

STATE OF HAWAII  
OFFICE OF THE AUDITOR  
465 S. King Street, Room 500  
Honolulu, Hawaii 96813-2917



ATTACHMENT 1

MARION M. HIGA  
State Auditor

(808) 587-0800  
FAX: (808) 587-0830

November 19, 1998

**COPY**

Ms. Linda Colburn  
Felix Operations Manager  
Office of the Governor  
State Capitol, 4<sup>th</sup> Floor  
Honolulu, Hawaii 96813

Dear Ms. Colburn:

Enclosed for your information is a copy numbered 6 of our draft report, *Assessment of the State's Efforts Related to the Felix Consent Decree*. We ask that you telephone us by Monday, November 23, 1998, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Monday, November 30, 1998.

The Department of the Attorney General, Department of Education, Department of Health, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

A handwritten signature in cursive script, reading 'marion m. higa'.

Marion M. Higa  
State Auditor

Enclosures



**EXECUTIVE CHAMBERS**  
HONOLULU

BENJAMIN J. CAYETANO

December 2, 1998

Ms. Marion M. Higa  
State Auditor  
State of Hawaii  
Office of the Auditor  
465 S. King Street, Room 500  
Honolulu, HI 96813-2917

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STATE OF HAWAII

Dear Ms. Higa:

Thank you for the opportunity to clarify various aspects of the Draft 1998 "Assessment of the State's Efforts Related to the Felix Consent Decree." The following comments reflect the responses of the leadership of the Department of Education (DOE), Department of Health (DOH), and the Felix Operations Manager in consultation with the Family Court and the Department of Human Services (DHS).

As this integrated response addresses important aspects of what is clearly a very complex and dynamic compliance effort, we respectfully request that it be included with the publication of your final report in its entirety.

Three broad initial observations resulted from the departmental review of the document. These are:

- (1) It appears that there may be a lack of understanding concerning the specific compliance requirements of the State, regarding Section 504 of the Rehabilitation Act, the Individuals with Disabilities Education Act (IDEA) and the Felix vs. Cayetano Consent Decree.
- (2) In some areas it appears that the reviewer has been unable to make distinctions between system impediments over which the departments have no control and those areas where the departments can effectuate change. It is noted that the provision of special education and related services including mental health services is subject to policies and regulations enacted by the federal government.

- (3) It's important to recognize that the State was out of compliance with federal law and regulation at the time that the State entered into the Felix vs. Cayetano Consent Decree. The commitments made by the parties at the time of entering into the agreement have necessitated an enormous amount of "catching up" which has had to be accomplished while the State has had to continue to provide services.

This document is structured to address specific statements presented in the draft report:

1. Statement Number One:

"... collaboration between the Departments was 'non-existent'." (page 2, State Auditor's Draft Report)

Response:

The statement reflects conditions that led to the 1994 Settlement Agreement. Since that time, there has been marked increased collaboration between the DOH and DOE, as evidenced by Operational Management Team (OMT) meetings (which also involves representatives from DHS, Family Court and the State Children's Council). In addition, the Felix Operations Manager functions as the facilitator for coordinating the State's efforts in a collaborative manner, through multiple working groups/committees/meetings such as the Multi Agency Children Committee, Licensing Working Group, Aging Out Working Group, Autism Working Group, Felix Staff Services Development Institute Steering Committee, Quality Outcomes Working Group, Service Testing Working Group, Management Information System Working Group, Community Children's Council Informational Meetings, Integrated Budget Meetings, Maui Management Team Meetings, and Big Island Interagency Team Meetings. In addition, as other issues are identified, teams are assembled from the appropriate departments to problem-solve around specific issues.

2. Statement Number Two:

"... the State lacks a clear "working" definition of the Felix class. (pages 12-19, State Auditor's Draft Report)

Response:

The State has a clear "working" definition of the Felix class which was provided in the "Stipulation and Order Modifying the Consent Decree", filed on January 12, 1998 which defines the Plaintiff class as "all children and adolescents with disabilities residing in Hawaii, from birth to 20 years

of age, who are eligible for and in need of education and mental health services."

