FINAL REPORT
OF THE
HEALTH FINANCE COMMISSION

Indiana Legislative Services Agency
200 W. Washington St., Suite 301
Indianapolis, Indiana 46204-2789

November 2001

INDIANA LEGISLATIVE COUNCIL
2001

Senator Robert Garton	Speaker John Gregg
Chairman	Vice-Chairman
Columbus	Sandborn
Senator Richard Young	Representative Brian Bosma
Milltown	Indianapolis
Senator Harold Wheeler	Representative Mark Kruzan
Larwill	Bloomington
Senator Joseph Harrison	Representative Dale Grubb
Attica	Covington
Senator Patricia Miller	Representative William Cochran
Indianapolis	New Albany
Senator Thomas Wyss	Representative Charlie Brown
Fort Wayne	Gary
Senator James Lewis	Representative Kathy Richardson
Charlestown	Noblesville
Senator Earline Rogers	Representative Richard Mangus
Gary	Lakeville

Philip J. Sachtleben
Executive Director
Legislative Services Agency

Health Finance Commission

Membership Roster

Senators

Patricia Miller, Chair
Indianapolis

Ron Alting
Lafayette

Billie Breaux
Indianapolis

Allie Craycraft
Selma

Beverly Gard
Greenfield

Steven Johnson
Kokomo

Connie Lawson
Danville

Marvin Riegsecker
Goshen

Earline Rogers
Gary

Gregory Server
Evansville

Vi Simpson
Bloomington

Representatives

Charlie Brown, Vice Chair
Gary

Vaneta Becker
Evansville

Timothy Brown
Crawfordsville

Mary Kay Budak
LaPorte

William Crawford
Indianapolis

Susan Crosby
Roachdale

John Day
Indianapolis

Gary Dillon
Columbia City

David Frizzell
Indianapolis

Gloria Goeglein
Fort Wayne

Brian Hasler
Evansville

Winfield Moses
Fort Wayne

Scott Pelath
Michigan City

Peggy Welch
Bloomington

Legislative Services Agency Staff

Alan Gossard, Fiscal Analyst
Carrie S. Cloud, Staff Attorney
Casey Kline, Staff Attorney

FINAL REPORT

Health Finance Commission

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

IC 2-5-23-4 states that the Health Finance 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.

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 (based on HCR 12);
(2) Monitoring and identification of birth defects (based on HCR 91);
(3) Commission on Community Care (based on HB 1488);
(4) Methods to reduce the number of birth defects (based on HR 19); and
(5) Indiana Comprehensive Health Insurance Association (based on EHB 1937 and SB 386).

II. SUMMARY OF WORK PROGRAM

The Commission met four times during the 2001 interim.

The first meeting was held August 8, 2001, at the State House in Indianapolis. The meeting was devoted to hearing testimony on the issues of: (1) a welfare-to-work program for nurses to address the nurse shortage; (2) a review of HIV/AIDS funding; and (3) the Indiana Comprehensive Health Insurance Association (ICHIA).

The second meeting was held September 26, 2001, at the State House. The meeting was devoted to hearing testimony on the issues of: (1) an update on the state's immunization registry; (2) monitoring, identification, and methods to reduce birth defects; (3) ICHIA; and (4) the nurse shortage.

The third meeting was held October 10, 2001, at the State House. The meeting was for the purpose of hearing testimony regarding: (1) a Commission on Community Care and (2) ICHIA.

The fourth and final meeting was held October 24, 2001, at the State House. The meeting was for the purpose of considering and approving legislative recommendations and the Commission's final report.

III. SUMMARY OF TESTIMONY

This section is a general summary of the testimony received by the Commission. To read a more complete record of this testimony, the minutes for the Commission's four meetings can be found on the homepage of the Indiana General Assembly (http://www.in.gov/legislative/) or by contacting the Legislative Information Center of the Legislative Services Agency.

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

Several individuals testified regarding the extent and severity of the current nurse shortage. Where 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. Reasons given for reduced job satisfaction among nurses included increased stress, unsafe conditions, more overtime requirements, low wages and salaries, and increased paperwork. In addition, the shortage extends beyond RNs and LPNs, to Certified Nurse Aides (CNAs) and nurse educators.

