TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-FIRST LEGISLATURE, 2021

ON THE FOLLOWING MEASURE:
H.B. NO. 1297, RELATING TO STATE FINANCES.

BEFORE THE:
HOUSE COMMITTEE ON HEALTH, HUMAN SERVICES, AND HOMELESSNESS

DATE: Thursday, February 11, 2021 **TIME:** 9:30 a.m.

LOCATION: State Capitol, Room 329

TESTIFIER(S): Clare E. Connors, Attorney General, or
Randall S. Nishiyama, Deputy Attorney General

Chair Yamane and Members of the Committee:

The Department of the Attorney General provides the following comments regarding this bill.

This bill would make all special funds subject to the five per cent deduction for central services expenses and deposit such moneys into the general fund. Also, it proposes to repeal the Community Health Centers Special Fund and the Emergency Medical Services Special Fund. In addition, beginning July 1, 2021, it would transfer to the credit of the general fund any amounts allocated to those special funds, including amounts allocated from the cigarette tax and tobacco tax to those special funds. Further, the bill would make a general fund appropriation to the Department of Health for fiscal year 2021-2022.

Section 1 of this bill proposes to make all special funds subject to the five per cent deduction for central services expenses and to deposit such moneys into the general fund by repealing the exemption from the central services surcharge that the special funds currently have. However, the repeal and assessment of the central services surcharge on the following funds is problematic:

1. State Educational Facilities Improvement Special Fund: This special fund is funded by general obligation bonds. The transfer of tax-exempt general obligation bond moneys to the general fund may result in adverse tax consequences to the State.

2. Funds of the Employees' Retirement System: These funds are trust funds and invoke a fiduciary responsibility on the part of the State to care for and use such moneys for the designated beneficiaries. The diversion of these funds to the general fund would violate the State's fiduciary responsibility.
3. Hawaii Hurricane Relief Fund: This fund was funded by general obligation bonds. The transfer of tax-exempt general obligation bond moneys to the general fund may result in adverse tax consequences to the State.
4. Passenger Facility Charge Special Fund: The Passenger Facility Charge ("PFC") is a fee that is allowed to be collected on eligible passengers at commercial airports controlled by public agencies. Airports use these fees to fund Federal Aviation Administration approved projects that enhance safety, security, or capacity; reduce noise, or increase air carrier competition. The transfer of PFC fees to the general fund is a diversion of federal funds and would subject the Airports Division, State of Hawaii Department of Transportation, to a loss of federal funds and the assessment of civil penalties.

To avoid adverse consequences to the State, specifically violations of state and federal laws, penalties for such violations, and the loss of federal funding, we believe that these funds should continue to be exempt from the five per cent deduction for central services expenses.

Thank you for the opportunity to present this testimony.

DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

STATE OF HAWAII
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CATHERINE P. AWAKUNI COLÓN
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JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Health, Human Services, and Homelessness
Thursday, February 11, 2021
9:30 a.m.
Via Videoconference

On the following measure:
H.B. 1297, RELATING TO STATE FINANCES

Chair Yamane and Members of the Committee:

My name is Dean Hazama, and I am the Business Management Officer of the Department of Commerce and Consumer Affairs' (Department) Administrative Services Division. The Department offers comments on this bill.

The purposes of this bill are to: (1) make all special funds subject to deductions for central service expenses into the general fund; (2) repeal the community health centers special fund and emergency medical services special fund; (3) beginning 7/1/2021, transfer to the credit of the general fund any amounts allocated to those special funds, including amounts allocated from the cigarette tax and tobacco tax to those special funds; and (4) make a general fund appropriation to the Department of Health for operating expenses.

Under HRS section 37-62, "special funds" means funds dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds. The Hawaii Hurricane Relief Fund (HHRF) is a trust fund pursuant to Hawaii Revised Statutes (HRS) chapter 431P-16 and is therefore not a special fund. Accordingly, the repeal of the HHRF's exclusion from the 5% central services assessment in section 1 of this bill does not alter the treatment of this trust fund. In addition, the Department notes that revenue continues to be transferred from the HHRF to the general fund on an annual basis.

Thank you for the opportunity to testify on this bill.

DAVID Y. IGE
GOVERNOR

THOMAS WILLIAMS
EXECUTIVE DIRECTOR

KANOE MARGOL
DEPUTY EXECUTIVE DIRECTOR

STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

TESTIMONY BY THOMAS WILLIAMS
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII

TO THE HOUSE COMMITTEE ON HEALTH, HUMAN SERVICES AND HOMELESSNESS

ON

HOUSE BILL NO. 1297

February 11, 2021
9:30 A.M.
Conference Room 329

RELATING TO STATE FINANCES

Chair Yamane, Vice Chair Tam and Members of the Committee,

H.B. 1297 proposes to amend Section 36-27(a) to allow the Director of Finance to deduct five per cent of all receipts of special funds to be transferred to the general fund of the state for the purpose of defraying the prorated estimate central service expenses of government. This amendment deletes the exemption of the funds of the Employees' Retirement System of the State of Hawaii (ERS) established under Section 88-109.

As it is currently written, the ERS's Board of Trustees strongly opposes H.B 1297, as it would jeopardize the ERS's tax qualification under Section 401(a) of the Internal Revenue Code (IRC) which requires that, as a trust fund, all contributions must be used for the exclusive benefit of its members and beneficiaries.

Section 1(a) of H.B. 1297 includes the ERS Trust Funds, which are comprised of the ERS's (1) annuity savings fund, (2) the pension accumulation fund and (3) the expense fund under Section 88-109, as one of the funds from which the Director of Finance would transfer for the "general realizations of the State." This violation of the IRC's exclusivity rule could cause the ERS to lose its status as a tax qualified plan and could cause severe negative tax consequences for all of its members.

IRS tax-qualification entitles the ERS and its members to favorable federal tax treatment. For example, ERS members do not have to include contributions made to the ERS as part of their taxable income until they receive a distribution from the ERS. Federal taxation may also be deferred when an ERS member's contributions are "rolled-over" to another qualified plan. Loss of the ERS's tax-qualification could result in the loss of this favorable tax treatment.

As a qualified governmental plan, and to maintain its tax-qualified status, the ERS must meet the requirements of section 401(a) of the IRC. The ERS would not meet the requirements of section 401(a) of the IRC if it allowed its trust funds to be used for any other purpose than for the exclusive benefit of its members and beneficiaries.

We respectfully request that the funds of the Employees' Retirement System be exempted from inclusion in this bill.

Thank you for this opportunity to provide testimony.

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David Y. Ige
Governor

John De Fries
President and Chief Executive Officer

Statement of
JOHN DE FRIES

Hawaiʻi Tourism Authority
before the
HOUSE COMMITTEE ON HEALTH, HUMAN SERVICES, & HOMELESSNESS

Thursday, February 11, 2021
9:30 AM
State Capitol, Conference Room #329
via videoconference

In consideration of
HOUSE BILL NO. 1297
RELATING TO STATE FINANCES

Chair Yamane, Vice Chair Tam, and members of the House Committee on Health, Human Services, & Homelessness: the Hawaiʻi Tourism Authority (HTA) **opposes** House Bill 1297, which makes all special funds subject to deductions for central service expenses into the general fund.

HTA has a significant task ahead in supporting the economic recovery from the COVID-19 pandemic through the recovery of the tourism industry. HTA helps to generate a significant amount of taxes for the state, which helps to fund various departments, and that makes HTA different from most other special funds. Every dollar allocated to HTA and HCC is critical to successfully carry out our mission and to strategically market Hawaiʻi as the preferred tourism destination. This is all in an effort to help our state recover from the economic downturn and to get our residents back to work. Competition for visitors post-COVID-19 will be even more fierce than ever before. Every tourism destination will be competing for the same high-spending avid travelers that Hawaiʻi is targeting.

This bill requires HTA's Tourism Special Fund and the Hawaiʻi Convention Center's (HCC) Enterprise Special Fund to deduct 5% and transfer it to the general fund. Section 237D-6.5, Hawaiʻi Revised Statutes, allocates $79 million annually to the Tourism Special Fund, which is used to operate HTA and its programs including those that support the Hawaiian culture, our natural resources, community, and brand marketing, along with tourism market research and statistics. This bill would require HTA and HCC to set aside $4,775,000 in funds that would be deducted for central service expenses and would no longer be available for the purposes of our tourism recovery strategy.

The central services utilized by HTA and HCC include those provided by the Department of Budget and Finance (treasury management and wire payment); the Department of Accounting and General Services (payroll, payments, contracts, pre-auditing, accounting, risk management, motor pool, construction via public works, etc.); the Department of Business, Economic Development, and Tourism (HR processing and guidance). We agree that we should pay for the services we use, however, the 5% charge that this bill requires is significantly disparate with the limited services we are using.

HTA last received TAT funds in April 2020, and we have significantly cut our budget as a result. In fiscal year 2020, HTA's operating budget was $86.7 million and due to the effects of the COVID-19 pandemic, HTA's operating budget was reduced to $40.9 million in fiscal year 2021. This equates to a nearly 53% decrease. In addition, HTA implemented a hiring freeze, ahead of the governor's official directive, and we now have six vacant positions, which amounts to a 19% vacancy rate. These reductions, when combined with the requirement to set aside $4.7 million as proposed by this bill, will hamper our efforts to assist in the economic recovery of Hawai‘i.

Furthermore, the Meetings, Conventions and Incentives (MCI) market is an important component of marketing Hawai‘i. In 2019, the MCI market spent $904.7 million in Hawai‘i. HCC is in the process of executing contracts that could bring thousands of people and millions of dollars to Hawai‘i, and additionally provide much needed job security for Hawai‘i's residents. Therefore, it's important to have the ability to continue these efforts to engage with potential clients to lay the foundation for the future of Hawai‘i's economy.

