

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 a.m. on March 4, 2004 in Room 514-S of the Capitol.

All members were present except:

Representative Jo Ann Pottorff- excused

Committee staff present:

Alan Conroy, Legislative Research
J. G. Scott, Legislative Research
Amy VanHouse, Legislative Research
Leah Robinson, Legislative Research
Audrey Dunkel, Legislative Research
Becky Krahl, 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:

Others attending:

See Attached List.

- Attachment 1 Budget Report on Department of Social and Rehabilitation Services (SRS)
- Attachment 2 Budget for Children's Initiatives Fund, FY 2003-FY 2005
- Attachment 3 Additional Information regarding Department of Social and Rehabilitation Services (SRS)

Representative Feuerborn moved to introduce legislation concerning the comprehensive transportation plan. The motion was seconded by Representative Minor. Motion carried.

Action on HB 2666 - Repealing statute allowing department of administration to terminate the vanpool program.

The Chair recognized Leah Robinson, Legislative Research Department, who explained that **HB 2666**, as introduced, would have taken away the Department of Administration's (DOA) ability to terminate the vanpool program on its own. An amendment, introduced by Representative Sloan, clarified that the program would have to be financially self-supporting, including vehicle replacement and administrative costs; would have disallowed the driver from using the vehicle for personal use; and would have allowed the DOA to come to the Legislature for authority to end the program.

Representative Schwartz moved to approve the Sloan Amendment. The motion was seconded by Representative Osborne. Motion carried.

Representative Feuerborn moved to add an amendment stating that each driver must have a commercial driver's license (CDL) and that each driver carry liability insurance in the amount of \$1 million to be provided by the Department of Administration, with the cost of the insurance to be included in the prorated cost to each rider. The motion was seconded by Representative Bethell. Motion carried.

Representative Shriver moved to recommend **HB 2666** favorable for passage as amended. The motion was seconded by Representative Schwartz. Motion failed.

Representative Landwehr, Chair of the Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Department of Social and Rehabilitation Services

CONTINUATION SHEET

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE at 9:00 a.m. on March 4, 2004 in Room 514-S of the Capitol.

(SRS) for FY 2004 and moved for the adoption of the Budget Committee recommendation for FY 2004 with adjustments (Attachment 1). The motion was seconded by Representative Henry. Motion carried.

Representative Ballard, member of the Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Department of Social and Rehabilitation Services (SRS) for FY 2005 and moved for the adoption of the Budget Committee recommendation for FY 2005 with adjustments (Attachment 1). The motion was seconded by Representative Landwehr.

Representative Landwehr moved to amend the Budget Committee report by striking the contents of paragraph 3 of Item No. 23 and replace with language that requests SRS to review amending the SCHIP program to include children from conception to age nineteen and provide the Budget Committee with an accurate estimated cost, to be reviewed at Omnibus. The motion was seconded by Representative Bethell. Motion carried.

The Committee voiced concerns to Items 4, 5, 6, and 7 of the Budget Committee Report regarding the shifting of Children's Initiatives Fund (CIF) moneys in the Smart Start program to Family Preservation, CMHC grants for children's programs and the Immunization Outreach program. The Budget Committee noted that no funds are being taken from the Smart Start program budget; however, of the proposed increase of moneys from the CIF, a portion would be diverted to other programs (Attachment 2).

The Committee requested information on the purpose of the Therapeutic Preschool Program and the number and location of proposed Smart Start programs.

Representative Klein moved to limit the requested proviso in Item No. 27 to the Immunization Grant program. The motion was seconded by Representative Gatewood. The motion was withdrawn.

Representative Landwehr requested that the Budget Committee be allowed to continue working on the proviso language and revisit the issue at Omnibus.

Representative Klein moved to strike Item No. 27 of the Budget Committee recommendation to defer to Omnibus. The motion was seconded by Representative Gatewood. Motion carried.

Responding to a question from the Committee, Janet Schalansky, Secretary of SRS, indicated that the Department has closed 34-35 SRS offices at a savings of approximately \$507,000 SGF and \$1,093,000 all funds. The Budget Committee felt that the transition in closing these offices is working.

The Committee stated that it is important that discussion be continued on how all early childhood programs and services can be coordinated and made available to all children across the state.

The meeting was recessed at 11:00 a.m. and reconvened at 12:35 p.m.

The Budget Committee provided additional information to the Committee in answer to questions voiced during the morning session (Attachment 3).

Representative Ballard moved to add language to the Budget Committee report stating that 1,000 Kansans are on the HCBS/Developmentally Disabled and HCBS/Physically Disabled waiver waiting lists and recommends that if additional funds should become available, it be a priority to eliminate the waiting lists. The motion was seconded by Representative Gatewood. Motion carried.

Representative Feuerborn moved to add language to the Budget Committee report directing the Children's Cabinet to study the coordination of all early childhood programs under the umbrella of Smart Start. The motion was seconded by Representative Minor. Motion carried.

Representative Landwehr moved to strike language in Item No. 4 and insert language "The Budget Committee recommends shifting \$1.0 million Children's Initiatives Fund (CIF) from Smart Start to Therapeutic Preschools and shifting \$1.0 million CIF from Therapeutic Preschools to Family Preservation, resulting in a net change of zero for the Therapeutic Preschool program". The motion was seconded by Representative

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Schwartz. Motion carried.

Representative Bethell moved to approve the Budget Committee report on the Department of Social and Rehabilitation Services for FY 2005 as amended. The motion was seconded by Representative Landwehr. Motion carried.

The meeting was adjourned at 1:15 p.m. The next meeting will be held at 9:00 a.m. on March 5, 2004.



Melvin Neufeld, Chairman

HOUSE APPROPRIATIONS COMMITTEE

March 4, 2004

9:00 A.M.

