

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chair Sharon Schwartz at 9:00 A.M. on January 30, 2008, in Room 514-S of the Capitol.

All members were present except:
Representative Powell - excused

Committee staff present:
Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Reed Holwegner, Legislative Research Department
Cody Gorges, Legislative Research Department
Amy Deckard, Legislative Research Department
Heather O'Hara, Legislative Research Department
Jim Wilson, Revisor of Statutes
Nobuko Folmsbee, Revisor of Statutes
Nikki Feuerborn, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the committee:
Michael Leitch, Deputy Attorney General, Attorney General's Office
Lee Rolfs, Staff Attorney, Division of Water Resources, Department of Agriculture
Linda Sheppard, Deputy Attorney General, Attorney General's Office
Dr. Andy Allison, Kansas Health Policy Authority (KHPA)
Don Jordan, Secretary, Department of Social and Rehabilitation Services (SRS)

Others attending:
See attached list.

- Attachment 1 Testimony by Michael Leitch, Deputy Attorney General
- Attachment 2 Testimony by Linda Sheppard, Deputy Attorney General
- Attachment 3 Testimony by Andy Allison, Kansas Health Policy Authority (KHPA)
- Attachment 4 Testimony by Don Jordan, Secretary, Department of Social and Rehabilitation Services (SRS)
- Attachment 5 2008 House Budget Committee Calendar, Revision No. 1

Approval of Minutes

Representative Feuerborn moved to approve the minutes of December 17, 2007, January 16, 2008, and January 17, 2008, as written. The motion was seconded by Representative Masterson. Motion carried.

Update on Water Litigation

Michael Leitch, Deputy Attorney General, Office of the Attorney General, presented an overview of the status of water litigation between Colorado, Nebraska and the State of Kansas (Attachment 1).

Responding to questions from the Committee, Mr. Leitch indicated that it is appropriate to assume that there will be a monetary settlement with reference to the pending case against Colorado regarding the Republican River. Lee Rolfs, Staff Attorney for the Division of Water Resources, stated monetary awards from the litigation would be deposited as specified in **Substitute for SB 89** as Colorado is involved in both water litigation cases involving the Arkansas River as well as the Republican River.

With regard to water ways and the Arkansas River where Kansas is the upstream state, Mr. Leitch reported that the state is in full compact compliance with the state of Oklahoma. With regard to the Republican River, Mr. Rolfs stated that Kansas is an upstream state as well as a downstream state and is in compliance with that stream also. Mr. Leitch noted that the usage of water is determined

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on January 30, 2008, in Room 514-S of the Capitol.

by engineers through a complicated process using flow meters at strategic places along the river, evaporation rates and an accounting formula directed at use of water, plus a computer model that analyzes the ground water along the waterway. Some members felt that it would be advantageous for the State to work with Missouri and possibly Oklahoma to develop a compact with regard to the Ozark Aquifer and Spring River.

Referring to monetary damage from the over usage of water in the Republican River by Nebraska, Mr. Rolfs stated that there has not been an economic study to determine the amount of damages at this time; however, he felt the monetary damage could be sufficient. Mr. Leitch indicated that preliminary data will be received by April 15, 2008, and should be finalized by August, 2008.

Update on Tobacco Master Settlement Agreement (MSA)

Linda Sheppard, Deputy Attorney General, Office of the Attorney General, presented an update and overview of the tobacco master settlement agreement (Attachment 2).

Responding to a question from the Committee, Jim Wilson, Revisor of Statutes, stated that any increased amount received from tobacco manufacturers from 2008 to 2017 would be deposited in the Strategic Contribution Fund and continue to flow into the Children's Initiative Fund (CIF).

Ms. Sheppard indicated that attorney fees resulting from the litigation process are paid from the Attorney General's budget. The Committee expressed some concern that these fees should be recouped through the settlement.

Impact of Federal Deferrals, Presumptive Medical Disability Determination and Citizenship Documentation

Dr. Andy Allison, Medicaid Director and Deputy Director, Kansas Health Policy Authority (KHPA), presented an update on the status of federal deferrals, presumptive medical disability determination and citizenship documentation (Attachment 3). Dr. Allison stated that the temporary staff hired to address the backlog of Presumptive Medical Disability Determination (PMDD) have been released.

- With reference to PMDD results, the Committee requested additional information on what caused approximately 80 people per month to fail to complete the process over the past three months and the number of those persons who were determined not to be eligible.
- The Committee requested information on what documents can be used in place of a driver license to satisfy requirements for citizenship documentation.

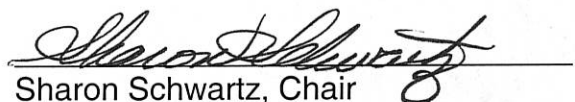
Consensus Caseloads and Federal Funds

Don Jordan, Secretary, Department of Social and Rehabilitation Services (SRS) presented an overview of consensus caseloads and reimbursements (Attachment 4).

Other Topics

A revised copy of the 2008 House Budget Committee calendar for submitting agency budget recommendations for final Appropriations Committee action was distributed to the Committee (Attachment 5).

The meeting was adjourned at 10:30 a.m. The next meeting of the Committee will be held on January 31, 2008.


Sharon Schwartz, Chair

House Appropriations Committee

January 30, 2008

9:00 A.M.

NAME	REPRESENTING
Lindsey Douglas	Hein Law Firm
Stephanie White Buchanan	CMS
CJ Cotsoradis	KDA
Dodie Willshear	USA/ICS
Keb Menly	LITTLE GOVT RELATIONS
Dave Starkey	KDA
Jenny Hell	KDA
Lee Rolfs	KDA
Aynda Foster	Farm Bureau
Way Haws	Farm Bureau
Paul Graves	KDA
MIKE REECHT	XCALIBER
Doug Bowman	CCECOS
Jennifer Crut	KS Coalition for School Readiness
MARK BORANYAK	CAPITOL STRATEGIES
Ivan Williams	Legislative Post Audit
Wendy Haws	KAPA - KRMCA
Wendy Moses	KAPA - KRMCA
FRED LUCKY	KANSAS Hosp Assn
MARK HEIM	SCC
GREG A. FOLEY	SCC
STEVE FROST	SCC

House Appropriations Committee
January 30, 2008
9:00 A.M.

