

MINUTES OF THE HOUSE SOCIAL SERVICES BUDGET COMMITTEE

The meeting was called to order by Chairman Bob Bethell at 3:30 P.M. on March, March 19, 2007 in Room 514-S of the Capitol.

All members were present.

Committee staff present:

Susan Kannarr, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Kay Dick, Committee Assistant

Conferees appearing before the committee:

Cindy Luxem - CEO/President, Kansas Health Care Association
Mary Sloan, Kansas Association of Homes & Services for the Aging
Kathy Greenlee, Department of Aging

Others attending:

See attached list.

Meeting called to order at 3:30 p.m. by the Chair.

Hearing opened on HB 2144 - Nursing facility reimbursement rates, rolling base year.

Amy Deckard gave an overview to the Committee explaining the bill will be a rolling base set annually using the three most current years.

Cindy Luxem, Kansas Health Care Association testified in support of **HB 2144**, stating that before 2006, reimbursement rates to providers had not been adjust for six years. Kansas Medicaid payment rates for nursing facilities fell short of covering the costs of providing care in 2003 by an average of \$13.13 per patient day of care, and has fell short even more each year since. (Attachment 1)

Mary Sloan, Kansas Association of Homes and Services for the Aging, replaced Debra Zehr, reading her testimony in support of **HB 2144**. Ms. Sloan pointed out that Medicaid provides the public safety net for our poorest, most frail elderly who reside in Kansas nursing homes. Medicaid pays for cost to 50% of KAHSA nursing home residents' care. She also indicated that the primary cost drivers in Kansas nursing facilities are linked to direct care staffing and are largely out of provider control. (Attachment 2)

Kathy Greenlee, Secretary, Department of Aging, talked as neutral regarding **HB 2144**. (Attachment 3)

Written Only testimony in support of **HB 2144** was presented by James Krehbiel, CEO of Schowalter Villa. (Attachment 4), also, from Steve Albrecht, Regional Director of Government Relations for Golden Ventures. (Attachment 5)

Hearing on HB 2144 was closed.

Hearing opened on SB 355 - Repealing sunset on Kansas Foster Child Education Assistance Act.

Susan Kannarr briefed the Committee on **SB 355** explaining the difference between **HB 2546**.

CONTINUATION SHEET

MINUTES OF THE House Social Services Budget Committee at 3:30 P.M. on March, March 19, 2007 in Room 514-S of the Capitol.

Chairman Bethell called attention to the written only testimonies in support of **SB 355** from:

Candy Shively , SRS. (Attachment 6)
Bruce Linhos, Children's Alliance (Attachment 7)
Kansas Board of Regency (Attachment 8)

The Chairman closed the hearing on SB 355.

Meeting was adjourned.



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kcal

ahca

March 15, 2007

Social Services Budget Committee-

On behalf of the Kansas Health Care Association (KHCA), I appreciate the opportunity to provide comments on House Bill 2144.

We in long term care are passionate about our mission of providing services to the elderly, the disabled and individuals with mental health illness and developmental disabilities. We have a tremendous respect for those we care for and their families.

We must make sure funding is be adequate and timely in order to provide stability and predictability to meet the needs of long term care recipients at the appropriate time, in the appropriate place and at the appropriate cost. Reimbursement rates should be sufficient to provide quality services and cover the cost of operating, as well as needed capital improvements.

Before 2006, reimbursement rates had not been adjusted for six years. The reimbursement has based on 2001 costs.. Kansas Medicaid payment rates for nursing facilities fell short of covering the costs of providing care in 2003 by an average of \$13.13 per patient day of care. The average Kansas payment in 2004 fell short by \$14.16 per patient day. And it is projected that the rates for 2006 will be \$12.77 per patient day. Unreimbursed costs are \$60 million dollars statewide. How many of you would be able to survive doing business this way? But this is what the government asks our providers to do...

The Legislature (SB 62) did move in a positive direction last year by rebasing with the three most current year costs and providing some relief to providers. HB 2144 would be a commitment to those who provide very important care to Kansans by asking that the rebasing happen annually using the three most current years.

Thank you for your consideration of House Bill 2144.

Cindy Luxem
CEO/President- KHCA/KCAL



To: Representative Bob Bethell, Chair, and Members
House Social Service Budget Committee
Fr: Debra Zehr, President
Date: March 15, 2007

TESTIMONY IN SUPPORT OF HOUSE BILL 2144

The Kansas Association of Homes and Services for the Aging (KAHSA) represents 160 not-for-profit nursing homes, hospital long-term care units, retirement communities, assisted living facilities, senior housing and community service providers serving over 20,000 older Kansans every day. Our members spring from a diverse heritage of religious, civic and fraternal organizations and local governments, and employ over 20,000 workers in nearly 80 Kansas counties.

Medicaid provides the public safety net for our poorest, most frail elderly who reside in Kansas nursing homes. Medicaid pays for close to 50% of KAHSA nursing home residents' care.

House Bill 2144 calls for annual rebasing of Medicaid Nursing Facility reimbursement rates using the average of the most recent 3 years cost reports. KAHSA requests that the Committee pass House Bill 2144 out favorably.

Nursing Home Care Cost Drivers

The primary cost drivers in Kansas nursing facilities are linked to direct care staffing or are largely out of provider control. These include:

- Increased frailty or acuity of elders. (See attachment A – Average Case Mix Index)
- Increased staffing. (See Attachment B – Total Staff Hours Per Resident per Day)
- Increasing wages and benefits for frontline caregivers. (See Attachments C through F.)
- Escalating indirect costs such as utilities, liability insurance and health insurance.
- Increasing regulatory requirements.

