



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
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LATE

February 9, 2016

TO: The Honorable Representative Mark M. Nakashima, Chair
House Committee on Labor

FROM: Rachael Wong, DrPH, Director

SUBJECT: **HB 2348 HD1 – RELATING TO PERMANENT EXEMPT POSITIONS IN THE
DEPARTMENT OF HUMAN SERVICES**

Hearing: Tuesday, February 16, 2016; 10:00 a.m.
Conference Room 309, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports this administration request.

PURPOSE: Restores the second deputy director position for the Department of Human Services, establishes the community/project development director, the policy director, and provides appropriations for that second deputy director position, a private secretary for that deputy director, the community/project development director, and the policy director. Converts six identified positions in the Med-QUEST division to temporary civil service exempt status.

The Department of Human Services has the largest operating budget of any state department, approximately \$3,100,000,000, which represents 73% of the State's federal operating funds. The Department also has the fifth largest staff of any department, with over 2,000 employees staffing its four divisions and three administratively-attached agencies in 88 offices throughout the state. The Department is transforming its practices to a whole-family, multi-generational approach, 'Ohana Nui, that ties together health, education, early childhood development, and supporting self-sufficiency of Hawaii's families. Because DHS serves 1 in 4 Hawaii residents, investing in DHS is investing in a healthier Hawaii and the future of our families.

Currently, the Department has only one deputy director. Act 223, Session Laws of Hawaii 1994, deleted the second deputy director position, which was prompted by the State's poor economy at that time.

The Department proposes to establish the community/project development director and policy director positions within the office of the Director. These positions will assist with managing the numerous projects assigned to the department, including addressing homelessness; the individual and family functions of the State-based Marketplace using the Federal Platform (SBM-FP, previously under the Hawaii Health Connector); ensuring continued access to health coverage for State residents from the Compact of Free Association nations; and building a collaborative and integrated multi-generational service model for children and families. New mandates and initiatives increased demands on the Director's office as they require changes to the operations of multiple divisions, as well as coordination with and participation of other state and federal agencies, community agencies, and key stakeholders.

The Med-QUEST Division Medicaid program is the most effective and cost efficient way to provide healthcare coverage to low-income adults and children. The program is complex as it requires compliance with complex federal regulations and integration of current health care trends in service delivery, while meeting the unique needs of Hawaii's population.

The Med-QUEST Division, seeks to convert six identified management level positions within the Med-QUEST Division to permanent exempt status (division administrator, finance officer, health care services branch administrator, medical director, clinical standards administrator, and research/health analytics manager) because they require unique knowledge and experience typically gained through employment in health care-related organizations (e.g., hospitals, clinics, insurance companies, etc.) or the federal government, or require clinical credentials or licenses. The conversion to permanent exempt status for these positions is necessary to allow flexibility to hire and retain highly qualified staff to manage critical on-going functions over the \$2 billion medical assistance programs.

The Department seeks permanent exempt status for these positions because Chapter 76-16 (b)(17), HRS, provides that position exemptions created after July 1, 2014, shall expire after three years unless affirmatively extended by an act of the legislature. The Med-QUEST positions are currently subject to expire on June 30, 2016.

This limitation on the duration of exempt positions creates several challenges. First, successfully filling these positions requires attracting seasoned, knowledgeable individuals with expertise in specialized areas that may not be reflective of the current civil service classification system. Secondly, the department needs the flexibility of permanent exempt status to easily restructure and redefine the roles and responsibilities of these positions to meet evolving demands, while offering some measure of employment stability. Thirdly, DHS needs to be able to attract qualified candidates by offering competitive salaries which may at times be beyond or contrary to current civil service compensation provisions. Lastly, permanent exempt status for these positions will provide the necessary flexibility to hire and retain qualified staff to meet the department's on-going needs – needs which have existed for decades and will continue indefinitely.

However, DHS understands per discussion with Hawaii Government Employees Association (HGEA) representatives and by testimony (updated below after subsequent conversation) submitted in reference to HB 2348, that HGEA agrees to the creation and permanent exemption of the Second Deputy, secretary, community/project development director, and policy director positions, but opposes the permanent exemption for the Med-QUEST positions. HGEA proposes language removing the permanent exemption and amending Section 76-16(b), to read as follows:

(27) positions in the Med-QUEST division of the department of human services division[sic] which include an administrator, finance officer, health care services branch administrator, medical director, clinical standards administrator, and research/health analytics manager...provided that these exemptions shall expire three years after its enactment unless affirmatively extended by an act of the legislature;

However, we understand that this provision may raise an issue with the title of the bill and are seeking an alternative measure for these Med-QUEST Division positions. The funds for the six Med-QUEST positions already exist in the DHS budget. However, it is imperative that these positions are extended as they are scheduled to expire on June 30, 2016.

As is reflected in the original draft of the measure and the Committee Report from the House Committee on Human Services, we respectfully ask the committee to consider that DHS requires general fund appropriation of \$371,364 for the proposed positions: Deputy Director

(\$125,700), secretary for the Deputy Director (\$60,000), community/project development director (\$105,648), and policy director (\$80,016).

Thank you for the opportunity to testify on this bill.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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LATE

The Twenty-Eighth Legislature, State of Hawaii
House of Representatives
Committee on Labor and Public Employment

Testimony by
Hawaii Government Employees Association

February 16, 2016

**H.B. 2348, H.D. 1 – RELATING TO PERMANENT
EXEMPT POSITIONS IN THE DEPARTMENT OF
HUMAN SERVICES**

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO opposes the purpose and intent of H.B. 2348, H.D. 1, which expands the number of positions exempted from civil service in the Department of Human Services. However, we raise no objection to the creation of a second deputy director position or two exempt positions within the Office of the Director.

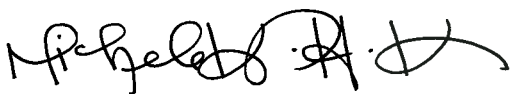
The expansion of exempt positions in state government is in direct conflict with Article XVI, Section 1 of the Hawaii State Constitution and Chapter 76, Hawaii Revised Statutes, which establish a merit-based civil service system free from coercive political influences. While we understand the complexity and highly specialized skills needed to fill these positions in the Med-Quest Division, we do not support the exemption from civil service for multiple positions within that program. The use of exempt employees, which are considered “at will” by the state, is completely contrary to the principles of civil service. Exempt employees do not have the same rights and benefits as those in civil service.

We appreciate the amendment made by the Committee on Human Services to remove the permanent exemption of these positions and restore the application of Section 76-16 (b) (17), HRS. This particular exemption from civil service is set for a maximum of three years unless extended by the Legislature. This allows for an appropriate amount of time to review and determine if the exemption is justified.

Long term, we maintain that the civil service system must become more flexible, responsive and competitive to the marketplace. By doing so, we can eliminate the need to create more exempt positions, which currently represent more than 18% of the positions under the jurisdiction of the Department of Human Resources Development.

Thank you for the opportunity to testify on H.B. 2348, H.D. 1.

Respectfully submitted,


for Randy Perreira
Executive Director