

MINUTES OF THE SENATE PUBLIC HEALTH AND WELFARE.

The meeting was called to order by Chairperson Senator Susan Wagle at 1:30 p.m. on February 6, 2003 in Room 231-N of the Capitol.

All members were present except: Senator Nancey Harrington
Senator David Haley

Committee staff present: Mr. Norm Furse, Revisor of Statutes
Ms. Margaret Cianciarulo, Administrative Assistant

Conferees appearing before the committee: Mr. Don Wilson, President, Kansas Hospital Association
Dr. John Tilton, D.D.S., Wichita
Dr. Jeff Stasch, D.D.S., Garden City

Others attending: See attached guest list

Presentation on "The Perfect Storm"

Upon calling the meeting to order, the Chair announced the Committee would be hearing a presentation from Mr. Don Wilson, President, Kansas Hospital Association regarding the high cost of health care. Mr. Wilson opened by saying we need to address public policy issues surrounding health care and one of the obvious immediate issue is the conflict with Iraq. Highlights of his presentation included:

- 1.) Trends in the overall health care marketplaces, ex. Growth charts, annual percentage changes in health insurance premiums, rate of growth for selected health services (supplies, labor shortage, outpatient care, uninsured);
- 2.) Contributing factors for demand for health care services, ex. due to population growth, restrictive health plans, aging in America, etc.; and
- 3.) The "emerging storms, ex. Payment shortfalls in Medicare and Medicaid, market trends in private insurance, fragmentation, etc.

A copy of his presentation is (Attachment 1) attached hereto and incorporated into the Minutes by reference.

The Chair thanked Mr. Wilson for his presentation and asked the Committee for questions or comments. Senators Barnett, Steineger, and Brownlee asked a range of questions of Mr. Wilson from what is your viewpoint of what your solutions might be, health wave, medical savings accounts (patients prepay and what is the savings), offering cash discounts, to referring to the chart on page 4 of his presentation and asking, what would that have looked liked in the nineties when the economy was good.

Presentation on "Denial Access Project Update - Kansas Mission of Mercy"

As there was no further discussion, the Chair announced there were two dentists representing the Kansas Dental Association, Dr. John Tilton, a dentist from Wichita, and Dr. Jeff Stasch, a dentist from Garden City who were here to give a presentation and a film called "A Mission of Mercy."

CONTINUATION SHEET

MINUTES OF THE SENATE PUBLIC HEALTH AND WELFARE at on February 6, 2003 in Room 231-N of the Capitol.

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Dr. Tilton introduced himself and Dr. Stasch and thanked the Committee for their support of **SB34**, a charitable health care provider under the tort claims act. He announced that the purpose of the video was to take the Committee on the site to this original project in Virginia and announced that they themselves would be duplicating this 45-50 chair dental Mash-style clinic in a building at the fairgrounds in Garden City, Kansas. Highlights of the film included:

- 1.) The project takes 1 ½ days to set up and they run the project for 2 ½ days;
- 2.) It is a collaborative effort of donated equipment, 80-90 dentists, and more than 100 volunteers (dental staff) serving more than 3,000 people;
- 3.) The clinic offers exams, cleanings, fillings, surgery and education to needy people;
- 4.) The Virginia clinic is the largest of its type in the United States; and
- 5.) The strides Dr. Tilton and Dr. Stasch have made in working on their project, ex. Texas and Virginia lending them equipment.

No written testimony was provided.

The Chair thanked them for their presentation and asked the Committee for questions or comments. Questions from Senators Haley, Brungardt, Barnett ranged from how do you augment the cost (ex. Notifying Head Start and putting out bulletins), do you provide the names of providers that might be in the area for follow-up for children and geriatric patients (ex. An emergency postoperative treatment), qualifying for services under Medicaid and Medicare, how do you decide who is eligible (ex. either financial or dental needs or self-selected), to can you work with a local branch of ADA (any networks set up?).

Adjournment

As it was going on 2:30 p.m., the start of the Senate session, the Chair concluded the meeting by again thanking Dr. Tilton and Dr. Stasch for sharing their film with the Committee. The time was 2:30 p.m.

The next meeting is scheduled for February 10, 2003.

