

**MINUTES**  
**LEGISLATIVE FISCAL COMMITTEE**  
**of the LEGISLATIVE COUNCIL**  
**November 15, 2000**

The Legislative Fiscal Committee of the Legislative Council met November 15, 2000, in the Speaker's Conference Room, State Capitol Building, Des Moines, Iowa. Co-chairperson, Representative Dave Millage, called the meeting to order at 10:10 a.m. Other members present were:

Senator Derryl McLaren, Co-chairperson  
Senator Tom Flynn  
Senator Pat Harper  
Senator JoAnn Johnson  
Representative Libby Jacobs  
Representative Pat Murphy  
Representative Steve Falck  
(designee for Representative Don Shoultz)  
Representative Jack Drake  
(designee for Representative Jamie Van Fossen)

**APPROVAL OF MINUTES**

Representative Murphy made a motion to approve the minutes of the Legislative Fiscal Committee meeting held September 26, 2000, (**Attachment A**). The minutes were approved.

**REVENUE UPDATE**

Dennis Prouty, Director, Legislative Fiscal Bureau (LFB), presented a revenue update. The Revenue Estimating Conference (REC) met on October 12 (**Attachment 1**).

The REC estimated a 3.9% increase for FY 2001 and a 4.3% increase for FY 2002, before transfers. After the transfers, (the significant one for this current year is the \$64.6 million from the tobacco money), the percentage growth for FY 2001 would be 5.1% and for FY 2002 drops to 3.0%. Using these figures, the REC estimates a \$160.6 million increase in revenue for FY 2002.

Representative Millage asked if the estimate of \$160.6 million is in addition to the estimated ending balance for FY 2001 and how much of these fund can be used. Mr. Prouty answered yes, this would be in addition to the estimated \$100 million ending balance, and all of it can be appropriated.

Mr. Prouty stated a balance sheet with departmental appropriation requests could be available at the next meeting. Using the assumptions that are in the built-ins schedule now, the ending balance as of FY 2002 will drop to \$70 million. School aid was calculated at 4% allowable growth, and property tax at a 5% increase. Mr. Prouty reported receipts for the last two weeks have been averaging 3.1% on a day-to-day basis.

### **FY 2002 BUILT-IN INCREASES**

Dave Reynolds, LFB, presented an initial estimate of FY 2002 built-in increases **(Attachment 2 is a revised version of Attachment B)**.

He reviewed the various estimated funding for the built-ins for FY 2002 and FY 2003, which total \$184.5 million and \$187.1 million respectively. He discussed the Collective Bargaining Salary Packages, Machinery and Equipment Property Tax, Education and Early Intervention/Reduce Class Size, Elderly and Disabled Credit, and the Department of Human Services.

Representative Millage stated that from a fiscally responsible viewpoint it is not wise to spend the entire ending balance in one year. Mr. Prouty stated that ending balances are one-time money.

Represented Millage commented that for salaries for State of Iowa employees, the Legislature has usually allowed the Governor to negotiate the salary packages and the Legislature normally funds what he requests. He asked if there is anything to prevent the Legislature from telling the Governor he can negotiate, but the Legislature will be funding a 2% increase.

Senator McLaren stated that if there is \$160 million of new money available, and \$185 million of built-in increases, there would be a \$25 million decrease in funds before any new appropriations were considered.

Representative Murphy asked if the Legislature has ever failed to follow the Executive Branch Collective Bargaining agreement, since Collective Bargaining was passed in 1974. Mr. Prouty answered yes, a few years ago the unions and the Governor went to court and in those years, the non-contract employees did not receive a cost-of-living salary increase, although the contract employees did receive an increase.

Representative Murphy asked if the Legislature has followed the Executive Branch or has there been deviations from it. Mr. Prouty responded there have been deviations.

