

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Vice Chairperson Melvin Neufeld at 9:00 a.m. on January 25, 2000 in Room 514-S of the Capitol.

All members were present except: Representative Pottorff - excused

Committee staff present: Alan Conroy, Kansas Legislative Research Department
Stuart Little, Kansas Legislative Research Department
Jim Wilson, Revisor of Statutes Office
Mike Corrigan, Revisor of Statutes Office
David Stallings, Assistant to the Chairman
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Janet Schalansky, Secretary, Kansas Department of Social and Rehabilitation Services

Others attending: See attached list.

Vice Chairman Neufeld welcomed Secretary Schalansky, Kansas Department of Social and Rehabilitation Services. Secretary Schalansky distributed the Finger-tip facts 2000 (copies available in the Kansas Department of Social and Rehabilitation Services). She mentioned that they added information on page 61 of the booklet a table regarding the federal poverty level.

Secretary Schalansky briefed the Committee regarding the department's recent reorganization, medical caseload, waiting lists, the pay center, and child welfare (Attachment 1). The Secretary noted that organizational changes have been designed to focus the agency from funding streams to supporting processes and functions. Their leadership structure within the agency is aligned on what they believe are their three major functions: service delivery, policy development and operations support.

The Secretary explained that their four major divisions are:

1. Administration
2. Health Care Policy
3. Children and Family Policy
4. Integrated Service Delivery

Secretary Schalansky, in explaining medical caseload, referred to Page 2 regarding significant increases in regular medical expenditures (see chart). She noted key factors such as pharmacy expenditures have increased at an average rate of 16.5 percent since 1996, with the introduction of HealthWave in January 1999, an additional 17,092 children have been determined eligible for the Medicaid program through HealthWave application process, rate increases authorized by the 1998 and 1999 Legislatures have contributed to the increase in costs from prior years and changes as a result of Welfare Reform and de-linking of cash assistance and Medicaid which increased the number of Medicaid consumers. Representative Adkins thanked Secretary Schalansky for the information provided to the Committee.

Committee questions and discussion followed.

Bill Introductions

A motion was made Representative Adkins, and seconded by Representative Neufeld, to introduce a committee bill concerning retirement, relating to defined contribution plan for employees who are members of the Kansas Public Employees Retirement System or who become employed after the effective date of the act and would otherwise become eligible for such membership. Motion carried.

CONTINUATION SHEET

Chairman Adkins mentioned that the 2000 House Budget Committees calendar containing sub-committee action dates, prepared by the Kansas Legislative Research Department, were distributed (Attachment 2). The Chairman mentioned that if there are any concerns, please let him or Dave Stallings know.

Chairman Adkins mentioned that the Committee will be traveling to Kansas City on Tuesday, February 1, for briefings at Wyandotte High School on the topics of Programs and Challenges Facing Urban Schools and going to the University of Kansas Medical Center for a briefing on Applications of Biomedical Research. He hoped that the full committee would be able to attend and there will be excused absences for those that are unable to attend. The Chairman had spoken with the Speaker's office and they may accommodate the Committee. Plans are to depart the Medical Center by 3:00 p.m. A detailed agenda will be prepared by Staff.

The meeting was adjourned at 10:30 a.m. The next meeting is scheduled for January 26, 2000.

HOUSE APPROPRIATIONS COMMITTEE GUEST LIST

DATE January 25, 2000

NAME	REPRESENTING
Lana Howard	SRS
Janet Scholarsky	SRS
Timothy A. Fardale	AOA-Admin
DK Shively	Ks LEGAL SERVICES
Carolynn Maddaloni	Ks SF NS Cessa
Core Schlotter	Ks League of Women Voters
Melissa Ness	Ks Children's Services League
David Pano	Doug Gatewood
Loretta Pyles	Ks Coalition Against ^{Sexual and} Domestic Violence
Shannon Jones	SILCK
Josie Torres	Ks Council on Dev. Disabilities
Julie Thomas	DOB
Mike Huttler	Ks. Govt Consulting
Suzanne Wirtfeld	KNASW
Kim M. Myller	InterAal
Teri Goodrich	Life Patterns
Patty Serdel	Life Patterns
Ellen Pickel Shewey	Assoc. of CMHCs
Craig Kahan	KCDD



State of Kansas
Department of Social
and Rehabilitation
Services

Janet Schalansky, Secretary

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House Appropriations Committee
January 25, 2000

Agency Update

Office of the Secretary
Janet Schalansky, Secretary
(785) 296-3271

House Appropriations
1-25-00
Attachment 1

Kansas Department of Social and Rehabilitation Services
Janet Schalansky, Secretary

House Appropriations Committee
January 25, 2000

Mr. Chairman and members of the Committee, thank you for providing this opportunity to appear before you today. My remarks will focus on the department's recent reorganization, medical caseload, waiting lists, the pay center, and child welfare. In addition, I will provide a brief summary of information highlighting several key policy changes.

