

MINUTES OF THE  
JOINT SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE  
WEDNESDAY, JANUARY 19, 2011, 8:00 A.M.  
Room 445, State Capitol

Members Present: Sen. Allen M. Christensen, Co-Chair  
Rep. David Clark, Co-Chair  
Rep. Brad Last, House Vice Chair  
Sen. Peter Knudson  
Sen. Pat Jones  
Sen. Daniel R. Liljenquist  
Sen. Wayne Niederhauser  
Sen. Luz Robles  
Rep. Johnny Anderson  
Rep. Jim Bird  
Rep. Rebecca Chavez-Houck  
Rep. David Litvack  
Rep. Ronda Menlove  
Rep. Kraig Powell  
Rep. Larry Wiley

Members Absent: Sen. Margaret Dayton  
Rep. John Dougall

Staff Present: Russell Frandsen, Fiscal Analyst  
Stephen Jardine, Fiscal Analyst  
Patrick Lee, Fiscal Analyst  
Jolene Morgan, Secretary

Public Speakers Present: Allen Hansen, Manager for Myers and Staauffer CPA  
Marnie Basom, Regional Vice President for HMS  
Mark Steck, Affiliated Computer Services (ACS)  
David Bywater, COO of Affiliated Computer Services (ACS)  
Kevin Walch, Affiliated Computer Services (ACS)  
Jason Gatherum, Director of Operations of Rocky Mountain Care (RMC)  
Jon Owens, Vice President of Management Services for RMC  
James Clair, CEO for Goold Health Systems  
Clint Fuhrman, Director of Government Healthcare for LexisNexis  
Brent James MD, Executive Director for IHC  
Jeff Jensen, Director for Public Employee Health Program (PEHP)  
Michael Hales, Deputy Director, Medicaid & Health Finance for UDOH  
Tim Osterstock, Audit Manager for Office of Legislative Auditor General  
Kristen Cox, Executive Director, Department of Workforce Services

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

Co-Chair Christensen called the meeting to order at 8:30 a.m.

1. **Experts Sharing Cost Saving Ideas and Reports from Agencies**

a. Allan Hansen, Manager for Myers and Staauffer reported that the firm has provided professional accounting, consulting, data management and analysis services to state and federal agencies managing government-sponsored health care programs. He also stated that the firm's health care practice assists state Medicaid agencies in addressing complex reimbursement issues for hospitals, long term care facilities, home health agencies, federally qualified health centers, rural health clinics, pharmacies, physicians and other practitioners. He covered the two major components of Medicaid pharmacy reimbursement. He also went over the changes to be considered to Medicaid pharmacy dispensing fees.

Rep. Chavez-Houck was wondering about how long Alabama and Oregon has been with the firm. She wondered how long they have been tracking the results of those two states and what the saving they have accrued there. Mr. Hansen replied that Alabama started near the end of September 2010 and Oregon went live January 1, 2011.

Rep. Litvack asked with the gathering of information from other states has Myers and Staauffer found the opposite, that instead of overpaying for pharmaceuticals they have been underpaying pharmacies. Mr. Hansen replied that the firm knows that Medicaid is paying them less on the dispensing side but is over paying on the ingredient side and this more than covers the difference. Rep. Litvack asked that on the 7 to 12 percent in savings, if that is based on the experience with other states. Mr. Hansen replied yes.

Rep. Litvack asked the staff what would be the process that would have to be taken if this was something that this committee wanted to do. Russell Frandsen, Fiscal Analyst replied that he would have to direct the department to initiate the RFP process.

Rep. Chavez-Houck referencing to Rep. Litvack question asked what would be the time line for the approval process. Mr. Hansen stated that it must go through CMS with a State Plan Amendment and CMS will review it and hopefully approve it. He commented that he did not have the information on the time line for this process.

b. Marnie Basom, Western Regional Vice President for HMS commented the HMS provides cost containment services for healthcare payors, they help to ensure that claims are paid correctly and by the responsible party and as a result, HMS clients spend more of their healthcare dollars on the people entitled to them. HMS services include providing cost-containment and overpayment identification and recovery services for government healthcare programs nationwide. She stated that last year HMS saved over \$1.5 billion in overpayment recoveries and achieved billions more in cost avoidance for their clients.

