

**REPORT TO THE TWENTY-SEVENTH HAWAII STATE  
LEGISLATURE 2013**

**IN ACCORDANCE WITH THE PROVISIONS OF  
SECTION 346-54, HAWAII REVISED STATUTES**

**DEPARTMENT OF HUMAN SERVICES  
Benefit, Employment, And Support Services Division  
Med-QUEST Division  
December 2012**

## **REPORT TO THE HAWAII STATE LEGISLATURE 2013 PURSUANT TO SECTION 346-54, HAWAII REVISED STATUTES, ON ASSISTANCE ALLOWANCE AND PUBLIC ASSISTANCE COST CONTROL RECOMMENDATIONS**

Section 346-54, Hawaii Revised Statutes (HRS), requires the Director of Human Services to submit a report to the Legislature on or before January 1 of odd-numbered years, concerning the adequacy of the assistance allowance established by chapter 346.

In addition, should general fund expenditures for financial assistance and medical payments increase at a rate greater than the rate of increase in general fund tax revenues in any fiscal year, the Director is to report such increases to the Legislature and make cost control recommendations that will control increases in general fund public assistance expenditures. Cost control recommendations shall include, but not be limited to, the following: (1) changes in eligibility standards, (2) adjustments to the assistance allowance, (3) alternatives to financial assistance for meeting the needs essential to maintaining an adequate standard of living, and (4) adjustments to medical payment fees and levels of service.

### **FINANCIAL ASSISTANCE**

#### **Adequacy of the assistance allowance established in HRS 346**

Effective July 1, 2007, the assistance allowance was raised to 50% of the 2006 Federal Poverty Level (FPL) as allowed by statute for all financial assistance programs, Temporary Assistance for Needy Families (TANF), Temporary Assistance for Other Needy Families (TAONF), General Assistance (GA) and Aid to the Aged, Blind and Disabled. For a household of one, the assistance allowance was \$469 per month.

Due to budget constraints, effective July 1, 2009, the assistance allowance was decreased to 48% of the 2006 Federal Poverty Level for all financial assistance programs. For a household of one, the assistance allowance was decreased to \$450 per month.

The assistance allowance for the General Assistance (GA) program was decreased to \$300 a month effective November 1, 2009. This decrease in payment was necessitated because the caseload increased from 4,728 in July 2008 to a high of 5,265 in March 2009. The decrease in the payment caused the caseload to decrease in fiscal year 2010 to 4,778 in June 2010. Therefore, effective July 1, 2010, the payment was increased to \$353 a month. Effective October 2011, the payment was decreased to \$319 because the caseload increased to an average of 5,298 in FY 2011. Effective February 2013, the payment will decrease to \$298 because the caseload has risen to 5,833 in the 1<sup>st</sup> quarter of FY 2013. The statute allows for the adjustment of the assistance allowance to remain within the appropriation for the fiscal year.

The assistance allowance for the Aid to the Aged, Blind, and Disabled was decreased to \$319 a month effective June 2010 due to budget constraints. Since the decrease to \$319, the caseload has decreased to an average of 859 cases in FY 2012.

**Increase of State general fund expenditures for financial assistance that increase at a rate greater than rate of increase in general fund tax revenue in any fiscal year**

The general fund expenditure for financial assistance has been as follows:

Program	FY 2010		FY 2011		FY2012	
	Caseload	Expenditure	Caseload	Expenditure	Caseload	Expenditure
TAONF	1,717	\$16,906,144	1,940	\$12,449,558	2,039	\$13,624,686
GA	4,997	\$21,005,370	5,298	\$23,203,290	5,537	\$21,827,623
AABD	1,375	\$ 4,693,407	899	\$ 3,307,214	859	\$3,115,324

**Cost control recommendations to control increases in general fund public assistance expenditures**

**1) Changes in eligibility standard:**

TAONF: July 1, 2009, net income standard decreased to 48% of 2006 FPL or \$450 per month for one person. Gross income standard has been \$1,737 for one person as of July 1, 2007.

GA: November 1, 2009, net income decreased to 32 % of 2006 FPL or \$300 a month for one person. July 1, 2010, increased to 37.6% of FPL or \$353 a month for one person. October 1, 2011, decrease to 34% of FPL or \$319 for one person. February 1, 2013, decrease to 31.7% of FPL or \$298 for one person. Gross income standard has been \$1,737 for one person as of July 1, 2007.

