

**MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS
COMMITTEE MEETING
May 18, 2010 at 1:00 P. M.
Room 445, State Capitol, State Capitol Complex**

Members Present: Rep. Ron Bigelow, Co-Chair
 Sen. Lyle W. Hillyard, Co-Chair
 Rep. Bradley G. Last, Vice Chair
 Sen. Daniel R. Liljenquist, Vice Chair
 Rep. David Clark, Speaker
 Rep. Brad L. Dee
 Rep. James R. Gowans
 Sen. Scott K. Jenkins
 Sen. Patricia W. Jones
 Rep. David Litvack
 Sen. Peter C. Knudson
 Rep. Rebecca D. Lockhart
 Sen. Karen Mayne
 Rep. Carol Spackman Moss
 Sen. Wayne L. Niederhauser
 Sen. Luz Robles
 Rep. Jennifer M. Seelig
 Sen. Michael G. Waddoups, President

Members Excused: Sen. Ross I. Romero

Staff Present: Jonathan Ball, Legislative Fiscal Analyst
 Steven Allred, Deputy Director
 Greta Rodebush, Committee Secretary

Speakers Present: Danny Schoenfeld, Office of the Legislative Fiscal Analyst
 Becky Brusco, Governor's Office of Planning and Budget
 Spencer Pratt, Office of the Legislative Fiscal Analyst
 Russell Frandsen, Office of the Legislative Fiscal Analyst
 Robert Spendlove, Governor's Office
 Neal Gooch, Department of Insurance
 Tanji Northrup, Department of Insurance
 Cheryl Smith, Governor's Office of Economic Development
 Dan Schuyler, Utah Health Exchange
 John Borer, Public Employees Health Program
 Dr. David Sundwall, Department of Health
 Michael Hales, Department of Health

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

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Call to Order/Approval of Minutes

Co-Chair Hillyard called the meeting to order at 1:10 p.m. He excused Sen. Ross Romero who was out of town.

MOTION: Co-Chair Bigelow moved to approve the minutes of the Joint Executive Appropriations Committee meeting on April 6, 2010. The motion passed unanimously with Sen. Knudson, Sen. Jones, Sen. Robles, Rep. Gowans, and Rep. Moss absent for the vote.

2. Federal Funds Review and Approval Process

Jonathan Ball, LFA, referenced last month's discussion about federal funds, particularly the Ryan White Part B grant. In working closely with legal counsel and the Governor's Office of Planning and Budget, it had been determined that the Ryan White Part B grant can move forward without further legislative action. Funding for the grant was approved by the Legislature in Senate Bill 1, Item 97, 2010 General Session.

Mr. Ball also mentioned that there are significant areas in the federal funds approval process in need of improvement. He stated that the appropriations process has evolved such that it is no longer consistent with what the statute says about approving federal funds.

Danny Schoenfeld, LFA, discussed the federal funds review and approval process and made recommendations on potential statutory and internal process changes.

Mr. Schoenfeld explained that the majority of the federal funds requests go through the normal approval process during each annual general session, with some adjustments to fit the base budget bill process. However, there are some federal grants that become available outside the time frame of the annual general session, and statute provides for a secondary approval process based on three grant levels.

Mr. Schoenfeld outlined policy options available to the Executive Appropriations Committee when reviewing medium impact federal grant requests that were not considered during the annual general session.

The Analyst recommends streamlining the application process using an automated process for submission of federal funds requests, tying federal appropriations to the grants detail beginning with the base budget, providing a consolidated report of all federal grants at each general session, and requiring agencies to report on fund expenditures and accomplishments.

The Analyst also recommends that the Legislature clarify statute to reflect the base budget process, what constitutes legislative approval, and what is meant by "new federal program," "new state monies," and "new federal funds."

Committee Discussion

President Waddoups commented on the federal funds review process. He stated that the appropriations subcommittees need to devote more attention to evaluating and prioritizing grant requests, rather than rubber-stamping them because federal money is attached. He wondered if streamlining the application process might lessen grant oversight, which has been "minimal at best."

