



EXECUTIVE CHAMBERS  
HONOLULU

March 16, 2021

TO: The Honorable Representative Angus L.K. McKelvey, Chair  
House Committee on Government Reform

FROM: Scott Morishige, MSW, Governor's Coordinator on Homelessness

SUBJECT: **SB 1036 SD2 – Relating to Procurement**

Hearing: Tuesday, March 16, 2021, 10:00 a.m.  
VIA VIDEO CONFERENCE  
Conference Room 309, State Capitol

**POSITION:** The Governor's Coordinator appreciates the intent of this bill, defers to the State Procurement Office (SPO) regarding Part I, and respectfully offers comments supporting the intent of Part II only.

**PURPOSE:** The purpose of this bill is to repeal the establishment of the community council on purchase of health and human services and to amend various sections of the State procurement code. The bill also establishes the State payor committee within the Department of Health (DOH) to implement a unified framework for tracking, coordinating, and guiding the purchase of behavioral health and homelessness services, and requires nongovernmental entities that contract for services relating to behavioral health, substance abuse, or homelessness services to disclose any sources of funding to perform such services.

The Coordinator agrees with the intent of Part II to implement standard metrics and evaluation and notes current efforts have demonstrated that this results in improved outcomes. In 2017, DHS implemented standardized performance metrics that enforced a housing-focused approach for all contracts and aligned DHS metrics with federal metrics required by the U.S. Department of Housing and Urban Development (HUD). The shared focus on metrics emphasizing housing placement and retention across DHS and HUD homelessness

service contracts contributed to statewide reductions in the Point in Time count and increases in the number of homeless individuals placed in housing between 2017 and 2020.

In addition, just prior to the pandemic, the community began to examine the different payors and funding streams for homelessness services to facilitate identification of service gaps, overlap, and time-limited funding, as well as opportunities for increased alignment. Beginning in November 2019, the Coordinator convened a monthly homeless funders group that includes regular participation from DHS, DOH, Office of Youth Services (OYS), the four counties, HUD, and the U.S. Department of Veteran Affairs.

The homeless funders group strengthened relationships between agencies, and enabled DHS and DOH to quickly partner following the COVID-19 pandemic to launch isolation and quarantine facilities for homeless individuals and establish connections with DHS and County shelters to discharge individuals to shelter following isolation and minimize discharges to homelessness. In addition, the homeless funders group discussions assisted agencies to identify opportunities for DHS service dollars to be paired with City-funded facilities to add new permanent supportive housing, such as the 'Ohana Zone [Kumuwai](#) and [Hale Maluhia](#) programs.

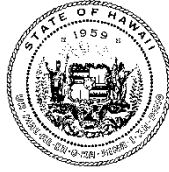
In December 2020, the Hawaii Interagency Council on Homelessness (HICH) developed a [homelessness fiscal map](#) of federal, state, and local funding for homelessness services to build upon initial conversations of the homeless funders group. The fiscal map found that nearly 40% of funding for permanent supportive housing programs come from State or County general funds that are contracted only year to year and highlighted the need to sustain these funding stream to avoid adverse impact for clients housed in these programs.

In addition, the homeless funders group enabled funders to plan for implementation of federal emergency rental assistance by highlighting funding streams for homelessness prevention where there may be potential duplication of payment. In March 2021, the [HICH updated the fiscal map to reflect new resources for eviction and homelessness prevention](#) available through the federal Consolidated Appropriations Act. HICH will continue review and enhancement of the fiscal map throughout the year, to include the addition of philanthropic funding streams.

The fiscal map and homeless funders group discussions also identified key difference in the structure of contracts for behavioral health services, and homelessness services, including means of payment. For example, DOH behavioral health contracts are typically paid on a unit rate, while DHS homelessness service contracts are not paid based on units and may include upfront costs needed to cover rental subsidies for programs such as Rapid Rehousing and Housing First. The differences in contract structure add to the complexity of achieving uniform reimbursement rates across executive branch contracts and may result in unintended impacts if rates are established without addressing these complexities.

