

Approved: 3-17-97  
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on March 11, 1997 in Room 123-S of the Capitol.

All members were present except: Senator Lawrence (Excused)

Committee staff present: Alan Conroy, Legislative Research Department  
Kathy Porter, Legislative Research Department  
Mark Burenheide, Legislative Research Department  
Norman Furse, Revisor of Statutes  
Michael Corrigan, Revisor of Statutes  
Judy Bromich, Administrative Assistant  
Janet Henning, Committee Secretary

Conferees appearing before the committee: Terry Bernatis, Manager, Compensation and Benefits, Division of Personnel  
Mike Hutfles, Executive Assistant to Secretary Chronister, SRS  
Dr. David Shulenbuger, Provost & Professor of Business, University of Kansas  
Scott, Rothe, Board of Indigents' Defense Service  
Ron Wurtz, Director, Death Penalty Defense Unit

Others attending: See attached list

It was moved by Senator Salisbury, seconded by Senator Ranson, to introduce 7 RS 1108 as requested by KPERs. The motion carried on a voice vote.

**SB 318: Veterans' home established at Winfield state hospital and training center.**

Chairman Kerr advised Committee members that Don Myer, Kansas Commission on Veteran Affairs, had provided a written response to questions as requested (Attachment 1).

**SB 363: State officers and employees; authorizing payment of death benefits**

Terry Bernatis, Manager, Compensation and Benefits, Division of Personnel Services, appeared before Committee members in support of **SB 363**. Ms. Bernatis told Committee members that in 1996, certain compensation and benefits provisions were authorized for employees laid off at Topeka State Hospital and Winfield State Hospital and Training Center in **SB 388** (Attachment 2). One of those provisions is the Extended Death Benefit which provides a 1 1/2 times annual salary benefit for displaced employees at these institutions. A Procurement Negotiating Committee (PNC) was formed and a Request for Proposal (RFP) was prepared and released, however, no bids were received. Permission was obtained from the Director of Purchases to seek a sole source contract with Security Benefit Group of Companies (SBG). SBG's proposal insured a benefit payout up to \$370,000 and the state would self-insure benefits above that amount. Ms. Bernatis testified that when presented the proposal from the vendor and the option of self-insurance, officials from SRS would prefer to self-insure and assume the risk.

Mike Hutfles, Executive Assistant to Secretary Chronister, SRS, testified before Committee members in support of **SB 363**. Mr. Hutfles expressed appreciation to the staff of Department of Administration in securing a vendor to administer the extended death benefit provision (Attachment 3). Mr. Hutfles also advised that self-insuring was the only option left to provide this benefit.

Senator Feleciano moved, Senator Morris seconded, the bill be adopted favorably for passage. The motion carried on a roll call vote.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on March 11, 1997.

**SB 371:** **Providing for health benefits for certain state employees of the University of Kansas**

Dr. David Shulenbuger, Provost and Professor of Business, University of Kansas, appeared before Committee members in support of SB 371. Dr. Shulenbuger explained to Committee members the unusual circumstances concerning this bill (Attachment 4). At the time of the deaths of their husbands, the surviving spouse lost her ability to obtain insurance coverage for herself as a "surviving spouse" as each carried insurance as an employee of the state. Their employment is dependent on the continuation of grants over which they have no control. Therefore, if their grant funded employment ends, they will be ineligible to participate in the State's insurance plan, beyond the coverage provided by COBRA. SB 371 would allow the two surviving spouses to participate in the state insurance plan as surviving spouses when their grant-funded employment ends.

Terry Bernatis, Health Benefits Administrator, spoke to Committee members in support of SB 371 (Attachment 5).

Senator Salisbury moved, Senator Feleciano seconded, to accept the bill as favorable for passage. The motion carried on a roll call vote.

