

MINUTES

JOINT COMMITTEE ON HEALTH POLICY OVERSIGHT

November 1, 2007
Room 313-S—Statehouse

Members Present

Senator James Barnett, Chairperson
Representative Melvin Neufeld, Vice-Chairperson
Senator David Haley
Senator Laura Kelly
Senator Roger Reitz
Senator Vicki Schmidt
Senator Susan Wagle
Representative Bob Bethell
Representative Jeff Colyer
Representative Bill Feuerborn
Representative Brenda Landwehr
Representative Louis Ruiz

Staff Present

Terri Weber, Kansas Legislative Research Department
Melissa Calderwood, Kansas Legislative Research Department
Emalene Correll, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Cindy Lash, Kansas Legislative Research Department
Nobuko Folmsbee, Office of the Revisor of Statutes
Ken Wilke, Office of the Revisor of Statutes
Gary Deeter, Committee Secretary

Conferees

Dr. Marcia J. Nielsen, Executive Director, Kansas Health Policy Authority
Steve Schramm, Managing Director, Schramm Raleigh Health Strategy
Jane Chandler Holt, Chairperson, Purchaser Advisory Council
Peggy Johnson, Chairperson, Consumer Advisory Council
Janet Williams, Chairperson, Provider Advisory Council
Jerry Slaughter, Executive Director, Kansas Medical Society
Carolyn Gaughan, Executive Director, Kansas Academy of Family Physicians
Tom Bell, President, Kansas Hospital Association
Kenneth Daniel, President, Midway Wholesale

Kim Moore, President, United Methodist Health Ministries
Elaine Schwartz, Executive Director, Kansas Public Health Association
Gary Brunk, President, Kansas Action for Children
Robert North, Chief Attorney, Kansas Department of Commerce
Sandy Praeger, Commissioner, Kansas Department of Insurance

Others Attending

See attached list.

Morning Session

The Chairperson called the meeting to order at 10:03 a.m.

Representative Bethell moved the adoption of the August 22, 2007, minutes as written. The motion was seconded by Representative Feuerborn. Motion approved.

Legislative Research Department staff, commenting on SB 11, which was enacted by the 2007 Kansas Legislature, said that, of the 37 sections of the bill, ten dealt with health-care reform, as indicated by the shaded sections in Attachment 1. Staff listed the areas of concern to the Committee, Medicaid reform, health-care finance reform, insurance premium assistance, issues for interim studies, development of small employer benefit Section 125 qualifying plans, small business assistance grants through the Kansas Department of Commerce, and auditing authority through the newly created Office of Inspector General in the Kansas Health Policy Authority.

Staff called the members' attention to material in the folders as noted herein:

- Responses by Dr. Marcia Nielsen to questions from a previous meeting (Attachment 2);
- Responses by Beverly Gossage, Director, HSA Benefits Consulting, to members' questions at the August 22 meeting, specifically: information regarding Missouri's health-care reform legislation (HB 818) (Attachment 3), a guide to legislators, addressing market-based health insurance (Attachment 4), and information regarding health insurers targeting the individual market (Attachment 5); and
- Testimony regarding Kansas HB 2236 addressing mental health issues (Attachment 6).

The Chairperson invited Committee members to introduce themselves, following which he welcomed Dr. Marcia J. Nielsen, Executive Director, Kansas Health Policy Authority, who presented the Authority's recommendations in response to SB 11 (Attachment 7). She stated the Authority agreed on three priorities under which they developed 21 recommendations, which she called the first steps in addressing complex issues regarding health care. The three priorities outlined in the testimony are:

- Promote personal responsibility for health;
- Offer initiatives related to prevention and medical homes; and

- Provide and protect affordable health insurance.

