

HB 1065

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON HUMAN SERVICES
ON
HOUSE BILL NO. 1065, H.D. 1

March 24, 2009

MAKING AN APPROPRIATION FOR THE DEPARTMENT OF HUMAN SERVICES TO
ADDRESS THE BUDGET SHORTFALL

House Bill No. 1065, H.D. 1, appropriates \$15 million from the Emergency and Budget Reserve Fund to replace general funds that have been included in the proposed Fiscal Biennium 2009-11 Executive Budget for the health care payments program for Fiscal Year 2010. H.D. 1 changes the effective date to January 1, 2010.

This appropriation is needed to assist in addressing the critical budget shortfall facing the State in Fiscal Biennium 2009-11. When the Executive Budget was submitted, we projected a general fund balance of \$100.5 million at the end of Fiscal Year 2011. However, at its January 2009 meeting, the Council on Revenues reduced its general fund revenue projections by \$650 million for the three-year period from Fiscal Year 2009 to Fiscal Year 2011. At its March meeting, the Council on Revenues reduced its general fund revenue projections by another \$255 million for the same three-year period. If no corrective action is taken, we face a deficit of \$805 million in the general fund balance by the end of Fiscal Year 2011.

Along with House Bill No. 1064, which appropriates \$60 million from the Emergency and Budget Reserve Fund to replace general funds that are currently appropriated for the health care payments program for Fiscal Year 2009, House Bill No. 1065 is part of our plan to address the budget shortfall and will help ensure that the State is operating within a balanced budget.



Senate HMS Cmte
Tues, March 24, 2009
2:15 pm
room 016

National Association of Social Workers

Hawaii Chapter

March 19, 2009

TO: Senator Suzanne Chun Oakland, Chair
Members of the Senate Human Services Committee

FROM: Debbie Shimizu, LSW
National Association of Social Workers, Hawaii Chapter

RE: HB 1065 HD1 Making an Emergency Appropriation for the Department of Human Services to Address the Budget Shortfall. **SUPPORT intent but prefer SB 1679 SD2.**

Chair Chun Oakland and members of the Senate Human Services Committee, I am Debbie Shimizu, Executive Director of the National Association of Social Workers (NASW), Hawaii Chapter. NASW is the largest professional organization for social workers in Hawaii. NASW **SUPPORTS the intent of HB 1065 HD1 but prefer the language of SB 1679 SD2.**

HRS 328L-3 established the Emergency and Budget Reserve Fund to fund four purposes:

- (1) Maintain levels of programs determined to be essential to public health, safety, welfare, and education;
- (2) Provide for counter cyclical economic and employment programs in periods of economic downturn;
- (3) Restore facilities destroyed or damaged or services disrupted by disaster in any other county; and
- (4) Meet other emergencies when declared by the governor or determined to be urgent by the legislature

However, the statute also states that, "*Any act making appropriations from the emergency and budget reserve fund shall include a declaration of findings and purposes setting forth the purposes, the amounts, and the reasons why the appropriations are necessary...*"

The wording in HB 1065 HD1 does not give enough specifics about the purpose and use of the money to be used and is not in the spirit of the use of the fund. In the past, the Legislature used the Emergency and Budget Reserve Fund to help fund specific public health, safety, and welfare programs whose funds were cut by the administration. It gave you, the Legislature, the control to determine how the funds would be used. Appropriating a lump sum amount allows the administration to use the funds for any program of their choosing and without public input.

We believe SB 1679 SD2 is a more appropriate use of the fund and urge your consideration of the specific programs and appropriations proposed in SB 1679 SD2. Thank you for this opportunity to testify.

