

MINUTES OF THE SENATE HEALTH CARE STRATEGIES COMMITTEE

The meeting was called to order by Chairperson Susan Wagle at 1:30 P.M. on March 10, 2008 in Room 136-N of the Capitol.

Committee members absent: Senator Mark Gilstrap- excused

Committee staff present: Ms. Emalene Correll, Kansas Legislative Research Department
Mrs. Terri Weber, Kansas Legislative Research Department
Ms. Nobuko Folmsbee, Revisor of Statutes Office
Ms. Renae Jefferies, Revisor of Statutes Office
Ms Margaret Cianciarulo, Committee Secretary

Conferees appearing before the Committee:

Others in attendance: Please see attached Guest List

Discussion and Final Action on SB541 - an act concerning the Kansas Health Policy Authority, relating to powers and duties thereof regarding a medical home and small business wellness grant programs; establishing the health reform fund.

Upon calling the meeting to order, the Chair stated that after the Committee hearing of March 4, 2008, Senator Journey requested some financial information on HealthWave in comparison to the Premium Assistance. She referred them to the two packets before them: a yellow packet showing the outlook on Premium Assistance and a blue packet for HealthWave. A copy of both packets are (Attachment 1) attached. The Chair said what she is hoping to do today is discuss **SB541** and work it today.

She suggested they start by looking at the yellow packet on Premium Assistance, sheet 2, showing projected costs as outlined in **SB11**. Then KHPA came back and, based on their proposals, added in expanding Premium Assistance to low income childless adults. She then referred the Committee to the last page of the blue packet where the assumptions made on HealthWave are listed, but this packet would be to assume that we went to 250% of federal poverty level which has been proposed by Kansas Action for Children with all children eligible. She then stated that later in the meeting she would be giving the Committee a balloon that would be less costly because they would go to 225% the first year, 250% the second year and would have a crowd out provision. She added, some states put in the SCHIP laws as a requirement that you have to be without insurance for a certain number of months before you qualify for SCHIP and the reason they put that in the law is so people who have insurance do not drop it to enroll in SCHIP.

The Chair recognized Senator Schmidt who asked if this was the definition of crowd out? The Chair said that crowd out was when someone has an insurance policy and they drop it to go on SCHIP because it would be cheaper, because the state helps subsidize the plan. She went on to say that the proposal that was also before the Committee, also requires that families kick in a certain monthly payment in order to be on the plan.

The Chair recognized Senator Barnett who stated that he had looked at other states and many of them had a waiting period of up to a year but that does not necessarily eliminate crowd out. The Chair then called on Ms. Suzanne Wikle, Director of Health Policy, Kansas Action for Children, to address crowd out. Ms. Wikle agreed with Senator Barnett but said the overall value they would gain of opening this up would outweigh it.

The Chair then called on Ms. Emalene Correll, Kansas Legislative Research Department, who stated that the original law in 1999, had a provision that said that no child is eligible until such child as been uninsured for up to six months, if they had been covered by insurance and then the insurance had been dropped, however, this was taken out of the law three years ago.

The Chair then said she was going to pass out a balloon for purposes of discussion and let the Committee see what they think about this proposal, but first a discussion ensued with Dr. Marcie Nielsen, Executive

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Director, KHPA Dr. Andy Allison, Deputy Director, KHPA, and Mrs. Terri Weber, Kansas Legislative Research Department, with questions coming from Senators Barnett, Wagle, Schmidt, Brungardt including:

- Regarding Premium Assistance as a program, as you put it together would this be considered a legislative entitlement which means that if we enact the program we are obliged to pay for the program whether we have federal funds or not? And, regarding the federal poverty guidelines, what is 250% for a family of four and then for a family of two?