NAME	REPRESENTING
Patrick Hurley	AA
Widelynn Hessel	Budget
Candy Shively	SRS
Raot Anne Davis	SRS
Laura Howard	SRS
Kyle Kessler	SRS
Tanya Dorf	SRS
Janet Schalamansky	SRS
Pat Hulelall	Phma
Cindy D'Ercole	KAC
Michael White	Kearney Assoc.
Mike Kuttles	hi. Gov't. Coalitg.
Cindy Luxem	KHCA
Amy Campbell	KMHC
Steve Solomon	The Farm, Inc.
Jennifer Schewartz	KACIL
Matt Fletcher	INTERHAB
Josie Toney	SILCK
Sonja	SILCK
April Holman	Kansas Action for Children
Nancy Lindberg	Kansas Children's Campaign
Sheli Sweeney	Assoc. of CMHCs Kansas

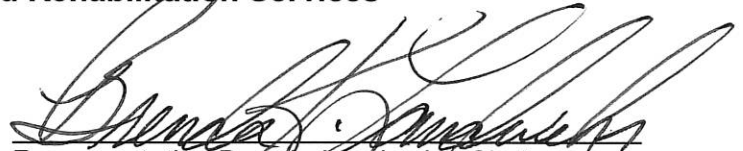
Randy Close

F.G.S. Wichita / Association CMHC

FY 2004 and FY 2005


House Social Service Budget Committee

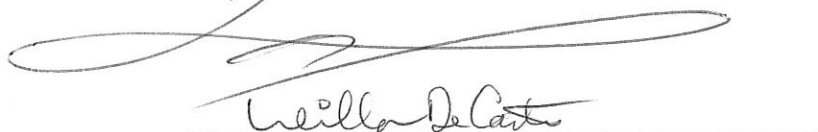
Department of Social and Rehabilitation Services



Representative Brenda Landwehr, Chair

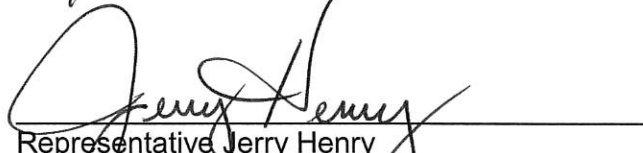

Representative Barbara Ballard


Representative Bob Bethell

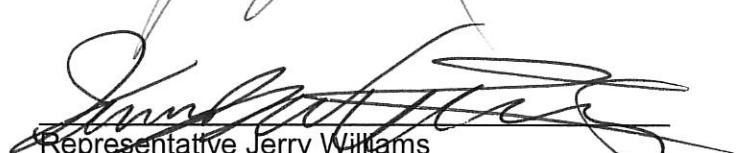

Representative Eric Carter


Representative Willa DeCastro


Representative John Edmonds


Representative Jerry Henry


Representative Melvin Neufeld


Representative Jerry Williams

HOUSE APPROPRIATIONS

DATE 3-04-2004
ATTACHMENT 1

recommends that EDS notify all providers through their regular mailings that they can bill every two weeks, rather than every 30 days, as well as use the internet to make their claims. Providers can do an inquiry on claims and the internet will tell them if it's been paid, denied or suspended for review. They can also submit claims through the internet for real time adjudication. Providers can also check beneficiary eligibility through the web. The Budget Committee believes that these changes will result in more timely recognition and eradication of billing errors and problems.

The Budget Committee also recommends that the Department of Social and Rehabilitation Services, in their regular contacts with providers, inform them that they can use biweekly billing and access claims processing via the internet.

The Budget Committee plans to meet with EDS representatives and the Secretaries for the Department on Aging and the Department of Social and Rehabilitation Services to address the timing of payments to providers prior to Omnibus.

waiver waiting list in FY 2005. The agency business plan indicates there are 73 persons currently on the HCBS/HI waiver waiting list, with a wait of approximately one year. The waiver serves persons age 16 to 55 years of age with a traumatic head injury, providing transitional living skills, the assistance of behavior specialists, alcohol and substance abuse counselor and home health agencies. Given the time it takes to develop care plans and the number of persons who remove themselves from the waiting list or fail to update their information and cannot be contacted, the Budget Committee estimates eliminating the waiting list will cost approximately \$800,000 State Funds. The Budget Committee believes there are sufficient undedicated balances in the Other State Fees fund to cover the cost of eliminating the waiting list.

3. The Budget Committee notes that in its recommendation for the state mental health institutions, it restored services for children 12 and under at Larned State Hospital and recommended funding the restoration from the HCBS/SED (Severe Emotional Disturbance) waiver. The HCBS/SED waiver is funded through the regular medical program, making it part of the caseload estimating process. The Budget Committee is aware that the effect of this recommendation may be to increase caseload expenditures for regular medical assistance by up to \$449,600 State General Fund, and \$1.1 million all funds.
4. The Budget Committee recommends blending the Therapeutic Pre-School program into Smart Start and shifting \$1.0 million Children's Initiatives Fund (CIF) for Therapeutic Pre-School to Family Preservation.
5. The Budget Committee recommends shifting \$1.0 million CIF from Smart Start to Family Preservation, in addition to the \$1.0 million CIF from the Therapeutic Pre-School program.
6. The Budget Committee recommends shifting \$500,000 CIF from Smart Start to CMHC grants for children's programs.
7. The Budget Committee recommends shifting \$4,509 from Smart Start to Immunization Outreach to restore the BEST reduction in that program.
8. The Budget Committee recommends shifting the Attendant Care for Independent Living (ACIL) program, which provides long-term maintenance or supportive in-home medical care for children, from the regular medical budget to community supports and services (CSS). CSS includes the intermediate care facilities for mental retardation (ICF/MR's) and home and community-based services (HCBS) waivers. The shift would allow greater coordination between the ACIL program and the HCBS/waivers as children age out of the ACIL program. The agency indicates there are no costs associated with the shift.
9. The Budget Committee notes that the Governor's budget bill includes proviso language allowing the agency to collect fees from families for services their children receive through SRS. The Governor's budget estimates collections of \$470,000 in family service fees. The funds are placed in the Social Welfare Fund and redistributed in the service program to access additional federal matching funds.
10. The Budget Committee expresses concern that Federally Qualified Health Centers (FQHC's), whose primary purpose is to address the needs of the indigent and uninsured, are capitalizing on their tax exempt status by competing

with private, for-profit care providers for insured clients. While federal requirements do not allow FQHC's to turn away the insured, the Budget Committee does not believe funds should be spent to advertise for these clients.