Moreover, the State has an operational definition of the Felix class. The process includes the nomination, screening and evaluation process which was approved by the Office of Special Education Programs of the U.S. Office of Education (under the provisions of the IDEA). This is followed by a DOE multi-disciplinary Diagnostic Team, which involves the development of a mental health assessment completed by DOH contracted providers. The determination of eligibility for services is made by a team consisting of parents, DOE personnel and DOH personnel in accord with either Section 504 of the Rehabilitation Act or the IDEA. If special education and related mental health services are deemed necessary, then these services are provided by either a 504 Modification Plan (MP) or an Individual Education Plan (IEP).

The Felix class members are children who have been identified for Section 504 or special education services and are receiving mental health services as a related service. It is important that the relationship between 504 eligibility, IDEA eligibility, and Felix class membership be fully understood.

There are currently 20,592 children with identified disabilities being served in the special education programs in the state. These children were identified under the provisions of the federal IDEA. These are the IDEA eligible children who are currently being provided services:

2,748 children with mental retardation	13%
9,317 children with learning disabilities	45%
2,560 emotionally impaired children	12%
395 hearing impaired children	2%
2,586 speech-language impaired children	13%
975 early childhood learning impairment	5%
791 health impaired children	4%
190 children with autism	1%
<u>1,030</u> other impairments	<u>5%</u>
20,592 Total	100%

As of this date, 4,857 or 24% of the IDEA eligible children are receiving related mental health services. An additional 1,266 children are currently receiving mental health services as a program modification under Section 504 of the Rehabilitation Act of 1973.

These 6,123 children are the Felix Class Children as defined as *"all children and adolescents with disabilities residing in Hawaii, from birth to 20 years of age, who are eligible for and in need of education and mental health services."*

It is additionally noted that another 1,828 children in the state have been referred by the DOE to the CAMHD for mental health assessment as part of the eligibility determination process.

It is important to keep in mind, that while the Consent Decree requires the Child and Adolescent Mental Health Division (CAMHD) of the DOH to provide the full range of mental health services to the 6,123 Felix Class Children, the Federal IDEA requires the DOE to provide the full range of educational services to all 20,592 children identified for special education services.

In addition, the Felix class also includes children in the DOH's Zero-to-Three (ZTT) Program. There is agreement as to who constitutes the Felix class for the ZTT Program. It is defined as those children who are "developmentally delayed", as evidenced in Ivor Groves' letter to Special Master, Mr. Jeffrey Portnoy, dated July 15, 1998, a copy of which is attached (Attachment "A").

3. Statement Number Three:

"This makes it difficult for the two departments to agree on how many children actually constitute the Felix class." (page 16, State Auditor's Draft Report)

Response:

As this comment initially related to an issue regarding eligibility, and presumptive eligibility, it is important to recognize that neither Department currently uses a category called "presumptive eligibility." Although it is suggested that a disagreement in numbers also results from the lack of a clear description of the Felix Class and the perceived lack of collaboration between the departments, the reality is quite different.

First of all, the two departments have different service requirements. The DOE is required to provide services to all children found eligible for special education services under IDEA. The DOH provides related mental health services for these children requiring such services under the provisions of Section 504 of the Rehabilitation Act and IDEA.

Secondly, the numbers of actual children requiring services change from day to day as new children are identified, and it is determined that other children no longer require services.

4 Statement Number Four:

"The State's efforts to obtain clarity on the requirements of the decree are further complicated by inclusion of the DOE new educational reform effort, the Comprehensive student Support system, in the Implementation Plan." (pages 16-19, State Auditor's Draft Report)

Response:

The Comprehensive Student Support System (CSSS) of the DOE is essentially an organizational change within the Department of Education that improves access to services, coordinates the provision of services, and provides additional support personnel to schools to improve and facilitate the provision of services to all children. It has been incorporated as a system wide change process as part of the DOE response to the Felix Consent Decree.