The twenty-one recommendations are:

- Provide transparency for medical consumers;
- Promote health literacy;
- Define medical home;
- Increase Medicaid provider reimbursement;
- Implement a statewide community health record;
- Promote insurance card standardization;
- Increase a tobacco user fee by 50 cents per pack;
- Ban smoking in public places statewide;
- Partner with community organizations;
- Include the Commissioner of Education on the Kansas Health Policy Authority;
- Collect information on the health and fitness of Kansas school children;
- Promote healthy food choices in schools;
- Increase physical education programs in schools;
- Offer a wellness grant program for small businesses through the Department of Commerce;
- Provide healthier food options for state employees;
- Provide dental care for pregnant women;
- Improve tobacco cessation within Medicaid;
- Expand cancer screenings;
- Provide more health insurance coverage for children through outreach, concentrating particularly on enrolling eligible children in state operated programs;
- Expand premium assistance to include childless adults up to 100 percent of the federal poverty guidelines; and
- Assist small businesses by establishing a health insurance clearinghouse and other strategies.

Dr. Nielsen commented on the recommendations, noting that some encourage personal responsibility for health through the collection and dissemination of data on health behaviors and medical costs. She stated the “medical home” model can be especially effective in reducing costs for state-funded health programs and can assist in developing a statewide community health record and standardized insurance cards. Dr. Nielsen listed various areas dealing with prevention of disease, including tobacco use, overweight children, obesity, and lack of physical education in schools, noting the recommendations include payments to providers for prevention care as well as promoting healthy food choices. Other preventive recommendations include dental care for pregnant women and expanded cancer screening, both of which will reduce future health-care costs.

Addressing affordable health insurance, Dr. Nielsen said the recommendations focus on those most in need of assistance in securing health insurance, *i.e.*, low-income individuals, children, and small businesses. Implementing the twenty-one recommendations will require \$86.3 million from the State General Fund and \$159.8 million from all funds. She concluded by saying the recommendations offer meaningful, actionable health reform.

Dr. Nielsen responded to members’ questions as noted below:

- Various stakeholders were represented by the Advisory Councils, whose recommendations were synthesized.

- Medical costs were based on Medicare and Medicaid rates.
- She agreed with a member's suggestion that reimbursement payments be based on best practices, or "evidence-based medicine."
- The Commissioner of Education should be included on the Authority in order to gain a K-12 perspective, since most data were derived from the Kansas Department of Health and Environment.
- The impact of implementing the recommendations will, in five years, result in an increase in accessible health care, healthier Kansans, an understanding of what constitutes a medical home, and better reimbursement for medical services.
- Emphasis on prenatal care is reflected in the recommendation for dental care for pregnant women.
- A pilot program for case management has been initiated in Wichita.
- Reference to a "trigger" is a marker to indicate assessment is needed to evaluate the success of a project.

Steve Schramm, Managing Director, Schramm Raleigh Health Strategy, a consultant for the Authority's study, stated the recommendations would change the way health care is delivered in Kansas and would offer financial assistance in providing affordable health care (Attachment 8).

Mr. Schramm commented on health coverage in Kansas, saying, that of the 2.34 million non-elderly residents, 260,000 are uninsured, and the total health-care costs in Kansas (excluding the elderly) total \$8.2 billion, of which \$343 million can be attributed to the uninsured. He noted SB 11 offers sequential strategies for reform, and commented on three areas:

- Since Kansas has an 84 percent take-up rate for HealthWave, it will cost more to reach and enroll the remaining children who are eligible but not enrolled.
- Since SB 11 targets low-income citizens, the challenge will be to secure matching federal funds.
- The "connector," or voluntary insurance clearinghouse, will be invaluable for providing assistance through Section 125 benefits for small businesses.

Mr. Schramm observed, that if the recommendations discussed by Dr. Nielsen are implemented; 20,000 more children will become insured, 39,000 more low-income adults will be covered by insurance, 12,000 additional sole proprietors will be insured, and 15,000 additional young adults will be added to insurance rolls through the insurance clearinghouse, reducing the total of uninsured Kansans by 33 percent.

Mr. Schramm responded to members' questions by noting:

- Premium assistance under SB 11 will cost \$5 million in State General Funds in FY 2009, and, fully implemented, will cost \$71 million;

- Since Medicaid is expanding and the number of insured is dropping, certain protections against “crowd-out” must be implemented, such as the use of a clearinghouse and a six-month waiting period; and
- The use of a Section 125 plan will reduce insurance costs about 33 percent.

