MEDICAID OVERSIGHT AND ADVISORY COMMITTEE

Minutes of the 6th Meeting of the 2019 Interim

November 18, 2019

Call to Order and Roll Call

The 6th meeting of the Medicaid Oversight and Advisory Committee was held on Monday, November 18, 2019, at 10:00 AM, in Room 171 of the Capitol Annex. Representative Daniel Elliott, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative Daniel Elliott, Co-Chair; Senators Ralph Alvarado, and Danny Carroll; Representatives Melinda Gibbons Prunty, Steve Sheldon, and Lisa Willner.

Guests: Nancy Galvagni, President, Kentucky Hospital Association; Charles Lovell, Chief Executive Officer, Barbourville Appalachian Regional Healthcare; Allison Adams, President, Kentucky Health Departments Association; Dana Nickles, Executive Director, Kentucky Health Departments Association; Scott Lockard, Public Health Director, Kentucky River District Health Department; Larry A. Hadley, Executive Director, Kentucky Board of Pharmacy.

LRC Staff: DeeAnn Wenk, Lead Staff, Chris Joffrion, Dana Simmons, Yvonne Beghtol.

Approval of Minutes

A motion to approve the October 7, 2019 meeting minutes was made by Chairman Meredith, seconded by Senator Alvarado, and approved by voice vote.

Status of Rural Hospitals

Nancy Galvagni, President, Kentucky Hospital Association, began by stating that hospitals not only provide care but also improve the economy by providing jobs. Rural hospitals make up 56 percent of Kentucky hospitals, with 21 out of the 68 rural hospitals being independently owned. One financial pressure for rural hospitals is that 42 percent of the rural population is covered by Medicaid and Medicare, which pay below actual hospital cost. Rural hospitals serve fewer patients covered by commercial insurance and more Medicare and Medicaid patients than urban hospitals. Kentucky hospitals treat a more vulnerable patient population than other states due to higher poverty levels and lower life expectancy in Kentucky, as well as having a prevalence of Medicare patients with multiple

chronic conditions. Ms. Galvagni stated that more than 104 rural hospitals across the country have closed since 2010. A study from Navigant Consulting indicates 24.6 percent of Kentucky rural hospitals may close unless their financial situations improve. The University of North Carolina SHEPS Center analysis shows eight Kentucky rural hospitals are at a high risk of closing, and a 2015 Financial Strength Index (FSI) report from the Kentucky Auditor's Office ranked Kentucky's rural hospitals below the national average. The 2018 FSI study shows those same hospitals have continued to deteriorate financially, with two closing. Ms. Galvagni reviewed the association between a poor economy, shrinking population, and loss of jobs with the closing of hospitals. Ms. Galvagni stated that cuts in government payments have impacted financial pressures on all hospitals, not just those in rural areas. The 2018 FSI study shows 32 out of 66 rural hospitals, and only seven out of 38 urban hospitals ranked as having "poor" financial strength. The Kentucky Hospital Association has identified 28 hospitals as "vulnerable" financially. The National Bureau of Economic Research provided a report showing the negative implications of hospital closures for communities. Ms. Galvagni reiterated that Medicare pays only 90 percent of the actual cost for hospital services and the current Medicare for all proposals would cut another $614,000,000 from hospital funding. The Medicare Disproportionate Share Hospital (DSH) payments do not take into consideration the cuts under the Affordable Care Act which will increase the loss in funding. Medicaid pays 81 percent of the actual cost for hospital services. Ms. Galvagni mentioned that the 2018 passing of HB 289 and the 2019 passing of HB 320 have helped to improve payments to hospitals and the Kentucky Hospital Association continues to work with the Cabinet for Health and Family Services and legislators to procure supplemental payments. She also made suggestions about additional actions that could be taken to help rural hospitals.

Charles Lovell, Chief Executive Officer, Barbourville Appalachian Regional Healthcare, reiterated that payment cuts have caused a financial stress for rural hospitals. Rural hospitals see more patients who are covered under Medicaid and Medicare than do urban hospitals. Knox County has an unemployment rate of 7.9 percent, and a 47 percent rate of children in poverty, which is double the national level. Many in rural areas do not have standard transportation, therefore the closing of local hospitals would increase health issues due to not having access to facilities. When rural hospitals close, towns struggle to stay open.

In response to Senator Meredith, Mr. Lovell confirmed that the Affordable Care Act mandating Electronic Medical Recording (EMR) created issues for physicians due to requiring more of their time and funding to be spent on computers and not having as much time to see patients, which increases the loss in care and payments. In response to Senator Meredith's comment on recruiting health care practitioners to come to rural communities, Mr. Lovell noted that Barbourville implemented a program allowing students from nearby medical schools to participate in rotations with physicians in an effort to encourage them to remain and work in the community.