Representative Millage asked for clarification on the salary funding issue in 1992 at the next meeting. Representative Murphy stated that in 1992 State of Iowa employees who were not a part of the contract bargaining unit did not receive a salary increase. Representative Millage thought that everybody received the salary increase at an

approximate cost of \$110 million as employees received two years of raises at the arbitrator's rate. Although the first year was not funded, the second year funded two years of salary increases for non-contract employees.

Senator McLaren stated that if there is shortfall for the allocating of the salary package, the Department of Management has the discretion of managing those restricted funds.

Representative Falck asked Representative Millage if it was his intent to fund salaries at two percent. Representative Millage responded that no decision has been made. A decision prior to the Revenue Estimating Committee meets in December to estimate revenues would be premature, the point being that the Legislature has some discretion and doesn't have to follow the Governor's suggestion on this issue

### **FY 2002 BUDGET TIMETABLE/GOVERNOR'S BUDGET PRIORITY HEARING SCHEDULE**

FY 2002 budget timetable and Governor's Budget Priority Hearing Schedule, Holly Lyons, LFB, (**Attachment 3**).

Department budgets were due October 1, and are to be finalized on November 15. The LFB has started to analyze department requests, with the Governor's recommendation due the first part of January. **Attachment 3** is a schedule for the Governor's public hearings for budget priorities.

Senator Johnson asked what is "New Economy". Ms. Lyons stated she did not know but would get the answer.

Representative Millage asked who is funding the budget hearings around the State as there was not money appropriated to the Governor's Office or departments/agencies for this item. He asked if the Department of Management (DOM) is billing the departments/agencies for the expense and how the amount is determined. Ms. Lyons responded the LFB has requested information as to last year's funding for this, but has not received the information yet.

### **APPROPRIATION TRANSFERS AND LEASE PURCHASES**

Dave Reynolds, LFB, presented two lease purchases (**Attachments 4 & 5**).

The Department of Revenue and Finance has submitted a lease purchase notification for the purchase of desktop computers at a cost of \$226,000 for the lease purchase. This includes \$207,000 in principal and \$19,000 in interest at an estimated rate of 5.45% over a three-year period.

The Department of Public Safety has submitted a lease purchase notification for the purchase of 50 personal computers for the Division of Criminal Investigation and six

personal computers and four file servers for the Administrative Services Division. Total cost of the lease purchase agreement is \$181,000, including \$166,000 in principal and \$15,000 in interest at a rate of 5.45% over a three-year period.

Senator Johnson asked if there is confirmation that all computers will be compatible and coordinated with the Technology Division. Rich Jacobs, Revenue and Finance, stated all computer purchases and lease purchases are coordinated with the Department of General Services for approval. General Services and the Technology Department set requirement standards.

### **PROGRAMS AND INCENTIVES FOR BUSINESSES AND ECONOMIC DEVELOPMENT**

Dwayne Ferguson, LFB, reviewed **Attachment E** and **Attachment 9** on programs and incentives for businesses and economic development.

State agencies have been asked to identify programs that provide business and industry with assistance or incentives during FY 2000. The departments were also asked to provide performance measures showing the effectiveness of the programs. Seven agencies identified 86 programs providing assistance or incentives to businesses. In FY 2000, the 86 programs expended a total of \$112.4 million, including \$38.5 million from the General Fund. Approximately 18,000 businesses have received assistance.

Representative Murphy asked if assistance from the community colleges is included in 260E. Mr. Ferguson replied there were no direct responses from the community colleges.

Representative Jacobs asked if there is a coordination effort between all of these entities or are funds being spent on many programs, using the silent approach rather than a broader cross section accomplishing more and saving more.

Representative Jacobs stated it would be good to know what percentage of the funds are for administrative costs versus the percentage used for actual project assistance. Mr. Ferguson responded he did not know. Representative Jacobs asked what are the net results, what was gained this last fiscal year. Mr. Ferguson stated he has asked departments for performance measures.

