

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-first Legislature – First Regular Session

COMMITTEE ON HEALTH

Minutes of Meeting
Wednesday, January 30, 2013
House Hearing Room 4 -- 9:00 a.m.

Chairman Carter called the meeting to order at 9:07 a.m. and attendance was noted by the secretary.

Members Present

Mrs. Brophy McGee
Mrs. Gonzales
Mr. Lovas

Mr. Meyer
Ms. Steele
Ms. Townsend

Mr. Boyer, Vice-Chairman
Mrs. Carter, Chairman

Members Absent

None

Committee Action

HB2045 - DP (8-0-0-0)
HB2046 - DPA (8-0-0-0)
HB2164 - DP (8-0-0-0)

HB2398 - DP (8-0-0-0)
HB2406 - HELD
HB2409 - HELD

CONSIDERATION OF BILLS

HB2406 – medical board; licensure requirements – HELD

HB2409 – dental hygienists; examinations – HELD

Chairman Carter announced that HB2406 and HB2409 will be held.

HB2045 – AHCCCS; hospital reimbursement methodology – DO PASS

Ingrid Garvey, Senior Majority Research Analyst, explained that Laws 2012, Chapter 122, allowed the Arizona Health Care Cost Containment System (AHCCCS) to adopt a payment methodology consistent with Title 19 of the Social Security Act, with legislative approval. HB2045 provides legislative approval (Attachment 1). It also allows AHCCCS to make additional adjustments to the rates as outlined, permits AHCCCS to provide additional reimbursement for extraordinarily high-cost cases and contains an intent clause.

Chairman Carter, sponsor, asked Tom Betlach, Director, Arizona Health Care Cost Containment System (AHCCCS) to speak about HB2045.

Tom Betlach, Director, Arizona Health Care Cost Containment System (AHCCCS), stated this bill is a change in methodology for how AHCCCS pays inpatient hospital claims, which currently amount to about \$1.6 billion per year. With the Governor's Medicaid coverage proposal, the amount will increase to over \$2 billion. The current system of reimbursing inpatient stays is antiquated. Reimbursements are currently based on the number of days an individual stays in the hospital, and AHCCCS wants to move toward reimbursing patients based upon an individual's diagnosis. This system is currently in place in seven states, seven more states are considering adopting the system, and three states are currently evaluating the system. This system is a move toward quality rather than quantity and gives AHCCCS the ability to consider making changes in relation to not reimbursing for preventable readmissions and other types of negative outcomes. AHCCCS will pay the same amount that is currently being paid with the existing per diem system.

He added that over the past year, AHCCCS has been engaged in stakeholder meetings with hospitals in group and individual meetings. A special group met to deal with rural hospitals' unique needs. The discussions have been beneficial and the hospitals made good suggestions. AHCCCS is still continuing to finalize the system, make tweaks and ensure it is understood by everyone. There is currently a four-year phase-in plan, but this legislation is needed to move forward.

Chairman Carter expressed appreciation to AHCCCS for engaging in the stakeholder process and continuing conversations.

Jeff Hamblen, Chief Executive Officer, Little Colorado Medical Center, Winslow, neutral on HB2045, stated that the Center is a small hospital with 25 beds and a critical access designation from Medicare. He related this legislation is important to the Center and he applauds AHCCCS' efforts to modernize an old system, but urged the Committee to ensure that the bill recognizes diversities in the hospital system.

In response to questions, he indicated that when the diagnosis-related group (DRG) system was first developed by Medicare and applied to hospitals, there were about 466 diagnosis-related groups; now there are thousands of diagnosis-related groups. There are only one or two payers he is involved with who use that kind of system and it is not applied to a large percentage of patients. He will have to develop a capability that does not exist, which large hospitals already have. The Center does not have the volume of patients this system typically works with; the average length of stay of patients is 2.9 days and there are only 1,400 admissions per year. He is worried that while the Center may be paid on an individual admission basis, it may not have the volume of patients to generate sufficient revenue to cover fixed costs, which are very high in a rural hospital.

