

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Stephen Morris at 10:30 a.m. on February 25, 2003, in Room 123-S of the Capitol.

All members were present except: All present

Committee staff present:

Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Melissa Calderwood, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Paul West, Kansas Legislative Research Department
Audrey Nogle, Kansas Legislative Research Department
Robert Waller, Kansas Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Assistant Revisor of Statutes
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Dr. Donald Hagen, Executive Vice Chancellor, University of Kansas Medical Center
Dr. Rick Kellerman, Wichita Center for Graduate Medical Education
Janet Chubb, Assistant Secretary of State
Col. Adam King, on behalf of Major General Greg Gardner, The Adjutant General of Kansas

Others attending: See attached list

Chairman Morris welcomed Dr. Donald Hagen, Executive Vice Chancellor, University of Kansas Medical Center, who appeared on behalf of the University of Kansas to express the University's concerns regarding impacts on the ability of the Wichita Center for Graduate Medical Education (WCGME) to conduct training programs in various medical specialties in Wichita (Attachment 1). Dr. Hagen mentioned that the proposed elimination of graduate medical education funding provided through Medicaid program of Kansas Social and Rehabilitation Services is a great threat to the strength of the School of Medicine.

Dr. Hagen introduced and Chairman Morris welcomed Dr. Rick Kellerman, Wichita Center for Graduate Medical Education, who spoke regarding the Wichita Graduate Medical Education programs jeopardized by budget cuts (Attachment 2). Dr. Kellerman addressed why residency programs are vital to Kansas and policy considerations. He noted that some solutions are restoring Medicaid GME funding to keep providers for the uninsured and Medicaid patients and to sustain the supply of physicians to Kansas. Various questions and discussion followed.

Chairman Morris opened the public hearing on:

SB 239–Secretary of state fees for certain services and publications

Staff briefed the committee on the bill.

Janet Chubb, Assistant Secretary of State, testified in support of **SB 239** (Attachment 3). Ms. Chubb explained that recently their agency became aware of becoming primarily fee-funded. She noted that the Governor's recommendations are to eliminate \$800,000 State General Fund from their FY 2004 budget and elimination of all State General Fund, \$1.7 million, from their FY 2005 budget. Ms. Chubb mentioned that because the State General Fund appropriation has been approximately one-half of the agency's yearly budget, this action could paralyze their ability to serve the citizens of Kansas. She explained that **SB 239** contains several amendments that will allow the Secretary of State's office to provide quality service.

CONTINUATION SHEET

Committee questions and discussion followed. Chairman Morris requested that the Secretary of State's office, the Division of the Budget and the Kansas Legislative Research Department meet and work up a spreadsheet to show where things are regarding the State General Fund and if there are recommendations regarding the bill.

There being no further conferees to come before the committee, the Chairman closed the public hearing on **SB 239**.

Chairman Morris opened the public hearing on:

SB 240-Adjutant general authorized to self insure certain armories

Staff briefed the committee on the bill.

Colonel Adam King presented testimony on behalf of Major General Greg Gardner, The Adjutant General of Kansas, in support of **SB 240** (Attachment 4). Colonel King explained that as part of the Adjutant General's Department cost savings review, they identified a potential opportunity that might save money and pose minimal risk to the State. He discussed insurance coverage for the National Guard armories, and if the Department of Administration includes their facilities under the statewide umbrella without significantly raising their costs, then maybe there can be savings. Committee questions and discussion followed.

Senator Adkins moved, with a second by Senator Feleciano, to recommend **SB 240** favorable for passage. Motion carried on a roll call vote.

The meeting adjourned at 11:45 a.m. The next meeting is scheduled for February 27, 2003.

Testimony
Senate Ways and Means Committee
February 25, 2003

Donald Hagen, MD
Executive Vice Chancellor
University of Kansas Medical Center

Chairman Morris, and members of the committee.

My name is Don Hagen. I am Executive Vice Chancellor of the University of Kansas Medical Center. I appear before you today on behalf of the University of Kansas to express the University's concerns related to the proposal you heard about today that would have a significant adverse impact on the ability of the Wichita Center for Graduate Medical Education (WCGME) to conduct training programs in various medical specialties in Wichita.