**SB 376:** **Certain employees at the state board of indigents' defense services, unclassified**

Scott Rothe, Director of Operations, Board of Indigents' Defense Service, appeared before Committee members in support of SB 376 and also to introduce Ron Wurtz, Director, Death Penalty Defense Unit. SB 376 amends K.S.A. 4524 to add "Mitigation Specialists" to the list of positions which the agency is allowed to employ in the unclassified service (Attachment 6). Mr. Wurtz advised Committee members that funding of this position instead of a contracted Mitigator would be a savings of approximately \$17,336.

Senator Feleciano moved, Senator Salisbury seconded, to accept the bill as favorable for passage. The motion carried on a roll call vote.

The meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for March 12, 1997.

# SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 3-11-97

NAME	REPRESENTING
Jon Josseland	
David Shulenburg	U. of Kansas
Art B. Rother	Bd. of Agents' Defense Services
Marion Belyard	SRS
Mike Huxley	SRS
Jeff Casamara	DoA
Terry Bennotis	"

MAR 07 1997



# KANSAS

## COMMISSION ON VETERANS' AFFAIRS

Jayhawk Towers, Ste 701, 700 SW Jackson  
Topeka Kansas 66603 913-296-3976  
FAX #913-296-1462

6 March 1997

The Honorable Mr. David Kerr, Chairman  
Senate Ways and Means Committee  
State Capitol - Room 120-S  
Topeka KS 66612

Subject: Testimony on Senate Bill 318

Dear Senator Kerr:

On 5 March 97, I testified before your committee in support of Senate Bill 318, an act concerning the establishment of a veterans home at the present site of Winfield State Hospital and Training Center. As I stood for questions, members of your committee asked for additional information and clarification on several issues.

The first question concerned the population of the Kansas Soldiers' Home at Ft. Dodge. Specifically, the make up of wartime and peacetime era veterans and their dependents was requested. Enclosure 1 is a breakdown of the population in nursing care and domiciliary facilities (including cottages) as of 7 February 1997, broken down by number of wartime and peacetime veterans, and the dependents and parents of veterans of either type. As you can see, 80% of the nursing population are wartime veterans (and therefore eligible for both per diem and aid and attendance payments), 9% are peacetime veterans (eligible for per diem only), and 11% are the dependents/parents of a veteran. The population in domiciliary facilities (dormitories and cottages) is 54% veterans (eligible for assisted living per diem) and 46% dependents and parents.

The next request was for a history of the Re-authorization of payment by the US Department of Veteran Affairs (DVA) to the Soldiers' Home. Enclosure 2 shows that VA payments to the Soldiers Home at Ft. Dodge have increased by an average of 14.78% for nursing care reimbursements and 13.4 % for reimbursements to domiciliary care every federal fiscal year since FY 1987.

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Attachment # 1

An explanation of reimbursements by category to the Ft. Dodge Soldiers' Home was also requested. The DVA reimburses the Soldiers' Home quarterly for different levels of care according to formula which take into account many factors:

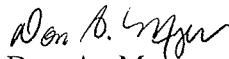
- a. The individuals' status as a wartime or peacetime veteran;
- b. The level of care the individual is in;
- c. The income and assets available to the individual including pensions, stocks, property, and cash.

Enclosure 3 gives a brief explanation of criteria for receiving Aid and Attendance Payments.

The number of veteran homes in surrounding states and the breakdown of beds by nursing and domiciliary care units is shown at Enclosure 4. There are 21 soldiers' homes in the 4 states listed. Domiciliary beds are generally assisted living accommodations, such as those found at Grant Hall, Lincoln Hall, and Nimitz Hall at Ft. Dodge. Kansas is unique in offering cottage living units in this category. The DVA will reimburse states for up to 4 nursing beds per thousand veterans, and 2 domiciliary beds per thousand veterans.

I have tried to include all pertinent information without undue "clutter". I hope I have addressed properly the concerns of your committee. If there are further questions you wish me to address, or any I have failed to answer, please notify me immediately.

Sincerely,

  
Don A. Myer  
Executive Director

DAM:ms  
Enclosures

## Veteran Content of Soldiers Home Population

### Nursing Care Facilities:

All veterans eligible for per VA diem payments of \$39.74 per day.

