

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on February 3, 2005, in Room 514-S of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Amy VanHouse, Legislative Research Department
Reagan Cussimano, Legislative Research Department
Audrey Dunkel, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Duane Goossen, Secretary, Department of Administration & Budget Director
Dr. Bob Day, Governor's Health Policy
Amy Bertrand, Department of Administration

Others attending:

See attached list.

- Attachment 1 Testimony on **ERO 33**, Duane Goossen, Secretary, Department of Administration
- Attachment 2 Background on Executive Reorganization Orders, Legislative Research Department

HB 2245 is referred to Public Safety Budget Committee.

Representative Feuerborn moved to approve, as written, the Committee minutes of January 19, 2005. The motion was seconded by Representative Bethell. Motion carried.

Chair Neufeld recognized, Duane Goossen, Secretary, Department of Administration, who presented testimony on **Executive Reorganization Order 33 (ERO 33) (Attachment 1)**. Mr. Goossen introduced other resource personnel who were present to answer questions from the Committee: Dr. Bob Day, Director of Governor's Health Policy; Dr. Gary Daniels, Secretary of Department of Social and Rehabilitation Services (SRS); and Amy Bertrand, Legal Division of the Department of Administration. Mr. Goossen indicated that there is no intent by the Governor's office to request additional funding for the reorganization proposed in **ERO 33**.

Information, prepared by Alan Conroy, Legislative Research Department, on executive reorganization orders issued since the early 1970's through the present, was distributed to the Committee (Attachment 2).

The Chair recognized Dr. Bob Day, Director of Governor's Health Policy, who briefly explained the changes which are proposed in **ERO 33**. Dr. Day stated that the primary function of **ERO 33** is to move the regular medical portion of Medicaid under a single umbrella and combine it with the administrative functions of the State employee's health plan. The waiver programs and long-term care programs will remain with the Department of Social and Rehabilitation Services (SRS). Dr. Day indicated that staff who will move with the programs, have been identified. The Ticket to Work program will continue to be administered by SRS.

Responding to questions from the Committee, Mr. Goossen, Dr. Day and Ms. Bertrand explained:

- Goal of the reorganization, is not to expand government but to reduce the functions of SRS to focus more on human services, and bring the medical portion into a new department to focus on healthcare purchasing.
- There will be a one-time cost involved with the move to the new department: 50 percent to be paid by the federal government and 50 percent by the State. The approximate cost will be \$1,000 - \$1,200

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MINUTES OF THE House Appropriations Committee at 9:00 A.M. on February 3, 2005 in Room 514-S of the Capitol.

per staff member, with approximately 78-85 staff members involved The cost will be absorbed within the existing budget.

- Programs to remain in SRS include health-care products, long-term care, home-community based waivers, caseload estimating process, mental health services-policy and budget components.
- The new proposed division of health policy and finance will work to insure that Medicaid claiming meets requirements. They also will work with other agencies, such as Department on Aging, to create policy and work with issues relating to Medicaid. SED waivers will continued to be handled by Mental Health Division of SRS.
- At the present time, the Healthcare Data Governing Board is not included in the **ERO**; however, it is the Governor's intent to move this Board to the proposed division of health policy and finance through a memorandum of understanding. Claims data will be expanded to include information from Insurance Department, medicaid data, state employee data and self-insured plans. This will expand information data available in order to improve the quality of healthcare.
- Current classified employees will remain as classified employees; vacancies could be filled with unclassified employees or as otherwise provided by law.
- Reasons for the reorganization includes ability to consolidate purchasing power for healthcare, improve quality of healthcare, more efficiency, and bring about a new approach to the purchase of health care from the provider. In past years, Medicaid has moved from a welfare program to an insurance program and occupies approximately 80 percent of the SRS budget at the present time.
- Rural health is an important issue, as well as the availability of physicians in rural areas.