If Part II of this measure proceeds, the Coordinator suggests reviewing the current efforts in the homelessness system to align funding and services, as well as seeking additional input from executive branch agencies that directly or indirectly contract for mental health, substance abuse, and homelessness services to avoid adverse unintended impacts. Additional executive branch agencies that may contract for these services include the Department of the Attorney General (AG), Department of Labor and Industrial Relations (DLIR), Department of Public Safety (DPS), and attached agencies such as the Hawaii Public Housing Authority, Executive Office on Aging, OYS and the Office of Community Services.

Thank you for the opportunity to testify on this bill.



**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

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TESTIMONY  
OF  
BONNIE KAHAKUI, ACTING ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE  
ON  
GOVERNMENT REFORM

MARCH 17, 2021, 10:00 A.M.

SENATE BILL 1036, SD2  
RELATING TO PROCUREMENT

Chair McKelvey, Vice Chair Wildberger, and members of the committee, thank you for the opportunity to submit testimony on SB 1036, SD2 Relating to Procurement. The State Procurement Office (SPO) is in strong support of this bill.

The SPO requests that additional revisions to Section, 1, 2, and 3 of SB1036, SD2, to clarify language pertaining to (1) streamlining membership requirements for the Board, (2) promoting fair and reasonable prices through government transparency and accountability, (3) installing/establishing a State Payor Committee to implement a unified framework for tracking, coordinating, and guiding the purchase of behavioral health and homelessness services, and placing the language into the appropriate Chapter in the Hawaii Revised Statutes (HRS).

(1) Streamline membership requirements for the Board (Section 103D-201, HRS)

Section 1 of this bill intends to streamline membership requirements for the Board (Section 103D-201, HRS) This revision is to promote procurement efficiency by creating a more agile PPB. By reducing not only the number of members on the Board, the required number of candidates for the vacant positions, but also the number of members of the nominating committee, the ability to obtain quorum and promulgate rules will improve and result in a more responsive and agile board.

- SPO's proposed revision to Section 1(b)(3), Page 1, Line 12: Remove the word "certified" from line 12. Lines 10-17 will now read as follows:

"(3) ~~Five~~ Four persons who shall not otherwise be full-time employees of the State or any county; provided that at least one member shall be a ~~certified~~ professional in the field of procurement, at least one member shall have significant high-level, federal procurement experience, and at least ~~two members~~ one member shall have significant experience in the field of health and human services."

- SPO's proposed revision to Section 1(b)(c), Page 2, Line 7: Reduce the required number of candidates for the vacant positions by changing the word "four" to "three" and changing the word "two" to "one". Lines 1-9 will now read as follows:

"Each appointed member shall have demonstrated sufficient business or professional experience to discharge the functions of the policy board. The initial and subsequent members of the policy board, other than the comptroller, shall be appointed by the governor from a list of ~~three~~ two individuals for each vacant position, submitted by a nominating committee composed of ~~four~~ three individuals chosen as follows: ~~two persons~~ one person appointed by the governor; one person appointed by the president of the senate; and one person appointed by the speaker of the house."

(2) Revision to promote fair and reasonable prices through government transparency and accountability (Section 103F-401, HRS)

The SPO proposed amendments in our testimony on SB1036 (the original bill). In our testimony, we proposed adding a section to Chapter 103F to promote fair and reasonable prices for the purchase of health and human services. However, the amendments that appeared in SB1036, SD1, repealed most of Section 103D-312, Fair and reasonable pricing policy for goods, services, instead of adding a section to Chapter 103F. This revision weakened the provision for compliance stated in Section 103D-101, HRS, Requirements of ethical public procurement. We understand that the amendment to Section 103D-312 (Pages 2-5), was made in error in SB1036, SD1.

