

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

BUDGET COMMITTEE ON HEALTH CARE

Tuesday and Wednesday, June 27-28, 2000
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Clara Sue Price, Chairman, called the meeting to order at 1:00 p.m.

Members present: Representatives Clara Sue Price, Byron Clark, Audrey Cleary, William R. Devlin, David Drovdal, Keith A. Kempenich, Deb Lundgren, Carol A. Niemeier, Todd Porter, Wanda Rose, Dale C. Severson, Ken Svedjan; Senators Judy L. DeMers, Tom Fischer, Ralph Kilzer, Marv Mutzenberger, Randy A. Schobinger, Russell T. Thane

Member absent: Representative Serenus Hoffner

Others present: See attached appendix

It was moved by Representative Drovdal, seconded by Senator Kilzer, and carried on a voice vote that the minutes of the February 24-25, 2000, meeting of the Budget Committee on Health Care be approved as distributed.

HEALTH CARE STUDY

Chairman Price called on Ms. Bernadette Quevedo-Mendoza, Health Care Financing Administration, Denver, Colorado, and Dr. Margaret Cary, United States Department of Health and Human Services, Denver, Colorado, who responded to questions relating to various rules proposed by the Health Care Financing Administration.

Representative Price said the Health Care Financing Administration should be aware of the special needs of states such as North Dakota. She said North Dakota is a rural state; consequently, the delivery of health care services involves significant travel, which may result in health care being more costly and less accessible than that which is delivered in an urban setting.

Chairman Price called on Mr. Mike Mullen, State Department of Health, who presented information on changes in the delivery of health care in North Dakota as a result of managed care. A copy of the information presented is on file in the Legislative Council office. Mr. Mullen said the percentage of North Dakotans with private health insurance who receive health care services through a health maintenance organization is only three percent. He said, however, in recent years the number of persons who receive health care through a flexible managed care program in which health care services are delivered primarily through a designated network of hospitals and clinics has increased significantly to 54 percent. He said the

most important impact of managed care in North Dakota has been the development of hospital and clinic networks to link rural and urban areas and improve the integration of services and the quality of care.

Senator Kilzer said managed care programs were implemented to slow the rising cost of health care and reduce unnecessary care. He asked if data exist which show the implementation of managed care has resulted in cost savings or reduced health insurance premiums. Mr. Mullen said the implementation of managed care programs has contributed to a reduction in the rate of increase in health insurance premiums since the mid-1990s.

Chairman Price called on Dr. Alana Knudson-Buresh, State Department of Health, who presented information on the results of the department's survey of health care access by farm and ranch families. A copy of the information presented is on file in the Legislative Council office. Dr. Knudson-Buresh said of the 1,571 farm and ranch households selected for the survey, six percent reported having no health insurance. She said one out of four households reported that at least one member of their household had some type of public health insurance coverage. She said Medicare was the leading public health insurance, providing coverage to 22 percent of the households surveyed. She said comments included on the survey responses indicate that many farm and ranch families are concerned about having to cancel their health insurance due to the high cost and are concerned about the inadequacy of the coverage they are able to afford.

Chairman Price called on Mr. Michael B. Unhjem, President and CEO, Blue Cross Blue Shield of North Dakota, Fargo, who commented on various issues relating to the health care industry in North Dakota. He said North Dakota needs to assess future health care needs and population changes to ensure continued access to health care for all North Dakotans. He suggested the Legislative Assembly direct the State Health Council to develop a plan for North Dakota health care for the year 2020. He also suggested the Legislative Assembly consider legislation to allow the State Department of Health to use moneys received through the tobacco settlement to establish a rural health care access fund to be used

by the department to ensure continued access to health care for rural North Dakotans.

In response to a question from Senator Kilzer, Mr. Unhjem said eight percent of the premium dollars collected by Blue Cross Blue Shield of North Dakota are used for administrative purposes.

In response to a question from Representative Svedjan, Mr. Unhjem said Blue Cross Blue Shield of North Dakota, health care providers in the state, and the Legislative Assembly need to work together to develop a health care plan identifying essential providers and reducing the duplication of services that currently exists in the state's health care industry.

