

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 1:30 p.m. on May 6, 2010, in Room 548-S of the Capitol.

All members were present except:

Senator Ty Masterson - excused

Committee staff present:

Michael Steiner, Kansas Legislative Research Department
Dylan Dear, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Estelle Montgomery, Kansas Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Norman Furse, Office of the Revisor of Statutes
Melinda Gaul, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the Committee:

Martin Kennedy, Secretary, Department on Aging
Debra Zehr, Kansas Association of Homes and Services for the Aging (KAHSA)
Cindy Luxem, Kansas Health Care Association (KHCA)
Mitzi McFatrach, Kansas Advocates for Better Care (KABC)
Maury Thompson, Johnson County Developmental Support Services

Others attending:

See attached list.

Hearing on HB 2320 - S Sub for Sub H 2320 by Committee on Ways and Means – Assessments of quality assurance fee on skilled nursing care facilities to improve the quality of care.

Norman Furse, Office of the Revisor of Statutes, provided an overview of a proposed amendment to **S Sub for Sub HB 2320 (Attachment 1)**.

The Committee noted several corrections to the amendment to which the Revisor concurred including:

- Page 7, Section B (3), strike the word (either).
- Page 1, Last line on the page, remove the “comma” after the word “annual”.

The Committee expressed concern with the following:

- Nursing care facilities would pass on the cost of the provider assessment tax to their private-pay individuals.
- The amendment should include a more in-depth description of high medicaid volume skilled nursing care facilities.
- The possibility that the additional funds received by the facilities could be spent on buildings instead of quality care for residents.

Martin Kennedy, Secretary, Department on Aging, appeared before the Committee and responded to questions. The Secretary stated that the goal of the amendment is to have uniform and consistent regulations in imposing the provider assessment tax as well as insure that funds are used for the purpose intended. Responding to a question from the Committee, Secretary Kennedy felt there is little incentive for the facilities to increase fees for private-pay individuals.

Debra Zehr, President, Kansas Association of Homes and Services for the Aging (KAHSA), presented testimony in support of the amendment (Attachment 2). Ms. Zehr stated that KAHSA was opposed to the original legislation; however, now supports the compromise amendment. She noted that KAHSA feels the pressure on private-pay individuals has been reduced. Responding to a question from the Committee, Ms. Zehr, noted that of the 320 nursing care facilities across the state, 140 are members of KAHSA.

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 1:30 p.m. on May 6, 2010, in Room 548-S of the Capitol.

- ◆ The Committee requested a copy of the e-mail being sent to KAHSAs members explaining support for the proposed amendment.

Cindy Luxem, Kansas Health Care Association (KHCA), presented testimony in support of the proposed amendment (Attachment 3). Responding to a question from the Committee, Ms. Luxem noted that there are 30 registered nursing care facilities within the state who do not take Medicaid eligible individuals. Ms. Luxem indicated that the legislation will sunset in 4 years.

Mitzi McFatrach, Kansas Advocates for Better Care (KABC), appeared before the Committee in a neutral position. Ms. McFatrach noted that KABC has repeatedly requested that 2 issues be addressed by the legislation:

- (1) Assurance of quality care for residents;
- (2) Consumers or private-pay individuals have a voice at the table with voting powers on how the funds derived from the provider tax are spent.

There were no other proponents, opponents or neutrals to appear before the Committee.

The hearing on **S Sub for Sub HB 2320** was closed.

Senator Lee moved to amend S Sub for Sub HB 2320 by requiring the nursing homes to provide their private pay rates on a quarterly basis to the Department on Aging and that the agency provide the information on its website. The motion was seconded by Senator Teichman. Motion carried on a voice vote.

Senator Umbarger requested that information be provided to the Committee regarding the possibility that the Centers for Medicare and Medicaid Services (CMS) is considering allowing Developmental Disability (DD) provider assessments.

Maury Thompson, Johnson County Developmental Support Services representing Interhab, provided information on the DD provider assessments (Attachment 4). Mr. Thompson stated that if CMS approves the ruling, Kansas would immediately benefit from the ruling because almost all of the DD providers in the state are Medicaid eligible.

