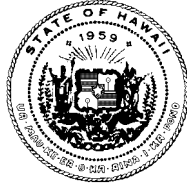


DAVID Y. IGE
GOVERNOR



PANKAJ BHANOT
DIRECTOR

BRIDGET HOLTHUS
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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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February 10, 2017

TO: The Honorable Senator Rosalyn H. Baker, Chair
Senate Committee on Commerce, Consumer Protection, and Health

The Honorable Senator Donna Mercado Kim, Chair
Senate Committee on Government Operations

The Honorable Senator Josh Green, Chair
Senate Committee on Human Services

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 148 – RELATING TO PROCUREMENT**
SB 149 – RELATING TO PROCUREMENT

Hearing: Friday, February 10, 2017, 9:30 a.m.
Conference Room 229, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports both bills.

PURPOSE: **SB 148** - The purpose of the bill is to require applicants who submit contract proposals to operate a child care program to have necessary business licenses; exempts applicants who submit proposals to operate a child care program or group living facility from having to obtain licenses to operate under section 346-161, Hawaii Revised Statutes (HRS) and Chapter 321, HRS, prior to their proposal being accepted.

SB 149 - Repeals the requirement that all applicants for procurement contracts for health and human services possess all licenses necessary to conduct the subject business. Repeals the requirement that all contracts include only costs, fees, and taxes reflected on the face of the proposal.

The primary focus of the DHS child care licensing program is the health and safety of all children in care. DHS is supportive of either the continued exemption proposed in SB 148, or the repeal of requirements as proposed in SB 149, as either would result in applicants who submit contract proposals to operate a child care program to not be required to obtain the license prior to their proposals being accepted.

Pursuant to the service specifications issued by DHS in the Request For Proposals, and as required by Hawaii Administrative Rules (HAR) Chapter 3-143, Competitive Purchase of Services, once an applicant's proposal is accepted by DHS, the applicant must obtain a license to operate a group child care center or group child care home before contract services may start.

DHS defers to Department of Health regarding the proposed changes in SB 148 to Chapter 321, HRS.

Thank you for the opportunity to provide testimony on this bill.

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR
MARA SMITH
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE
TO THE SENATE COMMITTEES
ON
GOVERNMENT OPERATIONS,
HUMAN SERVICES,
AND
COMMERCE, CONSUMER PROTECTION, AND HEALTH

February 10, 2017, 9:30 A.M.

SENATE BILL 149
RELATING TO PROCUREMENT

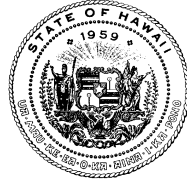
Chairs Kim, Green and Baker, Vice-Chairs Ruderman, Chang and Nishihara, and members of the committees, thank you for the opportunity to submit testimony on Senate Bill 149. The State Procurement Office's supports repeal of HRS §103F-401.5.

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 greatly 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 specific 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 proposal complicates and delays the State's ability to render required services.

Thank you.



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Testimony in STRONG SUPPORT of SB149
RELATING TO PROCUREMENT

SENATOR DONNA MERCADO KIM, CHAIR
COMMITTEE ON GOVERNMENT OPERATIONS

SENATOR JOSH GREEN, CHAIR
COMMITTEE ON HUMAN SERVICES

SENATOR ROSALYN H. BAKER, CHAIR
COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

Hearing Date: Friday, February 10, 2017

Room Number: 229

- 1 **Fiscal Implications:** Undetermined at this time.
- 2 **Department Testimony:** The Department of Health (DOH) testifies in strong support of this bill
- 3 and offers comments.
- 4 The purpose of this bill is to repeal the requirement that all applicants for procurement
- 5 contracts for health and human services possess all licenses necessary to conduct the subject
- 6 business and to repeal the requirement that all contracts include only costs, fees, and taxes
- 7 reflected on the face of the proposal.
- 8 The Adult Mental Health Division (AMHD) has directly experienced the negative impact
- 9 of this law. As part of rebuilding community mental health programs for adults, the AMHD
- 10 seeks to increase the capacity of community based programs. This may entail new providers
- 11 entering our system, in addition to expanding capacity through existing providers. This may
- 12 especially be the case for program sub types which are new to Hawaii and this effort is
- 13 significantly hampered and delayed by present law.

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

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

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

15 The DOH strongly supports this measure.

16 Thank you for the opportunity to testify.

17 **Offered Amendments:** None.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 7, 2017 2:55 PM
To: GVO Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB149 on Feb 10, 2017 09:30AM*

SB149

Submitted on: 2/7/2017

Testimony for GVO/HMS/CPH on Feb 10, 2017 09:30AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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