Chairman Price called on Mr. David Zentner, Department of Human Services, who presented information on Medicaid reimbursement for critical access hospitals and outpatient hospital services. A copy of the information presented is on file in the Legislative Council office. Mr. Zentner said critical access hospitals receive Medicare reimbursement through a retrospective payment system. He said a retrospective payment system provides payments based initially on an estimate of the hospital's cost of providing a service. Payments are eventually adjusted to reflect the hospital's actual cost. He said prior to 1987, a retrospective payment process was used for the North Dakota Medicaid program. He said the Department of Human Services is not interested in establishing a retrospective payment system for Medicaid payments to critical access hospitals because of the uncertainty involved for both providers and payers, the lengthy settlement process, and the increased administrative costs associated with such a system.

Mr. Zentner said the department is in the process of developing and implementing a prospective payment system for outpatient Medicaid services. He said a prospective payment system makes payments based on a standard rate for a particular service and encourages hospitals to become more cost-efficient. He said the two payment classification systems considered by the department for use in the development of the prospective payment system are ambulatory patient groups and ambulatory payment classifications. Mr. Zentner said a consultant hired by the department to develop and implement the prospective payment system recommended that the system be based on ambulatory patient groups, rather than ambulatory payment classifications, for several reasons, including:

- Ambulatory patient groups have been in existence for 10 years; ambulatory payment classifications are new, unfinished, and untested.
- The number of ambulatory patient groups is known; the number of ambulatory payment classifications is likely to change as the Health Care Financing Administration completes the development of a prospective payment system for outpatient Medicare services using ambulatory payment classifications.

- Ambulatory payment classifications were developed using Medicare data for services provided mainly to the elderly and disabled, rather than using Medicaid data which include services provided to children and young adults.

Mr. Zentner said the department decided to use ambulatory patient groups rather than ambulatory payment classifications in the development of the Medicaid outpatient prospective payment system. He said if the department implemented a change from ambulatory patient groups to ambulatory payment classifications in the development of the North Dakota Medicaid outpatient prospective payment system, the development costs would be increased and implementation of the new system would be delayed. He said the department anticipates the new payment system will be completed and implemented by January 1, 2001.

In response to a question from Representative Svedjan, Mr. Zentner said health care providers have expressed concerns regarding the department's decision to develop the Medicaid outpatient prospective payment system using ambulatory patient groups rather than ambulatory payment classifications because of the lack of consistency with the Medicare program and other states' Medicaid programs. Representative Svedjan expressed concern about the costs that may be incurred by health care facilities to implement the new Medicaid outpatient payment system.

In response to a question from Representative Price, Mr. Zentner said the department is not under any requirement to implement the new Medicaid outpatient payment system by a certain date. He said, however, the department looks forward to implementing the new system because of the efficiencies which will result from changing from the current retrospective payment system.

Chairman Price called on Mr. Arnold Thomas, President, North Dakota Health Care Association, Bismarck, who discussed the department's development of a Medicaid outpatient prospective payment system using ambulatory patient groups. He said ambulatory payment classifications will be the standard for use in such a system and will provide administrative simplification for hospitals. He said he hopes the Department of Human Services will delay the development of its Medicaid outpatient prospective payment system.

Chairman Price called on Mr. Zentner who presented information on the potential for using intergovernmental transfer program financing for hospitals and swing-bed facilities in North Dakota. A copy of the information presented is on file in the Legislative Council office. He said the potential for using intergovernmental transfer program financing for hospital services appears to be limited in North Dakota, but the department will continue to follow up on this issue

by contacting additional states and the National Association of State Medicaid Directors.

Chairman Price called on Mr. Joel Rotvold, Lake Region Clinic, Devils Lake, who discussed issues relating to payments for health care services by the Indian Health Service. Mr. Rotvold said the Lake Region Clinic has experienced difficulty collecting reimbursement from the Indian Health Service for services provided to patients determined to be eligible for the Healthy Steps program. He said the Indian Health Service is a payer of last resort and will not cover services if the patient is eligible for any other coverage. He said, however, the Healthy Steps program only provides payment if coverage was applied for prior to the service being provided.

