STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
Benefit, Employment, and Support Services Division
and Med-QUEST Division

Report to the Hawaii State Legislature
on the adequacy of assistance allowance
pursuant to section 346-54, Hawaii Revised Statutes

December 2016

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, HRS. In addition, section 346-54, HRS requires:

> 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 shall 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.

1. FINANCIAL ASSISTANCE

   a. Adequacy of the assistance allowance established in chapter 346, HRS

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 (AABD). 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 for TANF and TAONF households.

The GA [1] program is block granted, and the allowance amount may be adjusted to use the entire appropriation, yet remain within the appropriation for the fiscal year. The assistance allowance for the GA program was decreased to $300 per 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 amount caused the caseload to decrease to 4,778 in June 2010. Therefore, effective July 1, 2010, the payment was increased to $353 per month. Effective October 2011, the payment was decreased to $319 because the caseload increased to an average of 5,298 in SFY 2011. Effective February 2013, the payment decreased to $298 because the caseload had risen to 5,833 in the first quarter of SFY 2013. Effective October 2013, the payment increased to $319 due to a slight decline in the caseload. Due to continued decline the payment was increased again to $348 effective April 2014. For SFY 2015 and SFY 2016 the average caseloads were 5,698 and 5,628 respectively.

The assistance allowance for the Aid to the Aged, Blind, and Disabled was decreased to $319 per month effective June 2010 due to budget constraints. Since the decrease to $319, the caseload decreased to an average of 859 cases in SFY 2012. The average caseload in SFY 2014 was 868 cases. Effective April 2014, the payment increased to $348 to align with the GA assistance payment. The general fund expenditure for financial assistance is as follows:

Table of Financial Programs						
Program	SFY 2014		SFY 2015		SFY 2016	
	Caseload	Expenditure	Caseload	Expenditure	Caseload	Expenditure
TAONF	1630	$10,465,815	1454	$9,333,870	1148	$7,716,933
GA	5,465	$21,396,090	5698	*$23,771,10	5628	$22,832,616
AABD	868	$3,239,956	864	$3,156,466	806	$3,131,628

*Emergency appropriation was approved per Act 14 SLH 2015.

[1] See section 346-71, HRS.

b. 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 and April 1, 2014, increase to 37.1 of FPL or $348 for one person.

AABD: July 1, 2010 decreased to 34% of 2006 FPL or $319 a month for one person and April 1, 2014, increase to 37.1% of FPL or $348 for one person.

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

We continue to have a contracted medical provider examine all individuals who claim a disability. To ensure quality control, the medical evaluations are reviewed by a contracted medical board. This process is implemented statewide and has standardized the definition used to determine if a person meets the disability criteria according to HRS for the specific financial program the individual is being considered or eligible to receive. All those needing assistance are now being assessed through the use of a consistent standard.

We also continue to contract advocacy services to maximize the number of people eligible for federal assistance provided by the Social Security Administration. The Supplemental Security Income (SSI)/Social Security Disability Insurance (SSDI) advocacy program is included in the medical and psychological assessment contract to streamline the process in referring clients to apply for SSI and is sub-contracted with the Legal Aid Society of Hawaii (LASH). LASH assists

disabled individuals receiving federal TANF assistance, State-funded individuals receiving TAONF, GA, and AABD programs, with the Social Security Administration process for 100% federally funded financial benefits. It is more beneficial for individuals to be determined eligible to receive SSI or SSDI federal benefits, as the federal benefits are higher than our state-funded financial benefits, and the federal benefits are not time-limited. Once an individual is eligible for SSI and/or SSDI benefits, they would be deemed ineligible for state-funded financial assistance, which results in a reduced caseload count and may make state-funds available for other needy families and individuals.

Significantly, when an individual becomes eligible for SSI or SSDI benefits, the Social Security Administration (SSA) reimburses the State the amount of state-funded financial assistance the individual received while the application for SSI or SSDI was pending. This is called the interim assistance reimbursement (IAR) program.

In SFY 2012, 391 individuals receiving state-funded financial assistance were approved for federal SSI/SSDI benefits. In SFY 2013, 342 individuals were approved for federal SSI/SSDI benefits and in SFY 2014, 319 individuals were approved for federal SSI/SSDI benefits. In SFY 2015, 252 individuals were approved for SSI totaling $1,037,330.38 IAR from the SSA to the State. In SFY 2016, 606 individuals were approved for SSI resulting in $1,807,586.99 IAR to the State.

