

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS

The meeting was called to order by Chair Melvin Neufeld at 9:00 a.m. on January 28, 2003, in Room 514-S of the Capitol.

All members were present except: Representative Larry Campbell - excused

Committee staff present: Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Julian Efird, Legislative Research Department
Carolyn Rampey, Legislative Research Department
Audrey Nofle, Legislative Research Department
Amy Deckard, Legislative Research Department
Jim Wilson, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Sue Fowler, Committee Secretary

Conferees appearing before the committee: Barbara Hinton, Legislative Post Audit
Mark Tallman, Kansas Association of School Boards
Dr. Donald N. Muse, Muse and Associates

Others attending: See Attached

Dr. Donald Muse, Muse and Associates of Washington, D.C., presented information on medicaid cost containment studies (Attachment 1). Dr. Muse agreed to furnish the Committee with additional information on the number of prescriptions individuals are receiving in long-term care facilities in Kansas.

Hearing on SB 4 - Cash-Basis law; exemptions for certain expenditures by school districts

Carolyn Rampey, Legislative Research Department gave the staff review on **SB 4** which would amend the Cash-Basis Law by adding an exception for school districts. The passage of the bill would exempt school districts from the law's provisions when they experience a shortage of revenue due to late payments of general state aid. The exemption would be retroactive and apply to school year 2001-02 and every school year thereafter.

Mark Tallman, Assistant Executive Director of the Kansas Association of School Boards, presented testimony supporting **SB 4** (Attachment 2).

Representative Shultz moved to amend the bill by striking "2001-2002" and inserting "2002-2003" and by striking "Kansas register" and inserting "statute book." The motion was seconded by Representative Landwehr (Attachment 3).

Representative Feuerborn made a substitute motion to amend by inserting "school years 2002-2003, 2003-2004 and 2004-2005" and strike "all years thereafter" in the amendment. The motion was seconded by Representative Gatewood.

The Committee discussed at length the propriety of the amendment and the impact on school board budgeting when state aid is not received in a timely fashion. It was pointed out that school districts can issue no-fund warrants but may not issue certificates of indebtedness.

The Chair requested the school districts and those involved with the education budget provide additional input before a final decision on the bill would be made in Committee.

The Chair announced the **SB 4** is being tabled.

Hearing on SB 6: Racing and gaming commission; elimination annual financial-compliance audit requirement

J.G. Scott, Chief Fiscal Analyst, Legislative Research Department, presented an overview of the bill and explained the request for the elimination of the audit due to the fact that only two minor discrepancies had

CONTINUATION SHEET

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE at 9:00 a.m. on January 28, 2003, in Room 514

been discovered since the auditing requirement was established.

Barb Hinton, Legislative Post Audit, appeared before the Committee and presented testimony supporting **SB 6** (Attachment 4). She recommended passage of the bill which would eliminate what has been determined to be an unnecessary audit for the Kansas Racing and Gaming Commission. All casinos and race tracks within the state conduct their own audits and present the results to the Commission on an annual basis. Mrs. Hinton distributed copies of her response to the Committee questions of January 22, 2003 (Attachment 5).

In response to Committee questions, Julian Efird, Legislative Research Department, explained that the five appointed Commissioners currently receive a stipend of \$2,000 per month for the two-day meetings they schedule monthly. Attendance is not required. The appointing Governor sets the rate of pay.

Representative Shriver moved that the bill be reported favorably. Motion was seconded by Representative Bethell.

Representative Shultz made a substitute motion to amend the bill to set the pay rate of the Racing and Gaming Commissioners at the same rate of per diem compensation paid the legislators. Motion was seconded by Representative Light (Attachment 6).

The Committee discussed the propriety of changing policy without holding public hearings or having input from the agency. The option of changing the policy for a one-year period via an appropriations bill proviso was also discussed. This would eliminate the changing of statute whenever a Governor chose to change the pay rate of appointed Commissioners. Budget Chairs were requested to carefully examine the per diem compensation of the governing bodies of all fee agencies.

Representative Shultz renewed his motion to amend the bill. Motion failed.

Representative Shriver renewed his motion to report the bill favorably. Motion carried.

Legislative Research distributed the House Budget Committee Deadlines (Attachment 7) and the Senate Budget Committee Deadlines (Attachment 8).

The meeting was adjourned at 10:40 a.m. The next meeting is scheduled for January 29, 2003.



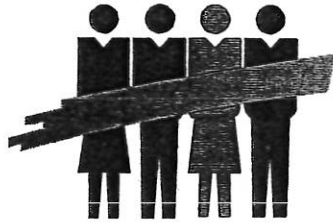
Melvin Neufeld, Chair

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: January 28, 2003

NAME	REPRESENTING
Don MUSF	MUSE & ASSOCI
DARYL Rutschmann	Kansas Association for the Medically Underserved
Rebecca Zepke	Federico Consulting
GARY Robbins	Ks Optometric Assn
Dodie Wellshear Johnson	KAFP
Barbara Belcher	Merck
Mark Tallman	KASB
Diane Gjerstad	Wichita Public Schools
Vicki Legmitzelsel	Budget
Kirk Lowrey	TILRC
Sharon Joseph	KS ADART
John Miller	Kans
Tom Bell	KHA
Lynn Miller	Intertab
John Peterson	Ks Governmental Consulting
Kevin Barone	Heinlaw firm.
Pat Hubbell	Pharma
Tom Bruno	EDS
Jeff Bottenberg	Merck

Medicaid Data for State XYZ and the State of Kansas



January 2003

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The 20 - minus 3 - 13 Problem

- Medicaid is 20 percent of an average state's budget
- State revenues are projected to grow minus 3 percent this coming year
- The Medicaid program is projected to grow 13 percent this coming year (up from 5 percent through most of the 1990's)



HOUSE APPROPRIATIONS

DATE 1-28-03
ATTACHMENT 1

Recent Unemployment Statistics

• January 1, 2001	4.2%
• June 30, 2001	4.6%
• January 31, 2002	5.6%
• June 30, 2002	5.9%
• September 30, 2002	5.6%
• December 31, 2002	6.0%



Increased Unemployment Leads to Increased Medicaid Enrollment

- According to analysis by the Urban Institute, an increase of **1%** in unemployment rate leads to an increase of **\$1.2 billion** in state spending
- An increase of **2%** in unemployment rate leads to an increase of **\$2.3 billion** in state spending



Medicaid's Problem Periods in the Past

- Early 80's - Bottom falls out of economy, unemployed swell roles
 - Solution: Throw people off roles and cut provider rates
- Early 90's - Waxman mandatory groups kick in
 - Solution: Put children and mothers in managed care
- Early 00's - Managed care cost increases, some states adding people, in general roles up, etc.
 - Solution: ??



