

**MINUTES OF THE
SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE**

Room 30 West House Building, State Capitol Complex
February 3, 2015

Members Present: Sen. Allen M. Christensen, Co-Chair
Rep. Paul Ray, Co-Chair
Rep. Edward H. Redd, House Vice Chair
Sen. Deidre M. Henderson
Sen. Brian E. Shiozawa
Sen. Alvin B. Jackson
Sen. Todd Weiler
Rep. Rebecca Chavez-Houck
Rep. Melvin R. Brown
Rep. Bradley M. Daw
Rep. Earl D. Tanner
Rep. Sandra Hollins
Rep. Robert Spendlove
Rep. Raymond Ward

Members Excused:

Members Absent: President Wayne L. Niederhauser
Sen. Luz Escamilla
Sen. Mark B. Madsen

Staff Present: Mr. Russell T. Frandsen, Fiscal Analyst
Mr. Stephen C. Jardine, Fiscal Analyst
Ms. Paula Winter, Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

0. Call to Order/Approval of Minutes

Rep. Ray called the meeting to order at 8:14 a.m.

1. Unfinished Items from the Previous Agenda

None

2. Public Input

Holly Richardson, mother, represented those who have children with special needs. Ms. Richardson spoke on behalf of H.B. 199- Kids with Disabilities and illustrated her adopted daughter's circumstance as well as circumstances of other families of children with complex medical issues and the effect the situation can have on the whole family. Ms. Richardson briefly described the bill.

Rep. Spendlove asked how the bill would change the coverage of Medicaid. Ms. Richardson said that her understanding is for those who would not qualify for Medicaid and is specific to that one child in the family. There was comment concerning the issues from Rep. Redd.

Sen. Jackson inquired how many families this would affect and Ms. Richardson and Rep. Redd indicated they didn't know the number. Russell Frandsen suggested there could be about 500 families affected.

Rep. Chavez-Houck wondered how the determination would be made for eligibility of service that would be beyond income qualifications. Ms. Richardson replied that the bill covers that point. Rep. Spendlove and Rep. Redd conversed more about the bill.

Rep. Redd responded to a previous question from Rep. Spendlove and there was more conversation between the two.

Sen. Henderson complimented Ms. Richardson for her efforts to take care of so many adopted children.

Jennifer May, mother, represented Hope 4 Children with Epilepsy. She read a prepared statement which shared information about what families might deal with who have children with medical complexities as in the case of her family. Ms. May requested support for H.B. 199.

Sen. Jackson gave thanks to Ms. May and offered his support.

Holly Ferrin, Executive Director, Utah Epilepsy Association, spoke on behalf of Annette Maughn about the support from the Epilepsy Association of Utah of H.B. 199. She cited incidents in which families have had to sell their homes in order to find support for their disabled child.

Becca Morales, Parent, expressed support for H.B. 199. She shared her family's experience with a nephew she and her husband are caring for and enumerated the costs for items needed for his care. She emphasized the toll it can take on a family.

Rep. Redd offered thanks for all those who have shared their experiences and reiterated that this bill is a pilot program to see how this would work in Utah. He stated his support for the families who tackle this situation and the support they give to the children and the efforts made to save money for the state through their actions.

3. Annual Audit of the Department of Health by the State Auditor

<http://le.utah.gov/interim/2015/pdf/00000500.pdf>

<http://le.utah.gov/interim/2015/pdf/00000401.pdf>

John Dougall, State Auditor, introduced Melanie Henderson, Audit Supervisor, State Auditor, shared three additional findings of the audit including:

- 1) Inadequate Medicaid Monitoring of Delegated Medicaid Program integrity
- 2) Medicaid Payment Calculation Error
- 3) Improper Drawdown of Federal Funds

Ms. Henderson proceeded to explain the findings using the documents available online.

Sen. Shiozawa inquired if the auditors use extrapolation based on the sample size in their calculations of over or under payments or inaccuracy in terms of actions they intend to take.

Van Christensen, Audit Director, State Auditor, explained their method.

Sen. Shiozawa inquired what action was taken on the underpayment information findings and Mr. Christensen replied that their action was to ask them to correct the programming logic and suggested that the Department of Health respond to that inquiry. Sen. Shiozawa stated he would contact them on his own.

