Approved: 4-3-97
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Phil Kline at 1:44 p.m. on March 19, 1997 in Room 514-S of the Capitol.

All members were present except: Representative Reinhardt - Excused
Representative McKechnie - Excused

Committee staff present: Carolyn Rampey, Julian Efird, Stuart Little, Legislative Research Department;
Jim Wilson, Mike Corrigan, Revisor of Statutes Office;
Marcia Ayres, Appropriations Secretary; Helen Abramson, Administrative Aide

Conferees appearing before the committee: Mr. Michael Byington, Wichita Industries & Services for Blind
Ms. Mary Adams, Ks. Ass'n. of Blind & Visually Impaired
Ms. Joyce Cussimanio, Commissioner of Rehabilitation Services
Ms. Ann Koci, Kansas Department of SRS
Mr. John L. Kiefhaber, Kansas Health Care Association
Mr. Fred J. Lucky, Kansas Hospital Association

Others attending: See attached list

Chairperson Kline recognized Representative Pottorff who announced additional items that have come before the subcommittee regarding KPERS issues.

<u>A motion was made by Representative Pottorff, seconded by Representative Helgerson, to reconsider an item that was inadvertently left off the subcommittee report voted on yesterday concerning the KPERS Board of Trustees. Discussion. The motion failed.</u>

Representative Pottorff apologized and explained her voting position as chairperson of the subcommittee. She expressed hope that the KPERS issue could be revisited during the interim. A revised subcommittee report was distributed to the members. (Attachment 1)

Hearing on HB 2271 - Kansas industries for the blind, transfer of assets and operation after such transfer

Mr. Byington. Michael Byington, director of governmental affairs for Wichita Industries and Services for the Blind, expressed qualified support for **HB 2271**. Although the bill has a number of features which may serve to protect current jobs of blind employees at Kansas Industries for the Blind, he felt it would need some additional provisions amended onto it, or that additional legislative action may be necessary. (Attachment 2)

Ms. Adams. Mary Adams, chair of the legislative committee for the Kansas Association for the Blind and Visually Impaired, Inc., supported the fact that **HB 2271** appeared to set up the groundwork to keep the industry operating, to keep blind people employed, and to increase the availability of employment for the blind; however, she felt more would need to be done to insure successful privatization. (Attachment 3)

Ms. Cussimanio. Joyce Cussimanio, commissioner of rehabilitation services for SRS, appeared in support of **HB 2271** which grants authority for Kansas Industries for the Blind to be privatized and describes actions that need to be taken prior to privatization. (Attachment 4)

Questions followed and Representative Nichols requested a detailed, up-to-date plan before working the bill about how this would impact blind Kansans and how it would impact the employees.

The hearing on **HB 2271** was closed.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, Room 514-S Statehouse, at 1:30 P.M. on March 19, 1997.

Chairperson Kline informed the committee of the schedule for the next couple of days. Since the appropriations bills were referred back, the committee will meet at 8:00 a.m. and work until the House session begins. The committee will reconvene upon adjournment of the House and work as long as possible. The same schedule will be followed on Friday if necessary.

Hearing on HB 2477 - Social welfare payment schedules for health care providers; limitations

Ms. Koci. Ann Koci, from the Kansas Department of Social and Rehabilitation Services, spoke in support of **HB 2477** which amends the duties of the Secretary of SRS and conforms language in certain sections with the related powers of the Department on Aging. (Attachment 5)

Mr. Kiefhaber. John Kiefhaber, executive vice president of the Kansas Health Care Association, testified in opposition to passage of **HB 2477** because he feels the proposed changes are premature and that the language of the bill encourages the State of Kansas to relinquish an important public responsibility to help care for frail and elderly Kansas citizens. (Attachment 6)

Mr. Lucky. Fred Lucky, vice president of the Kansas Hospital Association, appeared in opposition to **HB 2477** because he feels it does nothing to ensure access to quality health care services for Medicaid recipients. (Attachment 7)

After a few questions, the hearing was closed.

Hearing on HB 2518 - Appropriations for FY 97, supplemental appropriations for Attorney General

Chairperson Kline recognized research staff who reviewed the bill which is an emergency supplemental appropriation to the attorney general for water litigation. She explained that the amount of money is not in contention, but the money was contained in the regular supplemental appropriation bill and the attorney general needs the money now.

Questions followed for Mr. Neil Woerman of the attorney general's office.

A motion was made by Representative Holmes, seconded by Representative Packer, to pass **HB 2518**. Discussion. The motion carried.

