



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

January 29, 2014

TO: The Honorable Della Au Belatti, Chair
House Committee on Health

The Honorable Mele Carroll, Chair
House Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 2292 - MAKING AN EMERGENCY APPROPRIATION TO THE
DEPARTMENT OF HUMAN SERVICES FOR THE MED-QUEST DIVISION**

Hearing: Wednesday, January 29, 2014; 8:30 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of the bill is to appropriate \$6,020,727 in general funds for an emergency appropriation for fiscal year 2013-2014 for General Support for Health Care Payments (HMS 902) to address a funding shortfall in the Medicaid program due to the Hawaii health connector not yet reimbursing the Department of Human Services for services and moneys provided to the Connector by the Department.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this Administration measure that would provide an emergency appropriation to ensure that the DHS is able to fund its core operations and continue to serve its beneficiaries.

Since the original emergency appropriation request of \$6,020,727 was submitted, the Connector has paid the DHS \$1,166,690 for work through an executed MOU. There is still a balance of \$4,854,037 that has not been reimbursed to the DHS. In substantial part, the sums due

and owning the DHS cannot be paid until the Connector and the DHS execute a master contract agreement, approved by the federal Centers for Medicare and Medicaid Services. Effective this week, the parties have resumed negotiations and the DHS is cautiously optimistic that an agreement will be reached that will allow the Connector to make payment in full to the DHS. Until such time, however, that the DHS received payment in full, we respectfully request that this measure be passed out by the House Health and Human Services Committees for consideration by the House Finance Committee.

The following summarizes the services provided by the DHS to the Connector for which reimbursement is sought and clarifies which services we have received payment for: The Med-QUEST Division of the Department of Human Services provided services and funding to or for the sole benefit of the Hawaii Health Connector to develop components of the health insurance exchange required by the federal Affordable Care Act. In addition, the Centers for Medicare and Medicaid Services requires that 5.25 percent of department design, development, and implementation costs as well as maintenance and operations costs for the new Medicaid Kauhale On-Line Eligibility Assistance system ("KOLEA"), to be cost-allocated to the Connector.

The services and funding provided to the Connector and the required 5.25 percent cost allocation for KOLEA were paid for with general funds encumbered from HMS 902 with the understanding that the Connector would reimburse the Department through the Connector's own federal funds. While encumbered, the Department is unable to use these funds for other purposes.

As of November 1, 2013, the costs allocated to the Connector that were owed to the Department of Human Services for federal fiscal year 2012-2013 totaled \$6,020,727. The costs are as follows:

- (1) Allocated costs incurred for work performed on KOLEA design, development, and implementation, in the amount of \$4,329,956.

- (2) Allocated costs incurred for work performed on KOLEA maintenance and operations in the amount of \$306,161.
- (3) Costs incurred for work performed that would have allowed Connector system functionality so individuals could browse for and select qualified health plans for both Medicaid and the Connector at the same time, in the amount of \$450,800.
- (4) Costs incurred for work performed to revise the Connector system to separate the browsing and selection functions for Medicaid and the Connector when the design was changed, in the amount of \$418,950.
- (5) Costs incurred for work performed to allow the Connector to interface with the state data services hub in the amount of \$296,940.
- (6) Costs incurred for work performed to revise the file format and interface control document as previously agreed upon so that the Connector could process electronically transferred files, in the amount of \$52,920.
- (7) Costs expected to be incurred for work to be performed as agreed by the Connector to allow the connector to perform remote identity proofing, in the amount of \$165,000.

As of today, January 29, 2014, the DHS has not received reimbursements for items 1, 2, 6, and 7 described above. This makes it necessary for the DHS to request an emergency appropriation of \$4,854,037 to ensure that the DHS is able to fund its core operations and continue to the uninterrupted provision of medically necessary services to low-income adults and children and make timely payments to health care providers and plans.

Thank you for the opportunity to testify on this bill.



The Honorable Della Au Belatti
Chair, Committee on Health

The Honorable Mele Carroll
Chair, Committee on Human Services

Re: Testimony regarding H.B. 2292, Relating to Making an Emergency Appropriation to the Department of Human Services for the Med-Quest Division.

Hearing scheduled for January 29, 2014, at 8:30 a.m.

Chair Belatti, Chair Carroll, and members of the Committee on Health and the Committee on Human Services,

My name is Tom Matsuda, Interim Executive Director of the Hawai'i Health Connector (the "Connector"), speaking on behalf of the Connector and its Board of Directors.

To implement part of the Affordable Care Act, the Connector and the Department of Human Services/MedQuest Division ("DHS") have built separate but integrated portions of the online marketplace to help the people of Hawai'i obtain health insurance coverage. Medicaid coverage for low-income applicants is provided through the DHS portion of the system ("KOLEA"), while commercial health insurance for individuals and small businesses and ACA federal tax credits are provided through the Connector portion of the system.

The two online systems are integrated for those consumers who are seeking individual insurance with financial assistance (either Medicaid or the ACA tax credit) because a Medicaid denial is required before the consumer can apply for the ACA tax credit. To build and operate these two integrated systems, DHS is providing some services that benefit the Connector's system, and the Connector is providing some services that benefit the DHS system.

The DHS system is funded mostly by federal Medicaid grants, and the Connector system is funded by different federal grants under Section 1311 of the ACA. These federal grants and the related federal rules have strict cost-allocation requirements. If DHS provides a service that benefits the Connector, it cannot be paid for with Medicaid grant funds. Conversely, if the Connector provides a service that benefits the DHS system, it cannot be paid for with the



Connector's grant funds. For purposes of HB 2292, the Connector and DHS are working together to reach an agreement on cost-allocation for work done by DHS that benefits the Connector, pursuant to federal grant requirements. The negotiations have already resulted in a memorandum of understanding and recent Connector payments to DHS totaling \$1,166,690 for a portion of the work DHS did for the Connector, itemized in paragraphs 3, 4 and 5 of H.B. 2292.

The Connector will continue to work with DHS to resolve the remaining cost-allocations and make all payments pursuant to the resulting agreement once payment is approved by our federal funding agency. The Connector appreciates all of the work done by DHS for the Connector's benefit and for the ultimate benefit of the people of Hawai'i.

LATE**HB2292**

Submitted on: 1/29/2014

Testimony for HLT/HUS on Jan 29, 2014 08:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Scott Wall	Community Alliance for Mental Health	Support	No

Comments: to: House Health & Human Services Committees Aloha Chairs Belatti, Carroll, and members of their committees, On behalf of the Community Alliance for Mental Health along with United Self Help we offer our support for HB2292. We feel that the passage of SB2292 is essential in the transformation of Hawai'i's health care system. Scott Wall VP/Legislative Advocate Community Alliance for Mental Health

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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