Dr. Nielsen responded to a question, saying that premium assistance may include employer-sponsored insurance or a state-sponsored health plan similar to state employee health insurance. The latter plan would be based on the Centers for Medicare and Medicaid Services regulations. Continuation of federal matching funds is dependent upon subsequent federal policies.

Jane Chandler Holt, Chairperson, Purchaser Advisory Council, testified the Council supports the recommendations of the Health Policy Authority, especially the wellness incentives set out in the recommendations.

Peggy Johnson, Chairperson, Consumer Advisory Council, stated the Council focused on those without insurance and is a strong supporter of the Connector/Exchange recommendation and preventive programs, especially those involving tobacco.

Janet Williams, Chairperson, Provider Advisory Council, expressed support by the Council for the recommendations.

Afternoon Session

Jerry Slaughter, Executive Director, Kansas Medical Society, commended the Authority for the public process used in developing the recommendations and for not creating a polarizing environment through mandates. He listed items which the Society is likely to support, including improving healthy behaviors, having a medical home, and dental care and commended the concepts behind other of the recommendations ([Attachment 9](#)).

Carolyn Gaughan, Executive Director, Kansas Academy of Family Physicians, urged support for the recommendations, highlighting certain items, such as the focus on prevention and healthy behaviors. She noted the importance of Medicaid reimbursement differentials for primary care physicians ([Attachment 10](#)).

Tom Bell, President, Kansas Hospital Association, said the general direction of the recommendations is consistent with Hospital Association policies, such as emphasis on prevention and wellness, transparency, and health literacy projects. He suggested an additional recommendation for the Committee. Because the state is facing shortages in health-care delivery, he urged members to consider workforce initiatives to attract more physicians, nurses, and allied health-care professionals ([Attachment 11](#)).

Kenneth Daniel, President, Midway Wholesale, identified, in descending order, priorities for small businesses that are among the recommendations, as:

- Transparency for consumers;
- Increase Medicaid provider reimbursements;
- Assist small groups to establish Section 125 plans; and

- Health insurance for young adults, as long as they are not covered under their parents' policy.

He stated the wellness grant for small businesses should be eliminated and the money spent elsewhere ([Attachment 12](#)).

Kim Moore, President, United Methodist Health Ministries, commented on the recommendations, commending the emphasis on prevention and wellness. He noted the Authority avoided the problem of under-insurance and displayed no ideological bias ([Attachment 13](#)). He encouraged further data-driven approaches to health-care reform and suggested expansion of insurance assistance to families up to 250 percent of the federal poverty guidelines, citing anecdotes of families being pushed out of the insurance pool because health-care expenses drained their income.

Elaine Schwartz, Executive Director, Kansas Public Health Association, testified in favor of the recommendations ([Attachment 14](#)). She said prevention and establishing a medical home will bring down health-care costs. She applauded the Authority for the stance on tobacco usage and supported the recommendations to pay for prevention, the use of electronic health records, and wellness for children. Ms. Schwartz noted efforts on local, state, and federal levels to enhance health care and to reduce costs.

Gary Brunk, President, Kansas Action for Children, stated the recommendations of the Authority were laudable, but did not go far enough, especially for the 55,000 uninsured children in Kansas ([Attachment 15](#)). He recommended extending HealthWave and State Children's Health Insurance Plan (SCHIP) coverage to children in families with incomes up to 250 percent of the federal poverty guidelines, noting many such families are increasingly priced out of private insurance.

To a question from a Committee member, Mr. Slaughter responded that physician reimbursement rates, unchanged since 1976, were increased last year, leading to expanded health-care access as physicians accepted more Medicaid patients. If the medical home model is adopted, further attention needs to be addressed to differential reimbursement enhancement.

In response to a question, Mr. Brunk replied that he did not have figures on how many eligible children are not enrolled in HealthWave, but, all children need access to health insurance.