The Committee felt that the issue required more information and discussion before taking any Committee action.

Senator Kelly moved to amend the proposed amendment to S Sub for Sub for HB 2320 by deleting language on Page 2 and Page 6 of the proposed amendment which references delayed payment schedules. The motion was seconded by Senator Teichman. Motion withdrawn with approval of the second.

Senator Lee moved to amend the proposed amendment to S Sub for Sub for HB 2320 by allowing the person appointed by the governor who is a skilled nursing care facility resident or the family member of such a resident to have a vote on the quality care improvement panel. The motion was seconded by Senator Kelly. Motion carried on a voice vote.

Senator Schmidt moved to amend the proposed amendment to S Sub for Sub for HB 2320 by changing the language on page 6 under (e) from "The department" to "The authority". The motion was seconded by Senator Teichman. Motion carried on a voice vote.

Senator Teichman moved to recommend Senate Substitute for Substitute HB 2320 as amended favorable for passage as S Sub for S Sub for Sub HB 2320. The motion was seconded by Senator Kultala. Motion carried on a voice vote.

Adjournment

The next meeting is scheduled for "on call of the Chair".

The meeting was adjourned at 3:30 p.m.

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE: May 6, 2010

NAME	REPRESENTING
S. Therese Bangert	KCC
Patrick Woods	SRS
Koia Weeks	SRS
LARRY R BAZER	LKM
MARK BOZANYAK	Capitol Strategies
Joe Fued	KAUSA
Debra Zelt	KAUSA
Tom Burgess	Kansas Health Management
Mitzi Metabuck	KABC
Bobbie Conant	KDOH
Bill McDaniel	"
Martina Kennedy	"
Shannon Jones	SICK
Sandy Braden	GPA
Ron Mackes	Sprint
Bill Brady	KAUSA
Kristen Gomm	Sen. Deak Schmielt
Mark Papp	Inbr Hab
Dodie Welleshear	Lakeview Village
Kim Fowler	Judicial Branch
Er. K Wisc	KDA
Joe Mosimann	PMCA of KS
Terry Heidner	KDOT

PROPOSED AMENDMENTS

May 6, 2010 @ 11:10 am

[New material is in boldface and deleted material is in brackets and strike type]

SENATE Substitute for Substitute for HOUSE BILL NO. 2320

By Committee on Ways and Means

AN ACT providing for assessments on certain nursing facilities; prescribing powers, duties and functions for the Kansas health policy authority; creating the quality care assessment fund; providing for implementation and administration.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) As used in this section, and amendments thereto, unless the context requires otherwise:

(1) Words and phrases have the meanings respectively ascribed thereto by K.S.A. 39-923 and amendments thereto.

(2) "Skilled nursing care facility" means a licensed nursing facility, nursing facility for mental health as defined in K.S.A. 39-923, and amendments thereto, or a hospital long-term care unit licensed by the Kansas department of health and environment, providing skilled nursing care.

(3) "Licensed bed" means those beds within a skilled nursing care facility which the facility is licensed to operate.

(4) "Authority" means the Kansas health policy authority.

(5) "Agent" means the Kansas department on aging.

(6) "Continuing care retirement facility" means a facility holding a certificate of registration issued by the commissioner of insurance pursuant to K.S.A. 40-2235, and amendments thereto.