It is for these reasons that HTA **opposes** HB1297. We appreciate this opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR OF HAWAII

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA
FIRST DEPUTY

M. KALEO MANUEL
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

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Testimony of
SUZANNE D. CASE
Chairperson

Before the House Committee on
HEALTH, HUMAN SERVICES & HOMELESSNESS

Thursday, February 11, 2021
9:30 AM
State Capitol, Via Videoconference, Conference Room 329

In consideration of
HOUSE BILL 1297
RELATING TO STATE FINANCES

House Bill 1297 proposes to make all special funds subject to deductions for central service expenses into the general fund; repeals the community health centers special fund and emergency medical services special fund; beginning 7/1/2021, transfers to the credit of the general fund any amounts allocated to those special funds, including amounts allocated from the cigarette tax and tobacco tax to those special funds; and makes a general fund appropriation to the Department of Health for operating expenses. **The Department of Land and Natural Resources (Department) opposes this bill and offers the following comments.**

Sport Fish Special Fund
Hawaiʻi participates in the Sport Fish Restoration (SFR) Program which is administered by the United States Fish and Wildlife Service. For this program, the Federal government receives revenues from the sale of fishing tackle, fishing equipment, and gasoline sold for use in small engines and motorboats. The money is then apportioned to States to fund fisheries management projects and recreational boating access projects. Over the last five years, the Department's Division of Aquatic Resources' apportionment was more than $15.3 M, and an additional $2.7 M went to the Department's Division of Boating and Ocean Recreation through this SFR Program.

To be eligible for this Program, each state must have legislation that prevents diversion of fishing license fees from the control of the state's fisheries agency.[1] The use of license fees is limited to

[1] Hawaiʻi's legislation, §187A-9, HRS, provides: The State hereby assents to the provisions of the Federal Aid in Sport Fish Restoration (Dingell-Johnson/Wallop-Breaux) Act (64 Stat. 430, 16 U.S.C. §777), as amended. The department shall perform those acts as may be necessary to the conduct and establishment of cooperative aquatic life restoration, management, development, aquatic education, and recreational boating access projects, as defined in the

functions required to manage the agency and the fish resources for which the agency has authority under state law. Approximately $25-30K in Freshwater Game Fishing License fees are collected and deposited into the Sport Fish Special Fund each year. Diversion of any amount from the Sport Fish Special Fund, even 5% ($1,250 - $1,500) for central service expenses, would cause the State to be ineligible to receive funding from the SFR Program, resulting in a loss of approximately $3 million per year in federal funds.

Land Conservation Fund

The Department understands the dire needs that drive this bill and is not opposed to re-instituting central services assessments on Land Conservation Fund (LCF) revenue. If the existing exemption could be retained, however, then our Legacy Land Conservation Program (LLCP) would be better able to provide $255,000 per year in grants for managing important resources on forty eligible properties, statewide.

At current revenue levels, the proposed measure would reduce annual funding for the LLCP operations by $255,000. This same amount (5% of annual revenue) is the maximum allowable expenditure for (1) annual administration costs for the LCF and (2) "costs related to the operation, maintenance, and management of lands acquired by way of the LCF that are necessary to protect, maintain, or restore resources at risk on these lands, or that provide for greater public access and enjoyment of these lands" (Section 173A-5(h), Hawaii Revised Statutes). Need for these grants is growing within the LLCP community, and the Department has administrative rules and standard procedures in place for activating this component of the LLCP grants program.

The Legislature established the LCF based on its recognition that "an alarmingly small amount of money is invested each year to protect our natural capital base," and a finding that "the preservation, protection, and enhancement of the State's land, coastal areas, and natural resources are of central importance for current and future residents and for the State's economy" (Act 156, Session Laws of Hawaii 2005).

Thank you for the opportunity to comment on this measure.

Act of Congress and in compliance with the Act and regulations adopted by the Secretary of the Interior thereunder; provided that federal aid funds granted under the Act shall be used for the purposes of approved projects, and no funds accruing to the State from license fees paid by sport fishers, including any interest, dividend, or other income earned from the license fees, shall be diverted for any purpose other than as provided for in the Act and regulations adopted pursuant thereto.

HB-1297
Submitted on: 2/9/2021 11:20:37 PM
Testimony for HHH on 2/11/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
David Sakoda	DLNR	Oppose	No

Comments:

I am available for questions. Please allow me Zoom access. Thank you.

DAVID Y. IGE
GOVERNOR

DR. CHRISTINA M. KISHIMOTO
SUPERINTENDENT

STATE OF HAWAI`I
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAI`I 96804

Date: 02/11/2021
Time: 09:30 AM
Location: 329 Via Videoconference
Committee: House Health, Human Services, & Homelessness

Department: Education

Person Testifying: Dr. Christina M. Kishimoto, Superintendent of Education

Title of Bill: HB 1297 RELATING TO STATE FINANCES.

Purpose of Bill: Makes all special funds subject to deductions for central service expenses into the general fund. Repeals the community health centers special fund and emergency medical services special fund. Beginning 7/1/2021, transfers to the credit of the general fund any amounts allocated to those special funds, including amounts allocated from the cigarette tax and tobacco tax to those special funds. Makes a general fund appropriation to the department of health for operating expenses.

Department's Position:

Section 1 of HB 1297 would impose a five percent deduction from all special funds for the purposes of defraying the prorated estimate of central service expenses of government.

This bill seeks to impose a five percent assessment against all revenues for the following Hawaii State Department of Education (Department) funds:
1. Summer School and Inter-session Fund (302A-1310);
2. School Food Service special fund (302A-405);
3. State educational facilities improvement special fund (fund has no revenues);
4. Reimbursements for Lost Textbooks and Equipment (302A-1130);
5. Hawaii 3R's school improvement fund (302A-1502.4); and,
6. After-school plus program revolving fund (302A-1149.5).

The Department is unclear as to what central services expenses are being incurred and what these services represent. The Department incurs its own administrative expenses mainly to reduce any central service expenses, making this additional five percent assessment unnecessary. The additional assessment reduces resources that could go to support students and school operations rather than central services administrative expenses.

A deduction of five percent from any of the Department’s special funds will impact schools and their ability to provide the necessary services to their students. After-school and out-of-school programs will need to cut back on support staff or programs that nurture and assist students who are in need of these programs to keep them safe, focused, and academically challenged. Schools will need to rely on their appropriated general funds to offset expenses if the lost textbook, school cafeteria, and other school-level special funds are reduced.

A decrease in the Department's special funds would negatively impact access to learning and the critical safety nets for a significant number of students, particularly the Department’s most vulnerable learners.

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

The Hawai‘i State Department of Education is committed to delivering on our promises to students, providing an equitable, excellent, and innovative learning environment in every school to engage and elevate our communities. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at www.hawaiipublicschools.org.

DAVID Y. IGE
GOVERNOR

KENNETH S. HARA
MAJOR GENERAL
ADJUTANT GENERAL

STEPHEN F. LOGAN
COLONEL
DEPUTY ADJUTANT GENERAL

STATE OF HAWAII
DEPARTMENT OF DEFENSE
OFFICE OF THE ADJUTANT GENERAL
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TESTIMONY ON HOUSE BILL 1297
A BILL RELATING TO RELATING TO STATE FINANCES

PRESENTATION TO
HEALTH, HUMAN SERVICES, & HOMELESSNESS

BY

MAJOR GENERAL KENNETH S. HARA
ADJUTANT GENERAL AND DIRECTOR OF STATE EMERGENCY MANAGEMENT AGENCY

FEBRUARY 9, 2021

Chair Ryan I. Yamane, and Vice Adrian K. Tam, and Members of the Committee.

I am Major General Kenneth S. Hara, State Adjutant General and the Director of the Hawaii Emergency Management Agency. I am testifying in **OPPOSITION** of House Bill 1297.

While the current draft of HB 1297 does not identify specific special funds categories, federal funding provided to the department of defense should not be considered due to potential violations of the Antideficiency Act (ADA) which prevents federal employees from spending or otherwise obligating funds for other than the purposes approved by Congress. These funds may have additional restrictions placed on their execution by the Federal Emergency Management Agency, Department of Homeland Security, or the Secretaries of the Army or Air Force as the appropriate sourcing agency

Thank you for the opportunity to testify on HB1297. If you have any questions or need additional information to our response, please contact our administrative services officer Rusty Spray at (808) 330-7744 or at rusty.spray@hawaii.gov

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
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To: The Honorable Ryan I. Yamane, Chair;
The Honorable Adrian K. Tam, Vice Chair;
and Members of the House Committee on Health, Human Services, & Homelessness

From: Isaac W. Choy, Director
Department of Taxation

Date: February 11, 2021
Time: 9:30 A.M.
Place: Via Videoconference, Hawaii State Capitol

Re: H.B. 1297, Relating to State Finances

The Department of Taxation (Department) offers the following comments regarding H.B. 1297, for your consideration. This measure is effective on July 1, 2021.

Section 1 of H.B. 1297 eliminates the exemptions from the requirement under Hawaii Revised Statutes (HRS) section 36-27 that five percent of all special fund receipts go to the general fund to defray the costs of central services. The Department notes that, under current law, the Cigarette Tax Stamp Administrative Special Fund (CTSASF) and Tax Administration Special Fund (TASF) are both subject to five percent deduction under HRS section 36-27.

Section 2 of H.B. 1297 eliminates the exception for certain special funds under HRS section 36-30 that requires the Department of Budget and Finance to deduct an amount to offset the costs of administering the special fund based on expenses paid from the special fund. The Department notes, that under current law, the CTSASF and TASF are subject to the deduction under HRS section 36-20.

Section 3 of H.B. 1297 amends the disposition of cigarette and tobacco tax revenue collected under HRS chapter 245 to stop the allocations to various special funds as of June 30, 2021.

The Department is able to effectuate the changes required by Section 3 of H.B. 1297 as currently written.

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

DAVID Y. IGE
GOVERNOR

CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAI'I EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAIʻI
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

<u>WRITTEN ONLY</u>
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON HEALTH, HUMAN SERVICES,
& HOMELESSNESS
ON
HOUSE BILL NO. 1297

February 11, 2021
9:30 a.m.
Via Videoconference

RELATING TO STATE FINANCES

The Department of Budget and Finance (B&F) has concerns with House Bill (H.B.) No. 1297.

H.B. No. 1297 proposes to:

- Make all special funds subject to the 5% central service assessment;
- Remove the exemption from the administrative expense assessment for the Trauma System Special Fund (TSSF) and Hawaiʻi Cancer Research Special Fund;
- Repeal the Community Health Centers Special Fund (CHCSF) and Emergency Medical Services Special Fund (EMSSF);
- Transfer to the credit of the general fund any amounts allocated to the CHCSF and EMSSF, including amounts allocated from the cigarette tax and tobacco tax beginning July 1, 2021;
- Transfer various revenue sources for the TSSF to the general fund; and
- Make a general fund appropriation to the Department of Health (DOH) for operating expenses.

