

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 a.m. on January 27, 2004 in Room 514-S of the Capitol.

All members were present except:

Representative Larry Campbell-excused  
Representative Tom Klein-excused  
Representative Bonnie Sharp-excused

Committee staff present:

J. G. Scott, Legislative Research  
Amy VanHouse, Legislative Research  
Audrey Dunkel, Legislative Research  
Michele Alishahi, Legislative Research  
Jim Wilson, Revisor of Statutes  
Mike Corrigan, Revisor of Statutes  
Nikki Feuerborn, Administrative Analyst  
Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Janet Schalansky, Secretary of Department of Social and Rehabilitation Services (SRS)

Others attending:

See Attached List.

- Attachment 1 Agency Overview, Department of Social and Rehabilitation Services (SRS)
- Attachment 2 Update on SRS Issues

Representative Pottorff moved to introduce legislation regarding the state use law. The motion was seconded by Representative Feuerborn. Motion carried.

Chair Neufeld recognized Janet Schalansky, Secretary of the Department of Social and Rehabilitation Services (SRS), who presented an overview outlining the agency's mission and vision; summary of expenditures; summary of persons assisted; consensus caseloads and other caseloads; persons served through the Physically Disabled & Developmentally Disabled waivers; consolidation of management areas; highlights of SRS changes with the governor's budget recommendations; recommended legislation for the 2004 Legislative Session; and on-going issues for SRS (Attachment 1). Secretary Schalansky noted that adoptions continue to rise while the number of persons in foster care is declining. Responding to questions from the Committee, The Secretary indicated that if the State loses the General Assistance and MediKan lawsuit with regards to the 24-month limitation, the cost to the State for the General Assistance portion, would be approximately \$400,000 in FY 2004 and \$1 million in FY 2005 and the cost of the MediKan portion, would be approximately \$1 million in FY 2004 and \$2 million in FY 2005. Secretary Schalansky noted that the agency is continuing to work with the budget director to determine if family preservation services should be included with the consensus caseloads. Secretary Schalansky indicated that the consolidation of management areas is progressing with six projected service areas by the end of FY 2005. SRS presently has over 400 access points and anticipates that number to increase as the program is advanced.

Secretary. Schalansky also presented an update on SRS issues, specifically referring to the local service delivery redesign efforts, the changes in caseload estimates since the 2003 Legislative Session, and the status of the General Assistance/MediKan lawsuit against SRS (Attachment 2). Secretary Schalansky stated that SRS is working to improve customer service by creating access points with community providers, such as libraries; toll-free phone and fax numbers; and a website containing information and application forms, in an effort to be more accessible to the customer. As of December 31, 2003, SRS has closed 30 local offices and plans to close an additional 20 offices between January and June, 2004. Responding to a concern from the Committee, Secretary Schalansky noted that, at the present time, SRS has negotiated agreements with local private business providers at no cost to the State. As the program progresses, it may be necessary to pay for paper

CONTINUATION SHEET

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE at 9:00 a.m. on January 27, 2004 in Room 514-S of the Capitol.

expense as well as other costs. The program will continue to be evaluated.

With regards to state vehicles, the Secretary stated that the agency felt it is important to use state-owned vehicles when transporting a client or when investigating in the area of child protective services, indicating that the agency will continue to look at mileage reimbursement versus the use of a state-owned vehicle. With regard to the child support enforcement penalty, Secretary Schalansky stated that the agency has discovered an error in their reporting system and has corrected the problem. SRS is appealing the penalty decision because SRS asserts that the Federal government should have given a twelve-month corrective action period that had actually expired by the time the State received the report. In response to a question from the Committee, Secretary Schalansky responded that each of the six proposed service areas will have a geographic name and an area director. The Chair thanked Secretary Schalansky for her presentation.

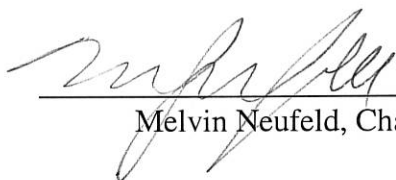
Representative Neufeld introduced his legislative intern, Chris Keefover, a student from the University of Kansas. Representative Feuerborn introduced his legislative intern, Josh Mast, also a student from the University of Kansas.

**HB 2569** was referred to the Social Services Budget Committee and **HB 2582** was referred to the Agriculture and Natural Resources Budget Committee.

Representative Bethell moved to approve the minutes of the January 21, 2004, meeting as written. The motion was seconded by Representative Ballard. Motion carried.

The Chair announced that Secretary Deb Miller, Department of Transportation, will present at the Committee meeting on January 28, 2004. Secretary Roger Werholtz, Department of Corrections and Patricia Scalia, Executive Director of the Board of Indigents Defense Services, will give presentations on January 29, 2004.

The meeting was adjourned at 10:20 a.m. The next meeting will be held at 9:00 a.m. on January 28, 2004.

  
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Melvin Neufeld, Chair

# HOUSE APPROPRIATIONS COMMITTEE

January 27, 2004

9:00 A.M.

NAME	REPRESENTING
Michael L. White	KAC
Rob Mery	HEIN LAW FIRM
Pat Ahlsted	Pluma
Josie Torrez	SILCK
Mary Heblandt	Alan Cobb & Associates
Doug Bowman	Coordinating Council of Early Childhood
Shannon Jones	SILCK
Gina McDonald	KAC/L
DAVID OWEN	HOMELESS COME HOME



# ***Kansas Department of Social and Rehabilitation Services***

## **Agency Overview For House Appropriations Committee**

Janet Schalansky, Secretary  
January 27, 2004

HOUSE APPROPRIATIONS

DATE 1-27-2004  
ATTACHMENT 1

# SRS Mission and Vision

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Mission: To Protect Children and Promote Adult Self-Sufficiency

Vision: Partnering to connect Kansans with supports and services to improve lives

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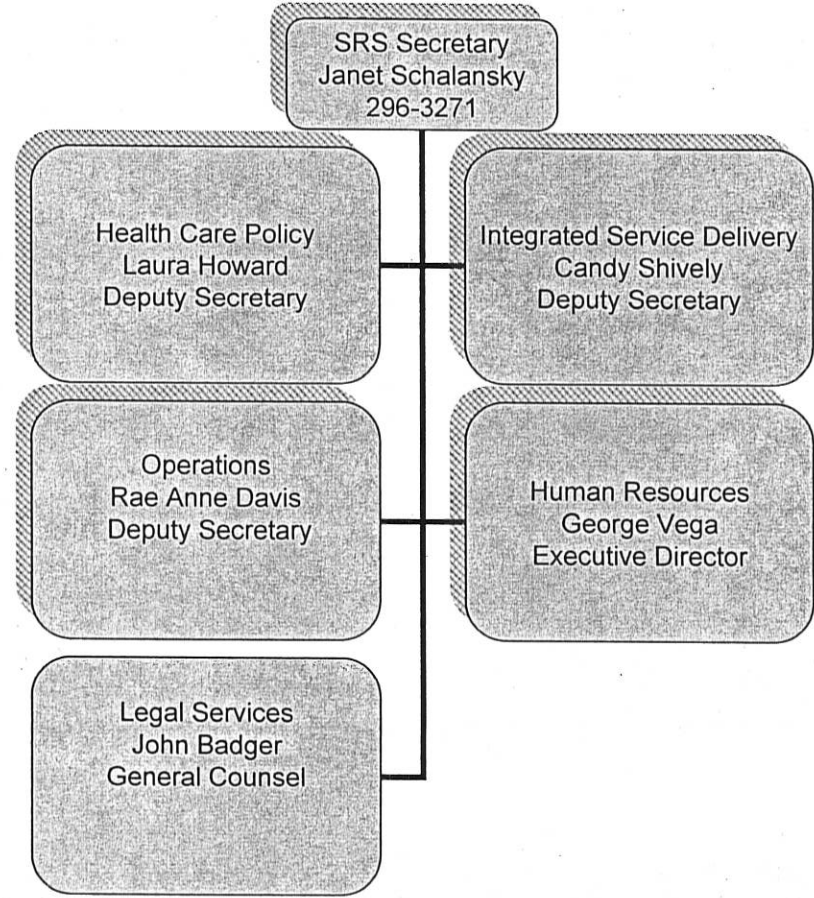
# SRS Guiding Principles