Co-Chair Bigelow commented on the lack of communication and confusion about the Ryan White Part B grant in last month's meeting. He reiterated how important it is to have accurate information. He explained that while the Executive Appropriations Committee did not take any action, arrangements were made to ensure that no one's health or life was endangered. Co-Chair Bigelow stated that there were some in the media who construed that the Committee was not willing to fund this program for political reasons.

Co-Chair Bigelow requested that the Executive Branch provide accurate information and come prepared to answer questions. What was thought to be a big issue was no issue at all. The funds had already been approved and the program was functioning. This was a lesson learned.

Co-Chair Hillyard stated that July will be a furlough month for the Legislature. If there are federal grants to be approved before the August meeting, they need to be submitted for June's meeting.

Speaker Clark appreciated the comments made by President Waddoups and Co-Chair Bigelow. The recommendations presented by the Office of the Legislative Fiscal Analyst are steps that need to be taken. Utah is known for sound fiscal management and the Legislature is looking for ways to improve our system.

Speaker Clark said that it would be important to know the value of the federal dollars that have been spent. He supports the recommendation that requires agencies to report back at the end of the term of the federal grant, showing how funds were expended and what was accomplished.

3. Federal Funds/ARRA/Non-Federal Grants Reports

Becky Bruso, Governor's Office of Planning and Budget, apologized for any miscommunication that may have arisen in last month's meeting. The Governor's Office is working very hard to provide the committee with the most up-to-date information.

Ms. Bruso responded to President Waddoups' concern about streamlining the approval process. A common data base that both entities can access will alleviate manual errors and duplication. She expressed appreciation for the Executive Appropriations Committee's continued oversight of federal grants.

Ms. Bruso explained that some changes have been made in formatting Federal Funds/ARRA/Non-Federal Grants reports. To eliminate some confusion in the various lists, the three lists of previously approved grants being tracked by the Governor's Office were inserted as appendices at the end of the report.

Ms. Bruso presented the Federal Funds Reports through April 30, 2010. There were ten new federal grants and twenty reapplications of existing federal grants requiring legislative action. Ms. Bruso called attention to Item 20, on page 7, Commission on Criminal and Juvenile Justice, Title V Community Prevention Programs. The federal formula for the reapplication was increased slightly. Therefore, the federal award will increase from \$70,000 to \$84,945, the state match will increase from \$1,750 to \$2,124 and the local match will increase from \$33,250 to \$40,349.

Ms. Bruso also noted that the Governor's Office approved seven new federal grants and eleven reapplications of existing grants.

President Waddoups thanked Ms. Bruso for the work she has done in the past month to address his questions. He stated that he has reviewed this month's federal funds reports and the responses to last month's federal funds reports, and he does not have any concerns. He mentioned that the notes section of the reports does not give a full picture of what the programs do, and he encouraged committee members to carefully look at these projects and prioritize them in the appropriations subcommittee meetings.

Ms. Bruso presented the ARRA Federal Funds Report. There was one new ARRA grant and no reapplications of existing grants requiring legislative action. The Governor's Office approved four new ARRA grants and no reapplications of existing grants.

Ms. Bruso presented the Non-Federal Grants Report. There was one new grant and no reapplications of existing grants requiring legislative action. The Governor's Office approved one new non-federal grant and two reapplications of existing grants.

MOTION: Co-Chair Bigelow moved to recommend acceptance of two new federal grants and twenty reapplications of existing federal grants requiring legislative action, as shown on pages 1 and 2, with detail on pages 3 through 7, with the following changes: on page 7, Item 20, change the federal amount from \$70,000 to \$84,945; change the state amount from \$1,750 to \$2,124; and change the local amount from \$33,250 to \$40,349;

One new ARRA federal assistance application requiring legislative action, as shown on page 13, with detail of page 15;

One new Non-Federal grant application requiring legislative action, as shown on page 19, with detail on page 21; of the packet dated today, May 18, 2010.

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

Co-Chair Hillyard indicated that LFA can assist committee members in getting their questions answered prior to an Executive Appropriations Committee meeting.