(b) (1) Except as otherwise provided in this section and in subsection (f), there is hereby imposed and the authority shall assess an annual, [~~uniform~~] assessment per licensed bed, hereinafter

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Attachment 1

called a quality care assessment, on each skilled nursing care facility. The assessment on all facilities in the aggregate shall be an amount fixed by rules and regulations of the authority, shall not exceed \$1,950 annually per licensed bed [~~and~~], shall be imposed as an amount per licensed bed **and shall be imposed uniformly on all skilled nursing care facilities except that the assessment rate for skilled nursing care facilities that are part of a continuing care retirement facility, small skilled nursing care facilities and high medicaid volume skilled nursing care facilities shall not exceed one sixth of the actual amount assessed all other skilled nursing care facilities.** No rules and regulations of the authority shall grant any exception to or exemption from the quality care assessment. The assessment shall be paid quarterly, with one fourth of the annual amount due by the 30th day after the end of the month of each calendar quarter. **The authority is authorized to establish delayed payment schedules for skilled nursing care facilities which are unable to make quarterly payments when due under this section due to financial difficulties, as determined by the authority.** The assessment made for years subsequent to the third year from the date the provisions of this section are implemented shall not exceed 60% of the first assessment made under this section. **As used in this subsection (b)(1), the terms “small skilled nursing care facilities” and “high medicaid volume skilled nursing care facilities” shall have the meanings ascribed thereto by the authority by rules and regulations, except that the definition of small skilled nursing facility shall not be lower than 40 beds.**

(2) Beds licensed after July 1 each year shall pay a prorated amount of the applicable annual

assessment so that the assessment applies only for the days such new beds are licensed. The proration shall be calculated by multiplying the applicable assessment by the percentage of days the beds are licensed during the year. Any change which reduces the number of licensed beds in a facility shall not result in a refund being issued to the skilled nursing **care** facility.

(3) If an entity conducts, operates or maintains more than one licensed skilled nursing care facility, the entity shall pay the nursing facility assessment for each facility separately. No skilled nursing care facility shall create a separate line-item charge for the purpose of passing through the quality care assessment to residents. No skilled nursing care facility shall be guaranteed, expressly or otherwise, that any additional moneys paid to the facility under this section will equal or exceed the amount of its quality care assessment.

(4) The payment of the quality care assessment to the authority shall be an allowable cost for medicaid reimbursement purposes. A rate adjustment pursuant to paragraph (5) of subsection (d) shall be made effective on the date of imposition of the assessment, to reimburse the portion of this cost imposed on medicaid days.

(5) The authority shall seek a waiver from the United States department of health and human services to allow the state to impose varying levels of assessments on skilled nursing care facilities based on specified criteria. It is the intent of the legislature that the waiver sought by the authority be structured to minimize the negative fiscal impact on certain classes of skilled nursing care facilities.

(c) Each skilled nursing care facility shall prepare and submit to the authority any additional information required and requested by the authority to implement or administer the provisions of this

section.

(d) (1) There is hereby created in the state treasury the quality care fund, which shall be administered by the authority. All moneys received for the assessments imposed pursuant to subsection (b), including any penalty assessments imposed thereon pursuant to subsection (e), shall be remitted to the state treasurer in accordance with K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the quality care fund. All expenditures from the quality care fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the authority or the authority's agent.

(2) All moneys in the quality care fund shall be used to finance initiatives to maintain or improve the quantity and quality of skilled nursing care in skilled nursing care facilities in Kansas. No moneys credited to the quality care fund shall be transferred to or otherwise revert to the state general fund at any time. Notwithstanding the provisions of any other law to the contrary, if any moneys credited to the quality care fund are transferred or otherwise revert to the state general fund, 30 days following the transfer or reversion the quality care assessment shall terminate and the authority shall discontinue the imposition, assessment and collection of the assessment. Upon termination of the assessment, all collected assessment revenues, including the moneys inappropriately transferred or reverting to the state general fund, less any amounts expended by the authority, shall be returned on a pro rata basis to skilled nursing care facilities that paid the assessment.

(3) Any moneys received by the state of Kansas from the federal government as a result of federal financial participation in the state medicaid program that are derived from the quality care

assessment shall be **deposited in the quality care fund** and used to finance actions to maintain or increase healthcare in skilled nursing care facilities.

