

MINUTES

JOINT COMMITTEE ON HEALTH POLICY OVERSIGHT

October 16, 2006
Room 514-S—Statehouse

Members Present

Representative Melvin Neufeld, Chairman
Senator James Barnett, Vice-Chairman
Senator David Haley
Senator Laura Kelly
Senator Roger Reitz
Senator Vicki Schmidt
Senator Susan Wagle
Representative Bob Bethell
Representative Bill Feuerborn
Representative Brenda Landwehr
Representative Peggy Mast
Representative Louis Ruiz

Staff Present

Terri Weber, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Melissa Calderwood, Kansas Legislative Research Department
Jim Wilson, Revisor of Statutes Office
Renaë Jefferies, Revisor of Statutes Office
Florence Deeter, Committee Secretary

Conferees

Connie Hubbell, Chairperson, Kansas Health Policy Authority
Fred Lucky, Senior Vice-President, Kansas Hospital Association
Jerry Slaughter, Executive Director, Kansas Medical Society
Paul Kerens, President, Kansas Surgical Hospital Association
Dr. Marcia J. Nielsen, Executive Director, Kansas Health Policy Authority
Karen Braman, Director, Quality and Innovation, Kansas Health Policy Authority
Claudia Bjerre, Chief Executive Officer, Health Care USA
Jay Linney, Vice-President, State and Regional Health Initiatives, Cerner Corporation

Others Attending

See attached list.

Morning Session

The meeting was called to order by Chairman Neufeld at 10:00 a.m.

Representative Feuerborn moved to approve the minutes of August 23, 2006, as written. The motion was seconded by Senator Reitz. Motion carried.

The Chairman recognized Connie Hubbell, Chairperson, Kansas Health Policy Authority (KHPA), who presented information on the activities of the Authority since becoming an independent agency in July 2006 (Attachment 1). Ms. Hubbell discussed a number of initiatives the Authority has begun during the last three months. The initiatives include:

- An agency reorganization that reflects increased focus on financial and budget responsibility and promoting Scott Brunner to Chief Financial Officer.
- Collaboration with the Kansas Hospital Association and the Health Care Assessment Panel to ensure Provider Assessment receives a top priority in any reforms of the Kansas Medicaid Program.
- Development of a new website providing information about the Authority Board's progress.
- Development of a Centers for Medicare and Medicaid Services (CMS) audit and deferral work plan to resolve administrative and payment issues.
- Hiring of a new General Counsel, Marta Linenberger, and a new Director for the State Employees Health Benefits Program (SEHBP), L.J. Fredricksen.
- Organizing a policy planning meeting for hospitals receiving Disproportionate Share for Hospitals (DSH) funds to ensure the state formula is equitable to hospitals who serve Medicaid and uninsured patients.
- Creation of a Deficit Reduction Act (DRA) Interagency Planning Group to consider the new flexibilities available for developing a Medicaid reform plan for Kansas.
- Development of a weekly employee newsletter and putting in place quarterly "town hall meetings" with employees for better communication.
- Making presentations regarding health policy initiatives to numerous Kansas stakeholders.
- Signing Medicaid managed care contracts with two contractors, saving the state up to \$15 million annually.

Ms. Hubbell's testimony included the Authority Board's draft vision principles which encompass the Board's overall priorities and goals. The vision principles are:

- Access to health care;
- Quality and efficiency in health care;
- Affordable and sustainable health care;
- Promoting health and wellness;
- Responsible stewardship; and
- Education and engagement of the public.

Ms. Hubbell directed the Committee's attention to an organizational chart for the KHPA which reflects the recent changes in agency staff ([Attachment 2](#)). She then invited all members to visit the website, which is updated daily, where a wide range of information is available to consumers, to providers, to the general public, and to KHPA staff.

In response to a Committee comment concerning the application form for Health Wave, Ms. Hubbell acknowledged its complexity, although it had recently been simplified, and indicated the Board will look very seriously at this barrier. Dr. Marcia Nielsen, Executive Director of the KHPA, explained to the Committee that filling the position of Senior Manager of Budget and Finance is one of the Board's top priorities. Additionally, Dr. Andy Allison, Deputy Director, stated that the critical positions are being filled by repositioning persons from other offices. In response to a question concerning the comprehensive health plan for the state, Ms. Hubbell noted that the participating agencies were working together to formalize the plan. She also explained the position of the Board as being involved in policy making rather than micro-managing daily operations.

