

MINUTES OF THE SENATE WAYS & MEANS COMMITTEE.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on March 15, 2000 in Room 123-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee:

Others attending: See attached list

Chairman Kerr presented the FY 2001 subcommittee report on the **Department of Social and Rehabilitation Services** (excluding SA, MH & DD Services) (Attachment 1). In explaining item 1 under Child Support Enforcement, the Chairman stated that the \$300,000 SGF amount draws down federal money so it cannot be compared to \$9.0 million.

In discussing the subcommittee's recommendations regarding the Medicaid pharmacy program, the Chairman stated that the Department and the drug companies have stated that there are unintended consequences associated with removing the ban on "step therapy". Therefore, the subcommittee recommended implementation of the bulleted items under item 2 in Adult and Medical Services (Attachment 1-11) in order to achieve estimated cost savings in this program of approximately \$1.0 million.

Members discussed potential savings associated with prior authorization of certain medications and the subcommittee's recommendation to change the dispensing fee. Laura Howard, Interim Assistant Secretary of Health Care Policy, SRS, told members that the Department believes savings will be available from greater use of prior authorization of certain medications, but it will take some time to review savings associated with the various classes of drugs. It was noted that the House did not recommend a reduction in the dispensing fee and this would be an item that could be adjusted in conference committee. The Chairman stated that there has been an influx of ideas about how to generate savings since the subcommittee made this recommendation, and if some of those ideas could be implemented to achieve cost savings in this area, this recommendation is not one that would have to be adopted in conference.

Members of the subcommittee noted that a Post Audit report on generic drugs is due next week and stated that the positive aspect of the recommendations is that it has kept all entities "at the table" on how to achieve cost savings in pharmaceuticals. Senator Feleciano commented that some of the cost savings in pharmaceuticals are used later in the subcommittee report to fund other programs for the medically needy, disabled and aging populations.

It was moved by Senator Morris and seconded by Senator Feleciano that item 2 of the subcommittee report be amended to include language that this may not be the final position of the Committee because of the Post Audit report due March 22 on generic drugs and with language that would direct SRS, the pharmacists and the drug companies to continue to identify savings in the pharmaceutical budget without harming Medicaid clients. The motion carried on a voice vote.

CONTINUATION SHEET

SENATE WAYS & MEANS COMMITTEE MINUTES

Secretary Schalansky told members that the Department agrees with the concern about timely payment of contractors (item 3 under Children and Family Services), and is prepared to address it. She said that the Department is paying on new contracts beginning July 1, 2000 on a per child per month basis and may seek a contract amendment requiring subcontractors to pay within certain time frames.

Senator Salisbury commented that the issue of retaining providers for Medicaid recipients is an important one. She stated that though there is no obligation on the part of the state to pay outstanding provider claims, there certainly should be an obligation on the part of the Horizon Health Plan (item 7, Attachment 1-13).

Senator Petty reviewed the minority report (Attachment 1-17). Senator Feleciano stated that the intent of this report is not to slight the work of the subcommittee, but to highlight areas of concern.

In answer to Senator Ranson, the Chairman stated that the net result of the subcommittee's recommendations was to decrease spending from the SGF by \$1.2 million.

Senator Morris moved, Senator Feleciano seconded, that the SRS subcommittee report as amended be adopted. The motion carried on a voice vote.

It was moved by Senator Morris and seconded by Senator Salmans that 9rs 2458 be introduced as requested by the Department of Agriculture. The motion carried on a voice vote.

The Chairman adjourned the meeting at 12:15 p.m. The next meeting will be March 16, 2000.

HOUSE BUDGET COMMITTEE REPORT

Agency: Department of Social and Rehabilitation Services (Excluding SA, MH & DD Services) **Bill No.**

Bill Sec.