The Chair commented that the Committee is also looking about two different populations and asked them to look at the pink sheet (2008 Federal Poverty Guidelines) which is (Attachment 3) attached:

1. With Premium Assistance addressing adults who are 37 and 50% of poverty level and in looking at the pink sheet, the top end of that would be two individuals making \$7,000.00 a year;

2. The HealthWave is to increase the benefits from 200% of federal poverty, which for two people would be \$28,000.00, but to go to 250% which would be a mom and child at \$35,000.00 and then there would also be a requirement for paying a part of their premium.

- Was the monthly premium figured into this for 200% poverty level and at 250%?

The Chair stated that she had visited with several oncologists regarding the Premium Assistance Program which would cover drugs at 75% with the first year of Premium Assistance to go for people are 37 to 50% of poverty level. So at the top of the income level you have two people living on \$7,00.00/year and you are asking them to pay for 25% of their drug coverage. The oncologist said there was no way they could participate in a Premium Assistance Program because the cost of pharmaceuticals for an oncology patient would be thousands of dollars. The Chair said she is very concerned about people at this income with a chronic problem needing very expensive medication, but added that the oncologists would like to come up at interim, as would she, to discuss Premium Assistance and looking at who that person is at 37 to 50% of poverty level, what there needs are, and where are they living?

- Could you please clarify, what the Chair is saying is that the patient would have a 25% out of pocket expense for drugs, is this the way the Premium Assistance Program is designed?

- Could you clarify the Premium Assistance information passed out showing pharmaceuticals would be covered at 75%? And, what do you pay a month for adults on Medicaid?

- In your projection regarding the cost of Premium Assistance, about one fourth of this was going for administrative fees for the first year, so your cost for individuals is what?

- Regarding those oncology patients having to pay out of pocket, what are the circumstances of those patients right now, being uninsured and poor, having to pay 100% out of pocket, heading for bankruptcy or no treatment or diagnosis? (Having visited with those who represent hospitals and doctors (KMS and KHA) and they support Premium Assistance because it finally gets some insurance and coverage for these individuals that right now have nothing.)

- If the cost of Premium Assistance is going to be less than Medicaid or state health insurance and yet you are going to provide a least the same benefit as Medicaid?

- When other states have tried to go to a broader coverage, for instance Massachusetts, is this where the cost got away from them? Was Maine similar?

- Can you explain how the state could pay less for a policy than what we are paying for Medicaid and still have coverage at the provider level that is equal to or better? What do you think you will be leaving out that

Medicaid pays? Did you really analyze the population of 37 to 50% of poverty level and what their medical needs are and what their ability is to pay on prescription drugs and outpatient needs?

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- How would rebates work? Would rebates work for manufacturers? Would the insurance entities bidding on it be the ones that got the rebates or would it come back to the state, or how would that work

- If you take Medicaid does that automatically mean you are going to take Premium Assistance?

The Chair said that she was going to set before the Committee two proposals:

- one strikes Premium Assistance and sends it to a interim study committee

- the second, is an expansion of HealthWave which takes it to 225% next year of federal poverty level and in 2010 takes it to 250% and is dependent on federal funding coming in and has the crowd out provision.

Senator Barnett made a motion to move the expansion of SCHIP as proposed in the amendment, which would be adding a new section to **SB541**, expanding SCHIP. It was seconded by Senator Schmidt.

Senator Haley asked for a discussion regarding concerns that the total Committee is not present. But does support this amendment. The Chair stated that this is a bill that is exempted and this is dependent on the federal government authorizing the funds.

The Chair asked if there was any other discussion on amending this bill, seeing none, she asked for the will of the Committee and the motion carried.

The Chair recognized Senator Schmidt who stated in new Section 2A regarding medical home, there was some language that had been agreed to by the Kansas Medical Society, the Kansas Health Policy Authority, and the Kansas Academy of Family Practice and asked if the new language is available.