(4) Moneys in the fund shall be used exclusively for the following purposes:

(A) To pay administrative expenses incurred by the authority or the agent in performing the activities authorized by this section, except that such expenses shall not exceed a total of 1% of the aggregate assessment funds collected pursuant to subsection (b) for the prior fiscal year;

(B) to increase nursing facility payments to fund covered services to medicaid beneficiaries within medicare upper payment limits, as may be negotiated;

(C) to reimburse the medicaid share of the quality care assessment as a pass-through medicaid allowable cost;

(D) to restore the medicaid rate reductions implemented January 1, 2010;

(E) to restore funding for fiscal year 2010, including re-basing and inflation **to be applied to rates in FY 2011;**

(F) The remaining amount, if any, shall be expended **first to increase the direct health care costs center limitation up to 150% of the case mix adjusted median, and then, if there are remaining amounts,** for other quality enhancement of skilled nursing care facilities **as approved by the quality care improvement panel** but shall not be used directly or indirectly to replace existing state expenditures for payments to skilled nursing care facilities for providing services pursuant to the state medicaid program.

(5) Any moneys received by a skilled nursing care facility from the quality care fund shall not be expended by any skilled nursing care facility to provide for bonuses or profit-sharing for any

officer [or], employee [~~other than an employee who is~~] **or parent corporation but may be used to pay to employees who are** providing direct care to a resident of such facility.

(6) [~~Adjustment payments shall be paid on a quarterly basis to reimburse covered medicaid expenditures in the aggregate within the upper payment limit.~~] **Adjustment payments may be paid quarterly or within the daily medicaid rate to reimburse covered medicaid expenditures in the aggregate within the upper payment limits.**

(7) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the quality care fund interest earnings based on:

(A) The average daily balance of moneys in the quality care fund for the preceding month;
and

(B) the net earnings rate of the pooled money investment portfolio for the preceding month.

(e) If a skilled nursing care facility fails to pay the full amount of the quality care assessment imposed pursuant to subsection (b), when due and payable, including any extensions of time granted under that subsection, the authority shall assess a penalty in the amount of the lesser of \$500 per day or 2% of the quality care assessment owed for each day the assessment is delinquent. **The department is authorized to establish delayed payment schedules for skilled nursing care facilities that are unable to make installment payments when due under this section because of financial difficulties, as determined by the department.**

(f) (1) The authority shall assess and collect quality care assessments imposed pursuant to subsection (b), including any penalty assessments imposed thereon pursuant to subsection (e), from skilled nursing care facilities on and after July 1, 2010, except that no assessments or penalties shall

be assessed under subsections (a) through [(f)] **(h)** until:

(A) An amendment to the state plan for medicaid, which increases the rates of payments made to skilled nursing care facilities for providing services pursuant to the federal medicaid program and which is proposed for approval for purposes of subsections (a) through [(f)] **(h)** is approved by the federal government **in which case the initial assessment is due no earlier than 60 days after state plan approval**; and

(B) the skilled nursing care facilities have been compensated retroactively **within 60 days after state plan approval** at the increased rate for services provided pursuant to the federal medicaid program for the period commencing on and after July 1, 2010.

(2) The authority shall implement and administer the provisions of subsections (a) through [(f)] **(h)** in a manner consistent with applicable federal medicaid laws and regulations. The authority shall seek any necessary approvals by the federal government that are required for the implementation of subsections (a) through [(f)] **(h)**.

(3) The provisions of subsections (a) through [(f)] **(h)** shall be null and void and shall have no force and effect if [either] **one** of the following occur:

(A) The medicaid plan amendment, which increases the rates of payments made to skilled nursing care facilities for providing services pursuant to the federal medicaid program and which is proposed for approval for purposes of subsections (a) through [(f)] **(h)** is not approved by the federal centers for medicare and medicaid services; [or]

(B) the rates of payments made to skilled nursing care facilities for providing services pursuant to the federal medicaid program are reduced below the rates calculated on [~~June 30, 2010~~]

December 31, 2009, increased by revenues in the quality care fund and matched by federal financial participation and rebasing as provided for in K.S.A. 2009 Supp. 75-5958, and amendments thereto;

(C) any funds are utilized to supplant funding for skilled nursing care facilities as required by subsection (g);

(D) any funds are diverted from those purposes set forth in subsection (d)(4); or

(E) upon the governor signing, or allowing to become law without signature, legislation which by proviso or otherwise directs any funds from those purposes set forth in subsection (d)(4) or which would propose to suspend the operation of this section.

