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COMMENTS  
OF  
AARON S. FUJIOKA  
ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE  
SENATE COMMITTEE  
ON  
JUDICIARY AND GOVERNMENT OPERATIONS

April 2, 2009

10:15 AM

HB 1642, HD1, SD1

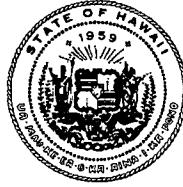
RELATING TO THE PURCHASES OF HEALTH AND HUMAN SERVICES.

Chair Taniguchi, Vice-Chair Takamine and committee members, thank you for the opportunity to comment on HB 1642, HD1, SD1.

On page 3 of this bill, the phrase that all proposals shall be "for the exact amount to be expended by the State" is unclear. If the intent is for applicants submitting proposals in response to a request for proposals to include all taxes and other fees, when applicable, then that language should be amended to clearly state what is meant by the term "exact amount."

If the bill's intent is to have the total proposal pricing be an exact amount to be expended by the State, then it will limit the amount of health and human services provided to the public. Funding levels are determined by client needs on a fee for service basis. It is frequently not known in advance the precise amount of services needed, making it difficult to determine exact funding for a particular service. When that occurs, amounts quoted in proposals may be based on specific units of service identified in the request for proposals with the caveat that the exact number of units to be used may vary from estimates provided in the solicitation. Requiring the proposal pricing to be an exact amount, would complicate and delay the State's ability to render services.

Thank you.



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April 2, 2009

TO: The Honorable Brian T. Taniguchi, Chair  
Senate Committee on Judiciary and Government Services

FROM: Martha T. Torney, Executive Director

**SUBJECT: HB1642, SD1 RELATING TO THE PURCHASES OF HEALTH  
AND HUMAN SERVICES**

Hearing: Thursday, April 2, 2009, 10:15 a.m.  
State Capitol, Conference Room 016

The Office of Youth Services (OYS) has reviewed House Bill 1642, Senate Draft 1, regarding health and human services proposal requirements under Chapter 103F, HRS. We appreciate the Senate Draft 1 amendment which articulates that licensing requirements are limited to those health and human services that are required by statute to be licensed.

We continue to be concerned, though, about subsection (2) of the proposed measure which requires all Chapter 103F proposals be “[f]or the exact amount to be expended by the State, regardless of the tax status of the applicant” as this may have a negative impact on the State’s contracting process. Under current practice, the applicant is to propose a dollar amount to provide the services and the State determines the amount of the award for the services based upon availability of funds and the quality of the proposal. During the contract negotiations, proposed budgets may be revised downward such as if the State finds that some costs do not comport with standard cost principles. And, at times, budgets may be increased by a small percentage for unanticipated costs, such as a rise in utility costs. It would not be in the best interest of the State to make contracts for the exact amount of the proposals submitted in response to a request for services.

Thank you for the opportunity to submit comments.



April 2, 2009  
10:15am  
Conference room 016

To: Sen. Brian Taniguchi, Chair  
Sen. Dwight Takamine, Vice Chair  
Committee on Judiciary and Government Operations

From: Paula Arcena, Legislative and Community Liaison

Re: **HB1642, HD1, SD2 Relating to the Purchases of Health and Human Services**  
(Specifies that proposals for purchases of health and human services must be submitted by duly licensed providers and for the exact amount to be expended by the State, unless statues do not require the business to be licensed to provide the service being bid on)

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My name is Paula Arcena, I am the Legislative and Community Liaison for AlohaCare.

AlohaCare is a non-profit health insurance company, founded by community health centers, to serve the most medically fragile populations in Hawaii. These groups include low-income families, the aged, the disabled and many other groups. Serving the healthcare needs of the people of Hawaii with aloha is our mission. AlohaCare has more than 60,000 health plan members, 1,200 of which are Medicare members.

Thank you for the opportunity to testify in strong support of HB1642, HD1, SD2.