SENATE PUBLIC HEALTH AND WELFARE COMMITTEE

GUEST LIST

Laura Ann Power, KAHP
 Attributed to Sen. Brungardt

DATE: Thursday, February 6, 2003

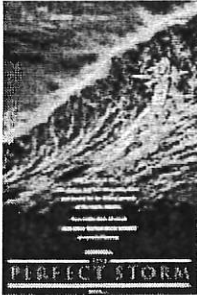
NAME	REPRESENTING
Dennis Kiesel	Kansas Association of Counties
Carol Crisp	KWS
Ryan Schliak	Kansas Pharmacists Assoc.
Bob Williams	" "
Andy Shaw	Kearney + Assoc. Inc.
Rebecca Lepide	Federico Consulting
DAVID OWEN	HOMELESS COME HOME
FRANK GOSE	SRS HCP/MP
A. M. Byrnes	Sen. SALMARS ASS
ABORN	Ky Dept of Health
BOB O'CONNOR	KDA
Bill Gross	Shownee Mission Med. Center
Dusty Buell	Rattenberg + Assoc.
Pat Collins	Ko Dental Hygienists Assoc.
Jeff Stasch	Kansas Dental Association
Jon Tilton	KANSAS DENTAL ASSOC.
Jack Harling	K. D. A.
Greg Hill	Kansas Dental Association
Estel Van Dusen	K. D. A.

Rich Guthrie
 Genya. Fracy
 Melissa Hungerford
 Jennifer Findley

Health Midwest
 DWE
 Ks Hospital Assoc.
 ICS Hospital Assoc.



Kansas Hospital Association



The Perfect Storm: Are We Sailing Into It?

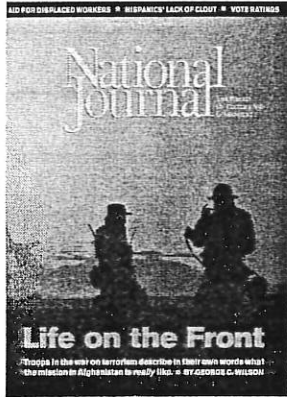
Senate Public Health and
Welfare Committee

February 6, 2003

Donald A. Wilson
President
Kansas Hospital Association



Kansas Hospital Association





Kansas Hospital Association

The Backdrop:

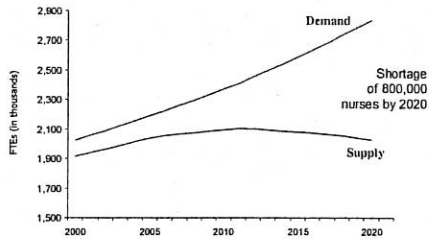
Trends in the
Overall Health Care Marketplace

Senate Public Health & Welfare Committee
Date: February 6, 2003
Attachment 1-1



The labor shortage will reach crisis proportions unless action is taken.

Forecast of Total RN FTEs vs. Requirements 2001-2020



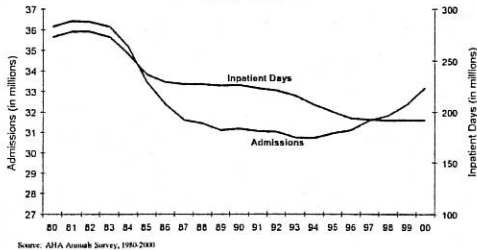
Source: Bureau of Health Professions, National Center for Health Workforce Analysis, Projected Supply, Demand, and Shortages of Registered Nurses: 2000-2020, released July 2002.

Kansas Hospital Association



Demand for inpatient hospital services is increasing...

Inpatient Days and Admissions 1980 - 2000



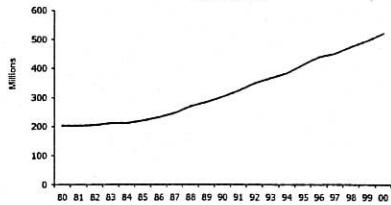
Source: AHA Annual Surveys, 1980-2000

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...as is demand for outpatient care.