REORGANIZATION

The changes I have made in the organization are designed to shift the focus of our agency from funding streams to supporting processes and functions within our agency. The leadership structure within the agency is in alignment with the functions of service delivery, policy development, and operation support. This plan reflects our recent reorganization into four major divisions:

Administration - consolidation of agency administrative operations and consolidation of agency executive functions

Health Care Policy - consolidation of all services related to health care, including physical health, mental health and substance abuse, services for persons with developmental disabilities, and responsibility for all agency Medicaid waiver services

Children and Family Policy - consolidation of child welfare services and family development (early childhood services)

Integrated Service Delivery - increased emphasis on service delivery with responsibility for customer relations and all programs administered through field offices, including economic and employment support programs, rehabilitation services, and child support enforcement

A word about Integrated Service Delivery: I envision when a customer comes through the door of an SRS office, there is ample interest in that customer and adequate expertise that our worker can, first of all – help the consumer identify and say what they need, and secondly – help them to obtain services which will meet their needs. Every SRS staff member is expected to meet the needs of the family or consumer holistically. That is what integration of services is all about.

The new organizational alignment will provide better services to our customers through more integrated policy development and service delivery coordination, with an emphasis on effective, coordinated service delivery at the local level.

MEDICAL CASELOAD

Medicaid is an entitlement program providing health care services for nearly 200,000 Kansans. The agency's Medicaid program is the third largest purchaser of health care services in Kansas and the single largest purchaser of children's health care services in the state. The regular Medical budget is projected to spend \$600 million (\$231 million state funds - SGF and SRS fee fund) in FY 2000. Expenditures for Regular Medical account for 39 percent of the total approved state funds for SRS. The following chart shows the growth in Regular Medical since FY 1996.

	All Funds	Percentage Change	State Funds	Percentage Change
FY 1996	\$429,738,036	17.90%	\$176,829,353	6.66%
FY 1997	\$484,404,755	12.72%	\$193,205,987	7.57%
FY 1998	\$470,345,727	(2.90%)	\$188,239,928	(2.57%)
FY 1999	\$544,262,543	15.72%	\$208,043,415	10.52%
FY 2000*	\$600,000,000	10.28%	\$231,988,274	11.59%
FY 2001*	\$639,600,000	6.60%	\$250,493,615	7.98%

***Consensus Caseload Estimate**

FY 1998 reflects \$18.7 all funds less Local Education Authority (LEA) claims than in FY 1997. Also, \$5.8 million (\$2.4 million SGF) in claims were pended and paid in FY 1998.

For FY 2000 the pay schedule for Medicaid Management Information System (MMIS) has 53 pay periods.

This chart shows significant increases in Regular Medical expenditures. Key factors contributing to this trend include:

- Pharmacy expenditures have increased at an average rate of 16.5 percent since 1996. Pharmacy costs are the fastest growing segment of health care costs. In Kansas approximately 70 percent of prescription drug costs can be attributed to the SSI (Supplemental Security Income) and medically needy aged and disabled population. Other factors influencing rising drug costs are expensive new therapies, increased utilization of prescription medication, direct-to-consumer advertising, and the rising costs of generic drugs.
- With the introduction of HealthWave in January 1999, an additional 17,092 children have been determined eligible for the Medicaid program through the HealthWave application process. Additionally, the 1999 Legislature approved a change in policy to provide continuous eligibility for 12 months for Medicaid children to equalize this benefit with HealthWave recipients.

- Rate increases authorized by the 1998 and 1999 Legislatures have contributed to the increase in costs from prior years.
- There were changes as a result of Welfare Reform and the delinking of cash assistance and Medicaid which increased the number of Medicaid consumers.

Change in Caseload from Spring to Fall. The fall caseload estimates agreed upon by the Consensus Caseload Estimating Group (composed of DOB, SRS, and KLRD) result in a supplemental of \$33.1 million all funds (\$14.9 million state funds). The majority of this supplemental amount is a result of the additional Medicaid children as a result of HealthWave outreach, and the increase in consumers in the SSI and medically needy aged, blind/disabled populations as a result of Welfare Reform and the aging of the Kansas population.

MANAGING WAITING LISTS AND WAIVERS

As you recall, the Home and Community Based Waiver programs were designed to provide alternatives to institutional services. They have been successful in reducing the demand for hospital beds and reducing our reliance on nursing homes. But, clearly, there has been rapid growth and increased popularity of these programs in the last few years. As the Governor indicated in his message, there are public policy issues that must be fully debated regarding the waiver programs. The following sections describe the status of each of the department's waiting lists and waivers.