11. The Budget Committee notes that the agency is currently under court order to continue services under the General Assistance/MediKan program to those who have exceeded the 24-month time limit and is waiting for the judges determination. The agency is developing a set of hardship criteria to address some of the concerns expressed in the lawsuit.
12. The Budget Committee wishes to recognize the agency's efforts to streamline service delivery without sacrificing accessibility and service through the closure of area offices and development of service access points. While change of this type is often uncomfortable and fraught with anxiety, the agency has gone to great lengths to address the concerns of all of those involved. The agency has made efforts to maintain access to services, while protecting the privacy of the individuals accessing services. In addition, agency staff will have access to client records through the secure agency website where internet connections are available.
13. The Budget Committee notes the agency request for a waiver to provide a medical card for children aging out of foster care has been approved by CMS.
14. The Budget Committee recommends monitoring the progress of SB 531, which creates a hospital closure commission to close one developmental disability institution and downsize or close the second developmental disability institution and to ensure there is a plan in place that includes input from stakeholders. The closure of a state developmental disabilities institution will result in increased pressures on home and community-based services. Currently, the waiting lists for HCBS/DD waiver services is approximately 1,000 persons. The Governor has recommended an additional \$3.0 million State General Fund, \$7.6 all funds to address another 270 persons from the waiting list.
15. The Budget Committee requests that the Department of Social and Rehabilitation Services (SRS) report back to the 2004 Legislature on or before March 15, 2004 with recommendations for alternative use of intermediate care facilities for the mentally retarded (ICF/MR's) and state developmental disability institutions and how services will be provided for the residents of those facilities.
16. The Budget Committee notes that the Governor does not fund the 72.0 FTE positions approved in the FY 2004 recommendation for the Sexual Predator Treatment Program in FY 2005. In the event that this was merely an oversight on the part of the Governor, the Budget Committee would recommend review of the program prior to Omnibus. The Governor's Budget Amendment changes the 72.0 FTE positions recommended for FY 2004 to Non-FTE unclassified permanent positions and continues those positions into FY 2005. However, the Governor does not add funding in FY 2005 with the intent that funding carryover from FY 2004. If necessary, further funding for FY 2005 will be recommended in a future Governor's Budget Amendment or as supplemental funding when the revised FY 2005 budget is submitted. The Budget Committee requests that the agency report back at Omnibus on the number of persons hired for the program and the estimated funding available to carryover into FY 2005.

17. The Budget Committee recognizes the work of the Project Steering Committee on the Future of Kansas Mental Health Hospitals. The committee's final report is the result of a truly collaborative stakeholder process during which the broad spectrum of participants volunteered their time and excellent experience and input. The Budget Committee recommends the continuation of this process through the coordination of the Governor's Mental Health Services Planning Council and the inclusion of current steering committee participants for the purpose of building on the report recommendations and working toward a data driven planning process for the future of the Kansas mental health system. This study shall not be limited in scope and shall include the evaluation of applicable system data.
18. The Budget Committee notes that the agency included in its enhancement requests an increase of \$7.5 million State General Fund, \$18.4 million all funds to increase physician fee for service rates, but the Governor did not recommend the enhancement. The limited number of physicians willing to become or remain Medicaid providers is a continuing concern for the state, given the dual impacts of low Medicaid reimbursement rates and the increase in insurance rates for health care providers over the past several years. The Budget Committee fears that continued low physician reimbursement rates will precipitate a service crisis in Medicaid.
19. The Budget Committee notes that provider reimbursement rates for the home and community based services (HCBS) waivers have not increased over the past several years, leading to concerns about the number and quality of direct care service providers.
20. The Budget Committee requests a post audit on the Employment Service program in the Department of Social and Rehabilitation Services to determine effectiveness and efficiency of the program.
21. The Budget Committee notes that two bills, SB 489 and HB 2257, would enhance the safety and well being of children in state custody. SB 489 would make it mandatory that the Department of Social and Rehabilitation Services report to the State Child Death Review Board the injury or death of a child as a result of child abuse or neglect when the child is a ward of the state or at any time has been determined to be a child in need of care, within 30 days, for review by the Board. HB 2257 would create the Joint Committee for Legislative Oversight of Foster Care and Adoption Services. The committee would monitor and review foster care and adoption services offered in the state. The committee would have five legislative members, three representatives and two senators. The committee would also be added to a list of investigating committees. The bill would be effective upon publication in the *Kansas Register*. The bill would expire on January 8, 2005. The cost of the bill would be \$21,091 State General Fund. The Budget Committee notes that Legislators, the Department of Social and Rehabilitation Services and the Attorney General's office are working to address portions of both bills.
22. The Budget Committee recommends the Committee support HB 2569 and HB 2568. HB 2569 provides for the establishment of child advocacy centers which must meet certain criteria such as the following: be a private nonprofit incorporated agency or governmental entity; adopt established community protocols that meet all the requirements of the National Children's Alliance;

maintain a neutral, child focused facility to deal with children in cases of suspected or alleged sexual, physical, mental, or emotional abuse; maintain appropriate staff; provide a multi disciplinary case review team; provide appropriate case tracking and collect data on cases seen through the Center; provide medical exam centers; provide for an interagency commitment; provide for screening and training for staff and volunteers. Any qualified center would be eligible for state funding. The fiscal note indicates an expenditure of \$2,000 in FY 2005.

HB 2568 provides additional funding for HB 2569 through the Children's Advocacy Center Fund in the Kansas Treasury to be administered by the Attorney General. Funds are to be used as operating expenditures for the Centers. The bill assesses a fee of \$100 on defendants convicted with a crime under chapters 34, 35, or 36 of Article 21 statutes when the victim is a minor.

23. The Budget Committee recommends the Committee continue to monitor funding for the State Children's Health Insurance Program (SCHIP). Kansas currently utilizes not only its own allocation of SCHIP funds from the federal government, but also funds reallocated from states that cannot draw down all of their allotted funds. There is \$1.2 billion available for reallocation in the next federal fiscal year, but there is no guarantee that the reallocation will continue. In addition, the SCHIP program faces re-authorization in 2008. The Governor has recommended \$13.7 million State General Fund, \$57.0 million all funds (\$41.3 million federal funds) for FY 2005.

