

Members

Sen. Patricia Miller, Chairperson  
Sen. Greg Server  
Sen. Gary Dillon  
Sen. Beverly Gard  
Sen. Sue Landske  
Sen. Connie Lawson  
Sen. Marvin Riegsecker  
Sen. Billie Breaux  
Sen. Vi Simpson  
Sen. Connie Sipes  
Sen. Timothy Skinner  
Rep. Charlie Brown, Vice-Chairperson  
Rep. David Orentlicher  
Rep. John Day  
Rep. Craig Fry  
Rep. Brian Hasler  
Rep. Carolene Mays  
Rep. Scott Reske  
Rep. Peggy Welch  
Rep. Vaneta Becker  
Rep. Robert Behning  
Rep. Timothy Brown  
Rep. Mary Kay Budak  
Rep. David Frizzell  
Rep. Donald Lehe



## HEALTH FINANCE COMMISSION

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### MEETING MINUTES<sup>1</sup>

**Meeting Date:** September 24, 2003  
**Meeting Time:** 10:30 A.M.  
**Meeting Place:** State House, 200 W. Washington St.,  
Senate Chambers  
**Meeting City:** Indianapolis, Indiana  
**Meeting Number:** 3

**Members Present:** Sen. Patricia Miller, Chairperson; Sen. Greg Server; Sen. Beverly Gard; Sen. Sue Landske; Sen. Marvin Riegsecker; Sen. Billie Breaux; Sen. Vi Simpson; Sen. Connie Sipes; Sen. Timothy Skinner; Rep. Charlie Brown, Vice-Chairperson; Rep. David Orentlicher; Rep. Craig Fry; Rep. Carolene Mays; Rep. Scott Reske; Rep. Peggy Welch; Rep. Vaneta Becker; Rep. Robert Behning; Rep. Mary Kay Budak; Rep. David Frizzell; Rep. Donald Lehe.

**Members Absent:** Sen. Gary Dillon; Sen. Connie Lawson; Rep. Timothy Brown; Rep. John Day; Rep. Brian Hasler.

Chairperson Senator Patricia Miller called the third meeting of the Health Finance Commission to order at 10:30 A.M. Senator Miller announced that the Indiana Comprehensive Health Insurance Association (ICHIA) would be an agenda item for the Commission meeting scheduled for October 2, 2003.

### Rising Number of Uninsured in Indiana:

Theresa Jolivette, Indiana Chamber of Commerce

Ms. Jolivette reported to the Commission that Indiana employers have been experiencing double-digit increases in health insurance premiums for the past three years. She further added that the primary barrier to having health insurance is the high cost. The cost of the coverage

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<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

causes small employers to be unable to sponsor employee insurance or employees cannot afford their share of the premiums and decline coverage. Ms. Jolivette added that the expense of health care insurance premiums is making it difficult for employers to maintain existing jobs and to recruit new employers that may be considering locating in the state. Ms. Jolivette suggested three actions the legislature could take: (1) refrain from passing bills that increase premium costs; (2) allow for more options to be available in the market, such as minimal coverage plans or unique plan designs; and (3) increase the availability of health care outcomes data and information on provider quality to allow purchasers to make informed health care decisions and to hold down cost. (Additional information is included in Attachment A.)

Patricia Beyland, CSI Electronics, Kokomo

Ms. Beyland reported that CSI electronics had experienced double-digit increases in health insurance premiums and gave actual rates the firm had paid. She commented that prior to this year, the company had no access to their own employee's claims data which left management blind in premium rate negotiation. She further commented that the cost of the health insurance benefit was a factor in static wages and salaries. Ms. Beyland added that Indiana small business employers seemed to be paying up to 20% higher premiums than elsewhere and asked that the Commission investigate the financial impact of statutory mandates on the cost of health care premiums.

There were questions and discussion among the Commission members regarding reasons for increases in health insurance premiums, if state mandates were responsible for the increases, whether health care costs in Indiana were out of line with those in other states, and if universal coverage would solve the problem.

