

## **MEDICAID INTERIM COMMITTEE**

Friday, November 10, 2006 – 1:00 a.m. – Room W135 House Building

### **Members Present:**

Sen. Sheldon L. Killpack, Senate Chair  
Rep. Merlynn T. Newbold, House Chair  
Sen. Allen M. Christensen  
Sen. Karen Hale  
Rep. Jeff Alexander  
Rep. D. Gregg Buxton  
Rep. David Litvack  
Rep. Michael E. Noel  
Rep. Paul Ray

### **Staff Present:**

Mr. Mark D. Andrews, Policy Analyst  
Mr. Leif G. Elder, Research Analyst  
Mr. Derek Byrne, Analyst  
Mr. Stan Eckersley, Analyst  
Mr. William Greer, Analyst  
Ms. Debbie Headden, Analyst  
Mr. Thomas R. Vaughn, Associate General Counsel  
Ms. Phalin L. Flowers, Legislative Secretary

### **Members Absent:**

Sen. Gene Davis  
Sen. Lyle W. Hillyard  
Rep. Karen W. Morgan

**Note:** A list of others present, a copy of related materials, and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

## **1. Committee Business**

Chair Killpack called the meeting to order at 1:20 p.m.

**MOTION:** Rep. Litvack moved to approve the minutes of the October 23, 2006 meeting. The motion passed unanimously with Sen. Hale and Rep. Buxton absent for the vote.

## **2. Medicaid Cost Containment**

Mr. Andrews gave a presentation on Medicaid cost containment. He explained that the long-term average annual rate of growth in Medicaid General Fund spending is 11 percent while the long-term rate of growth for the General Fund as a whole is 5.5 percent. He said that if Medicaid's rate of growth were reduced by one percentage point, spending in 2022 for Medicaid would amount to 27 percent of the General Fund instead of 31 percent, or \$1.3 billion instead of \$1.5 billion.

Sen. Killpack noted that regardless of how much Medicaid costs are reduced, if General Fund growth remains substantially less than Medicaid growth, reducing Medicaid costs won't help. He said the Legislature has to look at what can be done long-term to keep the Medicaid program viable.

Rep. Litvack said the Legislature needs to be aware of how reducing Medicaid costs could impact federal dollars that the state receives for Medicaid.

Rep. Alexander stated that federal funding isn't a guarantee, and that the federal government may rely on states to cover shortfalls in the program in the future. He said the Legislature shouldn't look at Medicaid alone, but study other parts of the budget as well.

Mr. Greer indicated that corrections, Medicaid, transportation, and education have had the most significant increases in funding over the years and that health and human services is growing faster than overall state spending.

Rep. Alexander suggested that a Medicaid cost reduction of more than one percent may be necessary.

Mr. Michael Hales, Director, Division of Health Care Financing, DOH (Department of Health), said that a savings of \$10 million is anticipated in the state this year on Medicaid spending.

Mr. Greer said there are four main categories of cost drivers. He explained that many optional programs have taken people out of mandated services and that cutting optional services may increase spending for mandatory services.

### **3. Areas for Potential Cost Containment**

#### **A. Medicaid Eligibility Systems**

Mr. Eckersley distributed and discussed "Eligibility Services Consolidation Progress Report." He spoke to the Committee about eligibility software called eRep that is being created for DOH, DWS (Department of Workforce Services), and DHS (Department of Human Services).

Mr. Greg Gardner, Deputy Director, DWS, said DWS expects to have the eRep project finished by March of 2008.

Sen. Killpack asked if DWS would need more appropriations to finish the eRep project. Mr. Gardner replied that DWS would most likely need additional funds.

Sen. Killpack asked if eRep would create savings over time. Mr. Gardner replied that there would be savings and explained that eligibility is currently determined by an employee, but once eRep is implemented the software will determine eligibility.

Sen. Killpack asked if eRep would have the ability to track individuals to see how they are using Medicaid services. Mr. Gardner replied that eRep can only track an individual's eligibility progress.

Ms. Kathy Link, DWS, explained how the eligibility process works.

Rep. Newbold asked how DWS makes sure individuals aren't getting services using someone else's social security number. Ms. Link said that DWS checks social security numbers with the Social Security Administration to prevent identity fraud.

#### **B. Hospital Outpatient Services**

Mr. Greer explained that Medicaid hospital outpatient services are growing at a rate of two to eight percent per year and that there was a 400 percent increase over the last three years. He said that emergency room expenditures are one of the biggest cost drivers in this area.

Mr. Hales said that DOH pays a percentage of charges that individual hospitals submit for reimbursement. He said DOH is working with the hospitals to change how reimbursement is handled. He explained that DOH is analyzing emergency room utilization and working to determine who uses those services the most. Mr. Hales also explained that there is an increase of people using the emergency room because that is the only way they will qualify for Medicaid as undocumented workers. Also, individuals

who are eligible for Medicaid may go to the emergency room if they are unable to see a primary care physician because of their work schedules or other reasons.

