HEALTH FINANCE COMMISSION

Legislative Services Agency
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MEETING MINUTES[1]

Meeting Date:	**August 8, 2001**
Meeting Time:	**1:00 P.M.**
Meeting Place:	**State House, 200 W. Washington St., Senate Chambers**
Meeting City:	**Indianapolis, Indiana**
Meeting Number:	**1**

Members Present: **Sen. Patricia Miller, Chair; Sen. Ron Alting; Sen. Beverly Gard; Sen. Marvin Riegsecker; Sen. Allie Craycraft; Sen. Billie Breaux; Sen. Vi Simpson; Rep. Brian Hasler; Rep. William Crawford; Rep. John Day; Rep. Win Moses; Rep. Peggy Welch; Rep. Mary Kay Budak; Rep. Gary Dillon; Rep. David Frizzell; Rep. Gloria Goeglein.**

Members Absent: **Sen. Greg Server; Sen. Steve Johnson; Sen. Connie Lawson; Sen. Earline Rogers; Rep. Charlie Brown, Vice-Chair; Rep. Susan Crosby; Rep. Scott Pelath; Rep. Vaneta Becker; Rep. Timothy Brown.**

Duties and Responsibilities of the Commission

Senator Patricia Miller called the first meeting of the Health Finance Commission to order at 1:15 p.m. After the Commission members introduced themselves, Sen. Miller described the duties and responsibilities of the Commission as provided in the statute establishing the Commission, as well as those topics assigned to the Commission from the Legislative Council.

IC 2-5-23-4 states that the Commission may study any topic: (1) directed by the chair of the Commission; (2) assigned by the Legislative Council; or (3) concerning issues that include the delivery, payment, and organization of health care services and rules that pertain to health care delivery, payment, and services that are under the authority of any board or agency of state government.

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[1] Exhibits 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.

In addition, the Legislative Council (in Legislative Council Resolution 01-2) charged the Commission with studying the following topics:

(1) Welfare-to-work program for nurses to address nurse shortage;
(2) Monitoring and identification of birth defects;
(3) Commission on Community Care;
(4) Methods to reduce the number of birth defects; and
(5) Indiana Comprehensive Health Insurance Association.

Welfare-to-Work Program for Nurses to Address the Nurse Shortage

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

Mr. Tim Kennedy provided an overview of Indiana's nursing shortage, especially as it affects Indiana hospitals. (Mr. Kennedy's written testimony is provided as Exhibit 1.) Mr. Kennedy stated that while previous shortages were typically cyclical and relatively short-lived, today's shortage is a systemic problem that will last longer, reflecting fundamental changes in the relative attractiveness of nursing careers; increased competition from nonhospital employers for nurses, caregivers, and support personnel; and the aging and pending retirement of the current nursing workforce. Mr. Kennedy added that in a recent IHHA survey, 1,164 nursing positions were open and unfilled. He also provided statistics on the number of employed nurses relative to five surrounding states, as well as statistics on the enrollment in nursing programs in Indiana, the aging of the nursing population, and vacancy rates by specialty area.

Mr. Kennedy stated that the IHHA believes that this problem should be looked upon as a workforce development and economic development issue. He added that we need to get people excited about the profession and we also need to reduce barriers between states. He cited an example of Indiana's lack of participation in a multi-state licensure compact which is an agreement between states to accept nursing licenses issued in other states. Responding to a question from a Commission member, Mr. Kennedy stated that participation in the compact would likely require legislation.

Mr. Kennedy also responded to a question regarding reduced job satisfaction among nurses. Mr. Kennedy stated that this is due to increased stress, more overtime requirements, and increased paperwork.

Mr. Kennedy explained that the three educational paths for nursing are (1) an associate degree, (2) a baccalaureate degree, or (3) a diploma program. The first two are combinations of academic and clinical experience, while the diploma program is typically obtained in a hospital setting and involves a greater emphasis on clinical experience. There is currently only one diploma program in Indiana. Regarding state funding of nurse training, he stated that there was legislation passed this year for those nurses serving in underserved areas of the state.

Mr. Matt Raibley, Program Manager for the IMPACT Program, FSSA

Mr. Matt Raibley provided background information on the employment and training services available for recipients of cash assistance in the TANF (Temporary Assistance for Needy Families) program and recipients in the Food Stamp program. Services include, but are not limited to, educational and vocational training, job training, and job readiness and job search skills. He added that the state also offers a wide array of supportive services to lower the barriers to success. These services include clothing assistance, auto repair, and health and beauty aids. Benefits to TANF recipients average about $6,500 per year, while benefits to Food Stamp recipients are limited to a maximum of $100 per month. He added that child care

services are available through the Bureau of Child Development for both TANF and Food Stamp recipients, but funding through the Food Stamp program is much more limited.

Mr. Raibley stated that vocational and educational training must be short term, limited to a maximum of 12 months due to federal regulations. Mr. Raibley also stated that FSSA is entering partnerships with various businesses, such as Marriott International, Clarion Health, and Frito-Lay. There were also efforts to increase the number of Certified Nurse Assistants (CNA's) and Qualified Nurse Assistants (QNA's) for the long term care industry.