Analyst: Sparks

Analysis Pg. No. 562

Budget Page No. 400

Expenditure Summary	Agency Request FY 01	Gov. Rec. FY 01	House Budget Committee Adjustments
State Operations	\$ 283,306,067	\$ 269,151,287	\$ (180,000)
Local Aid	0	0	0
Other Assistance	1,024,593,642	1,017,124,193	(6,893,431)
Subtotal - Operating	\$ 1,307,899,709	\$ 1,286,275,480	\$ (7,073,431)
Capital Improvements	6,162,977	4,153,897	0
TOTAL	\$ 1,314,062,686	\$ 1,290,429,377	\$ (7,073,431)
State General Fund	\$ 438,303,920	\$ 427,051,260	\$ (780,800)
All Other Funds	869,595,789	859,224,220	(6,292,631)
Subtotal - Operating	\$ 1,307,899,709	\$ 1,286,275,480	\$ (7,073,431)
State Institutions Building Fund	6,162,977	4,153,897	0
TOTAL	\$ 1,314,062,686	\$ 1,290,429,377	\$ (7,073,431)
FTE Positions	4,109.7	3,839.0	0.0
Unclassified Temp. Positions	95.5	95.5	0.0
TOTAL	4,205.2	3,934.5	0.0

Agency Request/Governor's Recommendation

The agency request of \$1.314 billion (excluding Substance Abuse, Mental Health & Developmental Disabilities Services) for FY 2001 is an increase of \$72.7 million (5.9 percent) above the revised FY 2000 estimate. The request includes \$438.3 million in State General Fund, an increase of \$32.3 million (8.0 percent). The request includes 4,109.7 FTE and 95.5 UT positions, the same number as requested in FY 2000. An enhancement package of \$52.0 million (\$22.9 million State General Fund) for a variety of program enhancements is also requested for FY 2001. The agency requests \$6.2 million in capital improvements for rehabilitation and repair projects and maintenance of the Chanute Area Office building.

The Governor recommends operating expenditures of \$1.286 billion, a decrease of \$23.6 million (1.8 percent) below the agency request for FY 2001. The State General Fund recommendation of \$427.1 million is a decrease of 11.3 million (2.6 percent) below the request. The Governor recommends funding for reinstatement of Community Mental Health Center services for the medically needy aged and disabled populations; reinstatement of

Senate Ways and Means Committee

Date *March 15, 2000*

Attachment # *1*

state aid for Community Developmental Disabilities Organizations; and expansion of the Home and Community Based Services for the Physical Disabled. Included in the recommendation are 3,839.0 FTE positions and 95.5 UT positions, a decrease of 270.7 FTE positions from the Field Operations Program. An overall shrinkage rate of 6.2 percent is recommended which is a decrease of 1.8 percent below the agency request. The Governor does not recommend increased funding for rehabilitation and repair projects and recommends \$4.2 million for capital improvements.

House Budget Committee Recommendation

The House Social Services Budget Committee concurs with the Governor's recommendation for FY 2001 with the following exceptions and comments:

Agencywide

1. The House Social Services Budget Committee recommends that it review licensure activities of the Department of Social and Rehabilitation Services when it takes up the budget of the Department of Health and Environment. The four licensure areas that are to be examined are as follows:
 - Mental Health Residential Care Facilities – there are approximately 45 of these facilities which have a minimum of five beds. These are licensed on a yearly basis.
 - Mental Health Adult Family Homes – currently there are approximately 12 of these 1 or 2 bed homes which are licensed yearly.
 - Freestanding Psychiatric Hospitals – currently there are four of these facilities which are licensed every two years; however, one is scheduled to close during this calendar year.
 - Community Mental Health Centers – there are 29, licensed every two years.
2. Delete \$300,000 from the State General Fund for capital outlay. The Committee believes the deletion should not hamper the agencies need for software licensing and a minimum of other necessary items to function during FY 2001.
3. The Budget Committee recommends that staff make any technical corrections required in the bill.
4. The Budget Committee review the attached performance measures of the agency and submit them as part of this report.

Child Support Enforcement

1. Delete \$6,053,431 from the federal Child Support Enforcement Fund. The Governor reduces the state funding of Child Support Enforcement by \$3.1 million from the State General Fund; however, did not make the corresponding reduction in the federal fund which requires a state match in order to receive the federal monies.
2. The Committee recommends, that during the Omnibus Session, the Child Support Enforcement Program for FY 2000 will require the same type of reduction as outlined in Item 1.
3. The Budget Committee notes that the Governor's reduction coupled with the loss of federal funding will cut the funds available for enforcement contracts approximately in half during FY 2001. The Department is requested to present to the Committee, prior to the Omnibus Session, a revised plan for managing the program within the existing resources.

