Approved: 4/1/09
Date

MINUTES OF THE SENATE PUBLIC HEALTH AND WELFARE COMMITTEE

The meeting was called to order by Chairman Jim Barnett at 1:30 p.m. on February 24, 2009, in Room 136-N of the Capitol.

All members were present.

Committee staff present:
Nobuko Folmsbee, Office of the Revisor of Statutes
Doug Taylor, Office of the Revisor of Statutes
Kelly Navinsky-Wenzl, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Jan Lunn, Committee Assistant

Conferees appearing before the committee:
Andy Allison, PhD, Medicaid Director and Deputy Director, Kansas Health Policy Authority

Senator Barnett introduced Katie Stachowiak, Alexis Vance, and Maddy Ebling from Sunrise Point Elementary School, Overland Park, Kansas, who were paging for the day.

Others attending:
See attached list.

Dr. Allison presented information on "Implementing Data-Driven Policy through Medicaid Transformation." (Attachment 1) Dr. Allison explained that Medicaid is an optional program of federal matching payments for medical and long-term care. Medicaid was created in 1965 along with Medicare. The federal share is normally around 60%, and will rise by 6-9% during the nine-quarter stimulus period resulting from the passage of the American Recovery and Reinvestment Act of 2009 (ARRA). Dr. Allison indicated that Kansas has not seen an uptick in poverty enrollment since the economic downturn began last September/October 2008. He explained that KHPA serves as the repository for all Medicaid federal dollars distributed in Kansas.

Dr. Allison reviewed total spending on all Medicaid services by population groups. He indicated the disabled and the aged receive the greatest amount of dollars. Medicaid spending by service was also discussed; prescription drugs and hospitals represent the majority of dollars spent. Senator Schmidt questioned whether pharmacy claims from managed care organizations are included in the category of prescription drugs. He explained that there are two components in pharmacy prescriptions: fee-for-service and managed care, and to his knowledge, the managed care component is stripped out of the data analysis. However, he would clarify and would provide follow-up at a later date.

A review of approaches to Medicaid transformation was discussed, specifically, the use of information technology and web-based access for beneficiaries. Key short- and long-run challenges for Kansas Medicaid were described in addition to KHPA objectives for transforming Medicaid. He indicated program management included comprehensive program reviews for services, populations, managed-care programs, and over-arching reviews. In depth discussion was heard related to Medicaid transformation in three areas: transportation, home health, and Health Wave.

Senator Schmidt inquired whether transportation is provided when a beneficiary in a managed care organization has to be referred to an out-of-network provider. Dr. Allison indicated follow-up clarification would be provided.

Dr. Allison discussed 2008 transformation recommendations for transportation, home health, and Health Wave. Dr. Allison concluded his presentation by summarizing Medicaid transformation recommendations for 2008 and by reporting on selected 2009 program reviews.

Senators questioned how funding is handled for Medicaid beneficiaries utilizing FQHCs and how the structure of look-alike FQHC clinics fit into the 2009 transformation process. Dr. Allison responded that FQHCs are reimbursed on a cost-basis through Medicaid. KDHE is responsible to designate needs that leads to FQHCs, placement of medical personnel, and collection of a uniform data set for recipients. Dr. Allison indicated that follow-up related to the look-alike clinics will be provided.

Minutes of the Senate Public Health And Welfare Committee at 1:30 p.m. on February 24, 2009, in Room 136-N of the Capitol.

Senator Barnett questioned what resources might be available as a result of the inclusion of health information technology in the American Recovery and Reinvestment Act. Dr. Allison clarified that Dr. Nielsen is leading the state in organizing a plan for to capture competitive HIT grants and formulating plans to be well positioned for federal funding; the available funds total 19 billion dollars (under ARRA). Senator Kelly inquired about what types of programs will come under HIT infrastructure money provided in ARRA. Dr. Allison indicated additional information would be provided at a later date.

The meeting was adjourned at 2:24pm

The next meeting is scheduled for February 25, 2009.

