MINUTES
JOINT MEETING

SENATE HEALTH & WELFARE COMMITTEE
HOUSE HEALTH & WELFARE COMMITTEE

DATE: Friday, March 22, 2013

TIME: 8:00 A.M.

PLACE: WW02 - LINCOLN AUDITORIUM

MEMBERS PRESENT: Chairman Heider, Vice Chairman Nuxoll, Senators Hagedorn, Guthrie, Martin, Lakey and Schmidt

Chairman Wood, Vice Chairman Perry, Representatives Hancey, Henderson, Hixon, Malek, Morse, Romrell, Vander Woude, Rusche and Chew

ABSENT/ EXCUSED: Senators Lodge and Bock, and Representative Henderson

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.

CONVENED: **Chairman Wood** called the meeting to order at 8:00 a.m. He welcomed guests and explained that the meeting was for informational purposes only; no testimony would be heard and no legislation would be voted upon.

Chairman Wood recognized Representative Loertscher for presentation of background information on **H 308**, proposed legislation that would repeal the State of Idaho Catastrophic Health Care Cost Program (CAT), the County Medically Indigent Statute, and reduce the County levying authority for medically indigent programs.

Representative Loertscher reviewed the history of the Indigent Care Program from his perspective, beginning with his term as a Teton County Commissioner, followed by his years as an Idaho State Representative. He said indigent care costs began to escalate in 1979, which imposed a strain on Teton County's budget until eventually there was no money to cover the costs and the county was required to impose a tax.

Representative Loertscher explained that counties were first authorized by the state to maintain and manage their own tax funds. He said not all counties, however, participated in that program but instead put money into a catastrophic fund as a re-insurance pool, which could be drawn on as the need arose. He said when the state-funded catastrophic program was placed into law, funds of approximately $2 million were not appropriated until the second year, and the funds were not totally depleted.

Representative Loertscher said the program has worked well but is no longer sustainable with the escalating costs of indigent medical care. He said current approved claims are approximately $3.7 million for one month for the state alone, with the counties picking up nearly $1.7 million. He said passage of **H 308** would provide over the next ten years an estimated $178 million in direct property tax relief to the counties.

Chairman Wood thanked Representative Loertscher for his presentation and welcomed State Tax Commissioner Ken Roberts to help the committees understand the financial effects on the Charity and Indigent Fund using a reduced maximum levy rate of 0.0002.

Commissioner Roberts handed out a spreadsheet (attachment 2) and reviewed the 2012 figures for net taxable market value, property tax budget, approved levy rates and the property reduction under the new maximum levy totalling $15,016,341. Figures for each county were listed, except for Boise, Kootenai and Teton counties, which did not levy for a charity and indigent fund for 2012. **Commissioner Roberts** said these counties can levy in other ways, however. For example, Kootenai County has a $7 million fund in the indigent hostel program.

Commissioner Roberts said the maximum amount of property taxes that a county could levy is not affected by this legislation, and levies could come from a variety of different sources, such as fair operations, airport, bridge, and indigent.

Questions were asked by **Senators Hagedorn** and **Schmidt** and **Representative Hixon** regarding levy rates, property taxes, timing of the legislation, possible rising costs and pre-existing conditions.

Chairman Wood thanked Commissioner Roberts for his presentation and welcomed Mr. Dick Armstrong, Director, Department of Health and Welfare, for presentation of **H 309**, relating to Medicare Redesign. **Mr. Armstrong** referred Committee members to the handout (attachment 3) which outlined the proposed Medicaid Redesign Plan. He said the legislation is to include the benchmark plan for low-income adults in the Medicaid plan, including adults in families with dependent children and people age 19 years or older and under the age of 65, who were not otherwise eligible for any other coverage under medical assistance as described in title XIX of the Social Security Act.

As background information, **Mr. Armstrong** explained that the Governor appointed a workgroup in July 2012 to collect data, analyze it and provide recommendations. The workgroup engaged two national consultants to collect the data, and a report was delivered to the Governor with recommendations in December 2012. The report was subsequently amended in March to revise population and cost estimates and the approved benefit plan design.