The Commission also received 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 (limited to a maximum of 12 months due to federal regulations), job training, and job readiness and job search skills. The state also offers supportive services to lower the barriers to success, including clothing assistance, auto repair, and health and beauty aids.

Recommendations to aid in alleviating the nurse shortage that were provided in testimony include:

- The problem should be looked upon as a workforce development and economic development issue.
- Barriers between states need to be reduced.
- Nursing education programs should be expanded to accommodate new students and make higher education more accessible.
- Scholarships to offset tuition and other expenses are essential.
- Nursing education must reflect ethnic, cultural, and racial diversity.
- There needs to be consistent and systematic collection and analysis of data.
- There should be programs to assist nurses to obtain masters degrees and financial support to entice nurse educators to enter the profession; more scholarships and funding for nontraditional students, second-degree students, and for a diverse student population, such as Hispanics and African-Americans.
- Provide universities with additional financial resources to assist in the expansion of their nursing programs, recruit prepared faculty, and replace crowded or outdated facilities and equipment.
- Adjust nursing salaries to stay competitive with the local and regional markets.
- Work needs to be redesigned to enable an aging workforce to remain active.
- Investment monies must be available to encourage technological advances that enhance the capacity of a reduced nursing workforce.
- The increase in nurse licensing fees should be devoted to scholarships, loan packages, and other incentives to recruit more people to nursing and nurse education.
- Undertake marketing efforts to promote nursing careers to the general public and in the school systems.
- Traineeships, including tuition and stipends, must be made available to encourage full-time graduate studies in order to build the next generation of nursing faculty.

Review of HIV/AIDS Funding

Information was provided to the Commission regarding HIV/AIDS funding in the Indiana State Department of Health with emphasis on the Ryan White CARE Act. Testimony included a summary of programs and funding sources of the Division of HIV/STD. Ryan White funds totaled $8.89 million out of a total budget of $18.24 million in FY 2001.

State Department of Health staff also summarized the progress of audits being performed in the Department. Beginning in the summer of 1999, the Department ordered an audit of HIV/AIDS programs administered through the Department of Health. 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 Department subsequently ordered another audit of all Ryan White program funding. A federal audit, begun in May of 2001, is still on-going.

Update on the State's Immunization Registry

The Commission was provided a progress report on the implementation of the state's immunization registry. The Commission was informed that an immunization registry can: (1) identify individuals who have not been adequately immunized; (2) identify geographical areas which have been underimmunized, allowing targeted public health education; (3) provide an automated system to send reminder messages to families; (4) ensure that individuals do not receive duplicate immunizations; and (5) maintain a computer database of immunization lot numbers so that a rapid, efficient notification of individuals can be made if a recall is necessary.

The Commission was informed that the State Department of Health has entered into an agreement with the national Centers for Disease Control and Prevention to obtain $800,000 of federal funding for start-up costs and additional funding for yearly maintenance of the registry. There would be no state match required for initial implementation. A national vendor with a fully developed web-based immunization registry system will be used.

The contract for a vendor will be in place by late 2001 or early 2002 with selection of a vendor to occur in early 2002 and implementation commencing by the third quarter of 2002. The proposed system is to be web-based, voluntary for both the public and providers, and consent would be required for "opting in". There would also be possible development of data sharing between the Women, Infant and Children (WIC) program, the immunization registry, and lead testing.

Commission on Community Care

Testimony on the establishment of a Commission on Community Care focused on HB 1488-2001 that was to establish a seven-member Commission to study: (1) the implementation of a person-centered and self-directed care plan for consumers with disabilities; (2) the regulation of nursing homes, assisted living facilities, home health care agencies, hospices, and other similar health providers and facilities, including state agencies and institutions; (3) what agency would be the most appropriate agency to regulate those providers and facilities; (4) reimbursement levels based on the level of care given by those providers and facilities; and (5) other issues related to the long term care system.