The Chair urged members to review their subcommittee reports before the meeting tomorrow.

The meeting adjourned at 3:10 p.m.

The next meeting is scheduled for March 20, 1997.

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: March 19, 1997

NAME	REPRESENTING
Larry Hinton	SRS
Michael Byington	Wichita Industries + Services for the Blind
Mary Adams	Ks. Assn. for Blind and Vis. Impaired
Sandy Evans	Wichita Industries & Services for the Blind
FRED LUCKY	KANSAS HOSPITAL ASSN
John Kiefhaber	Ks. Health Care Assn.
Charley Young	Via Christi
Tom Bell	KHA
Julie Hein	Hein + Weir
JASON PITSENBERGER	BRAD SMOOT
Donald L. Pitts	AG

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SUBCOMMITTEE REPORT ON RETIREMENT AND DISABILITY ISSUES

Subcommittee on KPERS Issues
House Committee on Appropriations

March 17, 1997
(Revised)

The following items include the different subjects recommended by the House Subcommittee, including items originally included in proposed legislation and other items added by the House Subcommittee to certain bills, as noted below. Subjects not addressed in this first report may be subjects of subsequent reports by the Subcommittee.

I. The House Subcommittee recommends S.C.R. 1604 be passed.

S.C.R. 1604: Introduced by the Joint Committee on Pensions, Investments, and Benefits, the concurrent resolution is a proposed constitutional amendment to the *Kansas Constitution* that would permit KPERS and other local public retirement or pension plans to own stock in banks, subject to any statutory provisions authorizing or restricting such ownership. The amendment would modify Article 13 which pertains to banks and specifically section 2 which contains a prohibition against the state owning stock in banks. The proposed amendment is limited to public retirement plans and would not affect the prohibition against the state owning banks.

II. The House Subcommittee recommends H.B. 2238 be amended, to include all of the following provisions:

H.B. 2238: As introduced by the Joint Committee on Pensions, Investments, and Benefits, the bill's provisions would address many general employer and employee benefit items.

1. **Separate Employer Contribution Rates for New KPERS Employers.** Require new participating employers to pay their own prior service liability instead of having it spread across the System as a whole.

2. **Member Arrearage to Be Paid by Employers.** Since employers have an obligation to continually monitor the eligibility status of their employees, shift responsibility from employee to employer for payment of arrearage when an eligible employee is not enrolled when eligible. Current law places burden on employee for employer failure to comply. This change would not be applicable to first year of service.

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3. **Post-Retirement Earnings Limits Raised.** H.B. 2430 as introduced would raise the post-retirement earnings limitation from $11,280 to $13,500 per year for retired KPERS members who return to work for the participating employer from which they retired. The Subcommittee recommends incorporating the subject matter in H.B. 2238, and that both KPERS and KP&F members be covered by these provisions. In addition, a multiyear schedule to conform with federal Social Security graduated limits in P.L. 104-121 be included for the state fiscal years as follows: 1997 $13,500; 1998 $14,500; 1999 $15,500; 2000 $17,000; 2001 $25,000; and 2002 $30,000. In addition, the original provision in H.B. 2238 should be retained to **Require Employer Reporting on Retirants Earning More than the Statutory Limit.** Employers are not currently required to report those retired members they have reemployed who earn in excess of the statutory earnings limitation. Current law allows retired members who return to work for the participating employer from whom they retired to earn a maximum of $11,280 in a calendar year from that employer. If the maximum is exceeded, the retired member's benefits are suspended for the remainder of that calendar year.

4. **Suspend Retirement Benefits for Retired Judges Elected or Appointed to a Judgeship.** Current law permits a retired judge to be reelected or reappointed and to continue to draw full benefits and a full salary while accruing additional benefits.

5. **Reduce Eligibility for KSRS Retirement Benefits to Ten Years.** Current law provides that a school employee must have worked 12 years prior to 1938 to receive a benefit under the old Kansas School Retirement System. There would be a negligible actuarial impact as most of these individuals would be in their nineties.

6. **Purchase of Withdrawn Service by Elected Officials at The Actuarial Rate.** This change would bring these purchases in line with all other service credit purchases authorized for KPERS members.

7. **Board May Appoint Benefit Appeal Hearing Officers.** Authorize KPERS Board to appoint and compensate someone other than a Board member or a KPERS employee as a hearing officer.

