

MINUTES
SENATE HEALTH & WELFARE COMMITTEE

DATE: Thursday, February 16, 2012

TIME: 3:00 P.M.

PLACE: Room WW54

MEMBERS PRESENT: Chairman Lodge, Vice Chairman Broadsword, Senators Darrington, Smyser, Heider, Vick, Bock, and Schmidt

ABSENT/ EXCUSED: Senator Nuxoll

NOTE: The sign-in sheet, testimonies, and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

MINUTES: **Chairman Lodge** called the meeting to order at 3:07 p.m., and recognized former **Senator Kermit Kiebert** and his wife Susan, who were in the audience. **Senator Bock** also introduced, Philip and Teresa Mocettini, parents of the Committee Page, Abigail Mocettini. **Chairman Lodge** reordered the agenda, placing the Page Recognition first.

PRESENTATION **Chairman Lodge** commended **Abigail** for her outstanding performance as a Page for the Committee and for the whole Senate. She noted that **Abigail** has a bright future ahead of her and asked her to give the Committee an idea of her future plans. **Abigail** indicated she would like to study international relations or environmental science. She listed the colleges of her choice but has not yet selected where she will go. She advised she is a member of the softball team at Capital High School and may play at the college level. **Abigail** introduced new pages, Karl Lundgren from Buhl, and Kyle Son from Pocatello. **Chairman Lodge** presented **Abigail** with a jeweled State of Idaho Pin to remember her time in the Idaho Senate.

Chairman Lodge recognized **Toni Hardesty**, DEQ Director, thanked her for her service to Idaho, and asked her to introduce members of the DEQ Board in attendance. She introduced **Curt Fransen**, Deputy Director, and Board Members: **Dr. Joan Cloonan, Carol Mascarenas, and Kermit Kiebert**. She also introduced those members up for confirmation: **Dr. Randy MacMillan, Nick Purdy, and Kevin Boling**.

GUBERNATORIAL APPOINTMENT **Nick Purdy** of Picabo, ID was appointed to the Board of Environmental Quality to serve a term commencing July 1, 2011 and expiring July 1, 2015. **Mr. Purdy** indicated he has been on the DEQ Board since its inception in 2002. He is a farmer, rancher, and businessman, and stated his service on the Board has been very educational and from a cowboy's perspective he sometimes brings the Board members back to reality. He related how he has worked with the DEQ through business ventures and stated that he understands what the little guy has to go through in getting permits and understanding fees. **Mr. Purdy** complimented **Director Hardesty** for the wonderful job she has done in negotiating the needs of the Department and indicated he looked forward to continuing to work with her at the Nature Conservancy.

Supporting documents related to this testimony have been archived and can be accessed in the office of the Committee Secretary (see Attachment #1).

Senator Darrington commented that one of the greatest challenges DEQ faces is walking that line between those in the pure environmental movement and those who hate environmental laws and in resolving those kinds of conflicts to protect the environment within the law and not going to the extent that gets to nonuse of our resources. He asked how **Mr. Purdy** has been able to do that. **Mr. Purdy** indicated the tool DEQ has to provide that balance is called negotiated rulemaking and it is amazing how **Director Hardesty** and the staff have been able to use it.

Senator Darrington further noted that during the tenure of **Director Hardesty**, DEQ has done a good job of preserving primacy in certain areas. He asked **Mr. Purdy** to comment with regard to the importance of primacy to the citizens of the State of Idaho. **Mr. Purdy** agreed that State primacy is important and there are permitting tasks that could and should be handled by the State.

Chairman Lodge noted that the Picabo Ranch has been in the Purdy family for 129 years, which shows the family commitment to the land.

**GUBERNATORIAL
APPOINTMENT**

Dr. John Randolph MacMillan of Buhl, ID was appointed to the Board of Environmental Quality to serve a term commencing July 2, 2011 and expiring July 1, 2015. **Dr. MacMillan** stated that he has worked for Clear Springs Foods for 21 years and is currently Vice President of Research and Environmental Affairs. He is active in national aquaculture issues, has served on a number of fish farming boards, the National Aquaculture Association, and has done a fair amount of work at USDA. He brings knowledge to the Board in the area of water quality issues and has experience in the area of food safety and animal disease issues. He agrees with **Mr. Purdy** that negotiated rulemaking provides an important balance between business and environmental issues. It is his experience that industry really does want to be a good environmental steward. They just want their stewardship to be cost effective and not put them out of business. Where they struggle sometimes with some of the environmental groups is that those groups use passion and emotion to try to define what industry should do rather than rely on best available science as required of DEQ in Idaho Code, Section 39-107D.