The internships and residencies are funded through a three-way partnership between Via Christi Regional Medical Center, Wesley Medical Center, and the University of Kansas School of Medicine. The leadership and vision of the hospitals and the School of Medicine has made WCGME a remarkably successful example of community-based model for graduate medical education. The University of Kansas, as the sponsor of the residencies in Wichita, is proud of the achievements of our faculty members and educational partners.

The entire University recognizes the contributions of the Wichita campus of the School of Medicine in producing physicians for the state of Kansas. The proposed elimination of graduate medical education funding provided through Medicaid program of Kansas SRS is a great threat to the strength of the School of Medicine.

Since its founding, nearly 100 years ago, the University of Kansas School of Medicine has consistently worked to meet its mission of providing physicians of all specialties to the state of Kansas. As of this month, the records of the Kansas State Board of Healing Arts shows that of the 5500 or so practicing physicians in the state, over 2200, roughly 40%, are products of the KU School of Medicine. Not only do our physicians practice in nearly all-rural counties in the state, they provide service to a whole spectrum of medically underserved individuals in our urban areas in Wichita, Topeka, Salina, and Kansas City. It is only through the continued joint operation of the Wichita and Kansas City facilities, to put it another way, the School of Medicine as organic whole, that the University can continue to meet its mission.

Thank you for your time and consideration. I will be glad to try to answer any questions.

Senate Ways and Means
2-25-03
Attachment 1

WICHITA GRADUATE MEDICAL EDUCATION PROGRAMS JEOPARDIZED BY BUDGET CUTS

About GME in Wichita:

- Graduate medical education is the training of resident physicians
- The Wichita Center for Graduate Medical Education (WCGME) is a consortium (consisting of the University of Kansas School of Medicine-Wichita (KUSM-W), Via Christi Regional Medical Center and Wesley Medical Center) that was formed to employ all KUSM-W residents in Wichita. Salina residents are also sponsored by KUSM-W, but they are employed by the Salina Health Education Foundation.
- 260 resident physicians in 14 residencies receive training in all major hospitals in Wichita and Salina.
- Residency programs include primary care programs in family practice, internal medicine, medicine/pediatrics, and pediatrics, specialty training in adult reconstructive surgery, anesthesiology, geriatric psychiatry, obstetrics and gynecology, orthopaedic surgery, psychiatry, radiology and surgery.
- Funding for GME is provided through Medicare, Medicaid and the State of Kansas to the hospitals.

Why Residency Programs Are Vital to Kansas:

- Wichita graduated physicians reduce underserved areas in Kansas
- Of 900 graduates since the formation of WCGME in 1989, over 500 practice in Kansas – half in Wichita; half in rural communities
- Residents provide care for uninsured and indigent patients (More than 134,000 patient visits to residency clinics in 2001)
- Wichita GME programs improve quality of care in Wichita and rural Kansas
- The residency programs attract quality physicians to Kansas
- Without the residency program, emergency and trauma care will suffer
- Residents improve in-hospital care of unassigned and indigent patients

- The residency programs have a strong economic impact upon Wichita and the surrounding areas (250 residents, 300 dependents, and numerous faculty members)

Financial Facts:

2001 Revenue	\$38,100,000
2001 Expenses	<u>\$38,200,000</u> (\$100,000)

GME Cuts:

Medicare GME funding (BBA 1997)	(\$1,900,000)
SRS GME cuts	<u>(\$3,700,000)*</u>
Total Loss	(\$5,600,000)

Policy Considerations:

- Who will care for medicaid/medicare and uninsured patients?
- Who will provide physicians for Kansas?
- What will be the economic impact on Wichita and rural areas?

Solution:

Restore Medicaid GME funding:

- To keep providers for the uninsured and Medicaid patients
- To sustain the supply of physicians to Kansas

* 2004 projected cut is \$5.4 million to Wichita

2-24-03

SENATE WAYS AND MEANS COMMITTEE

Secretary of State – Testimony on SB 239

February 25, 2003

Mr. Chairman and members of the committee, we appreciate the introduction of SB 239 and the opportunity to testify in support of it.

This January, upon delivery of the governor's budget, the Secretary of State became aware our status as a primarily fee-funded agency is to occur in the present rather than in the future tense. The governor recommends elimination of \$800,000 SGF from our 2004 budget and elimination of all SGF, or \$1.7 million, from our 2005 budget. Because the SGF appropriation has been approximately one-half of our yearly budget, this action could paralyze our ability to serve the citizens of Kansas.