Employment Preparation Services

1. The Budget Committee wishes to express concern regarding the State's ability to maintain the two-parent work requirement to receive Temporary Assistance to Needy Families funding during the budget year. Therefore, the Committee recommends that the Department begin discussion with Community Mental Health Centers, substance abuse treatment centers, Kansas Legal Services (which operates two successful employment programs the Committee visited in Topeka), and Department of Human Resources to make recommendations on ways in which the state can meet the federal requirement for FY 2001. Furthermore, the Department's plan should be presented to the Committee prior to the Omnibus Session. However, the plan needs to be budget neutral.

Adult and Medical Services

1. The Budget Committee heard testimony from the Department regarding the estimated costs of providing prenatal coverage under the HealthWave program. However, the Committee felt that enough information was not yet available to make an informed recommendation; therefore, the Department is requested to report updated information to the Committee prior to the Omnibus Session.
2. The Budget Committee recommends that the Department of Social and Rehabilitation Services begin placing additional drugs on prior authoriza-

tion. The Committee heard testimony that the average prescription cost for the aged and disabled on Medicaid has risen from \$133 per month in FY 1997 to \$198 per month in FY 2000. The result is an increase of 48.9 percent in two years. In addition, the Committee was informed that the aged and disabled population accounts for 26 percent of the total Medicaid population but consumes 70 percent of the pharmacy budget. Prior authorization is an attempt to control increasing pharmacy expenditures and at the same time, increase revenues into the drug rebate program.

The agency is also directed to employ K.S.A. 77-422 which provides that a temporary rule and regulation can be adopted when "the preservation of the public peace, health, safety or welfare necessitates or makes desirable putting such rule and regulation into effect." Under current law, before a drug can be placed on prior authorization it must be submitted to the Drug Utilization Review Board for written comment and then go through the rules and regulations process. The temporary process should shorten the time required for a drug to be placed in prior authorization status.

3. The Budget Committee proposes the introduction of a bill which would remove the prohibition on "step therapy" in K.S.A. 39-7, 121. Step therapy would require that the most cost efficient drug be prescribed before the higher cost drug. If the prescribed drug does not prove effective for the patient, then the higher cost drug may be prescribed, thus, the treatment is prescribed in steps.
4. Delete \$3.0 million all funds, including \$1.2 million for the State General Fund from the Medicaid pharmacy budget by changing the current payment method from Average Wholesale Price (AWP) minus 10 percent to AWP minus 13 percent. The Committee heard testimony that the current state employee health plan is paying the AWP minus 13 percent. The Committee does not, however, change the dispensing fee which is an average of \$4.95 per prescription. The dispensing fee for the state employee health plan is \$2.50 for urban areas and \$3.00 for rural areas of the state.
5. The Committee was informed that the proposed federal budget would extend the payment of rebates on generic drugs to the Medicaid program. Under current law the practice applies only to brand name drug manufactures. Also, the federal budget proposes to permit the Secretary of Health and Human Services to make the average manufacture price (AMP) for Medicaid covered drugs available to the states so that the states can use this data to accurately set Medicaid drug reimbursement rates.

6. Delete \$2,935,000 from all funding sources, including \$1,624,000 from the State General Fund from the Medicaid budget to reflect current practices of the agency. The savings comes from the following adjustments:
 - \$750,000 from the State General Fund shifted to federal funds for Adult Protective Services
 - \$1,660,000 from all funds, including \$664,000 from the State General Fund due to implementation of maximum allowable cost pricing for generic drugs
 - \$525,000 from all funds, including \$210,000 from the State General Fund to reflect new federal regulations regarding the reimbursement to Federal Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs)
7. Add \$4,095,000 from all funding sources, including \$1,823,200 from the State General Fund to restore FQHCs/RHCs services and supplies to the medically needy disabled and aged populations. The Committee heard compelling testimony regarding the 14,324 Kansas citizens who would lose FQHCs/RHCs services; and the 12,734 citizens who would lose all reimbursement for durable medical goods, such as oxygen, catheters, ostomy bags, etc.
8. The Committee recommends that a proviso be added which prohibits any freestanding psychiatric hospital from receiving a higher rate of reimbursement than is provided to PrairieView Hospital. The Budget Committee also recommends that this proviso be revisited during the Omnibus Session.
9. Add \$1.0 million all funds, including \$400,000 from the State General Fund to reinstate the protected income level back to \$687 from the recommendation of \$475 per month for consumers receiving Home and Community Based Services for the Physically Disabled. The protected level income refers to the amount of money an individual is allowed to retain to provide for housing, food, clothing, transportation, etc. before the individual is required to pay for their services received under the waiver program. The Department testified that its intention was to allow each consumer an allowance of \$95 per month for durable medical goods given the fact that all durable medical goods for the medically needy was removed from the Governor's budget, thereby, bringing the protected income level up to \$570 per month. The protected income level of \$687 per month is based upon the federal poverty guidelines for the 48 contiguous states, therefore, the Department's recommendation

