

*Coordinating health & health care
for a thriving Kansas*



Testimony on:
SB 541: KHPA Health Reform

Presented to:
Senate Health Care Strategies

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**Testimony to the Senate Health Care Strategies Committee
February 18, 2008**

**SB 541: KHPA Health Reforms
Andrew Allison, PhD, Deputy Director, Kansas Health Policy Authority**

Good afternoon Madam Chair and Committee members. I am Andy Allison, Deputy Director of the Kansas Health Policy Authority (KHPA). Thank you for the opportunity to address the Senate Health Care Strategies Committee on the KHPA's health reform bill, SB 541. The following testimony is a detailed explanation of the bill components and the justification for inclusion into the bill.

Section 1: Adding Commissioner of Education to KHPA Board. This section adds the Commissioner of Education to the KHPA Board as a non-voting ex officio member. The KHPA Board understands the importance of promoting healthy behaviors at an early age and the addition of the Commissioner of Education will provide a source of knowledge for the implementation of any school programs.

KHPA Board Description:

The KHPA Board is comprised of nine appointed voting members and seven ex-officio members representing government agencies with critical roles in the promotion and development of health care policies, administration of health care programs, and resources throughout Kansas. Inclusion of the education community in fulfilling this mission is essential to establishing a healthy future for our children. From an implementation perspective, the KHPA Board does not have the authority to implement this addition and should make known its intention to the Legislature due to the statutory origin of the KHPA.

Need for Commissioner of Education on KHPA Board:

We develop many of our health habits as children. One of the central focus areas in these reforms is encouraging healthy behaviors in schools. Specifically, the reforms address school lunches, vending machines, and physical education. The Kansas Commissioner of Education could provide expert advice on implementing these initiatives to achieve success.

Legislative Action: Statutory change is necessary to add the Education Commissioner to the KHPA board.

Section 2: Medical Home Definition. This section sets out a framework for defining a medical home in Kansas for state-funded health programs in order to increase care coordination, improve health outcomes, and decrease health care costs.

Medical Home Description:

One of the components of Kansas health reform is to promote a person-centered medical home as a way to improve the quality of primary health care, promote improved health status, and ultimately help to control the rising costs of health care. The designation of the medical home is a cornerstone of support for other areas of the KHPA preventive health agenda. Defining in statute the meaning of a medical home in Kansas will provide the framework for further development and implementation of a medical home model.

Need for Medical Homes:

Promoting the development and use of medical home practices will help to organize health care services through a medical home model with the goal of improving health outcomes and containing health care costs. States, such as Colorado, Washington, Missouri, and Louisiana, are advancing the medical home model and passing legislation to organize Medicaid programs around the medical home concept. North Carolina has used existing legislative authority to extend the medical home concept to its Medicaid and State Children's

Health Insurance Program (SCHIP) populations. A number of states have defined a medical home in statute, such as Louisiana, Colorado, and Massachusetts.

A "Medical Home" refers to a model of health care delivery that is person centered and family centered, providing accessible and continuous evidence-based, comprehensive, preventive and coordinated health care guided by a personal primary care provider who coordinates and facilitates preventive and primary care to improve health outcomes in an efficient and cost effective manner.

Because our health system is so fragmented – with patients, providers, and purchasers operating under a different set of financial incentives – health care costs in Kansas and across the United States continue to rise at an unsustainable rate. Indeed, we pay double per capita compared to any other industrialized country in the world, but with far worse health outcomes. A medical home model of health care places at the center of our health system the consumer-provider relationship, improved overall health status, and increased personal responsibility for our health.

Legislative Action: This legislation directs the Kansas Medicaid/HealthWave programs and State Employee Health Plan to work with stakeholders on developing measures and standards for a medical home in Kansas. *There is no associated fiscal note.*

Section 3: Small Business Wellness Program. This section establishes within the Kansas Health Policy Authority a small business wellness grant program. The purpose of this section is to develop a community grant program that provides technical assistance and funds to assist small businesses in establishing wellness programs for their employees.

Workplace Wellness Program Description:

Large employers have frequently embraced workplace wellness programs as mechanisms to improve employee health, decrease absenteeism, and enhance productivity. The costs of starting such programs are prohibitive for small employers who often do not have adequate resources and economies of scale to pay for these kinds of programs. The component of “personal responsibility” within health care reform encompasses not only individual choice, but establishing an environment which facilitates the choice for health. Workplace wellness programs embody this strategy.

