ANNUAL REPORT
OF THE
HEALTH FINANCE COMMISSION

Indiana Legislative Services Agency
200 W. Washington St., Suite 301
Indianapolis, Indiana 46204-2789

October, 2002

INDIANA LEGISLATIVE COUNCIL
2002

Speaker John Gregg	**Senator Robert Garton**
Chairman	**Vice-Chairman**
Sandborn	**Columbus**
Representative Brian Bosma	**Senator Richard Young**
Indianapolis	**Milltown**
Representative Mark Kruzan	**Senator Harold Wheeler**
Bloomington	**Larwill**
Representative Dale Grubb	**Senator Joseph Harrison**
Covington	**Attica**
Representative William Cochran	**Senator Patricia Miller**
New Albany	**Indianapolis**
Representative Charlie Brown	**Senator Thomas Wyss**
Gary	**Fort Wayne**
Representative Kathy Richardson	**Senator James Lewis**
Noblesville	**Charlestown**
Representative Richard Mangus	**Senator Earline Rogers**
Lakeville	**Gary**

Philip J. Sachtleben
Executive Director
Legislative Services Agency

Health Finance Commission
Membership Roster

Representatives	Senators
Charlie Brown, Chairperson **Gary**	**Patricia Miller, Vice-Chairperson** **Indianapolis**
Randy Borror **Fort Wayne**	**Ron Alting** **Lafayette**
Vaneta Becker **Evansville**	**Billie Breaux** **Indianapolis**
Timothy Brown **Crawfordsville**	**Allie Craycraft** **Selma**
Mary Kay Budak **LaPorte**	**Beverly Gard** **Greenfield**
William Crawford **Indianapolis**	**Steve Johnson** **Kokomo**
Susan Crosby **Roachdale**	**Connie Lawson** **Danville**
John Day **Indianapolis**	**Marvin Riegsecker** **Goshen**
David Frizzell **Indianapolis**	**Earline Rogers** **Gary**
Scott Pelath **Michigan City**	**Greg Server** **Evansville**
Gary Dillon **Columbia City**	**Vi Simpson** **Bloomington**
Brian Hasler **Evansville**	
Win Moses **Fort Wayne**	
Peggy Welch **Bloomington**	

Staff

Casey Kline **Attorney for the Commission**	**Kathy Norris** **Fiscal Analyst for the Commission**

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other document for this Commission can be accessed from the General Assembly Homepage at http://www.state.in.us/legislative/.

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

IC 2-5-23-4 states that the Health Finance Commission may study any topic: (1) directed by the chair of the Commission; (2) assigned by the Legislative Council; or (3) concerning issues that include the delivery, payment, and organization of health care services and rules that pertain to health care delivery, payment, and services that are under the authority of any board or agency of state government.

In addition, the Indiana General Assembly enacted legislation directing the Commission to do the following:

> Develop a plan to reorganize the office of the secretary of family and social services established by IC 12-8-1-1. Before November 1, 2002, the commission shall issue a final report. The final report must:
>
> (1) describe the reorganization plan required by this subsection; and
>
> (2) contain recommendations for legislation.
>
> The commission shall submit a copy of the final report to the executive director of the legislative services agency.
>
> SEA 227-2002.

The Legislative Council assigned the additional responsibility of studying Medicaid policy and planning reorganization. (as proposed in SB 229).

II. SUMMARY OF COMMISSION SCHEDULE

The Commission met three times during the 2002 interim.

The first meeting was held August 20, 2002, at the State House in Indianapolis. The meeting was devoted to hearing testimony concerning the initial structuring of the Family and Social Services Administration (FSSA) in 1991 and public opinion on FSSA's performance.

The second meeting was held September 17, 2002 at the State House. The meeting was devoted to hearing testimony on how other states structure their health and human services programs. The Commission also heard testimony from the public on how well FSSA is performing its assigned duties. The Commission discussed whether the Office of Medicaid Policy and Planning and the Division of Mental Health and Addiction should be a separate agency or remain within FSSA.

The third meeting was held October 8, 2002, at the Cancer Research Institute, Indiana University Medical Center Campus in Indianapolis. The meeting was for the purpose of considering and approving legislative recommendations and the Commission's final report. Testimony was also heard on the Health Insurance Flexibility and Accountability Initiative and the Commission was given an update on the West Nile virus. John Hamilton, Secretary of FSSA, also followed-up on

questions that arose at the second meeting concerning the Evansville State Psychiatric Treatment Center for Children.

III. SUMMARY OF TESTIMONY

This section is a general summary of the testimony received by the Commission. To read a more complete record of this testimony, the minutes for the Commission's four meetings can be found on the homepage of the Indiana General Assembly (http://www.in.gov/legislative/) or by contacting the Legislative Information Center of the Legislative Services Agency.