In addition, the Budget Committee notes the June 2003 performance audit report entitled "Low-Birth Weight and Premature Babies: Reviewing Programs Aimed at Reducing Their Incidence and Associated Costs " indicated that 6.9 percent of the babies born in Kansas are low-birth weight (less than 5 pounds, 8 ounces at birth) and that one-third of all births in Kansas are Medicaid-related and are more likely to be born prematurely or have a low-birth weight than other babies in Kansas. Almost \$20 million of the \$54 million in first-year expenses for babies born in 2000 was spent on low-birth weight babies, yet these babies represented only about 10 percent of the Medicaid babies born that year. On average, low-birth weight and premature babies were about five times more expensive during their first year of life than normal-birth weight babies - \$16,704 compared to \$3,180. Most of the difference related to hospitalization expenses: on average, low-birth weight babies spent 12 days in the hospital—6 times longer than normal birth weight babies. The lack of prenatal care is one of many factors that can increase the risk of poor birth outcomes, thereby increasing costs.

In light of these findings, the Budget Committee recommends that the agency amend the SCHIP program to include children from conception to age 19—currently children are covered from birth to age 19. The estimated cost of this change would be \$1.0 million State General Fund, \$4.0 million all funds. The Budget Committee estimates the savings just for first year expenses if only 20 infants received services would be \$270,480 all funds.

24. The Budget Committee recognizes the work of SRS and the Nursing Facilities for Mental Health (NF/MH's) in providing care for individuals with mental illness in the least restrictive environment, with consideration for the preferred choices of individuals and their families, clinical recommendations, and the availability of appropriate care in the community. The Budget Committee recommends the

implementation of written policy regarding (a) the procedures to be followed after an individual is screened to be moved into community services from the NF/MH; (b) the appeal process to be followed by families and guardians when request; (c) the respective roles of the agency and the facility when the transition is incomplete at the end of the prescribed transition period; and (d) the collection and reporting of data tracking the transition of the individual to community services and/or their return to residential care. Such policy shall include the dates of reporting and shall require such report to be delivered to the House Social Services Budget Committee, the Governor's Mental Health Services Planning Council, and the quarterly meetings between the SRS/NF/MH/CMHC task force beginning on July 1, 2004.

The agency process begins after a persons has resided in an NF/MH for at least six months. Once it has been determined that services in an NF/MH are no longer medically necessary, the initial notification goes out to the individual, Community Mental Health Center (CMHC), NF/MH, guardians and mental health field staff that the individual has 120 days to transition the individual into the community. An appeal can be made at this time. In another 60 to 90 days, another notification is sent out informing them that the end of the 120 days is pending. An appeal can be made at this time as well. Once an appeal has been made, the agency does not count the following time period against the 120-day limit until the appeal is resolved.

25. The Budget Committee recognizes that the private Intermediate Care Facilities for Mental Retardation (ICF/MR's) received a 10.0 percent cut in the Governor's 2003 allotment reductions, which has been translated into a 5.0 percent cut for FY 2005. The reduction requires an amendment to the state Medicaid plan that would cancel the scheduled 2.5 percent rate increases due twice a year; implement a 2.5 percent reduction in FY 2004 upon CMS' approval of the Medicaid state plan change and implement an additional 2.5 percent rate reduction on July 1, 2004.

The budget committee recommends capping costs covered for large, or size A, ICF/MR's at 90.0 percent and implementing the suggested state plan for both the medium (size B) and small (size C) ICF/MR's.

26. The Budget Committee recommends the addition of the following language to ensure that funds follow the person from an institution into a community setting:

During the fiscal year ending June 30, 2005, of the expenditures authorized by section 32 of 2004 House Bill No. 2900 for HCBS/MRDD services, reimbursement rates for consumers with documented extraordinary needs who currently receive, have been approved for or leave a state institution or private institutional setting and are approved for special tier or individualized rates shall be maintained at a level no lower than the rate of reimbursement for these consumers on July 1, 2002: *Provided, however,* That, nothing in this subsection shall prohibit a reduction or guarantee an increase in the reimbursement rate for consumers with documented extraordinary needs because of a change as a result of the annual basis assessment: *Provided further,* That any reductions in the HCBS/MRDD funding in fiscal year 2005 shall be implemented based on information and recommendations obtained in the most recent rate study required under subsection (a)(3) of K.S.A. 39-1806 and amendments thereto.

27. The Budget Committee recommends the addition of proviso language regarding state administered grants that would limit administrative costs to 7.0 percent,

allow only private entities to receive the grants, and award grant funds to no less than two qualified private entities, unless there is only one qualified applicant, to be determined by the Secretary of SRS.

28. The Budget Committee notes that only two contract providers - St. Francis Academy and United Methodist Youthville owe the Department of Social and Rehabilitation Services money, and have implemented plans to restore the funds. In addition, the Budget Committee notes that UMY has successfully completed their bankruptcy plan.
29. The Budget Committee recommends that if further budget reductions should become necessary, the Department of Social and Rehabilitation Services budget should be exempted, having contributed more than its fair share in addressing the budget crisis.

Omnibus Items

30. The Budget Committee requests that the agency report at Omnibus regarding the costs associated with providing services for children as they age out of the Assisted Care for Independent Living (ACIL) program.
31. The Budget Committee received powerful testimony about Kansans with disabilities that were provided a Vagus Nerve Stimulator (VNS) by Medicaid, only to be told later that the State (through Medicaid) would not cover the replacement of batteries for this medically necessary device. The VNS device is used to help prevent debilitating seizures for certain persons with disabilities. Replacement of the VNS batteries is a surgical procedure, and medically necessary to prevent these seizures.

The Budget Committee recommends SRS do a thorough review of the VNS replacement battery issue and report back at Omnibus on exactly why the state is denying the procedure or replacing batteries in these VNS devices. If SRS believes that the medical procedure to replace the battery of the VNS is not medically necessary, the Budget Committee directs SRS to produce the specific part of the Medicaid state plan that denies this coverage. If SRS believes that this procedure is experimental, the Budget Committee asks SRS to: 1) justify why they paid to implant the VNS device but now are denying payment for battery replacement; 2) produce credible medical evidence from a reputable neurologist to support the assertion that it is experimental; 3) report how many other states cover this procedure under their state's Medicaid plan. The Budget Committee also asks that SRS reexamine its policy not to pay for this procedure, to replace VNS batteries in these situations, and strongly recommends that they fund such medically necessary procedures. As SRS examines this procedure, the Budget Committee also asks that they examine the implantation of VNS devices as a cost-effective measure. Finally, the Budget Committee asks SRS to justify how denying this procedure is cost effective when compared to institutionalization, hospitalizations and medication, and report all these findings prior to Omnibus.