Need for Small Business Wellness Program:

Well-designed worksite health interventions can have an enormous impact on disease prevention and control, resulting in significant savings in health care spending, improved presenteeism, and increased productivity. A comprehensive worksite wellness program consists of health education, supportive social and physical environments, integration of programs into the organizational structure, linkage to related programs such as employee assistance programs (EAP), and screening programs linking to health care. Comprehensive worksite health promotion programs can yield a \$3 to \$6 return on investment (ROI) for every dollar spent over a 2–5 year period. Worksite health promotion programs can reduce absenteeism, health care, and disability workers’ compensation costs by more than 25% each.

Over 80% of businesses with over 50 employees have some form of health/wellness programs, but they are much less available in small businesses. Small businesses have limited resources and their lack of staff, budget, and wellness knowledge are barriers to providing wellness programs. Once established, however those wellness programs are quite economical costing \$30-\$200 per employee per year.

Legislative Action: \$100,000 SGF appropriation.

Section 4: Expansion of Premium Assistance. This section expands on the premium assistance program passed in SB 11 – slated to begin January 2009 – to include low income adults without children. Premium Assistance, called Kansas Healthy Choices, is a new health insurance program that provides private health insurance to very low income Kansas families. After full phase in of the premium assistance for low income families up to 100% of the Federal Poverty Level (in FY 2011), childless adults under 100% of poverty (about \$10,700 in 2007) will be eligible to participate (in FY 2012).

Premium Assistance Description:

Premium assistance is the use of public, employer, and potentially individual contributions to purchase private health insurance for Kansas families living in poverty who cannot otherwise afford coverage. Since passage of SB 11 in May 2007, KHPA has engaged in an extended, open, and participatory process to complete the program design and implementation of the premium assistance program **Kansas Healthy Choices**. The program will be implemented in January 2009. The premium assistance expansion is to open Kansas Healthy Choices up to low-income childless (i.e., adults who have no children) adults who make less than 100% of the Federal Poverty Level (\$10,210 annually). Program implementation for this expansion will be for FY 2012.

Need for Premium Assistance:

- **Saves money.** The purchase of private insurance through Kansas Healthy Choices helps control state health care spending for the poverty level population by providing broader access to preventive care, and strengthens and expands private markets, rather than replacing or eliminating them.
- **Prudently partners with other funding resources.** This program ensures state access to 60% Federal matching funds. In addition, this wrap-around assistance strategically relies on employer contributions when available.
- **Unites families in health care.** Kansas Healthy Choices provides coverage for each member of the family under one plan, strengthening a family culture of prevention, health literacy, and care.
- **Breaks a vicious cycle.** Those without insurance use fewer preventive and screening services, are sicker when diagnosed, receive fewer therapeutic services and have poorer health outcomes in terms of mortality and disability rates. In addition, this group has lower earnings due to poor health.
- **Makes an impact.** Over the next three years, Kansas Healthy Choices is expected to provide about 20,000 existing and 24,500 newly eligible caretaker adults and their children with the choice of private insurance options and a “medical home” model of health care services.

Kansas Healthy Choices is an effective, prudent use of public funds to save public dollars in the long-term, strengthen private insurance markets, and improve the quality of life and access to health care for thousands of Kansas families. Supporting Kansas Healthy Choices means providing a smart path to private insurance for individuals and families who would otherwise be unable to obtain health insurance coverage on their own.

Population Served: Around 39,000 low-income Kansan adults without children would become newly insured.

Legislative Action: Statutory change to expand premium assistance eligibility; no state funding required until FY 2012 - \$26 Million SGF.

Section 5: Creating the Health Reform Fund. This section creates a “Health Reform Fund” within the State treasury. Revenues from a proposed increase in the state tobacco user fee will be deposited in the interest bearing fund and the funds will be utilized solely to pay for health reforms.

Referenced in SB 542, Section 8:

This section creates the new Health Reform fund within the state treasury with the Kansas Health Policy Authority or its designee approving vouchers from the fund. The section also requires certain transfers to be made out of the State General Fund to the Health Reform Fund with \$61.57 million in 2009, \$68.62 million in 2010, \$68.24 million in 2011, \$67.8 million in 2013, and \$66.95 million in 2014. With the revenue generated from the cigarette and smokeless tobacco tax going directly into the State General Fund this section requires only the amount needed for health reform to actually be placed within the Health Reform fund. Therefore, if the tobacco tax takes in more than expected the State General Fund will reap the benefits and not the Health Reform Fund.

Need for Health Reform Fund:

It is imperative that health reform have its own interest bearing trust fund in order to adjust for changes in the health care market place and so that its funding does not take away from other public programs.

Legislative Action: Statutory change is necessary to create the interest bearing health reform trust fund.

Conclusions: The KHPA Board urges the Committee to pass SB 541 in order to make improvements in Kansas' health and health care system by focusing prevention efforts in schools and workplaces, improving coordination and patient-centered care, and increasing access to affordable health insurance coverage for low-income Kansans.