Mr. Daniel recommended high-deductible individual policies for young adults rather than keeping them on a parent's policy, since a young person's drug problems can wreak havoc on a small insurance pool.

Mr. Bell commented that health-care data collection is valuable, but because various agencies do not have an integrated database, assessing cost-saving initiatives is difficult. He commended the concept of a data consortium.

Revisor's staff, responding to a previous request of the Committee, assessed the Employees Retirement Income Security Act of 1974 (ERISA) as to its possible effect on health insurance legislation ([Attachment 16](#)). ERISA impacts employee welfare benefit plans dealing with health insurance or disability; even though ERISA exempts government employee benefit plans, an exception rule supersedes state insurance laws for self-funded employee plans. He concluded that state statutes pertaining to insurance cannot apply to self-funded employee benefit plans covered by ERISA; however, such plans may voluntarily comply with state-mandated health benefits. The Chairperson requested an opinion from the Insurance Department regarding updating state statutes.

Robert North, Chief Attorney, Kansas Department of Commerce, commented on New Sections 13 and 14 of SB 11, which create the Small Employer Cafeteria Plan Development Program to facilitate the creation of employee benefit plans for small employers and to offer grants to small employers to assist in setting up such plans (Attachment 17). He stated the agency is presently analyzing how best to implement the legislative mandate and is considering staffing requirements and how the program should be implemented. The agency has scheduled meetings with the Health Policy Authority to assist in these decisions. Mr. North listed several questions regarding the program, including whether funding continues beyond the current fiscal year, clarification regarding matching funds, and how grants are to be distributed. Answering questions, Mr. North said marketing avenues for the grants include the agency website, state and local chambers of commerce, and regional directors. He replied, based on demand for the grants, the funding will be incorporated into the Department of Commerce budget. Members discussed assigning continuing responsibility for the project to Commerce or to the Authority. One member commented that if the grants promote Section 125 plans, the Department of Commerce would be better oriented to administer grants.

Sandy Praeger, Commissioner, Kansas Insurance Department, explained that SB 11 requires the Department to study the concept of reinsurance as a mechanism to promote small group health insurance plans (Attachment 18). She observed that a reinsurance pool could stabilize small group premium rates and encourage more employers to consider health insurance for their employees, a path followed by at least seven other states. The mechanism triggering reinsurance varies. Connecticut and New Hampshire reinsure at predetermined levels (\$5000 threshold). Arizona's and New Mexico's reinsurance is initiated when total claims exceed 86 percent and 75 percent of premium revenue, respectively. New York's "excess of loss" pays 90 percent of claims costs between \$5,000 and \$75,000, with Massachusetts and Idaho offering similar plans. She said funding for reinsurance pools comes from a variety of sources, with most plans assessing at least a portion from all insurers. She noted most reinsurance plans are created with small groups in mind, a small group usually being defined as 2-50 individuals and most plans have a waiting period and income restrictions. She supported Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage extension to 18 months, especially for those ineligible for the federal COBRA coverage. Answering questions regarding definition of a group, Commissioner Praeger replied that individuals could be included by defining an individual as a sole proprietor. She said reinsurance should lower premiums or at least stabilize rates by spreading risk.

A motion was made by Vice-Chairperson Neufeld and seconded by Senator Reitz to adopt the twenty-one recommendations offered by the Kansas Health Policy Authority. The motion passed unanimously.

The Chairperson offered the following agenda items for a future Committee meeting:

- A comparison of the Kansas and Iowa health-care programs on the basis of information given to the Committee on the standings of the two states;
- Information on Medicaid reform in other states to be provided by the Kansas Health Institute;
- Information on case management;
- Discussion of how information technology can be used to make better use of data to transform the health-care system;
- Information on how to increase the capacity of the safety-net clinics;

- Further discussion of reinsurance and COBRA, perhaps with the Insurance Department; and
- Discussion of the administration of Section 125 programs.

The meeting was adjourned at 4:22 p.m. The next meeting is tentatively scheduled for December 13, 2007.

Prepared by Gary Deeter
Edited by Emalene Correll

Approved by Committee on:

December 14, 2007
(Date)