Total Hospital Outpatient Visits in Community Hospitals 1980 - 2000



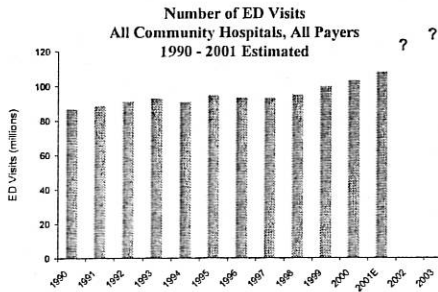
Source: The Lewin Group analysis of American Hospital Association Annual Survey data, 1985 - 2000 for community hospitals

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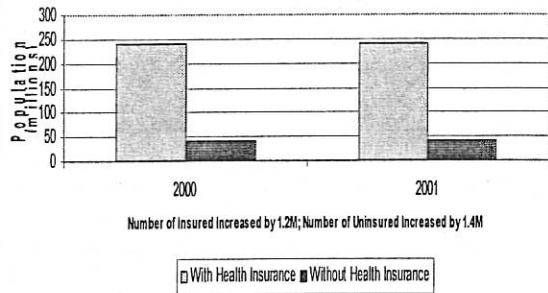
Rising ED volume has been a special concern.

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Source: 1990-2000 from AHA Annual Survey, 2001 estimates from The Lewin Group Analysis of AHA ED and Hospital Capacity Survey, 2002

**Health Insurance Coverage in the U.S.,
number of insured**

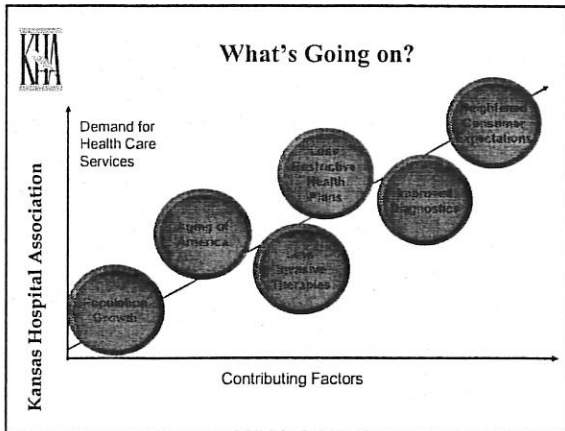




Kansas Hospital Association

“The uninsured used to exist on the margins of society. Now they’re most likely next door.”

U.S. News & World Report, October 14, 2002



Contributing factors

population growth

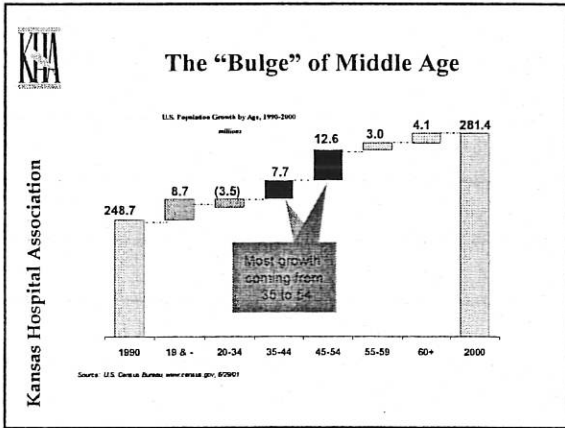
aging of America

less invasive therapies

restrictive health plans

improved diagnostics

heightened consumer expectations



-
- The Emerging Storms**
- Kansas Hospital Association
- Increasing Costs
 - Payment shortfalls: Medicare, Medicaid
 - Market trends in private insurance
 - Fragmentation



Kansas Hospital Association

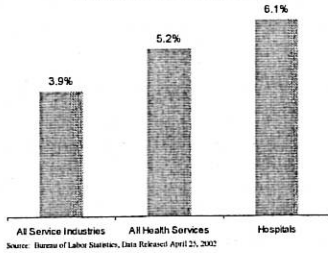
Increasing Costs



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Hospitals face labor cost increases over 50% higher than service industries as a whole.

Percent Change in Employment Cost Index for Private Service Industries 12 Months Ending March 2002

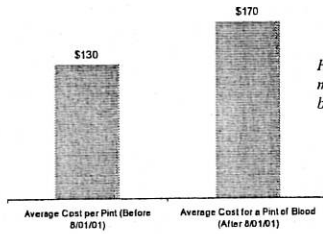




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The cost of a pint of blood increased 31% as of August 2001.

Change in the Cost of a Pint of Blood 2001



Hospitals use 23 million units of blood each year.