32. The Budget Committee requests the agency report back at Omnibus on the methodology used to reduce family supports and services for persons on the waivers as budget cuts have been made. In particular, the Budget Committee

is interested in what role, if any, caretakers had in deciding which services were essential and which were not as they were reduced.

33. The Budget Committee requests the agency report back at Omnibus on the financial situation of payroll agents for person's who self-direct their care through the HCBS/waivers. The Budget Committee is concerned that the rates paid to payroll agents are not sufficient to cover the cost of the additional responsibility of providing workers compensation insurance. Providers are finding that they must either go without insurance or join insurance pools with inflated costs.
34. The Budget Committee requests the agency report back at Omnibus on the progress toward the implementation of the care management pilot project, which is designed to view the consumer as an individual balancing the needs of the individual with cost effectiveness to provide the consumer with high quality, evidence-based care resulting in more appropriate and cost-effective utilization practices.
35. The Budget Committee requests the agency report back at Omnibus with an executive summary of the screening process for the NF/MH's.
36. The Budget Committee requests that the agency report at Omnibus on its progress toward opening the Medicaid medical card to mental health clinicians beyond the community mental health centers (CMHC's) and NF/MH's. The agency has outlined a plan and has asked for comment from stakeholders by March 3, 2004. The Budget Committee encourages opening the medical card to address concerns expressed by the Joint Committee on Children's Issues regarding the inadequate pool of qualified providers in some specialties and geographic areas, the inability of clients to utilize professionals in private practice because they cannot access the medical card, the need to provide for the special needs of special groups such as African Americans and Mexican Americans, and the detriment a change of therapist can have on a child as they move through the foster care system.
37. The Budget Committee requests that the agency report at Omnibus on the re-authorization of the Temporary Assistance for Needy Families (TANF) block grant. There are several concerns about the TANF re-authorization bill, which include restrictions on the activities that may be counted as work, increases in the work participation rates, and insufficient child care to complement the increased work rates. The Governor's recommendation estimates \$94.0 million from the TANF block grant for FY 2005.
38. The Budget Committee requests that the agency report at Omnibus on Flexible Child Welfare Funding. The Flexible Funding Child Welfare Option is a federal legislative proposal which affords state greater programmatic flexibility, but would cap Title IV-E federal foster care funds. Under the proposal, the fixed federal foster care funding over the five-year period would be based on the average spent in the previous three years. The U.S. Department of Health and Human Services (DHHS) has attempted for several years to draft a proposal that would allow Title IV-E funding to be used for services outside the instance when children are placed in the custody of the state. Kansas, along with other states, has advocated for funding for services to prevent custody using alternatives, such as family preservation, which could be financed with Title IV-E dollars. Unfortunately, the federal proposal would not result in savings sufficient to cover the anticipated reduction in federal funds. The Pew Institute is working with

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DHHS in examining alternative funding models which may be more favorable to states in this area. SRS has been involved in providing input to the Pew Institute.

39. The Budget Committee requests that the agency report at Omnibus on the pilot project to provide residential care to seriously ill children. SRS is working on a pilot project designed for families with a child who has physical or mental disabilities, and is in crisis with the child, to make a single contact in their community for help and support. The goal of the pilot project is to prevent children with disabilities in crisis from coming into state custody and to provide the family community support so care for their child.
40. The Budget Committee requests that the agency report at Omnibus on possible amendments to the Medicaid state plan to fund longer stays in patient acute care psychiatric services for children. The Budget Committee heard testimony regarding the limited in patient services for children in the state. Funding longer stays for in patient care would be one way to expand available services.
41. The Budget Committee notes with concern reports that payroll agents who discover and report fraud are penalized by reduced reimbursements, thus penalizing them for fraud beyond their control. The Budget Committee requests that the agency investigate and report back at Omnibus with procedures to address the issue.
42. The Budget Committee is interested in what planning the agency is doing in preparation for the new child welfare contracts that will be awarded for implementation beginning July 1, 2006. The Request for Proposal (RFP) will be issued and possibly awarded prior to the 2005 Legislative Session. The Budget Committee requests the agency report back at Omnibus on the process that will be used during this transition.

