Chairman Block called the meeting to order at 10:15 AM.

MOTION: Rep. Nielsen moved to approve the minutes of September 15, 2005. With no objection, the motion passed.

Chairman Block welcomed the members, Cathy Holland-Smith, David Rogers, Paige Parker, and Kent Kunz. She thanked Cathy Holland-Smith, Jeanne Ludwig, and Pamm Juker for helping to arrange the meeting and Jennifer O’Kief for serving as secretary.

The Chairman invited David Rogers, Director of Medicaid, Department of Health and Welfare (DHW), to present an update on the Governor’s Medicaid Reform Program. Mr. Rogers began by distributing the four following documents/handouts to the members.

- 1) Summary of the FY ’06 Senate Budget Reconciliation Bill – draft (Attach. 1)
- 2) Legislative Proposals for Modernizing Idaho Medicaid – draft (Attach. 2)
- 3) Proposed Modernization of Medicaid – Policy Goals (Attach. 3)
- 4) Medicaid Assistance Program – Mandatory and Optional Services covered (highlighted in red, yellow and green) (Attach. 4)

Mr. Rogers began by explaining that the second handout, Potential Legislative Proposals for Modernizing Idaho Medicaid, is an outline and structure for proposed legislation which includes the Governor’s specific reform proposals and is intended for discussion purposes only. He also noted the third handout, Proposed Modernization of Medicaid, which highlights the policy goals that are included in the concept summary. He stated that these policy goals are not included in the second document, but believes including them would be a very good idea. He believes that it is critically important to receive feedback from this task force and the germane committee on the appropriateness and merit of these policy goals. He referenced the fourth, colored handout, Medicaid Assistance Program, commenting that this is a reference document that lays out Medicaid covered services, indicating whether they are mandatory covered or optional covered services.

Regarding the first handout (Attachment 1), Mr. Rogers explained that the House is expected to pass a very similar reconciliation bill when they reconvene after the
holidays. He further explained that this is a summary of the Senate version of the bill. He directed the committee’s attention to the top of page 2 explaining that the category of Increased Transparency is the most significant provision under Medicaid Prescription Drug Reform. This proposal will require CMS, Centers for Medicaid/Medicare Services, to make available to the states the average manufacturer price on drugs on a monthly basis. This pricing structure has never before been available to the states. He explained that this would give them a better tool for negotiating supplemental rebates required under federal law. This proposal was offered by the National Governor’s Association. He explained that under Long-term Care Reforms, restrictions have been placed on asset transfers similar to the Governor’s Medicaid reform proposal. It also lifts the ban on long-term care partnerships. Rep. Nielsen commented that increasing the look-back period from three to five years is a good idea, but disagrees with excluding property up to the amount of $750,000. Mr. Rodgers explained that this is actually an exclusion for the exemption of property, particularly a homestead, that is currently applied in determining Medicaid eligibility. Consequently, in this proposal, if a property owner has a house worth $750,000 or more, the homeowner is not eligible. Rep. Nielsen commented that this is an excessive amount for a residential home in Idaho for those who need assistance for long-term care. Mr. Rodgers responded to Rep. Henbest’s question regarding placing a lien on a house after the person and spouse is deceased. He explained that the policy for estate recovery on assets and utilizing the lien process does not change, but the period for asset recovery increases to five years.

Mr. Rogers noted at the bottom of page 2 the provision of Flexibility in Cost Sharing and Benefits. He explained that this proposal makes cost sharing, including co-payments, enforceable; and also stipulates that providers are not required to render services to beneficiaries who do not pay the required co-payment. This also requires the indexing the nominal amount, which has been $3.00, to increase with inflation. This will also allow tiered co-payments on preferred (no co-payment) and preferred (co-payment) prescription drugs for the purpose of steering the market share to the less expensive, but as effective, drug. This would allow physicians to prescribe name brand drugs (non-preferred) if that drug is more effective. This also provides flexibility to provide benchmark coverage to certain beneficiaries at state option.

