

Approved _____ Date 2-2-1984
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MINUTES OF THE HOUSE COMMITTEE ON PUBLIC HEALTH AND WELFARE

The meeting was called to order by Marvin Littlejohn at _____
Chairperson

1:30 /a.m./p.m. on January 26, 1984 in room 423-S of the Capitol.

All members were present except:

Representative Kenneth King, excused

Committee staff present:

Emalene Correll, Research

Bill Wolff, Research

Norm Furse, Revisor

Sue Hill, Secretary to Committee

Conferees appearing before the committee:

Mr. Marlon Dauner, Sr. Vice President of External Affairs of Blue Cross and Blue Shield.

(Attachment No. 1.), visitor's register.

Chairman called meeting to order, asking wishes of committee on the minutes. Motion by Rep. Green to approve the committee minutes for January 19, 23, 24, 25th, motion seconded by Rep. Cribbs, motion carried.

HB 2698

Chair noted committee had completed hearings on HB 2698 and HB 2683, and asked wishes of committee on these. Rep. Friedeman moved that HB 2698 be passed out favorably, seconded by Rep. Williams, question called, and motion carried.

HB 2683

Rep. Green moved this bill be passed out adversely, seconded by Rep. Roenbaugh.

Rep. Branson stated she felt a few more days to consider this bill be given, and moved to table this bill to day certain, February 2, 1984. Motion seconded by Rep. Buehler, motion passed. HB 2683 tabled until 2/2/84.

Chair introduced Mr. Marlon Dauner of Blue Cross, Blue Shield who gave a very comprehensive outline of his presentation on DRG, (Diagnostic Related Groupings). His comments followed along with a slide presentation that was most interesting. (See Attachment No. 2.) for details.

A very extended question and answer period followed.

Meeting adjourned at 2:50 p.m.

Date: 1-26-84

GUEST REGISTER
HOUSE

PUBLIC HEALTH AND WELFARE

Please Print

NAME	ORGANIZATION	ADDRESS
Mary Harper	AAM	Healy Ks 67850
Norman Harper	"	" "
KEITH R. LANDIS	CHRISTIAN SCIENCE COMMITTEE ON PUBLICATION FOR KANSAS	TOPEKA
Jim McBride	United Way	Topeka
Jack Roberts -	Blue Cross	Blue Shield
Wayne Johnston -	PRES.	Blue Cross Blue Shield
MARLON DAUNER -		

Attn: #1
1-26-1984

#2

1-26-84

PERSPECTIVE

Attn. #2
1-26-1984

500

Atch. 2

TOPEKA

BETWEEN 1978 AND 1982:

1. INCREASE IN BEDS 14.5%
2. REDUCTION IN BLUE CROSS PATIENT DAYS 2.7%
3. BLUE CROSS PAYMENTS:
 1978: \$12,130,570
 1982: \$24,151,240

AVERAGE RATE INCREASE

1983	22%
1982	33%
1981	23%
1980	17%

Avg. last four years 23.75%

AVERAGE PG-ES RATE (1988)

Single
\$119.11

Family
\$251.52

Monthly Rates in the Year 2000

Annual Percent
Increase

Single

Family

Annual Family

20%

\$2,644.24

\$5,583.74

\$67,004

15%

1,286.39

2,716.42

32,597

12%

821.86

1,735.49

20,825

10%

607.46

1,282.75

15,393

5%

273.95

578.50

6,942

MARKET TRENDS

- A. First Dollar Deductible**
- B. Shared Payment**
- C. Indemnity or Limited Coverage**
- D. Self Insurance**
- E. Administrative Services Only**
- F. Health Maintenance Organizations**
- G. Preferred Provider Organizations**

ALTERNATIVES

1. FEDERALLY CONTROLLED SYSTEM
2. COMPETITION (INDUSTRY ORIENTATION)

INDUSTRY ORIENTATION

1. Product Lines

- **Well-Defined**
- **Choices**
- **Data**

INDUSTRY ORIENTATION

2. Price Competition

- **Hospital Services**
- **Physician Services**
- **Third Party Services**
- **Bottom Line**

