Zaniya Project Task Force

Meeting 1 - April 26th 2007
Matthews Training Center, Pierre, South Dakota

Introductions - Lt. Governor Dennis Daugaard

Lt. Gov. Dennis Daugaard began the meeting by introducing the legislative act that enabled the project, and thanking Senator Dempster and Representative Dykstra for their work during and beyond the legislative session to address the issues related to access to comprehensive health insurance. The task force will meet monthly through September and will be supported by staff from the Governor's office and other departments/agencies within state government to create a plan that will be presented to the Governor, the Legislature and the Health Care Commission.

Governor Mike Rounds was introduced to the Zaniya task force members. Zaniya, a Lakota term for "health and well-being" characterizes the holistic approach that will be supported by the wide range of perspectives represented on the workgroup. While health care reform is occurring across the nation, it is important to note that the system in South Dakota is working relatively well. According to surveys conducted in SD, 91% of South Dakotans have health coverage. It is thus critical that changes "do no harm." We must find out who is uninsured and why in order to craft solutions that are not broad brush changes, but target the specific challenges to health insurance access. Defining and addressing issues in rural and reservation areas provides an opportunity for South Dakota solutions to serve as a model for others.

United States Health and Human Services Secretary Leavitt has offered his support. Some have called for solutions to come from the federal level. That will be difficult because of the lack of available federal funding. States are in a better position to solve this problem because they have a better understanding of their people and their needs. They will be able to formulate effective private/public partnerships.

The state will provide the necessary resources to obtain accurate data to find solutions. Data gathered in SD in 2001 and 2004 estimates a lower uninsured rate than predicted by national trending. A respected polling firm has been engaged to identify who are our uninsured and why. This survey will go deep into the demographics of our uninsured populations to assist that task force in creating a plan that can target populations in a way that has the greatest positive impact. Special consideration must be given to Native Americans who have an entitlement to health care that has not produced quality health care.

The Governor thanked the task force members, explaining that Zaniya is a commitment, not an exercise in theory. The group has a difficult task ahead to reduce the number of South Dakotans who are uninsured by creating a plan with specific objectives and action steps to accomplish these objectives. He also thanked Lt. Gov. Daugaard for lending his leadership to the task force's work. The Governor closed his comments with special thanks to Senator Dempster and Representative Dykstra and all those who said that Zaniya was important.

Randy Moses, Division of Insurance, gave a presentation on "The Insured and the Insurance Market" (See handout "Health Insurance in South Dakota – The Markets, The

Insured).
In 2001, the SD insurance market experienced difficulties. There were high numbers of "guaranteed issue" policies that forced companies to leave our market. By 2003, only three major insurers remained, with one giving notice for departure. An emergency session of the legislature repealed the guaranteed issue statutes and created the risk pool, stabilizing our market.

In 2006, the risk pool was made available to "close block insureds" whose premiums were running two times the premium for the risk pool or greater. Some were paying in excess of $30,000/yr. in premiums. The risk pool serves as a safety net for those who have had coverage and lost it. The pool has a surcharge of 150% of the average premium.

Those that have not been addressed by the reforms of the previous years include: the uninsurable (which are approximately 1% of the population), those who cannot afford insurance, and those who do not want insurance.

Employee groups of 50+ generally don't experience access issues. Trends indicate that self-insured plans with stop loss insurance go back and forth with the insured market. We don't have data on the self-insured employers who don't purchase stop loss insurance, for example, Wal-Mart, state and federal government.

Wellmark has a significant share of the SD market. Since the repeal of the guaranteed issue we've seen a number of new companies. Competition and diversity within the marketplace is improving.

When considering insured vs. uninsured, insured includes people covered by Medicare and Medicaid, and does not include people relying solely on Indian Health Services or Veterans' benefits for their health care.

There are gaps in available data especially in relation to employer specific information. i.e. health insurance by the size of the employer, self-insured employers, state and federal government , health insurance access for full, half, and part-time employees,

Deb Bowman, Secretary of DSS, and Larry Iversen, Director of Medical Services, gave a presentation on Medicaid (See handout "South Dakota Medicaid Overview").
Medicaid is one of the largest insurance companies in South Dakota, especially for children. Medicaid services must be medically necessary and ordered by a physician. In addition to mandatory services the state Medicaid plan also offers optional services. While states have the option of covering these services, these services are proactive in preventing the need to access more expensive services.

Medicaid is a large component of other states' reform initiatives to cover the uninsured. The federal government is looking to diminish opportunities for states to use Medicaid provisions, such as provider taxes as a means to generate federal revenue. Other states are leveraging federal revenue from disproportionate share hospital (DSH pronounced "dish" is a fund source

that states can use to pay hospitals that have a disproportionate share of low income patients) payments of which South Dakota receives a comparatively small amount.

