

SENATE SPECIAL COMMITTEE ON
ACCESS TO THE OREGON HEALTH PLAN

September 09, 2002 Hearing Room 50
10:00 a.m. Tapes 11 - 12

MEMBERS PRESENT: **Sen. John Minnis, Chair**
 Sen. Bev Clarno
 Sen. Ted Ferrioli
 Sen. Cliff Trow

MEMBERS EXCUSED: **Sen. Bill Fisher**
 Sen. Gary George
 Sen. Avel Gordly
 Sen. Rick Metsger
 Sen. Frank Shields

VISITING MEMBER: **Sen. Ken Messerle**

STAFF PRESENT: **Rick Berkobien, Administrator**
 Craig Prins, Counsel
 Patsy Wood, Committee Assistant

ISSUES HEARD: **Invited Testimony Only**
 OHP Mental Health
 DHS Policy Making

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.

TAPE/#	Speaker	Comments
TAPE 11, A		
004	Chair Minnis	Calls the meeting to order at 10:15 a.m.
015	Barry Kast	Assistant Director, Health Services, Department of Human Services (DHS). Points out the reorganization of DHS which has now put mental health under the category of Health Services. Informs the committee that they will be discussing the introduction of mental health into the Oregon Health Plan (OHP).
040	Chair Minnis	Notes his unfamiliarity with the previous DHS organization, and asks about the connection between the state and county mental health.
047	Kast	Discusses the partnerships DHS Health Services has with local providers and organizations.
071	Sen. Trow	Asks if there is still a Health Department within the DHS structure.
074	Kast	Says the legislature abolished the Health Division and gave those responsibilities to the director. Explains the new structure of the Health Division.

088	Chair Minnis	Comments that agency people shouldn't assume that legislators know an agency's organizational structure, and notes that staff has handed out DHS organizational charts (EXHIBIT A).
105	Margy Johnson	Deputy Assistant Director, Health Services, DHS. Gives a brief history of how mental health was included in the OHP. <ul style="list-style-type: none"> • 1995: pilot phase-in of only 25% of Medicaid-eligible population covered under the OHP. • 1997: mental health approved statewide. • 1998: up to 100% phase-in of mental health. <p>Says contractors are single-county agencies or groups of counties. Of 10 mental health organizations, all but 3 are county-based and the seven county-based have 90% of enrollees seeking mental health care.</p>
146	Chair Minnis	Asks if counties provide the service or contract for it.
148	Johnson	Notes different ways services are provided.
153	Chair Minnis	Asks if the counties providing the service are reimbursed by the OHP.
157	Johnson	Explains the contractor services and the consortium of counties that has been formed (EXHIBITS B & C).
166	Chair Minnis	Inquires if the consortium of counties provides services or subcontracts for the services.
170	Johnson	Responds that the state contract is an administrative management of the benefit package.
178	Chair Minnis	Tries to clarify the cash flow.
180	Johnson	Explains the relationship between the mental health organizations and the counties.
194	Chair Minnis	Asks what happens to the money after the state gives it to the mental health organization who distributes it to the counties.
195	Johnson	Responds that services are then provided by the county or by a subcontractor.
206	Chair Minnis	Asks how the fee-for-service fits within this framework.
208	Kast	Explains the essence of the OHP's capitation (managed care component): the state makes a payment based on an actuarial estimate of cost.
211	Chair Minnis	Asks: is it so much money per enrollee or is it fee-for-service or both.
214	Kast	Replies that capitation payments are paid on a per-member, per-month basis and the rates depend on which eligibility category an individual is in, so it costs more for a disabled person to receive health care.
218	Chair Minnis	Wonders if the entire system is set up that way.
221	Kast	Says rates don't change no matter how large the mental health organization is. Describes how the counties have "grouped" themselves to alleviate some of the health-care risk. Points out the individual contracts they have with Clackamas, Lane and Multnomah County.

