MINUTES

HEALTH INSURANCE ISSUES WORKING GROUP

November 21, 2003
Room 514-S—Statehouse

Members Present

Senator James Barnett, Chairman
Representative Jim Morrison, Vice Chairman
Senator Janis Lee
Senator Ruth Teichman
Representative Rob Boyer
Dr. Robert Day
Linda DeCoursey

Members Absent

Commissioner Sandy Praeger
Dr. Robert St. Peter

Staff Present

William G. Wolff, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Ken Wilke, Revisor of Statutes Office
Renae Jefferies, Revisor of Statutes Office
Gina Poertner, Working Group Secretary

Others Present

Bill Sneed, Health Insurance Association of America/Merck
Nialson Lee, Kansas Department of Social and Rehabilitation Services
Ken Daniel, National Federation of Independent Business
Dick Morrissey, Kansas Department of Health and Environment
Barbara Gibson, Kansas Department of Health and Environment
Karla Finnell, Kansas Association for the Medically Underserved
Judy Eyerly, Kansas Association for the Medically Underserved
Tony Wellever, Kansas Health Institute
Kim Liebman, Kansas Health Institute
Chip Wheelen, Kansas Association of Osteopathic Medicine
Jay Rogers, Kansas Insurance Department
Morning Session

Senator Barnett called the meeting to order at 9:00 a.m. on November 21, 2003, in Room 514-S of the Statehouse.

Members and staff were welcomed by Senator Barnett. Written testimony from Kim Moore, President of the United Methodist Health Ministry Fund, was distributed (Attachment 1). The Chairman suggested to the Working Group that there be no meeting on December 5, as previously planned, and that they return on December 19 to conclude the Group’s work. This item will be revisited later in the day for a decision.

The morning’s first speaker was Karla Finnell, of the Kansas Association for the Medically Underserved. She expressed her appreciation for the Group’s support. Community Health Center (CHC) funding was reviewed for the Group, reiterating that Kansas receives only 5 percent of total federal health center dollars. Funding sources need to be tapped in order to receive additional funding for new and expanded services.

A member asked if helping people move into the arena of state-funded health clinics initially, and then on to the federal scene, is part of this discussion. If so, are we looking at additional funding from the state? Ms. Finnell stated that this absolutely must be part of the discussion. Additional support is greatly needed for safety net clinics. Federal programs will fund no more than $150 per user; however, the actual cost per user is $285 for integrated services. Part of the difficulty of being competitive is developing a sound budget. A good, strong safety net system in Kansas should be a blended system of both CHCs and primary care clinics that are not part of the federal system, according to Ms. Finnell.

Ms. Finnell said that a meeting of the stakeholders in January 2004 will develop an outline or plan that the Legislature could review. She stated that would be an ideal goal. She further stated that if all stakeholders would help a little on funding efforts, then none would feel an inordinate amount of difficulty in reaching out to the safety net.

Dick Morrissey and Barbara Gibson, Department of Health and Environment, were asked to join the discussion on health clinics, Mr. Morrissey discussed the need to look at the various clinic designations and briefly reviewed them and the corresponding types of funding. Maps designating clinic locations were distributed to the Working Group (Attachment 2).
A question was posed as to whether there are specific service requirements imposed on the different types of clinics. Mr. Morrissey explained the differences and requirements. State-funded clinics have less stringent requirements. Ms. Finnell made additional comments as to how funding is allocated to the various clinics and referred to the map. Barbara Gibson explained that primary care centers have no real definition.

A member asked how Medicare clinics fit with rural health centers. Mr. Morrissey related that they are eligible for reimbursement through Medicare and Medicaid. They are reimbursed at a higher rate and are federally certified. They do not receive grant funding to serve the indigent population. They are also not required to have a sliding fee scale.

The number of centers funded by the state with its $1.5 million was requested. Ms. Gibson reported that 15 clinics receive this funding and explained the requirements to receive the money.

Tony Wellever, Kansas Health Institute, was recognized by the Chairman. He discussed strategy, criteria, and community support regarding development of CHCs. He further clarified the characteristics of the CHC/FQHC. It was emphasized that CHCs are 501(c)(3) organizations, rather than private physician practices. A physician serving a CHC is actually an employee of the CHC.

A member asked if the type of clinic in a specific area is a function of the population. Mr. Morrissey stated that it is a combination of factors, population being one of them. Other factors include community interest, economy, and other available community resources. Mr. Morrissey was asked for further information regarding community interest. He told the Group that these centers rely on other available resources, such as hospitals for urgent care, and dental services. Community leadership is also key in the support of these clinics.

The question of how services can be provided in smaller communities where access to care is limited was addressed by Mr. Morrissey, who discussed the complexity of the question. He noted that regional centers are more readily supported, although transportation issues arise in this case. He emphasized the need to link rural development with rural health development efforts.