would have placed the consumers \$117 per month below the federal poverty guidelines.

10. The Budget Committee directs the Department to convene an informal task force of stakeholders to make recommendations to the Committee prior to the Omnibus Session on the definitions of Needs vs Wants of consumers served by the Home and Community Based Services for the Physically Disabled. In order for the state to continue the program a range of services which fulfill the needs of consumers must be established in place of attempting to address all the wants of an individual and/or the family members. Secondly, the task force is asked to make recommendations regarding training for case managers and consumers with respect to the modified range of services to be provided in the future. Finally, given the amount of resources presently dedicated to this program, all recommendations, in the aggregate, are required to be budget neutral.
11. The Budget Committee directs the Department to continue the meetings with the stakeholders across the state to solicit ideas for a wider range of management tools which could be put in place to contain costs and achieve equity of services for the Home and Community Based Services for the Physically Disabled across the state. However, the program must operate within appropriations which may require difficult decisions be made.
12. The Social Services Budget Committee recommends during the Omnibus Session that serious consideration be given to the issue of waiting lists for services in the Home and Community Based Services for the Physically Disabled program.

Children and Family Services

1. Add \$120,000 from the State General Fund to continue the contract for the Adoptions in Child Time and Permanency in Child Time initiatives which have made significant strides in resolving legal barriers for children who have case plans for adoption and for facilitating permanency for children in state custody. It is further recommended that a children's hotline be implemented specifically designed to provide foster children and families, and other interested parties, with responsive and widespread access to legal services and information that can address and resolve legal barriers to adoption and to permanency. In addition, the children's hotline is to be staffed by a person during normal business hours and an answering machine the remainder of the time.

Capital Improvements

1. The Budget Committee recommends that a proviso be added which prohibits the spending of any capital improvement funding on Rainbow Mental Health Facility, unless it would endanger the health or safety of any resident, until the findings of the Mental Health Task Force are published.

House Committee Recommendation

The House Committee concurs with the Budget Committee recommendation with the following exceptions and comments:

1. Item 8 under the Adult and Medical Services is deleted and replaced with the following:

The Department of Social and Rehabilitation Services is to report back prior to the Omnibus Session on data collected to equalize the rates for the freestanding psychiatric hospitals in Kansas for review during the Omnibus Session.

2. A proviso is added to the federal Medical Assistance fund that directs the Department of Social and Rehabilitation Services to review all current practices regarding the Use of trusts to misrepresent an individuals net worth when applying for medical assistance and report back to the 2001 Legislature.
3. The Department of Social and Rehabilitation Services is to review and clarify definitions of a child in need of care, especially in the area of protective custody, and report back to the Budget Committee prior to the Omnibus Session.

4. Item 1 under Capital Improvements is amended as follows:

The Budget committee recommends that a proviso be added which prohibits the spending of any capital improvement funding on Rainbow Mental Health Facility, unless it would endanger the health or safety of any individual at the facility, until the findings of the Mental Health Task Force are published. Furthermore, Rainbow Mental Health Facility is not to be closed without Legislative approval.