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House Social Service Budget Committee
Date 3.19.07
Attachment # 2

Testimony – Debra H. Zehr
Kansas Association of Homes
And Services for the Aging
Page 2

Background on Rebasing

Prior to 2001, Medicaid Nursing Facility rates were rebased every year based on the most recent year's cost reports. Then the Kansas Department on Aging made some significant changes to the reimbursement methodology, including waiting up to 7 years to rebase. There had always been a gap between rates and the provider's actual costs, but that gap grew under this new methodology (see Attachment G.)

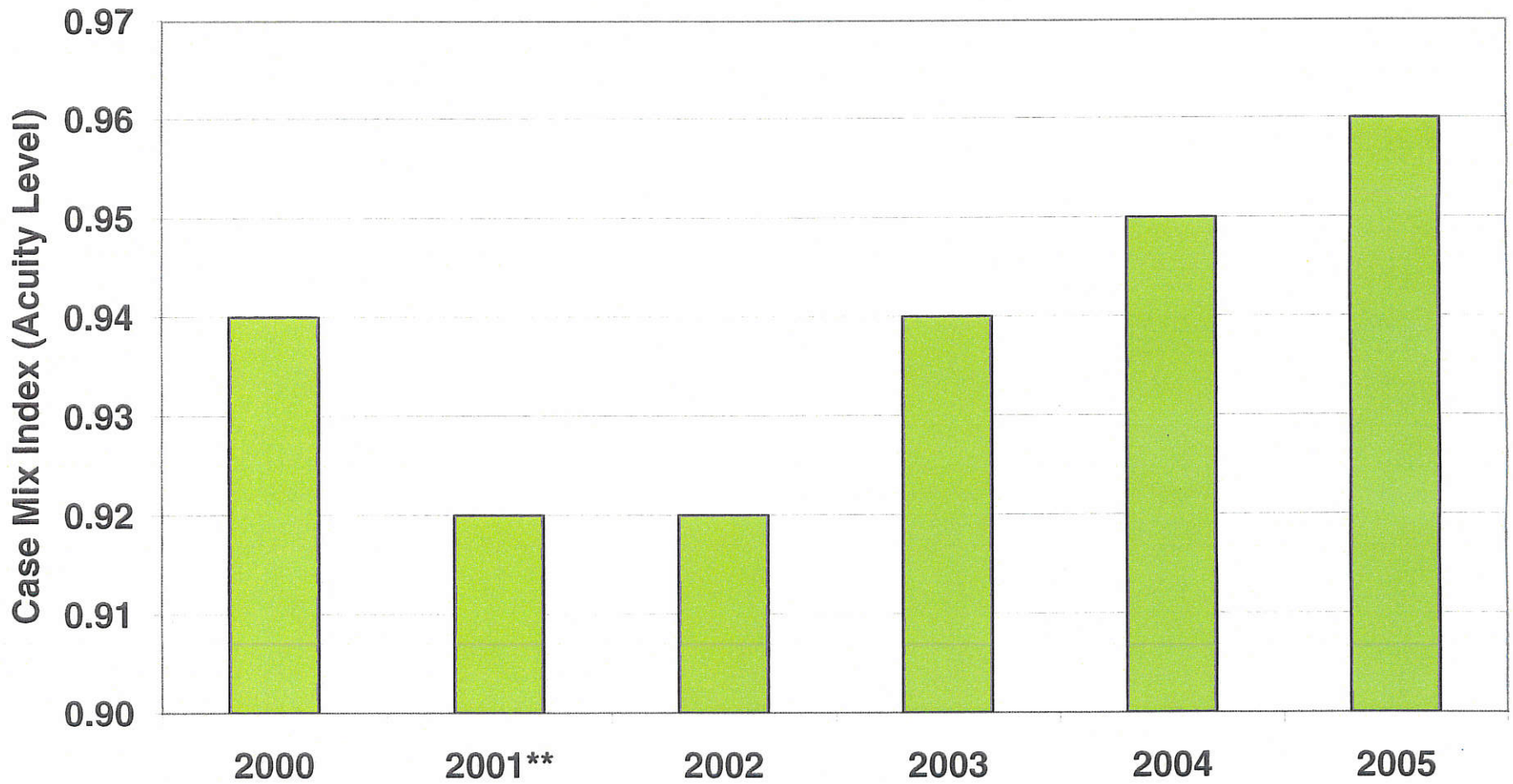
Rates were not rebased until the Legislature passed Senate Bill 62. As a result, rates were rebased one time, using the average of cost figures for 2003, 2004 and 2005. Providers, the people they care for and employees were very grateful for the action of the Legislature.

Now, we are back to waiting up to 7 years before rates are rebased. Gaps will escalate because of unknown costs that are awaiting us in the future and the continuing increasing needs for staffing and better wages and benefits.

