

Honolulu, Hawaii

APR 17 2007

RE: GOV. MSG. NO. 275

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Human Services and Public Housing, to which was referred Governor's Message No. 275, submitting for study and consideration the nomination of:

DIRECTOR OF THE DEPARTMENT OF HUMAN SERVICES

G.M. No. 275 LILLIAN B. KOLLER,
for a term to expire 12-6-2010,

begs leave to report as follows:

Your Committee reviewed the personal history, resume, and statements submitted by the nominee, and finds the nominee to have the necessary qualifications to be appointed as the Director of Human Services.

Your Committee received testimony in support of Lillian B. Koller from the State Adjutant General; the Deputy Adjutant General; the Department of Human Resources Development; the Department of Human Services, Child Welfare Services Branch; the Department of Human Services, Vocational Rehabilitation & Services for the Blind Division; the University of Hawaii at Manoa, John A. Burns School of Medicine; the University of Hawaii at Manoa, the William S. Richardson School of Law; the Office of Hawaiian Affairs; the State Rehabilitation Council; the Representative of the 42nd District; the former Representative of the 30th District; a Maui County Council Member; the Maui County Mayor; Maui Community College, Hawaii Child Welfare Continuous Quality Improvement Project; Maui Community College, Human Services & Social Services; Maui Community College, Allied Health and Career Ladder Nursing Program; the State Foundation on Culture and the



Arts; Blind InSights; Blueprint for Change; Blind Vendors Ohana, Inc.; Boys and Girls Club of Hawaii; Calvary Episcopal Preschool; the Catalyst Group; Catholic Charities Hawai'i; Chassman Consulting; the Childcare Business Coalition; the Coalition for a Tobacco Free Hawai'i; EPIC, Inc. 'Ohana Conferencing; Family Voices of Hawai'i; Foster Family Programs of Hawai'i; Goodwill Industries of Hawaii; Hale Kipa; Hawai'i Coalition for Dads; Hawai'i Covering Kids; Hawaii Foster Youth Coalition; Hālau Lōkahi Public Charter School; Hale Makua; Hawaii Capital Cultural District; Ka Pa'alana Project; the Hawaii Coalition of Care Home Administrators; the Healthcare Association of Hawaii; the Hawaii Health Systems Corporation; the Hawaii Long Term Care Association; the Hawaii Medical Association; the Hawaii Youth Services Network; the Honolulu Symphony; the Childcare Business Coalition; Foster Family Programs of Hawai'i; Hope, Inc.; Kanu o ka 'Āina New Century Public Charter School; Kaua'i Academy of Creating Arts; Kokua Kalihi Valley Comprehensive Family Service; Lana'i Art Center; MW Group, Ltd.; Nā Lei Na'auao Native Hawaiian Charter School Alliance; Northstar; Parents And Children Together; Read Aloud America; Seagull Schools; the Arc of Kauai; the Maui Dance Council; the Kaua'i Child Welfare Services Advisory Committee; the East Hawaii Cultural Council; the Paxen Group, Inc.; Forward March; the Native Hawaiian Chamber of Commerce; ABEL Case Management, Inc.; the State Foundation on Culture and the Arts; the Pearl Harbor Hawaiian Civic Club; Friends of the Future; Unity School; the Legacy Coalition; Na Kupuna O Wai'anae; Na Kupuna Tribunal; the Alliance of Residential Care Administrators; Heart Gallery Hawaii; the Visitor Aloha Society of Hawai'i; VSA Arts of Hawaii-Pacific; Hale Lokomaika'i Women Helping Women; and approximately two hundred sixteen individuals. A petition with eighty-two signatures was also submitted in support. The University of Hawaii at Manoa, Center on Disability Studies submitted comments.

Ms. Koller graduated summa cum laude from the University of California at Los Angeles with a Bachelor of Arts in Philosophy. She also earned a Juris Doctorate from the University of California at Davis, School of Law. She worked for several years as an attorney in private practice specializing in areas such as business and real estate litigation and administrative law before serving as Deputy Prosecuting Attorney for the County of Maui in 1992. Her legal career in public service also included serving as Deputy Corporation Counsel for the County of Maui for six years and as a clerk for Judge Boyd P. Mossman with the Second Circuit Court of Hawaii. She later served as the Drug Court Program



Coordinator for the Second Circuit Court of Hawaii for four years before being appointed as the Director of the Department of Human Services in 2003. In her capacity as the Drug Court Program Coordinator, Ms. Koller developed the Maui Drug Court into a highly successful, nationally award-winning program.

Ms. Koller's other professional accolades include her receipt of the 2005 Woman of the Year Award from the nonprofit organization, the Women in Need, and the 2006 Torch of Light Award from the Big Island Press Club. Ms. Koller has also been chosen to receive the 2007 Commissioner's Award from the United States Department of Health & Human Services Administration for Children and Families for exceptional contributions to the prevention and treatment of child abuse and neglect in Hawaii.

