

MINUTES OF THE
JOINT HEALTH AND HUMAN SERVICES APPROPRIATION SUBCOMMITTEE
Thursday, January 26, 2006, 2:00 p.m.
Room W125, West Office Building, State Capitol Complex

Members Present: Sen. Sheldon L. Killpack, Committee Co-Chair
Rep. Merlynn T. Newbold, Committee Co-Chair
Sen. Allen M. Christensen
Sen. Gene Davis
Rep. Bradley G. Last
Rep. David Litvack
Rep. Steven R. Mascaro
Rep. Roz McGee
Rep. Paul Ray
Rep. Aaron Tilton

Members Excused: Sen. Chris Buttars

Staff Present: William Greer, Fiscal Analyst
Norda Shepard, Secretary

Public Speakers Present: Dr. David N. Sundwall, Executive Director, Department of Health
Dr. Richard Melton, Deputy Director, Department of Health
Michael Hales, Acting Director, Division of Health Care Finance
Brian Monson, Molina Health Care Utah
Nate Checketts, Director, Children's Health Insurance Program
Teresa Garrett, Director, Division of Epidemiology and Laboratory Services

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

The meeting was called to order by Co-Chair Newbold at 2:18 p.m.

Rep. Newbold announced the schedule changes for next week. There will be no subcommittee meeting on Wednesday. Public testimony on Department of Health issues will be on Thursday, Feb. 2, held in Room #W135.

1. Overview of the Department of Health - Federal Funds

Fiscal Analyst William Greer indicated that information on the Federal Funds issue is found in the Budget Analyst binder under Tab, 6, Issue Brief 32. Also included is a copy of a letter from Dr. Sundwall outlining the implications of the Budget Reconciliation Act. He reviewed the Federal Fund grants that have been applied for next year as shown on the charts in the Issue Brief. He explained that the Executive Appropriations Committee reviews these grant applications each month during the interim period to see if they are renewals or new grants, and if FTEs are associated with them. He stated that there are no new FTEs requested in this list. He said the challenge is the Budget Reconciliation because of possible reductions to the state. The biggest of these challenges is in the area of bio-terrorism, with an anticipated reduction to Utah of \$6 or \$7 million, with 23 to 27 FTEs that will be impacted. That grant is not being reduced nationally but funding is being shifted and that will be Utah's reduction.

Dr. David N. Sundwall, Executive Director, Department of Health, stated the Department's greatest fear is the declining funding for bio-terrorism. He asked Dr. Richard Melton to address these concerns.

Dr. Richard Melton, Deputy Director, Department of Health, said that Congress has reduced bio-terrorism funding to many states by 18 percent. Much of this money is still going into preparedness for the nation. He stated that the

Senate also has language that directs the Centers for Disease Control to change the funding mechanism from one where all the states received a formula percentage to one that uses a risk-based formula. They define risk-based as those areas that have multi-national corporation headquarters, cities with ports, large metro population city areas, and coastal states. He said Utah can expect as much as a 50 percent reduction, resulting in a lay off of 20 to 25 staff. He stated the Division is not asking for the replacement of the \$4 to \$6 million lost in this budget cycle, but it may be talked about during the next cycle.

Dr. Melton explained a major priority of the Division was the state epidemiologist position. He said this position is a federal employee. The reduction of federal funding makes it impossible for the Division to retain the State Epidemiologist. He said it is essential for the state to have a medical epidemiologist. He said there is also a concern with the lack of capacity with bio-terrorism preparedness in the state with this and the bio-terrorism grant reduction.

2. Department of Health - Division of Health Care Finance

a. Issue Brief - Medicaid Program and Funding Alternatives

Mr. Greer explained that the Budget Briefs under Tab 6 will be discussed mostly in order. He explained that the Chairs have asked that the items discussed be in priority order. He said three items are included in S.B. 1, "State Agency and Higher Education Base Budget Appropriations:" (1) case load growth, \$10 million; (2) Medicaid inflation, \$10,252,700; and (3) FMAP rate change, \$8,601,400. Even though these are funding increases they are included as part of the base and are to maintain the current level of service not to increase programs.