- SPO's proposed revision to Section 2, Pages 2-5: Revert Section 103D-312, HRS, to its original language.
- SPO's proposed revision to Section 2 (Page 2, Line 16, through Page 5, Line 15): Instead of revising Section 103D-312, add a new section to Section 103F, HRS. The language of the new section is to read as follows:

"SECTION 2. Chapter 103F, Hawaii Revised Statutes, is amended by adding to part IV a new section to be appropriately designated and to read as follows:

**§103F- Fair and reasonable pricing policy; cost or pricing data.** (a) For each contracting action under this chapter including any change orders or contract modifications that increase the original contract amount, the procuring agency shall make a written determination that the amount of the contracting action is fair and reasonable.

(b) In determining whether the amount of the contracting action is fair and reasonable, the procuring agency shall obtain the data necessary to perform a cost or price analysis to determine that the amount of the contracting action is a fair and reasonable price."

### (3) Install/Establish a State Payor Committee

Part II (Pages 11-15) of this bill proposes to establish a State Payor Committee to implement a unified framework for tracking, coordinating, and guiding the purchase of behavioral health and homelessness services. The SPO conferred with and concurs with the Department of Health's Behavioral Health Administration that it is their responsibility to plan, coordinate, implement, and promote statewide access to persons experiencing substance abuse, behavioral health conditions, and homelessness. Only with the appropriate expertise of

State agencies and programs managing health and human services is it possible to develop and establish the proposed purchase of service framework to coordinate the purchase of services.

The SPO has conferred with the Department of Health about language to formally establish a State Payor Committee.

- SPO's proposed revision to Section 7 (Pages 14-15): Establish a State Payor Committee by adding language to Chapter 321, HRS, replacing Page 14, Line 15, through Page 15, Line 10, with the following language:

SECTION 7. Chapter 321 Hawaii Revised Statutes, is amended by adding two new sections to be appropriately designated and to read as follows:

"§321-A State payor committee. (a) There is established the state payor committee, which shall be composed of the director of health or the director of health's designee, and the director of human services or the director of human services' designee.

(b) The director of health or the director of health's designee and the director of human services or the director of human services' designee shall serve as the administrative heads of the state payor committee.

(c) The committee shall have oversight of the coordination of the purchase of services and shall be responsible for monitoring all information gathered and creating a purchase of service framework that aligns all purchase of service contracts pursuant to Chapter 321-B."

- SPO's proposed revision to Section 8 (Page 15, Lines 11-16): Adding language about behavioral health and substance abuse services to Chapter 321, HRS, to read as follows:

**§321-B Behavioral health and substance abuse services.**

(a) State agencies or programs that purchase social services related to behavioral health or substance abuse shall

coordinate with the state payor committee as part of their planning activities for any purchase of services under this chapter. The agencies and programs shall consider the recommendations and payor framework of performance metrics and evaluation standards developed by the state payor committee when planning for the purchasing of these services with state resources.

(b) State agencies or programs that purchase behavioral health or substance abuse services shall seek to align reimbursement rates where applicable and in coordination with the state payor committee across all contracts entered into for the purpose of purchasing behavioral health or substance abuse services with state resources.

(c) All community or private organizations that purchase services for behavioral health or substance abuse services, at the request of any state funding agency, shall disclose the source of any other federal, state, or county level funding the organizations receive for purposes of performing these services.

(d) Beginning July 1, \_\_\_\_\_, purchase of service contracts for behavioral health or substance abuse services using state resources that are initiated, renewed, or continued shall be reported to the state payor committee, established pursuant to [Chapter 321-A](#).

Thank you.



**SB-1036-SD-2**

Submitted on: 3/14/2021 1:44:58 PM

Testimony for GVR on 3/17/2021 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
nanci kreidman	domestic violence action center	Comments	No

Comments:

Please consider including on the Policy Board a member of Hawaii Association of Non Profits or member of PHOCUSED to give voice to the vast experiences of community based organizations working in service to and on behalf of Hawaii's people.

thank you



## CATHOLIC CHARITIES HAWAII

### COMMENTS FOR SB 1036 SD2: RELATING TO PROCUREMENT

**TO:** House Committee on Government Reform  
**FROM:** Rob Van Tassell, President and CEO, Catholic Charities Hawai'i  
**Hearing:** **Wednesday, 3/17/21; 10:00 am; via videoconference**

Chair McKelvey, Vice Chair Wildberger, and Members, Committee on Government Affairs:

Thank you for the opportunity to provide **Comments on SB1036, SD2**, which repeals the community council on purchase of health and human services, and amends other sections of the state procurement code. It also establishes the state payor committee in DOH to implement a framework for tracking, coordinating and guiding the purchase of behavioral health and homelessness services. I am Rob Van Tassell, with Catholic Charities Hawai'i.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 70 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has a long history of working in the areas of affordable housing and homelessness.