Although the Committee felt it is important to make change where improvement can be made, they continued to express their concern about the lack of details, the lack of communication with the Legislature to ensure that the Legislature was made a part of the process in the reorganization effort, why the reorganization was proposed and how the reorganization would be accomplished. The Committee felt it is important to bring about cost containment, to recognize the role of state government in healthcare and to research successful programs in other states before implementing the reorganization in Kansas. The Committee expressed concern that the state has a Director of Health within the Department of Health and Environment; however, this position will be disconnected from the new proposed division of health policy and finance. Because of the magnitude of the reorganization and the fact that SRS has the second largest budget of the State, the Committee felt it is important to include other entities in the process and further involve the Legislature in the process before any action is taken to advance the ERO.

The Chair requested that information be provided to the Committee on Monday, February 7, 2005, in the form of a organizational chart; detailed budget and how the dollars will move from SRS to the proposed division of health policy and finance; number of staff positions involved and budget for these positions; and other articles of the reorganization to be accomplished by administrative intent that are not included in the ERO.

Responding to a question from the Committee with reference to the House rules related to **ERO 33**, Jim Wilson, Revisor of Statutes, stated that **ERO 33** was introduced to the House on January 12th and referred to the Appropriations Committee on January 13th. Under House rules, the Committee has thirty calendar days from referral, or until Saturday, February 12, 2005, to report its recommendations (Rule 4502). If the Committee fails to report, it is deemed to have returned the matter to the House without recommendation (Rule 4503). The House then has until the 60th calendar day following transmittal to the House, or until Sunday, March 13, 2005, to take up the matter (Rule 4504).

The Chair noted that detailed information on **ERO 33** was not available or provided to the Legislative Research Department or to the Committee during the first two weeks of the legislative session which caused a delay in hearing testimony by the full Committee.

The meeting was adjourned at 11:00 a.m. The next meeting of the Committee will be held on Friday, February 4, 2005, with an overview from the Department of Corrections, Juvenile Justice Authority, Sentencing Commission and Board of Indigents' Defense Services. Committee discussion on **ERO 33** will be continued at the meeting on Monday, February 7, 2005.



Melvin Neufeld, Chair

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House Appropriations Committee
ERO 33

Duane Goossen, Secretary of Administration
February 3, 2005

I appreciate the opportunity to provide the committee with testimony on Executive Reorganization Order No. 33.

This proposal fits with the Governor's overall health care plan, which emphasizes improving the access to and quality of care.

And it fits with her steadfast desire to streamline Kansas government.

In that light, we should not make this proposed ERO more complex than it is.

Indeed, the intent is simple and straightforward. And it addresses perhaps the greatest challenge facing Kansas. Health care now represents more than 22 percent of the total cost of state government, and it is growing far faster than any other sector.

We seek to maximize more than \$1.6 billion of state purchasing power in order to:

- coordinate health planning among state agencies;
- reduce duplication and maximize administrative efficiencies in health care purchasing programs; and
- develop a broader state health care infrastructure that maximizes our efficiency and increase our responsiveness to consumers and business partners.

This plan is similar to the strategy outlined last week by 60 of the largest companies in the United States. By joining together to promote more affordable insurance plans, these firms will provide coverage to uninsured workers at a lower rate than any of them could offer individually.

In a sense, we are seeking to do much the same thing, by combining the state's various health care plans into a single purchasing unit.

At the same time, we are simplifying and streamlining government. We will place units with common content and common function within the same administrative division.

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Such a move simply makes good sense, especially in the highly complex world of state-federal health care relationships.