Dr. Nielsen addressed a Committee member's question about Disproportionate Share for Hospitals (DSH), stating the Authority Board will work very closely with the Kansas Hospital Association (KHA), who brought the issue forward. She said all entities will be consulted regarding changes in the funding formula before any policy changes are brought to the Board for consideration. In response to questions regarding a change in the methodology of the Provider Assessment, Ms. Hubbell stated the provider tax is still in place and is a successful part of the program and no changes are being considered at this time. Medicaid Managed Care Provider Assessment questions were addressed by Dr. Nielsen, who stated that work on this issue with CMS has not yet begun.

The Chairman requested additional data on the financial issue of the Graduate Medical Education program as it relates to the internship program in Salina as well as the medical and dental internship program in Wichita.

Mr. Fred Lucky, Senior Vice-President, Kansas Hospital Association, spoke to the Committee on transparency in health care ([Attachment 3](#)). Because consumer-driven health care is becoming more predominant, transparency of all health care data is a key ingredient for consumers, employers, and policy makers. Currently, there is not complete agreement on the definition of transparency in health care, allowing many and varied opinions. Mr. Lucky listed the three basic goals of the KHA: to present information in a meaningful manner for consumers to use and understand; to have common definitions of pricing and quality information; and to have all stakeholders involved in future decisions. Mr. Lucky discussed three variables to be considered in the issue of transparency: the health and wellness of the individual; the various levels of insurance; and current transparency activity, which includes private initiatives. Mr. Lucky included information on *PricePoint*, currently in place in Wisconsin, Oregon, and New Hampshire, and being given consideration in several other states.

Responding to a question from the Committee, Mr. Lucky stated that presently the definition of quality is in the arena of "counting things," such as length of stay, infection rates, and the number of drugs used in a procedure. He stated that until progress is made in measuring specific patient

outcomes, the definition of quality will not change significantly. He commented on the Surgical Infection Prevention Program, stating that a new reporting system is presently in use at all hospitals. Mr. Lucky further stated that reliance on the KHPA is paramount in bringing together all the major stakeholders so that consumers can make better decisions regarding their health care.

Mr. Jerry Slaughter, Executive Director, Kansas Medical Society, presented testimony on the issue of price transparency in health care ([Attachment 4](#)). He stated that an overall picture of total care cost is necessary, including physician services, laboratory work, prescription drugs, and hospital care. It is imperative to have detailed information available to the public to help them make prudent purchasing decisions. He noted that pre-determined, price-controlled provider networks will tend to limit the impact of transparency requirements. He encouraged the Legislature to allow discussion among all entities before enacting definitive legislation.

The Chairman introduced Mr. Paul Kerens, Senior Executive Officer, Kansas City Orthopaedic Institute, a hospital specializing in muscular-skeletal procedures. Mr. Kerens is the current president of the Kansas Surgical Hospital Association. He supported the need for price transparency for patients ([Attachment 5](#)). A large percentage of patients are placing calls to obtain information on what their financial obligation will be for services rendered. There are potential barriers in the system that prevent the hospital from giving them a clear answer; a range of cost can be given but actual cost of the service may be much more than the estimate. He said one legislative remedy would be to require hospitals to publish their insurance-contracted reimbursements and, thereby, eliminate contract secrecy.

Mr. Kerens verified that the Kansas City Orthopaedic Institute is not yet a member of KHA, but is very open to communication on the issue. Quality is a priority and he stated that looking at long-term outcomes is a good definition of the word. He said that the hospital has a number of indicators for quality and regularly compares itself nationally with other physician-owned facilities.

Dr. Marcia Nielsen, Executive Director, KHPA, addressed the Committee on recent contract changes in the Medicaid and HealthWave programs ([Attachment 6](#)). Dr. Nielsen stated that the state has a program in place referred to as the Kansas Medicaid Third Party Liability (TPL) function. The function is to help the State avoid paying claims that should have been paid by another insurer. KHPA had a contract with Digital Healthcare to assess the effectiveness of the current TPL function. The contract with Digital Healthcare began June 1, 2006 and was to expire June 31, 2007. The contract was terminated due to unresolved communication issues. A Request for Proposal (RFP) for a similar assessment will be issued in the future.