Rep. Litvack inquired on how HMS is defining or measuring cost avoidance. Ms. Basome mentioned that cost avoidance can be measured in many different ways. Rep. Litvack asked Ms. Basome if she was familiar with how the State of Utah defines cost avoidance at this time. Ms. Basome stated that she does not know.

c. Mark Steck with Affiliated Computer Services (ACS) stated a quick overview of ACS. He commented on the Public-Private Partnerships in Human Services Programs. Four areas that he covered were Eligibility, MMIS, Long Term Care, and Care Management Solutions. He then explained what the projections were for Utah's savings.

David Bywater, COO of ACS commented on the case study for Indiana Public Assistance Eligibility.

Sen. Liljenquist asked in respect to eligibility if this is the same basic system as our eREP system. Mr. Bywater stated that he believed so. Sen. Liljenquist mentioned that in the past when out sourcing has taken place that the prices have gone up. He also inquired that when ACS has taken over places like Indiana, what kind of savings target do you expect. Mr. Bywater stated that it is always dependent upon where the State is at and where the State wants to go with the program. Sen. Liljenquist asked how does ACS handle transitional costs. Mr. Bywater explained that ACS assumes costs up front and then recoups it over time. Sen. Liljenquist asked if ACS provides recourse if there are errors. Mr. Bywater stated yes that ACS works off of accountability. It is ACS's job to put in the right systems and have the right controls in place to perform.

Co-Chair Clark stated that this is an option and there are several companies that do this.

Rep. Bird asked if there is an approximate figure per month for an individual on long term care. Mr. Steck stated that he does not have that figure available. Rep. Bird wondered if he was familiar with the long term riders that are currently available on life insurance policies. Mr. Steck stated that no, he is not an expert in long term care.

Sen. Jones commented that what has been presented is a significant savings. She added that by inference there are currently inefficiencies in our system. She asked ACS if they could identify a couple of those inefficiencies and what ACS would do to correct those. Mr. Bywater wondered if she was talking about eligibility or across the board. Sen. Jones said that yes, across the board what is the potential financial impact to Utah. Mr. Bywater stated that he does not have the specifics on Utah.

Sen. Robles wondered what type of training does ACS provide to their employees regarding quality control and eligibility in addressing issues like the American Disability Act (ADA). Mr. Bywater stated that ACS takes the service of the disabled very serious. ACS makes sure that their workforce is diverse and reflective of their population.

Sen. Niederhauser wondered about eligibility and what is ACS experience with identifying when people and their situations change. How does ACS know they are no longer qualified to be on that program and how is that addressed on an ongoing basis. Kevin Walsh stated that ACS will follow State Policy. ACS gets guidance from the State. He stated that it does vary from state to state.

Co-Chair Christensen commented that the answer to the question is that there are lots of answers to your question. He stated that it depends upon the individual programs and the individuals that

are qualifying.

Co-Chair Clark commented that it is always nice to have options. He stated that it looked like most of the savings would come from the employee base. He stated that Utah has a fully integrated system and was wondering if any of the states that ACS works with has that same kind of system. Mr. Walsh stated that Utah runs the same system as Indiana.

Rep. Anderson asked that in the other contracts you have with other states does ACS work on eligibility with child care. Mr. Bywater replied no, he is not aware of any.

Co-Chair Christensen explained that purpose of these speakers is to expose this committee to alternatives to current conducted plans by the State.

d. Jason Gatherum, Director of Operations for Rocky Mountain Care (RMC) and Jon Owens, Vice President for Management Services. Mr. Owens explained that Rocky Mountain Care is a management company that was created in 1990 in Utah. He stated that they have about 1,200 employees across their organization. He stated that the goal of RMC today is to help the Legislature understand how RMC has improved the productivity of its employees through performance based pay while maintaining quality outcomes for its patients. He explained that RMC has embraced this concept of pay for performance as a way to improve the quality of care provided to their patients by three things, increase in productivity through efficiency, focusing on customer satisfaction and holding employees accountable.

f. James Clair, CEO for Goold Health Systems (GHS) reported that GHS is a health care management company specializing in State Medicaid services and that GHS has approximately 200 employees. He explained the strategies for pharmacy cost containment recommendations. The recommendations is supplemental rebate negotiations leading to a fine-tuned preferred drug list, pharmacy prior authorization process to enforce the PDL, state maximum allowable cost and high-cost user management. He also explained the strategies for long-term care assessment under Utah's present environment. GHS's initial recommendations for Utah is to establish a single point of entry to LTC services, assessments should be prior authorized by a single entity so all rules are applied consistently and accurately across Utah, face-to-face assessments, objective statewide assessing service provider, utilize a Medical Eligibility Determination (MED) tool, review/re-visit medical eligibility criteria, and model out Nursing Facility cost-savings so that percent of savings can be used to support Home-based care.