Home and Community Based Services Waiver for the Physically Disabled (PD).

Subsequent to the 1999 session, in an effort to remain within budgeted appropriations for the HCBS-PD waiver, the department instituted a waiting list. The number of persons on the waiting list grew to 334 by October 15, 1999. At that time, the Governor recommended that persons who were then on the waiting list receive services. We moved aggressively to place people on the waiting list into services. Currently, the agency is serving all persons who apply and are eligible for the waiver, and there is now no waiting list. The department has taken a number of steps to reduce expenditure growth for the program, including:

- Increasing the long-term care threshold score for new applicants from 15 to 26 to equal the score required (level of care) for nursing facility placement (effective 11/1/99);
- Changing the way assessments are done by assessing consumers on their "typical day" as opposed to their "worst day" (effective 1/1/00); and
- Changing the amount of services requested on the plan of care to be based on the "typical day" as opposed to the "worst day" (effective 1/1/00).

However, the demand for services continues to exceed available resources, even with supplemental funding recommended by the Governor in FY 2000. The rapid and consistent growth in all of our waiver programs requires that we develop better methods to adjust growth in the number of persons needing services and the resources required; needs assessment protocols and processes that help us to target resources to needs;

and effective, efficient, and practical methods to manage within available resources while targeting resources to the most vulnerable populations. We look forward to policy discussions with the Legislature regarding this and other waiver programs during this session.

Home and Community-Based Services Waiver for the Developmentally Disabled (DD). The 1999 Legislature authorized new funding of \$10.8 million for the DD waiver in FY 2000, including \$5 million for provider rate increases and \$5.8 million to reduce the number of unserved persons on the waiting list. During the session, and particularly by this Committee, a number of concerns were expressed regarding management practices and accountability of Community Developmental Disability Organizations (CDDOs). In response to these concerns, we made several changes in the contract between SRS and CDDOs for FY 2000. First, the current contract requires CDDOs to manage access to the waiver so that the amount spent does not exceed the CDDO allocation. CDDOs are required, under the contract, to move persons off the waiting list in a timely manner, while not committing the state to additional expenditures in a subsequent year. Adjustments were also made to provide equity of services across the state. The agency has been meeting monthly with the budget director, representatives of InterHab, the Kansas Council on Developmental Disabilities, and CDDO representatives to monitor expenditure patterns and waiting list movement. Based on this regular reporting, issues specific to single CDDOs are then addressed.

The following summarizes movement on the DD waiting list since the beginning of the fiscal year:

Waiting List July 1, 1999	333
Persons removed from the waiting list since July 1, 1999	212
New persons added to the waiting list since July 1, 1999	172
Number waiting on January 4, 2000	293

Of the 293 persons on the waiting list, 125 are adults and 168 are children. Further, 52 of them have been waiting for fewer than 60 days. The Governor's budget contemplates no new funding to eliminate this waiting list.

Other HCBS Waivers. SRS administers two other HCBS waivers - Technology Assisted Children and Head Injury. The Technology Assisted waiver has a waiting list of two and currently serves 40 children. This is the total number authorized under this model waiver.

The HCBS Head Injury waiver currently serves 90 consumers with 110 persons on the waiting list. The average length of time on the waiting list is 18 months. In an effort to reduce time spent on the waiting list and serve consumers more quickly, efficiently, and cost-effectively, SRS has recently instituted some policy changes to assist in identifying consumers who are ready to transition from the Head Injury waiver to other services, such as the PD waiver.

Rehabilitation Services Order of Selection. Over the past several years, there have been upward trends in the number of persons applying for services, receiving services, and being rehabilitated through the Vocational Rehabilitation (VR) program. While these trends represent a positive increase in services for people with disabilities, they have strained the program's capacity to maintain this level of services within available funding.

Because we have used all of the available federal funds and current state revenue projections are lower than original forecasts, Rehabilitation Services implemented the procedure known as Order of Selection on July 1, 1999. This procedure gives priority for services to people with the most severe disabilities (priority category 1). Eligible individuals with severe disabilities (priority category 2) and eligible individuals with non-severe disabilities (priority category 3) are currently on the waiting list.

- Between July 1, 1999 and January 1, 2000, Rehabilitation Services added 1,316 new individuals in category 1 to our total active caseload.
- Rehabilitation Services is maintaining a statewide waiting list for individuals with severe disabilities (priority category 2). As of January 1, 2000, a total of 732 individuals are on this waiting list.
- Rehabilitation Services is maintaining a statewide waiting list for individuals with non-severe disabilities (priority category 3). As of January 1, 2000, a total of 148 individuals are on this waiting list.

We have no plans to open waiting lists for either category 2 or 3 at this time. Individuals on the waiting list are receiving expanded information and referral services to help them identify alternatives which will help them achieve their employment goals. Resources are being monitored carefully, and individuals on the waiting list will be served when sufficient resources are available.