Ms. Koller testified regarding her qualifications, as well as her vision, priorities, and plan for the next four years for the Department of Human Services. During her consideration for a first term as Director of the Department of Human Services, Ms. Koller assured the Committee that she was willing to adopt new and innovative approaches to provide an adequate safety net of essential services in Hawaii to help families, children, elders, and those who are least able to care for themselves. Ms. Koller testified regarding the initiatives that the Department of Human Services has undertaken during her tenure to meet this earlier commitment.

One of Ms. Koller's most significant accomplishments during her four year tenure has been the amount of federal funds that she has secured for social service programs. Through her leadership, the Department of Human Services has brought in hundreds of millions of previously untapped federal revenue and freed state funds for other purposes. For instance, the Medicaid QUEST waiver renewal that the Department of Human Services negotiated secured in excess of \$100,000,000 in federal funds to cover health care costs for a portion of Hawaii's uninsured adults and children for the next six years. An additional \$40,500,000 in federal funding was secured and distributed to hospitals to defray the cost of providing care to uninsured patients.

During her first term, Ms. Koller also guided the Department of Human Services through an aggressive, two-year Program Improvement Plan for the Child Welfare Services Branch as part of a federal mandate that requires states to reform their child welfare services programs. The Program Improvement Plan is



required under the federal Child and Family Services Review to meet benchmarks related to safety, permanency, and well-being in order to maintain federal funding. The Department of Human Services was recently recognized for its success in meeting its program improvement goals.

Ms. Koller's administration also brought more openness and transparency to the Department of Human Services: new rules were adopted to permit the release of confidential documents under certain circumstances in an effort to help locate missing children and to access services for foster children.

As noted by Family Voices of Hawai'i, the QExA Advisory Council was organized by Ms. Koller in response to the community's request for greater consumer input into the implementation of the final phase of QUEST. The work of the QExA Advisory Council prompted the first study of its kind to focus on the information and delivery of information to Medicaid participants to be transitioned into managed care. The findings of that study were published in the Hawai'i Medical Journal and cited in the Health Resource Service Administration Title V Block Grant Review as a strength of Hawaii.

During her testimony, Ms. Koller highlighted some of the more recent initiatives that the Department of Human Services has undertaken to provide services to and enhance the self-sufficiency of vulnerable individuals in Hawaii. She acknowledged that these are not personal achievements, but rather, the result of the collected efforts of the Department of Human Services' hard-working staff, community partners, the Legislature, and the Lingle-Aiona Administration.

These initiatives include SEE Hawaii Work, a welfare-to-work service that expands the concept of apprenticeship into a training-for-hire model with private sector management. In its first year, the program successfully placed more than sixty percent of welfare recipients in on-the-job training programs with a diverse array of private sector companies. According to Ms. Koller's testimony, eighty-eight percent of the individuals who graduated from the training program are now employed in unsubsidized jobs.

In its testimony, Hawai'i Covering Kids highlighted some of the strategies that Ms. Koller's administration implemented to assist Hawaii's children and youths, including a separate



Med-QUEST application for households applying only for children or pregnant women that eliminated questions that were barriers for parents and guardians applying for their eligible children, and a passive renewal process for Med-QUEST cases with children that uses computer-generated prepopulated forms. It is estimated that these and other strategies resulted in an additional 17,500 children and youth being enrolled in the QUEST and Medicaid Fee-for-Service programs.

In making its determination, the Committee heard testimony at a duly noticed hearing on April 3, 2007. The Chair also met privately with numerous individuals, including past and present employees of the Department of Human Services and members of community organizations, who expressed concerns, but wished to remain anonymous. The Chair decided not to subpoena these individuals, but rather to summarize their concerns into questions that were presented to Ms. Koller in advance of the hearing. Ms. Koller responded to these concerns, both in writing and orally, at the continuation of the hearing on April 5, 2007.

Among the concerns that were raised is Ms. Koller's use of consultants, such as the American Institute for Full Employment, in her administration of the Department of Human Services. Ms. Koller admitted to receiving policy and program advice from the American Institute for Full Employment and other consultants. She testified that the American Institute for Full Employment is a not-for-profit research and education corporation with nationally-recognized experts in their fields who provide services at no cost. She assured the Committee that the consultants do not set policy or make decisions for the Department of Human Services. She noted that the consultants have knowledge of federal law and policy that she and her staff do not, and as a result are, among other things, assisting with the review of data to determine the extent that state policies and programs are meeting expectations or statutory requirements.