Co-Chair Christensen asked Utah Department of Health (UDOH) if they would like to address some of the suggestions that GHS has. Micheal Hales with the (UDOH) stated that the long term care would be a new concept for the State to explore. Co-Chair Christiansen wondered who makes the determination whether the agency goes at all into a facility. Mr. Hales explained that the main criteria to determine if this qualifies it is known as a medical level of care determination.

Co-Chair Clark asked Mr. Hales what he thought of the presentation. Mr. Hales replied that UDOH does not have enough information on how it works to say at this time and that the agency

will need to explore it more.

g. Clint Fuhrman, Director of Government Healthcare Solutions for LexisNexis explained that LexisNexis is the largest information sharing company in the world, the world leader in information fusion, entity resolution and information analytics, and a trusted partner to government. He commented on fraud, waste, and abuse in the Medicaid program. Mr. Fuhrman explained the agencies multi-layered approach to mitigation risk. He mentioned that predictive analytics provides a score for each claim, policy, etc., allowing activity to be concentrated on areas that have the highest probability of financial return. He stated that with all of these tools LexisNexis is doing a better job at prevent fraud, waste, and abuse.

Co-Chair Christensen asked how LexisNexis interacts with the State. Mr. Fuhrman stated that LexisNexis contract directly with the State.

Co-Chair Clark asked if LexisNexis is a fee for service not a contingency. Mr. Fuhrman replied that it can be a contingency but have not implemented that yet.

Rep. Litvack asked for a clarification with what LexisNexis can provide for the State of Utah. Mr. Fuhrman replied that for the most part in healthcare it is data transfer into currently existing programs.

h. Brent James, MD, Executive Director of Intermountain Healthcare (IHC) stated that there were two issues on the table for healthcare reform. The first one was that there was an estimated 46 million people without health insurance, and second there were cost increases that were bankrupting country. He went over the impact of the Patient Protection and Affordable Care Act (PPACA) to the State and State Budget.

Sen. Liljenquist reported that in the last decade 9% of the General Fund went to Medicaid now it is at 18% and the projections are that it will be 36% by the end of this decade and that is without the expansions under the healthcare reform laws which could take us as high as 50% of our budget by 2020. He also stated that he is introducing a new bill this year. He is working with others to change the direction of how Medicaid is reimbursed in the state.

Sen. Jones asked if there was a way that prescription drug cost could be reduced. Mr. James stated that there has been a series of successful experiments that have to do with patient doctor interaction. Mr. James stated that what he has come to believe over the years that the only structure by which prescription drug costs can be reduced is by organized care. Sen. Jones asked would you support greater education for physicians who prescribe pain medications. Mr. James stated that this has been found to be not very effective but a far more effective way is by structuring the environment so you don't have to remember by creating organized care.

Co-Chair Clark complement Mr. James and thanked him on bring evidence based information.

Meeting recessed at 11:38 a.m.

Meeting reconvened at 3:15 p.m.

i. Jeff Jensen, Director of Public Employee Health Program (PEHP) referred to the handout that reported on the strategies employed by PEHP that may be applicable to the State Medicaid program in improving their cost control and management efforts. The areas that were commented on were fraud, waste and abuse, utilization and case management, pharmacy management, provider relations and claims audit and management.

Co-Chair Clark asked what does PEHP do with pharmacies. Mr. Jensen stated that with most carriers we use a Pharmacy benefit manager. He referred to the handout where it states that PEHP relies heavily on pre auth on expensive drugs. Co-Chair Clark asked about the management of psychotropic drugs. Mr. Jensen stated that PEHP has not looked at that area specifically.

j. Rep. Anderson, President of ABC Great Beginnings spoke on streamlining child care eligibility. He stated that he thinks that there needs to be a system in place where providers could have access to the data base to look at a case of a client to see what paperwork needs to be done so the provider can help to get that paperwork in. He stated that he believes this will save the State money because it will lessen the load on DWS.

## 2. Medicaid Review Status of Recommendations

Russell Frandsen, Fiscal Analyst went over briefly the Medicaid review and status of the recommendations. See handout provided. He went over the 4 Legislative actions that can be taken which is do nothing, take further action on items not fully implemented, direct State agencies to track up to three of the suggested performance measures, and combination of #2 and #3 above.