Responding to a question, Mr. Raibley stated that the eligibility standards for TANF are at about 24% of the federal poverty level (FPL) and that Food Stamp program income guidelines are at about 100% to 105% of FPL. TANF eligibility is based on income level and the presence of a child in the home, while Food Stamp eligibility is based on income level and a resource standard ($1,500 for individuals under the age of 60, and $2,000 for individuals 60 or older).

The Commission requested additional information of Mr. Raibley concerning a breakdown of the 26,000 placements by type of job and wage level. Mr. Raibley was also requested to provide information regarding classroom training versus on-the-job training. In addition, Mr. Raibley was asked to provide information on the agency's efforts in providing training for licensed practical nurses.

In response to a question, Mr. Raibley indicated that the 12-month limit on vocational and educational programs was a federal requirement and that Indiana was not able to expand past the 12-month limit without a federal waiver. He added that a waiver was requested but was denied. Previous to 1995, training was supported up to an associate degree (10,000 individuals were trained, but only 4,000 obtained jobs). However, training became limited to 12 months with the advent of welfare reform. With the "work first" concept, 26,000 individuals have obtained jobs.

In response to a question regarding the caseload of case workers, Mr. Raibley stated that there were about 126 cases per case manager, but this number varies significantly by county. He added that with an average starting salary of about $20,000, there is a high turnover rate.

Responding to a question as to how recipients are counseled, Mr. Raibley indicated that typically, after recipients are given an assessment, a plan is developed. Employment information is provided with respect to the job market in the community. He also indicated that it is important that the individual's interests be considered in the development of the plan.

Ms. Glenna Shelby, SDS Group (representing the Indiana State Nurses Association)

Regarding the issue of the multi-state licensing compact, Ms. Glenna Shelby stated that only four to six states have signed the compact. She added that many states believe that the compact represents a "lowest common denominator" approach and that the concept is not universally accepted as the best option for states. Ms. Shelby also indicated that she hoped there would be additional opportunities to provide testimony on this issue at future meetings.

Review of HIV/AIDS Funding

Mr. Michael Butler, Director, Division of HIV/STD
Indiana State Department of Health (ISDH)

Mr. Michael Butler reviewed the HIV/STD funding in the ISDH with special emphasis on the Ryan White CARE Act (See Exhibit 2). Mr. Butler's summary includes programs and funding

sources of the Division of HIV/STD. (Ryan White funds totaled $8.89 M out of a total budget of $18.24 M for FY 2001.) Additional details are provided in Exhibit 2 regarding the Ryan White budget, along with historical expenditures from FY 1995 ($1.66 M) through FY 2000 ($9.68 M).

Responding to a question, Mr. Butler stated that budgeting decisions are initially determined by Mr. Butler and his staff after input from an advisory committee. The advisory committee is made up of providers and consumers. The Assistant Commissioner has ultimate budgetary authority.

Ms. Joni Albright, Assistant Commissioner, ISDH

Ms. Joni Albright summarized the progress of audits being performed in the ISDH. Ms. Albright stated that beginning in the summer of 1999, the ISDH ordered an audit of HIV/AIDS programs in the ISDH. A preliminary report was issued in February of 2000 confirming that there were several issues that needed to be examined further with special concerns involving AIDServe, a provider of services. The ISDH subsequently ordered another audit of all Ryan White program funding. A federal audit, begun in May of 2001, is still on-going.

Responding to a question, Ms. Albright stated that AIDServe ceased operations in November of 2000. The Commission requested that the ISDH provide additional information regarding the total funding for HIV/AIDS in Indiana.

Indiana Comprehensive Health Insurance Association (ICHIA)

Mr. Jim Bucher, Outsourced Administrative Systems (OASYS)

Mr. Jim Bucher from OASYS, the firm that administers the ICHIA program, provided background information on the program (See Exhibit 3). Information contained in Exhibit 3 includes ICHIA membership numbers from January 1998 through July 2001, premiums and claims per member per month from 1996 through 2001 (member months, premiums earned, and incurred losses), historical assessments from 1991 through 2001, and a summary of premium rate changes.

Mr. Bucher explained that the ICHIA program was established to provide access to insurance to individuals who could afford to pay for health insurance but who were refused coverage. Mr. Bucher indicated that 35 states have similar mechanisms in place. Currently, premiums are capped by statute at 150% of the average premium rates charged in the state. He added that every insurance carrier and health maintenance organization (HMO) in the state is required to be a member of the association. Program losses are prorated and assessed on association members. Assessments are allowed to be recovered through credits on tax liability or through premium rate increases.

Ms. Sharon McGuire, Account Executive, OASYS

Responding to a question, Ms. Sharon McGuire stated that OASYS administers high-risk pools in five states (WA, KY, IA, CO, and IN). Ms. McGuire also briefly explained some of the differences among the five programs.

