

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:30 A.M. on January 31, 2005 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Norman Furse, Revisor of Statutes  
Jill Wolters, Senior Assistant, Revisor of Statutes  
Alan Conroy, Director, Kansas Legislative Research Department  
J. G. Scott, Kansas Legislative Research Department  
Mary Galligan, Kansas Legislative Research Department  
Audrey Dunkel, Kansas Legislative Research Department  
Susan Kannarr, Kansas Legislative Research Department  
Matt Spurgin, Kansas Legislative Research Department  
Judy Bromich, Administrative Analyst  
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Dr. Robert Day, Director of Health Planning and Finance, Governor's Office

Others attending:

See attached list.

Chairman Umbarger referred the following bills to subcommittees:

**SB 84– Appropriations for FY 2006 for the Department of Health and Environment, 340B federal drug pricing program** was referred to the Kansas Department of Health and Environment Subcommittee.

**SB 85– Appropriations for FY 2006 for the Department of Social and Rehabilitation Services, breast reconstructive surgery** was referred to the Kansas Department of Social and Rehabilitation Services Subcommittee.

**SB 95– KPERs, retirement benefit options for spouse of member in certain circumstances** was referred to the KPERs Issues Subcommittee.

**SB 99– Retirement plan for certain employees of State Board of Regents and certain educational institutions thereunder** was referred to the KPERs Issues Subcommittee.

Chairman Umbarger welcomed Dr. Robert Day, Director of Health Planning and Finance, Governor's Office, who presented an overview of the ERO 33 and I-Save Rx, Governor's Health Care Initiative, Healthy Kansas (Attachment 1). Dr. Day addressed Kansas Medicaid and provided a brief overview of the following items:

- Medicaid is second only to public education in the number of citizens impacted by its services.
- In a twelve-month period, Medicaid and SCHIP will cover 350,000 Kansans.
- Preventive services comprise a small portion of total health care expenditures.
- Costs in Medicaid and SCHIP are driven by acute and chronic illnesses.
- When people are sick, they seek care.
- Without insurance, that care is provided in the most expensive setting.

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:30 A.M. on January 31, 2005 in Room 123-S of the Capitol.

- Health insurance costs reflect, in part, the costs of uncompensated care.
- Health care spending is projected to grow from 14.1 percent of GDP in 2001 to 17 percent GDP in 2007.

Dr. Day provided a brief overview of the Governor's Health Care Initiative including the following items:

- Contain costs by streamlining the Health Care System
- Affordable health insurance options for small businesses
- Coverage and preventative care for Kansas children
- Health Wave for children of low income state employees
- Provide coverage to low-wage working parents
- Provide access to lower-cost prescription drugs
- Taking steps together to be healthy

Committee questions and discussion followed.

The meeting adjourned at 11:50 p.m. The next meeting is scheduled for February 1, 2005.

**SENATE WAYS AND MEANS  
GUEST LIST**

Date January 31, 2005

NAME	REPRESENTING
Robbie Berry	DOA - APS
Eve Seiber	Hil. Law Firm
Jim Campbell	Kansas Mental Health Coalition
Keith Haxton	SEAK
Carolyn Mulleider	Ks St Ns Assn
DEBORAH STERN	KS. HOSP. ASSN -
Jared Holroyd	SRS/Medicaid
Julie Thomas	DOB
Sean Paul	See SRS
Lucas Bell	Kennedy and Associates
Dan Nemes	DCCCA, INC.
Scott Brunner	SRS - Medical Policy/Medicaid
Ann Young	DOFA
Fred Johnson	DACK
Andy Sawyer	KAPE
Sadie Torres	SICK
Angie Miller	Tamron & Associates
Judy Lewis	School Nutr Ass of Kansas
Jeanette Myers	School Nutrition Assoc of Ks.
Pat Hubbell	Pharma
Mike Hammond	Assoc. of Cable of KS
Connie Hubbell	KFMC
Kelly Hancock	KDOA