B&F cautions that a blanket repeal of all exemptions from the central service assessment could result in unintended consequences. It is unclear why specific special funds were allowed the exemption and we therefore believe a thorough review is needed before all central service assessment exemptions are lifted. We defer to the respective departments for comment on their specific exemptions.

As the department responsible for administering the Emergency and Budget Reserve Fund (EBRF) and the Emergency and Budget Reserve Fund – Separate Account, we do not believe it fiscally prudent to assess central service expense fees on the State's official reserve funds. EBRF's sources of revenues are limited to interest earnings, appropriations made to EBRF by the Legislature, 5% of the State's general fund balance when certain conditions are met, and moneys from the tobacco settlement special fund (which are already assessed by the DOH before the funds are deposited to the EBRF).

Some of EBRF's revenue sources are general funds. It does not appear to make sense to assess a fee, to be deposited to the general fund, on general fund revenue sources that are deposited to the EBRF. Rather than assessing a fee on reserve funds it would appear more beneficial and judicious to retain all revenues within the reserve funds. Therefore, we respectfully request that the exemption from the central service expense assessment be continued for the EBRF.

Regarding the impact H.B. No. 1297 has on the other special funds, B&F defers to the respective departments.

Thank you for your consideration of our comments.

Testimony Presented Before the
House Committee on Health, Human Services, and Homelessness
February 11, 2021 at 9:30 a.m.
by

Kalbert K. Young
Vice President for Budget and Finance/Chief Financial Officer
and
Michael Ng
University Budget Director
University of Hawaiʻi System

HB 1297 – RELATING TO STATE FINANCES

Chair Yamane, Vice Chair Tam, and members of the Committee:

Thank you for the opportunity to present testimony today. The University of Hawaiʻi (UH) opposes House Bill No. 1297, Relating to State Finances. UH's testimony is limited to four sections: sections 1 and 2 that remove exemptions from the central services assessments for all UH special funds; and sections 3 and 23 that sunsets and eliminates the transfers of moneys collected from the cigarette tax to the Hawaiʻi Cancer Research Special Fund.

Regarding Sections 1 and 2, the central services assessment as outlined in §36-27, Hawaiʻi Revised Statutes (HRS), is "…for the purpose of defraying the prorated estimate of central service expenses of government in relation to all special funds…" The UH's special funds reside outside of the state treasury in UH's own accounts, and UH maintains its own financial accounting system which manages all financial transactions of these funds – including, revenue collection and accounting, disbursement, and reconciliations. UH reports to the Department of Accounting and General Services (DAGS) on a quarterly basis via the Journal Voucher (JV) process. Because the level of accounting support that UH receives from DAGS is minimal, we feel that having these funds of the UH pay for services that UH does not receive is not appropriate. These UH special funds include the Tuition and Fees Special Fund and the Athletics Special Fund, among others.

In addition to removing this assessment exemption for all UH special funds, the bill specifically removes the exemption for the Hawaiʻi Cancer Research Special Fund, which is supported by proceeds from the cigarette and tobacco taxes (§245-3 and §245-15 HRS). Administrative costs are already assessed on cigarette and tobacco taxes per §245-26 HRS, totaling $1.7 million in fiscal year 2020, in addition to general funds allocation of $63.5 million, or 58% of taxes collected pursuant to §245-3 HRS for the same fiscal period.

Regarding Sections 3 & 23, this bill also sunsets as of July 1, 2021, the distribution of any cigarette tax proceeds to the Hawaiʻi Cancer Research Special Fund, as well as three other health related special funds identified in §245-15 HRS. The Hawaiʻi Cancer Research Special Fund, which funds the UH Cancer Center revenue bonds and a significant portion of the building-related operations of the UH Cancer Center, would have its entire revenue stream eliminated. Of the $113 million in cigarette and tobacco taxes collected annually, approximately $13 million is distributed to the Hawaiʻi Cancer Research Special Fund, and its elimination would significantly impair the ability of the UH Cancer Center to function, with potentially fatal consequences.

Additionally, revenue bonds were issued for the construction of the UH Cancer Center building with Hawaiʻi Cancer Research Special Fund revenues being used to secure those bonds. With the elimination of any revenue stream, the UH Cancer Center would either default on those bonds or trigger those bonds to be called, either of which would be devastating to the UH Cancer Center. Altering the prescribed funding sources on existing bond debt is a serious matter, with major credit implications for UH and the State of Hawaiʻi.

The UH Cancer Center produces approximately $40 million in direct economic activity via its research, including $20 million in leveraged federal funding annually. The loss of the revenue stream to the Hawaiʻi Cancer Research Special Fund will most likely result in the closure of the UH Cancer Center, after 50 years of progress in cancer research benefitting the people of Hawaiʻi.

Thank you for this opportunity to testify.

DAVID Y. IGE
GOVERNOR

CATHY BETTS
DIRECTOR

JOSEPH CAMPOS II
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 10, 2021

TO: The Honorable Representative Ryan I. Yamane, Chair
House Committee on Health, Human Services, & Homelessness

FROM: Cathy Betts, Director

SUBJECT: **HB 1297 – RELATING TO STATE FINANCES**

Hearing: Thursday, February 11, 2021, 9:30 a.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) respectfully opposes this measure as it relates to the Hospital Sustainability Program Special Fund and the Nursing Facility Program Special Fund. The proposed amendment to section 36-27, Hawaii Revised Statutes (HRS), that will eliminate any special fund exemptions from the central services assessment will result in a net loss of a federal funds to the Medicaid program, health care providers that provide services to Medicaid recipients and pay into the funds, and ultimately, the State.

PURPOSE: Makes all special funds subject to deductions for central service expenses into the general fund. Repeals the community health centers special fund and emergency medical services special fund. Beginning 7/1/2021, transfers to the credit of the general fund any amounts allocated to those special funds, including amounts allocated from the cigarette tax and tobacco tax to those special funds. Makes a general fund appropriation to the department of health for operating expenses.

DHS recognizes the large State budget shortfall due to pandemic conditions, and that this measure is likely designed to help address that shortfall. However, eliminating the central services exemption for the hospital and nursing facility special funds will ultimately lead to a higher budget deficit for the Medicaid program, and therefore the State, as the elimination of the exemptions from the central services assessment will reduce the Medicaid federal funds to the State that are being used to help cover the projected Medicaid budget shortfall.

Both the hospital and the nursing facility sustainability programs work by assessing a fee on private hospitals and on nursing facilities. These fees are deposited into distinct special funds for each program administered by DHS. The money in the special funds is then primarily used as Hawaii's match to draw down additional federal Medicaid dollars that is paid back to hospitals and nursing facilities to help make up for low Medicaid reimbursements. Reducing the available fee amount used for the match, will reduce the amount of federal funds matched.

Program funds are also used to support the operations of the Medicaid program, this reduces the program's State general fund need. Of note, no State general revenues are used—the additional federal dollars are generated using only the private dollars from participating hospitals and nursing facilities.

Both sustainability programs codified at sections 346-F and 346-G, HRS, define the allowable uses of the fund, and outline that if the dollars are used for anything other than supporting the program then the program will become invalid and all of the benefits to the providers, Med-QUEST, and the State will go away. The central services assessments that would be directly deposited into the general fund are not allowable uses of the funds.

Additionally, if five percent of the funds for the central service assessments are transferred out of the fund and put into the general fund, then hospitals and nursing facility providers would have to be assessed at higher rates to make up for the central services assessment. This is particularly problematic because the fees are already being raised somewhat significantly on the hospital program to help support the Medicaid budget by about $25 million. The $25 million is essential for the Medicaid program to avoid potential provider rate cuts, benefit cuts, and eligibility cuts. The additional increase in fees to help Med-QUEST meet its budget shortfall is already challenging for hospitals that have experienced financial hardships due to the pandemic. Further, keeping the special funds dedicated to DHS Medicaid program is the only way to maximize the federal funds.

Thank you for the opportunity to provide testimony.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1297
Submitted on: 2/10/2021 9:44:44 AM
Testimony for HHH on 2/11/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Judy Mohr Peterson	Department of Human Services, Med-QUEST	Oppose	No

Comments:

Judy Mohr Peterson will be testifying on HB 1297 on behalf of Department of Human Services. Written testimony has been submitted separately.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

DAVID Y. IGE
GOVERNOR

TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

Deputy Directors
LYNN A.S. ARAKI-REGAN
DEREK J. CHOW
ROSS M. HIGASHI
EDWIN H. SNIFFEN

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 11, 2021
9:30 A.M.
State Capitol, Via Videoconference

H.B. 1297
RELATING TO STATE FINANCES

House Committee on Health, Human Services, and Homelessness

The State of Hawaii, Department of Transportation (DOT) **strongly opposes** H.B. 1297 (Bill) which proposes the diversion of special fund revenues into the general fund. This diversion is in contravention of DOT's contractual obligations, federal limitations, and the constitutions of the United States and the State of Hawaii. In addition, this diversion will also adversely impact operations related to better serve the economic and maritime -related projects beneficial to the state, which are currently underway and future projects planned for the Aloha Tower complex.

The DOT respectfully offers the following comments concerning SECTION 1. Section 36-27, Hawaii Revised Statutes, of the Bill for the Committee's consideration regarding the diversion of the passenger facility charge special fund established by section 261-5.5 and the rental motor vehicle customer facility charge special fund established under section 261-5.6. These are both special funds that generate airport revenues.

1.) The State's airport system relies heavily on grants from the federal government administered by the Federal Aviation Administration (FAA). FAA policies and procedures forbid grant recipients from using airport revenues for non-airport purposes. If the FAA determines that an airport operator has been unlawfully diverting airport revenues they may, among other things, withhold payments of current grants, suspend passenger facility charge authorization and withhold future grants.

2.) Passenger facility charges (PFCs) are specifically authorized by the FAA and are limited in use both by such authorization and by federal statute. Both the Statute and the State's current PFC authorization expressly provide that the State may not "tax, regulate [or] attempt to control in any manner the imposition or collection of a passenger facility charge or the use of revenue from the passenger facility charge." The proposed Bill would violate this restriction and could result in the termination of the State's existing PFC authorization and inability of the State to obtain any future PFC authorization. This would jeopardize hundreds of millions of dollars of PFC revenues that the Airports Division depends on for its capital needs.

