

Honolulu, Hawaii

March 19, 2010

RE: S.B. No. 2650
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committees on Human Services and Health, to which was referred S.B. No. 2650, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE DEPARTMENT OF HUMAN SERVICES,"

beg leave to report as follows:

The purpose of this bill as received by your Committees is to require Medicaid contracts between the Department of Human Services (DHS) and Medicaid health care insurance plan contractors to contain provisions affecting the reimbursement obligations in the policies between the Medicaid health care insurance plan contractors and home and community-based case management agencies.

For the purposes of the public hearing, your Committees circulated a proposed H.D. 1 version that also:

- (1) Prohibits the use of private contracts and vendors for intake and eligibility of welfare and public assistance services in the state;
- (2) Convenes a task force to determine the feasibility of transferring service to an Eligibility Processing Operations Division prior to any transfer and including a requirement that a review of the plan be submitted to the United States Department of Agriculture; and



- (3) Provides that the competency evaluation required by law of certified nurse aides will be counted toward the continuing education hours required for recertification.

Universal Case Management, LLC, and several concerned individuals supported this bill. Catholic Charities Hawaii supported this bill with amendments. Several concerned individuals supported the original version of this measure. Ohana Health Plan testified in opposition to this bill. DHS, the Department of Commerce and Consumer Affairs, and Hawaii Government Employees Association provided comments.

DHS has announced plans to reorganize the Benefits, Employment and Support Services Division of the department into a proposed Eligibility Processing Operations Division (EPOD), which would result in the closure of 31 of 33 eligibility offices, including approximately 50 eligibility and public assistance units, across the state. This reorganization plan is modeled after similar programs in other states including Oregon and, more particularly, Florida.

Your Committee notes, however, that the Florida program was over two years in the making and began with a small-scale pilot program meant to assess infrastructure requirements and program effectiveness, while DHS has indicated an intention to implement the EPOD reorganization within the year. Additionally, a former recipient under the Oregon model testified at briefings that the model in practice was fraught with errors, major delays, and inefficiencies, and that in response to an overwhelming demand on the public assistance system, Oregon implemented a lottery for benefits, indicating serious problems with a system that DHS intends to replicate.

At these same briefings, a group of over 6,300 individuals, including DHS employees and recipients of benefits provided under DHS, signed a petition to indicate that they have "no confidence" in the Director of Human Services as a result of the manner in which this reorganization process has proceeded. The administrator for the State's Supplemental Nutritional Assistance Program testified against the proposed EPOD plan and asserted that it was devised without the input of DHS workers and supervisors.

Although it appears that DHS intends this reorganization to streamline procedures and result in cost-efficiencies, your Committees acknowledge the Chief Investigator for DHS's Investigations Office who stated that the proposed EPOD plan will



result in increased welfare fraud due to the fact that the proposed reorganization will eliminate over 200 eligibility workers who serve as primary witnesses to confirm fraud. Furthermore, the Chief Investigator also testified that a reorganization in this direction may result in the closure of the Investigations Office altogether.

Your Committees are also aware that your Committee on Finance was able to reduce the Governor's proposed budget for DHS by over \$18.5 million dollars while preserving positions that provide essential services to over 300,000 needy Hawaii residents, including victims of child abuse and elder abuse, the disabled, and low-income families.

Finally, your Committees are concerned that a reorganization of this magnitude may result in violations of federal regulations and believe that the United States Department of Agriculture should review the proposed EPOD plan prior to implementation.

Upon careful consideration, your Committees have amended the bill as received by your Committees by adopting the proposed draft.

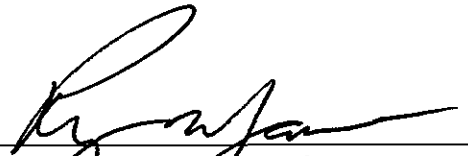
Your Committees have further amended this bill by:

- (1) Deleting language that allows certified nurse aide competency evaluations to count toward the required continuing education hours for recertification; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

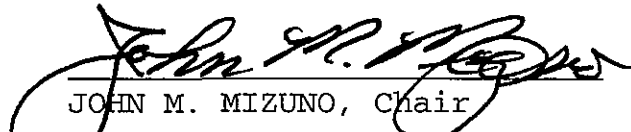
As affirmed by the records of votes of the members of your Committees on Human Services and Health that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2650, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2650, S.D. 2, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committees on Human Services
and Health,



RYAN I. YAMANE, Chair



JOHN M. MIZUNO, Chair