Ms. Bruso also stated that if there are any questions from the mailing packet, both she and Mr. Schoenfeld have the actual applications with more details that can be emailed to them before the committee meeting.

4. Assignment of Interim Studies

Steven Allred, LFA, stated that last month, EAC passed a motion recommending that the Legislative Management Committee request the Governor's Office to conduct a Medicaid coordination study. The request has gone forward and the request has been made.

Mr. Allred recommended that EAC approve an in-depth budget review of the Department of Human Services to be conducted by the Legislative Fiscal Analyst during the 2010 interim. Mr. Allred explained that LFA conducted an in-depth study on the Department of Workforce Services last year, and given that LFA has been focusing interim studies on Medicaid issues, the next logical choice for an in-depth study seemed to be the Department of Human Services.

Mr. Allred stated that if the Management Committee authorizes appropriations subcommittees to meet during the 2010 interim, EAC might consider assigning some of the studies required by intent language and other study items listed in the Master Study Resolution to the subcommittees. Mr. Allred pointed out that a number of the studies would fall within the purview of the Health and Human Services Appropriations Subcommittee and could be included as part of the in-depth study of Human Services.

Mr. Allred recommended that EAC take action on the in-depth study and consider what they would like to do with the appropriations subcommittees in the interim.

Sen. Jones asked about the outcomes of the in-depth study on the Department of Workforce Services. Mr. Allred stated that the study had some significant recommendations, the largest of which was to split out one line into multiple line items for greater legislative control. The Legislature acted on this recommendation during the 2010 General Session with an effective date of FY 2012. The study also extensively reviewed administrative costs vs costs to beneficiaries, the expenditure of state and federal funds, and the outcomes that have been achieved with those funds.

Sen. Jones asked if LFA has a set of expectations for these studies. Mr. Allred stated that LFA's approach to an in-depth study includes an examination of personnel, funding mixes, statutory requirements, performance measures, and any issues that arise which may require more attention.

MOTION: Co-Chair Bigelow moved to direct the Office of the Legislative Fiscal Analyst to conduct an in-depth study of the Department of Human Services. The motion passed unanimously with Sen. Knudson absent for the vote.

Rep. Bigelow explained that legislators do not have enough time to study all the issues; consequently, they rely on legislative staff to conduct these studies, one department at a time.

5. Approve Final FY 2010 and FY 2011 Revenue Estimates

Jonathan Ball, LFA, presented the final FY 2010 and FY 2011 revenue estimates, as shown on the sheet entitled, "Revenue Estimates - May 2010," behind Tab 5. He explained that the Budgetary Procedures Act requires that Executive Appropriations Committee adopt final revenue estimates for a fiscal year in

order to allow the Division of Finance to calculate any revenue surplus for the purpose of making deposits to the Rainy Day Funds.

MOTION: Co-Chair Bigelow moved to adopt the final FY 2010 and FY 2011 revenue estimates as shown on the sheet entitled, "Revenue Estimates - May 2010," including the note at the bottom of the page which states: Does not include prior-year ending balances (e.g.: \$113 million from FY 2009 to FY 2010 and \$262 million from FY 2010 to FY 2011) that are reserved for appropriation in a subsequent fiscal year or year-end surpluses (e.g. \$21,501,000 from FY 2009 to FY 2010). The motion passed unanimously with Sen. Knudson absent for the vote.

6. Summary of 2010 General Session Budget Actions

Jonathan Ball, LFA, presented the report, "FY 2010 - 2011 Budgets, 2010 General Session," dated May 18, 2010.

He explained that in October 2009, there was a concern about a potential \$850 million budget gap for FY 2011. This gap was made up of three parts: a \$150 million revenue shortfall, \$400 million end of ARRA funding, and new demands for public education enrollment growth, retirement, health insurance, and Medicaid. Mr. Ball stated that if you add in the \$150 million revenue shortfall for FY 2010, the two-year gap was sometimes equated to about \$1 billion.

In December 2009, the gap was revised to reflect new consensus revenue estimates and the Governor's budget. The Governor's Office showed a revenue increase of \$34 million in FY 2011 and a revenue shortfall of \$163 million in FY 2010. Adding in the Governor's budget recommendations, the two-year gap equated to \$693 million.