AABD: July 2010, net income decreased to 34% of 2006 FPL or \$319 a month for one person. Gross income standard has been \$1,737 for one person as of July 1, 2007.

**2) Adjustments to assistance allowance:**

TAONF: July 1, 2009, decreased to 48% of 2006 FPL or \$450 per month for one person.

GA: November 1, 2009, decreased to 32 % of 2006 FPL or \$300 a month for one person. July 1, 2010, increased to 37.6% of FPL or \$353 a month for one person, October 1, 2011, decrease to 34% of FPL or \$319 for one person, February 1, 2013, decrease to 31.7% of FPL or \$298 for one person.

AABD: July 2010 decreased to 34% of 2006 FPL or \$319 a month for one person.

**3) Alternatives to financial assistance to meet the needs for an adequate standard of living:**

We continue to have all individuals who claim a disability examined by a contracted medical provider. All medical examinations are then reviewed by a contracted medical board. This process is implemented statewide and has standardized the definition being used to determine if a

person is disabled and eligible for this program. All those needing assistance are now being assessed through the use of a consistent standard.

We also continue to contract for Social Security advocacy services to maximize the number of people eligible for federal assistance. The Supplemental Security Income (SSI)/Social Security Disability Insurance (SSDI) advocacy program, through contracts with the Legal Aid Society of Hawaii (LASH) continues to assist disabled individuals receiving federal TANF assistance, and eligible State-funded individuals in the TAONF, General Assistance, and Aid to the Aged, Blind, and Disabled programs, to qualify to receive SSI federal benefits, which are higher than our State benefits, and are not time-limited.

In FY 2011, 39% of the referrals to SSI were approved for federal SSI/SSDI. In FY 2012, 34% of the referrals were approved for federal SSI/SSDI.

These two procedures above have been instrumental in decreasing the average length of time on State assistance from 10 months to 8 months in 2008 and have remained the same through 2011 increasing slightly to 8.6 months in 2012. These procedures have also enabled the transfer of persons with long-term disabilities to the federally-funded Social Security program.

We continue to monitor and improve our SSI referrals and re-referrals.

## **MEDICAL PAYMENTS**

Medicaid is counter-cyclical meaning that as the economy worsens, the number of beneficiaries increases. Medicaid is a means-tested entitlement program. Any individual who is categorically eligible must be provided services. Hawaii has also covered some expansion populations. Healthcare inflation from a price perspective tends to be higher than inflation of non-healthcare items, such as the consumer price index. Healthcare inflation also results from increased utilization and shift to utilizing more expensive services, such as through the introduction of new drugs and devices. In general, the Medicaid program has been able to keep inflation low, and the major cost driver is increased enrollment. Over the past four years, enrollment has increased approximately 40%. Following is a table of enrollment and expenditures.

Program	SFY 2010	SFY 2011	SFY2012
Total Expenditures	\$1,327,367,382	\$1,624,665,399	\$1,580,549,010
General Funds	\$459,037,132	\$549,219,050	\$774,151,967
Federal Funds	\$868,330,250	\$1,075,446,349	\$806,697,043
Beneficiaries	249,242	266,625	283,041

In response to the budget shortfall during this period, DHS implemented many measures to contain costs. These measures affected eligibility, reimbursement, and program integrity. The income limit for eligibility was reduced from 200% of the federal poverty level (FPL) to 133% FPL. Affected individuals were of the expansion group whose income was too high to be categorically eligible, and an estimated 3,500-4,000 non-pregnant adults lost eligibility as a

result of this reduction. The 133% FPL was selected in preparation of the Affordable Care Act (ACA) because this is the level to which Medicaid will be expanded through the creation of the ACA adult eligibility category.

From a reimbursement perspective, reimbursement was reduced by 3% for all providers during SFY 2012, restored for all providers except hospitals during SFY 2013, and is expected to be restored for hospitals beginning SFY 2014. The hospital sustainability fee was implemented in SFY 2013 providing hospitals with new revenue. The administration payments to health plans were also reduced by 3%. From a program integrity perspective, we increased activities to identify beneficiaries who were no longer eligible for Medicaid due to for example being deceased, moving out-of-state, or having increased income or assets. Many cases were closed as a result.

These efforts and others allowed DHS to continue to operate within its appropriation, which included a \$50 million reduction in SFY 2012 and \$86 million reduction in SFY 2013, and not having to reduce benefits. Additional cost control recommendations that were considered but not implemented include benefit reductions and requiring cost-sharing.