

## MINUTES OF THE SENATE WAYS &amp; MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on January 12, 2000 in Room 123-S of the Capitol.

All members were present except: Barbara Lawrence, who was excused

Committee staff present: Alan Conroy, Chief Fiscal Analyst, KLRD  
Norman Furse, Revisor of Statutes  
Michael Corrigan, Asst. Revisor of Statutes  
Rae Anne Davis, Kansas Legislative Research Department  
Debra Hollon, Kansas Legislative Research Department  
Judy Bromich, Administrative Assistant to the Chair  
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Secretary Janet Schalansky, Department of Social and Rehabilitation Services

Others attending: See attached list

The Chairman welcomed the Secretary of the Department of Social and Rehabilitation Services, Janet Schalansky who appeared to present an overview of the department's recent reorganization, medical caseload, waiting lists and child welfare. She reviewed her written testimony, copies of which were distributed to members. (Attachment 1)

There was discussion regarding the Governor's recommendation for elimination of optional medical services for the needy. Secretary Schalansky noted that even with this recommendation, the Governor added \$33 million to the approved budget because of growth in the medical programs. She noted that this is one issue for policy debate this legislative session.

Areas of concern which members highlighted for further review this legislative session were:

- any offset in traditional medical interventions due to the increased use of pharmaceuticals (Attachment 1-3)
- clearer legislative objectives regarding who should be served by CDDOs within appropriations (Attachment 1-5)
- cost recovery fees for Child Support Enforcement (Attachment 1-9)
- cost savings in emergency room charges as a result of preventive health care services for children

It was noted that a response from SRS to a Post Audit report regarding the procedure used by CDDOs and independent service providers to prioritize services is due February 1, 2000. Concern was expressed regarding large cash reserves in restricted and unrestricted funds of CDDOs and ability of the agency to track whether appropriations were being used by CDDOs to reduce the number of persons on waiting lists. Ms. Laura Howard, SRS, told members that a proviso in the CDDO contract as it relates to funding they receive in the current fiscal year allows SRS to recoup those funds if the provisions regarding waiting lists and managed care have not been met. It was noted that there will be legislation introduced to address the issue of providers acting as gatekeepers.

In answer to a question, Secretary Schalansky responded that she did not believe that SRS was paying any out-of-state hospitals for mental health services for children though they do pay private hospitals.

Senator Salisbury communicated to the Secretary that she senses there are still significant consumer concerns and misunderstanding regarding the "bundling of services" for the MRDD in the community and that the families desire and welcome dialogue with the agency. She suggested that some families feel that

## CONTINUATION SHEET

this is being done to them and have some level of concern that “bundling of services” may imply greater costs to the state and may encourage fraudulent billing.

In response to a question, Secretary Schalansky told members that the threshold score for applicants for physically disabled waiver was set by the Department and is written into the waiver. There was a consensus that growth in these services is not sustainable. The Secretary indicated that she would provide information to Committee members regarding the number of persons who enter the program with a score in the 26-35 range.

In answer to questions regarding the number of children going into foster care, it was stated that the agency’s ability to predict has been fairly accurate. Ms. Howard noted that the highest proportion of children coming from out of home care has occurred in Sedgwick County and those numbers have exceeded the agency’s estimates.

In answer to the Chairman’s question regarding the repeal of the \$40 pass-through, Ms. Howard stated that the Governor’s staff has indicated that the repeal was supported and the appropriate funding adjustments have been made. She told the Chairman that she would provide information about the amount of savings that would be realized in FY 2001.

A list of legislative fiscal analyst assignments to agencies was distributed to members. (Attachment 2)

The Chairman adjourned the meeting at 12:10 p.m. The next meeting will be January 13, 2000.