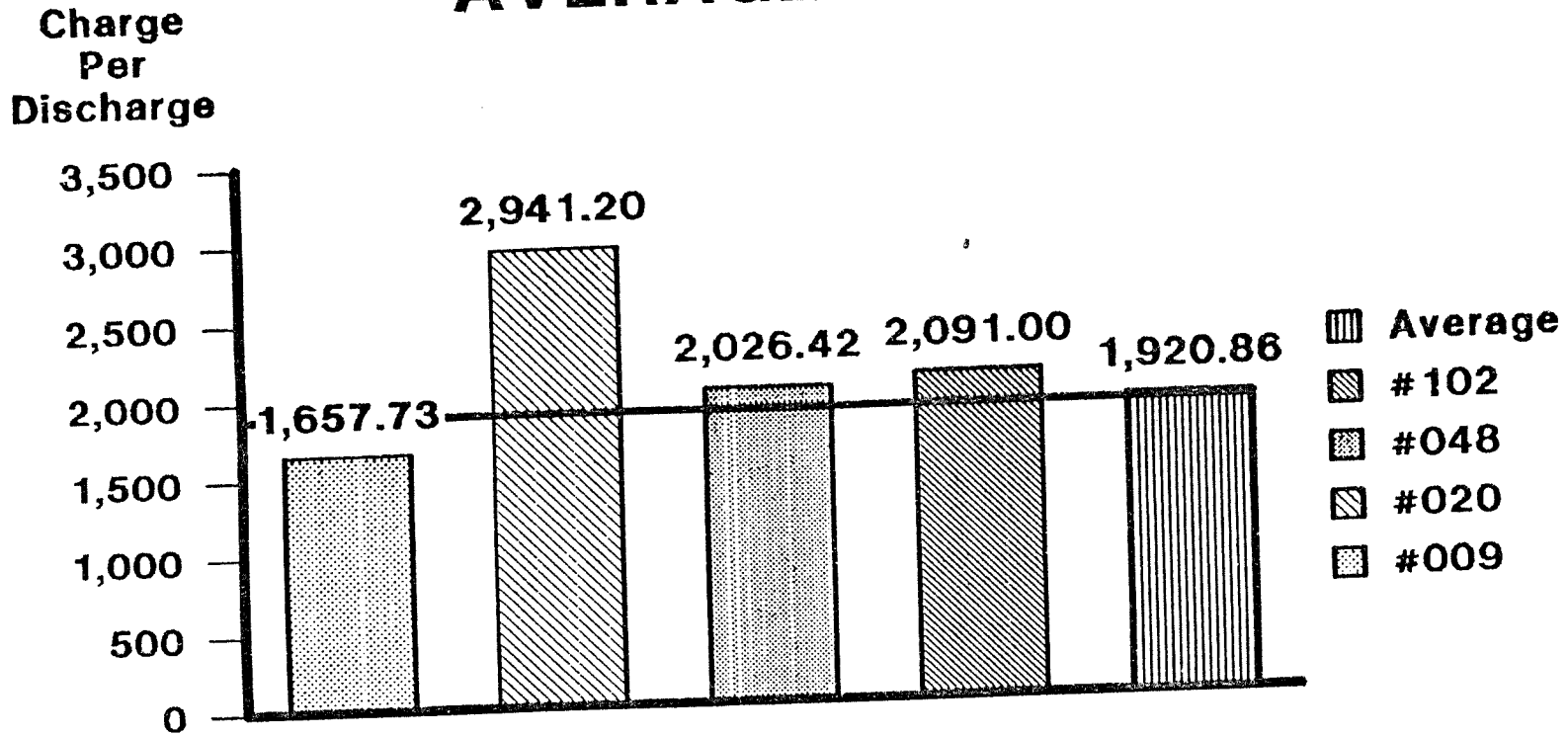
CONSUMER'S DEMAND:

1. CHOICE OF SUPPLIER
 - INSTITUTIONAL
 - PROFESSIONAL (M.D., SOCIAL WORKER, CRNA, ETC.)
2. CLEAR DEFINITION OF CONDITION
 - UNDERSTANDABLE DIAGNOSIS

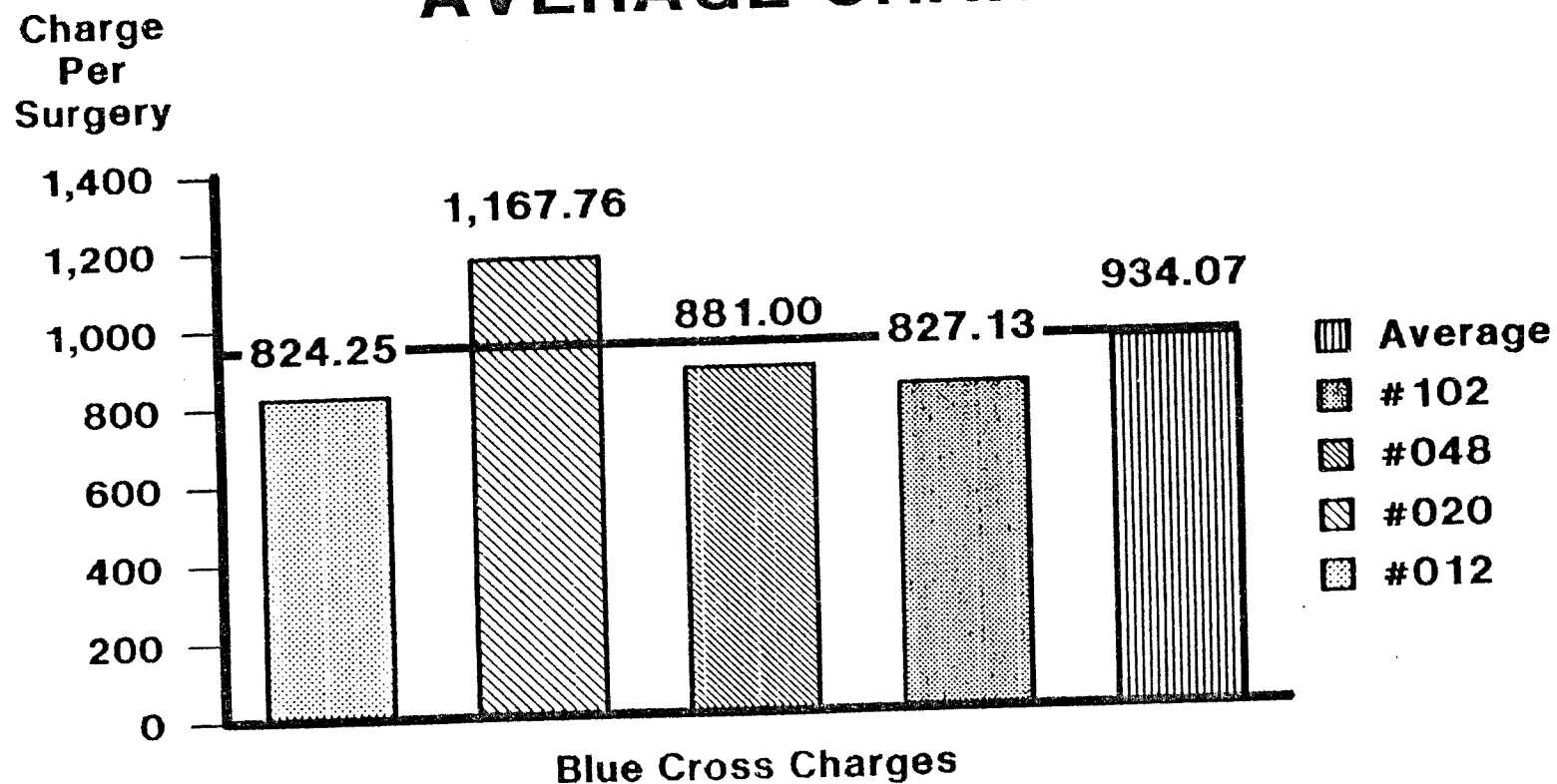
**CONSUMER'S DEMAND
(CONTINUED):**

- 3. OPTIONAL TREATMENT PLANS**
 - **MEASURABLE OUTCOMES**
 - **PRICES**
- 4. CONVENIENCE**

INPATIENT SURGERY APPENDECTOMY AVERAGE CHARGE



INPATIENT SURGERY TONSILLECTOMY WITHOUT ADNOIDECTOMY AVERAGE CHARGE



STRATEGIES FOR THE FUTURE

O PAY PROVIDERS TIMELY AND REASONABLY

NEW REIMBURSEMENT SYSTEMS

- 1. ENHANCE COMPETITION FOR PATIENTS**
- 2. PROVIDERS BECOME MARKET PRICE
TAKERS**

+

CONTRACTING PROVIDERS

1. NEW PROVIDER CONTRACTS OFFERED
2. NON-ASSIGNMENT PROVISION FOR NON-CONTRACTING PROVIDERS
3. LIST OF CONTRACTING PROVIDERS GIVEN TO SUBSCRIBERS
4. COST CONTAINMENT ACTIVITIES:
 - REIMBURSEMENT LIMITS
 - UTILIZATION REVIEW
 - COORDINATION OF BENEFITS
 - MISC.