The Commission was told that two important aspects of the bill were that: (a) person-centered, self-directed care implied that the individual consumer's specific needs for long term care would be considered in the delivery of services; and (b) the Commission on Community Care would

consider what state agency would be most appropriate in the regulation of providers and facilities involved in long term care in order to reduce the possibility of conflict of interest.

Monitoring, Identification, and Methods to Reduce Birth Defects

The Commission was provided background information regarding the surveillance of birth defects and genetic disorders in Indiana. Indiana established a passive birth defects surveillance program called the Birth Problems Registry which records any recognized birth defect or low birth weight. The aggregate data are then reported annually by the State Department of Health (SDH). The program is funded in part by a two-dollar fee for birth certificates issued by the SDH. However, according to testimony, the data has been little utilized and is not very accurate. It was proposed in testimony that there be expanded utilization of birth defect data for the purpose of developing a child health profile, for increased epidemiologic activities, and for policy-making regarding birth defects and low birth weight.

It was recommended in testimony that the state take the following actions: (1) Initiate a modified active birth defects surveillance program; (2) Develop a more adequate epidemiologic program at the Indiana State Department of Health; (3) Initiate an Indiana Child Health Program; (4) Develop a system for referral of identified children; (5) Develop an education component for the Indiana Birth Problems Registry; and (6) Provide adequate funding.

The Commission was informed that the SDH uses the Birth Problems Registry (BPR) data to conduct epidemiologic studies and to apply appropriate preventive and control measures, to inform citizens regarding programs designed to prevent or reduce birth problems, and to make available to researchers under certain circumstances. The Commission was also provided details on the adoption of the BPR rule, the guidelines that are being used in the implementation of the rule, and that the SDH is talking to other state health departments, the CDC, and related organizations to decide on an appropriate reporting system and sources of data.

The Commission was also informed that the draft rule for the registry would be sent out to several organizations for review in October 2001. The proposed rule would be published in December 2001 to January 2002 with a public hearing to be held in February 2002. The rule is to be sent to the Attorney General and the Governor in March 2002.

Indiana Comprehensive Health Insurance Association (ICHIA)

Testimony regarding ICHIA focused on the mechanism for funding ICHIA program losses and the impact that mechanism has on some of ICHIA's member companies. ICHIA is Indiana's high-risk pool for individuals who can afford to pay for health insurance coverage but have sufficient health risk that they cannot purchase health insurance in the private market. ICHIA has also been designated as Indiana's "alternative mechanism" for the purposes of the federal Health Insurance Portability and Accountability Act (HIPAA).

ICHIA program costs are funded by premiums paid by insureds and assessments on Association members (any health insurance carrier or HMO doing business in Indiana). Members are allowed to claim tax credits against tax liabilities from a number of taxes or raise their premium rates to recover the assessments. Assuming all tax credits were claimed, ultimate funding of the ICHIA program would be provided by insureds through premiums and the state through revenue expenditures. However, testimony focused on the difficulty some members have, especially HMOs, of using all of their accumulated tax credits, and the resulting financial burden this places on the member companies.

An informal meeting was held for all interested parties to try and determine possible courses of action available to the state to solve the ICHIA funding problem. A list of alternatives was developed and provided to the Commission. Possible alternatives presented to the Commission included the following:

(1) State pays more
- State pays all ICHIA program losses
- Cap member assessments
- (Use Tobacco Settlement monies for funding)

(2) Participants pay more
- Base premiums on risk
- Base premiums on participant income
- Speed up premium adjustments

(3) Federal government pays more
- Use 1115 Demonstration Waivers
- Expand Ticket to Work Program

(4) Industry pays more
- Repeal Insurance Premium tax reduction recently enacted
- Assess self-funded plans (who are currently not paying due to ERISA protections)

(5) Others pay more - pass through costs of assessments to other payors (Currently in statute)
(6) Use different assessment formula
(7) Change assessment plan to make easier on the industry
(8) Allow HMOs the option of paying the premium tax (same as insurance companies)
(9) Catastrophic pool as reinsurer
(10) Cap policy benefits with a lifetime cap
(11) Cap policy benefits with an annual cap
(12) Limit “types” of benefits
(13) Cap participant enrollment
(14) Repeal ICHIA and require Guaranteed Issue
(15) Allow policy waivers/exclusions/riders in the individual insurance market
(16) Implement a low income subsidy program
(17) Mandate certain industry reporting requirements

Additional testimony from ICHIA insureds related the importance of ICHIA in the lives of certain individuals and how difficult it would be to cope with certain health situations without the ICHIA program.