Finding Solutions to the Medicaid Program Problems

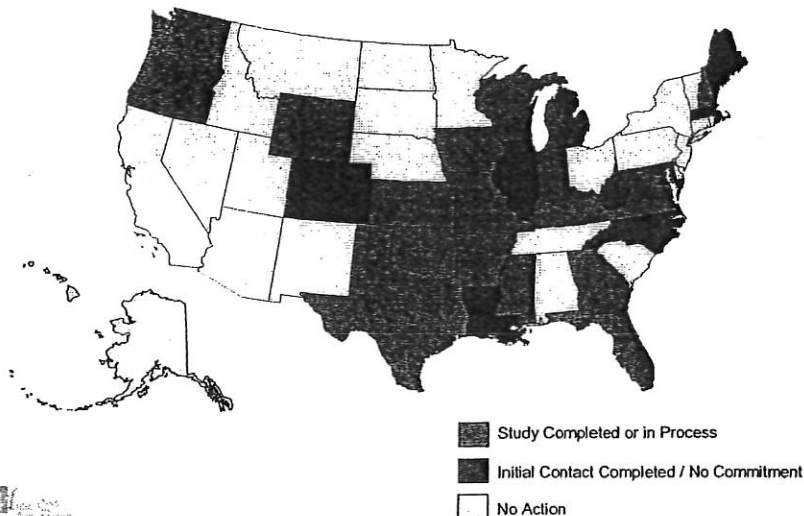
What We Do

- Receive tapes submitted to the Centers for Medicare and Medicaid Services (CMS), deliver results and detailed backup in person in two weeks
- Goal is to identify what is driving the cost of the Medicaid program, and therefore, where are the greatest potential savings
- Outline the potential use of disease management and other policy options to improve patients' health outcomes and save money



State Medicaid Studies

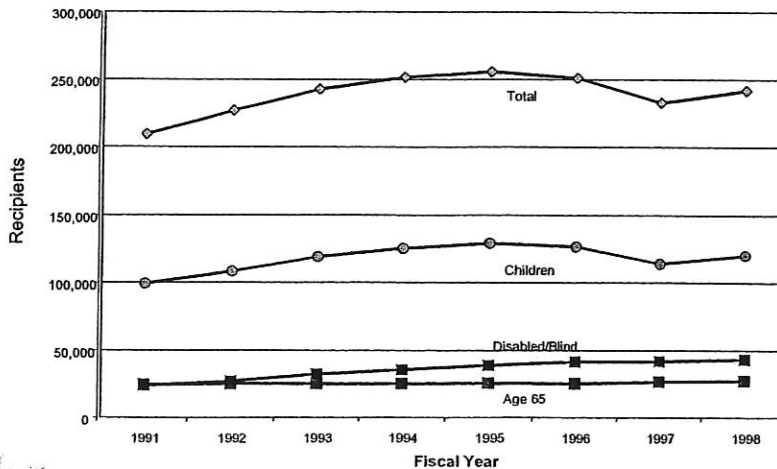
November 1, 2000 through January 1, 2003



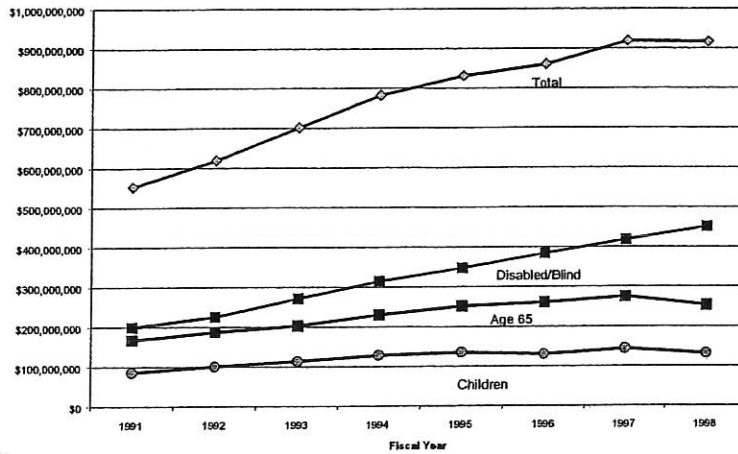
Where available, Kansas Fiscal Year 2000 Data is Shown



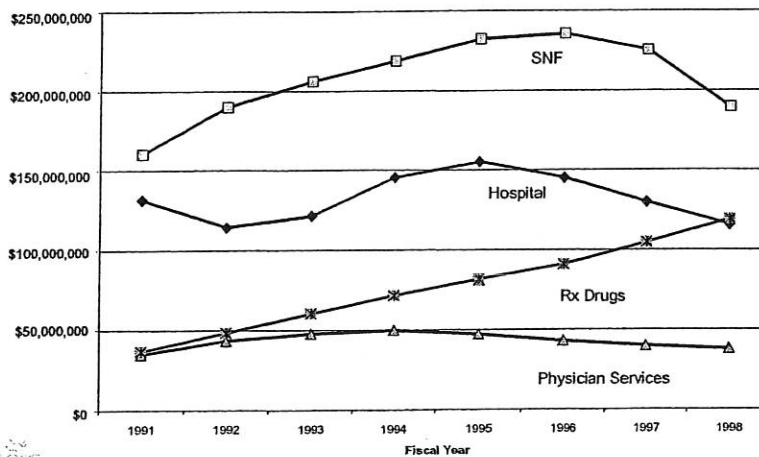
Kansas Medicaid Recipients by Eligibility Status by Year



Kansas Medicaid Medical Vendor Payment by Eligibility Status by Year



Kansas Medicaid Medical Vendor Payments by Type of Service by Year



Kansas Payments for Capitated Versus Fee for Service Plans

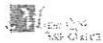
(in millions of dollars)

	<u>Payments</u>	<u>Kansas</u>	<u>National Average</u>
Capitated (PCCMs)	\$ 42	3%	23%
Fee for Service	\$1,185	97%	77%
Total	\$1,227	100%	100%



Kansas - Number of Patients in Capitated Versus Fee for Service Plans

	<u>Patients</u>	<u>Kansas</u>	<u>National Average</u>
Capitated	62,274	23%	61%
Fee for Service	203,858	77%	39%
Total	266,132	100%	100%



Kansas - Total Expenditures by 3 Digit Primary Diagnosis for All Datasets by Amount Paid

