

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 MINUTES¹

Meeting Date: October 30, 2003
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St.,
Senate Chamber
Meeting City: Indianapolis, Indiana
Meeting Number: 5

Members Present: 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. Timothy Skinner; Rep. Charlie Brown, Vice-Chairperson; Rep. David Orentlicher; Rep. John Day; 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.

Members Absent: Sen. Connie Sipes; Rep. Craig Fry.

Chairperson Senator Patricia Miller called the fifth meeting of the Health Finance Commission to order at 10:10 a.m.

Mr. Douglas Stratton, Executive Director, Indiana Comprehensive Health Insurance Association (ICHIA).

Mr. Stratton presented an update on the progress ICHIA has made under the reforms enacted in P.L.193-2003 (See Attachment A.). The annual losses continue to decline; FY 2003 losses were \$38 M as compared to \$45 M for FY 2002. Mr. Stratton reviewed the progress of cost cutting measures taken with regard to increases in prescription drug deductibles and

¹ 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.

copayments, and the transition of major medical disease conditions to the Medicaid program. He reported that while administrative service costs have been reduced somewhat, legal fees associated with litigation have increased, eliminating potential savings. The effect of program reimbursement changes to Medicare rates plus 10% was reported to be a significant problem for participants although the problems are being addressed administratively.

Mr. Stratton reported that the Centers for Medicare and Medicaid Services (CMS) have developed a more restrictive approach for Medicaid add-on funding programs that increases the possibility that the ICHIA application will be rejected. CMS has developed five standard questions regarding state funding that all new revisions must address prior to approval. (The five questions are listed in Attachment B.) Mr. Stratton announced that he was in the process of scheduling meetings in South Bend, Fort Wayne, Indianapolis, Seymour, and Evansville to allow ICHIA participants to have an opportunity to comment on changes and discuss ideas for improving the ICHIA program.

Senator Miller asked if the provisions passed in P.L.193-2003 could be allowed to sunset? Mr. Stratton responded that the required actuarial report has not yet been completed, so there is no information available to comment on the determination of the member assessments. He added that the reimbursement sunset could be handled with or without an extension of the legislation.

Mr. Stratton commented on the question of guaranteed issue that had been brought up at a previous Commission meeting. He stated that Kentucky had tried guaranteed issue and North and South Dakota had examined the issue. Mr. Stratton remarked that actuaries and underwriters are very conservative; when guaranteed issue is a requirement, carriers simply withdraw from the market. The remaining carriers assume that high-risk individuals will enter the roles of their insureds, increasing the carrier's costs so the premiums are increased to offset a presumed increase in cost. The increased price of premiums results in more individuals being unable to afford to pay for the insurance and the number of insured individuals declines. Mr. Stratton said that, in the short-term, guaranteed issue policies fail.

The Commission had additional questions regarding litigation, the number of providers refusing to accept the new Medicare plus 10% reimbursement levels, and where the ICHIA town hall meetings would be held. Representative Charlie Brown and Senator Landske asked that a meeting be scheduled in the Gary area and Senator Skinner suggested that a meeting should be held in Terre Haute as well. Mr. Stratton was agreeable and asked for their assistance in locating suitable sites for the meetings. Senator Miller requested that staff distribute the schedule and meeting locations to the members of the Commission when available.

Senator Miller asked if there were any parties that wished to address PD 3426 which extends the sunset date of two provisions in P.L.193-2003 (Attachment F). There being none, she announced that the draft would be held pending the November 13, 2003, meeting of the Commission on State Tax and Financing Policy which is scheduled to hear testimony on this issue.

Gregory Wilson, M.D., Commissioner, Indiana State Department of Health

Dr. Wilson, foregoing his disease status in Indiana slide presentation, gave a brief review of the healthcare status of Hoosiers. He suggested that there is a need for better data collection systems and subsequent analysis to address many of the increasing cost issues heard by the Commission. Dr. Wilson observed that previous fixes for the problem of increasing cost involved decreasing the reimbursement to the providers. With Medicaid paying rates that are at or below operating cost for providers, continuing to decrease payments is no longer an option. The new focus for containing cost will be decreasing utilization while maintaining or improving quality of care. This is the rationale for the disease management program being developed by

the Department of Health and Medicaid.

Dr. Wilson observed that 75% of healthcare spending involve treatment for chronic conditions. The current reimbursement system rewards treatment for acute episodes rather than focusing resources on preventative measures or improved healthcare outcomes. Dr. Wilson stated that there is a need to transition from an acute care-focused model to a chronic care model that rewards providers for improved outcomes. Employers and insurers are starting to organize to drive the market toward healthcare buying based on better outcomes. However, the state does not have the data to determine how to reward providers for quality patient outcomes as opposed to buying acute care services.

Dr. Wilson told the Commission that there is a need for a comprehensive state health data infrastructure - a data warehouse. He reported that the state has data to start the infrastructure using a system called Icare Connect. Dr. Wilson commented that technology exists to build the needed data system, but some legislation may be necessary to get all the players on board and to address issues of commercial and patient privacy and security. Dr. Wilson stated patient outcomes cannot be changed or evaluated, and providers cannot be fairly rewarded for improved patient outcomes without data.

Dr. Wilson then addressed the Coordinated School Health Program. He reported that the Department has a federal Centers for Disease Control grant to look at school health programs but will need to ask for state support when the grant expires. The program has focused on the areas of nutrition, exercise, and asthma. Suicide prevention is another priority area for this program.