SENATE SUBCOMMITTEE REPORT

Agency: Department of Social and Rehabilitation Services (Excluding SA, MH & DD Services) **Bill No.** 639 **Bill Sec.** 33

Analyst: Sparks **Analysis Pg. No.** 562 **Budget Page No.** 400

Expenditure Summary	Agency Request FY 01	Gov. Rec. FY 01*	Senate Subcommittee Adjustments
State Operations	\$ 283,306,067	\$ 269,741,732	\$ (8,982,000)
Local Aid	0	0	0
Other Assistance	1,024,593,642	1,017,124,193	(5,135,000)
Subtotal - Operating	<u>\$ 1,307,899,709</u>	<u>\$ 1,286,865,925</u>	<u>\$ (14,117,000)</u>
Capital Improvements	6,162,977	4,153,897	0
TOTAL	<u><u>1,314,062,686</u></u>	<u><u>1,291,019,822</u></u>	<u><u>(14,117,000)</u></u>
State General Fund	\$ 438,303,920	\$ 427,051,260	\$ (3,234,785)
All Other Funds	869,595,789	859,814,665	(10,882,215)
Subtotal - Operating	<u>\$ 1,307,899,709</u>	<u>\$ 1,286,865,925</u>	<u>\$ (14,117,000)</u>
State Institutions Building Fund	6,162,977	4,153,897	0
TOTAL	<u><u>\$ 1,314,062,686</u></u>	<u><u>\$ 1,291,019,822</u></u>	<u><u>\$ (14,117,000)</u></u>
FTE Positions	4,109.7	3,836.8	0.0
Unclassified Temp. Positions	95.5	95.5	0.0
TOTAL	<u><u>4,205.2</u></u>	<u><u>3,932.3</u></u>	<u><u>0.0</u></u>

* The Governor's recommendation reflects GBA #1, items 5 and 6.

** Excluding the deletion of the Governor's recommended employee pay plan, the Subcommittee's recommendation is an decrease of \$9,646,078, including a decrease of \$2,041,410 from the State General Fund.

Agency Request/Governor's Recommendation

The agency request of \$1.314 billion (excluding Substance Abuse, Mental Health & Developmental Disabilities Services) for FY 2001 is an increase of \$72.7 million (5.9 percent) above the revised FY 2000 estimate. The request includes \$438.3 million in State General Fund, an increase of \$32.3 million (8.0 percent). The request includes 4,109.7 FTE and 95.5 UT positions, the same number as requested in FY 2000. An enhancement package of \$52.0 million (\$22.9 million State General Fund) for a variety of program enhancements is also requested for FY 2001. The agency requests \$6.2 million in capital

improvements for rehabilitation and repair projects and maintenance of the Chanute Area Office building.

The Governor recommends operating expenditures of \$1.286 billion, a decrease of \$23.6 million (1.8 percent) below the agency request for FY 2001. The State General Fund recommendation of \$427.1 million is a decrease of 11.3 million (2.6 percent) below the request. The Governor recommends funding for reinstatement of Community Mental Health Center services for the medically needy aged and disabled populations; reinstatement of state aid for Community Developmental Disabilities Organizations; and expansion of the Home and Community Based Services for the Physical Disabled. Included in the recommendation are 3,839.0 FTE positions and 95.5 UT positions, a decrease of 270.7 FTE positions from the Field Operations Program. An overall shrinkage rate of 6.2 percent is recommended which is a decrease of 1.8 percent below the agency request. The Governor does not recommend increased funding for rehabilitation and repair projects and recommends \$4.2 million for capital improvements.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation for FY 2001 with the following exceptions and comments:

Agencywide

1. Delete \$4,470,922 all funds, including \$1,193,375 from the State General Fund, based on the recommendation to delete funding for the governor's recommended pay plan adjustments which include a 2.5 percent unclassified merit pool (\$189,647), classified step movement (\$2,673,724), and longevity bonus payments (\$1,607,551).
2. The Subcommittee recommends that staff make any technical corrections required in the bill.
3. The Subcommittee adopts the Governor's Budget Amendment No. 6 which decreases 2.2 FTE positions from the agency budget. The money budgeted for these positions has already been captured under the Retirement Reduction Program and the amendment corrects the FTE count.

