

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on January 22, 2010, in Room 548-S of the Capitol.

All members were present except:

Senator Ty Masterson- excused

Senator Jean Schodorf- excused

Committee staff present:

Alan Conroy, Kansas Legislative Research Department

J. G. Scott, Kansas Legislative Research Department

Michael Steiner, Kansas Legislative Research Department

Dylan Dear, Kansas Legislative Research Department

Amy Deckard, Kansas Legislative Research Department

Jill Wolters, Office of the Revisor of Statutes

Daniel Yoza, Office of the Revisor of Statutes

Melinda Gaul, Chief of Staff

Shirley Jepson, Committee Assistant

James Fisher, Intern

Conferees appearing before the Committee:

Andy Allison, Acting Executive Director, Kansas Health Policy Authority (KHPA)

Others attending:

See attached list.

Introduction of Legislation

Senator Teichman moved to introduce legislation concerning property tax exemptions pertaining to property held by the secretary of transportation. The motion was seconded by Senator Umbarger. Motion carried on a voice vote

Senator Schmidt moved to introduce legislation establishing the child witness protection act. The motion was seconded by Senator Umbarger. Motion carried on a voice vote.

Approval of Minutes

Senator Teichman moved to approve the minutes of December 15, 2009; January 12, 2010; January 13, 2010; January 14, 2010 and January 15, 2010. The motion was seconded by Senator McGinn. Motion carried on a voice vote.

Update on Kansas Health Policy Authority (KHPA) Operations

Andy Allison, Acting Executive Director, Kansas Health Policy Authority (KHPA), presented an update on Administrative Improvement Ideas (Attachment 1). Mr. Allison provided a brief overview of KHPA's FY 2009 and FY 2010 budget. Mr. Allison noted that the Governor's allotments in November 2009 had a significant impact on KHPA's FY 2010 budget and their ability to provide services. Reductions in funding for the State Children Health Insurance Program (SCHIP) has caused a backlog of applicants with budget reductions attributing to a lack of staff to process the applications.

Mr. Allison addressed several cost-saving options that were included in the FY 2011 budget submission to the Governor including:

- Streamline Prior Authorization in Medicaid - Eliminating the statutory requirement that Preferred Drug List (PDL/Prior Authorization (PA)) be done through administrative rules and regulations process or change rules and regulations process to include only drug classes and not specific drugs.
- Mental Health Pharmacy Management - Create a caseload investment and savings process.
- Align Professional Rates in Medicaid .

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on January 22, 2010, in Room 548-S of the Capitol.

A copy of the 2008 and 2009 Federal Poverty Guidelines was provided to the Committee (Attachment 2).

Responding to a question from the Committee concerning the effects of the 10 percent reduction in Medicaid rates, Mr. Allison stated that they have not had any providers drop out of the program at this time; however, KHPA intends to track providers and facilities.

- ◆ The Committee requested a written copy of the proposals presented with their FY 2011 budget request to the Governor. The Committee also requested figures on the cost to the state of the expansion of SCHIP in FY 2008 and FY 2009.

Adjournment

The next meeting is scheduled for January 23, 2010.

The meeting was adjourned at 11:25 a.m.

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE: January 22, 2010

| NAME | REPRESENTING |
|---------------------|------------------------|
| Destin Moyer | KHPA |
| Andy Allison | KHPA |
| MARK BORANYAK | CAPITOR STRATEGIES |
| Carol A. Curtis | AstraZeneca |
| Doug Bowman | CCECDs |
| Jessica Noble | KDHE |
| Erk Wisner | KDA |
| Nancy Zogleman | Polsinelli |
| Ligh Keck | Hein law firm |
| Guth Paschold | Lumme Jerald - World |
| Suzanne Goble | KS Action for Children |
| Emily Messen-Sobell | KS health Institute |
| Shayle Shaw | KACCT |
| Tom Bruno | Bruno Assoc. |
| Rob Merly | KEARNEY & Assoc. |
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Kansas Health Policy Authority

Administrative Improvement Ideas

Testimony before the Senate Ways and Means
January 22, 2010

Dr. Andrew Allison, KHPA Acting Executive Director



Overview

- KHPA Budget Summary
- FY 2010 Governor's Allotments
- Expected impact of 10% reduction in provider payments
- Alternative sources of savings

