

**REPORT OF THE
HEALTH FINANCE
COMMISSION**



**Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana 46204**

November, 1998

INDIANA LEGISLATIVE COUNCIL

1998

Speaker John Gregg

Chairman

Sandborn

Senator Robert Garton

Vice-Chairman

Columbus

Representative Paul Mannweiler

Indianapolis

Senator Richard Young

Milltown

Representative Mark Kruzan

Bloomington

Senator Harold Wheeler

Larwill

Representative Dale Grubb

Covington

Senator Joseph Harrison

Attica

Representative William Cochran

New Albany

Senator Patricia Miller

Indianapolis

Representative Charlie Brown

Gary

Senator Thomas Wyss

Fort Wayne

Representative Jeffrey Linder

Waldron

Senator James Lewis

Charlestown

Representative Richard Mangus

Lakeville

Senator Earline Rogers

Gary

Philip J. Sachtleben
Executive Director
Legislative Services Agency

HEALTH FINANCE COMMISSION

Membership Roster

Representatives

Charlie Brown, Chairperson
Gary

William Crawford
Indianapolis

Susan Crosby
Roachdale

John Day
Indianapolis

Craig Fry
Mishawaka

Brian Hasler
Evansville

Win Moses
Fort Wayne

Vaneta Becker
Evansville

Robert Behning
Indianapolis

Timothy Brown
Crawfordsville

Mary Kay Budak
LaPorte

David Frizzell
Indianapolis

Gloria Goeglein
Fort Wayne

Senators

Steven Johnson, Vice-Chairperson
Kokomo

Beverly Gary
Greenfield

Teresa Lubbers
Indianapolis

Morris Mills
Indianapolis

Marvin Riegsecker
Goshen

Joseph Zakas
Granger

Glenn Howard
Indianapolis

Earline Rogers
Gary

Vi Simpson
Bloomington

Mark Blade
Terre Haute

Staff

Ann Naughton
Attorney for the Committee

Al Gossard
Fiscal Analyst for the Committee

This report was reviewed and approved by the members of the Health Finance Commission who were present at the Commission's November 10, 1998 meeting. However, due to the absence of a quorum, the report was not officially adopted by the Commission as its final report.

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

The Indiana General Assembly enacted legislation (IC 2-5-23) directing the Commission to do the following: Study topics as directed by the chairman of the Commission, assigned by the Legislative Council, or concerning issues including the delivery, payment, and organization of health care services, and rules adopted under IC 4-22-2 that pertain to health care delivery, payment, and services that are under the authority of any board of agency of state government.

Legislative Council Resolution 2-98 assigned the following additional responsibilities to the Commission:

Issue 1 Evaluate the certificate of need program (HCR 6).

Issue 2 Evaluate need for oversight of nonprofit hospital sales or mergers (HCR 37 and SCR 37).

Issue 3 Study all aspects of managed care, with particular attention paid to data collection and grievance procedures (SB 14).

Issue 4 Study the benefits of an expanded children's health insurance program (CHIP).

II. INTRODUCTION AND REASONS FOR STUDY

Issue 1 Certificate of Need Program

House Concurrent Resolution 6 urged the Legislative Council to establish a study committee to evaluate the certificate of need program. Indiana law providing for a certificate of need program for long term care facilities expired July 1, 1998. The issue before the Commission is whether the program should be reinstated with or without modification.

Issue 2 Nonprofit Hospital Sales or Mergers

House Concurrent Resolution 37 urged the Legislative Council to establish a study committee to evaluate the need for review or oversight by the state when a nonprofit hospital sells, merges, or transfers ownership of the hospital to a for-profit entity or another nonprofit entity, and to determine whether the charitable missions of nonprofit hospitals are being carried out in Indiana communities after nonprofit hospitals sell, merge, or transfer ownership of the hospitals to for-profit or nonprofit entities. Current Indiana law does not specifically address these transactions, although the Nonprofit Corporation Act (IC 23-17-1) regulates nonprofit corporations generally.

Issue 3 Managed Care

Current Indiana law provides for HMO grievance procedures and data collections to be received by the Indiana State Department of Insurance. The Department is in the process of developing rules to implement recently enacted law regarding grievance procedures and data collection.