Mr. Betlach responded that has been part of the discussions with rural hospitals. One of the weaknesses of the existing system is there is no differentiation between what AHCCCS pays an urban hospital and a rural hospital. AHCCCS is proposing to provide increased funding for rural critical access hospitals, which he expects will do better as a result of the proposed system. Dialogue will continue, but he said he believes this system is an improvement for those facilities.

He acknowledged that the bill contains language providing AHCCCS the ability to recognize the uniqueness of rural hospitals, different geography and different types of specialty hospitals, which will be incorporated into the modeling.

In response to questions, Mr. Hamblen related that the concerns he expressed are shared by colleagues in other rural hospitals. He met several times with Mr. Betlach and his staff and there was a chance before the last meeting to review some data. In the modeling that was done, there is an opportunity for a higher reimbursement than is currently received under the present antiquated system, but there is volatility in that because of fluctuation in the volume of patients. Additional dialogue is needed with Mr. Betlach and his staff, and there is recognition of their unique situation in the bill, so he is hopeful that a resolution can be found.

Mr. Betlach responded that he believes it is important to modernize the system. AHCCCS has a partnership with the hospitals and has worked well with them in the past. As long as AHCCCS has enough flexibility, which he said he believes the bill provides, AHCCCS will move forward with a system that provides and meets the needs of unique hospitals in Arizona. Rural facilities are very important to the network so AHCCCS does not want to do anything to jeopardize their viability.

Chairman Carter said this issue has been discussed for the last two years and expressed appreciation for the language in the bill to address geographical concerns.

Vice-Chairman Boyer moved that HB2045 do pass.

Names of persons who signed up in support of HB2045 but did not speak:

Deb Gullett, Arizona Association of Health Plans

Beth Lazare, Deputy Director, AHCCCS

Stuart Goodman, Lobbyist, Dignity Health

David Landrith, Vice President of Policy & Political Affairs, Arizona Medical Association

Ryan Harper, Triadvocates LLC, Abrazo Health Care; Vanguard Health Systems

Helena Whitney, Director, Government Relations & Legislative Affairs, University of Arizona
(UA) Health Network

Kathryn Busby, HealthNet of Arizona

Sue Braga, Executive Director, Arizona Chapter of the American Academy of Pediatrics

Jennifer Carusetta, Chief Legislative Liaison, AHCCCS

Gibson McKay, University of Arizona Health Network

Jason Bezozo, Senior Program Director, Government Relations, Banner Health

Names of persons who signed up as neutral on HB2045 but did not speak:

Suzette Armijo, LeadingAge Arizona

Dawnna Mendibles, Dining Room Supervisor, LeadingAge Arizona

Jayne Reynolds, LeadingAge Arizona

Jennifer Walls, LeadingAge Arizona

Dennis Grindel, LeadingAge Arizona

Question was called on the motion that HB2045 do pass. The motion carried by a roll call vote of 8-0-0-0 (Attachment 2).

HB2046 – AHCCCS; omnibus – DO PASS AMENDED

Vice-Chairman Boyer moved that HB2046 do pass.

Ingrid Garvey, Senior Majority Research Analyst, explained that HB2046 makes a variety of changes to the AHCCCS statutes (Attachment 3).

- The Carter two-line amendment to HB2046 allows for the electronic submittal of applications by AHCCCS applicants (Attachment 4).
- The Carter 17-line amendment to HB2046 reinstates the statutory framework for the Medical Expense Deduction Program (Attachment 5).

Jennifer Carrusetta, Chief Legislative Liaison, Arizona Health Care Cost Containment System (AHCCCS), in favor of HB2046, said the AHCCCS statutes are 30 years old, so it is necessary to do some clean-up. The Carter two-line amendment allowing for the submission of electronic applications is a clarifying change that did not make it into the bill when it was drafted. AHCCCS already receives about 46 percent of applications online and the statute requires written applications. The Carter 17-line amendment removing the Medical Expense Deduction Program from AHCCCS, which is not funded currently and has no enrollment, is a policy decision for the Committee.