249	Chair Minnis	Notes this is complicated and wonders if it is necessarily so.
250	Kast	Discusses how the administrative model seems to be working in terms of more people being served without rates going up significantly.
271	Chair Minnis	Asks if anyone has ever looked at how much money gets to patients after all the administrative costs are filtered out.
285	Kast	Notes the costs explored by the Office of Medical Assistance Program (OMAP). Says that information could be quantified for the committee, but not today.
304	Chair Minnis	Questions if all these layers of administration are the best model for delivering mental health services.
315	Kast	Maintains that people are getting services who never had access to mental health before, but others are still waiting to get into the system.
327	Chair Minnis	Asks if all categorical eligibles fit into mental health.
331	Kast	Nods affirmatively.
332	Chair Minnis	Asks: if the state rescinded the OHP and went back to the basic Medicaid package required by the federal government, would mental health be included.
336	Johnson	Responds that mental health is part of the OHP.
337	Chair Minnis	Understands mental health is part of OHP, but wonders if it is included in the federal minimum for Medicaid.
340	Johnson	Says, no.
345	Rick Berkobien	Committee Administrator. Asks Mr. Kast to touch on the integrated model approach that Oregon has been exploring with regards to acute health and mental health.
352	Kast	Before he answers the question about the integrated system, he notes that pharmaceuticals are not a part of mental health integration (capitation), but paid for on a fee-for-service basis.
365	Chair Minnis	Asks if pharmaceutical reimbursement to providers is separate.
374	Kast	Responds affirmatively, saying the cost for psycho tropic drugs is about \$250 million per biennium.
385	Sen. Messerle	Points out that one county in his district had developed an ending balance of between \$6.5 and \$6.9 million in seven years. Notes that the Mental Health Organizations (MHOs) are required to retain a \$250,000 reserve, but asks if counties are required to do this.
411	Johnson	Says that reserve figure is a requirement of the MHO contract, but is not a requirement of the counties.
423	Sen. Messerle	Asks if other contractors below the MHO should carry a reserve.
428	Johnson	Replies that the counties revenue and expenses have been reviewed quarterly as part of the financial statement review of the MHOs, and it is up to the MHOs to make sure the subcontractors are in a sustainable position.

TAPE 12, A

014	Sen. Messerle	Asks two questions: 1) are the MHO's appropriate in today's
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		society; and 2) would fee-for-service be more appropriate so services get to the citizens.
038	Chair Minnis	Notes confusion regarding the \$6.9 million reserve by the MHO in Sen. Messerle's district.
042	Sen. Messerle	Points out that the \$6.5 - \$6.9 million reserve is held by Coos County, not the MHO.
048	Chair Minnis	Asks if the Jefferson Behavioral Health MHO has a \$250,000 reserve.
050	Sen. Messerle	Yes. Has found that some counties have inadequate reserves while two counties in the state have very large reserves.
056	Chair Minnis	Wonders if reserves could be brought back into the state coffers for use elsewhere.
059	Sen. Messerle	Says that cannot be done.
061	Kast	Gives background history of the accounting procedures of the mental health organizations and the counties.
116	Kast	Mentions that Coos County is planning on spending some of their reserve on a new building which can run a modern mental health program. Explains how the Coos County reserve was accumulated. Says greater consistency needs to be brought to financial reporting.
136	Kast	Notes that under the current law, the state cannot ask for the \$6 million reserve to be returned. However, a proposed rate adjustment with the counties would prevent future overpayments.
145	Sen. Trow	Asks if reserves were built up because patients went unserved.
147	Kast	Responds that patients may have gone unserved or the capacity may not have been there to serve them. Notes these kinds of distortions (accumulations of capital) occur in areas other than mental health.
164	Sen. Trow	Wonders if those organizations/counties who prosper are not serving patients, and those with little money are serving many.
166	Kast	Responds that he couldn't conclude that.
167	Chair Minnis	Asks why not.
170	Kast	Replies that the funding chosen by the legislature for the Oregon Health Plan is a risk-based model and risk management is unpredictable.
187	Chair Minnis	Asks where this risk-based model is codified in statute.
194	Johnson	Responds that ORS 414 describes the rate-setting process that recognizes the actual rate to providers and this same language applies to the mental health rate-setting process.
206	Chair Minnis	Asserts that this statute should be more closely examined. Recounts stories that he has heard from employees of the Multnomah County mental health system that monies went missing when the previous director left.
232	Kast	Describes how capitation is risk-based.
242	Chair Minnis	Gives a brief history of de-institutionalizing mental health in 1993.
255	Kast	Discusses the building to be used for mental health patients in