There is no relationship between the system wide change activities provided by the CSSS and the identification of a child as a Felix Class Member. There is no basis for the concern expressed in the draft of the Auditor's Report. Implementation of CSSS will not expand the number of children included within the Felix class to 190,000, as stated by the Auditor.

5. Statement Number Five:

"The State is unable to determine whether maintenance of effort requirements are being met." (page 27, State Auditor's Draft Report)

Response:

The maintenance of effort (MOE) base is the funding and staffing levels as of May 2, 1994 for specified program areas. This base date was meant to assure that the state did not retreat in its commitment. Given the substantial increases in funding which have taken place, MOE is no longer a significant issue.

6. Statement Number Six:

". . . the Department of Health is reluctant to identify the amount of funding related to the Felix consent decree. The health department's reluctance is attributed to the fear that programs only indirectly related to Felix may use

the identification as a means to protect their funding.” (page 24, State Auditor's Draft Report)

Response:

There is no issue of reluctance. As discussed in item #2, the DOH has implemented an operational process for identifying Felix class children. Once a child is screened, evaluated and assessed for mental health services, then funds are needed to provide those services to the child. The DOH can then accurately identify the funding related to services under the Felix Consent Decree. Additional costs are incurred in support systems, such as monitoring and training.

It is noted that the DOH did readily agree to provide information regarding general fund appropriations and expenditures related to the Felix Consent Decree. However, when asked to provide such information for non-general funds, the DOH stated that the Court Monitor required the department to report on only general funds and that such non-general fund information was not readily available. The department did subsequently complete spreadsheets reflecting non-general fund appropriations and expenditures. The department did not, however, differentiate between Felix and non-Felix amounts. Funds follow identification not visa-versa. While the department was not precluded from differentiating between Felix and non-Felix amounts, there is no relationship between identifying Felix funding and non-Felix funding under the obligations of the Consent Decree.

In an effort to clarify the Felix-related budget commitments, DOE and DOH are currently working on the development of an “integrated Felix budget” which will provide a more specific explanation of each department's Felix commitments, how the amounts are derived, and shows the complementarity of services provided by the respective departments. This is intended to assist legislators and other policy makers in strengthening their understanding of the resources associated with the compliance activities.

7. Statement Number Seven:

“... the Department of Health does not identify the percentage of Felix-related funding in each program. This leads to problems in identifying actual cost.” (page 28, State Auditor's Draft Report)

Response:

The case is actually as follows. The DOH recognizes the Felix class as those children who require mental health services or who are

developmentally delayed and require early intervention services in order to benefit from their education.

Although the CAMHD is able to clearly identify which of their clients are Felix and which services are mental health, which of the services provided to ZTT and Infant and Toddler Developmental Program (ITDP) are not currently Felix related. CAMHD can produce the actual cost to providing services to Felix youth. This can be provided in a specific youth by youth count, or summarized in the average cost per youth. This data is routinely provided to leadership and the Court Monitor.

8. Statement Number Eight:

"Medicaid & QUEST reimbursements have not be adequately pursued."  
(pages 28-32, State Auditor's Draft Report)

Response:

The DOH has been addressing these issues. Efforts to maximize federal revenues through the Medicaid/QUEST program have been ongoing since May 4, 1998, at which time CAMHD received a memorandum from Ms. Aileen Hiramatsu, Administrator, Department of Human Services (DHS) - Med-Quest Division (MQD), regarding a RFP for QUEST medical plans. Hence, an alternative was presented in which QUEST/Medicaid/Felix eligible children would be "carved-out" of MQD's program and provided with behavioral health services by CAMHD under a sub-capitated arrangement. As a result, the MQD requested a meeting with CAMHD and the Felix Operations Manager. In addition, a summary of all meetings is attached (Attachment "B") which evidences that reimbursement efforts for Medicaid & QUEST have not been "lax", as stated by the State Auditor. At this point in time, CAMHD is prepared to go forward with the QUEST carve-out plan. This is contingent on legislative funding of positions needed by CAMHD to support capacity needs for program implementation.