Representative Price said the state needs to enroll more children in the Healthy Steps program and that the state's Indian tribes need to encourage the enrollment of tribal members.

Chairman Price called on Ms. Flora Odegaard, Indian Health Service, Aberdeen, South Dakota, who presented information relating to the Indian Health Service. A copy of the information presented is on file in the Legislative Council office.

Representative Price asked for suggestions on how to increase the enrollment of Indian children in the Healthy Steps program and how to address the issue of hospitals not receiving reimbursement from the Indian Health Service for services provided to tribal members eligible for but not enrolled in the Healthy Steps program. Ms. Odegaard said the Indian Health Service has recently hired a benefit coordinator to be stationed at Fort Totten to provide benefit counseling and encourage the enrollment of tribal members in the Healthy Steps program. She said the Indian Health Service denies payment for services only if the tribal member has received benefits counseling, has been told they are eligible for the Healthy Steps program, but has not applied for coverage under the program.

Chairman Price called on Mr. Zentner who presented information relating to payments for health care services by the Indian Health Service. A copy of the information presented is on file in the Legislative Council office.

Chairman Price called on Mr. Zentner who presented information on a proposed health care needs assessment study. A copy of the information presented is on file in the Legislative Council office. He said pursuant to 1999 Senate Bill No. 2168, the department has the responsibility to approve loans and grants for the development of alternative long-term care facilities. He said a statewide health care needs assessment study should be conducted to examine the future need for long-term care services, as well as other necessary health care services, in each region of the state. He said the results of the study could be used by the department to make decisions regarding the appropriate number of alternative

facilities that should be approved in each area of the state. He said the department believes the primary focus of the study should be long-term care services, but the study should also consider other health care services such as hospital, medical, emergency, mental health, dental, and pharmacy services. He said the study could cost from \$100,000 to \$500,000, depending on its scope, and may not be able to be completed in time to be useful during the 2001 legislative session.

Chairman Price called on Mr. Brad Gibbens, Center for Rural Health, University of North Dakota, Grand Forks, who said the best way to conduct such a study is a collaborative effort by several entities.

In response to a question from Representative Kempenich, Mr. Zentner said the department believes it has the authority to use intergovernmental transfer program moneys for conducting a feasibility study, pursuant to 1999 Senate Bill No. 2168. He said before using intergovernmental transfer program moneys to conduct a statewide health care needs assessment study, the department would want legislative direction to do so.

In response to a question from Representative Price, Mr. Zentner said 1999 Senate Bill No. 2168 does not specifically limit a feasibility study to long-term care facilities but that may be the implied intent of the legislation.

The committee recessed at 5:10 p.m. and reconvened at 9:00 a.m., Wednesday, June 28, 2000.

CHILDREN'S HEALTH INSURANCE PROGRAM

Chairman Price called on Mr. Dan Ulmer, Blue Cross Blue Shield of North Dakota, Bismarck, who discussed potential future rate increases in children's health insurance program premiums. Mr. Ulmer said Blue Cross Blue Shield of North Dakota began issuing policies for the Healthy Steps program in October 1999 and has issued approximately 1,800 policies. He said Blue Cross Blue Shield of North Dakota is projecting increases of six to eight percent for health insurance premiums in the future, but an estimate relating specifically to Healthy Steps program premiums cannot be determined at this time.

Chairman Price called on Mr. Zentner who presented information regarding the Healthy Steps program. A copy of the information presented is on file in the Legislative Council office. Mr. Zentner said the Department of Human Services estimates that approximately 3,800 children are eligible for the Healthy Steps program. He said during the 1999 legislative session, the department estimated approximately 2,000 of those children would be enrolled in the program by the end of fiscal year 2000. He said as of June 23, 2000, 1,860 children are enrolled in the Healthy Steps program.

