

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Melvin Neufeld at 9:00 a.m. on March 18, 2003, in Room 514-S of the Capitol.

All members were present except:

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Amy Deckard, Legislative Research Department
Becky Krahl, Legislative Research Department
Nicoletta Buonasera, Legislative Research Department
Audrey Nogle, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Shirley Jepson, Committee Secretary

Conferees appearing before the committee: None

Others attending: See attached

- Attachment 1 FY 2003/2004 Budget Recommendation for Department of Human Resources
- Attachment 2 Amendment - Moratorium on the Waiting Week
- Attachment 3 FY 2003 Budget Recommendation for Department of Social and Rehabilitation Services
- Attachment 4 FY 2004 Budget Recommendation for Department of Social and Rehabilitation Services
- Attachment 5 Amendment - Hospital Closure
- Attachment 6 Amendment - Dispense as Written
- Attachment 7 Amendment - Children's Mercy Hospitals (CMH)

HB 2429 was referred to Agriculture and Natural Resources Budget Committee.

Representative Shriver moved to introduce the Governor's Budget Bill for FY 2004; seconded by Representative Feuerborn. Motion carried.

Representative Howell, Member of the General Government & Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the Department of Human Resources FY 2004 budget and moved for the adoption of the Budget Committee recommendation with a notation (Attachment 1). Motion was seconded by Representative Shriver. Motion carried.

The Chair recognized Jim Garner, Secretary of Department of Human Resources, and Bill Layes, Department of Human Resources, to respond to questions from the Committee concerning the "waiting week" for unemployment benefits (Attachment 2).

Representative Landwehr, Chair of the House Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the Department of Social and Rehabilitation Services' FY 2003 budget and moved for the adoption of the Budget Committee recommendation (Attachment 3). Motion was seconded by Representative Ballard. Motion carried.

Representative Landwehr, Chair of the House Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the Department of Social and Rehabilitation Services' FY 2004 budget and moved for the adoption of the Budget Committee recommendation (Attachment 4). Motion was seconded by Representative Ballard.

Representative Nichols moved to amend the report by inserting as the last sentence in Item 10 on Page 11 "In addition to the issue of considering hospital closure, this Commission shall also develop parallel recommendations on service and program changes to ensure that the supports and capacity will be available

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS at 9:00 a.m. on March 18, 2003, in Room 514-S of the Capitol.

at the community level to enable any potential closure recommendations. These recommendations should specifically examine having the dollars follow the clients and new ways to fund community-based services that ensure that persons with disabilities are properly served. Also, this Commission should work with stakeholders and providers as they develop their recommendations” (Attachment 5). Motion was seconded by Representative Shriver. Motion carried.

To clarify the “dollars follow the client” issue, the Committee noted this money does not actually follow the client individually, but is used to build capacity in the community, not necessarily to fund client’s on a one-on-one basis. The greatest concern is that the dollars saved in closing an institution go back into the program to provide services, reduce the waiting list by giving those clients service and assure the families of stability from the closing of these institutions. The Budget Committee indicated that they were satisfied that they had dealt with the issue clearly but were willing to accept the addition.

Representative Bethell moved to amend the report by adding the following as Item 23: “23. The Budget Committee notes that the “dispense as written” or “D.A.W.” waiver in 2002 House Sub. for SB 422, allowing doctors to prescribe brand name, non-formulary drugs for Medicaid patients when appropriate, sunsets as of July 1, 2003. The Budget Committee recommends extending the sunset provision to July 1, 2004 to further study the effects of the provision on Medicaid pharmacy expenditures.” (Attachment 6) Motion was seconded by Representative Landwehr.

In response to questioning as to why this was not made part of the original recommendations, Budget Committee members explained they had not had sufficient time to research the issue and by extending the sunset through a proviso, the Budget Committee would have the information available to make a proper assessment. Upon further discussion, it was determined by Jim Wilson, Revisor of Statutes, was requested to review whether a proviso to this effect can be prepared within the parameters of those matters that may be included in an appropriation act,

Representative Bethell withdrew his motion with the permission of the second to permit staff to report back on this matter..

Representative Bethell moved to amend the report and add that the Budget Committee recommends that a bill be introduced to extend the sunset provision of July 1, 2003, to July 1, 2004, that was created in 2002 House Sub for SB 422 during the 2002 Session. The motion was seconded by Representative Landwehr. Motion carried.

Representative Landwehr moved to amend the report by adding the following paragraph to the Budget Committee recommendations as Item 24: “Children’s Mercy Hospitals (CMH) operates facilities in Kansas City, Missouri; Johnson and Wyandotte Counties in Kansas. The Committee is aware that recent cuts in Kansas Medicaid disproportionate share funds to CMH have worked a hardship on facilities valuable to the health of Kansas’ children. The Committee is also aware that Missouri has recently increased its disproportionate share funding for Children’s Mercy. The Committee recommends that SRS review the disproportionate share funding to CMH to ensure that Kansas is providing appropriate funding levels and report back to the Legislature during discussion of the omnibus appropriations bill” (Attachment 7). The motion was seconded by Representative Bethell. Motion carried.

Representative Landwehr moved to amend the report by adding the following sentence to Item 3, Page 14, Paragraph 1, of the Budget Committee recommendations: “The savings would be used to fund the Developmentally Disabled waiting list” or whatever the language is that was adopted in the Department on Aging Budget Report recommendations. The motion was seconded by Representative Bethell. Motion carried.

Representative Bethell moved to amend the report by striking the words “from the redesign” from Page 9, Item 5, final paragraph of the Budget Committee recommendations. The motion was seconded by Representative Ballard.

During discussion, it was the Committee’s contention that they would like to see the proviso in final form

CONTINUATION SHEET


MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS at 9:00 a.m. on March 18, 2003, in Room 514-S of the Capitol.

before action on the motion. Representative Bethell withdrew his motion with permission of the second.