There is precedent for instituting an Order of Selection. Currently in our region, Nebraska is serving only individuals in category 1. Iowa had also implemented Order of Selection but reopened all categories in November 1999. Kansas previously implemented Order of Selection in FY 1995 and 1996, but at that time, only one category of services was closed. During this time period, there was a 10.75 percent overall reduction in the number of rehabilitations compared to FY 1994. Many individuals choose not to go on a waiting list and simply decline services. Currently two categories are closed. If the previous pattern is repeated, the number of future rehabilitation outcomes will also be reduced.

KANSAS PAYMENT CENTER

As we told you last session, SRS and the Office of Judicial Administration (OJA) have been working together to establish the Kansas Payment Center (KPC). The Payment Center is a federally required, central unit for processing all Kansas child support payments. The most critical developments during the last two months have been:

- Selection of the KPC contractor, Tier Technologies, Inc., and
- Enactment of federal legislation providing an alternative penalty procedure.

Selection of the KPC contractor: Effective October 15, 1999, on behalf of the judicial branch and SRS, I entered into a contract with Tier Technologies, Inc. of Walnut Creek, California, for creation and operation of the Kansas Payment Center. A project plan (DA-518 and attachments) has been submitted to Don Heiman, Executive Branch CITO.

Both OJA and SRS are pleased to be working with a company that has successfully implemented and operated support payment centers in other states. We believe Tier's experience and use of proven technology for payment processing will give Kansas a distinct advantage in putting the KPC into operation.

New federal law for alternative penalties: Before recessing in November 1999, the U.S. Congress enacted H.R. 3424. Section 807 of the act provides relief for Kansas and the other states that are making good faith efforts to implement support payment centers. For states unable to meet the original 1999 implementation date, the new law provides a graduated scale of the IV-D penalties (starting at four percent of federal financial participation (FFP)) and eliminates the related penalty against the TANF block grant.

The new law also provides for waiver of all or part of the alternative penalty for any state that completes implementation during federal fiscal year 2000. Based upon the current implementation schedule, Kansas expects to qualify for the partial waiver, limiting our penalty risk to one percent of administrative costs. We have discussed with Tier the feasibility of accelerating our implementation schedule to qualify for the full waiver, but that does not appear to be a viable option. It is worth noting that Tier does not get paid under our contract until payment processing begins, so they have every incentive for reaching the operational phase as quickly as possible.

Under the original penalty provision, Kansas was at risk of losing all federal funds for the IV-D program and a percentage of the TANF block grant. Based on federal fiscal year 1998 figures, the total penalty could have been as high as \$32 million for a full year (\$8 million per quarter). This penalty provision no longer applies.

CHILD WELFARE

We are halfway through the fourth and final year of the Adoption, Foster Care/ Reintegration, and Family Preservation contracts. Last spring each of the Foster Care/Reintegration and Adoption contractors worked with a team of experts from SRS to develop business plans for years three and four of their contracts. The purpose of these plans was to assure that the contractors' operations were managed to operate with the funds necessary to serve the children. SRS monitors each contractor's financial performance monthly by comparing actual operations against the plans. SRS continues its firm commitment to live within the current appropriation.

Foster Care / Reintegration	Nov. 1998	Nov. 1999
Number of children in Out-of Home Placement	3,979	3,742
Males	1,978	1,860
Females	2,001	1,882
Number of Open Cases (out-home placements and aftercare)	4,932	5,488
Males	2,451	2,728
Females	2,481	2,760
Adoption Services	Nov. 1998	Nov. 1999
Number of children waiting for adoptive placement	686	1,009
Males	341	502
Females	345	507
Number of children waiting for finalization	352	295
Males	189	143
Females	163	152
Family Preservation Services	Nov. 1998	Nov. 1999
Number of open cases	773	1,154

The process to seek new bids for these contracts began several months ago with a review of the concerns which we have compiled over the last three years. We also held a series of meetings to gather input from children, their families, foster families, service providers, judges, district attorneys, and others with an interest in the system. Based on this input, requests for proposals (RFPs) were prepared for each program. The RFPs were mailed out on September 23, 1999. Proposals were received for all programs in all regions the first part of November 1999. SRS staff then reviewed these proposals for compliance with the RFP and to analyze the financial information provided. The programmatic and financial analyses were conducted with strict separation so that the program evaluation would not be contaminated by awareness of the relative costs estimated by each bidder. Negotiations with all bidders were held during December 1999 to address the program and financial concerns identified during the review process. Revised bids have been received and a second round of negotiations for Foster Care/Reintegration and Adoption Services are underway this week. It is planned that this process will be completed during January 2000, so if needed, several months of transition time are available in each region.