# SENATE PUBLIC HEALTH AND WELFARE COMMITTEE GUEST LIST

DATE: February 24, 2009

| NAME | REPRESENTING |
|---|---|
| Dustin Moyer | KHPA |
| Andy Allison | KHPA |
| Dan Morin | KMS |
| John Kiefhaber | Ks Chiropractic Assn. |
| Hugh Keck | Hein Law Firm |
| Colin Thomasset | ACMHCK |
| Suzanne Wikle | Kansas Action for Children |
| Krista Kastler | Mainstream Coalition |
| TK Shivel | Ks Legal Services |
| Rick Sluits | SRS |
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# American Recovery and Reinvestment Act (ARRA) Health-Related Provisions Fact Sheet 02-24-2009

**Medicaid: $440 Million over 9 quarters 10/1/2008 - 12/31/2010**

- Increase Federal Medicaid Assistance Percentage (FMAP) from 60.08% to 66.28%
- Provides additional 11.5, 8.5 and 5.5 percent increase based on change in unemployment rate
- Maintenance of Effort (MOE) requirement to neither decrease NOR increase eligibility to receive FMAP increase
- Extends moratorium for TCM, provider taxes, school based administration and transportation services through 6/30/09
- Adds moratorium on hospital outpatient services regulation through 6/30/09
- Transitional Medical Assistance (TMA) through 12/31/2010

| ARRA FMAP Projections By Fiscal Year | | | | |
|---|---|---|---|---|
| | SFY 2009 | SFY 2010 | SFY 2011 | Total |
| KHPA | 56,030,789 | 109,652,302 | 64,710,265 | 230,393,356 |
| Aging | 21,028,902 | 37,860,903 | 22,185,177 | 81,074,982 |
| SRS | 33,957,299 | 59,566,100 | 34,918,598 | 128,443,997 |
| TOTAL | 111,016,991 | 207,081,304 | 121,814,041 | 439,912,336 |

- Exact amounts may vary, depending on Kansas unemployment rate
- Distribution of funds among agencies depends on caseload requirements
- Temporary increase in Medicaid Disproportionate Share Hospital (DSH) funding: ARRA increases state spending limits for DSH payments by 2.5% in federal fiscal year (FFY) 2009 and another 2.5% in FFY 2010, resulting in an additional $750,000 in federal matching payments in FFY 2009 and an additional $2.1 million in FFY 2010. Additional state matching funds of about $340,000 in FY 2009 and $710,000 in FY 2010 will be required to draw down these funds.

**Health Information Technology (HIT): $19 Billion (Total)**

- $2 billion in competitive grants for funding for HIT Infrastructure
- Medicare and Medicaid incentives for providers to use HIT electronic health records ($17 billion)
- Requires federal government to take a leadership role to develop interoperability standards by 2010 to allow for HIE
- Strengthens federal privacy and security law to protect from health information misuse
- State of Kansas well positioned for federal funding given work of the Governor's Cost Containment Commission, the Kansas HIE Commission, the Health Information Security and Privacy Collaboration, and the E-health Advisory Council -- Kansas "Roadmap" recommendations:
  - Create public-private coordinating entity: *E-health Advisory Council*
  - Provide stakeholder education: *Kansas Health Online*
  - Leverage existing resources: *KHPA has two ongoing Health Information Exchange (HIE) pilots: Sedgwick County (Medicaid managed care); KC Metro Area (state employees)*
  - Demonstrate impact of HIE and foster incremental change: *HIE pilots; challenges re: interoperability, sustainable funding, ROI*
  - Address privacy and security barriers: *Kansas HISPC initiative*
  - Seek funding from multiple sources: *Looking for foundation support for HIT/HIE and medical home model of health care delivery*
- E-health Advisory Council, agencies, stakeholders to develop plan for obtaining federal stimulus dollars

## Other ARRA HEALTH-RELATED Provisions

**COBRA Health Care for Unemployed: $24.7 Billion (Total, estimate)**

- Consolidated Omnibus Budget Reconciliation Act, 1986
- Provides opportunity for workers to keep employer-based health benefits after leaving a job
- Employee typically pays 102% of premiums
- No direct state involvement
- ARRA provides a 65% subsidy for those who purchase COBRA coverage
- Possible involvement of Kansas Insurance Dept. and Department of Labor