Mr. Tom Fruechtenicht, Indiana Association of Health Plans

Mr. Tom Fruechtenicht suggested to the Commission that the method of financing the ICHIA program is the primary reason that the issue is before the Commission. He stated that there has been a dramatic increase in assessments in recent years. The issue has been addressed by various legislative committees and four bills were introduced in the 2001 General Assembly.

SB 537-2001 was heard in the Senate Insurance committee but was held in Senate Finance. He indicated that there needs to be a solution to the problem since half of ICHIA companies have been incurring losses, with one company facing liquidation.

Mr. Dan Seitz, BoseTreacy Associates

Mr. Dan Seitz summarized the history of the ICHIA program and indicated that the insurance industry and the Indiana Department of Insurance conceived ICHIA to be a solution to the problem of the uninsurable (i.e., those individuals who can afford insurance but have a sufficiently high health risk that traditional insurance plans refuse coverage). Mr. Seitz stated that legislation establishing ICHIA was passed in 1982.

Mr. Seitz indicated that one of the reasons for the current funding mechanism is that budgeting for the program would be very difficult through the traditional state budgeting process. The insurance industry was asked to provide the cash flow for the program with the subsequent recovery of assessments through tax credits, typically against the insurance premium tax. Mr. Seitz stated that this mechanism worked well until HMOs came along. Mr. Seitz indicated that since HMOs tend to pay the adjusted gross income tax rather than the premium tax, in times of little or no profit, the ability to take a credit against income taxes is limited.

In addition, Mr. Seitz indicated that the base of insurance carriers and HMOs that support the ICHIA program is shrinking because of the increasing use of self-funded health coverage. Self-funded plans are exempt from state regulation, and thus assessments, due to the federal Employee Retirement Income Security Act (ERISA) provisions.

With the HMO industry experiencing serious financial problems in the state, Mr. Seitz stated that the ICHIA funding mechanism is a serious problem. He added that an unforseen impact of the creation of ICHIA was that insurance carriers tend to reject higher risk individuals.

Mr. Seitz provided three memos to the Commission (See Exhibits 4, 5, and 6). Exhibit 4 discusses the feasibility of expanding the ICHIA assessment base by assessing third party administrators. Exhibits 5 and 6 provide background on the ERISA exemption and a discussion of court cases involving ERISA. He added that there appears to be a narrowing of the ERISA exemption, but that this won't result in a solution to the problem in Indiana in the near future.

Ms. Lee Lange, M-Plan

Ms. Lee Lange indicated that she was employed by M-Plan, President of the Indiana Association of Health Plans, and a member of the ICHIA Board of Directors. Ms. Lange provided background information regarding the funding of the ICHIA program (See Exhibit 7). Exhibit 7 includes data on ICHIA membership since 1990, a financial summary of the ICHIA program (including membership data, premium income data, claims expense, and pool losses and loss projections), member assessments from 1991 through 2000, a comparison of premiums earned to member assessments for 1990 through 2000, an assessment history for top paying companies in 2000, results of a survey of members on the ability to utilize tax credits, and a comparison of M-Plan's ICHIA assessments as a percent of premium and as a percent of net income.

Ms. Lange added that HMOs are at a disadvantage in the ICHIA funding mechanism compared to traditional insurance carriers.

The Commission requested additional information from the Indiana Association of Health Plans regarding: (1) the number of individuals in ICHIA by diagnosis, especially those that might qualify for the Medicaid program; (2) the proportion of individuals with a diagnosis of HIV/AIDS;

(3) the potential for use of a federal 1115 demonstration waiver; (4) alternative funding options available to the state and the impacts of those options; and (5) the relationship of the ICHIA program to recent legislation establishing a Medicaid Buy-In program, the change in the definition of Medicaid disability, and the recent court opinion rendered in the Patricia Day case.

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

Mr. Kennedy stated that ICHIA is a very laudable program providing many benefits to Indiana citizens. However, he also stated that his organization would not be in favor of additional taxes on hospitals. He added that many hospitals are government-owned, 51% of the patients are Medicare patients, and a large proportion of patients are indigent. He added that, as providers in the Medicaid program, a provider tax would need to be constructed very carefully in order for the state to avoid losing matching federal funds. He also indicated that most hospitals are tax-exempt and would not be able to take advantage of tax credits.

Mr. Kennedy suggested that the state consider moving a portion of the ICHIA client population out of the ICHIA program and into Medicaid to lessen the burden of assessments. He stated that in many cases, the federal government would thus pick up two-thirds of the cost. He stated that, with respect to the remaining one-third as the state share, member assessments would be reduced and also could be used as the state share for the Medicaid program. In addition, Mr. Kennedy stated that the revenue loss to the state would be reduced because assessments would decrease.

Mr. Kim Stoneking, Indiana Association of Insurance and Financial Advisors

Mr. Kim Stoneking suggested that the Commission study the current law regarding the 12-month pre-existing condition requirement and the impact this provision has on ICHIA.

There being no further business to consider, Sen. Miller adjourned the meeting.