



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
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April 2, 2014

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 2292, H.D. 1, S.D. 1 - MAKING AN EMERGENCY APPROPRIATION
TO THE DEPARTMENT OF HUMAN SERVICES FOR THE MED-QUEST
DIVISION**

Hearing: Wednesday, April 2, 2014; 9:20 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of the bill is to appropriate 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 Memorandum of Understanding. There is still a balance of \$4,854,037 that was not agreed to in the MOU and has not been reimbursed to the DHS. In substantial part, the sums due and owing to the DHS will

not be paid until the Connector and the DHS execute a master contract agreement. Both a MOU and contract require approval by the federal Centers for Medicare and Medicaid Services (CMS). The DHS is cautiously hopeful that an agreement will be reached by which the Connector will make payment in full to the DHS. Until such time, however, that the DHS receives payment in full, the DHS respectfully requests that this measure be passed out of 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. The MQD 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 CMS 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 DHS 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 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 identify proofing, in the amount of \$165,000.

As of today 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 the uninterrupted provision of medically necessary services to low-income adults and children and make timely payments to health care providers and plans.

Please note that this funding request is for funds owed to the DHS from the Connector. The request is not for funds for the DHS to pay the Connector. The Connector is similarly subject to the federal cost allocation requirements and expects the DHS to pay a portion of the Connector's costs. The DHS does not know what the total costs are for FY2014 or for FY2015 and does not have the funding to pay the Connector. These costs are also subject to agreement

between the Connector and the DHS, subject to approval by CMS. Once approved by CMS, these costs will also require an appropriation of general funds, for which the DHS can receive 90% matching federal funds, if the DHS is to pay the Connector for the Connector's costs that are allocated to the DHS.

Thank you for the opportunity to testify on this bill.