We support this measure because it will correct problems two problems with the bidding process for Medicaid contracts.

First, HB1642, HD1, SD1 will prohibit DHS from giving a tax rebate to for-profit health plans. Currently, the State of Hawaii is losing \$11 million per year, a total of \$33 million over the three year QUEST Expanded contract, as well as taxes that should be collected from one for-profit health plan under the QUEST program.

During this economic crisis, it is difficult to justify rebating taxes to for profit entities while the Hawaii's residents are losing their jobs, their health insurance coverage and government supported services are being cut. Demands for Hawaii's safety net services are growing and \$33 million will go a long way in purchasing health and human services.

In approving this bill, the legislature will also uphold Hawaii law that establishes the State legislature as the sole authority to tax or rebate taxes. This is supported by a Hawaii Supreme Court decision issued on December 18, 2008 on the case of Hawaii Insurers Council vs. Lingle (No. 27840). In that decision the Hawaii Supreme Court stated that only the Hawaii State Legislature is empowered to tax or not tax persons or entities, and that the Executive Branch does not have the power to waive or otherwise rebate taxes imposed by the Legislature.

Second, HB1642, HD1, SD1 would insure that entities contracted to provide health and human services are appropriately licensed to provide those services. Currently, one QUEST Expanded Access program insurer is operating under the indemnity license of its parent company. This is of concern because indemnity licensure requirements are less stringent than HMO licensure requirements. We believe that insurers for the aged, blind and disabled population served by the QUEST Expanded Access program, should be held to higher and more regulated standard such as those required by Health Maintenance Organization (HMO) licensure as defined by HRS Chapter 432D or a mutual benefit society licensed as defined HRS Chapter 432.

Thank you for this opportunity to testify.