STEADFAST HOUSING DEVELOPMENT CORPORATION

677 Ala Moana Boulevard · Suite 713 · Honolulu, Hawaii 96813 · (808) 599-4309 · Fax: (808) 599-1821

TESTIMONY ON H.B. 1065, HD1 (Proposed SD1), MAKING AN EMERGENCY APPROPRIATION FOR THE DEPARTMENT OF HUMAN SERVICES TO ADDRESS THE BUDGET SHORTFALL. Before the Senate Committee on Human Services March 24, 2009; 2:15 p.m.; CONFERENCE ROOM 016 Submitted By: Marvin Awaya, Executive Director

We request that the Committee set-aside funds to cover budget shortfalls incurred by the Department of Health, Adult Mental Health Division ("AMHD") for current fiscal year, FY 2009.

On March 9, 2009 the AMHD informed its Purchase of Service Providers that they had depleted their general funds budgeted for FY 2009. The AMHD "ran out of money" to pay its contracted providers with four (4) months remaining of the fiscal year. The AMHD expects to be able to fund this shortfall when the new fiscal year commences, FY 2010, however, this "rolling over" of a deficit into the next fiscal year means that we will have same problem of running out of money in the spring of 2010. What is needed is an infusion of "new funds" to correct a long standing deficit problem that has plagued the AMHD for a number of years. The deficit and problem cannot be "rolled over" indefinitely and is a real problem in times of contracting State revenues and budgets.

The Steadfast Housing Development Corporation is the recipient of four (separate) provider contracts with the AMHD totaling about \$8.71 million. Not being funded for more that a quarter of the year will have disastrous effects to our operations. Imagine your pay being cut 33% a year but more devastating is that you live without any income for 4 straight months when you have housing payments, insurance, utilities, and mouths to feed.

Without a steady source of revenue we may be forced to curtail or close operations that serve over 1,100 consumers' through-out the State by providing housing, supported housing services, and supported employment services. The 4 month short fall of funding is about \$3.0 million for our 4 provider contracts.

Provider Contract	FY 2009 Budget	FY 2009 Shortfall
Semi-Independent Housing	\$ 2,069,000	\$ 689,000
Supported Housing/Bridge Subsidy	\$ 3,145,000	\$ 1,047,000
Supported Employment	\$ 1,462,000	\$ 487,000
8-16/24 Hour Group Homes	\$ 2,105,000	\$ 701,000
TOTAL	\$ 8,781,000	\$ 2,924,000

Finally, we request that this committee consider funding the AMHD Provider Contracts at the current FY 2009 levels in FY 2010 in other legislation that the Committee may consider.



MENTAL
HEALTH
KOKUA

Opportunities to Begin Again

Memorandum

To: Honorable Chair Suzanne Chun-Oakland and Members of the Senate Committee on Human Services

From: Greg Payton, Executive Director, Mental Health Kokua
Pat Duarte, President, Board of Directors, Mental Health Kokua

Date: March 23, 2009

Subject: Testimony on H.B. 1065, HD1 (Proposed SD1),
Making An Emergency Appropriation For Department Of Human Services
To Address The Budget Shortfall, Before the Senate Committee on Human Services
March 24, 2009; 2:15 p.m.; CONFERENCE ROOM 016

The recent economic challenges of our state threaten to discontinue funding for thousands of mental health consumers. In a letter written by Michelle R Hill, Acting Chief of the Adult Mental Health Division (Dept of Health), the state announced that with three months left in FY09 they have expended all the allocated funding for Purchase of Service payments. On behalf of the Board of Directors at Mental Health Kokua, we are appealing to our legislators and to the community to help our most vulnerable citizens.

As part of a network of providers in Hawaii, we support the independence of people with serious mental illness to live as members of our community. The consequence of neglecting to fund the Department of Health and Adult Mental Health Division is irresponsible to the taxpayers and an assault on human dignity.

For example, the cost of one psychiatric hospitalization is about \$6,000. Without community support services such as housing, a person with serious mental illness can repeat hospitalizations, which could cost more than \$20,000 per year, plus the additional cost of ancillary behavioral health care (such as professional fees). The cost of maintaining existing services through Mental Health Kokua is about \$16,000 per year per person.

Without regular cash flow, Mental Health Kokua may be in a position of closing operations, impacting services for hundreds of people with mental illness that we serve. The 5 month short fall of funding for our organization is about \$2 million.