In response to a question from Representative Niemeier, Mr. Zentner said normally applicants must

be without insurance for six months to be eligible for the Healthy Steps program. He said, however, the department has waived this requirement for children in farm families in counties included in disaster declarations.

In response to a question from Representative Cleary, Mr. Zentner said income eligibility for the Healthy Steps program is determined annually. He said income eligibility for the Medicaid program is evaluated monthly.

Representative Price expressed concern regarding the complexity of the Medicaid eligibility application form. Mr. Zentner said the application has been simplified and shortened, but the asset limitation adds to the complexity of the application. He suggested the Legislative Assembly consider eliminating the asset limitation in order to simplify the application. He said if the asset limitation is eliminated, the department can combine the Healthy Steps program and Medicaid eligibility applications.

In response to a question from Representative Devlin, Mr. Zentner said the monthly income eligibility determination for the Medicaid program is a state requirement, not a federal requirement. He said if the monthly income eligibility evaluation requirement is eliminated, the result will be increased costs for the Medicaid program because of the increased length of time in which individuals remain enrolled in the program until their incomes are reevaluated.

In response to a question from Representative Svedjan, Mr. Zentner said eliminating the asset limitation would affect eligibility for children and pregnant women enrolled in the Medicaid program.

Chairman Price called on Mr. Zentner who presented information on expanding eligibility for the children's health insurance program by raising the limitation on allowable income from 140 to 170 percent of the federal poverty level. A copy of the information presented is on file in the Legislative Council office. Mr. Zentner said the department estimates an additional 2,340 children will be eligible for the Healthy Steps program if the limitation on allowable income is raised from 140 to 170 percent of the federal poverty level. He said if 75 percent of eligible children are enrolled, the additional cost will be approximately \$3.4 million, of which \$820,000 is from the general fund, for the 2001-03 biennium.

It was moved by Representative Devlin, seconded by Representative Kempenich, and carried on a voice vote that the Budget Committee on Health Care request the Legislative Council staff to prepare a bill draft to:

- **Eliminate the asset limitation for Medicaid eligibility for children and pregnant women.**
- **Change from monthly to annually the income review period for Medicaid eligibility for children and pregnant women.**

LONG-TERM CARE INCENTIVES STUDY

At the request of Chairman Price, copies of California 1999-2000 Assembly Bill No. 499, relating to the establishment of an assisted living demonstration project, were distributed to members of the committee. A copy of the bill is on file in the Legislative Council office.

Chairman Price called on Mr. Zentner who presented information on the status of the intergovernmental transfer program established pursuant to 1999 Senate Bill No. 2168. A copy of the information presented is on file in the Legislative Council office. Mr. Zentner said an advisory committee has been established by the department to review nursing facility alternative loan and grant applications, and eight applications have been reviewed. He said the committee recommended that three projects be awarded loan and grant funds totaling \$1.3 million, that three projects be denied, and that \$2 million be reserved for two projects pending the completion of premarketing studies.

Mr. Zentner said the department has received correspondence from the Health Care Financing Administration indicating it is considering changing the federal regulations that allow states to access federal funds through the intergovernmental transfer process. He said if the federal government proceeds with these changes, intergovernmental transfer program funding could be eliminated or substantially reduced.

Chairman Price called on Mr. David Skalsky, Department of Human Services, who responded to questions regarding the application process established by the department for nursing facilities applying for loans and grants for alternative long-term care projects.

In response to questions from Representative Drovdal, Mr. Skalsky said projects are not required to result in a reduction of beds, but projects that do so are given preference. He said through the use of grant funds, the effective interest rate is reduced to approximately four percent for loans made through the program.

Chairman Price called on Ms. Muriel Peterson, Department of Human Services, who discussed the status of the service payments for the elderly and disabled (SPED) program, which received an appropriation of approximately \$4.3 million for the 1999-2001 biennium from moneys generated through the intergovernmental transfer program.

