

INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE

Budget Review Subcommittee on Human Resources

Minutes of the 3rd Meeting of the 2019 Interim

August 20, 2019

Call to Order and Roll Call

The 3rd meeting of the Budget Review Subcommittee on Human Resources of the Interim Joint Committee on Appropriations and Revenue was held on Tuesday, August 20, 2019, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Danny Bentley, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Danny Bentley, Co-Chair; Senators Morgan McGarvey, and Stephen Meredith; Representatives Adam Bowling, Melinda Gibbons Prunty, Russell Webber, and Susan Westrom.

Guests: Carol Steckel, Commissioner, Department for Medicaid Services (DMS), Cabinet for Health and Family Services (CHFS); Steve Bechtel, Chief Financial Officer, DMS, CHFS; Jessin Joseph, Pharmacy Director, DMS, CHFS; Pam Smith, Division Director, DMS, CHFS; Senators Ralph Alvarado and Danny Carroll; and Representative Steve Sheldon.

LRC Staff: Miriam Fordham, Kevin Newton, and Benjamin Thompson

Approval of Minutes

Representative Gibbons Prunty made the motion to approve the minutes of the July 9, 2019, meeting, seconded by Representative Webber, and the minutes were approved without objection.

Medicaid Budget Update: Fiscal Year 2019 Year-End Report and Fiscal Year 2020 Outlook

Commissioner Steckel and Mr. Bechtel provided an update on the budgetary needs of the Department for Medicaid Services (DMS).

In response to a question from Representative Gibbons Prunty, Mr. Bechtel stated that restricted funds can only be spent if DMS has the funds available.

In response to a question from Chair Bentley, Mr. Bechtel noted that IGT is an acronym for inter-governmental transfer.

In response to a question from Representative Gibbons Prunty, Mr. Bechtel said that a decline in the Medicaid eligible population was instrumental in DMS being able to cover expenses through the end of Fiscal Year 2019.

In response to questions from Senator Meredith, Commissioner Steckel stated that Managed Care Organizations (MCOs) have a 90 percent medical loss ratio, meaning that MCOs are required to pay 90 percent of the funds they receive from DMS for medical benefits. Commissioner Steckel noted that all administrative costs must come from the remaining 10 percent.

In response to a question from Representative Westrom, Mr. Bechtel noted that administrative costs include obligations like salaries, retirement, and rent. Commissioner Steckel said that administrative costs are anything that don't fall under medical benefits.

Update on Status of 2018 RS Senate Bill 5 Data

Commissioner Steckel and Dr. Joseph provided an update concerning DMS' and contracted MCOs use of pharmacy benefit managers (PBM) and the related costs.

In response to questions from Senator Meredith, Dr. Joseph said Kentucky has gone much farther in investigating MCO practices than other states.

In response to questions from Representative Gibbons Prunty, Dr. Joseph stated that reimbursement claw backs go from pharmacies to the PBM, not back to DMS. Commissioner Steckel noted that although PBM practices may not be as desired, they operate within the law.

In response to questions from Representative Bowling, Dr. Joseph noted that the Wellcare/CVS relationship is different than other MCO/PBM relationships. Dr. Joseph stated that DMS has Wellcare/CVS data, but can't share it because it is considered proprietary and confidential data. Dr. Joseph said that starting July 1, 2020, all MCO contracts will require MCOs to use a pass-through model with their PBMs, bringing other MCOs in line with Wellcare/CVS.

In response to questions from Senator Alvarado, Commissioner Steckel said that new MCO contracts will factor in costs with pharmacy benefits and without pharmacy benefits. Dr. Joseph noted that insulin prices have skyrocketed, but Medicaid prices are lower than on the private market.

Overview and Update on Medicaid Waiver Slots

Ms. Smith provided information concerning Kentucky's various Medicaid waivers and the waitlists or open slots for each.

In response to a question from Chair Bentley, Ms. Smith stated that it is not difficult to get a waiver. Ms. Smith noted that there is one application for all waivers, and filling out an application enables DMS to determine which waiver an individual best fits the criteria for.

In response to questions from Senator Carroll, Ms. Smith noted that all but 20 of the slots for the Michelle P waiver have been filled, though some of those slots are in the process of being filled.

There being no further business before the subcommittee, the meeting was adjourned at 11:39 AM.