**SENATE WAYS AND MEANS  
GUEST LIST**

Date January 31, 2005

NAME	REPRESENTING
Sheli Sweeney	Assoc. of Comm. mental Health Ctrs
Dodie Wellshear-Johnson	Patrice J Hurley & Co.
<del>Patrick Hurley</del>	" " "
Mike Huttles	KGC
Tanya Dorf	KACIL
Stuart Little	Little Govt. Relations
Kaelin Seymour	Sen. Donald <del>Sp+95</del> (Totem)
Jenny Davis	Conlee Consulting
Chip Wheelen	Asn of Osteopathic Med.
Ryan Galt	
Cheryl Dillard	Coventry Health Care
John Peterson	Ks Govern. Consulting
Brad Amort	Pfizer
Tom Bruno	EDS
Duane Goossen	DOB
Bud Burke	Elu Lilly
LINDA LUKENSKI	KS Home Care Assoc
RUSSELL MILLS	GACHES
Ron Gaches	KPSC
Joshua Freeman, MD	Dept of Family Medicine, KVMC, KC also KAF? "Doctor of The Day"





# **Kansas Medicaid 101**

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**Robert M. Day, Ph.D., Director**

**Governor's Office of  
Health Planning and Finance**

**January 31, 2005**



## **Kansas Medicaid 101**

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- **Medicaid is second only to public education in the number of citizens impacted by its services.**
- **In a twelve-month period, Medicaid and SCHIP will cover 350,000 Kansans.**
- **Preventive services comprise a small portion of total health care expenditures.**
- **Costs in Medicaid and SCHIP are driven by acute and chronic illness.**

Senate Ways and Means  
1-31-05  
Attachment 1



## **Kansas Medicaid 101**

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- **When people are sick, they seek care.**
- **Without insurance, that care is provided in the most expensive setting.**
- **Health insurance costs reflect, in part, the costs of uncompensated care.**
- **Health care spending is projected to grow from 14.1 percent of GDP in 2001 to 17 percent of GDP in 2007.**



## **The State of Health Care Today**

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- **Health care is a unique marketplace influenced by:**
  - Information asymmetry
  - Third party payer competition
  - Lack of true competitive market based on price and quality
  - "Moral hazard"

## What Drives the Cost of Health Care?

- **Utilization**
  - People access increasing amounts of health care (New Technologies)
- **Price**
  - Inpatient hospital costs are rising at 8.3 percent per year
  - Kansas Medicaid average Rx costs has increased from \$40 in 1995 to \$53 in 2003