There was considerable discussion between the Commission and Dr. Wilson regarding the problems of obesity and associated mental health, poor school lunch programs, and the Indiana Cancer Registry. Representative Orentlicher asked if there were any legislative interventions that would address the problems of obesity and smoking. Dr. Wilson suggested that with regard to smoking prevention, some states had taken multifaceted approaches, such as limiting opportunities for smoking in public, increasing resources for public education programs, limiting juveniles' access to smoking materials, and increasing cigarette taxes. He stated that obesity was a more complex issue with few good quick solutions.

Senator Miller commented that the Commission on Excellence in Health Care had examined several of these issues during the interim session.

Cindy Donovan, Deputy Commissioner, Financial Services Operations, Department of Insurance.

Ms. Donovan gave a brief overview of the Patient Compensation Fund administered by the Department of Insurance (See Attachment D). The fund provides excess medical professional liability insurance for individual providers and institutions in the state. She explained that participation in the fund is optional and that claims are paid from the fund twice each year.

On August 8, 2003, the Department announced new surcharges that were effective on August 15, 2003. An actuarial study performed for the Department determined that an increase of 73% for physicians and 60% for hospitals would be necessary to keep the Patient Compensation Fund solvent for the anticipated payout in January 2004. She reported that the speed and size of the increase was due to the fact that the July 2003 payout was the second largest made in the fund's history; new surcharge revenue was needed to replenish the fund since the surcharges had not been increased since 1999. Ms. Donovan reported that the increase should allow the fund to make the necessary payout in January 2004 without assessing the providers again.

Ms. Donovan reported that several factors had resulted in the large payout in July 2003: civil litigation related to the Orville Lynn Major's case at Vermillion County Hospital had resulted in an insurer defaulting on assessments to the fund; in March 2003, the Marion County Superior Court made the determination that the statute creating the Patient Compensation Fund allows for separate recoveries for each individual injured in a multiple claimant occurrence, increasing the exposure of the fund; current low interest rates limit the amount of interest income the fund balance earns; and current payouts are from incidents that occurred in the early 1990's - the statutory cap has increased and more revenue is needed in the fund to make increased payouts. Ms. Donovan announced that she had one copy of the Annual Report of the Indiana Patient's Compensation Fund for 2001 and 2002 available if anyone was interested in the full report. Senator Miller asked her to give the report to staff to make available to Commission members who were interested. (Exhibit 1: This document is available for examination.)

PD 3525 Health Provider Reimbursement Contracts (Attachment G)

Dr. David Wilson testified in favor of the draft which prohibits certain contract clauses referred to as "most-favored-nation" clauses. Mr. John Willey, representing Anthem Insurance, testified in opposition to the draft. The Commission discussed the ability of the contracting parties to negotiate the inclusion or exclusion of these types of clauses. A motion was made and seconded to recommend passage of this draft. The Commission voted 12-9 to support passage of the draft, however, recommendations of the Commission must receive the support of a majority of the voting members of the Commission (13), so the motion failed.

PD 3478 Optional Mandated Coverage (Attachment H)

Senator Miller presented PD 3478 which would allow an insurer or an HMO to offer optional coverage that does not include mandated coverage. The Commission heard testimony both in favor of and in opposition to the draft. There was discussion regarding what group of employers or individuals would have the ability to purchase the optional coverage. Ms. Joy Long of the Department of Insurance reported that other groups were investigating essential policies with preventative service mandates. The Commission discussed whether the draft might be premature if more information would be available later. Members of the Commission expressed concern about the lack of preventative screening coverage in the draft. A motion was made and seconded to recommend passage of this draft. The Commission voted 8-13, failing to support passage of the draft.

PD 3512 Home Health Agency and Hospice Council (Attachment I)

Senator Miller announced that she would hold PD 3512 due to the lack of time for the Commission to consider the issue.

**PD 3494 Moratorium and Certificate of Need (Attachment J) and
PD 3469 Moratorium Only (Attachment K)**

PD 3469 establishes a two-year moratorium on the construction or addition of comprehensive care beds, ambulatory outpatient surgery centers, and hospitals. PD 3494 also establishes a two-year moratorium on construction or addition of hospitals, ambulatory outpatient surgery centers, and health facilities. In addition, it requires that the State Department of Health reestablish a Certificate of Need review program. Senator Miller announced that the Commission would take comments on the issues of Certificate of Need and the moratorium, but that the Commission would take no action on either of the preliminary drafts.

Several persons testified in favor of a moratorium with certain exclusions such as not-for-profit hospitals and long-term care conversions (Attachment E). The Department of Health was more

supportive of the moratorium concept; Mr. Cattell suggested that a two-year moratorium might buy some time to study the issue more carefully. Those testifying in opposition to the moratorium draft commented that this draft would franchise existing providers and potentially impact the development of innovative care such as specialty units for Alzheimer's patients.

The State Department of Health testified in opposition to the Certificate of Need draft based on the need for significant administrative effort and resources to implement an effective program. Several people expressed concern about the implementation of a Certificate of Need program if it had no regulatory power and insufficient resources.

Final Report Draft (Attachment L)

The Commission reviewed the draft final report. The Commission voted 17-0 to approve the final report with the addition of the October 30, 2003, meeting minutes and the actions taken on the preliminary drafts.

Lori Brocaw, Dystonia Awareness and Research

Ms. Brocaw described dystonia syndrome as a neurological movement disorder and distributed a brochure to the Commission to increase public awareness of the disorder (Attachment M).

The Commission adjourned at 12:20 p.m.