The DOH and MQD will continue to work together to maximize Title XIX funds through cooperative arrangements for providing and claiming federal reimbursements for services provided to QUEST eligible Felix children. In addition, the Felix OMT will continue to ensure that federal funds are maximized for both Title IV-E and XIX.



9. Statement Number Nine:

"... the court monitor is concerned that the State has yet to develop adequate services to reduce the number of out-of-state placements and has stated that it is too early to determine if the current system is sufficient. (page 34, State Auditor's Draft Report)

Response:

The number of youth receiving services outside the state is actively being addressed. The departments are jointly developing a policy regarding out-of-state placements. This is not simply a CAMHD service capacity issue, but a systemic issue involving all child-servicing agencies. The decisions to send youth out of state are made by the IEP team (which consists of DOE, DOH, parent, providers and other resource persons) or Family Court judges. While we are quickly working to expand local residential capacity, we are also developing systemic policies to guide the process. These policies are currently being developed by a subgroup of OMT.

10. Statement Number Ten:

"Evaluations continue to be late." (pages 34-37, State Auditor's Draft Report)

Response:

Although the Departments were overdue on about 980 initial evaluations and reevaluations (to determine eligibility per Federal law which requires reevaluation of children every three years by the IEP team) as of January 1998, the DOE is managing to remain current on evaluations in most districts at this time. In addition, the DOH and DOE track the status of evaluations twice a month and takes immediate corrective action for outliers.

More specifically, Maui County DOE/DOH staff worked collaboratively to reduce the number of overdue evaluations and reevaluations from 750 as of 10/18/97 to "0" as of mid-November, 1998.

The data for November 18, 1998 indicated the following status:

<u>District</u>	<u>Overdue Initial Evaluations</u>	<u>Overdue Re-evaluations</u>
Honolulu	4	3
Central	0	0
Leeward	4	2
Windward	12	7
Kauai	0	0
Maui	0	0
Hawaii	<u>8</u>	<u>14</u>
Totals	28	26

11. Statement Number Eleven:

"Agencies do not abide by coordination policy." (pages 40-41, State Auditor's Draft report)

Response:

It appears that there may be some confusion on the legislative auditor's part between the Felix requirement for each youth to have an IEP/MP care coordinator and the coordinating of services between the two departments. Both departments consistently comply with the Consent Decree requirement of each youth having a care coordinator. System issues are coordinated through the actions and activities of the OMT, the various task groups committees, and sub committees which review all aspects of the provision of services on a continuing basis.

12. Statement Number Twelve:

"Agencies have not collaboratively developed an information system." (page 41, State Auditor's Draft Report)

Response:

The DOH and DOE have been collaborating on an ongoing basis, through its Felix Management Information System Interagency Work Task Group, to develop an integrated management information system to meet the requirements of a Felix Implementation Plan. This task group has determined and documented the database elements that will support and ensure an effective care coordination effort. The technical elements, e.g., communications link, transmission protocol, and database technology, have been established.

The Attorney General's office is assisting the departments in determining the amount and extent of confidential information that can be shared by departments regarding Felix children. Receipt of the final AG opinion will allow the departments to complete the development of an integrated system as set forth in the Felix Implementation Plan.

An MIS component called "*100 Day Tracking*" was recently developed for the Child & Adolescent Mental Health Management Information System (CAMHMIS). This component tracks the various dates that a Felix child has been identified, referred from the DOE to the DOH, registered as a DOH client, assessed by the DOH, and officially identified for DOH services. The operational service/billing tracking module of CAMHMIS completes the capture of data necessary to adequately monitor and evaluate the timeliness of the services being provided.

The data captured from this process is sufficient to support case coordination. There is no provision for evaluation or coordinated service planning components in the present system. Without placing undue burden on the schools, the DOE will need a new data system to address those and other issues.

The DOH and DOE have selected technology that is flexible enough to meet the requirements of the Felix Implementation Plan. Timely updating of data will be based on operations policy and is not a technology constraint. The DOH and DOE will ensure that the information shared will be accurate and updated in a timely manner to meet the required objectives.