Supporting documents related to this testimony have been archived and can be accessed in the office of the Committee Secretary (see Attachment #2).

Senator Darrington asked if **Dr. MacMillan** is dissatisfied with the Code language "no more stringent than," as it relates to RCRA regulations and hazardous materials, or if it works well. **Dr. MacMillan** indicated that language has been very effective, but he does see some opportunity to improve on it. He would like to eventually see a requirement that the regulatory decision be based on good solid science. His view is that if the Department and the experts in the department focused on sediments and trying to reduce the accumulation of nutrient rich sediments you probably would meet state water quality standards far quicker than you ever will with the focus on dissolved nutrients.

Senator Heider commented that **Dr. MacMillan** understands the aquifer and water quality issues better than anyone he has ever met, protects our Snake River Water System, and runs a business that is the largest exporter of fish in the World. He is an outstanding individual and they are privileged to have him on the DEQ Board.

Senator Broadsword recalled that at **Dr. MacMillan's** first confirmation hearing there was concern by a member of the Committee, who is no longer in the Legislature, that he could not come from industry and be impartial on the Board. His record shows that you can come to the Board from industry and be impartial and help drive the train down the tracks in the right direction.

GUBERNATORIAL APPOINTMENT **Kevin C. Boling** of Coeur d'Alene, ID was appointed to the Board of Environmental Quality to serve a term commencing October 11, 2011 and expiring July 1, 2015.

Mr. Boling indicated he has been an Idaho resident since 1971, and is a graduate of the University of Idaho. He has spent his career in the forestry industry, including three years as a lobbyist managing Potlatch's government affairs. Being a part of the regulated communities gives him a common sense approach to the very complicated, difficult issues dealt with by DEQ in the State of Idaho.

Supporting documents related to this testimony have been archived and can be accessed in the office of the Committee Secretary (see Attachment #3).

Senator Darrington asked **Mr. Boling** to comment on whether he agrees with the previous responses on the subject of primacy. **Mr. Boling** responded he does. He stated that having to deal at arms length with people in Seattle regarding water quality issues in Idaho is an unnecessary complication.

Chairman Lodge thanked the three Gubernatorial Appointees for appearing before the Committee and advised that a vote on their nominations would be taken at the next meeting. She also wished **Director Hardesty** the very best in her new position with the Nature Conservancy.

PRESENTATION **Department of Health and Welfare Overview of Medicaid Managed Care.**

Leslie Clement, Deputy Director, Department of Health & Welfare (Department), advised that H 260 passed by the 2011 Legislature directed Medicaid to begin to incorporate managed care tools to foster an improved accountability and health outcome. The Department's biggest challenge is to develop strategies to make Medicaid sustainable.

Ms. Clement advised that Medicaid is an entitlement program driven by federal law to ensure certain low income and disabled individuals obtain health care services to meet their needs. She advised that total enrollment is 235,000 and while 75 percent are relatively healthy children, the elderly and people with disabilities drive most of the cost. She reviewed Medicaid participation by county (see Attachment #4a, #4b, and #4c), and advised that under Health Care Reform it is estimated an additional 100,000 Idahoans will become eligible for Medicaid in 2014. New eligibles will include uninsured, non-elderly adults who have incomes below 133 percent of the federal poverty limit (FPL) and that this newly eligible population will be 100 percent funded by the federal government until 2016; that funding will decrease to 90 percent by 2020.

Ms. Clement indicated that after three years of benefit and pricing reductions, Idaho has exhausted short-term budget strategies to control growth. In reviewing other states' procedures, she noted that 26 states contract with managed care organizations and budget pressures and interest in improving service delivery and payment systems are causing plans in many states to expand the use of managed care. She advised that Idaho's limited experience with managed care has been positive.

Ms. Clement advised that in 2012 the Department has met with in-state experts and stakeholders to determine what Idaho should do relative to Medicaid Managed Care. She reviewed legislative direction including an updated actuarial analysis for Medicaid Managed Care and provided a list of savings opportunities. Actuarial data reveals that the most common chronic conditions among the non pregnant adult population are mental illness, diabetes, and seizure disorders. She indicated that with just focusing care management efforts around two chronic conditions, diabetes and major depressive bipolar and paranoid disorders, there is an opportunity to improve the care and reduce the cost.