Source: AHA conversation with American Red Cross and American Blood Centers

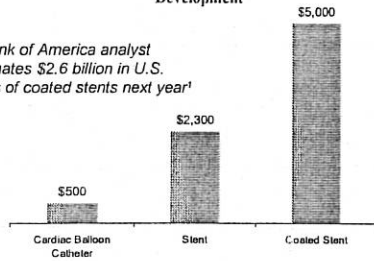


Kansas Hospital Association

New devices, like coated stents, increase costs for providing the same service.

Stents: The Rising Costs of Technological Development

A Bank of America analyst estimates \$2.6 billion in U.S. sales of coated stents next year¹



Source: University HealthSystem Consortium
¹Wall Street Journal Online, August 1, 2002



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The capital required to keep up with advanced technology is staggering.

Traditional Technology	Contemporary Technology	Next Round Technology
X-Ray Machine \$175,000	CAT Scanner \$1,000,000	CT Functional Imaging with PET \$2,300,000
Open Surgery Instrument Set \$10,000	Laparoscopic Surgery Set \$15,000	Robotic Surgical Device \$1,000,000
Scalpel \$20	Electrocautery \$12,000	Harmonic Scalpel \$30,000

© 2002 University HealthSystem Consortium



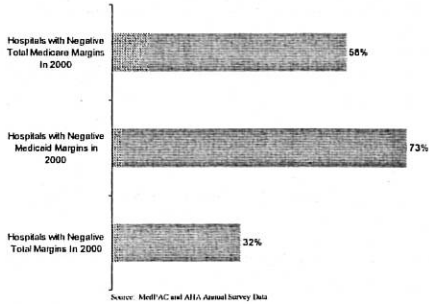
Kansas Hospital Association

Payment Shortfalls: Medicare and Medicaid



The majority of hospitals lose money on Medicare and Medicaid.

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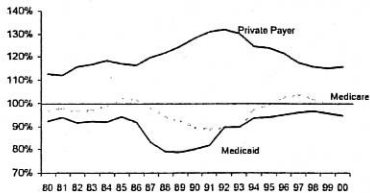




When the public sector doesn't pay its share, the private sector makes up the difference.

Kansas Hospital Association

Aggregate Hospital Payment-to-cost Ratios for Private Payers, Medicare and Medicaid 1980 - 2000





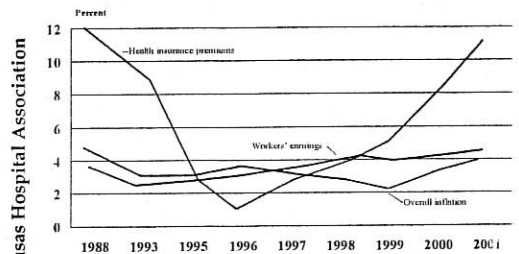
Market Trends in Private Insurance

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- Cost trends
- Market Projections
- Employer Reaction



Health Insurance Premium Increases Compared With Other Indicators, 1988-2001

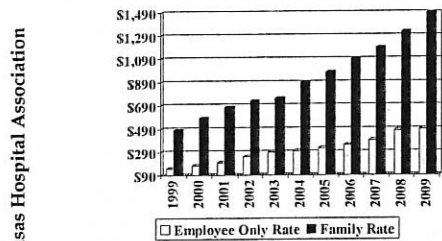


Source: Kaiser/Health Research and Educational Trust Survey of Employer-Sponsored Health Benefits, 1999, 2000, 2001; KPMG Survey of Employer-Sponsored Health Benefits, 1988, 1991, 1995, 1996, 1997, and 1998-2001; and Bureau of Labor Statistics, 2001.

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Can We Afford It or Are We Willing To Pay For It?



Source: Hewitt & Associates, Inc. 2000

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Employers' Reaction to Rising Health Care Costs?

	December 2000	May 2001
Pass on Cost Increase	26%	72%
Absorb Cost	74%	28%
Change Coverage	38%	42%

Source: Benefit Management & Design, Inc. Employer Survey

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Business Survey 2002

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- 66% of employers are dissatisfied with cost of health care/health insurance
- 35% of small businesses will pass premium costs on to employees and will reduce benefits

Source: Kaiser Family Foundation 04/02/2002



Fragmentation

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- Within the past five years, Kansas has seen the number of specialty hospitals increase to 14, with additional facilities being planned or constructed.
- The increase of specialty hospitals have a direct impact effecting the capability of full service hospitals to provide essential community services. i.e.- emergency rooms, burn units, NICUs, uncompensated care, etc.



Kansas Hospital Association