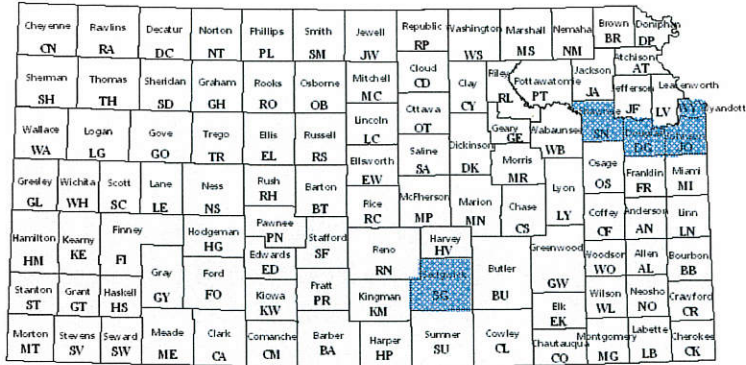
## Medicaid/MediKan Budget, FY 2005

**State Dollars**  
\$712,802,390

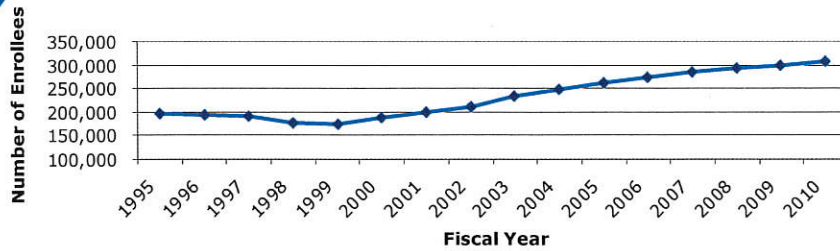
**Federal Dollars**  
\$1,401,867,610

**Total = \$2,114,670,000**

## Counties that Receive the Greatest Amount of Funding



## Average Number of Medicaid/Medikan Enrollees Per Month

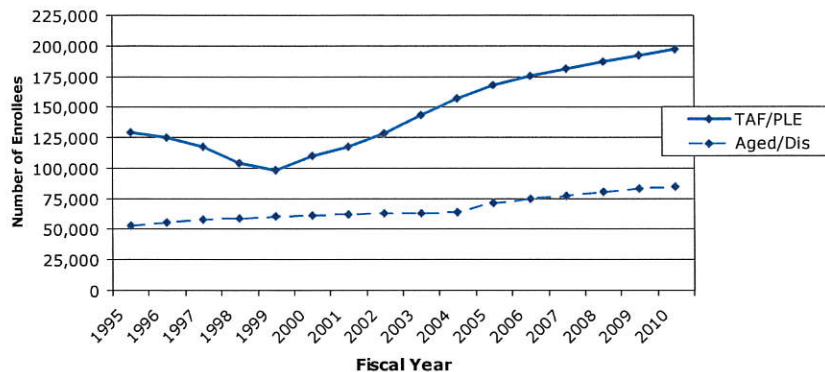




## Average Number of TAF/PLE and Aged, Blind and Disabled Enrollees Per Month

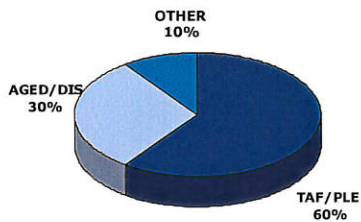
TAF = Temporary Assistance for Families

PLE= Poverty Level Eligible

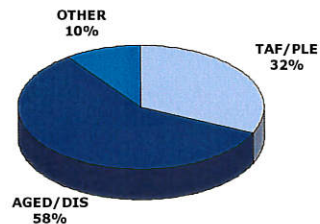


