

**HOUSE COMMITTEE ON**  
**AUDIT & HUMAN SERVICES BUDGET REFORM**

March 06, 2003 Hearing Room 50  
3:00 PM Tapes 50 - 51

**MEMBERS PRESENT:**       Rep. Ben Westlund, Chair  
                                  Rep. Steve March, Vice-Chair  
                                  Rep. Jeff Kruse  
                                  Rep. Jeff Merkley  
                                  Rep. Alan Bates

**MEMBERS EXCUSED:**       Rep. Randy Miller  
                                  Rep. Susan Morgan, Vice Chair

**GUEST MEMBERS:**        Rep. Mitch Greenlick  
                                  Rep. Monnes Anderson  
                                  Rep. Carolyn Tomei

**STAFF PRESENT:**         Rick Berkobien, Committee Administrator  
                                  Kelly Fuller, Committee Assistant

**ISSUES HEARD:**         Informational Meeting - Invited Testimony Only  
                                  Stakeholder Group Reports  
                                  Rep. Ben Westlund, Chair  
                                  Rep. Jeff Kruse  
                                  Rep. Alan Bates

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These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

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<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
<b>TAPE 50, A</b> 001	Chair Westlund	Calls meeting to order, announces that the gentlemen invited to testify could not be here and he, Rep. Kruse and Rep. Bates will testify on their behalf as they chair the stakeholder meetings. Chair Westlund gives the gavel to Rep. March and he opens the informational meeting.
<b><u>INFORMATIONAL MEETING</u></b> 015	Rep. Westlund	Introduces himself and Rep. Kruse and Rep. Bates and talks about bringing the committee up to date on the workgroups on the Oregon Health Plan and Mental Health. Begins the presentation with the Oregon Health Plan and presents <b>(EXHIBIT A)</b> .
	Rep. Monnes Anderson	Asks for clarification on what the 145.9 is.
	Chair Westlund	Comments that it is the difference between the Governor's balanced budget 992. and the 846, which leaves us 145.9.

	Continues presentation.
Rep. Bates	Gives clarification of where the figures came from.
Rep. Kruse	Gives a detailed explanation of the numbers from the Governor's budget where these figures came from.
Chair March	Questions the comments from Rep. Kruse.
Rep. Bates	In the 846 number is included the cost of not having a prescription drug benefit, which drives up the cost in other areas and elaborates about adding back the pharmacy benefit.
Chair March	Comments about loss of Federal funds as we are not putting as much state funds in.
Rep. Bates	Comments that they stuck with general funds because that is our universe.
Rep. Westlund	Discussion of the boxes in <b>(EXHIBIT A)</b> .
Rep. Kruse	The only difference is that the middle box on this chart includes the numbers from Price Water House Coopers which is utilization and reimbursement and behavioral offset for prescriptions.
Chair March	Asks then does that number appear under the other funds category.
Rep. Westlund	Answers no, it just an offset in costs, if you do not have a pharmaceutical benefit your hospital costs are going up.
Chair March	We are assuming that a mandatory plan and a bare basic plan would include the four items in the lower box and the mandatory services, how much general fund do we need to do that.
Rep. Westlund	Comments that if you buy back all of those four benefits in the lower box, we will need 127 million.
Rep. Tomei	Asks if the 127 million is those buy backs in the third box.
Rep. Kruse	The 127 million is what we are short based on the governor's budget of funding everything that was in the second and third box.
Rep. Westlund	Including the 85 million positive gap away from that 200 million and come up with 127 million dollars additional to buy those four benefits back.
Rep. Greenlick	Comments that he thought the 145 stays there.
Rep. Westlund	Disagrees and elaborates.
Rep. Monnes Anderson	Asks if these figures are based on projected eligibles or eligibles we have now.
Rep. Kruse	Responds that they are based on the projected eligibles half way through the next biennium.
Rep. March	To sum up the conversation for clarification, if we wish to continue the Oregon Health Plan as it is somewhat constructed now, with our waiver structure, asks if we are going back to basic Medicaid.
Rep. Westlund	Explains in more detail
Rep. Kruse	comments the reality is under the current waiver, we could do what we are proposing here, because what would happen is what is already happening and the plans are dropping standard and all those people are still eligible and become fee for service and don't get service, but under the current waiver we could not afford in the budget we current have to do the match necessary to cover the population with the four categories there, right now if we did absolutely nothing we would go back to a basic Medicaid with a little bit of RX because that is all that is in the budget.