Discussion and action on the Department of Social and Rehabilitation Services' FY 2004 Budget will continue at the Committee's next meeting on March 19, 2003.

The Committee will meet on Tuesday, March 19, 2003, at 9:00 a.m. and again at 1:30 p.m. The same schedule will apply to Thursday, March 20, 2003.

The meeting was adjourned.



Melvin Neufeld, Chair

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: March 18, 2003

NAME	REPRESENTING
Bill Laves	Ks. Dept. Human Resources
Gerald Schneider	Ks. Dept Human Resources
Jim Gorman	KDHR
Bill Scholer	KDHR
Steve Jack	KDHR
Wayne White	Ks Legal Services
Teresa Schulab	KCSL
Ron Seiber	Att. Law Firm
Josie Torres	KACL
Jennifer Schwartz	ATK
Steve Solomon	The Farm, Inc.
Shannon Jones	SICK
Jane Rhy-	KC DD
Pam Scott	Ks funeral Directors Assn
Michael White	KAC
Bob Harder	UMC-KS
Mike Huffles	Ks. Gov't. Consulting
Susan Makney	for Pat Hubbell
Janet Clark	Rep. Gary Henry

APPROPRIATIONS COMMITTEE GUEST LIST


DATE: *March 18, 2003*

NAME	REPRESENTING
<i>MATT FLETCHER</i>	<i>INTERHAB</i>


FY 2003 and FY 2004

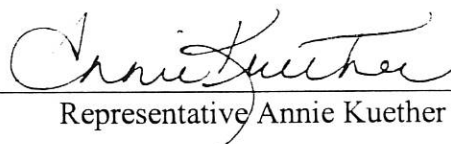
House General Government and Commerce Budget Committee

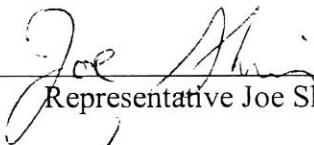
Department of Human Resources

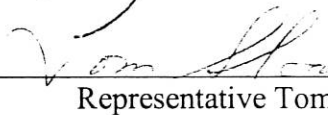

Representative Jo Ann Pottorff, Chair

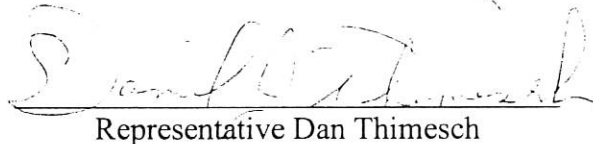

Representative Patricia Barbieri-Lightner


Representative Andrew Howell


Representative Annie Kuether


Representative Joe Shriver


Representative Tom Sloan


Representative Dan Thimesch

HOUSE APPROPRIATIONS

DATE 3-18-2003
ATTACHMENT 1

House Budget Committee Report

Agency: Department of Human Resources

Bill No.

Bill Sec.

Analyst: Krahl

Analysis Pg. No. Vol 1 - 559

Budget Page No. 203

Expenditure Summary	Agency Request FY 04	Governor's Recommendation* FY 04	House Budget Committee Adjustments
State Operations	\$ 58,845,516	\$ 57,698,336	\$ 0
Aid to Local Units	10,529,430	10,426,785	0
Other Assistance	266,130,000	280,036,097	0
Subtotal - Operating	\$ 332,504,946	\$ 348,161,218	\$ 0
Capital Improvements	383,550	383,550	0
TOTAL	<u>\$ 332,888,496</u>	<u>\$ 348,544,768</u>	<u>\$ 0</u>
State General Fund	\$ 1,994,257	\$ 1,891,612	\$ 0
All Other Funds	330,894,239	346,653,156	0
TOTAL	<u>\$ 332,888,496</u>	<u>\$ 348,544,768</u>	<u>\$ 0</u>
FTE Positions	941.4	940.4	0.0
Non FTE Uncl. Perm. Pos.	44.0	44.0	0.0
TOTAL	<u>985.4</u>	<u>984.4</u>	<u>0.0</u>

* The Governor's Recommendation includes a Governor's Budget Amendment issued March 5, 2003 for \$15,798,952. The GBA places a moratorium on the one week waiting period for unemployed benefits in FY 2004. The budget was amended to reflect \$13,906,097 in additional unemployment benefits and \$1,892,855 for administrative services, all from federal Reed Act funds.

Agency Request/Governor's Recommendation

The agency requests for FY 2004 expenditures of \$332,888,496, a decrease of \$72,697,442 (17.9 percent) from the FY 2003 estimate. The request includes: \$38,264,693 for salaries and wages, \$14,944,920 for contractual services, \$1,362,490 for commodities, \$1,060,695 for capital outlay, \$10,529,430 for aid to local units, \$266,130,000 for other assistance, \$212,718 for debt service and \$383,550 for capital improvements.

The Governor's recommendation for FY 2004 expenditures of \$348,544,766, includes a Governor's Budget Amendment of \$15,798,952. The recommendation includes: \$38,224,658 for salaries and wages, \$14,944,920 for contractual services, \$1,362,490 for commodities, \$1,060,695 for capital outlay, \$10,426,785 for aid to local units, \$266,130,000 for other assistance, \$212,718 for debt service, \$383,550 for capital improvements and \$15,798,952 GBA for additional unemployment benefits.

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation with the following notation:

1. The Budget Committee supports the Governor's Budget Amendment No. 1, Item No. 1, of \$15,798,952 (Reed Act Fund) which places a moratorium on the one week waiting period for unemployment benefits. The GBA amended the Human Resources Budget to reflect \$13,906,097 in additional unemployment benefits and \$1,892,855 for administrative services. The agency indicates that this moratorium would have assisted 51,000 families had it started at the beginning of FY 2003. It should be noted however, that the additional spending of these funds may impact future payments of unemployment benefits as the Unemployment Insurance Trust Fund continues to payout more in unemployment benefits than the fund receives in contributions each year. For example, in the calendar year 2002, the fund paid \$359.8 million in benefits and received \$182.4 million in contributions.