# SENATE WAYS & MEANS COMMITTEE GUEST LIST

DATE: January 12, 2000

NAME	REPRESENTING
Bill Henry	Ks Methodist Youthville
Craig Tugman	DOB
Danielle Lee	Governors Office
Doug Bowman	CCEDS
Paul Johnson	PACK
Bob Harder	Independent
Stan Parsons	KGC
Loetta Pyles	KCSDU
Sandy Barnett	KCSOU
Kelly Snyder	Alliance
Wesley Marshall	NAMI
Kym M. Miller	InterHab
Gina McDonald	
JANET JACOBY	Alliance for Kansans w/DD
STEPHANIE WILSON	Alliance for Kansans w/ DD
Ed Stacey	Alliance for Kansans / DD
Jane Edinger	T.I.L.F.C.
Andy Sanchez	KAPE
Amy Campbell	KMHC
Jane P. P. ya	KCDID
Laura Howard	SRS





State of Kansas  
Department of Social  
and Rehabilitation  
Services

Janet Schalansky, Secretary

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**Senate Ways and Means Committee**

January 12, 2000

**Agency Update**

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

Senate Ways and Means Committee

Date *January 12, 2000*

Attachment # *1*

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

Senate Ways and Means Committee  
January 12, 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 brief summary 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 pending 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 our waiver programs requires that we develop better methods to adjust growth in the number of persons needing services and the resources required; that we develop needs assessment protocols and processes that help us to target resources to needs; and that we develop 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 particular 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, and with 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, 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.

<b>Foster Care / Reintegration</b>	<b>Nov. 1998</b>	<b>Nov. 1999</b>
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

<b>Adoption Services</b>	<b>Nov. 1998</b>	<b>Nov. 1999</b>
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
<b>Family Preservation Services</b>	<b>Nov. 1998</b>	<b>Nov. 1999</b>
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 is nearing completion with the successful bidders having been identified and final work on contracts now underway.

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 60<sup>th</sup> month.
- Combining the above two options by 1) removing the parents from the TANF case just prior to the 60<sup>th</sup> 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 60<sup>th</sup> 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 12<sup>th</sup> 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 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, such as dental, vision, and chiropractic care, to the medically needy population. 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.

**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.



# LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2001

## ALAN CONROY (6-4407)

252 Governor  
422 Legislative Coordinating Council  
425 Legislative Research Department  
428 Legislature  
446 Lieutenant Governor  
540 Division of Post Audit  
579 Revisor of Statutes

## JULIAN EFIRD (6-3535)

276 Department of Transportation  
365 Kansas Public Employees Retirement System  
450 Kansas Lottery  
553 Racing and Gaming Commission

## STUART LITTLE (6-4418)

710 Department of Wildlife and Parks  
521 Department of Corrections  
177 Ellsworth Correctional Facility  
195 El Dorado Correctional Facility  
313 Hutchinson Correctional Facility  
400 Lansing Correctional Facility  
408 Larned Correctional Facility  
581 Norton Correctional Facility  
660 Topeka Correctional Facility  
712 Winfield Correctional Facility  
147 Ombudsman of Corrections

## LEAH ROBINSON (6-4447)

367 Kansas State University  
367 KSU-Veterinary Medical Center  
367 KSU-Agricultural Extension  
682 University of Kansas  
715 Wichita State University  
Budget Data Coordinator

## ROBERT WALLER (6-4181)

034 Adjutant General  
234 Fire Marshal  
280 Highway Patrol  
523 Parole Board  
626 Sentencing Commission  
083 Attorney General-Kansas Bureau of Invest.  
204 Mortuary Arts Board  
531 Board of Pharmacy

## ROBERT CHAPMAN (6-4429)

350 Juvenile Justice Authority  
319 Topeka Juvenile Correctional Facility  
325 Beloit Juvenile Correctional Facility  
355 Atchison Juvenile Correctional Facility  
412 Larned Juvenile Correctional Facility  
434 State Library  
105 Board of Healing Arts  
167 Dental Board  
206 Emergency Medical Services Board  
488 Optometry Board

## DEBRA HOLLON (6-4396)

410 Larned State Hospital  
494 Osawatomie State Hospital  
555 Rainbow Mental Health Facility  
363 Kansas Neurological Institute  
507 Parsons State Hospital  
261 Kansas Guardianship Program  
100 Board of Barbering  
149 Board of Cosmetology  
266 Hearing Aid Examiners  
663 Board of Technical Professions  
247 Governmental Ethics Commission  
622 Secretary of State

