

SCR 28



SENATE COMMITTEE ON HUMAN SERVICES
Senator Suzanne Chun Oakland, Chair

SENATE COMMITTEE ON HEALTH
Senator David Ige, Chair

Conference Room 016
March 17, 2009 at 1:30 p.m.

Testimony in support of SCR 28

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including acute care hospitals, two-thirds of the long term care beds in Hawaii, as well as home care and hospice providers. Thank you for this opportunity to testify in support of SCR 28, which requests the Auditor to conduct a financial audit of federal funds designated for health care received by the Department of Human Services.

The Department of Human Services receives hundreds of millions of dollars from the federal government for various purposes. The Legislature has the responsibility of oversight to ensure that the funds are being expended for the purposes for which they were appropriated. In addition, the public should be assured that the funds are being used as intended.

For the foregoing reasons the Healthcare Association supports SCR 28.

Hawaii Pacific Health

55 Merchant Street • Honolulu, Hawaii 96813 • hawaiipacifichealth.org

Tuesday, March 17, 2009
Conference Room 329
1:30 pm

The Senate Committee on Human Services

To: Senator Suzanne Chun Oakland, Chair
Senator Les Ihara, Jr. Vice Chair

The Senate Committee on Health

To: Senator David Y. Ige, Chair
Senator Joshua Green, M.D., Vice Chair

From: Virginia Pressler, MD, MBA
Executive Vice President

**Re: Testimony in Strong Support of SCR 28
Requesting the Auditor to Conduct a Comprehensive Financial Audit of all
Federal Funds designated for Health Care received by DHS**

Dear Honorable Committee Chairs and Members:

My name is Virginia Pressler, Executive Vice President for Hawaii Pacific Health (HPH). For more than a century, families in Hawaii and the Pacific Region have relied on the hospitals, clinics, physicians and staff of Hawaii Pacific Health as trusted healthcare providers. Our non-profit integrated healthcare system is the state's largest healthcare provider and is committed to improving the health and well-being of the people of Hawaii and the Pacific Region through its four hospitals -- Kapi`olani Medical Center for Women & Children, Kapiolani Medical Center at Pali Momi, Straub Clinic & Hospital and Wilcox Memorial Hospital -- 18 outpatient centers and a team of 1,100 physicians on the islands of Oahu, Kauai and Lanai.

I am writing in strong support of SCR 28. This resolution would request that the auditor conduct a financial audit of all federal funds designated for health care and received by the Department of Human Services.

Because the amount of federal funds is substantial, the liability and responsibility for valid compliance is correspondingly high. An audit will help to assure that appropriate reimbursement is being made to programs, plans, hospitals and healthcare providers. There is no margin for error, since the state has no monies to repay any defaults for non-compliance.

For purposes of planning and effective allocation of resources, it would also be helpful if the audit also included a comprehensive inventory of the amounts, sources, and criteria for these federal funds and a complete record of the programs which received them, including the disposition of any offsetting balances created. We strongly support the intent of this legislation and urge you to pass this resolution.

KAPI'OLANI
MEDICAL CENTER
AT PALI MOMI



KAPI'OLANI
MEDICAL CENTER
FOR WOMEN & CHILDREN



Straub
CLINIC & HOSPITAL



Wilcox Health



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

March 17, 2009

MEMORANDUM

TO: Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

Honorable David Y. Ige, Chair
Senate Committee on Health

FROM: Lillian B. Koller, Director

SUBJECT: **SCR 28 - REQUESTING THE AUDITOR TO CONDUCT A
COMPREHENSIVE FINANCIAL AUDIT OF ALL FEDERAL FUNDS
DESIGNATED FOR HEALTH CARE RECEIVED BY THE DEPARTMENT
OF HUMAN SERVICES**

Hearing: Tuesday, March 17, 2009, 1:30 p.m.
Conference Room 016, State Capitol

PURPOSE: The purpose of this resolution is to request the Auditor to conduct a comprehensive financial audit of all federal funds designated for health care received by the Department of Human Services.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) acknowledges the intent of this resolution, but opposes it based on the State's current fiscal situation.

The Department's health care expenditures that occur through the Med-QUEST Division (MQD) are already subject to numerous audits and Federal oversight. This resolution is duplicative and adds unnecessary expense at a time that the State's fiscal situation warrants prudent spending.

MQD is subject to the annual U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. This audit has been done by CPA firms such as Grant Thornton and Nishihama and Kishida, and is under the control of the Office of the State Auditor and covers specifically:

- To provide a basis for an opinion on the fairness of the presentation of the DHS' basic financial statements
- To determine whether expenditures and other disbursements have been made and all revenues and receipts are collected and accounted for in accordance with the laws, rules and regulations, and policies and procedures of the State of Hawaii and the Federal government
- To determine that the DHS has sufficient controls to properly manage Federal financial assistance programs and to comply with applicable laws and regulations
- To determine that the DHS has complied with laws and regulations that may have a material effect on the basic financial statements and on its major Federal financial assistance programs

MQD is also audited in the State of Hawaii Comprehensive Annual Financial Report (CAFR) for each State fiscal year. This audit is performed by an independent auditor contracted and administered by the Office of the State Auditor. The Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - Med-QUEST Special Revenue Fund is included in this audit.

Other program specific audits have been on-going by the U.S. Department of Health and Human Services, Office of Inspector General including the Medicaid Drug Rebate Program (2003, 2005, and 2007) and the upcoming Hospital Credit Balances Audit (2009).

MQD continues to be subject to its required audits and operates in a transparent manner. Based on the State's current fiscal situation, every attempt should be made to eliminate duplication, redundancy, and waste.

Thank you for the opportunity to comment on this resolution.