Issue 4 Children's Health Insurance Program

Current Indiana law (IC 12-17-18) provides for development of a children's health insurance program (CHIP) according to the federal Balanced Budget Act of 1997 - PL 105-33. In 1998 the General Assembly enacted IC 12-17-18 to provide for development of CHIP in Indiana.

III. SUMMARY OF WORK PROGRAM

Issue 1 Certificate of Need Program

No action was taken on this issue.

Issue 2 Nonprofit Hospital Sales or Mergers

The Commission met on September 22, 1998 at the State House. The Commission heard testimony from several individuals representing the public and hospitals. Commission members asked questions of those testifying throughout the testimony.

Issue 3 Managed Care

The Commission met on September 1, 1998 at the State House. The Commission members heard testimony from various individuals representing the industry, providers and state agency personnel. Commission members asked questions of those testifying throughout the testimony.

Issue 4 Children's Health Insurance Program

The Commission met on August 11, 1998 and September 1, 1998 at the State House to hear presentations and progress reports regarding the Children's Health Insurance Program. The Commission heard public testimony from interested parties on September 22, 1998 at the State House, on September 30, 1998 in Evansville, Indiana, and on October 20, 1998 in Gary, Indiana. The Commission asked questions of those testifying and discussed various issues with regard to CHIP.

IV. SUMMARY OF TESTIMONY

Testimony was heard as follows:

Issue 1 Certificate of Need Program

No testimony was received on this issue.

Issue 2 Nonprofit Hospital Sales or Mergers

The history of HB 1334-1998 and proposed amendments were described. It was explained that the primary interest of the state is the protection of charitable assets of the nonprofit hospital in the transaction. The "charitable benefits plan" which is required for all nonprofit hospitals, but is not required of for-profit hospitals, was described and it was explained that there is currently no state statute regulating these transactions to protect the public's interest in charitable assets of the nonprofit hospital, and in continuing charitable benefits following nonprofit hospital conversion.

It was stated that a high degree of scrutiny is not necessary with nonprofit to nonprofit transactions because the resulting nonprofit is still required to have a charitable benefits plan. Parties opposing legislation regulating nonprofit to for-profit transactions stated that the concerns that initially produced this legislation no longer exist with the dilution of Columbia HCA. A copy of American Hospital Association Guidelines for Hospitals/Health System Leaders When Changing Ownership or Control was distributed and it was stated that Indiana hospitals have been educated about the guidelines and voluntarily utilize them, making the public and community aware of such transactions before they occur. The Nonprofit Corporations Act was described as providing some protections such as requiring that board members observe their fiduciary duties in a transaction and account for charitable assets prior to a transaction. Federal tax law was also said to provide for nonprofits receiving fair market value for assets and to govern resulting charitable foundations.

Issue 3 Managed Care

The progress of the Indiana Department of Insurance in drafting the HMO grievance rule which will take effect 1/1/99 was described, including a new grievance form for reporting by HMOs, explanation of the process, and comparison of HMOs in Indiana. The 1997 Complaint Index for HMO premium and for accident and health insurer premium was presented. The documents

compare complaint indexes of individual HMOs and of individual accident and health insurers. There was a statement that the statutory definition of "grievance" is somewhat vague, but the definition in the Department of Insurance rule is more clear. An issue was raised as to the need for a definition of "medical necessity" and the belief that if there were an objective process to determine medical necessity, the number of grievances filed would decrease. Four issues were raised with regard to data collection efforts as follows: (a) Are Indiana HMOs capable of gathering, processing and easily reporting the type and amount of information required under SEA 364-1998?; (b) Does the Department of Insurance have the resources to formulate report cards and disseminate the information and, if not, can the General Assembly obtain the resources needed?; (c) Will outpatient providers collect data needed as part of the HMO data gathering?; (d) Can internally performed customer satisfaction surveys be trusted? There was discussion of seven proposed principles to guide efforts to improve quality and affordability of health care: (a) universal health care; (b) quality; (c) consumer choice; (d) consumer protections; (e) accessible medical care; (f) confidentiality and privacy; (g) quality of the health care workforce.

