

EXHIBIT C

**DRAFT MINUTES
SENATE & HOUSE INSURANCE & COMMERCE COMMITTEES
MEETING JOINTLY**

**Arlington Hotel, Conference Room C
239 Central Avenue, Hot Springs, Arkansas
Wednesday, September 26, 2012**

The Senate and House Interim Committees on Insurance and Commerce met jointly Wednesday, September 26, 2012, at 10:45 A.M. in Conference Room C at the Arlington Hotel, 239 Central Avenue, Hot Springs, Arkansas.

Committee members present: Senators Jack Crumbly, Chairman; Joyce Elliott and Percy Malone. Representatives Fred Allen, Chairman; Reginald Murdock and James Word.

Non-Voting members present: Representatives Denny Altes, David Fielding, and John Vines.

Also attending: Senator Linda Chesterfield; Representatives Tommy Lee Baker, Mary "Prissy" Hickerson, Frederick Love, Mike Patterson, and Darrin Williams.

Representative Allen made opening remarks, and Senator Crumbly then presided.

**CONSIDERATION TO APPROVE SEPTEMBER 11, 2012, SENATE & HOUSE INTERIM
COMMITTEES ON INSURANCE & COMMERCE MEETING MINUTES [EXHIBIT C]**

Representative Allen made the motion to approve the September 11, 2012, meeting minutes. Senator Elliott seconded the motion, and the motion carried.

**PATIENT PROTECTION AND AFFORDABLE CARE ACT (PPACA) AND PROPOSED HEALTH
INSURANCE EXCHANGE AND THE IMPLICATIONS FOR THE STATE**

Mr. Jay Bradford, Commissioner, Arkansas Insurance Department (AID), said PPACA involves two issues for Arkansas:

- It is a federal act, enacted by the U.S. Congress and confirmed by the U.S. Supreme Court.
- The Arkansas General Assembly and interested parties may have some control over how PPACA affects Arkansas.

He explained Arkansas has two choices for dealing with PPACA:

- Believe PPACA is a short-lived federal program, do nothing, and turn citizens over to the federal system; or
- Convince the federal government the state has the capacity to choose a partnership and convince state legislators to authorize to do so.

The partnership choice allows Arkansans to maintain some self-determination regarding their healthcare. Mr. Bradford noted, "PPACA is a federal act; and no member of the Arkansas Legislature has voted, or had the opportunity to vote for or against 'Obamacare'."

Ms. Cindy Crone, Director, Health Benefits Exchange, AID, said Arkansas ranks 47th in per-capita income, health status, and per-capita dollars funded for PPACA. To help pay for PPACA, Arkansas recently applied for a second level-one grant of \$18.6 million, has received a \$1 million claiming grant, and has a \$7.8 million cooperative agreement. There are more than ½ million uninsured citizens in Arkansas; insurance prices have doubled in the last ten years; and 25% of Arkansans ages 18 – 64 are uninsured.

For the exchanges, the individuals eligible for tax credits or policy subsidies are people who live within 100% - 400% of the federal poverty level. To qualify, individuals:

- Must be lawfully present
- Must enroll through the federally certified exchange; and
- Cannot have Medicaid, Medicare, or affordable employee-offered health coverage ("Affordable" is defined as – coverage costing 9.5% or less than the individual's annual income.)

How PPACA penalties affect businesses and individuals:

- A small business (fewer than 51 employees) has no PPACA requirements and cannot incur penalties (about 95% of Arkansas businesses are small businesses).
- A large business (more than 50 employees) is required to offer employees an affordable health insurance plan. If the business fails to offer an affordable plan and one employee gets a subsidized plan through the exchange, the business can incur penalties of \$2,000/employee after the first 30.

- If the large business offers health insurance, but it is not affordable, then the employee goes to the exchange, gets a subsidy, then that employer can be penalized \$3,000/employee that doesn't have affordable coverage and gets insurance through the exchange.
- By the third year an individual fails to purchase healthcare coverage, he or she may incur penalties ranging from 2.5% of their income or \$695/adult in the household. The rate is higher for not covering children.

Ms. Crone said Arkansas will not have a state exchange, but AID is working to earn federal certification by January 1, 2013, to implement a partnership allowing AID to continue certifying policies, choosing criteria, and monitoring them. To assist consumers, AID will be using marketplace assisters to help Arkansans understand options. Arkansas will need about 535 assisters to help people connect with the federal exchange.

To meet the October 1, 2013, open-enrollment date and have coverage available on January 1, 2014, Arkansas needs to confirm projects; screen, enroll and certify insurance companies; and allow companies time to market their product. AID needs to release RFPs in early 2013 so community organizations have time to respond and the department can have assisters in the field by July 2013. The department will spend about \$17 million to fund outreach programs and study how people move between Medicaid and private plans.

Dr. Andy Allison, Director, Division of Medical Service (DMS), Arkansas Department of Human Services (DHS), provided background on PPACA from an economic standpoint and said Medicaid expansion and insurance subsidies/exchanges have three main goals:

- Defining coverage
- Ensuring everyone has the opportunity to purchase group-like healthcare coverage
- Ensuring everyone has access to affordable healthcare policies by:
 - Providing subsidies through exchanges
 - Expanding Medicaid coverage

The Supreme Court's decision to allow states the choice to expand Medicaid presents challenges. The bill was not designed with this choice in mind, and the variety of options is overwhelming for states.