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All of us, every day, working on behalf of and with Kansans are guided by these principles:

- Act with integrity and respect in our work with customers, partners, and each other
- Champion customer success
- Demonstrate leadership without regard to position or title; embrace responsibility, take risks, make decisions and act to overcome challenges
- Strive for continuous improvement
- Demonstrate passion for our mission
- Recognize the value of partnerships both within the agency and with community partners to stretch capacity and achieve extraordinary results

# Kansas Department of Social and Rehabilitation Services



# SRS Expenditures by Category

FY 2005 Budget –Governor’s Budget Recommendation (in Millions)

**Direct Service Delivery**                    **\$248.5 (10.1%)**

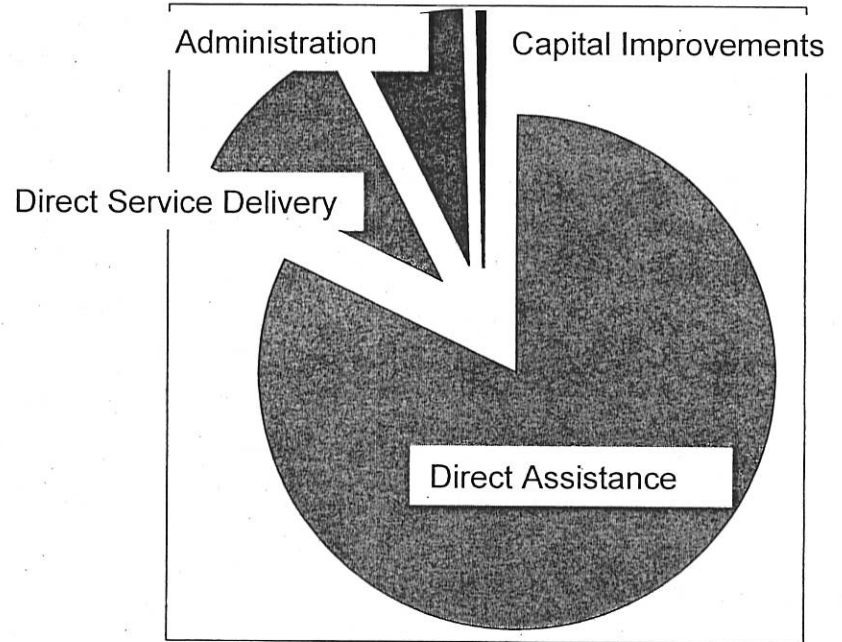
**Administration**                            **\$170.8 (7.0%)**

Total SRS Filled FTE (Dec. 2003)    5,580.20

**Capital Improvements**                **\$14.5 (.6%)**

**Direct Assistance**                        **\$2,016.3 (82.3%)**

Cash Assistance	\$70.9
Child Care & Employment	\$80.2
Medical Assistance	\$1,218.9
Substance Abuse	\$21.1
Mental Health	\$67.3
Developmental & Physical	
Disability	\$329.3
Child Welfare Services	\$167.5
Rehabilitation Services	\$22.2
Other	\$38.9



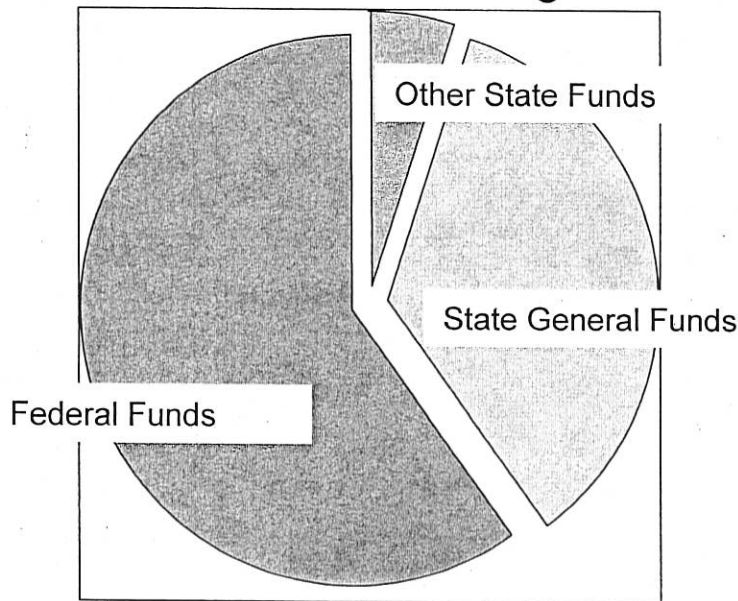
**Total \$2,450.1 (All Funds)**

Totals may not add due to rounding



# SRS Expenditures by Revenue Source

FY 2005 Budget – Governor’s Budget Recommendation (In millions)



**Total \$2,450.1 (All Funds)**

(Totals may not add due to rounding)

State General Funds	\$856.5 (35.0%)
Federal Funds	\$1,470.3 (60.0%)
Other State Funds	\$123.3 (5.0%)
Fee Funds	\$75.4
Children’s Initiative Fund (tobacco)	\$33.1
State Institution Building Fund	\$14.2
Other	\$.6

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# Summary of Expenditures

Annual Expenditures in Millions for State Fiscal Years 2002 & 2003 (AF)

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## Child, Adult, and Family Safety and Well-Being Services

SFY 2002

SFY 2003

Adoption/Alternative Permanencies

\$28.2

\$32.3

Adoption Subsidy

\$17.1

\$17.6

Foster Care

\$91.9

\$88.4

## Financial and Employment Services

Child Care

\$50.8

\$54.5

Child Support Collections (This line-item is not an expenditure, but total SRS child support collected on behalf of families)

\$143.1

\$146.8

Disability Determination Services

\$3.5

\$3.9

Food Assistance

\$106.8

\$133.9

General Assistance

\$6.0

\$6.9

Low Income Energy Assistance

\$8.8

\$12.6

Vocational Rehabilitation and Services for the Blind

\$18.0

\$17.3

Temporary Assistance for Families (TAF)

\$49.0

\$53.7

TAF Employment Services

(In Millions)

\$8.0

\$9.6

Not a complete listing of SRS services

# Summary of Expenditures

<u>Health and Medical Services</u>	<u>SFY 2002</u>	<u>SFY 2003</u>	
State Mental Retardation Hospitals	\$46.6	\$44.0	
Developmental Disability Services	\$232.4	\$235.7	
Mental Health Services	\$75.8	\$80.1	
Physical Disability Services	\$65.8	\$66.5	
State Mental Health Hospitals	\$56.5	\$55.9	
Sexual predator Treatment Program	\$1.6	\$2.4	
Addiction and Prevention Services	\$18.3	\$18.3	
Health Care Services:			
People Primarily in Managed Care Programs			
Families	\$106.6	\$128.4	
Children	\$118.9	\$136.4	
Pregnant Women	\$37.6	\$42.8	
People Primarily in the Fee-for-Service Program			
Persons who are Elderly and Disabled	\$471.7	\$490.2	
Children in Foster Care, Adoption, or JJA	\$34.0	\$40.4	
Persons Provided Partial Health Care Coverage	\$13.2	\$14.4	
MediKan Fee-for-Service	\$17.5	\$20.6	(In Millions)
Children's Health Insurance Program	\$43.2	\$47.6	

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# Summary of Persons Assisted

Number of consumers/beneficiaries for state fiscal years 2002 & 2003

<u>Child, Adult, and Family Safety and Well-Being Services</u>	<u>SFY 2002</u>	<u>SFY 2003</u>
Adoption/Alternative Permanencies	1,546	1,608
Adoption Subsidy	4,303	4,673
Foster Care	3,264	3,046
<b><u>Financial and Employment Services</u></b>		
Child Care	16,151	16,723
Child Support	308,239	299,809
Disability Determination Services	2,750	2,730
Food Assistance	131,723	155,800
General Assistance	3,152	3,660
Low Income Energy Assistance (Households)	31,834	38,346
Vocational Rehabilitation and Services for the Blind	7,859	7,406
Temporary Assistance for Families (TAF)	34,453	37,757
TAF Employment Services	11,342	14,182