Issue 4 Children's Health Insurance Program

A summary of the Children's Health Insurance Program (CHIP) was presented. There was discussion of the differences in coverage which would result from the various approaches to providing coverage, including: extension of Medicaid; adoption of a benchmark plan; an actuarial equivalent of a benchmark plan; a Florida, New York or Pennsylvania-type plan; or an alternative plan approved by the Department of Health and Human Services. There was discussion regarding entitlement, different rates of federal reimbursement for CHIP, crowd out, outreach, cost sharing, and estimated costs.

The chronology of events related to CHIP in Indiana was described. Long-term and short-term strategies for development and implementation of CHIP in Indiana were discussed, including: expansion of Hoosier Healthwise; expansion of the program to include those between 150% and 200% of federal poverty limits; allowing children to sign up at various locations rather than the limited application sites of the Medicaid program; enrollment center needs; development of brochures and other communication tools; reducing the application to 2 pages with additional forms as needed; a new card for all individuals covered under CHIP; mental health parity; dental care; primary medical care; equity in outreach and enrollment; subcommittees on outreach/education and communication, benefit design and cost sharing, eligibility and crowd-out, coordination, infrastructure and community based systems, data, outcomes and evaluation; coordination of services among agencies with public health monies; continuity of care and services; role of schools in the program, especially outreach; and funding sources for hospitals providing care for individuals with limited resources.

It was explained that final recommendations of the Governor's Panel on CHIP should be made in October with forwarding of the blueprint to the Governor. It is planned that the General Assembly will consider continuation/expansion options during the next legislative session.

V. COMMITTEE FINDINGS AND RECOMMENDATIONS¹

Issue 1 Certificate of Need Program²

¹Due to the absence of a quorum at the November 10, 1998 meeting of the Commission, the findings of fact and recommendations contained in this report were not officially adopted by the Commission.

²See footnote 1.

The Commission made no findings of fact or recommendations concerning this issue.

Issue 2 Nonprofit Hospital Sales or Mergers³

The Commission, in the absence of a quorum, discussed the following findings of fact: No legislation on this issue is necessary at this time.

The Commission made no recommendations concerning this issue.

Issue 3 Managed Care⁴

The Commission, in the absence of a quorum, discussed the following findings of fact: Additional time is needed to evaluate the impact of recent changes in Indiana law concerning managed care.

The Commission made no recommendations concerning this issue.

Issue 4 Children's Health Insurance Program⁵

The Commission, in the absence of a quorum, discussed the following findings of fact: CHIP has the potential to provide needed health care services to a larger segment of uninsured children through an expansion of the program.

The Commission, in the absence of a quorum, discussed the following recommendations:

(a) Indiana's CHIP should be expanded through a combination of an expansion of Hoosier Healthwise (for children up to 150% of the federal poverty level) and a state-designed plan (for children between 150% and 200% of the federal poverty level).

(b) Outreach efforts should incorporate local community resources to maximize exposure and efficiency of enrollment. Financial incentives to community resources that participate in enrollment, eligibility and provider selection processes should be considered.

(c) CHIP should be marketed professionally and clearly as a statewide consumer product. Funding should be allocated for professional market research, advertising, and public relations to reach the target population with a stigma-free product.

(d) Incentives to enhance provider availability in all medical service areas, and approaches to encourage appropriate utilization of services by enrollees, should be incorporated. Examples include use of nurse practitioners, alternative locations and hours, education of providers and customers, encouragement of preventive care, and simple copayment arrangements.

(e) Benefits should complement and coordinate with services provided under other state-administered health care programs for children, including Children With Special Health Care Needs and First Steps, so that children enrolled in these programs and in CHIP will experience a seamless approach to their care and payment for that care.

(f) Benefits should be simple and should offer preventive, primary and acute care services appropriate for children from birth through the age of 18 years. Full mental health parity should be included, requiring that coverage of treatment for mental conditions be equivalent to coverage of treatment for physical conditions. The benefits should incorporate enhanced substance abuse, vision, podiatry and chiropractic benefits, and comprehensive dental benefits.

(g) Community Health Centers should be utilized to provide health care services.

³See footnote 1.

⁴See footnote 1.