Chairman Price called on Sister Geraldine Steinbach, Carrington Health Center, Carrington, who discussed the status of cooperative projects between the health and long-term care facilities in New Rockford and Carrington. She said two facilities in Carrington and one facility in New Rockford have been working together to develop cooperative ventures, gain efficiencies, and eliminate competition. She said because the proposed cooperative projects

have progressed slowly and because of confusion regarding the use of intergovernmental transfer fund moneys, enthusiasm for the cooperative projects has diminished.

Chairman Price called on Mr. Tim Hager, Administrator, Lutheran Home of the Good Shepherd, New Rockford, who presented information relating to the status of the cooperative projects in New Rockford and Carrington. A copy of the information presented is on file in the Legislative Council office. Mr. Hager said over two years ago, the three facilities in Carrington and New Rockford began developing a plan to reduce unproductive competition, add services, and begin specialization. He said the plan would have eliminated 13 skilled beds, converted 40 skilled beds to 23 assisted living/residential care beds, and converted another 20 beds to a dementia unit. He said this would have resulted in a reduction of 53 skilled care beds from the Carrington and New Rockford service area. He said time delays have strained the partnerships among the three facilities. He said the Lutheran Home of the Good Shepherd has decided to proceed with its dementia center project but on a smaller scale than originally anticipated. He said because of financial difficulties encountered by the facility, it is unlikely the four percent loan available through the Department of Human Services nursing facility alternative loan and grant program will be accessible by the facility.

Representative Svedjan said the projects proposed by the three facilities in Carrington and New Rockford should have been considered by the Department of Human Services as a single project. Mr. Hager said 1999 Senate Bill No. 2168 limits the amount of funds available per project; consequently, it was determined beneficial to submit separate applications for each project.

Chairman Price called on Representative Devlin, a member of the Intergovernmental Transfer Statewide Task Force, who discussed the issues being considered by the task force. Representative Devlin said the task force's next meeting is scheduled for July 26, 2000. Chairman Price requested that at the committee's next meeting, Representative Devlin give a status report on the actions of the Intergovernmental Transfer Statewide Task Force.

Representative Svedjan said the task force should examine issues such as the need to encourage cooperative projects such as the one in Carrington and New Rockford. Representative Devlin said the task force should be informed of the committee's concerns and requested that the Legislative Council staff provide copies of the minutes of the Budget Committee on Health Care and the testimony relating to the intergovernmental transfer program to Representative Merle Boucher, Rolette, and Senator Ken Solberg, Rugby, who also serve on the task force.

Representative Svedjan expressed concern regarding the way projects are funded through the

intergovernmental transfer program. He said although the use of the intergovernmental transfer program moneys to provide loans ensures that money will be returned to the fund for future projects, requiring loans rather than grants in all cases makes the funding inaccessible for some projects, such as the one in New Rockford. He suggested grants be used to fund certain projects, rather than used only to buy down the interest rate on loans.

Chairman Price called on Mr. Mark Johnson, Knife River Care Center, Beulah, who discussed concerns relating to the application process used by the Department of Human Services to award nursing facility alternative loans and grants.

The committee recessed at 12:15 p.m. and reconvened at 1:00 p.m.

Chairman Price called on Ms. Shelly Peterson, President, North Dakota Long Term Care Association, who presented information on the estimated cost of providing to employees of long-term care facilities a health insurance benefits package. A copy of the information presented is on file in the Legislative Council office. Ms. Peterson said that, based on a survey conducted by the North Dakota Long Term Care Association, 60.5 percent of the full-time employees in the state's long-term care facilities participate in an employer-sponsored health insurance plan. She said the cost to increase to \$400 per month the average employer contribution for health insurance benefits for only the 60.5 percent of the full-time employees currently participating in an employer-sponsored health insurance plan is approximately \$13.8 million per biennium.

In response to a question from Representative Cleary, Ms. Peterson said if funds are appropriated to assist long-term care facilities in providing employees a health insurance benefits package, the decision on how to use those funds should be made by each facility. She said the highest priority among the staff of long-term care facilities appears to be salaries, not benefits.

Senator Thane said providing such a benefits package would improve employee morale and retention in long-term care facilities.

