



**Second Meeting
2009 Interim
August 6, 2009**

**Room 413
State Capitol Building
Pierre, South Dakota**

The second meeting of the Medicaid Reimbursement Study Committee was called to order by the Chair, Representative Tim Rave, at 8:53 a.m. (CDT) in Room 414 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Thomas Dempster (Vice Chair), and Tom Hansen; and Representatives Susy Blake, H. Paul Dennert, Peggy Gibson, Noel Hamiel, Larry Lucas, Nick Moser, Carol Pitts, Tim Rave (Chair), Fred Romkema, and Darrell Solberg. Senator Stanford Adelstein and Representative Marc Feinstein joined the meeting telephonically after the roll call. Representative Thomas Deadrick was excused.

Staff members present included: Sue Cichos, Senior Fiscal Analyst; and Kris Schneider, Senior Legislative Secretary.

(NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council (LRC). This meeting was web cast live. The archived web cast is available at the LRC web site at <http://legis.state.sd.us> under "Interim Information – Minutes and Agendas.")

Minutes

Senator Dempster moved, seconded by Representative Lucas, to approve the minutes of the July 7, 2009, meeting. Motion prevailed on a voice vote.

Policy Considerations for Health Care Provider Fees/Taxes

Mr. Chris Underwood, Director, State Programs and Federal Financing, Colorado Department of Health Care Policy and Financing, and **Ms. Nancy Dolson**, Supervisor, Safety Net Programs Policy Unit, Colorado Department of Health Care Policy and Financing, appearing telephonically, explained the basics of Colorado's provider fee/tax model. It was noted Colorado's nursing home provider fee model has received CMS approval. Colorado's hospital provider fee model will be submitted to CMS for approval at the end of September. Mr. Underwood stated that the federal guidelines are very strict and clear, are mathematically based, and allow three classifications or service groups to be taxed (nursing home services, in-patient services, and out-patient services). Colorado has used the provider fee/tax to collect

an additional \$300 million in Medicaid funds. The additional funds have been used to expand Medicaid coverage and reduce the cost share to insurance companies. Colorado's model uses flexible numbers, thus they must make changes every year. Mr. Underwood stated it would be best to have the model before legislation is passed.

**Public Testimony
(Reimbursement Practices for Medicaid)**

Ms. Barbara Smith, Sioux Falls, CEO of the South Dakota State Medical Association (SDSMA), provided statistical data from a survey of the association. Ninety-one percent of those surveyed stated that Medicaid does not pay enough to cover their overhead costs. Thirty percent of the physicians have stopped accepting new Medicaid patients and another 2.5% have stopped accepting all Medicaid patients. The SDSMA is opposed to using provider taxes or fees for health care reform. A handout entitled "Medicaid Reimbursement" was distributed (**Document 1**).

Dr. Angela Anderson, Spearfish, Pediatrician, spoke in support of raising the reimbursement rates for Medicaid. She explained that she will be closing her practice to new Medicaid patients in October because she will be the only pediatrician in Spearfish. She also stated that the Medicaid changes made for dental care have been very positive.

In response to a question about encouraging more access, Dr. Anderson stated there needs to be an incentive for physicians to participate so others are not overburdened. If there is a chronic situation, more visits should be allowed.

Dr. Jorge Reyno, Rapid City, Chief Medical Officer for Regional Health Physicians and Medical Director of Clinical Research for Regional Health, and **Ms. Sandra Ogunremi**, Rapid City, Director of Grants and Director of the Pine Ridge Regional Medical Clinic, explained a new model of care that is being used at the Pine Ridge Regional Medical Clinic as a result of a federal grant. The model uses a patient navigator to gather information in several aspects of the patients life and environment so the right care can be received. The model's goal is to provide specialists in areas of need and to keep patients healthy and out of the emergency room.

Mr. Dave Hewett, Sioux Falls, President/CEO of the South Dakota Association of Healthcare Organizations (SDAHO) provided written testimony opposing using provider taxes (**Document 2**).