## Eligibility Groups by % Consumers and % Expenditures, FY 2002

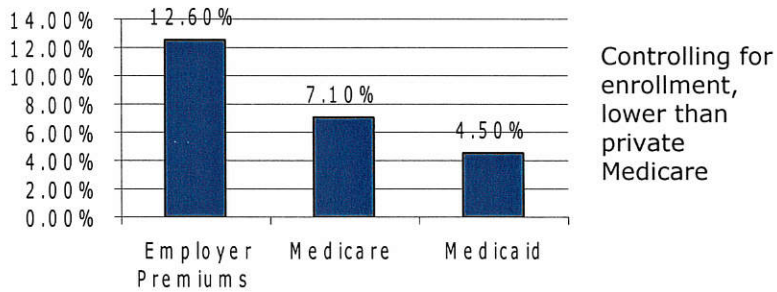
% Consumers



% Expenditures

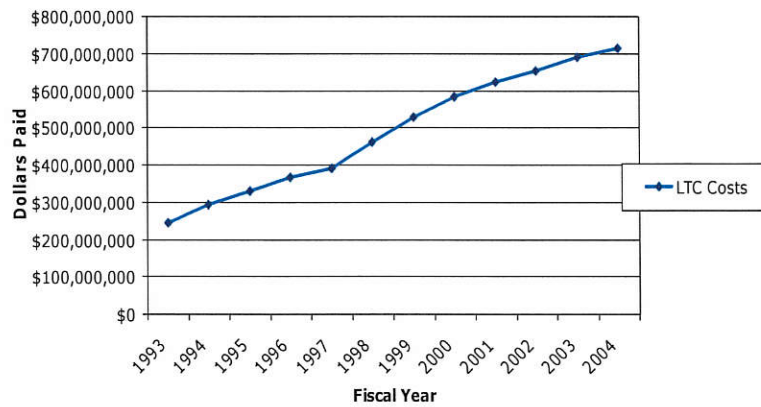


## Average Spending Growth Per Capita 2000-2004



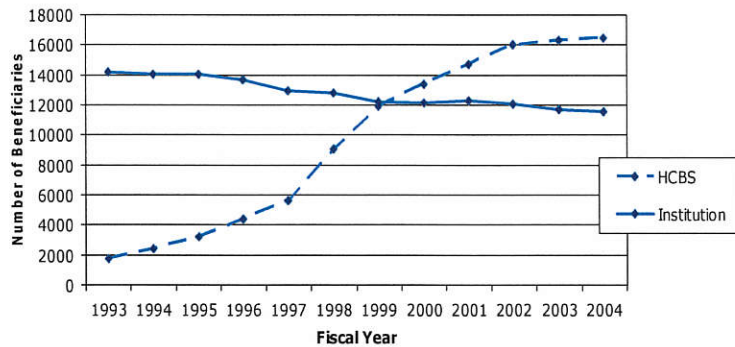
## Annual Growth in Long Term Care Costs

(Includes Both Institutions and HCBS)

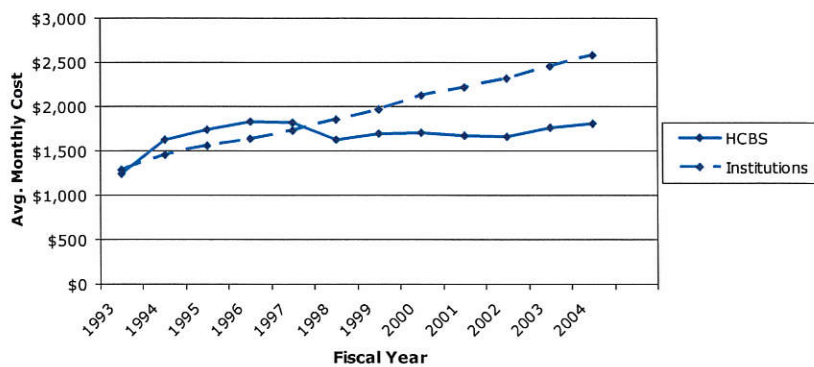


## Change in Long Term Care Population, FY 1993 – 2004

(Average Annual Population in HCBS or Institution)



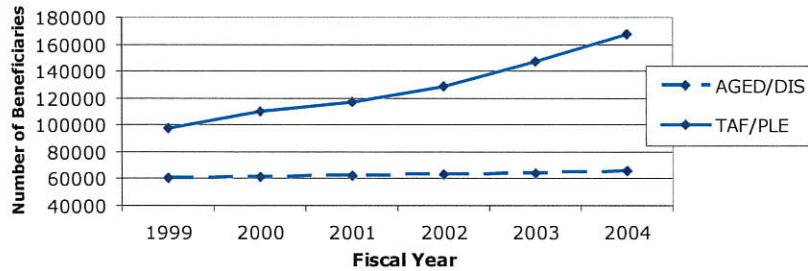
## Average Monthly Per Person Costs for Institutions vs. HCBS FY 1993 - 2004



