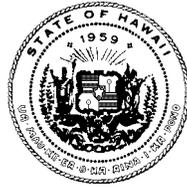


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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
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January 2, 2021

The Honorable Ronald D. Kouchi,
President and Members of the Senate
Thirty-First State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker
and Members of the House of
Representatives
Thirty-First State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

Enclosed is the following report submitted in accordance with section 346-54, Hawaii Revised Statutes (HRS), relating to assistance allowance and public assistance cost control recommendations.

In accordance with section 93-16, HRS, the report is available to review electronically at the Department's website, at <https://humanservices.hawaii.gov/reports/legislative-reports/>.

Sincerely,

Cathy Betts
Director

Enclosure
C:
Governor's Office
Lieutenant Governor's Office
Department of Budget & Finance
Legislative Auditor
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President Kouchi, Speaker Saiki

January 2, 2021

Page 2

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**REPORT TO THE THIRTY-FIRST HAWAII STATE
LEGISLATURE 2021**

**IN ACCORDANCE WITH THE PROVISIONS OF
SECTION 346-54, HAWAII REVISED STATUTES, RELATED
TO ASSISTANCE ALLOWANCE AND PUBLIC ASSISTANCE
COST CONTROL RECOMMENDATIONS**

**DEPARTMENT OF HUMAN SERVICES
Benefit, Employment, And Support Services Division
Med-QUEST Division¹
January 2021**

¹Due to the enactment of the Consolidated Appropriations Act on December 27, 2020, the Med-QUEST division will supplement this report at a later date.

This report is submitted in accordance with section 346-54, Hawaii Revised Statutes (HRS), relating to assistance allowance and public assistance cost control recommendations.

Section 346-54, 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 Chapter 346, Hawaii Revised Statutes

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 during the last recession, effective July 1, 2009, the assistance allowance was decreased to 48% of the 2006 FPL for all financial assistance programs. For a household of one, the assistance allowance decreased to \$450 per month.

The statute requires adjusting the assistance allowance to utilize, yet remain within, the given fiscal year's appropriation. In general, subject to remaining program funds, as caseloads rise, to stay within the program's allocation, the monthly benefit decreases. Similarly, subject to remaining program funds, when caseloads decrease, the monthly benefit amount increases. The GA program's assistance allowance decreased to \$300 a month, effective November 1, 2009. This decrease in the monthly benefit amount was due to increased GA cases from 4,728 in July 2008 to a high of 5,265 in March 2009. Reducing the monthly benefit payment caused the caseload to decrease in SFY 2010 to 4,778 in June 2010. Therefore, effective July 1, 2010, the payment increased to \$353 a month. Effective October 2011, the payment decreased to \$319 as the caseload increased to an average of 5,298 in FY 2011. Effective February 2013, the payment decreased to \$298 as the caseload rose to 5,833 in the first quarter of FY 2013. Effective October 2013, the payment increased to \$319 due to a slight decline in the caseload. Due to the continuing decline in caseload, the payment increased again to \$348 effective April 2014.

The assistance allowance for the Aid to Aged, Blind, and Disabled (AABD) program decreased to \$319 a month effective June 2010 due to budget constraints. Like the GA program, the decrease to \$319 resulted in a reduced average caseload of 859 cases in FY 2012. The average caseload in FY 2014 was 868 cases. Effective April 2014, the payment increased to \$348 to align with the GA assistance payment.

Increase of State general fund expenditures for financial assistance that increase at a rate greater than the 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 2018		FY 2019		FY2020	
	Caseload	Expenditure	Caseload	Expenditure	Caseload	Expenditure
TAONF	2,186	\$4,491,611	1,815	\$3,640,216	2,265	\$4,573,570
GA	5,405	\$23,710,657	5,396	\$23,689,143	5,614	\$24,414,332
AABD	909	\$3,495,174	914	\$3,441,035	926	\$3,504,242

In March 2020, the COVID-19 pandemic and the subsequent lockdown of Hawaii's economy caused a surge in the number of financial assistance applications; all programs experienced a significant increase.