The Legislature, on the other hand, using February revenue estimates and proper accounting for the change in estimating methodology, identified a revenue shortfall of \$38 million in FY 2011 and \$194 million in FY 2010. The two-year gap came in at \$690 million: a \$482 revenue shortfall in FY 2011, and a \$208 million shortfall in FY 2010.

Mr. Ball identified how the Legislature bridged the gap in FY 2010 and 2011 using Rainy Funds, budget cuts and funding shifts, unappropriated balances, restricted funds, settlement monies, ARRA FMAP, tobacco tax, and economic development tax increment financing.

Mr. Ball briefly discussed the breakout of budget by subcommittee for FY 2010 and 2011.

Mr. Ball stated that there is a structural imbalance of \$313 million for FY 2012. Funding options could include using \$210 million in Rainy Day Funds and \$109 million by accelerating quarterly estimated income tax payments, totaling \$319 million. Hopefully there will be some economic growth, but there may be some revenue decline.

President Waddoups asked if the \$210 million in the Rainy Day Funds would be used to cover the \$100 million in revenue shortfall in FY 2010 reported on the May TC 23's final payments of income tax. Mr.

Ball explained that the Legislature "bridged the gap" in FY 2011 by using monies from the Rainy Day Fund. Those monies can be used to cover the shortfall in FY 2010. The true gap for FY 2010 will not be known until as late as October, which allows for some flexibility in addressing the shortfall in FY 2011. The remaining \$210 million will stay in the Rainy Day Fund until appropriated by the Legislature.

Co-Chair Hillyard stated that if the Rainy Day Funds were used to offset any shortages, the new structural imbalance could be as high as \$413 million.

Appropriations Report

Spencer Pratt, LFA, explained the new format for the 2010-2011 Appropriations Report. In changing the format, the product has been improved, making it easier to read and to understand.

The Appropriations Report is organized much like the previous years' reports with a statewide summary, followed by ten sections, one for each appropriations subcommittee. Each section contains a brief narrative that explains the major budget changes that the Legislature approved, followed by historical tables, and detail tables regarding appropriations for FY 2010 and FY 2011.

Mr. Pratt stated that the primary audience for this report is the legislators. However, the report will also be beneficial to constituents, general public, advocates, and special interest groups. LFA has worked hard over the last couple of months trying to improve it, and he encouraged the committee to provide feedback. The report is available on the legislative website.

Mr. Ball thanked Mr. Pratt, editor-in-chief, and team leaders, Stan Eckersley, Stephen Jardine, Ben Leishman, and Rich Amon, and the staff in general for putting the report together.

Speaker Clark stated that this report adds further clarity and transparency to what the Legislature does. He stated that the fundamental challenge going into next year, "planning for the worst and hoping for the best" will be to determine what type of reduction in the structural deficit the Legislature is going to begin with. This ought to be the cornerstone on which to build the base budget and the future budget for the State of Utah.

Rep. Moss thanked LFA staff and pointed out how helpful the glossary of terms at the end of the report will be.

Co-Chair Hillyard recognized John Reidhead, Director, Division of Finance, who was selected Chief Financial Officer of the Year by Utah Business Magazine.

7. Federal Health Care Reform Impacts

Russell Frandsen, LFA, reported on "Federal Health Care Reform & Implications for the State of Utah," dated May 18, 2010. He gave a brief overview of two pieces of federal legislation, HR 3590, Patient Protection and Affordable Health Care Act, and HR 4872, Health Care and Education Reconciliation Act of 2010, and their potential fiscal impact to the State of Utah.

Implications for the State of Utah include costs associated with the implementation of new rules and regulations for state agencies and departments, changes to Medicaid and state/federal match rates, impacts to the Public Employees Health Program (PEHP), potential statutory changes, and indirect costs and savings. Mr. Frandsen stated that there are numerous sources of money provided in the bill that state agencies could apply for to help implement the bill or do different projects.