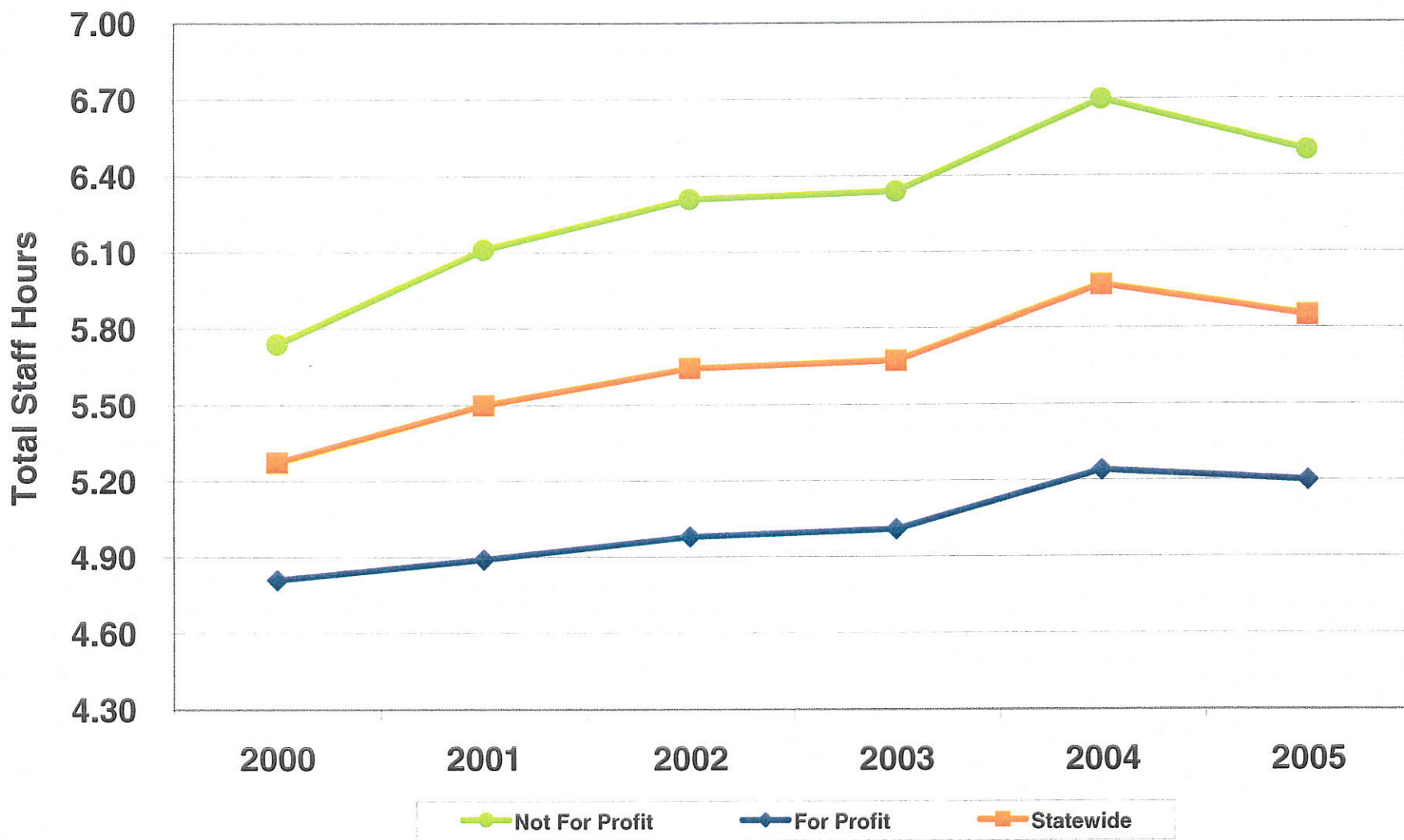
On behalf of impoverished Kansans who live in nursing homes and those who provide their care, we ask that the one-time rebasing provision of Senate Bill 62 be carried forward on an ongoing basis (i.e. rates will be rebased every year using the average of the most recent 3 years' cost reports.)

Thank you. I would be happy to answer questions.