8. **Abuse of Excessive Termination Pay.** Require KPERS participating employers to pay any actuarial liability incurred when reporting termination pay that increases the member's final average salary by 15.0 percent or more.

9. **Purchase In-State Public Nonparticipating Employer Service.** Permit purchases of 1.75 percent service credits which would include another bill (H.B. 2407) that addresses specific employees. The Subcommittee recommendation would apply to all in-state service with public, nonparticipating and nonfederal employers, such as the Leavenworth City-County Health Department (H.B. 2407) prior to December 31, 1984. The recommendation would allow current public employees to buy this service credit at their expense and at actuarial cost in order that KPERS does not

absorb any liability of these purchases. Also included is a provision to allow active members who previously purchased 1.0 percent service credit the opportunity to purchase 0.75 percent additional value for that service. (See interim study recommendations for item 3).

10. **Increased Value of Service Purchases (Incorporate H.B. 2517).** This provision would allow current school and other KPERS employees to purchase out-of-state service at the rate of 1.75 percent. At the present time, purchases at 1.0 percent for prior service are permitted under current law. Also included is a provision to allow active members who previously purchased 1.0 percent service credit the opportunity to purchase 0.75 percent additional value for that service. (See interim study recommendations item 3).

11. **Increase Certain Judge's Multiplier (Incorporate H.B. 2339)** . District Magistrate Judges serving prior to June 30, 1987, who elected to purchase that prior service under the Kansas Retirement System for Judges, upon retirement would have the first ten years of service credited at 5.0 percent of final average salary. In keeping with the legislative philosophy that members (rather than employers, the state, or KPERS) should pay or absorb any liability, the Subcommittee recommends that any actuarial cost shall be paid by the employee when purchasing the additional 1.5 percent credit for each year of service.

12. **Technical Amendments (Incorporate S.B. 154).** Introduced by the Joint Committee on Pensions, Investments, and Benefits, these provisions are considered technical clean up amendments to current law and were requested by the KPERS Board of Trustees. The provisions would:

    a. **Provide survivor benefits upon the death of disabled correctional officers.** Disabled correctional employees were intended to have the same survivor provisions as disabled Tier I KP&F members. The appropriate language was never included in prior legislation.

    b. **Clarify prior service.** Allow a member to receive credit for broken periods of prior service if employed on March 15 of the year preceding the employer's entry date.

    c. **Clarify definition of a member.** Expand definition to include inactive, nonvested members in the five-year protection period.

    d. **Separate definitions for "beneficiary" and "payments to a beneficiary."** Current definition commingles how benefits are to be paid with the definition of who is to be paid.

    e. **Members may name different beneficiary for life insurance.** Under current law the named beneficiary is the beneficiary for all benefits. This change would allow members to name different beneficiaries for life insurance benefits than for other benefits.

f. Allow "year of service" purchase at 4.0 percent. Allow employees who had to wait a year to become a member to purchase this year within 12 months at 4.0 percent of compensation.

g. **Compensation definition as related to the IRS code.** This would allow the Retirement System to more specifically define KPERS' compensation as the IRS code evolves.

h. **Certain benefits can be paid under the Uniform Transfer to Minors Act.** There are currently no provisions to pay benefits for minors to anyone other than a conservator.

i. **U.S. public health service, as included in the definition of military service, only includes the commissioned corps.** This change would correct 1994 legislation intended to cover only the commissioned corps.

j. **Remove age 70 requirement from purchase of forfeited service.** Remove outdated language relating to members age 70.

13. **Clarify Judges' Retirement Benefit Calculation.** Current law needs to be corrected in order for the correct calculation to be in statute. KPERS has been making the correct calculation.

14. **Unclassify KPERS Deputy Secretary.** The Executive Secretary indicates that other key positions at KPERS have been unclassified in recent years and that the Deputy Secretary position, which is currently in the classified service, should be placed in the same category as other policymaking KPERS staff.

III. The House Subcommittee recommends H.B. 2240 be amended, to include all of the following provisions:

H.B. 2240: Introduced by the Joint Committee on Pensions, Investments, and Benefits, a separate bill was recommended by the Committee for these items requested by the KPERS Board of Trustees to:

1. **Provide authority to offset estimated Social Security disability payments during pendency of application and appeal process.** Under current law, KPERS' disability benefits are offset by Social Security disability payments.

Current practice implements an estimated offset during the pendency of the Social Security application and appeal process, except that the offset is not implemented if the member signs a commitment to honor the required offset upon receipt of Social Security benefits. This change provides statutory authority for current practice. The change also requires application for Social Security benefits. The provisions also were applied to KP&F members.