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# Summary of Persons Assisted

<u>Health and Medical Services</u>	<u>SFY 2002</u>	<u>SFY 2003</u>
State Mental Retardation Hospitals	375	367
Developmental Disability Services	8,876	9,162
Mental Health Services	24,726*	25,700*
Physical Disability Services	4,875	5,016
State Mental Health Hospitals	431	409
Sexual Predator Treatment Program	65	82
Addiction and Prevention Services	14,111	14,999
Health Care Services:		
People Primarily in Managed Care Programs		
Families	52,400	62,041
Children	71,900	76,508
Pregnant Women	5,700	6,247
People Primarily in the Fee-for-Service Program		
Persons who are Elderly and Disabled	63,060	64,072
Children in Foster Care, Adoption, or JJA	10,000	10,322
Persons Provided Partial Health Care Coverage	6,660	7,652
MediKan Fee-for-Service	2,970	3,458
Children's Health Insurance Program	24,264	28,945

\*Figure represents persons served per year

# Consensus Caseloads

SRS Expenditures for Major Caseload Categories  
 Governor's "Existing Resource" Budget  
 (Consensus Caseloads in Millions)

Population	FY 2003 Actual	FY 2004 GBR	FY 2005 GBR	FY 2003-2004 Change		FY 2004-2005 Change	
				Amount	%	Amount	%
Temporary Assist/Families	\$53.7	\$59.0	\$63.5	\$5.3	10%	\$4.5	8%
General Assistance	6.9	7.5	8.2	0.6	9%	0.7	9%
Foster Care Contract	88.4	89.5	92.2	1.1	1%	2.6	3%
Adoption Contract	32.3	33.6	34.9	1.3	4%	1.3	4%
Regular Medical Assistance	915.7	1,039.0	1,161.9	133.4	15%	122.9	12%
NF - Mental Health	13.5	13.1	13.1	(0.4)	-3%	0.0	0%
HealthWave	47.9	51.6	57.0	3.7	8%	5.4	10%

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# Other Caseloads

SRS Expenditures for Major Caseload Categories  
 Governor's "Existing Resources" Budget  
 (Other Caseloads In Millions)

Population	FY 2003 Actual	FY 2004 GBR	FY 2005 GBR	FY 2003-2004 Change		FY 2004-2005 Change	
				Amount	%	Amount	%
Child Care Assistance	54.5	59.4	59.4	4.9	9%	0.0	0%
Adoption Support	17.6	18.0	18.7	0.4	2%	0.7	4%
Family Preservation	9.4	10.0	10.0	0.6	6%	0.0	0%
Rehabilitation Services	17.3	14.6	14.6	(2.7)	-16%	0.0	0%
ICF-MR	19.5	17.0	17.0	(2.5)	-13%	0.0	0%
MR-DD Waiver	199.4	206.1	213.8	10.2	5%	4.2	2%
PD Waiver	61.1	63.8	71.4	3.6	6%	6.7	10%
Head Injured Waiver	4.6	6.0	6.0	1.4	30%	0.0	0%
<b>Total (Consensus Caseloads and Other Caseloads)</b>	<b>\$1,531.7</b>	<b>\$1,692.6</b>	<b>\$1,841.6</b>	<b>160.9</b>	<b>11%</b>	<b>149.0</b>	<b>9%</b>

Totals may not add due to rounding

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# Consensus Caseloads

Average Monthly People for Major Caseload Categories  
Governor's "Existing Resource" Budget

Population	FY 2003 Actual	FY 2004 GBR	FY 2005 GBR	FY 2003-2004 Change		FY 2004-2005 Change	
				Amount	%	Amount	%
Temporary Assist/Families	37,757	41,034	43,812	3,277	8.7%	2,778	6.8%
General Assistance	3,660	3,975	4,329	315	8.6%	354	8.9%
Foster Care Contract	3,046	3,078	3,136	32	1.1%	58	1.9%
Adoption Contract	1,608	1,608	1,610	0	0.0%	2	0.1%
Regular Medical Assistance	230,299	243,115	257,121	12,816	5.6%	14,006	5.8%
NF - Mental Health	620	604	604	(16)	-2.6%	0	0.0%
HealthWave	28,945	31,782	35,221	2,855	9.9%	3,200	10.1%



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# Other Caseloads

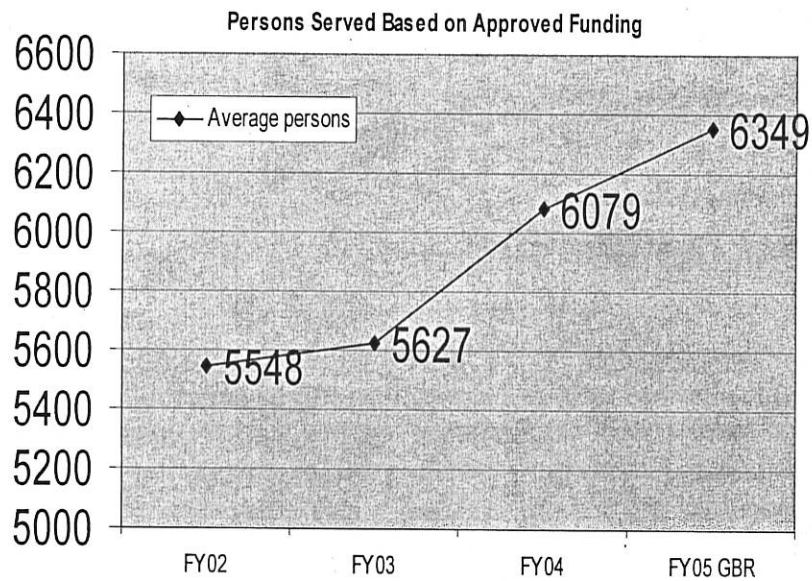
Average Monthly People for Major Caseload Categories  
 Governor's "Existing Resource" Budget

Population	FY 2003 Actual	FY 2004 GBR	FY 2005 GBR	FY 2003-2004 Change		FY 2004-2005 Change	
				Amount	%	Amount	%
Child Care Assistance	16,723	18,214	18,214	1,491	8.9%	0	0.0%
Adoption Support	4,673	5,036	5,438	359	7.7%	402	8.0%
Family Preservation (Families)	2,570	2,574	2,511	4	0.2%	(63)	-2.4%
Rehabilitation Services	7,406	7,847	7,867	441	6.0%	20	0.3%
ICF-MR	321	295	295	(26)	-8.1%	0	0.0%
MR-DD Waiver	5,627	6,079	6,349	208	3.6%	323	5.4%
PD Waiver	3,616	4,047	4,572	250	6.5%	606	14.7%
Head Injured Waiver	115	123	123	8	7.0%	0	0.0%
<b>Total (Consensus Caseloads and Other Caseloads)</b>	<b>401,247</b>	<b>424,323</b>	<b>444,745</b>	<b>23,076</b>	<b>5.8%</b>	<b>20,422</b>	<b>4.8%</b>