Wartime veterans eligible for VA aid and attendance payments of

- \$44.39 per day if married

- \$37.18 per day if single

	<u>Wartime veterans</u>	<u>Peacetime veterans</u>	<u>Dependents/Parents</u>	<u>Total</u>
Residents	60	7	8	75
Percentage	80.00%	9.33%	10.66%	100%

### Domiciliary Care Facilities:

All veterans eligible for per VA diem payments of \$16.13 per day.

	<u>veterans</u>	<u>Dependents/Parents of veterans</u>	<u>Total</u>
Residents	87	73	160
Percentage	54.37%	45.62%	100%

VA RE-AUTHORIZATION HISTORY 1987-1997  
Kansas Soldiers' Home

1-4

Year	Dormitory/Cottage Rate	Increase/Decrease Amount	Percentage (%) of Increase/Decrease	Nursing Care Reimbursement	Increase/Decrease Amount	Percentage (%) of Increase/Decrease
October, 1987-September, 1988	\$7.30			\$17.05		
October, 1988-September, 1989	\$8.70	\$1.40	19.18%	\$20.35	\$3.30	19.35%
October, 1989-September, 1990	\$9.33	\$0.63	7.24%	\$21.83	\$1.48	7.27%
October, 1990-September, 1991	\$9.59	\$0.26	2.79%	\$22.44	\$0.61	2.79%
October, 1991-September, 1992	\$10.83	\$1.24	12.93%	\$25.35	\$2.91	12.97%
October, 1992-September, 1993	\$11.79	\$0.96	8.86%	\$27.61	\$2.26	8.92%
October, 1993-September, 1994	\$13.25	\$1.46	12.38%	\$31.03	\$3.42	12.39%
October, 1994-September, 1995	\$15.11	\$1.86	14.04%	\$35.37	\$4.34	13.99%
October, 1995-September, 1996	\$15.33	\$0.22	1.46%	\$37.56	\$2.19	6.19%
October, 1996-September, 1997	\$16.13	<u>\$0.80</u>	6%	\$39.74	<u>\$2.18</u>	6%
Total #Increase		\$8.83			\$22.69	
Total % Increase			120.95%			133.07%
Avg % increase (Yearly)			13.43%			14.78%

## Aid and Assistance Criteria.

In order for a veteran to qualify for Aid and Assistance from DVA, he\* must be unable to:

- Dress or undress himself without assistance.
- Keep himself clean or presentable.
- Feed himself without assistance.
- Protect himself from hazards or danger from daily contact.

The veteran may also qualify if in need of frequent adjustment of a prosthetic device or requires the services of another person on a regular basis.

Veterans may qualify for Aid and Assistance without requiring nursing care, e.g. a resident with Alzheimer's disease could reside in a dormitory and still qualify for payment under these criteria.

\*All masculine terms are meant to refer to veterans of both gender.

Enclosure 3

1-5



## Soldiers' Homes in Surrounding States

<u>State</u>	<u>#Homes</u>	<u>#Veterans in State(1000s)</u>	<u># Nursing Beds</u>	<u># Domiciliary Beds</u> (Includes cottages in Kansas)
Colorado	4	390	375	65
Missouri	5	592	558	0
Nebraska	4	170	678	166
Oklahoma	7	355	1014	124
(Kansas)	1	262	84	180

Enclosure 4

Testimony To The  
SENATE WAYS & MEANS COMMITTEE

By Terry Bernatis, Manager  
Compensation and Benefits, Division of Personnel Services

Tuesday, March 11, 1997  
RE: Senate Bill 363

Good morning Mr. Chairman and members of the committee. My name is Terry Bernatis and I am the Manager of Compensation and Benefits in the Division of Personnel Services, Department of Administration. I am here in support of SB 363. In 1996, certain compensation and benefits provisions were authorized for employees laid off at Topeka State Hospital and Winfield State Hospital and Training Center in SB 388. One of those provisions is the Extended Death Benefit which provides a 1 ½ times annual salary benefit for displaced employees at these institutions. The bill stipulated that the Secretary of Administration develop a request for proposal and negotiate with at least three carriers for the coverage.

