Prepared by the North Dakota Legislative Council staff for the Budget Committee on Health Care
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STUDY OF THE DELIVERY OF HEALTH CARE WITHIN THE STATE

House Concurrent Resolution No. 3046 (1999) provides for a Legislative Council study of the challenges facing the delivery of health care in the state, including the concerns relating to reimbursement of hospitals for medical services, technological innovation and possible regionalization of services. The resolution cites as reasons for the study:

1. The delivery of health care is necessary for the health, safety, and welfare of all residents of the state.
2. Changing demographics indicate the average age of rural residents is increasing while the rural population is decreasing thereby creating population shifts which may cause regionalization of hospital services.
3. Managed care is changing the manner of providing health care services in rural portions of the state.
4. Technological innovations such as telemedicine are affecting the delivery of rural health care.
5. Rural hospitals are facing financial hardship due in part to low reimbursement rates for medical services.
6. Changes in the Medicare reimbursement rate schedule, which is a benchmark for health care insurers in setting reimbursement rate schedules, which may negatively impact rural hospital reimbursement rates for medical services.

Attached as an appendix is a copy of House Concurrent Resolution No. 3046.

PRIOR STUDIES

1997-98 Insurance and Health Care Committee

During the 1997-98 interim, the Legislative Council's Insurance and Health Care Committee studied the impact of managed care on the future viability of the health care delivery system in rural North Dakota. The committee did not make any recommendations as a result of the study.

The Insurance and Health Care Committee also studied the development of a strategic planning process for the future of public health within the state. The committee recommended Senate Bill No. 2045, which repeals four chapters of the North Dakota Century Code regarding public health and created a new chapter that consolidated existing public health law, unified the powers and duties of local public health units, and required statewide participation in some type of public health unit. Senate Bill No. 2045 was passed by the 1999 Legislative Assembly.

1995-96 Insurance and Health Care Committee

During the 1995-96 interim, the Legislative Council's Insurance and Health Care Committee studied the feasibility and desirability of implementing recommendations of the North Dakota Health Task Force for improving the health status of North Dakotans, monitoring the rate of health care cost increases, reviewing the impact of newly enacted programs to improve the health status of North Dakotans, and addressing unmet medical needs in rural areas. The committee did not recommend any legislation as a result of the study, but did urge the State Health Council to continue studying the implementation of the Health Task Force recommendations for improving the health status of North Dakotans.

1993-94 Health and Communications Committee

During the 1993-94 interim, the Legislative Council's Health and Communications Committee studied the feasibility and desirability of allowing all North Dakota residents to participate in the Public Employees Retirement System (PERS) uniform group insurance program. The committee also studied the feasibility and desirability of pooling all sources of funding for health care benefits in conjunction with the North Dakota Health Task Force study of the control of costs and the redistribution of dollars toward improved access to services through a health care reimbursement system. The committee recommended 1995 Senate Bill No. 2065 to expand the uniform group insurance program administered by the PERS to allow voluntary participation for persons who met the medical underwriting requirements of the program. The bill was not passed by the 1995 Legislative Assembly. The committee also recommended House Bill No. 1050 which contained numerous health care reform items including health care cooperatives, health care provider cooperatives, a health care commission as a permanent subcommittee of the Health Council, a cost and quality review program, and other health care reform provisions. House Bill No. 1050 was passed by the 1995 Legislative Assembly.

1999 LEGISLATION

The 1999 Legislative Assembly passed House Concurrent Resolution No. 3070 which provides for a study of health care in this state relative to access, quality, and cost to determine essential health care services, critical providers, access sights, and geographic, demographic, and economic issues relating to health care including health care insurance. This study was prioritized by the Legislative Council and has also been assigned to the Budget Committee on Health Care. This committee may want to consider combining the study of the challenges facing the delivery of health care (House Concurrent Resolution No. 3046) and the study of access, quality, and cost of health care within the state (House Concurrent Resolution No. 3070) into a single health care study.

POPULATION AND HOSPITAL TRENDS

The following table shows the historical changes in the state's population and the percent of the population living in rural (areas less than 2,500 population) and urban areas:

Census Year	Population	Percent Rural	Percent Urban
1990	638,800	49.4%	50.6%
1980	652,717	51.2%	48.8%
1970	617,761	55.7%	44.3%
1960	632,446	64.8%	35.2%
1950	619,636	73.4%	26.6%

The following table shows the number of hospitals and beds (including swing beds) in the state from 1989 to 1999.

