

Members

Sen. Patricia Miller, Chair
Rep. Charlie Brown
Rep. Brian Hasler
Rep. William Crawford
Rep. Susan Crosby
Rep. John Day
Rep. Craig Fry
Rep. Win Moses
Rep. Peggy Welch
Rep. Vaneta Becker
Rep. Robert Behning
Rep. Timothy Brown
Rep. Mary Kay Budak
Rep. David Frizzell
Rep. Gloria Goeglein
Sen. Allie Craycraft
Sen. Billie Breaux
Sen. Earline Rogers
Sen. Vi Simpson
Sen. Greg Server
Sen. Kent Adams
Sen. Beverly Gard
Sen. Steve Johnson
Sen. Connie Lawson
Sen. Marvin Riegsecker



HEALTH FINANCE COMMISSION

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 232-9588 Fax: (317) 232-2554

LSA Staff:

Al Gossard, Fiscal Analyst for the Committee
Barry Brumer, Attorney for the Committee

Authority: IC 2-5-23

MEETING MINUTES¹

Meeting Date: October 19, 1999
Meeting Time: 10:30 A.M.
Meeting Place: State House, 200 W. Washington St., Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 4

Members Present: Sen. Patricia Miller, Chair; Rep. Charlie Brown; Rep. William Crawford; Rep. Susan Crosby; Rep. John Day; Rep. Craig Fry; Rep. Peggy Welch; Rep. Vaneta Becker; Rep. Robert Behning; Rep. Mary Kay Budak; Rep. David Frizzell; Rep. Gloria Goeglein; Sen. Billie Breaux; Sen. Earline Rogers; Sen. Kent Adams; Sen. Beverly Gard.

Members Absent: Rep. Brian Hasler; Rep. Win Moses; Rep. Timothy Brown; Sen. Allie Craycraft; Sen. Vi Simpson; Sen. Greg Server; Sen. Steve Johnson; Sen. Connie Lawson; Sen. Marvin Riegsecker.

Sen. Patricia Miller, Chairperson, called the fourth meeting of the Commission to order at about 10:45 a.m.. Documents provided to members of the Commission in advance of the meeting include: (1) Health Facility Citation reports for January 1997 through March 1999 provided by the State Department of Health (SDH) (Exhibit 1); (2) Moratorium and CON data by state provided by the Indiana Health Care Association (Exhibit 2); and (3) Indiana Long Term Care Ombudsman Contact Listing (Exhibit 3) obtained from the Family and Social Services Administration (FSSA).

Long Term Care Issue

Mr. John Cardwell - Citizens Action Coalition

Mr. John Cardwell, Citizens Action Coalition, provided written testimony (Exhibit 4) to the Commission. Attachments to the written testimony include: (1) a comparison of average CHOICE (Community and Home Options to Institutional Care for the Elderly and Disabled

¹Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

program) costs and average Medicaid costs; (2) a chart of CHOICE annual expenditures; (3) a chart of income ranges of CHOICE recipients; (4) persons served and waiting lists for CHOICE services by fiscal year; (5) age of persons served by CHOICE in FY98; (6) selected client outcome measures for CHOICE services in 1996; (7) a fact sheet on tobacco and the elderly; and (8) the schedule of annual payments to Indiana resulting from the Tobacco Settlement.

Mr. Cardwell also provided an overview of his written testimony. He suggested that the federal Balanced Budget Act of 1997 eliminated some of the procedures reimbursable under Medicare and tightened reimbursement to home health care facilities. As a result Indiana has lost 150 licensed home health care agencies in the last two years. Consequently, the number of individuals needing CHOICE program services has significantly increased. He added that the age distribution in CHOICE speaks well of the program's versatility and of the AAA's (Area Agencies on Aging) ability in directing people to the appropriate service. He also stated that the CHOICE program has received high evaluation marks from consumers.

Regarding the Tobacco Settlement, Mr. Cardwell stated that, although most payment schedules show a flow of payments for the next 25 years, there actually is no end date. He added that he believes the Settlement dollars should be used on programs that have been unfunded or underfunded in the past, such as assisted living and hospice care.