Senate Ways & Means Cmte
Date 1-22-2010
Attachment 1



Brief Overview of KHPA's Budget

- **KHPA's FY 2009 budget was about \$2.6 billion**
 - \$1.36 billion was non-SGF funding for KHPA medical programs
 - \$800 million was federal funds passed through to other Medicaid service agencies (SRS, KDOA, JJA, KDHE)
 - \$450 million was SGF funding for services and operations
- **KHPA programs and operations are funded separately**
 - FY 2009 operational funding was \$23 million SGF
 - Caseload costs are about 20 times larger than operational costs
 - Caseload savings cannot be credited to cost-saving operations
 - The federal government matches Medicaid operations at 50-90%
 - Operational costs for the state employee plan are funded off-budget through standard charges to agencies for each participating employee
- **KHPA FY 2010 budget reductions concentrated on operations**
 - Medicaid caseload protected due to Federal stimulus dollars
 - KHPA operational funding reduced 15.5% versus FY 2009

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FY 2010 Governor's State General Fund Allotments *July 2009*

- FY 2009 Caseload Savings (\$5,300,000)
- Expansions to Pregnant Women (\$524,000)
- Increased FMAP Rate (\$6,300,000)
- No impact on current services

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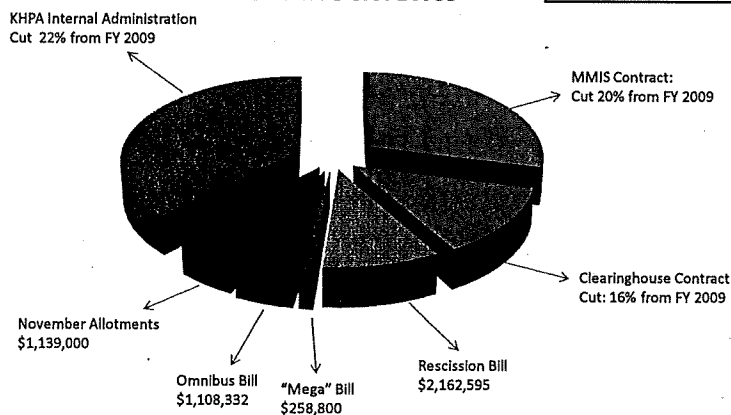
FY 2010 Governor's State General Fund Allotments November 2009

- **Caseload reductions**
 - Across-the-board 10% reduction in Medicaid provider rates
 - Limitation on MediKan benefits to 12 months
- **Administrative reduction of \$1.13 million SGF**
 - Total impact is \$2.5 million all-funds
 - Cumulative 20.5% reduction since approved FY 2009
 - Allotment represents 5% reduction on FY 2009 base
- **SCHIP reduction of \$1 million SGF**
 - Growing backlog may reduce pressure on funding
 - Waiting to see the impact of the January 1st expansion in coverage to children between 200% of the FY 2009 poverty level and 250% of the 2008 poverty level

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FY 2010 Operating Budget After Allotments

| | |
|---------------|---------------------|
| FY 2009: | \$22,814,018 |
| Rev. FY 2010: | \$18,145,291 |
| Total Cuts: | \$4,668,727 (20.5%) |





Reducing Medicaid Spending: Health Care Management and Quality Improvement

- Reduction Options Included in FY 2011 Budget Submission
 - Streamline Prior Authorization in Medicaid
 - \$243,000 SGF/ \$952,000 AF
 - Mental Health Pharmacy Management
 - \$800,000SGF/ \$2.0M AF
 - Align Professional Rates in Medicaid
 - \$ 1 M SGF/ \$ 2.8 M AF (Corrected)

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Pharmaceutical Policy In Medicaid

- In order to make cost saving changes in Medicaid Pharmacy, KHPA must add drug classes to rules and regulations. KSA 39-7,120
 - Eliminate the statutory requirement that Preferred Drug List (PDL/ Prior Authorization (PA) be done through administrative rules and regulations process
 - **OR**, change rules and regulations process to include only drug classes and not specific drugs

Create a Caseload Investment & Savings Process

- Most savings ideas in Medicaid result in decreases in caseload spend
- Some savings ideas require up-front investment
- There is currently no mechanism to allow agencies to make investments in order to realize the savings
- Creating an investment, tracking and savings mechanism would result in more timely and thorough savings in Medicaid

Current PDL/PA Process

- A drug or drug class goes through the Drug Utilization Review (DUR) Board for consideration
 - When agreed, a drug or drug class is added to the PDL or put on PA through a KHPA Policy.
 - The policy then goes through the Administrative Rules and Regulations process
 - It generally takes 5 months to get something through the rest of the process and to make the change

