

NEIL ABERCROMBIE
GOVERNOR



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February 2, 2012

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

The Honorable Ryan I. Yamane, Chair
House Committee on Health

FROM: Patricia McManaman, Director

SUBJECT: H.B. 2138 - RELATING TO HEALTH

Hearing: Thursday, February 2, 2012; 10:00 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of the bill is to require DHS to implement state-of-the-art technologies in its Medicaid and children's health insurance programs to increase the department's ability to detect and prevent waste, fraud, and abuse in the programs.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) opposes this bill because it would increase provider burden, could worsen recipient access, and would require a substantial appropriation.

Hawaii's medical assistance is based on a managed care model with more than 99% of its recipients enrolled in a managed care health plan, and each health plan maintains its own claims and payment system. This bill would require: the end of managed care (i.e QUEST and QUEST Expanded Access); or that each contracted health plan adopt a new system; or a whole new system for the remaining fee-for-service program.

Ending managed care would require an enormous increase in funding. Since the implementation of Medicaid managed care, the State has saved a cumulative of nearly \$1 billion.

If required of health plans, they would either operate two systems or apply the new system to their commercial business as well. Because DHS pays the health plans on a capitated basis, it is in their best interest to ensure that the capitation is not wasted on fraudulent activities by their providers using predictive analytics, claims audits, historical claims data, medical reviews, etc.-tools that they use in their commercial business. DHS would have to pay the health plans to implement this requirement.

If applied solely to the less than 1% of individuals in Medicaid fee-for-service, it would apply to claims for the carved-out services of dental, behavioral health, developmentally disabled/intellectually disabled, and organ transplantation. The providers and recipients of these services would be the ones negatively impacted. Because of the extremely small volume of fee-for-service claims, the cost of implementation, for which there is no appropriation, would be expected to greatly exceed any identified fraud, waste, and abuse.

DHS already has a claims processing system that checks claims against the recipient's eligibility and provider's participation. The system has edits in place including for non-covered services, utilization limits, and prior authorization. In addition, the DHS now has a data storage warehouse and recently, in partnership with Arizona, has purchased a Surveillance and Utilization Review Section (SURS) subsystem. With both of these tools the DHS will have the ability to run algorithms on paid claims and on encounter data from the health plans. Any concerns in regards to provider fraud and abuse not identified by the health plans can be shared with them.

Thank you for the opportunity to provide testimony on this bill.



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The Twenty-Sixth Legislature, State of Hawaii
Hawaii State House of Representatives

Committee on Human Services
Committee on Health

Testimony by
Hawaii Government Employees Association
February 2, 2012

H.B. 2138 RELATING TO MEDICAID

The Hawaii Government Employees' Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of H.B. 2138.

We generally support this measure which calls for the implementation and use of state-of-the-art technologies, programs and measures to detect and reduce waste, fraud and abuse in Hawaii's Medicaid and children's health insurance programs.

The potential cost savings and to the DHS and the State in these two programs alone is tremendous and can directly contribute to the ability of the department to become more efficient and effective in the administration of its vital programs and services. With so much money "lost" nationally as a result of waste, fraud and abuse in state Medicaid programs alone, it's a very good place to start.

However, we are also mindful that not all technologically advanced programs and processes result in cost savings or a more efficient operation. Even when there is a cost savings, a new process or use of technology may not always be the better alternative, especially in a department like DHS where the programs and services provided to the public are largely dependent on personal contact and customer service.

Thank you for the opportunity to provide testimony in support of H.B. 2138.

Respectfully submitted,

Leiomalama Desha
Deputy Executive Director