Mr. Cardwell stated that Medicaid waivers could be used much more aggressively, especially for assisted living and adult foster care. He added that Medicaid waiver services could pick up the care side of assisted living and not the room and board component. Responding to a question as to what other states have been successful in using Medicaid waivers, Mr. Cardwell stated that Oregon has aggressively used waivers and has used them to take people out of institutions. On the other hand, Indiana has received approval to significantly increase the number of slots in the Aged and Disabled Waiver with half the new slots to be used to move people out of nursing homes and into the community and half to be used to divert people from nursing homes, but the administration has not taken action.

Ms. Jean McDonald - Indiana Association for Home Care

Ms. Jean McDonald, Indiana Association for Home Care, stated that increased salaries are needed for surveyors. She stated that the starting salary for a registered nurse upon graduation is about \$32,000 and the salary of a trained, experienced SDH surveyor is about \$28,000. Ms. McDonald also stated that it is very important that the survey process focus on outcomes.

Ms. McDonald indicated that the Medicare reimbursement changes from the federal Balanced Budget Act of 1997 have severely impacted home health agencies in Indiana. The average reimbursement per beneficiary per year in Indiana is only about \$3,200. In the first year after the changes, home health agencies were prohibited from discharging their patients. However, now the home health agencies do not have to accept patients. Consequently, it is now difficult to find home health services for some individuals. This has also increased the number of individuals entering nursing homes. In addition, some home health agencies are no longer accepting Medicaid waiver patients because Medicaid rates have not been increased, either.

Ms. McDonald also stated that the paperwork problem mentioned in previous meetings is mainly due to the federal government. She also indicated that the Tobacco Settlement provides a real opportunity for Indiana to be innovative.

Ms. Judith Kratzner - Indiana Association for Area Agencies for the Aging

Ms. Judith Kratzner, Indiana Association for Area Agencies for the Aging, provided a folder of information (Exhibit 5) containing promotional brochures describing the services able to be accessed through the AAA's and some of the advantages of the care management system provided through the agencies. Ms. Kratzner stated that the 16 AAA's serve as a single point-

of-entry to Indiana's long term care system for aged and disabled citizens. The AAA's act in collaboration with the Bureau of Aging and IN-Home Services in FSSA. Ms. Kratzner related that a survey conducted by her association in the fall of 1998 indicated overwhelming support by AAA clients for increased funding for home health, assisted living, and transportation services and that there is support for redirecting resources to home and community-based options. She added that home and community-based options must be part of a fully funded array of long term care services.

Regarding Medicaid waivers, Ms. Kratzner stated that we need: (1) expanded Medicaid waiver programs, including assisted living, adult day services, and adult foster care; (2) full funding of Medicaid waivers to put less pressure on the CHOICE program; and (3) fair Medicaid waiver rates to maintain the number of providers.

Adult Day Services

Rep. Welch introduced several members of the audience who were members of the Adult Day Care Task Force as well as some clients of adult day care services.

Ms. Jody Cruley - Bloomington Hospital Adult Day Care Center

Ms. Jody Cruley, Bloomington Hospital Adult Day Care Center, provided documents (Exhibit 6) containing: (1) a brochure describing the Center; and (2) a fact sheet describing adult day centers. She described adult day centers as conforming to one of two models: a social model (also known as health maintenance model) or a medical model (also known as a rehabilitation model). The Bloomington Center conforms to the social model. She stated that the mission of an adult day care center is one of providing an environment for those adults who attend while providing respite for their care-givers, thus, delaying the entrance into a nursing facility. She added that there needs to be additional options of care, in addition to nursing homes.

Ms. Cruley stated that paying for adult day care services is a real challenge. Medicare and regular Medicaid do not pay for these services, although services provided under a Medicaid waiver and under CHOICE do. However, there are still significant out-of-pocket costs in many cases. Ms. Cruley indicated that there is a sliding co-payment scale of \$6 to \$8 per hour at her center. She stated that this represents a challenge for many of her clients, and even at this rate, Bloomington Hospital Adult Day Care Center is still subsidizing the program.

Ms. Cruley stated that an additional problem is finding well-trained, or even untrained, people who have a caring attitude and a calling to work in this type of service and being able to compensate them adequately.

