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February 23, 2017

TO: The Honorable Senator Jill N. Tokuda, Chair
Senate Committee on Ways and Means

FROM: Pankaj Bhanot, Director

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

Hearing: Thursday, February 23, 2017, 1:30 p.m.
Conference Room 211, State Capitol

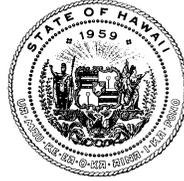
DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports this bill.

PURPOSE: The bill proposes to repeal the requirement that all applicants for procurement contracts for health and human services possess all licenses necessary to conduct the subject business; repeal 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 the repeal of requirements as proposed in SB 149, as it 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.

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



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Testimony in STRONG SUPPORT of SB149
RELATING TO PROCUREMENT

SENATOR JILL N. TOKUDA, CHAIR
COMMITTEE ON WAYS AND MEANS

Hearing Date: Thursday, February 23, 2017

Room Number: 211

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.

14 Specifically, and for example, the DOH has identified that there is a shortage of special
15 treatment facilities (STF) in the community that are appropriate for consumers receiving
16 services from the AMHD, and who no longer require hospitalization. This shortage continues to

1 be a critical problem affecting the length of stay for consumers waiting to be discharged from
2 the Hawaii State Hospital (HSH).

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

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

12 The DOH strongly supports this measure.

13 Thank you for the opportunity to testify.

14 **Offered Amendments:** None.