Chairman Price called on Mr. Zentner who presented information on the development of recommendations by the Task Force on Long-Term Care Planning, relating to 1999 Senate Bill No. 2036. A copy of the information presented is on file in the Legislative Council office. He said 1999 Senate Bill No. 2036 directs the Department of Human Services and the State Department of Health to prepare a recommendation for consideration by the 57th Legislative Assembly describing the conversion of current basic care and assisted living facilities into an integrated long-term housing and service system entitled assisted living. Mr. Zentner said the Task Force on Long-Term Care Planning has made several recommendations relating to this issue, including:

1. The current definitions and regulations relating to basic care should be retained.
2. The moratorium on basic care beds should be removed.
3. The Department of Human Services should register assisted living facilities and charge a registration fee.
4. The Department of Human Services should have the responsibility to receive complaints relating to assisted living facilities and forward those complaints to the appropriate agency for investigation.
5. A rent subsidy program should be established for assisted living facilities.
6. A licensing fee should be established for basic care facilities.

Representative Rose asked which state agency is the "appropriate agency" for investigating complaints referred to the Department of Human Services. Ms. Peterson said the appropriate state agency may vary depending upon the type of complaint.

In response to a question from Senator DeMers, Mr. Zentner said the definition of assisted living established by the 1999 Legislative Assembly, which will take effect July 1, 2001, does not correspond to the recommendation of the Task Force on Long-Term Care Planning.

Chairman Price called on Mr. Gerry Wilkie, Rolla, who discussed the need for basic care and assisted living facilities in the Rolla area. He said there are no such facilities in the legislative district in which he lives. He said the community of Rolla is in the process of building an assisted living facility. He said because of the high cost to operate such a facility, a rent subsidy program is needed to make it more affordable. He said he hopes the 2001 Legislative Assembly considers legislation to encourage the development and operation of assisted living facilities.

Senator DeMers expressed concern about providing rent subsidies to for-profit assisted living facilities that are not regulated by the state. Ms. Peterson said if a rent subsidy program is established, case managers will provide some oversight of assisted living facilities receiving subsidies.

Senator DeMers expressed concern that the Task Force on Long-Term Care Planning did not follow the legislative intent of 1999 Senate Bill No. 2036 and has not developed a recommendation to be considered by the 57th Legislative Assembly describing the conversion of current basic care and assisted living facilities into an integrated long-term housing and service system entitled assisted living. Ms. Darleen Bartz, State Department of Health, said the task force did not recommend the integrated model because it did not appear to be feasible to combine the two service delivery systems.

Representative Devlin said 1999 Senate Bill No. 2036 did not allow for a compromise. He said it directed the Department of Human Services and the

State Department of Health to prepare a recommendation combining the basic care and assisted living service delivery systems.

It was moved by Senator DeMers, seconded by Representative Rose, and carried on a voice vote that the Budget Committee on Health Care ask the Legislative Council chairman to inform the executive director of the Department of Human Services and the State Health Officer of the committee's concern that the recommendation developed by the Task Force on Long-Term Care Planning is not in compliance with the requirements of Section 3 of 1999 Senate Bill No. 2036, and the committee's request that the Department of Human Services and the State Department of Health comply with the requirements of Section 3 of 1999 Senate Bill No. 2036 by preparing, for consideration by the 57th Legislative Assembly, a recommendation describing the conversion of current basic care and assisted living facilities into an integrated long-term housing and service delivery system entitled assisted living.

COMMUNITY HEALTH GRANT PROGRAM

Chairman Price called on Ms. Roxanne Hobza, Fiscal Analyst, Legislative Council, who presented an analysis of the tobacco settlement, community health, and water development trust funds for the 1999-2001 biennium.

At the request of Chairman Price, Legislative Council staff presented a bill draft to allow the community health trust fund to retain the interest earned on moneys deposited in the fund.

In response to a question from Senator Kilzer, Legislative Council staff said the interest earned on moneys deposited in the common schools trust fund stays in that fund; interest earned on moneys deposited in the water development trust fund is deposited in the general fund.

