Approved: April 2, 2008
Date

MINUTES OF THE SENATE HEALTH CARE STRATEGIES COMMITTEE

The meeting was called to order by Chairperson Susan Wagle at 1:30 P.M. on February 19, 2008 in Room 136-N of the Capitol.

Committee members absent:

Committee staff present: Ms. Emalene Correll, Kansas Legislative Research Department
Mrs. Terri Weber, Kansas Legislative Research Department
Ms. Nobuko Folmsbee, Revisor of Statutes Office
Ms. Renae Jefferies, Revisor of Statutes Office
Ms. Margaret Cianciarulo, Committee Secretary

Conferees appearing before the committee: Ms. Gina Maree, LSCWS, Director,
Health Care Finance and Organization, KHI
Mr. Tom Arnold, Deputy Secretary for Medicaid

Others in attendance: Please see attached Guest List

Continued hearing on SB541 - An act concerning the Kansas Health Policy Authority relating to powers and duties thereof regarding a medical home, and small business, wellness, grant programs; establishing the health reform fund.

Upon calling the meeting to order, Chairperson Wagle called upon Ms. Gina Maree, LSCWS, Director, Health Care Finance and Organization, Kansas Health Institute, who highlighted:

- the Florida Medicaid Reform made up of:
  - Mandatory Managed Care
  - Customized benefit packages
  - Choice counseling
  - Enhanced Benefit Accounts
  - Low income pool
  - Premium Assistance (Opt-out)

- the Florida Medicaid Reform 115 Waiver with Broward and Duval being the pilot counties

- Premium Assistance (Opt-out)
  - Opt out of Medicaid
  - Premiums paid for employer sponsored insurance and individual plans
  - Cost of the program
  - Administrative costs for the Opt-out Program & example premiums for 10 individuals

A copy of her testimony and her two handouts ("Florida Medicaid Reform" and the "Children's Health Package") are (Attachment 1) attached.

Questions before Ms. Maree came from Senators Wagle, Barnett and Palmer including:

- are you saying that they also have the option to participate in Medicaid?

- on the 10 patients, are they guaranteed coverage or do they go into the underwriter's process for insurance products?

- I f we have a population that is not only sick but poor, would they be able to buy an individual plan or would they not? Would you contrast the Florida versus the Health Policy Authority proposal?

- If we get this kind of plan in Kansas, would someone with pre-existing conditions be excluded or actually end up in the high risk pool or would they be insured with a guaranteed offer?

The Chair then called on Mr. Tom Arnold, Deputy Secretary for Medicaid and asked for his opinion of the Florida program as well. Mr. Arnold said that Dr. Allison is correct if in fact they are talking about an individual who has hepatitis and wants to enter into the individual private market place (that person, like anyone else would have to qualify by going through a medical underwriting process and the insurance company would have the right to accept, decline, or write "quote/unquote" a particular illness on a individual bases. He is also right in the fact that the money allowed for the doctor may or may not be enough to purchase such policy depending what the underwriting findings are. However, if that same person with hepatitis worked for KBG Toys and was a stocker in the back and eligible for the group program at KGB Toys, because Kansas law says if they can't be underwritten, that they have to be accepted, especially if that group is between 2 & 55, then there are no underwriting or pre-existing requirements and that person could come into that group insurance program instantaneously at that particular point in time. Whether or not the dollar amount that is allowed is sufficient enough to pay for that group insurance premium would depend upon that particular groups insurance rates based upon what their demographics are.

He stated, after reviewing some additional information off of the KHP website, he did have a question, in looking at this Kansas Healthy Program, if you were already insured under the Medicaid system, does Medicaid count as credible coverage under the HIPPA regulations, that allow for their pre-existing conditions, applied to that particular group plan. If the answer is yes then than person comes in without any pre-existing conditions. So it is a yes and no at the same time? And if he understands the situation that was talked about was the Employer's Sponsored Plan, then that is an entirely different thing, but there are also ways to take the individual market place and open it up to a more competitive market place with the private sector that would meet the qualifications.

