



STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

Senate Committee on Health

**S.B. 3068, MAKING AN EMERGENCY APPROPRIATION TO THE
DEPARTMENT OF HEALTH FOR THE ADULT MENTAL HEALTH DIVISION**

**Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health**

January 30, 2008, 1:15 p.m.

1 **Department's Position:** The department strongly supports this Administration-sponsored measure.
2 This emergency appropriation funds continuation of services provided by the adult mental health
3 division (AMHD).

4 **Fiscal Implications:** The department respectfully requests that the total amount of \$10,000,000 in
5 general funds be allocated through this emergency appropriation. AMHD has encumbered and/or
6 expended all general funds allotted for fiscal year 2007-2008. The continued capacity to pay purchase
7 of service (POS) providers is based on AMHD's ability to generate revenue through its Medicaid
8 Rehabilitation Option (MRO) and approval of this emergency appropriation.

9 **Purpose and Justification:** The department strongly supports this emergency appropriation which
10 funds continuation of services in the areas of case management, crisis services, treatment services,
11 rehabilitation services, and housing.

12 AMHD serves a continuously increasing population. For comparison consideration, 4,445
13 consumers received services in fiscal year 2002-2003 from AMHD versus 14,576 consumers in fiscal
14 year 2006-2007. This represents an over 300% increase in persons served by AMHD over the past five
15 years, and a 19% increase from fiscal year 2005-2006 to the current 2006-2007 fiscal year.

1 The primary reason for the significant increase in number of persons served is the capacity
2 expansion of available services throughout the islands. This expansion was triggered by a federal
3 lawsuit *United States v. State of Hawaii, et al.* Civil Number 91-00137 (DAE KSC) that first involved
4 the Hawaii State Hospital (1991) and later was expanded to address the needs of consumers in the
5 community (June 2003). In November 2007, the state successfully exited the settlement agreement
6 resulting from the suit. This emergency appropriation is to continue existing services to meet the needs
7 of the expanding eligible population and to continue funding of required services developed during the
8 current fiscal year.

9 In response to the correlation between increased numbers of consumers served and the increase
10 in budgetary requirement, there are a number of initiatives that AMHD has embarked upon to increase
11 revenue and decrease general fund expenditures:

12 INCREASE REVENUES:

- 13 • Ensure all incoming and existing AMHD consumers obtain health insurance coverage
14 when available
- 15 • Ensure Assertive Community Treatment (ACT) providers are in compliance with
16 requirements which will increase MRO revenue
- 17 • Increased focus on Revenue Generation from State Operated Clinics
- 18 • Seek contracts with all third party payers for AMHD services

19 DECREASE EXPENDITURES:

- 20 • Review and revise diagnostic eligibility criteria P&P
- 21 • Develop a diagnosis-based “tiered” array of services
- 22 • Enforce 60 day payment policy
- 23 • Implement billing edits to reject claims over the frequency and duration caps
- 24 • Identify administrative expenditures for postponement, reduction or elimination

1 Despite diligent efforts towards budget restraint and controls, there are other factors that
2 contribute to the shortfall, such as the Substance Abuse and Mental Health Special Fund Ceiling in
3 relation to Medicaid Rehabilitation Option revenues. The fund generates revenue under a Memorandum
4 of Agreement (MOA) with the Department of Human Services (DHS) called the Medicaid
5 Rehabilitation Option (MRO). Under the MRO, AMHD is allowed to bill DHS for certain services paid
6 to POS contractors. DHS returns federal matching funds to AMHD for these expenditures based on a
7 percentage of the State dollars expended. The special fund is used to offset AMHD's general fund
8 allotment.

9 When the MRO was initiated in December 30, 2004, DHS allowed AMHD a two-year window
10 to bill services retroactively. This retroactive billing resulted in the need for a high special fund ceiling
11 of \$20,414,479. AMHD has completed billings for retroactive services and is now current in its billing.
12 The projected fiscal year 2007-2008 revenue from MRO billing is anticipated to total only \$14,810,630.