13. Statement Number Thirteen:

"Quality of services is not monitored." (page 42, State Auditor's Draft Report)

Response:

This is no longer the case. CAMHD provides at least once per year, and for most of the new agencies, much more frequent monitoring of each contract provider agency. CAMHD has clearly defined Clinical Treatment Standards to which each agency must adhere. These standards have been revised and enhanced even further in the next Request for Proposal for services as of July 1999. CAMHD has protocols and monitoring tools to guide the monitoring process. The DOH and DOE are also participating in collaboration with the Court Monitor to evaluate system compliance performance on an individual youth basis (i.e., service testing).

14. Statement Fourteen:

"The State needs stronger leadership to ensure effective interagency collaboration. In May 1997, the federal court ordered the State to resolve this problem by creating an operational manager position." (pages 42-43, State Auditor's Draft Report)

Response:

The Director of the Health recommended to the Governor and the Board of Education, that an operations manager position be created. The Operation Manager serves as chair of the OMT and coordinates the various compliance activities and initiatives required for achieving compliance with the Consent Decree. The "Delegation of Authority" has been beneficial in precipitating departmental involvement in a more collaborative approach to systems change.

The recent leadership conference where department leadership reaffirmed their commitment to the compliance effort has also resulted in improved responsiveness by departmental representatives to compliance efforts.

15. Statement Fifteen

"The State's noncompliance necessitates plan revisions." (page 5, State Auditor's Draft Report)

Response:

Pages 5 through 14 present information relating to the Felix Implementation Plan sequence which has taken place over the course of achieving compliance with the various provisions of Section 504 of the Rehabilitation Act, the IDEA and the Consent Decree. The first iteration was approved in October 1995. The plan identified 106 tasks that had to be completed. A review of this plan indicates that 82 or 77% of these tasks have been completed.

A revised Felix Implementation Plan was submitted to the Court and approved in August 1996. This plan was broken into specific Operational Tasks designed to enhance system capabilities to strengthen and develop the operational infrastructure of the departments to facilitate the achievement of system wide compliance with the Decree.

The third version is currently in the process of development. The task of this plan is system wide compliance with the decree within a 24 month time period.

Rather than documenting a failure or failures of the system, the movement from plan one to plan three exemplifies the evolutionary process of moving from the general identification of tasks to be accomplished to infrastructure development and on system wide actualization within a designated time frame.

16. Statement Sixteen

"Compliance is a Moving Target."(page 11, State Auditor's Draft Report)

Response:

Five tasks were identified by the Monitor on August 4, 1998, which had to be addressed for the State to be in compliance with the provisions of the Consent Decree. These were reiterated in the State DOE's response to the DOE Management and Accountability Study submitted on August 28, 1998, and referenced in the Technical Assistance Panel Agreements of September 30, 1998. These five tasks are:

1. The early identification of children with disabilities.
2. The timely evaluation of these children within each child's suspected area of disability.
3. The Comprehensive Service Plan development of an Individual 504 Modification Plan, Individual Education Plan (IEP), or a Coordinated Service Plan required to meet the identified needs of each child.
4. The provision of instructional and related services required to fully implement each child's individual service plan.
5. The outcome based assessment and monitoring of services to ensure the adequacy and quality of the services being provided.

The performance of these tasks will be monitored and assessed on a quantitative and qualitative basis. The quantitative basis for monitoring will be derived from the periodic reporting of student evaluation and determination of eligibility data, school staffing data, and other measures of student performance. The qualitative assessment will be derived from Felix Service Testing as overseen by the Court Monitor.

The above-mentioned clarifications respond to many of the issues raised in the draft report. We welcome the opportunity to provide any additional information that would be responsive to your concerns.

While we have much to accomplish before our compliance objectives are fully addressed, significant improvements are occurring daily which directly affect the quality of care available for Felix youngsters.

It is our belief that the progress resulting from our concerted focus on the needs of Felix youngsters will ultimately bring about systems and practice changes that will benefit all of Hawaii's children.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Linda M. Colburn", with a long horizontal flourish extending to the right.