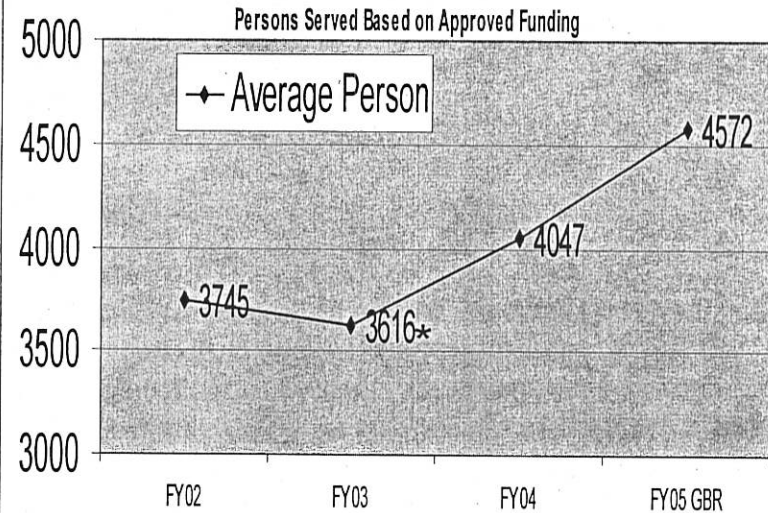
Totals may not add due to rounding

# Persons Served Through PD & DD Waiver Based on Approved Funding

## DD Waiver



## PD Waiver

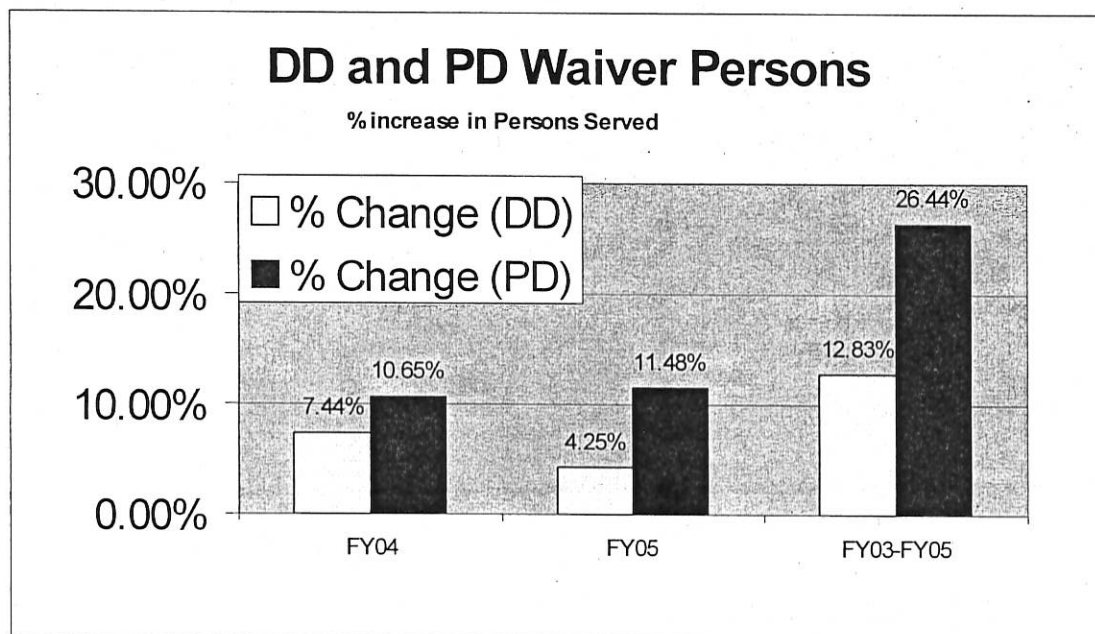


\* As a part of SRS' FY 2003 allotment, the level of care score on the Physical Disabilities (PD) waiver was raised from 26 to 30 for a few months. Also, services for persons who had been previously grandfathered in were discontinued. These level of care score changes account for the dip in the average number of persons served on the PD waiver during that year.

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## Change in Persons Served Through DD and PD Waiver SFY 2004 & SFY 2005

The chart summarizes the percentage increase in persons served in FY 04 and FY05 on both waivers, as well as the percentage increase in persons served during a two-year period. From FY 2003 - FY 2004, there has been an increase of 10.65% in the number of persons served on the PD waiver, and an increase of 7.44% in the number of persons served on the DD waiver. For FY 2005, there will be an increase of 11.48% in the number of persons served on the PD waiver and a 4.25% increase in the number of persons served on the DD waiver. During this two-year period, there will be an increase of 12.83% in persons served on the DD waiver and a 26.44% increase in persons served for the PD waiver.

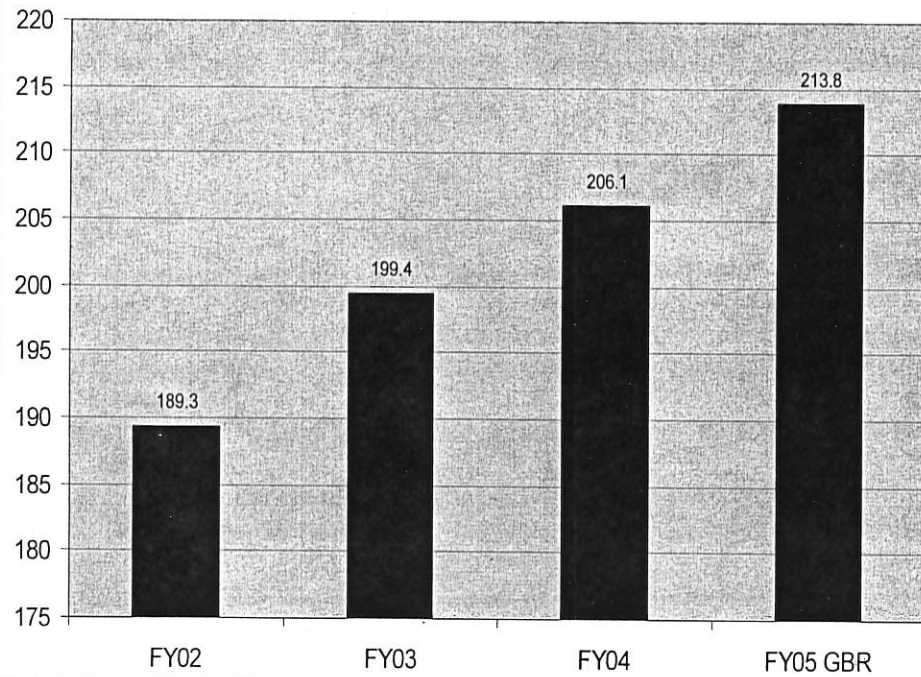


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# PD & DD Waiver Spending

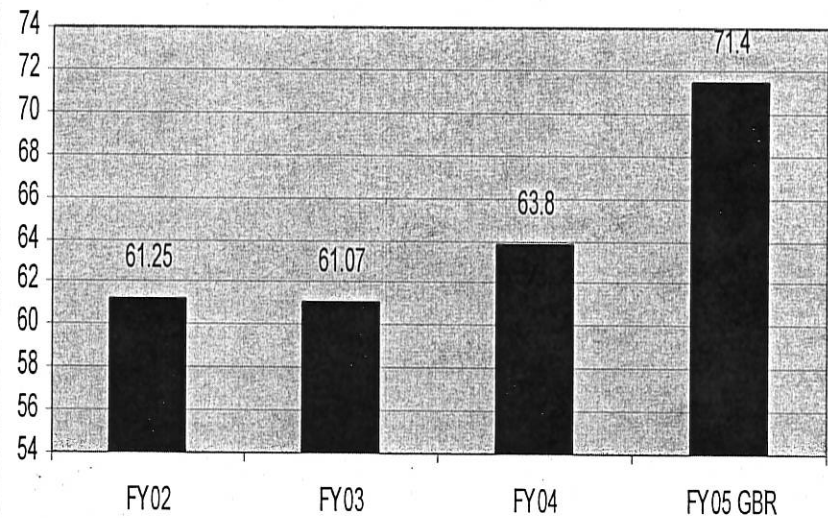
### DD Waiver Spending

Spending (Millions)



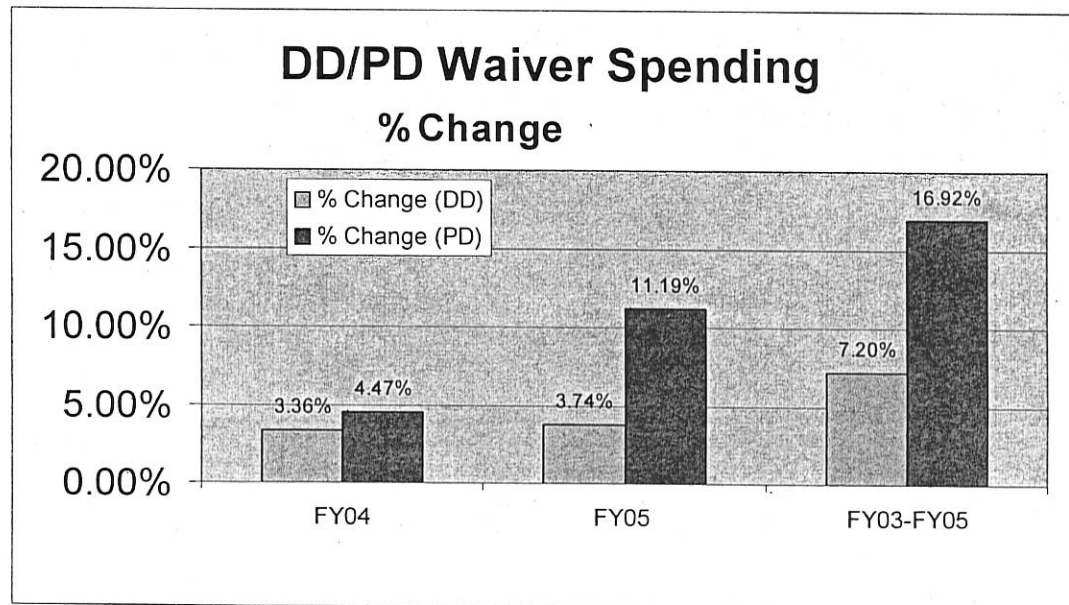
### PD Waiver Spending

Spending (millions)