2000 - 2005 Kansas Average Case Mix Index



Total Staff Hours per Resident per Day

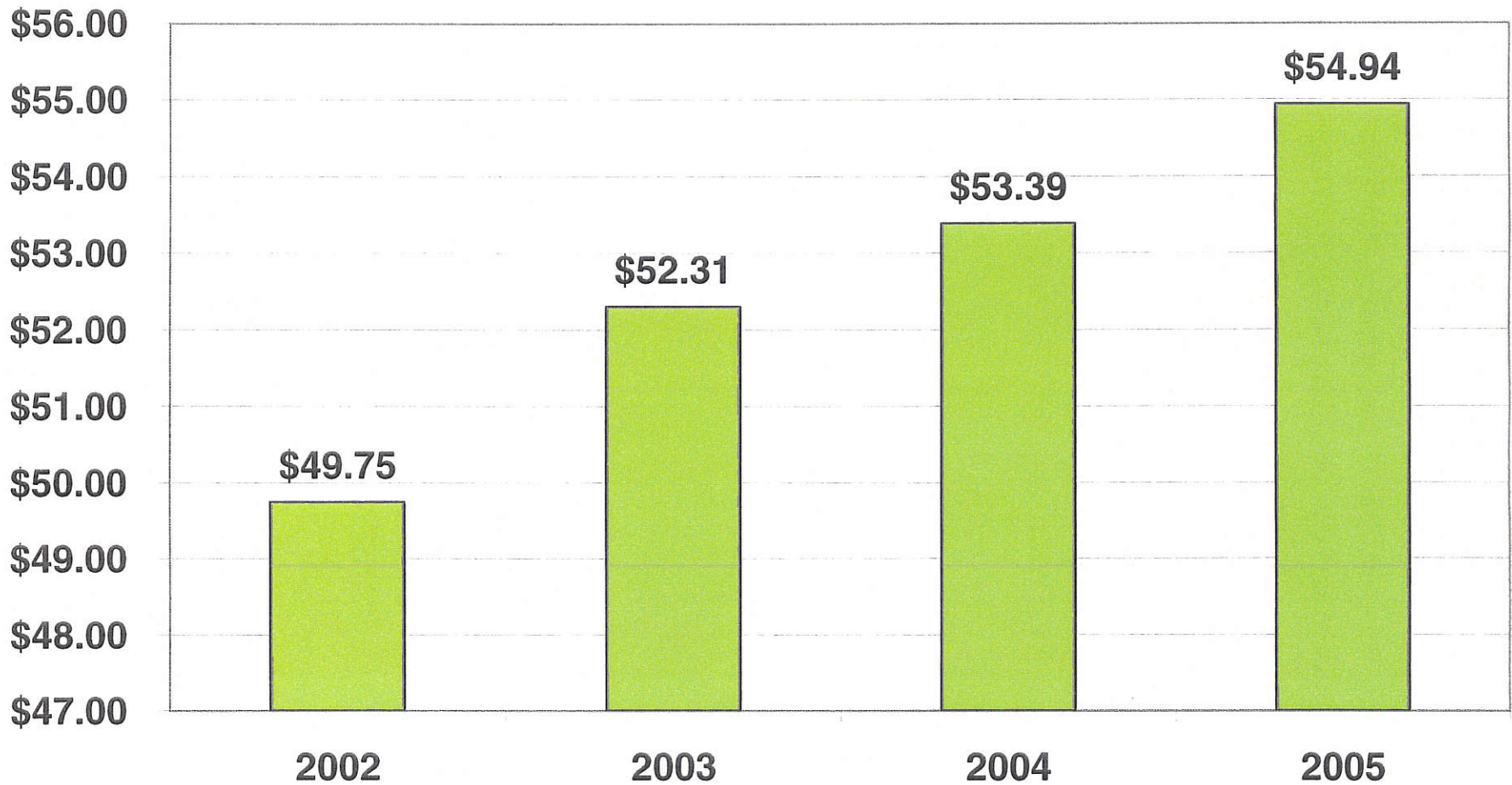


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B

**2002 - 2005 Kansas Average Nursing Staff
Salaries and Benefits Expense per Resident Per Day**



2.

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2001 - 2005 Kansas Average CNA Wage