5. FREE CHOICE OF PROVIDER---CONTRACTING PROVIDERS ACCEPT DIRECT PAYMENT AS PAYMENT IN FULL AND HOLD THE PATIENT HARMLESS. NON-CONTRACTING PROVIDERS OBTAIN PAYMENT FROM PATIENT. (BLUE CROSS AND BLUE SHIELD BENEFITS ARE PAID TO PATIENT AT LEVEL PAID TO CONTRACTING PROVIDERS.)

NEW REIMBURSEMENT SYSTEMS

Under the New Reimbursement System, Blue Cross and Blue Shield Establishes "Maximum Allowable Payment" Amounts for Services Rendered to Subscribers.

- 1. Institutional Reimbursement**
 - Diagnosis Related Groupings (DRG) for Inpatient Services**
 - Procedure Identification for Outpatient Services**
- 2. Professional Reimbursement**
 - Procedure Identification for All Services**

A DRG IS DEFINED AS GROUPINGS OF PATIENTS ACCORDING TO
SIMILAR MEDICALLY MEANINGFUL CHARACTERISTICS.

DRG ASSIGNMENT

- 1. Diagnosis**
- 2. Procedures**
- 3. Age**
- 4. Sex**
- 5. Discharge Status**
- 6. Multiple Diagnosis or Complication**