Structure of Current FSSA

Several individuals testified on the means by which FSSA was first structured. In the early 1990's, the Sunset Evaluation Committee within the Indiana General Assembly undertook a two-year review of Indiana's health and human services agencies and programs. An overview was given on the two service delivery studies, the Sunset Evaluation Committee Study of 1990-1992 and the Anderson Consulting efficiency audit commissioned by Governor Evan Bayh. Both studies indicated that the human services delivery systems in the state suffered from fragmentation and duplication of services and lacked centralized policy, planning, evaluation, and research.

Testimony was also received on the Institute of Medicine Report in the 1990's which focused on the delivery and coordination of public health programs and the Interdepartmental Board of Coordination of Human Services which was a precursor to FSSA. The four agencies reviewed were: (1) Department of Welfare; (2) Department of Mental Health; (3)Department of Human Services; and (4) Board of Health. The human services models of Florida and Washington were reviewed as potential models for Indiana's structure. The roles of the Board of Health as a regulatory agency and a separate agency to provide the services were a factor in deciding to maintain a Department of Health as a separate entity. Another issue discussed was whether a medical model or a social services model was the correct paradigm for the new agency.

Testimony was received on the legislative process that resulted in Public Law 9-1991 which created the Office of the Secretary of Family and Social Services. Testimony was received concerning the history of FSSA, including that the current secretary of the office, John Hamilton, is the eighth secretary. FSSA serves one out of every seven Indiana residents and has a total budget of $5.6 billion. FSSA indicated that, because of its current structure, FSSA has been able to enhance program and policy collaboration. Challenges facing FSSA include the elimination of "funding silos" in order to enable funding to address desired individual results, not program funding sources. Communication and coordination within FSSA remain a challenge due to FSSA's size.

Other States' Human Services Agencies

Testimony was received by the Commission concerning how other state governments manage health and human services. North Carolina and Wisconsin have county-operated and state-supervised programs. Field staff are county employees while the state agency focuses on oversight and assistance for the counties. In comparison, state-administered systems vest more responsibility and authority in state-level staff, have more state employees, and less direct connection to communities. Oregon's Department of Human Services is currently being internally reorganized by order of Oregon's legislature.

Testimony was given on states that have highly consolidated health and human services agencies and the benefits and detriments of organizing in this manner. Consolidated departments have multiple divisions that function fairly autonomously, dealing with different programs or populations. Benefits include a common vision, policy direction, the ability to serve multiple-need clients and coordinate across divisions, and the consolidation of administrative functions. Potential challenges include the unmanageable size of the department, competition among divisions and programs for funding or visibility, and inflexible funding streams.

A recent trend in organizing human services programs is focusing on changing the system at the community level. County-based systems may have an advantage over traditional, state-administered systems because workers know each other and are accustomed to working together.

FSSA's Current Performance

The Commission received testimony from individuals who work in the health and human services arena concerning FSSA's performance. Testimony was received criticizing FSSA's handling of its announcement concerning the closure of Evansville State Psychiatric Treatment Center for Children. The Indiana General Assembly reacted by passing legislation during the 2002 special session that prohibited the closure of the center. Concerns were expressed that FSSA may be continuing its efforts to close the center. Testimony also addressed FSSA's size, commenting that FSSA is such a big agency that there is little opportunity for meaningful input in policy making and that the agency is understaffed. Comments also addressed the relatively frequent changes in executive leadership and the need for continuity. Several of FSSA's successes were mentioned, including the Special Needs Adoption Initiative and the Healthy Families Program. Mental health and funding challenges were discussed. Statements were made concerning the difficulty in separating mental health services from Medicaid since mental health services' funding are tied to the Medicaid program.

West Nile Virus Update

Dr. Wilson described West Nile Virus as a virus that causes human illness and is transmitted by mosquitoes. Symptoms of West Nile Virus include mild illness with fever, headache, and body aches, referred to as West Nile fever. In a small number of cases, a more severe infection develops, West Nile encephalitis, with the following symptoms: headache, high fever, stiff neck, stupor, disorientation, coma, and other central nervous system problems. A severe case,

especially in the elderly, may result in death. Indiana has currently reported 159 cases (as of Sept. 27, 2002) of West Nile virus, including five deaths in the following counties: Allen County (3 deaths), Lake County (1 death), and Delaware County (1 death).

Indiana has conducted tests of dead birds throughout the state. Due to limited resources, the Indiana State Department of Health (ISDH) has stopped testing dead birds from counties where it is known the West Nile virus exists. ISDH uses the recommended test for West Nile virus which takes between 48-72 hours to complete. Mosquito control occurs at the local level and is funded by the local jurisdictions. Control includes larviciding, adulticiding, and identification and removal of breeding sites.

ISDH has received a CDC grant of $556,000 to be used for public education and surveillance. The money may not be used for direct control. Federal legislation is currently being considered to provide $100 million nationwide for control of the West Nile virus.

