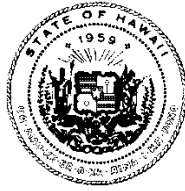




HCR104

Measure Title:	REQUESTING AN AUDIT OF THE DEPARTMENT OF HUMAN SERVICES.
Report Title:	Audit; DHS
Description:	
Companion:	
Package:	None
Current Referral:	HSH, WAM
Introducer(s):	MORIKAWA, BELATTI, CREAGAN, EVANS, HASHEM, KEOHOKALOLE, KOBAYASHI, C. LEE, MIZUNO, NISHIMOTO, ONISHI, SAN BUENAVENTURA, TAKUMI, TSUJI



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

April 15, 2015

Memorandum

TO: The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services and Housing

FROM: Rachael Wong, DrPH, Director

SUBJECT: **H.C.R 104, HD2 – REQUESTING AN AUDIT OF THE
DEPARTMENT OF HUMAN SERVICES**

Hearing: Thursday, April 16, 2015; 1:30 p.m.
Conference Room 016, State Capitol

PURPOSE: The purpose of this resolution is to request the Office of the Auditor to conduct an audit of the Department of Human Services, including the Med-QUEST Division and KOLEA, with findings and recommendations to be submitted to the Legislature no later than twenty days prior to the convening of the Regular Session of 2016.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of the measure and provides the following comments.

The DHS successfully implemented provisions of the Patient Protection and Affordable Care Act of 2010 (ACA) and expanded access to affordable health insurance for Hawaii's residents. Following Congress' mandate, the rollout of ACA began with its passage in 2010 with the "final" provision currently scheduled to be completed in 2018. The federal

Centers for Medicare and Medicaid Services (CMS) established key dates and deadlines that state systems needed to meet in order to implement the provisions of the ACA.

As part of the overhaul of the health care system, in addition to expanding the state's Medicaid program, the DHS had the primary responsibility to design and build a new electronic eligibility system for Medicaid and to support and process other information to meet the significant requirements of ACA. The legacy system, due to its age, was unable to be utilized to implement the new ACA provisions. The new system, called KOLEA, went live on October 1, 2013.

The KOLEA system replaced an over 20-year old legacy system that was paper-based. The KOLEA application is the first phase of a larger DHS Enterprise Platform that is being developed to replace DHS' aged legacy information systems. Within KOLEA's first year, DHS processed approximately 330,000 renewals and applications for eligible residents.

The DHS acknowledges that the rollout of KOLEA was not without its problems and frustrations. However, with staff and community input, issues were addressed and scheduled system maintenance in January, 2015 resolved many of the problems described.

It is important to recognize that the integrity of the state's Medicaid system is sound. In a recent audit, the State Auditor recognized that Hawaii's Medicaid program fares well when compared to peer states and that DHS has managed to control its costs on a per-enrollee basis, even in the face of growing Medicaid enrollment. Furthermore, in 2013, the Commonwealth Fund ranked Hawaii as the state with the best health care system for low-income individuals. Most recent communication with CMS expressed continued confidence in KOLEA and the system's determinations, timeliness, and accuracy.

Despite the significant accomplishments the state has achieved in meeting ACA implementation tasks and deadlines, there exists confusion regarding the fiscal investment of public funds in the design, build, operation, maintenance, and expansion of KOLEA.

As noted in the measure, as part of the ACA, the federal government provided 90% (approximately \$102 million) of funds that built KOLEA and the state invested 10% (approximately \$11 million). The federal and state governments continue to share in the cost of maintaining and operating the system with an annual cost of nearly \$20 million.

As stewards of the public trust, the DHS agrees that a third party audit at this juncture would assist the department and the state as it continues to design, operate and maintain what has already been built while moving forward with the DHS's plan to replace the other older legacy systems with new systems and associated technology.

For the Committee's information, to expedite the audit the DHS has discussed with the State Auditor as well as the Department of the Attorney General the use of a neutral third party to conduct the audit. The Department of Attorney General is willing to act as the monitor with assistance of the State Auditor. The DHS has also offered to pay up to \$100,000 for the audit.

An audit with the scope to provide clarity regarding the initial investments in KOLEA, and to identify ways to improve our ability to design, operate and purchase efficient public information systems in the most cost effective manner, would be beneficial.

The DHS continues to operate and maintain KOLEA and is responsible to implement federal program goals which are time sensitive. DHS supports the audit and requests that the audit not interrupt the planning and development that is ongoing within the Department.

Thank you for the opportunity to provide comments on this measure.