Vice-Chairman Boyer moved that the Carter two-line amendment to HB2046 dated 1/25/13 (Attachment 4) be adopted. The motion carried.

Vice-Chairman Boyer moved that the Carter 17-line amendment to HB2046 dated 1/28/13 (Attachment 5) be adopted. The motion carried.

Vice-Chairman Boyer moved that HB2046 as amended do pass. The motion carried by a roll call vote of 8-0-0-0 (Attachment 6).

Names of persons who signed up in support of HB2046 but did not speak:

Stuart Goodman, Lobbyist, Dignity Health

David Landrith, Vice President of Policy & Political Affairs, Arizona Medical Association

Deb Gullett, Arizona Association of Health Plans

Kathryn Busby, HealthNet of Arizona

Sue Braga, Executive Director, Arizona Chapter of the American Academy of Pediatrics

Barbara Fanning, Legislative Liaison, Arizona Hospital and Healthcare Association

HB2398 – board of dental examiners; omnibus – DO PASS

Vice-Chairman Boyer moved that HB2398 do pass.

Maritza Heras, Majority Intern, explained that HB2398 requires that if a dentist, dental hygienist, certified denturist and an applicant for licensure or certification is ordered to undergo a physical, psychological, psychiatric or competency evaluation by the Board, the licensee, certificate holder or applicant bears the cost of the evaluation (Attachment 7). It also forbids the Board from

acting on allegations and complaints of unprofessional conduct, unethical conduct or any other violation older than six years except for medical malpractice settlements or judgments.

Chairman Carter, sponsor, asked Stuart Goodman, Board of Dental Examiners, to speak to the bill.

Stuart Goodman, Lobbyist, Board of Dental Examiners, in favor of HB2398, testified that this bill is the result of a stakeholder process over the Interim. Requiring the licensee to pay for evaluations is an ongoing trend in government; eleven boards and commissions have a similar or identical component in their existing statutes. It is designed to ensure that “bad actors” pay for the cost of their issues. The limitation on complaints after six years is also a growing trend that is consistent with the Board’s statutes in terms of record retention. After six years, it is difficult to conduct an investigation when the records are no longer retained; this does not include malpractice, which typically goes on much longer.

Question was called on the motion that HB2398 do pass. The motion carried by a roll call vote of 8-0-0-0 (Attachment 8).

Names of persons who signed up in support of HB2398 but did not speak:
Kevin Earle, Executive Director, Arizona Dental Association
Elaine Hugunin, Executive Director, Board of Dental Examiners
John MacDonald, Arizona Dental Association

HB2164 – DHS; food inspection; exception – DO PASS

Vice-Chairman Boyer moved that HB2164 do pass.

Jean Martinez-Vera, Majority Staff Intern, explained that HB2164 specifies that *all* locations, rather than just locations that have a display area less than 10 linear feet, that sell only commercially prepackaged food or drink that is not potentially hazardous, are exempt from the rules relating to food and drink (Attachment 9).

Representative John Kavanagh, sponsor, stated while researching the possible need to do some tweaking to another part of the food and beverage control law, it was pointed out to him that this section imposes an unnecessary regulation. Prepackaged, non-hazardous food and drink, such as a six-pack of soda or a candy bar, do not pose a health threat, which was exempted, but only for stores with less than 10 linear feet. He does not know the reason and DHS does not believe the provision is necessary. This bill removes the exemption so facilities that sell prepackaged, non-hazardous foods no longer have to be inspected and pay licensing fees.

Question was called on the motion that HB2164 do pass. The motion carried by a roll call vote of 8-0-0-0 (Attachment 10).

Names of persons who signed up as neutral on HB2164 but did not speak:
Colby Bower, Director of Government Relations, Arizona Department of Health Services
Beth Lewallen, Maricopa County Board of Supervisors

Without objection, the meeting adjourned at 9:38 a.m.

Linda Taylor, Committee Secretary
February 5, 2013

(Original minutes, attachments and audio on file in the Chief Clerk's Office; video archives available at <http://www.azleg.gov>)