In December 2012, the Hawaii Automated Welfare Information (HAWI) payment system was modified to automate the IAR notification to the Social Security Administration (SSA). Prior to this modification, a manual hard copy IAR agreement was sent by FAX or U.S. mail to the SSA. There were multiple problems with the manual process, such as non-receipt, misfiling and transmittal to the incorrect SSA field office. The modification has made the program more efficient and helps ensure that the State timely receives the reimbursements.

These procedures have been instrumental in transferring persons with long-term disabilities to the federally-funded Social Security programs.

II. MEDICAL PAYMENTS

Medicaid is counter-cyclical, meaning that as the economy worsens the number of beneficiaries increases. Medicaid is an entitlement program where any individual who is determined eligible for coverage must be provided services. The Med-QUEST Division (MQD) provides health coverage through several Medicaid programs under Title XIX of the Social Security Act. The health insurance coverage includes the Hawaii QUEST Integration and the Medicaid Fee-For-Service (FFS) programs. Other smaller health insurance programs include the State Children's Health Insurance program (S-CHIP), Federal and State-funded Coverage of Individuals with Breast and Cervical Cancer, and Special Programs for Medicare Beneficiaries.

With the implementation of the Patient Protection and Affordable Care Act (2010) (PPACA), Hawaii provides medical assistance to low income adults, parent/caretaker relatives, pregnant

women and children utilizing eligibility methodology called Modified Adjusted Gross Income (MAGI).

Health care inflation for services tends to be higher than inflation of non-health care items, such as the consumer price index. Health care inflation results from increased utilization of more expensive services such as new drugs, devices or procedures. In general the Hawaii Medicaid program has been able to keep inflation low and the major cost driver has been due to increased enrollment. Over the past 4 years enrollment has increased approximately 22%. The following table provides the enrollment and expenditures.

	SFY 2012	SFY 2013	SFY 2014	SFY 2015
Total Expenditures	$1,580,549,010	$1,895,933,438	$2,030,231,193	$2,242,529,381
General Funds	$774,151,967	$906,243,996	$912,512,932	$875,930,348
Federal Funds	$806,697,043	$989,689,442	$1,117,718,261	$1,366,599,033
Beneficiaries	283,041	292,423	325,510	337,398

The hospital and long term care sustainability fees programs were implemented in SFY 2013 and have provided these facilities with new revenue. The hospitals are assessed a provider fee and, in return, receive additional reimbursements since inception of the program to help cover losses for care provided to the underinsured and uninsured. The Department retains a portion of the fees collected and is used by the Division to increase and improve services for Medicaid program recipients.

Effective January 1, 2015, the MQD combined the QUEST and QExA into one program called QUEST Integration (QI). Under one program, QUEST Integration has helped to reduce the administrative burden for health plans, providers and the State, while streamlining the application process and access to care for applicants and recipients. Health care services provided under the capitated health care plans have demonstrated a more predictable and slower rate of expenditure growth while establishing contractual accountability by the health plans and providers.

With additional positions to conduct increased program integrity activities, the MQD has implemented new federally required contracts to assist with identification and recovery of overpayments. While the MQD has more work to do in this area, it has identified $158,168 as potential overpayments through review of claims payment reports. For the past two State fiscal years, MQD received $214,908 in repayments. The Program Integrity staff continue to work with the Medicaid Fraud Control Unit of the Department of Attorney General for referral of cases for investigation and potential legal action.

The implementation of the new eligibility system, Kauhale On-Line Eligibility Assistance (KOLEA) in 2014 has allowed increased efficiency by automating many of the functions previously performed manually. With KOLEA, the MQD has been able to process applications and annual renewals with an enrollment of 350,358 individuals under Medicaid as of June, 2016. Further enhancements to KOLEA will allow the MQD to move toward a paperless work environment,

improve the ability of recipients to access information regarding their case on-line, and will increase access to recipient and applicant information by any MQD worker statewide.

These efforts have allowed the MQD to operate within its appropriation while increasing benefits in certain areas such as behavioral health and home and community-based services.