

HB 2085

LATE



March 16, 2010
3:00 pm
Conference room 016

To: Sen. Suzanne Chun Oakland, Chair
Sen. Less Ihara, Jr., Vice Chair
Senate Committee on Human Services

Sen. David Ige, Chair
Sen. Josh Green, M.D., Vice Chair
Senate Committee on Health

From: Paula Arcena
Director of Public Policy

Re: HB2085, HD1 (Establishes limits on requests for proposals from health and human services providers for QUEST contracts that exceed \$100,000,000 and commence after the term of the agency director expires.)

Thank you for the opportunity to testify in support of HB2085, HD1.

AlohaCare is a non-profit, Hawaii based health plan founded in 1994 by Hawaii's community health centers to serve low-income families and medically vulnerable members of our community through government sponsored health insurance programs. We serve beneficiaries of Medicaid and Medicare on all islands.

AlohaCare has been contracted by the Hawaii Department of Human Services since the QUEST program began in 1994 to provide insurance coverage for Medicaid eligible beneficiaries through the QUEST program. We serve approximately 70,000 QUEST enrollees statewide.

Currently, Hawaii's Medicaid programs are undergoing dramatic change due to state budget reductions and the financial viability of programs are in question.

The instability of the situation makes it inappropriate for DHS to issue an RFP during the last months of its administration. We strongly believe it would be far more beneficial to allow the next administration to assess the needs and future of the programs and have

full control and authority over the future of the program starting with RFPs for future services.

AlohaCare's contract for QUEST was recently extended to June 2011 and we understand other QUEST health plans have similar extensions. Therefore, it is not urgent to issue a request for proposals in 2010. We strongly believe that it would be best to solicit for new QUEST contracts next year.

The changes we refer to are as follows:

- In January 2009, the Hawaii Department of Human Services announced it will delay payments to Medicaid health plans, including AlohaCare, for anywhere from two to four months. In total, the plans will use approximately \$200-\$400 million of their respective reserves to finance Hawaii's Medicaid programs during this period. During this period, DHS is essentially forcing Medicaid health plans to assume financial responsibility for the programs.
- In December 2009, DHS reduced the compensation it pays to QUEST health plans and added new services to its contracts. These additional services are --
 - Effective May 1, 2010, approximately 7,000 non-pregnant adult COFA migrants will no longer receive health plan coverage under QUEST and will be transitioned to the new Basic Health Hawaii program.
 - Effective July 1, 2010, seriously mentally ill children and adults, served by the Hawaii Department of Health, will be transitioned Medicaid QUEST and QUEST Expanded programs.
 - Handling PPS (presumptive provider services) payments to community health centers, a financial function formerly the responsibility of DHS.
- DHS has suffered a large reduction in force and reduced work days due to furloughs. This raises questions about whether DHS has adequate manpower and resources to design a request for proposals for a program that will continue to undergo constant change.
- DHS has stated that in FY2011 its options for further reducing costs are to reduce benefits, reduce eligibility and/or reduce provider reimbursement rates.

All the changes we have described will have an impact on the ability of Hawaii's Medicaid programs to provide access to quality care. The situation is very fluid and we will not be able to assess the full impact of these changes on our Medicaid programs and Hawaii's entire health care delivery system until circumstances have been stabilized.

Thank you for this opportunity to testify on this matter.