The Chair called on Mr. Dan Morin from KMS, who stated that the testimony they had passed out at the hearing on February 18, 2008, was a fairly lengthy amendment and with discussions with the KHPA and the KAFFP, have trimmed it down and offered the definition from testimony that was submitted to a House Committee. As he had the only copy, the Chair asked him to read it to the Committee:

He stated, "Medical home" means a health care delivery model in which a patient establishes an on-going relationship with a physician or other personal care provider in a physician-directed team, to provide comprehensive accessible and continuous evidenced- based primary and preventive care, and to coordinate the patient's health care needs across the health care system in order to improve quality and health outcomes in a cost effective manner." He said this would just be new Section 2 a.

The Chair recognized Senator Haley who asked if this amendment speaks to prevention and efficiency?

As it does, the Chair said a motion was made by Senator Schmidt to adopt this language. It was seconded by Senator Barnett and the motion carried.

The Chair then stated that if the Committee had concerns regarding keeping Premium Assistance in statute until it is studied more thoroughly, we need to strike on page 4, Section 3 (f) and on page 5, down through line 11 and asked what the will of the Committee was.

A discussion ensued with Senators Brungardt, Wagle, and Barnett regarding:

- finding a mechanism to keep Premium Assistance alive but not active and feels it is important that they are going to actually address medical costs and attempt to study and control it, we will have to find the will to pay for it and would like to keep it alive while they figure out what they are actually doing.

- will oppose if the Committee kills this proposal of Premium Assistance. (It is the first time in years that Kansas has taken the step to address those people who are in the greatest of needs and even if we do not have the money, as it is always subject to appropriations anyway, would rather keep it alive and keep debating it. And, in talking to people in the insurance industry, they really do not oppose it they just oppose not being able

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to be a player.

- Senator Barnett offered an amendment that speaks to the standard premium assistance as well that before the expansion occurs the KHPA will make recommendation regarding the proposed benefit design changes as the Chair has appropriately raised questions about, present it to the joint committee on health policy oversight by 2010 and in addition to the benefit design would also take into consideration what is available in the individual insurance market and also reinsurance options. (There is a mechanism of reinsurance that could probably help this whole situation but it has not been studied enough.) Basically, this amendment puts it all on the table, but it does not kill it. Senator Barnett made a motion to offer this amendment for **SB541**.

The Chair asked if there were questions about this motion. Senator Haley asked why November of 2010?

The Chair stated that testimony has been offered from underwriters, questioning why we would start Premium Assistance at 37% of poverty when those people could easily be expanded on to Medicaid which would probably be more appropriate for someone at that low of income. And that yes, we do want to bring the private insurers, but they really are not interested until you reach 100% of poverty level. People who are under 100% have a very different set of needs. The first year we are looking at expanding to a group of very poor people. This is why it has been suggested that we send it to an interim committee. Strike it for now so the pressure is not on the legislature and there is not a misunderstanding that we fully approve of a program that takes people from 37 to 50% of poverty level and puts them into a premium assistance program when possibly the better avenue to go is Medicaid. So the Chair offered a substitute motion on top of Senator Barnett's amendment to strike Premium Assistance and send it to an interim committee.

The Chair recognized Senator Schmidt who asked if the interim committee could also study the possibility of doing a pilot program as we have two managed care organizations in our state now that could do a pilot program.

The Chair felt that this was a viable proposal and should be looked at and recognized Senator Barnett who stated that expanding Medicaid is pretty much status quo and cannot see us being satisfied with status quo and do not feel we can afford that any longer, but premium assistance will not only help these people, but small businesses who employ these people and offer insurance.

The Chair stated that leadership has made it very clear that when the Committee voted on this last year in **SB11**, no fiscal note was offered and we are hearing from providers that it is going to cost less than Medicaid and therefore, it might also pay providers less than Medicaid. She said she was going to have to call the question, as it is late.

Again, the Chair made a motion to strike Premium Assistance and put all issues in interim, Senator Schmidt seconded and the motion passed with a no vote from Senators Barnett and Haley.

Adjournment

As it was going on Senate session time and there was no further business, Chairperson Wagle adjourned the meeting with a possibility of a meeting at the rail later in the day. The time was 3:16 p.m.