319	Rep. Tomei	Asks what four categories Rep. Kruse is referring to.
324	Rep. Kruse	Responds with the page number 2, drugs and durable medical.
	Rep. Kruse	Comments that technically, theoretically we may be able to get away with it under the current waiver, but what we are looking at is that we need to craft something that going to allow us to go past what the current waiver allows and be sustainable and expandable.
332	Rep. Bates	Discusses how we got the waivers, why we have the waiver and why the waiver is in jeopardy at this point.
375	Rep. Tomei	Would like to discuss what she thinks she just heard.
393	Rep. Kruse	Gives additional information to make this part of the process more clear.
423	Rep. Greenlick	Comments that it would go back to basic Medicaid.
<b>TAPE 51, A</b>		
016	Rep. Westlund	Makes additional comments for clarification and that this is where we are with existing resources.
031	Chair March	Comments about where we are still short with the budget.
039	Rep. Westlund	Comments that this is the mandatory minimum package and is reasonable by Federal standards and we will exceed that.
043	Rep. Greenlick	Asks if there is any other State that does this at the moment as minimum as that.
045	Rep. Westlund	Comments that he knows of no state that does not have a pharmaceutical benefit.
047	Rep. Kruse	The state of New Mexico does not have hospitalization in their Medicaid program, they got a waiver that allowed them to drop hospitalization.
049	Rep. Bates	Comments that Utah has a waiver that covers primary care only, no sub specialty care and no hospitalization and does cover pharmaceutical, they were thinking of putting money into primary care and keeping people out of hospitals as much as possible and out of sub specialists.
060	Rep. Merkley	Asks if we go back to the OHP plus, with these numbers put in front of us today are we only going to the income levels absolutely required..
077	Rep. Kruse	Responds to the numbers put in from of them.
079	Rep. Bates	Agrees with Rep. Kruse and elaborates.
087	Rep. Westlund	Comment that this is bare bones as you can get, we started from the basic and are still short and elaborates.
150	Rep. Kruse	Makes comments about Lynn Read's paper. <b>(EXHIBIT B)</b> and <b>(EXHIBIT C)</b>
	Rep. Bates	Comments that if we are successful in this process, we will be only successful in recreating a bare bones Medicaid product, no SCHIP, no standard and the cost shift to the commercial market is significant.
170	Rep. Monnes Anderson	Asks with the cost shift, she could easily see hospitals closing down, have hospitals been on the table in this.
178	Rep. Bates	Makes comments about the hospitals stability.
197	Rep. Westlund	Makes comments about hospitals verses commercial markets.
217	Rep. Merkley	Comments about ideas that have not been discussed, are they a smaller piece of this big picture.
240	Rep. Bates	Comments that all the details have been discussed and will be discussed in the next couple meetings.
264	Rep. Greenlick	Asks questions about the figures on the charts shared. <b>(EXHIBIT A)</b>

281	Rep. Kruse	Comments that we are not a ways and means committee and this is a very logical place to start.
298	Rep. Westlund	Comments that this is a very logical place to start unless you don't want to seek Federal match dollars then you start your zero base is the minimum you can do to receive the Federal match and that is where we started.
309	Rep. Kruse	Comments that they came up with what the minimum is to fund Medicaid with these buy backs and that is weighed off against the Governor's budget.
314	Rep. Bates	Inquires if he is saying that he wanted to see zero based budget build from the ground up.
318	Rep. Greenlick	Comments about zero based budgeting.
347	Rep. Westlund	Comments that you go to the 100 percent of the poverty line and you don't qualify for Federal minimum Medicaid anymore.
350	Rep. Greenlick	Understands, but the 100 percent minimum is what he thought could be one option.
358	Rep. Bates	Comments that we need to be pragmatic here we know fairly realistically what the amount of money is for the entire budget for the next two years is, but we have to go with something and what we decided was to take the Governor's budget and before the latest shortfall and already decreased it.
382	Rep. Merkley	Comments that if we keep a plan that looks more like today, asks what number does that drive us to. Comments that he is a little uncomfortable with the notion of starting with the assumption that all we have available is enough to cover the minimum and elaborates.

**TAPE 50, B**

011	Rep. Westlund	Makes comments to Rep. Merkley about his concerns.
055	Rep. Bates	Gives two perspectives on this process.
083	Chair March	Elaborates his opinion, once we have created the leanest meanest machine we can, we would like to price out what are currently the Oregon optional populations, which include the individuals and families up to 100 percent of the poverty level.
108	Chair Westlund	Elaborates on the future of this process.
133	Rep. Greenlick	He wants to point out that he endorses what has been said, what I was pushing at before was the looking at the balancing of three things and elaborates.
179	Rep. Westlund	Comments that we are working within available resources.
187	Rep. Greenlick	Made comments about the former Governor's plan.
196	Rep. Westlund	Comments that he cannot argue with someone who was there.
198	Rep. Bates	Comments what a bare absolute minimum would look like, and the surprise of how bad the numbers look.
236	Rep. Merkley	Has had folks coming into his office with these issues and their medical costs will cost more that the income they have coming in and he really feels that this is not ok.
274	Rep. Bates	Comments that he knows this is not ok and elaborates.
282	Rep. Westlund	Comments that we have gone way past just a report of the stakeholders group and comments on the challenges ahead.
318	Chair March	Asks the members to begin their testimony on the mental health stakeholders group.
320	Rep. Westlund	Begins the presentation on the mental health stakeholders group.
383	Rep. Bates	Makes additional comments regarding the group.

**TAPE 51, B**

017	Chair March	Makes comments about in sufficient room at the Oregon State
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		Hospital and no place to send these people, asks if we are looking at that part of the problem.
034	Rep. Westlund	Responds to in sufficient room at the Oregon State Hospital.
040	Rep. Kruse	Talks about the risks of people that leave the Oregon State Hospital, and elaborates with more details.
059	Chair March	Makes comments about those in the hospital and those in the jails that should not be there.
066	Rep. Kruse	Talks about the new model they would like to create to keep those people out of the system in the first place.
070	Rep. Greenlick	Says this all sounds very familiar and it has failed are we going to make the same mistakes again.
077	Rep. Bates	Comments that he understands the concern, but this program has been done in several counties and works well, he elaborates about how he feels the new system will work.
103	Chair March	Comments that he shares the same concern with Rep. Greenlick we always tend to find the community solution idea because it is a cost saver, only when we don't have the money.
108	Rep. Kruse	Sees this as another problem that presents an opportunity and it allows us to get to some best management practices.
123	Rep. Westlund	Makes his closing comments.
	Chair March	Calls meeting to a close and adjourns 4:55 PM

## **EXHIBIT SUMMARY**

**A – Informational, Mandatory Services for Mandatory Eligibles in 03/05, DHS, 1p**

**B – Informational, Oregon mandatory Populations, Lynn Read, 1 p**

**C – Informational, Possible Cost Containment Actions for 03/05, Lynn Read, 7 pp**