

Approved: January 20, 2000
Date

MINUTES OF THE HOUSE COMMITTEE ON HEALTH AND HUMAN SERVICES.

The meeting was called to order by Chairperson Garry Boston at 1:30 p.m. on January 12 in Room 423-S of the Capitol.

All members were present except: Representative David Haley, Excused
Representative Dale Swenson, Excused
Representative Johnathan Wells, Excused

Committee staff present: Norman Furse, Revisor of Statute's Office
June Evans, Secretary

Conferees appearing before the committee:

Others attending: See Attached Sheet

The Chairperson introduced Representative Ray Merrick to the Committee.

The Chairperson stated that Emalene Correll, Legislative Research, was ill and would probably be away the rest of the week.

The Chairperson stated the purpose of the meeting was to appoint a sub-committee to work on two audits on Community Developmental Disability Organizations completed by Legislative Post Audit. All questions are to be addressed and the sub-committee will report back to the full committee as quickly as possible. There will be time for the sub-committee to work after the meeting today, January 13, 18, 19 and 20 since no full committee meetings are scheduled. The sub-committee should report back to the full committee January 27 (Attachment #1).

The sub-committee members are: Representative Landwehr, Chairperson, Representatives Bethell, Henry, Flaharty, Light, Lightner, and Showalter.

The meeting adjourned at 1:40 p.m. The next meeting will be January 13.

State of Kansas



TOPEKA

House of Representatives

KENNY A. WILK
REPRESENTATIVE, 42ND DISTRICT
LEAVENWORTH COUNTY
715 COTTONWOOD DR.
LANSING, KANSAS 66043
(913) 727-2453
ROOM 180-W, CAPITOL BLDG.
TOPEKA, KANSAS 66612-1504
(785) 296-7660

COMMITTEE ASSIGNMENTS
CHAIRMAN: KANSAS 2000
LEGISLATIVE POST AUDIT
MEMBER: TAXATION

December 27, 1999

Representative Garry Boston, Chair
House Health and Human Services Committee
P.O. Box 411
Newton, Kansas 67114

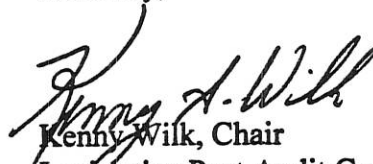
Dear Garry:

I'm writing to you on behalf of the Legislative Post Audit Committee regarding two audits on Community Developmental Disability Organizations that were recently completed by Legislative Post Audit. One audit focused on services offered, and the other focused on financing. The audits contain several recommendations that address broad policy issues, and it's our hope that your committee will take these issues under consideration in the upcoming session.

A subcommittee of the Post Audit Committee reviewed the audit recommendations in depth, and identified several important policy issues that we wanted to bring to the special attention of other legislative committees. The Subcommittee's report is enclosed, and these recommendations are marked with an asterisk.

If you would like the audit reports or the subcommittee report to be presented to your committee, please call Legislative Post Audit at 785-296-3792. Additional copies of the reports can be obtained from Post Audit, or can be viewed or downloaded from their Website, <http://skyways.lib.ks.us/ksleg/PAUD/homepage.html>.

Sincerely,


Kenny Wilk, Chair
Legislative Post Audit Committee

Enclosure

cc: Members, Legislative Post Audit Committee
Members, House Health and Human Services Committee

HeHSev
1-12-2000
Atch#1

**REPORT OF THE LEGISLATIVE POST AUDIT
SUBCOMMITTEE ON CDDO REPORT RECOMMENDATIONS
December 15, 1999**

**Senator Pat Ranson, Chair
Representative Richard Alldritt
Representative Lynn Jenkins**

The Chair of the Legislative Post Audit Committee established the Subcommittee on CDDO Report Recommendations on November 29, 1999. The purpose of the Subcommittee was to consider potential recommendations for legislation based on audit recommendations. The Subcommittee was directed to report back to the full Committee at the December LPAC meeting.

