

SCR 28

SD1

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Comments on SCR 28, SD1, (SSCR1013) REQUESTING THE AUDITOR TO ASSESS THE SOCIAL AND FINANCIAL EFFECTS OF REQUIRING HEALTH INSURERS TO PROVIDE COVERAGE FOR THE USE OF HOSPITAL BED MONITORING TECHNOLOGY

Senate Committee on Ways and Means
Chair: Sen. David Ige
Vice-Chair: Sen. Michelle Kidani
Wednesday, April 13, 2011, 9:30 a.m.
Conference Room 211
Comments submitted by: Howard S. Garval,
President & CEO, Child & Family Service

Good morning, Chair Ige and Vice-Chair Kidani and Committee members. I am Howard S. Garval, President & CEO of Child & Family Service, Hawaii's oldest and most comprehensive human service nonprofit organization with services on every island and touching the lives of 40,000 Hawaii residents from keiki to kupuna each year. I am submitting the following comments in support of replacing the language in SCR 28, SD1, (SSCR1013) with the current language in SB 777, SD1, HD1.

I am writing in strong support for replacing the current language in SCR 28, SD1 with the current language from SB 777 that would establish a prompt payment task force to address timely payments to nonprofit organizations that contract with state government to deliver health and human services to residents of the State of Hawaii.

In the last two years, but especially in the last year, many providers have seen significant delays in payments from the state and in some cases have been told not to submit invoices until told to do so as a way for the state department to avoid paying interest on late payments. Many providers have been on the edge of survival because they cannot get paid in time and others have had to access their lines of credit because payments are late or the provider is not allowed to bill for the services in a timely manner. Still other nonprofits have had to dip into cash reserves, if they are fortunate to have any, to cover cash flow needs for day-to-day operations. There are too many stories of nonprofits having to wait as long as six months to receive reimbursement under specific state contracts.

There are a number of ways that nonprofits are adversely affected in the way state departments contract with them for services, but the late payment problem is affecting at least 50% of providers in the state and the proposed task force is needed to make a good start to improve the financial stability of nonprofit organizations that the state contracts with to provide essential human services. Nonprofit organizations stand ready to work with the new administration and the legislature to address timely payments for contracted services.

I strongly support this resolution with the proposed changes and urge you to pass it.

Mahalo for providing the opportunity to submit comments.



April 12, 2011

Senator David Ige
Chair, Committee on Ways and Means
Hawaii State Senate
State Capitol, Room 211
Honolulu, HI 96813

RE: SCR 28

Dear Chair Ige and members of the Ways and Means Committee:

The Hawai'i Alliance of Nonprofit Organizations (HANO) requests the Ways and Means Committee's consideration to insert the language of SB 777, SD 1, HD 1 into the vehicle of SCR 28.

SB 777 SD 1, HD 1 called for a task force to be convened out of the Department of Accounting and General Services to address timely government contract payments.

HANO is a statewide, sector-wide professional association for nonprofits. HANO members provide essential services to every community in the state. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai'i.

In 2010, The Urban Institute released a report, "Human Service Nonprofits and Government Collaboration," which cast light on the strained government contracting relationship with nonprofits nationwide. HANO's national organization, the National Council of Nonprofits issued a special companion report, "Cost, Complexification and Crisis: Government's Human Services Contracting 'System' Hurts Everyone," providing greater context to the issues. The Urban Institute study extracted state-specific data. In Hawai'i, of 161 human service organizations surveyed, the report found that:

- Hawai'i ranked 15th highest in the nation in the problem area of late payments to nonprofit contractors.
- The most common past due period for state government contracts was 90 days or more.
- 56% of those polled had 2-4 government contracts/grants and 32% had 5 or more contracts/grants.
- 56% of those nonprofits polled cited their experience with government as being worse in 2009 than in prior years.

The State of Hawaii also ranked 8th highest in the problem area of mid-stream contract changes for such things as reimbursement rates, populations served, geographic area and other changes that often caught the nonprofit unaware and required the nonprofit to commit additional financial resources that were not compensated for by the state to meet these new demands.

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Other areas in which Hawaii ranked notoriously high nationwide were in contracts not covering the full costs of contracted services and in the complexity of the contract application and reporting processes.

These nonprofit providers deliver services in good faith and are bound legally by their government contracts to deliver the service. Late payments force them to front the resources to sustain the service and essentially provide an interest-free loan to their government partners.

Nonprofits cite that they have had to do any or all of the following to compensate for these problems:

- Freeze or reduce employee salaries
- Draw on reserves
- Reduce numbers of employees
- Reduce other benefits
- Borrow funds or reduce lines of credit
- Reduce programs

It is worth emphasizing that while these contracting problems plague particularly health and human service providers, they affect the well being of the entire nonprofit sector. When their government partners fail them, health and human service providers are forced to seek other sources of funding that compete with other nonprofits in other mission areas.

A passage from the National Council of Nonprofits' special report accurately summarizes our goals: "The contracting system must be fixed so people receive services when they need them, taxpayers receive full value for the programs they fund, and communities are strengthened through wise stewardship."

HANO appreciates the Legislature's willingness to address these long-standing problems and to repair and strengthen the government compact with Hawaii's nonprofit sector to jointly improve the communities in which we all live.

As a named organization to the task force in SB 777, SD 1, HD 1, HANO is committed to meet the goals of the task force as an active participant and to provide data, general information and assistance where necessary.

Thank you for the opportunity to provide written comments on SCR 28.

Mahalo,

Lisa Maruyama
President and CEO