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*Coordinating health & health care
for a thriving Kansas*



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

2008 Federal Poverty Guidelines*

| Federal Poverty Percentage | Household Size | | | | |
|----------------------------------|----------------|----------|----------|----------|----------|
| | 1 | 2 | 3 | 4 | 5 |
| 27.5% | \$ 2,860 | \$ 3,850 | \$ 4,840 | \$ 5,830 | \$ 6,820 |
| 37% | 3,848 | 5,180 | 6,512 | 7,844 | 9,176 |
| 50% | 5,200 | 7,000 | 8,800 | 10,600 | 12,400 |
| 75% | 9,750 | 13,125 | 16,500 | 19,875 | 23,250 |
| 100% | 10,400 | 14,000 | 17,600 | 21,200 | 24,800 |
| 125% | 13,000 | 17,500 | 22,000 | 26,500 | 31,000 |
| 133% | 13,832 | 18,620 | 23,408 | 28,196 | 32,984 |
| 150% | 15,600 | 21,000 | 26,400 | 31,800 | 37,200 |
| 185% | 19,240 | 25,900 | 32,560 | 39,220 | 45,880 |
| 200% | 20,800 | 28,000 | 35,200 | 42,400 | 49,600 |
| 225% | 23,400 | 31,500 | 39,600 | 47,700 | 55,800 |
| 250% | 26,000 | 35,000 | 44,000 | 53,000 | 62,000 |

For each additional person in the household add \$3,600 for 100% of FPL.

* from U.S. Department of Health and Human Services (www.aspe.hhs.gov). Figures are for the 48 contiguous states and D.C..

Note: The HHS poverty guidelines, or percentage multiples of them (such as 125 percent etc.) are used as an eligibility criterion by a number of federal programs including Head Start, Food Stamps, National School Lunch Program, Low-Income Home Energy Assistance, Children's Health Insurance Program and some parts of the Medicaid program. In general, cash public assistance programs do not use these poverty guidelines in determining eligibility. A more detailed list of programs that use or do not use these guidelines can be found at www.aspe.hhs.gov.

Senate Ways & Means Cmte

Date 1-22-2010

Attachment 2

2009 Federal Poverty Guidelines*

| Federal Poverty Percentage | Household Size | | | | |
|----------------------------|----------------|----------|----------|----------|----------|
| | 1 | 2 | 3 | 4 | 5 |
| 30% | \$ 3,249 | \$ 4,371 | \$ 5,493 | \$ 6,615 | \$ 7,737 |
| 37% | 4,007 | 5,391 | 6,775 | 8,159 | 9,542 |
| 50% | 5,415 | 7,285 | 9,155 | 11,025 | 12,895 |
| 75% | 10,153 | 13,659 | 17,166 | 20,672 | 24,178 |
| 100% | 10,830 | 14,570 | 18,310 | 22,050 | 25,790 |
| 125% | 13,538 | 18,213 | 22,888 | 27,563 | 32,238 |
| 130% | 14,079 | 18,941 | 23,803 | 28,665 | 33,527 |
| 133% | 14,404 | 19,378 | 24,352 | 29,327 | 34,301 |
| 150% | 16,245 | 21,855 | 27,465 | 33,075 | 38,685 |
| 185% | 20,036 | 26,955 | 33,874 | 40,793 | 47,712 |
| 200% | 21,660 | 29,140 | 36,620 | 44,100 | 51,580 |
| 225% | 24,368 | 32,783 | 41,198 | 49,613 | 58,028 |
| 250% | 27,075 | 36,425 | 45,775 | 55,125 | 64,475 |
| 300% | 32,490 | 43,710 | 54,930 | 66,150 | 77,370 |

For each additional person in the household add \$3,740 for 100% of FPL.

* from U.S. Department of Health and Human Services (www.aspe.hhs.gov). Figures are for the 48 contiguous states and D.C..

Note: The HHS poverty guidelines, or percentage multiples of them (such as 125 percent etc.) are used as an eligibility criterion by a number of federal programs including Head Start, Food Stamps, National School Lunch Program, Low-Income Home Energy Assistance, Children's Health Insurance Program and some parts of the Medicaid program. In general, cash public assistance programs do not use these poverty guidelines in determining eligibility. A more detailed list of programs that use or do not use these guidelines can be found at www.aspe.hhs.gov.

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