DIAG CODE	Description	Patients	Paid	Paid per Patient
318	MENTAL RETARDATION	2,115	\$79,010,110	\$37,357
295	SCHIZOPHRENIC DISORDERS	5,325	\$29,392,533	\$5,520
250	DIABETES MELLITUS	10,134	\$24,252,468	\$2,393
290	SENILE AND PRESENILE ORGANIC PSYCHOTIC CONDITIONS	2,445	\$21,363,804	\$8,738
428	HEART FAILURE	6,348	\$20,781,177	\$3,274
V30	SINGLE LIVEBORN	13,038	\$20,664,747	\$1,585
317	MILD MENTAL RETARDATION	1,702	\$19,768,997	\$11,615
296	AFFECTIVE PSYCHOSES	9,890	\$17,761,535	\$1,796
331	OTHER CEREBRAL DEGENERATIONS	2,247	\$16,798,978	\$7,476
783	SYMPTOMS CONCERNING NUTRITION	15,110	\$15,657,175	\$1,036
401	ESSENTIAL HYPERTENSION	11,608	\$15,583,861	\$1,343
436	ACUTE, BUT ILL-DEFINED CEREBROVASCULAR DISEASE	2,774	\$15,573,018	\$5,614
780	GENERAL SYMPTOMS	25,171	\$14,630,642	\$581
496	CHRONIC AIRWAY OBSTRUCTION	5,168	\$10,424,088	\$2,017
309	ADJUSTMENT REACTION	7,036	\$9,768,275	\$1,388



Big Three



Kansas Medicaid Fee for Service 2000 Summary of Primary Diagnosis Data for Selected Conditions

	Patient Count	% Patient	Medicaid Paid	% Paid	Average Paid
Asthma	11,892	4.5%	\$73,185,087	6.0%	\$6,154.14
Diabetes	11,740	4.4%	\$163,489,532	13.3%	\$13,925.85
CHF/Heart Failure	7,906	3.0%	\$136,723,742	11.1%	\$17,293.67
Total 3 Diseases*	27,926	10.5%	\$304,597,513	24.8%	\$10,907.31
Total State	266,132		\$1,226,642,415		\$4,609.15

* Unduplicated



Distribution of Kansas Costs for Those with Asthma, Diabetes, Heart Failure

- Top 10% of recipients (2,792) cost \$131 million (12% of all dollars) and averaged \$49,999 per recipient
- Long term care patients were 33% of the top 10% expenditures
- Other 67% of patients had heavy use of hospital inpatient/outpatient services



Kansas - Examples of Controllable Expenditures for Asthma: 2000

- \$16.1 million in Inpatient Hospital expenditures
- \$2.6 million in Outpatient Hospital (ER, MRI centers, etc.) expenditures



Relative Costs of Medicaid Recipients with Mental Illness and Selected Chronic Illnesses: Total Annual Expenditures Per Person

	<u>Mental Illness Diagnosis</u>	<u>No Mental Illness Diagnosis</u>
Asthma	\$23,669	\$14,252
Diabetes	\$18,051	\$10,421
Heart Failure	\$27,667	\$18,354



Kansas - More on Distribution of Costs for Top 200 Medicaid Recipients

- Top 200 recipients cost \$35.8 million and averaged \$167,095 per recipient (*other states ranged from Kansas at \$167,095 to \$344,843*)
- Hospital complications and septicemia, diseases of the lung, and intestinal problems dominate these 200 patients
- Hospital expenditures are 51% of this group's cost



Neonate Case Management

- 200 Neonates
- 98 hospitalized in first year
- 7 had two or more hospitalizations
- Hospitalizations can be prevented



Kansas - Top 10 of the Larger Hospitals with the Highest Proportion of Septicemia or Complications - 2000

Provider	Patient Count	Sept/Comp Patient Count	% Septicemia/Comp	Medicaid Paid	Average Paid Sept/Comp
A	2,475	230	9.29%	\$6,679,913	\$29,043
B	1,034	94	9.09%	\$691,222	\$7,353
C	4,895	430	8.78%	\$3,694,313	\$8,591
D	1,107	84	7.59%	\$699,892	\$8,332
E	966	69	7.14%	\$415,436	\$6,021
F	1,384	98	7.08%	\$727,926	\$7,428
G	1,849	106	5.73%	\$1,265,473	\$11,938
H	1,129	58	5.14%	\$401,935	\$6,930
I	950	44	4.63%	\$449,276	\$10,211
J	5,390	233	4.32%	\$4,187,527	\$17,972
Total All Hospitals	44,059	2,561	5.81%	\$27,280,292	\$10,652



Expenditures for Persons with 9 or More Prescriptions in 180 Days*

- 171,755 total persons with \$1.8 billion in total expenditures
 - \$378 million in prescription drug expenditures
- 147,050 non-institutionalized persons used \$1.2 billion of total expenditures
 - Represent **22%** of Fee for Service recipients (other states range from **5% to 24%**)

* Since analysis confined to one year, these are underestimates



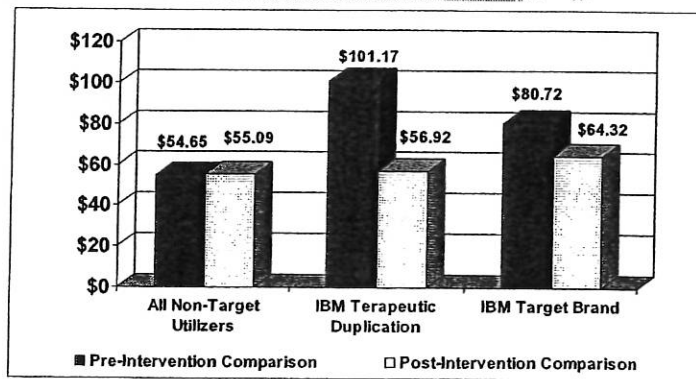
Expenditures for Persons with 20 or More Prescriptions in 180 Days*

- 41,986 total persons with \$784 million in total expenditures
 - \$175 million in prescription drug expenditures
- 28,983 non-institutionalized persons used \$455 million or 16% of total State XYZ Medicaid expenditures
 - These patients represent **5%** of total Fee for Service recipients (other states range from **0.3% to 5.2%**)

* Since analysis confined to one year, these are underestimates



Florida Intensified Benefit Management (IBM) Program for Persons with 20 or more Prescriptions in 180 days



“The IBM program was able to produce cost savings for each intervention, including a 44% reduction in the PUPM (per user per month) for therapeutic duplication targeted recipients.” *Medicaid Prescription Drug Spending Control Program Annual Report*, State of Florida Agency for Health Care Administration, Jan. 2002, p. 23.