Linda M. Colburn

Felix Consent Decree Operations Manager

#### Attachments

cc: Mr. Sam Callejo  
Dr. Ivor Groves  
Dr. Paul LeMahieu  
Dr. Larry Miike

# Felix Monitoring Project, Inc.

July 15, 1998

'98 JUL 15 141

for the Felix vs. Waihee  
Consent Decree

Ivor D. Groves, Ph.D.  
*Monitor*

Lenore B. Behar, Ph.D.  
*Technical Assistance Panel*

Judith Schrag, Ed.D.  
*Technical Assistance Panel*

Juanita Iwamoto, MSW, MPH  
*Executive Director*

Mr. Jeffrey Portnoy  
Special Master  
Cades, Schutte, Fleming & Wright  
P.O. Box 939  
Honolulu, Hawaii 96808

Re: Felix vs. Waihee Civil No. 93-00367 DAE

Dear Mr. Portnoy:

As a follow-up to my letter of June 24, 1998 to you, I have had discussions with Dr. Muike and his staff regarding the Department of Health's (DOH) concerns about the maintenance of effort issues related to early intervention (Zero-to-Three) outlined in his letter of June 5, 1998.

DOH has agreed to the dollar amount of \$2,931,610 which presents 100% of the funding of the Zero-to-Three program and Infant Development programs in the baseline year of FY 1994. In addition DOH has committed that a waiting list will not be maintained for children who have a disability and require services from the Zero-to-Three program and the Infant Development program. If DOH maintains this position, then they will be in compliance with the commitment in the Felix Implementation Plan to not create a dual system of services within the IDEA program for children with disabilities.

The letters you have been receiving are also advocating that children who do not have delays or disabilities but are at risk because of environmental risk factors be included under the Felix Consent Decree. It is my interpretation that the class definition "all children and adolescents with disabilities residing in Hawaii, from birth to 20 years of age, who are eligible for and in need of education and mental health services" does not include children at risk except for childfind and assessment for disability.

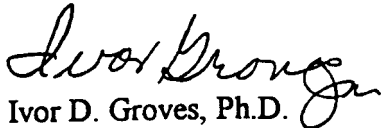
The DOH has a draft plan pursuant to the Monitor's recommendations addressing the services for the Part C eligible children who have disabilities.

Mr. Jeffrey Portnoy  
July 15, 1998  
Page 2

If the DOH confirms that they are in agreement with the understandings as articulated in this letter, then the Zero-to-Three concerns currently at issue have been resolved.

I am hereby requesting that upon confirmation from the DOH, the court order that the recommendations of the Monitor be fully implemented.

Sincerely,

  
Ivor D. Groves, Ph.D.  
Court Monitor

✓ cc: Dr. Lawrence Miike



**Quest Issues summarized in 1/98 Status Sheet (Attached).**

**May 4, 1998** - CAMHD received Aileen Hiramatsu's memo to Tina Donkervoet re RFP for Quest Medical Plans (see Attachment). The "carve-out" alternative was presented as an option for CAMHD to pursue. A meeting with CAMHD and the Felix Operations Manager was requested by MQD.

**May 5, 1998** - Lenore Behar's "Review and Recommendations Related to Medical Assistance Funding for Treatment of Children and Adolescents with Mental Health Problems" report was submitted to Jeffrey Portnoy, Special Master. No. 4 recommendation was Sub-capitation/sub-contracting the Quest program to CAMHD.

**May 8, 1998** - Meeting was held at MQD. CAMHD staff present at the meeting: Tina Donkervoet, Keith Fujio and Venus Dagdagan. Felix Operations Manager's Office representative present: Eric Rolseth. MQD staff present: Aileen Hiramatsu, Dr. Lynette Honbo and Alan Matsunami.

Aileen explained that MQD was releasing their medical RFP for the period beginning 7/1/99 at the end of 5/98. They said needed to know CAMHD's direction for Quest Felix kids since CAMHD's plans will affect the way they coordinate with their health plans --- and they needed to be clear with the plans. Internally, MQD expressed that the carve-out was the way to go and that borders will need to be defined. According to MQD, the issue of budget neutrality is still a problem. Also, if we enter into a carve-out, CAMHD would be treated like a regular Plan. They would also need assurances that we can meet MQD requirements particularly in the area of QA, reporting requirements and provider credentialing. Dr. Honbo, MQD Medical Director, advised CAMHD that if we cannot do a QA Plan, we should not go the carve-out route because it is a big responsibility to become a health plan.

