

MINUTES OF THE SENATE COMMITTEE ON PUBLIC HEALTH AND WELFARE

The meeting was called to order by Senator Jan Meyers at
Chairperson

10 a.m./~~p.m.~~ on January 17, 1984 in room 526-S of the Capitol.

All members were present ~~except~~

Committee staff present:

Emalene Correll, Legislative Research Department
Bill Wolff, Legislative Research Department

Conferees appearing before the committee:

Trudy Racine, Senior Auditor, Legislative Division of Post Audit

Others present: see attached list

Trudy Racine, Senior Auditor, Legislative Division of Post Audit, continued her report on Adult Care Homes in Kansas. Ms. Racine stated that the reimbursement system has a number of controls on property costs, and more controls have recently been added by SRS. These include the following:

1. Only bona fide sales or leases will be allowed to increase rates.
2. Only one property transaction each three years will be allowed to increase rates.
3. Depreciation will be recaptured for early sales.

She said the Legislature can strengthen existing controls or try other reimbursement approaches if better containment of property costs is needed. The existing controls over property costs will slow the rate at which property reimbursement rises, but they will not stop it.

One option for controlling such increases even further is to strengthen the kinds of controls already in use. Some states faced with spiraling costs and limited funds have stopped adjusting property reimbursement on the basis of a sale at all. Property values have in essence been frozen, and buyers must accept property reimbursement at the same rate as before the sale.

Ms. Racine further explained that providers must be encouraged to remain in business. This can be done by providing a return on equity, providing a direct reimbursement of profits, and increasing the reimbursement rates to cover an increased portion of costs. Some states have adopted "fee-for-capital" approaches to reimbursement. These approaches eliminate or substantially reduce the role of sales or lease changes in reimbursement rates. The main attraction of such fee-for-capital systems is the apparent opportunity they provide to set prices for capital reimbursement which may not be as subject to market forces and which the industry may not be as able to affect or manipulate.

The state's ability to monitor what takes place in the property area could be substantially improved if certain changes were made. Legislative Post Audit suggests the following improvements: 1. Identifying each home with a permanent identifier number so that its history could be traced regardless of changes in name or provider. 2. Incorporating balance sheet information such as that used by auditors into the data base so that reports on profitability could be generated each year - collected but not keyed in. 3. Requiring adult care home owners or providers to supply documentation of each and every property transaction, regardless of its anticipated effect on licensure or reimbursement. 4. If fee-for-capital reimbursement systems are to be studied, development of better information about the age of facilities and their original construction costs will be necessary.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON PUBLIC HEALTH AND WELFARE,
room 526-S, Statehouse, at 10 a.m./~~pm~~ on January 17, 1984.

Ms. Racine stated that many of the changes that are occurring are out of a desire to restrain increases which have occurred by consolidation of the industry. This is not unique to Kansas, and has progressed much further in other states.

She answered several questions from committee members, and Senator Meyers asked for comments from the audience.

Dick Hummel, Kansas Health Care Association, stated that he personally felt that Post Audit had given a very comprehensive report with good policy recommendations, but would like to officially study the report and maybe make some further recommendations.

Petey Cerf, KINH, stated that she thought Post Audit gave a superior report, and said that large chains generally are detrimental to the interest of the patients.

Senator Meyers stated that on Wednesday, January 25, the committee would hear from Mr. Hummel, KINH, and any other interested parties, along with the Post Audit staff.

The following bills were reviewed by Emalene Correll, Legislative Research Department: SB 190, SB 343, SB 364, SB 366, SB 466, and SB 488.

Senator Meyers announced that bill requests would be heard Friday, and that there would be no meeting Monday, January 23.

Senator Ehrlich moved that the minutes of January 16, 1984, be approved. Senator Gordon seconded the motion and it carried.

The meeting was adjourned.