Mr. Frandsen stated that by June 2010, the federal government will establish an Interim High Risk Insurance Pool Program for all states, and a Temporary Reinsurance Program for early retirees. By September, the federal government will have laws in place that prohibit health care insurance plans from imposing pre-existing condition exclusions on children, prohibit plans from imposing lifetime limits on coverage benefits, and prohibit discrimination based on salary. Additionally, there will be a requirement for health insurance plans to cover young people up to age 26 as dependents through their parents.

Mr. Frandsen was followed by remarks from state agencies directly impacted by federal health care reform.

Governor's Office

Robert Spendlove, Director of Policy, Governor's Office, gave an overview of the Executive Branch's thoughts and plans on healthcare reform going forward. Governor Herbert has asked Lieutenant Governor Bell to take the lead. According to the federal legislation, health care reform will take about ten years to implement.

The Governor's Office will work with the executive branch agencies, focusing on four main areas: 1) analyzing the responsibilities required of each agency by the federal health care reform law; 2) identifying what elements of the law are mandated and which are optional; 3) developing work plans consistent with reform requirements at both the state and federal level; 4) reporting to the Legislature in a manner consistent with H.B. 67, Health System Amendments.

Mr. Spendlove stated that the Governor and Lieutenant Governor feel that collaboration between the executive and legislature branches is essential for Utah to remain a leader nationally in health systems reform. He emphasized the importance of open and frequent communication between the two branches.

Department of Insurance

Neal Gooch, Acting Insurance Commissioner, Department of Insurance, gave a high level overview on how health care reform legislation is going to impact insurance markets and the Department of Insurance. He referenced a power point presentation, "Federal Health Care Reform, March 2010," that was distributed to the committee.

Mr. Gooch addressed the key reforms in early implementation that included the High Risk Pool Grants, health plan reforms, grants for state ombudsman, and the national web portal. In regards to the 2014 implementation, Mr. Gooch also discussed market reforms, state-based exchanges, employer and individual responsibility, subsidies for lower-income persons and Medicaid expansion, and limited provisions to address quality, cost-containment, and fraud.

Mr. Gooch noted that state action is required to implement the reforms by 2014. The National Association of Insurance Commissioners (NAIC) will be tasked to develop model acts and regulations that comply with federal regulations. State legislatures will adopt laws and state agencies will publish regulations and create new programs. Insurers will submit new forms and rates that comply with the new regulation and market new plans.

Mr. Gooch stated that most of the work of the NAIC will be done with existing task forces and committees. The Department of Insurance will be working with those working groups providing and receiving input to be reasonably ready to implement what the Legislature and Governor decide needs to be done.

Department of Health

Dr. David Sundwall, Executive Director, Department of Health, commented on two handouts that were distributed to the committee, "Initial Analysis of Federal Health Reform Legislation," dated March 30, 2010, and "Federal Health Reform (P.L. 111-148)," a comparison of mandatory and optional implementation requirements. He commented that he has attended a number of national meetings in which Speaker Clark was in attendance. Utah has been recognized for the work it is already doing to address health care issues.

He discussed the expansion of Medicaid in Utah. Based on new legislation that increases the income threshold, the Department projects an increase of at least 110,000 new individuals enrolling in Medicaid beginning in 2014. Additionally, the new mandate for individuals to maintain health insurance coverage will create an increased incentive for families currently eligible but not enrolled to enroll. By 2020, the increased enrollment will cost the state \$141.6 million.

Dr. Sundwall also discussed new policies and programs pertaining to legal immigrants, hospitals, prescription drugs, etc. as well as implementation guidelines. In addition to new Medicaid provisions, there are significant provisions that pertain to public health focusing on efforts to limit the five leading disease killers in the United States and the behaviors that often cause these illnesses.

Dr. Sundwall stated that the legislation expands and reinforces the health workforce by making key investments in training doctors, nurses, dentists, and other health care professionals. Finally, other provisions affect American Indians, Alaska Natives, quality and efficiency, vital records, etc.

Dr. Sundwall estimates that eight Utah agencies will be involved in implementing the provisions of the health care reform legislation. He welcomes the help of Lieutenant Governor Bell in coordinating all of these efforts.