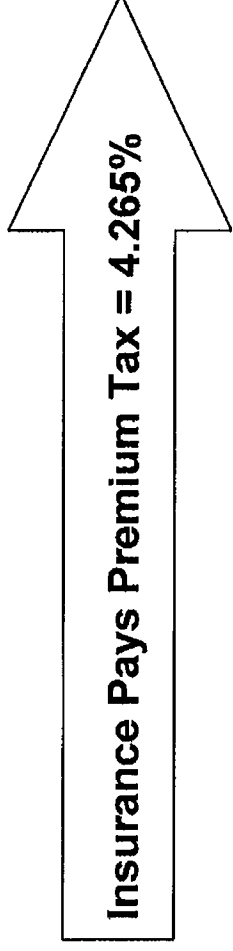
# QEXA

## Regular Bid

Companies

State

\$600M



\$25M

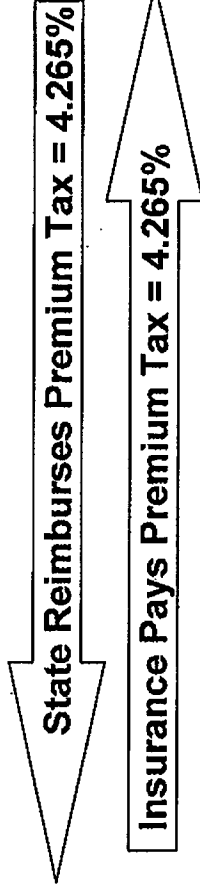
\*State GAIN = \$25M

# QEXA

## Pre-Tax Bid

Companies

\$600M



State

\$25M

**\*State GAIN = ZERO**

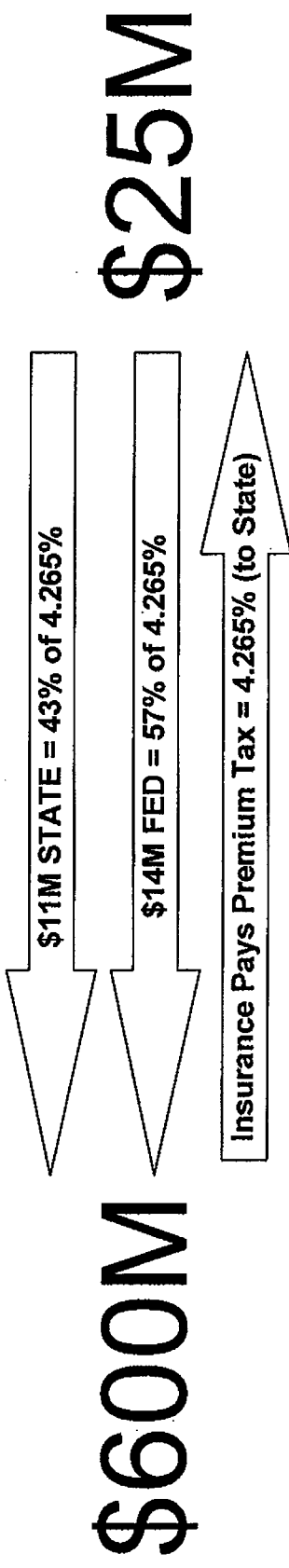
# QEXA

## Government Subsidiaries

### Companies

### State

- Fed pays a % of the tax reimbursement (4.265% = 25M)



**Under Government Subsidiaries, even though the State receives \$14M they are actually losing out on \$11M since under Regular Bid they would get \$25M**



## **Hawai'i Primary Care Association**

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To: **The Senate Committee on Judiciary and Government Operations**  
The Hon. Brian T. Taniguchi, Chair  
The Hon. Dwight Y. Takamine, Vice Chair

**Testimony in Support of House Bill 1642, HD 1, SD 1**  
**Relating to the Purchases of Health and Human Services**

**Submitted by Beth Giesting, CEO**

**April 2, 2009, 10:15 a.m. agenda, Room 016**

The Hawaii Primary Care Association asks your support for this measure. Its objects are to

- a) Require that Med-QUEST-contracted health plans have HMO or Mutual Benefit Society licensure, and
- b) Prohibit the Department of Human Services from giving tax rebates to for-profit insurers.

Both these provisions strengthen our public institutions by requiring that all plans meet established standards and that our taxpayer dollars are paying for health care for the poor and not for corporate profits.

Thank you for the opportunity to support this bill.



To: **Committee Judiciary and Government Operations**  
The Hon. Brian T. Taniguchi, Chair  
The Hon. Dwight Y. Takamine., Vice Chair

**Testimony in Support of House Bill 1642**  
**Relating to Purchase of Health & Human Services**  
Submitted by Dana Alonzo-Howeth, Executive Director  
April 2, 2009, 10:15 p.m. agenda, Room 016

**COMMUNITY  
CLINIC  
OF MAUI**



Where Aloha is more than just a word

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Lahaina, HI 96761

The Community Clinic of Maui strongly supports this bill, which will specify that proposals for purchases of health and human services must be submitted by duly licensed providers and for the exact amount to be expended by the State. At a time when health care reform is so badly needed and every dollar so vital to the safety net, it is unconscionable that \$11M a year will be rebated back to for profit health plans simply because the Executive Branch and Department of Human Services wish to promote for profit contracting. Support of this bill does more than save the State money, it also serves to protect nonprofit health plans who not only have the experience in caring for our most vulnerable and fragile populations but who also have a strong commitment to putting quality of care and customer service to both members and providers first. There are a number of non-profit health plans across the nation who have demonstrated tremendous success in servicing their State's Medicaid & Medicare contracts, showing improved quality of care outcomes, innovative solutions to care, savings, partnerships and dollars reinvested in communities. In Hawaii we have AlohaCare who has a proven track record of all of the above. It goes without saying that proven models such as these make not only economic sense but what is truly in the best interest of our citizen's lives and goes a long way in contributing to the strength of the health care safety net now and in the future. Thank you for this opportunity to testify on this critical bill.