NAME	REPRESENTING
Cindy D'Ercole	Kansas Action for Children
Jimmie Rose	KCSL
Ray Bonkeman	KFB
Hilda Marmont	KDHE
Mel Linden	State Farm Ins
R. Witzler	KSD E
Robin Clements	World Water Companies
Cindy Kelly	KASB
CLARENCE CETER	KDHE
Brad Smart	CMT
Amy [unclear]	KMHC



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Testimony of Deputy Attorney General Mike Leitch
House Appropriations Committee
January 30, 2008

My name is Mike Leitch. I am the Deputy Attorney General responsible for the civil litigation division. Among other things, my division defends the State when it is sued for constitutional violations, civil rights violations, and other general tort claims. We also work together with the Department of Agriculture and Division of Water Resources on the State's litigation against Colorado and Nebraska involving water. I was asked to appear today to provide information regarding the status of that litigation.

Kansas v. Colorado, No. 105, Original – The Arkansas River

In December 1985, Kansas sued Colorado in the original jurisdiction of the United States Supreme Court to enforce the terms of the Arkansas River Compact. The Court appointed a special master to hold the trial and make factual and legal recommendations to the Court. Over the course of the case, the Special Master has filed four reports (1994, 1997, 2000, and 2003), and the Court has issued three opinions (1995, 2001, and 2004). Ultimately, the Court ruled that Colorado had depleted the usable stateline flows of the Arkansas River at the Kansas/Colorado border. Those depletions violated the Compact and totaled 428,005 acre-feet during the period between 1950 and 1996.

In April 2005, Colorado paid Kansas \$34,615,146 in damages and pre-judgment interest. Colorado also paid Kansas over \$1 million in costs. This money has been deposited in three funds created by statutes that specify generally how and where the money will be spent. *See* K.S.A. 82a-1801-03, *et seq.*

In its 2004 opinion, the Court sent the matter back to the Special Master for preparation of a decree consistent with its final opinion. Since then the States have been working together to draft the decree and to update the Hydrologic-Institutional Model (H-I Model) for the period 2000 through 2006. The Special Master and the States have resolved all substantive issues regarding the Judgment and Decree, and the first 10 year accounting. Colorado is in compliance for the first 10-year period, 1997 through 2006.

The Special Master's fifth and final report, along with the proposed Judgment and Decree, will be published in three volumes and accompanied by a DVD containing the H-I Model. That model will be used to measure future Compact compliance. Those documents have all been submitted to the printer. The Special Master has indicated that his fifth and final report will be filed with the Supreme Court by January 31, 2008, even if the printer has to work overtime.

After the Report and proposed Judgment and Decree are filed with the Court, the Court will give each state 45 days to file any exceptions or objections to the Special Master's rulings in the Report. If no exceptions are filed, the Court can approve the Report. If exceptions are filed, the Court will allow 30 days for a response, and possibly set the matter for oral argument. Following oral argument, the Court would then issue its opinion. We have not yet determined whether we plan to file exceptions to the report.

Kansas v. Nebraska and Colorado, No. 126, Original – The Republican River

In 1998, Kansas sued Nebraska and Colorado in the original jurisdiction of the United States Supreme Court to enforce the terms of the Republican River Compact. In January 2001, the Special Master found that the use of groundwater was regulated by the Republican River Compact, to the extent groundwater pumping depletes surface flows. Settlement talks began soon after that ruling, and in December 2002, a Final Settlement Stipulation was signed by the three states. The Settlement was approved by the Court in May 2003, and it became fully effective in October 2003 when the RRCA Groundwater Model was filed with the Court.

1. Nebraska's Compliance with the Republican River Compact and Settlement

Under the settlement, compliance is normally measured over a five-year period. In water-short years, compliance is measured over two-year periods. The period of 2005-2006 was a water short period, and the first to be measured under the settlement. According to our calculations, Nebraska used 82,240 acre-feet more water than it was entitled to in 2005 and 2006. A city with 100,000 residents will take about 10 years to use 82,000 acre-feet of water. One acre-foot is equal to 325,851 gallons.

With Nebraska in breach of the settlement, on December 19, 2007, Kansas Chief Engineer David Barfield wrote to Ann Bleed, his Nebraska counterpart, demanding an immediate shutdown of (1) all wells located within 2.5 miles of the Republican River and its tributaries, and (2) wells added after the year 2000. Nebraska may also need to take other actions to meet water-short year obligations.

Because it appears impractical for Nebraska to repay Kansas with water, Kansas has asked for monetary compensation for past shortages in an amount equal to Nebraska's gains or Kansas' losses, whichever is greater. We also demanded interest, attorneys' fees, and costs. Nebraska has until February 4, 2008, to respond. At that point, assuming they do not comply, we will go forward with the dispute resolution process called for under the Settlement.

The Settlement also specifies 2007 as the final year for the first five-year compliance period. The accounting for 2007 is not done, but Nebraska's overuse from 2003 through 2006 is 143,840 acre-feet. Once the final numbers are calculated, I would expect them to confirm a five year violation, which will necessitate further remedies.

During the years Nebraska overused its share of water in violation of the Settlement terms, Kansas did not have enough water for the Kansas Bostwick Irrigation District and mainstem Republican River users. That is the core problem that this litigation is intended to correct.

2. Colorado's Compliance with the Republican River Compact and Settlement

Colorado is required only to meet a five year test of compliance. While data for 2007 is not yet available, Colorado has exceeded its allocations for the first four years by 44,270 acre-feet. Thus, we anticipate that we will need to take enforcement actions against Colorado. Nevertheless compared to Nebraska, Colorado has been making more effective efforts to get into compliance.



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House Appropriations Committee
Status of Tobacco Litigation
Linda J. Sheppard, Deputy Attorney General
January 30, 2008

Madam Chair and members of the committee, my name is Linda Sheppard and I am Deputy Attorney General for the Consumer Protection Division, which includes tobacco enforcement. I am here today at the request of the Chair to provide an overview of the tobacco master settlement agreement.

