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February 22, 2010

MEMORANDUM

TO: Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 2085 – RELATING TO HEALTH**

Hearing: Monday, February 22, 2010, 10:00 A.M.
Conference Room 308, State Capitol

PURPOSE: The purpose of this bill is to establish limits on requests for proposals from health and human service providers for QUEST contracts that exceed \$100,000,000 and commence after the term of the head of the purchasing agency expires.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly opposes this bill.

This proposal will disrupt care for Medicaid clients. The purpose of this bill is not clear but seems to be based on the need for national health care reform to be enacted. The timeline for this happening is uncertain. Having our health care contracts in limbo for an unknown length of time is not good for our Medicaid recipients or for State finances.

Requests for Proposals (RFP) for our Medicaid managed care programs are extensive, detailed and complex endeavors. Awarded health plans need sufficient time to prepare for commencement. DHS must ensure that there is uninterrupted services to our vulnerable clients. Also due to the time that the RFP requires, the process would need to begin this fall to avoid risking our QUEST program and negatively impacting the nearly 200,000 individuals served in that program.

This bill also reduces the State's ability to strengthen its oversight and accountability of the QUEST health plans to ensure better quality of health care for Medicaid clients and for efficiency, transparency and greater value to Hawaii taxpayers.

Thank you for this opportunity to provide testimony.



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February 22, 2009

COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair

Rep. Marilyn B. Lee, Vice Chair

DATE: Monday, February 22, 2010

TIME: 10:00 A.M.

PLACE: Conference Room 308

State Capitol

415 South Beretania Street

HB 2085

RELATING TO HEALTH

Chair Oshiro and members of the Finance Committee:

I am Rev Bob Nakata and I am the President of FACE, Oahu. FACE is an interfaith organization with membership including 28 churches, temples, unions and civic organizations and has been active in Hawaii for 12 years. It represents over 28,000 people who reflect the cultural and socio-economic diversity of our State. FACE exists to allow its members to live out our common faith-based values by engaging in actions that challenge the systems that perpetuate poverty and injustice. FACE supports this measure and we ask that you pass this bill.

Our State of Hawaii is in dire financial distress and many programs for our needy are being impacted by the reduction of administrative staffing. The DHS is one of these departments that have seen layoffs and furloughs. The system

Furthermore, with the 2010 elections, we will have a new Governor and Cabinet and we should not burden the new administration with a possible long-term change and implementation of a new Medicare process. Keeping the current programs in place will provide a continuity of care and the existing provider network in tact.

This measure will provide protection and stability with the changing circumstances of the federal and state budgets. We must proceed with caution in protecting the interest of the State of Hawaii, the providers presently under contract with the QUEST health care plans, the participating QUEST health plans and most importantly our most vulnerable population of QUEST members.

Thank you and we urge you to pass this measure.



February 22, 2010
10:00am
Conference room 308

To: Rep. Marcus Oshiro, Chair
Rep. Marilyn Lee, Vice Chair
House Committee on Finance

From: Paula Arcena
Director of Public Policy

Re: HB2085 (Establishes limits on requests for proposals from health and human services providers for QUEST contracts that exceed \$100,000,000 and commence after the term of the agency director expires.)

Thank you for the opportunity to testify in support of HB2085.

AlohaCare is a non-profit, Hawaii based health plan founded in 1994 by Hawaii's community health centers to serve low-income families and medically vulnerable members of our community through government sponsored health insurance programs. We serve beneficiaries of Medicaid and Medicare on all islands.

AlohaCare has been contracted by the Hawaii Department of Human Services since the QUEST program began in 1994 to provide insurance coverage for Medicaid eligible beneficiaries through the QUEST program. We serve approximately 70,000 QUEST enrollees statewide.

Currently, Hawaii's Medicaid programs are undergoing dramatic change due to state budget reductions.

The instability of the situation makes it inappropriate for DHS to issue an RFP during the last months of its administration. We strongly believe it would be far more beneficial to allow the next administration to assess the needs and future of the programs and have full control and authority over the future of the program starting with RFPs for future services.

AlohaCare's contract for QUEST was recently extended to June 2011 and we understand other QUEST health plans have similar extensions. Therefore, it is not

urgent to issue a request for proposals in 2010. We strongly believe that it would be best to solicit for new QUEST contracts next year.

The changes we refer to are as follows:

- Starting in April 2010, DHS will delayed payments to all Medicaid health plans for at least three months in order to prevent a deficit of approximately \$84-\$100 million at the end of the current fiscal year. The delayed payments effectively remove \$300 million (\$100 million in State funds and \$200 million in Federal matching funds) from Hawaii's health care delivery system. Regardless of the delay, AlohaCare and all Medicaid health plans are contractually required to pay providers within certain time limits.
- In December 2009, DHS reduced the compensation it pays to QUEST health plans and added new services to its contracts. These additional services are --
 - Effective July 1, 2010, seriously mentally ill children and adults, served by the Hawaii Department of Health, will be transitioned Medicaid QUEST and QUEST Expanded programs.
 - Effective July 1, 2010, approximately 7,000 non-pregnant adult COFA migrants will no longer receive health plan coverage under QUEST and will be transitioned to the new Basic Health Hawaii program.
 - Handling PPS (presumptive provider services) payments to community health centers, a financial function formerly the responsibility of DHS.
- DHS has suffered a large reduction in force and reduced work days due to furloughs. This raises questions about whether DHS has adequate manpower and resources to design a request for proposals for a program that will continue to undergo constant change. DHS originally told AlohaCare that the next QUEST RFP would be issued in Fall 2010. More recently DHS has informed us that timing is now uncertain due to the RIFs and furloughs.
- DHS has stated that in FY2011 it may reduce QUEST and QUEST Expanded benefits to further reduce costs.

We believe all of the changes we have described will have an impact on the ability of Hawaii's Medicaid programs to provide for access to quality care. The situation is fluid with more change likely to come and we will not be able to assess the full impact of these changes on our Medicaid programs and Hawaii's entire health care delivery system until circumstances have been stabilized.

Thank you for this opportunity to testify on this matter.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 22, 2010

The Honorable Marcus Oshiro, Chair
The Honorable Marilyn Lee, Vice Chair
House Committee on Finance

Re: HB 2085 – Relating to Health

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in support of HB 2085 which would prohibit the Department of Human Services (DHS) from issuing a Request for Proposal (RFP) for the QUEST health plans in the year 2010.

Currently, every two years, DHS releases a RFP for health plans to provide coverage for QUEST members during a specified contract period, typically two years. The current QUEST contract technically expired June 30, 2009. The RFP for the next contract period has yet to be published, and is not expected to be released until the spring of 2010. Until such time, the state gave each plan the option to extend their contract and HMSA is operating with the understanding that the remaining contract extension will be in place until July 2011.

It is important to understand that the RFP process is costly and time consuming for both HMSA and the state. Given the current circumstances of budgetary concerns and the fact that DHS will be delaying payment to QUEST participating plans, there will be no additional resources to devote to the RFP process at this time.

Additionally, with a new Administration poised to take office in 2011, it would be prudent to put off these important decisions to allow new leadership to develop its own priorities and goals regarding the program. Given the concerns regarding the proposed RFP timeframe, we would respectfully request the Committee see fit to pass this measure, to protect not only the interests of the state and participating QUEST health plans but, most importantly, QUEST members.

Thank you for the opportunity to provide testimony today.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal flourish extending to the right.

Jennifer Diesman
Vice President
Government Relations