		Coos Co.
268	Chair Minnis	Questions using operational funds to build a building.
278	Kast	Stresses that funds have not been redirected from patient care to build this new facility.
282	Chair Minnis	Asks how they would know that monies were not being set aside for another purpose.
282	Kast	Replies that data would indicate if that was happening.
309	Sen. Ferrioli	Offers a scenario: if the county had a surplus and the agency said they could expense certain items, wouldn't that shift mental health funds to the general fund of the county?
322	Kast	Repeats that there are different accounting procedures in each county.
343	Sen. Ferrioli	Wonders if the standardized accounting system used for education could be used for the OHP at the county level.
376	Chair Minnis	Says a discussion on this topic could be had with the counties.
378	Sen. Messerle	Describes areas where Coos County has been able to set aside \$1 million/year for the last six to seven years. Suggests more accountability for the mental health department. Feels the MHOs are an incentive for a public body to not give service and hopes to take a hard look at this issue next session.
417	Sen. Trow	Asks if patients are not being served when the county has this much reserve.
424	Sen. Messerle	Responds he is getting correspondence to that effect.
429	Sen. Ferrioli	Notes the problems when there is no standard accounting system.
447	Chair Minnis	Asks if the department has talked to the counties about a standardized accounting system.
459	Kast	Says he has not had those discussions. Notes the federal government has a standard reporting model.
467	Chair Minnis	Indicates he would like to have a briefing on the federal reporting requirements – especially if 36 counties are reporting them differently.
481	Kast	Points out that it has never been in enabling legislation to impose mandatory accounting on the counties – just an annual audit.
491	Chair Minnis	Concurs, but says it would be nice to have things standardized.
TAPE 11, B		
035	Sen. Trow	Comments on the need for more monitoring of these programs with the counties. Asks if the state or the counties contract with the MHOs.
042	Kast	Responds that the state contracts directly with the MHOs and they, in turn, contract with counties.
044	Sen. Trow	Asks if those contracts allow the state a “monitoring” role.
044	Kast	Replies, yes.
047	Johnson	Describes the reports that the agency receives on a quarterly and annual basis that show revenues and expenditures as well as their level of service.
051	Sen. Trow	Wonders if there is some way to know that all patients who

		require services are being seen.
054	Kast	Mentions the variations in access to services across the counties.
061	Sen. Trow	Asks if the department can demand a high level of performance from a county if a report shows it is lacking.
062	Kast	Says, definitely.
062	Johnson	Responds affirmatively.
063	Chair Minnis	Inquires how the department would demand that accountability.
064	Kast	Explains the mechanisms for that process.
078	Chair Minnis	Asks about the number and status of providers available in the local communities.
085	Johnson	Points out how the provider base has been growing in most communities with emphasis on out-patient treatment and early intervention.
098	Chair Minnis	Inquires if the department has been able to track emotionally disturbed persons (usually homeless) to see if their needs are being met.
106	Kast	Discusses changes made as the size of the state hospitals was changing: 1) get acute patients in other hospitals; and 2) place long-term care patients into community settings. Notes that group homes did not take care of the growing problems of the mentally ill and many found their way into the criminal justice system.
138	Chair Minnis	Comments on the lack of time spent on the issue of mental health.
163	Kast	Acknowledges a work group appointed by the Governor last interim on the adequacy of the mental health system. Points out that budgets for mental health services for adults, across the country, have declined when they should have risen with the close of facilities.
186	Sen. Trow	Inquires if the state is satisfied with the level of service being provided by the Mental Health Organizations (Exhibit B).
198	Kast	Says we're never satisfied, but pleased they stuck with us after their rates were cut a year ago.
203	Sen. Trow	Wonders if the providers feel they are being adequately funded to perform their job.
205	Kast	Responds that he hasn't heard they are not happy with the state.
211	Sen. Trow	Asks if other contractors have very large reserves.
214	Kast	Indicates most do not have large reserves and explains how net worth values are highly variable.
223	Sen. Trow	Asks for clarification that the state wants providers to have some reserve.
225	Kast	Replies, yes, they must have a reserve that can sustain them.
227	Sen. Trow	Asks if the state can look into excessive reserves.
229	Kast	Responds affirmatively.
237	Chair Minnis	Encourages legislative members to spend time learning more about this program/process.