4. Review of Department of Health's Medicaid and Health Financing Budget

Russell Frandsen, Fiscal Analyst, began reviewing information found under the motions tab looking at options related to Medicaid Administration as well as items on the buff sheet entitled Additional Options which is also found online:

a. Budget Effectiveness Review Options - <http://le.utah.gov/interim/2015/pdf/00000331.pdf>

Mr. Frandsen reviewed several items explaining each one.

b. Other State Funds- Mr. Frandsen continued to clarify:

(1) Medicaid Budget Reserve Stabilization Account

<http://le.utah.gov/interim/2015/pdf/00000666.pdf>

(2) Nursing Care Facilities Account - <http://le.utah.gov/interim/2015/pdf/00000671.pdf>

(3) Hospital Provider Assessment Expendable Special Revenue Fund

<http://le.utah.gov/interim/2015/pdf/00000673.pdf>

c. Performance Measure Trends That May be of Interest

Mr. Frandsen referred to questions asked previously for the Department of Health. Rep. Ward asked about the primary reasons or sources for those people going into nursing homes. Sen. Christensen asked if 100% of those taken into nursing homes are approved for Medicaid.

Michael Hales, Deputy Director, Department of Health, addressed both questions.

Mr. Frandsen introduced items #3E and #3I which both involve non-lapsing funds. Mr. Hales spoke to each item.

MOTION: Sen. Christensen moved to approve the following motions for the Department of Health's Medicaid and Health Financing line item from the sheet entitled "Social Services Subcommittee – Motions for Subcommittee consideration" dated 1/23/2015 9:15 PM: 3E, 3I & 9E.

The motion passed unanimously.

5. American Recovery and Reinvestment Act (ARRA) Funds Approval DOH - Brief
<http://le.utah.gov/interim/2015/pdf/00000664.pdf>

Mr. Frandsen read the Brief Summary and proceeded to explain and share the Legislative Action section from the Brief.

Rep. Redd requested clarification of the difference between Medicaid optional services and Medicaid financing.

Mr. Frandsen clarified and he and Rep. Redd continued to discuss.

MOTION: Sen. Christensen moved to approve the following motions for the Department of Health from the sheet entitled "Social Services Subcommittee – Motions for Subcommittee Consideration" dated 1/23/2015 9:15 PM: 5A & 6A.

The motion passed unanimously with Rep. Tanner absent for the vote.

6. Review of Department of Health's Children's Health Insurance Program (CHIP) Budget

Russell Frandsen reminded the Committee that their job is to vote on all of these items and so today is a chance to provide input on the proposed performance measures.

a. Mr. Frandsen gave an overview of what CHIP is. He then reviewed some potential reduction areas.

Sen. Christensen commented that Executive Appropriations Committee (EAC) will ask about cuts and if some of them are savings, the Committee will be directed back to find cuts.

Mr. Hales commented on the appropriations issue with Congress and indicated we are in a wait mode.

b. Issues /Analysis from the 201 Compendium of Budget Information (COBI)
http://www.le.utah.gov/lfa/reports/cobi2015/LI_LPA.htm#issuesTab

Mr. Frandsen indicated performance measures for CHIP. He stated the coverage is provided by Molina and Select Health who are contracted providers. He shared the ratings of their performance as compared to the national average.

Mr. Frandsen referred to #9G measuring the success of the CHIP program and read each performance measure.

MOTION: Sen. Christensen moved to approve the following motions for the Department of Health's Children's Health Insurance Program line item from the sheet entitled "Social Services Subcommittee – Motions for Subcommittee Consideration" dated 1/23/2015 9:15 PM: 1C & 9G

The motion passed unanimously with Rep. Tanner and Sen. Jackson absent for the vote.

7. Medicaid Pilot to Manage Clients with Chronic Conditions

Michael Hales, Deputy Director, Department of Health presented information on a recommendation last year about transferring funds to be able to engage in a pilot program with one of the local health departments. He explained about contracting with the Bear River Health Department to work on coordinating the care of medically complex individuals in their areas. He listed several conditions and the program that is offered to help save money. He reported on what is currently occurring with the program and preliminary results which include a reduction in the amount of claims being made.

Rep. Ray requested a dollar amount for the services mentioned and Mr. Hales estimated a savings of \$15,000 in the claims trend for the population that has been served for the 12 month program. He suggested that having the participants in the program for a longer time could show more savings, He said they will continue to be monitored. Mr. Hales and Rep. Ray continued to discuss the program and the savings.