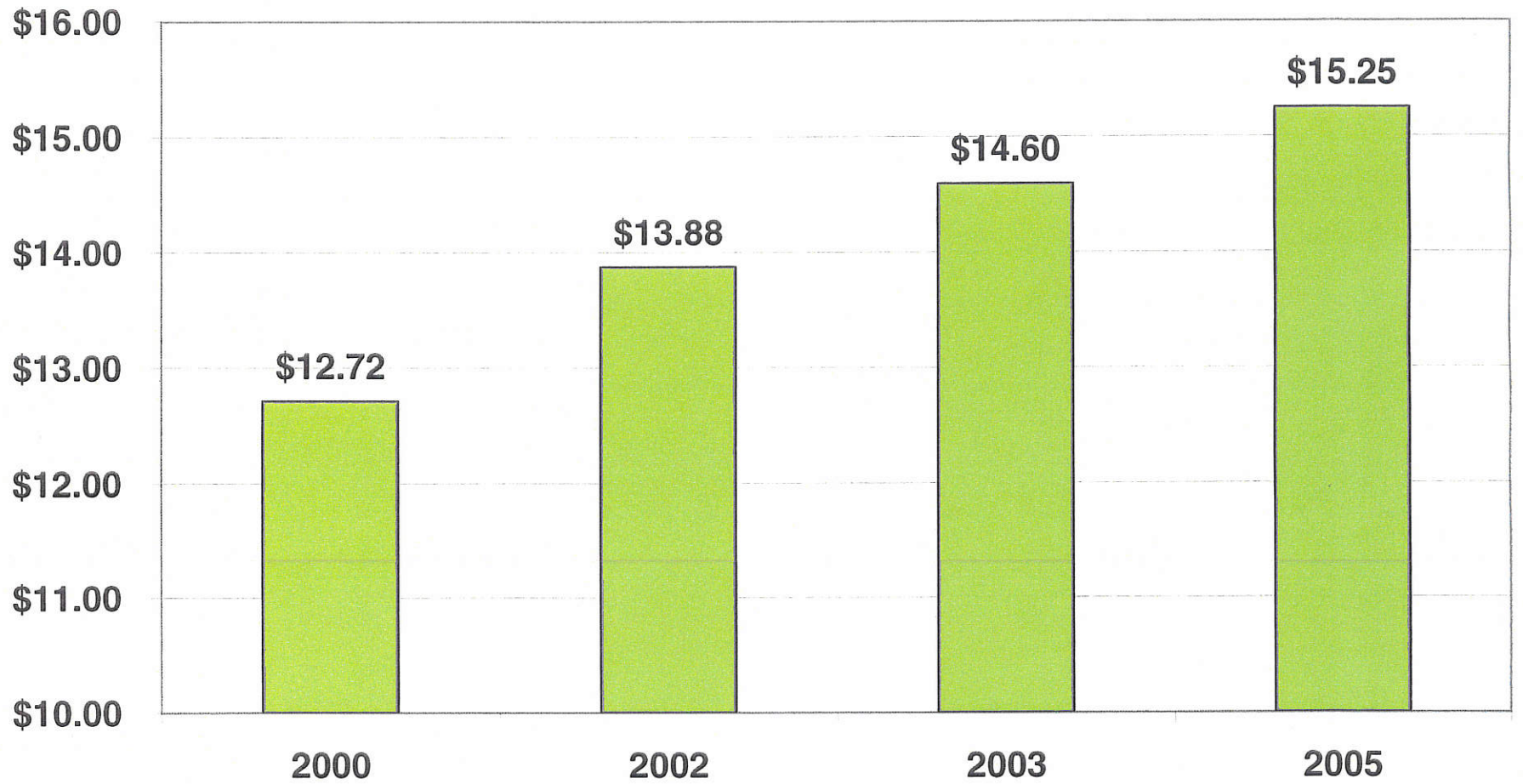


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FD

2001 - 2005 Kansas Average LPN Wage

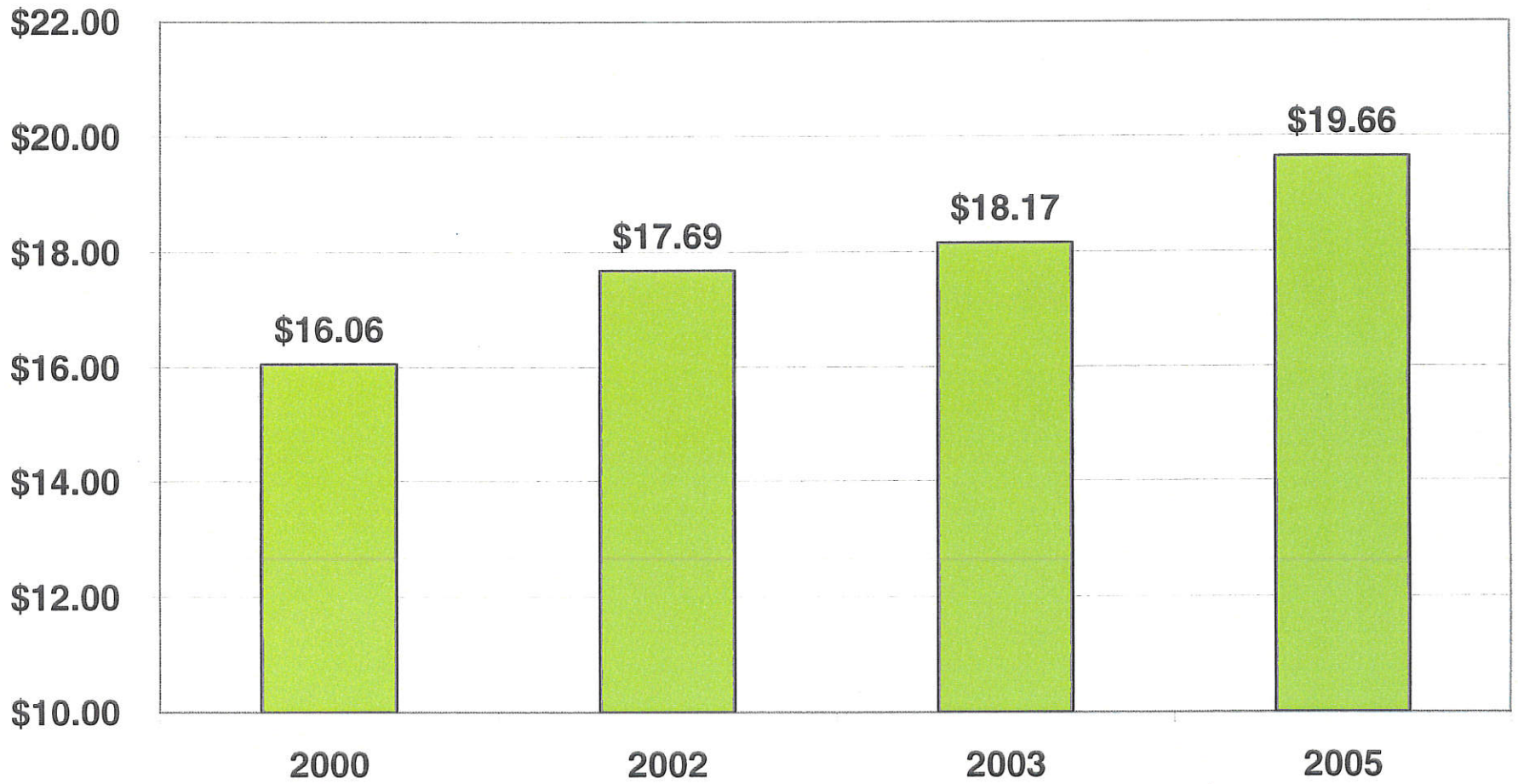


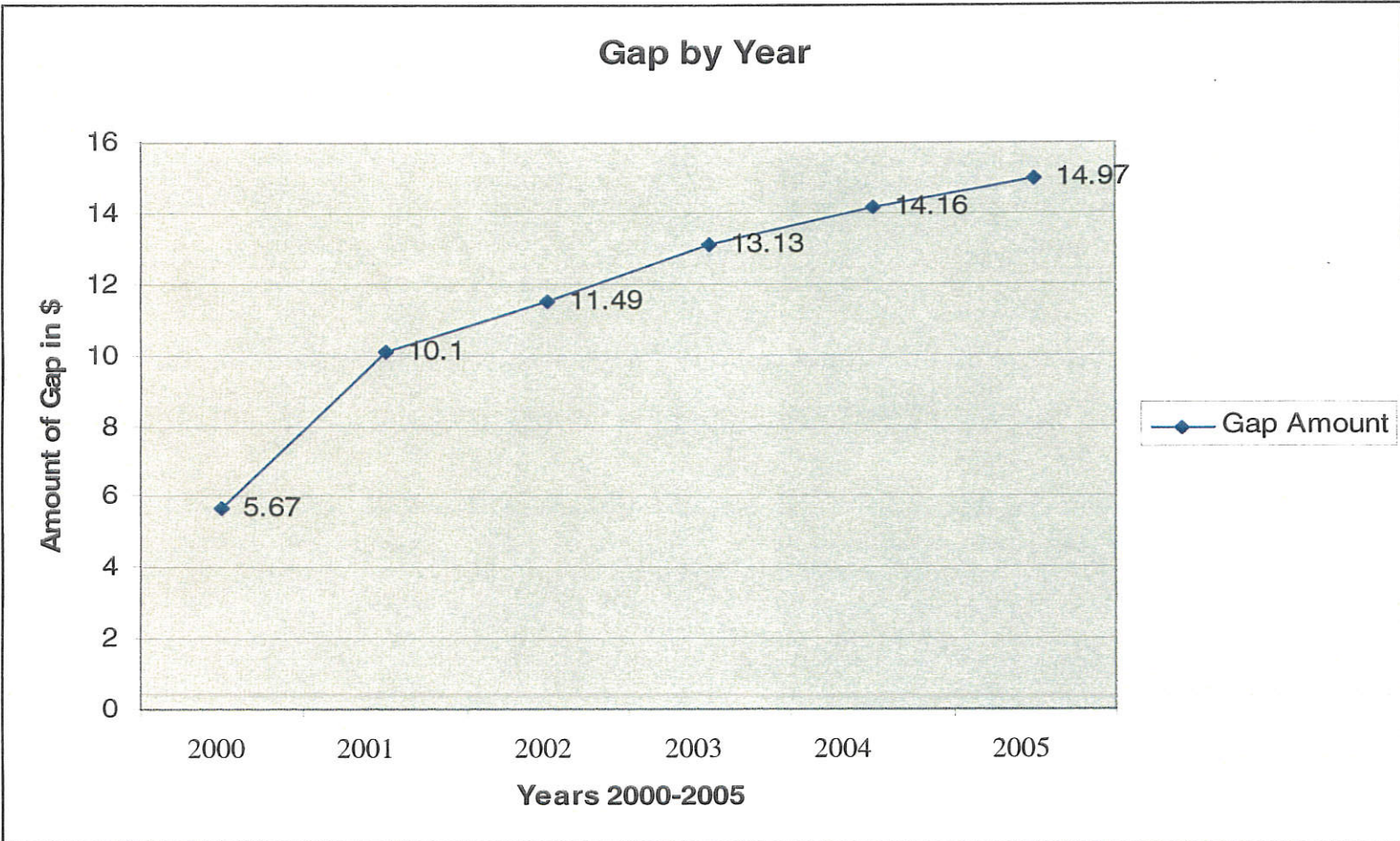
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E