MEMORANDUM

DT: 6 March 2003
RE: Proposal concerning the Reed Act Funds
FR: Jim Garner

1. Moratorium on the Waiting Week

Currently Kansas law requires the first week of unemployment to serve as a "waiting week" and, as such, the recently unemployed individual is unable to receive monetary benefits for this week.

- A. The "waiting week" is an anachronism from a time before computers. In the past, claims were manually processed and the technology did not exist for speedy processing of unemployment claims. Technology has diminished the need for a waiting week. It would be good public policy to eliminate the waiting week.
- B. If we had not had the waiting week last year, \$13.9 million in additional benefits would have been paid out to unemployed individuals. This would be money directly in the hands of the unemployed and into the economy.
- C. The "waiting week" affected 51,569 claimants last year.
- D. Thirteen states now do not have a "waiting week". These states are Alabama, Connecticut, Delaware, Georgia, Iowa, Kentucky, Maryland, Michigan, Nevada, New Hampshire, New Jersey, Wisconsin and Vermont. In Missouri, Tennessee and Texas, the waiting week is paid after a few weeks of receiving benefits (3 weeks in Tenn. and Texas and 9 weeks in Missouri).

2. Designate \$1.89 million to assist in the Unemployment Insurance Administration.

Use this funding to address a shortfall in federal funding and to fill vacancies in the processing operations of the Unemployment Insurance program. Also, a portion of these funds will be used to address the back log in appeals that the agency is experiencing.

3. Remaining funds will stay in the UI Trust Fund.

The remaining funds will stay in the UI Trust Fund to help with the solvency of the trust fund. The Reed Act funds will remain available for future permitted uses.

HOUSE APPROPRIATIONS

DATE 3-18-2003
ATTACHMENT 2

Social Services Budget Committee

FY 2003 and FY 2004

Department of Social and Rehabilitation Services


Representative Brenda Landwehr, Chairperson

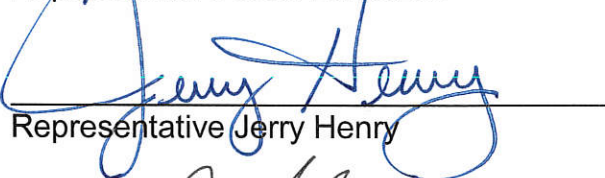

Representative Barbara Ballard


Representative Bob Bethell


Representative Eric Carter


Representative Willa DeCastro


Representative John Edmonds


Representative Jerry Henry


Representative Melvin Neufeld


Representative Jerry Williams

HOUSE APPROPRIATIONS

DATE 3-18-2003

ATTACHMENT 3

Senate Subcommittee Report

Agency: Department of Social and Rehabilitation Services **Bill No.** HB 2026 **Bill Sec.** 23

Analyst: Nogle

Analysis Pg. No. 751

Budget Page No. 377

Expenditure Summary	Agency Est. FY 03	Governor's Recommendation FY 03	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 304,413,087	\$ 289,256,537	\$ 0
Aid to Local Units	101,858,207	93,885,589	0
Other Assistance	1,630,740,581	1,599,978,328	0
TOTAL	\$ 2,037,011,875	\$ 1,983,120,454	\$ 0
State General Funds:			
State Operations	\$ 102,505,528	\$ 91,044,683	\$ 0
Aid to Local Units	52,270,135	46,446,016	0
Other Assistance	314,651,316	488,862,459	0
TOTAL	\$ 469,426,979	\$ 626,353,158	\$ 0
FTE Positions	3,981.5	3,981.5	3,981.5
Non FTE Uncl. Perm. Pos.	72.0	72.0	72.0
TOTAL	4,053.5	4,053.5	4,053.5

Agency Estimate

The agency requests operating expenditures of \$2.0 billion all funds, \$669.4 million State General Fund, an increase of \$52.9 million all funds and \$42.6 million State General Fund. The estimate includes supplemental requests totaling \$49.0 million all funds and \$21.0 million State General Fund.

Governor's Recommendation

The Governor recommends FY 2003 operating expenditures of \$2.0 billion all funds and \$626.4 million State General Fund, a decrease of \$1.0 million all funds and an increase of \$4.6 million State General Fund. The increase includes supplemental requests totaling \$57.5 million all funds and \$18.9 million State General Fund, as well as reductions totaling \$24.4 million all funds and \$12.1 million State General Fund.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

Governor's Recommendation

The Governor recommends FY 2003 operating expenditures of \$2.0 billion all funds and \$626.4 million State General Fund, a decrease of \$1.0 million all funds and an increase of \$4.6 million State General Fund. The increase includes supplemental requests totaling \$57.5 million all funds and \$18.9 million State General Fund, as well as reductions totaling \$24.4 million all funds and \$12.1 million State General Fund.

Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Department of Social and Rehabilitation Services **Bill No.** **Bill Sec.**

Analyst: Nogle **Analysis Pg. No.** 751 **Budget Page No.** 377

Expenditure Summary	Agency Request FY 04	Governor's Recommendation FY 04	Senate Subcommittee Adjustments*
All Funds:			
State Operations	\$ 298,947,913	\$ 291,015,363	\$ 0
Aid to Local Units	104,847,208	96,253,682	0
Other Assistance	1,812,599,831	1,755,635,717	0
TOTAL	\$ 2,216,394,952	\$ 2,142,904,762	\$ 0
State General Funds:			
State Operations	\$ 97,786,000	\$ 92,968,300	\$ 0
Aid to Local Units	57,605,838	50,625,165	0
Other Assistance	643,811,700	595,473,406	0
TOTAL	\$ 799,203,538	\$ 739,066,871	\$ 0
FTE Positions	3,981.5	3,981.5	3,981.5
Non FTE Uncl. Perm. Pos.	72.0	72.0	72.0
TOTAL	4,053.5	4,053.5	4,053.5

* The Subcommittee has earmarked \$1.0 million SGF for grants to Community Mental Health Centers, a shift of the funds from a new urban acute care program for the mentally ill. However, the Subcommittee recommends review of this item at Omnibus.

