



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

In reply, please refer to:  
File:

**House Committee on Finance**

**S.B. 3068, S.D. 1 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**

**March 26, 2008, 10:00 a.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 \$10,250,443 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. Additionally, the S.D. 1  
9 amendments provides for an increase of \$1,200,000 to the expenditure ceiling for the Mental Health and  
10 Substance Abuse Special Fund.

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

14 AMHD serves a continuously increasing population. For comparison consideration, 4,445  
15 consumers received services in fiscal year 2002-2003 from AMHD versus 14,576 consumers in fiscal

year 2006-2007. This represents an over 300% increase in persons served by AMHD over the past five years, and a 19% increase from fiscal year 2005-2006 to the current 2006-2007 fiscal year.

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

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

INCREASE REVENUES:

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

DECREASE EXPENDITURES:

- Review and revise diagnostic eligibility criteria P&P
- Develop a diagnosis-based “tiered” array of services
- Enforce 60 day payment policy

- Implement billing edits to reject claims over the frequency and duration caps
- Identify administrative expenditures for postponement, reduction or elimination

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

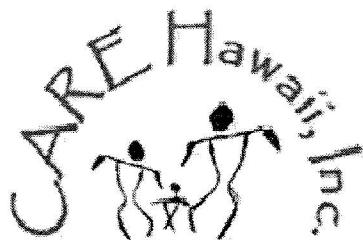
When the MRO was initiated in December 30, 2004, DHS allowed AMHD a two-year window to bill services retroactively. This retroactive billing resulted in the need for a special fund ceiling of \$20,414,479. AMHD has completed billings for retroactive services and is now current in its billing. The projected fiscal year 2007-2008 revenue from MRO billing is anticipated to total \$14,810,630. The S.D. 1 amendments provides for an increase of \$1,200,000 to the expenditure ceiling of the Mental Health and Substance Abuse Special Fund. Increasing the authorized expenditure ceiling will allow the department to continue to offset shortfalls throughout the year as we actively continue to seek MRO reimbursements.

Operational deficits at Hawaii State Hospital (HSH) have risen in relation to an increased, high census. Last fiscal year, HSH had a budget deficit of \$5,000,000. This included funding forty beds at Kahi Mohala. However, the Kahi Mohala contract has been reduced to thirty-two beds this year, resulting in a savings of over \$5,000,000. Additionally, HSH management has taken measures to reduce the overall use of contracted agency staff, resulting in lower deficits. The hospital budget is based on an expected daily census of 178. However, this year since September the HSH average daily census has

been 191. In total, the budget deficit for the HSH for fiscal year 2008-2009 is projected to be  
2 \$1,104,698.

3       Approval of this funding will allow AMHD to continue to address related social issues of  
4 homelessness, co-occurring substance abuse, emergency mental health services, and access to critical  
5 mental health services including housing, employment opportunities, rehabilitation, treatment, case  
6 management, and those individuals served at HSH. In total, this funding will allow AMHD to assist  
7 people with severe mental illness in Hawaii to fully participate and contribute in the community through  
8 their recovery process.

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



Administration

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**COMMITTEE ON FINANCE**

Representative Marcus Oshiro, Chair  
Representative Marilyn B. Lee, Vice-Chair

Tina L. McLaughlin, President  
CARE Hawaii, Inc.  
606 Coral Street  
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Wednesday, March 26, 2008

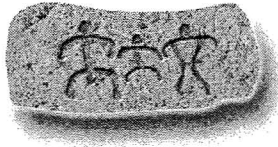
**SUPPORT of SB3068, SD1**

Making an Emergency Appropriation to the Department of  
Health for the Adult Mental Health Division

As contracted providers of the AMHD we are only too well aware of how crucial provision of mental health services is to our consumers. During the past year, the AMHD has recognized an increase in the number of persons served due to an expansion of services on all islands and other expenditures, and as such has determined that they will experience a shortfall in funding for the 2007-2008 fiscal year.