After the 1996 Legislative session, a Procurement Negotiating Committee (PNC) was formed and I developed and released a Request for Proposal (RFP) for the Extended Death Benefit. It was modeled after the recent KPERs RFP for group term life and optional group life insurance benefits provided to members. I obtained the listing of companies authorized to sell both group and individual life insurance from the Kansas Insurance Department and released the RFP. Unfortunately, we received no bids in response to the RFP.

I immediately called those companies who had written to the PNC that they would not be bidding. I was told the following:

- 1.) They had all the information they needed to bid on the proposal.
- 2.) They only bid on coverage for active relationships between an employer and an employee. This was not the case in this proposal.
- 3.) They write business attempting to establish a long term relationship with the employer which helps to spread the risk over a longer period of time.
- 4.) They write business based on a stable group. This was not the case in this proposal.
- 5.) None of the providers had a similar type of stand-alone contract even when they checked nationwide.
- 6.) They might bid on this type of coverage if they currently had the remainder of the group term business. One provider indicated that they did have one contract like that.

In summary, the companies determined the pool too small and risk too great. Based on this and the fact that there were no bids, I obtained permission from the Director of Purchases to

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Attachment # 2

seek a sole source contract with Security Benefit Group of Companies (SBG) since they currently provide group term life insurance for KPERS members.

Jeff Wagaman, Deputy Secretary of Administration, approached SBG and encouraged them to bid. SBG did respond a short time later. Their proposal would insure a benefit payout up to \$370,000 and, the state would self-insure benefits above that amount.

Based on an analysis of only bid that we were able to obtain, we believe that self-insuring this benefit makes more sense because:

- 1.) There is no up front premium payment. The state would retain the funds until they are actually needed.
- 2.) In essence the state would self-insure under the insured proposal because we would have to pay benefits over the premium amount, with limited ability to obtain a refund if the premium amount was not fully used.
- 3.) Self-insurance would ease administration because we would only pay benefits as required rather than have to send monthly membership information to the carrier.

Based on very simplistic numbers we anticipate that the cost to provide these benefits is approximately 2/3 of the premium. There is always the risk that the death rate will be higher. However, if we accepted the proposal by the vendor, the state will be paying those benefits above the premium rate, so the risk is the same.

1996 SB 388 requires the Secretary of Administration to secure extended death benefit plan from a qualified "vendor." We sought a legal opinion whether the Secretary could, within the language of the law, self-insure. We are advised this is not possible with the existing language.

When presented the proposal from the vendor and the option of self-insurance, officials from SRS would prefer to self insure and assume the risk. I concur with the policy decision and support them.

An additional consideration is that self-insured life benefits are considered taxable income. As a result, the benefit will need to be "grossed-up" so that the beneficiary receives an amount of 1 ½ times annual salary.

Therefore, if you concur with our assessment of risk, we ask your support of SB 363. Thank you and I'll be happy to answer any questions you may have.

**Kansas Department of Social and Rehabilitation Services  
Rochelle Chronister, Secretary**

**Senate Committee on Ways and Means  
Testimony on Senate Bill No. 363 Pertaining to Funding of Administration  
Of Death Benefits for Employees Laid Off Due to the Closure  
Of Topeka State Hospital and Winfield State Hospital and Training Center**

March 11, 1997

Mr. Chairman and Members of the Committee, thank you for the opportunity to testify in support of Senate Bill No. 363, a bill that underwrites life insurance benefits for Topeka State Hospital and Winfield State Hospital employees who will be laid off as a result of closing those two facilities.

We sincerely appreciate Secretary Stanley's and his staffs' efforts on behalf of our employees to implement and manage the provisions of K.S.A. 1996 Supp. 75-4373, and we particularly appreciate their work to secure a vendor to administer the extended death benefit provision. Because no acceptable bid was received, self-insuring is the only option left to provide this benefit.