2. **Provide total offset for workers compensation.** Current law provides for a 50 percent offset for workers compensation. When coupled with the 66.67 percent benefit paid under KPERS, this provides a significantly greater benefit than is paid under other statewide disability benefit programs.

Other KPERS Board Items:

1. **Change the Salary Assumption for Disabled Members**. Currently, the annual rate is statutorily set at 5.0 percent for disabled members until they reach retirement age. This change would index the rate to the Consumer Price Index (CPI), with a cap of 4.0 percent.

IV. The House Subcommittee recommends the following bills be introduced in order to consider the following subjects:

1. Increase in Judges' Disability Benefits from 25 to 50 percent.

2. Modification of KPERS Real Estate Restrictions.

V. The House Subcommittee recommends the following studies be undertaken during the interim by the Joint Committee on Pensions, Investments, and Benefits:

1. Advisory Committee to KPERS Board of Trustees.

2. Preexisting conditions and physical examinations for KP&F Disabilities.

3. Purchase of prior service credit and the issue of a 1.0 percent multiplier increased to 1.75 percent for both in-state and out-of-state purchases.

4. H.B. 2395 regarding early payout of the $4,000 KPERS death benefit.

5. S.B. 382 regarding KPERS plan compliance with federal requirements and a detailed review of this bill plus KPERS law in general prior to consideration of this bill by the 1998 Session.

House Committee Recommendation

The Committee adopts the Subcommittee Report with the following exception:

1. Delete items 9 and 10 from H.B. 2238 that pertain to purchasing service credit at 1.75 percent. Continue current law in regard to such purchases and have the Joint Committee on Pensions, Investments and Benefits study this issue during the 1997 interim and to report its findings to the 1998 Legislature.

By adopting the Subcommittee Report, the Committee has recommended favorably S.C.R. 1604, and has recommended H.B. 2238 and H.B. 2240 be passed as amended by the Subcommittee Report, excepting items 9 and 10 for H.B. 2238.

PLEASE REPLY TO: Michael Byington
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Topeka, Kansas 66601
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TO: House Committee on Appropriations

SUBJECT: House Bill 2271: Kansas Industries for the Blind (KIB)

We express qualified support for House Bill 2271. It has a number of features which may serve to protect current jobs of blind employees at KIB. We certainly caution, however, that this bill is not, in an of itself, complete, and does not contain all provisions necessary to lead to a successful privatization of KIB. It would need to have some additional provisions amended onto it, or separate additional legislative action may be necessary.

First of all, let me suggest that my employer, Wichita Industries and Services for the Blind (WISB) knows a good deal about the successful privatization of state operated industries which employ blind workers. KIB - Topeka, the only remaining State operated employment program for the blind, used to have a sister plant, KIB - Kansas City, Kansas. As of 1987, this Kansas City Industry was losing about $250,000.00 per year, and had been doing so for several years. Privatization efforts were initiated, not by SRS bid processes, but through direct action of the Kansas Legislature. WISB was the entity which successfully bid to privatize KIB - Kansas City. This took place over a five year process. the State of Kansas subsidized the privatization efforts for five years, For the first three years, the subsidy was at the full $250,000.00KIB had been consistently losing per year. For the last two years, the amount of subsidy was depreciated considerably. It is thus true that the State spent around one million dollars over the five year period of subsidy, but it is also true, that during this time, WISB completely and totally turned the KIB - Kansas City operation around in terms of its self-sufficiency and profitability. KIB - Kansas City now operates on a break even basis as WISB - Kansas City. It has not cost the Kansas tax payers any money whatsoever subsequent to the 1992-1993 fiscal year when privatization was complete and all

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subsidies were discontinued. It employs more blind people than it did under State operation, requires less sighted employees, and all of the blind employees who work there receive well above minimum wage, full health insurance benefits comparable to those provided to State employees, and the 401K retirement plan available to all blind and sighted employees is better funded and has a better investment record than KAPERS. To achieve these accomplishments, WISB had to completely gut the plant, put in new manufacturing equipment, new product lines, new production techniques, new raw materials acquisition methodologies, and essentially re-develop the business plan for the facility from scratch. Had the facility remained under State operation, and continued to lose $250,000.00 per year from 1987 on, it would have cost the tax payers of the State of Kansas $2,250,000.00 by now instead of the one million spent over five years on privatization.

