

# S.B. NO. 2842

JAN 23 2014

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## A BILL FOR AN ACT

MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HUMAN SERVICES FOR THE MED-QUEST DIVISION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. This Act is recommended by the governor for  
2 immediate passage in accordance with section 9 of article VII of  
3 the Constitution of the State of Hawaii.

4           A critical fiscal emergency exists. A funding shortfall in  
5 the current fiscal year 2013-2014 in general support for health  
6 care payments (HMS 902) is projected because the Hawaii health  
7 connector has not yet reimbursed the department of human  
8 services for services and moneys provided to the connector by  
9 the department.

10           The purpose of this Act is to appropriate \$6,020,727 in  
11 general funds for an emergency appropriation for fiscal year  
12 2013-2014 for general support for health care payments (HMS 902)  
13 to address the funding shortfall in the medicaid program  
14 resulting from the delay in reimbursement.

15           The department of human services provided services and  
16 funding to or for the sole benefit of the Hawaii health  
17 connector to develop components of the health insurance exchange

1 required by the federal Affordable Care Act. In addition, the  
2 Centers for Medicare and Medicaid Services requires that 5.25  
3 per cent of department design, development, and implementation  
4 costs as well as maintenance and operations costs for the new  
5 Medicaid Kauhale On-Line Eligibility Assistance system,  
6 ("KOLEA"), be cost-allocated to the connector.

7 The services provided and the required 5.25 per cent cost  
8 allocation for KOLEA were paid for with general funds encumbered  
9 from HMS 902 with the understanding that the connector would  
10 reimburse the department through the connector's own federal  
11 funds. While encumbered, the department is unable to use these  
12 funds for other purposes.

13 As of November 1, 2013, the costs allocated to the  
14 connector that are owed or expected to be owed to the department  
15 of human services for state fiscal year 2013-2014 totaled  
16 \$6,020,727 as follows:

- 17 (1) Allocated costs incurred for work performed on KOLEA  
18 design, development, and implementation, in the amount  
19 of \$4,329,956;
- 20 (2) Allocated costs incurred for work performed on KOLEA  
21 maintenance and operations in the amount of \$306,161;
- 22 (3) Costs incurred for work performed that would have  
23 allowed connector system functionality so individuals

1 could browse for and select qualified health plans for  
2 both medicaid and the connector at the same time, in  
3 the amount of \$450,800;

4 (4) Costs incurred for work performed on the transition  
5 necessary to revise the connector system to separate  
6 the browsing and selection functions for medicaid and  
7 the connector when the design was changed, in the  
8 amount of \$418,950;

9 (5) Costs incurred for work performed to allow the  
10 connector to interface with the state data services  
11 hub in the amount of \$296,940;

12 (6) Costs incurred for work performed to revise the file  
13 format and interface control document as previously  
14 agreed upon so that the connector could process  
15 electronically transferred files, in the amount of  
16 \$52,920; and

17 (7) Costs expected to be incurred for work to be performed  
18 as agreed by the connector to allow the connector to  
19 perform remote identity proofing, in the amount of  
20 \$165,000.

21 To date, the department has not received reimbursements for  
22 the services provided or the costs allocated. Because the  
23 department has not received moneys owed from the connector, it

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1 is necessary for the department to request an emergency  
2 appropriation of \$6,020,727. The requested emergency  
3 appropriation will ensure that the department is able to fund  
4 its core operations and continue to serve its beneficiaries.

5 SECTION 2. There is appropriated out of the general  
6 revenues of the State of Hawaii the sum of \$6,020,727 or so much  
7 thereof as may be necessary for fiscal year 2013-2014 to be used  
8 for general support for health care payments (HMS 902).

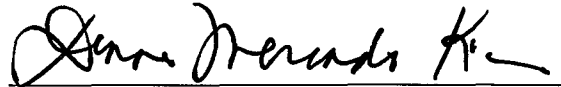
9 The sum appropriated shall be expended by the department of  
10 human services for the purposes of this Act.

11 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY:



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BY REQUEST

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**Report Title:**

General Support for Health Care Payments (HMS 902); Emergency Appropriation

**Description:**

Makes an emergency appropriation from the general revenues of the State of Hawaii for fiscal year 2013-2014 to address the budget shortfall for the general support for health care payments program (HMS 902) in the Department of Human Services. Effective upon approval.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

## JUSTIFICATION SHEET

DEPARTMENT: Human Services

TITLE: A BILL FOR AN ACT MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HUMAN SERVICES FOR THE MED-QUEST DIVISION.

PURPOSE: 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.

MEANS: An emergency appropriation of state general funds.

JUSTIFICATION: The Med-QUEST Division of the Department of Human Services (DHS) 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 are owed to the Department of Human Services for federal

fiscal year 2012-2013 totaled \$6,020,727 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; and
- (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.

To date, the Department has not received reimbursements for the services provided or the costs allocated. Because the Department of Human Services has not received moneys owed from the Connector, it is necessary for

the Department to request an emergency appropriation of \$6,020,727. The requested emergency appropriation will ensure that the Department is able to fund its core operations and continue to serve its beneficiaries.

The general fund appropriation included in this measure has been made in accordance with the statutorily defined appropriation ceiling for the Executive Branch pursuant to section 37-92, Hawaii Revised Statutes. Including appropriations made up to and including the regular and special sessions of 2013, the Executive Branch appropriation ceiling for fiscal year 2013-2014 has already been exceeded by \$385,205,549 or 6.5 percent. Funding requested in this measure for general support for health care payments (HMS092) will result in the appropriation ceiling for the Executive Branch to now be exceeded in fiscal year 2013-2014 by an additional \$6,020,727 or .102 percent. This current declaration takes into account additional general fund appropriations authorized for fiscal year 2013-2014 in this measure only, and does not include other general fund appropriations for fiscal year 2013-2014 that may be authorized for the Executive Branch in other legislation submitted to the Legislature during the regular session of 2014.

Impact on the public: This appropriation will ensure the uninterrupted provision of medically necessary services to low-income adults and children.

Impact on the department and other agencies: The requested emergency appropriation will ensure that the Department is able to fund its core operations and make timely payments to health care providers and plans.

GENERAL FUND: \$6,020,727.



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OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: HMS 902.

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: Upon approval.