Mr. Greer indicated that the Legislature does have some say in regard to what happens with Medicaid. Medicaid is an optional program. Once a state accepts Medicaid, there are mandatory programs and optional programs. Utah is about in the middle in offering some of the optional services. Medicaid caseload and utilization are two key factors that impact costs. Medicaid is an entitlement program and all eligible people must receive needed services if those services are offered. Provider rates could affect a person's access because some providers feel that they don't get adequate reimbursement and do not take Medicaid patients. In trying to stem the caseload growth, some people are suggesting increasing eligibility criteria or limiting services.

The Analyst said that whenever you make changes, there are implications that need to be looked at. He explained that this brief requires no legislative action and is for information only. He said the Department of Health is trying to maximize the effective use of state dollars.

Dr. Sundwall said he hoped people would not think of Medicaid as only a problem, but see it as the people served. He stated we need to make certain the people who need services receive services.

b. Issue Brief - Medicaid Utilization and Caseload Growth

Mr. Greer indicated this is an item where \$10 million was put into FY 2007 appropriations for the base budget. This will not fully fund the estimated FY 2007 caseload and utilization growth. He indicated that actual caseload numbers have not grown significantly but there is a shift in the caseload mix, with the elderly and disabled growing in numbers. Consequently, utilization of services and related expenses have grown. The Department estimates that their needs will be \$20 million. The Analyst recommends an additional \$5 million be added to the base, bringing it to \$15 million. This could leave a budget shortfall and may require a supplemental request for the following year. The Analyst also recommends \$10,750,700 for a supplemental appropriation for FY 2006 because caseload was underfunded for that year. He explained that this \$10 million is not entirely for caseload and utilization but will also cover an error in the amount of Federal reimbursement. The State must now repay \$4,650,700 to the federal government. There is also a contractual settlement to a Health Plan for FY 2004 of \$1.5 million. These are for services already rendered and are included in the recommended supplemental.

Michael Hales, Acting Director, Division of Health Care Finance, reported that in FY 2005 the Division did see about 5 percent caseload growth, but there was also changes in the case mix in the different groups. He said during the current fiscal year enrollment has been flat, but there has been a severe shift from the less expensive groups to groups

requiring more expensive services, with over 2,000 disabled people and over 500 aging people coming into the program.

c. Issue Brief - Medicaid Inflation

Mr. Greer indicated the Department had originally requested not only Medicaid inflation, which gives provider increases, but also requested funding for specific provider increases for physicians and dentists. He discussed the chart included in the Issue Brief showing the historical percentage increases for Medicaid provider reimbursement. This chart shows that not all providers are reimbursed at the same rate. He noted that pharmacy has the highest rate of increase. He said that some programs are mandatory. All increases are based on Bureau of Labor statistics. Other programs are optional and during cut back years, many times the optional programs were not increased as requested. In addition to the \$10,252,700 in S.B 1, the Analyst recommends an additional \$3 million for Medicaid Inflation to address provider increases. There is also included in the Issue Brief a chart showing the recommended percentage increase for the different providers.

Mr. Hales stated it is very important to keep provider reimbursement to a workable level and it is not to enhance the lifestyle of the providers but to increase the available opportunities for Medicaid clients. He said many Medicaid providers are looking to reduce the number of Medicaid clients they see. He said the Division is looking to keep Medicaid reimbursements competitive with what other insurance programs are doing. He pointed out that the Governor has requested \$459,100 for "other Providers" who have not had an increase in close to twenty years.

In answer to committee questions, Mr. Hales said it is critical to give 10 percent to physicians and dentists because lower reimbursement is a pressure to their practice, especially coupled with the uncompensated care that many physicians and dentists donate. Sen. Christensen stated that without adequate reimbursement many dentists will decide they just don't need Medicaid patients. He indicated it is the patients who need the dentists, not the dentists who need Medicaid patients. Rep. Mascaro stated he is sponsoring a H.B. 24 bill which has a \$2.7 million fiscal note to address Medicaid dental reimbursements. Co-chair Newbold indicated that H.B. 24, " Medicaid Dental Reimbursement Amendments," would be on the agenda for Monday.