(g) On and after July 1, 2010, reimbursement rates for skilled nursing care facilities shall be restored to those in effect during December, 2009. No funds generated by the assessments or federal funds generated therefrom shall be utilized for such restoration, but such funds may be used to restore the rate reduction in effect from January 1, 2010, to June 30, 2010.

(h) Rates of reimbursement shall not be limited by private pay charges.

[(g)] (i) If the provisions of subsections (a) through [(f)] (h) are repealed, expire or become null and void and have no further force and effect, all moneys in the quality care fund which were paid under the provisions of subsections (a) through [(f)] (h) shall be returned to the skilled nursing care facilities which paid such moneys on the basis on which such payments were assessed and paid

pursuant to subsections (a) through [(f)] (h).

[(f)] (j) The authority may adopt rules and regulations necessary to implement the provisions of this section.

[(f)] (k) For purposes of administering and selecting the reimbursements of moneys in the quality care assessment fund, the quality care improvement panel is hereby established. The panel shall consist of the following members: Two persons appointed by Kansas **association of** homes and services for the aging; two persons appointed by the Kansas health care association; one person appointed by Kansas advocates for better care; one person appointed by the Kansas hospital association; one person appointed by the governor who is a member of the Kansas adult care executives association, [~~an executive of a Kansas adult care home and whose employing home is not affiliated with any of the trade organizations specified in this subsection~~]; **one person appointed by the governor who is a skilled nursing care facility resident or the family member of such a resident**; one person appointed by the Kansas foundation for medical care; one person appointed by the governor from the department on aging; and one person appointed by the governor from the Kansas health policy authority. **The members appointed by the governor shall be nonvoting members of the panel.** The panel shall meet as soon as possible subsequent to the effective date of this act and shall elect a chairperson from among the members appointed by the trade organizations specified in this subsection. The members of the quality care improvement panel shall serve without compensation or expenses. The quality care improvement panel shall report annually on or before January 10 to the joint committee on health policy oversight and the legislature concerning the activities of the panel during the preceding calendar year and any recommendations

which the panel may have concerning the administration of and expenditures from the quality care assessment fund.

~~(f)~~ (f) The authority shall certify to the director of the budget of the department of administration the date upon which the provisions of this section are implemented. The provisions of this section shall expire four years subsequent to the implementation of this section.

Sec. 2. This act shall take effect and be in force from and after its publication in the Kansas register.



To: Chairman Jay Emler and Members,
 Senate Ways and Means Committee
 From: Debra Harmon Zehr, President
 Kansas Association of Homes and Services for the Aging
 Date: May 6, 2010

SUPPORT FOR THE NURSING HOME BED TAX COMPROMISE

Thank you, Chairman Emler and Members of the Committee.

The Kansas Association of Homes and Services for the Aging (KAHSA) represents 160 not-for-profit nursing homes, retirement communities, hospital long-term care units, assisted living facilities, senior housing and community service providers who serve over 20,000 older Kansans every day.

Today at 10:30 a.m. KAHSA agreed to a compromise on the nursing home bed tax issue. The Governor offered a new model that we believe represents significant improvements, and through further negotiation we arrived at additional amendments that go as far as possible to address the major concerns we have had about the legislation.

We respectfully ask legislators to support the bill with the amendments you have before you.

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Senate Ways & Means Cmte
 Date 5-06-2010
 Attachment 2



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Senate Ways and Means Committee

May 6, 2010

HB 2320

Thank you Mr. Chairman and members of the Committee

Nursing homes in many areas of Kansas are at a critical place. The \$22 million cut in January affected more than 20,000 residents. Even without the Medicaid reduction the providers are currently living with the Kansas Medicaid program underfunded. We all accept that fact.