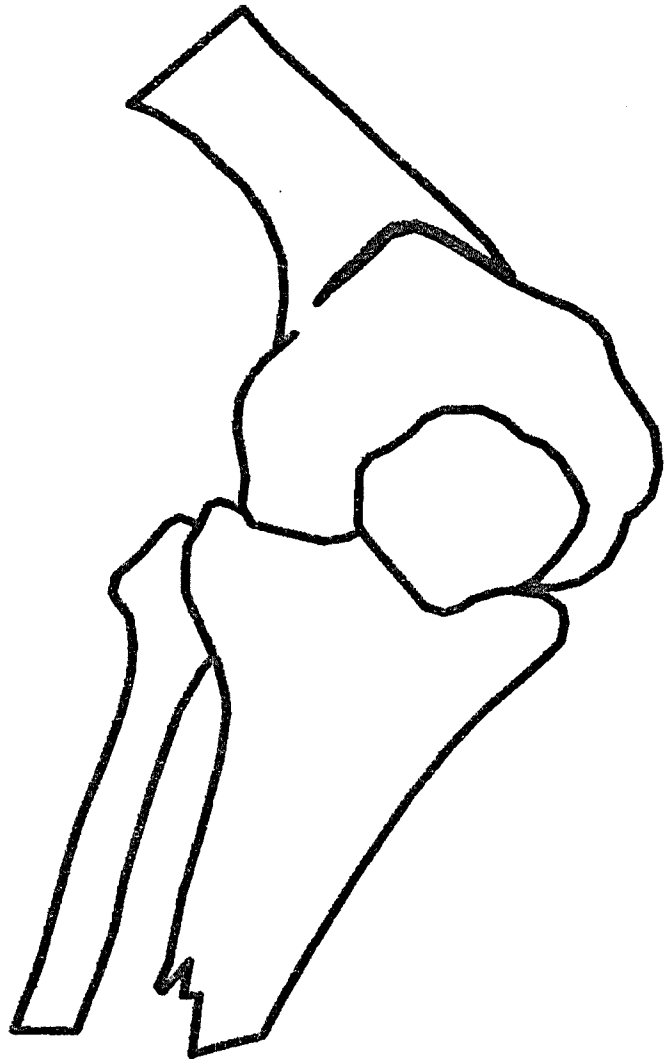
DRG REIMBURSEMENT

A. Hospital Categories - Peer Groups

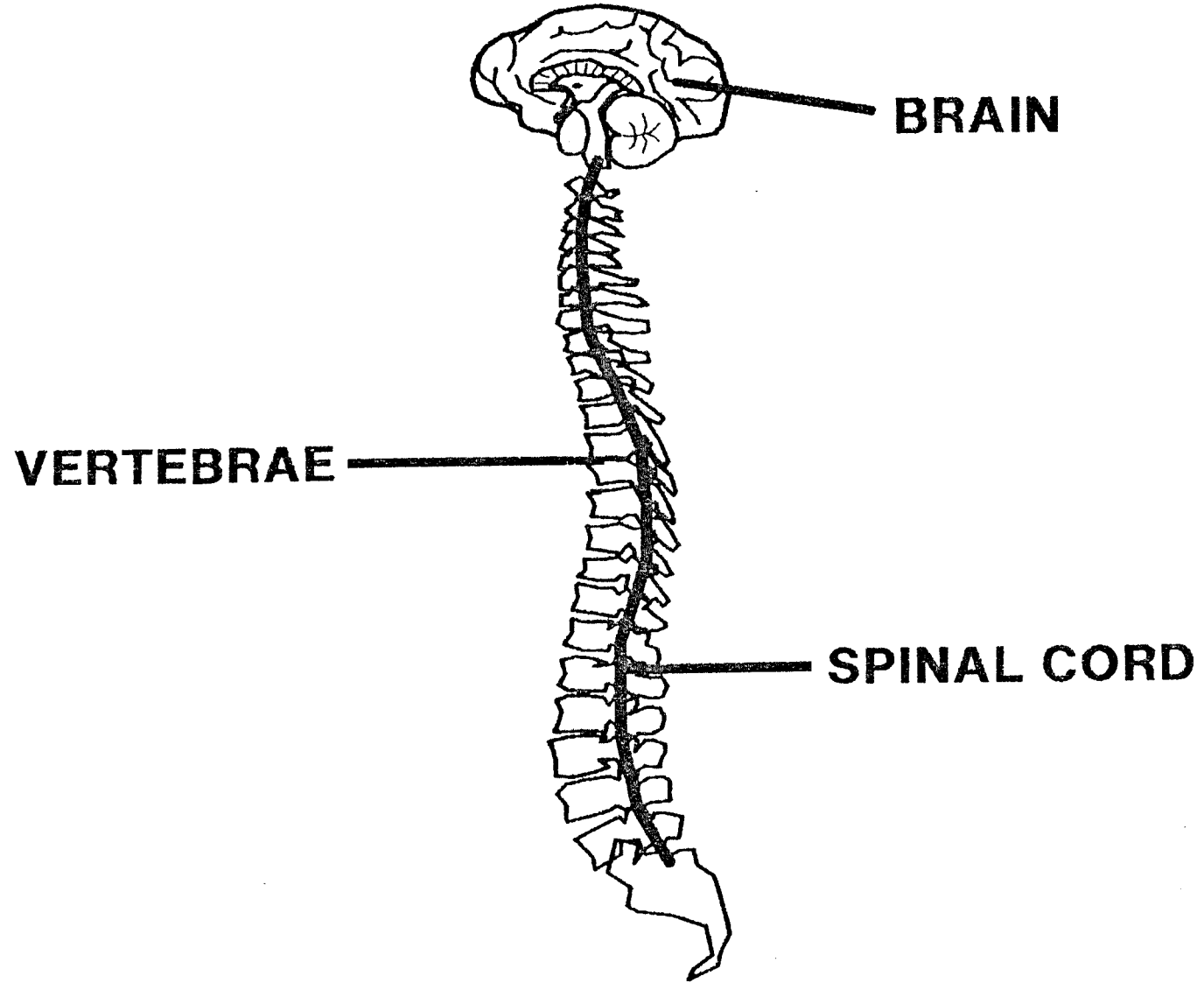
1. 0-49 Beds
2. 50-99 Beds
3. 100+ Beds
4. Topeka
5. Wichita
6. Kansas City

