



STATE OF HAWAII
DEPARTMENT OF HEALTH
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Testimony COMMENTING on S.B. 1138, SD1
RELATING TO THE OFFICE OF HEALTH CARE ASSURANCE SPECIAL FUND.

SENATOR DONOVAN M. DELA CRUZ, CHAIR
SENATE COMMITTEE ON WAYS AND MEANS

Hearing Date: Tuesday, March 2, 2021

Room Number: Video Conf.

1 **Fiscal Implications:** The intent of this bill is to lessen reliance on general funds by shifting
2 costs to special funds. This can only happen if the legislature retains funds in the OHCA special
3 fund for the Department's use.

4 **Department Testimony:** The Department supports this bill with amendments as originally
5 proposed to establish the Department's spending limit through the state's budget process to lessen
6 reliance on general funds especially during this period of budget uncertainty resulting from the
7 state's economic impacts due to the COVID-19 pandemic.

8 The Department respectfully requests to remove spending limits in statute and replace it
9 with the authority to establish the spending limit through the budget process which must be done
10 anyway even with a spending limit in statute. This would allow spending to fluctuate from year
11 to year as needed. In anticipation of passage of this bill the Department requested an OHCA
12 special fund spending ceiling of \$800,000 per fiscal year in its budget request to cover costs of
13 salaries and fringe benefits to fund unbudgeted positions that include health care facility
14 inspectors and investigations on unlicensed care facilities, fund contracts that support licensure
15 survey activities and operating modernization, and to offset other general fund reductions.

1 In addition, this bill would allow the Department to retain revenue in the special fund to
2 provide more special fund funding to the Office of Health Care Assurance (OHCA) and further
3 reduce reliance on general funds during the pandemic.

4 Finally, this bill would authorize contingency spending in statute on unplanned and
5 emergency items as approved by the Director of Health consistent with the purpose of the OHCA
6 special fund. For example, if in effect last year, it would have allowed spending on
7 communication technologies for skilled nursing facilities' residents to virtually communicate
8 with family during the pandemic and on emergency personal protection equipment (PPE) for
9 residential care homes. Fortunately, federal civil monetary penalty (CMP) and CARES Act
10 funds were available but CMP and other federal funds might not be available for future
11 emergencies. The state and OHCA would have to rely on other funding sources or not respond
12 timely to emergencies.

13 Thank you for the opportunity to testify in SUPPORT of this measure with amendments
14 as requested.

15 **Offered Amendments:**

16 SECTION 1. The purpose of this Act is to [~~increase~~]
17 establish the ceiling of the office of healthcare assurance
18 special fund through the state budget process, to offset
19 increasing operational expenses that include contracts to
20 implement a new management information system and background
21 checks system, as well as diminish dependence on the general
22 fund, and to authorize emergency spending beyond the established

1 budget ceiling. Furthermore, in response to the COVID-19
2 pandemic, there is increased need for public and health care
3 facility education and outreach to assure appropriate and high-
4 quality healthcare facility access.

5 SECTION 2. Section 321-1.4, Hawaii Revised Statutes, is
6 amended by amending subsections (b) and (c) to read as follows:

7 "(b) Moneys in the special fund shall be expended by the
8 department of health:

- 9 (1) To assist in offsetting operating costs and
10 educational program expenses of the department of
11 health's office of health care assurance; and
12 (2) For the purpose of enhancing the capacity of
13 office of health care assurance programs to:
14 (A) Improve public health outreach efforts,
15 program and community development, and
16 consultations to industries regulated;
17 (B) Educate the public, the staff of the
18 department of health, and other departments
19 within the State, as well as staff and
20 providers of all health care facilities and
21 agencies regulated; [~~and~~]

1 (C) Administer and support the durable medical
2 equipment supplier license program
3 established pursuant to part XLIII[-]; and
4 (D) Expend funds in excess of the approved
5 spending ceiling for emergencies as approved
6 by the Director of Health. Emergencies may
7 be identified as man-made or acts of God.
8 Funds shall only be expended for purposes
9 identified in this section (b) and total
10 funds expended shall not exceed the
11 reasonably anticipated special fund balance
12 as of June 30 of that year less any reserve
13 balance. A reserve balance of not less than
14 \$5,000 shall be maintained as of June 30.

15 ~~[Not more than [\$327,000] \$500,000 of the s]~~Special fund
16 expenditures approved through the state budget process may be
17 used during any fiscal year for the activities carried out by
18 the office of health care assurance. [

19 ~~(c) Any amount in the special fund in excess of [\$387,500]~~
20 ~~\$600,000 on June 30 of each year shall be deposited into the~~
21 ~~general funds.]"~~