

MINUTES
HOUSE HEALTH & WELFARE COMMITTEE

DATE: Tuesday, February 28, 2012

TIME: 1:30 or Upon Adjournment

PLACE: Room EW42

MEMBERS: Chairman McGeachin, Vice Chairman Bilbao, Representative(s) Loertscher, Shepherd, Thayn, Wood(27), Guthrie, Roberts, Rusche, Chew

**ABSENT/
EXCUSED:** None

GUESTS: Jim Genetti, Idaho Association of Health Underwriters; Denise Chuckovitch, Idaho Primary Care Association; Kris Ellis and Robert Vande Merwe, Idaho Health Care Association; Larry Tisdale and Toni Lawson, Idaho Hospital Association; Sara Stover, State of Idaho Division of Financial Management; Leslie Clement, and Paul Leary, Department of Health and Welfare (DHW); Jason Kreizenbeck, Lobby Idaho; Reiley O'Brien, American Cancer Society Cancer Action Network; Mark Johnston and Darcy Aslett, Bureau of Pharmacy; Mark Maxfield, The Cottages; Dr. Ted Epperly, Family Medicine Residency of Idaho; Joie McGarvin, America's Health Insurance Plans; Dr. Les Stone, Rena Carlson, John Chandler, Wayne Loertscher, Idaho Veterinary Medicine Association; Woody Richards, Attorney; Jayson Ronk, Idaho Association of Commerce and Industry; Julie Taylor, Blue Cross of Idaho; Jeremy Pisca, St. Alphonsus Hospital; Suzanne Budge, Idaho Lobbyist.

Chairman McGeachin called the meeting to order at 2:31 p.m.

MOTION: **Rep. Bilbao** made a motion to approve the minutes of February 14 and February 20, 2012. **Motion carried by voice vote.**

PRESENTATION: **Larry Tisdale**, Vice President of Finance, Idaho Hospital Association, presented "Hospital Assessments and Related Supplemental Payments" to the committee. He gave a brief history of hospital assessments, taxes and supplemental payments, including Upper Payment Limit (UPL) and Disproportionate Share Hospital (DSH) payments.

Mr. Tisdale remarked that federal regulatory code requires states pay no more than a "reasonable estimate" for UPL payments. Idaho Medicaid uses actual costs from audited cost reports to establish a "reasonable estimate." UPL payments scheduled for the fall of any given year are based on the previous calendar year.

He explained that UPL gaps have occurred since the hospital reimbursement was reduced below the cost of providing services to Medicaid patients. There was a 3.5% cut after 9/11 and a subsequent 5% deficit cut.

Mr. Tisdale stated that private hospitals are assessed a percentage of their net patient revenue for the state share of UPL and DSH payments. County and district hospitals pay through the intergovernmental transfer (IGT) process for the state share of UPL and DSH payments.

General fund budget relief assesses private, county and district hospitals, which are considered non-state government owned (NSGO), as a percentage of their net patient revenue. **Mr. Tisdale** described the 2009 general fund payment agreement, which has no sunset, and the actual cost restoration of the two previous cuts. With the reimbursement restored to cost, community hospitals agreed to be assessed for two years to help fund the Trustee and Benefits Fund shortfall. However, without the buffer of expected UPL payments in 2013, hospitals will have to shift the cost of any continued Trustee and Benefits assessments, which will raise insurance costs, increasing both employment and business opportunities.

H 566: **Rep. Nonini** presented **H 566**, legislation that increases the Medical Savings Account (MSA) and Health Savings Account (HSA) annual pretax maximum contribution from two thousand dollars to five thousand dollars, if the account holder files a separate tax return, and from two thousand dollars to ten thousand dollars, if the account holder is married and files a joint tax return. He stated that this increase is designed to encourage the purchase of higher deductible insurance plans and the use of HSAs for first dollar medical care. This legislation applies only to the state tax policy, since the federal government sets Internal Revenue Service limits. Rep. Nonini explained that the Statement of Purpose (SOP) was revised to include the 2010 cumulative \$14,042,851 total provided by the State Tax Commission, although the SOP indicates 2012.

Rep. Roberts commented that since **H 566** amends Idaho Code 63, it belongs in the Revenue and Taxation Committee, especially with the substantial change from current tax policy in the amount of the deductions.

MOTION: **Rep. Roberts** made a motion to recommend that **H 566** be referred to the Revenue and Taxation Committee. **Motion carried by voice vote.**

H 573: **Rep. Thayne** presented **H 573**, legislation to encourage, facilitate, and fund Health Savings Accounts (HSA) for Idaho state employees who are enrolled in a high-deductible health plan. He detailed historical and projected medical costs, contrasting the U.S. Gross Domestic Product percentage with other industrialized nations. Rep. Thayne explained the evolution from unexpected illness coverage to first dollar insurance.

He detailed the current state system and examples of high deductible policies for state employees with HSA's. Deposit amounts would equal the difference between high-deductible health plan premium costs and the state's lowest deductible group health plan.

Responding to questions, **Rep. Thayne** said that, although he had not presented this plan to any actuaries, he had talked with the Department of Insurance and the Department of Administration, who suggested he pursue this legislation.