The federally funded Temporary Assistance to Needy Families and state-funded Temporary Assistance to Other Need Families (TAONF) Programs, which provide financial assistance to households with children, experienced the largest increases as these programs serve residents who can work. Hawaii's unemployment rate went from the nation's lowest at 3% in February to 15.1% in November, remaining amongst the nation's highest. DHS currently projects that the TANF and TAONF programs can be sustained with current funds for the next two years, but the AABD and GA programs are 100% State-funded, and legislative measures must be taken to increase the appropriation or reduce the assistance amount.

Program	February	Mar-20	Nov-20	increase
TANF	3,568	3,688	5490	54%
TAONF	551	558	1513	175%
AABD	810	799	883	9%
GA	5,107	5,370	6,620	30%
TOTAL	10,036	10,415	14,506	45%

For the 2021 session, DHS will submit an administrative measure for an Emergency Appropriation for State Fiscal Year (SFY) 2021 for \$5.4 million. For the fiscal biennium, DHS will seek \$5.4 million increases for SFY2022 and SFY2023 to maintain the current payment amount of \$388 per month per person. If the request for additional funds is not approved, the GA

assistance benefit amounts will be reduced to meet the statutory requirements that the assistance amount cannot exceed the appropriated funds.

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

1) Changes in eligibility standard:

TAONF: July 1, 2009, the net income standard decreased to 48% of 2006 FPL or \$450 per month for one person. The 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 increased to \$319 effective October 2013; increase to \$348 effective April 2014 and increased to \$388 effective March 2017. The 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. The gross income standard has been \$1,737 for one person as of July 1, 2007.

2) Adjustments to assistance allowance:

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

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; April 1, 2014, increase to 37.1% of FPL or \$348 for one person; and March 1, 2018, increase to 41.3% of the FPL or \$388 for one person.

AABD: July 1, 2010, net income decreased to 34% of 2006 FPL or \$319 a month for one person and April 1, 2014; increased to 37.1% of FPL or \$348 for one person; and increased to 41.3% of the FPL or \$388 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. A contracted medical board then reviews all medical examinations. This process is implemented statewide and has standardized the definition used to determine if a person is

disabled and eligible. All those needing assistance are assessed through the use of a consistent standard.

Significantly, when an individual becomes eligible for Supplemental Security Income (SSI) or Social Security Disability Income (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 process is called the interim assistance reimbursement (IAR) program authorized by section 346-57, HRS. Here are the amounts of IAR SSA reimbursed Hawaii in the following State Fiscal Years for individuals receiving state-funded financial assistance who were approved for one or either SSA benefit:

YEAR	INDIVIDUALS	REIMBURSEMENTS
2015	252	\$1,037,330.38
2016	606	\$1,807,586.99
2018	280	\$1,624,176.23
2019	334	\$1,766,888.55
2020	319	\$1,453,549.86

In 2015, Act 196 (SLH 2015) established the interim assistance reimbursement (IAR) special fund into which IAR funds are deposited and used to provide support to the GA program. Codified as section 346-57.5, HRS, the IAR special fund can retain up to \$3,000,000, and any excess amounts shall lapse to the general fund. The IAR special fund's balance is not used to determine the amount of GA assistance payments. The intent of the special fund is to avoid the need for emergency appropriations when caseloads rise during economic downturns. However, the financial crisis resulting from the COVID-19 pandemic is of a magnitude far greater than the previous recession that prompted the IAR special fund's establishment and \$3 million ceiling amount. Consequently, the GA program required IAR special funds for SFY2020 and SFY2021 in addition to a request for an emergency appropriation for SFY2021.

In December 2012, the Hawaii Automated Welfare Information (HAWI) payment system was modified to automate the interim assistance reimbursement (IAR) notification to the Social Security Administration (SSA). Under the IAR program, state-funded assistance is issued to SSI claimants while the SSI application is pending; upon approval, the SSA will retroactively reimburse Hawaii for the state-funded assistance paid to the individual. Before this automated process, DHS sent a hard copy IAR agreement by FAX or U.S. mail to the SSA. There were multiple problems with this manual process, such as non-receipt, misfiling, and transmittal to the incorrect SSA field office. The modification made the program more efficient and helps ensure that the State timely receives the federal reimbursements from the SSA.