d. Issue Brief - Medicare Part D Enrollment

Mr. Greer indicated that Medicare is a fully federally controlled program, but the Medicare Part D Enrollment will have an impact on Medicaid. He said that some people who are signing up for Medicare Part D are finding they are eligible for Medicaid which will result in a need for additional state funding. It is estimated that about 5,000 people will be dual eligible. The Analyst recommends for FY 2007 \$2,606,400 General Fund which will be matched with \$2,753,700 Federal Funds to deal with these dual eligible people. In addition, the Analyst is recommending a supplemental appropriation of \$4,249,300 for FY 2006 with Intent Language that this money be able to be carried over into the next fiscal year.

e. Issue Brief - Medicare Part D Eligibility Workers

Mr. Greer stated that with additional people coming into Medicaid because of Medicare Part D, eligibility workers will be needed within the Department of Health to handle eligibility and applications. The Analyst recommends an on-going appropriation of \$60,000, which will be matched with \$60,000 Federal Funds, for two FTEs to assist with this eligibility, and a one-time General Fund supplemental of \$20,000 for FY 2006 for the remaining months in that fiscal year. Mr. Greer said the Department is making extra efforts to assure people have adequate supplies of their medications during this transition.

Mr. Hales explained there are two parts, as explained by the Analyst, to this request: (1) the many people who will be coming on to Medicaid due to Medicare Part D; and (2) the two new FTEs required to handle the work load. He indicated it is beneficial to these eligible people to have dual enrollment. He reported that since October 2005 there has been 1,100 new people added to the program. He said the Division appreciates the recommended funding and the carry over authority.

Dr. Sundwall said the implication of this new program has been very challenging. He said many state employees have been putting in many long hours, sometimes even weekends, to handle the demand.

In answer to committee questions regarding a preferred drug list for Medicaid, Dr. Sundwall stated he wanted to go on record that a preferred drug list remains a very attractive option to manage Medicaid prudently and wisely and assure we are getting the most for our expenditures for pharmaceuticals. However, he said he would not be seeking approval in this session because the ground has shifted due to the Medicare Part D program. He said hopefully when Medicare Part D is fully implemented, reassessments for savings on various categories of drugs can be made.

Sen. Killpack said he would like to refer back to Medicaid inflation. He said he would like to request from staff or from the Department a report showing what providers, especially physicians and dentists, are receiving from private insurance providers and what they would receive from Medicaid. He said this would be helpful information for the subcommittee. Also, he indicated he would like information of the number of physicians seeing Medicaid patients now in comparison to the past.

Brian Monson, Molina Health Care of Utah, stated Molina is one of the managed care plans that uses the Medicaid program. He said that many providers will continue to serve existing clients but will not take new Medicaid clients. He indicated that from 2003 to the end of 2005, Molina has lost 338 providers because they are not willing to take Medicaid rates anymore.

3. Approval of Minutes

MOTION: Sen. Christensen moved to approve the minutes of January, 23, 2006. The motion passed unanimously with Sen. Davis and Reps. Ray and Tilton absent for the vote.

f. Issue Briefs - Restoration of Adult Dental and Adult Vision Services

Mr. Greer stated that last year the Legislature restored funding for adult dental and vision services with one-time funding. These services were eliminated during the cut back years. There was an appropriation in FY 2005 for \$1 million for emergency dental services for adults and for FY 2006 an appropriation of one-time funding of \$3,832,400. The Department is requesting an appropriation of \$3,917,100 General Fund for dental services. The Analyst has made no recommendation for this building block. The subcommittee will need to put this on the Building Block priority list.

The funding request for the adult vision is \$780,900. No funding is recommended for this building block. It also will need to be put on the building block priority list. Mr. Greer indicated that on-going funding would be most appropriate since both of these services are going to be provided on an on-going basis.

Dr. Sundwall said the Department would be grateful for the support of this part of the Governor's budget. He indicated this services should not be considered optional. He said from a public health stand point they certainly are not optional. There are also financial issues for the poor and uninsured to have dental and vision access in order to enable them to become employed. He said this is money well spent.