Mr. Armstrong reviewed recommendations including personal responsibility and accountability requirements, and a redesigned health delivery system which focuses on preventive care. He outlined the eligibility categories and the upcoming switch to modified adjusted gross income (MAGI) to calculate eligibility, beginning January 2014.

Mr. Armstrong reviewed population characteristics (68 percent of uninsured families have at least one full-time worker); current sources of care for optional population; Medicaid and Insurance Exchange without optional enrollment (under the Medicaid redesign); the cost of status quo ($1,521.5 million over ten years); cumulative costs of full enrollment ($1.523 billion); costs of optional enrollment 2014-2024 ($648.8 million) with a net savings over ten years of $478.6 million. He said the total costs of full enrollment and optional enrollment offset each other over ten years with $84.6 million overall savings. An estimated $9.22 billion in federal funds was not included in the report.

Mr. Armstrong said 26 percent of the general population experiences diagnosable mental illness during a 12 month period, equaling 27,000 individuals in Optional Enrollment. He emphasized that people are receiving their medical services from expensive emergency rooms and they seem to have the highest rate of health problems relative to the general population and a high rate of chronic conditions, such as diabetes. He said 6,000 use CAT or Medical Indigent Services; 35,000 use Idaho Community Health Centers; 4,300 use Idaho Adult Mental Health Centers; and 2,000 use correctional facilities.

Chairman Wood thanked Mr. Armstrong for his presentation and recognized Mr. Steve Millard, Idaho Hospital Association, who handed out statistics illustrating the economic impact of Medicaid and the proposed Medicaid expansion in Idaho supported by federal government funding (attachment 4).

Mr. Millard explained that the study prepared by the workgroup did not take into account the new federal funding, so the University of Idaho was asked to do a macroeconomic report that incorporates the new numbers. The plan model was done in 2010 and is adjusted to show the economic impacts of Medicaid and the Proposed Medicaid Expansion in Idaho, supported by federal funding. He said the dollars going into the economy provide a ripple effect, with the economic activity estimated at $699 million over a ten year period. In response to a question posed by **Chairman Wood**, **Mr. Millard** said the Affordable Care Act, when passed, included Medicare and Hospice coverage of more than $155 billion over ten years, and the offset for that money was the increased number of insurers factored in by the mandates in place at the time. Because the plan is now optional rather than mandatory, the figure for the state is reduced to $500 million to Idaho hospitals over ten years. He said those costs will be shifted to insurers and a change in the system is being developed to make allowances for this adjustment.

Representative Hancey asked how much employers and dependants would pay if that cost savings does not occur. **Mr. Millard** said data shows hospitals had written off charity of about $200 million last year and the costs would have to be shifted. **Senator Schmidt** asked Mr. Armstrong if problems might occur if the legislation is acted upon too quickly. **Mr. Armstrong** replied that the project takes time in any case, and applications will be processed regardless of the legislation. In answer to a question from **Representative Perry**, **Mr. Armstrong** said the number of people coming into the system is not known, but individuals with chronic problems are already in the system. He said the Department will employ models from neighboring states, such as Oregon and Utah, as guidelines.

Senator Hagedorn asked how the state would respond if, at some point in the future, the state were to receive only 60 percent (of the 100 percent) of federal funding. **Mr. Armstrong** said if 100 percent federal funding is retracted, affected individuals would not be covered; they would have no safety net. **Senator Hagedorn** ask if an analysis could be prepared regarding costs to the state if federal funding were cut to 60 percent. **Mr. Armstrong** said that could be done.

Representative Hixson asked if there are tools in place to allow for flexibility. **Mr. Armstrong** said the Obama Administration has expressed the desire to not restrict flexibility, which will be tested in Idaho.

Representative Rusche asked Chairman Wood if there would be a hearing on **H 309** next week. **Chairman Wood** said a decision on hearing the legislation has not yet been made.

ADJOURNED: **Chairman Wood** expressed appreciation to the presenters for providing the information on the two pieces of legislation. He thanked committee members for their attendance and adjourned the meeting at 9:15 a.m.

Senator Heider
Chairman

Linda Hamlet
Secretary