3.) The State, acting through DOT - Airports Division, is party to an Indenture of Trust (the Indenture) and several Statewide Airports Car Rental Facilities Concession Agreement and Facility Leases (the Leases) which govern the collection and application of rental motor vehicle customer facility charges (CFCs). These contracts require the rental car companies to remit all CFCs directly to the trustee for the nearly $450 million of outstanding State CFC bonds and contain specific and detailed provisions regarding the application of such amounts. The proposed Bill would constitute a direct violation of these contractual agreements of the State. Further, based upon the existing structure, the proposed Bill would decrease total CFC funding but would not correspondingly increase the operating and maintenance guarantees of the rental car companies, creating a structural operating shortfall for the State's consolidated rental car system.

4.) Article I, Section 10, Clause 1 of the United States Constitution, and, by incorporation, Article III Section 1 of the State's Constitution, known as the contract clause, prohibits any state from adopting any law "impairing the obligations of contracts."

The proposed Bill's diversion of PFC and CFC revenues would jeopardize DOT - Airports Division's current and future PFC authorization and would constitute an event of default under the Leases and the Indenture (including with respect to the nearly $450 million of bonds outstanding thereunder). In addition to constituting a significant threat to the ability of the airports system to continue to operate, this diversion would likely be considered unconstitutional due to the impairment of the Indenture and the Leases.

In addition, the DOT respectfully offers the following comments for the Committee's consideration regarding the diversion of the Aloha Tower fund created by section 206J-17.

1.) This fund supports the Aloha Tower Development Corporation's (ATDC) mission to better serve the economic, maritime, and recreational needs of the people of Hawaii by developing, redeveloping, or improving the Aloha Tower complex, an area that encompasses Piers 4 to 11 of Honolulu Harbor. The proposed diversion of the Aloha Tower Fund will have a detrimental impact on projects currently underway and future projects that are in preliminary discussions that are intended to have significant economic benefit to the area as well as attractions consistent with the original purpose of the Aloha Tower Marketplace.

Finally, the DOT is concerned about the effects on the emergency medical services special fund and the trauma system special fund. The elimination or reduction of those funds will affect traffic safety. EMS first responders respond to traffic crashes, treating crash victims on site as well as transporting victims to emergency departments, trauma centers, etc. It is vital that these patients receive care within the "golden hour." A reduction in funding to these essential services may mean a reduction in care, leading to increases in serious injuries and/or fatalities.

Thank you for the opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR OF HAWAII

ELIZABETH A. CHAR, M.D.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. Box 3378
Honolulu, HI 96801-3378
doh.testimony@doh.hawaii.gov

Testimony COMMENTING on HB1297
RELATING TO STATE FINANCES.

REP. RYAN I. YAMANE, CHAIR
HOUSE COMMITTEE ON HEALTH, HUMAN SERVICES, & HOMELESSNESS

Hearing Date: February 11, 2021 Room Number: N/A

Department Testimony: The impact of this measure is to supplant special funds with general funds for the emergency medical services special fund, the trauma system special fund, and the community health center special fund. This is accomplished by repealing various deposits from revenue sources and abolishing the special funds altogether.

If there is no dollar-for-dollar replacement of special funds, there will be impacts to individual and community health care services across the state.

With regard to various provisions to subject all special funds to the central service expenses fee, DOH cautions against those special funds with federal oversight from agencies like the US Centers for Medicare and Medicaid Services (CMS) that forbid federal funds from uses not approved by CMS.

<u>Community Health Centers Special Fund</u>

Repeal of the community health centers special fund without a corresponding dollar-for-dollar general fund or other appropriation will severely diminish the healthcare safety net for Hawaii's most vulnerable residents in the urban cores and rural areas:

Moneys are used to contract with fourteen (14) federally qualified health care centers (FQHC) to provide comprehensive primary care services to the uninsured/underinsured population statewide. In addition, this special fund is being used to provide primary and urgent care in Hana on the island of Maui, and for emergency room services in the Waianae Coast on the island of Oahu.

Out of an annual $7,703,909.83:

- **$5,038,647.00 encumbered annually** as direct financial support to FQHCs to provide medical (perinatal, pediatric, adult primary care) and support services to uninsured and underinsured individuals that are at or below two hundred fifty percent (250%) of the Federal poverty level. Optional services include behavioral health care, dental treatment, and pharmaceutical services. Access to primary health services reduces morbidity and mortality by providing timely, appropriate, and less expensive care, and thereby prevent the development and exacerbation of serious health conditions.
- **$1,130,000.00 encumbered annually** as direct financial support to Hana Health for the provision of urgent and primary health care services to the Hana community on the island of Maui. The community of Hana has the highest percentage of population in the state with no health insurance according to the 2016 Hawaii State Primary Care Needs Assessment Data Book published by the Family Health Services Division, Department of Health. Hana is also an isolated community, given the fact that the next closest medical facility providing urgent and primary care services is an estimated two and one half (2-1/2) hour drive from Hana.
- **$1,468,000.00 annually** as direct financial support to Waianae Coast Comprehensive Health Center for the provision of emergency room services between the hours of midnight to 8:00 a.m., 365 days a year. It is vital to the residents of the Waianae Coast to keep the emergency room open 24 hours a day, however many residents in the region are uninsured and are unable to pay for the services they receive. Accordingly, this contract provides the operating funds necessary to keep the emergency room open between the hours of midnight to 8:00 a.m.
- **$67,262.83 annually** to fund the Account Clerk III position 117426. $41,064.00 salary + $26,198.83 = $67,262.83 annually to track expenses and support other division operations.

<u>Trauma System Special Fund</u>

Diversion of moneys from the trauma system special fund without a corresponding dollar-for-dollar general fund or other appropriation will severely diminish the statewide trauma system, including direct support to trauma systems across the state for costs related to:

1. Under-compensated and uncompensated trauma care;
2. Maintaining on-call health care providers for trauma care; and
3. Staffing to operate the State's injury prevention program.

<u>Emergency Medical Services Special Fund</u>

Repeal of the emergency medical services special fund without a corresponding dollar-for-dollar general fund or other appropriation will severely diminish the healthcare safety net for Hawaii's most vulnerable residents in the urban cores and rural areas.

Estimates of reductions are as follows if no funds are appropriated:

	Oahu	Hawaii	Kauai	Maui
% of Special Fund	45%	19%	8%	28%
$ of Special Fund	$6.3M	$2.6M	$1.1M	$3.9M
Ambulance Cuts/Total	1-3 out of 21	2 out of 16	1 out of 6	2 out of 12; 8 hour/day helicopter reduction

9-1-1 services will also be impacted that will compound closures of stations or reductions in hours.

Thank you for the opportunity to testify.

Offered Amendments: N/A.

HB-1297

Submitted on: 2/11/2021 8:59:38 AM
Testimony for HHH on 2/11/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
LYNN ARAKI-REGAN	DEPT OF TRANSPORTATION	Oppose	No

Comments:

I am with the DOT and available for comments.

To: House Committee on Health, Human Services, & Homelessness
Rep. Ryan I. Yamane, Chair
Rep. Adrian K. Tam, Vice Chair

House Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair

Date February 11, 2021
Conference Room 329 Videoconference

Fr: Terry Telfer, President
Reynolds Recycling, Inc.

Re: Testimony in Opposition to **HB 1297**

As Hawaii's largest Beverage Container Recycling company, while we support the intent of the legislature to be fiscally responsible, we are strongly opposed to **HB 1297**.

This bill would remove the protection of the Deposit Beverage Special Fund to funds that are held in trust, but actually belong to the consumer who have entrusted their deposits to the state, so that they can be returned when they recycle. As such, the Deposit Beverage Special Fund monies should not be added to the general fund.

For these reasons and more, we are **strongly opposed to HB 1297**. We appreciate the desire to make recycling easier to people on all islands, but think that can be achieved by supporting and increasing the number of certified redemption centers.

HAWAII HEALTH SYSTEMS
C O R P O R A T I O N
Quality Healthcare For All

HOUSE COMMITTEE ON HEALTH and HUMAN SERVICES

February 11, 2021
9:30 a.m.
Via Videoconference

Testimony Strongly Opposing House Bill 1297
RELATING TO STATE FINANCES.
Makes all special funds subject to deductions for central service expenses into the general fund. Repeals the community health centers special fund and emergency medical services special fund. Beginning 7/1/2021, transfers to the credit of the general fund any amounts allocated to those special funds, including amounts allocated from the cigarette tax and tobacco tax to those special funds. Makes a general fund appropriation to the department of health for operating expenses.

Linda Rosen, M.D., M.P.H.
Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony **in strong opposition to H.B. 1297** to the portion of this bill that removes HHSC's exemption from the State of Hawaii central service fee, as HHSC has not relied on the State of Hawaii to provide any administrative services on HHSC's behalf. HHSC maintains its own staff to perform such services, as the State of Hawaii central service agencies do not have the expertise for the constantly changing and unique accounting, legal, billing, operations, and compliance requirements of the heavily regulated industry of health care. Further, if this bill passes, HHSC projects that it would incur additional expenses of over $19,240,000 in fiscal year 2022 and over $19,915,000 in fiscal year 2023. If this fee would be imposed on HHSC, HHSC would not be able to generate sufficient revenues to pay this fee, and HHSC would be forced to petition the State of Hawaii for additional general fund appropriations to pay for the central services fee.

Thank you for the opportunity to testify before this committee **in strong opposition** to this measure.

3675 KILAUEA AVENUE • HONOLULU, HAWAII 96816 • PHONE: (808) 733-4020 • FAX: (808) 733-4028

HILO • HONOKAA • KAU • KONA • KOHALA • WAIMEA • KAPAA • HONOLULU
www.hhsc.org

Kalākaua Gardens

February 11, 2021 at 9:30 am
House Committee on Health, Human Services, and Homelessness

To: Chair Ryan I. Yamane
Vice Chair Adrian K. Tam

From: Colleen Kojima
Administrator
Kalakaua Gardens

I support the opposition to this measure as detailed in Hilton Raethel's testimony.

From: Hilton Raethel
President and CEO
Healthcare Association of Hawaii

Re: Testimony in Opposition
HB 1297, Relating to State Finances

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 170 member organizations who represent almost every aspect of the healthcare continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities, and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high-quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

Thank you for the opportunity to provide testimony **opposing** the provisions of this measure that relate to the hospital sustainability program special fund and the nursing facility sustainability program special fund. We understand the purpose of this measure is to eliminate the exemption that special funds have from contributing to the central services assessment—however, eliminating the exemption for the special funds would result in fewer federal funds coming into the state to help cover the budget shortfall in the Medicaid program.