B. Services Categories - DRG's

1. 467 DRG's
2. Diagnoses/Procedures (ICD-9-CM)
3. MAP for Each DRG



C
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L



DRG REIMBURSEMENT METHODOLOGY

- 1. Hospitals Bills Charges with Diagnoses and Procedures**
- 2. Blue Cross and Blue Shield Determines DRG**
- 3. Payment is Made According to DRG Assignment**
- 4. Exceptions or "Outliers" are Identified and Paid**
- 5. DRG Verification Audits are Conducted**
- 6. Ur and Severity Analysis is Performed**
- 7. Billing Audits**

OUTLIERS (EXCEPTIONS)

1. **Deaths**
2. **Leaving Against Medical Advice**
3. **Transfers**
4. **Diagnosis and Procedures Inconsistent**
5. **Charges are Two Times the MAP**
6. **LOS Outside DRG Parameters
(Trim Points)**

MAJOR DIAGNOSTIC CATEGORY 05: DISEASES AND DISORDERS OF THE CIRCULATORY SYSTEM

DRG		<u>Outlier Trim Points</u>	
<u>#</u>	<u>DRG</u>	<u>Low</u>	<u>High</u>
140	Angina, Medical	3	14
143	Chest Pain, Medical	2	13

AUDITS

- A. DRG Verification Audits**
 - Abstract Data**

- B. UR and Severity Audits**
 - Physician/Hospital**
 - Abstract Data**
 - Clinical Data**
 - Medical Record**

- C. Billing Audits**
 - On-Site**

CONTRACT REQUIREMENTS - HOSPITAL

- 1. Accept DRG Payments as Payment in Full Except for Coinsurance, Deductible, and Non-Covered Amounts.**
- 2. Provide Data Needed to Pay Claims at No Charge.**
- 3. Cooperate in UR Activities.**
- 4. Calendar Year Contract.**
- 5. Cancellation Notification - 120 Days Prior to End of Calendar Year.**
- 6. Abide by Blue Cross and Blue Shield Policies and Regulations.**