The Subcommittee met by conference call on December 8th. Legislators present at the meeting included:

Members

Senator Ranson	conference call hookup
Representative Alldritt	conference call hookup
Representative Jenkins	present at Statehouse

Additional Participants

Senator Goodwin	conference call hookup
Senator Salisbury	present at Statehouse
Representative Neufeld	present at Statehouse

Discussion and Action

The Subcommittee reviewed the policy recommendations listed below, all of which were from the CDDO Funding audit. The Subcommittee did not take action on audit recommendations that were directed solely to SRS. For each policy recommendation, the audit question, the recommendation, and a summary of the Subcommittee's discussion and action is listed below.

Question 1: Are the CDDOs that provide community services effectively managing the conflict of interest that exists when it comes to directing clients for services and negotiating contracts?

Recommendations: Page 18 - 19

4. If the Legislature determines that the conflict of interest should be eliminated from the State's developmental disabilities program, it should amend State law to separate the functions of client intake and service referral from client treatment and care services. When considering the merits of such a change, appropriate legislative committees should receive

testimony from the Department about the structure of its substance abuse program, and from other State agencies that have separated client intake from service provision, such as the Department on Aging.

* **Discussion/Action:** The Subcommittee discussed the conflict of interest inherent in the current arrangement, and voted unanimously to recommend that the Legislative Post Audit Committee ask the Revisor of Statutes to develop draft legislation that would amend State law to separate the functions of client intake and service referral from client treatment and care services.

Question 2: Were the rate recommendations made to the Legislature as a result of the first biennial rate study based on reasonable information and methodologies?

Recommendations: Page 28

2. To ensure that it is complying with legislative intent, Department officials should work with the appropriate legislative committees to determine whether the rate study should focus on whether current providers' costs are covered, or on what should be paid to meet statutory goals, regardless of what providers currently spend.

AND

Question 3: Is the current system for funding the State's developmental disability program fair and equitable?

Recommendations: Page 48 - 51

2. To help ensure that the funds appropriated by the Legislature are distributed in a manner that equitably reimburses providers for appropriate costs, the Department should use the cost information it obtains as part of the next rate study to develop options for other rate reimbursement structures. For example, it could consider reimbursing providers up to a certain maximum amount that's negotiated downwards for those providers whose costs are lower than the maximum. Whatever rate structure is developed, the Department should consider those factors that can affect providers' costs, such as regional cost differences, or regional differences in the types of services that must be provided (such as transportation). These alternative rate structures—and their advantages and disadvantages—should be presented to the Legislature when the Department presents the results of that rate study and any proposed rate revisions.

* **Discussion/Action:** The Subcommittee expressed concern that SRS is not timely with its rate study. They discussed the need for clarification of what the rate study is to cover. SRS officials indicated they hoped to be able to discuss their approach to the study with the 2000 Legislature, and said the study may be complete by late Spring. The Subcommittee agreed by consensus to recommend to the full Committee that SRS develop and present to the appropriate legislative

committees information on:

- the cost of a reimbursement system that is designed to cover provider expenses versus the cost of a reimbursement system that is designed to meet statutory goals
- options for other rate reimbursement structures

They further agreed to express their displeasure with the lack of timeliness of the pending rate study.

Question 3: Is the current system for funding the State's developmental disability program fair and equitable?

Recommendations: Page 48 - 51

1. To ensure that discretionary State aid is allocated in a more fair and equitable manner, the appropriate legislative committees should propose an amendment to State law to allow all service providers in the State's system—including both CDDO providers and independent service providers—to receive these moneys. As part of its deliberations, those committees should receive testimony from the Department and from representatives of CDDOs and the independent service provider community.

Discussion/Action: The Subcommittee voted to recommend to the full Committee that the appropriate legislative committees consider the following uses for State aid, including any other uses those committees identify:

- use the money to fund the State's Medicaid portion of targeted case management, which would result in the money following the client
- add the money to the pool of non-Medicaid service moneys, which follow the client and pay for a limited number of specific services
- divide the money among providers based on either the number of non-Medicaid clients, or on the number of total clients, to help cover costs that aren't funded (such as transportation), or that aren't fully funded (such as case management)

4. If the Legislature wants to explore the issue of reducing the number of CDDO areas as a cost-cutting measure, it should request the Department to perform a more detailed study in this area. At a minimum, that study should include an analysis of the following:
 - the variation in administrative costs reported by CDDO areas (those costs should be computed and reported on a uniform basis)
 - the reasons for differences in administrative costs per client
 - the results of the next rate study, which should provide information about the costs of services being provided throughout the State. (This information may give some direction about which areas could best be consolidated, if necessary.)
 - the potential cost impact of consolidating CDDO areas (several scenarios could be

considered)

- the advantages and disadvantages of consolidating CDDO areas

As part of its deliberations, the Legislature should receive testimony on this issue from the people most closely associated with the State's system, including Department officials, representatives of the CCDOs and other independent service providers, and parents, family members, or guardians of the people being served.