The sustainability programs work by assessing a fee on private hospitals and nursing facilities. That fee is deposited into a special fund housed within the Department of Human Services. The money in the special fund is then used as the state match to draw down additional federal Medicaid dollars that is paid back to hospitals and nursing facilities to help make up for low Medicaid reimbursements. (The payments do not cover the full cost of care but help to lessen the losses.) Importantly, no general state funds are used—the additional federal dollars are generated using only the private dollars from participating hospitals and nursing facilities.

Kalākaua Gardens

Our main concerns with eliminating the exemptions are two-fold. First, we are concerned that transferring money out of the sustainability program funds and depositing them into the general fund is not an allowable use of the funds. HRS 346-F(4) and 346-G(4) provide allowable uses of the fund—if the dollars are used for anything other than supporting the program then the program will become invalid and all of the benefits to the providers and Med-QUEST will go away. Second, if five percent of the funds are transferred out of the fund and put into the general fund, then providers will have to be assessed at higher rates. This is problematic because the fees are already being raised somewhat significantly on the hospital side to help support the Medicaid budget by about $25 million. Any additional increase in fees will be difficult to meet for participating hospitals, which have experienced severe financial hardship during the pandemic because of increased costs and lowered utilization related to the pandemic. Further, we have already agreed to the assessed fees and having to recalculate and renegotiate those terms will be very difficult to do.

While we understand the intent of this legislation, we have strong concerns regarding the use of sustainability program special funds and the effect on participating hospital and nursing facilities. Thank you for the opportunity to provide our comments on this measure.

1723 Kalakaua Ave. Honolulu, HI 96826 • 808-518-2273 • www.kalakauagardens.com • live@kalakauagardens.com

Kula Hospital
MAUI HEALTH

February 9, 2021
House Committee on Health, Human Services, and Homelessness

Dear: Chair Ryan I. Yamane
Vice Chair Adrian K. Tam

Re: Testimony in Opposition
HB 1297, Relating to State Finances

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 170 member organizations who represent almost every aspect of the healthcare continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities, and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high-quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

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While we understand the intent of this legislation, we have strong concerns regarding the use of sustainability program special funds and the effect on participating hospital and nursing facilities. Thank you for the opportunity to provide our comments on this measure.

If you should have any questions, please feel free to reach me at 808-876-4306.

Sincerely,

Kerry D. Pitcher
Senior Director of Long Term & Critical Access Hospitals
Kula Hospital

Lānaʻi Community Hospital
MAUI HEALTH

February 9, 2021
House Committee on Health, Human Services, and Homelessness

To: Chair Ryan I. Yamane
Vice Chair Adrian K. Tam

Re: Testimony in Opposition
HB 1297, Relating to State Finances

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 170 member organizations who represent almost every aspect of the healthcare continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities, and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high-quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

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If you should have any questions, please feel free to reach me at 808-876-4306.

Sincerely,

Kerry D. Pitcher
Senior Director of Long Term & Critical Access Hospitals
Lanai Community Hospital

Testimony to the House Committee on Health, Human Services, & Homelessness
Thursday, February 11, 2021; 9:30 a.m.
State Capitol, Conference Room 329
Via Videoconference

RE: HOUSE BILL NO. 1297, RELATING TO STATE FINANCES.

Chair Yamane, Vice Chair Tam, and Members of the Joint Committee:

My name is Cheryl Vasconcellos and I am the Executive Director of Hana Health. On behalf of the 2,000 patients serviced each year, Hana Health **OPPOSES** House Bill No. 0472, RELATING TO STATE FINANCES.

The Community Health Center Special Fund provides funding for Hana Health to serve almost 2,000 residents and more than 600,000 visitors annually. Hana, Maui is one of the most isolated areas in the state. Located fifty-seven miles from Wailuku, the trip takes approximately two hours along a single lane road with six hundred seventeen turns and fifty-six one-lane bridges. Hana has been designated by the federal government as a Medically Under-Served Population, a Primary Care Health Professional Shortage Area, a Dental Health Professional Shortage Area and a Mental Health Professional Shortage Area. Hana Health is the only health care provider in the district, providing the full scope of primary medical, dental and behavioral health care with a special emphasis on meeting the health care needs of the primarily Native Hawaiian population. We are the backbone of COVID-19 response efforts in the district and the point of administration for vaccines to this most vulnerable, high risk population.

In addition to providing primary care to this under-served community, Hana Health is an integral part of the statewide emergency services system, providing urgent/emergent medical treatment to seriously ill patients who either come to the health center on their own or are brought to the health center by ambulance. When needed, Hana Health coordinates transport of patients to the Maui Memorial Medical Center in partnership with American Medical Response. This takes place seven days a week, 24 hours a day, 365 days a year. More than two hundred patients a year are cared for **after** regular health center hours. This does not include emergency patients served during regular operating hours.

State funding for Hana Health is mandated by ACT 263 which guarantees continued state financial support to sustain the development of a community-based health care program in the Hana District. **The state has met its obligation in this regard through the Community Health Center Special Fund**. Since, its inception, the special fund has provided Hana Health with a stable funding mechanism, assuring that needed medical care and support services would continue to be available in the Hana community. State funding has been used to successfully leverage federal dollars to support and expand needed health care in the district. Prior to establishment of the special fund, Hana Health was forced to secure an appropriation through the legislative process every year. This unpredictable and expensive approach to maintaining a health care delivery system in our remote community is ineffective and results in a loss of providers and other health care workers, erratic service delivery and subsequently poor patient outcomes.

Please assure that equitable care is available to the people of Hana and support the continuation and expansion of the Community Health Center Special Fund. We urge you to OPPOSE HB0472, RELATING TO STATE FINANCES. Thank you for your consideration.

HOʻŌLA LĀHUI HAWAIʻI
P.O. Box 3990; Līhuʻe, Hawaiʻi
Phone: 808.240.0100 Fax: 808.246.9551

February 9, 2021

House Committee on Health, Human Services, and Homelessness
Rep. Ryan I. Yamane, Chair
Rep. Adrian K. Tam, Vice Chair

Thursday, February 11, 2021; 9:30 a.m.
State Capitol, Conference Room 329

Testimony in *OPPOSITION* to HB 1297

Ho`ola Lahui Hawaii (HLH) is the only Federally Qualified Health Center and Native Hawaiian Health Care System on Kauai. HLH is in **OPPOSITION** to eliminating the community health center special fund along with the emergency medical services fund.

These two funds are critical to support health centers and emergency medical services. Given that many people have lost their health coverage the community health center fund becomes even more important to the overall health of those recently left uninsured. The ability of health center to deliver services to uninsured would be greatly diminished causing increases in emergency room utilization and emergency medical services. The emergency medical services fund is vital to maintaining the backbone of emergency services. It is unfathomable to think of not having sufficient emergency support due to lack of funding.

These special funds were created due to a large unmet need. Eliminating these funds would have a devastating affect on services to those most in need. Balancing the budget while sacrificing important primary care services and cutting emergency services is unconscionable. Further, this will only increase costs in other parts of the healthcare service delivery system, jeopardizing those needed services.

Please do not take necessary funds from one program to support another program as the fallout from doing this will cause a major rift in the health care delivery system.

Respectfully

David Peters
Chief Executive Officer

Testimony to the House Committee on Health, Human Services, and Homelessness
Thursday, February 11, 2021; 9:30 a.m.
State Capitol, Conference Room 329
Via Videoconference

RE: HOUSE BILL NO. 1297, RELATING TO STATE FINANCES.

Chair Yamane, Vice Chair Tam, and Members of the Joint Committee:

Kokua Kalihi Valley (KKV) has been serving the needs of Kalihi Residents since 1972. We respectfully **OPPOSE** House Bill No. 1297, RELATING TO STATE FINANCES.

Kokua Kalihi Valley, like the other FQHCs of Hawaii continues to care for a large uninsured population. Last year more than 20% of our patients were uninsured and many more were underinsured. In addition, tobacco use continues to be a chronic issue affecting the lives of so many of our residents. This fund has allowed us to successfully manage the outpatient care of those uninsured for many years now, driving down the costs to the health system by preventing unnecessary ER visits and hospitalizations, as well as treating tobacco addiction and thereby lowering the costs of care for chronic respiratory conditions, heart disease and cancer.

Never has the ability to serve the uninsured been more important than the past 11 months of this pandemic! I think by now we know that all our health is never more connected than when dealing with a respiratory ailment. KKV has provided care to hundreds of patients with COVID-19 and thousands of family members this past year. Many were uninsured. This fund made that possible

We recognize that the State has severe budget difficulties calling for all avenues to be explored. However, removing this fund will severely hamper our ability to continue to serve our patients who are uninsured! This in turn means that these patients will seek care later in their illnesses and in the ER and hospital which ultimately comes out of all our pockets. There is no FREE CARE. It always gets paid for one way or another. So, while this might look like a reasonable fix, it is not.

KKV respectfully urges this Committee to table this measure and find other ways of balancing the budget.

HPCA
HAWAI'I PRIMARY CARE ASSOCIATION

Testimony to the House Committee on Health, Human Services, and Homelessness
Thursday, February 11, 2021; 9:30 a.m.
State Capitol, Conference Room 329
Via Videoconference

RE: HOUSE BILL NO. 1297, RELATING TO STATE FINANCES.

Chair Yamane, Vice Chair Tam, and Members of the Joint Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA respectfully **OPPOSES** House Bill No. 1297, RELATING TO STATE FINANCES.

The bill, as received by your Committee, would:

(1) Make all special funds subject to deductions for central service expenses into the general fund;

(2) Repeal the Community Health Center (CHC) Special Fund; and the Emergency Medical Services Special Fund;

(3) Beginning July 1, 2021, transfer any amounts allocated to these special funds to the general fund; and

(4) Appropriates an unspecified amount of general funds for fiscal year 2021-2022, to the Department of Health for operating expenses.