Jason Shelley, National Federation of Independent Business

Mr. Shelley remarked that increasing health care costs are cited as the number one problem for small businesses. Because businesses investigate health care costs as a component of conducting business in a locality, the problem has become an economic development issue as well. Mr. Shelley reported that the Kaiser Foundation reported increases of 13.9% in all health insurance premiums nationally. Of that 13.9% increase, small business premiums increased by 16 % across the country, while Indiana small business experienced a 21% increase in premiums. He further reported that 25% of Indiana small business employers eliminated coverage. Other small employers increased the copays and deductibles in order to continue to offer the benefit. Mr. Shelley suggested that potential solutions may be: (1) a moratorium on future statutory mandates; (2) consumers should be held more responsible for their care, but more information needs to be available for informed choices; and (3) an "essential benefit policy" should be considered. Mr. Shelley did not define an "essential benefit policy", although he mentioned that these policies have not sold well in the past. (See attachment B.)

There were questions and discussion among the Commission members with regard to what an essential benefit policy would cover and why costs in Indiana might be so much higher than the national average. There were also comments on the potential cost impact of statutory mandates.

John Raine, Raine, Inc., Anderson

Mr. Raine introduced himself as a small employer engaged in manufacturing. He commented that the cost of health insurance premiums has become a serious hindrance to economic development efforts. He reported an average increase in health insurance premiums of 25% each year for his small company. In terms of cost, he related that health care benefits averaged \$4-\$5 per hour per employee. Mr. Raine added that market driven reforms were needed to

address the problem, not universal health care coverage which he thought would increase the cost and decrease the level of service. He recommended a simple, high deductible, no copayment policy that makes the consumer/decision-makers deal with the market impact of their health care choices.

Commission discussion followed with regard to appropriate use of the medical care system by consumers.

Steve Fero, Career Solutions Group, Inc.

Mr. Fero discussed the role employee health care benefits play in compensation packages, and the impact the cost of the benefits have on employers' employment decisions. Mr. Fero commented that military health care benefit plans emphasize preventative medicine first and suggested that a basic preventative policy or an "essential benefit package" might be directed to consumers with various supplemental benefit packages available for purchase by employers to be offered as part of their compensation packages.

Ed Roberts, Indiana Manufacturer's Association

Mr. Roberts discussed the loss of manufacturing jobs in the state and stated that 85% of the state's manufacturers have non-North American competitors. He added that as a result of higher costs of doing business, they are not competitive in the market. He cited health care insurance cost as a major concern and went on to discuss the underlying causes of increasing health care costs that drive the insurance rates. Mr. Roberts commented that Indiana has an oversupply of health care services, no market forces in place to help regulate the supply, and a lack of data available to assess the quality of health care services and providers. He further said that the state does not mandate individuals to stop smoking, exercise, and lose weight, but employers are mandated to provide certain coverage intended to shield consumers from personal cost.

There was additional discussion and questions regarding universal health insurance coverage, the role of state mandates on health care costs and availability of insurance coverage.

Senator Miller distributed Attachment C.

Tamara Stanton, Insurance Institute of Indiana

Ms. Stanton reported that while Indiana has very low property and casualty insurance costs in comparison to other states, the state's health care insurance coverage cost ranks very high. She commented that health insurance is for supplies and services that every one will use, while purchasers of auto and homeowner's insurance do not intend to access the protection provided by those products. She added that because of third-party coverage, consumers do not know what health care actually costs. Ms. Stanton stated that the states are limited in their ability to impact large employers due to the requirements of the federal ERISA statute. Ms. Stanton commented with regard to questions concerning universal healthcare coverage that a private system is needed to provide the impetus for research and development in the health care industry. She added that Americans may not be ready for universal coverage since they do not accept having to wait for services. In response to questions about why Indiana health care costs are so high relative to other states, she said that the insurance industry is heavily regulated.

Senator Miller asked Ms. Stanton to supply the Commission members with a list of burdensome regulations and announced that the Commission would be discussing cost of guaranteed issue compared to ICHIA at the October 2, 2003, meeting.

