

MINUTES OF THE HOUSE COMMITTEE ON HEALTH AND HUMAN SERVICES.

The meeting was called to order by Chairperson Carlos Mayans at 1:30 p.m. on January 18, 1995 in Room 423-S of the State Capitol.

All members were present except: Representative Joel Rutledge - excused
Representative Kay O'Connor - excused

Committee staff present: Lois Hedrick, Committee Secretary

Conferees appearing before the committee: Janet Schlansky, Acting SRS Secretary
Carla Nakata, Director, SRS Income Maintenance

Others attending: See Guest List, Attachment 1.

Janet Schlansky, Acting Secretary, Social and Rehabilitation Services, presented a progress report on Welfare Reform, see Attachment 2. Upon receiving federal approval to the waiver requests, Ms. Schlansky reported it will take 4-6 weeks to implement the changes and to train personnel. Ms. Schlansky stated because of a Cabinet Meeting she would need to leave early but that Phil Anderson and Carla Nakata were present to field questions.

Representative Yoh asked which counties had been piloted with the KanLearn Project. Ms. Nakata said there were three counties: Montgomery, Ford and Saline. Representative Henry asked if it was still planned to hire 69 more personnel as a result of welfare reform. Ms. Schlansky replied that the staffing situation would be addressed through the Appropriations Committee.

Representative Wells asked if giving students incentives to attend school rather than giving schools monetary incentives for attendance would better serve the KanLearn program? Ms. Schlansky replied the present system is the theory behind the pilot program. (Ms. Schlansky excused herself.) Representative Wells asked if the electronic benefits transfer program will permit auditing for fraud. Carla Nakata replied that was the reason for requesting it. She said that fraud can be found in any program; but with oversight it can be minimized. Representative Wells also asked if KanWork is as effective as it was intended. He questioned the plan to deny assistance for three years if a participant has been in the program for 30 months and then cannot find employment. Ms. Nakata stated there were concerns with the program, and they are focusing on how long to train a participant to make him (or her) an employable person.

Representative Landwehr asked if the chart on page 4 of Attachment 2 displayed the expected savings if the various reforms are accepted. Ms. Nakata replied that the figures are estimates in funding changes that would occur if the entire reform is implemented. Representative Landwehr questioned the possibility of abuse in the electronic benefits transfer system and if it is possible to limit the types of purchases with the cards. Ms. Nakata replied that one problem had been trafficking in food stamps. As other states have moved to the card system, it has allowed them to identify fraud more easily. Kansas will install a system to monitor the card.

Representative Geringer asked if Medicaid was part of the waiver request. Ms. Nakata replied she would need to get information about that in order to reply.

Representative Gilmore questioned what happens to assistance for the participant who voluntarily quits a job. Ms. Nakata said that each case needs to be reviewed to determine the cause of a client quitting. Representative Merritt asked where the model for this change came from. Ms. Nakata indicated from the private sector. Representative Merritt also asked if there was a penalty imposed for someone who receives educational benefits but who quits the program early. Ms. Nakata stated there are penalties for early withdrawal. Representative Landwehr questioned the effectiveness of the penalties. Ms. Nakata stated SRS's policy was to encourage continued employment.

Representative Howell asked who in the U.S. Department of Agriculture indicated they would not approve the waivers. Ms. Nakata indicated it is the agency's response, not an individual's response.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON HEALTH AND HUMAN SERVICES, Room 423-S State Capitol, at 1:30 p.m. on January 18, 1995

Chairperson Mayans asked how the immunization program is going? Ms. Nakata stated that SRS has arranged to make it easy by setting up a mobile van at the Wyandotte County SRS office. The Sedgwick County office has set space aside for a clinic. It is being worked on by several other offices in order to make them immediately available. Chairperson Mayans stated that last year the committee determined several day care centers were cited for immunizations not being up to date. Chairperson Mayans asked if it were possible that when a nurse comes in the second time, rather than citing the day care provider, that the nurse simply administer the vaccine. Chairperson Mayans offered that as an amendment last year, but it was misunderstood and so it was withdrawn. He asked if SRS could work on that. Ms. Nakata indicated she would review it to determine if it is possible.