Ms. Koller also admitted using consultants in other strategic areas such as to help identify where the State can save funding through greater efficiency and effectiveness or secure additional federal funding at no cost. For instance, consultants are assisting the Department of Human Services to convert the state-funded Chore Program to Medicaid funding. It is estimated that this initiative will generate in excess of \$12,000,000 over the next four years. Consultants are also working with the Department of Human Services to document expenditures that can be



counted as maintenance of effort under the federal Temporary Assistance for Needy Families Program. This will help avoid a penalty and enable funding to be used in a more flexible way. The estimated value of this initiative is \$60,000,000 over the next four years.

Another concern was in regard to Ms. Koller's management style and her relationship with Department of Human Services' personnel. Even some of her supporters indicated that they did not always agree with the manner in which Ms. Koller tackles problems. However, most were quick to acknowledge that Ms. Koller's tenacity has produced noticeable improvements and outcomes at the Department of Human Services. Ms. Koller described herself as a high energy, high extrovert and vocal person who sets high standards. She indicated that some individuals have resisted change and the standards she set. However, she believes that she now enjoys more positive, supportive, team relationships because of the positive outcomes that the Department of Human Services has achieved.

Ms. Koller stated that she wants employees to feel comfortable coming forward with their concerns. She told the Committee that she will address employees' concerns in a fair, supportive, and confidential manner. She indicated a willingness to create an Ombuds Office at the Department of Human Services to mediate and problem-solve with personnel, and to open dialogue with personnel regarding their ideas and why certain policy changes are occurring. Ms. Koller highlighted the fact that she worked to decrease employees' caseloads for the benefit of the employees' and the individuals that they serve, and advocated for pay increases for Child Welfare Services employees.

Ms. Koller outlined some of her plans for the Department of Human Services if she is appointed for another term. One goal is to raise the earning potential of disabled clients and increase the number of these clients that are employed at higher wages or self-employed in their own businesses. Ms. Koller also testified that the Department of Human Services is at a critical stage of negotiation with the federal government regarding a Medicaid waiver that will bring Hawaii's aged and disabled clients into managed healthcare. The goal is to maximize the amount of federal revenue that the State receives for this new QUEST Expanded Access Program so these individuals will receive more services, higher-quality medical treatment, and experience-improved health



outcomes. The Department of Human Services is also working on a Medicaid waiver extension for its QUEST health insurance program.

The Department of Human Services' Child Welfare Services Branch will be preparing for the federal Child and Family Services Review of the second Program Improvement Plan to ensure that it has met its goals and maintained the progress that it made over the past few years. One particular area of focus will be improving the stability of children in foster care by reaching out to community partners and increasing recruitment, training, and retention of foster families, especially Native Hawaiian foster families. Ms. Koller testified that other significant challenges for the Department of Human Services over the next four years will be complying with the federal Deficit Reduction Act - she anticipates a need to further maximize federal Temporary Assistance for Needy Families revenue - and preparing for the aging of Hawaii's population.

Your Committee finds that the nominee has adequately responded to the Committee's inquiries and concerns. Ms. Koller provided broad and candid responses to difficult questions regarding not only the initiatives that the Department of Human Services has undertaken during her administration, but also her management style and relationship with personnel. She expressed a willingness to address concerns that were raised and was open to suggestions regarding improvements that can be made. In addition, there was a great deal of testimony from various government and community representatives, as well as individuals, attesting to the positive outcomes that have been achieved at the Department of Human Services under Ms. Koller's tenure.

Your Committee has very high expectations of Ms. Koller to fairly and respectfully treat the employees, clients, service providers, and community partners of the Department of Human Services. Your Committee also has high expectations that Ms. Koller will fulfill the promises she has made to your Committee throughout the reconfirmation hearings to work more collaboratively with her staff, honoring the experience they have in their fields of expertise, and to welcome employees' suggestions on how to continually improve the Department's service to the public.

As affirmed by the record of votes of the members of your Committee on Human Services and Public Housing that is attached to this report, your Committee, after full consideration of the



background, experience, and qualifications of the nominee, has found the nominee to be qualified for the position to which nominated and recommends that the Senate advise and consent to the nomination.

Respectfully submitted on
behalf of the members of the
Committee on Human Services and
Public Housing,

Suzanne Chun Oakland
SUZANNE CHUN OAKLAND, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii

**Record of Votes of the
Committee on Human Services and Public Housing
HSP
(Advise and Consent)**

Governor's Message No.:* GM 275	Committee Referral: HSP	Date: 4-12-07		
<input type="checkbox"/> The Committee is reconsidering its decision.				
The Recommendation is to:				
<input checked="" type="checkbox"/> Advise and Consent (2340) <input type="checkbox"/> Not Advise and Consent (2345)				
Members	Aye	Aye (WR)	Nay	Excused
CHUN OAKLAND, SUZANNE (C)	✓			
IHARA, JR., LES (VC)		✓		
HOOSER, GARY L.		✓		
SAKAMOTO, NORMAN		✓		
HEMMINGS, FRED	✓			
TOTAL	2	3	0	0
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one Governor's Message per Record of Votes