Agency Request

The agency operations request for FY 2004 is \$2.2 billion all funds, \$799.2 million State General Fund. The request includes enhancements totaling \$111.6 million all funds and \$45.0 million State General Fund.

Governor's Recommendation

The Governor recommends operations expenditures of \$2.1 billion all funds, \$739.1 million State General Fund. The recommendation includes enhancements totaling \$116.0 million all funds and \$42.3 million State General Fund, along with reductions totaling \$78.9 million all funds and \$58.2 million State General Fund.

HOUSE APPROPRIATIONS

DATE 3-18-2003
ATTACHMENT 4

Subcommittee Recommendation

1. **The Subcommittee notes** that while only a few items in the SRS budget are included in this budget, it does not diminish the importance of the myriad of other essential services provided by the agency. Unfortunately, the current budget constraints allowed the Subcommittee to address just a few of those services.
2. **The Subcommittee recommends** the addition of family preservation caseloads to the caseload estimating process on trial basis, to compare the agency estimates to those of the caseload estimating group. The numbers would not be included as an official part of the estimate during this Legislative Session. If the estimates from the process prove to be useful, the committee would recommend evaluating the inclusion of family preservation in the caseload process during the 2004 session.
3. **The Subcommittee recommends** the continuation of outreach and marketing efforts for HealthWave at the same level as previous years to continue to identify and enroll children in need of health insurance in either HealthWave or Medicaid. As of January 1, 2003, 29,758 children were enrolled in HealthWave, and 75,296 children were found to be eligible for Medicaid. Since the implementation of the HealthWave program, an estimated 105,054 children who were uninsured received physical, mental, and dental health coverage.

The Subcommittee notes that the allotment reduction of \$91,628 State General Fund for HealthWave resulted in triple premiums beginning on February 1, 2003. Although the Governor restored the reduction in the FY 2004 budget, the Subcommittee is concerned that the temporary increase in premiums will force children out of HealthWave and recommends that the outreach and marketing efforts target those children for re enrollment in HealthWave when the premiums are reduced on July 1, 2003. In the interim, the Subcommittee recommends that the agency continue its efforts to locate local assistance to pay premiums for those families and children at risk.

The Subcommittee also notes that the state currently pays 28.0 percent of the cost of HealthWave with state dollars, while federal funds cover the remaining 72.0 percent, federal matching funds are capped. The agency anticipates that state spending will exceed the federal match available in the next few years.

4. **The Subcommittee notes** that since October 2001, when Kansans began to reach the lifetime eligibility limit for welfare service, only 13 families have been denied services, while an additional 242 families have been exempted under the 20.0 percent hardship exemption. The small number of families denied service reflects the agency's effort to assist needy Kansans in achieving financial independence.
5. **The Subcommittee recognizes** the substantial contribution of Kansas Legal Services (KLS) in providing legal and case management services for needy Kansans as they pursue Medicaid eligibility. While the agency is pursuing alternative services through other providers in an attempt to better serve the

needs of the General Assistance/MediKan population, the Subcommittee hopes that the successful partnership between KLS and the Department of Social and Rehabilitation Services will continue.

6. **The Subcommittee recommends** the shift of \$1.0 million SGF from the new urban acute care mental health services program for persons who are severely mentally ill and in need of crisis intervention services to grants to Community Mental Health Centers (CMHCs). The Subcommittee recognizes the need for acute care services given the current economic crisis, especially in urban areas like Wichita and Kansas City. However, the current budget situation is not favorable for new programs with existing programs struggling for funds.
7. **The Subcommittee notes** that as of March 15, 2003 the agency will lay off 120 employees. Notification was sent to those being laid-off on February 11, 2003. The agency has until March 15 to implement alternatives and is working with the Governor to develop other options, which include retirement incentives for those employees close to retirement.
8. **The Subcommittee notes** that the agency has made child protection its highest priority, at the cost of other programs when addressing budget reductions. Front-line staff has been told to concentrate on child protection efforts. This redirection will adversely affect child support enforcement efforts as resources are shifted to support child protection. It has already affected the food stamp eligibility program, in which the agency is fined by the federal government for errors in eligibility assessment. The agency anticipates a fine of \$1.4 million for errors that occurred in FY 2002.
9. **The Subcommittee notes** that the Funeral Assistance program, which was shifted to the Department of Health and Environment (KDHE) for FY 2003, is not funded in the Governor's recommendation for FY 2004. The Subcommittee urges the Senate Subcommittee on the Department of Health and Environment to recommend that KDHE find funding for the program in FY 2004, approximately \$500,000 SGF.
10. **The Subcommittee notes** with concern the growth in the waiting list of unserved persons for both the HCBS/DD and HCBS/PD waiver as shown in the following table:

	Waiting Lists as of December 31, 2002	Growth in the First Half of FY 2003	Estimated Waiting List by the end of FY 2004
Developmental Disability Waiver	661	60	931
Physical Disability Waiver	744	157	1925

Items Deferred to Omnibus

1. **The Subcommittee is concerned** that SRS has decided to initiate a fee of \$10 for providing a child abuse and neglect report to a not-for-profit organization seeking that information as part of a screening process for adult volunteers. This fee is estimated to raise over \$400,000. All of that cost will have to be absorbed by youth serving organizations. This cost shifting may result in some organizations deciding not to pay for the screen and thereby compromise the security of children served by the organization. The Subcommittee questions the wisdom of creating a fee which may actually have the affect of increasing risk to children. The Subcommittee directs SRS to consider the consequences of such a fee and to report back to the full committee at Omnibus as to other options available.
2. **The Subcommittee recommends** Omnibus review of the suggested redesign of the Community Developmental Disability Organization (CDDO) system. The redesign would:
 - a. reduce the number of CDDO's from 28 to 13 or fewer;
 - b. make CDDO's independent of direct service provision and eliminate conflicts of interest inherent in controlling funding, access to services, dispute resolution, and quality assurance;
 - c. reduce administrative costs;
 - d. allow CDDO's to provide a match for an additional \$10.6 million in federal funds (Currently, federal requirements allow the match at the rate of the provider with the least match money. Consolidation would then increase the lowest match available); and
 - e. Continue to allow counties to direct where funds are spent.