Children's Initiatives Fund FY 2003-2005

Agency/Program	Legislative Approved FY 2003	Actual FY 2003	Legislative Approved FY 2004	Gov. Rec. FY 2004	Gov. Rec. FY 2005	House Social Services Budget Committee Adjustments FY 2005
State Library						
Community Access Network	\$0	\$0	\$0	\$0	\$0	\$0
Department of Health and Environment						
Healthy Start/Home Visitor	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$0
Infants and Toddlers Program	500,000	500,000	800,000	800,000	800,000	0
Smoking Cessation/Prevention Program Grants	500,000	500,000	500,000	500,000	500,000	0
State Oral Health Program	0	0	0	0	0	0
Subtotal - KDHE	\$1,250,000	\$1,250,000	\$1,550,000	\$1,550,000	\$1,550,000	\$0
Juvenile Justice Authority						
Juvenile Prevention Program Grants	\$4,900,000	\$4,752,496	\$5,414,487	\$5,414,487	\$5,414,487	\$0
Juvenile Graduated Sanctions Grants	3,100,000	3,100,000	3,585,513	3,733,017 (3)	3,585,513	0
Subtotal - JJA	\$8,000,000	\$7,852,496	\$9,000,000	\$9,147,504	\$9,000,000	\$0
Department of Social and Rehabilitation Services						
Children's Mental Health Initiative	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000	\$0
Family Centered System of Care	5,000,000	5,020,000	5,000,000	5,000,000	5,000,000	0
Therapeutic Preschool	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	0
Community Services - Child Welfare	3,056,219	2,599,999	3,106,230	3,106,230	3,106,230	0
Child Care Services	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	0
Children's Cabinet Accountability Fund	550,000	8,895	550,000	1,091,105 (4)	541,802	0
HealthWave (SCHIP portion)	1,000,000	1,000,000	2,000,000	2,000,000	2,000,000	0
Smart Start Kansas - Children's Cabinet	2,700,000	2,472,426	3,500,000 (2)	3,727,574 (4)	10,000,000	(2,504,509)
Children's Medicaid Increases	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	0
Immunization outreach	500,000	500,000	500,000	500,000	495,491 (6)	4,509
Family Preservation	2,293,781	2,750,000	2,243,770	2,243,770	2,243,770	2,000,000
Grants to CMHC's to develop children's programs	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	500,000
School Violence Prevention	228,000	228,000	228,000	228,000	228,000	0
Experimental wrap-around services	0	0	0	0	0	0
Disproportionate Share Payments	0	0	0	0	0	0
Children's Cabinet Administration	0	0	250,000	250,000	0	0
Subtotal - SRS	\$24,528,000	\$23,779,320	\$26,578,000	\$27,346,679	\$32,815,293	\$0
Department of Education						
Parent Education	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$0
Four-Year -Old At-Risk Programs	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	0
School Violence Prevention	0	0	0	0	0	0
Vision Research	300,000	300,000	300,000	300,000	300,000	0
Communities in Schools	0	0	0	0	0	0
Mentoring Program Grants	0	0	0	0	0	0
Reading Recovery	0	0	0	0	0	0
Special Education	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000	0
Subtotal - Dept. of Ed.	\$8,525,000	\$8,525,000	\$8,525,000	\$8,525,000	\$8,525,000	\$0
University of Kansas Medical Center						
Tele-Kid Health Care Link	\$235,724	\$250,002	\$250,000	\$250,000	\$250,000	\$0
Pediatric Biomedical Research	2,000,000	2,000,001	0	0	0	0
Life Science Research	0	0	0	0	0	0
Subtotal - KU Medical Center	\$2,235,724	\$2,250,003	\$250,000	\$250,000	\$250,000	\$0
Emporia State University						
Future Teachers Academy/ National Board Certification	\$0	\$0	\$0	\$0	\$0	\$0
Regent Schools						
Alternative Teach Certification	\$0	\$0	\$0	\$0	\$0	\$0
Transfer to State General Fund	\$3,873,144	\$3,873,144	\$1,144,144	\$1,144,144	\$0	\$0
TOTAL	\$48,411,868	\$47,529,963	\$47,047,144	\$47,963,327	\$52,140,293	\$0

	Legislative Approved FY 2003	Actual FY 2003	Legislative Approved FY 2004	Gov. Rec. FY 2004	Gov. Rec. FY 2005	House Social Services Budget Committee Adjustments FY 2005
Beginning Balance	\$3,757,486	\$3,757,486	\$461,250	\$2,589,146	\$1,004,708	\$1,004,708
Released Encumbrances	115,632	1,361,623 (1)	460,894	253,889	0	0
KEY Fund Transfer	45,000,000	45,000,000	46,125,000	46,125,000	51,135,585 (5)	51,135,585
Total Available	\$48,873,118	\$50,119,109	\$47,047,144	\$48,968,035	\$52,140,293	\$52,140,293
Less: Expenditures and Transfers	48,411,868	47,529,963	47,047,144	47,963,327	52,140,293	52,140,293
ENDING BALANCE	\$461,250	\$2,589,146	\$0	\$1,004,708	\$0	\$0

- (1) The \$1.4 million in released encumbrances in the Governor's Recommendation reflects encumbrances not accounted for in previous years, as well as FY 2003.
(2) Due to a drafting error, \$300,000 CIF was removed from the Smart Start program in FY 2003 instead of FY 2004.
(3) Carry-over of \$147,504 from Prevention Grants was shifted to Graduated Sanctions grants and the SGF portion of the grant was reduced by that amount.
(4) Reflects reappropriations from FY 2003
(5) The statutory transfer in FY 2005 would be \$47,278,125, a difference of \$3,857,460.
(6) Reflects BEST reductions.

Therapeutic Preschool

The purpose of therapeutic preschool programs funded by the Children's Initiatives Fund is to identify young children experiencing serious emotional problems early and to provide and/or connect the children and their families to the supports and services known to be successful in producing positive outcome in children with special needs.

These program appear in both urban and rural areas. They were implemented as collaborative endeavors among the Community Mental Health Centers and early childhood preschool programs such as Head Start or local school district special education services. These programs incorporate the goals of maintaining at-risk children in the least restrictive, most natural residential and educational environments possible, promote attachment and effective family functioning and enhancing social and academic readiness to better ensure success in school. The outcomes reflect five of the core outcomes that are tracked for children's community-based mental health services. Over 90.0 percent of the children served through therapeutic preschools were able to remain in the permanent family home during the first semester of the 2002-2003 school year. Data also shows that the majority of children exiting these setting are able to enter regular classroom settings with their peers.

KANSAS CHILDREN'S CABINET AND TRUST FUND



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Topeka, KS 66612-1221
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TESTIMONY BEFORE THE HOUSE SOCIAL SERVICES BUDGET COMMITTEE

By

Melissa L. Ness, Chair; and Joyce A. Cussimano, Exec. Director,
Kansas Children's Cabinet and Trust Fund

February 19, 2004

Thank you for the opportunity to appear before you today. Joyce Cussimano and I would like to share information about the use of additional funds for the expansion of Smart Start Kansas, an important early learning strategy for our youngest citizens. In addition grantees are joining us to share the importance of Smart Start in their communities.

Our mission is to put Kansas kids first by funding what works.

Our vision is to enhance the lives of children by providing comprehensive, integrated, community-based initiatives that support safe and healthy children.