Discussion/Action: Subcommittee members indicated they saw this as a major policy issue, that would might require a comprehensive study, and that might best be handled as part of an overall evaluation of the system. Accordingly, the Subcommittee agreed by consensus to make no additional recommendation in this area.

5. Because the moneys appropriated for this system for fiscal year 2000 don't cover the State's cost of providing all services to existing clients who currently are underserved, or of providing any services to new clients who've requested them since the start of the year, the Legislature will be faced with deciding whether and how it intends to provide funding to pay for those additional services or clients.

If the State's system isn't fully funded, the Legislature should specify in law or through the appropriations process its priorities regarding which clients or services should be funded with the moneys appropriated. Setting those priorities will help ensure that people with developmental disabilities who receive State-supported services are treated consistently and equitably across the State. The types of factors the Legislature will need to consider in setting its priorities include the following:

- the risk of clients being reinstitutionalized if they aren't served
- the severity of clients' disabilities
- the ability of clients' families to provide services and supports
- the State's ability to maximize federal funding for the clients it serves
- the order in which new clients applied for services

Other factors that will need to be considered: whether special efforts should be made to address the large waiting lists that currently exist in the urban areas of the State, and whether any priorities that are set also will be applied "retroactively" to clients currently receiving services through the State's system.

As part of its deliberations in this area, the Legislative committees should receive testimony from the Department and from CDDOs, other independent service providers, families, and consumer advocates.

Discussion/Action: The Subcommittee had a lengthy discussion, covering such issues as the need for flexibility, the statutory requirement for SRS to consult with numerous interested

parties in developing a service plan, the potential for "service shopping" because of unequal access to service, and whether SRS could address Statewide priorities in its contracts with CDDOs. The Subcommittee agreed by consensus to recommend that the Legislative Post Audit Committee ask SRS to write a letter to all CDDOs and independent service providers asking them to explain their current strategies for prioritizing clients, and to report this information to the full Committee by February 1, 2000.

Audit Recommendations Directed to SRS

Discussion/Action: The Subcommittee discussed whether to ask SRS officials to report back in a few months on what they are doing to implement audit recommendations, or whether to wait for the results of the regular follow-up report next Fall. The Subcommittee agreed by consensus to ask members of the full Committee whether they would like an interim report by SRS.

In addition, the Subcommittee agreed by consensus to recommend that the full Committee emphasize to SRS the Committee's support for the recommendation (listed in full below) that independent service providers should not be prohibited from approaching county commissions to request mill levy money.

CDDO Funding Audit, Question 1, Recommendation 3

To ensure that independent service providers aren't prohibited from going before county commissions to request a portion of county mill levy moneys, the Department should include applicable language in its contract with CDDOs.

Additional Subcommittee Requests of SRS

Discussion/Action: The Subcommittee agreed by consensus to ask SRS to provide two additional pieces of information:

- what is the SRS policy on accumulation of reserve balances?
- does SRS have any guidelines for monitoring whether any State money is being transferred to agency foundations?

Action by the Full Committee

The Legislative Post Audit Committee heard and voted to accept the subcommittee report on December 16, 1999. The full Committee decided to ask SRS to provide an interim report in mid-March on its progress in implementing audit recommendations. The Committee also decided letters should be sent to five legislative committees, encouraging them to give special consideration during the 2000 Session to policy issues raised by the CDDO audits. Those committees are House Appropriations, Senate Ways and Means, House Health and Human Services, Senate Public Health and Welfare, and the joint SRS Transition Oversight Committee. Members of those committees will receive a copy of the subcommittee report.