

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 10:30 a.m. on March 4, 2011, in Room 548-S of the Capitol.

All members were present

Committee staff present:

Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
David Wiese, Office of the Revisor of Statutes
Alan Conroy, Director, Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Legislative Research Department
Leah Robinson, Principal Fiscal Analyst, Legislative Research Department
Aaron Klaassen, Senior Fiscal Analyst, Legislative Research Department
Dorothy Hughes, Fiscal Analyst, Legislative Research Department
Leah Robinson, Principal Fiscal Analyst, Legislative Research Department
Brea Short, Intern, Senator McGinn's Office
Jan Lunn, Committee Assistant
Josh Lewis, Chief of Staff

Others attending:

See attached list.

Bill Introductions

Senator Masterson introduced a bill (#rs1039) concerning income tax. Senator Taddiken seconded the bill, which carried on a voice vote.

Subcommittee Reports

Senator McGinn referred to the meeting of March 4 in which Senator Masterson, Chair of the Public Safety Subcommittee, presented the Subcommittee Report.

Public Safety Subcommittee

Senator Masterson summarized the discussion concerning funding for meth lab clean-up in the state and distributed language (Attachment 1) for inclusion in the Kansas Bureau of Investigation Subcommittee report. Senator Masterson moved to amend the Subcommittee report to include the language discussed. Senator Umbarger seconded the motion, which carried on a voice vote.

Senator Masterson distributed additional information requested by Senator Francisco concerning the Kansas Commission on Peace Officers' Standards and Training (CPOST). (Attachment 2) This was an informational request.

Senator Masterson advised that a technical amendment to the Subcommittee report is required. Legislation that had been introduced concerning the elimination of the state fire marshal has been assigned a bill number: **SB 220**. In addition, any reference to "hazardous mitigation duties" should be revised to "hazardous *materials* duties."

Senator Masterson moved to amend the Subcommittee report to include any and all technical amendments required as well as the revision discussed. Senator Vratil seconded the motion, which carried on a voice vote.

Senator Masterson moved adoption of the Public Safety Subcommittee report as amended. Senator Teichman seconded the motion, which carried on a voice vote.

Kansas Department of Health and Environment (including Kansas Health Policy Authority)

Senator Schmidt expressed appreciation to committee members for their dedication and assistance in developing the Subcommittee recommendations. She distributed the Subcommittee report (Attachment 3) and indicated members concurred with the Governor's recommendation with the following adjustments and observations:

1. Delete \$1.9 million, including \$800,000 from the State General Fund (SGF), to capture

CONTINUATION SHEET

MINUTES OF THE WAYS AND MEANS COMMITTEE on March 4, 2011, 10:30 a.m. 548-S

savings in the Medicaid prescription drug program. The Subcommittee recommended that the full Committee consider using these savings to partially restore funding to the Family Centered System of Care program in the Department of Social and Rehabilitation Services (SRS) budget.

2. Add \$400,000, all from federal Medicaid funds for FY 2012. The Subcommittee recommended adjustments to the Governor's FY 2012 recommendation for the Senator Stan Clark Pregnancy Maintenance Initiative (PMI), the Teen Pregnancy Prevention program, and the Coordinated School Health program. The Subcommittee recommendation results in enhanced funding for each program, with no increase in SGF expenditures. This was possible through the availability of federal Medicaid match funding for the PMI and the Teen Pregnancy Prevention program.
3. Recommend an interim study on the cost effectiveness and health benefits of providing a Medicaid adult dental benefit.
4. Direct the agency (KHPA) to review its enhancement request and to report back to the full Committee prior to completion of the Mega appropriation bill when the federal Centers for Medicare and Medicaid Services (CMS) finalizes its decision related to the proposed premium increases for the Children's Health Insurance Program (CHIP).
5. Note the progress made in reducing the backlog of applications accumulated at the HealthWave clearinghouse.
6. Recommend language regarding the preferred drug formulary be included in the Governor's budget bill (see full Subcommittee Report).

Committee members discussed the recommendations. Senator Francisco inquired whether the Subcommittee had heard testimony related to the Local Environmental Protection Program (LEPP), which is included in the KDHE budget, and had been eliminated in the Governor's recommendation.

Senator Schmidt reported there were no conferees who asked to be heard concerning the LEPP during KDHE Subcommittee meetings. Senator Francisco indicated constituents could have been confused since several conferees appeared in support of restoring funding to this program during the Natural Resources Subcommittee meetings.

Discussion ensued in which committee members verbalized their support of the program. The LEPP is particularly critical in rural areas as the front-line defense communities take to manage private septic system waste water treatment, solid waste, hazardous waste, nonpoint source pollution, and private water wells. Additional information was circulated from the Legislative Research Department and Scott Barnhart (Attachment 4). A question arose related to whether the LEPP was a temporary program. Leah Robinson, Legislative Research Department, indicated she was unable to locate documentation related to whether the program was temporary or permanent. Senator Schmidt moved to amend the KDHE Subcommittee report to consider the Local Environmental Protection Program prior to finalizing the Mega bill. Senator Umbarger seconded the motion, which carried on a voice vote.

Senator Schmidt moved adoption of the Kansas Department of Health and Environment (including the Kansas Health Policy Authority) Subcommittee report as amended with any and all technical changes required. Senator Kelly seconded the motion, which carried on a voice vote.

The meeting was adjourned at 11:10 a.m.