Regarding the provision of Health Savings Accounts, Mr. Rogers explained that this program is limited to only ten states. These are flexible spending accounts; they track well with Senator Crapo’s proposal to Congress for Health Opportunity Accounts. Regarding the provision for Targeted Case Management/Third-Party Liability, Mr. Rogers explained that the Federal Government is skeptical about this program. He explained that with this proposal there are certain specific items that are now prohibited from states using targeted case management when related, for the most part, to child welfare systems. He further explained that there is a general provision that if there is a third party, that party would be responsible to pay for services instead of Medicaid. Mr. Rogers stated that Idaho does not have targeted case management in the child welfare system. Regarding Eliminating Waste, Fraud, and Abuse, he mentioned the provision for grants provided to states that will help to “beef-up” state collections, the fraud and abuse effort, and reducing patient errors. He noted that Contingency Fees as far as third party recovery was not included in the reconciliation package.

Mr. Rogers noted that Idaho was not affected by changes in the FMAP and SCHIP
rates.
The **Transitional Medical Assistance** (TMA) is extended. **Managed Care** provider tax is limited but does not affect Idaho. He noted the inclusion of provisions of brokering for transportation services which is also part of the Governor’s Medicaid reform proposal. He also noted that the provision for **Eligibility Test** will require states to verify citizenship documentation for all beneficiaries prior to Medicaid enrollment.

**Mr. Rogers** directed the committee’s attention to the second document (Attachment 2), emphasizing that the Governor’s policy goals are not included in this draft and will probably advocate strongly for them to be included. **Mr. Rogers** commented that the framework for the Governor’s proposal is intended to separate assistance programs into three distinct categories: A) Low-Income Children and Working-Age Adults, B) Individuals with Disabilities or Special Health Needs, and C) Elders. **Mr. Rogers** emphasized that this document/handout is a draft of potential reform proposals that may take three to eight years before some are actually implemented, but it does provide a structure to use in going forward. He explained that the handout is separated into four columns beginning with the type of reform proposal (first column), whether or not the initiative has been addressed or not, indicated by a checkmark (second column), FY 07 impact (third column), and notes (fourth column). He proceeded to note aspects of some of the proposals that are listed as follows:

I. **“FRAMEWORK LEGISLATIVE PROPOSAL”**

A. **Medical Assistance**

*Medical Assistance Plans Based on Needs* - Eliminates the “one size fits all” concept.

*Designation of Medical Home* – Due to the variety of plan options, this proposal will help make the appropriate determination of eligibility based on the needs of the individual and the effort will be done “up front.”

*Determination of Appropriate Plans* – Establishes a mechanism for determining appropriate plan coverage.

*Ability to Transfer Among Plans* – Allows for movement out of one plan into another plan based on the appropriate coverage.

B. **Medical Assistance for Low-Income Children and Working-Age Adults**

*Individuals eligible to Participate* – Removes the “asset test” for children and simplifies eligibility determination for children at the 185% poverty level. There will be a fiscal impact, and the recommendation is that it will be covered from the premium tax fund. The postpartum coverage period would be extended for pregnant women at the 133% poverty level. **Mr. Rogers** addressed Rep. Henbest’s question regarding dental coverage for pregnant women. He said that her point is well taken and agrees that this is an area where better and broader coverage for this group could be made available.

*Service to be Provided/Hospital Care* – **Mr. Rogers** noted that legislation was intended to limit a cap on inpatient hospital care to provide an unlimited coverage. He further noted that the same is true for prescription drugs that went from a $30 limit to an unlimited coverage. He encouraged the committee to be particularly cautious of detailing those specific coverage limitations within the code, as they move forward; given the difficulty in making changes in future
years.

Prevention Services-- Increases coverage for preventative care and looks at best practices by US Prevention Task Force.

Non-Emergency Transportation – Governor’s proposal includes brokering for non-emergency services, which will be limited geographically.

Medical Equipment and Supplies – Included in Governor’s proposal to do selective contracting. Rep. Rusche asked if we would be required to use the state purchasing rules when using selective contracting. Mr. Rogers said that he was not sure and that this matter is not very clear. He agreed that this is an issue that does need some attention. Rep. Rusche commented that it has been his experience that purchasing rules, in this arena, will cause more expense and aggravation than will provide savings.

Inpatient Mental Health Services – Limits inpatient psychiatric care for this population (individuals without a serious mental health issue). Significant impact will be on the outpatient side, rather than the inpatient. DHW is proposing to provide a package of outpatient mental health benefits that will be more comparable to some of the commercial plans.