	<u>FY 2009 Budget</u>	<u>FY 2009 Shortfall</u>
8-16/24 Hour Group Homes	\$5,100,000	\$2,125,000

The greater cost, of course, is the price of human dignity. We appeal to the legislature to do the right thing and support community mental health program services funding with an emergency appropriation for the remainder of this fiscal year. To neglect to fund community mental health services, such as housing, is a reflection of how we as a culture and society respond to the needs of our most vulnerable citizens suffering from mental illness and a disservice to the community.



A non-profit organization
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March 24, 2009

Senator Susanne Chun-Oakland
415 South Beretania Street, Rm #226
Honolulu, HI 96813

Dear Chairperson Chun-Oakland and Human Services Committee Members:

CARE Hawaii, Inc. fully supports HB1065 (H.D.1 and S.D.1) to provide emergency appropriations to the Department of Health for the provision of services to the severely and persistent mentally ill consumers.

On March 9, 2009 the Adult Mental Health Division (AMHD) provide a memorandum to all Purchase of Service (POS) providers stating, "AMHD has now expended all allocated FY09 General Funds available for Purchase of Service (POS) payments... The Department of Health (DOH) Administrative Services Office is endeavoring to find additional sources of funds from other areas of the DOH that can be transferred to AMHD. However, due to the departmental and state-wide deficit, it is not realistic to anticipate that sufficient funds to meet our needs will be transferred (Michelle R. Hill, Acting Chief).

Care Hawaii, Inc. endorses this legislation as it will continue existing services to meet the case management, crisis, residential, and psychosocial-rehabilitation needs for the severely and persistent mentally ill population for this fiscal year. Hence, there is an urgent need to appropriate emergency funds to address the budget shortfall for ongoing mental health services under the Adult Mental Health Division. Hence, without adequate and restorative levels of funding, public safety and client care will severely diminish.

Thank you for this opportunity to testimony. We continue to stand ready to assist in anyway possible way as the current situation dictates an urgency to respond to the needs of severely and persistent mentally ill consumers in Hawaii.

Sincerely,

Tina L. McLaughlin, Psy. D.

Tina McLaughlin, Psy. D.



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Touching Lives Every Day"

The Senate Committee on Human Services
Senator Suzanne Chun Oakland, Chair
Senator Les Ihara, Jr., Vice Chair

Tuesday, March 24, 2009
2:15 PM
Room 016
Hawaii State Capitol

HB 1065, HD1, SD1 (Proposed)
Making an Emergency Appropriation for the Department of Human Services
to Address the Budget Shortfall

Thomas M. Driskill, Jr.
President and Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for this opportunity to provide strong support for HB1065, HD1, SD1 (Proposed) that would fill an urgent need for funding to ensure that HHSC facilities have sufficient cash to continue to operate at the current levels of service and meet the safety net mission of the state.

Health care in the United States and Hawaii is in crisis. Healthcare in Hawaii has major unique problems and public health care is taking on more and more of the burden. Due to external conditions beyond our control and the mandate to meet a safety net mission for the State of Hawaii, HHSC is facing the worst cash crisis since the corporation was formed. In the beginning of fiscal year 2009 the systems' projections indicated a shortfall and a need for an emergency appropriation to be able to continue to operate for the rest of the year at the same levels of service.

As fiscal biennium 2009-2011 budget preparations began amidst forecast of state budget limits and a declining economy, all efforts became focused on the fact that reductions in funding were imminent and no emergency funding would be available to state agencies. Contingency plans

were implemented by the HHSC regions and corporate office to abate the critical financial condition. Contingency plans included reductions in work force at Kona Community Hospital

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and the HHSC corporate office, curtailment of new physician services, hiring freeze, modified purchasing and scheduling of services, travel restrictions, and a loan for Maui region. The regions and corporate office worked diligently to implement cost saving actions and certain levels of success were achieved, however, due to the worsening economic climate, cash shortfalls proved to be far greater than originally projected. Our efforts, although substantial, have been insufficient to control the growing deficit.