The Subcommittee is encouraged by the outcomes indicated in the proposal and strongly encourages the agency to convene all stakeholders in a process designed to provide the committee with a specific proposal to act on during the Omnibus session. The agency should take on this process with all deliberate speed and with sufficient effort to provide the full committee with an opportunity to move forward on this proposal at Omnibus.

3. **The Subcommittee recommends** Omnibus review of the University of Kansas Graduate Medical Education Program funding. The Graduate Medical Program is funded through funds from Medicare and Medicaid, patient care revenue and state primary care support. Medicare funding is reduced for the program by \$1.9 million federal funds as part of the Balance Budget Act of 1997. The Department of Social and Rehabilitation Services further reduced funding for the program in January of 2003 by \$1.5 million SGF, which in turn reduced Medicaid funding by \$2.2 million federal funds. Options to address the cut include closing residency programs, reducing residency spots, cutting faculty positions, limiting Medicaid and uninsured patients. The Subcommittee requests that the agency seek alternatives and report back to the Subcommittee at Omnibus.
4. **The Subcommittee recommends** Omnibus review of provider taxes and requests a report from the agency at that time. The state of Missouri has

implemented provider taxes, but run up against problems with the federal government based on the way the tax was structured. The Missouri tax holds nursing homes and hospitals harmless on the provider tax - they are reimbursed the amount of tax they are paid. Federal law does not allow the states to temporarily collect taxes. However, if the state modifies its tax to eliminate the guarantee that hospitals and nursing homes get back the taxed amount, that may bring them into compliance. More information will be available from the Center for Medicare and Medicaid Services at a later date.

5. **The Subcommittee recommends** that SRS's decision to exclude Children's Mercy Hospital from the pool of hospitals eligible to receive disproportionate share reimbursements be revisited during omnibus. The exclusion appears to the Subcommittee to be arbitrary and counter to the interests of the many Kansas children who receive essential and specialized medical services from Children's Mercy.

Children's Mercy Hospital maintains a facility in Kansas and is a vital partner with the University of Kansas Medical school and its School of Nursing in training medical professionals and in life sciences research. Kansans are fortunate to have access to the services of such an outstanding medical resource. We commend Children's Mercy for not taking any action to limit access by Kansans to the hospital in response to the SRS decision to discontinue disproportionate share payments beginning in the fall of 2002.

The Subcommittee recommends that the agency review its disproportionate share policy for all hospitals, including those out of state hospitals that serve Kansans, and report back at Omnibus.

6. **The Subcommittee recommends** Omnibus review of the issue of locating a source of administrative funding for the Kansas Children's Cabinet and requests that the agency and the Cabinet work together to find funding sources, while maximizing federal match dollars available to the cabinet.
7. **The Subcommittee** has grave concerns that fiscal circumstances may compromise the ability of the agency to address critical child protection needs. Any diminishment in the capacity of the agency to effectively prevent, intervene, investigate, and remediate child protection complaints and caseloads is unacceptable to the Subcommittee. In response to these concerns the agency has assured the Subcommittee that SRS has reallocated resources to make certain child protection services are not compromised. As a result of this reallocation the agency's ability to keep children safe will not be adversely impacted according to the agency. The Subcommittee fully intends to hold SRS accountable to that commitment. The Subcommittee has strong concerns that any cuts to family preservation services will shift caseloads to other more expensive interventions that may not serve the best interests of children in crisis. The Subcommittee directs the agency to strategically monitor the child protection assets and resources of the agency and community based resources and provide the committee with further testimony at Omnibus to fully document the status of child protection needs and services.

8. **The Subcommittee recommends** Omnibus review of the Policy Options Discussion Guide presented by the Secretary of SRS, which sets forth additional budget reductions and their impacts.

Conclusion

The Subcommittee heard testimony from a great number of conferees, all describing the serious impact of budget cuts and allotments to the people they serve. The Subcommittee heard of concerns about the waiting lists for the physically and developmentally disabled that continue to grow, as well as the increased need for families in crisis and children at risk. Moreover, when assistance is not available, situations exacerbate and conditions worsen. While revenues are not currently available, we recognize the tremendous pressure put on the delivery of essential services to the poor, the needy, the disabled and children.

We recommend all these essential services be a priority should funds become available.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee recommendations with the following adjustment:

1. The Committee recommends the introduction of a bill to reduce the number of Community Developmental Disability Organizations from 28 to 13 or less.
-