Child Support Enforcement

1. Add \$300,000 from the State General Fund for Child Support Enforcement contracts which were recommended to be cut by approximately 50 percent or \$9.0 million from all funding sources. The agency testified that the Kansas City area contract has been cancelled and the enforce-

ment efforts will be the responsibility of the area office. The plan for accomplishing the enforcement task will be presented in the revised budget submission to the 2001 Legislative Session.

2. Delete \$5,171,078 from the federal Child Support Enforcement Fund. The Governor reduces the state funding of Child Support Enforcement by \$3.1 million from the State General Fund; however, the Governor did not make the corresponding reduction (\$6,053,431) in the federal fund which requires a state match in order to receive the federal monies. However, it should be noted that Item 1 of this section of the report restores \$582,353 of the federal funding.
3. The Committee recommends, that during the Omnibus Session, the Child Support Enforcement Program for FY 2000 will require a reduction of \$3,821,747 from the federal Child Support Enforcement Fund as outlined in Item 2.
4. Add a proviso which states that notwithstanding K.S.A. 39-7, 154, the child support collection pass through is eliminated for FY 2001. The proviso is needed because under current law the state is required to commit \$1.0 million of state funds which only produces \$400,000 of benefit to the recipients. In order to closely offset the reduction in funding of \$27 per recipient per month, the Subcommittee provided \$300,000 from all funding sources to provide job retention training (Item 3. Under Employment Services) and an additional \$882,353 from all funds for Child Support Enforcement (Item 1. above) for a total of \$1,182,353 in enhanced funding.

Employment Services

1. The Subcommittee was informed by the Department that it hopes to provide a minimum of \$1.0 million of soft match to the Department of Human Resources (DHR) for federal Welfare to Work funding for FY 2001. However, the amount of the soft match cannot be accurately determined until June 2000. The amount of the match required by DHR is approximately \$2.6 million which would generate a total of \$6.2 million of federal funds; therefore, the Department of Social and Rehabilitation Services is directed to report back to the 2001 Legislative Session on the amount of the match it must provide to DHR for the Welfare to Work program so that alternative solutions, if required, may be taken.
2. The Subcommittee adopts the Governor's Budget Amendment No. 5 which provides \$590,445 from the Temporary Assistance to Needy Families Fund for statewide expansion of services for Battered Women.

3. Add \$300,000 all funds, including \$102,990 from the State General Fund to provide cash assistance for case managers training opportunities by financing courses designed to increase their skills in job retention and job advancement.

Adult and Medical Services

1. Delete \$5,900,000 all funds, including \$2,360,000 from the State General Fund from the Medicaid pharmacy budget by changing the current payment method from Average Wholesale Price (AWP) minus 10 percent plus a statewide average of a \$4.95 dispensing fee to AWP minus 13 percent plus a \$3.50 dispensing fee. The Committee heard testimony that the current state employee health plan is paying the AWP minus 13 percent plus a \$2.50 dispensing fee.
2. The Subcommittee directs the Department of Social and Rehabilitation Services to:
 - Implement a Disease Management Program (DM) as a tool to insure cost effectiveness and appropriate treatment of Medicaid patients. The disease state management programs are an integrated approach to delivering health care services which target specific diseases or conditions and provide treatment mechanisms based on best practices and the coordination of care between health care providers. These programs can be an effective alternative to component management techniques which can have the unintended, but real, consequences of harming patients and costing the state more than it saves. The Department should use national (AHCPR) guidelines and standards as the benchmark.
 - Analyze patient outcomes and costs of treatment. Pharmacy cost savings may be seen in other programs such as decreased mental health hospitalizations. These savings should be analyzed in reviewing the pharmacy budget.
 - Use the Drug Utilization Review (DUR) Committee and the Peer Education Resource Council (PERC) to form disease management subcommittees for each initial disease targeted to assist the Pharmacy Director in designing and implementing programs.
 - Initial diseases targeted include: asthma, H. pylori/peptic ulcer disease, diabetes mellitus, psychosis/depression, stroke, and hypertension.
 - Use statistical data to identify problems, aberrations in nursing home population utilizing pharmacy services for purposes of auditing for

standards of practice. SRS may wish to utilize consultant pharmacists in nursing home reviews since the Department advises that 26 percent of the aged, disabled population account for 70 percent of the drug costs.