Responding to a question, Ms. Cruley stated that long term care insurance, usually through a rider, can sometimes cover costs of adult day care services.

Ms. Marilyn Hartle - Indiana Association of Adult Day Services

Ms. Marilyn Hartle, Indiana Association of Adult Day Services, distributed two handouts (Exhibit 7) to the Commission: (1) the Indiana Association of Adult Day Services membership list for 1999-2000; and (2) a brochure "Life After Diagnosis" describing adult day services. She stated that adult day services delay nursing home placement by an average of two years. She also indicated that the projected need for adult day services in the U.S., as projected by a Robert Wood Johnson study, is 10,000 centers by the year 2000 and we are currently only approaching 5,000 centers nationally.

Ms. Hartle stated that informal care-givers provide an estimated 529 million hours of care, equivalent to \$4.3 billion in subsidy to the Indiana health care system. However, these care-givers need respite care. She added that the economies of scale at adult day centers is a the

reason that centers need more funding. She also indicated that home health care can be provided at an estimated 80% of the cost of providing care in a nursing home.

Ms. Hartle made the following recommendations: (1) Increase Medicaid slots for adult day services; (2) Increase CHOICE funding; and (3) Sufficiently fund other programs in addition to CHOICE to provide a Medicaid match or for funding adult day services.

Responding to a question, FSSA staff indicated that there are 2,500 funded slots for the Aged and Disabled Waiver with a waiting list of 1,105. FSSA was asked to provide information as to where the individuals on the waiting list reside.

Medical Necessity Issue

Mr. Paul Chase - IN Task Force on Health Care Issues

Mr. Paul Chase, IN Task Force on Health Care Issues, submitted a written definition of "medical necessity" (Exhibit 8) for consideration by the Commission. Mr. Chase stated that this was an attempt to build in more objective standards for the determination of medical necessity. Responding to a question on the use of the term "reasonably", Mr. Chase indicated that in law there is a "reasonable person" test.

Ms. Julia Vaughn - IN Task Force on Health Care Issues

Ms. Julia Vaughn, IN Task Force on Health Care Issues, distributed a copy of an article from the New England Journal of Medicine (Exhibit 9) entitled "Who Should Determine When Health Care is Medically Necessary?". Ms. Vaughn stated that it is important for patients to know what the term "medically necessary" means. She added that it is also important to create a definition that puts health care needs of the patient as the top priority.

Tobacco Settlement

Mr. J.D. Lux - Office of the Indiana Attorney General

Mr. J.D. Lux, Office of the Indiana Attorney General, indicated that he had no prepared remarks, but was available to answer questions about the tobacco settlement. Responding to a question, Mr. Lux stated that, although the Attorney General is working with the administration on ideas and proposals about how to spend the tobacco funds, this is ultimately a legislative decision.

Mr. Tim Kennedy - Indiana Health and Hospital Association (IHHA)

Mr. Tim Kennedy, IHHA, stated that his association had been working with the Indiana State Nurses Association, the Indiana State Medical Association, the IU School of Medicine, and the Health Industry Forum to develop recommendations concerning the tobacco settlement funds. Recommendations include the following: (1) The majority of funds should go toward health care needs; (2) Most of the funds, if not all, should be placed in a foundation or trust administered by a governing body with broad representation (including legislators and the executive branch); and (3) The trust should set goals and spend the money to achieve these goals. He also suggested that we might use some of the money as federal matching funds.

Sen. Miller stated that the spending proposals of a foundation should also be considered by the State Budget Committee.

Sen. Frizzell stated that the foundation board should also include organizations with educational programs.

Other comments that were made include the following: (1) the foundation board needs to be broad-based; (2) we need to look at how other states are spending their funds and the

processes they establish to make the spending decisions; and (3) we should not spend the dollars immediately or all at once because generated interest revenue could be used, as well.