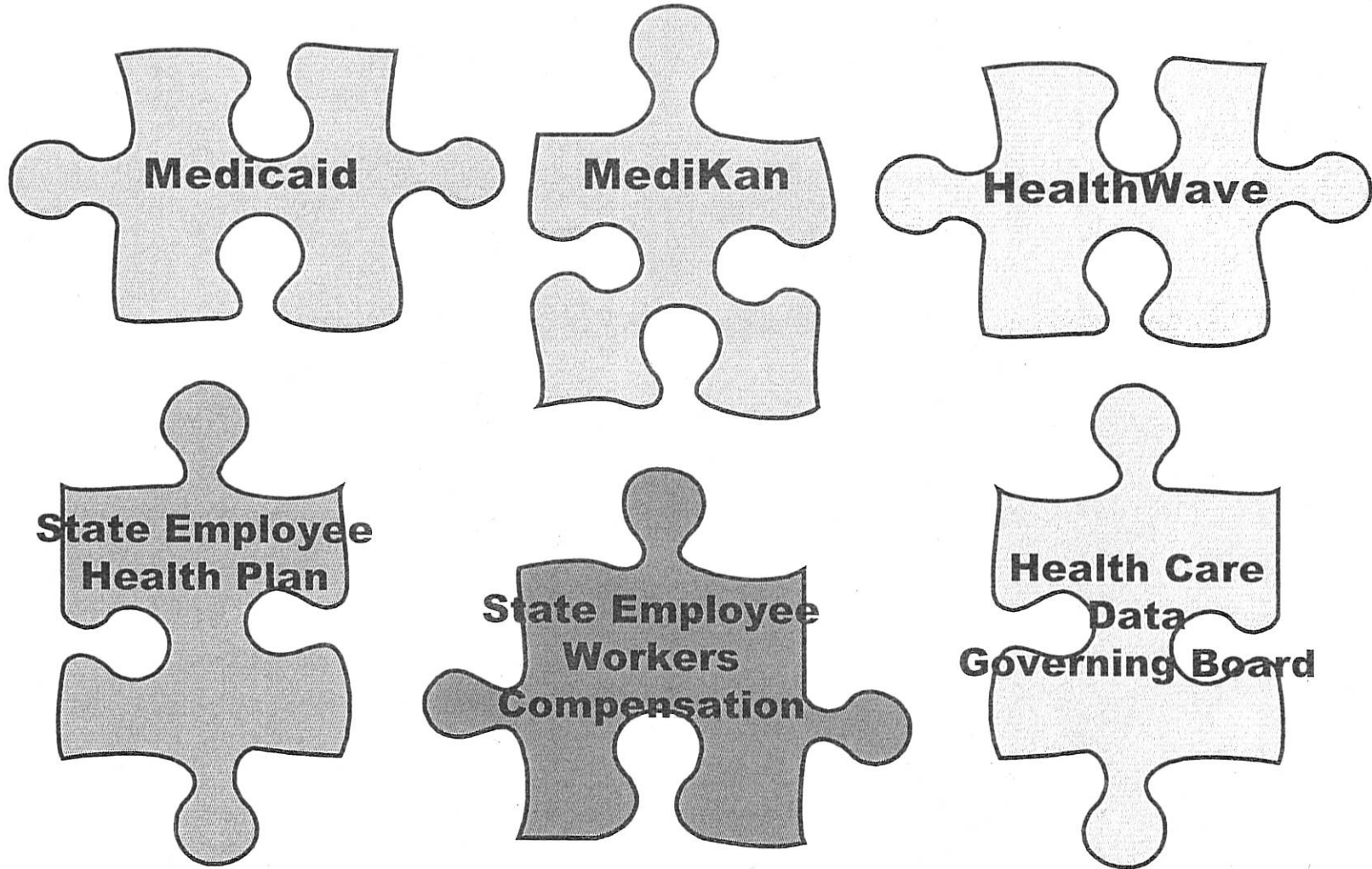
By creating the Division of Health Policy and Finance, within the Department of Administration, core medical services will come together in one home unit. These include:

- the regular medical programs -- Medicaid, MediKan and HealthWave -- with modest exceptions
- administrative support of the State Medicaid plan, including federal reporting.
- eligibility policy, although eligibility determination and the way Kansans access services will not change.

If 60 of the largest companies in the United States can combine their financial clout to create a larger risk pool and more affordable health coverage, so should the state of Kansas. We represent the single largest purchaser of health care in the state, and we are seeking to maximize this purchasing power for the benefit of our citizens. The Governor is committed to the overall goal of a healthy Kansas, and this reorganization plan represents a major step in rationalizing our health care system.