# Change in Total Spending for DD and PD Waivers FY 2004 & FY 2005

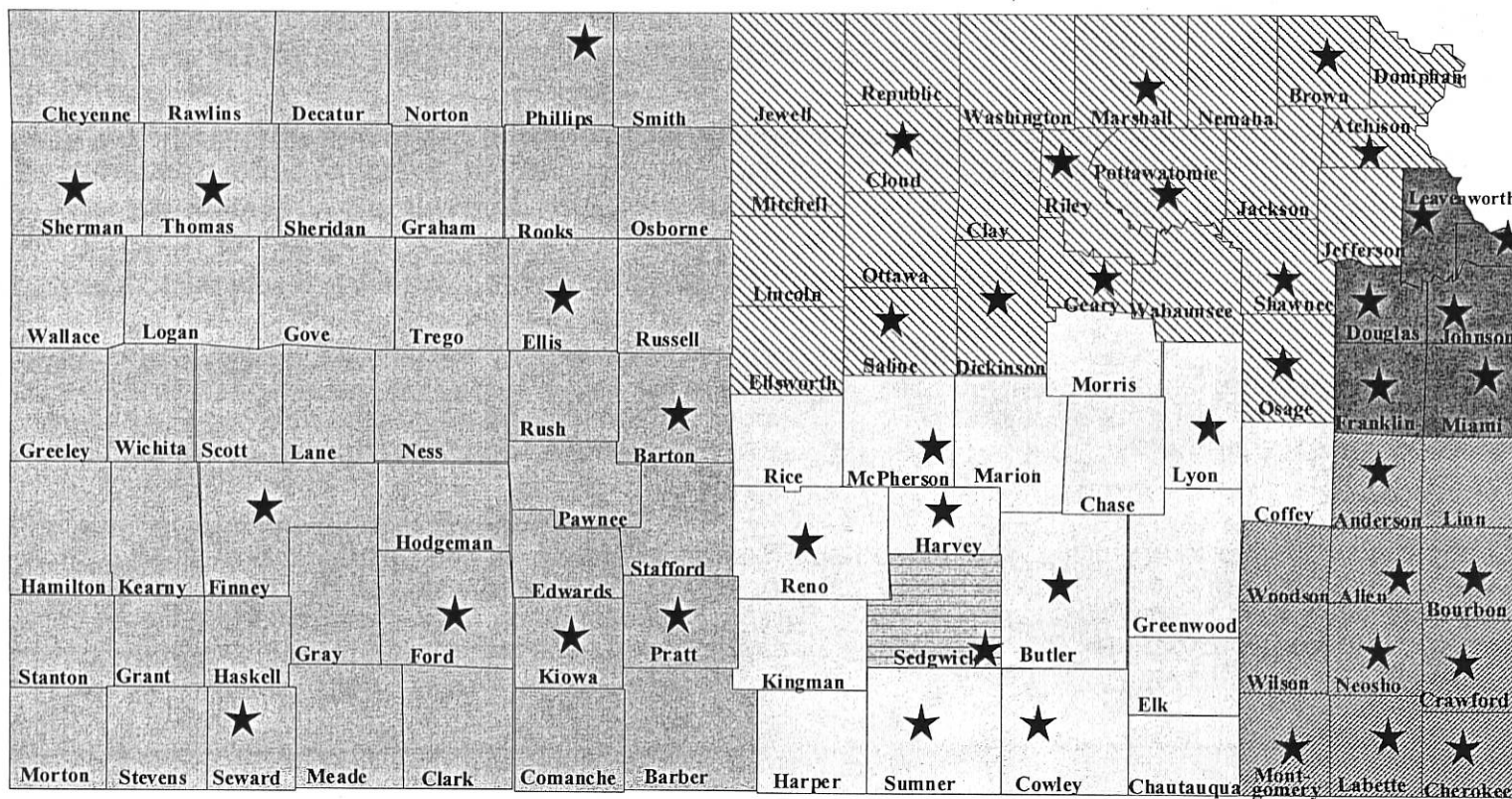
- The chart below shows the total spending for the DD and PD waivers in FY 2004, FY2005 and for two years from FY03 to FY05.
- The approved budget for FY04 for the DD waiver, excluding the cost of pended claims, increased by 3.36% above actual FY03 spending.
  - The approved budget for FY04 for the PD waiver, excluding the cost of pended claims, increased by 4.47% above actual FY03 spending.
  - The GBR for FY05 is 3.74% more than the approved budget for FY04 for the DD waiver, excluding pended claims.
  - The GBR for FY05 is 11.19% more than the approved budget for FY04 for the PD waiver, excluding pended claims.
  - For the two years of FY03 to FY05, the percentage increase in spending for the DD waiver equals 7.20%.
  - For the two years of FY03 to FY05, the percentage increase in spending for the PD waiver equals 16.92%.



# Projected Service Delivery Redesign

## Consolidation of Management Areas

### 6 Regions



- ◆ Stars indicate anticipated service centers at the end of FY 2005
- ◆ SRS presently has over 400 access points and anticipate that amount to increase

# Governor's Budget Recommendation

## *Highlights of SRS Changes*

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- Additional Funding for SRS' Fall 2003 Consensus Caseload estimates for Regular Medical, Temporary Assistance for Families (TAF), Nursing Facilities for Mental Health (NF/MH), General Assistance (GA), Foster Care, and Adoption in FY 2004 and FY 2005. There was an increase in SGF for Foster Care due to federal policy and funding changes. SGF for NF/MHs also increased due to changes in ages of the people at NF/MHs. Other changes were due to numbers of persons served and changes in cost.
- Restoration of the Protection Reporting Center (PRC) for FY 2004 and FY 2005. As part of SRS' FY 2003 allotment reductions, the PRC was contracted out to a private vendor. SRS reestablished the PRC as a state-operated 24 hours-a-day, seven-days-a-week hotline which will take Child in Need of Care and adult abuse and neglect reports statewide. Area Offices will continue to take calls during business hours.
- Additional funding for the Adoption Support caseload increase in FY 2004 and FY 2005.
- New SGF funds to establish the Assistive Technology Revolving Loan program. These are state matching funds to provide loans to assist persons with disabilities in accessing assistive technology. The University of Kansas will administer this grant, and the federal grant dollars are included in their budget.
- Additional funding for the Home and Community Based Services (HCBS) waiting lists for persons with physical disabilities and persons with developmental disabilities in FY 2004 and FY 2005. The FY 2004 GBR also increases SRS' fee funds spending limitation so fee funds could be used to pay the HCBS claims that were pended at the end of FY 2003.

# Governor's Budget Recommendations

## *Highlights of SRS Changes*

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- Adds an enhancement of \$15.2 million AF (\$6.0 million SGF) in FY 2005 to provide additional people with in-home services for those with physical and developmental disabilities. The FY 2004 GBR increases our fee fund spending limitation so fee fund could be used to pay the HCBS claims that were pended at the end of FY 2003.
- Reduction in the SRS budget to account for the savings associated with reducing the number of SRS Management Areas
- Elimination of services for children ages 12 and under at Larned State Hospital, and providing mental health services for children in their homes and communities. SRS will be working with stakeholders to design alternative services for young children in their homes and communities.
- Additional funding for the census increase in the Sexual Predator Treatment Program in FY 2004. The program is increasing at a rate of three persons per month. Seventy-two FTE positions were added to provide the intensive services required by this population.
- Replacement of the Intergovernmental Transfer (IGT) funds with SGF. Due to changes in federal regulations, SRS will not receive \$8.0 million IGT funds for the HCBS waivers. SGF was needed to replace these state matching funds.