Mental Health Services – Individuals with a disability or with severe mental illness will have the mental health benefits currently available today. Individuals who are relatively healthy, a low-income child, or a working age adult that does not have a mental health issue will have a limited mental health package; 30 day inpatient care, 26 visits of outpatient therapy, which is extremely generous compared to the commercial sector. This is significantly less than 36 hours per week currently available for children with non-serious adjustment disorders, such as ACHD, etc.

Cost-Sharing Required of Participants – Establishes monthly premiums for participants below the 150% poverty level.

C. Medical Assistance for Individuals with Disabilities or Special Health Needs

Individuals Eligible to Participate – Creates a category where coverage would be provided to individuals identified with a “special health need,” for example an individual with diabetes. Mr. Rodgers responded to a concern expressed by Rep. Henbest by explaining that this proposal creates a framework for designing a plan specific to individuals with specific needs. This would reduce the dilemma of trying to manage the plan with the “one size fits all” concept.

Targeted Case Management – includes selective contracting. Still being reviewed. (This aspect should have a checkmark in the second column.)

D. Medical Assistance for Elders

Individuals eligible to Participate --

- Special Income Group – Includes individuals in a higher income standard who are eligible for nursing home care, but have to meet a nursing home level of care. This provides for those who have less than nursing home level of care when they have vulnerable care giving systems.
- Medicare Eligible – Would require an individual eligible for Medicare to enroll in Medicare as a condition of Medicaid eligibility.

Prescribed Drugs – Would include integration of Medicare excluded drugs (covered by Medicaid) with Medicare Prescription Drug Plans.

Personal Care Services – Includes selective contracting and coordination with
Medicare benefits.

II. “BEHAVIOR” LEGISLATIVE PROPOSAL (positive/negative reinforcement)

*Personal Health Accounts* – Providing incentives for good behavior. Would focus on specific areas such as drug and alcohol use; provide incentives for good health behaviors such as completion of Health Risk Assessment; allow participants to use credits to purchase goods and services; will also target obesity.

*Co-Payments* – Establishes “nominal” co-payment in an effort to reduce inappropriate use of emergency room service and emergency transportation, and missed appointments. Mr. Rogers added that missed appointments are the main reason physicians refuse to see Medicaid patients. Rep. Henbest commented on the possibility of making available a site/room in the hospital where people can go. Rep. Rusche shared that there are hospitals that provide a nurse call center kiosk that assist in diverting people from the emergency room. Mr. Rogers commented that individuals who are encouraged to make that initial connection to a call center are more likely to call a nurse call center from home the second time.

III. “OPT-OUT” LEGISLATIVE PROPOSAL (a key for cost savings)

*Expansion of Premium Assistance Option* – Would allow Access Card premium assistance option to all low-income children and working age-adults.

*Removal of Credible Insurance Requirement* – Would remove restriction for access to premium assistance option only.

IV. “MISC” LEGISLATIVE PROPOSALS

*Asset Transfer Restrictions* – Mr. Rogers mentioned that Rep. Ring has been working on legislation in this arena.

*Enhanced Estate Recovery* – Provides for potential cost savings over time.

*School Based Prevention Services* – Provides for schools to be eligible for grants if they have programs in physical education and nutrition, etc.

*Aging and Disabilities Resource Center Pilots* – Provides long-term care counseling, information technology, and work incentives counseling.

*Health Information Technology Investments* – Provides various grants to Medicaid participating providers for implementation of health information technology, for example, electronic medical records.

Upon concluding his presentation, Mr. Rogers agreed to return during the afternoon session to be available for questions. Chairman Block thanked him for his presentation.