It was moved by Senator DeMers, seconded by Representative Cleary, and carried on a roll call vote that the bill draft relating to the interest earned on moneys in the community health trust fund be approved and recommended to the Legislative Council. Representatives Price, Clark, Cleary, Kempenich, Niemeier, Porter, Rose, Severson, and Svedjan and Senators DeMers, Fischer, Kilzer, and Thane voted "aye." Representative Drovdal and Senator Schobinger voted "nay."

Senator DeMers said the interest earned on moneys deposited in the water development trust fund should be transferred to the community health trust fund. She said this would allow more money related to the tobacco settlement to be used for health programs without changing the allocation formula established by the 1999 Legislative Assembly. She said it may be difficult to change the allocation formula established by the 1999 Legislative Assembly, which provided allocations to the water development trust

fund, the common schools trust fund, and the community health trust fund. She said the interest relating to moneys deposited in the water development trust fund is currently being transferred to the general fund and consequently is not obligated for any particular purpose.

It was moved by Senator DeMers, seconded by Representative Rose, and carried on a voice vote that the Budget Committee on Health Care request the Legislative Council staff to prepare a bill draft to provide that the interest earned on moneys in the water development trust fund be deposited in the community health trust fund.

Chairman Price called on Mr. Murray G. Sagsveen, State Health Officer, State Department of Health, who presented recommendations regarding the use of moneys accruing in the community health trust fund during the 1999-2001 biennium. A copy of the information presented is on file in the Legislative Council office. Mr. Sagsveen said he recommends that the interest from the trust fund be appropriated to the State Department of Health for the 2001-03 biennium for community-based public health programs and other public health programs, including those with an emphasis on preventing or reducing tobacco usage in the state. He also recommended that the funds accruing in the community health trust fund during the 1999-2001 biennium be used:

1. To provide a balance in the community health trust fund, which will be necessary to provide cash flow for grants based on the anticipated timing of payments to be received from the tobacco settlement.
2. To provide a contingent appropriation for public health emergencies.

Mr. Sagsveen suggested the Legislative Assembly consider providing a \$1 million contingent appropriation for public health emergencies.

In response to a question from Senator Kilzer, Mr. Sagsveen said the \$1 million contingent appropriation will be included in the State Department of Health 2001-03 biennium budget request.

In response to a question from Representative Rose, Mr. Sagsveen said in the past, funding to deal with public health emergencies has been made available through transfers and reallocations within the department's budget.

Mr. Sagsveen discussed his recommendations (made to the committee at its February 24-25, 2000, meeting) to establish healthy schools, healthy families, and healthy communities grant programs using moneys in the community health trust fund.

Representative Rose expressed concern that tobacco cessation and prevention programs are not specifically addressed in the department's recommendations. She said no assurances are provided that the funds distributed to schools or communities will be used for tobacco cessation or prevention.

Chairman Price called on Mr. Bill Demaree, Association of Elementary School Principals, Bismarck, who discussed the importance of school nurse programs and the need for funding to assist schools in establishing such programs.

Chairman Price called on Ms. Evy Monzelowsky, North Dakota School Nurses, Bismarck, who presented information on the importance of school nurses. Ms. Monzelowsky distributed a pamphlet prepared by the National Association of School Nurses, Inc., on the role of school nurses. A copy of the pamphlet and her testimony are on file in the Legislative Council office.

It was moved by Senator Fischer, seconded by Senator Kilzer, and carried on a voice vote that the Budget Committee on Health Care request the Legislative Council staff to prepare a draft of the committee's final report relating to the support of the State Department of Health proposals presented to the committee in February and June 2000 regarding the use of moneys in the community health trust fund.

Representative Rose expressed concern that the committee has not adequately considered the Centers for Disease Control and Prevention (CDC) recommendations for the establishment of a statewide comprehensive tobacco prevention and cessation program. She requested that at the committee's next meeting time be allowed for further consideration of the CDC proposals. Chairman Price said the agenda for the committee's next meeting will include time for further consideration of the CDC recommendations.