KIB - Topeka is in similar dire straights. Although we have heard oral disclosures that losses are down for this year, the last written data we were given on KIB - Topeka (through 1995) suggests that this facility is losing on the average of $200,000.00 per year under State operation.

We are quite certain that a not-for-profit, competent in the operation of industries for the blind, and affiliated with National Industries for the Blind, could effect a similar turn-around to that described above. House Bill 2271 is well written in that it seems to require that such an organization be considered in privatization efforts. The bill clearly seeks to continue the operation of the facility as a provider of employment and employment related training for persons who are blind.

It needs to be understood, however, that no competent operator is likely to take over a business, with all of its liabilities, which is losing $200,000.00 per year, without some subsidy for a few years in order to allow for time to turn the operation around. For at least the first year, this subsidy, of perhaps $200,000.00, needs to be in the State budget and provided with minimal strings.

Last year, SRS explored privatization efforts of KIB, attempting to do so completely without Legislative involvement. WISB was in some negotiations with SRS regarding KIB, but the State withdrew from these negotiations when it became clear to State officials that Legislative involvement would be advisable. The proposal the State had on the table during the preliminary negotiations was to use federal establishment grant funding to provide some degree of subsidy for perhaps four years of privatization operation. This time period, and even the limited amount of subsidy might have been workable except that establishment grant funds, while advantageous to Kansas tax payers because they are made up completely of federal funds, have a great many strings as to what equipment can be purchased and what costs can be subsidized. They might be a workable funding source for the second year on of a depreciating privatization subsidy, but for the initial year, the funding will need to come from a more flexible source such as State general funds.

Also, the privatization of KIB - Topeka is a bit more complicated than was the privatization of the Kansas City facility. This is largely because of the Topeka location. The KIB - Topeka Building is physically attached to the State operated Rehabilitation Center for the Blind (RCB). Both the RCB and KIB - Topeka facilities were designated, via the 1996 Omnibus Bill, as being a part of the physical grounds of the Topeka State Hospital campus. That same omnibus bill provision restricts the sale or divestiture of any lands defined as a part of Topeka State Hospital without specific Legislative approval. My reading of 2271 would suggest that this piece of Legislation does not call for such approval with the required specificity, and essentially puts the privatization of KIB - Topeka in a situation where the jobs and the very old and outdated equipment can be discussed for privatization, but the land and building can not be.

In Kansas City, the KIB building was free standing and not located adjacent to any other State properties. It could thus more easily be turned over to a privatizing agency. It is certainly not impossible to privatize KIB - Topeka in the same manner, turning the building and grounds over to the privatizing agency, but to do so, deeding and platting will need to be done in an manner similar to that done when rental apartment complexes are turned into condominiums.

If the State of Kansas in fact wishes to retain the KIB - Topeka building and use it for other purposes, then the privatization proposal will need to be adapted accordingly allowing for additional start-up and moving costs. Other free standing, but currently State-owned buildings slated for divesture, might need to be considered for the housing of KIB - Topeka in a privatization and relocation package.

Another issue with regard to KIB - Topeka which may need to be addressed legislatively is what happens to the current sighted employees of the agency. Any not-for-profit agency selected to privatize the facility should not be required to guarantee jobs for each and every sighted employee currently working for the facility. According to SRS figures, during the last fiscal year, the parole for the sighted chiefs was $261,000.00. The parole for the blind Indians was $144,000.00. Most private-not-for-profit organizations which do employment of persons who are blind would not find this to be an acceptable ratio. We certainly do not want to see sighted staff at KIB lose their jobs, but we feel specific provisions should be provided for their possible absorption into other State positions. Undoubtedly, any privatizing entities would want to keep a few of the current sighted employees, provided they want to transfer to a new, non-State employment situation, but such an entity should not be required to retain all sighted KIB parole.

Let me close in making it clear that WISB does not assume that it is the only possible privatizing entity for KIB. As a successful provider of employment for people who are blind in the State of Kansas sense 1931, we suspect we will be strongly considered as KIB privatizes, but we are also aware that other qualified midwestern not-for-profits may express interest. We do not know if we will be selected to privatize KIB - Topeka. We are not even sure that we will bid to do so. Even the best possible privatization package which might be anticipated from SRS does not exactly make KIB a solid, gold Cadillac from our perspective.