Public Employees Health Program

John Borer, Chief Actuary, Public Employees Health Program (PEHP), reported on PEHP's efforts to quantify the impact of the national health care reform. He referenced the initial estimates found in the handout, "Impact of Federal Health Care Reform on the State of Utah." How health care reform impacts plans depends on whether or not plans are considered "new" group plans (not in existence on March 23, 2010) or grandfathered plans.

Mr. Borer stated at this time, PEHP plans are grandfathered plans and will not be subject to the same extensive provisions of the new group plans. He went on to review the main items impacting the grandfathered plans listed on the handout.

Committee Discussion

Speaker Clark asked if the federal Department of Health and Human Services has formally granted PEHP grandfathered status. Mr. Borer was not aware that the status had been granted. He made an assumption that PEHP would be grandfathered and was waiting to hear back from PEHP's legal team.

Speaker Clark also asked about the low, medium, and high estimates and if they represent PEHP's potential financial exposure. Mr. Borer explained that the medium and high estimates at this point in time are almost arbitrary. He did not want to give the appearance of more precision than is actually there. He used the low estimate initially, but he expects to fine tune those estimates once PEHP knows more about how these plans are going to unfold.

Rep. Dee stated that the analysis is not really valid to him right now. The numbers are no where near what it is going to cost PEHP and the State of Utah. The numbers cannot be tabulated yet. Mr. Borer stated that the numbers are his best estimates and he thought they would be helpful in understanding the scope of the various reform provisions.

Co-Chair Hillyard interjected that today's discussion is budgetary, and tomorrow's discussion will deal more with policy and legal issues.

Governor's Office of Economic Development

Cheryl Smith, Governor's Office of Economic Development, gave an update on the Utah Health Exchange starting with the limited launch to small business in August 2009. The launch exposed some issues with the defined contributions market which were addressed in H.B. 294, Health System Reform Amendments, 2010 General Session. This legislation included a provision that established a large group pilot project. Several large groups had asked to become a part of the exchange prior to the start up date of 2012. Speaker Clark agreed to accommodate the large groups in the legislation. Ms. Smith indicated that eight groups are now included in the large group pilot project which represents about 50,000 covered lives.

Dan Schuyler, Utah Health Exchange, stated that GOED is currently studying the federal law and awaiting a formulation of additional regulations and responsibilities. On May 5, 2010, the federal government released their interim requirements for the federal portal. Initial analysis of the federal regulations and interim report indicates that the Utah Health Exchange is currently doing about 50-60 percent of what is required in that legislation. Going forward, the Utah Health Exchange will have to assume additional responsibilities to comply with all the federal regulations.

Mr. Frandsen highlighted some of the existing mechanisms that the Legislature has at its disposal to track health care reform changes: federal grant review process, tracking Medicaid changes through existing state plan change notifications, and appropriations requests and issues raised in subcommittee meetings.

Mr. Frandsen reminded the committee that more information would be presented at the Bagels and Briefings meeting tomorrow, May 19, 2010 at 7:30 a.m. in the state auditorium.

Committee Discussion

Sen. Jones asked questions relating to the healthcare of individuals who are currently eligible for Medicaid and not taking advantage of it. Dr. Sundwall stated that about a third of the people who qualify for Medicaid are currently not enrolled, approximately 60,000 people. One reason for this is that people are healthy and enroll once they get sick or injured. There is also a stigma associated with being on public assistance.

Sen. Jones asked if the new federal guidelines and laws will affect that trend such that more people will go on Medicaid. Dr. Sundwall stated they will absolutely affect the trend. Sen. Jones asked if the state has planned to pay for the growth. Dr. Sundwall stated that there is no requirement right now to expand but there is a mandate that takes effect on January 1, 2014, when all Utahns under 133% of the federal poverty level will qualify for Medicaid.

Sen. Jones asked what people are doing now to maintain their health care. Dr. Sundwall responded that most people who have an emergency go to hospitals or use primary care network clinics. Many people are reasonably young and healthy with low incomes and do qualify for Medicaid.