In response to a question about SDAHO's opposition to the provider tax, **Mr. Ken Senger**, Sioux Falls, SDAHO, stated that they are willing to discuss the options; however, every state is unique – what works in one state, may not in South Dakota.

In response to a question on what broad based taxes were referred to, Mr. Senger stated that because Medicaid is a societal benefit a more broad based tax would be sales tax.

Mr. Chris Sonnenschein, Pierre, President of the South Dakota Pharmacists Association, provided written testimony praising the Medical Services Division of the Department of Social Services and opposing a provider tax (**Document 3**).

Mr. Allen Svenes, Sioux Falls, Chairman of the Assisted Living Association of South Dakota, testified that many of the assisted living homes are having to turn down Medicaid patients because Medicaid pays 60-70% of what a private patient pays and it is hard to make ends meet.

Dr. Chad Munsterman, Brookings, and **Ms. Katy Stulc**, Rapid City, representing the South Dakota Chiropractic Association, requested that chiropractic coverage under the Medicaid program be expanded to include a chiropractor's full scope of practice. He referenced a pilot project with Wellmark Blue Cross and Blue Shield that showed chiropractic care can reduce overall health care costs. A handout entitled "What can chiropractic care do for the Medicaid system?" was distributed and reviewed (**Document 4**).

In response to Senator Dempster's question on what it would cost to increase benefits to include their full scope of practice, Dr. Munsterman stated that he did not have a number, however, they could provide the information at a later time.

Mr. Terry Dosch, Pierre, representing the South Dakota Council of Mental Health Centers and the South Dakota Council of Substance Abuse Directors, stated that the rates set by the state are very critical to their business. He stressed the importance of keeping up with inflation. The demand for their services is constantly increasing. A packet of information was distributed to the committee (**Document 5**).

The committee recessed at 11:55 a.m. and reconvened at 1:07 p.m.

Mr. John Mengershausen, Howard, CEO of the Horizon Health Care, testified about the problems they are experiencing when Medicaid patients do not use their primary care provider (PCP) for a referral prior to obtaining treatment. It is the provider who is being punished, not the patient. If there is no referral card, it is written off as indigent care.

Ms. Crystal Jordan, Rapid City, CEO of the Community Health Care of the Black Hills, stated that 45% of the people they serve are uninsured. At their dental sites, 50% are uninsured. She explained their programs and how they rely on referral cards. One of the barriers they see in getting people enrolled in Medicaid is that the birth certificate has to be taken to a Medicaid office. They also write prescriptions; however, Indian Health Service will not fill the prescriptions.

Ms. Pam Locken, Isabel, CEO of Prairie Community Health, testified about problems with the PCP program and the schools in La Plant and Takini. The PCP program does keep emergency visits down; however, it punishes both the patient and the provider.

Ms. Betty Oldenkamp, Sioux Falls, CEO of Lutheran Social Services of South Dakota, representing Residential Youth Care Providers, stated that their patients have been abused sexually and physically. Medicaid services are underfunded and inflation for fees need to be addressed. She asked that the committee look at the needs of all the sectors, not just one area.

Ms. Christie Johnson, Groton, and **Mr. Brad Saathoff**, Rapid City, representing the South Dakota Association of Community Based Services, testified that they rely heavily on Medicaid funding to assist individuals with disabilities. A handout entitled "An Investment in Quality" was distributed which discussed their challenges (**Document 6**).

Dr. Jack Muller, Rapid City, representing the South Dakota Dental Association (SDDA), testified that the number of Medicaid patients seen by dentists has increased; however, due to inflation they are now under funded again making it more difficult to treat Medicaid patients. He stressed that dental health is an integral part of an individual's overall health. A copy of his presentation was distributed (**Document 7**).

Dr. Edward Lynch, Rapid City, representing the SDDA, asked that the committee take into consideration the adult dental program as it is of great benefit to the elderly and disabled. Medicaid issues in his dental practice include low reimbursement rates -- in 2008 they were 55% of the billed fees while his overhead was 67%, and the no show rate of the patients because of transportation and other medical issues.