State Health Care Purchasing and Planning Current Structure

1-3



State Health Care Purchasing and Planning Proposed Structure

Combine the State's \$1.6 Billion in Health Care Purchasing Power



4-1

Department of Administration

Division of Administrative Services

Division of Information Systems
and Communication (DISC)

Division of the Budget

Division of Health Policy
and Finance

1-6

Department of Administration

DIRECTOR
Division of Health Policy and Finance

DEPUTY DIRECTOR
State Employee
Health Insurance

DEPUTY DIRECTOR
Medicaid

DEPUTY DIRECTOR
Health Care
Data

Health Care
Cost Containment
Commission



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February 3, 2005

To: Representative Melvin Neufeld

Office No.: 517-S

From: Alan D. Conroy, Director

Re: Executive Reorganization Orders

You had requested information concerning Executive Reorganization Orders (EROs) in Kansas. In particular, you requested the subject matter of each ERO, whether or not it was approved or disapproved by the Legislature, and the number of EROs each Governor has presented to the Legislature.

Background

EROs are provided for in the *Kansas Constitution*. They enable a Governor to transfer, abolish, consolidate, or coordinate agencies and functions within the executive branch of state government. Legislative and judicial agencies and constitutionally-delegated functions of state officers and boards are exempt from EROs. An ERO becomes effective July 1 following its transmittal to the Legislature unless within 60 calendar days either the Senate or the House adopts a resolution disapproving the ERO. The Legislature also has the option of amending an ERO in the same way it would amend any other legislation or statute. Whenever reorganization of the executive branch is initiated by the Governor, EROs are frequently the vehicle used. The use of EROs began in the 1970s, a decade that saw the creation of the cabinet form of government in Kansas and beginning of efforts to streamline the operations of state government.

EROs

Of the 32 EROs that have been issued through 2004, half (16) were issued in the 1970s, including three that were used to create cabinet agencies: the Department of Social and Rehabilitation Services (1973), the Department of Health and Environment (1974), and the Department of Human Resources (1976). The Department of Wildlife and Parks was created by an ERO in 1987.

Of the 32 ERO's that have been dealt with by the Legislature, 19 or 60 percent have been approved and 13 or 40 percent have been disapproved. Within the last ten years, seven EROs have been presented to the Legislature. Of those seven EROs, four have been approved and three have been disapproved. The following table reflects how many EROs a Governor has presented and what was the legislative disposition to the EROs.

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<u>Governor</u>	<u>Number of EROs</u>	<u>EROs Approved</u>	<u>EROs Disapproved</u>
R. Docking	5	2	3
Bennett	11	8	3
Carlin	5	2	3
Hayden	1	1	0
Finney	3	2	1
Graves	4	1	3
Sebelius (through 2004)	3	3	0
TOTAL	32	19	13

The EROs, through 2004 along with a short description of what they were about and whether they were adopted, are listed below.

Kansas Executive Reorganization Orders

ERO No.	Governor	Approved or Disapproved (Year)	Short Description
1	Robert B. Docking	Approved (1973)	Created the State Department of Social and Rehabilitation Services headed by an appointed Secretary. The Secretary and the Department were the successor to the existing State Board of Social Welfare, State Department of Social Welfare, and other entities. The ERO also created statutory units within the Department.
2	Robert B. Docking	Disapproved (1973)	Would have changed certain functions of the State Finance Council pertaining to approval of the salary of the Secretary of Administration and of certain plans of the Governor for improvements in state agencies. In addition, it would have changed functions of the State Finance Council that related to the Kansas Civil Service Act.
3	Robert B. Docking	Approved (1974)	Created the State Department of Health and Environment headed by an appointed Secretary. The Secretary and the Department were successors to the existing State Department of Health and other entities. The ERO also created statutory units within the Department.
4	Robert B. Docking	Disapproved (1974)	Would have created within the State Corporation Commission the Mined-Land Conservation and Reclamation Board.