IV. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Commission made the following legislative recommendations:

PD 3442 - Immunization Data Registry.

PD 3442 requires the State Department of Health to develop and maintain an immunization data registry using funds received from the federal Centers for Disease Control and Prevention. The bill allows the Department to delegate the authority for the development and maintenance of the registry to a for-profit or nonprofit agency that demonstrates the ability to generate funds sufficient to develop and maintain the registry. The bill also requires certain health care providers to provide immunization information to the registry. It also specifies individuals and entities to whom information in the registry may be released and that the parent or guardian of a child may elect not to have the child's immunization records released from the registry by completing and filing a written exemption form. The bill provides that unauthorized disclosure of confidential immunization data registry information is a Class A misdemeanor and, for a public

employee, cause for dismissal. The bill also requires the Department to develop guidelines for providers to use in reporting immunization data to the immunization data registry.

The Commission adopted by consent an amendment to the draft that would require chicken pox to be added to the list of immunizations in IC 20-8.1-7-9.5 that are required for a child to enroll in a public school.

The motion to recommend passage of PD 3442 passed by a vote of 16-0.

PD 3504 - Birth Defects Registry.

PD 3504 requires the State Department of Health to: (1) inform parents of children with birth problems about physicians and local community resources; (2) implement an education program to assist specified individuals in reporting birth problems; (3) review the birth records of a newborn with birth problems to verify the accuracy of the information; and (4) consult with specified persons to analyze collected birth problems data to implement policies concerning identification and prevention of birth problems.

The motion to recommend passage of PD 3504 passed by a vote of 14-0.

PD 3478 - Interstate Nurse Licensure Compact.

PD 3478 adopts the Interstate Nurse Licensure Compact to allow a registered nurse or licensed practical nurse who is licensed in another state that is a party to the Compact to practice nursing in Indiana. The bill provides that the State Board of Nursing administers the Compact.

The motion to recommend passage of PD 3478 passed by a vote of 17-0.

PD 3484 - Self-Directed Care Services.

PD 3484 adds certain individuals who are not licensed health care professionals to the list of individuals allowed to provide health-related services to certain individuals who need in-home care services. The bill changes the registration period for personal services attendants from one year to two. It also repeals the July 1, 2003, expiration of the existing law concerning self-directed care services. The bill also establishes temporary bookkeeping and payroll service requirements for self-directed care recipients and requires the Division of Disability, Aging, and Rehabilitative Services to adopt rules concerning the payment and record keeping before July 1, 2003.

The motion to recommend passage of PD 3484 passed by a vote of 17-1.

PD 3501 - ICHIA Reporting.

PD 3501 requires members of the Indiana Comprehensive Health Insurance Association (ICHIA) to annually report the amount of tax credits taken against ICHIA assessments by the member during the previous calendar year. The bill also requires ICHIA to report certain information for 3 years.

After Commission discussion, members, by consent, amended the proposal to reflect a March 1 date for reporting of tax credits taken by ICHIA members.

The motion to recommend passage of PD 3501 passed by a vote of 19-0.

PD 3361 - Federal Funding for ICHIA.

PD 3361 requires the Office of Medicaid Policy and Planning (OMPP) to apply to the United States Department of Health and Human Services for the following: (1) A grant under the Ticket to Work and Work Incentives Improvement Act of 1999 for payment of ICHIA premiums for working individuals with potentially severe disabilities. (2) A Section 1115 Demonstration Waiver to provide payment for ICHIA premiums.

The motion to recommend passage of PD 3361 passed by a vote of 19-0.

PD 3499 - Annual Actuarial Study of ICHIA.

PD 3499 requires ICHIA to have completed an annual actuarial study of ICHIA and to annually adjust premiums based on the actuarial study.

The motion to recommend passage of PD 3499 passed by a vote of 18-1.

