

DAVID Y. IGE
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DIRECTOR

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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
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February 8, 2022

TO: The Honorable Representative Ryan I. Yamane, Chair
House Committee on Health, Human Services, & Homelessness

FROM: Cathy Betts, Director

SUBJECT: **HB 1663 – RELATING TO PURCHASES OF HEALTH AND HUMAN SERVICES UNDER CHAPTER 103F, HAWAII REVISED STATUTES.**

Hearing: Thursday, February 10, 2022, 9:00 a.m.
Via Videoconference, State Capitol

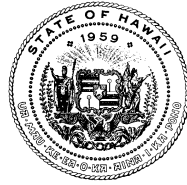
DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this bill and offers comments.

PURPOSE: The purpose of the bill is to require that state moneys used to procure health and human services be the funding source of last resort. This bill also requires a purchasing agent to give a preference to an applicant that is a qualified medicaid provider when evaluating competitive purchase of health and human services contract proposals and specifies that if 2 otherwise equally qualified applicants are seeking the same purchases of services contract, the purchasing agency shall select the applicant who is a qualified medicaid provider. Finally, the bill requires the Department of Health to provide an explanation of how providers may capture federal medicaid moneys.

DHS defers to the State Procurement Office regarding the amended language to Chapter 103F of the Hawaii Revised Statutes. The Med-QUEST Division (MQD) notes that the processes outlined in section 1 for providers to attest to pursuing alternate sources of funding may have unintended consequences of disrupting current processes. Currently, the Department of

Health (DOH) bills MQD for Medicaid services after their contracted providers bill DOH, and DOH determines what services are Medicaid eligible services. MQD appreciates that the bill's Medicaid provider preference when awarding contracts could provide additional incentive for providers to become qualified Medicaid providers. However, we think it is important to note that, by law, Medicaid is nearly always the payor of last resort. Finally, notably, Medicaid payments are always a blend of state and federal dollars and not just federal funds.

Thank you for the opportunity to testify on this measure.



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Testimony COMMENTING on HB1663
RELATING TO PURCHASES OF HEALTH AND HUMAN SERVICES UNDER CHAPTER 103F,
HAWAII REVISED STATUTES

REP. RYAN I. YAMANE, CHAIR
HOUSE COMMITTEE ON HEALTH

Hearing Date: February 10, 2022

Room No.: Via Videoconference

1 **DEPARTMENT'S POSITION:** The Department of Health (DOH) offers comments.

2 **Fiscal Implications:** Potential unintended consequences that may disrupt current billing
3 practices for certain programs at the Department of Health.

4 **Department Testimony:** The Department of Health (DOH) acknowledges the goals of HB1663,
5 one of which is to assure value to the tax payer by requiring that state moneys for
6 procurements of health and human services shall be the funding source of last resort.

7 The bill would require that state moneys used to procure health and human services be the
8 funding source of last resort, and a purchasing agent to give a preference to an applicant that is
9 a qualified medicaid provider when evaluating competitive purchase of health and human
10 services contract proposals. It specifies that if two otherwise equally qualified applicants are
11 seeking the same purchases of services contract, the purchasing agency shall select the
12 applicant who is a qualified medicaid provider. It also requires the Department of Health to
13 provide an explanation of how providers may capture federal medicaid moneys.

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15 **Offered Amendments:** The DOH defers to the State Procurement Office regarding the
16 amended language to Chapter 103F of the Hawaii Revised Statutes. We believe that the bill, as
17 written, may cause disruption in how DOH bills the Med-QUEST Division (MQD) for Medicaid

1 services since their contracted providers bill DOH, and DOH determines what services are
2 Medicaid eligible services. In some instances DOH is considered a provider to Medicaid and
3 therefore their contracted providers bill DOH who in turn bills Medicaid. HB1663 as written
4 may impede contracting and billing workflow for Medicaid services In addition, some services
5 occur prior to a person becomes Medicaid eligible and cannot be billed to Medicaid, and others
6 have very low utilization with high administrative burden costs that outweigh the value of
7 billing to Medicaid. It should also be noted that Medicaid payments are always made up of
8 both state and federal dollars; and by law, Medicaid is nearly always the payor of last resort.

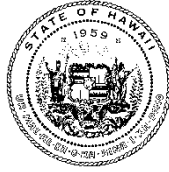
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10 Thank you for the opportunity to testify on this measure.

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BONNIE KAHAKUI
ACTING ADMINISTRATOR

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TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
HEALTH, HUMAN SERVICES, & HOMELESSNESS
FEBRUARY 10, 2022, 9:00 A.M.

HOUSE BILL 1663
RELATING TO PURCHASES OF HEALTH AND HUMAN SERVICES
UNDER CHAPTER 103F, HAWAII REVISED STATUTES

Chair Yamane, Vice Chair Tam, and members of the committee, thank you for the opportunity to submit testimony on HB1663. The State Procurement Office (SPO) offers the following comments and concern.

Comments: Chapter 103F, Purchase of Health and Human Services, and Chapter 103D, the Hawaii Public Procurement Code, are intended to provide guidance and definitions for the methods and procedures of procurement. The proposed amendments to address specific contract terms would not be appropriate in either Chapter 103F or Chapter 103D, HRS. The proposed language would be more appropriately placed in the HRS Chapter and Hawaii Administrative rules pertaining to the departments that purchase health and human services.

Concern: SPO is concerned that giving preference to Medicaid providers may limit competition and may result in higher costs to the State.

Thank you.