Year	Number of Hospitals	Number of Beds
1989	52	3,992
1990	52	3,921
1991	51	3,897
1992	50	3,873
1993	50	3,855
1994	48	3,740
1995	46	3,410
1996	46	3,340
1997	46	3,340
1998	45	3,149
1999	46	3,176

MEDICAID FUNDING

The following table shows the non-long-term care-related Medicaid funding for the 1995-97 through the 1999-2001 bienniums:

	General Fund	Other Funds	Total
1995-97 (Actual)	$59,428,350	$170,281,772	$229,710,122
1997-99 (Estimated)	$67,171,387	$179,845,634	$247,017,021
1999-2001 (Appropriated)	$73,322,054	$192,485,751	$265,807,805

Of the total non-long-term care-related Medicaid funding the following table shows the impatient and outpatient hospital funding and the physician funding for the 1995-97 through the 1999-2001 bienniums:

	1995-97 Actual	1997-99 Projected	1999-2001 Appropriation
Inpatient hospital	$68,260,063	$62,436,841	$61,573,862
Outpatient hospital	$31,261,985	$32,146,227	$33,671,184
Physician services	$33,886,311	$35,794,799	$37,420,671

HEALTH CARE DATA COMMITTEE

North Dakota Century Code Chapter 23-01.1 provides for the Health Care Data Committee as a standing committee of the State Health Council. The Health Care Data Committee is to provide information to the public necessary for the enhancement of price competition in the health care market. Chapter 23-01.1 provides that the Health Care Data Committee:

1. May collect, store, analyze, and provide health care data.
2. May compile the average aggregate charges by diagnosis for the 25 most common diagnoses, annual operating costs, revenues, capital expenditures, and utilization for each nonfederal acute care hospital in the state.
3. Shall create a data collection, retention, processing, and reporting system that will allow the distribution of information comparing the average fees charged by each licensed physician practicing medicine in this state.

RURAL MANAGED HEALTH CARE

A national trend of rural hospitals is to become affiliated with another hospital or health system. In a national survey it was indicated that the majority of these types of affiliations were in an attempt to further managed care opportunities and help maintain the rural hospital's survivability. Benefits managed care may bring to the rural communities include the potential to improve the access to care in rural communities, the potential to improve the continuity of care for rural citizens, and the potential to increase support services to rural practitioners.

An issue unique to rural communities is the difficulty of recruiting providers. Although approximately 23 percent of Americans live in rural areas, only 12 percent of physicians practice in rural areas, and up to 25 percent of these rural physicians are expected to retire by the year 2000.

Rural areas remain relatively unattractive to managed care firms because managed care has been most successful where it has marketed itself to large employers. A concern related to rural managed care is that competition from urban-based plans could hinder or inadequately supplant the fragile safety nets of services to some rural communities that are sustained only by committed local physicians and

community-supported hospitals and clinics. Managed care plans that fail to recognize the special needs of rural communities can damage local economies, drive away existing medical providers, and leave rural areas with fewer health care resources than before.

DELIVERY OF HEALTH CARE STUDY PLAN

The following is a study plan the committee may want to consider in its study of the challenges facing the delivery of health care within North Dakota:

1. Receive information from interested organizations, entities, and individuals identifying the perceived challenges facing the delivery of health care within North Dakota.
2. Receive information from the University of North Dakota School of Medicine and Health Sciences regarding current initiatives of the School of Medicine and Health Sciences to maintain health care services in rural communities.
3. Receive information regarding the changes in the health care delivery system as a result of managed care.
4. Receive information from the University of North Dakota School of Medicine and Health Sciences regarding technological innovations affecting the delivery of health care in rural areas including information on telemedicine initiatives.
5. Receive information from the Health Care Data Committee on the various reimbursement rates and methodologies provided by insurance companies, Medicaid, Medicare, and other health care payers.
6. Develop recommendations to be provided to the Legislative Council and the 2001 Legislative Assembly regarding the challenges facing the delivery of health care within the state and consider any legislation needed to implement the recommendations.

ATTACH:1

Fifty-sixth Legislative Assembly, State of North Dakota, begun in the Capitol in the City of Bismarck, on Tuesday, the fifth day of January, one thousand nine hundred and ninety-nine

HOUSE CONCURRENT RESOLUTION NO. 3046
(Representatives Stefonowicz, Nelson, Schmidt, Severson, Solberg)
(Senator Solberg)

A concurrent resolution directing the Legislative Council study the challenges facing the delivery of health care in this state, including the concerns relating to reimbursement of hospitals for medical services, technological innovation, and possible regionalization of services.

WHEREAS, the delivery of health care is necessary for the health, safety, and welfare of all residents of this state; and

WHEREAS, changing demographics indicate the average age of a rural resident of this state is aging and the rural population is decreasing; and

WHEREAS, managed care is changing the manner of providing health care services in rural portions of this state; and

WHEREAS, shifting populations may cause regionalization of provisions of hospital services; and

WHEREAS, technological innovations such as telemedicine will affect the delivery of rural health care; and

WHEREAS, hospitals in this state are reimbursed for medical services by a variety of sources, including individuals, private insurers, Medicaid, Medicare, Indian Health Services, TRICARE, and Civilian Health and Medical Program of the Veterans Administration; and

WHEREAS, rural hospitals are facing financial hardship in part because of low reimbursement rates for medical services; and

WHEREAS, changes in the Medicare reimbursement rate schedule, a benchmark for health care insurers in setting reimbursement rate schedules, may negatively impact rural hospital reimbursement rates for medical services;

NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF NORTH DAKOTA, THE SENATE CONCURRING THEREIN:

That the Legislative Council study the challenges facing the delivery of health care in this state, including the concerns relating to reimbursement of hospitals for medical services, technological innovations, and possible regionalization of services; and

BE IT FURTHER RESOLVED, that the Legislative Council report its findings and recommendations, together with any legislation required to implement the recommendations, to the Fifty-seventh Legislative Assembly.