Mr. Jim Zieba - Indiana State Medical Association (ISMA)

Mr. Jim Zieba, ISMA, as a participant in the coalition described by Mr. Kennedy, stated that the coalition is not suggesting specific initiatives to the benefit of coalition members. He added that the foundation should operate within restrictions and that it would be a mistake for the General Assembly to spend the settlement funds without an overall plan. Mr. Zieba also suggested that the funds should be targeted on new health initiatives. Responding to a question, Mr. Zieba indicated that spending on addictive services would fall under what he would consider as appropriate public health initiatives.

Mr. Charles Hiltunen - American Cancer Society/American Heart Association

Mr. Charles Hiltunen stated that he has been involved with a coalition that has come up with the following suggestions and recommendations: (1) All of the tobacco settlement dollars should be spent on health; (2) There should be spending on new programs; and (3) The state should create a foundation or some other entity to coordinate, evaluate, and provide accountability. He added that there should be a tobacco control component involving prevention and cessation programs in order to "stop the bleeding", as well as programs to care for those now suffering. Mr. Hiltunen then introduced the following speakers.

Ms. Kelly Alley - Smoke-Free Indiana

Ms. Kelly Alley, Managing Director of Smoke-Free Indiana, provided statistical data and information to the Commission on: (1) the state of the tobacco crisis in Indiana; (2) the costs to the state of tobacco; and (3) current state efforts in dealing with the tobacco problem. Ms. Alley stated that Indiana is one of the worst states in the U.S. in tobacco control and expanding on these efforts is guaranteed to improve the health of Indiana citizens. Ms. Alley responded to questions from the Commission and stated that she could provide the members with additional statistics and a list of which states are doing the best job in dealing with the tobacco problem.

Ms. Karla Sneegas - Tobacco Smart Indiana Project

Ms. Karla Sneegas of the Tobacco Smart Indiana Project distributed a brochure "Saving Lives: Tobacco Prevention Works" (Exhibit 10). Ms. Sneegas described the Tobacco Smart Indiana Project. She stated that her project was a collaborative project that had been awarded a special opportunity grant for the purpose of promoting the need to use a portion of the \$4 billion tobacco settlement on the tobacco problem in Indiana. She stated that she was here to serve as a resource to the General Assembly by providing factual information and access to the individuals who have done the research.

Ms. Sneegas mentioned several states that had experienced some successes through tobacco programs: (1) California (Experienced twice the rate of smoking decline as had been experienced by the rest of the country since 1990); (2) Massachusetts (Reduced smoking by pregnant women by 48% over 6 years); (3) Oregon (Realized an 11% decline in total tobacco consumption in the first two years); and (4) Florida (Has a pilot program in which smoking by youths was significantly decreased in one year).

Ms. Sneegas suggested that the key to combating the tobacco problem was a comprehensive tobacco control campaign that included the following essential elements: (1) Public education; (2) School programs; (3) Community programs; (4) Helping smokers quit; and (5) Enforcement of laws prohibiting sales to minors. She also stated that there needs to be continual evaluation of any programs that are implemented. She also stated that \$50 million per year is needed to implement the appropriate programs. Sen. Miller requested that Ms. Sneegas provide the Commission with details on how the \$50 million in funds would be spent.

Proposed Legislation

The following preliminary drafts were distributed to members: (1) PD3459 (Health Facility Certificate of Need) (Exhibit 11); (2) PD3460 (Health Facility Violations) (Exhibit 12); (3) PD3491 (Long Term Care Insurance for State Employees) (Exhibit 13); (4) PD3492 (Long Term Care Insurance for State Employees) (Exhibit 14); (5) PD3493 (Health Facility Violations) (Exhibit 15); (6) PD3500 (Health Facility Certificate of Need) (Exhibit 16); and (7) PD3511 (Tobacco Settlement Endowment) (Exhibit 17). Sen. Miller announced that these drafts would be considered at the next meeting of the Commission.

Sen. Miller also suggested that if any member wants to submit legislative proposals for consideration at the next meeting, they should submit their ideas to LSA staff.

Sen. Miller announced that the agenda item on Health Professions Bureau would not be considered at this time. The next and final meeting of the Commission will be Tuesday, October 26, 1999, at 10:30 a.m. in the Senate Chambers. (Note: Meeting times and dates are subject to change. Please check the Calendar of Interim Committee Meetings for an up-to-date listing.) The meeting was then adjourned.