Rep. Last wondered if staff knows if any of these things are currently going forward by Legislators that may not be on this committee. Mr. Frandsen replied that there may be others out there but does not know off hand.

Rep. Menlove wondered if there is no one working on any of these recommendations then how are they moving forward. She asked if there is a plan to move any of these forward. Mr. Frandsen responded that the recommendations brought forward by staff that 21 were implemented. Rep. Menlove asked if there were items that needed further study. Mr. Frandsen explained that the best place to look for those in on page 2 of the handout and that table gives the list of the 19 possible areas to pursue.

Rep. Litvack asked about the demonstration projects around payment reform and if the demonstration projects that are being done right now include Medicaid. Co-Chair Clark responded that he doesn't think that it is included. Michael Hales from UDOH stated that yes Medicaid has been participating in certain ones. Rep. Litvack asked if it is being implemented on a pilot level or demonstration level with all Medicaid. Mr. Hales stated that they are still working through the detail and approvals with CMS.

Rep Livack asked staff if there is a way to capture the pro and cons to each recommendation on page 2 of the review. Mr. Frandsen responded that he would be happy to provide more details.

Co-Chair Christensen stated that if the committee members would like to take the time and highlight ones that are of interest to them and then Mr. Frandsen can set up a presentation.

Co-Chair Clark asked Michael Hales if he understood him to say that there is a submitted waiver with CMS. Mr. Hales replied that no there is not a waiver.

### 3. **Medicaid Survey Results**

Russell Frandsen went over the Medicaid Survey Results handout. Mr. Frandsen stated the survey was taken primarily during the spring and summer of 2010. He reported that there were 47 comments from 4 State agencies and 945 comments from 62 members of the public were obtained regarding suggestions for Utah Medicaid. The 4 state agencies that responded to the survey were the Department of Health, Department of Human Services, Department of Workforce Services, and the Medicaid Fraud Control Unit within the Attorney General's office. There were 23 suggested immediate changes within the State's control, 11 items for future consideration within the State's control, and 13 items for the Federal Medicaid Program which is outside of State's control. He reported that this is not a scientific survey it was just a free effort survey.

### 4. **In-Depth Budget Review of Human Services**

Stephen Jardine, Fiscal Analyst, explained the Human Services in-depth budget review. From the 29 different recommendations in the body of the report the Analyst selected 15 for Executive Appropriations consideration.

### 5. **Workforce Services Audit - Legislative Auditor**

Tim Osterstock, Audit Manager in the Legislative office stated that they were was asked to come and give a brief overview of a report that was released in December of 2009 on DWS eligibility determination services. He explained that the Auditors were asked to research the rising cost associated with the consolidation of eligibility services in the DOH with eligibility in Workforce Services. The consolidation was expected to save between 3 1/2 and 4 million a year and in fiscal 2009 it ended up with a \$28 million increase. This is why there was an audit. For reference to this audit go to [http://le.utah.gov/audit/10\\_01rpt.pdf](http://le.utah.gov/audit/10_01rpt.pdf).

Co-Chair Christensen asked if Workforce Services had any questions for the Auditors. Kristen Cox, Executive Director, Department of Workforce Services (DWS) stated that DWS is always open to feed back and how DWS can improve their business.

Sen. Robles requested DWS to provide a summary in writing of the overall picture and savings that DWS has had on the issue of eligibility. Ms. Cox stated that DWS could do that.

6. **Budget Adjustments for FY 2012**

Handout provided by analysts for options for eliminating the structural deficit. This handout is on the internet.

- a. Department of Health was covered by Russell Frandsen.
- b. Department of Human Services was covered by Stephen Jardine
- c. Department of Workforce Services was covered by Patrick Lee
- d. State Office of Rehabilitation was covered by Patrick Lee

There was much discussion over the items in this handout. There was discussion on percentages, legality, if there are a lot of assumptions or are these data based, shortfalls in home services, to get saving would it require investment in other areas, and if the public will be able to have input in the future. Rep. Litvack, Sen. Robles, Rep. Menlove, Co-Chair Christensen, Mr. Fransen, Mr. Jardine, and Patrick Lee were in on this discussion.

**MOTION:** Rep. Litvack moved to adjourn

Co-Chair Christensen adjourned the meeting at 5:10 p.m.

Minutes were reported by Jolene Morgan, Senate Secretary

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Sen. Allen Christensen Co-Chai

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Rep. David Clark, Co-Chair