Chairperson Mayans thanked the conferees and members for courteous interaction and expressed the desire that the committee continue on the same demeanor.

Chairperson announced that the committee will visit the Kansas Neurological Institute tomorrow at 1:30 p.m.

The meeting was adjourned at 2:30 p.m.

The next meeting is scheduled for January 19, 1995.

HEALTH & HUMAN SERVICES COMMITTEE GUEST LIST

DATE: January 18, 1995

NAME	REPRESENTING
Marva Williams	Kansas Planning Council On Developmental Disabilities
Quika Aldrich	Resource Center for Independent Living
John Federico	Pete McGill + Assoc
Wm Sennys Bryan Olander	Here, KS - KANU
Suzzy Peterson	KFMC
Joe Fugate	KCA
Rich Pittman	Health Midwest
Bob Williams	Ks. Pharmacists Assoc.
ALAN - COBS	Community Care of KS
Harold Reed	KADM
Tom Bell	KHA
Mike Meacham	Nat'l Cosmetology Assn of KS
Jean Taylor	Advocacy volunteered
Walter E. Richards	Ks. Council of Chapt's, TROA
Danella Johnson Betts	KDHE
Marsha Abraham	CWA
Jane Adams	Keys for Networking
Frances KASTNER	Ks Food Dealers Assn.
Canda Byrne	Menninger

KANSAS DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
Janet Schalansky, Acting Secretary

House Committee on Health and Human Services
Testimony on the Status of Welfare Reform

January 18, 1995

The SRS Mission Statement:

"The Kansas Department of Social and Rehabilitation Services empowers individuals and families to achieve and sustain independence and to participate in the rights, responsibilities, and benefits of full citizenship by creating conditions and opportunities for change, by advocating for human dignity and worth, and by providing care, safety and support in collaboration with others."

Mr Chairman, members of the committee, thank you for this opportunity to provide you with a progress report on Welfare Reform.

WELFARE REFORM: PURPOSE AND PROVISIONS

The purpose of the Kansas Department of Social and Rehabilitation Services (SRS) welfare reform initiative is to:

- encourage employment
- promote responsibility
- simplify public assistance program administration

These changes affect families receiving Aid to Families with Dependent Children (AFDC), Employment Preparation Services, Food Stamps, Medicaid, and the Child Support Enforcement programs. By supporting families - rewarding employment, encouraging education, and increasing the consistency between public assistance programs - the likelihood of their becoming self-sufficient will increase.

The Kansas welfare reform initiative, Actively Creating Tomorrow (ACT), entails the following changes:

A. Reward and Encourage Work

- Work is encouraged by adopting new policies that motivate rather than penalize, individuals who seek work and retain employment.
- Earnings of children in school and their resulting savings accounts are exempt.
- Extended medical coverage for persons becoming employed is increased from one to two years. During the second year, a 25% co-payment is required.

- One vehicle is exempt for all households. Transportation is critical to all families, especially those who work or who are searching for employment.
- Education and training services in the KanWork program are restricted to employable clients who are limited to 30 months of participation, followed by a three-year period of ineligibility for AFDC assistance.
- Both parents are required to register for work in counties with a job service center.

B. Promote Personal and Parental Responsibility

- Additional children born to a family receiving AFDC will result in little or no increase in cash benefits.
- Families are encouraged to stay together by removing barriers that discouraged two-parent families from participating in the AFDC program. This change will secure matching federal funds for families presently served in the General Assistance program.
- Unmarried minors must live with their parents or responsible adults to be eligible for assistance.
- Recipients are responsible for returning monthly reporting forms on time. If the required monthly information is returned late (after the 5th of the month), cash assistance and food stamp benefits will be decreased.
- Recipients of all public assistance programs, including AFDC, Food Stamps, Medicaid, and Child Care, are required to cooperate with the Child Support Enforcement program.
- Non-cooperation penalties are changed for participants in the KanWork and Child Support Enforcement programs. Assistance to the household head is reduced during the first three months of non-cooperation. Assistance to the entire household is ended if non-cooperation persists. To end the penalty, individuals must cooperate.
- Persons who voluntarily quit a job are penalized by removing the individual's benefits for three months.
- Public assistance is denied to fugitive felons.
- School attendance among children of AFDC families is encouraged within the three-county "KanLearn" pilot. Monetary incentives and penalties accompany attendance and unexcused absences.
- Families must comply with immunization laws as a condition of eligibility for AFDC.