**Kansas - 2000 Prescription Drug
Expenditures by American Hospital
Formulary Service (AHFS) Classes by
Amount Paid**

AHFS Description	Patients	PAID	Average Per Patient
Total Drug Expenditures	171,167	\$173,144,452	\$1,011.55
CENTRAL NERVOUS SYSTEM DRUGS	92,143	\$72,438,864	\$786.16
CARDIOVASCULAR DRUGS	35,538	\$17,058,652	\$480.01
GASTROINTESTINAL DRUGS	32,114	\$16,816,119	\$523.64
HORMONES AND SYNTHETIC SUBSTITUTES	50,512	\$13,777,862	\$272.76
ANTI-INFECTIVE AGENTS	118,478	\$13,354,072	\$112.71
AUTONOMIC DRUGS	45,915	\$7,824,840	\$170.42
UNCLASSIFIED THERAPEUTIC AGENTS	11,538	\$6,838,990	\$592.74
ELECTROLYTIC, CALORIC AND WATER BALANCE	27,139	\$3,940,076	\$145.18
ANTIHISTAMINE DRUGS	35,358	\$3,934,357	\$111.27
EYE, EAR, NOSE AND THROAT (EENT) PREPARATIONS	37,378	\$3,048,740	\$81.57



**Kansas - 2000 Prescription Drug
Expenditures
(Fee for Service in millions of dollars)**

<u>Group</u>	<u>Dollars</u>	<u>Percent</u>
Aged	\$ 53	31.6%
Blind/Disabled	\$ 91	54.2%
Children	\$ 16	9.5%
Other Adults	\$ 6	3.5%
Unknown	<u>\$ 2</u>	<u>1.2%</u>
Total	\$ 168	100.0%



Research on Long Term Care (LTC) Facilities

- 35,975 Medicaid patients in LTC
- Approximately 425 facilities



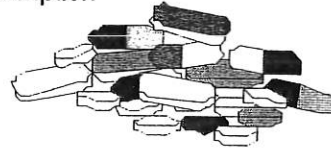
180 Days

- **Persons with 9 or more unique prescriptions in 180 days**
 - 24,289 (68%) of LTC patients had 9 or more prescriptions
 - These persons had \$83 million in prescription drug expenditures
 - 91 facilities had more than 85% of their patients with 9 or more prescriptions (excluding facilities with < 20 patients)
- **Persons with 20 or more unique prescriptions in 180 days**
 - 11,589 (32%) of LTC patients had 20 or more prescriptions (other states range from 11% to 28%)
 - These persons had \$55 million in prescription drug expenditures



30 Days

- **Persons with 9 or more unique prescriptions in 30 days**
 - 20,862 (58%) of LTC patients had 9 or more prescriptions
 - These persons had \$78 million in prescription drug expenditures
 - 77 facilities had more than 78% of their patients with 9 or more prescriptions (excluding facilities with < 20 patients)
- **Persons with 20 or more unique prescriptions in 30 days**
 - 4,590 (13%) of LTC patients had 20 or more prescriptions (other states range from 1.3% to 11%)
 - These persons had \$27 million in prescription drug expenditures



Indicators of Nursing Homes with Potential Problems

- Indicators developed in technical consultation with:
 - American Medical Directors Association
 - American Health Care Association
 - Long Term Care Pharmacy Alliances



Indicators of Nursing Homes with Potential Problems

- High percentage of residents taking 20 or more prescriptions at the same time
- High percentage of residents taking one or more of 19 modified Beer's list medications (always,rarely)*

*Zhan, C, et.al., JAMA 286, Dec. 12, 2001, p. 2823-9.



Indicators of Nursing Homes with Potential Problems

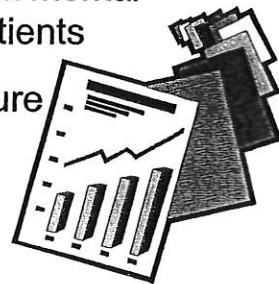
- 424 total homes of which 257 had 50 or more Medicaid patients:
- For the homes with 50 or more Medicaid patients:
 - 96 homes had more than 5 percent of residents taking 20 or more drugs at the same time
 - 26 homes had more than 25 percent of residents taking Beer's list medications (always,rarely)
 - 24 homes had both indicators



Potential Over / Under Utilization of Mental Health Medication

Overview of Analysis

- Mental health related protocols from Comprehensive NeuroScience, Inc. were applied to State XYZ's data
- Focus on medications used to treat mental health to identify mental health patients
- Based on published clinical literature



Key Finding 1

Potential Ineffective Dosage

- There were 4,664 (3.6 percent of those receiving mental health medication) patients that were prescribed an atypical at an ineffective strength. This represents 21.5 percent of patients who received an atypical medication. Industry experts indicate that this wastes money and is not helpful to treating recipients.



Key Finding 2

Potential Discontinued Usage

- There were 13,473 patients (10.4 percent) with severe mental illness that did not refill their prescription for their atypical anti-psychotic. This represents 62.0 percent of patients who received an atypical medication. Significant concern with respect to future hospitalizations, ER visits, etc. for these patients.



Key Finding 3

Potential Overlapping Medication

- There were 5,717 patients on 3 or more overlapping behavioral medications during 2000. This represents approximately 4.4 percent of recipients who received a prescription drug with a mental health indication.



Key Finding 3

Potential Overlapping Medication

(cont'd)

- 1,384 patients (1.1 percent of those receiving mental health medication) were concurrently on more than one SSRI during the year. Patients should not generally be on more than 1 SSRI at a time
- About 1.9 percent of patients taking atypicals received two or more of this type of drug at the same time during the year. Patients should not generally be on more than 1 atypical at the same time



Third Generation Abuse Investigative Tools

- Applied Correct Coding Initiative(CCI) developed by CMS to database
- Two Areas
 - Compound Code Violations
 - Incompatible Code Violations



Examples of Compound Code Violations Upper GI Endoscopy, Biopsy

- CPT 43239, Upper GI Endoscopy, Biopsy and CPT 00740, Anesthesia, Upper GI Visualize should not be billed separately and should be bundled as part of the endoscopy procedure. Approximately \$4,609 was paid for these codes in 2000.
- Hundreds of pairs of codes
- Approximately 2.8% of total expenditures for physician services in average state.



Incompatible Code Violations



- The CCI identifies CPT codes that should not be billed together on the same day.
- For example, CPT 73630, X-ray exam of foot and CPT 73610, X-ray exam of ankle should not be billed together on the same day. However, \$59,597 was paid for this type of violation during 2000.
- In an average state 0.5% of total expenditures for physician services



Total Potential Savings from These Initiatives

- In an average state, approximately 5% of total professional services billed that could be impacted by these types of third generation fraud and abuse activities.
- A portion of these expenditures could be realized as savings if these types of billing practices were prevented.
- In most states, average potential savings ranges between 5% to 10% of total expenditures for professional services.



Analysis of Federal Medicare Prescription Drug Benefit

- Medicare is the primary payer to Medicaid
- Modeled our analysis of an Rx benefit on the Thomas/House bill
- Total State XYZ prescription drug expenditures: \$390.0 million
- Approximately 43.5% of State XYZ prescription drug expenditures are for dual eligibles (\$169.6 million)



Messages from the Data

- Significant savings are possible from targeted disease management. State XYZ should persist in its efforts to implement such programs. Disease management not only saves money, but is good for recipients.
- Savings are possible from targeted case management of high cost recipients. The quality of life of high cost recipients would also be increased.
- Programs that focus on utilization of recipients with very high prescription drug utilization have potential for savings. We also believe that savings from prescription drugs coming off patent will significantly benefit State XYZ.



