

# **INTERIM JOINT COMMITTEE ON APPROPRIATIONS AND REVENUE**

## **Minutes of the Seventh Meeting of the 2024 Interim**

**December 3, 2024**

### **Call to Order and Roll Call**

The seventh meeting of the Interim Joint Committee on Appropriations and Revenue was held on December 3, 2024, at 1:00 PM in Room 149 of the Capitol Annex. Representative Jason Petrie, Chair, called the meeting to order, and the secretary called the roll.

### **Present were:**

Members: Senator Christian McDaniel, Co-Chair; Representative Jason Petrie, Co-Chair; Senators Gary Boswell, Donald Douglas, Shelley Funke Frommeyer, David P. Givens, Amanda Mays Bledsoe, Michael J. Nemes, and Robin L. Webb; Representatives Kim Banta, Adam Bowling, Josh Bray, Stephanie Dietz, Myron Dossett, Patrick Flannery, Ken Fleming, Chris Freeland, Chris Fugate, Al Gentry, DJ Johnson, Bobby McCool, Shawn McPherson, Ruth Ann Palumbo, Steve Riley, Cherlynn Stevenson, and Ken Upchurch.

Guests: Stephanie Bates, Assistant Director, Office of Health Data Analytics, Legislative Research Commission; Lisa Lee, Commissioner, Department for Medicaid Services; Steve Bechtel, Chief Financial Officer, Department for Medicaid Services; Dr. Leslie Hoffman, Deputy Commissioner, Department for Medicaid Services; Tom Stephens, CEO, Kentucky Association of Health Plans; Taylor Pruisner, FSA, MAAA, Principal and Senior Consulting Actuary, Wakely; Andrew Schwarze, ASA, MAAA, Consulting Actuary, Wakely; Liz Stearman, Director, Behavioral Health, Humana Horizons in Kentucky; and Dr. Chirag Patel, Chief Medical Officer, WellCare of Kentucky.

LRC Staff: Jennifer Hays, Cynthia Brown, Katy Jenkins, Adam Johnson, Sarah Watts, Heather Hamilton, and Jennifer Troth.

### **Approval of Minutes**

Senator Funke Frommeyer made a motion, seconded by Representative Bray, to approve the minutes of the November 6, 2024, meeting. The motion passed by voice vote.

### **Legislative Research Commission, Office of Health Data Analytics**

Representative Bowling discussed trends in Medicaid enrollment and costs, and the \$500,000 appropriation for the Medicaid Oversight and Review Committee from 2024

Regular Session House Bill 263. Stephanie Bates, Assistant Director, Office of Health Data Analytics, Legislative Research Commission, explained the duties of the office.

In response to Representative Petrie, Ms. Bates stated the office is nonpartisan and will be starting a study on Medicaid reimbursement rates.

Responding to Representative Bowling, Ms. Bates said the first-phase report should be completed by the end of January and the second-phase report by the end of February.

### **Overview of Medicaid Services**

Lisa Lee, Commissioner, Department for Medicaid Services (DMS), gave an overview of the Medicaid program, the Federal Medical Assistance Percentage (FMAP), and Kentucky's Children's Health Insurance Program (KCHIP). She explained that Medicaid eligibility is based on the federal poverty level as well as other factors. In Kentucky, there are approximately 1.4 million Medicaid members, of which more than 600,000 are children and 485,000 are expansion members, with more than 69,000 in-state and out-of-state providers. The state budget for 2024 was \$18.5 billion, which included both administration and benefits. Ms. Lee explained Medicaid mandatory and optional covered services. She discussed the decline in Medicaid enrollment, enrollment percentages by county, and how Kentucky compares with other states. Steve Bechtel, Chief Financial Officer, DMS, gave an overview of the Medicaid benefits budget and FY 2024 expenditures.

In response to Representative Bowling, Ms. Lee stated the previously requested Medicaid data on enrollment and eligibility, pharmacy PBMs, MCO contract oversight, and prior authorizations should be provided by the end of the year.

In response to Representative Petrie, Ms. Lee affirmed that 10 states are not engaged in the ACA expansion for Medicaid.

In response to Representative Petrie, Mr. Bechtel stated pharmacy rebates are considered an offset of expenditures, not a revenue source. Ms. Lee commented on the different waivers available and the meaning of budget neutrality.

In response to Senator Funke Frommeyer, Ms. Lee explained DMS works with several partners, including the Medicaid Fraud Control Unit, in identifying fraud, waste, and abuse, and said she could provide a spreadsheet with more information on program integrity. Mr. Bechtel explained the participation decrease in the expansion population and the higher spending occurring in managed care organizations.

In response to Senator Givens, Mr. Bechtel stated he was not aware of the federal government moving away from direct payment programs, but the turnaround time for program approval has slowed significantly. Statutory language requires CMS approvals.