Background

The tobacco Master Settlement Agreement (MSA) resulted from a lawsuit filed in 1996, and was finalized in 1998. The agreement was reached between 52 states and territories, including Kansas, and the four original participating manufacturers: Philip Morris, R.J. Reynolds, Brown & Williamson, and Lorillard.

The major requirements of the MSA are restrictions on marketing practices and annual payments to the states for damages incurred through their Medicaid programs caring for those suffering from smoking-related illnesses. All known tobacco manufacturers that were not parties to the original litigation were offered participation in the MSA. To date 58 manufacturers have subsequently chosen to join. The first group of "subsequent" manufacturers to join the settlement was not required to make payments if their market share did not grow from the time of entry into the MSA. However, all manufacturers that entered the agreement following that first group are required to make payments into the settlement based on annual cigarette sales. Any manufacturer that has not joined the MSA is subject to the escrow account statutes that were passed in all MSA states and could be subject to future lawsuits.

The Kansas escrow law was passed in 1999. Our law requires that all non-MSA manufacturers keep in escrow an amount similar to that paid by the participating manufacturers. The idea of requiring escrow accounts is to address any future lawsuits that may be brought on behalf of consumers. The Escrow Accounts were also an attempt to level the playing field in the tobacco industry so that MSA companies did not suffer an "unfair disadvantage" relative to the rest of the market. The funds remain in the Escrow Accounts for 25 years, and will be returned to the non-MSA manufacturers at that time if no litigation is pending.

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ATTACHMENT 2

Monies Received

Through the MSA, each state was assigned an "allocable share" or percentage of national cigarette sales. These receipts are paid to an MSA account, and Kansas receives 0.834% of the total. The funds received by Kansas are distributed in accordance with K.S.A. 38-201, *et. seq.* The first \$1.0 million received is earmarked for tobacco control efforts. The remainder of the funds is deposited into the Kansas Endowment for Youth (KEY) Fund and the Children's Initiative Fund. For sales year 2005, Kansas received \$48,774,918. In December 2006, Kansas also received a payment of \$447,382 from a non-litigant participant of the MSA. House of Prince increased its market share of sales during sales year 2005 and as a result was required to pay into the MSA. For sales year 2006, Kansas received \$47,068,118. In June 2007, Kansas also received a payment of \$394,424 for recalculation of disputed funds maximums, late payments, and bankruptcy payments.

Current Status

Under the original terms of the MSA, the state's 2005 and 2006 total receipts should have been significantly higher than they were. Two MSA companies have withheld a portion of their payment to all states in the MSA while they are disputing the basis of the payments. The two companies, R.J. Reynolds and Lorillard, are arguing that the states have not proven that they are diligently enforcing their escrow statutes.

All of the original participating manufacturers filed motions to compel arbitration of this matter in every state that is a party to the MSA. The original participating manufacturers filed their motion against Kansas in Shawnee County District Court on October 27, 2006, and the subsequent participating manufacturers filed to join on November 2, 2006. The Court ruled against Kansas on July 10, 2007, ordering the state to arbitrate the dispute. Of the states arguing against court-ordered arbitration, 43 states have lost their cases and have been ordered to arbitration; 30 states have final orders of arbitration (no potential for appeal); 15 are on appeal; one is considering appeal; two have no trial court orders; and one has won its case. The participating manufacturers have appealed the decision in the state that won its case.

The participating manufacturers submitted a proposal to the MSA states to settle the matter in 2006. After several exchanges of counteroffers between the parties, no agreement has been reached to settle the dispute nor is it anticipated that the dispute will be settled in the near future.

Future Receipts

The MSA developed a Strategic Contribution Fund that required the manufacturers to pay an increased amount from 2008 to 2017. Based upon a percentage of how much each state contributed to the original MSA effort in terms of human resources, time and money, states were allocated a share of this strategic fund. Kansas gets 1.85% of the total amount, which translates into an estimated \$15.4 million in April 2008. This amount is expected to remain relatively flat until 2017, when the Strategic Contribution Fund would be depleted.

Thank you for the opportunity to present to the Committee. I would be happy to stand for questions.



House Appropriations Committee: Deferrals and Documentation

January 30, 2008

Andy Allison, PhD
Medicaid Director and Deputy Director
Kansas Health Policy Authority

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Objectives

- Status of Federal Deferrals
 - Local Education Agencies
 - Targeted Case Management (TCM)
 - Mental Health/Child Welfare
- Presumptive Medical Disability Determination
- Citizenship Documentation

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HOUSE APPROPRIATIONS

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ATTACHMENT 3

Status of Federal Deferrals

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Agreement with CMS

- Must resolve all outstanding administrative and payment issues identified by Centers for Medicare and Medicaid Services (CMS) and the Office of the Inspector General (OIG)
- Release of liability dependent on implementation of reforms July 2007, bringing into full compliance

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Background

- High volume of CMS financial management reviews (FMRs) and OIG audits
- Focus of the reviews in three areas:
 - Local Education Agencies (LEAs)
 - Targeted Case Management (TCM)
 - Mental Health/Child Welfare

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Local Education Agency

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OIG/CMS Issues: Local Education Agency

- Payment methodology issues
 - Use of inaccurate time studies and cost reports
 - Reimbursement for 12 months of services rather than 9 months
 - Lack of required physician referrals

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Local Education Agency: Reforms

- Revision of the provider manual stating physician orders are required for therapies
- Replace the previous contractor with new one to revise administrative claiming process
- Substitute fee for service (FFS) payment to schools replacing previously used "bundled rate" (which CMS no longer allows)

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Local Education Agency: Current Status

- Manual updates have occurred providing detailed instructions for the billing of Medicaid services and required documentation
- Public Consulting Group replaced the previous contractor and revised the administrative claiming processes

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Local Education Agency: Current Status (Cont.)

- Converted to FFS prior to the new school year (August 1, 2007)
- Service Codes for use were selected with involvement of LEA providers
- Additional Surveillance Utilization Reviews (SURS) are being conducted on LEA providers to ensure compliance with Medicaid rules

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Local Education Agency: Current Status (Cont.)