13 Finally, operational deficits at Hawaii State Hospital (HSH) have risen in relation to an
14 increased, high census. Last fiscal year, HSH had a budget deficit of \$5,000,000. This included funding
15 forty beds at Kahi Mohala. However, the Kahi Mohala contract has been reduced to thirty-two beds this
16 year, resulting in a savings of over \$5,000,000. Additionally, HSH management has taken measures to
17 reduce the overall use of contracted agency staff, resulting in lower deficits. The hospital budget is
18 based on an expected daily census of 178. However, this year since September the HSH average daily
19 census has been 191. In total, the budget deficit for the HSH for fiscal year 2008-2009 is projected to be
20 \$1,104,698.

21 Approval of this funding will allow AMHD to continue to address related social issues of
22 homelessness, co-occurring substance abuse, emergency mental health services, and access to critical
23 mental health services including housing, employment opportunities, rehabilitation, treatment, case
24 management, and those individuals served at HSH. In total, this funding will allow AMHD to assist

1 people with severe mental illness in Hawaii to fully participate and contribute in the community through
2 their recovery process.

3 Thank you for the opportunity to testify on this important measure. We respectfully request your
4 expeditious and favorable consideration of this proposal.

**SB 3068 MAKING AN EMERGENCY APPROPRIATION TO THE
DEPARTMENT OF HEALTH FOR THE ADULT MENTAL
HEALTH DIVISION**

To authorize an emergency appropriation for fiscal year 2007-2008 of \$10,000,000 from general funds to the Department of Health (DOH), for the Adult Mental Health Division (AMHD).

SENATE COMMITTEE ON HEALTH
JAN. 30, 2008 1:00 PM ROOM 016

Senator David Ige, Chair
Senator Carol Fukunaga, Vice Chair

Hawaii Substance Abuse Coalition

GOOD MORNING CHAIR IGE, VICE CHAIR FUKUNAGA AND DISTINGUISHED
COMMITTEE MEMBERS:

My name is Alan Johnson. I am the current chair of the Hawaii Substance Abuse Coalition (HSAC), a statewide hui of more than twenty non-profit treatment and prevention agencies.

HSAC supports SB 3068:

The population of residents engaged in mental health services has increased from around 4,000 to 5,000 a few years ago to over 12,000 today. AMHD has implemented significant cost savings practices in recent years to help address this crisis change in census that includes, but not limited to: integrating with substance abuse treatment services using strength-based "recovery methods"; increased case management; implementing more transition programs and group homes; more expansive and effective services at Community Mental Health Centers (CMHC); and more collaborative and integrated practices with community services. Never-the-less, state agencies and community based agencies will continue to collaborate to find ever more improvements in services to provide adequate care at reduced per client costs.

However, the multi-million dollar per year budget that once did cover less than 5,000 clients is not sufficient to treat 12,000 clients. It is the result of improved services that AMHD only requests \$10 million.

We applaud the Legislator's decisive previous actions that have proven to be making a difference in reducing drug and alcohol abuse and addiction. On behalf of HSAC, we appreciate the opportunity to provide information and are available for questions.

LATE TESTIMONY

HAWAII PSYCHIATRIC MEDICAL ASSOCIATION
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*Submitted for Hearing:
Senate Health and Human
Services
1/30/08 at 1:15 pm, Rm. 016*

COMMITTEE ON SENATE HEALTH

Sen. David Ige, Chair
Sen. Carol Fukunaga, Vice Chair

Re: SB 3068, MAKING AN EMERGENCY APPROPRIATION TO THE
DEPARTMENT OF HEALTH FOR THE ADULT MENTAL HEALTH DIVISION

SUPPORT

The Hawaii Psychiatric Medical Association submits its testimony in support of SB 3068 for an emergency appropriation to the Adult Mental Health Division.

Funds are needed to support the mandates of the AMHD and the eligible population it serves.

Thank you for your consideration to pass this measure to the next committee.

HAWAII PSYCHIATRIC MEDICAL ASSOCIATION