**Health Resources and Services Administration: $2.5 Billion (Total)**

- $1.5 billion for Community Health Centers (CHCs) to construction, renovation and equipment for the acquisition of health information technology systems
- $500 Million for services provided at community health centers
- $500 Million for health professions training programs: includes $300 million for National Health Service Corps recruitment and field activities; $200 million for disciplines trained under provisions of Public Health Service Act
- Fosters cross-state licensing agreements for health professionals

**Other Agency Health/Health Care Related Initiatives**

- **Kansas Department of Health and Environment (KDHE):** Pandemic Flu Preparedness; Prevention and Wellness funds; Women, Infant and Children (WIC) – other environmental initiatives
- **Social and Rehabilitation Services (SRS):** Transitional Medicaid Assistance; Food Assistance – other assistance initiatives
- **Kansas Department of Aging (KDOA):** Nutrition Services; Medicaid related provisions; Prevention and Wellness Fund – other assistance initiatives

Public Health and Welfare
Date: 02/24/09
Attachment: 1

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## Title XIII of ARRA – Health Information Technology

Defines "qualified electronic health record"

- includes demographic and clinical health information
- has capacity to:
  - provide clinical decision support
  - support physician order entry
  - capture and query information relevant to health care quality
  - exchange electronic health information with other sources

Establishes Office of National Coordinator for Health Information Technology to:

- review and determine whether to endorse standards
- coordinate HIT policy
- support establishment and operation of HIT Policy and HIT Standards Committees
- update Federal Health ITS Strategic Plan
- directs Secretary of HHS to:
  - produce a report for Congress within two years on the adoption of a nationwide system for the electronic use and exchange of health information carry out a study on ways to create reimbursement for improving health care quality in FQHC's, RHCs and free clinics
  - perform a study of the potential use of new aging technology to assist seniors, individuals with disabilities and caregivers throughout the aging process

Provides incentives for the use of HIT

- establishing an HIT Extension Program to provide implementation assistance through creation and support of regional centers; their focus will be helping public or not-for-profit or critical access hospitals, FQHCs, and individual or small-group primary care practices
- creating an HIT Research Center to provide technical assistance and promote best practices



Rm. 900-N, Landon Building, 900 SW Jackson Street, Topeka, KS 66612-1220
www.khpa.ks.gov

Medicaid and HealthWave:
Insurance Fund:
Phone: 785-296-3981
785-296-2364
Fax: 785-296-4813
785-296-6995

State Employee Health Plan:
Phone: 785-368-6361
Fax: 785-368-7180

State Self
Phone:
Fax:

Provides for grants to states to promote HIT

- planning grants
- implementation grants
- funds can be used for:
    - enhancing broad and varied participation
    - identifying state and local resources available
    - complementing other Federal grants, programs and efforts
    - providing technical assistance
    - promoting effective strategies
    - helping patients use HIT
    - encouraging clinicians to work with HIT Regional Extension Centers
    - supporting public health agencies' use and access to electronic health information
    - promoting use of EHRs for quality improvement and reporting
- in order to receive an implementation grant, states must submit a plan
- beginning in FFY11, states will have to contribute matching funds to grant awards (this can be in-kind contributions)
    - FFY11 – 10%
    - FFY12 – 14.3%
    - FFY13 and thereafter – 33.34%

Establishes authority for competitive grants to develop EHR loan programs

- requires an application and a strategic plan
- providers who receive loans must submit reports on quality measures and have a plan for maintaining the EHR technology
- loan entity would also have to provide matching funds and create a strategic plan
- loans could be used to purchase or enhance certified EHRs, train personnel or improve HIE
- loan entities could use up to 4% of funds for administration
- money will not be available for the loan programs before January 1, 2010

Establishes a demonstration program to integrate HIT into clinical education through competitive grants to academic institutions

Establishes a program to increase and diffuse HIT training in undergraduate and graduate programs

Strengthens privacy and security laws, including addressing notification processes for unauthorized access, use or disclosure of PHI

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# Update on 2008 Medicaid Transformation

Senate Public Health and Welfare Committee
February 24, 2009

Andy Allison, PhD
Medicaid Director and Deputy Director
Kansas Health Policy Authority

1

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## Overview

- Brief update on Kansas Medicaid
- KHPA's plan for managing Medicaid in a time of fiscal crisis
  - Identify savings through a comprehensive review of the program
  - Accomplish KHPA's core statutory mission through "effective purchasing and administration of health care"
- Implementing Medicaid Transformation