Representative Falck asked if any of the people that were helped were contacted or if there is a way to contact them. Mr. Ferguson replied the resources are not available to gather that type of data.

Representative Millage stated this presentation illustrates there are a variety of programs available but lack coordination among the administrators. This is an illustration of why the Legislative Council was asked to provide authority for the Fiscal Committee to have outside professionals examine these programs and make recommendations concerning

their operation. This should be done with the Judicial Branch and economic development programs. He requested that the LFB bring recommendations to the next meeting for professionals to look into these programs and provide suggestions on how these programs could operate more efficiently.

Dr. Prem S. Paul, Associate Vice Provost for Research, Iowa State University, presented a Power Point presentation on the Iowa Department of Economic Development's Assistance Programs.

Dr. Paul reviewed different types of assistance available, including programs offered by Iowa State University (ISU) to clients. ISU is number two in the nation for research and development programs, with some funding provided by the federal government. All programs are in cooperation with the Department of Economic Development. Several new businesses have been started in the research park.

Mary Lawler and Bob Henningsen, Department of Economic Development (DED), reviewed a variety of assistance programs offered by DED and presented a brief history of the programs. (More information on this presentation is available upon request.)

Representative Millage asked if there are duplicate programs. Ms. Lawler answered they are different programs, many offered on a regional basis.

Representative Millage stated it would be interesting to know how much income tax is being paid by jobs that were originally started with 260E.

Representative Millage asked if a business could utilize both the Accelerated Career Education Program (ACE) and the 260E program. Ms. Lawler responded they are two different programs, with a different focus.

Representative Falck asked how many businesses take advantage of these assistance programs. Mr. Henningsen responded he did not have that information with him but he could provide it. He stated there has been a definite increase the last few months.

Representative Falck asked if there are requests from businesses for assistance to train immigrants. Ms. Lawler stated yes, there are several programs available in this area.

Senator Harper asked if the State of Iowa should invest more funds in economic development programs, which eventually provides higher paying jobs. Mr. Henningsen believes that the current resources and financial resource programs can be used to generate new jobs. The more resources available, the more jobs are created and provide for higher paying positions in the future. Most of the programs have a very strong performance record.

Senator McLaren commented that in reviewing the various programs, it appears that new industries will follow individuals.

Senator Harper asked Senator McLaren if he was saying that more funding should be placed in education and individual training rather than economic development. Senator McLaren responded that is probably the first step. The talents of individuals need to be fostered and if the talent is not fostered, the benefits will not be utilized.

### VISION IOWA PROGRAM UPDATE

Dwayne Ferguson, LFB, provided an update on the Vision Iowa Program (**Attachment 7**). Also present were Michael Gartner, Chairperson, and Dianne Paca, Vice-chairperson of the Vision Iowa Board; and Susan Judkins, Program Coordinator.

Mr. Gartner stated that if all goes well, the Vision Iowa Board will accept applications for the Vision Iowa Program, on December 20. There will be a great geographical diversity with 15-20 applicants expected the first year seeking an estimated \$750 million in funding.

Representative Murphy asked if there is a place on the applications that states no Vision Iowa funds can be used for assistance in writing the grant application. Mr. Gartner answered yes.

Representative Murphy asked about the wage issue for recipients of Vision Iowa funds. Mr. Gartner stated that the Board agreed that they would like at least a minimum wage level, considering there are different levels of wages throughout the State and this becomes a very complex problem.

Senator Johnson stated it was her desire that all the funding not be spent in one region. Mr. Gartner answered the Bill includes rules for geographical diversity. There is \$180 million in funding available and it will be disbursed using geographical diversity.

Representative Millage asked if there would be a rating schedule for project applicants and if these ratings would be public information. Mr. Gartner answered yes, there is a one-hundred point matrix which includes such things as leverage on each dollar, the economic impact, and includes certain quality of life and technology issues. A project must have 65 points to clear the initial hurdle. All information is public.