## Caseload Increases for TAF/PLE and Aged, Blind and Disabled, FY 1999 – 2004

TAF = Temporary Assistance for Families

PLE= Poverty Level Eligible

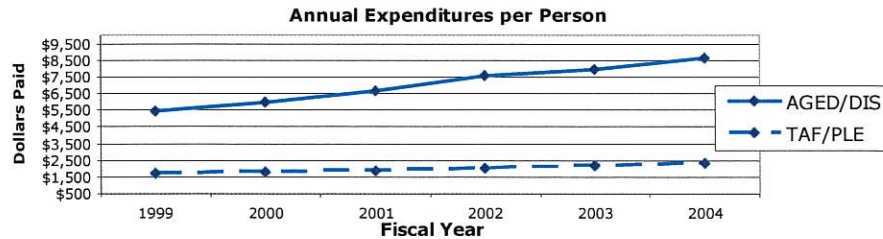


## Expenditures for TAF/PLE and Aged, Blind and Disabled, FY 1999 – 2004

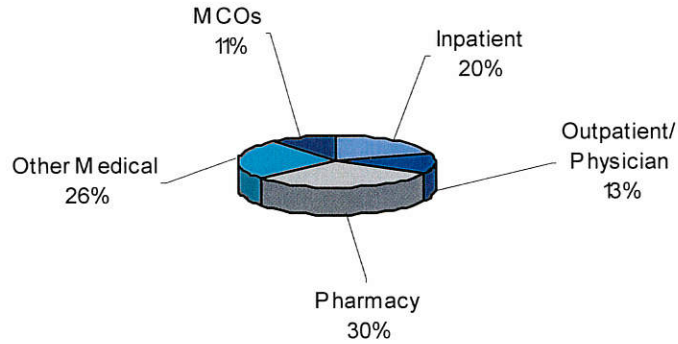
(Does not include long term care expenditures)

TAF = Temporary Assistance for Families

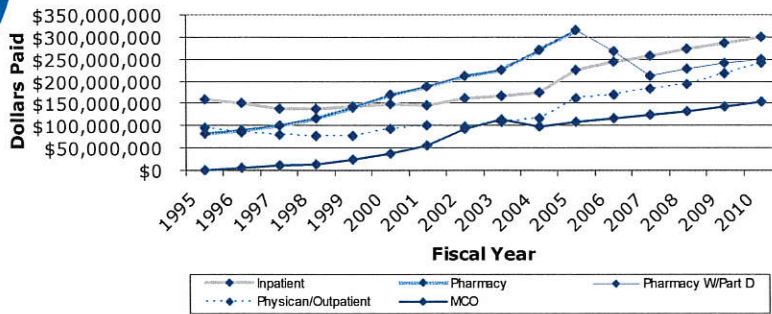
PLE= Poverty Level Eligible



## Total Medical Expenditures by Service Type, FY 2004



## Total Medical Expenditures by Service Type







## The Uninsured

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Based on the 2001 HRSA Study:

- **96 percent of the uninsured live in a household where someone is employed.**
- **Two-thirds of the uninsured who work are employed in a small business (50 or less) and make 200 percent or less of the federal poverty level.**
- **Of the 56,000 children who are uninsured, 40,000 qualify for existing programs.**



## The Uninsured Continued

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- **Uncompensated care for the uninsured results in \$224 million of added cost to commercial insurance in Kansas.**
- **The total estimated cost of state employee health insurance for a family of four is over \$16,000 (includes all premium, co-pay and deductibles).**
- **In 1987, 8 percent of median family income was required to buy a family health insurance policy.**
- **In 2003, the cost was 17 percent.**



## **Governor's Health Care Initiative**

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**Healthy**  
**KANSAS**



## **Contain Costs by Streamlining the Health Care System**

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- **Health Care Cost Containment Commission**
- **Combine the state's \$1.6 billion in purchasing power into the division of Health Policy and Finance for real cost-saving reforms.**

**Cost Neutral**



## **Affordable Health Insurance Options for Small Businesses**

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- **Small businesses will be able to offer insurance coverage to employees through the Business Health Policy Committee.**
- **Small Business given an affordable new private insurance choice that will allow them to pool their resources.**