Messages from the Data

- State XYZ should consider expanded use of its database for identification of hospitals and long term care providers with quality and/or utilization problems.
- Significant savings from targeted case management of mental health recipients
- Significant savings from Correct Coding Initiative (CCI) approach
- State XYZ should examine drug utilization in a few nursing homes.



Other Options

- 23 other options available through requests by the state

Don's
Black Box





Testimony on SB 4
before the
House Committee on Appropriations

by

Mark Tallman, Assistant Executive Director/Advocacy
Kansas Association of School Boards

January 28, 2003

Mr. Chairman, Members of the Committee:

KASB appreciates the opportunity to appear today as proponents of S.B. 4. We thank the members of the Legislative Budget Committee for voting to introduce this measure, which would exempt school districts from the state cash basis law for purchases made in excess of current revenues if the deficit is caused by a late distribution of state aid.

The Budget Committee was responding to the situation this summer, when the state's budget shortfall caused school districts to receive their final state aid payment after the end of the fiscal year, but had expenditures due before the end of the year. This confronted local school boards with a choice of either breaking contractual obligations to employees and vendors, or violating the cash basis law. The first choice would mean breaking faith with employees and businesses that were obviously not to blame for the financial problems facing either the state or school districts. The second choice placed the burden on the school board and its officers. While it is possible to treat this issue as simply a technical audit issue, the cash basis law provides specific penalties for its violation, including possible removal from office and a fine of up to \$1,000. (I have printed the full statute below.) When school boards are placed in this situation due to action by the state, we do not believe board members and their officers should be subject to penalties.

The KASB Delegate Assembly voted to support the intent of this bill at our annual convention this December. We urge your favorable vote on this bill. Thank you for your consideration.

10-1121. Penalties for violations. Any member of any governing body of any municipality or any clerk or secretary or treasurer of any governing body of any such municipality who shall knowingly violate any of the provisions of this act shall be guilty of malfeasance in office and shall, by such violation, be subject to be removed from office and in addition any member of such governing body or clerk or secretary or treasurer of such municipality who shall violate any of the provisions of this act, or neglect or refuse to perform any duty herein imposed, shall be deemed guilty of a misdemeanor, and upon conviction thereof in a court of competent jurisdiction shall be subject to a fine of not less than \$10 nor more than \$1,000.

History: L. 1933, ch. 319, § 20; March 31.

HOUSE APPROPRIATIONS

DATE 1-28-03
ATTACHMENT 2

Proposed Amendment to Senate Bill No. 4

On page 2, in line 10, by striking "2001-2002" and inserting "2002-2003"; in line 13, by striking "Kansas register" and inserting "statute book"

HOUSE APPROPRIATIONS

DATE 1-28-03
ATTACHMENT 3



LEGISLATURE OF KANSAS
LEGISLATIVE DIVISION OF POST AUDIT

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TOPEKA, KANSAS 66612-2212
TELEPHONE (785) 296-3792
FAX (785) 296-4482
E-MAIL: lpa@lpa.state.ks.us

Testimony for the House Appropriations Committee on SB 6
Barb Hinton, Legislative Post Auditor
January 28, 2003

Mr. Chairman and members of the Committee, thank you for allowing me to appear before you in support of SB 6. This bill would implement a recommendation from my staff and the Legislative Post Audit Committee for eliminating unnecessary audit requirements.

Current State law requires an annual financial-compliance audit of the Racing and Gaming Commission. This audit requirement, which costs about \$7,000 a year, is not needed for the following reasons:

- The audit covers only the fiscal operations of the Commission; the tracks and casinos have their own separate audits.
- The risk of fiscal improprieties at the Commission is no greater than at other State agencies.
- The past 6 audits have noted only 2 fiscal concerns: one where a required transfer of moneys between funds was late, and the other where State property listings weren't up-to-date.
- The compliance and control audit work called for by the Legislative Post Audit Act would address these types of financial issues (just as it does for other State agencies). So does the audit work performed periodically by the Division of Accounts and Reports.

This audit is contracted out on a 3-year cycle; the audit for the 2nd year in that cycle was just completed. At the Post Audit Committee's direction, we have cancelled the 3rd year of the existing contract.

Because this bill will save the State money without increasing the risk to the State, I would urge the Committee to support it.

HOUSE APPROPRIATIONS

DATE 1-28-03
ATTACHMENT 4



LEGISLATURE OF KANSAS
LEGISLATIVE DIVISION OF POST AUDIT

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January 28, 2003

Rep. Melvin Neufeld, Chair
House Appropriations Committee
Room 517-S, Statehouse
Topeka, Kansas 66612

Dear Rep. Neufeld:

Thank you again for allowing me to brief the House Appropriations Committee last week on the audit-related issues of interest to your Committee that have arisen since the last session.

During my briefing, several Committee members asked detailed questions about audits I discussed that I couldn't answer at the time. Here are those answers:

Q: Did our Corporate Income Tax Audit discuss the issue of "decoupling" the State's tax from the federal tax? We did note that changes in federal tax law regarding accelerated depreciation (or any other changes) could slow a rebound in the State's corporate income tax receipts, but we didn't make any recommendations on this issue.

Q: Was the figure I cited about the amount generated by each corporate income tax auditor (\$930,000) gross or net of costs? I answered that it was net of costs, but when I looked at the audit again I found that's not the case. (I shouldn't try to answer off-the-cuff on such questions.) We arrived at the \$930,000 figure by dividing the amount corporations had remitted to the State to-date for the additional taxes they owed because of audits issued in FY 2002 (\$6.5 million), by the number of corporate tax auditors in the Department (7) that year. Our \$930,000 figure didn't take out salaries, wages, travel, and per-diem costs, but it's unlikely those costs would add to more than \$100,000 per auditor per year, so the amount generated by each auditor is still significant. Also, about \$3.7 million in assessments from those FY 2002 audits still were pending at the time of our audit, so the amount generated per auditor ultimately could be more than we reported.

Q: On the Medicaid Long-Term Care Audit, 900+ waiver clients out of how many total waiver clients had costs in FY 2001 that exceeded average costs for institutional care? A table from that audit [on the next page] shows the proportion of clients this figure represents.

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Use spending caps per consumer to deny community services when institutional services would cost Medicaid less.

(No legislation is required for this option.) Federal Medicaid laws allow states to set a maximum dollar limit on the benefits a waiver consumer can get. If Kansas were to set a limit, applicants whose care costs exceeded that limit could be denied community services.

Kansas has chosen not to refuse community-based services for individuals for whom institution-based care would cost Medicaid less. However, *Table II-5* shows that, in fiscal year 2001, more than 900 people who received services under these waiver programs likely cost the Medicaid Program about \$9 million more than they would have if they had received services in institutions.