Our mission, however, is "To enhance the personal independence of individuals whose blindness, often accompanied by other disabilities, impacts their opportunities for employment, success, and integration into community life." We take this mission very seriously. As the organization in the State which has the greatest amount of experience in the field of employment for the blind, we offer this input today strictly with the intent of helping maintain employment for blind Topekans. We thus want to insure that we will offer assistance in any way possible to see that current KIB - Topeka blind workers keep their jobs and that new employment opportunities are developed through KIB Topeka. This may be done through our direct privatization, through our technical assistance to help the State more efficiently operate the facility, or through provision of technical consultation to another privatizing entity. Please let us continue to assist in the maintenance of current employment for persons who are blind in the Topeka area, and in the creation of new opportunities.

Sincerely yours:

Michael Byington
Director of Governmental Affairs

MB/mjb

Kansas Association for the Blind and Visually Impaired, Inc.

AN ...FILIATE OF THE AMERICAN COUNCIL OF THE BLIND

TO: House Appropriations

FROM: Mary Adams, Chair, Legislative Committee

DATE: March 19, 1997

SUBJECT: Kansas Industries for the Blind, HB 2271

I feel I can provide some expertise concerning Kansas Industries for the Blind (KIB). I retired from employment with this facility a few years ago after having worked there starting in 1951. I did many different jobs at KIB during my years there and saw many different program administrators ply their trade to the program. During some of the intervening years, I did attend college at Washburn University. Some personal setbacks in my life prevented me from finishing my degree and getting employment outside of KIB, but I lack only six hours of having a Bachelor's degree in economics. I have thus followed the budget and administrative aspects of KIB very closely. I have also been involved in advocacy on behalf of KIB for many years, so I have requested and received information to allow me to understand what administrative and business related barriers were being faced.

First of all, I want to say that I think the State should, and has a duty to, continue to operate Kansas Industries for the Blind (KIB). I think the State has a duty to provide employment for certain blind citizens who want to work, and who may not be able to work in the private sector. I refer here to an increasing population because statistics recently compiled by the American Foundation for the Blind suggest that 87% of all children who are born blind today also have other severe disabilities in addition to their blindness.

It makes sense to me to keep people working, and thus keep them being contributing and tax paying citizens, rather than have them depending completely on public benefits. This rings true whether we are talking about people who are blind, or other groups which have high unemployment.

I might remind you here that people who are blind have one of the highest unemployment rates in the country. The 1990 United States Census long form asked several questions which allowed this information to be derived. It asked if a person could see well enough to read most print; it asked their age, and it asked if they were employed. By crunching these numbers together, the Census Bureau arrived at the probably rather accurate figure of 74% unemployment among working aged persons who are blind or legally blind.

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Post Office Box 292 / Topeka, Kansas 66601

Despite the above concerns, I must face reality. The reality is that for nearly 20 years, at differing times, SRS has tried to either privatize or close down, and thus completely eliminate, State-operated employment programs for the blind. Therefore, because SRS has made it quite clear that it really does not want to bother with running industries for the blind programming properly, this programming has not received the attention and expertise necessary in order to run successfully providing maximum employment with a minimum of, or without losses. I currently feel that SRS will never make a dedicated effort to operate Kansas Industries for the Blind with utmost efficiency and productivity.

Unfortunately, I therefore see that the only way KIB will survive is if a not-for-profit takes over, and makes a dedicated effort to concentrate on the successful operation of this facility. I support the fact that House Bill 2271 does appear to set up the groundwork to keep the industry operating, to keep blind people employed, and to increase the availability of employment for the blind. I continue to believe that SRS could do all of these things without privatization, if only it would. It seems clear that it will not.

I believe that the detailed inventory, which the bill requires to be made by the director of accounts and reports, is an essential beginning. This will be a more realistic view of what KIB has available to privatize than has been given thus far through any internal records which have been generated.

For instance, the internal inventory generated last year gave the new purchase price of equipment at KIB rather than the accurate depreciated value for the equipment, which in most cases is several years old. Some equipment listed on the inventory as being in use for manufacturing processes at KIB is in fact over 30 to 40 years old and has been in storage for many years.

While I thus express support for 2271, I am not sure that it does everything which needs to be done to insure successful privatization. KIB has remained in operation for this long because blind consumers have come to the Legislature and worked to protect it. Legislative action, and not SRS support, has resulted in the program's survival. I am thus asking the Legislature to make certain at this point that whatever not for profit takes over KIB is not burdened with such a large mill stone around the neck so as to cause the entire program to sink once and for all.

For example, why should the privatizing agency taking over be required to guarantee the employment of the current sighted administrative staff who have not proven to be able to produce effectively thus far? The key instead should be to maintain and increase employment for the blind.

