



STATE OF HAWAII
DEPARTMENT OF HEALTH
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**Testimony in SUPPORT of HB556 HD1
RELATING TO PROCUREMENT**

REPRESENTATIVE SYLVIA LUKE, CHAIR
COMMITTEE ON FINANCE

Hearing Date: Wednesday, March 1, 2017

Room Number: 308

1 **Fiscal Implications:** Undetermined at this time.

2 **Department Testimony:** The Department of Health (DOH) testifies in strong support of
3 this bill and offers comments.

4 The purpose of this bill is to repeal the requirement that all applicants for
5 procurement contracts for health and human services, possess all licenses necessary to
6 conduct the subject business, and to repeal the requirement that all contracts include
7 only costs, fees, and taxes reflected on the face of the proposal.

8 The Adult Mental Health Division (AMHD) has directly experienced the negative
9 impact of this law. As part of rebuilding community mental health programs for adults,
10 the AMHD seeks to increase the capacity of community based programs. This may
11 entail new providers entering our system, in addition to expanding capacity through
12 existing providers. This may especially be the case for program sub types which are
13 new to Hawaii and this effort is significantly hampered and delayed by present law.

14 Specifically, and for example, the DOH has identified that there is a shortage of
15 special treatment facilities (STF) in the community that are appropriate for consumers
16 receiving services from the AMHD, and who no longer require hospitalization. This
17 shortage continues to be a critical problem affecting the length of stay for consumers
18 waiting to be discharged from the Hawaii State Hospital (HSH).

1 The requirement that the facility obtain licensure prior to being awarded a state
2 contract has proven to be unfavorable to rebuilding our community based service
3 system and serves as a significant barrier to new providers entering the service system.
4 Very few, if any, providers will obtain a facility, hire staff, train staff, create policy and
5 procedures, obtain licensure, etc. without the promise of a contract first.

6 It is our understanding that the original intent of this law was to address
7 procurement for Department of Human Services Medicaid contracts with insurance
8 companies, not non-profit service provider contracts. In HRS §103D, there is no similar
9 provision for contracting for goods and services. The only provision available for health
10 and human services contracts is in HRS §103F.

11 The DOH strongly supports this measure.

12 Thank you for the opportunity to testify.

13 **Offered Amendments:** None.

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR
MARA SMITH
ASSISTANT ADMINISTRATOR

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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
FINANCE

March 1, 2017, 1:00 P.M.

HOUSE BILL 556
RELATING TO PROCUREMENT

Chair Luke, Vice-Chair Cullen, and members of the committee, thank you for the opportunity to submit testimony on House Bill 556. The State Procurement Office (SPO) supports the repeal of HRS §103F-401.5.

HRS §103F-401.5 was passed as Act 69, a Veto Override, during the 2009 Legislature. The section cannot be applied across the board. In many instances, providers cannot be licensed prior to award of a contract. The provider is selected then obtains clearances prior to being licensed (e.g., fire and safety) and prior to commencing services. HRS §103F-401.5 restricts competition among qualified health and human service providers.

HRS 103F administrative rules has provisions without this section, which meets service requirement(s), as applicable. HAR section 3-143-201(12), preparing a request for proposals (RFP), states the RFP shall include "Any specific requirements or qualifications that an applicant must meet in order to submit a proposal including, but not limited to, licensure or accreditation." An applicant submitting a proposal without the required license(s) or qualifications, as determined by the purchasing agency and stated in the RFP, would not be considered for contract award.

Additionally, subsection (b) is unclear and unnecessary. Funding levels are determined by client needs, often on a fee for service basis. It is frequently unknown in advance the precise amount of services needed making it difficult to determine exact funding for a particular service. When that occurs, amounts quoted in proposals may be based on estimated units of service identified in the request for proposals with the caveat that the exact number of units to be used may vary from estimates provided in the solicitation. Requiring that the award or contract be for the amount of the proposal complicates and delays the State's ability to render required services.

Thank you.