The Family Preservation process has been completed. Final work on contracts is now underway. DCCCA, Inc., the current family preservation contractor in Region 5 (Wichita), has been awarded the contract in Regions 1, 2, 3, and 5 - - the eastern half of the state. St. Francis Academy, the current contractor in Region 4 (Western Kansas), has been awarded the contract in Region 4 for another four years.

Using the one-time appropriation of \$1 million in TANF funding established last year, SRS has launched a program to provide subsidies to facilitate the establishment of permanent guardianship for children for whom adoption is not a viable alternative. These are generally older children, children with strong emotional bonds to their biological families, or families where there is a strong cultural tradition which dictates

against adoption. At this time, 100 permanent guardianships will be supported for an average of four years each with this level of funding.

In response to concerns expressed by the Legislature last year, SRS and the Reintegration/Foster Care and Adoption contractors completed a survey of characteristics of all children in out-of-home placement on November 12, 1999. The results are now being analyzed and work has begun with teams of partners from JJA, courts, education, Health and Environment, mental health, and various service providers to determine how best to alter our system to meet the needs of children. We will provide you with periodic status reports on our progress during the session.

KEY POLICY CHANGES

The agency's Business Plan, which we will review with you later, will provide additional information about the following policies and other issues that may be of interest during this legislative session.

Amendment of K.A.R. 30-44-2, Child Support Enforcement (CSE) Fee Increase.

This particular regulation governs the standardized cost recovery fee for CSE services in Non-Public Assistance (Non-PA) cases. The agency's public hearing was held December 1, 1999 with the changes taking effect January 1, 2000.

These fees apply only to cases in which there is no public assistance – no Temporary Assistance to Families (TAF), no food stamps, no medical assistance, and no child care benefits. Under federal law, CSE's services must be available to anyone who requests them, regardless of income, and we are permitted to charge cost recovery fees to those who voluntarily choose to receive CSE services. CSE's services were previously provided in Non-Public Assistance cases at a cost of two percent of the amounts collected.

SRS increased this percentage to four percent to help offset some of the State's rising costs for providing services and the decline in CSE's net revenues from other sources. We want to sustain the level and quality of services our customers expect, but in the face of declining revenues from other sources, we needed to increase CSE's basic fee.

Repeal \$40 Pass-Through. Prior to October 1996, all states were required to pass through to assistance families the first \$50 of current child support collected each month. The federal government participated in the cost by waiving the federal share of such collections. Commentators at the time touted pass-through as a means of encouraging parents to cooperate with the Child Support Enforcement Program (CSE).

Effective October 1, 1996, the federal mandate for pass-through payments to assistance families was abolished. Since Kansas had no separate state law that required or permitted continuation of pass-through payments to public assistance families, pass-through ended in Kansas as soon as the new federal law took effect. Few complaints were received.

During the 1997 Legislative Session, pass-through was reinstated in Kansas. K.S.A. 39-7,154 requires that up to \$40 per month of current support collected on behalf of an assistance family be passed through to that family by the CSE Program. Federal law requires states to transmit to U.S. Dept. of Health and Human Services the federal share, presently 60 percent, of all collections made on behalf of families receiving TAF. Consequently, every \$40 of child support passed through to an assistance family by CSE costs the state \$64 (\$40 paid to the family plus \$24 paid to HHS) instead of producing \$16 of net revenue. Additionally, a family's food stamp benefit is reduced by \$13.00 due to the receipt of the \$40. In other words, the state's \$64 expenditure results in a net gain of \$27 for the family. Repealing pass-through would beneficially affect the agency budget by eliminating pass-through expenditures and increasing net state revenues from child support collections. The proposed measure would also remove a risk concerning equal protection, because not all families receive pass-through payments.

Home and Community Based Services Income Standard. The department is proposing to modify the income standard used to determine eligibility and the amount of cost sharing in the state's Home and Community Based Services (HCBS) waivers. Waivers affected by this proposal include those serving the frail elderly, physically disabled, and developmentally disabled.

The income standard for HCBS has been set higher than others to provide an additional benefit to these clients. In the current economic environment, considering the difficult decisions that must be made, equalizing those standards seems to be appropriate. Although some individuals will have their support reduced as a result of these changes, the most vulnerable will still be protected.

Implications of the TANF 60-Month Time Limit. The *Personal Responsibility and Work Opportunity Act of 1996* limits the length of time families may receive cash assistance funded through the TANF Block Grant. The Act limits assistance to 60 months in an adult's lifetime. Once an adult in a household reaches the 60-month limit, all household members also become ineligible for the federal TANF cash assistance. However, the federal law does allow the state to continue TANF assistance to 20 percent of TANF families who meet certain hardship criteria.

Families who have been receiving TANF cash assistance continuously since October 1, 1996, will reach their time limit on September 30, 2001. This currently applies to 799 one-parent families.