Budget Committee Recommendation

1. **The Budget Committee encourages** SRS to continue its relationships with researchers to determine societal trends on the causes of increased caseloads in the areas of developmental and physical disabilities. These determinations may allow this committee to address less expensive root causes for increased caseloads in future budgets.
2. **The Budget Committee recommends** reinstating DRG (Diagnostic Related Groups) outlier payments to the 75.0 percent level and reducing all hospital inpatient rates (DRG's) by 1.6 percent or whatever percentage would be required to achieve savings of \$2.1 million SGF. The reduction of outlier payments from 75.0 percent to 60.0 percent began January 1, 2003 as part of the allotment reductions and has a projected savings of \$2.1 million annually. In FY 2002, the total DRG inpatient claims totaled \$133.7 million SGF. Assuming similar costs for FY 2004, a 1.6 percent reduction in all DRG rates would result in savings of \$2.1 million SGF. The Budget Committee believes this is an appropriate adjustment because hospitals with the highest levels of outlier payments provide the most complex care to Medicaid recipients. Often smaller hospital transfer high-need patients to larger hospitals for this more complex level of care. The proposed 20.0 percent reduction in outlier payments would jeopardize that level of care.
3. **The Budget Committee recommends** the introduction of a bill to implement a provider *assessment* for Medicaid service providers. The Budget Committee requests that SRS review the proposed provider assessment and report back prior to discussion of the bill.
4. **The Budget Committee notes** with concern the problems caused by inadequate primary care reimbursement rates paid by Medicaid. Low reimbursement rates have made it difficult for primary care physicians with many Medicaid clients to maintain their practice. *This is a concern in areas like obstetrics, pediatrics, and family practice, where Medicaid recipients experience difficulty in finding a physician that accepts Medicaid payment.* Primary care is at a major risk for loss under Medicaid. The goal of the Medicaid system should be to at least pay the average cost of the services provided.
5. **The Budget Committee** heard testimony regarding the redesign of the Community Developmental Disability Organization (CDDO) system, as introduced conceptually in Appropriations and in SB 242. The redesign would:
 - a. reduce the number of CDDO's from 28 to 13 or fewer;

- b. make CDDO's independent of direct service provision and eliminate conflicts of interest inherent in controlling funding, access to services, dispute resolution, and quality assurance;
- c. reduce administrative costs;
- d. allow CDDO's to provide a match for an additional \$10.6 million in federal funds (currently, federal requirements allow the match at the rate of the provider with the least match money. Consolidation would then increase the lowest match available);
- e. continue to allow counties to direct where funds are spent.

In addition, the Budget Committee recommends a proviso insuring administrative savings from the redesign of the CDDO system do not come from reductions in service provider budgets, but from true administrative savings at the CDDO level.

6. **The Budget Committee** notes that the Governor's Budget Recommendation retains funding for Rainbow Mental Health Facility in FY 2004. The Budget Committee recommends that SRS enter into discussions with community stakeholders, including Community Mental Health Centers statewide, regarding the future role and function of the state mental health institutions, with a focus on continuing the provision of acute mental health services. These discussions should include:
- a. identification of models that would provide services to children in a family-based setting rather than in a state hospital;
 - b. exploration of public-private partnership options; and
 - c. identification of alternative services models for the facilities, other than their current designation as an Institute for Mental Disease (IMD), and the Medicaid financing implications of different models of service.

The Budget Committee further recommends that SRS report on these discussions and any planned implementation of new models to the Legislative Budget Committee or an appropriate interim committee identified by the Legislative Coordinating Council.

7. **The Budget Committee recommends** that SRS enter into discussions with stakeholders, including Community Developmental Disability Organizations and parents/ guardians of persons living in the state MR/DD institutions, regarding the future role and function of these facilities, with a focus on the availability of providing services in community-based settings. These discussions should include:

- a. identification of models that would provide services to individuals in a community-based setting rather than in a state hospital and the impact those models may have on the state facilities;
- b. exploration of public-private partnership options;
- c. identification of alternative services models for these facilities, and the financing implications of a different model of service, including the need to move existing funding from hospitals to community-based services; and
- d. identification of the financial, policy and program implications.

The Budget Committee further recommends that SRS report on these discussions and any planned implementation of new models to the Legislative Budget Committee or an appropriate interim committee identified by the Legislative Coordinating Council.

8. **The Budget Committee recommends** that SRS enter into discussions with stakeholders, including Community Developmental Disability Organizations and parents/ guardians of persons living in the private ICF/ MR facilities, regarding the future role and function of these facilities, with a focus on the availability of providing services in community-based settings. These discussions should include:
 - a. identification of models that would provide services to individuals in a community-based setting rather than in a state hospital and the impact those models may have on these facilities;
 - b. exploration of public-private partnership options;
 - c. identification of alternative services models for these facilities, and the financing implications of a different model of service, including the need to move existing funding from hospitals to community-based services; and
 - d. identification of the financial, policy and program implications.

The Budget Committee further recommends that SRS report on these discussions and any planned implementation of new models to the Legislative Budget Committee or an appropriate interim committee identified by the Legislative Coordinating Council.

The Budget Committee notes that, according to David Braddock's 2002 "State of the States in Developmental Disabilities" report, eight states have closed all of their large state developmental disabilities *institutions*. In addition, the report notes that no public funds were used to support private institutions in ten states.

9. **The Budget Committee notes** that while community-based programs are considered the service of choice for the developmentally disabled, choice between an institution and community placement is integral to the success of the system of supports for the developmentally disabled. Parents and guardians of the developmentally disabled should be able to choose the safest and most productive environment for their consumer.

The Budget Committee further notes that it may have been idealistic to assume people could be moved from the institutions into the community in such a short time. The development of community supports and services is critical to the success of deinstitutionalization.

Unfortunately, the Governor's FY 2004 budget recommendation includes reductions of \$1.5 million for Community Mental Health Center (CMHC's) State Aid, leaving CMHC's with less discretionary funding for infrastructure report and optional services, which could result in less money for Medicaid match funding that would need to be replaced with state or community funding. Community Developmental Disability Organization (CDDO's) State Aid was also cut by \$1.5 million, a 25.0 percent reduction, which will impact those services/system activities supported by this funding. Additional local funding may be needed to ensure adequate certified match for federal Medicaid services.

10. **The Budget Committee recommends** the addition of a proviso creating a Hospital Closure Commission for possible closure of a Mental Health Institution and a Developmental Disability Institution.

In light of this proviso and the language in the State Institutions' budget, the Budget Committee is concerned about the stability of the funding sources that are required to place consumers currently in state institutions and large ICF/MR facilities. The vast majority of consumers placed in community settings when Winfield State Hospital closed and through the closures of medium and large ICF/MR facilities over the past eight years are funded by on of the following sources:

- a. Special Tier Rates through the HCBS/DD waiver program;
- b. Individualized rates, also through the HCBS/DD waiver program;
- c. Small ICF/MR facilities (4-8 beds) through the Medicaid program.