Health Insurance Flexibility and Accountability Initiative

The Health Insurance Flexibility and Accountability Initiative (HIFA) demonstration initiative encourages private health insurance options targeted to people with incomes below 200 percent of the federal poverty level. HIFA uses current Medicaid and Children's Health Insurance Program (CHIP) resources under a Section 1115 waiver. HIFA is targeted at the following population groups: (1) mandatory populations that the state is required to cover under Medicaid; (2) optional populations depending on the state's Medicaid and CHIP eligibility standards; and (3) expansion populations who are groups that are not eligible for Medicaid or CHIP (i.e. non-disabled adults without children).

States that have currently been able to take advantage of HIFA are those states that have not completely utilized their CHIP money. Since Indiana has completely utilized its CHIP money for individuals up to 200% of the federal poverty level, FSSA is currently trying to determine how Indiana could use HIFA without taking away benefits from Medicaid recipients. FSSA received a $1 million grant from Health Resources and Services Administration (HRSA) to study the uninsured.

FSSA Update

Secretary Hamilton acknowledged that current Indiana law prohibits FSSA from closing the EPCC and stated that FSSA will not be pursuing legislation to allow such a closure. FSSA has been meeting with the Southeastern Regional Planning Commission in Southeast Indiana concerning needs in the area regarding the full continuum of care for individuals with disabilities and the mentally ill. FSSA is also planning to begin a Southwestern Regional Planning Commission. FSSA is going forward with closing youth beds in Madison. FSSA has met with community mental health centers that have a higher percentage of hospitalization rates than other community mental health centers to determine the need for services in that area.

FSSA: A Report on Families offers statistics on Indiana's families and children. Eleven percent of Indiana children lived in poverty in 2000 compared to 15% of Indiana children who lived in poverty in 1990. Thirty-five percent of Indiana high school seniors admitted to smoking cigarettes.

A recent federal case ruling, Collins v. Hamilton et al., raises the issue of whether the state Medicaid program or local counties are responsible for paying residential services for special needs children. The court ruled that these expenses are the state Medicaid program's responsibility. The state is determining whether to appeal this decision.

IV. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Commission made the following legislative recommendations:

Document 20031553.003- Requires the legislative evaluation and oversight policy subcommittee to direct staff in performing an audit of the organizational structure of the Office of the Secretary of Family and Social Services (office) in 2003. Requires the office to cooperate with the subcommittee and provide specified information for the study. Requires the chairman of the legislative council to appoint a committee in 2004 to perform specified duties.

The motion to recommend passage of this document passed by a vote of 14-0.

PD 3591- Requires that if the director of the Division of Mental Health and Addiction decides to make a final placement decision for a mentally ill person, the person who makes the decision must be a psychiatrist or psychologist.

PD 3591 was amended by consent to require consultation with the patient's psychiatrist or psychologist and the motion to recommend passage of PD 3591 as amended passed by a vote of 13-0.

PD 3556- Creates the Department of Healthcare. Transfers: (1) the Medicaid program; and (2) mental health and addiction services; out of the Office of the Secretary of Family and Social Services. Repeals the law establishing: (1) the State Department of Health; and (2) the Health Professions Bureau and transfers the responsibilities of those entities to the Department of Healthcare. Establishes: (1) the Office of Medicaid; (2) the Office of Mental Health and Addiction; (3) the Office of Health; and (4) the Office of Health Professions within the Department of Healthcare. Establishes a legislative committee to prepare any legislation needed to implement the transfer of responsibilities. Repeals provisions establishing the Office of Medicaid Policy and Planning and the Division of Mental Health within the Office of the Secretary of Family and Social Services.

PD 3556 was discussed but not voted on by the Commission.

The motion to adopt the final report with the inclusion of October 8, 2002 meeting minutes and the vote record passed 14-0.

W I T N E S S L I S T

August 20, 2002
Emily Marshman, President, MG Consulting, Inc.
Julianna Newland, Manager of Public Affairs, Eli Lilly and Co.
Steve McCaffrey, President, Mental Health Association
John Hamilton, Secretary, Family and Social Services Administration
Carole Davis, Child Advocate, Evansville, IN

September 17, 2002
Susan Robison, Connexus, Inc., NCSL Consultant for the Human Services Reform Project
Dr. David Hilton, Medical Director, Evansville Psychiatric Children's Center
Carole Davis, Child Advocate, Evansville, IN
Kathy Williams, Indiana Coalition for Human Services, and Indiana Association on Area Agencies of Aging
Sharon Pierce, The Villages of Indiana, Chair, IARCCA Public Policy Committee
Jim Jones, Executive Director, Indiana Council of Community Mental Health Centers, Inc.

October 8, 2002
Kim Stoneking, Indiana Association of Insurance and Financial Advisors
Dr. Gregory Wilson, Commissioner, State Department of Health
John Hamilton, Secretary, Family and Social Services Administration