After all, when Topeka State Hospital closure was planned, there were roughly 200 patients to be relocated and 600 staff. It was not the policy of the State to make the other institutions receiving Topeka State patients take three staff for every patient admitted. Topeka State employees are certainly being given opportunities to transfer to other State jobs, but they are not being required to follow the patients. A similar program should be worked out for the administrative staff of KIB.

In the beginning of the privatization process, the privatizing agency may need a subsidy as they would be taking over a business which is losing money. It also needs to be clarified whether the privatizing entity will be able to stay in the current KIB building or will have to get a new building. That certainly will make a difference as to the amount of needed subsidy.

Also, the best, and most proven, source for contracts for industries for the blind generally come through National Industries for the Blind (NIB). NIB contracts require that 75% of direct labor on contracts be completed by persons who are blind or legally blind. If KIB is indeed to continue to operate as an employment facility for the blind, then any not-for-profit taking it over should be already affiliated with NIB at the time of the acquisition.

As I stated previously, the Kansas Legislature has stepped forward to protect employment opportunities for the blind many times in the past. It has a better record of doing so than does any state services bureaucracy. I have faith that you who are elected to serve Kansas interests will continue to protect employment opportunities for the blind on into the future.

Testimony in Support of HB 2271
3-19-97

Mr. Chair and members of the Committee: I am Joyce Cussimanio, Commissioner of Rehabilitation Services in SRS.

Thank you for giving me the opportunity to appear before you in support of House Bill 2271 which grants authority for Kansas Industries for the Blind to be privatized and describes actions that need to be taken prior to privatization.

Kansas Industries for the Blind--or KIB as it is usually called--is the state-operated sheltered workshop in Topeka that offers employment to persons who are blind and not immediately able to succeed in competitive employment. Many of the KIB workers also have disabilities in addition to blindness. Some have worked at KIB many years. Others are fairly short-term employees. Since 1988, we have emphasized transitioning workers from the KIB workshop to jobs in the community. But the unemployment rate nationally among persons who are blind exceeds 70 percent, so difficulties have been encountered in trying to find suitable placements in competitive employment for KIB workers.

KIB is a manufacturing operation in which a variety of goods are produced that are sold to governmental agencies, unified school districts, and private businesses and individuals. The intent is for KIB to operate like a business and to be financially self-sufficient. However, the goal of financial self-sufficiency has rarely been attained. With few exceptions, annual financial subsidy using public funds has been needed.

We believe some of the procedures and systems that KIB needs to use because it is part of state government increase the difficulty it experiences in trying to operate like a business and attain financial self-sufficiency. We believe KIB needs to have more flexibility in a number of areas, including personnel and purchasing systems. We believe this can best be achieved by transferring responsibility for the operation of KIB from state government to a private not-for-profit organization. Authority to accomplish such transfer is the central thrust of House Bill 2271.

In considering privatization of KIB, the well-being of KIB workers is our major concern. In looking at privatization options, we are determined to assure continuation of secure employment for the workers, reasonable wages and adequate health insurance and other fringe benefits for them, and the availability of staff who are qualified to work with persons who are blind.

Thank you again for letting me testify in support of this bill. I hope you will give it favorable consideration.

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KANSAS DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
Rochelle Chronister, Secretary

Testimony to the House Appropriations Committee

on H.B. 2477

March 19, 1997

Thank you Mr. Chairman, and members of the committee, for the opportunity to testify before you today on House Bill 2477.

The bill amends the duties of the Secretary of SRS in K.S.A. 39-708c. The changes proposed conform language in certain sections with the related and concurrent powers of the Department on Aging, established in HB 3047 which became law in 1996.

The language in HB 2477 strikes the federal Boren amendment language in our state statutes related to hospitals and adult care homes and replaces it with broader language which states: "The Secretary shall not be required to make any payments under any federal grant program which do not meet the requirements for state and federal participation". This language is needed if the Boren Amendment is repealed by Congress in order to not cause conflict with the payment requirements.

The agency supports H.B. 2477. Failure of the statutory payment provisions to conform could present difficulties with regard to the state plan, uniform payments and potential future litigation. If the payment requirements at the federal level are repealed, it may create problems if similar language is contained only in the SRS payments statute.

Again, thank you, Mr. Chairman. I urge you and the committee to recommend this bill favorable for passage.

I will be happy to respond to questions.