We are in support of this measure which would greatly assist with the continuation of services to our seriously mentally ill population.

We thank you for allowing us this opportunity to testify in support of this measure. On behalf of our consumers, we respectfully request your expeditious and favorable consideration of SB3068, SD1 to assist us with the continuation of services.



## HALE NA'AU PONO

Wai'anae Coast Community Mental Health Center, Inc.  
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Testimony on  
SB 3068

### Emergency Appropriations to Adult Mental Health Division

Aloha Chairman Oshiro & Members of the Committee:

I am Pōkā Laenui, the Executive Director of Hale Na'au Pono. We have been in business operating as a community mental health center, since 1987. We are the only CMHC in Hawai'i which is not State operated. We are governed by a community Board of Directors. The vast majority of our staff is from our community. We provide a range of services for the seriously mentally ill, both in the adult as well as children population. We also provide Alcohol, Tobacco and Other Drug Treatment to the general public.

In the area of Adult Mental Health Services, we provide 72 bed spaces in a group home environment with homes stretching from Makaha to Honokai Hale. We provide clinical services ranging from the most serious (ACT) to the middle range (CBCM) down to the lowest level of services (OPS or Out-Patient Services). We also operate a Clubhouse and have done so for over 10 years. All of our clinical and group-home services are nationally accredited by CARF. Our Clubhouse service is accredited by ICCD. Like our community mental health center, our Clubhouse is the only non-state operated Clubhouse in Hawai'i.

I wish to address three points before this committee regarding the bill before it. The first is waste. The second is discrimination. The third is lack of competence. I will try to address all three points quickly by presenting a scenario of present conditions.

Hale Na'au Pono has, among its array of services, Out-Patient Treatment consisting of clinical services performed by a psychiatrist, nurse, licensed clinical social worker, licensed social worker, and a care coordinator. This service is aimed at the lowest level of clinical need for the seriously mentally ill individual. This is the service that identifies us as a community mental health center.

Hale Na'au Pono also operates a Clubhouse in which we have five full time employees called "generalists" operating in a psycho-social environment. We purchased a two-story building on a half-acre of land in the heart of Wai'anae for this service a few years ago. All five employees, several of our Clubhouse members, plus our Adult Team Director who is a registered nurse, and myself, have been trained in the clubhouse operations and philosophy at official ICCD training centers (Gateway House, S. Carolina, Fountain House, New York). We are open to service individuals who are seriously mentally ill from a number of agencies beside Hale Na'au Pono. We also service members insured by other payers besides AMHD.

We had been contracted by the Department of Health to perform Out-Patient Services to the Wai'anae community on a cost-reimbursement basis for 20 years. For our Clubhouse

services, we had been contracted since we opened our Clubhouse over 10 years ago. One of our contracts began in 1997 (ASO Log # YP 097). In many instances that contract expired before we were given an extension of the contract. For example, modification 11 to that contract was given to us on May 5, 2006 although it was to cover the period from December 31, 2005 until June 30, 2006. Unless we have a contract or modification covering the period of services, we have to finance the services (Out-patient & Clubhouse) without reimbursement by the State! There have been many periods in which our contracts with AMHD expired, we provided services without reimbursement, until the contracts were "modified" or new contracts issued.

In FY 2007, we did not get a contract for these two services until approximately four months into the fiscal year. The fiscal situation got so bad for us I signed the contract when one was finally presented to me in order to get paid for the services we had been performing previously. This was a sole-source contract because AMHD recognized that we were the only entity providing a Clubhouse and Out-Patient services in the community. AMHD presented a contract with new terms, which did not agree with the earlier contract, the method in which we had been providing the services, and which did not even agree with the budget included in the contract. We spent many hours in the rest of the contract year disagreeing on the requirements of the contract and trying to sort out the differences between the contract language, the contract budget, and the service we had already been performing.