March 4, 2011

[illegible]

The Senate Ways and Means Committee recommends a review of funding for meth lab cleanup before final consideration of the 2012 appropriations bill by the Senate Ways and Means Committee. The Committee heard testimony that the meth lab cleanups were originally funded by the State, but for the past several years funding had been shifted to the Drug Enforcement Agency (DEA) through a COPS Grant which was used to replace State funds. Information was provided that the COPS Grant funding was discontinued February 22, 2011, and while there are efforts to restore this funding source, there is no certainty that it will be restored even though the service will need to continue. The KBI noted that 140 to 150 labs are reported per year, and of this amount approximately 100 per year require hazardous materials cleanup. The average cost of these cleanups was estimated to be \$3,640, however larger labs cost significantly more. Testimony noted that state contracted negotiation and provision of this service would be the most effective in terms of coordination and cost. Testimony noted that: it would be difficult for every city and county to have an individual contract; the average cost of site cleanup would increase; and only about half of the agencies in the state will require these services. The Committee notes that cleanup of these meth labs is important for public safety in the State and to prevent further environmental hazards.

Kansas Commission on Peace Officers' Standards and Training (KSCPOST)

KSCPOST inherited roughly 500 open investigations upon its creation. All 500 investigations have been reviewed and are being dealt with as time permits. The most serious have been acted upon resulting in the revocation of 29 law enforcement certifications. A number of files were reviewed and inactivated. There are approximately 100 files remaining of the original 500.

If I can answer any additional questions please do not hesitate to contact me.

Thanks.

Eric N. Williams
Commission Counsel/SAAG
Kansas Commission on Peace Officers'
Standards and Training (KS-CPOST)
Wichita, KS

03/04/11

Senate Ways and Means Committee
Date: 03/04/11
Attachment: 2

FY 2012

SENATE WAYS AND MEANS SUBCOMMITTEE


Kansas Department of Health and Environment - Environment
Kansas Department of Health and Environment - Health
Kansas Health Policy Authority



Senator Vicki Schmidt, Chair



Senator Laura Kelly



Senator Carolyn McGinn



Senator Mark Taddiken

Senate Ways and Means Committee

Date: 03/04/11

Attachment:

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House Budget Committee Report

Agency: Kansas Department of Health and Environment-Environment **Bill No. --**

Bill Sec. --

Analyst: Robinson

Analysis Pg. No. 2109

Budget Page No. 236

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 7,707,083	\$ 7,457,083	\$ 0
Other Funds	65,002,312	63,173,412	0
Subtotal	\$ 72,709,395	\$ 70,630,495	\$ 0
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
TOTAL	\$ 72,709,395	\$ 70,630,495	\$ 0
FTE positions	431.0	421.0	0.0
Non FTE Uncl. Perm. Pos.	69.0	69.0	0.0
TOTAL	500.0	490.0	0.0

Agency Request

The **agency** requests expenditures of \$72.7 million for the Environment portion of the agency's budget, which is a decrease of \$475,144, or 0.6 percent, below the revised FY 2011 estimate. The FY 2012 request includes enhancements of \$428,900, all from special revenue funds. Absent enhancements, the Environment portion request totals \$72.3 million, which is a decrease of \$904,044, or 1.2 percent, below the revised FY 2011 estimate. State General Fund expenditures of \$7.7 million are requested for FY 2012, which is an increase of \$156,840, or 2.1 percent, above the revised FY 2011 estimate.

The agency requests Children's Initiatives Fund expenditures of \$1.9 million, unchanged from the revised FY 2011 estimate. Funding from the Children's Initiatives Fund is used for the Newborn Screening program. In addition, the agency requests State Water Plan Fund expenditures of \$3.5 million, which is an increase of \$437,701, or 14.1 percent, above the revised FY 2011 estimate. The increase is primarily attributed to the Local Environmental Protection program, the Watershed Restoration and Protection Strategies (WRAPS) program, and Non-point Source Pollution program. The request includes 431.0 FTE positions, unchanged from the agency's revised current year estimate.

Governor's Recommendation

The **Governor** recommends FY 2012 expenditures of \$70.6 million, including \$7.5 million from the State General Fund. The request is a decrease of \$2.6 million, or 3.5 percent, below the Governor's FY 2011 recommendation from all funding sources, and a decrease of \$93,160, or 1.2 percent, below the Governor's FY 2011 State General Fund recommendation. The Governor does not recommend any of the agency's enhancement request. The Governor concurs with the agency's request for funding from the Children's Initiatives Fund, but recommends a decrease of \$1.4 million, or 39.5 percent, below the agency's request for expenditures from the State Water Plan Fund. The decrease is related entirely to the Governor's recommendation to discontinue funding for the Local Environmental Protection Plan program for FY 2012. The recommendation includes 421.0 FTE positions, a decrease of 10.0 currently vacant FTE positions, below the agency request.

House Budget Committee Recommendation

The **Budget Committee** concurs with the recommendations of the Governor, with the following adjustments and observations:

1. The Budget Committee recommends the introduction of legislation to reduce fees on waste tires from \$0.25 per tire to \$0.10 per tire. Testimony presented to the Budget Committee indicated that the worst of the accumulated waste tire piles in the state have been addressed, and the Budget Committee believes that this reduction in the per tire fee should provide adequate resources for future clean-up needs. Total receipts to the agency's Waste Tire Management fund are projected to be \$955,093, based on the current \$0.25 per tire fee. The Budget Committee's recommendation would reduce that amount to \$382,037.
2. The Budget Committee wishes to further consider issues regarding the Waste Tire Management program, and directs the agency to compile information and report back to the Budget Committee during Omnibus. Specifically, the Budget Committee requests detailed information on how funds are granted out for the program, including the number of applications received and the number approved, the eligibility requirements for the grants, and information on the source of the materials ultimately used by grant recipients. Information provided to the Budget Committee indicates that \$374,456 was granted out from the program in FY 2010.
3. The Budget Committee notes that the agency requested 19 new vehicles for the Environment portion of the budget for FY 2012. The Budget Committee requests that the agency further prioritize the vehicle request and attempt to reduce the number of vehicles and amount of expenditures requested and report back during Omnibus.
4. The Budget Committee notes that the Governor's recommendation includes discontinuing the Local Environmental Protection Plan (LEPP) program for FY 2012. According to the *Governor's Budget Report*, the program was established with State Water Plan funding in 1989 to provide funding to counties to develop environmental protection plans to meet local needs, and once those plans were adopted, the funding was to be discontinued. The program is funded at \$980,000, all from the State Water Plan Fund, in FY 2011. The Budget Committee notes that there is nothing that would prevent counties or other entities currently receiving funding under the LEPP program from continuing, at