Mr. Morrissey was asked if there are programs to assist physicians other than Medicaid. He stated that there are bonus payments associated with Medicare reimbursement related to health professional shortage areas (HPSAs).

Ms. Gibson related that the CHC model would not be practical in some areas secondary to population. However, frontier counties are given preference regarding federal funds for services. Ms. Finnell related her desire to find opportunities to develop funds in northwest Kansas, further addressing the population issue. She reminded the Working Group that when the population is low, the cost per user is higher than that of more populated areas.

Addressing the transportation issue, Mr. Wellever talked about a non-emergency transportation system put in place in rural Mississippi. This system was placed to transport patients in a five-county area to facilitate access to health care services. To the question of how emergency service usage is being addressed, Mr. Morrissey stated that as a state, we really are not addressing the issue.

The Chairman thanked all of the parties for their discussion of the health clinic topic of the last two meetings. He asked that the Legislature be informed of the outcome of the stakeholders’ meeting to take place in January.

The topic turned to smoking cessation, with Tony Wellever being recognized by Senator Barnett. Mr. Wellever spoke briefly regarding the efforts of the Kansas Health Institute. Paula
Marmet, Kansas Department of Health and Environment, extrapolated data from the Florida Youth Program into Kansas statistics and related costs (Attachment 3).

A member asked how much Kansas would save by a $65 million expenditure over five years. Ms. Marmet approximated that $427 million over a lifetime would be saved. Further interest in current dollar figures was expressed by the member who asked how Kansas can show more immediate benefit. Ms. Marmet said she was working with staff at the Centers for Disease Control on a model that should be ready soon. The Chairman asked that the Working Group be briefed on such a model at its December 19 meeting.

There was further discussion of the on the Florida smoking program. Ms. Marmet stated that Best Practices is a community-wide and statewide marketing issue in Florida. She also explained that part of the marketing campaign is actually designed by youths, in an effort to better communicate with that demographic group. A Kansas budget for such an effort would be $5 million.

Ms. Marmet was asked how Kansas is educating youths about smoking. She related that Kansas currently has pieces of the Florida model in place, with schools working them into their curricula. It was further asked if smoking has decreased in Kansas since increasing the tax on cigarettes. Smoking has declined, according to Ms. Marmet, mentioning a baseline study performed in 2000. She explained that decline in use is more prevalent in youths due to price sensitivity; however, the decline is only temporary without comprehensive programs. A ten-cent increase in cost relates to a 7 percent decrease in use.

Since advertisements are banned in some media outlets, a member queried where youth-targeted advertisements are being placed. Ms. Marmet said that national radio stations, satellite, and cable television are placing these advertisements.

Again, the Chairman thanked Mr. Wellever and Ms. Marmet for their presentations and reiterated the Group’s interest in a December report.

Jarrod Forbes and Mark McClafflin, Kansas Insurance Department, were introduced to continue the discussion of long-term care insurance. Mr. McClafflin explained that there are no national (federal), standardized, long-term care insurance plans as there are for Medicare supplement (Medigap) coverage. If Kansas were to impose a state standard, insurance companies would be forced to develop and issue policies that would be exclusive to Kansas and, therefore, could consider withdrawing from the Kansas market.

Mr. McClafflin agreed that there is considerable confusion surrounding the purchase of long-term care insurance and that the confusion begins over whether or not such a purchase is even necessary for any particular person. To help remove that confusion, he reminded the Group that the Insurance Commissioner does have a shoppers’ guide to assist prospective buyers.

A member pointed out that standardization of plans is a different issue than standardization of information. It is the information that everyone needs. Mr. McClafflin stated that current regulations require that each prospective purchaser must be provided one of two documents (guides): one prepared by the Insurance Department, and the other prepared by the National Association of Insurance Commissioners. After further discussion, the Group asked that the Commissioner consider amending her current regulation to require that, at the least, the Kansas shoppers’ guide be provided to prospective purchasers of long-term care insurance.

Audrey Dunkel and J. G. Scott, Kansas Legislative Research Department, were introduced. As requested by Chairman Barnett, they reviewed figures as to how much money the State of Kansas might save if a tax incentive were created for the purchase of long-term care insurance.
Scott explained that the state would save approximately $1.5 million State General Fund money for HCBS/FD waiver services. The savings would not be realized very quickly; however, substantial cost savings would be seen over a period of several years (Attachment 4). Staff reviewed the process for reaching this conclusion, then related information contained in a memo prepared by Chris Courtwright, Principal Economist of the Kansas Legislative Research Department (Attachment 5).

A question regarding the deduction available to Kansans purchasing long-term care insurance was posed. Dr. Wolff explained that all qualified Kansas taxpayers would be eligible, not just those who itemize their tax returns. Although there is no actual data available, it is estimated that 5 percent of eligible people would take advantage of a tax incentive.