The state has several options for assisting families who will reach the 60-month time limit without means for self-support. These options include:

- Creating a state-funded cash assistance program for all members of households who reach the 60-month time limit.
- Creating a policy to remove parents from the TANF case just prior to the 60th month.
- Combining the above two options by 1) removing the parents from the TANF case just prior to the 60th month, and 2) creating a state-funded program just for the adults in the households. This would allow the children to continue to receive the

federally funded TANF assistance beyond the 60th month and the parents would be assisted using the state funds.

In addition to identifying how to address persons exceeding the 60-month time limit, each state must establish criteria to determine which families fall into the state's hardship exemption category (the 20 percent who may be exempted from the 60-month time limit). A committee comprised of SRS staff, Department of Human Resources staff, and community advocates has been studying the hardship exemption issues, and we will be prepared to discuss its recommendations during the session.

Importance of Quality Child Care. Intensive, well-designed, early care and education for infants, toddlers, and young children can enrich childrens' early experience and provide critical support to their families. Access to high quality child care has been a key part of our welfare reform strategy. The Governor recommends increased funding in FY 2000 and 2001 to provide additional child care assistance targeted to individuals on welfare who are returning to the workforce.

Medical Managed Care Update. The department has faced a number of challenges in its medical programs over the course of the last six months. During the 1999 session, we and our partners talked with you about the challenges faced by Horizons Health Plan, which was our only managed care organization for Medicaid and the managed care organization for two regions in the HealthWave program. By 1999, Horizons Health Plan was the only HMO continuing to provide services under the Medicaid program. Beginning early in 1999, Horizons began to search for someone to take over its contract with SRS. In April, Horizons began negotiations in earnest with FirstGuard, a Kansas City, Missouri-based company which became the new HMO Medicaid provider for the state. To help correct the network's problems, the 1999 Legislature recommended an additional appropriation of \$1.9 million from HealthWave funds for organizations providing services under both the Medicaid and HealthWave programs. FirstGuard is the only entity to qualify for such resources. During the summer and fall of 1999, we worked with the Kansas Medical Society, Horizons, and the Kansas Insurance Department to reconcile any outstanding payments owed to Horizons. We reviewed new claims issued by Horizons and reconciled earlier recoupments to settle any liabilities of SRS to Horizons. This reconciliation was completed in November 1999.

Subsequently, we also negotiated with FirstGuard to provide additional resources beyond the normal capitated rate paid during FY 2000, in order to continue to provide health care services to consumers. The Department has worked closely with FirstGuard to reduce administrative barriers. During this interim, we have also been in consultation with the Millbank Fund, a national health policy research organization, and hosted a forum regarding managed care issues, with experts from other states. We still face considerable challenges related to future viability. During this session, we look forward to discussing these challenges and potential solutions which could allow us to move forward in expanding health care options and integrating Medicaid and HealthWave services more fully.

HealthWave Program. HealthWave, the Kansas version of the State Children's Health Insurance Program, celebrated its first birthday on January 1, 2000. There are currently 15,222 children enrolled in the HealthWave program, and an additional 17,092 new children on Medicaid, largely a result of the outreach and marketing for HealthWave. In total, more than 32,000 children today have health coverage who didn't have such coverage one year ago. We are very pleased with the success of this program and the outreach efforts, although we have been surprised at the proportion of new children who are Medicaid eligible. These additional children are reflected in the increased caseload estimates for regular medical assistance. Over the next few months, we will be monitoring enrollment numbers closely as children reach their 12th month of continuous eligibility in HealthWave or Medicaid. We'll be looking at how many children remain eligible for their current program, how many change programs, how many lose eligibility, and how many choose not to reapply for services.

Eliminating Optional Medical Services, Including Services for the Medically Needy. The medically needy are individuals who otherwise meet the criteria for Supplemental Security Income (SSI) or Temporary Assistance to Families (TAF), but whose income is too great. Such individuals qualify for Medicaid, but must meet a spend-down; that is, they must devote a portion of their income to medical expenses. To curb the rising costs in Regular Medical Assistance that were discussed earlier, the Governor has recommended the elimination of optional services to the medically needy adult population. The optional services that would be eliminated are dental, chiropractic, vision, psychologist, medical supplies, hearing, and health centers. This change will reduce medical costs by \$6.2 million in FY 2001. The recommendation exempts mental health coverage, and full funding is provided for services delivered by the community mental health centers. The Governor's FY 2001 recommendation also deletes funding for heart, lung and heart-lung transplants for all Medicaid adults.

