

6

MINUTES OF JOINT MEETING - WAYS AND MEANS COMMITTEE
SENATE FINANCE COMMITTEE

NEVADA STATE LEGISLATURE

FEBRUARY 6, 1968

The joint meeting of Ways and Means and Senate Finance was called to order by Chairman Glaser at 2:30 PM in the Ways and Means Room.

Present: Glaser, Mello, Webb, Bowler, Ashworth, Young, Howard,
Tyson, Jacobsen

Absent: None

Present: Senate Finance Committee

Also Present: Mr. Earl Oliver, Assistant Fiscal Analyst
Mr. Howard Barrett, Budget Director
Mr. Gene Phelps, Deputy Budget Director
Mr. Philip C. Hannifin, Administrator, Welfare Division
Mr. Karl R. Harris, Director, Health & Welfare Dept.
Mr. Nelson Neff, Nevada Medical Association
Mr. Walt Merrell, Administrator of Title XIX, Welfare Div.

Mr. Glaser opened the meeting with introductions and remarks concerning the Medicaid program. He said we are interested primarily in finding out what went sour with the program between the time we invoked it until now.

Mr. Barrett prefaced his review of the budget material on this with special emphasis that these figures be taken as estimates - strictly estimates. He said that this material was developed with the Welfare Division under the new management and agreed upon by the Welfare Division and the Budget Office.

The program adopted by the last session of the Legislature was a basic program to pay medical bills for the recipients of welfare programs plus the people eligible for state welfare programs except for the residence requirement, lien requirements or responsible relative requirements. It pertains to ADC, OAA, Aid to the Blind, medically indigents over 65 in State institutions, and children under 21 declared medically indigent. It also covers a new area that the state did not previously participate in - medical aid to the totally and permanently disabled. Mr. Barrett went over the Title XIX Financing on Page 20 in the Budget Book. He explained the SAMI group (State Assistance to the Medically Indigent) as the fiscal intermediary between the Welfare Division and the medical vendors. The Program Administration material was also gone over.

We are using the MAA payments under the state's old law for obligations incurred before July 1 to qualify those under old age who also have Social Security to qualify for aid. We are paying Social Security supplemental medical insurance premiums so the federal government has to pick up their medical costs rather than get them under Title XIX.

The Vendor Payments was discussed. Mr. Barrett said we are still receiving bills for July, August, etc. so no month is complete as far as billing coming in. The case load has not peaked out yet; most states' case load does not peak out until at least 18 months after the program is in operation. For this reason, we feel that our program is in trouble unless additional appropriations are made. Some under OAA who do not qualify for money grants do qualify for state aid to the medically indigent. Some don't qualify because of the lien requirement or residency or relative rule

but do come under Title XIX. Also, we have the Aid to the Permanently and Totally Disabled which were previously taken care of privately or by county.

In conclusion, we are asking for \$1,200,000 in supplemental funds, next year. It is unfair to make a conservative estimate of what this program would do. We are trying to hit in the middle. We feel that \$600,000 State money this year and \$1,200,000 next yr. is realistic.

Mr. Barrett then went over the alternatives on Page 22. He said the repeal alternative was turned down as it was not a responsible alternative. It would provide no money at all on the state level, leaving these medical indigents to the counties general welfare projects. Also, unless the State is a participant in Title XIX, there will be no federal monies added after December 1969. The 1.2 million plus last year's appropriation equals about \$2,172,000. This is worked into the old program before July 1, 1967, on Page 23. There is about \$369,000 not covered by any government, which are picked up in Title XIX program. Presumably, they were not paid by any government prior to Title XIX. These are worked out in the same ratio that counties and the state were paying before.

Page 24 compares figures with and without Title XIX. Mr. Barrett said that we are boxed in with the program. He could not recommend going back to the program which the state had before. It would cost more, even though we think the cost of this program is greater than it should be. Therefore, several ways of controlling costs are outlined on Pages 25 & 26. We looked into cutting out various parts of the program in order to keep costs down, but this would result in an increase in private patient care or it would be thrown back to the counties to pick up with 100% county money rather than 50% state money. However, in some areas we can put on some controls. We can negotiate contracts with nursing homes based upon reasonable rates, kinds and quality of service, and rates for standard services so the amounts will be fair charges for what the recipients are receiving. Also, we can review to make sure these people still need to be in the nursing homes. This is included in the Utilization Review section on Page 26. On Page 27, the second recommendation should not be there. It was an attempt to get the vendors to get their bills in, but 60 days is probably not a sufficient length of time when most have to be submitted to the federal medicare program before they get back to the state's Title XIX program. We would like to do this by administration's tightening up on this.

In answer to question of a way to keep track of the case load figures, Mr. Hannifin said that every month payments are made and checks go out to the vendors. At that time, we have a count made of the number of persons those payments are made for. Upon further questioning, Mr. Hannifin stated there are 12,243 people eligible for the program.

Senator Gibson commented that somehow we must pare this down. How do you process a case that comes under Title XIX? Don't you know anything about it until after the fact? Mr. Hannifin said this is true in many cases because of OA. Medicare will pay anything possible before the state pays any of the bills. Medicare must refuse it before we even consider these bills. The accounts are duplicated inasmuch as each vendor lists each patient so the same person appears on several lists. However, I can give you an unduplicated count of persons receiving care by vendor category.