their expense, activities related to the LEPP program. The Department indicated in testimony that it would continue to provide technical assistance to the local programs. The Budget Committee calls the Committee's attention to a memorandum on the LEPP and a spreadsheet reflecting funding for the program since its inception.

House Committee Recommendation

The **Committee** concurs with the recommendations of the Budget Committee.

Senate Subcommittee Report

Agency: Kansas Department of Health and Environment-Environment **Bill No. --**

Bill Sec. --

Analyst: Robinson

Analysis Pg. No. 2109

Budget Page No. 236

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 7,707,083	\$ 7,457,083	\$ 0
Other Funds	65,002,312	63,173,412	0
Subtotal	\$ 72,709,395	\$ 70,630,495	\$ 0
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
 TOTAL	 \$ 72,709,395	 \$ 70,630,495	 \$ 0
 FTE positions	 431.0	 421.0	 0.0
Non FTE Uncl. Perm. Pos.	69.0	69.0	0.0
TOTAL	500.0	490.0	0.0

Agency Request

The **agency** requests expenditures of \$72.7 million for the Environment portion of the agency's budget, which is a decrease of \$475,144, or 0.6 percent, below the revised FY 2011 estimate. The FY 2012 request includes enhancements of \$428,900, all from special revenue funds. Absent enhancements, the Environment portion request totals \$72.3 million, which is a decrease of \$904,044, or 1.2 percent, below the revised FY 2011 estimate. State General Fund expenditures of \$7.7 million are requested for FY 2012, which is an increase of \$156,840, or 2.1 percent, above the revised FY 2011 estimate.

The agency requests Children's Initiatives Fund expenditures of \$1.9 million, unchanged from the revised FY 2011 estimate. Funding from the Children's Initiatives Fund is used for the Newborn Screening program. In addition, the agency requests State Water Plan Fund expenditures of \$3.5 million, which is an increase of \$437,701, or 14.1 percent, above the revised FY 2011 estimate. The increase is primarily attributed to the Local Environmental Protection program, the Watershed Restoration and Protection Strategies (WRAPS) program, and Non-point Source Pollution program. The request includes 431.0 FTE positions, unchanged from the agency's revised current year estimate.

Governor's Recommendation

The **Governor** recommends FY 2012 expenditures of \$70.6 million, including \$7.5 million from the State General Fund. The request is a decrease of \$2.6 million, or 3.5 percent, below the Governor's FY 2011 recommendation from all funding sources, and a decrease of \$93,160, or 1.2 percent, below the Governor's FY 2011 State General Fund recommendation. The Governor does not recommend any of the agency's enhancement request. The Governor concurs with the agency's request for funding from the Children's Initiatives Fund, but recommends a decrease of \$1.4 million, or 39.5 percent, below the agency's request for expenditures from the State Water Plan Fund. The decrease is related entirely to the Governor's recommendation to discontinue funding for the Local Environmental Protection Plan program for FY 2012. The recommendation includes 421.0 FTE positions, a decrease of 10.0 currently vacant FTE positions, below the agency request.

Senate Subcommittee Recommendation

The **Subcommittee** concurs with the recommendations of the Governor.

House Budget Committee Report

Agency: Kansas Department of Health and Environment-Health (including the Division of Health Care Finance)

Bill No. --

Bill Sec. --

Analyst: Robinson

Analysis Pg. No. 2109

Budget Page No. 236

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 25,278,254	\$ 601,032,942	\$ 0
Other Funds	154,756,279	1,108,744,082	0
Subtotal	\$ 180,034,533	\$ 1,709,777,024	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
TOTAL	\$ 180,034,533	\$ 1,709,777,024	\$ 0
FTE positions	372.1	555.3	0.0
Non FTE Uncl. Perm. Pos.	201.8	200.8	0.0
TOTAL	573.9	756.1	0.0

Agency Request

The **agency** requests expenditures of \$180.0 million for the Health portion of the agency's budget, which is an increase of \$2.0 million, or 1.1 percent, above the revised FY 2011 estimate. The request includes enhancements of \$2.9 million, including \$2.2 million from the State General Fund, and 13.5 FTE positions. Absent enhancements, the Health portion request totals \$177.1 million, which is a decrease of \$925,505, or 0.5 percent, below the revised FY 2011 estimate.

The request includes State General Fund expenditures of \$25.3 million, which is an increase of \$2.1 million, or 9.2 percent, above the FY 2011 revised request. Absent enhancements the request totals \$23.1 million, which is a decrease of \$77,558, or 0.3 percent, below the revised FY 2011 estimate.

The request includes Children's Initiatives Fund expenditures of \$7.4 million, which is a slight decrease (\$773) below the revised FY 2011 estimate. Requested federal funds expenditures total \$128.5 million, and other agency special revenue funds total \$18.9 million. The request includes 372.1 FTE positions, an increase of 13.5 FTE positions from the revised FY 2011 estimate. The requested increase in FTE positions is related entirely to enhancements requested by the agency.