ERO No.	Governor	Approved or Disapproved (Year)	Short Description
5	Robert B. Docking	Disapproved (1974)	Would have transferred duties of the State Auditor and the State Board of Canvassers to other state officials.
6	Robert F. Bennett	Approved (1975)	Removed the State Board of Tax Appeals from the State Department of Revenue and established it as an independent agency.
7	Robert F. Bennett	Approved (1975)	Consolidated duties performed by the State Department of Economic Development, the Director of the Department of Economic Development, and the Kansas Economic Development Commission into the new State Department of Economic Development headed by an appointed Secretary.
8	Robert F. Bennett	Approved (1975)	Abolished the State Board of Podiatry Board Examiners and transferred its powers and duties to the Kansas Board of Healing Arts.
9	Robert F. Bennett	Approved (1975)	Abolished the State Education Commission and transferred its powers and duties relating to student assistance programs to the Kansas Board of Regents.
10	Robert F. Bennett	Approved (1975)	Transferred the Office of Emergency Medical Services from the Office of the Governor to the State Department of Health and Environment.
11	Robert F. Bennett	Approved (1975)	Abolished the existing Governor's Committee on Criminal Administration and created a new Governor's Committee on Criminal Administration under the control and jurisdiction of the Governor.
12	Robert F. Bennett	Disapproved (1975)	Would have abolished the elective office of State Treasurer and established a State Department of the Treasury headed by a State Treasurer appointed by the Governor and confirmed by the Senate.
13	Robert F. Bennett	Disapproved (1975)	Would have abolished the elective office of Commissioner of Insurance and established a State Department of Insurance headed by a Commissioner of Insurance appointed by the Governor and confirmed by the Senate.
14	Robert F. Bennett	Approved (1976)	Created the State Department of Human Resources headed by an appointed Secretary. The Secretary and the Department were successors to a number of existing state offices and entities. The ERO also created statutory units within the Department.
15	Robert F. Bennett	Approved (1977)	Transferred the Crippled Children's Commission to the State Department of Health and Environment.
16	Robert F. Bennett	Disapproved (1977)	Would have established a Division of Services to the Aging within the State Department of Social and Rehabilitation Services.
17	John Carlin	Approved (1980)	Reorganized and clarified various functions within the State Department of Social and Rehabilitation Services.
18	John Carlin	Disapproved (1981)	Would have reorganized various boards, divisions, and sections of existing water agencies into one agency to be known as the Kansas Water Resources Authority.
19	John Carlin	Disapproved (1982)	Would have abolished the Kansas Energy Office and established a Division of Energy within the State Department of Administration.
20	John Carlin	Approved (1982)	Established Juvenile Offender Services within the State Department of Social and Rehabilitation Services.

ERO No.	Governor	Approved or Disapproved (Year)	Short Description
21	John Carlin	Disapproved (1986)	Would have created the State Department of Agriculture headed by an appointed Secretary.
22	Mike Hayden	Approved (1987)	Created the State Department of Wildlife and Parks headed by an appointed Secretary. The ERO also created statutory units within the Department.
23	Joan Finney	Approved (1992)	Reorganized various housing programs into a Division of Housing within the renamed State Department of Commerce and Housing.
24	Joan Finney	Approved (1992)	Abolished the Kansas Savings and Loan Department and the Office of Savings and Loan Commissioner and transferred duties performed by the Department and Commissioner to the Office of State Bank Commissioner.
25	Joan Finney	Disapproved (1992)	Would have separated the State Department of Health and Environment into the State Department of Health and the State Department of Environment, each headed by an appointed Secretary.
26	Bill Graves	Disapproved (1996)	Would have transferred functions relating to the marketing of agriculture products from the State Department of Agriculture to the State Department of Commerce and Housing.
27	Bill Graves	Disapproved (1996)	Would have transferred the responsibility for the Infants and Toddlers program from the State Department of Health and Environment to the State Board of Education.
28	Bill Graves	Disapproved (1996)	Would have reorganized the Kansas Human Rights Commission as the Kansas Commission on Diversity and Human Rights.
29	Bill Graves	Approved (1999)	Created the Commission on Emergency Planning and Response within the Adjutant General's Department.
30	Kathleen Sebelius	Approved (2003)	Shifted the Division of Housing to the Kansas Development Finance Authority from the Department of Commerce and Housing. Renamed the Department of Commerce and Housing to the Department of Commerce.
31	Kathleen Sebelius	Approved (2004)	Transferred the Employment and Training Division and all workforce development programs from the Department of Human Resources to the Department of Commerce.
32	Kathleen Sebelius	Approved (2004)	Transferred certain food safety programs of the Department of Health and Environment to the Department of Agriculture.