**Cost: \$12 Million**



## **Coverage and Preventative Care for Kansas Children**

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- **Enroll more than 40,000 children who are eligible for HealthWave coverage but not currently receiving service.**
- **Enrolled through a process known as Presumptive Eligibility.**

**Cost: \$9.5 Million**



## **HealthWave for Children of Low Income State Employees**

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- **Currently, due to federal law, state employees with household incomes that qualify them for HealthWave are not eligible for it.**
- **HealthyKansas will establish a pilot project to help those state employees get health coverage for their children.**

**Cost: \$2.5 Million**



## **Provide Coverage to Low-Wage Working Parents**

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- **Increase the eligibility guidelines from 37 percent of the federal poverty level (FPL) to 100 percent.**
- **Reduce the amount of uncompensated care provided to uninsured Kansans.**

**Cost: \$25 Million**



## **Provide Access to Lower-Cost Prescription Drugs**

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- **Work with Kansas pharmacies to provide low-cost, generic drugs to low-wage working Kansans.**
- **Establish prescription drug resource center to help Kansas seniors and the uninsured access free and reduced-price medications.**
- **I-Save Rx Program**

**Cost: \$500,000**



## **Taking Steps Together to Be Healthy**

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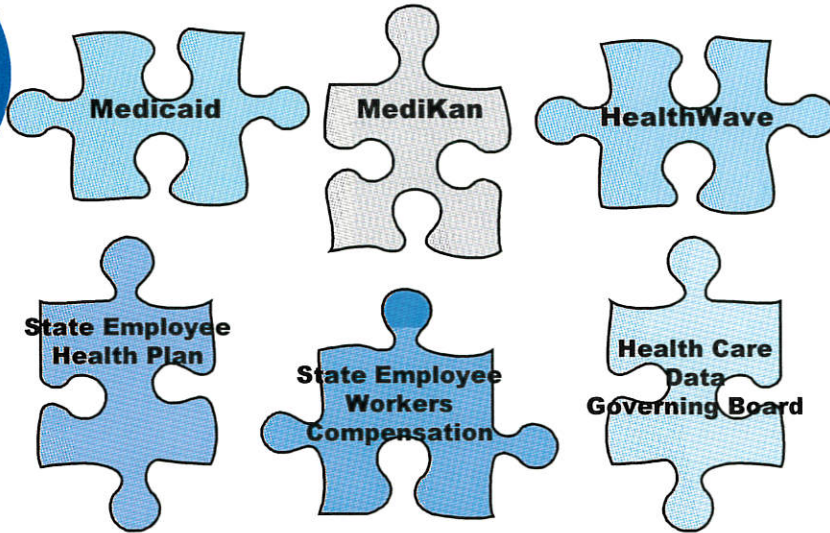
- **Address chronic health problems, such as obesity and tobacco use.**
- **KDHE will work with schools, business, education, and other community leaders to help Kansans increase physical activity, avoid tobacco use, and eat healthy.**

**Cost: \$500,000**



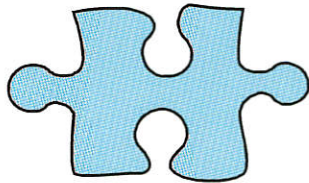
## State Health Care Purchasing and Planning Current Structure

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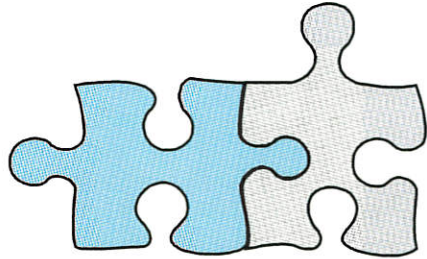
## State Health Care Purchasing and Planning Proposed Structure