Representative Millage asked how Mr. Gartner responds to skeptics that this legislation was put together to build an arena in Des Moines. Mr. Gartner responded by saying there are 13 members on the Board from throughout the State (geographic diversity) and there can only be one Board member per county, except for the three statutory members. He stated the demands are such that it would be unlikely that any project or any one part of the State could control the 13 Board members.

Representative Millage asked how many Board members are from Polk County or within a 50-mile radius of Polk County. Mr. Gartner responded that three are from the area, including two statutory members and Mr. Gartner.

Representative Jacobs asked how with the rating process, would the funds be distributed. Mr. Gartner responded this will be an enormous task. State funding is supposed to be the last money and some applicants will seek loans rather than grants. Representative Jacobs asked if the Vision Iowa Board would penalize counties or cities that have already received Community Attraction and Tourism (CAT) funding. Mr. Gartner responded no, probably not.

Representative Jacobs asked how many projects are in CAT funds. Mr. Gartner stated \$12.5 million are in CAT funds and that CAT funds are on hold. CAT applications will also be accepted on December 20. However, some of the CAT funding has been allocated. Both programs are an enormous success. Mr. Gartner stated the Board does have great flexibility and their concern is the money be used as wisely as possible.

Senator McLaren asked Mr. Gartner if he envisioned the Board making a commitment based upon a contingency. Mr. Gartner responded that while the Board has great flexibility, the only contingency they have discussed is a bond issue. Mr. Gartner stated that it would take more than a bond issue to receive a Board commitment. Vision Iowa dollars are the "last" dollar and a variety of other factors must be considered such as local support, funding, and a five-year financial plan.

#### **LUNCH BREAK**

The committee recessed at 12:35 pm for lunch. Representative Millage reconvened the meeting at 1:10 p.m.

#### **HUMAN SERVICES ISSUES**

Deb Anderson, LFB, reviewed a memo on Medicaid Drug Rebates (**Attachment C**). The Omnibus Budget Reconciliation Act of 1990 established the Medicaid drug rebate program. The rebate program requires Medicaid coverage of all drugs marketed by a manufacturer if the manufacturer has signed a rebate agreement with the federal Health Care Financing Administration. Iowa's rebate program is administered by Consultec. Iowa's share of drug rebates collected since the rebate program began is \$71.6 million. Total Medicaid pharmaceutical expenditures reimbursed by the State over the same time period were \$417.8 million prior to rebates.

R. Joe Mahrenholz, Pharmacist Consultant, Iowa Medicaid; and Cheryl Clark, Iowa Pharmacy Association, presented Generic Medication Utilization in Iowa Medicaid, (**Attachment D**). Current law requires a twenty-year patent for protection of brand name drugs. Many brand name drugs are scheduled to go off the patent protection in the next few years. In 1984 Congress passed a Drug Competition Act, with the idea to help promote price competition for drugs in the trade, at the same time it offered protection for patent protection. This provided for patent extension up to five years for some drugs.

This Bill also provided a 180-day competition-free period for the generic drug maker. Generic drugs are designed to be identical as the brand name drugs, for safety, and strength, and intended use.

He reviewed the listing of drugs in **Attachment D** that will be coming off patent by December 31, 2005. To reimburse for the generic drugs, the cost is approximately 1/3 of the brand name drugs. Mr. Mahrenholz encouraged the use of generic drugs.

Cheryl Clark, Iowa Pharmacy Association, reviewed factors affecting generic use of drugs, such as loyalty to drugs through advertising. She also stated that many physicians do not know the cost of medications they prescribe. The Iowa Pharmacy Association publishes a document quarterly informing the medical field of pricing of drugs and new generics available.

Mr. Mahrenholz reviewed the prior authorization process for drugs. Ms. Clark reviewed factors affecting generic use of drugs.