By way of background, the HPCA represents Hawaii Federally-Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

While we recognize that the State is facing the worst financial crisis since the Great Depression, and that there is enormous pressure on lawmakers to eliminate special funds and transfer the balances to the General Fund, it is the HPCA's position that the continued existence of the CHC Special Fund is essential for the operations of FQHCs in the State. Without it, our member FQHCs, who collectively serve more than 160,000 of our residents in the State, would not have a consistent source of revenues to operate at Kalihi-Palama Health Center, Kokua Kalihi Valley Comprehensive Family Services, Koolauloa Health Center, Wahiawa Health, Waianae Coast Comprehensive Health Center, Waikiki Heath, Waimanalo Health Center, Bay Clinic, Hamakua Health Center, West Hawaii Community Health Center, Lanai Community Health Center, Hana Health, Malama I Ke Ola Health Center, Molokai Community Health Center, and Kauai Community Health Center.

Funds from the CHC Special Fund are vital to Hawaii's FQHC sustainability. These funds are used to defray costs that provide an array of primary care, oral health, substance abuse, behavioral health, and telehealth services to Hawaii's uninsured and underinsured residents. In addition, the CHC Special Fund allows, among other things:

- Waianae Coast Comprehensive Health Center to keep their Emergency Department open 24 hours a day;
- Hana Health to provide 24-hour urgent care;
- Kokua Kalihi Valley Comprehensive Health Center and Kalihi-Palama Health Center to provide primary care for Compact of Free Association migrants who just recently had Medicaid benefits reinstated;
- Waikiki Health to provide HIV, outreach, and other services to the growing homeless populations located within the primary hub of Hawaii's tourism industry;
- School-based health clinics to operate at public schools along the Leeward Coast and North Shore Oahu; and
- Other essential high-quality health care services at some of the most remote areas through the islands.

Hawaii's FQHCs are a critical component of our State's public health and emergency preparedness/response infrastructure. Throughout the COVID pandemic, Hawaii's FQHCs have continued to provide COVID testing, contact tracing, and wrap-around services for our most vulnerable residents and communities. Currently, Hawaii's FQHCs, in partnership with the Hawaii DOH, are rapidly ramping up their COVID vaccine administration capacity to meet the needs of the communities they serve.

The repeal of the CHC Special Fund will have serious and long-lasting negative impacts to Hawaii's FQHCs, and to the over 160,000 patients we serve statewide. Hawaii's existing health inequities will significantly worsen. Job losses at FQHCs will occur, adding to an already frail economy. Hawaii's ability to respond to the COVID pandemic will be significantly weakened.

Lastly, the CHC Special Fund ensures that the Department of Health has greater flexibility in getting desperately needed resources to FQHCs to address emergency situations as they occur, regardless of whether the Legislature is in session or not.

For these reasons, the HPCA respectfully urges this Committee to table this measure and find other ways of balancing the budget.

To illustrate the types of services that will effectively be eliminated should this fund be repealed, attached please find the Scope of Services outlined in the CHC Special Fund Contract.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or eabe@hawaiipca.net.

Attachment

I. Overview, Purpose or Need

According to the U.S. Census Bureau, five point two percent (5.20%), or seventy thousand, six hundred ninety-eight (70,698) of Hawaii residents were without health insurance in calendar year 2016[1]. The STATE contracts with Federally Qualified Health Centers ("FQHC") utilizing cigarette tax revenues which are deposited into the community health centers special fund established under Act 316/2006 to provide medical (perinatal, pediatric, adult primary care) and support services to uninsured and underinsured individuals and families whose incomes are at or below two hundred fifty percent (250%) of the Federal poverty level. Optional services include behavioral health care, dental treatment, and pharmaceutical services.

Access to primary health care services reduces morbidity and mortality by providing timely, appropriate, and less expensive care, and thereby preventing the development and exacerbation of serious health conditions.

II. Description of the Target Population to be Served

a. Geographic Location

b. The term "underinsured" for purposes of this Contract shall be defined as individuals and families with limited health insurance coverage for services provided under this Contract, and whose incomes are at or below two hundred fifty percent (250%) of the Federal poverty level.

III. Service Provision

a. The PROVIDER shall provide medical and support services at a minimum. Medical services may include perinatal, pediatric, and adult primary care. Optional services may include behavioral health care, dental treatment, and pharmaceutical services, as provided in this section of the Contract.

b. Comprehensive primary care services shall be provided by a multidisciplinary team which may include primary care physicians, psychiatrists, psychologists, Advanced Practice Registered Nurses ("APRN"), physician assistants, nurses, social workers, community outreach workers, nutritionists, dieticians, and health educators. Each client visit shall address the physical, mental, emotional, and social concerns and needs of clients and their families in the context of their living conditions, family dynamics, cultural background, and community. Services shall be culturally sensitive to the values and behavior of clients and their families, and be confidential, voluntary, and include health education and informed consent procedures.

[1] Source: U.S. Census Bureau, 2012-2016 American Community Survey 5-Year Estimates. Data reported only for 2016 estimates. Accessed on 1/3/2019.

c. For purposes of this Contract, all references to the term “on-site” shall mean the provision of services at the PROVIDER’s main clinic or any of its satellite clinics.

d. For purposes of this Contract, all references to the term “telehealth” shall mean the provision of services by the PROVIDER that includes but not limited to real-time video conferencing-based communication, secure interactive and non-interactive web-based communication, and secure asynchronous information exchange, to transmit patient medical information, including diagnostic-quality digital images and laboratory results for medical interpretation and diagnosis, for the purpose of delivering enhanced health care services and information to parties separated by distance. Approved telehealth modalities include: (1) store and forward; (2) remote monitoring; (3) live consultation; and (4) mobile health. Please note standard telephone contacts, facsimile transmissions, or email texts, in combination or by themselves, do not constitute a telehealth service. Reference: Act 159 (SB 2469 SLH 2014) and Act 226 (SB2395 SLH 2016).

e. Exceptions shall be approved in writing on a case by case basis by the Department of Health, Family Health Service Division’s Primary Care Coordinator.

1. Medical Services

Medical services may include perinatal, pediatric, and adult primary care. The PROVIDER shall:

(A) Provide on-site and/or telehealth medical services that include, but are not limited to health assessments/physical examinations, acute/episodic care, chronic care, follow-up, and referral, which are not covered by insurance or other resources. Services shall be delivered by primary care physicians, APRNs, and physician assistants.

(B) Provide a comprehensive Physical Examination (“PE”) for children 0-18 years within six (6) months of an initial episodic visit then at intervals following the Early and Periodic Screening, Diagnosis, and Treatment Program (“EPSDT”) periodicity schedule. The PE shall include, but is not limited to:

(1) Assessment of the child’s risk for being overweight, utilizing the height to weight growth percentile for children under two (2) years old, and the Body Mass Index for Age (“BMI-for-Age”) measurement for children two (2) years old and over, following the Centers for Disease Control (“CDC”)

guidelines (www.cdc.gov/nccdphp/dnpa/bmi/bmi-for-age.htm). If the child is at risk for overweight or is overweight, then include assessment, counseling and education of household members.

(2) Developmental screening (physical and social-emotional) of all children five (5) years old and under with the Parents' Evaluation of Developmental Status ("PEDS"), see (www.forepath.org), and/or the Ages and Stages Questionnaire ("ASQ") System which includes the ASQ - Hawaii version (compact disk shall be provided by the Department of Health, Maternal and Child Health Branch ("MCHB") and the ASQ: Social-Emotional ("ASQ: SE"), see (www.brookespublishing.com).

(3) Completion of the Child Lead Risk Questionnaire from six (6) months to six (6) years of age.

(4) Oral health assessment and education for all children.

(5) Age-appropriate recommended immunizations for all children, with emphasis on the completion of the basic series by two (2) years of age.

(6) Developmentally appropriate anticipatory guidance and counseling.

Document above findings and refer as necessary. Technical Assistance shall be provided by MCHB on request

(C) Provide tuberculin testing/reading and immunizations as part of a comprehensive primary care visit and not bill separately for these services.

2. Support Services

The PROVIDER shall provide support services as part of a comprehensive primary care visit and not bill separately for these services. Support services may include, but are not limited to psychosocial assessment, care coordination, information, referral, education, and outreach. These support services are further described in Exhibit "A," attached hereto and made a part of this Contract.

3. Behavioral Health Care Services

The PROVIDER shall:

(A) Provide on-site and/or telehealth behavioral health care services which shall include psychiatric diagnostic evaluative interview procedures; insight oriented, behavior modifying and/or supportive psychotherapy; and medical pharmacologic management, as applicable.

(B) Ensure that services are provided by licensed psychiatrists, APRNs with psychiatric/mental health specialty, clinical psychologists, and/or licensed clinical social workers ("LCSW").

(C) Invoice the STATE for behavioral health care services provided to individual clients only. (No reimbursements allowed for group therapy or family therapy. No additional reimbursement shall be allowed for interactive complexity).

(D) Utilize the Schedule of Allowable Current Procedural Terminology ("CPT") Codes for Qualified Behavioral Health Care Services, attached hereto as Exhibit "B" and made a part of this Contract. Medical Evaluation and Management ("E/M") CPT codes shall only be reported by licensed psychiatrists.

4. Dental Treatment Services

The PROVIDER shall provide on-site and/or telehealth clinical services that include basic comprehensive treatment services only. The PROVIDER shall:

(A) Provide basic services that shall include treatment necessary for the reduction of pain and/or infection and the restoration of function and shall exclude services provided solely for the purpose of aesthetic enhancement.

(B) Ensure that services are provided by licensed dentists and licensed dental hygienists.

(C) Utilize the Schedule of Eligible Dental Treatment Services for purposes of reimbursement, attached hereto as Exhibit "C" and made a part of this Contract.

5. Pharmaceutical Services

The PROVIDER shall:

(A) Register as a covered entity under the federal 340B Drug Pricing Program to receive reimbursement for pharmaceuticals.

(B) Ensure that pharmaceuticals are only dispensed by licensed pharmacists or other legally authorized professionals.

(C) Invoice the STATE for filled prescriptions only. (Pharmaceutical-related supplies are excluded.)

The STATE reserves the right to exclude any pharmaceuticals from this program. The current listing of Excluded Medications is attached hereto as Exhibit "D" and made a part of this Contract.

IV. Management Requirements

The PROVIDER shall provide the services under this Contract in accordance with the following management requirements:

a. Personnel

The PROVIDER shall utilize personnel from the following professions to provide services under this Contract. All professional staff listed below shall possess an unencumbered license to practice in the State of Hawaii, as applicable:

1. Medical Services - primary care physicians, APRNs, physician assistants.

2. Behavioral Health Care Services – psychiatrists, APRNs with psychiatric/mental health specialty, clinical psychologists, LCSWs.