Sen. Jones asked how much the state spends on the top five diseases. Dr. Sundwall did not have that number but offered to provide her with that information using the all payer data base. He welcomes the focus of the federal government on prevention programs that will reduce our financial burden from those costly diseases.

Sen. Jones stated that it would be helpful to know what the projected savings might be with the focus on health care prevention. Dr. Sundwall said that he would be glad to look into this in those five categories.

Sen. Robles asked that the cost estimates realistically reflect the number of people who will enroll in Medicaid. She also asked if the projected 110,000 new enrollees include children on the Children's Health Insurance Program (CHIP). Mr. Hales stated that the expanded Medicaid program allows for children to remain on CHIP.

Sen. Robles also asked about the level of coverage. Mr. Hales stated that the newly eligible population will have benchmark coverage for Medicaid, but they will have the same co-payment and cost sharing protections that are available to people in low income populations.

Sen. Robles remarked that Utah's health care reform plans are playing an exemplary role in national health care reform.

Rep. Seelig asked how geography is defined and if it is a variable within federal health care reform. Dr. Sundwall stated that the all payer data base will enable the Department to look at the prevalence of illnesses in various locations within the state and the expenditures for public and private payers. Studying these geographic clusters will help address prevention.

Rep. Seelig asked if other factors come into play when determining these illness clusters. Dr. Sundwall

stated that he would be able to identify socioeconomic and industrial factors that come into play.

Rep. Seelig asked the Department of Insurance to respond as well. Tanji Northrup, Director, Health Insurance Division, stated that law allows for geography to be used as a factor in determining individual and group rates. A federal standard will be set up that defines what that factor will be. Ms. Northrup explained that geographically Utah is divided up into two areas, north and south. She hopes that Utah will be treated as one entity because the cost of health care in Utah is low compared to other states. NAIC will be collecting information assisted by actuaries. Hopefully the rates will fall along appropriate geographic lines rather than political lines.

Sen. Liljenquist inquired about the growth in Medicaid expenditures over the last ten years as a percentage of the state's budget. Mr. Hales responded that Medicaid represents about 20 percent of the state's budget and it is growing about 11.5 percent a year.

Sen. Liljenquist asked if the state can sustain a double digit growth in Medicaid when its budget is only growing in single digits. Mr. Hales remarked that the state will have additional obligations with the expansion of Medicaid. Dr. Sundwall stated that there could be a higher level of growth than anticipated.

Sen. Liljenquist asked what the upper limit would be if everyone who was eligible migrated over to Medicaid. Mr. Hales stated that the projection is approximately 90 percent. Mr. Hales stated that access to physicians may deter them from migrating to Medicaid.

Sen. Liljenquist stated that the Legislature needs to aggressively look for ways to control Medicaid cost growth so that the state is not faced with perpetually cutting education or increasing taxes.

Speaker Clark referenced a pie chart in the Appropriations Report showing that Health and Human Services represents 23 percent of the state's budget. He pointed out that the number of pages of regulation for the new federal legislation is excessive. The state will have the increased financial burden of establishing eligibility for the additional 110,000 new individuals enrolling in Medicaid.

Mr. Hales confirmed that there would be an impact on the administration to support those programs, but he did not have that estimate.

Speaker Clark recognized the efforts of Dan Schuyler and Cheryl Smith in building Utah's market-based health care exchange and Tanji Northrup for the role she plays within the Department of Insurance. Speaker Clark commented further on the High Risk Pool estimates and federal government intrusion into the insurance industry. Mr. Gooch confirmed that the Department of Insurance will be regulated extensively. Speaker Clark stated that the quality of health care is going to come at an incredible price.

Mr. Spendlove added that the Utah Health Exchange may not be what the federal government had in mind, but it is setting the pace for other exchanges across the county. Speaker Clark made some comparisons between the Utah and Massachusetts models.

8. Other Business

Co-Chair Hillyard recognized President Waddoups for a motion.

MOTION: President Waddoups moved to adjourn. The motion passed unanimously.

Co-Chair Hillyard adjourned the meeting at 3:33 p.m.