Rainbow Mental Health Facility and Children's State Hospital Beds. As the Committee is aware, we have been discussing the future of the Rainbow Mental Health Facility, acute care services for adults with severe and persistent mental illness and the appropriateness of state hospital placement for children. The state has made considerable investment in community-based options for children, specifically the HCBS waiver for children with Serious Emotional Disturbances (SED), and most recently the Family Centered System of Care funded by the 1999 Legislature. The census of children in state hospitals has declined considerably in recent years. Last year, only 21 hospital beds for children were in use at any given time at the two facilities. For adults, access to acute care services close to home is vital for persons to maintain ties with their families, employment, and community. In mid-December 1999, Governor Graves and I announced the establishment of a task force to review the proposed closure of Rainbow and the need for children's beds at Larned Mental Health Facility. I intend to appoint that task force this month. The Governor's FY 2001 budget continues funding for Rainbow Mental Health Facility and children's services at Larned State Hospital.

Youth in Need of Community Intervention. Current law allows children to be removed from their families and placed in the custody of the department if there is a parent-child conflict in the home, if the child is a runaway, or if the child is truant from school. These children can be taken into SRS custody, even though there is no evidence of neglect or abuse in the home. These provisions are contained in the *Kansas Code for the Care of Children* and are available to the courts as reasons to place children into the custody of the Secretary. The Governor has recommended statutory changes to the code to divert up to 1,200 children from entering the Foster Care system. To provide services to these children in the community, the Governor recommends \$12.8 million. The recommendation includes \$5.1 million in new funding to provide for the expansion of community family preservation services. By reducing the number of children in the Foster Care system and serving these children in the community, the recommendation provides savings to the State General Fund of \$6.0 million in FY 2001.

This concludes my remarks, but I would be glad to address your questions.

2000 HOUSE BUDGET COMMITTEES

EDUCATION AND LEGISLATIVE BUDGET COMMITTEE:

Committee Chairperson: Representative Mike Farmer

Committee Members:

Representative David Adkins
 Representative George Dean
 Representative Kathe Lloyd
 Representative Clark Shultz

Representative Mary Compton
 Representative Annie Kuether
 Representative Richard Reinhardt
 Representative Ralph Tanner

Agency	Fiscal Staff	Final Appropriations Committee Action
Regents Systemwide	Robinson/West	February 14
Wichita State University	Robinson	February 14
University of Kansas	Robinson	February 14
University of Kansas Medical Center	West	February 14
Kansas State University	Robinson	February 14
KSU-Extension Systems and Agricultural Research Program	Robinson	February 14
KSU-Veterinary Medical Center	Robinson	February 14
Fort Hays State University	West	February 14
Emporia State University	West	February 14
Pittsburg State University	West	February 14
Board of Regents	West	February 14
Legislative Coordinating Council	Conroy	March 2
Legislative Research Department	Conroy	March 2
Revisor of Statutes	Conroy	March 2
Legislative Division of Post Audit	Conroy	March 2
Legislature	Conroy	March 2
Board of Healing Arts	Chapman	March 9
Kansas Historical Society	Nogle	March 13
Kansas Arts Commission	Nogle	March 13
School for the Blind	Holwegner	March 13
School for the Deaf	Holwegner	March 13
State Library	Chapman	March 13
Department of Education	Rampey	March 20

*HOUSE APPROPRIATIONS
 1-25-00
 Attachment 2*

PUBLIC SAFETY BUDGET COMMITTEE:

Committee Chairperson: Representative Phil Kline

Committee Members:

Representative Marti Crow
Representative John Toplikar

Representative Ed McKechnie
Representative Shari Weber

<u>Agency</u>	<u>Fiscal Staff</u>	<u>Final Appropriations Committee Action</u>
Department of Corrections	Little	February 17
Ellsworth Correctional Facility	Little	February 17
El Dorado Correctional Facility	Little	February 17
Hutchinson Correctional Facility	Little	February 17
Lansing Correctional Facility	Little	February 17
Larned Correctional Mental Health Facility	Little	February 17
Norton Correctional Facility	Little	February 17
Topeka Correctional Facility	Little	February 17
Winfield Correctional Facility	Little	February 17
Juvenile Justice Authority	Chapman	February 21
Topeka Juvenile Correctional Facility	Chapman	February 21
Beloit Juvenile Correctional Facility	Chapman	February 21
Atchison Juvenile Correctional Facility	Chapman	February 21
Larned Juvenile Correctional Facility	Chapman	February 21
Adjutant General	Waller	February 21
Kansas Bureau of Investigation	Waller	February 21
Ombudsman for Corrections	Little	February 21
Emergency Medical Services Board	Chapman	February 21
State Fire Marshal	Waller	February 21
Kansas Highway Patrol	Waller	February 21
Kansas Parole Board	Waller	February 21
Sentencing Commission	Waller	February 21
Board of Technical Professions	Hollon	March 9
Abstracters Board of Examiners	Severn	March 9