A copy of his testimony and his handout ("Florida Medicaid Reform") is (Attachment 2) attached.

The Chair recognized Mr. Ron Gaches who asked, if the only reason we were talking about the Florida Medicaid Reform Model was those ten folks that Ms. Maree described, then we wouldn't waste the Committee's time. We are talking about the entire reform package for Medicaid reform in Florida. It is the ability of Florida to design a reform package that lets the market place respond to the opportunity. They are not issuing RFP's in Florida for insurance companies or HMO's to come forward to serve parts of the Medicaid program. They have an open process that allows any firm to come forward, complete an application that meets the criteria of the state, and compete in the market place for those constituencies. That is not the kind of program that is being discussed as premium assistance in Kansas. They are suggesting that before you invest that money you look at the possible program designs to see what options are out there that actually invigorate the private market and let them respond to the problems that we are trying to address, not only for the 11% that do not have insurance but for the 89% who do.

The Chair then asked for other questions from the Committee. Questions came from Senators Palmer, Wagle, Barnett including:

- follow-up on the RFP's, are they not open to all companies, why isn't this a free market, and why not contract?

- regarding last year's premium assistance legislated without being funded, concerns at to why Medicaid was not expanded; the providers saying, if they enact this program, is it possible they would be asked to cut their rates lower than what Medicaid pays; and what is your enforcement mechanism for making sure that once you contract, these people actually do what they are contracting to do? Now we are asking future legislation to be bound by **SB11**. What is our assurance that when you contract with these companies, that they are going to pay providers as intended and if we are looking at an $86M shortfall and it's highly unlikely that the cigarette tax will pay this off, and we are enticing people to buy into this with the hope someday we will expand and have a larger pool of people to insure, what if we don't get there

and have to start pinching pennies and ask providers to take less? Beyond that, there is concern that the KHPA does have contracts with two companies for children's Healthwave & you want to bring them into this, someone will have to break the existing contracts.

- in looking at the population that is uninsured and poor and will never have insurance, we are all paying for it now in other ways, we shouldn't be going into this worried about how much we are going to pay, because right now we are paying zero, so if this is a starting point, is there a way for premium assistance to work and to open opportunities for others?

- Dr. Nielsen was asked if she was open to listening to Medicaid reform issues that have been discussed in Florida ?

The Chair then called on with Mr. Mike Gross, President of Association of Health Underwriters in Kansas, who stated he had talked this am with two of the analysts in Florida that helped put the program together who said they went to the managed care organization and said here is how much money we have what can you do for us? They started out at the beginning of the first year with one managed care operations, they now have 11, so the free system works. On the other side, you go into a defined contribution then you are into a negotiating fee schedule having no control over how many services are provided only the cost of each service as it is provided. He stated he encourages the Committee to look at all states (more than just Florida, there is S. Carolina, Ohio, etc. Idaho) lots of plans that started out like this (all having free enterprise ideas) and they are going back to a defined contribution. He stated he was not here to defend the Florida plan, but to defend the choices that their method has given them to pick from.

The Chair recognized Mr. Arnold again, who referenced a handout listing 12 points their ideas and a discussion ensued regarding how and why the Health Underwriters were not involved in any of the discussions or committees and were not included in the council and is there a desire to become involved.

The Chair then referred the Committee to written neutral testimony offered by Dr. Ira Stamm who offered facts regarding uninsured Kansans, proposed solutions and uninsurable medical conditions due to the high cost of treatment and medications (when such conditions are listed on the application, many health insurance companies will decline coverage without further review of medical records. And lastly, he offered two charts entitled (2007" Individual Health Insurance Underwriting Guidelines," and one entitled "Action Taken by the Insurance Companies for Selected Conditions." A copy of his testimony and attachments are (Attachment 3) attached.

Adjournment

As it was going on Senate session time, the Chair said that she would like to give the Committee time to digest the information before them then hear from them where they want to go from here. The meeting was adjourned. The time was 2:31 p.m.

The next meeting is scheduled for February 25, 2008.