In response to Senator Alvarado, Ms. Galvagni noted that the KHA has a small insurance program to cover liability issues. Ms. Galvagni would like to review ideas from surrounding states and have more conversations with legislators regarding tort reform. Mr. Lovell stated that having an unhealthy population requires more tests to be run to cover liability issues. Mr. Lovell added that having to go to trial to defend yourself from liability claims is costly.

In response to Representative Prunty, Ms. Galvagni explained that preserving Medicaid expansion would ensure at least a percentage of payment, whereas having patients without coverage could result in zero payment.

In response to Representative Sheldon, Ms. Galvagni explained that while payments under the 340B program helps to keep some of the rural hospitals open, it is also being used to provide clinics and free medication to low income patients.

In response to Chairman Elliott, Ms. Galvagni clarified that of the $4.7 billion paid in hospital wages, $3.2 billion pays employee wages in urban hospitals, and only $1.5 billion pays employee wages in rural hospitals. Ms. Galvagni stated she would have to get back with Chairman Elliott in response to the affects the Affidavit of Merit toward Tort Reform has on the medical industry.

In response to Chairman Meredith, Ms. Galvagni advised that the KHA has spoken with consultants working with hospitals and nursing homes regarding the intergovernmental transfers and believes that bringing more federal money to Kentucky would be beneficial.

Kentucky Health Departments Association

Dana Nickles, Executive Director, Kentucky Health Departments Association, reviewed the makeup of the Kentucky Health Departments Association and their goal to realign state resources with the mandates and good policy.

Allison Adams, President, Kentucky Health Departments Association, reviewed the Public Health Transformation for Kentucky hospitals. The goal is to prevent disease, promote wellness, and protect people's health, which requires the individual health departments to work together for a comprehensive public health system. The Kentucky Health Department Association (KHDA) is focused on pulling resources together to produce better health outcomes for all Kentuckians, as well as utilizing funds to be more productive. An ideal health department needs to fund the system as a whole and not just the individual programs. The KHDA wants to focus resources on socioeconomic factors to encourage the public to make healthy choices. Ms. Adams reviewed the High Impact in 5 Years program (HI-5).

Scott Lockard, Public Health Director, Kentucky River District Health Department, reviewed the average life expectancy for the Eastern Kentucky population. Mr. Lockard stated that Medicaid makes up half of the budget for the Appalachian Regional Hospitals in his community through service fees of $2.6 million. Having the ability to use resources most efficiently for each individual community is helpful. This requires that the agencies communicate, coordinate, and collaborate. Mr. Lockard mentioned that three out of the seven counties in his area have no private home health providers because they cannot make a profit. Funding the preventative services will have a greater effect than payment services.

In response to Chairman Meredith, Ms. Adams stated that the KHDA is willing and ready to work with anyone to increase the health of Kentucky's population.

In response to Representative Willner, Mr. Lockard stated that making these shifts of investing in public health requires getting everyone on board and coordinating these efforts. Ms. Adams added that reducing current legislation and getting a more centralized public health law will be necessary to get all entities working together. Ms. Adams stated that duplication of some services is sometimes mandatory to receive the funding, when that money could be used elsewhere to provide better service.

In response to Senator Alvarado, Ms. Adams stated the KHDA operates under a merit system, which adds a layer of oversight for local health departments that may need to be reviewed. Mr. Lockard added that the Kentucky River District Health Department was slated for state takeover but a surplus was posted last year due to some drastic changes.

In response to Representative Prunty, Ms. Adams stated that the KHDA does partner with the Foundation for a Healthy Kentucky. Ms. Adams also clarified that the pricing strategies for alcohol listed under the HI-5 presentation refers to making the healthy choice the easier and less costly choice.

Prescription Recycling/The Legend Drug Repository Program

Larry A. Hadley, Executive Director, Kentucky Board of Pharmacy, gave an overview on the Legend Drug Repository Program.

In response to Chairman Meredith, Mr. Hadley stated that the complexity of the program and issues of higher priority have prevented the program from being implemented, in spite of the savings the program would ensure. Mr. Hadley estimates at least six months for completion and agreed to come before the committee after Session 2020 with an update.

In response to Senator Alvarado, Mr. Hadley stated that the Board of Pharmacy has been working on finalizing the program since 2005, and will contact states that have already implemented the program to help get Kentucky's program launched.

In response to Senator Carroll, Mr. Hadley stated that Kentucky has not filled any prescriptions under the Drug Repository Program due to not having regulations in place.

In response to Representative Sheldon, Mr. Hadley confirmed that regulations are earmarked for those in need of prescription drugs who are in the lower income, therefore having a positive impact on Medicaid and charitable pharmacies.

In response to Senator Carroll, Mr. Hadley stated that the Board of Pharmacy is willing to continue with the program unless it is envisioned to be under Medicaid or another agency.

In response to Representative Prunty, Mr. Hadley agrees that including the Humira drug would be a great benefit to patients.

In response to Chairman Meredith, Mr. Hadley agreed to come before the committee after Session 2020 with an update.

Adjournment

There being no further business, the meeting adjourned at 10:50 AM.