Dr. Allison explained DMS has two primary concerns relative to how PPACA affects Arkansas:

- How will Medicaid expansion affect the state financially? / How will we manage that?
- Should the state help poor people afford coverage? If the answer is yes; how do we ensure continuity of care and coverage for the increased number of individuals who will change from Medicaid to a different source of coverage as their income changes i.e. from employed to unemployed?

Mr. Bo Ryall, CEO/President, Arkansas Hospital Association (AHA), said Arkansas's hospitals are economic engines that create a \$10.3 billion impact on the state's economy. They provide 42,000 direct jobs and 33,000 indirect jobs creating a \$4.9 billion payroll.

Mr. Ryall focused on three ways PPACA affects hospitals:

- PPACA includes \$155 billion in nationwide hospital cuts for treating Medicare patients.
- PPACA includes \$2 billion in cuts, over a ten-year period, to Arkansas hospitals for treating Medicare patients.
- Projections indicate that by 2014, Arkansas hospitals will incur \$450 million in uncompensated care cost.

Mr. Ryall said hospitals need patients to have healthcare coverage and AHA supports expanding Medicaid and the exchanges. Medicare expansion would cover an additional 250,000 Arkansans, and create a \$200 million/year impact on hospitals in the state.

Ms. Idonia Trotter, Executive Director, Arkansas Minority Health Commission (AMHC), said AMHC focuses on PPACA outreach at the grassroots level. People are hungry for information and AMHC wants credible minority individuals, communities, and organizations to connect with the plan. The commission wants its representatives to understand how PPACA affects minority communities and remains active in consumer-assistance efforts. During the next few months, AMHC will continue to conduct educational meetings for constituents in minority communities, already having hosted five with approximately 500 people attending. Ms. Trotter noted, AMHC publicly endorses Medicaid expansion and wants the working-class population to play important roles in discussions.

Dr. Creshelle Nash, University of Arkansas for Medical Sciences, College of Public Health, College of Medicine, presented a PowerPoint entitled, "The PPACA and Minority Health", [ATTACHMENT 1] and said the act can address important issues such as how healthcare disparities affect people who need care the most and expanding access to coverage. Arkansas's population ranks poorly in health standards. Minorities in the state rank even lower, and the majority of Arkansans are uninsured. She noted the Consumer Assistance Advisory Committee (CAAC) plays an important role in designing marketplace assisters' jobs. The committee's vision is that everyone in Arkansas can come to the exchange, determine eligibility, and obtain family healthcare coverage. Medicaid expansion has potential to decrease Arkansas's mortality rate by 6.1% in five years, saving about 500 lives.

Representative Murdock presided over the question and answer segment.

In response to a question by Mr. Xavier Herd, Dr. Allison said he is optimistic that new money and more people having coverage will help reimburse providers for services they may be providing "for free" now. The medical community realizes implementing expansion requires a great deal of work, but they are excited about the challenge and their goal is to make Arkansas an attractive place to practice medicine.

Senator Malone said putting 250,000 new patients into Arkansas's waiting rooms creates a burden on the state. There are not enough primary physicians in Arkansas now; he believes telemedicine will play an important role in bringing enough healthcare providers into the system.

Ms. Vivian Flowers, a Pine Bluff resident, asked if there are any funds dedicated to developing a more diverse healthcare workforce in Arkansas. Ms. Nash explained PPACA includes components that encourage medical students to enter the primary care field, but she has not seen programs that focus on increasing diversity. Components like requiring cultural competency, professional training, and implementing the navigator system are present at the federal, but not state level. Mr. Bradford said providers will follow the money, and adding \$2 billion to pay for healthcare in Arkansas is a good incentive that will help deliver services across the state.

In response to a second question by Ms. Flowers, Senator Malone said state leaders understand that converting medical records to electronic versions is a critical step towards enhancing patient care, and they take great measures to ensure the law protects patients' privacy. Senator Elliott said electronic medical records create fewer breaches of patient confidentiality, and it is important to have systems that can "talk" to one another when developing successful programs.

On behalf of consumers, Mr. Mike Anderson asked how the new system provides coverage continuity for self-employed people, whose varying income may force them to move between Medicaid, exchanges, subsidy qualifications, etc. Ms. Crone explained AID hopes to study this concern from a cost perspective, so they learn how to integrate programs and keep consumers from being "caught" between plans.

Dr. Allison said the fundamental challenge is that the plan is public coverage, provider rates vary, and the network is different for private insurers. Some states will provide Medicaid in the exchange; others will bring private healthcare plans into Medicaid. Ms. Crone noted the rate of people moving from plan to plan could be as high as 60% within a six-month period in states like Arkansas.

Senator Crumbly asked someone to define the "donut hole" and explain how the PPACA works towards reducing it. Ms. Crone explained the "donut hole" exists when a patient has [drug] coverage to a point, then they lose that coverage and pay full dollar [for drugs] until they are eligible for coverage at another point. PPACA already allowed reimbursements to about ½ million Arkansans for expenses they incurred during that time and the act provides 50% more money to pay for Medicare prescription drugs. Mr. Bradford said AID's federally-funded Senior Health Insurance Information Program has caseworkers who advise Arkansans age 65+ of their Medicare options and supplements.

The committee received the following reports from the Arkansas Insurance Department:

- Annual Study of Medical Malpractice Insurance Market in Arkansas, August 2012
- Annual Study of Workers' Compensation Insurance Market in Arkansas, August 2012
- Annual Fire Loss Report for Year Ending 2010, 2011
- Use and Impact of Credit in Personal Lines Insurance Premium, June 2012
- 2011 Annual Insurance Department Report

With no further business, the meeting adjourned at 12:25 P.M.