- A Financial Management Review (FMR) is currently being conducted by CMS to monitor and evaluate the progress of changes and increased oversight of school based service payments

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Targeted Case Management

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OIG/CMS Issues: Targeted Case Management

- Inaccurate targeted case management payment methods
- Lack of adherence to the Medicaid State Plan
- Lack of adherence to existing and forthcoming federal regulations
- Note: Other states were and are also out of compliance with many of the same things resulting in increased CMS scrutiny

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Targeted Case Management Reforms

- Adoption of a uniform definition of targeted case management
- Assuming a uniform unit of service
- Rebase payment methodology which incorporates CMS preliminary TCM guidelines
- Submit a TCM State Plan Amendment

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Targeted Case Management Reforms

- Establish policies and procedures to ensure:
 - Claims filed for Federal reimbursement are based on actual expenditures
 - Utilizing an approved rate methodology
 - Services are based on medical necessity

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Targeted Case Management: Current Status

- A State Plan Amendment addressing the originally identified problems, as well as, meeting the definition outlined in the Deficit Reduction Act (DRA) was approved retroactively to July 1, 2007 through an official letter dated December 6, 2007
- All related policies/procedures are effective as of July 1, 2007

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Targeted Case Management: Current Status (Cont.)

- Just prior to the Kansas SPA approval, CMS issued an Interim Final Rule (IFR) which takes effect March 3, 2008
- The Kansas SPA complies with the new IFR with one residual issue
 - Case management must be provided by a single case manager
 - Two years to transition

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Targeted Case Management: Current Status (Cont.)

- Notified January 22, that the Office of Inspector General (OIG) final report on Kansas Medicaid Payments for Targeted Case Management is being forwarded to the U.S. Department of Health and Human Services for final disposition

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Targeted Case Management: Current Status (Cont.)

- Kansas has complied with the OIG principle recommendation by strengthening internal controls to ensure compliance with the State plan
- Claims for TCM services for children in the welfare system are no longer being submitted

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Mental Health/ Child Welfare

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OIG/CMS Issues: Mental Health/Child Welfare

- Using non-allowable or incomplete encounter and reimbursement data
- Lack of a federal waiver to exclude qualified providers from participation in the program
- Contract not consistent with the State Plan

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Mental Health/Child Welfare Reform

- Discontinued use of previous contractor to administer Mental Health Center Administrative Claiming
 - Placed program on hold
- Current Status
 - By agreement with CMS, Administrative Claiming was ended June 30, 2007
 - All prior quarter claims are in the process of being adjusted

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Mental Health/Child Welfare Reform

- Amended five sections of the State Plan
 - Rehabilitation
 - EPSDT
 - Other Licensed Providers
 - Psychiatric Residential Treatment Facility
 - Inpatient Hospital
- Current Status
 - All sections of the State plan have been amended and approved

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Mental Health/Child Welfare Reform

- Update the HCBS Severely Emotionally Disturbed (SED) Waiver to come into compliance with CMS requirement
- Current Status
 - An amendment to the Home and Community Based Waiver for children who are Severely Emotionally Disturbed (SED) was approved by CMS May 30, 2007 which conformed with the move from individual contracts with each of the Community Mental Health Centers to one PAHP

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Mental Health/Child Welfare: Current Status

- Changes implemented July 1, 2007:
 - Creation of a PAHP with Kansas Health Solutions as the contractor
 - The PAHP is responsible for the consistent interpretation of the definition of mental health and for expanding the provider network

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Mental Health/Child Welfare: Current Status (Cont.)

- Creation of a Prepaid Inpatient Health Plan (PIHP) with Value Options as the contractor
 - The PIHP is responsible for ensuring consistency in activities related to substance abuse

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Mental Health/Child Welfare: Current Status (Cont.)

- Realigned residential facilities serving children into categories and payment structures supported by CMS rules and regulations
 - PRTFs
 - YRCs

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Mental Health/Child Welfare: Current Status (Cont.)

- OIG reports on Family Preservation and Child Welfare Programs are not yet final
- Primary findings of the OIG have been addressed

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Conclusion

- On track to resolve historic deferrals at no additional cost to the State

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Presumptive Medical Disability Determination

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PMDD Background

- Presumptive Medical Disability Determination (PMDD) began in September 2006
- General Assistance (GA) applicants and recipients referred to PMDD to determine level of disability
- PMDD follows process modeled after the Social Security Administration
- People found to meet SSA disability criteria through PMDD are eligible for Medicaid

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PMDD: Problem

- Initially, PMDD understaffed.
- Backlog occurred immediately.
- Temporary staff added, but backlog persisted.
- Concern raised about decreasing enrollment.
- Determined that decreasing MediKan enrollment was partially due to individuals moving to Medicaid and part due to backlog.

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PMDD: Problem (cont.)

- In December 2006, it took an average of 99 days for PMDT to make a determination.
- There were over 2,500 people in the process. Over 1,500 people were waiting for an initial interview.
- In February 2007, there was a lag of five weeks between the initial referral and the PMDD interview (conducted over the phone).
- Over the first year, approximately 250 people per month failed to complete the PMDD process.

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PMDD: Proposed Solution

- Additional \$150,000 (SGF) requested.
- Temporarily increase processing staff.
- Get interviews scheduled within two weeks.
- Complete determinations with 45 to 60 days (providers have 30 days to provide records).
- Cut the number of people who fail to complete the process.

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PMDD: Solution Implementation

- 2007 Legislature appropriated the additional money.
- Temporary staff on board and trained by mid-July.
- Backlog caught up by end of October.
- Temporary staff released by end of November.

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PMDD: Results

- The latest data shows that the average time to make a decision has decreased from a high of 99 days to less than 40 days.
- In December, the average number of days from referral to interview was 10 calendar days.
- Referrals remain high at slightly less than 200 per week.
- The total number of people in the process is now less than 1,500, a drop of more than 1,000.
- 406 people are waiting for their initial interview.
- Fewer than 80 people per month have failed to complete the process over the past three months.

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PMDD: Conclusions

- The PMDD Team was successful in reducing the backlog and meeting the objectives set out during the 2007 legislative session.
- PMDD is also successful at more accurately determining the level of an individual's disability.
- KHPA continues to watch the process to make sure the process remains timely and efficient.