Rep. Ward mentioned the patient centered medical home concept where more services are required to be given through the primary care office. He stated that sometimes nurses are sent to do things that the doctor doesn't know about it and is not really coordinated with their primary care and wondered how this works as coordination.

Mr. Hales read a statement by Dr. Nina Jorgensen about how this service works for her as an additive service rather than being redundant or complicating the work of the practice.

Rep. Redd indicated he is an employee of Bear River Health Department and stated that the nurses interface with the office staff and the doctors on a weekly basis. He continued to comment on the program.

Rep. Ray asked what Rep. Redd saw on the fiscal cost from the Bear River Health Department standpoint and Rep. Redd indicated he is not part of the administration since he was elected to

the legislature and was removed from the any administration in the Bear River Health Department. There was further conversation about the program.

8. Review of Department of Health's Medicaid Mandatory Services Budget

Russell Frandsen, Fiscal Analyst, gave an overview of the number covered, who qualifies, and what the services are. Rep. Ward asked for clarification on the managed care information. Mr. Frandsen clarified and continued to explain how the services are paid for.

a. Budget Effectiveness Review Options for 2% reduction -
<http://le.utah.gov/interim/2015/pdf/00000331.pdf>

#18 – Pay Nurse Practitioners a Lower Rate than Physicians

Mr. Frandsen reviewed the staff proposal to change the rate of pay for nurse practitioners as compared to physicians which is currently the same.

Rep. Redd asked for clarification of the numbers stated for nurse practitioners vs. physicians. Mr. Hales clarified for Rep. Redd.

Rep. Tanner expressed concern for reducing reimbursement rates for nurse practitioners and explained his reasoning and suggestion. He stated his opposition to this intent and Co-Chair Ray suggested that when this item comes up that it be divided from other items in the vote.

Mr. Frandsen further clarified for Rep. Redd's question about the number of nurse practitioners.

Sen. Henderson seconded Rep. Tanner's concern about lowering the rates for the nurse practitioners.

c. Dedicated Credits Proposed Increase for Approval
#1K- Motions for Subcommittee Consideration -
<http://le.utah.gov/interim/2015/pdf/00000311.pdf>

Mr. Frandsen explained the concept of dedicated credits.

Rep. Redd requested explanation of the motion. Michael Hales clarified that this deals with the divide between mandatory and optional services. There was continued clarification between Rep. Redd and Mr. Hales.

Sen. Christensen gave examples of the Federal definition of mandatory and optional to clarify. Rep. Redd made further comment.

d. Performance Measure Trends

Mr. Frandsen reviewed 3 areas:

- (1) Percentage of Children that Received at Least Six or more Well-Child visits (negative)
- (2) Percentage of Deliveries that had a Postpartum Visit on or between 21 and 56 Days After Delivery (negative)

(3) Percentage of Members (12-21 Years of age) who had at Least One Comprehensive well-care Visit (negative)

http://www.le.utah.gov/lfa/reports/cobi2015/LI_LHB.htm#performanceTab

e. Three proposed Performance Measures to Include in Appropriations Acts via Intent Language

#9H- How the Health Department would propose to measure success for Medicaid Mandatory Services.

Mr. Frandsen reviewed 3 items:

- (1) Percentage of adults 45-64 managed care visits with a target of 88%
- (2) Post-partum visit goal with a target of 60%
- (3) Percentage of customers satisfied with their managed care plan with a target of 85%

f. Other motions for Consideration

Mr. Frandsen explained other motions:

#7D- Intent language for a Medicaid computer replacement program- requiring quarterly reports

#7H & 7I – the Executive Appropriations Committee (EAC) has indicated they are going to use the reductions forecasted in the CHIP program and the Medicaid caseload.

#7J – Exchanging one-time General Fund within Medicaid services in the Department of Health for one-time funding from the General Fund Restricted Medicaid Restricted Account to the amount of \$20,765,900 in FY 2015. Mr. Frandsen clarified this motion.