C. Other Provisions

- The Family Support Tax Credit was established which allows partial tax credits (70% of donation) to extended family members who contribute to the support of AFDC recipients.
- SRS was authorized to accept donated corporate funds by the establishment of Corporate Individual Trust Accounts.
- Kansas residents may establish Individual Development Accounts (IDA), custodial accounts for education expenses. Children's IDA's are exempt from AFDC eligibility determination.
- The development of an Electronic Benefits Transfer (EBT) system for all cash, food stamp, and medical assistance benefits was authorized.

D. Simplify Program Requirements

- Rules regarding program requirements are more uniform among programs.
- Because ACT standardizes program policies, eligibility and benefits will be easier to understand.
- The administration of programs will be more efficient and accurate.

FEDERAL WAIVERS

Several policy changes in ACT diverge from existing federal law or regulations. To gain federal approval to carry out new policies, states must apply to the federal government to waive standing policies. The following elements outline the waiver process:

- **Application.** When waiver applications are submitted, it is the state's responsibility to ensure cost neutrality with respect to federal funds.
- **Negotiation.** The review and negotiation phase follows the waiver application. This phase can be lengthy depending upon the complexity of the waiver and the intensity of the federal review. During this phase, the federal government assesses the state's capacity to execute a waiver and identifies unacceptable waiver provisions based on regulation and law. States are given the opportunity to refute, clarify, compromise, or withdraw contested provisions during the negotiation phase. House Bill No. 2929 authorizes the department to seek federal waivers, but prohibits any waiver agreement that would result in a cost to the state, regardless of whether the cost entails additional state expenditures or a loss in federal funding.
- **Terms and Conditions.** Following the successful conclusion of the negotiation phase, states are required to establish an evaluation process to prove the effectiveness of the new policies over the life of the waiver. The evaluation must be performed by an objective entity. Program participants

will be randomly divided into two groups. Approximately 5 percent will serve as a control group, and will remain within current program policies. Remaining participants will be placed under the new policy changes. The evaluation process will measure differences in both the cost and client outcomes of the two groups. In addition, quarterly financial data must be submitted to the federal government to assess the cost neutrality of the waiver.

- **Approval.** The federal government issues a formal approval when a waiver is granted.

The fiscal impact of the original waiver request follows. Amounts are in millions of dollars.

Program	FY 1996			FY 1997			FY 1998		
	All Funds	State Funds	Fed Funds	All Funds	State Funds	Fed Funds	All Funds	State Funds	Fed Funds
AFDC	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(1.1)	(0.4)	(0.6)
General Assistance	(4.1)	(4.1)	0.0	(4.3)	(4.3)	0.0	(4.5)	(4.5)	0.0
Medicaid	2.2	0.9	1.3	2.3	0.9	1.3	2.4	1.0	1.4
MediKan	(1.2)	(1.2)	0.0	(1.3)	(1.3)	0.0	(1.4)	(1.5)	0.0
Food Stamps	(5.8)	0.0	(5.7)	(6.1)	(0.1)	(6.0)	(6.4)	(0.1)	(6.4)
EPS	0.4	0.2	0.2	0.4	0.2	0.2	0.4	0.2	0.2
Total	(8.8)	(4.3)	(4.4)	(9.2)	(4.6)	(4.6)	(10.6)	(5.3)	(5.4)

WELFARE REFORM IMPLEMENTATION

A four-member executive management team has been established to direct the implementation of ACT. The executive management team is supported by an implementation committee comprising five working groups:

- System Development Coordination
- Group Selection
- Cost Allocation
- Public Information
- Welfare Reform Evaluation

The working groups meet as needed, and provide the executive management team progress reports every two weeks. The executive management team advises the Secretary continuously.

IMPLEMENTATION PROGRESS

The following is a listing of progress to date.