4. Department of Health - Children's Health Insurance Program

Mr. Greer indicated that the Children's Health Insurance Program (CHIP) does not have a requested building block. They do receive some funding from the tobacco money.

a. Issue Brief - Tobacco Funds

Mr. Greer said he was including a brief on the tobacco funding as the CHIP program does receive some of this money. He said the state actually receives this funding on April 15th of each year so it is almost the end of the fiscal year before funds are received. It is estimated that it will be around \$29 million for FY 2006, with the CHIP program

receiving around \$10 million. Mr. Greer indicated that litigation may be pending from the tobacco companies that could impact the allocation of those funds this year as well as in the future. He said at this point in the process it is not possible to determine if Utah will be receiving the full tobacco payment that is anticipated. The Analyst recommends that the subcommittee draft a letter to the Executive Appropriations Committee to make them aware of this situation. No other legislative action is required at this time.

Nate Checketts, Director, CHIP, said he wanted to report on the additional funding from last year to increase enrollment. The program has been open since July 1 and has been enrolling children on an on-going basis. They now have a total of 34,982 children on the program. He said the target enrollment was for 40,000. He said the Division has been losing federal dollars and this will limit enrollment. He stated they see a growth of about 600 per month. He said he was concerned with the tobacco funding situation. He said if the funding does not come in April, another course of funding should be considered such as the Children's Trust Fund.

Mr. Greer reminded the committee that this is for the current fiscal year so whatever is done will have to be done by the end of this fiscal year.

5. Department of Health - Epidemiology and Laboratory Services

a. Issue Brief - State Epidemiologist

Mr. Greer said this funding request is a replacement of federal funds. He explained that years ago there was funding for a non-physician epidemiologist and during the budget cuts this was used to fund some critical needs. The State Epidemiologist has been a federal employee. That individual is retiring and the grant program that funded the position is being eliminated. If the state desires to have a State Epidemiologist, they will have to appropriate the funding. This would require the Legislature to make a policy decision to replace federal funds. This position requires a medical physician with specific training in infectious diseases. The Analyst recommends that if the subcommittee would like to fund this position, this funding request would need to be on the building block priority list.

Dr. Sundwall said this would be his number one priority building block. He said the State Epidemiologist is of critical importance to the most fundamental kinds of public health: disease surveillance, recording, detection, and awareness of threats to public health. He said that only a couple of the twelve regional health offices have medical doctors and this kind of scientific expertise is needed.

Teresa Garrett, Director, Division of Epidemiology and Laboratory Services, reported that in 2004, there were 9,445 cases of disease reported to the Department of Health. In 2005, there were 14,446 cases reported. She said these numbers put in perspective the monitoring, tracking, analyzing, responding, and understanding of what is happening in our state in terms of communicable diseases. She said this requires a lot of expertise, training, and scientific leadership. Dr. Sundwall indicated that this position needs to be a physician/scientist.

b. Issue Brief - Laboratory Equipment

Mr. Greer explained that this building block request is to address some of the needs they have in the laboratory. The Issue Brief lists equipment that could and should be replaced if funding is available. The Analyst is recommending \$500,000 one-time General Fund for laboratory equipment. This is in addition to any non-lapsing funds they may have. This Division has been given non-lapsing status so they can carry over and use funding to purchase equipment. There is no on-going base for laboratory equipment replacement funds within the Division.

Ms. Garrett expressed thanks for the Intent Language. She said their budgets are getting smaller and smaller and there won't be much carry over making this requested building block very important. She said they have about a \$7 million investment in our public health laboratory. Most equipment has a life cycle of about five years but the Division has extended that to anywhere from twelve to fifteen years. She indicated the Division would use any extra funding wisely.

Other Committee Business

Rep. Newbold reported that a letter has been drafted to the Executive Appropriation chairs in response to the motion made in yesterday's meeting regarding the possible federal fund reductions due to the Reconciliation Act.

Dr. Sundwall announced that Secretary of Health and Human Services Michael Leavitt would be in Salt Lake City on March 24, 2006, to address the "Utah Prepares: The Governor's Summit on Pandemic Influenza."

MOTION: Sen. Killpack moved to adjourn. The motion passed unanimously.

Co-Chair Newbold adjourned the meeting at 4:20 p.m.

Minutes reported by Norda Shepard, Secretary.

Sen. Sheldon L. Killpack
Committee Co-Chair

Rep. Merlynn T. Newbold
Committee Co-Chair