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KHCA

Member of ahca

Kansas Health Care Association
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TESTIMONY

before the

House Appropriations Committee

by

John L. Kiefhaber, Exec. Vice President

KANSAS HEALTH CARE ASSOCIATION

House Bill 2477: "AN ACT concerning ... rate schedules for health care providers ..."

Chairman Kline and members of the Committee:

The Kansas Health Care Association, representing over 200 professional nursing facilities and assisted living facilities throughout the State, appreciates the opportunity to speak in opposition to the passage of House Bill 2477. On page 5 of the bill language would be deleted and new language substituted that would retract the State's responsibility to thousands of its elderly and frail citizens to assist in the financial support of their professional nursing care. Over 13,000 nursing facility residents require Medicaid assistance to help pay for needed nursing, nutrition and rehabilitation services to maintain their highest level of functioning and comfort. This level of care is not only deserved by our senior Kansans, but it is required under very strict federal health and safety standards

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that are enforced very strictly by the Kansas Department of Health and Environment.

It appears that the changes requested by the bill are an effort to prepare for reducing the State's responsibility for the cost of Medicaid nursing care under a new scheme of federal per person caps on the FFP portion of the Medicaid budget. The new Clinton budget that was recently released calls for $22 billion in Medicaid cuts over five years. Much of that cut is expected to be realized by holding the federal portion of Medicaid costs to a per person annual cap. The same budget document also requests the repeal of the federal Boren Amendment, which requires that Medicaid rates for hospitals and nursing facilities cover the costs of economically operated facilities. Under the President's budget proposal, states would be able to use a simplified public notice process for setting hospital and nursing facility payment rates. House Bill 2477 removes the Boren language from state statute.

We believe that the changes proposed in House Bill 2477 are premature -- since federal changes have not even been passed yet. In addition, KHCA believes that the language of the bill encourages the State of Kansas to relinquish an important public responsibility to help care for our frail elderly Kansas citizens when it becomes necessary. Because we enjoy one of the highest rates of private pay mix and one of the lowest levels of costs, Kansas nursing facilities are the best buy in health care -- delivering quality care to tens of thousands at the lowest cost in the nation.

We ask you to not report House Bill 2477 favorably.

[Kans]AS HOSPITAL ASSOCIATION

Donald A. Wilson
President

March 19, 1997

TO: House Appropriations Committee

FROM: Fred J. Lucky, Vice President
Kansas Hospital Association

SUBJECT: HB 2477

The Medicaid program is based upon a unique set of partnerships that work together to ensure access to quality health care services for the poor, elderly, and disabled citizens of Kansas. The first partnership arrangement exists between the state and the federal government, and that agreement establishes the ground rules for all of the parties. When Kansas elected to participate in this partnership they agreed that they would abide by the federal rules governing participation in the program.

One of the key provisions in the federal rules requires states to establish payment rates for providers of Medicaid services that had a reasonable relationship to the costs of providing those services. This provision, which is more commonly known as the Boren Amendment, further requires states to undertake responsible cost studies that ensure this provision is being met.

The second partnership in the Medicaid program exists between the state and the providers of health care services. Hospitals and other providers of health care rely on the state to abide by the rules which afford them some protection against unreasonable payment rates.

HB 2477 attempts to undermine both of these partnership arrangements by removing language consistent with federal rules and replacing it with language which would allow the secretary to establish payment rates without regard to costs incurred by efficiently and economically operated facilities.

There have been a number of attempts on the federal level to repeal the Boren Amendment in the past, and while support for its repeal is widespread, it is still the law. Kansas hospitals have never challenged the state under the Boren Amendment provisions even though our payment rates, in relation to our costs, are among the lowest in the nation. Data submitted by SRS to HCFA indicated that payments to Kansas hospitals ranked third from the bottom among all states, and the likelihood of receiving rate increases appears remote.

It appears that HB 2477 is legislation which assumes the repeal of the Boren Amendment or anticipates an alternative form of federal funds distribution to the states, such as a block grant, and would give the secretary greater autonomy in

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setting payment rates. Given the rate of reimbursement hospitals receive under the current protection of the Boren Amendment, we question the need for such autonomy.

Nearly 200,000 Kansans receive benefits under Medicaid. Access to quality health care services from efficient and economical providers for these citizens is fundamental to the success of this program. Current payment rates are stretching hospitals, and those to whom we shift those losses, to the limit. HB 2477 appears to only exacerbate this situation and does nothing to ensure access to quality health care services for Medicaid recipients. Therefore, the Kansas legislature should not approve its enactment.