3. Delete \$2,500,000 million all funds, including \$1,000,000 from the State General Fund from the regular medical budget. The items outlined in Item 2 above, should provide at least this amount of savings in the Medicaid pharmacy budget for FY 2001.
4. Delete \$2,935,000 from all funding sources, including \$1,624,000 from the State General Fund from the Medicaid budget to reflect current practices of the agency. The savings comes from the following adjustments:
 - \$750,000 from the State General Fund shifted to federal funds for Adult Protective Services;
 - \$1,660,000 from all funds, including \$664,000 from the State General Fund due to implementation of maximum allowable cost pricing for generic drugs; and
 - \$525,000 from all funds, including \$210,000 from the State General Fund to reflect new federal regulations regarding the reimbursement to Federal Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs).
5. Add \$5,200,000 from all funding sources, including \$2,079,600 from the State General Fund to restore all optional services to the medically needy disabled and aged populations.
6. Add \$1,000,000 all funds, including \$400,000 from the State General Fund to reinstate the protected income level back to \$687 from the Governor's recommendation of \$475 per month for consumers receiving Home and Community Based Services for the Physically Disabled. The protected level income refers to the amount of money an individual is allowed to retain to provide for housing, food, clothing, transportation, etc. before the individual is required to pay for their services received under the waiver program. The Department testified that its intention was to allow each consumer an allowance of \$95 per month for durable medical goods since all durable medical goods for the medically needy were removed from the Governor's budget, thereby, bringing the protected income level up to \$570 per month. The protected income level of \$687 per month is based upon the federal poverty guidelines for the 48 contiguous states, therefore, the Department's recommendation

would have placed the consumers \$117 per month below the federal poverty guidelines.

7. The Subcommittee was informed by the Department that the Horizon Health Plan, an HMO which no longer has the state contract, had outstanding provider claims of nearly \$10 million as audited by the Kansas Insurance Department. In addition, SRS reported that it had conducted a study of the outstanding claims with regard to additional newborn encounters and additional recalculation of earlier recoupments. The Department has since made payments to the liquidator totaling \$3,815,000.

The Kansas Hospital Association testified to the Subcommittee that hospitals have outstanding claims of \$5,203,000. In addition, the Horizon's liquidators have requested that hospitals and other providers accept approximately 50 percent of what was due to settle all outstanding claims against the HMO.

8. The Subcommittee notes that the Department is working with the stakeholder groups in an attempt to allow Home and Community Based Services for the Physically Disabled to remain on the waiver past the age of 64. The agency informed the Subcommittee that the discussion is about allowing these individuals to remain until such time as the services provided by the Frail Elderly waiver become more appropriate. The challenge is to convey the intent of this proposed change in the state waiver plan and maintain cost neutrality.
9. The Subcommittee directs the Department of Social and Rehabilitation Services and the Department on Aging to analyze the impact of increasing the score required for nursing home placement and Home and Community Based Services for the Physically Disabled and the Frail Elderly from 26 to 30 and from 26 to 35. In addition, an analysis of the continued cost of providing services to individuals grandfathered into the two waivers with scores between 15 and 25; and any corresponding increase state costs for nursing facilities is also to be completed by the agencies. The reasons for this request are as follows:
 - SRS testified that to continuing to provide services to the grandfathered population will require \$3.8 million all funds, including \$1.52 million from the State General Fund in FY 2001.
 - The budget shortfall for FY 2001 for the Physically Disabled waiver is currently estimated to be \$11.0 million all funds, including \$4.4 million from the State General Fund.

10. The Subcommittee directs the Department of Social and Rehabilitation services to prioritize the waiting list for Home and Community Based Services on a case by case bases so that the individuals with health and safety considerations and no natural supports are considered above individuals with lower scores and a system of natural supports in place. Given the directive, the Subcommittee recognizes that the Department may have to make decisions as to who receives and/or retains services between those who are below the current threshold and those waiting for services who are in greater need. Also, the Department is directed to continue the current practice of a rolling waiting list, which requires that as soon as an individual leaves the program a new individual is added in place of a stagnate waiting list (individuals are only added at the beginning or ending of a fiscal year).