3. Dental Treatment Services – dentist, dental hygienists.

4. Pharmaceutical Services – pharmacists or other legally authorized professionals.

5. Support Services – nurses, social workers, nutritionists, dieticians.

b. Administrative

The PROVIDER shall:

1. Document income and insurance eligibility in client record on a permanent basis for each visit billed to the STATE.

2. Submit claims for medical services, behavioral health care services, dental treatment services, and pharmaceutical services, as applicable, to all billable third-party health insurers and other resources for

recoverable costs. All other sources of funds shall be utilized before using funds from the STATE and consistent efforts shall be made to refer clients for any insurance, if eligible. The PROVIDER shall return to the STATE any amount paid to the PROVIDER by the STATE for an uninsured client visit for which the PROVIDER receives subsequent reimbursement from Medicaid or from Quality care, Universal access, Efficient utilization, Stabilizing costs, and Transforming the way health care is provided to QUEST members ("QUEST") due to confirmation of the client's eligibility. A final reconciliation of Medicaid or QUEST reimbursements shall be completed within one hundred twenty (120) calendar days after the termination of the Contract.

3. Ensure that all coverage limitations from third-party insurers have been met before billing for an underinsured visit. Reimbursements for underinsured visits shall only apply to individuals and families whose incomes are at or below two hundred fifty percent (250%) of the Federal poverty guidelines.

4. Invoice the STATE only for services covered under Section III, Service Provision. The STATE shall not pay for specialty or any other services excluded from Section III of this Contract.

5. Invoice the STATE for no more than one (1) medical visit per client per day based on primary diagnosis only. The only exceptions are same day referrals for behavioral health care services and/or dental treatment services.

6. Maintain a schedule of fees which is designed to recover reasonable costs for providing services, including a corresponding schedule of adjustments based on the client's ability to pay.

7. Assume responsibility for its own determination and compliance efforts in regards to the federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA").

8. Have written policies, procedures, and guidelines to address violence prevention among the PROVIDER's target population, including child abuse and neglect, elder abuse, intimate partner violence, and sexual assault. The violence prevention protocol shall address screening and assessment, intervention, documentation, and follow-up. The PROVIDER shall also have written workplace violence prevention guidelines to assure the safety of employees, clients, and visitors.

9. Comply with the Department of Health's Directive Number 18-02 dated December 19, 2018 entitled, "Conflicts of Interest and Exploitation in

the Staff and Clients/Patients Relationship," attached hereto as Exhibit "E" and made a part of this Contract.

10. Ensure that all health care professionals (physicians, physician's assistants, licensed psychologists, APRNs, LCSWs, dentists, dental hygienists and other persons acting within the lawful scopes of their licenses or certificates to provide services) shall be covered by current professional liability insurance at all times during the term of this Contract. This provision shall apply whether the scope of services is performed by the PROVIDER or by any subcontractor or by anyone directly or indirectly employed by the PROVIDER. Upon request, the PROVIDER shall furnish to the STATE a copy of their current certificate of insurance for professional liability insurance.

c. Quality Assurance Specifications

The PROVIDER shall conform to established community standards of care and practice which include, but are not limited to the following:

1. Early Periodic Screening, Diagnosis, and Treatment ("EPSDT").

2. American College of Obstetricians and Gynecologists ("ACOG").

3. American Academy of Family Physicians (www.aafp.org).

4. Department of Health Statewide Perinatal Guidelines.

5. Put Prevention into Practice Guidelines (U.S. Preventive Services Task Force).

6. Standards of care as addressed within policies and positions of the American Dental Association and the American Academy of Pediatric Dentistry.

The PROVIDER shall have a quality assurance plan in place to evaluate its adherence to the standards.

d. Monitoring and Evaluation

The criteria by which the performance of the Contract shall be monitored and evaluated by the STATE are:

1. Quality of Care/Quality of Services as set forth in Section III of this Contract.

2. Financial Management as set forth in Attachment 3 of this Contract.

3. Administrative Requirements as set forth in Section IV of this Contract.

e. Coordination of Services

The PROVIDER shall coordinate services with other agencies and resources in the community as necessary.

f. Reporting Requirements for Program and Fiscal Data

1. Reporting requirements for program data – Health Care Quality Measurements.

   (A) The PROVIDER shall submit to the STATE health care quality measurement reports within sixty (60) calendar days after the end of each fiscal year utilizing the measurement tool and reporting period specified by the STATE.

   (B) The STATE reserves the right to modify the health care quality measurement tool and reporting period during the term of the Contract.

2. Reporting requirements for fiscal data. The PROVIDER shall:

   (A) Submit monthly client encounter reports in electronic format for primary care services to Community Health Center Point ("CHCPoint"), the STATE's primary care electronic billing system. Reconcile any rejected transactions within the time period specified by the STATE.

   (B) Submit monthly client encounter reports in electronic format as prescribed by the STATE for pharmaceutical services (filled prescriptions only). Reconcile any rejected transactions within the time period specified by the STATE.

   (C) Submit monthly invoices in the format specified by the STATE for services described in Sections IV.f.2.(A) and (B) above.

HB-1297
Submitted on: 2/9/2021 11:16:41 PM
Testimony for HHH on 2/11/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Diana Shaw	Lanai Community Health Center	Oppose	No

Comments:

While LCHC recognizes that the State is facing the worst financial crisis since the Great Depression, and that there is enormous pressure on lawmakers to eliminate special funds and transfer the balances to the General Fund, it is our position that the continued existence of the CHC Special Fund is essential for the operations of LCHC and all FQHCs in the State. Without it, we will not have a consistent source of revenues to operate. Funds from the CHC Special Fund are vital to Hawaii's FQHC sustainability. LCHC uses these funds to defray costs that provide an array of primary care, oral health, substance abuse, behavioral health, and telehealth services to Hawaii's uninsured and underinsured residents. We realize that the State is facing a critical budget shortfall, and ask that it be recognized that the FQHC's are also facing increased costs with decreased patient revenues due to COVID. LCHC is respectively urging this Committee to table this measure and find other ways of balancing the budget.

With respect, D. V. Shaw, PhD, MPH, MBA FACMPE, Executive Director, LCHC

WAIANAE COAST
COMPREHENSIVE
HEALTH CENTER
www.wcchc.com

Testimony to the House Committee on Health, Human Services, and Homelessness
Thursday, February 11, 2021; 9:30 a.m.
State Capitol, Conference Room 329
Via Videoconference

RE: HOUSE BILL NO. 1297, RELATING TO STATE FINANCES

Chair Yamane, Vice Chair Tam, and Members of the Joint Committee:

The Waianae Coast Comprehensive Health Center (Health Center) **strongly opposes HB 1297 Relating to State Finances**, specifically to repeal the Community Health Center (CHC) Special Fund.

Since the institution of the special funds, the Health Center has been supported by the community health centers special funds, in particular to support the Health Center's ability to maintain 24 hour emergency medical and disaster preparedness services for the isolated Waianae Coast communities.

Since the 1970's the Waianae community has demanded and supported that emergency services be provided through the Health Center. The State has always supported the importance of our Emergency Room services – for both medical emergency care and during disasters that cut off access to the Waianae community.

The Health Center's 24-hour Emergency medical services, which includes 24 hour laboratory and radiology services, is an integral part of the State Emergency Medical Services System (EMS). **Without stable funding from the Community Health Center Special Fund, the Health Center will not be able to operate during the midnight to 8:00 am hours.**

The Health Center strongly encourages that the **Community Health Center Special Fund be preserved and supported.**

Mahalo.

86-260 Farrington Highway, Waianae, Hawaii 96792-Telephone: (808) 697-3300 - Fax: (808) 697-3687
Visit our website at: www.wcchc.com

Healthcare Association of Hawaii

February 11, 2021 at 9:30 am
House Committee on Health, Human Services, and Homelessness

To: Chair Ryan I. Yamane
Vice Chair Adrian K. Tam

From: Hilton Raethel
President and CEO
Healthcare Association of Hawaii

Re: Testimony in Opposition
HB 1297, Relating to State Finances

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 170 member organizations who represent almost every aspect of the healthcare continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities, and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high-quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

Thank you for the opportunity to provide testimony **opposing** the provisions of this measure that relate to the hospital sustainability program special fund and the nursing facility sustainability program special fund. We understand the purpose of this measure is to eliminate the exemption that special funds have from contributing to the central services assessment—however, eliminating the exemption for the special funds would result in fewer federal funds coming into the state to help cover the budget shortfall in the Medicaid program.

The sustainability programs work by assessing a fee on private hospitals and nursing facilities. That fee is deposited into a special fund housed within the Department of Human Services. The money in the special fund is then used as the state match to draw down additional federal Medicaid dollars that is paid back to hospitals and nursing facilities to help make up for low Medicaid reimbursements. (The payments do not cover the full cost of care but help to lessen the losses.) Importantly, no general state funds are used—the additional federal dollars are generated using only the private dollars from participating hospitals and nursing facilities.

Our main concerns with eliminating the exemptions are two-fold. First, we are concerned that transferring money out of the sustainability program funds and depositing them into the general fund is not an allowable use of the funds. HRS 346-F(4) and 346-G(4) provide allowable uses of the fund—if the dollars are used for anything other than supporting the program then the program will become invalid and all of the benefits to the providers and Med-QUEST will go away. Second, if five percent of the funds are transferred out of the fund and put into the general fund, then providers will have to be assessed at higher rates. This is problematic because the fees are already being raised somewhat significantly on the hospital side to help support the Medicaid budget by about $25 million. Any additional increase in fees will be difficult to meet for participating hospitals, which have experienced severe financial hardship during the pandemic because of increased costs and lowered utilization related to the pandemic. Further, we have already agreed to the assessed fees and having to recalculate and renegotiate those terms will be very difficult to do.

While we understand the intent of this legislation, we have strong concerns regarding the use of sustainability program special funds and the effect on participating hospital and nursing facilities. Thank you for the opportunity to provide our comments on this measure.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

American Cancer Society
Cancer Action Network
2370 Nu'uanu Avenue
Honolulu, Hi 96817
808.432.9139
www.fightcancer.org

House Committee on Health, Human Services, & Homelessness
Representative Ryan Yamane, Chair
Representative Adrian Tam, Vice Chair

HB 1297 – RELATING TO STATE FINANCES.