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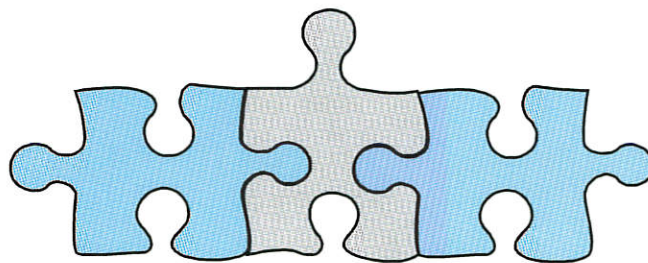
**State Health Care Purchasing and Planning  
Proposed Structure**

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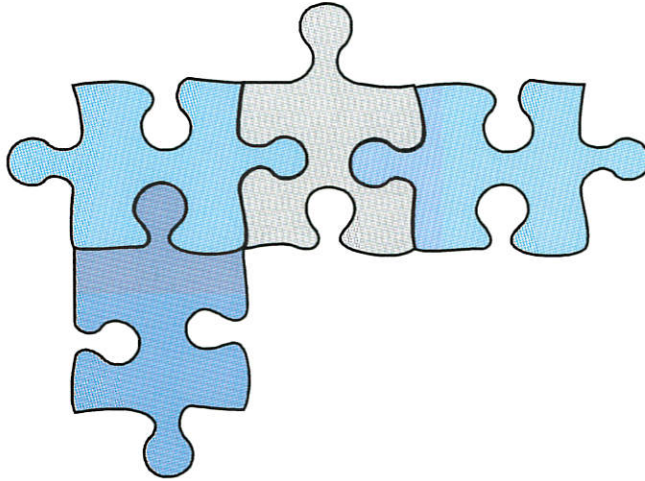
**State Health Care Purchasing and Planning  
Proposed Structure**

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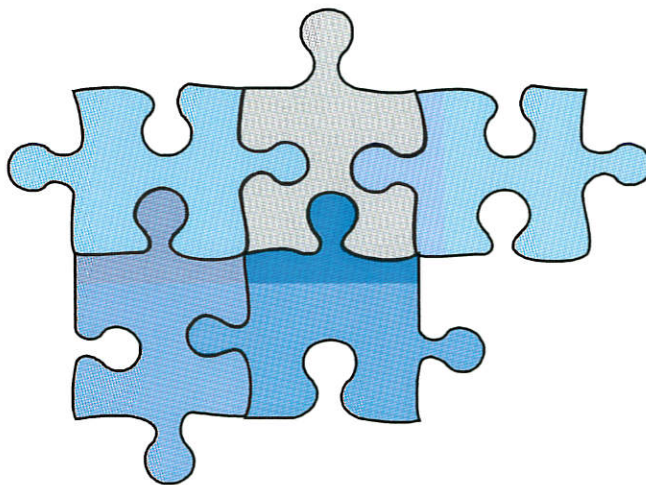
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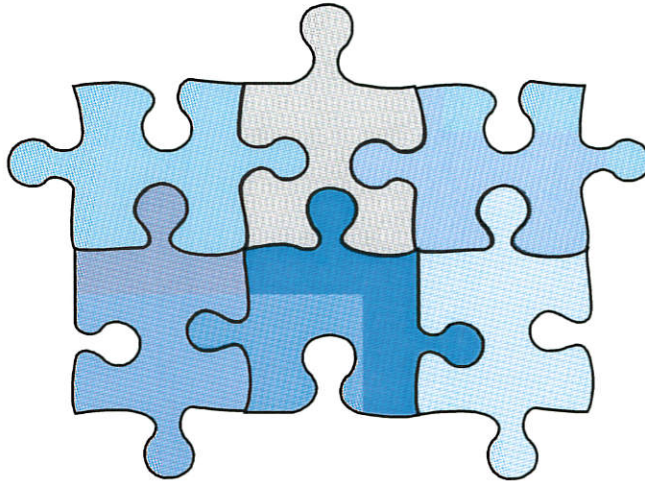
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