CONTRACT REQUIREMENTS - BLUE CROSS AND BLUE SHIELD

- 1. Make Payments Directly to Hospital.**
- 2. Reimburse Hospital's Charges up to DRG Maximum Allowable Payment (MAP).**
- 3. Reimburse Within 14 Days or Provide PIP if Hospital Utilizes Paperless.**
- 4. Provide Hospital with Policies and Regulations Including Appeals Procedures.**
- 5. Include Hospital's Name on List of Contracting Providers to be Distributed to Subscribers.**
- 6. Annually Establish MAP.**

STRATEGIES FOR THE FUTURE

- O PROVIDE SUBSCRIBERS DESIRABLE AND PREDICTABLE PRODUCT
AT AFFORDABLE PRICE

BENEFIT ALTERNATIVES

FIRST DOLLAR COVERAGE

DEDUCTIBLES AND CO-PAYS

SHARED PAY

INDEMNITY COVERAGE

COMPREHENSIVE MAJOR MEDICAL

CAFETERIA BENEFITS

HMO BENEFITS

SUPPLEMENTAL COVERAGE

VOUCHERS

FINANCING ALTERNATIVES

FULLY UNDERWRITTEN

PARTIALLY UNDERWRITTEN

SPLIT FUNDING

MINIMUM PREMIUM

SELF-INSURED - STOP LOSS

ASO - SELF-ADMINISTERED

HMO - ADS

PPO

STRATEGIES FOR THE FUTURE

O MAY NOT CONTRACT WITH ALL PROVIDERS OF HEALTH CARE

STRATEGIES FOR THE FUTURE

O REDUCE COST OF PROCESSING CLAIMS

STRATEGIES FOR THE FUTURE

O CONSOLIDATE INTO ONE CORPORATION

STRATEGIES FOR THE FUTURE

O DIVERSIFY

STRATEGIES FOR THE FUTURE

O ENHANCE PREPAYMENT MECHANISMS

STRATEGIES FOR THE FUTURE