Governor's Recommendation

The **Governor** recommends FY 2012 expenditures of \$1.7 billion, including \$601.0 million from the State General Fund. Of this amount, \$180.1 million, including \$23.4 million from the State General Fund, is for the Administration and Division of Health programs and the remaining \$1.5 billion, including \$577.6 million from the State General Fund, is recommended for the new Division of Health Care Finance. The Governor does not recommend any of the agency enhancements. The recommendation includes 555.3 FTE positions, a net increase of 196.7 FTE positions from the number recommended for FY 2011. The recommendation includes the addition of 207.7 FTE positions for the operations of the new Division of Health Care Finance, partially offset by the reduction 11.0 FTE positions, 10.0 of which are currently vacant.

The Governor's recommendation includes deletes funding for the Coordinated School Health program for FY 2012 (the program is funded at \$467,043, all from the State General Fund, in FY 2011). In addition, for FY 2012, the Governor recommends a total of \$350,000, all from the State General Fund for the Stan Clark Pregnancy Maintenance Initiative, and \$199,113, all from the State General Fund, for the Teen Pregnancy Prevention Program. The Governor's recommendation for FY 2012 also identifies \$95,000 in State General Fund savings related to the fact that the Secretary of Health and Environment will also serve as the Director of Health for the agency and recommends that the same amount be added to the budget of the Governor's office to augment funding to allow the Lieutenant Governor to chair a subcabinet on health related issues.

Transfer of Kansas Health Policy Authority to the Kansas Department of Health and Environment

The Governor recommends an Executive Reorganization Order for the Kansas Health Policy Authority, including the State Employee Health Plan, to transfer the duties and responsibilities to the Kansas Department of Health and Environment in FY 2012.

The Kansas Health Policy Authority is currently responsible for the oversight of Medicaid, the State Children's Health Insurance Program, State Employees Health Benefits Program, State Workers Compensation and the health care data responsibilities of the former Health Care Data Governing Board.

Budget Adjustments Related to the Transfer. The Governor's FY 2012 recommendation adds a total of \$1.5 billion, including \$578.5 million from the State General Fund to the Department of Health and Environment reportable budget. The recommendation adds a total of 207.7 FTE positions to the the Department of Health and Environment budget. This is an all funds increase of \$49.8 million, or 3.4 percent, and a State General Fund increase of \$39.7 million, or 7.4 percent, and a decrease of 71.1 FTE positions, below the amount requested by the Kansas Health Policy Authority for FY 2012. In addition, the Governor recommends transferring non-reportable expenditures of \$38.8 million. The changes from the amount requested by the Kansas Health Policy Authority and the amount recommended in the budget of the Department of Health and Environment include the following:

- **Enhancement Request.** The Kansas Health Policy Authority had requested a total of \$15.8 million, including \$5.3 million from the State General Fund, for FY 2012. The Governor does not recommend any of the enhancement requests. However, the Governor does recommend the addition of \$73.8 million, including \$49.6 million from the State General Fund, to fund the human services consensus caseload estimate.

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- **Reduced Resources.** The agency's submitted budget for FY 2012 included reduced resources of \$4.0 million, including \$1.7 million from the State General Fund. The Governor did not recommend accepting the agency's reduced resources. The Governor did recommend a 5.0 percent operating expenditures reduction totaling \$5.8 million, including \$1.7 million from the State General Fund.
- **Staff Reorganization.** The Governor recommends reorganizing the Authority's staff, which is estimated to produce savings of \$2.4 million, including \$1.0 million from the State General Fund. These savings include reportable savings in the Administration Program of \$2,268,823, including \$949,012 from the State General Fund, and 28.8 FTE positions. Additional savings in non-reportable Administration expenditures total \$602,089 and 9.0 FTE positions. In addition, the Governor's recommendation identifies Medicaid Administration savings of \$116,188 and 1.0 FTE position. The Governor's recommendation eliminates 29.8 FTE positions including all staff from the Executive Director's office, all staff from the Deputy Director's office, and the majority of the rest of the Administration program. The Governor recommends a portion of the Finance and Operations division be transferred to the Department of Health and Environment. The Governor's recommendation also includes the deletion of 32.3 currently vacant Kansas Health Policy Authority FTE positions.

House Budget Committee Recommendation

The Budget Committee concurs with the recommendations of the Governor, with the following observations:

1. The Budget Committee notes its support of Governor's Executive Reorganization Order Number 38, to transfer the duties and responsibilities from the Kansas Health Policy to the Kansas Department of Health and Environment. The Budget Committee notes its belief that the reorganization provides an opportunity for increased efficiency and program improvement. The reorganization should ensure the state has effective health purchasing and administration activities, in addition, the transfer provides opportunities for improvements and in health promotion, disease prevention, and disease management based upon provider led, evidence based guidelines.
2. The Budget Committee remains committed to the provision of adequate dental services across the state, and requests more information from the agency for review at Omnibus. The Budget Committee would like the agency to review the cost effectiveness of providing adult dental services, provide an update on dental issues in rural areas of the state, and provide information on the agency's continued commitment to a state dental officer to respond to these and other ongoing dental issues.
3. The Budget Committee notes concerns with increasing pressures on emergency room services provided by hospitals across the state. The Budget Committee directs the agency to work with the Kansas Hospital Association to develop information on emergency room utilization and report back to the Budget Committee during Omnibus with a plan or some manner of addressing this concern.
4. The Budget Committee encourages the agency to explore all opportunities for savings in the prescription drug program, including expenditures for both the state Medicaid program and the State Employee Health Plan. Specifically, the

Budget Committee recommends that the agency work with providers to identify opportunities for potential savings, including: drug rebates; increased utilization of generic drugs, including antidepressants and atypical antipsychotic medications which are or will soon be available in generic form; enhanced use of e-prescribing technology; use of actual acquisition costs as the benchmark for drug reimbursement; and enhanced cost-sharing concepts on Medicaid-covered services such as different co-payments for preferred and non-preferred drugs. Any savings which can be identified should be reinvested in the program and the agency should report back on the status of this review during Omnibus.