Representative Johnson, along with Representatives Jason Petrie, Adam Bowling, and Josh Bray, requested a further discussion into the prescription drug rebate process. In response to Representative Johnson, Mr. Bechtel commented the state is required to send 80 percent of the drug rebate back to the federal government.

In response to Representative Flannery, Mr. Bechtel explained the reason for rate increases to managed care organizations. Ms. Lee added the federal government requires their MCO rates to be actuarially sound, and their contract requires 90 percent of the funds given to MCOs on a per member per month to be spent on direct medical services. She discussed the raise in the provider rate for behavioral health providers and the strategies put in place to manage the extra costs.

Representative Fleming commented on the challenges and concerns providers have, and that they are not seeing cost savings on their end.

Ms. Lee discussed the different types of Medicaid waivers. Dr. Leslie Hoffman, Deputy Commissioner, DMS, explained Kentucky's Reentry 1115 Demonstration Project and the 2023 Consolidated Appropriations Act (CAA) for adjudicated youth.

In response to Representative Fugate, Dr. Hoffman stated she did not know the amount spent each year on medical care for incarcerated individuals, but she could get that information. She added incarcerated individuals are covered for healthcare with case management for 12 months after being released.

Ms. Lee explained the Medicaid state plan and its amendments. She provided an overview of the Affordable Care Act (ACA) expansion and Kentucky's Medicaid expansion, while highlighting that Kentucky's uninsured rate is lower than the national average uninsured rate. She discussed managed care versus fee-for-service (FFS) care and the Anthem reassignment plan for Medicaid members with Anthem.

In response to Representative Bowling, Ms. Lee explained some of the factors in the overall composite ranking of Kentucky's health status.

In response to Senator McDaniel, Mr. Bechtel said financial incentives offered to members by MCOs are considered value-based purchasing and are included in the cost of care calculation. Ms. Lee stated providers do not get paid when a member misses a doctor's

appointment. She elaborated that there is a missed appointment tracking log that providers can use to assess why a patient missed an appointment, but there is no penalty to the Medicaid member for missed appointments. Ms. Lee stated she could get information on the percentage of adult tobacco users on Medicaid, and it is against federal regulation to charge tobacco or illicit drug users on Medicaid more for healthcare. Representative Petrie requested the information by the end of next week.

In response to Representative Petrie, Mr. Bechtel stated there is no oversight board of the General Assembly for the Medicaid program.

### **Trends in Medicaid Services**

Taylor Pruisner, FSA, MAAA, Principal and Senior Consulting Actuary, Wakely, gave a summary of Medicaid enrollment trends. Andrew Schwarze, ASA, MAAA, Consulting Actuary, Wakely, gave a summary of Medicaid pharmacy trends and Medicaid mental health and substance abuse trends (MH/SA).

In response to Representative Petrie, Mr. Schwarze stated the increased rate could be related to the implementation of the single preferred drug list (PDL) and single pharmacy benefits manager. Dr. Chirag Patel, Chief Medical Officer, WellCare of Kentucky, added that the new drug classes added to the general population, including drugs like glucagon-like peptide 1 (GLP), are also responsible for the increase in prescription costs.

In response to Representative Petrie, Mr. Schwarze stated preauthorization has not been reinstated for Medicaid MH/SA services and Mr. Pruisner commented on what trends could be responsible for the increase in costs.

In response to Representative Bray, Dr. Chirag commented his MCO has done an internal evaluation on patients who take GLPs, and it shows utilization of services goes up, which increases costs. Liz Stearman, Director, Behavioral Health, Humana Horizons in Kentucky, stated prior authorization was waived without legislative action.

In response to Senator Funke Frommeyer, Mr. Pruisner replied that they do not have data that segments the information presented. Dr. Patel discussed the wrap around services available to members.

In response to Representative Fleming, Ms. Stearman discussed the reasons for the increases in outcomes for MH/SA services. She shared driving trends for the increase in certain procedure codes. Tom Stephens, CEO, Kentucky Association of Health Plans, added that they have recognized the issues with the trends, and are working to address them.

In response to Senator Douglas, Dr. Patel discussed non-compliance issues with Medicaid members and ways to help improve compliance.

In response to Representative Flannery, Ms. Stearman explained the different effects reducing rates have on access to care for members.

### **Correspondence Received**

Representative Petrie encouraged committee members to review the follow-up information and correspondence received. Correspondence received included Capitol Campus Projects Milestones from Holly M. Johnson, Cabinet Secretary, Finance and Administration; Interim Allotment Adjustments for FY 2025 from Jenny Bannister, Deputy Director, Office of Budget Review; and Reports Received in November from Jennifer Hays, Committee Staff Administrator, Appropriations and Revenue.

### **Medicaid Proposal**

Representative Petrie explained the purpose of 2024 Regular Session House Bill 316, and the need for the General Assembly to have an oversight mechanism for Medicaid. He encouraged members to discuss the Medicaid bill proposal with Representative Bowling.

### **Adjournment**

With no further business, the meeting adjourned at 2:55 PM.