PD 3412 - Sliding Scale for ICHIA Premium Payments.

PD 3412 (Exhibit 9) requires ICHIA to develop a sliding scale to establish the percentage of premium payments made for an Association policy by an insured and by a third party.

The motion to recommend passage of PD 3412 passed by a vote of 15-4.

PD 3498 - ICHIA Assessments.

PD 3498 provides for assessments of reinsurers and stop-loss insurers by ICHIA. The bill also specifies that assessments are based on the proportion of a member's share of the total number of individuals with health coverage.

After Commission discussion, the effective date of the bill was amended by consent to January 1, 2003.

The motion to recommend passage of PD 3498 passed by a vote of 18-0.

Document 20021474.001 (LS 6163) - Nurse Shortage.

This proposal (Exhibit 11) requires the Indiana Commission on Excellence in Health Care to study and make recommendations concerning increasing the number of nurses.

The motion to recommend passage of LS 6163 passed by a vote of 18-0.

The Commission also made the following recommendations:

(1) The Commission recommends that the state should aggressively encourage the utilization of three-year diploma nursing programs as a method to increase the available supply of nurses.

The motion to approve this recommendation passed by a vote of 17-0.

(2) The Commission requests that the Prescription Drug Program provide a written annual report and oral quarterly reports to the Commission regarding the progress of the program in providing access to needed pharmaceuticals by Indiana's low-income senior citizens.

This recommendation was approved for inclusion in the final report by consent. The motion to adopt the final report with the addition of the two recommendations passed by a vote of 19-0.

W I T N E S S L I S T

August 8, 2001
Joni Albright, Assistant Commissioner, Indiana State Department of Health
Jim Bucher, Outsourced Administrative Systems (OASYS)
Michael Butler, Division of HIV/STD, Indiana State Department of Health
Tom Fruechtenicht, Indiana Association of Health Plans (IAHP)
Tim Kennedy, Indiana Hospital and Health Association (IHHA)
Lee Lange, M-Plan
Sharon McGuire, Account Executive, OASYS
Matt Raibley, Program Manager for the IMPACT Program, FSSA
Glenna Shelby, SDS Group, representing the Indiana State Nurses Association)
Dan Seitz, BoseTreacy Associates
Kim Stoneking, Indiana Association of Health Underwriters

September 26, 2001
Karra Cleland, Lutheran Hospital of Indiana, Fort Wayne
Carolyn Elliot, Indiana Association of Health Plans
Dr. Roland Gamache, Indiana State Department of Health
Vicky Kirkton, Director of the Department of Nursing, Goshen College
Earnest Klein, Executive Director, Indiana State Nurses' Association
Faith Laird, Vice President, Indiana Health Care Association (IHCA)
Dr. Angela McBride, Dean of Indiana University School of Nursing
Sally McCarty, Commissioner, State Department of Insurance
Barbara Mitchell, Executive Director, Nursing 2000
Barbara Pantos, Indiana Association of Homes and Services for the Aging
Alex Slaboskey, President/CEO of M-Plan
Deborah Stam, Parkview Health Systems, Fort Wayne
Jerry Steffl, Unicare
Carol Sternberger, Dept. of Nursing, Indiana-Purdue University, Fort Wayne
Kim Stoneking, Indiana Association of Health Underwriters
Lee Tooman, Golden Rule Insurance Company
Dr. David Weaver, Indiana University School of Medicine
Dr. Gregory Wilson, Commissioner, Indiana State Department of Health

October 10, 2001
Jim Bucher, OASYS
Cris Fulford, COVOH
Glenna Gebauer, ICHIA Program Participant
Rep. Gloria Goeglein, member of the Commission
Sally McCarty, Commissioner, Indiana Department of Insurance
Michelle Rice, Assistant Director, Hemophilia of Indiana

October 24, 2001
Jim Bucher, OASYS
Earnest Klein,Indiana State Nurses' Association
Jean MacDonald, Indiana Association for Home and Hospice Care
Sally McCarty, Indiana Department of Insurance
Susan Preble, Family and Social Services Administration
Roseann Rothman, COVOH
Allison Wharry, Indiana Health and Hospital Association

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/.