

Minutes of the Joint Legislative Oversight Committee\*  
November 28, 2000

East Conference Room, J. R. Williams Office Building, Boise, Idaho

And video conferenced to:  
State Office Building, 150 Shoup, Suite 19, 2<sup>nd</sup> Floor, Idaho Falls  
Lewis Clark State College, Meriwether Lewis Hall, Room 339, Lewiston

Co-chair Representative Field called the meeting to order at 9:00 a.m. Committee members, Co-chair Senator Marguerite McLaughlin, Senators Atwell Parry, Grant Ipsen and Lin Whitworth, and Representatives Robert Geddes, June Judd, and Margaret Henbest attended. Staff members Nancy Van Maren, Leslie Clement, Eric Milstead, and Margaret Campbell also were present.

**REPORT RELEASE: IDAHO'S MEDICAID PROGRAM: THE DEPARTMENT OF HEALTH AND WELFARE HAS MANY OPPORTUNITIES FOR COST SAVINGS**

Co-chair Field welcomed those in attendance, including those watching live via video-conference in Idaho Falls and Lewiston. She advised those in attendance that JLOC was different from other legislative committees, in that it did not take testimony; the committee would hear from OPE and department representatives. If, after committee questions, there were Legislators from JFAC or the Senate and House Health and Welfare committees that had unanswered questions, JLOC would open the floor to their questions. Ms. Van Maren provided background information and introduced the principals of the contract firms that conducted the study: Mr. Kurt Sjoberg, Partner, Sjoberg Evashenk Consulting, and Mr. Chuck Milligan, Vice President, The Lewin Group. The consultants brought expertise and skill to the project, as well as independence. **Senator McLaughlin moved to receive the report, and Representative Henbest seconded the motion. The motion passed unanimously by voice vote.**

Mr. Milligan and Mr. Sjoberg presented a summary of the findings and recommendations of the report. Co-chair Field called on Mr. Karl Kurtz, Director, Department of Health and Welfare, to address the committee. Mr. Kurtz thanked the Office of Performance Evaluations, Sjoberg Evashenk, and The Lewin Group for their professional work on the evaluation. He said that, of the cost management tools identified in the report, some had been considered last session and then rejected and some had been identified and were underway. He felt that, overall, this report confirmed the department was moving in the right direction. With the support of the Governor and the Legislature, he would work to implement the recommendations.

In reference to veterans issues, Senator Ipsen asked if the conversion to Medicaid would make it more difficult for private pay veterans to find places in the homes. Were waiting lists increasing and was there a federal mandate requiring Idaho to provide more beds, if needed? Co-chair Field called on Gary Bermeosolo, Administrator, Division of Veterans Services, to address the question. Mr. Bermeosolo said there were vacancies in Pocatello and Boise. Partly due to the certification process, they wanted to keep the beds open. He said there was not a federal mandate requiring the state to provide more beds. Also, he said that despite the VA per diem going to true charges, the beds will continue to be a pretty good bargain compared to the private sector.

\* As approved by a majority of the Joint Legislative Oversight Committee (see signatures attached).

Senator Whitworth asked what options were available to a veteran who chose not to go on Medicaid. Mr. Sjoberg said he would be treated as a private pay patient. In response to an inquiry as to whether the consultants had done any comparison of spendable income here vs. other states, Mr. Milligan said that nationally, people had to meet certain eligibility standards.

Senator Ipsen asked about the benefit of the Uniform Assessment Instrument. Mr. Milligan responded that it was more directed at nursing homes and no comparable instrument was in use for developmentally disabled and mental health services.

The committee discussed issues surrounding the Healthy Connections program, why use of this program was limited, and the availability of primary care providers throughout the state. In response to questions, Mr. Milligan clarified that the report suggested ways that other predominantly rural states had increased provider participation, such as allowing nurse practitioners to act as primary care providers and establishing a "hotline" for client use.

Representative Geddes asked about the statewide expansion of the Healthy Connections program. Mr. Milligan said Healthy Connections was a federally approved waiver that the state would need to amend to make the program mandatory, although, according to HCFA contacts, there should not be any difficulty getting it approved. He encouraged the state to move to a mandatory program, acknowledging it required the enrollment of additional providers. Members inquired about current efforts to enroll providers. Mr. Kurtz said the department was actively recruiting providers in all seven regions.

In response to a question from Senator McLaughlin, Mr. Kurtz said the department was taking steps to provide regional offices with access to two primary subsystems: the management and reporting (MAR) subsystem and the surveillance and utilization review system (SURS). A department workgroup would report on their progress in January. Currently, the department contracts with Electronic Data Systems (EDS) to operate and modify the two subsystems. The contract expires in 2003, at which time the department will evaluate their needs and whether EDS is the best contractor to maintain the system.

In reference to HB 797 (2000), Section 12, Senator Whitworth said he had received complaints that clients had not been included in the process of implementation. He had also heard that some of the major savings would be achieved by discontinuing services. Mr. Kurtz said that meetings had been held during the summer and the department had involved providers, advocates, consumers, and intergovernmental folks in looking at utilization management and what the protocols would be to be consistent across regions.

Also in response to questions, Mr. Kurtz said the department was looking at all agreements with providers to ensure there was no conflict on acting as a case manager and service provider. Mr. Milligan said he was pleased that the department's utilization management efforts had recommended clarifying the regional office's role, as significant differences between regions existed.