- ***Automated System Changes.*** The policy changes within welfare reform require complex modifications to several major SRS systems. System changes have been assessed and designed. At present, the designed changes have been programmed, or are in final programming stages. The majority of system changes are currently being tested. In January, changes to the Child Support Enforcement and Employment Preparation Services systems are expected to be completed. By mid-February, the remaining programming affecting Cash Assistance, Food Stamps, and Medical Assistance are scheduled for completion.
- ***Waiver Evaluation.*** The evaluation proposal is currently being designed. A preliminary draft is scheduled for completion at the end of January. The final request for proposal (RFP) is hindered by the uncertainty of the waiver's status. Information from other states suggests an annual cost of \$600,000 - \$670,000 for the evaluation componen over the life of the waiver.
- ***Training.*** Field training on policy changes has been planned. This training will occur during a six-week interim before the implementation of welfare reform. To introduce the department's current culture focus, cross functional conferences will be held in April.
- ***Family Support Tax Credit and Corporate Individual Trust Accounts.*** The department has worked in cooperation with the Department of Revenue. Tax forms and instructions are now available and have been provided to tax preparers. Staffing to promote this initiative is contingent on the release of funds.
- ***Individual Development Accounts.*** All implementation issues are tax-related, and are being administered by the Department of Revenue.
- ***Electronic Benefit Transfer (EBT).*** The state's request for proposal to obtain an EBT vendor has been approved by the federal government. Published bids will be accepted in February. If the procurement process proceeds as anticipated, pilot sites should be operational by December 1995.
- ***Childhood Immunizations.*** Release of the required funding for this initiative was inadvertently tied to State Finance Council approval. Such approval was not requested since the federal waiver request had not been approved as of the last State Finance Council meeting. SRS is working closely with the Kansas Department of Health and Environment and local health departments to improve AFDC families' access to immunization services. Local health department staff in at least two large counties will soon be offering immunizations in SRS field offices.
- ***Mandatory Paternity Establishment.*** This policy was implemented immediately upon passage of House Bill No. 2929. This provision, affecting a very small number of AFDC families, clarifies the department's authority to establish paternity when the alleged father is living with an unmarried mother and their children, and is applying for assistance as part of the family.
- ***Expansion of Estate Recovery Unit.*** Based on data through December, the unit is expected to collect approximately \$1,000,000 this year, a 54% increase over FY 1994 collections of \$653,000.

- ***KanLearn.*** Three KanLearn pilot counties have been proposed, but not approved by the federal government. The KanLearn initiative is scheduled for implementation at the start of the 1995-1996 school year. Release of funding for this initiative requires State Finance Council approval. The request for approval has not been made since the federal waiver had not been granted as of the last State Finance Council meeting.
- ***Time-Limited KanWork Participation.*** Field staff have been instructed to inform participants that education and training plans over 30 months cannot be guaranteed.
- ***Medicare Buy-In Improvements.*** Medicare "buy-in" refers to the provision in Medicaid law that requires that any Medicaid client who is also eligible for Medicare must have their Medicare premium paid for by the state. Overall, this is a very cost-effective measure. Premiums for Medicare Part B (covering primarily physician, laboratory, and outpatient hospital services) are \$46 per month. Nationally, the average cost of Medicare Part B services is over \$100 monthly, and nearly \$200 for disabled persons. SRS felt that a significant number of actual or potential Medicare beneficiaries within the Medicaid population had gone unidentified. To date, SRS can document over 300 Medicaid clients not properly tied into the Medicare program. This first group should save over \$400,000 annually.

FEDERAL WAIVER STATUS

A. Organizational Impediments

On July 27, Kansas submitted the Welfare Reform waiver. However, federal approval has not yet been granted. Due to the size and complexity of the Kansas waiver proposal, negotiations with the initial single federal review team have been altered. The department must now negotiate independently with three separate federal agencies: The Administration for Children and Families (ACF), the U.S. Department of Agriculture (USDA), and the Health Care Financing Agency (HCFA). This change has slowed the waiver approval process considerably.