## AUDREY NOGLE (6-3183)

296 Department of Human Resources  
288 State Historical Society  
359 Kansas Arts Commission  
058 Commission on Human Rights  
565 Homestead Property Tax Refunds  
102 Behavioral Sciences Regulatory Board  
482 Board of Nursing

## TOM SEVERN (6-4138)

143 Kansas Corporation Commission  
122 Citizen Utility Ratepayer Board  
331 Insurance Department  
270 Health Care Stabilization Bd. of Gov.  
016 Abstracters Board  
094 Bank Commissioner  
159 Department of Credit Unions  
543 Real Estate Appraisal Board  
549 Real Estate Commission  
625 Securities Commissioner

## PAUL WEST (6-4409)

173 Department of Administration  
565 Department of Revenue  
561 Board of Regents  
246 Fort Hays State University  
379 Emporia State University  
385 Pittsburg State University  
176 Kansas Development Finance Authority  
670 State Treasurer  
683 University of Kansas Medical Center  
Coordinator, Joint Committee on State  
Building Construction

## RAE ANNE DAVIS (6-4419)

264 Department of Health and Environment  
300 Department of Commerce and Housing  
360 Kansas Inc.  
371 Kansas Technology Enterprise Corp.  
694 Comm. Veterans Affairs/Soldiers Home/Veterans Home  
Coordinator, Economic Development Initiatives Fund

## REED HOLWEGNER (6-3184)

046 Department of Agriculture  
055 Animal Health Department  
373 Kansas State Fair Board  
391 Wheat Commission  
634 State Conservation Commission  
700 Board of Vet. Medical Examiners  
709 Kansas Water Office  
604 School for the Blind  
610 School for the Deaf  
028 Accountancy Board  
Coordinator, Water Plan Fund

## CAROLYN RAMPEY (6-4404)

652 Department of Education  
082 Attorney General  
677 Judicial Branch  
349 Judicial Council  
328 Board of Indigents' Defense Services  
562 Board of Tax Appeals

## KATHIE SPARKS (6-4405)

629 Dept. of Social and Rehabilitation Services  
039 Department on Aging

Agency number listed  
next to agency name

Senate Ways and Means Committee

Date *January 12, 2000*

Attachment # *2*



# LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2001

Abstracters Board (Severn/6-4138)  
Accountancy Board (Holwegner/6-3184)  
Adjutant General (Waller/6-4181)  
Administration, Department of (West/6-4409)  
Aging, Department on (Sparks/6-4405)  
Agriculture, Department of (Holwegner/6-3184)  
Animal Health Department (Holwegner/6-3184)  
Atchison Juvenile Correctional Facility (Chapman/6-4429)  
Attorney General-Kansas Bureau of Investigation (Waller/6-4181)  
Attorney General (Rampey/6-4404)

Bank Commissioner (Severn/6-4138)  
Barbering, Board of (Hollon/6-4396)  
Behavioral Sciences Regulatory Board (Nogle/6-3183)  
Beloit Juvenile Correctional Facility (Chapman/6-4429)

Citizens' Utility Ratepayer Board (Severn/6-4138)  
Commerce and Housing, Department of (Davis/6-4419)  
Commission on Human Rights (Nogle/6-3183)  
Corrections, Department of (Little/6-4418)  
Cosmetology, Board of (Hollon/6-4396)  
Credit Unions, Department of (Severn/6-4138)  
Dental Board (Chapman/6-4429)  
Education, Department of (Rampey/6-4404)  
El Dorado Correctional Facility (Little/6-4418)  
Ellsworth Correctional Facility (Little/6-4418)  
Emergency Medical Services Board (Chapman/6-4429)  
Emporia State University (West/6-4409)

Fire Marshal (Waller/6-4181)  
Fort Hays State University (West/6-4409)

Governor (Conroy/6-4407)  
Governmental Ethics Commission (Hollon/6-4396)