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# Highlights for 2004 Legislative Session

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## SRS Legislative Proposals

- **Access to Birth Records From KDHE – HB 2571**
- **Title XXI: Removal of the Requirement that Managed Care Be Capitated**
- **Child Welfare Tuition Program**
- **Access to the Adult Abuse Registry**

# On-Going Issues

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- ❑ **Rising Social Service Caseloads**
- ❑ **Managing Health Care Costs**
- ❑ **Preserving the Safety Net for Vulnerable Kansans**
- ❑ **Assessing the Future of State Hospitals and the Capacity of Community Service Provider Networks**
- ❑ **Balancing Demand for Services with Available Funding**
- ❑ **SRS Service Delivery Redesign**
- ❑ **Managing Programs with Fewer Dollars and Staff**
- ❑ **Coordinating Services and Operations Across State Government**
- ❑ **Increased Scrutiny From the Centers for Medicare and Medicaid Services of Social Service Programs and Financing**
- ❑ **Federal Reauthorization Temporary Assistance to Needy Families and Child Care Legislation**
- ❑ **Assessing the Fiscal and Programmatic Impact of the Federal Medicare Reform Legislation**

Kansas Department of

# Social and Rehabilitation Services

Janet Schalansky, Secretary

**House Appropriations Committee**

January 27, 2004

**Update on SRS Issues**

Janet Schalansky, Secretary

785-296-3271

For additional information contact:  
Public and Governmental Services Division  
Tanya Dorf, Director of Legislative Affairs

Docking State Office Building  
915 SW Harrison, 6<sup>th</sup> Floor North  
Topeka, Kansas 66612-1570  
phone: 785.296.3271  
fax: 785.296.4685  
[www.srskansas.org](http://www.srskansas.org)

HOUSE APPROPRIATIONS

DATE 1-27-2004  
ATTACHMENT 2

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

House Appropriations Committee  
January 27, 2004

**Update on SRS Issues**

Chairman Neufeld and members of the Committee, thank you for the opportunity to appear before you today. My name is Janet Schalansky, and I am the Secretary of the Department of Social and Rehabilitation Services. In addition to the agency overview which we just reviewed, I would like to provide you with information regarding three specific topics about which you asked: local service delivery redesign efforts, the changes in our caseload estimates since the 2003 Legislative Session, and the status of the General Assistance/MediKan lawsuit against SRS.

**1. Service Delivery Redesign Update**

SRS continues to implement its phased service delivery redesign process: improve customer service by creating better access to services, creating efficiencies by consolidating staff into strategically located service centers, developing service delivery models which focus on customer service and community capacity building, and creating regional administrative structures that more closely align with updated service delivery models.

The Department is making progress towards its goal of increasing access to services in all counties, not just in counties where offices have closed. While a great deal of work is still needed, much has been accomplished in a few short months. SRS has developed over 400 Access Points statewide. Access Points are agreements with community partners to provide information about SRS services. Access Points range from a brochure and application rack in the local grocery store to private meeting space in a community library or in a community mental health center. An Access Point may also be a community partner who provides access to a phone, fax or the internet. With the development of Access Points and changes in federal regulations, most customers no longer need to come to an SRS office to receive services. A community capacity building base has been established through the collaborations that have occurred as Access Points are developed. These partnerships have been invaluable.

SRS has further improved customer access to services by establishing a statewide toll-free phone number, implementing "universal access" which allows customers to apply and receive services in a county other than their county of residence, and developing a web based application and assessment tool. Nearly 20,000 calls have been received on the toll free line since its June 2003 inception. During the first six months, 525 web based applications were submitted for processing. SRS has not fully marketed the web based application, as work on a Spanish version and enhancements to ensure accessibility for persons with disabilities were just completed last week. In December, a statewide toll free fax number was established.

Through December 31, 2003, SRS has closed 30 local offices and plans to close an additional 20 offices between January - June, 2004 (see Attachment A). The majority of these offices are scheduled for closure in the next two months. An additional 12 offices are scheduled for

closure in FY 05. As the agency gains experience in providing access through technology and a redesigned service delivery model, additional offices may be closed. Opportunities have been identified already through collaborative efforts in communities.

### **Impact of Service Delivery Redesign on Customer Access**

An initial review of office closures and its impact on customer access has been completed. The outcome of the review is an acknowledgment that it is too soon to draw any definitive conclusions. The early analysis reflected some promising data. Temporary Assistance to Families (TAF), Food Stamp, and Child Care caseloads were compared in counties where offices closed and in a sample of counties where offices remained open. The following data emerged:

- 75% of counties in which the SRS office closed, had an increase in TAF cases. 50% of counties in which the SRS office remained open, had an increase in TAF cases.
- 80% of counties in which the SRS office closed, had an increase in Food Stamp cases. 87% of counties in which the SRS office remained open, had an increase in Food Stamp cases.
- 95% of counties in which the SRS office closed, had an increase in Child Care cases. 87% of counties in which the SRS office remained open, had an increase in Child Care cases.

Again, it is too early to draw definitive conclusions based on this data, but office closures do not appear to be having a negative impact on access to SRS services. The Department is consulting with the Docking Institute of Public Affairs, which is affiliated with Fort Hays State University, to develop a longer term strategy to evaluate service delivery redesign. SRS can confirm:

- Customers no longer have to pay for a long distance call or fax.
- Customers can apply for and receive services in the community in which they live, work or trade.
- Customers are no longer required to drive to the SRS office to obtain information and applications or to apply for services.
- Customers are receiving more immediate access to SRS services. Prior to closure, many local offices were only open 1 day a week. Customer contact in that county usually occurred on that day. The toll free number provides access to services 5 days a week.
- Customer concerns regarding office closure have been minimal.
- Communities have strongly supported Access Points.
- SRS staff resources are being distributed based on caseload.

The Department is pleased with the progress made to increase customer access to SRS services. Much of that progress is due to the tremendous support of community partners and the hard work of local staff.

As mentioned earlier, the SRS service delivery redesign initiative includes updating regional administrative structures. In October 2003, SRS announced plans to reduce the number of

management areas from 11 areas to 6 regions by the end of FY 05. An internal realignment team has drafted an updated administrative structure developed from ideas generated by regional planning teams and central office staff. A final structure and an implementation plan are scheduled to be completed by March 1, 2004.

Realignment of management areas is a significant change in the way SRS operates. The agency is not just reducing the number of management regions, but changing the way we provide services. Nearly all employees will be impacted to some degree. No layoffs are planned as a result of this initiative. Staff may be asked to assume different job functions, perhaps in new locations. Some staff may choose to resign. Most staff are excited and are looking forward to this new way of doing business because they believe it will be better for our customers. A few are uncomfortable with change and are trying to maintain the status quo.

SRS is working diligently to ensure lines of communication with staff remain open. An internal website has been developed to share realignment team progress and to obtain staff input. In October, nearly 200 senior administrators devoted two days to learning more about this change in operations. We will continue to communicate with all staff to increase their understanding of change and their readiness to adapt in a changing environment.

**2. Changes in SRS Caseload Estimates since the 2003 Legislative Session**

**Compare Spring 2003 to Fall 2003 Consensus Estimates:**

Estimates in Millions for Fiscal Year 2004

	Spring FY 2004		Fall FY 2004		Increase (Decrease)	
	Consensus		Consensus		SGF	AF
	SGF	AF	SGF	AF		
Temporary Assistance for Families	29.82	57.69	29.82	59.00	0.00	1.31
General Assistance	7.52	7.52	7.52	7.52	0.00	0.00
Foster Care Contract	34.81	89.48	39.04	89.50	4.23	0.02
Adoption Contract	16.23	34.37	14.48	33.65	-1.75	-0.72
Nursing Facilities-Mental Health	8.93	13.10	10.00	13.10	1.07	0.00
Regular Medical Assistance	358.00	1,069.00	315.05	1,039.05	-42.95	-29.95

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Description of the changes:

Temporary Assistance for Families - TAF expenditures are projected to increase as caseloads increase and costs increase slightly. SGF was not increased because the entire increase was funded with TANF.