In the current fiscal year, we continued servicing our Wai`anae clients in both the Out-Patient as well as Clubhouse services. We have received no contract from AMHD after seven months of service and following many meetings with AMHD staff. After agreeing to terms with AMHD officials, AMHD would reverse by senior officials and drag out the contracting process. We have extended ourselves by \$1/2 million without a contract. Given no other option and only running into greater debt, I finally informed AMHD that we would terminate services to AMHD consumers by the 1<sup>st</sup> of April.

The contract dispute resulting in my declaration is over whether or not a Licensed Social Worker (LSW) may provide assessment and counseling services to the seriously mentally ill consumers. This is a practice we followed from the very beginning and that is widely practiced by the State operated community mental health centers. We have a Licensed Clinical Social Worker (LCSW) or higher, sometimes known as a "Qualified Mental Health Professional" (QMHP) to oversee the practice of the LSW.

Our LSW is called upon to engage in areas of practice an LSW is qualified to perform by HRS. These areas include

- a) Psychosocial assessment,
- b) diagnostic impressions,
- c) treatment of individuals, couples, families, and groups,
- d) prevention of psychosocial dysfunction, disability, or impairment, including emotional, mental, and behavioral disorders, and
- e) evaluation of practice effectiveness (§467E-1 (7) HRS).

The AMHD has refused to include an LSW as part of the reimbursement line-item in our Out-Patient contract. We are unable to hire a LCSW for this position in our community although

we have advertised over long periods of time. Our LSW is experienced, has worked with a multitude of consumers, lives in the community, has been an employee with our organization for almost 10 years, and is qualified by education, experience, and license to perform these services. AMHD uses LSW's in its system of community mental health centers in the same role as we do!

Because AMHD has coupled this service with our Clubhouse service in a single contract, our disagreement on this item results not only in no contract for the Out-Patient service but for the Clubhouse as well.

While our Clubhouse and Out-Patient services are on-going, AMHD has rented an office space in Makaha (at the old Cornet building) to start up a State operated Clubhouse program, along with sending nurses out into the community in a pretense of meeting the Out-Patient service needs of the Wai`anae Coastline community.

At the beginning of my testimony, my three points were, a) waste, b) discrimination, and c) incompetence.

AMHD is **wasteful** in replicating services, which already exist, which are nationally accredited, and which have a community presence. The recent start-up of the AMHD Clubhouse in Makaha (for which AMHD have somehow found emergency funding) is not ICCD accredited, has no track record, and is located in a place that is unlikely to succeed as a Clubhouse. It's lead person is not from the community, is unfamiliar with the local culture and social network, and is already burdened to provide leadership to all of the other State operated Clubhouses.

The replication of Out-Patient services is also wasteful. AMHD is trying to pull from its other CMHC's personnel to service the Wai`anae consumers. None of AMHD's CMHC's are CARF or otherwise nationally accredited. The administrative, personnel, and facility infrastructures to create a community mental health center involves far more than transplanting professionals from outside of a community into the community, renting a building, and waiting for customers. Under current administration, the philosophy of community based mental health centers is a throwback to over 20 years ago.

AMHD is practicing **discrimination** against the Wai`anae community, against the service to the consumers being treated in Wai`anae, and against the Wai`anae's community mental health center. In State operated CMHC's, a LSW is used to perform the work of Wai`anae's LSW. Yet, in the community into which it is most difficult to bring highly credentialed professionals, AMHD has placed this burden above and beyond its own operated centers. AMHD is practicing a double standard!

When Hale Na`au Pono spun off from the State operated mental health system 20+ years ago, there was an understanding that we would be included, for all intents and purposes, in the State's mental health system's meetings and collaborations. Over the past two years, the State has refused to inform us of their meetings although I specifically requested that they continue to do so. As a result of this discrimination, we have been unable to coordinate our practice with the rest of the community mental health centers.