Representative Millage stated that HCFA does not allow the State to require a Medicaid recipient to have a dual co-payment. Mr. Mahrenholz stated there are very specific regulations relative to co-payments for Medicaid patients. Co-payments cannot exceed \$3.00, with payment based on the average cost of the service received.

#### **FOLLOW-UP ON SALARY ADJUSTMENT QUESTIONS**

Ron Robinson, LFB, reviewed **Attachment 6** relating to salary adjustments. This is in response to questions at the September 26 Fiscal Committee meeting. **Attachment 6** included correspondences involving the Department of Management and the Iowa Department of Personnel. Mr. Robinson reviewed this correspondence.

LFB personnel continues to research the Health Insurance Premium Reserve Fund, divided between employees and employer, and the historical allocation of the Fund between the two entities.

**Attachment M** is a copy of the Agreement for Services between the State of Iowa and Wellmark Blue Cross and Blue Shield of Iowa, dated February 1999.

Randy Bauer, Department of Management, was present to answer additional questions regarding time frames and when the insurance reserves funding first became an issue. Correspondence between IDOP and DOM was sent to Cynthia Eisenhauer, Director, DOM. Joel Lunde, DOM, has worked on this issue.

Senator McLaren stated to Mr. Bauer that Mr. Bauer contended that he had no idea there was any problem with funding health insurance premiums or salaries. Mr. Bauer responded that certain DOM staff track these funding issues and trends in utilization. He stated that reviewing the annualization and reserves for health insurance took

approximately one and one-half months before determining something needed to be changed.

Senator McLaren stated that his question is that Mr. Bauer contended that he had no knowledge about this problem during the Legislative Session. Mr. Bauer responded things are changing constantly and the DOM had not reached the point when sufficient information was available to change previous recommendations. Changes are not made unless they are considered to be extreme.

Senator McLaren stated that on February 2, according to the Segal findings, Mr. Bauer knew there would be a \$2 million negative balance. Mr. Bauer stated that information was from a consultant, and DOM had to be certain the information was accurate, and the reach their own conclusions.

Senator McLaren stated that when DOM received information from Segal saying there would be an \$18 million negative balance in the Terminal Liability Fund, that it is not a problem unless DOM determines there is a problem after completing their own analysis and that Mr. Bauer had no knowledge of this until after the Legislative Session was ended. Mr. Bauer responded he did not say DOM had no power until after the Session was over. He said the decision was made to wait until the Session was over. The DOM started making salary adjustment decisions in late April.

Senator McLaren referenced the original message sent to the DOM from Segal, which refers to the Governor's appropriations for health insurance and salary adjustments. He asked Mr. Bauer if the DOM had one set of assumptions and the Governor made his own assumptions. Mr. Bauer answered no, the Governor's were the DOM's assumptions. It was at this point, DOM determined that the assumptions used were not accurate and would not be sufficient to maintain those reserves.

Senator McLaren stated that according to the Fiscal Committee's minutes for the last meeting, Senator McLaren asked Mr. Bauer how the employees' share of the insurance reserve could be exhausted without exhausting the employer's share. Mr. Bauer responded that the employees' share was exhausted, on the information supplied by the previous administration. Basically all information received by DOM on how to handle the health insurance reserves, comes from IFAS and makes no distinction as to whether it is employee or employer share of those reserves.

Senator McLaren asked Steve Smith, Iowa Department of Personnel, how they know the employees' share has been exhausted. Mr. Smith answered that in 1997 there was a rebate or surplus returned to employees above and beyond any maximum terminal liability. When these funds are used to buy down the reserves, the fund loses its specific identity. The reason is when Revenue and Finances does the accounting it is considered a pooled fund.

Senator McLaren asked if that pool of funds is used to buy down the health insurance cost, the employees does not know. Mr. Smith responded that when you get to the point that you have a true surplus, you can go back and allocate the surplus. Currently, that is the Reserve Fund, not an issue of having surplus funds.