General Assistance - No change from the spring consensus was projected. These consensus estimates account for the people leaving GA after 24 months in the program. No adjustment has been made related to the lawsuit filed at the end of 2003.

Foster Care - Caseload and contract costs are not projected to change significantly from the spring estimate. The increase in SGF is due to federal policy changes and funding changes. Over the past couple years, Title IV-E and Title XIX funds were expended at a greater rate than claimed. This was possible due to balances in these funds from prior period adjustments. These funds have been exhausted, and this SGF adjustment corrects the funding. The SGF increase above reflects a \$1.1 million offset from enhanced Federal Medical Assistance Percentage (FMAP).

Adoption - Caseloads are projected to be slightly lower than the spring estimate. The majority of the savings however are the result of the temporary enhanced match rate in Title XIX and a claiming adjustment allowing additional Title IV-E to be used in the adoption contract.

Nursing Facilities for Mental Health (NFs/MH) - Caseload and costs are projected to remain constant. The increased SGF is because of changes in the ages of the people at NFs/MH; people 21 to 65 years of age are not eligible for federal financial participation and have increased as a percentage of the total NF/MH population. Clients who are eligible for Title XIX have decreased as clients not eligible for federal funding have increased.

Regular Medical Assistance - The decrease in medical assistance between the spring and the fall consensus is due to several factors. Caseload and cost projections were lowered slightly from the spring estimate. The temporary increase in the federal matching rate for Medicaid services accounts for \$29.0 million in SGF savings. The remaining savings are primarily a result of using additional fee funds from pharmacy supplemental rebates instead of SGF, in association with the implementation of the Preferred Drug List.



**Compare Fall 2003 Consensus Estimates for FY 2005 to FY 2004 Estimates**

Estimates in Millions

	FY 2004 Estimate		FY 2005 Consensus		Increase (Decrease)	
	<u>SGF</u>	<u>AF</u>	<u>SGF</u>	<u>AF</u>	<u>SGF</u>	<u>AF</u>
Temporary Assistance for Families	29.82	59.00	29.82	63.50	0.00	4.50
General Assistance	7.52	7.52	8.20	8.20	0.68	0.68
Foster Care	39.04	89.50	42.72	92.90	3.68	3.40
Adoption	14.48	33.65	15.97	35.22	1.49	1.57
Nursing Facilities-Mental Health	10.00	13.10	10.40	13.10	0.40	0.00
Regular Medical Assistance	315.05	1,039.05	376.96	1,161.91	61.91	122.86

2-7

Description of the changes:

Temporary Assistance for Families - Expenditures are estimated to increase as the TAF caseload continues to increase. SGF was not increased because the entire increase was funded with TANF funds. The TANF surplus is projected to be exhausted during FY 2005, so any additional increases will have to be funded in a different way.

General Assistance - The increased expenditures are because of a projected 9% increase in people in the program. This increase in people accounts for the people leaving GA after 24 months in the program.

Foster Care Contract - Increased caseload and contract costs account for approximately 9% of the increase. The remaining increase is due to federal policy changes, funding changes in Title IV-E and Title XIX, and the end of the enhanced FMAP.

Adoption Contract - Caseload and contract costs are expected to increase slightly over FY 2004 levels. The increase in adoption expenditures is primarily the result of policy changes, funding changes, and adjustments. The end of enhanced FMAP also contributed to the increase of SGF over FY 2004.

Nursing Facilities for Mental Health - Caseload and costs are projected to remain constant in FY 2005. The increased SGF is because of changes in the ages of the people at NFs/MH. People 21 to 65 years of age are not eligible for federal financial participation. Clients that are eligible for Title XIX have decreased as clients not eligible for federal funding have increased.

Regular Medical Assistance - The increase in medical expenditures is due to both increased caseload (5.8 percent increase) and a modest increase in the cost of services (5.7 percent). The enhanced federal match rate also ends in FY 2005 resulting in increased SGF needs over FY 2004.

### 3. Status of REED, et al. v. SCHALANSKY et al. Lawsuit

The Reed case was filed in Sedgwick County on December 31, 2003, challenging implementation of the 24 month lifetime limit for receiving General Assistance and Medikan. A temporary restraining order was issued on December 31, and a temporary injunction hearing was held on January 16, 2004. At that hearing the Judge took the matter of whether to issue the temporary injunction under advisement, and directed the parties to submit findings of fact and conclusions of law to the Court by January 30. The temporary restraining order was left in place until further ruling by the Court. All cases that were to have benefits terminated on January 1 have been reinstated and will remain open pending the decision.

A more detailed summary of this case is attached for your information in Attachment B.

### 4. Additional SRS Issues

I would also like to provide the Committee with updates on some other key SRS issues:

- Medicaid Management Information System (MMIS) - SRS and our Medicaid fiscal agent, EDS, implemented a new MMIS in October 2003. There are always numerous challenges associated with the implementation of a new MMIS, and the new HIPAA requirements further complicated this MMIS change. Over the past three months, though, we have made continuous progress on claims processing. The number and amount of payments from the new MMIS is comparable to historical averages. We continue to work with individual providers to resolve specific billing issues.
- Rebidding of the Child Welfare contracts - SRS has extended the current child welfare contracts for family preservation, foster care and adoption services for one year. This decision was made to provide an opportunity to address some areas of the current community-based child welfare service contracts that need revision and some areas in which we would like to raise the bar on the successes already being achieved. The time line on which we are now operating is as follows:
  - June 2003 - January 2004 - Obtain input from stakeholders and the public
  - February - April 2004 - Develop request for proposals
  - May 2004 - Issue requests for proposals
  - September 2004 - Receive proposals for review
  - January 2005 - Issue new contracts
  - July 2005 - Begin services under the new contractsThe new contracts will be designed to continue to build a child welfare system that is safe, secure, stable, family-centered, connected to the community, and relies on evidence-based practices. A letter seeking input about the child welfare contract rebidding process was sent to all members of the Kansas Legislature on January 20.
- Home and Community-Based Services (HCBS) Waiting Lists - In an effort to manage the HCBS Developmental Disabilities (DD) and Physical Disabilities (PD) waivers, focus has been placed on the waiting lists and the number of individuals that may be served with the funding that is available. This is due to the numbers of individuals in need of assistance. There also have been legal decisions made in states that affect the way that states approach the issues of waiting lists, the Olmstead decision being the decision with the greatest impact. Kansas has been able to maintain continuous

movement of the waiting list with the addition of funding each year as well as the decision that we made to continue to serve individuals in crisis even when new funding was not available specifically to serve new persons from the waiting lists. Included in the management of the programs, SRS considers the level of supports provided as well as the quality of supports provided.

The total funding approved for the DD waiver in FY 2004 supports services to an average of 6,079 persons each month, an increase of 531 persons from FY 2002. For FY 2005 it is projected that the DD waiver will serve an average of 6,349 each month, an increase of 270 persons from FY 2004.

The total funding approved for the PD waiver in FY 2004 supports an average of 4,047 persons per month, up 302 persons from the average number served in FY 2002. In FY 2005, it is projected that the waiver will serve an average of 4,572 per month, an increase of 525 from FY 2004.

- Future of Kansas Mental Health Hospitals - In follow-up to the recommendations and directives from the 2003 Legislature and to coalesce and build upon the work of several preceding mental health system task force groups, SRS commissioned a Future of State Hospitals Project Steering Committee.

The Steering Committee has completed its work and prepared a final report. That report will be shared with the 2004 Legislature in the next few weeks. In short, the Committee found that Kansans who need to utilize the public mental health system should have access to and receive a full spectrum of psychiatric services. Further, these services should provide state of the science care, use evidence-based practices, promote timely and durable recovery, build resilience of children, and support families. The Steering Committee concluded that any future reduction in the service capacity of state mental health hospitals should occur only with planning input by impacted stakeholders and concurrent implementation of capacity building measures in the affected communities. To these ends, the Steering Committee developed several short-term and long-term strategies to prevent further dissolution of community-based services resources and to explore new public/private partnerships to deliver acute care services.

