



STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

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February 26, 2014

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

FROM: Barbara A. Yamashita, Deputy Director

SUBJECT: **S.B. 2845, S.D. 1 - RELATING TO APPOINTMENT OF EXEMPT  
PERSONNEL IN THE DEPARTMENT OF HUMAN SERVICES FOR  
THE STATE MEDICAL ASSISTANCE PROGRAMS**

Hearing: Wednesday, February 26, 2014; 10:35 a.m.  
Conference Room 211, State Capitol

**PURPOSE:** The purpose of the bill is to allow the Director of Human Services to appoint and employ permanent exempt professional staff; prescribe their duties and qualifications; and fix their salaries, not subject to chapter 76, Hawaii Revised Statutes (HRS), when in the determination of the director, the services to be performed are unique and essential to the execution of the functions of the state medical assistance programs.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) strongly supports this Administration measure. The Med-QUEST Division (MQD) is the single state agency for Hawaii that is designated to administer the Medicaid program. This bill will provide the Director the flexibility to recruit, hire and compensate high level managerial and professional staff to manage critical functions of the \$1.8 billion medical assistance programs.

The positions being requested for exemption include the currently existing high level managerial and professional staff positions that are the administrative core of the Med-QUEST

Division plus a few other professional positions necessary to build program capacity and ensure program integrity. They are unique and essential for the continued administration of one of the largest and more complex programs in the State. The current existing positions, to include the Division Administrator; Branch and Office Administrators; Finance Officer; Research Officer; and Privacy and Security Compliance Officer have been on a temporary exempt status under the QUEST Demonstration Project. The QUEST Demonstration Project temporary exemption is no longer appropriate given that the QUEST program has proven to be a cost effective and efficient way to provide health care coverage to low income adults and children.

The identified additional positions are necessary to ensure program and (Medicaid) plan policy development and oversight. These positions include health information technology officer; physician (psychiatrist); pharmacist; and dentist.

All the positions being requested for exemption require exceptional knowledge of complex federal health care regulations, must have detailed technical and specialized awareness and knowledge of health care trends and different health care delivery systems, the ability to negotiate and discuss program requirements with federal partners at the Centers for Medicare and Medicaid Services (CMS), and provide skilled oversight of program activities. Without the required knowledge, leadership, and skills of the identified positions, millions of federal matching dollars received by the State could be lost if found to be out of compliance with required federal regulations.

The recruitment of qualified individuals with the salary ranges necessary to attract experienced individuals with the requisite knowledge for these specialized positions is currently not possible under the State civil service system requirements of chapter 76, HRS. Without the permanent exemption, it will be very difficult to maintain the quality of Medicaid services and stay at the forefront through transformation of the Medicaid program and services. The DHS and

specifically its Med-QUEST Division, has been working hard to convert exempt positions to civil service positions where appropriate and possible. However, these management and oversight level positions are not suitable for conversion at this time due to the complexity and high level of expertise and experience necessary to oversee this billion dollar program.

We would like to note that the Commonwealth Fund recently identified Hawaii as the best state in the nation for a healthcare system for low-income individuals. The ever changing complexity, including information technology, of how health care services and programs are provided and the need to meet federal health care requirements makes it necessary to ensure that the State is able to compete in recruiting, hiring, and retaining the best possible individuals to ensure Hawaii continues to provide high quality and efficient health care to all its residents.

Thank you for the opportunity to testify on this bill.



## HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

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The Twenty-Seventh Legislature, State of Hawaii  
Hawaii State Senate  
Committee on Ways and Means

Testimony by  
Hawaii Government Employees Association  
February 26, 2014

S.B. 2845, S.D. 1 – RELATING TO APPOINTMENT OF  
EXEMPT PERSONNEL IN THE DEPARTMENT OF  
HUMAN SERVICES FOR THE STATE MEDICAL  
ASSISTANCE PROGRAMS

The Hawaii Government Employees Association opposes S.B. 2845, S.D. 1. We cannot support the provision in the bill that would allow the exemption of a wide range of staff persons within the Department of Human Services from Chapter 76, HRS. This particular type of exemption from civil service has become all too prevalent and is inconsistent with purpose and intent of Article XVI, Section 1 of the Hawaii State Constitution and Section 76-1 HRS. There are over 1,000 exempt employees under the specific exemption used in this bill – Section 76-16 (b) (17), HRS.

The problems and challenges created by exempt positions are that while most are included in HGEA bargaining units, and the union collects dues from them, they are not protected under the discipline and reduction-in-force article for bargaining units 3, 4 and 13. They are also ineligible for step movements. Exempt employees in Unit 13 are also precluded from earning overtime. Many of these exempt employees have been employed by the State of Hawaii for years and provide valuable service to their respective departments, yet they are not treated fairly by the employer.

There is simply no legitimate reason for so many employees of the State Medical Assistance Program to be exempted from Chapter 76, HRS. These positions should be filled within the civil service system. The state's civil service system needs significant reform so that it can preserve the merit principle while at the same time being flexible and responsive enough to meet the demands of departments like DHS. In other words, the civil service system must be adaptable to change, including changes in the state's demographics, the organization of work, and the conceptions of work and career on the part of employees.

We appreciate the opportunity to testify in opposition to S.B. 2845, S.D. 1.

Respectfully submitted,

Randy Perreira  
Executive Director