As families face the consideration of closure, these funding sources need to be stable and families need to be assured that this stability will continue in the future.

11. **The Budget Committee recommends** that the agency pursue more cost effective purchasing alternatives for durable medical equipment and report back to the committee prior to Omnibus. Current purchasing requirements, (*i.e.* from a medical supplier) can be more expensive than allowing the consumer to purchase similar items from local discount stores.

12. **The Budget Committee recommends** that family preservation services be included in the caseload estimating process.

The 2002 Legislature appropriated approximately \$13.0 million in expenditures for family preservation in FY 2003. Family preservation services have experienced two reductions from that allocation in the allotments implemented by the previous administration and included in the Governor's budget recommendation for FY 03. The agency requested \$12.9 million for FY 2004, compared to the Governor's recommendation of \$9.9 million.

Demand and support for family preservation services because of the effectiveness of the program remains strong. It is a positive front-end service that assists in keeping families intact and avoiding higher cost services as a result of later intervention. On average, family preservation services cost \$3,800 per family per year compared to \$25,000 to \$28,000 as an average cost for foster care.

In addition, the Budget Committee encourages the Family Preservation Collaborative and Integrates Services of SRS to continue their work together in improving service access by identifying barriers to service, looking at what makes a family successful in family preservation and assessing the interaction of family preservation with the other parts of the child welfare system.

13. **The Budget Committee recommends** the agency explore options to improve enforcement of federal regulations regarding purchases on Vision cards.
14. **The Budget Committee recommends** the agency report back prior to Omnibus on the concept of isolating adoption services with adoption providers and shifting all placement responsibility with the foster care contractors to expedite adoption placement, which currently has a delay of six months or more. In addition, the shift in services would eliminate disruption of changing placements, service providers, etc. In order to address concerns regarding conflict of interest, a statewide system of case management would be implemented.
15. **The Budget Committee recommends** an interim study to develop incentives in the form of tax breaks or other items to encourage people to purchase long term care insurance. In addition, the Budget Committee recommends that SRS and Aging work together to create a system to provide information on what services are and are not covered by Medicaid and Medicare to encourage long-term planning.
16. **The Budget Committee recommends** that the Attorney General's office, with the cooperation of SRS, aggressively pursue and prosecute persons engaged in Medicaid fraud, recognizing that billing errors in and of themselves do not constitute fraud.
17. **The Budget Committee notes** with concern the effect of cuts in child care funding in FY 03. The Governor's allotment reductions reduced childcare

eligibility from 185% of the federal poverty level to 150% of the federal poverty level. Without supports for childcare during FY 2003, parents may be forced to quit employment and apply for TANF benefits to fill the gap.

18. **The Budget Committee notes** that the agency is closing 22 local offices in FY 03. Before any office is closed, SRS will ensure service access points are established, customers are notified and community meetings are held. Area managers continue working with community partners to forge agreements for service access points. Managers are encouraged by the positive reaction of communities and partners. A number of service access agreements have been signed. The Manhattan area has reported community partners are so interested in providing access points, the area is becoming concerned they may not have enough resources to provide for all the partners who are willing to provide service access.

Because SRS believes increasing access to services will provide better customer service and develop valuable partnerships with communities, SRS is increasing access to services in all counties, not just the counties where offices are closing. While data analysis and service access planning continue in all counties, a decision has not yet been made on office closures in FY 04/05.

19. **The Budget Committee recommends** that the agency contract with Kansas Legal Services to provide statewide case management and legal assistance to General Assistance and TANF adults, as well as disabled children served by SRS who are seeking Social Security benefits.
20. **The Budget Committee notes** with concern the reduction in foster care (4.4 percent) and adoption (2.5 percent) contract rates and recommends no further rate reductions in FY 2004.

The Budget Committee would strongly recommend that SRS take into consideration the financial impact on these non-profit organizations when they start re-negotiating the foster care and adoption contracts. The state, through these contractors, has taken on the role of parents for children in the welfare system. It is important that the resources be available to provide services for these children.

21. **The Budget Committee notes** that the agency is diligently working with emergency shelter providers to address cuts in grant funding made in the Governor's's allotment reductions. The grants funded crisis services aimed at keeping children out of SRS custody. Approximately 3,363 children and their families may not receive services due to this cut.
22. **The Budget Committee recognizes** the dramatic effect the budget cuts have had on elderly Kansans. The Budget Committee recommends that if and when any additional funds become available for FY 2004, they be used to address the needs of the most vulnerable Kansans, those who have been most affected by budget cuts, namely the elderly and disabled. Conversely, if further budget reductions should become necessary, the Aging and SRS budgets should be

exempted, each having contributed more than their fair share in addressing the budget crisis.

Items Deferred to Omnibus

1. **The Budget Committee recommends** Omnibus review of the University of Kansas Graduate Medical Education Program funding. The Graduate Medical Program is funded through funds from Medicare and Medicaid, patient care revenue and state primary care support. Medicare funding is reduced for the program by \$1.9 million federal funds as part of the Balance Budget Act of 1997. The Department of Social and Rehabilitation Services further reduced funding for the program in January of 2003 by \$1.5 million SGF, which in turn reduced Medicaid funding by \$2.2 million federal funds. The cut hit the Wichita hospitals the hardest. Options to address the cut include closing residency programs, reducing residency spots, cutting faculty positions, limiting Medicaid and limiting Medicaid and uninsured patients.

The Budget Committee notes that the agency, impacted Wichita hospitals and the University of Kansas School of Medicine are seeking alternative funding for graduate medical education in Wichita and requests that the agency report back to the Budget Committee at Omnibus.