2001 - 2005 Kansas Average RN Wage







KANSAS

DEPARTMENT ON AGING
KATHY GREENLEE, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

**Testimony on House Bill No. 2144
to
The House Social Services Budget Committee**

**by Janis DeBoer
Deputy Secretary**

Kansas Department on Aging

March 15, 2007

Good afternoon, Mr. Chairman, and members of the Committee. My name is Janis DeBoer, Deputy Secretary of the Kansas Department on Aging. House Bill 2144 relates to reimbursement rates for nursing facilities.

Essentially, HB 2144 eliminates the current cost-containment base-year model and allows for annual rebasing of nursing facility rates using three years of cost report data. Two points must be noted: 1) Prior to implementing a base-year model in FY 2004, annual rebasing of nursing facility rates using one year of cost report data resulted in annual increases in allowable costs of 7.66% on average per year. Since the implementation of a base-year model, annual increases in allowable costs have decreased significantly to 4.38% on average per year. 2) Averaging three years of cost report data as proposed in this bill, compared to using one year of cost report data, will result in the same outcome as noted above. We would expect nursing facility costs to exceed the rate of inflation consistently, and annual increases in allowable costs to reach 7.66%, or higher, by FY2010.

As such, the bill will significantly increase the nursing home budget over time.

KDOA estimates the fiscal impact of this bill for FY2008, all funds, to be an additional \$8 million (\$3.2M SGF). In the long term, the fiscal impact will be significant. In FY2009, we project the increase in all funds to be \$19.6 million (\$7.9M SGF); and the fiscal impact for FY2010, all funds, is projected to be an additional \$36.3 million (\$14.7M SGF).

Thank you for this opportunity to provide testimony on House Bill 2144.

NEW ENGLAND BUILDING, 503 S. KANSAS AVENUE, TOPEKA

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House Social Service Budget Committee

Date 3.19.07

Attachment #

3



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To: Chairman Bob Bethell and Members of
the House Social Service Budget Committee
From: James Krehbiel, President/ CEO
Date: March 15, 2007

Please Support House Bill 2144

Thank you, Chairman Bethell and Members of the Committee, for this opportunity to testify on House Bill 2144.

My name is James Krehbiel and I am the CEO of Schowalter Villa in Hesston, Kansas. We provide health care and continuing care retirement services to over 435 residents on our campus. Schowalter Villa mission is to provide quality of life and quality of care to enrich those we serve in a Christian not-for-profit retirement community.

I ask for your support of House Bill 2144. It is essential for our organization to continue to fulfill our mission and to provide the best care to frail low income people who require nursing home services in our community. Over 50% of the resident living in health care are currently receiving Medicaid to pay for their health care services. These are residents who have been ministers, missionaries, served in the military and held many honorable professions.

Schowalter Villa experiences each day a \$17 difference between private pay/long term care insurance and Medicaid reimbursement. We work very hard to promote our Good Samaritan fund through fund raising to help cover the shortfall. However, it is nearly impossible to annually make up the difference of \$ 350,000 in contributions. This is why HB 2144 is so essential.

Last year the legislature directed the Dept. of Aging to rebase costs; this helped a great deal with the gap that already occurs. However, under current law, the agency can wait to rebase for up to 7 years now. This will widen the gap. At the same time it is essential Schowalter Villa keep up with large wage increases in the healthcare industry, keep up with governmental rules and requirements, and cost pressures for direct care needs. The reimbursement mechanism needs to be dynamic in order to provide funding to care for residents needing the care. As costs continue to increase, it is imperative that reimbursement needs to also increase.

For this reason I ask for your support of House Bill 2144. This is an extremely important bill for health care providers to provide quality of care and life to our seniors. If you have further questions, I am available to answer any additional questions. Thank you!

House Social Service Budget Committee
Date 3.19.07
Attachment # 4



Testimony
House Social Services Budget Committee
Steve Albrecht, Regional Director of Government Relations, Golden Ventures
March 15, 2007

Mr. Chairman and members of the Social Services Budget Committee, my name is Steve Albrecht and I am the Regional Director of Government Relations for Golden Ventures, a long-term care provider operating 18 Golden Living Centers in Kansas. I am here today to testify in support of HB 2144.