Catholic Charities Hawai'i **urges that Part 1, Section 1(b)(3) be amended to designate that a representative from either the Hawaii Alliance of Nonprofit organizations (HANO) or PHOCUSED (Protecting Hawaii's Ohana, Children, Under-Served, Elderly & Disabled) sit on the Policy Board to fulfill the requirement that "one member shall have significant experience in the field of health and human services."** This would ensure that service providers have an avenue to share insights and make recommendations regarding procurement. We also urge that this bill include UH performance metrics to improve effectiveness.

Part II of SD 2 added a State Payor Committee under DOH with the intent to better align funding for behavioral health, substance abuse and homelessness services. While we agree with the intent of the bill to align DOH contracted services, we are concerned that adding homelessness services will include programs that may not have a behavioral health component but only focus on housing or providing rental subsidies, etc. Yet these programs would need to conform to uniform performance metrics, and evaluations that would be viewed through a behavioral health lens.

#### **We urge you to delete homelessness services from this section of the bill.**

We thank you for your consideration of how to improve the Policy Board to become more effective and obtain regular input from service providers on procurement issues. We know that restructuring behavior health and substance abuse contracts will be a huge endeavor. We urge you to prioritize this part of the bill, and remove homelessness services. Homeless providers are already working with DOH to better coordinate appropriate services with DOH services.

Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or [bettylou.larson@catholiccharitieshawaii.org](mailto:bettylou.larson@catholiccharitieshawaii.org) if you have any questions.





## **SB1036 SD2 to House Contracts for Substance Abuse, Mental Health and Homelessness**

COMMITTEE ON GOVERNMENT REFORM,

- Rep. Angus McKelvey, Chair; Rep. Tina Wildberger, Vice Chair
- Wednesday, Mar. 17, 2021: 10:00: Videoconference

### **HSAC Provides Comments for SB1036 With Recommendations:**

*ALOHA CHAIR, VICE CHAIR AND DISTINGUISHED COMMITTEE MEMBERS. My name is Alan Johnson. I am the current chair of the Hawaii Substance Abuse Coalition (HSAC), a statewide organization of over 30 substance use disorder and co-occurring mental health disorder treatment and prevention agencies.*

**HSAC supports that Behavioral Health Administration reform government contracting to be more efficient.**

**HSAC comments and cautions that the state retain evidenced based practices for treatment for substance use disorders and mental health disorders.** Let's keep what works and then add to it with wrap around services.

A lot of work is needed here for such reform. To help guide the State to remain focused on quality-of-care issues following evidenced-based practices and not succumb the allure of less costly, yet substandard services, HSAC offers guiding recommendations to stay the course for providing effective treatment during this unprecedented time of high anxiety, social isolation, and disruption to our healthcare system.

### **Recommendations to Improve the Legislation:**

- 1. Clarify the composition and duties of the Payor Committee with respect to payment goals.**
- 2. Allow time to have a thoughtful discussion needing input from providers and referrals sources** because service objectives for rates and outcomes are complicated for something of this magnitude that has long term-impacts to community services.
- 3. Recommend that evidenced best practices be kept.** Treatment for Substance use disorder is residential and outpatient. Other wrap around services are very valuable and very much needed, but should not replace treatment. Let's keep what works rather than do what doesn't work well just to save money.