Table II-5 For Some Consumers in Fiscal Year 2001, Community-Based Services Were More Expensive			
Waiver program	Number of consumers whose fiscal year 2001 costs exceeded institution costs and % of the total waiver population		Estimated difference in costs
Developmental Disability	546	9% of this waiver population	\$3,579,000
Frail Elderly	76	1%	\$595,000
Physical Disability	302	7%	\$4,867,000
TOTAL	924	5% (a)	\$9,241,000

(a) This is based on an annual count population of 18,251 for these 3 waivers. That estimate may be overstated slightly because some consumers may have been on more than one waiver.
Source: LPA analysis of Medicaid Information Management System Data

SRS and Department on Aging officials told us it's difficult to predict how much service any waiver participant will use, but it seems likely the application or review processes could identify some applicants for whom community-based services aren't cost-effective.

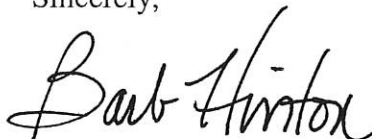
Reduce unnecessary services by analyzing and using key data to help manage program costs.

(No legislation required for this option.) The increases in the number of services per person noted in Question 1 could mean that SRS and the Department on Aging allow payment for more services than waiver beneficiaries really need. Although both Departments have some good processes in place to ensure that Medicaid pays only for necessary services, agency officials need to analyze key data available to them.

Analyzing and tracking this key data would help Department staff identify trends and determine whether consumers are getting more services because they really need them. *Table II-6* summarizes the

If you would like presentations on any of the audits I mentioned, have any questions, or would like us to help develop any scope statements for the Legislative Post Audit Committee's consideration, please contact me or my staff.

Sincerely,

A handwritten signature in black ink that reads "Barb Hinton". The signature is written in a cursive, flowing style.

Barbara J. Hinton
Legislative Post Auditor

cc: Members, House Appropriations Committee
Attachment

Proposed Amendment to Senate Bill No. 6

On page 1, by striking line 13 and inserting new material to read as follows:

"Section 1. On June 8, 2003. K.S.A. 74-8803 is hereby amended to read as follows: 74-8803. (a) There is hereby created the Kansas racing and gaming commission, consisting of five members who shall be appointed by the governor, subject to confirmation by the senate as provided by K.S.A. 75-4315b and amendments thereto. Except as provided by K.S.A. 46-2601 and amendments thereto, no person appointed to the commission shall exercise any power, duty or function as a member of the commission until confirmed by the senate.

(b) Before appointing any person as a member of the commission, the governor shall cause the Kansas bureau of investigation to conduct a criminal history record check and background investigation of the person.

(c) The members of the commission shall meet the following qualifications:

(1) Each member shall be a citizen of the United States and an actual resident of Kansas at the time of appointment and during such member's term of office with the commission;

(2) each member shall have been a resident of Kansas for a continuous period of not less than five years immediately preceding appointment to the commission; and

(3) no member shall have been convicted of a felony under the laws of any state or of the United States at any time prior to appointment or during such member's term of office with the commission.

(d) The governor shall make appointments to the commission in such a manner that:

(1) Not more than three members belong to the same political party at the time of appointment and during their terms of office with the commission; and

(2) subject to the provisions of K.S.A. 75-4315c and

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amendments thereto each congressional district has at least one member residing in such district at the time of appointment.

(e) Except as provided by subsection (f), each member appointed before July 1, 1995, shall be appointed for a term of three years and until a successor is appointed and confirmed. Each member appointed on or after July 1, 1995, shall be appointed for a term of four years and until a successor is appointed and confirmed.

(f) The terms of members who are serving on the commission on the effective date of this act shall expire on January 15, of the year in which such member's term would have expired under the provisions of this section prior to amendment by this act. Thereafter, members shall be appointed for terms of four years and until their successors are appointed and confirmed.

(g) A vacancy on the commission shall be filled for the unexpired term by appointment by the governor.

(h) The commission shall meet at such times and places within this state as the chairperson or a majority of the commission members determines. A majority of the members shall constitute a quorum for the conduct of commission business.

(i) The governor shall designate a member of the commission as chairperson of the commission, to serve in that capacity at the pleasure of the governor. The members of the commission annually shall elect a vice-chairperson and secretary from the membership of the commission.

(j) Members of the commission ~~shall---receive---such compensation---as---determined---by---the---governor,---subject---to---the limitations---of---appropriations---therefor,---and,---when~~ attending meetings of the commission, or a subcommittee meeting thereof approved by the commission, shall be paid compensation, subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223 and amendments thereto, except that such compensation for members of the commission shall be provided at the per diem rate provided in K.S.A. 75-3212, and amendments thereto, for members of the legislature.

Sec. 2. On June 8, 2003, K.S.A. 74-8803 is hereby repealed.

Sec. 3. K.S.A. 74-8840 is hereby repealed.";

By renumbering the remaining section accordingly;

Also on page 1, in line 15, by striking "statute book" and inserting "Kansas register";

On page 1, in the title, in line 9, by striking "repealing K.S.A. 74-8840;"; also in line 9, following "relating", by inserting "concerning the Kansas racing and gaming commission; relating to compensation of members and"; in line 10, by striking "of the racing and gaming commission" and inserting "; amending K.S.A. 74-8803 and repealing the existing section; also repealing K.S.A. 74-8840"

2003 HOUSE BUDGET COMMITTEES**Agriculture and Natural Resources Budget Committee:****Committee Chairperson:** Representative Sharon Schwartz**Committee Members:**

Representative Carl Holmes
 Representative Vern Osborne
 Representative Larry Powell

Representative Vaughn Flora
 Representative Doug Gatewood
 Representative Tom Thull

Agency	Fiscal Staff	Final Appropriations Committee Action
State Conservation Commission	VanHouse	February 11
Animal Health Department	VanHouse	February 11
Department of Agriculture	VanHouse	February 11
Department of Wildlife and Parks	Efird	February 11
Kansas State Fair	VanHouse	February 11
Kansas Water Office	VanHouse	February 11
Bank Commissioner	Krahl	February 19
Securities Commissioner	Krahl	February 19
Real Estate Appraisal Board	Krahl	February 19
Real Estate Commission	Krahl	February 19
Board of Veterinary Examiners	VanHouse	February 19
Board of Accountancy	Buonasera	February 19
Board of Nursing	Deckard	February 19
Department of Credit Unions	Krahl	February 19
Human Rights Commission	Krahl	February 25
Kansas Corporation Commission	Krahl	March 6
Citizens Utility Ratepayer Board	Krahl	March 6

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Education Budget Committee:

Committee Chairperson: Representative Clark Shultz

Committee Members:

Representative Kathe Decker
Representative Steve Huebert
Representative Carl Krehbiel
Representative Joe McLeland
Representative Dean Newton

Representative Bob Grant
Representative Rocky Nichols
Representative Bill Reardon