The Steering Committee recommended implementation of a regional model for inpatient psychiatric services for children in FY 2005. The Governor also addresses this issue in her 2005 budget with her recommendation that alternative community resources be used or developed to serve children under age 12 who currently are served at Larned State Hospital.

- Managing Health Care Costs - One of SRS' major roles is to provide health care coverage to tens of thousands of Kansans through Medicaid, Medikan and the State Children's Health Insurance Program. These vital health care services are critical to the well-being of Kansans, but health care costs continue to rise at an alarming rate. SRS employs two key strategies to address the rising costs of health care:
  1. Preferred Drug List - The 2002 Legislature authorized SRS to create a Preferred Drug List (PDL) which promotes clinically-appropriate utilization of pharmaceuticals

in a cost-effective manner. SRS' PDL, which was implemented in December 2002, currently includes thirteen drug classes. The estimated savings to SRS for FY 2004 for the current PDL is approximately \$8.0 million. Additional information about SRS' PDL is contained in a report we will submit to the Legislature today.

2. Care Management - SRS has placed increased focus on care management strategies in recent years. Through care management, a holistic approach is taken to balance each individual's health care needs with cost effectiveness. We are implementing a pilot project to utilize care managers to coordinate all aspects of care for high-risk individuals by utilizing disease management strategies, case management, evidence-based technology and expertise in communication, teaching and healthcare systems to improve care and cost effectiveness.
- High Performance Bonus Awards and Incentive Funds - In the fall of 2003 SRS received TANF high performance bonus awards for 2001 and 2002 from the U.S. Department of Health and Human Services totaling \$10.2 million. The bonuses were awarded for Kansas' high performance in the number of persons who became employed, the length of time they retained employment, and their wage increases following employment, as well as in recognition for increases in the households receiving food stamp and medical assistance.

For its performance in federal fiscal year 2002, SRS' Child Support Enforcement program also received \$1.5 million more in federal performance incentives than projected in the budget. To be eligible for federal incentives, states must first pass a data reliability audit to insure the data being used to calculate performance incentives is accurate and consistent among the states. Kansas passed this portion of the federal audit and became eligible for incentive payments.

- Increased CMS Scrutiny - Over the past two years, the Centers for Medicare and Medicaid Services (CMS) has begun more stringently interpreting the federal rules related to many of the programs which SRS manages, particularly related to the financial management of the programs. Each regional CMS office hired additional auditing staff to assess how states are managing their programs. SRS has been the subject of more federal audits recently, and we anticipate this trend will continue to increase. We continuously assess the extent to which our programs and financing arrangements could be called into question upon a stricter interpretation, as well as the impact on our service systems and providers if federal funding is reduced.

We have also begun to experience significant delays in CMS approval of Medicaid State Plan Amendments. Many of our proposed State Plan Amendments are still pending at the federal level. We anticipate this trend will also continue, which will affect the extent to which we can nimbly enact Medicaid program changes.

- Coordinating across State Government - Governor Sebelius has challenged all state agencies to identify ways to improve the efficiency and effectiveness of state government and to improve the quality of life for all Kansans. To meet these goals, the Governor and the Cabinet have chartered several BEST groups, created cross-agency work groups, and sponsored statewide meetings to gather public input on issues such

as education reform, economic development, and rural development. SRS has participated in these activities and has increased our efforts to coordinate programs and policy with other state agencies and local governments. Examples include:

- SRS senior managers served on BEST Administrative Redundancies Teams studying facilities management, purchasing, human resources and information technology.
- SRS Health Care Policy staff worked to develop models and quantify Kansas government health care purchasing.
- SRS is working with other Health and Human Services Cabinet agencies and the Kansas Association of Counties to begin joint planning to meet social service needs across governmental boundaries.

**Conclusion**

This concludes my updates for the Committee. Thank you for the opportunity to talk with you today. I would be happy to stand for any questions at this time.

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**Attachment A: Local Office Closures**

**Closures through December 31, 2003: 30**

County	City	Area Office	County	City	Area Office
Chase	Cottonwood Falls	Emporia	Lincoln	Lincoln	Manhattan
Cheyenne	St. Francis	Hays	Linn	Mound City	Chanute
Clark	Ashland	Garden City	Mitchell	Beloit	Manhattan
Clay	Clay Center	Manhattan	Nemaha	Seneca	Manhattan
Coffey	Burlington	Emporia	Ness	Ness City	Garden City
Comanche	Coldwater	Garden City	Pawnee	Larned	Hays
Edwards	Kinsley	Garden City	Ottawa	Minneapolis	Manhattan
Ellsworth	Ellsworth	Manhattan	Republic	Belleville	Manhattan
Grant	Ulysses	Garden City	Rooks	Stockton	Hays
Gray	Cimarron	Garden City	Scott	Scott City	Garden City
Greeley	Tribune	Garden City	Stanton	Johnson City	Garden City
Hodgeman	Jetmore	Garden City	Wabaunsee	Alma	Manhattan
Jewell	Mankato	Manhattan	Wallace	Sharon Springs	Hays
Kearny	Lakin	Garden City	Washington	Washington	Manhattan
Lane	Dighton	Garden City	Woodson	Yates Center	Chanute

**Closures January to June 2004: 20**

County	City	Area Office	County	City	Area Office
Barber	Medicine Lodge	Garden City	Meade	Meade	Garden City
Chautauqua	Sedan	Emporia	Morton	Elkhart	Garden City
Decatur	Oberlin	Hays	Osborne	Osborne	Hays
Elk	Howard	Emporia	Rawlins	Atwood	Hays
Gove	Gove	Hays	Rush	LaCrosse	Hays
Greenwood	Eureka	Emporia	Sheridan	Hoxie	Hays
Hamilton	Syracuse	Garden City	Smith	Smith Center	Hays
Haskell	Sublette	Garden City	Stevens	Hugoton	Garden City
Jefferson	Oskaloosa	Lawrence	Trego	WaKeeney	Hays
Logan	Oakley	Hays	Wichita	Leoti	Garden City

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**Attachment B: REED, et al. v. SCHALANSKY, et al.**

This case was filed in Sedgwick County District Court on December 31, 2003, by three named plaintiffs on behalf of themselves and other indigent and disabled Kansans who receive cash benefits and medical services from the Secretary, and who have cases pending before the Social Security Administration in which they are pursuing their rights to receive Supplemental Security Income (SSI). Plaintiffs are seeking a declaratory judgment, a temporary restraining order, and injunctive relief. An Ex Parte Restraining Order was issued by Judge Karl Friedel on December 31, 2003, ordering that defendants not implement Kansas Administrative Regulation 30-4-90 limiting General Assistance to twenty-four months of a recipient's lifetime, until a hearing could be held on plaintiffs' Motion for Temporary Injunction.

For their first cause of action plaintiffs claim that K.A.R. 30-4-90 did not include the hardship clause as mandated by the 2002 appropriation bill, and as a result, this violated a constitutionally imposed duty of due process in making provisions for disabled and impoverished citizens who have claims upon society.

For their second cause of action plaintiffs claim the promulgation of K.A.R. 30-4-90 limiting assistance to 24 months violates the constitutional duty imposed upon the Secretary to provide benefits to plaintiffs and class members as set forth in Bullock v. Whiteman, the 1993 Kansas Supreme Court case dealing with GA and Medikan reductions.

Plaintiffs ask the Court to grant a Temporary Restraining Order prohibiting the Secretary from implementing the regulation, both temporary and permanent injunctive relief prohibiting its enforcement, and a declaration that the regulation is in violation of the due process clauses of both the Kansas and Federal Constitutions and therefore subject to remedies provided by 42 U.S.C. §1983. Plaintiffs also ask for an order selecting them as class representatives for all indigent and disabled citizens of Kansas who are entitled to GA and medical benefits under the Medikan program.

At the January 16, 2004, hearing on plaintiffs' Motion for Temporary Injunction, the Judge took the matter under advisement and directed the parties to submit findings of fact and conclusions of law to the Court by January 30. The temporary restraining order was left in place until further ruling by the Court.