HB 2320 is a good investment for the state of Kansas in several ways. This legislation is meant to serve the greater good for society and ensure accessible care for all Kansans.

HB 2320:

Helps nursing homes remain viable

Helps homes retain quality staff

Leverages federal dollars without using state general funds

Helps homes meet service demands

We believe the compromise worked out is exactly that...a compromise.

We ask for your support of the Nursing Home Quality Care Assessment Fund.

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Date 5-06-2010
Attachment 3



Top Ten Reasons to Vote FOR a DD System Provider Assessment:

1. Provider assessments to net additional Federal dollars have been employed successfully in other health care arenas in Kansas, and across the United States, for years.
2. A 5.5% assessment on DD providers who deliver HCBS Waiver-based services, would yield approximately \$15 million in match funds that would be used to draw down \$30 to \$35 million in new Federal funds for the Kansas DD system every year the assessment is in existence.
3. New Federal funds will be used to provide long-overdue increases to the HCBS DD Waiver reimbursement rate to Kansas DD providers. These reimbursement rate increases will result in better wages and benefits for the thousands of direct-care workers across Kansas who currently make an average hourly wage of \$8.78 per hour for the vital work they do.
4. These new Federal funds will also be used to help the State reduce its waiting lists that now total more than 4,400 children and adults with developmental disabilities.
5. Kansas DD providers favor a provider assessment. The membership of InterHab, comprised of 40 of the largest and most established DD service organizations in Kansas, are unanimously in support of pursuing a provider assessment for HCBS DD Waiver services.
6. Given the fiscal climate that the State of Kansas will likely face in the immediate future, a provider assessment appears to be most promising possibility of providing badly-needed modest funding increases to the community DD system.
7. Legislators have long asked social service entities to assist in finding solutions to the funding challenges they face. An HCBS DD Waiver provider assessment is such a solution, and has been proposed, researched and supported by providers of DD services.
8. Voting in favor of this proposal means that you are acting proactively to Kansas to take advantage of potential changes in Federal rules that would allow for provider assessments.

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Date 5-06-2010

Attachment 4

9. Absent changes in Federal rules on HCBS waiver provider assessments, nothing in this proposal will go forward. Simply put, the State has nothing to lose by positioning itself to take advantage of any relevant changes in Federal rules. However, the State could gain as much as \$35 million.

10. The proposed provider assessment would only pertain to the Kansas developmental disabilities service system. Other waivers would are not included in this proposal.

Provider Assessment Financing Plan for Home and Community Based Developmental Disability Services: To enable DD service providers to benefit from the prospective federal rule allowing the provider assessment law.

1. Establishes state law to allow for provider assessment to bring additional Medicaid funds to Kansas for the DD community.
2. CMS is considering a rule to allow a DD Provider Assessment. If CMS issues the rule, Kansas will be able to immediately benefit. If CMS does not issue the rule, the law will not be utilized.
3. The assessment would be governed by the same Federal law that governs the hospital assessment and the proposed adult care home assessment.
4. DD providers are almost exclusively Medicaid funded; therefore, we have identified no providers who would lose funding under this proposal.
5. An estimated \$3.4 million per quarter in provider assessments will be collected, the first quarter would be cash-flowed by the State, and repaid by collections from providers within 30 days after the first quarter of the program. Thereafter, regardless of how long this assessment is in place, there would be no additional investment of State dollars needed.
6. Of the aggregate amount assessed and matched by Medicaid, we estimate \$7 million will help the State's fund additional persons from the waiting list.
7. The remaining assessments, matched with Medicaid dollars, will be used to provide rate increases for all providers, and to assist with provider assessments to reduce the state's DD waiting list. The first year's rate increase would be roughly 10.5% (which gives the community the ability to help adjust for several years of unadjusted rates, to pay for the costs of doing business, including wages and benefits, insurance, utilities, transportation, etc). The rate increases in the remaining years will be far less, but will allow for some small adjustments.
8. This bill would be the most significant possible step the legislature can take this year to assist in the twin challenges of waiting lists and rate stagnation for the community DD system.