2

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# Update on Kansas Medicaid

3

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## Kansas Medicaid: Background

- Medicaid is an optional program of federal matching payments for medical and long-term care
  - Federal share is normally about 60%
  - Federal share will rise by 6-9% during 9-quarter stimulus period
- Created along with Medicare in 1965
- Lots of federal strings attached
- Over half of Kansas' program is "optional"

4

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# Kansas Medicaid: Reducing Cost Growth

- $2.5 billion in FY 2009 (all funds, all agencies)
  - KHPA Medicaid programs account for $1.3 billion
- *Historic growth of about 8.5% FY 1999-2009*
- *Recent growth of 3% FY 2004-2009*
- Projected annual growth of 5.5% in FY 2009
  - Enrollment growth of 2.2%
  - Costs per person up 3.2%

***Does NOT project impact of economic downturn

5

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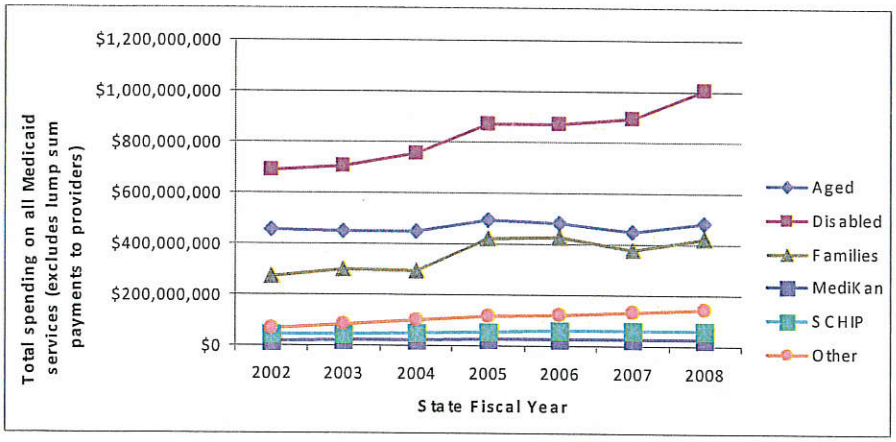
# Kansas Medicaid: Spending by Population

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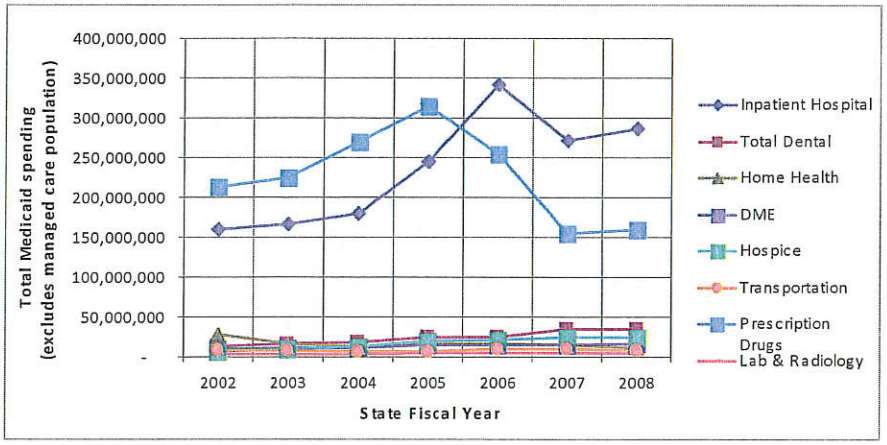
# Kansas Medicaid: Spending by Service

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# KHPA Medicaid "Successes"

- Improving "program integrity" and resolving federal disputes
  - *Resolution of Federal audits and deferrals*
- Adding competition to HealthWave through new contracts
  - *Rapid implementation of expanded managed care*
- Saving administrative dollars through smart reforms
  - *Conversion to standard ID cards*
- Expanded web-based services for beneficiaries
- Improving reimbursement for providers
  - *Additional federal dollars for KU School of Medicine in KC & Wichita*

8

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# KHPA Medicaid "Successes"

