



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

In reply, please refer to:
File:

Senate Committee on Ways and Means

**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**

February 15, 2008, 9:30 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 \$10,000,000 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 WAYS AND MEANS
FEB. 15 9:30 AM CONF. ROOM 211

Senator Rosalyn H. Baker, Chair
Senator Shan S. Tsutsui, 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.



Administration

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Senator Rosalyn H. Baker, Chair
 Senator Shan S. Tsutsui, Vice-Chair
 Committee on Ways and Means

Tina L. McLaughlin, President
 CARE Hawaii, Inc.
 606 Coral Street
 Honolulu, HI 96813
 (808) 791-6167

Friday, February 15, 2008

Support of SB 3068 Making an Emergency Appropriation to the Department of Health for the Adult Mental Health Division

CARE Hawaii, Inc. provides much needed mental health services for the seriously mentally ill population on the Islands of Oahu, Maui, Hawaii, and Kauai. We are strongly supportive of SB 3068 to appropriate emergency funding to the Department of Health for the Adult Mental Health Division.

Last month we were made aware that the Department of Health would not be able to fund contracted services for the seriously mentally ill population until April or May due to depletion of its 2008 funds. Part of their funding was to be provided by Medicaid reimbursements, but they have had numerous problems with the reimbursement process, and subsequently, have depleted their total 2008 funds in approximately 5 months of fiscal year 2008.

Due to the delay in payments from the Adult Mental Health Division, we were unable to fulfill our last payroll, and without emergency funding, we will not be able to pay our employees upon our next payroll. As a result, we will be unable to continue to provide services to our consumers. Consequences of not providing these services are multiple and are as follows:

1. 2500 seriously mentally ill patients will be without services. Many consumers who are at risk are in crisis, are suicidal, have homicidal ideations, or are bi-polar. Without services, these individuals incur serious health complications and are at risk of posing harm to themselves and/or members of the community. It is also important to note that CARE Hawaii only represents 40% of the providers contracted by the state, thus, other providers and their 3500 consumers are at the same risk.
2. Consumers not receiving services will have no support and run the risk of going to jail, be in hospital lockups, or worse.
3. CARE Hawaii will be forced to file in court a complaint for injunctive relief and a TRO to maintain the status quo and a court order that the state continue to pay us.

4. CARE Hawaii will have a class action suit filed against us in federal court on behalf of consumers for lack of services, and we will need to file a cross-claim against the State.
5. Approximately 500 people will lose their jobs.
6. CARE Hawaii would not be able to restart services to these individuals after closing services down due to the damage that would be sustained by the company losing employees and incurring financial ruin.

Unfortunately, we are not weeks away from the above scenario, but rather, we are in direct crisis now. We have repeatedly extended our line of credit with the Bank of Hawaii, but have finally exhausted all other options available to us from our bank to cover the delinquent payments by the Department of Health, and are now financially past the point of being able to wait for the State to amend its problems with Medicaid billing.

By making this emergency appropriation to the Department of Health, your actions will allow us to remain financial viable, and we will be able to continue to provide the much needed services to our consumers. We urge the committee to pass SB3068. Thank you for allowing us this opportunity to testify.