The Department is also directed to complete a detailed analysis of the conditions of the current population receiving services and to continue meetings with stakeholders to develop the criteria for the prioritization of the waiting list and to develop other management tools to manage the waiver program. Consideration should be given to individuals in crisis situations; severity of disability and when an individual should be removed from the program.

Children and Family Services

1. Add \$60,000 from the State General Fund to continue the contract for the Adoptions in Child Time which has made significant strides in resolving legal barriers for children who have case plans for adoption prior to and after the termination of parental rights. The program had previously been funded with a federal grant of \$277,000 per year for the past three years.
2. The Subcommittee recommends that the consensus caseload estimating process be expanded to include foster care. The Subcommittee heard testimony that the system is once again undergoing changes -- new contractors and new service provisions for families. Therefore, the Legislature and the Governor could benefit from having a consensus on the number of children, entering and remaining, within the system.
3. The Subcommittee strongly recommends that the Department take greater care in paying their contractors in a timely manner which will allow the contractors to pay their subcontractors in a timely manner. If this action is not taken by the Department, the Subcommittee is

concerned that the child welfare system will begin losing placements and needed services for this vulnerable population.

Blind Services

1. The Subcommittee was informed about the Department's plan to relocate Division of Services for the Blind and the Rehabilitation Center for the Blind, from the Topeka State Hospital Grounds and to close Kansas Industries for the Blind. A Request for Proposal (RFP) requesting lease space of approximately 11,000 sq. ft. has been released and responses to the RFP are due March 28. The agency's target occupancy date for the new location is August 1.

In regard to the staff employed at Kansas Industries for the Blind, the Department informed the Subcommittee that an employment task force has been formed to work with each of the 27 employees, 15 of whom are blind or visually impaired, to find other employment with comparable wages and benefits. Each employee has been assigned a vocational rehabilitation case manager. May 1 is the target date for closure of the facility.

2. A proviso is recommended to the Department of Administration's budget which refers to the sale of the former Topeka State Hospital grounds. This proviso was also added to the Omnibus appropriation bill last year. The proviso states:

In addition to the purposes for which expenditures may be made by the above agency from the State Buildings Operating Fund for the fiscal year ending June 30, 2001, as authorized by section 20(b) of 2000 Senate Bill No. 639, expenditures may be made by the above agency from the State Buildings Operating Fund for fiscal year 2001 for relocation of Blind Services and the Kansas Industries for the Blind.



Senator Dave Kerr, Chairman



Senator Stephen R. Morris



Senator Alicia Salisbury



Senator Marge Petty



Senator Paul Feleciano, Jr.


Minority Report

We wish to express our appreciation for the creative way in which the Subcommittee filled some of the gaps within the Department of Social and Rehabilitation Services budget. The Subcommittee is to be complimented on their leadership in correcting the lowered protected income level for Home and Community Based Services for the Frail Elderly, Developmental Disabilities and the Physically Disabled and in restoring the optional medical services to the aged and disabled population. However, we believe that substantial gaps still exist in the budget as outlined below:


	In Millions	
	State General Fund	All Funds
Shortfall on the HCBS/PD waiver	\$ 4.4	\$ 11.0
Child Support Enforcement	2.8	8.2
Welfare to Work - (KDHR)	2.6	9.2
SB 633 - Foster Care (if not passed)	6.0	10.6
Total	<u>\$ 15.8</u>	<u>\$ 39.0</u>

In addition, the Department reported that approximately 1,169 individuals per month will not receive needed Vocation Rehabilitation Services due to funding shortfalls. However, the cost to the state of providing these services was not given to the Subcommittee. Finally the agency will incur a reduction of approximately 500 FTE positions – 271.7 FTE positions are reduced in the Governor’s recommendation and an additional 228.3 positions must be held open to meet the shrinkage requirement established by the Governor recommendation.

A recent study conducted by the Kansas Technology Enterprise Corporation revealed that the income disparity between high income families and both middle and low income families has worsened during the 1990s. This study indicates that Kansas ties with Oklahoma for last place in the Midwest region when comparing the equitability of income distribution. If Kansas is to truly enjoy a strong and sustained economic growth we must ensure that all income sectors, including the vulnerable, experience equitable income gains.



Senator Marge Petty



Senator Paul Feleciano, Jr.