Senator McLaren commented that now it is to the point where those funds will go negative. Mr. Smith answered plans have been started to build those reserves back and it will be fully funded by the end of the contract. Senator McLaren asked who is going to contribute to the reserve, the employee or employer. Mr. Smith stated the employer, the State of Iowa, has to fund the shortage.

Senator McLaren asked if the two 17% increases in health insurance premiums would be assessed to the employer, because the insurance premium was listed for the employee as contractual. Mr. Smith replied the State is responsible for the increase, with each department absorbing the increase.

Senator McLaren asked Mr. Bauer to provide the Fiscal Committee and the Fiscal Bureau with the corrective adjustments that will have to be made in next year's budget, including calculation that will have to be made with the baseline for next year's budget for the salary package. He asked for information on how this can be rectified by direct allocation in line items. Mr. Bauer answered most department and agencies reductions would be in services provided. He could provide the calculated amounts by department although departments/agencies are still dealing with where the shortfall will come from.

#### **CONSULTEC AND DURABLE MEDICAL EQUIPMENT REIMBURSEMENT**

Deb Anderson, LFB, reviewed **Attachment H**, a memo regarding Consultec and Durable Medical Equipment Reimbursement. Effective July 1, 1997, Consultec became Iowa's Medicaid fiscal agent. Consultec administers reimbursements for the Medicaid Program. Consultec is paid a fixed fee each month for administration of the managed health care program. Consultec is also paid a fixed fee for each claim processed and an hourly fee for information system changes. Durable medical equipment providers and manufacturers have expressed concern over the timeliness and efficiency of Consultec prior authorization for equipment.

Bill Brookhart, Jackson Medical Supply, Winterset, spoke to the Committee concerning numerous problems providers are having getting the prior authorization process started. He presented examples of the process required for prior authorization. The first example he discussed was an application for a wheelchair submitted in July and was just approved today. He reviewed frustrations involved in this process and perhaps the lack of trained individuals processing these requests. Requests are returned requesting additional information, which was initially submitted with the original request, and for information not relevant to the case. Mr. Brookhart believes Consultec should be more educated on the type and purpose of equipment used. They don't have the knowledge

base at the present time because they are not trained properly. Mary Ann Bliss, Manager of Services, Consultec, responded to Mr. Brookhart's comments.

Representative Jacobs asked what the industry standard is for turnaround time. Ms. Bliss answered once all information is received, 30 days for this business, but she didn't know the industry standard.

Representative Jacobs asked if Consultec has internal goals. Ms. Bliss responded they have internal goals to evaluate staff, to insure that requests are started in motion within 10 days but there is no control over when they will be completed.

Jerry Ackerman, Hanger/Dale Clark Orthotics and Prosthetics, Waterloo, also expressed concerns in dealing with prior approval for equipment for Medicaid recipients, through Consultec. Prior approval timeline averages six to eight weeks. Coding is also a problem, he wanted to know who decides this procedure and with what consistency as there is no rhyme or reason for two exact claims to have two different outcomes. He also asked who their "advisors" are and why there are ridiculous requests for additional information not relevant to the request. He questioned if there are enough physicians/physical therapists, working for Consultec to handle and accurately review these types of claims, and if they are aware of changes in technology to meet the needs of physically challenged people in today's society.

Mr. Ackerman provided examples of frustrations in getting prior approval from Consultec for equipment prescribed by his company.

Representative Murphy asked Deb Anderson, LFB, if Consultec received sixty cents for each claim processed or each time there is correspondence. Ms. Anderson answered each time there is correspondence.

Senator Flynn made a motion that to respect the confidentiality of the individuals in examples presented, names not be used in the minutes of this meeting. This motion was approved.

Senator McLaren made a motion stating the Fiscal Committee directs the Human Services Appropriations Subcommittee to consider the complaints with respect to Consultec and Durable Medical Equipment providers during the first week of the 2001 Legislative Session and bring back a recommendation to the Fiscal Committee. Representative Murphy seconded the motion and the motion passed.