COMMITTEE DISCUSSION AND DIRECTIVES

Representative Niemeier expressed concern regarding the quality of health insurance coverage carried by many of the state's farm and ranch families and the health care insurance affordability problems faced by many North Dakotans. Mr. Sagsveen said the department is currently considering submitting an application to the United States Health Resources and Services Administration for a grant to conduct a one-year study to identify the characteristics of the uninsured in North Dakota and to develop proposals to provide access to health insurance coverage to all state residents. He said the grant application is due to be submitted by July 10, 2000. He said the grant application may be viewed more favorably if it includes the support of this committee.

It was moved by Representative Kempenich, seconded by Representative Niemeier, and carried on a voice vote that the Budget Committee on Health Care ask the Legislative Council chairman to inform the State Health Officer of the committee's support of the State Department of Health proposed application to the United States Health Resources and Services Administration for a grant to conduct a one-year study to identify the

characteristics of the uninsured in North Dakota and to develop proposals to provide access to health insurance coverage to all state residents.

Representative Svedjan expressed concerns regarding the Department of Human Services plan to implement a new Medicaid outpatient payment system using ambulatory patient groups while the Health Care Financing Administration is developing a Medicare outpatient payment system using ambulatory payment classifications. He said there are concerns within the health care community regarding this lack of consistency. Representative Svedjan said although the current system of reimbursement is problematic, it could continue to be used by the department for one or two more years until the development and testing of ambulatory payment classifications are completed.

It was moved by Representative Svedjan, seconded by Representative Kempenich, and carried on a voice vote that the Budget Committee on Health Care ask the Legislative Council chairman to inform the executive director of the Department of Human Services of the committee's request that the Department of Human Services discontinue the development of a prospective payment system for outpatient Medicaid services using ambulatory patient groups, that all changes to the current payment system for outpatient Medicaid services be delayed to allow the development and testing of ambulatory payment classifications by the Health Care Financing Administration, and that the department consider using ambulatory payment classifications in the development of a prospective payment system for outpatient Medicaid services in North Dakota.

Senator Thane said the cost of health insurance is anticipated to increase, making it less affordable. He said the Legislative Assembly should raise the limitation on allowable income for the children's health insurance program from 140 to 170 percent of the federal poverty level to provide coverage to children in families whose incomes exceed 140 percent of the federal poverty level, but is less than the "living wage" standard.

It was moved by Senator Thane and seconded by Representative Cleary that the Budget Committee on Health Care request the Legislative Council staff to prepare a bill draft to raise the limitation on allowable income for the children's health insurance program from 140 to 170 percent of the federal poverty level.

Representative Svedjan said he does not support the motion for the following reasons:

- The Department of Human Services has not yet demonstrated the enrollment goals for the Healthy Steps program can be met using the current eligibility criteria.
- The state's agricultural economy may result in an increased number of children being eligible for the Healthy Steps program.
- It is premature to expand eligibility for the program until data on the department's implementation efforts are available for at least one year.

Representative Price said the cost to enroll the additional children who would be eligible for the program using the expanded eligibility criteria may exceed the amount of federal funds available for the program. Representative Niemeier said based on the percentage of eligible children currently enrolled in the program, the cost to raise the limitation on allowable income to 170 percent of the federal poverty level would probably be less than indicated by the department.

Representatives Cleary, Niemeier, and Rose and Senators DeMers and Thane voted "aye." Representatives Price, Clark, Devlin, Drovdal, Kempenich, Porter, Severson, and Svedjan and Senators Fischer, Kilzer, and Schobinger voted "nay." **The motion failed.**

Chairman Price indicated the committee's next meeting will be held July 31-August 2, 2000, and will include budget tours in Bottineau and Minot.

At the request of Chairman Price, copies of Florida 2000 House Bill No. 555, relating to limiting minors' access to tobacco products, were distributed to members of the committee. The Legislative Council staff also distributed information received from the City-County Health Board in Valley City regarding the State Department of Health. Copies of the information distributed are on file in the Legislative Council office.

Chairman Price adjourned the meeting at 5:10 p.m.

Joe R. Morrissette
Senior Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1