Tina asked what MQD needed from CAMHD if we were to pursue the carve-out. Aileen explained that these were some of the issues that we need to think about: (1) We need to define what services we will pay for; (2) What line items will be carved-out? (3) How will our reporting system be? (Provider reporting needs to be consistent with the MQD system, following Medicaid procedure codes, etc. (4) How will clients enter and exit the system?

Dr. Honbo and Aileen expressed that it may be best for drugs and probably acute inpatient services to remain with the health plans instead of carving these out. Aileen and Dr. Honbo said that CAMHD would be exempt from HEDIS requirements but that they would expect us to meet all other requirements of a regular Plan.

As for HCFA, Aileen said that they will have another run with their discussions with HCFA to get them to agree to adjust the budget neutrality. MQD will use a different tactic with HCFA. There are some representatives at HCFA who know about IDEA/504

issues who could explain the Felix issue to the regular HCFA staff that MQD works with and this may help.

The 5/98 CAMHD/Quest data match was also discussed. There were about 2200 good matches and 2100 partial matches (mainly due to missing SSNs). Big Island clients were not included.

Venus asked MQD if there is still a chance beginning 9/1/97 for CAMHD to get back the SED Quest capitation contract. The contract went to KHH from 9/1/97. This was an area that Venus has tried to convince MQD to give us back the contract. The answer was "no." Reason: we couldn't give them QA assurances, which was why we lost capitation in all but 2 FGCs and eventually lost the contract.

**May 21, 1998** - In an internal meeting with Keith, Rachael Guay and Venus — Tina announced her decision to carve-out Felix clients. Questions regarding excluded services (drugs and acute inpatient) were clarified with Aileen.

**June 2, 1998** - Aileen faxed us her first CAMHD section draft in the MQD RFP. Back-and-forth on further clarifications on excluded services took place in 6/98 - 7/98.

**July 9, 1998** - Meeting at MQD with Paula Yoshioka, Brian Furuto, Keith Fujio, Venus Dagdagan, AG's office: Russell Suzuki and Cindy Inouye; Chuck Duarte and Aileen Hiramatsu. Issue: strategy for DOH response to Lenore Behar's report.

Chuck Duarte explained the budget neutrality issue. The 1993 baseline did not include services for Felix: (1) Felix consent decree was not finalized in 1993; (2) services did not exist; (3) CAMHD did not bill Medicaid; and (4) kids were not identified ---- therefore, there was no historical data for HCFA to look at.

Chuck and Aileen announced that they will be meeting with HCFA in 8/98 to discuss the budget neutrality formula and try to negotiate a deal. Chuck told the group that they thought that HCFA may reconsider and will be open to renegotiation. Aileen requested for utilization data from CAMHD ASAP. If we choose to carve-out Felix kids who are Quest eligible, Aileen said they will need another waiver and in order to be able to draw down federal funds, budget neutrality needs to be adjusted.

**July 13, 1998** - The MQD Medical RFP was released.

**Week of August 17, 1998** - Chuck Duarte, MQD Administrator, Aileen Hiramatsu and Steve Kawada from MQD met with HCFA in Baltimore to discuss budget neutrality adjustment and the Felix issue. Prior to their departure, Venus provided Aileen with CAMHD drugs and acute hospitalization utilization data.

**August 19, 1998** - First CAMHD Quest Planning meeting was held. The Quest RFP and the carve-out were discussed with CAMHD Central and FGC staff.

**August 31, 1998** - The DOH Federal Maximization Response memo was submitted by Dr. Miike to Linda Colburn. The CAMHD carve-out direction was mentioned under Issue 4. The decision on the budget neutrality adjustment is beyond HCFA and is now an OMB decision to make.