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

MEDICAL PAYMENTS

Medicaid is counter-cyclical, meaning that as the economy worsens, the number of beneficiaries increases. Medicaid is an entitlement program where any categorically eligible individual must be provided services. Health care payments are funded by State and Federal funds. 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 Hawaii's QUEST Integration and some remaining Medicaid Fee-For-Service (FFS) programs and services. Other health insurance programs include Federal and State-funded Coverage of Individuals with Breast and Cervical Cancer, and Special Programs for Medicare Beneficiaries.

In response to the COVID-19 pandemic, Congress enacted the Families First Coronavirus Response Act (FFCRA) that made additional funds available to States to address the health care needs of Medicaid recipients and certain other COVID-19 related services to the uninsured. FFCRA included a 6.2% Federal Medical Assistance Percentages (FMAP) increase with conditions. The enhanced FMAP is temporary and available through the public health emergency, currently extended to January 21, 2021. To accept the FFCRA enhanced FMAP, States agreed to the following five conditions:

- No more restrictive eligibility standards, methodologies, or procedures than those in effect on January 1, 2020;
- No higher premiums than those in effect on January 1;
- No disenrollment of Medicaid beneficiaries enrolled on or after March 18 through the end of the emergency period, unless an individual voluntarily terminates their eligibility or ceases to be a resident of the State;
- Coverage of testing and treatment of COVID-19 – including vaccines, equipment, and therapies for Medicaid beneficiaries – without cost-sharing starting January 1 through the end of the emergency period; and
- Non-federal share contributions by localities decline in recognition of the increased federal contribution.²

Hawaii accepted the FFCRA enhanced FMAP funds and conditions and quickly implemented the required COVID-19 programmatic changes and exemptions. MQD operations rapidly shifted to a telework environment requiring frequent adjustments to maintain client access and to support staff. MQD worked with providers and the community to distribute PPE to foster family community care homes and develop communication and outreach materials for

² See State Health & Value Strategies webinar, Implications of Health Care Provisions for States in the Second COVID-19 Stimulus Bill, March 20, 2020.

recipients and the general public to continue to access health care services during the pandemic safely.

With the economic conditions of high unemployment and loss of employment-based health care insurance, applications for health care coverage dramatically increased by county for the forty-three-week period from the first week in March through Saturday, December 26, 2020 (2019 vs. 2020).

Count	2019	2020	Percentage Increase in Applications
Honolulu	38,754	50,283	30%
Maui	8,690	13,254	53%
Hawai'i	11,517	12,821	11%
Kaua'i	3,864	5,548	44%
Statewide	62,825	81,906	30%

Since March 4, 2020, monthly enrollment increased 20.9% or 68,584, for a total of **396,379** enrollees compared to 327,795 in December 2019.

Increases in enrollment by county, comparing enrollment data from 12/27/2019 to 12/28/2020, show significant increases in all counties with Maui and Kauai, increasing more than 20% over last year.

County	2019	2020	% Change
Honolulu	201,093	239,873	19.28%
Maui	40,941	50,743	23.94%
Hawai'i	71,313	81,849	14.77%
Kaua'i	19,665	23,914	21.61%
Statewide	333,012	396,379	19.03%

In preparation for the biennium budget, MQD projected potential and significant increases in needed general fund appropriations given the nearly 20% increase in caseload since the pandemic started. On Sunday, December 27, 2020, the President signed the Consolidated Appropriations Act, which made additional health care provisions that positively impact Medicaid programs. Significantly, the Act restored Medicaid coverage to eligible residents from COMPACT nations. Restoration at this time is essential to supporting the health of Pacific islanders in Hawaii as Pacific islanders, and native Hawaiians are most vulnerable to the health

consequences of COVID-19. MQD will supplement this report after analyzing the new law and considering its fiscal implications.