KHPA also awarded a statewide contract to UniCare Health Plan of Kansas, Inc., and to Children's Mercy Family Health Partners, both of which begin on January 1, 2007. By choosing these two vendors, it is anticipated that the State may save between \$10 and \$15 million annually. KHPA is in a period of transition and is committed to working with the new Managed Care Organizations (MCOs) to provide health care needs to all beneficiaries.

Dr. Nielsen answered a question on the Digital Healthcare contract by stating that this was a pilot project and, to have efficiency in the program, there was a need for additional parties to participate. Because of unresolved communication issues, the contract was terminated as of September 2006. An estimated loss of monies with the TPL contractor is not fully known at this time, but Dr. Nielsen will bring data to the Committee regarding the amount of monies collected and lost. Responding to a question on the time frame for addressing the transparency issue, Dr. Nielsen stated that the Board approved a recommendation to: work with the state libraries to gather legitimate health care and pricing information for publishing on the website and work with the Data Consortium to define what transparency ought to be.

Regarding the managed care contracts, Dr. Nielsen clarified that the provider has the choice of whom to contract with, either UniCare or Children's Mercy, or both, can be enlisted. She commented further on the Authority's responsibility to provide thorough information in setting up a process for the recruitment of health care providers to contract with the new MCOs. Dr. Nielsen assured the Committee that she would obtain information on the trends in state recovery of claims. Regarding the question of staff involved in the transition, Dr. Nielsen said that having planning meetings with all the providers will build the network system on a solid basis and fulfill the requirements of the State.

Dr. Nielsen further commented on UniCare, stating that the KHPA will keep abreast of the activities of that organization and obtain the information needed to monitor its network development. She also stated the Insurance Commissioner is being apprised of UniCare's progress.

Dr. Nielsen confirmed that letters are being sent to enrollees as of the day of the Committee meeting and that a second letter of notification of change will be sent on October 23, 2006. She will provide a copy of that letter to the Committee.

Afternoon Session

Community Health Record and E-prescribing Update

Ms. Karen Braman, Director of Quality and Innovation with the KHPA, updated the Committee regarding the Community Health Record (CHR) pilot project in Sedgwick County and various e-prescribing projects under KHPA ([Attachment 7](#)). The goals of the CHR project are to improve the quality, safety, and cost-effectiveness of care for the Medicaid managed-care population in Sedgwick County. She stated that a request has been made to extend the funding of the pilot project through the end of 2007 to further evaluate the impact of the technology on patient care. She indicated that the simplicity and ease of using e-prescribing has elicited positive feedback from those using the program. KHPA has conducted on-site interviews with five Community Health Record users and information gleaned from those interviews will be used to develop a provider satisfaction survey. Ms. Braman reported that KHPA has submitted two grant proposals to the Centers for Medicare and Medicaid Services to expand the study of e-prescribing technology.

Ms. Braman answered the question of how this process works with a variety of patients by explaining that the web-based system allows each doctor's office or clinic to log on and, with an individual's personal information, to look at an e-chart to acquire all pertinent information for that patient. She stated that Cerner, the vendor for the project, has put together a format that is user-friendly. The interfacing of some electronic health records is not in place but is in future plans.

Mr. Jay Linney, Vice-President, State and Regional Health Initiatives, Cerner Corporation, gave the Committee an introduction to the electronic health records pilot project used in Sedgwick County ([Attachment 8](#)). He said Cerner's vision is to automate the care process and then to connect the individual with the system to insure he or she has medical data that will be available through the duration of care. Mr. Linney indicated that, while there are good medical records maintained within an office, one area of deficiency is the exchange of information from other places of medical service in the community.

In response to a question regarding continuation of the pilot project, Mr. Linney replied that it will be continued by obtaining claims information from EDS and the UniCare data systems and that

Children's Mercy is presently a client of Cerner. He also said the physician network system likely will not change substantially.