2. **The Budget Committee recommends** the agency review capping HCBS waiver payments, to insure that waiver services are the most cost effective type of care for that client, as recommended in the August 2002 Post Audit Report "Medicaid Cost Containment: Controlling Costs of Long-Term Care. The report indicates that the agency spent \$9.0 million more on waiver services than they would have if the same persons had received institutional services.
3. **The Budget Committee recommends** review, prior to Omnibus, of increasing PASSAR scores for the Physical Disabilities waiver from 26 to 32 and grandfathering in the increased score. This would result in a savings of \$457,278 SGF and \$1.2 million all funds. There are currently 636 persons receiving services and 165 persons on the waiting list with a PASSAR score of 31 or lower.

The Budget Committee is aware that increasing the score may limit the agency's ability to address crisis cases. Currently, the waiting list for services is frozen, meaning no new clients receive services when another leaves. However, clients are added when the agency determines that they are in a crisis situation. The Budget Committee requests additional information on persons added to the waiver in a crisis situation.

The Budget Committee notes that the Governor's budget eliminated grandfathering implemented in FY 2001 when the PASSAR score was increased from 15 to 26. 350 persons with scores below 26 were removed from service, but could become eligible for services when their PASSAR score increases.

4. **The Budget Committee recommends** the agency review the policy of separating spousal income for waiver eligibility assessment and report back at Omnibus. Currently, based on federal regulations, a spouse's income is not counted in assessing Medicaid eligibility for

waiver services. The Budget Committee requests that the agency explore options for assessing fees on a sliding fee scale based on the income of both spouses for those services.

5. **The Budget Committee recommends** that Aging and SRS review combining all of the waivers into one waiver program and report back before Omnibus. The single waiver would provide the following three services:
 - a. Training, to assist consumers in performing tasks independently;
 - b. Personal Assistance Services (PAS), to provide services for people who cannot perform tasks due to their level of disability;
 - c. Assistive Services, which would include durable medical equipment and other devices to allow consumers to perform tasks more independently.

The single waiver program would include review for Plans of Care by a neutral third party to assure that all efforts to utilize local natural support have been made, training options are used whenever possible, and every effort is being made to increase consumer independence.

6. **The Budget Committee recommends** review of child care funding methodologies to maximize TANF match opportunities and report back prior to Omnibus.
7. **The Budget Committee recommends** that SRS work with all state agencies involved in providing and administering job training programs to maximize federal funding for those programs.
8. **The Budget Committee recommends** Omnibus review of the eligibility criteria for the HCBS/DD waiver.
9. **The Budget Committee recommends** Omnibus review of the Child Support Enforcement program in regards to the effect of open positions on enforcement and the role of court trustees in addressing those challenges.
10. **The Budget Committee requests** that the agency review models of charging interest on back child support payments and their effectiveness in motivating prompt support payments, with a report at Omnibus.
11. **The Budget Committee requests** that the agency work with foster care providers to look at options, recommendations and ideas for providing services for high needs foster children to increase the probability and speed of returning these children to their families.
12. **The Budget Committee recommends** Omnibus review of funding for the Funeral Assistance program. The Budget Committee notes that the program was moved to the Department of Health and Environment in FY 2003, but not funded in either budget in FY 2004. The burden of burying indigent Kansans falls to the counties. Clarification of this responsibility is addressed in SB 244.

13. **The Budget Committee requests** that the agency report back at Omnibus on implementing legislation to allow the agency to place a lien on a Medicaid recipient's home after they have been in a nursing facility for one year or when they begin receiving HCBS waiver services. Typically, persons entering a nursing facility indicate that their plan is to return home, and often do so after several months of treatment. In addition, the Budget Committee requests that the agency explore the possibility of requiring reverse mortgages on property for persons in nursing facilities to assist in paying for their care.

14. **The Budget Committee requests** the agency report back at Omnibus on implementing legislation to prevent the hiding of assets to achieve Medicaid spend-down in the following areas:
 - a. a waiver to increase the number of years of "look-back" from three to five;
 - b. Amending the definition of estate to include jointly owned property;
 - c. limiting property agreements that specify a percentage of ownership;
 - d. preventing discretionary trusts that do not pay necessary medical expenses;
 - e. limits on prepaid agreements between family members to provide basic services.

Insert on Page 11, Item 10, following the first paragraph

In addition to the issue of considering hospital closure, this Commission shall also develop parallel recommendations on service and program changes to ensure that the supports and capacity will be available at the community level to enable any potential closure recommendations. These recommendations should specifically examine having the dollars follow the clients and new ways to fund community-based services that ensure that persons with disabilities are properly served. Also, this Commission should work with stakeholders and providers as they develop their recommendations.

HOUSE APPROPRIATIONS

DATE 3-18-2003
ATTACHMENT 5

Amendment to the Budget Committee Report:

"23. The Budget Committee notes that the "dispense as written" or "D.A.W." waiver in House Sub. For SB 422, allowing doctors to prescribed brand name, non-formulary drugs for Medicaid patients when appropriate, sunsets as of July 1, 2003. The Budget Committee recommends extending the sunset provision to July 1, 2004 to further study the effects of the provision on Medicaid pharmacy expenditures."

HOUSE APPROPRIATIONS

DATE 3-18-2003
ATTACHMENT 6

Children's Mercy Hospitals (CMH) operate facilities in Kansas City, Missouri; Johnson and Wyandotte Counties in Kansas. The Committee is aware that recent cuts in Kansas Medicaid disproportionate share funds to CMH have worked a hardship on facilities valuable to the health of Kansas' children. The Committee is also aware that Missouri has recently increased its disproportionate share funding for Children's Mercy. The Committee recommends that SRS review the disproportionate share funding to CMH to ensure that Kansas is providing appropriate funding levels and report back to the Legislature during discussion of the omnibus appropriations bill.

HOUSE APPROPRIATIONS

DATE 3-18-2003
ATTACHMENT 7