#### C. Pharmaceuticals

Mr. Greer said that information was distributed during the last meeting concerning this item. He explained that the state has seen larger savings than expected as a result of the implementation of Medicare Part D and that pharmacy costs grow 10 to 12 percent every year.

Dr. David Sundwall, Executive Director, DOH, gave an overview of programs that have been implemented to save money on pharmacy costs. He said that DOH has cut \$26 million from pharmacy costs that would have come from the General Fund.

Mr. Hales distributed and discussed "Medicaid Prescription Drug Cost Containment" and "Preferred Drug List Pilot Projected Savings." He explained the impact Medicare Part D has had on Medicaid drug expenditures and listed several other alternatives to help save pharmacy costs, including implementing a preferred drug list pilot program. He explained how drugs would be chosen to go on the preferred drug list.

#### D. In-home and Community-based Services (Aging Waiver)

Ms. Headden discussed "Issue Brief - Medicaid Waiver for Aging Services," which was mailed prior to the meeting. She explained the purpose of the Home and Community Based Medicaid Waiver program and listed the services that are provided by the waiver program. She also discussed the cost of the waiver program.

Mr. Alan Ormsby, Director, Division of Aging and Adult Services, explained that this program helps keep seniors out of nursing care facilities. He said that the waiver program actually lowers Medicaid's cost of caring for seniors.

Rep. Noel spoke about the benefits of having long-term care insurance.

Sen. Killpack asked about what is included in the waiver program. Mr. Ormsby replied that there are around 10 cost areas, including transportation, companion services, meals, and medical equipment.

Sen. Christensen said that the waiver program is optional and that it is beneficial to seniors who want to stay in their own homes rather than move to a nursing care facility.

#### E. Mental Health Services

Ms. Headden discussed "Issue Brief - Mandated Mental Health," "Issue Brief - State Hospital - Forensic Psychiatry," "Issue Brief - State Hospital - Adult Psychiatry," "Issue Brief - State Hospital - Pediatric Psychiatry," "Issue Brief - Adult & Child Outplacement," and "Issue Brief - State Hospital & Nursing Home Diversion," which were mailed prior to the meeting.

Mr. Mark Payne, Director, Division of Substance Abuse and Mental Health, DHS, distributed and discussed "Per Capita Expenditures (FY2004)" and "Report on Behavioral Health Uncompensated Care." He explained that funding for his Division comes from several different sources, including the state

General Fund and counties. He explained that funding from the counties is a 20 percent match, but that the counties are over-matching those funds.

Rep. Newbold asked why treating patients at the state hospital is two to three times the amount it would cost to place those individuals in a skilled nursing home or incarcerate them. Mr. Payne explained that individuals at the state hospital are often a danger to others or themselves and need constant care. He explained that staffing at the state hospital is around 85 percent of the budget, in order to cover the costs of psychiatrists, case workers, and nurses.

#### **4. Committee Discussion of Objective and Outcomes**

Rep. Ray said that he would like to discuss implementing a preferred drug list in more detail. He explained that he would like to know what the administrative costs would be to implement a preferred drug list pilot program and if there would actually be savings.

Sen. Hale said one consistent recommendation from interested parties that have testified at the meetings is the implementation of a preferred drug list and that she would like the Committee to make that recommendation.

Sen. Killpack said that cutting a million dollars here and there won't fix the long-term problem of Medicaid costs. He said that Oregon has gone through its program and decided what the program's goals and objectives are and prioritized services that accomplish the mission of the program. He also emphasized the importance of having accountability in the program.

Rep. Alexander said that maybe the Committee should set a target amount to slow down the growth rate of Medicaid costs by two or three percent.

Sen. Killpack said he would like to see the Committee make long-term recommendations to cut Medicaid costs. He said that at some point the Committee will have to answer the question of what is it that Medicaid can and should do for the state.

Sen. Christensen said that if you extend the Medicaid spending forecasts another 15 years the budget will be entirely consumed by Medicaid costs. He suggested that the appropriations committees only be allowed to grow the Medicaid budget by 5.5 percent every year.

Rep. Noel said that he agrees with Sen. Christensen in keeping the growth of the Medicaid budget the same each year as well as prioritizing the most important programs.

Rep. Buxton said he agrees with the suggestions, but that he would like to know what the true goal of Medicaid is before he makes any decisions.

Rep. Noel clarified that he wasn't discussing making cuts to programs, but rather to the cost increases.

Rep. Litvack said it will be difficult to cut increases in costs if the Committee is only looking at one piece of a much larger puzzle. He said maybe it's time to look at expanding the budget or finding dedicated sources to fund Medicaid.

**5. Adjourn**

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

Chair Killpack adjourned the meeting at 4:21 p.m.