249	Kast	Appreciates Sen. Messerle bringing issues forward and hopes the result of this inquiry will be a better-functioning administration and improvements in the whole system.
264	Lynn Read	Assistant Administrator. Office of Medical Assistance Programs (OMAP). Submits handouts (EXHIBITS D & E). Describes Exhibit E in more detail. Talks about Medicaid within the Oregon Health Plan (OHP).
314	Read	Says the OHP is driven by the health-care marketplace – not the other way around. Describes DHS organization in more detail (Exhibit A).
367	Read	Continues to describe the organizational “clusters” within DHS.
418	Read	Continues to describe the organizational “clusters” within DHS.
449	Read	Explains Exhibit D in more detail.
TAPE 12, B		
019	Read	Describes OMAPs process for setting policy.
058	Chair Minnis	Asks who does the legal work for OMAP and the Oregon Health Plan.
062	Read	Responds that General Counsel Linda Grimms (DOJ) would be the first contact.
069	Chair Minnis	Asks about the frequency of lawsuits for OMAP and the OHP.
071	Read	Replies that lawsuits filed are represented by the Department of Justice.
078	Chair Minnis	Wants Bobby Mink (DHS Director) to come in and talk about the decision-making process for the OHP. Asks who the key decision-makers are, when they meet and their relationship to the federal government.
092	Read	Responds that Barry Kast heads the Health Services division of DHS and has the ultimate responsibility for the Oregon Health Plan.
105	Chair Minnis	Wonders how much latitude managers have to make decisions. Expresses an additional interest in learning how the decision-making and policy-making occurs in DHS and the department’s relationship with the federal government on health policy.
123	Sen. Trow	Asks who in DHS does contracting with the HMOs.
125	Read	Replies that those contracts are done in OMAP.
129	Sen. Trow	Inquires if the contracts are uniform from one provider to another.
133	Read	Responds that the contracts are generally uniform for the MHOs.
139	Sen. Trow	Asks if they are based on actuarial studies.
139	Read	Says, yes. Notes that the MHOs use the counties as their delivery system which is a little different for the HMOs.
148	Sen. Trow	Inquires about a lawsuit with Deschutes County over inadequacy of funding. Asks if that is something different than the contract that was negotiated with them.
151	Read	Replies she hasn’t reviewed the complaint from the Central Oregon Independent Health Services (COIHS) plan, but says the lawsuit relates to their contract and is currently being reviewed

		by the Department of Justice.
157	Sen. Trow	Asks if the contract is due to expire so it could be renegotiated.
158	Read	Responds that all of the contracts come due at the end of September so the new contracts are out for signature for October 1.
161	Sen. Trow	Inquires if the state has not lived up to their end of the contract and thus the lawsuit.
162	Read	Replies that she cannot comment on an on-going lawsuit.
171	Sen. Clarno	Declares a conflict because she is on the Central Oregon Independent Health Services (COIHS) board.
175	Chair Minnis	Recesses the committee at 11:50 a.m. The committee is not reconvened by midnight, so by implied consent, the committee is adjourned.

Submitted By,

Reviewed By,

Patsy Wood
Committee Assistant

Rick Berkobien,
Administrator

EXHIBIT SUMMARY

A – Department of Human Services Organizational Charts, submitted by staff, 19 pgs.

B – Mental Health Organization Contractors, submitted by Barry Kast, DHS, 1 pg.

C – Mental Health Organization Liaisons, Start-up Dates, and Client Access Numbers, submitted by Barry Kast, DHS, 8 pgs.

D – Health Services Office of Medical Assistance Programs Organizational Chart, dated 8/2002, submitted by Lynn Read, DHS, 1 pg.

E – Chart on Medicaid and the Oregon Health Plan, submitted by Lynn Read, DHS, 1 pg.