It is very difficult to estimate the cost of a self-insured death benefit plan. This bill provides the capability to draw from the State General Fund in the event the Closure Term Life Insurance Fund is not sufficient. We support and appreciate that capability.

Life insurance coverage is an important benefit to those employees who will be laid off. It provides a measure of comfort in very difficult times. While other provisions of the severance package are designed to help the employee find another state position, and help manage expenses until he/she can find other employment, the extended death benefit demonstrates a commitment to the welfare of the employee's family.

We will appreciate your continued support and favorable action on this bill. Thank you.

Senate Ways and Means Committee

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Attachment # 3

March 11, 1997  
Dr. David Shulenbeger  
Provost and Professor of Business  
University of Kansas

**TESTIMONY BEFORE THE SENATE WAYS AND MEANS COMMITTEE**  
**Senate Bill 371**

I am pleased to appear today on behalf of SB 371. The bill was drafted by the Department of Administration at the request of the University to address a unusual situation which has left two employees in a tenuous situation. I know this matter may seem small, it is important to these individuals. I would like to thank the Committee Chairman and the Committee for the opportunity to have today's hearing.

These two individuals are both surviving spouses of faculty at the University. Each lost their husbands in an untimely manner. Additionally, both surviving spouses have professional and research skills which have allowed them to acquire employment in the University in a grant-funded capacity.

At the time of deaths of their husbands, each woman lost her ability to obtain insurance coverage for herself as a surviving spouse since each carried insurance as an employee of the state. This leaves them in a very tenuous position vis a vis health insurance, because their employment is dependent on the continuation of grants over which they have no control.

What this all means is that if their grant funded employment ends, they will be uneligible to partipate in the State's insurance plan, beyond the coverage provided by COBRA.

In essence, the only error of these two individuals is that they sought to be University employees. The rules, as written, favor surviving spouses who never worked for the State over those surviving spouses who contribute their talents and labor to the State workforce.

SB 371 would allow for these women to participate in the state insurance plan at their own expense when their grant-funded employment ends.

I thank you for your consideration and would be glad to respond to any questions.

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Attachment # 4

Testimony To The  
SENATE WAYS & MEANS COMMITTEE

By Terry Bernatis, Health Benefits Administrator  
State of Kansas Health Benefits Plan

Tuesday, March 11, 1997  
RE: Senate Bill 371

Good morning Mr. Chairman and members of the committee. My name is Terry Bernatis, Health Benefits Administrator for the state of Kansas health benefits plan. I am speaking today on behalf of Secretary of Administration, Dan Stanley, who is unable to be here today.

SB 371 provides surviving spouse benefits at some point in time in the future for the wives of two University of Kansas professors who recently died. Both of these women are employed by the University of Kansas in grant funded positions and eligible for single coverage in the state's group health insurance. Their husbands were eligible for group health insurance and both would have been eligible for continuation of group health insurance under the direct bill payment method for health insurance once they retired from the University of Kansas. Since these women are on grant funded positions, they are not eligible for continuation under direct bill because they will never be eligible for retirement benefits. If the husbands had lived until retirement, they could have added their spouses to coverage.

The issue of allowing these women to be considered surviving spouses at some time in the future was considered by the Health Care Commission on August 16, 1996. The Commission made the decision that it was not good public policy to change overall eligibility requirements due to funding and eligibility provisions for these women and true surviving spouses who are not employed by the state of Kansas.

However, Secretary Stanley supports the designation of these two women at some point in time in the future as surviving spouses. His support is based on incomplete or miscommunication to these women by the University of Kansas about their ability to be eligible for continuation based on their own employment. We have verified that this is the only case in memory by any of the Regents institutions. The University of Kansas will provide complete information to similarly situated individuals in the future.

Thank you for allowing me to appear today. I would be happy to answer any questions you have.