Ms. Clement then reviewed managed care opportunities identified in the Actuarial Report by Medicaid sub-populations and indicated the Department would be focusing on the top 5% of each population as that is where the high cost individuals are. The Department has also talked with Oregon and Utah Medicaid program experts to share the good, the bad, and the challenges of managed care in those states. She indicated experience shows a high level of satisfaction and access as well as better cost predictions under a managed care plan. The "bad" is that capitation does not always align with good health policy and federal laws must be adhered to. Among the challenges are resistance to change and provider capacity. Both states are reforming plans with changes anchored on the Medical Home with an emphasis on improved care coordination.

Ms. Clement reported that the Department has engaged the public, advocacy groups, and providers in public forums related to managed care during 2011. She stated that in the Behavioral Health area, the forum emphasis was on building a system that does a better job than the one we have today, emphasizing the right place of service at the right time. The Dual Eligible discussion explored health plans interests in collaborating with Idaho Medicaid to test a financing model using capitation and enter into a contract with CMS to provide comprehensive seamless coverage. The Department invited long-term care experts to join in a forum discussing how to best address dual eligible's service and support needs in the move to managed care. The Managed Care Forum engaged medical and health care experts in a discussion about Idaho Medicaid Managed Care approaches that will be supported by hospitals, physicians and Community Health Centers.

Overall messages received from hospitals and health systems were positive with an emphasis on the importance of electronic health records and a caution about commercial insurance companies being another layer between Medicaid and providers. There is a capacity concern as Idaho is 49th among the states in physician/patient ratio and access will be important. The Patient-centered Medical Home is a key element of Medicaid Managed Care and can improve care coordination, increase efficiency and improve health outcomes.

Ms. Clement advised that Application has been made for technical assistance from the National Association of State Health Policy to adopt/adapt North Carolina Community Care Model. If approved, this will allow travel and training in North Carolina where they have managed Medicaid services through community provider networks anchored by the patient-centered medical home.

Ms. Clement reviewed the status of Health Systems development and current Medical Home pilots and initiatives, as well as budget requests. She stated that although they have targeted implementation dates for the programs, the Department's emphasis is on getting it right rather than trying to meet a particular implementation date.

Supporting documents related to this testimony have been archived and can be accessed in the office of the Committee Secretary (see Attachment #5).

Vice Chairman Broadsword asked what the cost for Managed Care design and development is and whether it is in the Governor's recommended budget. **Ms. Clement** advised the amount of \$644,000, with 50 percent being a general fund request, is in the Governor's recommendation.

Senator Vick asked if Idaho's 49th percentile ranking in physician/patient ratio includes all doctors, or just those providing Medicaid and Medicare services. **Ms. Clement** responded "all doctors." **Senator Vick** asked if there is an explanation for that. **Ms. Clement** advised that a lot of states are struggling with primary care ratios. Not having a medical school in Idaho could impact this and the fact that primary care physicians are reimbursed less than specialty physicians could also be a factor. **Senator Vick** noted the actuarial overview indicates average number of enrollees is up about 16 percent and total spending is up about 25 percent; he asked what is driving that cost and why Physical Health is way up and Long Term Care is down. **Ms. Clement** indicated the Department has asked the actuaries for an explanation on those trends. She did advise that other state Medicaid fee for service programs are seeing this same increase. She noted that Developmental Disability services is reported under Physical Health and those services are a high cost item. With regard to the decrease in Long Term Care she advised that some prices were reduced in this area and it does not include upper payment limits.

Senator Heider noted in the presentation there was an indication that the Medicaid currently pays for volume rather than value, and asked why the Department does not track outcomes. **Ms. Clement** stated that as much as the Department wants good outcomes, the current fee structure of paying a fee for service does not really allow tracking outcomes. She indicated we now have an opportunity to work with health care providers to try to identify ways to reform the payment system; it is a big task and we must approach it in a better way together. She stated that whoever is paying the bill is going to be most motivated to try to get things done differently and that is the Department's task.

Vice Chairman Broadsword commented that in some cases if there were other support services out there that provided what that person really needs – somebody to listen to their problems – they would not be seeing the doctor. **Ms. Clement** said that is a really good point and part of the medical home idea is the team based approach of having people practice at the level they were trained to perform.

Chairman Lodge thanked **Ms. Clements** for the informative presentation and recognized **Tom Shanahan**, Public Information Manager, Department of Health & Welfare, for his technical assistance during the presentation.

Chairman Lodge called the attention of the Committee to an article from the Idaho Press Tribune (see Attachment #6) related to community efforts in helping the needy trade services for dental care, stating this is an example of how the needy can access services before going to Medicaid.

ADJOURN: There being no further business, the meeting was adjourned at 4:43 p.m.

Senator Lodge
Chairman

Lois Bencken
Secretary