Chairman Blendu called the meeting to order at 2:01 p.m. and roll call was taken by the secretary.

Members Present

Senator Allen
Senator Huppenthal
Senator Mitchell
Senator Blendu, Cochair
Representative Boone
Representative Downing
Representative Rios
Representative Jim Weiers (Ex-Officio)
Representative Yarbrough
Representative Knaperek, Cochair

Members Absent

Senator Giffords
Senator Bennett (Ex-Officio)

Speakers Present

Debra Davenport, Auditor General
Kim Hildebrand, Manager, Performance Audit Division. Office of the Auditor General

Approval of Minutes of October 7, 2004 Meeting

Chairman Blendu stated that without objection, the minutes are approved.

Assignment of Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers Review

Debra Davenport, Auditor General, proposed that the Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers be assigned to a Committee of Reference (COR) for review (Attachment 1, Section 1).

Mrs. Knaperek commented that there are currently many health regulatory committees. She has received several complaints about over-regulation and the fact that boards are not willing to work with people so they can do their jobs and earn money; therefore, she plans to review models from
other states to determine how to do a better job in Arizona and become more consumer-friendly, while holding the line on public safety.

Mrs. Knaperek moved that the Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers Review be conducted by the COR. The motion carried.

Consideration and Approval of Committee of Reference Assignments for the 2005 Sunset Cycle and the 2005 Non-Sunset Audits

Kim Hildebrand, Manager, Performance Audit Division, Office of the Auditor General, reviewed recommendations for Committee of Reference Assignments for the 2005 Sunset Cycle and 2005 Non-Sunset Audits (Attachment 1, Section 2).

Mrs. Knaperek moved that the COR assignments for the 2005 Sunset Cycle and the 2005 Non-Sunset Audits be adopted as printed. The motion carried.

Consideration and Approval of Revised 2006 Performance Audit Schedule

Ms. Davenport requested that sunset reviews for the Arizona Criminal Justice Commission (ACJC), Arizona Board of Osteopathic Examiners, Governor’s Regulatory Review Council (GRRC), and the Board of Respiratory Care Examiners be removed from the Auditor General’s Office and reassigned to a COR. This would free up resources in the Auditor General’s Office to conduct audits required by S.B. 1239 (special audit of Arizona Department of Health Services’ [DHS] delivery of behavioral health services to the seriously mentally ill population in Maricopa County) and S.B. 1515 (performance audit and financial audit of the Arizona Health Care Cost Containment System [AHCCCS] Healthcare Group Program) (Attachment 1, Section 3). She noted that there has been some discussion about retaining GRRC on the audit schedule. If that is the Committee’s wish, one of the other smaller commissions could be substituted, such as the Board of Fingerprinting.

Senator Huppenthal stated that the last time GRRC was audited, it appeared the agency was doing a highly efficient job; however, he has not had the same feedback about the fingerprinting entity.

Mrs. Knaperek said if boards are going to be reviewed in the context of over-regulation, she believes it is important to include GRRC. She has not received complaints about GRRC, and did not know which commission to substitute because she believes all of the audits should be conducted; however, the Attorney General’s Office only has so much money and full-time equivalents. Apparently it is also difficult to hire people because of the inadequate salary.

Senator Huppenthal suggested auditing not only the performance of GRRC, but the entire statutory structure.

Referring to a 2006/2007 Audit Schedule, Ms. Davenport related that GRRC is due to be audited on October 1, 2006 and is scheduled to terminate on July 1, 2007 (Attachment 2). The year of the last audit was 1996. The Board of Fingerprinting has been established for two or three years, and it is best for an agency to have some time to operate so data is available to audit. Referring to the 2008/2009 Audit Schedule, she noted that JLAC has not yet been asked to comment on
which of the agencies the Auditor General’s Office should audit versus assignment to a COR. The schedule is included to show their future workload.

After some discussion, the Members agreed to substitute the Acupuncture Board of Examiners.

Mrs. Knaperek moved the reassignment of the following sunset reviews from the Auditor General to a Committee of Reference: The Arizona Criminal Justice Commission, Arizona Board of Osteopathic Examiners, Board of Respiratory Care Examiners, and the Acupuncture Board of Examiners.

Mr. Downing questioned if it is within the purview of the Members to appoint a COR as a Subcommittee of JLAC for a more in-depth review of an agency such as ACJC. Chairman Blendu responded that he does not believe the Committee has that power.

Ms. Davenport related to Senator Allen that she anticipates the audit of the Healthcare Group Program to be fairly extensive because financial and performance audits are required, which is not typically done under the sunset statutes. Also, it is a new program that has not been audited before, so there is no background information available. It takes a lot of time to gather that, flow chart the processes, and conduct research on models in other states.

Senator Allen perceived that the audit of DHS’ delivery of behavioral health services to the seriously mentally ill population in Maricopa County will be very extensive, noting that she understands serious problems exist.

Senator Huppenthal remarked that there are some severe policy disagreements about what is being done at AHCCCS and the potential to undermine private insurance companies, etc., which he would like to see addressed in the audit. Ms. Davenport noted that at the onset of performance audits, a letter is sent out asking for concerns or issues the legislators would like reviewed, and she would be glad to meet with him on that before the audit begins.

Senator Blendu suggested that Members who would like to see certain issues addressed contact Ms. Davenport.

Question was called and the motion carried.

Other Business

Senator Huppenthal noted that the state now has a self-funded plan for health insurance for state employees. One of the reasons the plan was implemented was to manage healthcare expenses on a longer-term basis, and an immediate savings was not anticipated; however, he is hearing that the actuary estimates as much as a 20 percent cost increase. At some point, an analysis should be conducted to determine if something in the delivery structure is driving the cost disproportionate to other delivery systems.

Senator Allen noted that during meetings on the self-funded plan, she asked the Arizona Department of Administration Director, Betsey Bayless, about rumors of a 16 percent increase, which Ms. Bayless confirmed. Senator Allen made the point that the plan was supposed to save money, but Ms. Bayless was very forthright in stating that everything is increasing and there
would be increases in healthcare costs. Senator Allen added that she would also like to know why.

Senator Huppenthal noted that funds were provided in the budget for actuaries in relation to the Arizona State Retirement System and wondered if an actuarial analysis of the healthcare delivery system is possible. Mr. Boone advised that money was also provided next year for an actuarial for the healthcare system. There is an actuarial study to justify the increases, but an independent study can be done for comparison.

Mr. Downing remarked that the self-insurance plan was implemented with minimal data, so he does not believe anyone should be surprised that the first approximate guess of the cost of the program is not correct.

Without objection, the meeting adjourned at 2:37 p.m.

Linda Taylor, Committee Secretary
May 26, 2005

(Original minutes, attachments, and tape are on file in the Office of the Chief Clerk.)