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Attachment # 5



**BOARD OF INDIGENTS' DEFENSE SERVICES**

JAYHAWK WALK  
714 SW JACKSON, SUITE 200  
TOPEKA, KANSAS 66603-3714

(913) 296-4505

**Fiscal Note:  
SENATE BILL NO. 376**

February 26, 1997

An Act concerning the Kansas civil service act; relating to certain state officers and employees in the classified and unclassified service thereunder; concerning the State Board of Indigents' Defense Services.

S.B. 376, introduced at the request of the Executive Director of the Board of Indigents' Defense Services, amends K.S.A.4524 to add "Mitigation Specialists" to the list of positions which the agency is allowed to employ in the unclassified service. A Mitigator is an investigative specialist trained in seeking any mitigating circumstance in a defendant's life which could be utilized to seek a reduction in a capital charge. The State of Kansas has no category in the classified service which approximates the skills demanded of this position.

The 1995 Legislature approved funding for the position, but the agency was asked to contract at \$30 per hour plus expenses for the year to determine whether the position would be cost effective. The individual with whom the agency contracted in FY 1996 (and currently) billed the agency as follows for FY 1996:

\$ 57,111	\$30/hour work time
10,005	\$20/hour travel time
7,956	\$0.29/mile
3,300	\$15/day per diem
2,050	Lodging
<u>857</u>	Other
\$ 81,279	TOTAL

If the contracted Mitigator had instead been an employee of the agency, total expenses would not have included "travel time" (\$10,005), per diem (\$3,300), and the mileage rate would have been \$.22 per mile (a savings of \$1,920). Her total salary and benefits would have been approximately \$55,000 (a savings of \$2,211). Total FY 1996 savings would have been \$17,336.

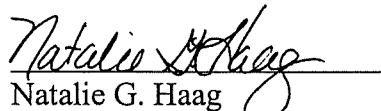
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Attachment # 6

	FY 1998	FY 1999	FY 2000	FY 2001
Salary and Benefits (FTE)	\$54,236	\$55,597	\$56,987	\$58,412
<i>Salary@ \$30/hour (contract)</i>	<i>\$60,000</i>	<i>\$60,000</i>	<i>\$60,000</i>	<i>\$60,000</i>
<b>Salary Savings</b>	<b>\$ 5,764</b>	<b>\$ 4,403</b>	<b>\$ 3,013</b>	<b>\$ 1,588</b>
Travel @ \$20/hour (FTE)	\$ 0	\$ 0	\$ 0	\$ 0
<i>Travel @ \$20/hour (contract)</i>	<i>\$10,000</i>	<i>\$10,000</i>	<i>\$10,000</i>	<i>\$10,000</i>
<b>Travel Savings</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$10,000</b>
Per Diem (FTE)	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
<i>Per Diem @ \$15/day (contract)</i>	<i>\$ 3,300</i>	<i>\$ 3,300</i>	<i>\$ 3,300</i>	<i>\$ 3,300</i>
<b>Per Diem Savings</b>	<b>\$ 2,300</b>	<b>\$ 2,300</b>	<b>\$ 2,300</b>	<b>\$ 2,300</b>
Mileage (FTE @ \$.21)	\$ 5,761	\$ 5,761	\$ 5,761	\$ 5,761
<i>Mileage (contract)</i>	<i>\$ 8,505</i>	<i>\$ 8,779</i>	<i>\$ 9,054</i>	<i>\$ 9,328</i>
<b>Mileage Savings</b>	<b>\$ 2,744</b>	<b>\$ 3,018</b>	<b>\$ 3,293</b>	<b>\$ 3,567</b>
<b>TOTAL SAVINGS (EST.)</b>	<b>\$20,808</b>	<b>\$19,721</b>	<b>\$18,606</b>	<b>\$17,455</b>

The above-mentioned "savings" are simply the difference between the current contracted arrangement and a proposal with a state employee. The requested State General Fund appropriation for the Capital Coordinator's Office for FY 1998 was reduced by \$31,011 in the Governor's Budget Recommendation for salaries, although an additional FTE position was approved. Upon passage of S.B. 376 we will argue against the removal of an additional \$20,808.

  
 Natalie G. Haag  
 Executive Director