O RAPIDLY EXPAND HMO NETWORK

STRATEGIES FOR THE FUTURE

- O OFFER EXPERIMENTAL PROGRAMS TO PRIVATE SECTOR
AND GOVERNMENT

STRATEGIES FOR THE FUTURE

O EXPAND PRODUCT LINE

STRATEGIES FOR THE FUTURE

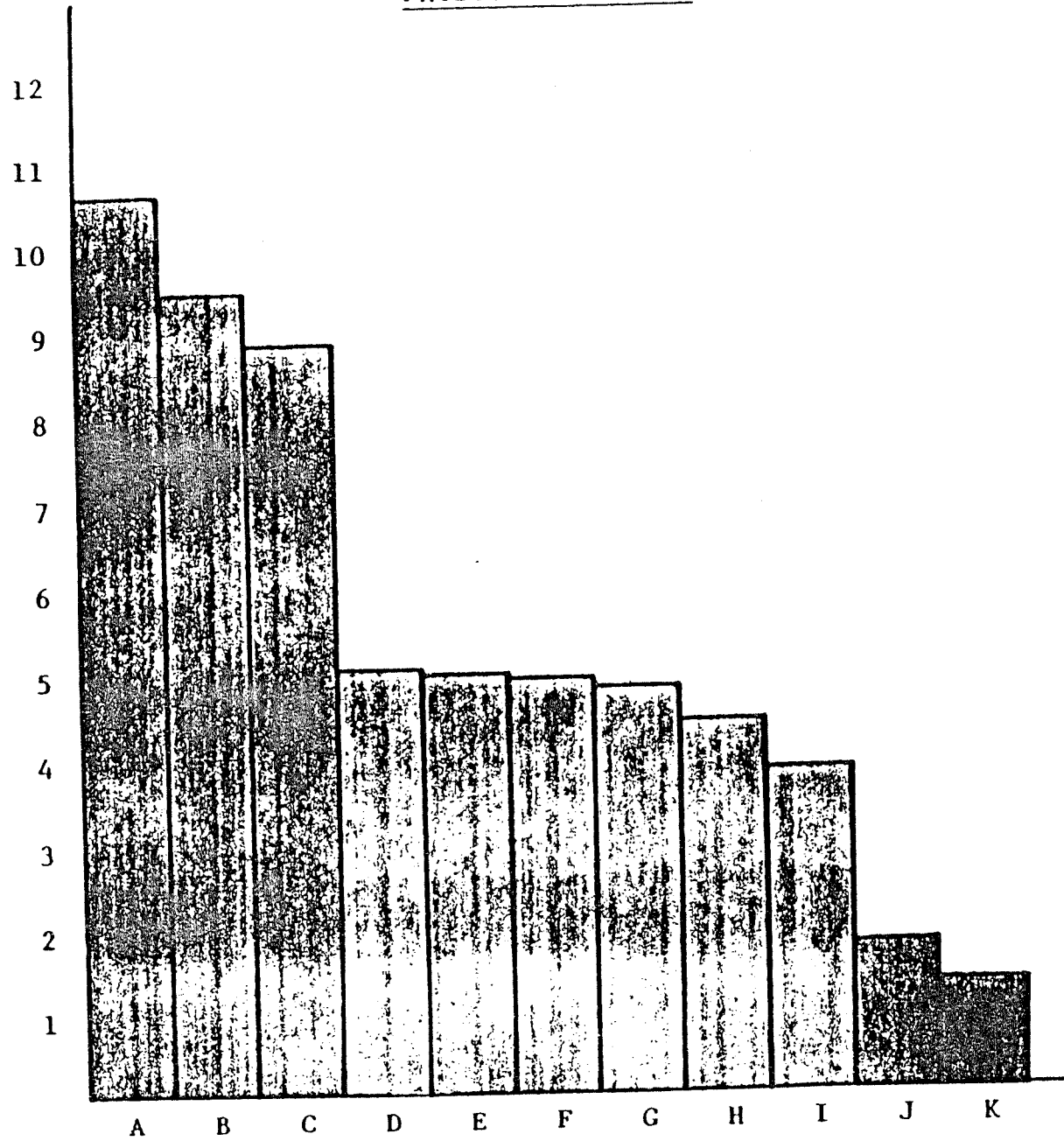
O ELIMINATE UNNECESSARY USE OF HEALTH CARE

D Severity
R and
G Intensity

PHYSICIAN PROFILE

DRG #143
Chest Pain

Length
of
Stay



Physician

PROFESSIONAL REIMBURSEMENT

A. CONTRACTS OFFERED TO:

1. DOCTORS OF MEDICINE (M.D.)
2. DOCTORS OF OSTEOPATHY (D.O.)
3. DOCTORS OF PODIATRY (D.P.M.)
4. DOCTORS OF DENTAL SCIENCE (D.D.S.)
5. CERTIFIED PSYCHOLOGISTS
6. COMMUNITY MENTAL HEALTH CENTERS
7. DOCTORS OF OPTOMETRY (O.D.)

B. CONTRACTS ALSO OFFERED TO PRACTITIONERS:

1. LICENSED SOCIAL WORKERS
2. COMMUNITY HEALTH CLINICS
3. CERTIFIED REGISTERED NURSE ANESTHETISTS
4. CHIROPRACTORS
5. PHYSICIAN ASSISTANTS
6. AMBULANCES
7. PHYSICAL THERAPISTS
8. REGISTERED NURSES
9. NURSE CLINICIANS
10. NURSE PRACTITIONERS

C. CONTRACT IS SIMILAR TO CURRENT BLUE SHIELD PARTICIPATING AGREEMENT EXCEPT IN ESTABLISHMENT OF MAP.

PHYSICIAN SERVICES - 1984 MAP

1982

1983

1984

Procedure Code

UCR

SWA

UCR

SWA

#3261 Appendectomy	545	462	583	550
#4242 Bilateral Vasectomy	270	214	289	230
#9022 1st Day Comprehensive	98	76	102	100