Golden Ventures operates 350 nursing homes and assisted living facilities in 24 states and we are well aware of the financial challenges of caring for the frail and elderly in Kansas and elsewhere. Caring for the frail and elderly is our number one job and yet this task has become more and more challenging as Medicaid funding in Kansas has lagged behind in keeping pace with the costs of care. A principal factor in this lag has been the failure to use current cost reports to calculate Medicaid rates. An old cost report, even when inflated, fails to capture the true dynamics of the long-term care marketplace and contributes to an ever-widening gap between the cost of care and the rate paid for that care. According to a recent study prepared by BDO Seidman, the shortfall in funding between the cost of care and rates paid in Kansas is \$45 million (almost \$12 per Medicaid patient day).

Last year the Kansas Legislature took a positive step in addressing this issue by passing SB 62, legislation that called for the first rebasing of nursing home Medicaid rates in six years. This action by the Legislature was a step in the right direction, however passage of HB 2144 is critical in order to clarify the need to rebase rates each year. Provider's costs such as liability insurance, electricity, heating, food etc., continue to rise and without an annual re-basing the gap in cost verses rates will continue to grow larger.

On behalf of the 950 frail and elderly Kansans Golden Ventures cares for each day and our approximately 1,000 employees in Kansas I strongly urge you to vote in favor of HB 2144.

Thank you for your time and consideration.

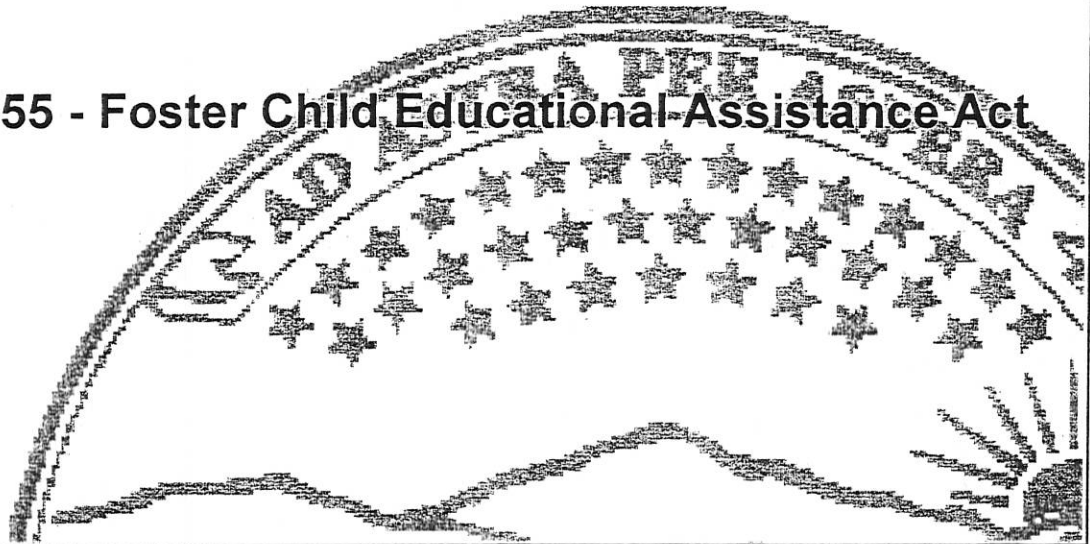
Kansas Department of

Social and Rehabilitation Services

Don Jordan, Secretary

House Social Services Budget Committee
March 19, 2007

SB 355 - Foster Child Educational Assistance Act



For additional information contact:
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**Kansas Department of Social and Rehabilitation Services
Don Jordan, Secretary**

House Social Services Budget Committee
March 19, 2007

Foster Child Educational Assistance Act

Since the Foster Child Educational Assistance Act went into effect on July 1, 2006, 89 students are known to have enrolled for the Fall 06 semester. Their tuition was waived by 27 educational institutions. Only students enrolled in a Kansas educational institution on or after July 1, 2006 are eligible. Students receiving assistance on or before June 30, 2006, remain eligible under the previous program. For these students, the tuition is not waived but paid from federal Education and Training Voucher (ETV) funds.

ETV funds may be used to supplement the waiver of tuition by the school by paying for room and board, technical equipment, course required fees, books, and other post secondary education related costs. From July 1 through November 30th, 2006, \$178,732 of additional assistance from ETV paid by the Department of Social and Rehabilitation Services.

Young people benefitting from tuition waiver and ETV are primarily youth who have aged out of care without the family or connections to assist them in their efforts to continue in school. These young people are intent upon becoming teachers, social workers, lawyers. These young adults have often had a rough start in life but are excited about the opportunity provided by this program and committed to giving back.

Extending the Act beyond the June 30, 2008 sunset would facilitate educational planning for students and continue this valuable support for youth.

SB 355 as amended waives course required fees as well as tuition. SRS supports SB 355 as amended.

Robert Drummond
TLC for Children and Families, Inc.
President



Bruce Linhos
Executive Director

Community Agencies Serving Children and Families

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Children's Alliance of Kansas

Testimony

Senate Ways and Means Committee SB 355

The Children's Alliance is the state's association of private non profit child welfare agencies. Member agencies provide an array of service for youth in the custody of the Department of Social and Rehabilitation Services.

I ask this committee to support SB 355 which removes the sunset provision on the Kansas Foster Child Educational Assistance Act. The tuition waiver bill has been one of the best pieces of legislation for youth in the foster care system. We recognize that the ultimate goal of any social service program is that clients, in this case youth in the foster care system, become independent and productive members of society. We also know that education is a key factor in preparing individuals for a more productive life experience.