**August, 1998** - Venus requested Aileen for another system-to-system matching of clients since the first data match from April/May is no longer up-to-date (Quest new enrollment period started 7/1/98) and did not include Big Island clients. Aileen OK's and requested that we work with MQD Systems Officer Randy Chau.

**Sept. 29, 1998** - Meeting was held at MQD with MQD Research Officer, Jim Cooper; Jim Efstation, Mary Brogan, Venus Dagdagan, Nona Meyers, Robert Lau, and Susan Nillias. This was preliminary meeting to discuss MQD reporting and MIS requirements for the carve-out per the MQD Health Plan Manual.

**Oct. 21, 1998** - Meeting was held at MQD. This was the first CAMHD/MQD meeting after the Quest RFP came out. MQD staff present: Aileen Hiramatsu, Dr. Lynette Honbo, Dr. Wallace Chun (Psychiatric Consultant). Present from CAMHD: Keith Fujio, Jim Efstation, Venus Dagdagan, Alan Shimabukuro, and Nona Meyers.

It was clarified that the MQD contact for data match would be Randy Chau; MQD contact for encounter data and other reporting requirements for Quest carve-out would be Jim Cooper.

Aileen clarified that we do not have to submit a bid/proposal in order to do the carve-out under their RFP. They requested to see the CAMHD RFP (which was being drafted at that time). They said that we need to have a Quality Assurance Plan (QAP) that defines our standards, and if we accept the QAP of our providers, that becomes the standard CAMHD is held to. Aileen and Dr. Honbo will need to review CAMHD definitions of services; who provides the services; who trained these providers; who licensed them; what makes a service therapy? what portion is therapy v.s. R&B? what is our plan for getting providers to comply? Etc. Other specific issues about carve-out operation and what we need to be thinking about and planning for were discussed: communicating with the health plans; grievance and appeals; eligibility; Dr. Honbo's assistance with procedure codes; HCFA's thrust towards quality improvement v.s. quality assurance, etc. Aileen said that the sooner we get requirements to her for review, the better.

Venus asked if Residential Treatment will be included in the carve-out capitated rate. Aileen said yes, and this can be phased in or staggered and we must meet MQD standards.

Venus asked Aileen for an update on the budget neutrality issue. Response: HCFA is still discussing with the OMB. No budget neutrality adjustment has been allowed for any other state. A lot depends on what agreement MQD gets with HCFA. HCFA is

supportive and MQD expects a decision before 6/30/99. HCFA will need to review the first year's historical carve-out data. If the budget neutrality is not adjusted, we may take a hit in the first year. When Venus asked Aileen if MQD will still pursue the carve-out if the request for budget neutrality adjustment is not granted, Aileen said yes, however, CAMHD will have to be capped. Aileen couldn't give an amount but when we threw a \$20+ million projected revenue amount, she said there was no way we can expect to get that much. If we get capped, that would mean that even if we billed for so much for a year, if the maximum allowable under the cap has been paid to us, MQD won't be able to pay us any more. But Aileen said that she thinks it's still worthwhile to pursue the carve-out even with a cap because we would be maximizing federal dollars for services whose funding underwriting generally now comes from state dollars. We agreed and Jim shared our general direction and effort at making the carve-out operational and in the process, also strengthen CAMHD's overall QA and service planning and delivery. Aileen said that a letter will go out to HCFA by the following week. MQD will reject the terms and conditions because they feel that HCFA is responsible for not taking Felix into consideration. Our understanding was that the carve-out will proceed regardless of HCFA/OMB decision.

**Oct./Nov., 1998** - CAMHD has been working on the Request for Approval to Establish Exempt Positions to Expedite the Implementation of the CAMHD Quest Carve-out. Draft to Tina and Russell Uchida week of 11/16/98.

**Nov. 2, 1998** - CAMHD RFP was released. Carve-out is indicated in the RFP. MQD needs to review.

**Nov. 13, 1998** - Carve-out briefing for key CAMHD staff.

**Nov. 25, 1998** - CAMHD Quality Improvement Committee meeting scheduled.