A member asked how much the state spends on the HCBS/FD waiver program. Ms. Dunkel reported spending of $322 million in FY 2004, 40 percent of that being from the State General Fund. The member made additional comments regarding her concern for the direction the state is headed, and said that those who take advantage of long-term care insurance are not the ones likely to use the Medicaid program.

A member mentioned a passing awareness of a Minnesota plan, perhaps for state employees, that included a tax incentive for the purchase of long-term care insurance. Staff was asked to discover more about that plan.

It was observed by a member that incentives are targeted at the wrong demographic. The simpler question might be: What percentage of the 35,000 people estimated to be living in nursing homes by 2025 will be a cost to the State General Fund? A strategy to target that group, rather than all Kansas taxpayers, should be found. Ms. Dunkel stated that it is estimated that one percent of those 35,000 would be state supported.

A member related the findings of the Long-Term Care Task Force that very few Kansans will be able to take care of themselves as they age. Single women are more likely to require access to public services than any other population.

Bringing the discussion of long-term care insurance to a close, the Chairman asked staff to report back with information from other states regarding action or solutions for long-term care issues.

Larry Tobias, of the Sunflower Foundation, was introduced by Senator Barnett (Attachment 6). Mr. Tobias discussed activities by the Sunflower Foundation to reduce the prevalence of obesity in Kansas children, particularly the activities of the Leavenworth USD 453/Anthony School. Some of the strategies covered were restructuring the school day for additional physical activity, offering a nutrition-approved lunch to be consumed while remaining in the classroom, and offering a daily vitamin supplement upon parent consent. He stated that anti-social behavior in the first quarter has decreased by 75 percent since implementing these strategies.

It was requested that Mr. Tobias make reports available to the Legislature as the results of the various studies are completed.

A member asked if the restructuring of the school day resulted in an extension of the day. Mr. Tobias stated that the day was not lengthened, only restructured as far as time spent on each activity. It was further asked if the restructuring for additional physical activity is in conflict with the requirement by the state of a set number of learning hours. The response by Mr. Tobias was that they did not find a conflict with this structure.
Next to speak was Dr. Robert Day, of the Governor’s Office of Health Planning and Finance (Attachment 7). Dr. Day discussed value-based purchasing in health care and the role that his office might play in health planning for the state. He provided background information on health care costs and how value-based purchasing can be incorporated into a purchasing model.

Kansans, he said, spend more than $12 billion per year on health care, nearly 14 percent of the GSP. It was stated that the expected U.S. annual rate of increase per capita in health care expenditures is 7 percent over the next decade. Although the U.S. spends more on health care than any other country in the world, our outcomes are not necessarily better. It was emphasized that the only people paying full price for health care services are cash customers. Kansas physicians order more MRIs and other ancillary services than physicians in other states, and incidents of hospital errors are also reported to be on the rise.

Value-based purchasing was defined as an organized attempt to ensure quality and to improve health outcomes; in short, getting the best care for the best price. The Governor’s Office of Health Planning and Finance was created to bring together providers, advocates, cabinet and elected officials, and business leaders to address issues of cost, quality, and accessibility in health care.

**Afternoon Session**

Upon return from lunch, the Chairman asked for additions or corrections to the November 7 minutes. Senator Teichman moved to approve the minutes. Representative Morrison seconded the motion. Motion carried.

Dr. Day concluded his presentation. He stated that the business of health care must be viewed from a systemic perspective because each aspect is closely affected by every other aspect, more so than in any other business.

A member related his experience in the rising costs of health care insurance premiums for his employees and wondered if the state’s costs are similar to his small business. The member went on to comment about discrimination against women as to health care coverage, that premiums are generally higher for women than for men. Dr. Day explained that there is a disconnect between premiums and the actual cost of health care.

The difficulty of farmers getting into a group in order to afford health care was brought up by a member. Another member commented that several years ago, there was a debate in the Legislature to lower the definition of “small group” to one person. Since this has not been done, farmers will continue to face this difficulty.

The Chairman asked for further comments from Dr. Day. He mentioned that the impact of the Medicare drug bill pending in Congress probably will not be positive and is likely to cost the state money.

The Group was asked for their thoughts regarding skipping the December 5 meeting and meeting for final wrap-up on December 19. The Group was agreeable to this. Further questions and comments were encouraged by the Chairman.
In order to prepare a report for the Working Group, Dr. Wolff suggested that the Group address conclusions and recommendations. Topics during the course of the meetings were reviewed. The Group gave direction to staff regarding conclusions and recommendations, requesting a draft before the December 19 meeting, if possible.

The Chairman then asked the Group if they would be agreeable to continuing their activity during the 2004 Legislative Session. Some members felt it would be difficult to meet regularly, due to full schedules. Others were agreeable to continuing on a less formal basis. The subject was left open.

Senator Barnett announced the next meeting would be held on December 19, 2003. The meeting was adjourned at 2:50 p.m.

Prepared by Gina Poertner and Bill Wolff

Approved by Working Group on:

December 19, 2003
(date)