Cynthia Au, Grassroots Manager – Hawaii Pacific
American Cancer Society Cancer Action Network

Thank you for the opportunity to oppose on HB 1297: RELATING TO STATE FINANCES which would move special funds to general funds.

The American Cancer Society Cancer Action Network (ACS CAN), the nonprofit, non-partisan advocacy affiliate of the American Cancer Society advocates for public policies that reduce death and suffering from cancer. ACS CAN works with federal, state, and local government bodies to support evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem.

Thank you for the opportunity to comment on this matter.

THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Ryan I. Yamane, Chair
The Honorable Adrian K. Tam, Vice Chair
Members, House Committee on Health, Human Services, & Homelessness

From: Colette Masunaga, Director, Government Relations & External Affairs, The Queen's Health Systems

Date: February 11, 2021

Re: Opposition on HB1297: Relating to State Finances

The Queen's Health Systems (Queen's) is a nonprofit corporation that provides expanded health care capabilities to the people of Hawai‘i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai‘i. Over the years, the organization has grown to four hospitals, and more than 1,500 affiliated physicians and providers statewide. As the preeminent health care system in Hawai‘i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's appreciates the opportunity to testify in opposition to HB1297, which would impact the hospital sustainability program special fund and the nursing facility sustainability program special fund, as well as the trauma system special fund.

By eliminating the exemption that special funds have from contributing to the central services assessment, the measure would decrease the amount of federal dollars that could be leveraged for the sustainability programs to offset the uncompensated care and help alleviate the state Medicaid budget shortfall. In FY2019, Queen's contributed to the well-being of Hawai‘i by giving back to the community more than $200 million in unreimbursed health care services, education, and charitable contributions. Of that $200 million, over $60 million accounted for our Medicaid Reimbursement Shortfall, the cost absorbed by Queen's when Medicaid government reimbursements did not fully cover the cost of care. The Hospital Sustainability Program helps Queen's offset a portion of these costs and we concur with the testimony offered by the Healthcare Association of Hawaii.

The trauma system special fund is important for the sustainability of the statewide trauma program and we are concerned about transferring credit from the trauma system special fund to the general fund. Queen's is the only Level 1 trauma center for the state, providing services to 2,900 patients annually. Trauma services at Queen's must include 24/7 on-call specialist coverage, in-house Trauma surgery, in-house Anesthesia and Operating room staff, as well as numerous other specialized services and equipment to deliver life-saving interventions on a moment's notice. Queen's houses the 24/7 Transfer Call Center which provides support to neighbor island trauma patients and is the only comprehensive specialty on-call schedule in the state. The call schedules represent greater than 20 specialties including all surgical subspecialties including, neuro surgery, microvascular surgery (limb salvage and re-implantation surgery), facial and reconstructive surgery.

The Queen’s Medical Center Punchbowl routinely receives trauma patients with severe injuries or sub-specialty needs from hospitals on every island and throughout the Pacific Basin. On the neighbor islands where access to Level I Trauma care is limited by geographic barriers, it may take several hours to reach Queen’s; the State Trauma System ensures initial evaluation and resuscitation at Level III centers are accessible to the people of Hawai‘i in every county. Underfunding or eliminating the State’s trauma system special fund may result in decreased access to Trauma centers, reduction in services, higher complication rates, diminished functional outcomes, and higher death rates after injury. As death and disability after injury are a primary public health concern, especially in young adults, high quality Trauma care remains essential to the reduce loss of productive life years and improve outcomes after injury. The Trauma special fund is a critical resource which offsets those losses and maintains vital infrastructure for the State Trauma System.

Thank you for your time and attention to this important issue.

HAWAIʻI PACIFIC HEALTH | KAPIʻOLANI PALI MOMI STRAUB WILCOX

Thursday, February 11, 2021 at 9:30 AM
Via Video Conference

House Committee on Health, Human Services & Homelessness

To: Representative Ryan Yamane, Chair
Representative Adrian K. Tam, Vice Chair

From: Michael Robinson
Vice President, Government Relations & Community Affairs

Re: Testimony in Opposition to HB 1297
Relating to State Finances

My name is Michael Robinson, and I am the Vice President of Government Relations & Community Affairs at Hawaiʻi Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system comprised of its four medical centers – Kapiʻolani, Pali Momi, Straub and Wilcox and over 70 locations statewide with a mission of creating a healthier Hawaiʻi.

HPH writes in opposition to HB 1297 which proposes to make all special funds subject to deductions for central service expenses into the general fund, and beginning on July 1, 2021 transfers to the credit of the general fund any amounts allocated to those special funds. The bill eliminates the exemption that several special funds have from paying a five percent fee into the central services fund, severely impacting the hospital sustainability special fund as well as the trauma fund.

While we are sensitive to the challenging budget circumstances the State is confronting, we are compelled to write in opposition to HB 1297 which would impact both the hospital sustainability program special fund and the trauma system special fund. *Most importantly, a fee resulting in the reduction available in the hospital sustainability fund will ultimately impact the amount of Federal funds the State is able to draw down to fund the Medicaid program*.

Recognizing that Medicaid payments to hospitals remain below the actual costs of delivering care in an acute care setting, the Legislature created the hospital sustainability program by enacting Act 217, SLH 2012, which improves Medicaid payments to hospitals. The hospital sustainability fund was created by a self-imposed tax that hospitals pay based on their in-patient revenue. The funds generated by those fees enable the State to obtain additional federal Medicaid funds, which are deposited in the hospital sustainability program special fund and redistributed back to private hospitals. The calculation of the hospital self-imposed tax is carefully created through many months of discussion and negotiation with the DHS, HAH hospital members, and in accordance with program guidelines under the Federal Centers for Medicare and Medicaid Services (CMS).

No state funds are contributed to the hospital sustainability program. Additionally, under the current proposed Hospital Provider fee arrangement the hospitals currently negotiate a fee to support the Department of Human Services (DHS) administration of this program and MedQuest division's programs to support its beneficiaries.

We also express concern with the impact of HB 1297 to the trauma system special fund. The trauma special fund was created in order to provide funds to support the continuing development and operation of a comprehensive state trauma system to ensure the availability of care for trauma patients in the state. A reduction in the amount of funds available to support trauma care will have a significant impact on the hospitals' abilities to provide care for patients whose injuries require immediate attention and intervention to prevent further complications or death.

Thank you for the opportunity to testify.

HB-1297
Submitted on: 2/10/2021 5:54:09 PM
Testimony for HHH on 2/11/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Joe W Ramos	Individual	Oppose	No

Comments:

Chair Yamane, Vice Chair Tam, and members of the Committee:

I strongly OPPOSE HB1297 as this bill appears to end the distribution of the Cig Tax to the UH Cancer Center. Those funds are essential to continue to sustain the remarkable progress of the Cancer Center and loss of them will without doubt close the Center and prevent any chance of it continuing as one of only 71 NCI Designated Cancer Centers in the country.

This will be throwing away more than $40M per year in grant funding it brings into the state. It will throw away 50 years of investment by the people of Hawaii, its hospitals, the legislature, and the University. It will throw away the new Early Phase Clinical Trials Unit - which will bring new cutting edge treatments to Hawaii for patients who would otherwise have to be further stressed financially and physically in going to the mainland for them. It will throw away all the basic and clinical cancer research, epidemiology, prevention, and education that the Center provides the people of Hawaii and the Pacific. No one else is doing this work and no one else will or can do it as well as your Cancer Center. Without the cig tax being used as it was designed, we will lose it and it will be nearly impossible to bring back. This should not be another victim of the pandemic.

As an NCI designated Cancer Center UH Cancer Center is, in effect, the mechanism through which NCI improves research, prevention, and patient care in our community. That is what an NCI designated Center is all about. The UH Cancer Center recently went through it's annual evaluation by it's NCI External Advisory Committee which is made up of leaders in Cancer Care and Research from across the country. They were very positive about the progress made by the Center in the last year in such a difficult time. They also re-iterated many times their view that:

"…the NCI designation/NCI P30 CCSG should be viewed as a "crown jewel" for UH, the participants in the Hawaii Cancer Consortium, and the state of Hawaii …Thus, maintaining the NCI designation/NCI P30 CCSG for UHCC should be of the highest importance for all stakeholders, based on the importance of this designation to the people of Hawaii and access to care and NCI resources not otherwise available."

I strongly urge you to conitinue to use this mechanism as intended to reduce tobacco use and provide funds to the Cancer Center in support of its mission to reduce the burden of cancer through research, education, patient care and community outreach with an emphasis on the unique ethnic, cultural and environmental characteristics of Hawai‘i and the Pacific.

Thank You,

Joe W. Ramos, PhD
Professor and Deputy Director of the UH Cancer Center
Hawai Kai

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1297
Submitted on: 2/10/2021 7:34:27 PM
Testimony for HHH on 2/11/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lynne Wilkens	Individual	Oppose	No

Comments:

I oppose HB1297.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-1297

Submitted on: 2/11/2021 8:07:11 AM

Testimony for HHH on 2/11/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Annette Jones	Individual	Oppose	No

Comments:

I am an RCUH employee with over 25 years of experience at the UH Cancer Center. I have worked under 3 directors, 1 interim director, and our current director Dr. Randal Holcombe. Without a doubt, **I AM OPPOSED TO HB1297.** At the start of my time at the Center in 1994, we did not have the means to truly support the great work being done in cancer research. We were rapidly growing and eventually out grew our location at Lauhala Street. The legislature at the time understood the need to support and expand the Center, and to do that, included in legislation, the cigarette tax to support Hawaii cancer research special fund. We have proven that this investment over time has impacted the lives of the Hawaii Community. With our new Kaka'ako facility, the UH Cancer Center has shown that they are not frivolous with this precious source of funding, but strategic to best support the innovation that our current director Dr. Holcombe has for our Center, to bring to our Center the next phase of cancer care with construction of a new clinic for Phase 1 Clinical Trials. We could not do this without the special funds to support all the faculty and staff at the Center. Please reconsider what you are proposing especially with the cigarette tax fund for cancer research, and vote **AGAINST HB1297.**

Thank you for your consideration.

Annette Jones, Research Lab Analyst, GBSR, UH Cancer Center