- Improving reimbursement for safety net clinics
  - *Approved state plan amendment increases Federally-matched Medicaid payments by $575,000 per year*
- Successful Medicaid Buy-In program to keep individuals in the workforce
  - *Working Healthy Program is a national model*
- Improving payments to hospitals that treat the low-income
  - *Disproportionate Share Hospital Payment (DSH) payment reform*
- Helping those applying for federal disability to get services with more federal dollars
  - *Implementing "Presumptive Medical Disability"*

9

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# Kansas Medicaid: Key Challenges

- **Short run challenges**
  - *Steadily rising costs*
  - *Immediate need for savings*
  - *Major gaps in coverage*
  - *Address questions about program integrity*
- **Long-run challenges**
  - *Emphasize prevention and wellness*
  - *Address health costs*
  - *Increase quality of care*
  - *Ensure access*
  - *Engage stakeholders and expand ownership of the Medicaid program*

10

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# The Medicaid Transformation Process

11

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# Transforming Medicaid: KHPA Objectives

- Comprehensive, written, data-driven review of the program to:
  - Improve cost-effectiveness
  - Achieve savings
  - Develop and apply policy goals
  - Increase program integrity
- Disciplined management through the program review process

12

## Transforming Medicaid: Comprehensive Program Reviews

- Evaluations by program staff, reviewed by senior management, approved by KHPA Board, published on-line
  - Over 40 staff directly involved in review teams
- 14 reviews completed in 2008
  - 8 specific services
  - 2 populations
  - 2 managed care programs
  - 2 over-arching reviews

13

## Transforming Medicaid: 2008 Reviews

- Roadmap for data driven Medicaid reform and cost efficiencies
  - Over 300 pages of description, data, analysis, and recommendations
- Program recommendations and budget savings
  - Initiatives for FY 2009-2010 Budget
  - Administrative initiatives
  - Legislative initiatives
- Areas for further study, management, and policy development

14

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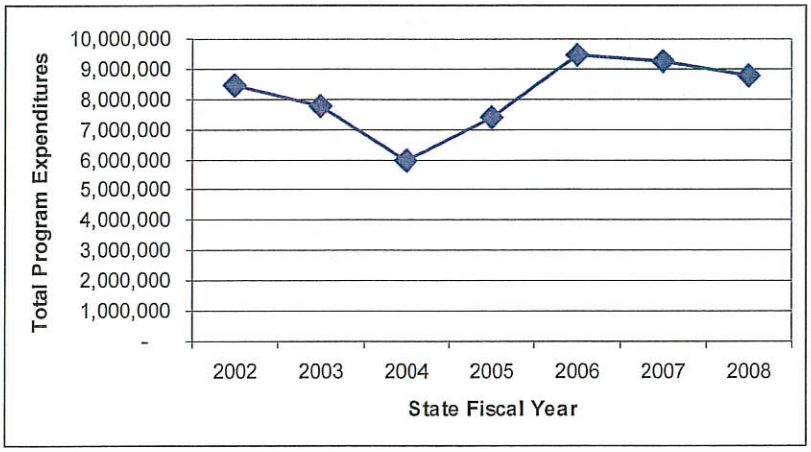
## 2008 Transformation: Recent decline in transportation spending




15

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## 2008 Transformation: Improving payment accuracy in transportation

- Tighter policies have lowered costs and improved integrity of transportation services
  - *but program remains vulnerable*
  - *management resources are limited*
- Recommendation: Shift to an outsourced, competitive, pre-paid program
  - *guaranteed savings*
  - *added capacity for oversight*
- Update: RFP is headed for Department of Administration tomorrow

16



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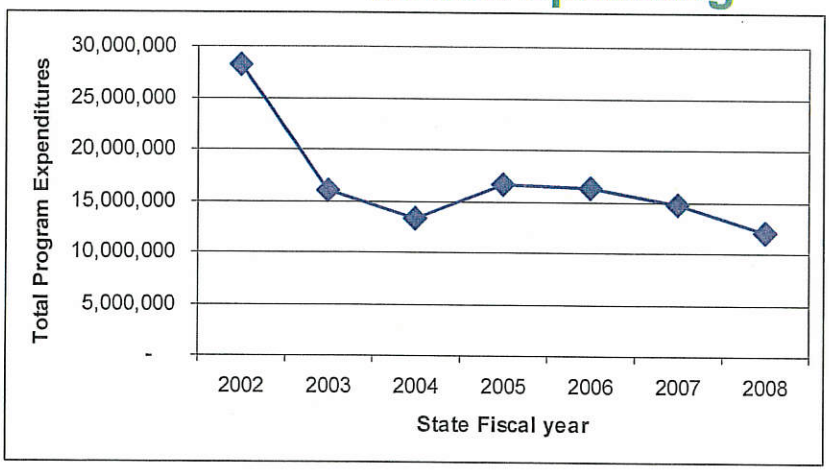
## 2008 Transformation: Extended decline in home health spending