<http://le.utah.gov/interim/2015/pdf/00000311.pdf>

g. Agency Requests for Non-lapsing Authority

#3F – The legislature intends up to \$3.5 million provided for the Department of Health Medicaid Management Information System Replacement -

<http://le.utah.gov/interim/2015/pdf/00000311.pdf>

Michael Hales, Deputy Director, Department of Health reviewed the proposal

Co-Chair Ray reminded the Committee that they were not voting on the Nurse Practitioner cuts

today but it would be voted on later. Sen. Christensen commented and Rep. Tanner continued discussion.

MOTION: Sen. Christensen moved to approve the following motions for the Department of Health from the sheet entitled “Social Services Subcommittee – Motions for Subcommittee Consideration” dated 1/23/2015 9:15 PM: 1K, 7D, 7H, 7I , 7J, 9H, & 3F.

The motion passed unanimously with Rep. Hollins and Rep. Spendlove absent for the vote.

9. Review of Department of Health’s Medicaid Optional Services

Russell Frandsen reviewed the following items from the available information
<http://le.utah.gov/interim/2015/pdf/00000335.pdf>

Mr. Frandsen named several services that are optional according to the federal government’s definition. He continued to speak about what is being paid for Medicaid optional services. Mr. Frandsen reviewed some items that may be considered for the 2% reduction including:
<http://le.utah.gov/interim/2015/pdf/00000335.pdf>

a. Budget Effectiveness Review Options

- #1 – End of Primary Care Network
- #2 – Autism Program
- #4 – Remove all exclusion for Drugs for Medicaid’s Preferred Drug List
- #5 – Reduce Eligibility for Breast and Cervical Cancer Group from 250% Federal Poverty Level (FPL) to 100% FPL
- #6 – Medicaid Dental Provider Rates
- #7 – Do Not Fund Additional Administration for Medicaid Autism
- #17- Decouple Medicaid Outpatient Rates from Medicare Increases

Rep. Tanner asked a question about hospital assessments and the relationship between decoupling Medicaid outpatient rates. Mr. Frandsen clarified.

Rep. Ward requested more information from David Gessel.

David Gessel, Executive Vice-President, Utah Hospital Association (UHA), shared history about the outpatient rates and the agreements made previously and voiced his concern about the cuts and the Accountable Care Organizations and trying to make that system workable. He emphasized the importance of what the committee does.

Sen. Shiozawa spoke about the purpose of outpatient vs. inpatient and its purpose which is to keep the overall costs down but to still have quality care.

Rep. Tanner asked if there would be discussion in the future on how to fund a possible Medicaid expansion.

Co-Chair Ray indicated that would be forthcoming.

Mr. Hales commented on a few of the proposed reductions that were mentioned including: the Primary Care Network program, the autism program, the breast and cervical cancer group and gave opinions on each.

b. Disproportionate Share Hospital Payments (DSH)

Michael Hales, Deputy Director, Utah Department of Health gave a background to explain the procedures and distribution of funds. He talked about why the payments don't need to be tied to a delivered service and the reason for a fixed allotment. He continued to speak about the distribution of the DSH dollars and how the draw down from federal funds works.

Rep. Chavez-Houck requested to know how many rural hospitals participate in this program. She expressed confusion at the numbers presented and asked where the numbers came from. Mr. Hales named a few hospitals and stated that he will get a list by hospital instead of by county.

Rep. Tanner asked about percentages by hospital of DSH dollars and the percentages of payments to the acute care hospitals, frontier hospitals, State Hospital, and University of Utah Hospital being given.

Mr. Hales stated that the University Hospital gets about 77% of the payments, the all-hospital distribution is about 12%, the State Hospital is about 2 1/2% the remainder is sent to the rural and frontier hospitals.

There was a question from Rep. Ray about the number of hospitals listed on the information Mr. Hales stated he would need to find some information on it.

Dave Gessel explained that there are government-owned hospitals. There was discussion and he stated there will be clarifying information coming.

Rep. Chavez-Houck asked about the University Hospital getting 77% of the funding and asked if that was a contribution to all the entities. Mr. Hales indicated that goes for inpatient care so it does go for them.

e. Performance Measure Trends -

http://www.le.utah.gov/lfa/reports/cobi2015/LI_LJA.htm#performanceTab

Mr. Frandsen discussed and explained the items.