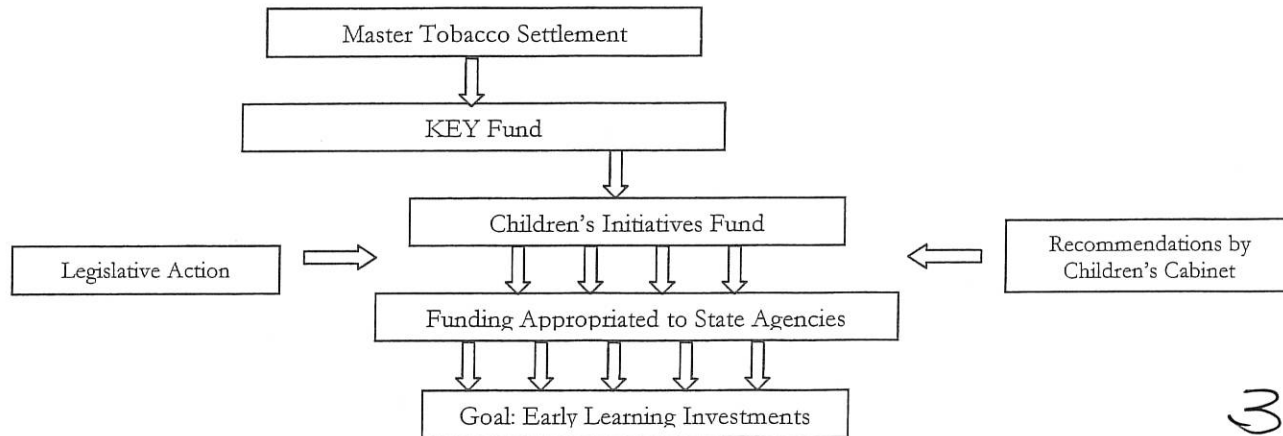
Our Guiding Principles:

- Early investment is smart.
- Working collaboratively maximizes results.
- Local control works best.
- Use proven strategies to achieve success.
- Fund only what works.

During the 1999 Legislative Session, 95 percent of the state's portion of the Master Tobacco Settlement was designated to support programs improving the health and well being of children and youth in the state. In addition, the Kansas Children's Cabinet was established with four major functions including the Children's Trust Fund, previously the responsibility of the Department of Social and Rehabilitation Services. Specifically:

- Advise the Governor and the Legislature regarding the uses of moneys from the Master Tobacco Settlement credited to the Children's Initiative Funds;
- Assess and evaluate initiatives receiving moneys from the Children's Initiative Funds
- Assist the Governor with efforts to develop and implement a coordinated, comprehensive delivery system to serve families and children;
- Support the prevention of child abuse and neglect through the Children's Trust Fund.

Concerted effort since its inception has led the Children's Cabinet to identify early childhood as the most effective arena for a positive return on expenditure of Children's Initiatives Fund moneys. Master Tobacco Settlement payments flow through the KEY and Children's Initiatives Funds to state agencies. The priority of the Children's Cabinet is for those funds to support early learning projects such as Smart Start Kansas.



Children's Initiatives Fund Recommendations

for

Fiscal Year 2005

Submitted to the Governor and Legislature
by the
Kansas Children's Cabinet and Trust Fund
November, 2003

Program Name	FY 04 Award	FY 05 Recommendations
PRIORITY PROJECTS		
CHILDREN'S CABINET		
Smart Start Kansas	3,200,000	10,000,000
Accountability Fund	550,000	550,000
PROJECTS FUNDED AT EXISTING LEVELS		
KDHE		
Healthy Start	250,000	250,000
Infant and Toddler	800,000	800,000
Tobacco	500,000	500,000
JJA		
Prevention Grants	5,414,487	5,414,487
Graduated Sanctions	3,585,513	3,585,513
SRS		
Children's Mental Health	1,800,000	1,800,000
Family Centered System of Care	5,000,000	5,000,000
Community Services-Child Welfare	3,106,230	3,106,230
Therapeutic Preschool	1,000,000	1,000,000
Child Care Services	1,400,000	1,400,000
Children's Medicaid	3,000,000	3,000,000
HealthWave	2,000,000	2,000,000
Immunization	500,000	500,000
Family Preservation	2,243,770	2,243,770
CMHC Children's Program Grants	2,000,000	2,000,000
School Violence Prevention	228,000	228,000
Children's Cabinet Administration	250,000	0
KSDE		
Parent Education	2,500,000	2,500,000
4 Yr Old At Risk Programs	4,500,000	4,500,000
Vision Treatment	300,000	300,000
Special Education	1,225,000	1,225,000
KUMC		
Tele-Kid Care	250,000	250,000
TOTAL CIF RECOMMENDATIONS:	45,603,000	52,153,000
TOTAL Available CIF Funds in 2005		47,278,125
KEY FUND EXPENDITURES		
Children's Cabinet Administration	0	325,000

Quick Facts: Smart Start Kansas

Smart Start Kansas Background

- The purpose of Smart Start Kansas is to help children enter school ready to succeed.
- Smart Start Kansas is a framework or model for community planning and decision-making. Smart Start allows flexibility to meet local needs, yet provides structure by requiring implementation of core services proven effective by research.
- Local and statewide evaluations ensure accountability for the funds. The long-term measure of the effectiveness of Smart Start Kansas will include assessment of school readiness among children impacted by the project, a five-year effort.
- The program's core services are family support services, including the availability of high quality, affordable early learning experiences for families who need or choose them and health services for children.

Evaluation Results to Date

- Total Number of Children Ages 0-5 Served by Smart Start Kansas Activities in 2002: 13,136
- Improving Quality of Early Child Care and Education:
 - Turnover rates for early childhood professionals are lower in centers where Smart Start Kansas wage supplementation programs are implemented.
 - In Kansas City, the average turnover rate for early childhood professionals receiving Smart Start Kansas wage compensation is 22 percent, a reduction of more than 20 percent since receiving Smart Start assistance in 2001, compared to the metro average of 41 percent.
 - In Crawford County, the turnover rate among early childhood professionals who participated in the wage compensation program has been maintained at 6 percent, compared to 60 percent prior to Smart Start Kansas.
 - In Salina, the turnover rate among early childhood professionals was 134% prior to Smart Start Kansas. The turnover rate for the second quarter of 2003 is 16%.
 - 49 early child care centers and preschools will obtain NAEYC accreditation certification with Smart Start Kansas assistance. Of the 49 participating centers, 8 completed the accreditation process in 2002. Over ten years, approximately 28,040 children will be served by this implementation.
- Improving Health for Children 0-5:
 - 5,134 health consultations have been conducted, and 974 referrals have been madehealth services
- Increasing Family Support Services:
 - 859 educational and family support home visitation services to families of children aged 0-5
 - 777 referrals have been made for families with children 0-5, and 631 follow-up contacts have been facilitated to ensure connection between referred families and services

Current Evaluation Status

Evaluation of 2003 activities is currently underway with site visits to all programs. Intermediate data indicators will be collected and compared to communities who are not participating in Smart Start.

