

LINDA LINGLE  
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February 5, 2009

MEMORANDUM

TO: Honorable John M. Mizuno, Chair  
House Committee on Human Services

Honorable Ryan I. Yamane, Chair  
Senate Committee on Health

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 707 – MAKING AN APPROPRIATION FOR THE AUDITOR**

Hearing: Thursday, February 05, 2009 10:30 a.m.  
Conference Room 329, State Capitol

**LATE  
Testimony**

PURPOSE: The purpose of this bill is to appropriate funds for the auditor to conduct a financial audit of all federal funds designated for health care and received by the department of human services

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of the bill, but opposes it based on the State's current fiscal situation.

DHS believes in operating in a transparent manner, but this bill merely adds duplication. In so doing, this bill adds more waste than benefit. The Department's health care expenditures that occur through the Med-QUEST Division (MQD) are already subject to numerous audits and Federal oversight.

MQD is subject to the annual U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. This audit has been done by CPA firms such as Grant Thornton and Nishihama and Kishida, and is under the control of the Office of the State Auditor and covers specifically:

- To provide a basis for an opinion on the fairness of the presentation of the DHS' basic financial statements
- To determine whether expenditures and other disbursements have been made and all revenues and receipts are collected and accounted for in accordance with the laws, rules and regulations, and policies and procedures of the State of Hawaii and the Federal government
- That the DHS has sufficient controls to properly manage Federal financial assistance programs and to comply with applicable laws and regulations
- To determine that the DHS has complied with laws and regulations that may have a material effect on the basic financial statements and on its major Federal financial assistance programs.

MQD is also audited in the State of Hawaii Comprehensive Annual Financial Report (CAFR) for each State fiscal year. This audit is performed by an independent auditor contracted and administered by the Office of the State Auditor. The Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - Med-QUEST Special Revenue Fund is included in this audit.

Other program specific audits have been on-going by the U.S. Department of Health and Human Services, Office of Inspector General including the Medicaid Drug Rebate Program (2003, 2005, 2007) and the upcoming Hospital Credit Balances Audit (2009).

MQD continues to be subject to its required audits and operate in a transparent manner. Based of the State's current fiscal situation, every attempt should be made to eliminate duplication, redundancy, and waste.

Thank you for this opportunity to testify.



# Hawaii Pacific Health

55 Merchant Street • Honolulu, Hawaii 96813 • hawaiiapacifichealth.org

Thursday, February 05, 2009 – 10:30am  
Conference Room 329

**LATE  
Testimony**

## The House Committee on Health

To: Representative Ryan Yamane, Chair  
Representative Scott Nishimoto, Vice Chair

## The House Committee on Human Services

To: Representative John Mizuno, Chair  
Representative Tom Brower, Vice Chair

From: Virginia Pressler, MD, MBA  
Executive Vice President

**Re: Testimony in Strong Support of HB 707  
Making an Appropriation for the Auditor's Office**

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Dear Honorable Committee Chairs and Members:

My name is Virginia Pressler, Executive Vice President for Hawaii Pacific Health (HPH). For more than a century, families in Hawaii and the Pacific Region have relied on the hospitals, clinics, physicians and staff of Hawaii Pacific Health as trusted healthcare providers. Our non-profit integrated healthcare system is the state's largest healthcare provider and is committed to improving the health and well-being of the people of Hawaii and the Pacific Region through its four hospitals -- Kapi'olani Medical Center for Women & Children, Kapiolani Medical Center at Pali Momi, Straub Clinic & Hospital and Wilcox Memorial Hospital -- 18 outpatient centers and a team of 1,100 physicians on the islands of Oahu, Kauai and Lanai.

I am writing in strong support of HB 707. This bill would provide funding to conduct a financial audit of all federal funds designated for health care and received by the Department of Human Services.

Because the amount of federal funds is substantial (in excess of \$500 million), the liability and responsibility for valid compliance is correspondingly high. An audit will help to assure that appropriate reimbursement is being made to programs, plans, hospitals and healthcare providers. There is no margin for error, since the state has no monies to repay any defaults for non-compliance.

For purposes of planning and effective allocation of resources, it would also be helpful if the audit also included a comprehensive inventory of the amounts, sources, and criteria for these federal funds and a complete record of the programs which received them, including the disposition of any offsetting balances created.

We strongly support the intent of this legislation and urge you to pass this bill.

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MEDICAL CENTER  
AT PALI MOMI



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