- (1) Annual State General Funds Saved Through Preferred Drug List (positive trend)
- (2) New Choices Waiver Clients Coming out of Nursing Homes into community Based Care (positive trend)

Rep. Redd had a question about targets made and Mr. Hales explained the parameters of the optional and mandatory program and how the decisions are made for authorization for Medicaid. Mr. Hales explained how the funding works and where it goes.

f. Three Proposed Performance Measures to Include in Appropriations Acts via Intent Language

Mr. Frandsen continued explaining:

#9I Three performance Measures for the Medicaid Optional Services line item
<http://le.utah.gov/interim/2015/pdf/00000311.pdf>

g. other Motions for Consideration

#6B Transfer ongoing General Fund from the Department of Health's Medicaid Optional Services to the Department of Human Services to Division of Services for People with Disabilities.
<http://le.utah.gov/interim/2015/pdf/00000311.pdf>

10. Review of Department of Health's Medicaid Sanctions Budget

Russell Frandsen, Fiscal Analyst, stated that these sanctions are imposed primarily to nursing homes for violations of safety standards that may put clients at risk of danger. He explained the use of these funds.

a. #9F – Motions for Subcommittee Consideration -
<http://le.utah.gov/interim/2015/pdf/00000311.pdf>

Mr. Frandsen explained this item.

b. Agency Requests for Non-lapsing Authority

#3O – Motions for Subcommittee Consideration -
<http://le.utah.gov/interim/2015/pdf/00000311.pdf>

Michael Hales, Deputy Director, Utah Department of Health, addressed the process of assessing penalties and gave examples of programs to be spent on.

MOTION: Sen. Christensen moved to approve the following motions from the sheet entitled "Social Services Subcommittee – Motions for Subcommittee Consideration: dated 1/23/2015"

9:15 PM: 6B & 9I.

The motion passed unanimously with Sen. Henderson absent for the vote.

MOTION: Sen. Christensen moved to approve the following motions for the Department of Health's Medicaid Sanctions line item from the sheet entitled "Social Services Subcommittee – Motions for Subcommittee Consideration: dated 1/23/2015 9:15 PM: 3O & 9F.

The motion passed unanimously with Sen. Henderson absent for the vote.

11. Preferred Drug List Possible Changes

Michael Hales presented information about 2 initiatives

(1) Possibility and results from telling prescribers the cost of drugs to the state Medicaid program of the drugs being prescribed. Mr. Hales explained the reason for that concept. He continued to share information about what happened following this proposal in the interim. He indicated they are waiting for further information and have not put this into place yet.

(2) Mental health drug exemption on the drug list and potential savings
Mr. Hales explained what a preferred drug list is for the Committee and made clarifications about how determinations of the efficacy of different medications are made and the procedure following those determinations. He also explained the override process and indicated there is an administrative process involved. He referenced the mental health drugs and the delicate nature of the clients served by the drugs and said that there is a grandfathering clause being looked at so that the stabilization could be maintained for those patients. Mr. Hales stated that new clients would be asked to try the new preferred drug list.

Sen. Christensen asked if the effectiveness of the drugs is considered or is it the cost that determines the use of the drug.

Mr. Hales responded that safety and efficacy is first and then cost savings within the group is next. There was some conversation about generic and brand name drugs. Mr. Hales stated that drugs are reviewed as new ones come onto the market. He explained that this is a dynamic process. Sen. Christensen inquired if the program has been successful and Mr. Hales stated that it has and continued to speak about that.

Rep. Ray asked who determines if a drug does not work for an individual. Mr. Hales replied that there are 3 to 4 steps that are gone through to have a person go off the preferred drug list

Rep. Redd spoke to the importance of the generic drugs and commented that this is a non-invasive process to help reduce costs in the mental health arena and supported the idea. He emphasized that this list is for those who are new or who are not stable.

Rep. Tanner asked if someone has to go off the list what the purchasing process in that case. Mr. Hales responded about how that works. He explained the mechanisms for savings. There was further explanation from Mr. Hales.

Rep. Tanner referred to the negotiated price for the preferred drugs which is not disclosed and inquired if that may be an impediment to negotiating. Mr. Hales replied that method preserves the ability of the manufacturers to negotiate with individual payers. He continued to respond to the question from Rep. Tanner and they continued to address the question.

MOTION: Sen. Christensen moved to adjourn. The motion passed unanimously.

Co-Chair Ray adjourned the meeting at 10:47 AM.

Sen. Allen M. Christensen, Co-Chair

Rep. Paul Ray, Co-Chair