During the past years participation in the tuition waiver has allowed approximately 90 former foster children to share in the promise of post secondary education in 27 schools across the state. The members of the Children's Alliance can think of no program in government that will yield the long term return on investment that this will.

I respectfully request your support of this bill.

Bruce Linhos
Executive Director
February 21, 2007



KANSAS BOARD OF REGENTS

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March 15, 2007

Rep. Bob Bethell, Chairman
House Social Services Budget Committee
Statehouse, Room 128-S
Topeka, KS 66612

Rep. Jerry Henry, Ranking Member
House Social Services Budget Committee
Statehouse, Room 322-S
Topeka, KS 66612

Dear Chairman Bethell and Ranking Member Henry:

On behalf of the Kansas Board of Regents, I write to you regarding House Bill 355, legislation to repeal the June 30, 2008 sunset of the Kansas Foster Child Educational Assistance Act. This bill mirrors HB 2546, regarding which we provided written testimony on March 13.

The Kansas Board of Regents would wholeheartedly support this legislation with one amendment to the Foster Care Educational Assistance Act of 2006, and that is including a funding mechanism that will reimburse the postsecondary institutions for the tuition and fees that the institutions waived for students in this program.

Our suggestion is to include a provision in this bill that would make an annual state general fund revenue transfer to the Kansas Board of Regents office based on the amount of actual tuition and fees waived by each institution for certified enrollments. In turn, the Kansas Board of Regents office would distribute the reimbursement funding to the individual institutions. Alternatively, the Legislature should indicate in the bill that funding for this program is subject to appropriation.

Why is a Permanent Funding Mechanism Critical?

- **Creating a funding mechanism will ensure the continued success of the program.** As the table on the last page indicates for Fall, 2006, 119 students are participating in this program which is evidence of the success of the Legislature's policy. By choosing this type of benefit, the Legislature recognized that access to postsecondary education is an important tool to provide to a person transitioning from the "state's care" to independence. Funding the benefit on a permanent and ongoing basis confirms the commitment of the Governor and Legislature to fulfill the promise to these students. Using the revenue transfer as the budget mechanism would indicate the high priority policymaker's place on this program. Not reimbursing the institutions creates the potential for "stigmatizing" the very students this policy is intended to benefit.

House Social Service Budget Committee

Date 3.19.07

Attachment #

8

- **Creating a funding mechanism will treat this program like other similar statutory tuition waiver programs.** For example, the statute providing for tuition and fee waivers for dependents of slain public safety officers provides funding and reimbursement, subject to appropriation. In fact, this program, since its inception in FY 2003, included a funding and reimbursement mechanism, subject to appropriation, up until the changes made in the statute last session.
- **Creating a funding mechanism will reduce the impact on individual postsecondary institutions.** Although we recognize the estimated \$300,000 cost of this program is miniscule compared to the total resources of the postsecondary system, the impact of this program on an individual institution in any given year could be significant depending on the size of the institution and the number of students enrolled at the institution. For example, Butler County Community College enrolled 20 students this year, and if this is typical, their annual loss of revenue would be \$42,300.

Fiscal Impact of the Current Policy

This academic year, 31 of the 36 postsecondary institutions have students eligible for this benefit. The two-year institutions account for 73 percent of the students and 27 percent of the students attend one of the six state universities or Washburn University.

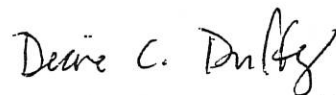
As the table indicates, 30 students are eligible for the "old program" for which Legislature makes an annual appropriation and institutions are reimbursed, and 89 students are participating under the "new" program for which the Legislature made no provision for state funding and reimbursement to institutions.

The estimated impact of the 89 students for which no funding has been committed in the current year is \$238,010, of which \$121,875 is a revenue loss to two-year institutions and \$116,135 is the impact on the universities. In addition to providing a funding mechanism for future years of this program, we would urge the Legislature to appropriate supplemental funding to cover the actual tuition and fees waived.

Again, the Board fully supports this tuition benefit program with a funding mechanism and would urge the Committee to add the revenue transfer amendment to the bill.

Thank you for the opportunity to comment. If you have questions or need additional information, I would be happy to respond.

Sincerely,



Diane Duffy, Vice President
Finance and Administration

**Foster Child Educational Assistance Act
Student Attendance by Postsecondary Institution
Fall, 2006**

Postsecondary Institution	"Old" Program # of Students	"New" program # of students	Total Students
Allen County Community College	0	2	2
Barton County Community College	0	2	2
Butler County Community College	6	14	20
Cloud County Community College	1	0	1
Coffeyville Community College	0	1	1
Colby Community College	0	2	2
Cowley County Community College	5	10	15
Dodge City Community College	0	1	1
Emporia State University	2	2	4
Fort Hays State University	0	5	5
Fort Scott Community College	1	2	3
Garden City Community College	0	1	1
Highland Community College	0	1	1
Hutchinson Community College	0	7	7
Independence Community College	0	1	1
Johnson County Community College	2	7	9
Kansas City Kansas Community College	0	7	7
Kansas State University	3	3	6
North Central Kansas Technical School	0	1	1
Northwest Kansas Technical College	1	0	1
Pittsburg State University	2	1	3
Pratt Community College	0	1	1
Salina Area Technical School	1	1	2
Seward County Community College	0	1	1
University of Kansas	5	4	9
Washburn University	0	3	3
Wichita Area Technical College	1	3	4
Wichita State University	0	6	6
TOTAL	30	89	119

Note: Kaw Area Technical College, Labette County Community College and Neosho County Community College all have students enrolled for Spring.

Source: Kansas Board of Regents and Kansas SRS