Chris Schrader, Society for Human Resource Management

Mr. Schrader discussed the increases in product sales that would be necessary to keep pace with the increased cost of health care benefits. He discussed the role of human resource managers in the design of appropriate benefit and compensation packages for individual employers. Mr. Schrader reported that employees do not pay income tax on health care insurance benefits. There are no requirements or incentives for insured consumers to take responsibility for their health status. Market forces do not operate in the existing health care system and broad shifts in behavior are needed. In response to earlier questions from the Commission, Mr. Schrader commented that if the legislature repealed health care mandates, costs might not drop, but the rate of increase might slow. (See Attachment D.)

Majorie McGinn, Anthem Insurance

Ms. Maginn reported on a health care insurance product available under the federal Trade Adjustment Act (TAA). The TAA provides assistance for health insurance for individuals who have lost employment due to international relocations of businesses. (See Attachment E.) Anthem estimated that approximately 1,000 Hoosiers are eligible for this coverage. The benefit consists of premium assistance of 65% for qualifying individuals. On August 1, 2003, Anthem Insurance started offering a qualifying product and has issued several hundred policies. Ms. Maginn reported that the low response was presumed to be due to employers extending their employees' coverage while in bankruptcy proceedings. The 65% premium assistance is funded by a federal tax credit while the covered individual pays 35% of the premium on a monthly basis. (See Attachment E.)

In response to a question about the cost of the product, Ms. Maginn responded that the cost varies due to the number of covered individuals on a policy. Anthem modified an existing product to meet the federal guaranteed issue requirement. Ms. Maginn reported that the product was affordable with the 65% federal assistance.

Senator Miller asked Ms. Maginn to respond to the Modern Healthcare article "Going for the Green" (Attachment C) at the October 2, 2003, meeting of the Commission.

**Survey of the Uninsured in Indiana:**

Cindy Collier, Family and Social Services Administration

Ms. Collier distributed a summary of results of the Survey of Health Insurance for Indiana Families (Attachment F). The Family and Social Services Administration (FSSA) has, with the support of a federal planning grant, conducted a telephone survey of 10,000 Indiana households to study the characteristics of the uninsured in the state. The results show that the rate of uninsurance for all Hoosiers at the time of the survey was 9.2%, or about 561,000 people. The rate climbs to 12.3%, or about 750,000 Hoosiers, when those that have been uninsured at some time during the past year are included. Ms. Collier reported that over half of those reporting a lack of health insurance are working; as a group, African Americans experience the highest rate of uninsurance; and the cities of Gary and Muncie experience the highest rates of uninsurance in the state. Individuals with chronic diseases are also highly represented in the groups lacking insurance coverage.

Senator Miller asked if the individuals reporting a lack of insurance might be self-employed? Ms. Collier responded that self-employment may be one explanation for the uninsured status of an individual. She reported that FSSA was continuing the work with an assessment of the health care safety net and an assessment of the private providers in the market. Additional

information is expected to be available within the next 6 months.

**Implementation of SEA 493-2003:**

John Cardwell, Indiana Home Care Task Force

Mr. Cardwell reported that home-care advocates are not pleased with the pace of implementation of SB 493-2003. He reported that the Office of Medicaid Policy and Planning had missed several deadlines and detailed several requirements of the bill that had not been implemented by OMPP as outlined in Attachment G. Mr. Cardwell reported that \$5 M of the CHOICE appropriation for FY 2003 was reverted to the General Fund. He added that provider rates in the Medicaid home- and community-based care waivers was so low that it might soon create an access issue for recipients. He commented that advocacy groups had offered resources to FSSA to assist in the implementation of the bill, but that the agency needs to make a commitment to make SB 493-2003 work. (See Attachment H.)

There was Commission discussion regarding the use of additional federal Medicaid funds being made available to the state and need for Indiana to change the way long term care is provided and to start using its funds to the best advantage.

Senator Miller announced the next meeting of the Commission would be at 10:00 a.m. on October 2, 2003.

The meeting was adjourned at 12:50 p.m.