### **HAWK-I OUTREACH AND MEDICAID ENROLLMENT**

Deb Anderson, LFB, reviewed **Attachment F**, a memo regarding HAWK-I Outreach and Medicaid Enrollment. The Iowa Department of Human Services does not track the number of children enrolled in Medicaid due to the Healthy and Well Kids in Iowa (HAWK-I) outreach. Statistics indicate, however, approximately 40.0% of HAWK-I

applicants are referred to Medicaid. She also reviewed statistics for FY 2001 year-to-date applications and referrals to Medicaid.

Dennis Headlee, Medical Services Administration, DHS, reviewed Medicaid Emergency Room Utilization versus utilization of visits to physicians' offices and how to control this. He stated there are some fairly stringent requirements under Medicaid rules/regulations that come through Title XIX and Health Care Financing Administration (HCFA). There is a possibility and it has been considered, to utilize a copay for emergency room services and that is typically a plan design element utilized in dental plans. However in the Medicaid Program, in order to incorporate a copay or deductible it has to be for a particular class of eligible, or for a particular service. HCFA requires this to be applied to all eligibles, across those services.

Representative Millage commented that current law could be changed to facilitate changes in Emergency Room Utilization and that the Department should be an advocate of change that would result in lower costs.

Mr. Headlee stated that certified transportation costs are not a significant amount compared to the entire Medicaid project. Paying mileage is the bulk of the transportation cost, currently paid at 29 cents a mile, which is less than the IRS level for mileage. The mileage rate went from 24 cents to 29 cents on January 1, 2000. This increase was not included in the FY 2001 budget because of the timing of when the 2001 budget was prepared.

#### **RELATIONSHIP BETWEEN MEDICAID & INDIGENT CARE**

Sue Lerdal and Mary Shipman, LFB, reviewed the relationship between Medicaid & Indigent Care (**Attachment G**).

Ms. Lerdal reviewed a few commonalities between the two programs. One is to serve those who cannot afford health care, the second one is the local county people responsible for serving those who cannot afford health care to determine whether or not they are eligible for Medicaid, prior to being served by the Indigent Care Program. If eligible for Medicaid, they would not be a part of the Indigent Patient Program.

There is no overlap between the Medical Assistance Program (Medicaid) and the Indigent Patient Program at the University of Iowa Hospitals and Clinics (SUIHC) for provision of service. If a person qualifies for medical care under Medicaid, that person cannot be served through the Indigent Patient Program.

The State General Fund appropriation to SUIHC for the Indigent Patient Program is used by the State to draw federal funds for the Medical Assistance program. The State cost to provide medical care under the Medical Assistance program is approximately 37 cents per dollar. The State is charged (but according to the SUIHC does not pay) the

full cost of medical care for patients served by the Indigent Patient Program at the SUIHC.

For FY 2000, enhanced Medical Assistance claims by the University of Iowa Hospitals and Clinics was estimated to provide an additional \$4.0 million to the State General Fund with any remaining amount after paying for contracting costs to remain with the University of Iowa. House File 2549 (FY 2001 Education Appropriations Act), Section 13, amends Section 24 of HF 2039 (FY 2000 Deappropriations Act) to increase the amount estimated to be deposited into the General Fund between January 18, 2000, and June 30, 2001, (approximately 18 months) to \$12.0 million. A Request for Proposal (RFP) by the Department of Human Services to undertake this task has yet to be issued.

Ms. Lerdal stated the basic differences are how the appropriations process works, how the billing system is 100% vs. 70%, and doctors charges vs. doctors charges not getting paid.