5. The Budget Committee notes that there has been a backlog of applications accumulating at the HealthWave clearinghouse. As of October 2010, there were 34,000 applications waiting to be processed. The backlog had been consistently increasing since 2009. On April 22, 2010, KHPA received a letter from the federal Centers for Medicare and Medicaid Services (CMS), which noted that Kansas was out of compliance with its state Medicaid plan and with federal requirements regarding timely determination of eligibility. CMS requested the filing of a corrective action plan outlining how Kansas planned to resolve the issue.

On July 30, 2010 KHPA sent the corrective action plan to resolve the HealthWave Clearinghouse backlog, which included: *System modification*, which includes shortcut keys, consolidation of case creation to a single screen, as well as other technical adjustments and *Eligibility simplification*, which includes accepting self-declaration of income; and allowing parents to apply for children 18 years of age.

On August 11, 2010 KHPA was notified by CMS that Kansas had been awarded a \$1.2 million CHIPRA bonus award. The performance bonuses were included in the Children's Health Insurance Program Reauthorization Act (CHIPRA) to recognize states for making significant progress in enrolling children in health coverage through Medicaid and the state children's health insurance program. In addition, KHPA received a second award of \$2.6 million in December 2010. Testimony provided by the Kansas Health Policy Authority indicated that the backlog of applications is anticipated to be addressed by March 2011.

6. The Budget Committee notes that if the following language is not included in the Governor's budget bill draft, the language should be added:

"During the fiscal year ending June 30, 2012, notwithstanding the provisions of this or any other appropriation act of the 2011 regular session of the legislature, or any other statute, no moneys appropriated for the Kansas health policy authority or the department of health and environment from the state general fund or from any special revenue fund or funds for fiscal year 2012 shall be expended by the Kansas health policy authority or the department of health and environment for the purposes of requiring, and the Kansas health policy authority or the department of health and environment shall not require, an individual, who is currently prescribed medications for mental health purposes in the MediKan program, to change prescriptions under a preferred drug formulary during the fiscal year ending June 30, 2012: Provided, That all prescriptions paid for by the MediKan program during fiscal year 2012 shall be filled pursuant to subsection (a) of K.S.A. 65-1637, and amendments thereto: Provided further, That the Kansas health policy authority and the department of health and environment shall follow the

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existing prior authorization protocol for reimbursement of prescriptions for the MediKan program for fiscal year 2012: And provided further, That the Kansas health policy authority and the department of health and environment shall not expend any moneys appropriated from the state general fund or any special revenue fund or funds for fiscal year 2012, as authorized by this or other appropriation act of the 2012 regular session of the legislature, to implement or maintain a preferred drug formulary for medications prescribed for mental health purposes to individuals in the MediKan program during fiscal year 2012."

7. The Budget Committee directs the agency to review the recent Legislative Post Audit findings (10PA19) regarding options for better coordination of health care programs and consider methods of implementation. Specifically, the agency is to review the opportunity to bill Medicaid for correctional inmates' inpatient care and sharing of data related to health care. The Budget Committee notes the introduction of legislation, SB 199, by the Senate Ways and Means Committee to operationalize this recommendation. As of February 16, 2011, SB 199 was referred to the Senate Ways and Means Committee.

The Committee requests the agency to provide a report to the 2012 Budget Committee of any action taken to address the audit findings.

8. The Budget Committee notes the February 3, 2011 letter from the Secretary of Health and Human Services to the Governor, which references optional Medicaid services and requirements of the federal Affordable Care Act. The Budget Committee notes that the majority of optional services are services that the state does not currently have the discretion to discontinue, including the home and community based services waivers, which are required to be maintained at a base level under the provisions of the Affordable Care Act. The Budget Committee notes its frustration with the limitation on state actions related to Medicaid and the Children's Health Insurance Program.
9. The Budget Committee notes that there are a number of valuable programs funded in this budget, all of which should be commended for exceptional service in the face of funding shortfalls that complicate the programs' ability to provide services for vulnerable Kansans. The safety net clinics, the community mental health centers, and others continue to provide these crucial services, despite the fact that funding for the programs has not kept pace with the demands placed on the programs and is not reflective of the level of performance being achieved. The Budget Committee commends these service providers for their outstanding service to the people of the state.
10. The Budget Committee requests the agency consider the opportunities available to the state under federal section 1915 (i), (k) waivers. These Medicaid waiver options have the potential for increased federal match for home and community based services, and should be reviewed to determine what potential benefits are available to Kansas. The Budget Committee requests the agency report back at Omnibus on the potential implications of participation in either option.
11. The Budget Committee notes that potential adjustments to spending in the Medicaid and Children's Health Insurance Program (CHIP) are currently constrained by Maintenance of Effort requirements contained in both the federal American Recovery and Reinvestment Act (ARRA) and the federal Affordable

Care Act (ACA). The Budget Committee notes it received information regarding estimated Medicaid optional services expenditures, and notes that the majority of expenditures occur in areas where the state is still constrained from making changes. An example is the Home and Community Based Services Waivers, for which there is a maintenance of effort requirement. The Budget Committee notes its frustration at the lack of control the state currently has over Medicaid and CHIP expenditures.