Agency	Fiscal Staff	Final Appropriations Committee Action
Fort Hays State University	West	February 17
KSU-Veterinary Medical Center	West	February 17
University of Kansas Medical Center	West	February 17
Board of Regents	West	February 17
University of Kansas	West	February 17
Wichita State University	West	February 17
Kansas State University	West	February 17
Pittsburg State University	West	February 17
Emporia State University	West	February 17
KSU-Extension Systems and Agricultural Research Program	West	February 17
Regents Systemwide	West	February 17
Board of Healing Arts	Calderwood	February 19
Behavioral Sciences Regulatory Board	Deckard	February 19
Department of Education	Rampey	February 20
Kansas Arts Commission	Krahl	February 25
School for the Deaf	Deckard	February 25
School for the Blind	Deckard	February 25
Kansas Historical Society	Rampey	February 25
State Library	Krahl	February 25

General Government and Commerce Budget Committee:

Committee Chairperson: Representative Jo Ann Pottorff

Committee Members:

Representative Patricia Barbieri-Lightner
 Representative Andrew Howell
 Representative Tom Sloan

Representative Annie Kuether
 Representative Joe Shriver
 Representative Dan Thimesch

Agency	Fiscal Staff	Final Appropriations Committee Action
Department of Commerce and Housing	Hollon	February 18
Racing and Gaming Commission	Efird	February 18
Kansas, Inc.	Hollon	February 18
Kansas Lottery	Efird	February 18
Kansas Technology Enterprise Corporation	Hollon	February 18
Optometry Board	Calderwood	February 19
Kansas Dental Board	Calderwood	February 19
Board of Cosmetology	Buonasera	February 19
Board of Hearing Aid Examiners	Calderwood	February 19
Board of Mortuary Arts	Buonasera	February 19
Board of Pharmacy	Calderwood	February 19
Board of Barbering	Buonasera	February 19
Kansas Guardianship Program	Calderwood	February 25
Governor	Robinson	March 5
Health Care Stabilization Board of Governors	Deckard	March 5
Insurance Department	Deckard	March 5
Attorney General	Rampey	March 5
Lt. Governor	Robinson	March 5
Secretary of State	Deckard	March 5
State Treasurer	Calderwood	March 5
Governmental Ethics Commission	Deckard	March 12
Department of Administration (including Public Broadcasting)	Robinson	March 13
Department of Human Resources	Krahl	March 13
Commission on Veterans Affairs/Homes	VanHouse	March 13

Public Safety Budget Committee:

Committee Chairperson: Representative Bill Light

Committee Members:

Representative Rob Boyer
Representative Ray Merrick
Representative Lee Tafanelli

Representative Bill Feuerborn
Representative Melvin Minor
Representative Bonnie Sharp

Agency	Fiscal Staff	Final Appropriations Committee Action
Topeka Correctional Facility	Dorsey	February 13
Ellsworth Correctional Facility	Dorsey	February 13
Hutchinson Correctional Facility	Dorsey	February 13
Lansing Correctional Facility	Dorsey	February 13
Larned Correctional Mental Health Facility	Dorsey	February 13
Norton Correctional Facility	Dorsey	February 13
Winfield Correctional Facility	Dorsey	February 13
El Dorado Correctional Facility	Dorsey	February 13
Department of Corrections	Dorsey	February 13
Abstracters Board of Examiners	Deckard	February 19
Board of Technical Professions	Deckard	February 19
Board of Indigents' Defense Services	Hollon	February 21
Kansas Bureau of Investigation	Waller	March 19
Sentencing Commission	Waller	March 19
State Fire Marshal	Waller	March 19
Adjutant General	Waller	March 19
Kansas Highway Patrol	Waller	March 19
Juvenile Justice Authority	Buonasera	March 19
Beloit Juvenile Correctional Facility	Buonasera	March 19
Atchison Juvenile Correctional Facility	Buonasera	March 19
Topeka Juvenile Correctional Facility	Buonasera	March 19
Larned Juvenile Correctional Facility	Buonasera	March 19
Emergency Medical Services Board	Waller	March 19
Ombudsman of Corrections	Dorsey	March 19
Kansas Parole Board	Buonasera	March 19

Social Services Budget Committee

Committee Chairperson: Representative Brenda Landwehr

Committee Members:

Representative Bob Bethell
Representative Eric Carter
Representative Willa DeCastro
Representative John Edmonds
Representative Melvin Neufeld

Representative Barbara Ballard
Representative Jerry Henry
Representative Jerry Williams

Agency	Fiscal Staff	Final Appropriations Committee Action
Department of Health and Environment	Hollon	February 12
Department on Aging	Nogle	March 6
Rainbow Mental Health Facility	Calderwood	March 11
Kansas Neurological Institute	Calderwood	March 11
Osawatomie State Hospital	Calderwood	March 11
Parsons State Hospital and Training Center	Calderwood	March 11
Larned State Hospital	Calderwood	March 11
Department of Social and Rehabilitation Services (including the Division of Mental Health and Developmental Disabilities)	Nogle	March 18

Tax, Judicial, Transportation, and Retirement Budget Committee:

Committee Chairperson: Representative Bill McCreary

Committee Members:

Representative Larry Campbell
Representative Mike O'Neal

Representative Tom Klein
Representative Tom Sawyer

Agency	Fiscal Staff	Final Appropriations Committee Action
Board of Tax Appeals	Deckard	February 18
Department of Revenue	Efird	February 18
Judicial Branch	Rampey	February 21
Judicial Council	Deckard	February 21
Department of Transportation	Waller	February 24
Kansas Public Employees Retirement System (budget)	Efird	March 12
Kansas Public Employees Retirement System (issues)	Efird	March 12

Legislative Branch Budget Committee

Committee Chairperson: Representative Melvin Neufeld

Committee Members:

Representative Clay Aurand
Representative John Ballou
Representative Doug Mays
Representative Ray Merrick

Representative Marti Crow
Representative Dennis McKinney
Representative R. J. Wilson

Agency	Fiscal Staff	Final Appropriations Committee Action
Legislative Coordinating Council	Scott	March 5
Legislative Research Department	Scott	March 5
Revisor of Statutes	Scott	March 5
Legislative Division of Post Audit	Scott	March 5
Legislature	Scott	March 5

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All Budget Committees review Capital Improvements

Agency	Fiscal Staff	Final Appropriations Committee Action
Capital Improvements (all agencies)	All Analysts	March 21