Rep. Wood stated his concern that this legislation deals with state benefits issues and would be more appropriately addressed by the Commerce and Human Resources Committee.

MOTION: **Rep. Wood** made a motion to recommend that **H 573** be referred to the Commerce and Human Resources Committee. **Motion carried by voice vote.**

H 569: **Rep. Loertscher** presented **H 569**, invoking Rule 38 because his son is a veterinarian. He said that the existing controlled substance reporting statute includes veterinarians. This becomes an issue due to the small amount of controlled substances dispensed and the expense of implementation. He stated that **H 569** stipulates that reporting requirements are for substances dispensed to humans, exempting veterinarians.

Mark Johnston, Executive Director, Idaho Board of Pharmacy (BOP), testified that he had conferred with the BOP Chairman and there is no opposition to the statute change.

Dr. Les Stone, Veterinarian, Idaho Falls, testified in **support** of **H 569**, stating that the required information, such as birth date, would be useless to the board of pharmacy since it is for a human forum. He said that the amounts dispensed are too small to be indicative of any abuse and are not typically used for recreational purposes.

Rena Carlson, Veterinarian, Pocatello, appeared in **support** of **H 569**, stating that twenty-three states have exempted veterinarian reporting, since the information would be irrelevant and useless.

John Chandler, Veterinarian, West Vet Emergency Clinic, Idaho Veterinary Medical Association, testified in **support** of **H 569**, stating that under the current regulation, any clinic that prescribes more than ten controlled substances a week would be required to report. He finds this a concern, particularly with the approximate thirty-thousand dollar expense of the reporting software. Smaller clinics would face a hardship between the costs of software and integration staffing. He noted that the Drug Enforcement Administration monitors controlled substances, which are used mainly in their office and not dispensed. He said dispensed drugs are not usually diverted because of their small quantities, short duration of use, lack of refills, and requirement of a vet-patient relationship.

Wayne Loertscher, Veterinarian, Idaho Veterinary Medical Association, testified in **support** of **H 569**, stating his agreement with previous testimonies. Dr. Loertscher said that their controlled substances are closely regulated, including annual blood level monitoring, and veterinarians share their records. He stated concern that the Board of Pharmacy could change the rules and cause financial and staff difficulty, which would be a burden to their clients, who would bear the additional costs.

MOTION: **Rep. Guthrie** made a motion to send **H 569** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Loertscher** will sponsor the bill on the floor.

PRESENTATION: **Dr. Ted Epperly**, Family Physician, President & CEO, Family Medicine Health Center, presented "The Affordable Care Act, Looking Toward A Better System For The Entire Community." He explained the conditions that have led to the Patient Protection and Affordable Care Act (PPACA), which addresses the escalating numbers of uninsured people, out of control costs, and lack of affordable health care.

Dr. Epperly stated that a preventative health care system needs to be available. He remarked that health care systems in other countries utilize the front-end health care system, which focuses on prevention.

He said a rebalance of the medical work force will get people to the right physician at the right time for the right treatment. If not changed, the current high cost procedure and volume driven system will continue. Elaborating on this statement, he explained that the largest economic sector on our planet is our country's health care.

Dr. Epperly described PPACA as a move from an experience-based to a community-based system to eliminate the growing number of medical bankruptcies. He said that other countries experience no medical bankruptcies because their health care systems actually keep people healthy through their front-end services. He stated that even with a high per-person dollar expenditure, the World Health Organization ranked our country thirty-seventh for quality of care and fifty-fourth for affordability.

He remarked that the largest provision in PPACA is in health promotion and prevention, with incentives for wellness strategy, so the country starts thinking more about health than about disease and sickness. He concluded that there are good things in PPACA, and a lot of grey areas, with the opportunity to make advancements for the good of Idaho citizens.

In response to questions, **Dr. Epperly** said that social determinates are often health drivers, even with Medicaid. He stated that mental illness and any chronic disease are a toxic combination that often accompanies Medicaid patients. He suggested a focus on the front-end system to get timely care, with work on behavioral changes, so future costs are less.

Dr. Epperly encouraged a pluralistic system and stated he is a fan of neither a single-payor system nor a free market system, because people fall through the cracks in both. The expansion of Medicaid asks the state to be partners, which, if not accomplished, produces a cost shift, since emergency care and hospitalization are still utilized and the costs are passed on some other way. Expanded coverage allows timely access in lower-cost settings and downstream benefits that provide better health care and lead to a healthy, educated, and employed workforce to make Idaho a better place.

H 558: **Kris Ellis**, Idaho Health Care Association, presented **H 558**, legislation that revises the residential care facilities administrator permit requirements. She explained that the previous permit requirement of both experience and course attendance has been modified to allow either one. She said this legislation is supported by the licensing board.

Mark Maxfield, Owner, The Cottages, Treasurer, Health Care Association, testified in **support** of **H 558**, stating that this legislation is a compromise with the licensing board. He said rural small businesses would struggle to have a licensed administrator under the current requirements. A provisional license is important to provide the appropriate coverage while a permanent resolution is found.

MOTION: **Rep. Rusche** made a motion to send **H 558** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Rusche** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 4:17 p.m.

Representative McGeachin
Chair

Irene Moore
Secretary