Chairman Block invited Cathy Holland-Smith to address the committee regarding the budget. Ms. Holland Smith provided two handouts for the committee, Medical Assistance Services (Attachment 5) and Medicaid Provider Payments, FY 2007 Request (Attachment 6). She explained that The Medical Assistance Services handout
represents a summary of the Department’s current request for appropriations for FY 2007. She stated that the Governor’s recommendation will be incorporated into the budget format when it is received. She directed the committee’s attention to the Medicaid Provider Payments handout remarking that there is a significant reduction in dollars. She noted that a supplemental request for Medicaid Utilization and Pricing Inflation (Lines 1-3), has been removed at a reduction of $1.4 million. The main issues that will be dealt with will be the Medicare Part D and the Medical Management Information System (MMIS), the latter being on the administrative side. Regarding the enhancement level (Lines 21-28), several enhancements have been modified or eliminated. One of those removed is the School-Based Medicaid Services which was a $5.6 million impact. The school districts are willing to come up with the money up front to get reimbursement for Medicaid. A category for disabled children called, Katie Becket (additional psychiatric hospitalization benefits), has been removed. She noted in Line 19, Caseload Increases, which have been reduced from $15.1 million to $11.4 million. In Line 20, the combination of, Utilization Increase and Increase and Pricing Inflation, have been reduced from $20 million to $15 million. She commented that by breaking down Medicaid into more distinct categories, as represented in the Governor’s proposal, will provide a better understanding of the Department’s budget request to the Joint Finance Appropriation Committee, germane committee, and the Legislature. Questions from the committee followed.

Chairman Block recessed the meeting for lunch at 12:15 PM.

The meeting reconvened at 1:30 PM. The Chairman welcomed Rakesh Mohan, Director of Office of Performance Evaluations (OPE), Ned Parrish, OPE, AJ Burns, OPE, and Rachel Johnstone, OPE, who have been involved in the Department of Health and Welfare’s Management Review Study as well as the Substance Abuse Report.

Chairman Block invited Rakesh Mohan to address the committee with an update on the DHW Management Review, and the Substance Abuse Study, as well. Mr. Mohan stated that February 27, 2005 is the tentative date for the release of the DHW Management Review Study. He explained that this project set out to review how the Department is managing its resources, its staff allocations, caseload and workload, management communication-- internally and externally. Because they had purchased new web based software to conduct the survey/study, the study proved to be more accurate, faster, and resulted in a better response rate. There were about 2,800 people surveyed. Of the two surveys conducted, there was a 75 percent response rate for the staff and supervisors survey, and a 90 percent response for the management survey. He explained that the survey is more user friendly and provides the opportunity for the individual to express their thoughts or opinions of they so choose. Within two hours from the time the survey was made available, there had been approximately 500 responses. He pointed out that the survey asks questions about management and leadership, workload and staffing, policies and training, agency communication, and morality. They hope to make conclusions that will be useful for the Department and the Legislature. They are performing an analysis of turnover rate. Regarding the staffing caseload/workload analysis, they hope to determine whether or not the Department has a systematic way of managing its caseload and perform staffing allocations.

Rep. Garrett brought up the issue of realigning staff allocations as opposed to
terminating the extra staff positions after a project, initially requiring additional staff, is completed. Mr. Mohan commented that this was a very good point. He further commented that if the right hypothesis is in place, making staff allocations and managing the workload should be able to be accomplished. Mr. Mohan explained that the management process in Idaho’s state facilities/institutions and their resources is another area under going analysis. They are looking at what role the Board of Health plays, i.e., what authority they have or don’t have. Upon conclusion of his presentation, there were questions from the committee.

Mr. Nielsen brought up the issue of the situation of middle management securing their jobs by adding caseloads, and adding employees underneath them. He shared that he is under the assumption from talking with others that middle management is not pulling their weight as far as workload. Mr. Mohan responded by saying that the results from the survey will shed some light on this issue. Rep. Garrett brought up the criticism of the state’s pay system which rewards people (higher pay grade) on how many people they supervise. Mr. Mohan yielded to Ned Parrish who explained that they are not reviewing the state’s pay system at this time, but they will be providing information on the number of Department staff and their corresponding levels. This will give a picture of how large middle management is. Rep. Rusche brought up the question of whether or not there are projected measures of adequate performance standards in place in the various areas. Mr. Mohan explained that this is not included in the analysis, but could be looked at in depth at a future date. Mr. Parrish responded to a request by Rep. Henbest to include the Hays system in the appendix of the report by saying that they would be able to make that information available for this project.

Mr. Mohan proceeded with an update on the State Substance Abuse report which was issued December 13, 2005. He provided two handouts, a booklet entitled State Substance Abuse Treatment Efforts (Attachment 7) and a summary titled State Substance Abuse Treatment Efforts Executive Summary (Attachment 8). He stated that the main focus was in two areas: the first was the area of treatment efforts; the second was Health and Welfare because they have the primary responsibility to manage federal grants for substance abuse. They found that the state’s substance abuse efforts are fragmented, and the report discusses the need for an independent commission. There has been some coordination by the Legislature and the Governor in the past, but those efforts did not last. Presently, there is not a coordinating mechanism to deal with substance abuse issues. He further stated that because of this, at the state level, some basic questions can not be answered, such as: What are the state-wide needs for services?