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Citizen Documentation

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Deficit Reduction Act of 2005: New Citizenship Documentation Requirements

- July 1, 2006: all Medicaid applicants and recipients required to provide documentation of their citizenship and identity.
- New requirements applied to people who report to be U.S. citizens – Medicaid has always required non-citizens to verify immigration status.
- Federal rules established strict guidelines regarding acceptable documentation:
 - Must provide a 'primary document' covering both citizenship and identity such as a passport; OR
 - Two 'secondary documents' – one for citizenship (e.g., birth certificate) and one for identity (e.g., driver's license).
- Requirements apply to most Medicaid families, including pregnant women and children.
 - Medicare beneficiaries, children in foster care, and recipients of federal Social Security disability benefits are exempt
- The final regulations were published in June, 2006 with an implementation date of July, 2006. States were given less than one month to implement these significant changes.

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Citizen Documentation: Impact on Operations

- Immediately after implementation, the workload at the clearinghouse increased dramatically.
 - Each application and review received by the Clearinghouse, required two additional documents per person
 - The Clearinghouse receives between 8,000 and 10,000 application and review forms per month.
 - Most people do not have a passport and many do not have birth certificates. Obtaining the documents, especially from other states, is costly and time consuming.
 - Customer service contacts increased from about 23,000 incoming calls in June, 2006 to over 49,000 in October, 2006.
 - All processes in the Clearinghouse were affected—mail room, imaging, customer service, processing, faxing, etc.
- The delay in receiving documents and the volume of documents and inquiries coming in created additional work. Production slowed, and the Clearinghouse quickly accumulated a backlog.

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Citizen Documentation: Impact on Program

- The total medical assistance caseload dropped by 20,000 between June, 2006 and October, 2006.
- The backlog peaked in February, 2007 with 15,000 unprocessed applications and reviews – 8,000 were over 25 days old.

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Citizen Documentation: KHPA's Response

- Redirected internal and contract resources, including marketing and outreach funds
- Authorized the use of overtime for staff
- Established data interface processes to assist customers in obtaining documentation.
- Requested additional funding from legislature.

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Citizen Documentation: Clearinghouse Progress

- The 2007 Kansas Legislature provided an additional \$1.2 million.
- KHPA used the funds to add 13 additional contract staff and 4 additional state staff to the Clearinghouse operation.
- KHPA also continued to redirect internal resources to the effort, including overtime for state staff.

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Citizen Documentation: Current Status

- At the end of December, 2007 the number of unprocessed applications and reviews was less than 4,000, with fewer than 300 over 25 days old.
- Enrollment has increased by more than 10,000.
- The backlog has been eliminated

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Citizen Documentation: Future Concerns

- KHPA believes the impact of the new law has yet to be fully understood.
- The new requirements have added significant time to the application process and applicants require an increased level of assistance.
- The requirements have permanently increased the administrative costs for processing applications.
- KHPA will maintain existing interfaces to access documents electronically and develop additional interfaces where possible.
- In partnership with SRS, KHPA is planning on replacing the existing eligibility system.
- This newer technology will ease the administrative burden of the application process, increase access to the public, make it easier to develop additional interfaces—potentially with other states—and improve our monitoring capabilities.

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<http://www.khpa.ks.gov/>

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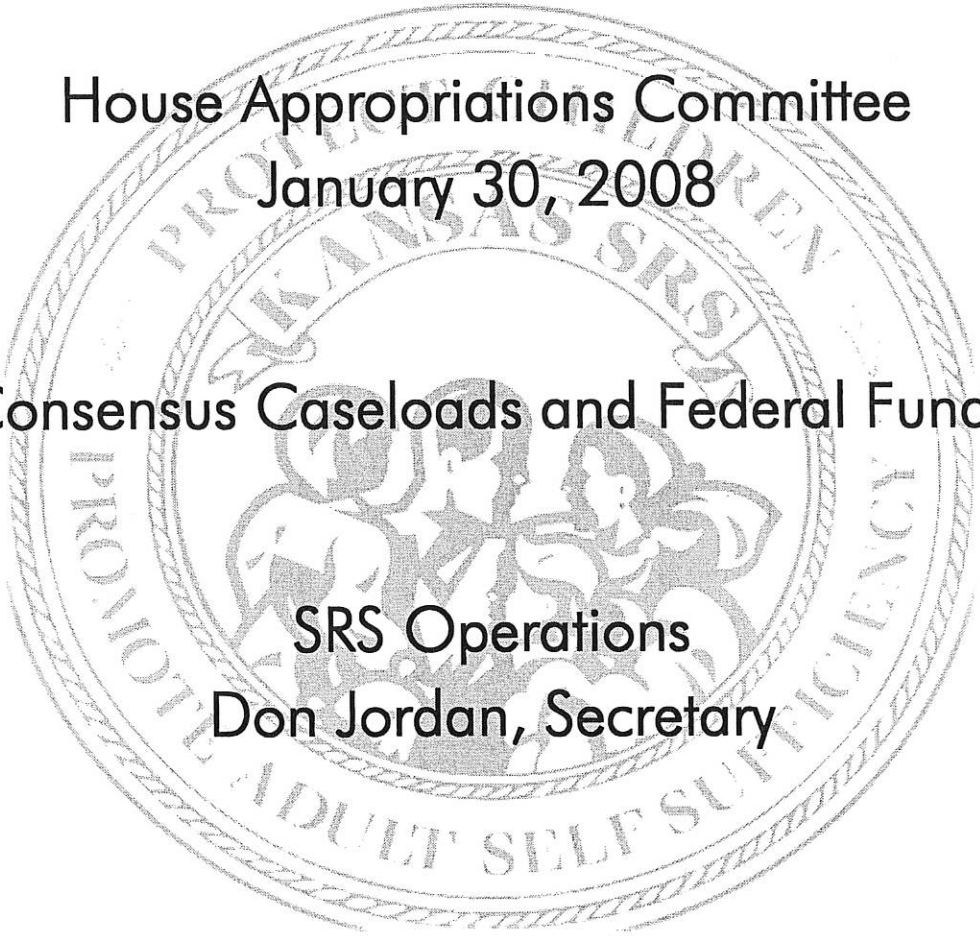
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Kansas Department of
Social and Rehabilitation Services
Don Jordan, Secretary

House Appropriations Committee
January 30, 2008

Consensus Caseloads and Federal Funds

SRS Operations
Don Jordan, Secretary



For Additional Information Contact:
Dustin Hardison, Director of Public Policy
Docking State Office Building, 6th Floor North
(785) 296-3271

HOUSE APPROPRIATIONS

DATE 1-30-2008
ATTACHMENT 4

Consensus Caseloads and Federal Funds

House Appropriations Committee
 January 30, 2008

Chairperson Schwartz and members of the committee, thank you for the opportunity to provide information on our Consensus Caseloads and Federal Funds.