Molly Case gave a video presentation demonstrating the format of the on-line application of electronic health records. She explained each "page" of the documents and the ease with which information is obtained. Various search options allow the user to gather important data regarding any drugs prescribed; whether the drug was effective or the usage resulted in allergic reaction; and whether the formulary is covered by the insuring agency. The program features age-appropriate forms, drug interaction data forms, laboratory information, and genetic screening forms.

Claudia Bjerre, Chief Executive Officer, Health Care USA, brought suggestions to the Committee for improving the procurement process related to the RFP for the HealthWave program in Kansas (Attachment 9). She voiced three concerns regarding the RFP: how pricing for the Health Wave Contract was reviewed; the weight given to the adequacy of the provider networks; and the technical scoring of the RFP proposals. She objected to the awarding of contracts to UniCare and Children's Mercy Hospital and asked the Committee to consider the information provided in the attachments to her testimony. She stated that selection of vendors to administer this program is vitally important to the State. Ms. Bjerre advocated having a larger review committee that would include persons qualified in Medicaid managed care who could best evaluate the validity and feasibility of all bidder responses. She advocated for allowing the KHPA Board to be given freedom to rebid this procurement or to submit the proposals for a new review.

Discussion among Committee members centered on the question of UniCare having a network in place before acquiring a license to do business in Kansas. One problem to be considered is that if a provisional license is given and the network is not adequately established by January 1, 2007, the proviso will not have been met. The Chairman agreed that the RFP process may need adjusting to make the system work for all Kansans.

The Chairman welcomed Dr. Nielsen to the podium to address further questions and concerns from the Committee. She introduced Mr. Phil Elwood, legal counsel for the KHPA Board, to speak to the Committee. Mr. Elwood is with the law firm of Goodell, Stratton, Edmonds and Palmer, LLP, and was retained by the KHPA in April. Mr. Elwood is involved in the current MCO litigation process and provided background on the issue. He stated that establishing the KHPA Board with representatives and key personnel who have concerns for the health care system will allow the process, over time, to deliver an excellent plan for health care in Kansas. The process of selecting various health-related programs from other agencies and consolidating them under the Department of Administration's Division of Health Policy and Finance for a period of one year resulted in passing along all the responsibilities to the KHPA Board, who were not fully prepared to function in that capacity. Impending contracts had already been extended past the expiration date and the Division of Health Policy and Finance proceeded with the RFPs. The KHPA Board will review and develop specifications in considering future RFPs before giving approval for procurement.

Dr. Nielsen returned to respond to questions. She replied that the Board's main focus is the development of health policy and the Board will work to establish objectives that guide in the development of RFPs. Responding to another question, Chris Howe, Division of Purchases, Department of Administration, replied that the Division will work with the Board and the Procurement Negotiating Committee (PNC) to facilitate extending contracts after four years. Dr. Nielsen assured the Committee that KHPA is doing everything possible to ensure a successful implementation so that all beneficiaries will receive services on January 1, 2007.

A member of the Committee made a request for staff to find how the insurance license can be expedited. Another member suggested drafting a letter to the Insurance Commissioner to gain

information as to when a license would be issued. Mr. Elwood stated that, at a recent meeting with the Insurance Commissioner, assurance was given that a provisional license may be issued as early as the end of October. The Chairman requested that staff draft a letter of inquiry to the Insurance Commissioner.

A letter from Brad Smoot, a Topeka attorney, was distributed to the Committee regarding the Kansas Medicaid Managed Care contract entered into with Children's Mercy Hospital (Attachment 10).

The Chairman requested the KHPA Board give consideration to the construction of future RFPs and introduce a weighting process to identify the important components in the RFP. He recommended that the size and composition of the review committee be evaluated. He further stated the Authority needs to create a policy to determine whether Best and Final Offer (BAFO) is to be considered a public document. He stated that the KHPA needs to set the expectations in order for the outcomes to be obtained.

The Chairman thanked the conferees for their participation in the proceedings. No date was set for the next meeting. The meeting was adjourned at 3:35 p.m.

Prepared by Florence Deeter
Edited by Terri Weber

Approved by Committee on:

December 27, 2006
(Date)