Mr. Mohan commented that substance abuse is like “air pollution;” it cannot be contained in one room, one agency. Other unanswered questions: What is the state’s capacity to meet the needs? What kinds of services are being provided, to which groups of people, and how many of them? Which programs are working and which are not? Are state efforts making a difference? He touched on a several other recommendations that are noted in the summary and detailed in the report. He mentioned monitoring management services and audits, fiscal management, providing necessary data, ensuring appropriate collection and analysis of data. (Please refer to handouts for the comprehensive report, Attachments 7 & 8). At the conclusion of his presentation, Mr. Mohan invited questions from the committee.
Rep. Nielsen shared his concern for the need to provide coordination of adequate treatment programs in the penal system. Mr. Mohan yielded to Rachel Johnstone, OPE, who said that Judges, the Parole Commission, and the Department of Corrections all have different criteria for what is necessary treatment. She stated there needs to be clarity in identifying who needs treatment. Rep. Nielsen raised the question of what can be done to coordinate these three entities. Ms. Johnstone answered that there needs to be a central body that will coordinate the agencies to discuss the needs. AK Burns, OPE, commented that this issue has been identified in the report as one that needs to be addressed. Rep. Henbest raised concern regarding the statement in the Medicaid paragraph, page 12 of the report (Attachment 7), which states that an adult Medicaid recipient is ineligible for substance abuse treatment. David Rogers responded by saying that appropriate networks, including adequate controls for substance abuse providers, need to be in place first. He said that this is an area that will be looked at.

Chairman Block opened up the meeting for discussion and dialogue. Rep. Garrett raised a concern of hers that the intent of the language for Mental Health Services as noted on Page 3 of the Governor’s proposals (Attachment 2), indicates a move toward more of a commercial insurance package for those with mental illness. She stated that this is not suppose to be the intent and asked David Rogers if the language could be changed. Mr. Rogers agreed that they have realized that the levels of benefit in the commercial arena are very thin, and that this plan will not go to that extreme. Rep. Garrett commented that the Medicaid Buy-In is not addressed in this document and stated that this is included as part of the plan, as well. Rep. Rusche brought up his concern regarding the dearth of providers in the state who are willing to take Medicare/Medicaid patients. He commented that they may need to augment payment or consider developing a secondary way of developing capacity. He also posed the question of how to go about organizing the work ahead, i.e., Medicaid changes, substance abuse organization, mental health proposals from the healthcare task force, etc. Chairman Block yielded to David Rogers, who commented that one of his goals for today was to discuss the statutory framework for these Medicaid issues and is open to suggestions.

Ms. Holland-Smith commented that one of the challenges that needs to be looked at is mental health parity, where an individual with a significant mental illness becomes worse, and the benefit is not sufficient to receive adequate healthcare and the state becomes the last payer. Another challenge is in the area of children in mental health who have been receiving services but are not mentally ill. She believes that one of the key factors in achieving savings is to stop the services that have not been adequate, provide services that are, and put the savings into other programs; dispose of services that are not improving mental health. She agrees with Rep. Garrett that an individual with a serious mental illness needs to be able to access treatment, regardless of what plan they’re in. She believes that there needs to be a mechanism for a strong statutory framework to determine whether an individual is or is not a special needs individual.

Chairman Block suggested that the committee discuss their ideas on how to move forward in addressing the statute portion of this undertaking. Rep. Henbest suggested engaging LSO in order to look more comprehensively at the existing statute and determine what needs to be addressed statutorily. David Rogers commented that a problem does exist in Medicaid with respect to mental health outpatient services in
determining the appropriate level of care for the various populations. **Rep. Rusche** expressed concern regarding the huge amount of work ahead in drafting legislation in the areas of modernizing Medicaid, mental health proposals and substance abuse treatment efforts to bring to the Legislature this year (2006). The **Chairman** remarked that the committee has expressed interest in pursuing legislation this year, and desires to make an impact on the increase of the Medicaid budget. She invited input from the committee in this regard.