Consensus Caseloads

The Consensus Caseload estimating group consisting of staff from SRS, Kansas Department on Aging, Kansas Health Policy Authority, Division of Budget, and Legislative Research met on November 2, 2007 to revise the FY 2008 estimates and make the first FY 2009 estimates for the Consensus Caseloads. The SRS caseloads included in this process are Temporary Assistance for Families (TAF), General Assistance (GA), Foster Care Contracts (FC), Nursing Facilities for Mental Health (NFMH), Mental Health Services (MH), Community Supports and Services (CSS), and Addiction and Prevention Services (AAPS). Consensus Caseload programs comprise 39% SGF (32% AF) of the total SRS budget. The consensus estimate for each caseload is presented in the table below.

Program	FY 2008			FY 2009		
	Avg. People	SGF	AF	Avg. People	SGF	AF
TAF	35,066	\$29,821,028	\$51,000,000	33,595	\$29,821,028	\$49,000,000
GA	4,026	8,700,000	8,700,000	4,035	8,700,000	8,700,000
FC	5,829	102,163,619	149,636,886	6,041	115,600,000	165,000,000
NFMH	555	11,348,890	13,300,000	555	12,000,000	14,000,000
CSS	8,314	17,800,000	44,000,000	8,517	17,219,690	42,963,300
MH*	227,846	77,500,000	199,000,000	236,690	76,500,000	192,200,000
AAPS*	227,846	9,325,491	23,105,776	236,690	9,135,354	22,792,800
Total Consensus Budget		\$256,659,028	\$488,742,662		\$268,976,072	\$494,656,100

*The average people for MH and AAPS include all people in the managed care plans eligible for services. Kansas pays a monthly rate to the managed care organizations for these eligible people.

The CSS caseload includes Head Injury Rehabilitation Hospitals, Positive Behavior Support, Attendant Care for Independent Living, and CDDO Targeted Case Management. The MH Services caseload includes the Mental Health Prepaid Ambulatory Plan (PAHP) the Psychiatric Residential Treatment Facilities (PRTF), and all mental health screenings for SRS and JJA. The AAPS caseload includes the Prepaid Inpatient Health Plan (PIHP).

The following table shows the amounts added in the Governor's Budget Report (GBR) for the Consensus Caseload adjustments. All numbers reflect the consensus estimates except \$50,000 SGF added to ACIL in the GBR to replace Children's Initiative Funds (CIF). In total, FY 2008 is a reduction of \$1.7 million in State General Fund from the approved budget, while FY 2009 is an increase of \$10.6 million SGF from the FY 2008 approved. In the aggregate, for

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all SRS caseloads, FY 2009 reflects an increase of 4.8 percent SGF from FY 2008.

Program	FY 2008 Change from Approved		FY 2009 Change from FY 2008 Approved	
	SGF	All Funds	SGF	All Funds
TAF	\$0	\$0	\$0	(\$2,000,000)
GA	(300,000)	(300,000)	(300,000)	(300,000)
Foster Care	(2,836,381)	1,636,886	10,600,000	17,000,000
NFMH	48,890	0	700,000	700,000
CSS	275,575	675,248	(304,735)	(361,452)
MH	2,000,000	12,000,000	1,000,000	5,200,000
AAPS	(874,509)	(2,294,224)	(1,064,646)	(2,607,200)
Total Change	(\$1,686,425)	\$11,717,910	\$10,630,619	\$17,631,348

The following are brief descriptions of the significant changes to the spring 2007 estimates.

Temporary Assistance to Families (TAF)

- The number of persons receiving services is estimated to continue to decrease into FY 2009 as a result of the improved economy and tougher work requirements.
- Savings in this program are in the TANF Block Grant.

General Assistance (GA)

- The current estimate for people served was reduced based on the current number of recipients receiving services following implementation of Presumptive Medicaid Disability Determination.

Foster Care

- Costs for the FC contracts are projected to increase due to increasing caseloads and a change in the privatized contracts. The FC costs now include placement costs that used to be paid through Medicaid. The estimates include \$5.7 million SGF (\$7 million AF) in both fiscal years for children that used to be in Level V and Level VI facilities that did not qualify for PRTF placement and are in Youth Residential Care (YRC) which is not a Medicaid placement.
- The FC estimates also include an increase of \$1.6 million SGF (\$2 million AF) in FY 2008 and \$3 million SGF (\$3.7 million AF) in FY2009 from a DD Waiver policy change. These funds were transferred from the DD waiver.
- The large difference between FY2008 and FY2009 is a result of a change in the contracts from prepayment to payment after the month of service. This resulted in 11 months of payments in FY2008 and a full 12 months in FY2009.
- The decrease in SGF needed in FY2008 is a result of updating our cost allocation process and how Federal IV-E administrative and maintenance funds are actually claimed for the CW contracts compared to how we estimated they would be last spring.

Nursing Facilities for Mental Health (NFMH)

- The number of persons served is projected to remain constant.
- The increase in the SGF amount is a result of fewer Medicaid eligible people in NFMHs.
- FY2009 includes a rate increase which is based on annual nursing facility cost reports.

Community Supports and Services (CSS)

- TCM for CDDOs is projected to be lower in both FY2008 and FY2009 because of a change in the rate and the units that can be billed.
- Costs in the Head Injury Rehabilitation Hospitals are projected to be higher in both years.
- People receiving Attendant Care for independent Living are projected to be higher than the prior estimate.
- Combining these caseloads resulted in a budget increase of \$0.3 million SGF in FY2008 and a decrease of \$0.3 million SGF in FY2009. The decrease in expenditures from FY2008 to FY2009 was a result of \$1.8 million SGF of FY2007 costs that were not paid until FY2008. Without this prior year reconciliation, FY2009 expenditures would have been larger than FY2008.