⁵See footnote 1.

(h) CHIP and other state-administered health care programs for children should be coordinated through one administrative authority to improve efficiency and coordination of services.

(i) Technological improvements should be pursued to: (1) improve enrollment and eligibility processes; (2) improve service to families; (3) ensure efficient provider payment and data quality; (4) coordinate payments made and services provided through CHIP with other state-administered health care programs for children.

(j) Premiums and employer-based subsidies should be the primary means of preventing crowd-out. Premiums should be set on a sliding scale based on income and family size within the federal contribution limits, and so that enrollment of the maximum number of uninsured children is accomplished while minimizing crowd-out. Considerations should include: (1) allowing families to purchase for their children employer-based insurance that meets federal standards as an alternative to the state-designed plan; (2) application for a waiver to allow family coverage when it is economically efficient; (3) uninsured status waiting period requirements prior to eligibility for the state-designed plan, with exceptions for high risk medical needs or loss of coverage due to circumstances beyond the family's control.

(k) The Office of Medicaid Policy and Planning is urged to move away from the three large geographic regions that it currently utilizes for purposes of Hoosier Healthwise managed care contracting. The Office is urged to move toward smaller, community-based resources for managed care contracting under Hoosier Healthwise and for outreach and education programs.

(l) CHIP should have a comprehensive evaluation approach. Independent evaluation, provider timeliness and data quality, client confidentiality, and credibility of results are important considerations in developing the approach.

(m) A provider who participates under Hoosier Healthwise, Children With Special Health Care Needs and First Steps shall be a provider under CHIP.

(n) Any provider specialty to which clients have direct access under the Hoosier Healthwise program shall be direct access providers under the state-designed plan as well.

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by Committee. This report and other documents for this Commission can be accessed from the General Assembly Homepage at <http://www.state.in.us/legislative/>.

WITNESS LIST

John Betjemann, Methodist Hospitals, Gary and Merrillville
Virginia Caine, M.D., Marion County Health Department
Joseph Caldwell, Indiana Minority Health Coalition
Donna Carr, Executive Director, Mental Health Association of Vanderburgh County
Liz Carroll, Chief Deputy Commissioner, Indiana Department of Insurance
Sue Carson, Vanderburgh County Office, Division of Family and Children
Paul Chase, Public Policy Liaison for AIDServe Indiana; Member, Indiana Task Force on
Managed Care Issues
Ann Doran, Quorum Health Group
Cathlin Gray, School Principal, Evansville/Vanderburgh School Corporation
Bruce Hillman, Director, Lake County Division of Family and Children, FSSA
Craig Howerton, Executive Director, Community Health Center of Evansville
Katie Humphreys, Chairperson, Governor's Panel on the Children's Health Insurance Program
Jim Hmurovich, Assistant Secretary, Division of Family and Children, FSSA
Sandra Irons, Mental Health Association in Lake County
B.J. Isaacson, Indiana Primary Health Care Association
Jim Jones, Indiana Council of Mental Health Centers
Beth Karnes, Indiana Mental Health Memorial Foundation, Inc.
Tim Kennedy, Indiana Hospital and Health Association
Martha King, Director of Health Care Programs, National Conference of State Legislatures
Steve McCaffrey, Mental Health Association in Indiana, Inc.
Bruce Melchert, Clarian Health Partners, Inc.
Tom Mix, Children's Special Health Care
Jeff Modisett, Attorney General, State of Indiana
Jerry Payne, Secretary/Treasurer, AFL-CIO
Rise Ross, Northwest Indiana Healthy Start Program
Mitch Roob, Health and Hospital Corporation of Marion County
Rozann Rothman, Council of Volunteers and Organizations for Hoosiers With Disabilities
Terry Schechner, D.D.S., Indiana Dental Association
Greg Schenkel, Indiana Association of HMOs
Steve Simpson, M.D., Pediatrician, Gary, Indiana
Judy Stanton, Lake County Welfare to Employment Council
Lee Strawhun, Southlake Center for Mental Health
Mimi Gardner-Suggs, Tri City Mental Health Center
Julia Vaughn, Citizen's Action Coalition; Member, Indiana Task Force on Managed Care