In answer to Senator Lamb's question of who sets the rate on nursing homes, etc., Mr. Hannifin replied that the physician's fee is 78% of his house rate - the only vendor group which has voluntarily taken a reduced level of payment. As to the cost per day to put a person in a nursing home, Mr. Hannifin said that in private nursing homes it could go from \$10.40 up to \$18.50 depending on the facility. In public nursing homes operated by the county the rate could go from \$15 up to \$28 per day depending on the facility. There is no ceiling; the rate is based upon audited costs. For private nursing homes it is the original rate cost plus 7% of invested equity (old rate of payment prior Oct. 1) less 50¢ per day. We would negotiate and enter into a contract and would attempt to establish a rate based on audited costs. To clarify discussion, Mr. Hannifin stated that there is a difference between a return on equity and invested equity. In answer to question, 50% of the bed space in nursing homes is filled by Title XIX recipients.

Senator Lamb asked what would happen if we put a ceiling on the rates. Mr. Hannifin replied that public nursing homes could refuse to take our patients. Private operators would continue to go along with us.

Senator Pozzi asked who determines the 7% rate - the federal government? Mr. Hannifin said that they entered into it last July. It was agreed upon by private nursing homes and the State Welfare Department.

Discussion on the invested equity rate and the cost of nursing home - who determines the cost. Mr. Hannifin said the committee could get the accounting firm which handles this to come in to discuss it.

Senator Brown asked what percentage increase has developed since we went into Title XIX and the length of stay in comparison to what time the patient stayed in before. Mr. Hannifin said that we are still paying MAA bills under the program prior to July, but nearly all are paid off now. For the fiscal year 1966-67 we feel the total cost \$2,700,000 takes about 50% of what the old program was provided for this year. In terms of how long patients were staying in those days, we don't have those figures. At the time Title XIX came into effect, the Welfare Division was in the process of converting to computers and have had to learn how to go about getting this data. Prior to this we had no efficient method of getting that information and so it was not done. Of amounts paid out in 1966-67: 60% went to nursing homes, 10% to hospital in-patient-care; 9% to labs, etc.; 14% to physicians; and 5.9% for drugs.

Discussion on lack of controls on Title XIX - more control in the county. As to who determines who goes into nursing homes, Mr. Hannifin said that first we must establish eligibility; then everything that happens to the person from then on is prescribed by the physician. These things are reviewed, however, and there have been cases of reimbursement of monies paid. He said the intent of this new program was to better the quality and increase the quantity and this has happened! No one could have guessed how much the cost would be. The counties did not have definite figures for this projection. We are now getting a better picture and at the end of the year we will be able to explain far better.

Discussion on need for appropriations which was not evident in November. Mr. Barrett said that up until November we had received very little information on what had been paid out and what we had received was incomplete because not all the bills were in.

Senator Gibson commented that the big intent of the Title XIX program was not so much emphasis on increased care and better, but more economical for the state and the counties. Now we find out this is not the case and is a cause of concern in the counties which their costs are piling up. Mr. Hannifin said he could not possibly represent Medicare as an economical program. It was pointed out that that is the way it was presented to the committees.

Mr. Glaser commented that there was supposed to be a \$100,000 savings at the state level as we would be picking up additional money from the federal government, and also they would be receiving better care. Discussion on the amounts given last year and those of differing, higher amount of cost this year.

Mr. Barrett reminded the committees that this Title XIX program was not in the Governor's budget as presented to the session at the beginning of last session. He said they could not feel comfortable with the figures. During the session we became more comfortable with them and fell for it. We probably would not have if we had these figures now. Again, he cautioned the committees that these are not firm figures - just estimates.

Discussion on making recommendations to curtail expenses on this program,--state how much the state will give and no more!

Mr. Hannifin pointed out that if you take away the public nursing home deal, the counties end up picking up the tab. There were certain limits in the old program, such as not paying physicians, which is one big area of expense while other areas are dropped. A relative value study is made on physicians fees and this sets the amount they could charge the recipient, and then, 78% of this is the amount. Under federal Medicare, the full amount is paid.

Mr. Glaser questioned whether we could lower the level of indigents. If we lowered it for Title XIX, would we have to do the same thing in categorical grants and also mentioned was the fact that already our standards are based upon the level of '57. If we lowered it, we would have to lower the standards in all the programs.

Senator Fransway commented on the determination of eligibility by the case worker and from that point on the Welfare Department has nothing to do with where that patient goes. Mr. Hannifin said this was true. We are in the process of establishing medical audits and utilization reviews. We will be working with the social worker and review what is happening to people in nursing homes. A big problem in the state now is the lack of facilities for those who need just a small amount of care. We need an intermediary facility that acts in this area.

Discussion on the rules getting the patient into a rest home, as they usually then stay in for life - also looking to the case worker to make sure they are really eligible. Mr. Hannifin pointed out that federal government regulations prevent the invocation of residence or relative requirements.

Further discussion on the 7% rate and the proposal of negotiating contracts with individual nursing homes. Comment that we are paying less in private than in the public homes.

Mr. Glaser announced that in agreement with Senator Lamb, a special study committee would be formed to research this matter. Meeting Adjourned 3.30