Mental Health

- Effective July 1, 2007, mental health services are provided utilizing a Prepaid Ambulatory Health Plan (PAHP). The increased costs in FY2008 represent the change to a prepaid managed care plan and reflect 13 months of services.
- The smaller SGF requirement related to the AF figure is because the change to PRTFs allow a better federal fund match and because the FY 2008 estimate includes a recoupment of \$3.2 million of certified match from the CMHCs that was not expended in the prior year.

Addiction and Prevention Services (AAPS)

- Effective July 1, 2007, addiction services are also provided under a managed care plan. This plan is a Prepaid Inpatient Health Plan (PIHP). The decrease from the spring estimate is a result of changing to the managed care contract.

In April, the Consensus Caseload group will meet again to revise these caseload estimates using all information available at that time.

Federal Funding Issues

In the past few years, the federal government has increased oversight, reinterpreted policies, greatly increased the number of audits and reviews, and scrutinized all claims of federal funds. As a result, Kansas, like most other states, has faced deferrals and disallowances of federal funds, has changed state plans, policies, and cost allocation methods to satisfy the federal agencies. This has resulted in the need of state funds to replace lost federal funds.

SRS has worked closely with the Kansas Health Policy Authority and the Center for Medicare and Medicaid Services (CMS) to resolve some longstanding federal Medicaid issues. We appreciate the support of the Governor and the Legislature in providing needed state funds during last year's Session related to these payment reforms. With the recent changes to the Medicaid State Plan, CMS has stopped deferring of federal Medicaid funding related to mental health and child welfare, and has worked with the state to resolve prior year deferrals. Beginning with the first quarter of this fiscal year, CMS did not defer child welfare Medicaid claims that they have deferred since July 1, 2003. SRS and KHPA are currently working with CMS to try and recover a portion of the previously deferred funds. Also on July 1, 2007, CMHC Medicaid Administrative Claiming was ended and an agreement has been reached with CMS to

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resolve four years of prior claims and complete payments to the CMHCs.

While there are many federal reviews still in progress, we have been able to resolve some of the issues that have been ongoing for years. SRS will continue to work with the federal government to provide the required accountability and reduce the risk of future losses in federal funding.

This concludes my testimony and I will be glad to stand for questions.

REVISION #1

2008 HOUSE BUDGET COMMITTEES

Agriculture and Natural Resources

Members

Larry Powell, Chair; John Grange, Vice-Chair; **Doug Gatewood, Ranking Minority Member**

Clay Aurand; **Sydney Carlin**; Vaughn Flora; Carl Holmes; **Sharon Schwartz**; **Jason Watkins**

Agency	Fiscal Analyst	Final Appropriations Committee Action
Dept. of Health and Environment - Environment	Leah Robinson	2/13/2008
Kansas Corporation Commission	Heather O'Hara	2/20/2008
Citizens' Utility Ratepayer Board	Heather O'Hara	2/20/2008
Animal Health Department	Heather O'Hara	3/6/2008
Kansas State Fair Board	Heather O'Hara	3/6/2008
Board of Accountancy	Cody Gorges	3/7/2008
State Bank Commissioner	Jarod Waltner	3/7/2008
Department of Credit Unions	Cody Gorges	3/7/2008
Securities Commissioner	Cody Gorges	3/7/2008
Board of Veterinary Examiners	Michael Steiner	3/7/2008
Department of Commerce	Reed Holwegner	3/12/2008
Kansas Inc.	Reed Holwegner	3/12/2008
Kansas Technology Enterprise Corp.	Reed Holwegner	3/12/2008
Department of Agriculture	Heather O'Hara	3/13/2008
State Conservation Commission	Heather O'Hara	3/13/2008
Kansas Water Office	Heather O'Hara	3/13/2008
Department of Wildlife and Parks	Julian Efirm	3/13/2008

Note: Appropriations Committee members shown in bold.

2008 HOUSE BUDGET COMMITTEES**Education****Members**

Joe McLeland, Chair; Mike O'Neal, Vice-Chair; Bob Grant, Ranking Minority Member

John Faber, **Bill Feuerborn**, Lana Gordon, Deena Horst, **Ty Masterson**, **Tom Sawyer**

Agency	Fiscal Analyst	Final Appropriations Committee Action
Fort Hays State University	Audrey Dunkel	2/21/2008
Kansas State University	Audrey Dunkel	2/21/2008
KSU - Extension Systems and Agricultural	Audrey Dunkel	2/21/2008
KSU - Veterinary Medical Center	Audrey Dunkel	2/21/2008
Emporia State University	Audrey Dunkel	2/21/2008
Pittsburg State University	Audrey Dunkel	2/21/2008
University of Kansas	Audrey Dunkel	2/21/2008
University of Kansas Medical Center	Audrey Dunkel	2/21/2008
Wichita State University	Audrey Dunkel	2/21/2008
Board of Regents	Audrey Dunkel	2/21/2008
Behavioral Sciences Regulatory Board	Aaron Klaassen	3/7/2008
Board of Healing Arts	Aaron Klaassen	3/7/2008
Department of Education	Leah Robinson	3/11/2008
School for the Blind	J.G. Scott	3/12/2008
School for the Deaf	J.G. Scott	3/12/2008
State Historical Society	Aaron Klaassen	3/12/2008
State Library	Aaron Klaassen	3/14/2008
Kansas Arts Commission	Aaron Klaassen	3/14/2008

Note: Appropriations Committee members shown in bold.