Ms. Shipman stated the Medicaid program is more restrictive due to federal regulations. The Indigent Patient Program is something that Iowa has implemented as a safety net to catch some of those people between the two programs; those people who may be working but have no insurance through their job. There is no definition for the Indigent Patient Program at the University of Iowa. One of the differences of Medicaid vs. Indigent patient, is the flexibility in the Indigent Care Program whereas with Medicaid, there are stringent regulations to be followed.

Representative Murphy asked for an explanation of the relationship between HAWK-I and indigent care services at the University of Iowa. Ms. Lerdal stated two things, one is that county staff people that send indigent care patients to Iowa City do review the patient for Medicaid eligibility. The other is the General Assembly passed the deappropriations bill, and included a provision that was amended in the Education Appropriations Act, regarding enhanced claiming. It was originally estimated to generate an additional \$4.0 million and increased to \$12.0 million. The Request for Proposal has not yet been issued.

Representative Millage inquired as to including the \$12.0 million in the FY 2001 balance sheet. Ms. Shipman indicated the Governor built it into his deappropriations bill and assumed the \$4 million for FY 2000, and another \$8 million for FY 2001, and no funds have been received because the Request for Proposal (RFP) has not yet been issued. Mr. Prouty stated that \$12.0 million revenue built into the budget as General Fund Receipts, and nothing has been received to date. The RFP has not gone out.

Representative Millage asked why the RFP has not been issued. Ms. Lerdal responded the Department of Human Services is responsible for completing that task. Karla McHenry, DHS, stated that in June, the Department of Management asked DHS to manage the RFP process for the Medicaid enhanced claiming. The DHS has been working with the University of Iowa and Department of Management in preparing that

RFP. There were some technical issues to work out with the University of Iowa and DOM regarding that RFP. It is expected to be released within the next several weeks. On the issue of whether or not returning funds to the General Fund can be accomplished within this fiscal year, it is the belief of DHS that whatever funds are available and managed through that process will be in the General Fund receipts prior to the end of the fiscal year.

Representative Millage asked why it has taken eleven months for something that was built in to the budget in January, and has not been accomplished yet. Ms. McHenry clarified that the Department of Management went to DHS the middle of June requesting them to manage the process. Representative Millage requested an update at the next Fiscal Committee meeting, including a representative from the DOM to explain this delay.

#### **NEXT MEETING DATE AND POTENTIAL AGENDA ITEMS**

The next meeting date is scheduled for December 6 at the State Capitol Building in Des Moines.

Items postponed from this meeting until the December 6 meeting include:

- Teacher Recruitment and Retention Incentives
- Tobacco Securitization Update
- Senior Living Program and acuity based nursing facility reimbursement
- Education Funding per Pupil

Other potential agenda items include:

- Agricultural Finance Corporation – update
- Federal Update by Phil Buchan, State Federal office
- Regents – impact of underfunding of the Salary Bill
- Interagency Billings
- ***Issue Review*** – Declining Enrollments and Budget Guarantee
- ***Issue Review*** – Section 8.39 Transfers
- State Debt
- Senator Johnson requested information on the new five-car garage being built at Terrace Hill at a cost of \$371,000, including where the funds came from, and who gave the go ahead on the project.

- Representative Millage requested information on the architectural wonders of the rest stops along the interstate highways in Iowa and why such humongous facilities are necessary.
- Senator McLaren suggested information on the effectiveness of the wetlands issue.

Representative Millage stated that a number of topics have been suggested for the next meeting including follow-ups of issues discussed today. If members have other items they would like on the next agenda, they are to contact Holly Lyons, LFB.

### **ADJOURNMENT**

Representative Jacobs made a motion to adjourn the meeting at 3:10 p.m.

Included in the mailing for informational purposes only were:

**Attachment N** – memo from Susan Voss, Deputy Insurance Commissioner, on health care cost trends in the private insurance market.

**Attachment O – Issue Review** – Iowa Teachers Salaries – Comparative Studies

**Attachment P – Issue Review** – Indigent Patient Program at the University of Iowa Hospitals and Clinics