Medicaid is a state/federal partnership with South Dakota paying a share (roughly 40%) and the federal government paying a share (roughly 60%) of health care costs. The federal share, FMAP (federal medical assistance percentage) is determined by the state's per capita income and is adjusted annually. A one percent decrease in FMAP increases South Dakota's contribution by $6 to $7 million in state general funds.

Medicaid coverage in South Dakota is conservative in comparison to other states. In South Dakota, Medicaid primarily covers the elderly residing in skilled nursing homes and children. There is basically no Medicaid coverage for a single adult with no children. Under SCHIP (Special Children's Health Insurance Program) SD Medicaid covers children with family income below 200% of the federal poverty level (FPL). Some states cover children up to 300% of the FPL and through reform initiatives offer additional coverage to adults. The average annual cost per person varies by group. Children's costs are the lowest, averaging $1,300 annually. People with disabilities have the highest costs - $13,000 to $14,000. Many pregnant women in SD qualify for pregnancy-related only coverage. About half of the babies born in SD receive Medicaid within their first year.

It is difficult to determine the number of people who qualify for Medicaid but do not enroll. While promoting SCHIP enrollment, the penetration rate appeared to be significant, but many enrolled at that time. Our hospitals and medical providers do an outstanding job of assisting patients in applying for Medicaid.

There may also be a significant Native American population eligible for Indian Health Services (IHS) that do not enroll. Currently SD Medicaid pays approximately $40 million for a continuum of health care services provided by IHS. These funds are reimbursed with 100% federal financial participation (FFP).

DSS has engaged a Massachusetts firm, ACT Consulting to provide recommendations for enhancing the state's long term care services. That report will be issued in November to the Governor, Legislature, and the Health Care Commission.

Dr. Ralph Brown presented information on South Dakota Health Expenditures, Estimating the Uninsured Population in South Dakota: Preliminary Estimates and Review of South Dakota's Uninsured: Follow up Study by GRB-USD (see handouts).
The information on health expenditures was gathered by Dr. Brown's independent research. Regression analysis of the data indicates that South Dakota has above average expenditures on health care. When adjusted for the four major factors impacting health care, there is nothing that makes South Dakota statistically different than other states.

The 2001 Lewin study of the uninsured was supplemented by the "Review of SD's Uninsured: Follow-Up Study," which was conducted in 2004 by the Government Research Bureau at the University of South Dakota. Because surveys were conducted with uninsured respondents from

the 2004 survey, data does not represent a statistically valid sample and should not be extrapolated to describe the general public. The information, however, may be useful in gaining additional insight into the demographics of the uninsured. Of the group surveyed, 85% of the uninsured were connected to the workforce. Of those surveyed who were employed, 55% were full time workers and under 4% were employed half/part time. 21% accessed health care via an emergency room.

Kevin Forsch discussed the resources available to the task force including state agencies (Departments of Human Services, Social Services and Health, the Bureau of Personnel, the Division of Insurance and the Governor's Office). Dr. Ralph Brown will continue to support data collection and analysis efforts. Cindy Gillespie who worked for Gov. Romney in Massachusetts' health care reform initiative will attend all Zaniya meetings and provide ongoing consultation as will a representative from Seller-Feinberg who has worked with 20+ states in identifying finance mechanisms for health care reform initiatives.

Public Opinion Strategies (POS), a respected polling firm with political and health care expertise will conduct phone surveys to estimate the number of uninsured in South Dakota. They are currently reviewing the Lewin research to aid in formulating the survey questions. They have proposed gathering information to identify a sample size of approximately 500 uninsured people. They must call 10 to 15 people to identify just one uninsured person. They estimate the need to make 6,000 to 7,000 calls to have a statistically valid sample with an appropriate confidence interval. They plan to complete the survey and provide us with data by the end of May. They will then conduct a series of focus groups, both on and off the reservation to dig much deeper into the reason why some South Dakotans do not have health insurance.

Lt. Gov. Daugaard addressed the goal, process, and timeline of the project.
The group discussed and was able to reach consensus on the goal statement, "To develop a plan to provide access to affordable, comprehensive health insurance to all SD residents." The problem needs to be accurately defined before a solution can be found. Who is uninsured? Why are they uninsured? Workgroups supported by the state agencies will be formed to find solutions, which must meet the criteria of first and foremost, "do no harm" and then cost. Workgroups may consider bringing in experts to assist in addressing difficult/complex issues. The Zaniya report will be issued in September, providing ample opportunity for public comment prior to the legislative session.

Kevin Forsch identified homework to be completed prior to the next meeting.
Additional data is needed regarding employers. Kevin will work with Chamber and Retailer representatives to gather information via an e-mail survey.

We must look to medical associations, the state Medicaid agency, county representatives and insurers for information regarding uncompensated care, to include those who may or may not have health insurance and the costs they are unable to pay.

Zaniya's time frames are aggressive and may limit opportunities for the group to receive public testimony. Public input, however, is encouraged either directly or through task force members. The next Zaniya meeting will be held on May 10th at the King's Inn in Pierre.