AGRICULTURE AND NATURAL RESOURCES BUDGET COMMITTEE:

Committee Chairperson: Representative Gayle Mollenkamp

Committee Members:

Representative Bill Feuerborn
Representative Sharon Schwartz

Representative Carl Holmes
Representative Tim Tedder

<u>Agency</u>	<u>Fiscal Staff</u>	<u>Final Appropriations Committee Action</u>
Department of Agriculture	Holwegner	March 16
Kansas State Fair	Holwegner	March 16
Kansas Wheat Commission	Holwegner	March 16
State Conservation Commission	Holwegner	March 16
Kansas Water Office	Holwegner	March 16
Animal Health Department	Holwegner	March 16
Department of Wildlife and Parks	Little	March 16
Kansas Corporation Commission	Severn	March 16
Citizens Utility Ratepayer Board	Severn	March 16
Bank Commissioner	Severn	March 9
Securities Commissioner	Severn	March 9
Department of Credit Unions	Severn	March 9
Board of Nursing	Nogle	March 9
Board of Veterinary Examiners	Holwegner	March 9

SOCIAL SERVICES BUDGET COMMITTEE:

Committee Chairperson: Representative Melvin Neufeld

Committee Members:

Representative Barbara Allen
Representative John Ballou
Representative Jerry Henry
Representative Brenda Landwehr

Representative Barbara Ballard
Representative Bob Bethell
Representative Carl Krehbiel
Representative Doug Spangler

<u>Agency</u>	<u>Fiscal Staff</u>	<u>Final Appropriations Committee Action</u>
Department of Social and Rehabilitation Services (including the Division of Mental Health and Developmental Disabilities)	Sparks	February 16
Department on Aging	Sparks	February 29
Parsons State Hospital and Training Center	Hollon	March 7
Kansas Neurological Institute	Hollon	March 7
Larned State Hospital	Hollon	March 7
Osawatomie State Hospital	Hollon	March 7
Rainbow Mental Health Facility	Hollon	March 7
Behavioral Sciences Regulatory Board	Nogle	March 9
Department of Health and Environment	Davis	March 21

GENERAL GOVERNMENT AND HUMAN RESOURCES BUDGET COMMITTEE:

Committee Chairperson: Representative Jo Ann Pottorff

Committee Members:

Representative Lynn Jenkins
 Representative Melvin Minor
 Representative Joe Shriver

Representative Bill McCreary
 Representative Bill Reardon
 Representative Lloyd Stone

Agency	Fiscal Staff	Final Appropriations Committee Action
Department of Commerce and Housing	Davis	February 10
Kansas, Inc.	Davis	February 10
Kansas Technology Enterprise Corporation	Davis	February 10
Kansas Lottery	Efird	February 10
Racing and Gaming Commission	Efird	February 10
Governor	Conroy	March 2
Lt. Governor	Conroy	March 2
Kansas Public Employees Retirement System	Efird	February 22 (Issues)
Optometry Board	Chapman	March 9
Board of Hearing Aid Examiners	Hollon	March 9
Board of Mortuary Arts	Waller	March 9
Board of Pharmacy	Waller	March 9
Kansas Dental Board	Chapman	March 9
Board of Barbering	Hollon	March 9
Board of Cosmetology	Hollon	March 9
Kansas Public Employees Retirement System	Efird	March 15 (Budget)
Dept. of Adminis. (inc. Public Broadcasting)	West	March 15
Governmental Ethics Commission	Hollon	March 15
Department of Human Resources	Nogle	March 15
Commission on Veterans Affairs/Soldiers' Home	Davis	March 15
Attorney General	Rampey	March 15
Secretary of State	Hollon	March 15
Insurance Department	Severn	March 15
Health Care Stabilization Bd. of Governors	Severn	March 15
State Treasurer	West	March 15

TAX, JUDICIAL, AND TRANSPORTATION BUDGET COMMITTEE:

Committee Chairperson: Representative Jeff Peterson

Committee Members:

Representative Cindy Hermes
Representative Rocky Nichols

Representative Peggy Palmer
Representative Eber Phelps

<u>Agency</u>	<u>Fiscal Staff</u>	<u>Final Appropriations Committee Action</u>
Department of Revenue	West	February 10
Board of Tax Appeals	Rampey	February 10
Real Estate Commission	Severn	February 10
Real Estate Appraisal Board	Severn	February 10
Board of Accountancy	Holwegner	February 10
Homestead Property Tax Refunds	Nogle	February 10
Judicial Council	Rampey	February 24
Board of Indigents' Defense Services	Rampey	February 24
Judicial Branch	Rampey	February 24
Department of Transportation	Efird	March 8
Kansas Guardianship Program	Hollon	February 24
Human Rights Commission	Nogle	February 24