For that reason, over the past six weeks we have re-examined the office's publications and services, along with their statutory provisions and fees, in order to propose a series of amendments that will allow us to continue to provide the quality service our customers expect. SB 239 contains several of those amendments. It would:

- amend the name of our *information and copy service fee fund* to the *information and services fee fund* and authorize us to charge an information and services fee.
- allow us to set and collect fees by rule and regulation for the printing, binding, storing and delivery of *Session Laws and Kansas Administrative Regulations* and to pay the fees to the information and services fee fund.
- allow us to set and collect fees by rule and regulation for the commissioning of notaries public and to pay the fees to the information and services fee fund.
- allow us to fix and collect fees by rule and regulation for publication of the *Kansas Administrative Regulations* and pay the fees to the information and services fee fund.
- allow us to set and collect fees for delivery, including postage and handling, of the *Kansas Statutes Annotated* and supplements and permanent journals of the House and Senate and to pay the fees to the information and services fee fund.
- increase the annual report fee that is paid to the *franchise fee recovery fund* from \$1 to \$2.

These amendments will give us the latitude to apply customer fees throughout agency operations and to maintain citizen service without the traditional SGF funds. SB 239 would be effective upon publication in the *Kansas Register*, because we must begin to recover the loss of SGF as soon as possible.

Senate Ways and Means
2-25-03
Attachment 3

Senate Ways & Means Committee
Testimony Supporting Senate Bill 240
Major General Greg Gardner, The Adjutant General,
February 25, 2003

Mr. Chairman, thank you for the opportunity to testify today.

As part of the Adjutant General's Department cost savings review, we identified a potential opportunity we believe might save money and pose minimal risk to the state.

KSA 48-323 requires all Kansas National Guard armories controlled by the Kansas Military Board to have fire and extended coverage insurance. Currently, 60 armories and various other Kansas National Guard buildings are covered by this mandatory insurance. Since asking you to consider repealing this law, we found it is essentially redundant. Once this statute is repealed then another statute probably takes effect. KSA 74-4718 requires the Department of Administration to carry fire and extended coverage insurance unless particular buildings are specifically exempted in accordance with KSA 74-4720.

In FY 2000, the annual cost to insure these facilities was approximately \$75,000 with a \$1,000 deductible. However, after 9-11, even though acts of terrorism are not covered in our insurance, the rates rose 260% to over \$195,000 a year, and the deductibles rose from \$1,000 to \$25,000 for wind/hail and \$5,000 for other perils. Since 1996, we have spent just under \$800,000 on armory insurance and have collected only \$36,000 in damages – that's less than 5%. In addition, if the new insurance deductibles had been in place since 1996, we would have received only \$5,000 in damages or less than 1% return.

To pay this legal obligation, we used our only source non-fixed costs, that is, our Armory Maintenance/Repair funds. Our agency was historically under-funded in this area and that is why three years ago you passed the Aging Armories Bond Bill to help us renovate and bring them up to codes. Each year since then, our Armory maintenance funds have been cut. Therefore, we have focused the Bond funds to compensate, but this budget now leaves us with only about \$0.26 per square foot to maintain our facilities while the industry average is probably 15 times that much. Clearly our facilities will continue to deteriorate with that level of funding.

At first, we thought we could save a lot with this insurance initiative and it could go back into our desperately short maintenance funds, but the more we delve into the insurance initiative, the less we think we will save. Here is where we think we are now. If the Department of Administration includes our facilities under the statewide umbrella without significantly raising their costs, then we can save. If they exempt our Armories from the requirement for insurance and essentially leave them self-insured, then we can save some. However, we know we must insure enough Armories to serve as collateral for our bond issues. Now with what we are being told about how insurance companies feel about state business, we are afraid we might not save much of anything by insuring fewer facilities with higher deductibles. Therefore, the recommended budget you have harvests \$50,000 of the savings from this initiative really means our minimal Armory repair funds once again take a hit.

Regardless of how little it might save, since we find there are redundant laws in this situation, we request you favorably consider Senate Bill 240.

We will be happy to answer any of your questions.

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2-25-03
Attachment 4