Dr. Lynch explained that the SDDA has been working at the national level to obtain more funding for Indian Health Service so patients are taken care of where they should be. South Dakota dentists take care of patients, both Medicaid and Indian Health Services; however, Indian Health Service does not take care of Medicaid patients.

Dr. Charles Hoffman, Huron, provided written testimony regarding the low reimbursement rates for dental procedures (**Document 8**).

Mr. Clint Graybill, Sioux Falls, Administrator for Southridge Healthcare, representing the South Dakota Health Care Association, testified that Medicaid is underfunded. Over the past year four long term facilities have closed. There is a need for more funding so more do not close.

Ms. Phyllis Arends, Sioux Falls, representing National Alliance on Mental Illness (NAMI) South Dakota, stated that they receive no federal funding. South Dakota's public health system does not meet the needs of South Dakota's mental health needs. She encouraged the committee to consider Medicaid funding for adult and adolescence mental health.

Ms. Deb Fischer Clemens, Sioux Falls, Director of Avera Center for Public Policy, stated that Avera is willing to work on the modeling that needs to be done to bring more Medicaid dollars to South Dakota. With regard to the provider tax, Ms. Fischer Clemens stated that the Colorado model needs to be reviewed. South Dakota needs to leverage more federal dollars.

Ms. Susan Randall, Sioux Falls, Executive Director for South Dakota Voices for Children, asked that South Dakota include the Medicaid options for coverage for pregnancy services to the full extent under federal law and for dental services for families that are eligible for CHIP and have health insurance. In the end, South Dakota will save money by doing so.

In response to a question on how to pay for more Medicaid funding, Ms. Randall stated that if the State invests in prevention, less money will be spent for intensive services.

Mr. Sam Wilson, Sioux Falls, AARP, provided statistics of the aging population in the state and the need for more home and community based services.

Department of Social Services Follow-up

In response to the issues with the PCP program, referral cards, and prescriptions, **Secretary Deborah Bowman** stated that the PCP program does reduce inappropriate emergency room visits. As to the referral card issues, the department will visit with Indian Health Service. She did not believe anything could be done about Indian Health Service not honoring the prescriptions.

Secretary Bowman provided the committee a handout dated August 5, 2009, which was responses to questions from the previous meeting (**Document 9**).

Secretary Bowman thanked everyone for their interest.

Department of Human Services Follow-up

Secretary Jerry Hofer, Department of Human Services, thanked everyone for their interest and the providers for working with them. Secretary Hofer reviewed a handout entitled "SDDC and Community Support Providers – A Continuum of Support" (**Document 10**).

Committee Discussion and Directives

Chair Rave reviewed the directive from the Executive Board regarding the committee's purpose.

Senator Dempster commented that he would like to help develop a process to help improve the model to leverage more federal funds. He also suggested that an outcome based model may be better than the current fee for service model.

Chair Rave stated that the committee should not tinker with the fees as there is a very delicate balance between providers.

Senator Tom Hansen would like a discussion regarding provider tax. He commented that in the end, long-term care may be the only group that may come to any sort of an agreement.

Representative Larry Lucas commented that if the group discusses a provider tax, it would need to be narrowed to nursing homes and assisted living. He also suggested looking at savings in state government to reduce the size of government.

Representative Peggy Gibson commented that the Colorado model would be submitted in September and they will not receive a response from CMS until next Spring.

Representative Carol Pitts would like to see what the executive branch is doing in this arena to improve and what is successful. Also is interested in how economic indicators will affect future Medicaid funding. She would like to look at changing the model of how service is being provided rather than just looking at reimbursement.

Next Meeting Date

The next meeting was changed from September 2, 2009, to Thursday, October 8, 2009, in Pierre, South Dakota.

Adjourn

Chair Rave adjourned the meeting at 4:17 p.m.