Healing Arts, Board of (Chapman/6-4429)  
Health Care Stabilization Fund Board of Govs. (Severn/6-4138)  
Health and Environment, Department of (Davis/6-4419)  
Hearing Aid Examiners (Hollon/6-4396)  
Highway Patrol (Waller/6-4181)  
Homestead Property Tax Refunds (Nogle/6-3183)  
Human Resources, Department of (Nogle/6-3183)  
Hutchinson Correctional Facility (Little/6-4418)

Indigents' Defense Services, Board of (Rampey/6-4404)  
Insurance Department (Severn/6-4138)

Judicial Branch (Rampey/6-4404)  
Judicial Council (Rampey/6-4404)  
Juvenile Justice Authority (Chapman/6-4429)

Kansas Arts Commission (Nogle/6-3183)  
Kansas Corporation Commission (Severn/6-4138)  
Kansas Development Finance Authority (West/6-4409)  
Kansas Guardianship Program (Hollon/6-4396)  
Kansas Inc. (Davis/6-4419)  
Kansas Lottery (Efird/6-3535)  
Kansas Neurological Institute (Hollon/6-4396)  
Kansas Public Employees Retirement System (Efird/6-3535)  
Kansas State Fair Board (Holwegner/6-3184)  
Kansas State University (Robinson/6-4447)  
Kansas Technology Enterprise Corp. (Davis/6-4419)  
Kansas Water Office (Holwegner/6-3184)  
KSU-Agricultural Extension (Robinson/6-4447)  
KSU-Veterinary Medical Center (Robinson/6-4447)

Lansing Correctional Facility (Little/6-4418)  
Larned Correctional Facility (Little/6-4418)  
Larned Juvenile Correctional Facility (Chapman/6-4429)  
Larned State Hospital (Hollon/6-4396)  
Legislative Coordinating Council (Conroy/6-4407)  
Legislative Research Department (Conroy/6-4407)  
Legislature (Conroy/6-4407)  
Lieutenant Governor (Conroy/6-4407)

Mortuary Arts Board (Waller/6-4181)

Norton Correctional Facility (Little/6-4418)  
Nursing, Board of (Nogle/6-3183)

Ombudsman of Corrections (Little/6-4418)  
Optometry Board (Chapman/6-4429)  
Osawatomie State Hospital (Hollon/6-4396)

Parole Board (Waller/6-4181)  
Parsons State Hospital (Hollon/6-4396)  
Pharmacy, Board of (Waller/6-4181)  
Pittsburg State University (West/6-4409)  
Post Audit, Division of (Conroy/6-4407)

Racing and Gaming Commission (Efird/6-3535)  
Rainbow Mental Health Facility (Hollon/6-4396)  
Real Estate Appraisal Board (Severn/6-4138)  
Real Estate Commission (Severn/6-4138)  
Regents, Board of (West/6-4409)  
Revenue, Department of (West/6-4409)  
Revisor of Statutes (Conroy/6-4407)

School for the Blind (Holwegner/6-3184)  
School for the Deaf (Holwegner/6-3184)  
Secretary of State (Hollon/6-4396)  
Securities Commissioner (Severn/6-4138)  
Sentencing Commission (Waller/6-4181)  
Social and Rehabilitation Services, Department of (Sparks/6-4405)  
State Conservation Commission (Holwegner/6-3184)  
State Historical Society (Nogle/6-3183)  
State Library (Chapman/6-4429)  
State Treasurer (West/6-4409)

Tax Appeals, Board of (Rampey/6-4404)  
Technical Professions, Board of (Hollon/6-4396)  
Topeka Juvenile Correctional Facility (Chapman/6-4429)  
Topeka Correctional Facility (Little/6-4418)  
Transportation, Department of (Efird/6-3535)

University of Kansas Medical Center (West/6-4409)  
University of Kansas (Robinson/6-4447)

Veterans Affairs/Soldiers Home/Veterans Home, Comm. on (Davis/6-4419)  
Vet. Medical Examiners, Board of (Holwegner/6-3184)

Wheat Commission (Holwegner/6-3184)  
Wichita State University (Robinson/6-4447)  
Wildlife and Parks, Department of (Little/6-4418)  
Winfield Correctional Facility (Little/6-4418)

**Fiscal analyst and telephone  
extension in parentheses**

Kansas Legislative Research Department  
January 3, 2000