With no further questions from the committee, Co-chair Field turned to calling on members of the Joint Finance Appropriations Committee and Health and Welfare germane committees who were present. Senator Lee, a member of JFAC and the chair of a Medicaid subcommittee last session, said his subcommittee had looked at Medicaid expenses last year, and essentially came up with the

same results as the report recommendations. He said the Medicaid budget was growing so rapidly that it would double in five years. The report had identified \$6 million in savings, but the budget would grow another \$30 million in calendar year 2000. He said he did not think the report gave the Legislature the tools needed to get the budget under control and that they had not received a \$600,000 effort. He asked if the Legislature could get an addendum with information on what other states were doing, since other states were not experiencing the same rapid growth in Medicaid.

Mr. Sjoberg clarified that if all the recommendations were implemented, they would generate savings greater than \$6 million; the contractors couldn't estimate the additional amount with certainty and so had not specified an amount in the report. Also, the report did include initiatives that hadn't been identified last year. In reference to other states, he said the report did not make comparisons to many other states because there tended to be a greater emphasis on HMOs in other states, while these networks did not exist here.

Mr. Milligan added that Idaho was not alone in experiencing high rates of growth and reiterated that some other states had experienced cost decreases due to HMOs. Further, some of Idaho's budget growth was due to the addition of eligible children. There were no easy solutions. Rather, Idaho could save \$30 million if it took drastic steps like eliminating 20,000 kids, clamping down on utilization management, or cutting provider reimbursement rates. Instead, the contractors had focused on bringing to the Legislature ways to achieve savings where there was little controversy. Further, the savings presented were *real* savings.

Senator Lee said it would be helpful to identify a range of savings from implementation of the other recommendations. The Legislature was heading into a budget session and was relying on them for help.

Senator McLaughlin asked how the growth of population in the state affected the cost of Medicaid. For example, had the consultants looked at the cost per patient? Mr. Milligan said that, although the numbers were not in the report, the consultants had. Medicaid expenditures per client were lower here than in many other states. In addition, the percent of Idaho's population on Medicaid was lower than the national average. Mr. Milligan agreed with Senator McLaughlin that Idaho's program was fairly conservative, and said that one of the reasons for the large growth was that Idaho had taken on optional programs that other states already had in their base.

Representative Henbest asked if the evaluation had contrasted increases in Medicaid with increases in health care overall. Mr. Milligan said the evaluation had not done that systematically. While commercial insurance was increasing by 9–12 percent per year, states didn't have some of the options commercial insurance has, such as eliminating benefits, etc.

Co-chair Field called on Representative Ken Robison, a member of JFAC. Representative Robison said he wished the report had looked at the medically needy program. Mr. Milligan said the "medically needy" comprised a new eligibility group. He explained the theory behind covering this group, but said ultimately, there were increased costs to the state from this group because they were paying private providers.

In response to questions, Mr. Kurtz said the report had confirmed that a strong utilization management plan would generate significant savings. Also, by working with providers, the Healthy

Connections program could also provide the state savings. There were many opportunities for savings and the department was actively addressing many of them.

Co-chair Field call on Senator Cecil Ingram, a member of JFAC. Senator Ingram asked about providers and their profit margins. For example, he thought the Medicaid investigative unit should be looking at the high dollar providers, not just the smaller ones.

Co-chair Field said she thought the evaluation provided tools that were needed to go to work. It hadn't provided a "magic bullet" to get increasing Medicaid expenditures under control, but it had given some good ways to move forward.

**Representative Henbest moved to refer the evaluation to the Senate and House Health and Welfare Committees, and follow-up on progress in six months. Senator McLaughlin seconded the motion.**

Senator Whitworth asked if any work had been done on child poverty, which had recently tripled. Senator McLaughlin said we had all wanted a magic bullet to solve the problems and there wasn't one. She thought some statistics were already available elsewhere to answer his question.

Senator Ipsen said some of the focus had been on the least expensive part of Medicaid-children, while 70 percent of Medicaid funds were spent on long-term care benefits. Senate Bill 1365 (2000) had been a major step and cost reductions would result over the next years as a result.

Representative Judd noted that she saw the consultants had limited the scope "due to resource constraints." She wondered what they would have included with more resources? Mr. Milligan said time was a constraint, so the consultants had focused on potentially fruitful areas. For example, provider reimbursement rates were typically low under Medicaid, so they had focused elsewhere.

Representative Henbest said she thought the consultants' comments had cut to the core: the program should be economical, accountable, and trim, while providing essential health services to the needy. Senator Ipsen added that there were 23,000 children insured today who were not two years ago.

**The motion was passed unanimously by voice vote.**

Co-chair Field thanked the Department of Administration for providing video conferencing services, and thanked the consultants for providing the Legislature many tools to address Medicaid.

Co-chair Field said this committee would adjourn sine die until properly reconstituted under the next Legislature. She recognized departing member Senator Marguerite McLaughlin for her efforts as JLOC co-chair. She also recognized departing members Senator Atwell Parry, and Representatives Robert Geddes and June Judd for their diligent work on behalf of the committee.

Upon a motion by Senator Parry and a second by Representative Geddes, JLOC adjourned sine die at 11:40 a.m.