**SENATE WAYS AND MEANS
SUBCOMMITTEE ASSIGNMENTS**

	<u>Subcommittee</u>	<u>Analyst</u>	<u>Final Committee Action</u>
<u>Legislative and Elected Officials</u>			
Legislative Agencies	<u>Adkins</u>	Scott	February 7
Governor	Downey	Robinson	February 7
Lt. Governor		Robinson	February 7
Attorney General		Rampey	February 7
Secretary of State		Deckard	February 7
Insurance Commissioner		Deckard	February 7
State Treasurer		Calderwood	February 7
Health Care Stabilization Fund Board of Governors		Deckard	February 7
<u>Aging</u>			
Department on Aging	<u>Schodorf</u> Jackson Feleciano	Nogle	February 10
<u>SRS—Hospitals</u>			
Larned State Hospital	<u>Morris</u>	Calderwood	February 12
Osawatomie State Hospital	Adkins	Calderwood	February 12
Rainbow Mental Health Facility	Jordan	Calderwood	February 12
Parsons State Hospital	Schodorf	Calderwood	February 12
Kansas Neurological Institute	Feleciano	Calderwood	February 12
<u>Department of Administration/KCC</u>			
Department of Administration (Including Public Broadcasting)	<u>Adkins</u> Salmans Downey	Robinson	February 13
Governmental Ethics Commission	<u>Salmans</u>	Deckard	February 13
Human Rights Commission	Barone	Krahl	February 13
Kansas Corporation Commission		Krahl	February 13
Citizens Utility Ratepayer Board		Krahl	February 13
<u>Department of Education</u>			
	<u>Adkins</u> Jordan Salmans Schodorf Barone	Rampey	March 6
<u>Capital Improvements</u>			
	<u>Morris</u> Jordan Barone	Staff	March 14

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	<u>Subcommittee</u>	<u>Analyst</u>	<u>Final Committee Action</u>
<u>Other Education</u>			
School for the Blind	<u>Salmans</u>	Deckard	February 11
School for the Deaf	Schodorf	Deckard	February 11
Historical Society	Barone	Rampey	February 11
Kansas Arts Commission		Krahl	February 11
State Library		Krahl	February 11
<u>SRS</u>			
Department of SRS	<u>Morris</u>	Nogle	February 19
	Adkins		
	Jordan		
	Schodorf		
	Feleciano		
<u>Kansas Guardianship Program</u>			
	<u>Jackson</u>	Calderwood	February 20
	Feleciano		
<u>KPERS Budget</u>			
	<u>Kerr</u>	Efird	February 21
	Adkins		
	Downey		
<u>Judicial</u>			
Judicial Council	<u>Jordan</u>	Deckard	March 10
Board of Indigents' Defense Services	Schodorf	Hollon	March 10
Judicial Branch	Barone	Rampey	March 10
<u>Public Safety</u>			
Topeka Juvenile Correctional Facility	<u>Jordan</u>	Buonasera	March 5
Beloit Juvenile Correctional Facility	Bunten	Buonasera	March 5
Atchison Juvenile Correctional Facility	Feleciano	Buonasera	March 5
Larned Juvenile Correctional Facility		Buonasera	March 5
Juvenile Justice Authority		Buonasera	March 5
Ombudsman for Corrections	<u>Jordan</u>	Dorsey	February 14
Parole Board	<u>Jackson</u>	Buonasera	February 14
KBI	Barone	Waller	February 14
EMS	<u>Jackson</u>	Waller	February 14
Sentencing Commission	Downey	Waller	February 14
Fire Marshal	<u>Bunten</u>	Waller	February 14
Highway Patrol	Downey	Waller	February 14
Adjutant General (including Civil Air Patrol)		Waller	February 14

Subcommittee	Analyst	Final Committee Action
Health and Environment/Human Resources		
Department of Health and Environment	<u>Adkins</u>	Hollon March 21
	Schodorf	
	Downey	
Department of Human Resources	<u>Bunten</u>	Krahl March 21
	Jackson	
	Barone	
Veterans Affairs/Soldiers' & Veterans' Home	<u>Jackson</u>	VanHouse March 21
	Feleciano	
Agriculture		
Department of Agriculture	<u>Morris</u>	VanHouse March 7
Animal Health Dept	Downey	VanHouse March 7
Kansas State Fair		VanHouse March 7
Conservation Commission	<u>Bunten</u>	VanHouse March 7
Water Office	Jackson	VanHouse March 7
Wildlife and Parks	Downey	Efird March 7
Transportation	<u>Adkins</u>	Waller March 11
	Salmans	
	Feleciano	
Lottery/Racing and Gaming		
Lottery Commission	<u>Schodorf</u>	Efird February 26
Racing and Gaming Commission	Jordan	Efird February 26
	Barone	

	<u>Subcommittee</u>	<u>Analyst</u>	<u>Final Committee Action</u>
<u>Fee Boards</u>			
Abstracters' Board of Examiners	<u>Salmans</u>	Deckard	March 13
Board of Accountancy	Jackson	Buonasera	March 13
Board of Mortuary Arts	Barone	Buonasera	March 13
Board of Pharmacy		Calderwood	March 13
Board of Barbering		Buonasera	March 13
Board of Cosmetology		Buonasera	March 13
Board of Veterinary Medical Examiners		VanHouse	March 13
Kansas Dental Board		Calderwood	March 13
Board of Nursing		Deckard	March 13
Board of Examiners in Optometry		Calderwood	March 13
Real Estate Commission		Krahl	March 13
Real Estate Appraisal Board		Krahl	March 13
Bank Commissioner		Krahl	March 13
Department of Credit Unions		Krahl	March 13
Securities Commissioner		Krahl	March 13
Board of Technical Professions		Deckard	March 13
Behavioral Sciences Regulatory Board		Deckard	March 13
Board of Hearing Aid Examiners		Calderwood	March 13
Board of Healing Arts		Calderwood	March 13
<u>KPERS Issues</u>	<u>Kerr</u>	Efird	March 20
	Adkins		
	Downey		
<u>Corrections</u>			
Department of Corrections	<u>Jordan</u>	Dorsey	March 18
Topeka Correctional Facility	Bunten	Dorsey	March 18
Norton Correctional Facility	Barone	Dorsey	March 18
El Dorado Correctional Facility	Jackson	Dorsey	March 18
Winfield Correctional Facility		Dorsey	March 18
Hutchinson Correctional Facility		Dorsey	March 18
Larned Correctional Mental Health Facility		Dorsey	March 18
Lansing Correctional Facility		Dorsey	March 18
Ellsworth Correctional Facility		Dorsey	March 18

	<u>Subcommittee</u>	<u>Analyst</u>	<u>Final Committee Action</u>
<u>Higher Education</u>			
KU	<u>Morris</u>	West	March 19
KSU	Adkins	West	March 19
KSU -- Vet. Med	Jordan	West	March 19
KSU -- Extension	Schodorf	West	March 19
Wichita State University	Feleciano	West	March 19
Board of Regents		West	March 19
KUMC		West	March 19
Emporia State University		West	March 19
Fort Hays State University		West	March 19
Pittsburg State University		West	March 19
Regents Systemwide		West	March 19
<u>Commerce/Revenue</u>			
Department of Revenue	<u>Morris</u> Bunten Salmans Feleciano	Efird	March 4
Board of Tax Appeals	<u>Schodorf</u> Feleciano	Deckard	March 4
Department of Commerce and Housing Kansas Inc. Kansas Technology Enterprise Corporation	<u>Kerr</u> Jackson Downey	Hollon Hollon Hollon	March 4 March 4 March 4