4. **Give ample time for providers to provide all the required information as requested.**
5. **The uninsured need the most help. Let's keep the public option going where DOHs pays for the treatment for the uninsured until Medicaid or Medicare can be put in place.** Stopping funding for the uninsured will be very expensive, even in this year as they will flood the emergency rooms or access crisis beds.
  - a. SAMHSA, the Federal agency funding Hawaii's treatment is primarily for residential and outpatient for the uninsured. The State's matching funds are for the same purpose.
  - b. Crisis beds, although needed, are much more expensive than residential services. Moreover, crisis beds are not treatment for substance use disorders.
6. **Involve research input that is available from the Federal government.** Decisions about standardized rates and outcomes has not been solved yet by the Federal government who has spent years researching. It's complicated and needs a great deal of discussion involving all aspects of those involved from government to providers to insurers to community.

## Recommendations for goals for Payment Reform:

- a. **Prioritize the financial security and viability of mental health and addiction treatment providers** that they survive payment reform.
- b. **Incentivize systemic changes that would evolve more evidence-based practices** that is proven for substance use disorder treatment such as residential and outpatient treatment using co-occurring, more complex patient models. Grow our mental health and addiction services workforce so that we can treat more chronic co-occurring disorders.
- c. **Increase high-quality prevention and addiction treatment services by ensuring that funds are used to support evidence-based programs** and activities to prevent or treat a mental health or substance use disorder. Support the inclusion of a waiver mechanism for new or innovative treatments that may offer promise.
- d. **Facilitate the implementation of nationally recognized level of care standards** for addiction treatment programs and new standards for recovery residences and improve training for healthcare

professionals who care for patients with mental health and substance use disorders in communities across Hawai'i.

- e. **Recommend substantial investment and critical policy changes to mitigate the mental health and substance use-related effects of COVID-19 and its containment measures.**
- f. **Ensure that rates are adequate to build a robust SUD workforce,** which is critical and should be a cornerstone of any state response.
- g. **Support the proven, comprehensive federal research model for programs** in any changes to systems with the intent to expand access for prevention, addiction treatment, harm reduction, mental health services, and recovery support services. Our community needs adequate resources to meet these pressing needs.

**Closing:**

Given the devastation of the COVID-19 pandemic plaguing this country, it is crucial that Hawai'i is prepared to address the disastrous exacerbation of the expected 4<sup>th</sup> wave of mental health and substance use crisis.

We respectfully ask that the Payment Reform committee's primary goal be to ensure that individuals with mental health or substance use disorders receive the best possible evidence-based care. We appreciate the opportunity to provide testimony and are available for questions.



PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

March 17, 2021

TO: Angus L.K. McKelvey, Chair  
Tina Wildberger, Vice Chair  
Members of the House Committee on Government Reform

FROM: Christy MacPherson, Director, PHOCUSED

SUBJECT: Testimony: Relating to Procurement

Hearing: March 17, 2021 at 10:00 am  
Via videoconference

Chair, Vice Chair, and Members of the House Committee on Government Reform,

Thank you for the opportunity to provide **comments** on SB1036, SD2.

PHOCUSED is a nonpartisan project of Hawai'i Appleseed Center for Law and Economic Justice and comprises health and human service organizations and the people they serve across the State of Hawai'i. We have been collaborating on advocacy pertaining to critical procurement and service delivery issues that directly impact our providers.

PHOCUSED has the following comments and recommendations:

- A representative from either the Hawai'i Alliance of Nonprofit Organizations (HANO) or Protecting Hawai'i's 'Ohana, Children, Under-Served, Elderly & Disabled (PHOCUSED) be on the Policy Board to fulfill the requirement stated in Pt. 1, Section 1(b)(3): "*one member shall have significant experience in the field of health and human services.*" This will ensure that Hawai'i's health and human service providers have an avenue for providing regular input and insight into the procurement process.
- Include University of Hawai'i's performance metrics.
  - The UH Psychiatric department's participation in the Policy Board will be advantageous in guiding the process.
  - The University of Hawai'i is skilled in utilizing evidence-based practices.

Thank you for the opportunity to submit testimony on this SB1036, SD2.

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