M. Nalani Fujimori
Interim Executive Director



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