The current financial condition is critical. At this time, the projected amount of funding needed by HHSC regions to make it through the remainder of FY2009 and continue operations into the new fiscal year is \$34.6 million. The amounts per region are:

East Hawaii Region: \$7,000,000
Kauai Region: \$7,900,000
Maui Region: \$16,000,000
West Hawaii Region: \$3,700,000
Oahu Region: does not require emergency funding
Total: \$34,600,000

Accounts payable balances are at dire levels and in some situations have exceeded 120 days. This amount of funding is urgently needed to pay down accounts payable (AP) balances to essential vendors, thus reducing the AP balances and ensuring the provision of current levels of services in HHSC facilities through this fiscal year.

Services of the safety-net hospital system have a tremendous impact on the public, in acute, long-term care and rural health care. Emergency funding would allow hospitals to continue to provide the levels of services necessary to meet community health care needs, which in conjunction with reimbursement shortfalls have substantially increased cash flow shortfalls of HHSC facilities, leaving them unable to make timely payment to vendors and suppliers, causing financial harm to Hawaii businesses and threatening the availability of essential and emergency medical services to the population at large. Because vendors and suppliers would be unable to indefinitely provide goods and services to HHSC hospitals without these overdue payments and HHSC is unable to improve cash flow to the point its hospitals would be able to make up these payments without critical legislation to empower organizational change, HHSC hospitals would be unable long term to sustain services at current levels without emergency influx of cash from the state.

We understand that given the large projected shortfalls faced by the state of Hawaii, the HHSC emergency funding requests and the steady increases in need for general funds subsidy cannot continue to be supported. Other legislation is presently under consideration to empower regional system boards of directors to reorganize HHSC facilities and regions to achieve better operating efficiencies and financial results and to empower changes in the structure of the workforce to substantially reduce labor costs and establish more business-like operations that will enable management to more directly and timely control operating losses. We believe that proposed changes that are encompassed in SB 1673 SD2, HD1 relating to Hawaii Health Systems Corporation, will enable HHSC regions, over time, to restructure operations to reduce future escalating demands for subsidy for HHSC and its facilities, and eventually to work toward establishing a pre-determined annual general funds subsidy to sustain the system in future years.

We request passage of HB 1065 HD1, SD1, as proposed, that includes an emergency appropriation for HHSC Maui region facilities, Kauai region facilities, East Hawaii region facilities, and West Hawaii region facilities to pay accounts payable balances to essential vendors and ensure the provision of current levels of services in HHSC facilities.

The HHSC Corporate Board and corporate management are committed to working collaboratively with each of our five regions to implement needed changes in structural and operational efficiencies toward reduced dependency on state funding.

Thank you for your continued support.

Hawai'i Women
Work! Board of
Directors

Date: March 23, 2009

Sarah Hodell
President

TO: SENATE COMMITTEE on HUMAN SERVICES
Senator Suzanne Chun Oakland, Chair
Senator Les Ihara, Vice Chair

Teresa Bill
Secretary

Catherine Wehrman
Treasurer

From: Teresa Bill

RE: **SUPPORT HB 1065, HD1**

Tues. March 24, 2009 2:15 p.m.
Conference Room 016 1 Copy to Clerk in Room 226

I am Teresa Bill, testifying **in support of HB 1064, HD1,** on behalf of Hawai'i WomenWork! which is a member of the Welfare Employment Rights Coalition. I also support any Senate Draft amendments that specifically include an emergency appropriation for Adult Mental Health Services and Hawai'i Health Systems Corp. for fiscal year 2008-2009.

With additional funds in the federal stimulus packages, funding these health programs not only preserves the safety net as intended with the Emergency and Budget Reserve, but funding these health programs allow the State of Hawai'i to drawdown even more federal funds to target Medicaid-eligible services.

Please support an emergency appropriation to restore payments to the Dept. of Health Adult Mental Health division.

Support HB 1065, HD1, SD1.

Thank You for this opportunity to testify.