



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-FIFTH LEGISLATURE, 2010**

ON THE FOLLOWING MEASURE:

H.B. NO. 2774, RELATING TO HUMAN SERVICES.

BEFORE THE:

HOUSE COMMITTEES ON HUMAN SERVICES AND ON HEALTH

DATE: Thursday, February 04, 2010 **TIME:** 9:00 a.m.

LOCATION: State Capitol, Room 329

TESTIFIER(S): Mark J. Bennett, Attorney General, or
Lee-Ann N. Brewer, Deputy Attorney General

Chairs Mizuno and Yamane and Members of the Committees:

The Department of the Attorney General provides comments regarding this bill.

This measure amends section 346-14(7), Hawaii Revised Statutes, by requiring the Department of Human Services (DHS) to terminate the QUEST program on June 30, 2011, and "resume the public assistance programs that were replaced by QUEST, including but not limited to, the state health insurance program," with the condition that "those previous programs have similar benefits as QUEST."

The QUEST program is a long-standing Medicaid managed care program that has provided comprehensive medical assistance benefits to the non-aged, blind, or disabled population since 1994. There are currently over 200,000 members enrolled in QUEST.

The QUEST program was established as part of a demonstration project under a section 1115 waiver of the Social Security Act (the 1115 waiver). The 1115 waiver is a complex document that evidences the approval of Hawaii's QUEST managed care program by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS). Termination of the QUEST program would be a complex undertaking,

and will require close coordination with, and approval by, CMS. Therefore, a date certain for termination may not be feasible, and this bill should be amended to condition termination of the QUEST program on DHS obtaining CMS approval to do so.

The primary purpose of the bill is to replace QUEST with "the public assistance programs that were replaced by QUEST," but it is unclear what those predecessor programs covered since the last phrase reads "provided further that those previous programs have similar benefits as QUEST." Therefore, we are not certain whether the intent is to revert back to a fee-for-service model only if (1) the fee-for-service benefits that were in place prior to the initial implementation of QUEST are similar to the QUEST benefits being offered today, or (2) the fee-for-service model that is to be implemented on June 30, 2011, must include the same benefits as the current QUEST benefits.

If the committees wish to move the measure forward, we request that appropriate amendments be made to address these concerns.

LINDA LINGLE
GOVERNOR



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LATE
Testimony

February 4, 2010

MEMORANDUM

TO: Honorable John M. Mizuno, Chair
House Committee on Human Services

Honorable Ryan I. Yamane, Chair
House Committee on Health

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 2774 – RELATING TO HUMAN SERVICES**

Hearing: Thursday, February 4, 2010, 9:00 A.M.
Conference Room 329, State Capitol

PURPOSE: The purpose of this bill is to require the Department of Human Services to replace its QUEST program with the predecessor public assistance programs including the state health insurance program.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly opposes this bill as it will require a substantial new appropriation, will result in decreased payment to providers, and would result in decreased eligibility for children.

The QUEST managed care program operates significantly more efficiently than the pre-QUEST fee-for-service program. This efficiency results in a decreased amount of State general funds needed to fund the State's medical assistance programs and the contracted health plans' abilities to reimburse providers at rates above Medicaid fee-for-service rates.

AN EQUAL OPPORTUNITY AGENCY

If QUEST were to be terminated, a substantial new appropriation would be required to maintain comparable benefits in a fee-for-service program and providers will be reimbursed only at the Medicaid fee schedule. Decreasing reimbursements to providers also could decrease access to providers for our medical assistance recipients.

The QUEST program generates substantial expenditure savings compared to fee-for-service, not only in State funds, but also federal funds. Those expenditure savings in federal funds are used to expand medical assistance to individuals who are not required to be covered. These optional expansions are subject to the federal budget neutrality requirement. If more federal funds are expanded in Medicaid fee-for-service, then federal funds would not be available for the optional expansion of eligibility for children up to 300% of the federal poverty level and for adults in QUEST-ACE or QUEST-Net. Optional benefits would be affected as well. The loss is federal funding for these programs would require a reduction in eligibility or benefits, and a substantial new appropriation of general funds.

The State cannot afford increasing expenditures while facing a substantial deficit, more than \$1 billion for the biennium, and certainly cannot afford to lose federal funding.

Thank you for this opportunity to provide written testimony.