12. The Budget Committee notes information provided regarding the projected revenues and expenditures for the State Employee Health Plan. The Budget Committee notes that the State Employee Health Fund is a self insured plan, with contribution made twice monthly by both the employee and the employer (state agencies or participating local units of government). The Budget Committee notes its concern that there is a large projected negative ending balance in 2020. The Committee notes recent Legislative action which contributed to the trend, including the seven payroll period moratorium on state employer contributions in 2008 which resulted in \$64.0 million in lost revenues to the fund. In addition, \$9.7 million was transferred from the fund to the State General Fund in July in anticipation of recoveries through the health care cost containment contract authorized in 2010 SB 572. The Budget Committee notes its understanding that estimates that occur that far in the future are hindered by the necessity of making assumptions regarding changes to the economy and the marketplace, as well as assumptions regarding health insurance requirements at the federal level.

The Health Care Commission annually reviews plan design and premium levels. Total state contributions for the State Employee Health Plan for FY 2011 are estimated at \$241.4 million, including \$107.5 million from the State General Fund, across all agencies. For FY 2012, the employer contribution rate increases by 15 percent above FY 2011.

The Budget Committee notes its intent to continue to monitor the balance of and contributions to the State Employee Health Plan.

House Committee Recommendation

The Committee concurs with the Budget Committee's recommendation with the following adjustments:

1. Add proviso language as follows:

"Provided, that the Department of Health and Environment, in consultation with the Department of Revenue, shall design and implement a process for the fiscal year ending June 30, 2012, to verify the income eligibility for each recipient of each income based program operated by the Department of Health and Environment; Provided further, that income based programs include but are not limited to the Title XIX Medicaid program and Title XXI Children's Health Insurance Program; Provided further that this verification process shall include the confirmation of the income level reported for tax purposes with the Department of Revenue and information provided by the recipient to the Department of Health and Environment or its contractors or designees.

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Provided, that the Department of Health and Environment shall make expenditures, not to exceed \$50,000, from the state general fund or any special revenue fund, to enter into a contract with a private audit firm or other qualified entity to provide audit services to review the findings of income and tax verification process implemented by the Department of Health and Environment and the Department of Revenue."

2. Add proviso language as follows:

"(a) During the fiscal year ending June 30, 2012, subject to any applicable requirements of federal statutes, rules, regulations or guidelines, any expenditures or grants of money by any state agency for family planning services financed in whole or in part from federal title X moneys shall be made subject to the following two priorities: First priority to public entities (state, county, local health departments and health clinics) and if any moneys remain then; second priority to non-public entities which are hospitals or federally qualified health centers that provide comprehensive primary and preventative care in addition to family planning services. (b) As used in this section "hospitals" shall have the same meaning as defined in K.S.A. 65- 425, and amendments thereto, and "federally qualified health center" shall have the same meaning as defined in K.S.A. 65-1669, and amendments thereto."

3. Direct the agency to review the following topics regarding potential savings through Medicaid reform strategies and provide information to the Committee prior to Omnibus:

- A review of optional benefits and and cost sharing opportunities;
- Managing care for high-cost enrollees more effectively;
- Opportunities available through the establishment of "Benchmark" and "Benchmark Equivalent" plans;
- Minimizing fragmented care for dual-eligible individuals covered by both Medicare and Medicaid;
- Assuring program integrity through audits of providers as well as beneficiaries, including pursuing additional opportunities for outside audit contracts;
- A review of Home and Community and Based Services to assure that those in the greatest need are provided support; and
- Information on what the state has committed itself to regarding maintenance of effort for ongoing programs by acceptance of federal American Recovery and Reinvestment Act (ARRA) funding and what impact those commitments may have for the agency's budget going forward.

Senate Subcommittee Report

Agency: Kansas Department of Health and Environment-Health (including the Division of Health Care Finance) **Bill No. --**

Bill Sec. --

Analyst: Robinson

Analysis Pg. No. 2109

Budget Page No. 236

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 25,278,254	\$ 601,032,942	\$ (800,000)
Other Funds	154,756,279	1,108,744,082	(679,699)
Subtotal	<u>\$ 180,034,533</u>	<u>\$ 1,709,777,024</u>	<u>\$ (1,479,699)</u>
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 TOTAL	 <u><u>\$ 180,034,533</u></u>	 <u><u>\$ 1,709,777,024</u></u>	 <u><u>\$ (1,479,699)</u></u>
 FTE positions	 372.1	 555.3	 0.0
Non FTE Uncl. Perm. Pos.	201.8	200.8	0.0
TOTAL	<u><u>573.9</u></u>	<u><u>756.1</u></u>	<u><u>0.0</u></u>

Agency Request

The **agency** requests expenditures of \$180.0 million for the Health portion of the agency's budget, which is an increase of \$2.0 million, or 1.1 percent, above the revised FY 2011 estimate. The request includes enhancements of \$2.9 million, including \$2.2 million from the State General Fund, and 13.5 FTE positions. Absent enhancements, the Health portion request totals \$177.1 million, which is a decrease of \$925,505, or 0.5 percent, below the revised FY 2011 estimate.

The request includes State General Fund expenditures of \$25.3 million, which is an increase of \$2.1 million, or 9.2 percent, above the FY 2011 revised request. Absent enhancements the request totals \$23.1 million, which is a decrease of \$77,558, or 0.3 percent, below the revised FY 2011 estimate.

The request includes Children's Initiatives Fund expenditures of \$7.4 million, which is a slight decrease (\$773) below the revised FY 2011 estimate. Requested federal funds expenditures total \$128.5 million, and other agency special revenue funds total \$18.9 million. The request includes 372.1 FTE positions, an increase of 13.5 FTE positions from the revised FY 2011 estimate. The requested increase in FTE positions is related entirely to enhancements requested by the agency.