Smart Start Kansas Grants Awarded in 2004

Program	Activities
Success By 6 Coalition of Douglas County, Lawrence \$252,965	Family Resource Team Assessments, referrals, infant and toddler subsidies, teacher training and scholarships, quality grants to providers for health and safety improvement.
Tri-County Smart Start Coalition, Kansas City \$666,350	Compensation program to child care providers, flexible benefits for providers (includes supports for health and dental insurance, professional development/training, etc.), technical assistance to centers and providers for business management.
Birth To Success Coalition, Colby \$281,352.00	Teacher scholarships, training for professional development, peer mentoring, recognition program for quality in early childhood profession, infant/special need subsidy program, enhanced Parents As Teachers program, preschool accreditation, business initiative program, resources program, child care center training program.
United Way of the Plains: Smart Start Wichita, Wichita \$577,265	Training for volunteers, teacher training, scholarships, health training and information, direct medical services, and behavioral intervention services.
Riley County-Manhattan Health Department, Manhattan \$246,614	Development of Family & Child Resource Center (focus on children birth to five), infant and toddler care slots (16), parent education, provider training and scholarships.
Child Abuse Prevention Services, Salina \$437,020	Teacher training, scholarships and wage compensation.
Family Resource Center, Pittsburg \$440,730	Professional incentive-wage compensation, infant care subsidy, increased infant care slots, preventative health services, mental health consultations and counseling, and parent education.

Over the next 12 months, 9 communities in Kansas will engage in planning a comprehensive early childhood system within their geographic target area. This planning process will prepare communities to improve local decision-making regarding early childhood programs and to support their community plans through Smart Start Kansas funds or other sources of funding. Through additional funding we can support 12 new sites, an increase for existing sites, along with Technical Assistance and support for community efforts.

Early Childhood Comprehensive Planning Grants Awarded in 2003

Family Resource Center, Inc., Pittsburg	<u>Counties Served:</u> Bourbon County
Geary County Unified School District #475, Junction City	<u>Counties Served:</u> Geary County
Marshall County Community Resource and Education Center, Marysville	<u>Counties Served:</u> Marshall County
Mitchell County Communities That Care Resource Council, Beloit	<u>Counties Served:</u> Mitchell County
Quality of Life Coalition, Inc. Abilene	<u>Counties Served:</u> Dickinson County
Rainbows United, Inc., Wichita	<u>Counties Served:</u> Butler County
Reno County Planning Council for Children and Families, Inc, Hutchinson	<u>Counties Served:</u> Reno County
Russell Child Development Center Garden City	<u>Counties Served:</u> Finney, Grant, Greeley, Hamilton, Haskell, Kearny, Lane, Morton, Scott, Seward, Stanton, Stevens, Wichita
The Center for The Learning Tree Institute, Frontenac	<u>Counties Served:</u> Labette County

Family Preservation

Family Preservation Services are intensive in-home services offered to families who are at imminent risk of having a child come into the custody of the department and removed from their home unless the family can make the changes necessary to provide adequate care and safety. These services assist the family in identifying and understanding the problems within the family that place a child at risk of out-of-home placement, and assist them in finding ways to change how the family unit functions. The Family Preservation Public/Private Partnership was established July 1, 1996. The SRS social worker is responsible for monitoring service delivery to achieve established outcomes. The monitoring reports reveal that families are highly satisfied with the services provided, and each of the service contractors exceeded the outcome measure that children would remain safely at home during program participation and for one year following program participation. The number of families served and the services provided follow.

	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate	FY 2005 Current Resource
<u>Families Served</u>	2,731	2,570	2,574	2,511
Family Preservation Services	\$10,554,275	\$9,372,952	\$9,964,083	\$9,964,083

ICF-MR Rate/Cost Scenarios FY04-FY05

There are 280 persons served in Class II ICFs-MR

	Current State Plan FY04*	Freeze Current Rates FY04	2.5% Rate Reduction Effective 1/1/04	Freeze Rates in FY05***	FY05 Additional 2.5% Rate Reduction
Total (after Pt Liab/Vacancy) Budget	18,912,079.40	18,392,517.95	18,166,016.89	17,715,619.35	17,272,728.87
Difference	1,958,457.40	1,438,895.95	1,212,394.89	761,997.35	319,106.87
% Over Budget	11.55%	8.49%	7.15%	4.49%	1.88%
Average % Cost Covered					
Size A (Large)	100.00%	101.00%	99.73%	98.87%	96.40%
Size B (Medium)	98.02%	97.21%	95.59%	94.78%	92.41%
Size C (Small)	96.78%	93.00%	91.45%	90.67%	88.41%

*Under the current State Plan, the costs are adjusted for inflation on October 1. The costs were increased by 2.5%, and then the limits were applied. Limits were raised in order to have 75% of facilities being reimbursed at least 95%, as required by the State Plan.

Reductions in Cost Due to Decreased Beds:

	Total # of Bed Closures	ICF-MR Rate Annualized	ICF-MR rate Annualized with Liability/ Vacancy applied	HCBS Rate Annualized	Difference
Bethpage-N	8	\$470,968.80	\$433,291.30	\$396,917.90	\$36,373.40
Bethpage-S	6	\$669,056.80	\$523,532.26	\$439,310.90	\$84,221.36
✓ **Terrace House	1	\$91,563.90	\$84,238.79	\$73,428.00	\$10,810.79
✗ Grandview Lane	4	\$342,165.20	\$314,791.98	\$293,712.00	\$21,079.98
	19		\$1,355,854.32	\$1,203,368.80	\$152,485.52

(Terrace House decreased from 5 beds to 4 in June 2003.)

*** Impact of Freezing Rates at reduced level for all of FY05

State Hospitals Bed Capacity

Institution	FY 2004			FY 2005		
	Rated Bed Capacity	Average Daily Census	Percent of Rated Bed Capacity	Rated Bed Capacity	Average Daily Census	Percent of Rated Bed Capacity
KNI	422	181	42.9%	422	181	42.9%
Parsons	336	188	56.0%	336	188	56.0%
Larned	409	313	76.5%	409	340	83.1%
Osawatomie	176	150	85.2%	176	150	85.2%
Rainbow	60	40	66.7%	60	40	66.7%