

MINUTES OF THE
JOINT SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
TUESDAY, JANUARY 25, 2011, 8:00 A.M.
Room 30, House Building, State Capitol Complex

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

Members Absent: Sen. Margaret Dayton
Sen. Peter Knudson
Sen. Wayne Niederhauser
Rep. Ronda Menlove

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

Public Speakers Present: David Patton, Acting Executive Director, Utah Department of Health (UDOH)
Kade Minchey, Lead Auditor, Office of Legislative Auditor General
Tim Osterstock, Audit Manger, Office of Legislative Auditor General
Michael Hales, Deputy Director, Utah Department of Health (UDOH)

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

1. **Introduction**

House Vice Co-Chair Last called the meeting to order at 8:20 a.m.

2. **Department of Health - Alternative proposals for eliminating the structural imbalance**

David Patton, PhD, Acting Executive Director of the Utah Department of Health (UDOH) reported on the cuts that have happened in the past and what they are looking at in the future for cuts. Mr. Patton went over the handout titled Utah Department of Health Proposals to Reduce the Structural Imbalance. He stated that the first 6 items are from the Executive Director's Office

and the next 5 are from the Division of Disease Control and Prevention. His biggest concern in the area of Disease Control and Prevention was the Elimination of Physical Activity, Nutrition and Obesity programs. The other items that he covered was in the division of Family Health and Preparedness, Funding to Local Health Departments, Division of Medicaid and Health Financing, and General Department.

Co-chair Christensen inquired about the areas that Mr. Patton talked about. He asked where the UDOH will make their cuts. Mr. Patton responded by saying that UDOH would be reducing administration costs and doing some Medicaid reductions. He stated that he knows that UDOH has to reach the goal that is set for the UDOH and UDOH is still working on this.

Rep. Willey asked for clarification on item #3 about the grant writing. He asked how much money does the UDOH receive from grants. Mr. Patton stated that the UDOH doesn't have just one single grant rider. He stated that most program receive federal grants and that this area might not be the most efficient place to reduce. Rep. Willey also wanted clarification on item #11. He wondered if the family has to give authorization for the autopsy to be performed. Mr. Patton stated that yes family has to give authorization in most cases.

Co-Chair Clark commented that he is happy to hear that UDOH is trying to make the reductions but wants UDOH to be more specific. He stated that this committee has a dollar amount that has to be reached. He wanted to know which items on this list are "can do" items and which one are "can not do" items. Mr. Patton stated that in most cases this is our "can do" list but would like some flexibility on some items. Co-Chair Clark asked if \$146,000 is viable for #7. Mr. Patton stated that it is viable but would rather take the money from another place. The discussion continued on items from the handout from Rep. Last, Co-Chair Clark, Mr. Frandsen and Mr. Patton.

3. **Bundled Pricing**

Rep. Dean Sanpei, Assistant Vice President for Strategic Planning Development reported on Healthcare Payment Methodology. Rep. Sanpei stated that this will not help with this years budget but will help for the future. He gave a brief background on healthcare methodology. He commented that healthcare today has a fragmented delivery system. He also talked about Fee-for-Service and the flaws that are with that system now and also alternative payment methodologies towards total accountability. He stated that in the future there needs to be changes in the incentives for providers and it needs to move toward bundles/global payments. He finished by saying that the potential savings is sufficient to curb projected Medicaid cost curve and will create a sustainable model of healthcare for the future.

Rep. Chavez-Houck needed clarification on the waivers to allow for risk adjustment and what is the implications for a patient that need more care than normal. Rep. Sanpei stated that it would be looking at a group of individual not at single people.

Sen. Liljenquist stated that the Legislative is lucky to have Rep. Sanpei here. He just wanted to voice his support for what Rep. Sanpei has presented.

Co-Chair Clark and Rep. Last also wanted to echo their support for the report.

4. **A Performance Audit of Utah Medicaid Providers Cost Control -**

Kade Minchey, Lead Auditor for Office of Legislative Auditor General commented on the background of the Audit. He stated that this report provides instances of Fraud, Waste, and Abuse. Mr. Minchey reported that there is a problem with upcoding in the Utah Medicaid, but also shows that it is comparable to other states. Lastly he covered current cases that show examples of Fraud, Waste, and Abuse. Mr. Minchey reported that an Inspector General would provide greater control and independence of Medicaid audit functions.

There was much discussion on the topic of fraud, waste, abuse from this audit. Sen. Robles, Co-Chair Christensen, Sen. Liljenquist, Co-Chair Clark, Tim Osterstock and Kade Minchey participated in this discussion.

5. **Approval of Minutes**

MOTION: Co-Chair Christensen moved to approve the minutes for the meeting on November 18, 2010. The motion passed unanimously with Sen. Dayton, Sen. Knudson, Sen. Niederhauser, and Rep. Menlove absent for the vote.

6. **Legislative - required Reports from Medicaid - Department of Health**

Michael Hales, Deputy Director of the Utah Department of Health(UDOH) reported on the first item of the Report to the Office of Legislative Fiscal Analyst.

a. Reimbursement Options for Pharmaceutical Drugs

Mr. Hales explained that the Average Wholesale Price (AWP) has been the basis of calculating pharmaceutical pricing and reimbursement for many years. Mr. Hales stated that UDOH would be moving away from AWP to an Actual Acquisition Cost (AAC). He went over what that entailed.

Rep. Last asked if all pharmacies in Utah accept medicaid and does UDOH think the pharmacies are ready for AAC. Mr. Hales state that almost all pharmacies in Utah accept medicaid. He also commented that he is not sure if the pharmacies are prepared for this.

Sen. Litvack asked if there has been conversations with the pharmacy community. Mr. Hales said there has been none.

MOTION: Co-Chair Christensen moved to adjourn. The motion was passed unanimously.

House Vice Chair Last adjourned the meeting at 9:59 a.m.

Minutes were reported by Jolene Morgan, Senate Secretary

Sen. Allen Christensen Co-Chair

Rep. David Clark, Co-Chair