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Governor's Recommendation

The **Governor** recommends FY 2012 expenditures of \$1.7 billion, including \$601.0 million from the State General Fund. Of this amount, \$180.1 million, including \$23.4 million from the State General Fund, is for the Administration and Division of Health programs and the remaining \$1.5 billion, including \$577.6 million from the State General Fund, is recommended for the new Division of Health Care Finance. The Governor does not recommend any of the agency enhancements. The recommendation includes 555.3 FTE positions, a net increase of 196.7 FTE positions from the number recommended for FY 2011. The recommendation includes the addition of 207.7 FTE positions for the operations of the new Division of Health Care Finance, partially offset by the reduction 11.0 FTE positions, 10.0 of which are currently vacant.

The Governor's recommendation includes deletes funding for the Coordinated School Health program for FY 2012 (the program is funded at \$467,043, all from the State General Fund, in FY 2011). In addition, for FY 2012, the Governor recommends a total of \$350,000, all from the State General Fund for the Stan Clark Pregnancy Maintenance Initiative, and \$199,113, all from the State General Fund, for the Teen Pregnancy Prevention Program. The Governor's recommendation for FY 2012 also identifies \$95,000 in State General Fund savings related to the fact that the Secretary of Health and Environment will also serve as the Director of Health for the agency and recommends that the same amount be added to the budget of the Governor's office to augment funding to allow the Lieutenant Governor to chair a subcabinet on health related issues.

Transfer of Kansas Health Policy Authority to the Kansas Department of Health and Environment

The Governor recommends an Executive Reorganization Order for the Kansas Health Policy Authority, including the State Employee Health Plan, to transfer the duties and responsibilities to the Kansas Department of Health and Environment in FY 2012.

The Kansas Health Policy Authority is currently responsible for the oversight of Medicaid, the State Children's Health Insurance Program, State Employees Health Benefits Program, State Workers Compensation and the health care data responsibilities of the former Health Care Data Governing Board.

Budget Adjustments Related to the Transfer. The Governor's FY 2012 recommendation adds a total of \$1.5 billion, including \$578.5 million from the State General Fund to the Department of Health and Environment reportable budget. The recommendation adds a total of 207.7 FTE positions to the the Department of Health and Environment budget. This is an all funds increase of \$49.8 million, or 3.4 percent, and a State General Fund increase of \$39.7 million, or 7.4 percent, and a decrease of 71.1 FTE positions, below the amount requested by the Kansas Health Policy Authority for FY 2012. In addition, the Governor recommends transferring non-reportable expenditures of \$38.8 million. The changes from the amount requested by the Kansas Health Policy Authority and the amount recommended in the budget of the Department of Health and Environment include the following:

- **Enhancement Request.** The Kansas Health Policy Authority had requested a total of \$15.8 million, including \$5.3 million from the State General Fund, for FY 2012. The Governor does not recommend any of the enhancement requests. However, the Governor does recommend the addition of \$73.8 million, including \$49.6 million from the State General Fund, to fund the human services consensus caseload estimate.

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- **Reduced Resources.** The agency's submitted budget for FY 2012 included reduced resources of \$4.0 million, including \$1.7 million from the State General Fund. The Governor did not recommend accepting the agency's reduced resources. The Governor did recommend a 5.0 percent operating expenditures reduction totaling \$5.8 million, including \$1.7 million from the State General Fund.
- **Staff Reorganization.** The Governor recommends reorganizing the Authority's staff, which is estimated to produce savings of \$2.4 million, including \$1.0 million from the State General Fund. These savings include reportable savings in the Administration Program of \$2,268,823, including \$949,012 from the State General Fund, and 28.8 FTE positions. Additional savings in non-reportable Administration expenditures total \$602,089 and 9.0 FTE positions. In addition, the Governor's recommendation identifies Medicaid Administration savings of \$116,188 and 1.0 FTE position. The Governor's recommendation eliminates 29.8 FTE positions including all staff from the Executive Director's office, all staff from the Deputy Director's office, and the majority of the rest of the Administration program. The Governor recommends a portion of the Finance and Operations division be transferred to the Department of Health and Environment. The Governor's recommendation also includes the deletion of 32.3 currently vacant Kansas Health Policy Authority FTE positions.

Senate Subcommittee Recommendation

The **Subcommittee** concurs with the recommendations of the Governor, with the following adjustments and observations:

1. Delete a total of \$1.9 million, including \$800,000 from the State General Fund, to capture savings in the Medicaid prescription drug program. The Subcommittee notes that a number of antidepressants and atypical antipsychotic medications, including Zoloft, Effexor, Lexapro, and Seroquel are or will soon be available in generic form. The Subcommittee recommends that the full Committee consider utilizing the State General Fund savings from this recommendation to partially restore funding for the Family Centered System of Care program in the budget of the Department of the Social and Rehabilitation Services.
2. Add \$400,000, all from federal Medicaid funds for FY 2012. The Subcommittee recommends adjustments to the Governor's FY 2012 recommendation for three programs: the Senator Stan Clark Pregnancy Maintenance Initiative (PMI), the Teen Pregnancy Prevention program, and the Coordinated School Health program. The Governor recommended a total of \$549,113, all from the State General Fund, for FY 2012 for the PMI (\$350,000), and the Teen Pregnancy Prevention program (\$199,113). No funding was recommended for the Coordinated School Health program. During testimony to the Subcommittee, the agency indicated that federal Medicaid funding was available to match funding for the PMI and the Teen Pregnancy Prevention program. As a result of the availability of this federal funding, the Subcommittee recommends the following adjustments to each program. As reflected in the table below, overall funding is enhanced for each program, with no increase in recommended State General Fund expenditures. Specifically, the Subcommittee recommends the following:
 - Delete \$150,000 from the State General Fund, and add \$200,000 from federal Medicaid funding to the PMI. This provides total funding of \$400,000 for the program for FY 2012, an increase of \$50,000 over the total amount recommended by the Governor. The program awards grants to not-for-profit organizations for services to enable pregnant women to carry their pregnancies to term. Services provided include

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an array of social services relating to pregnancy maintenance. Services are provided during the pregnancy and/or for up to one year after the birth based on individual client needs and attainment of client-set goals.