2008 HOUSE BUDGET COMMITTEES**General Government****Members**

Kevin Yoder, Chair; Kasha Kelly, Vice-Chair; **Harold Lane, Ranking Minority Member**

Virginia Beamer, Tom Burroughs, Rocky Fund, Annie Kuether, Charles Roth, **JoAnn Pottorff**

Agency	Fiscal Analyst	Final Appropriations Committee Action
Judicial Council	Reed Holwegner	2/19/2008
Judicial Branch	Reed Holwegner	2/19/2008
Kansas Human Rights Commission	Jarod Waltner	2/20/2008
Department of Administration	Julian Efird	2/22/2008
Governmental Ethics Commission	Kimbra Caywood McCarthy	2/22/2008
Office of the Governor	Leah Robinson	2/25/2008
Lieutenant Governor	Leah Robinson	2/25/2008
Attorney General	Leah Robinson	2/25/2008
Secretary of State	Leah Robinson	2/25/2008
State Treasurer	Aaron Klaassen	2/25/2008
Insurance Department	Cody Gorges	2/25/2008
Kansas Public Employees Retirement System	Julian Efird	2/26/2008
Kansas Lottery	Julian Efird	3/7/2008
Kansas Racing and Gaming Commission	Julian Efird	3/7/2008
Board of Barbering	Kimbra Caywood McCarthy	3/7/2008
Board of Cosmetology	Kimbra Caywood McCarthy	3/7/2008
Kansas Dental Board	Cody Gorges	3/7/2008
Board of Mortuary Arts	Kimbra Caywood McCarthy	3/7/2008
Kansas Board of Hearing Aid Examiners	Kimbra Caywood McCarthy	3/7/2008
Optometry Board	Heather O'Hara	3/7/2008
Board of Pharmacy	Cody Gorges	3/7/2008
Real Estate Appraisal Board	Michael Steiner	3/7/2008
Real Estate Commission	Michael Steiner	3/7/2008
Board of Tax Appeals	Reed Holwegner	3/10/2008
Department of Revenue	Reed Holwegner	3/10/2008
Department of Labor	Cody Gorges	3/12/2008

Note: Appropriations Committee members shown in bold.

2008 HOUSE BUDGET COMMITTEES

Legislative Budget

Members

Sharon Schwartz, Chair; Jene Vickrey, Vice-Chair; Dennis McKinney, Ranking Minority Member
 Don Dahl, Ray Merrick, Melvin Neufeld, Eber Phelps, Jim Ward

Agency	Fiscal Analyst	Final Appropriations Committee Action
Legislative Coordinating Council	J.G. Scott	3/10/2008
Legislative Research Department	J.G. Scott	3/10/2008
Revisor of Statutes	J.G. Scott	3/10/2008
Legislature	J.G. Scott	3/10/2008
Division of Post Audit	J.G. Scott	3/10/2008

Note: Appropriations Committee members shown in bold.

2008 HOUSE BUDGET COMMITTEES**Transportation and Public Safety****Members**

Lee Tafanelli, Chair; Mitch Holmes, Vice-Chair; Jerry Williams, Ranking Minority Member

Paul Davis, Stan Frownfelter, Tom Moxley, Tim Owens, Jeff Whitham, **Kay Wolf**

Agency	Fiscal Analyst	Final Appropriations Committee Action
Department of Corrections	Jarod Waltner	2/12/2008
El Dorado Correctional Facility	Jarod Waltner	2/12/2008
Ellsworth Correctional Facility	Jarod Waltner	2/12/2008
Hutchinson Correctional Facility	Jarod Waltner	2/12/2008
Lansing Correctional Facility	Jarod Waltner	2/12/2008
Larned Correctional Mental Health Facility	Jarod Waltner	2/12/2008
Norton Correctional Facility	Jarod Waltner	2/12/2008
Topeka Correctional Facility	Jarod Waltner	2/12/2008
Winfield Correctional Facility	Jarod Waltner	2/12/2008
Juvenile Justice Authority	Michael Steiner	2/18/2008
Juvenile Correctional Facilities	Michael Steiner	2/18/2008
Atchison Juvenile Correctional Facility	Michael Steiner	2/18/2008
Beloit Juvenile Correctional Facility	Michael Steiner	2/18/2008
Larned Juvenile Correctional Facility	Michael Steiner	2/18/2008
Kansas Juvenile Correctional Complex	Michael Steiner	2/18/2008
Board of Indigents' Defense Services	Reed Holwegner	2/19/2008
Kansas Department of Transportation	Julian Efird	2/21/2008
Adjutant General	Aaron Klaassen	3/5/2008
State Fire Marshal	Aaron Klaassen	3/5/2008
Kansas Parole Board	Jarod Waltner	3/5/2008
Highway Patrol	Aaron Klaassen	3/5/2008
Kansas Bureau of Investigation	Aaron Klaassen	3/5/2008
Emergency Medical Services Board	Aaron Klaassen	3/5/2008
Sentencing Commission	Jarod Waltner	3/5/2008
Kansas Commission on Peace Officers' Standards	Aaron Klaassen	3/5/2008
Abstracters Board of Examiners	Michael Steiner	3/7/2008
Board of Technical Professions	Michael Steiner	3/7/2008

Note: Appropriations Committee members shown in bold.

2008 HOUSE BUDGET COMMITTEES**Social Services****Members**

Bob Bethell, Chair; Peggy Mast, Vice-Chair, **Jerry Henry, Ranking Minority Member**

Barbara Ballard, David Crum, Pat George, Tom Hawk, Dick Kelsey, Marc Rhoades,

Agency	Fiscal Analyst	Final Appropriations Committee Action
Dept. of Health and Environment - Health	Leah Robinson	2/13/2008
Kansas Guardianship Program	Cody Gorges	2/20/2008
Health Policy Authority	Amy Deckard	3/6/2008
Social and Rehabilitation Services	Amy Deckard	3/6/2008
Board of Nursing	Aaron Klaassen	3/7/2008
Health Care Stabilization Fund Board	Cody Gorges	3/10/2008
Commission on Veterans Affairs	Cody Gorges	3/10/2008
Kansas Neurological Institute	Kimbra Caywood McCarthy	3/11/2008
Larned State Hospital	Kimbra Caywood McCarthy	3/11/2008
Osawatomie State Hospital	Kimbra Caywood McCarthy	3/11/2008
Parsons State Hospital	Kimbra Caywood McCarthy	3/11/2008
Rainbow Mental Health Facility	Kimbra Caywood McCarthy	3/11/2008
Department on Aging	Amy Deckard	3/13/2008

Note: Appropriations Committee members shown in bold.