Finally, **incompetence**. AMHD has been tardy in negotiating the Out-Patient contract and providing modifications to earlier contracts for years. At each time, their tardiness burdens the community with having to finance these services until we are finally able to get a signed contract or modification. This is a practice absolutely unfair to the Wai`anae community. Why should communities have to finance the Department of Health when we are already in dire need for funds?

We are required to negotiate with an entity that has complete control over the funds, able to demand adhesive contracts against providers, and are themselves competitors by being providers of the same or similar services.

The Out-Patient program is a clinical program. The Clubhouse program is a non-clinical program. Yet AMHD has, year after year, tied these two programs together although there is no similarity or particular relationship between these programs. As a result, both programs are affected by a single contract and when terms of one program cannot be agreed upon, AMHD is able to impact the operations of the other program as well.

AMHD is owing to Hale Na`au Pono approximately \$1/2 million for our costs on the OPS/Clubhouse services. Recently, they were also in arrears approximately another \$750,000 for over 90 days for our ACT, CBCM, and Group Homes services.

Additionally, in an earlier contract, AMHD had required that we maximize our revenues by going after other payers of services, including payers from governmental entities such as Medicaid. But when we attempted to bill Medicaid, AMHD failed and refused to inform Medicaid that they had in fact contracted with Hale Na`au Pono to perform case management services, a requirement Medicaid insisted upon. We begged AMHD to inform Medicaid of our contract, but AMHD refused to do so, resulting in our loss of over \$200,000 in Medicaid reimbursements from July '03 to October '05.

While we support the Legislature's passage of the current Bill for an emergency appropriation for AMHD's contractual obligations, we believe the Legislature should be aware and make appropriate inquiries and conditions protecting the integrity of services to our communities and directing fair, non-wasteful and appropriate expenditures of public funds to the general public.

Mahalo,

Pōkā Laenui, Executive Director  
Wai`anae Coast Community Mental  
Health Center, dba Hale Na`au Pono

## **FINTestimony**

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**From:** namioahu [namihawaii@hawaiiantel.net]  
**Sent:** Monday, March 24, 2008 1:57 PM  
**To:** FINTestimony  
**Cc:** Mike Durant  
**Subject:** 3/26/2008 SB3068 Agenda #1

Marion Poirier, Executive Director, NAMI Hawai'i  
Wednesday, March 26, 2008 Agenda #1 10:00 a.m. Conference Room 308, Hawaii State Capitol  
S.B. 3068, S.D.1 (SSCR2589)  
Making an Emergency Appropriation of the Department of Health for the Adult Mental Health Division  
Written Testimony to the House Finance Committee

DEAR CHAIR OSHIRO, VICE CHAIR LEE, AND MEMBERS OF THE HOUSE COMMITTEE ON FINANCE:

### **IN SUPPORT**

My Name is Marion Poirier. I am representing NAMI Hawai'i, a local affiliate of the National Alliance on Mental Illness in my capacity as its Executive Director. We are in support of S.B. 3068, S.D. 1 (S.D. 1 (SSCR2589) Making an Emergency Appropriation to the Department of Health for the Adult Mental Health Division. This measure authorizes an emergency appropriation for fiscal year 2007-2008 of \$10,250,443 from the general funds to the Department of Health for the Adult Mental Health Division and to fund \$,200,000 for the mental health and substance abuse fund.

The purpose of this measure is to continue existing adult mental health services, and to meet the needs of an increasing mental health population. The division has been a victim of its own success. There have also been problems created by a deficit in federal matching funds and there have been higher operational costs at the Hawaii State Hospital as well. We are especially pleased that \$1,200,000 will be appropriated from the Mental Health and Substance Abuse Special Fund. We think this is very important.

Thank you for hearing this measure, and for allowing us the opportunity to support S.B. 3068, S.D. 1 (S.D. 1 (SSCR2589).

NAMI Hawai'i is a health and human service agency that assists people affected by serious mental illnesses such as schizophrenia, bipolar disorder and major depression. We have 1,500 members and serve the general public with programs of support, education, and advocacy.

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