SRS staff has been in contact with each federal agency to address their questions. Written responses to two informal federal comments from the Administration for Children and Families have been received. Although the federal agencies have indicated formal waiver responses are imminent, the department still awaits a formal response. It is not known when the response will occur.

The U.S. Department of Agriculture has shown an unwillingness to approve any waiver request that would reduce benefits to even one recipient. This includes the requirement for cooperation with the Child Support Enforcement program and stiffer penalties for violating program requirements; however, the federal agency has suggested this position will be reviewed before issuing a formal response.

Upon receiving the federal responses, the department may still need to negotiate to preserve the intent of House Bill No. 2929. Once the state has waiver approval, implementation can begin in six weeks.

B. Likely Waiver Approvals

From conversations and informal comments from federal agencies, the following waiver initiatives appear likely to be approved:

- Increasing the earnings disregard
- Extending transitional medical coverage to 24 months
- Exempting one vehicle
- Requiring both parents to register for work
- Capping benefits when additional children are born into AFDC families
- Allowing all needy two-parent families to qualify for AFDC
- Requiring minors to live with parents or responsible adults
- KanLearn pilot

C. Probable Waiver Denials

Federal agencies have indicated two waiver proposals that will not be approved under any circumstances:

- ***Waiving JOBS Target Groups and Participation Rates.*** This waiver was requested to conform with House Bill No. 2929, which limited participation in the KanWork/JOBS program to employable individuals. Conversely, federal law mandates state JOBS programs to spend 55% of total expenditures on hard-to-serve target groups. The U.S. Department of Health and Human Services lacks the legal authority to waive participation requirements.
- ***Denying Assistance to Fugitive Felons.*** The U.S. Department of Health and Human Services raised constitutional issues in connection with this waiver.

D. Waivers Under Negotiation

The following waiver requests remain in negotiation. For each provision, information is provided on the waiver proposal, federal position, and available options.

- ***KanWork/JOBS 30-Month Participation Penalty***

Waiver Proposal. After 30 months of participation in KanWork/JOBS, the participant is ineligible for cash assistance for three years.

Federal Response. The U.S. Department of Health and Human Services will not support reducing benefits to participants who are performing satisfactorily.

Option. After 30 months of participation in KanWork/JOBS, clients would be offered the option of participating in a time-limited (3-month) Alternative Work Experience Program (AWEP). If the client chose not to participate, a cash assistance penalty would occur. Following AWEP, the client would be ineligible for KanWork/JOBS services for a specified time, but would remain eligible for cash assistance.

■ ***Expand CSE Requirements***

Waiver Proposal. Require Food Stamp recipients to cooperate with Child Support Enforcement.

Federal Response. The U.S. Department of Agriculture indicates they will not allow penalties for non-cooperation.

Options. Refer Food Stamp recipients to Child Support Enforcement if they volunteer to cooperate.

■ ***Standardize Late Monthly Reporting Penalty***

Waiver Proposal. Reduce benefits by 10% if monthly report forms are returned untimely.

Federal Response. The Administration for Children and Families has indicated it will approve this waiver; however, the U.S. Department of Agriculture has indicated non-approval because the proposed waiver will reduce benefits.

Options. Apply the penalty to AFDC recipients but not Food Stamp recipients, if this waiver cannot be resolved with the U.S. Department of Agriculture.

■ ***Penalty for Non-Cooperation with Child Support Enforcement and Work Requirements***

Waiver Proposal. Adult recipients who do not cooperate will be ineligible for assistance for three months. If the adult has not cooperated within three months, assistance will be terminated for the family.

Federal Response. The Administration for Children and Families has concerns regarding termination of benefits for the entire family; however, they have not refused the waiver. The U.S. Department of Agriculture has indicated it will not approve this waiver. The Health Care Financing Agency has indicated it will approve the proposed penalties for AFDC recipients receiving Medicaid, but not for Medicaid recipients who do not receive cash assistance.

Options. It appears likely that the Administration for Children and Families will eventually approve this provision. Therefore, anyone who is an AFDC recipient will be penalized as proposed, but recipients receiving only Medicaid or food stamps will not be penalized for non-cooperation.

Janet Schalansky
Acting Secretary
Department of Social and Rehabilitation Services
913/296-3271