Discussion continued on the issue of embarking on drafting legislation. **Mr. Rogers** commented that he believes it might be helpful to “reset the deck,” and include, at a minimum, eligible populations and covered services in the statutory framework. He stated that this would set an expectation that changes in covered populations, new individuals eligible for Medicaid, would rise to that statutory level as well as new services rising to that statutory level. **Rep. Henbest** commented that the system of delivery for children’s mental health needs to be redesigned so that it is more effective and uses dollars better. She further commented that if this is not addressed this year in statute, it will come back next year in rule. **Rep. Loertscher** commented that it is not wise for the state to mandate everything in statute in the Medicaid program. **Rep. Garrett** commented that the Department should not be left with all of the responsibility and control; the Legislature needs to step in and take on some of the responsibility. **Rep. Nielsen** commented that anything done in legislation must be done to support good/loyal moms and dads; supporting the family. He suggests devising a health insurance plan that private enterprise will pick up, with a minimum standard, where the state pays the premium on a sliding scale; the state in turn, contracts with private enterprise to supply this benefit. He believes this would be the simplest way to collect co-pays. This type of system would create greater equity among the people. He further commented that behavior change equating to participant responsibility is critical. He stated that he will not support an increase in the Health and Welfare budget this year, unless it is due to population growth. **Rep. Loertscher** commented that we have created an insurance model all by itself that does not perform in the real world. Committee discussion continued.

**Chairman Block** stated that she believes that a team effort involving the Legislature, the Department and the Committee is the best way to achieve success. She yielded to **Kent Kunz** from the Governor’s office asking him to update the committee on legislation that she has heard has been underway in the areas of cost-sharing, estate recovery, eligibility, and children’s mental health. **Mr. Kunz** responded by saying that in past discussions in the Governor’s office, he has argued that a greater likelihood for success will result if there is a partnership between the executive and the legislative branch. As a result of those discussions, five specific areas targeting legislation were identified as follows:

1. Broad framework piece of legislation that would set out guidelines for the eligible population and covered services.
2. Cost sharing legislation that would give legislative approval and endorsement of the concept of co-payments, and would also speak to the personal health account part of the Governor’s initiative.
3. Miscellaneous systems-related legislation piece (a bill) that would address selective contracting and paid-for performance and HIT grants.
5. A piece-meal legislation addressing the elderly portion of the reform, addressing asset transfer restrictions and long-term care.

Rep. Henbest suggested working with LSO, Legislative Services Office, to start drafting legislation to be shared in draft form with this committee, Senator Compton, and his Co-chair on the Senate side. Rep. Nielsen shared an idea that has been practiced in Utah which is taxing eating establishments an extra percent. Much of this tax comes from tourist trade. The next step would be to take the tax off of good, healthy food. With regard to rules, he suggested the idea of introducing a system of approval of the rules instead of a rejection of the rules; currently, the system dictates that both sides have to reject the rules or they stand. He stated that this is a tremendous loss in checks and balances of the branch of legislative government. Mr. Kunz responded by commenting that the legislature should want to do as much as possible by statute, and “statutes will always trump a rule.” Chairman Block asked if it is the consensus of the committee to have the Department and the Governor’s office go forward in drafting legislation that will address the policy, and bring back that legislation to this committee after the session starts, for their review and input.


Mr. Rogers asked for a target date for presenting the proposed legislation. After some discussion, Chairman Block replied with the date of January 18, 2005.

Chairman Block stated that it has been moved that the committee recommend that the Department and the Governor’s office proceed with drafting legislation that would address the policy issues of the reform plan and bring that legislation to the House Health and Welfare Medicaid Savings and Efficiencies Task Force by January 18, 2005 for review and input on the legislation for this subcommittee. The motion was carried by voice vote.

Ms. Holland-Smith asked if she and Paige Parker or other LSO staff, as they seem fit, should be a part of this bill drafting process. Chairman Block requested that the following statement be inserted in the motion: Ms. Holland-Smith and Paige Parker and other LSO staff, as they seem fit, will be included in this legislative process.

The Chairman thanked all of the participants.

The meeting was adjourned at 3:50 PM.

Representative Sharon Block  
Chairman  

Jennifer O'Kief  
Secretary