17

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## 2008 Transformation: Improving home health payments

- Tighter program management has reduced spending on home health services
  - *but program policies allow for over-use*
  - *care should be better focused on addressing chronic disease*
- Recommendation: Remake payments to match the level of service and promote the medical home

18

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# 2008 Transformation: Improving home health payments

– Specific recommendations:

- Limit home health aide visits to two per week, with additional visits through prior authorization
- Develop separate acute and long-term home health care benefits with differential rates
- Consider applying the medical home concept by developing a tool for Medicaid home health providers to apply best practices in the care of chronic diseases
- Work with the Department of Social and Rehabilitation Services to improve coordination of services with community mental health centers

19

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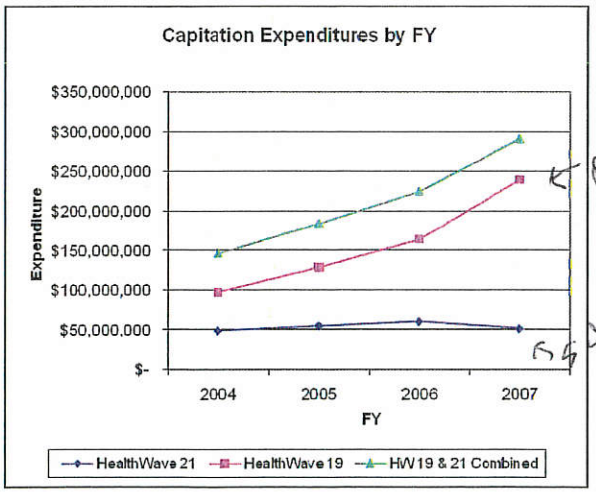
# 2008 Transformation: Expansion of HealthWave




20



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## 2008 Transformation: Improving quality of care in HealthWave

- Expansion reduced per-person costs
  - *Competitive bids lowered managed care fees in 2007*
  - *Further reduction in rates of approximately 1% in FY 2009 due to actuarial adjustments*
  - *But the impact of managed care on beneficiaries has not been addressed*
- Recommendations:
  - Improve quality and competition through routine publication of quality and plan performance data
  - Expand SCHIP to 250% of poverty when federal funding is assured

21

## 2008 Transformation: Update on HealthWave recommendations

- KHPA published HealthWave quality and satisfaction data for the first time in January 2009
- Administrative and survey results available at www. khpa.ks.gov comparing:
  - UniCare versus Children's Mercy Family Health Partners
  - HealthWave managed care versus KHPA's primary care case management program (HealthConnect)
- Performance data to be published this year

22

## Summary of 2008 Medicaid Transformation Recommendations

- Budget and administrative actions saving $17 million (SGF) in SFY 2010
  - Outsource transportation services
  - Restructure and limit home health services
  - Scrutinize payments for new medical equipment
  - Improve pharmacy management and pricing
  - Additional long-term program improvements
- Overall savings of $33 million in SFY 2010

23

## Transforming Medicaid: Observations

- Comprehensive approach is imperative
  - But also difficult, disruptive, and time-consuming
- Creates accountability and improves policy-making
  - Lays bare what we know
  - Presents an alternative to speculative Medicaid reforms based on anecdote
- Grounds KHPA recommendations in data and documented experience
- Defines Transformation as a process

24

## Transforming Medicaid: Next steps

- Program reviews are already well underway for 2009, with several new topics:
  - Physician services
  - School-based services
  - Therapies
  - Family planning services
  - Services provided by out-of-state providers
  - KHPA Medicaid operations and program integrity
  - Medicaid mental health services (SRS)
  - Medicaid funding of health clinics (with KDHE)
- Recommendations to Board in June 2009

25

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26