- Add \$200,887, including \$887 from the State General Fund, for the Teen Pregnancy Prevention program for FY 2012. This provides a total of \$400,000 for the program for FY 2012. The program utilizes comprehensive case management services to pregnant and/or parenting adolescents in Kansas communities, with priority to communities with greater numbers of adolescent Medicaid recipients. The services are intended to reduce the negative consequences of teenage pregnancy for teens and their children, to increase levels of self sufficiency, and to delay subsequent childbearing until completion of goals related to basic education or training or they reach the age of 21 years.
- Add \$149,113, all from the State General Fund, for the Coordinated School Health program for FY 2012. The program is a collaborative project between KDHE and the Kansas Department of Education to integrate chronic disease prevention strategies into the school setting. Specific risk factors addressed include physical inactivity, nutrition, tobacco use and obesity. This funding would be used for grants only for the program. No administrative expenditures would be authorized for the program.

The following table reflects the amount recommended by the Governor and the adjustments recommended by the Subcommittee for each program:

Program	Governor's Rec.		Subcommittee Rec.		Difference	
	SGF	All Funds	SGF	All Funds	SGF	All Funds
Pregnancy Maintenance Initiative	\$ 350,000	\$ 350,000	\$ 200,000	\$ 400,000	\$ (150,000)	\$ 50,000
Teen Pregnancy Prevention	199,113	199,113	200,000	400,000	887	200,887
Coordinated School Health	0	0	149,113	149,113	149,113	149,113
TOTAL	\$ 549,113	\$ 549,113	\$ 549,113	\$ 949,113	\$ 0	\$ 400,000

3. The Subcommittee recommends an interim study on the cost effectiveness and health benefits of providing a Medicaid adult dental benefit. A representative of Oral Health Kansas testified to the Subcommittee regarding barriers to accessing oral health in Kansas, such as availability of providers and funding sources. While the Affordable Care Act and the Children's Health Insurance Program provide a children guaranteed access to a funding source for dental services, no such funding source is available for adults under either Medicaid or Medicare.
4. The Subcommittee notes that the Kansas Health Policy Authority (KHPA), in its FY 2012 budget request, included an enhancement for \$11.0 million, including \$2.4 million from the State General Fund, to restore funding deleted for FY 2011 in anticipation of revenue collected due to a \$40 per month premium increase for the Children's Health Insurance Program. As changes in eligibility criteria must be approved by CMS, KHPA submitted a plan amendment to increase premiums effective July 1, 2010. CMS has asked the agency several questions about the proposed premium increase and the questions indicate that CMS may be leaning towards interpreting a premium increase as an

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eligibility restriction that would not be allowed under the federal Medicaid stimulus bill. However, a letter dated February 25, 2011 from CMS indicates that states may, through state plan amendments, adopt certain inflation-related adjustments to premium levels. The Subcommittee directs the agency to review its request in light of the new letter from CMS and report back to the full Committee prior to completion of the Mega appropriation bill.

5. The Subcommittee notes that there has been a backlog of applications accumulating at the HealthWave clearinghouse. As of October 2010, there were 34,000 applications waiting to be processed. The backlog had been consistently increasing since 2009. On April 22, 2010, KHPA received a letter from the federal Centers for Medicare and Medicaid Services (CMS), which noted that Kansas was out of compliance with its state Medicaid plan and with federal requirements regarding timely determination of eligibility. CMS requested the filing of a corrective action plan outlining how Kansas planned to resolve the issue.

On July 30, 2010 KHPA sent the corrective action plan to resolve the HealthWave Clearinghouse backlog, which included: *System modification*, which includes shortcut keys, consolidation of case creation to a single screen, as well as other technical adjustments and *Eligibility simplification*, which includes accepting self-declaration of income; and allowing parents to apply for children 18 years of age.

On August 11, 2010 KHPA was notified by CMS that Kansas had been awarded a \$1.2 million CHIPRA bonus award. The performance bonuses were included in the Children's Health Insurance Program Reauthorization Act (CHIPRA) to recognize states for making significant progress in enrolling children in health coverage through Medicaid and the state children's health insurance program. In addition, KHPA received a second award of \$2.6 million in December 2010. Testimony provided by the Kansas Health Policy Authority indicated that the backlog of applications is anticipated to be addressed by March 2011.

6. The Subcommittee recommends that if the following language regarding the preferred drug formulary is not included in the Governor's budget bill, the language should be added:

"During the fiscal year ending June 30, 2012, notwithstanding the provisions of this or any other appropriation act of the 2011 regular session of the legislature, or any other statute, no moneys appropriated for the Kansas health policy authority or the department of health and environment from the state general fund or from any special revenue fund or funds for fiscal year 2012 shall be expended by the Kansas health policy authority or the department of health and environment for the purposes of requiring, and the Kansas health policy authority or the department of health and environment shall not require, an individual, who is currently prescribed medications for mental health purposes in the MediKan program, to change prescriptions under a preferred drug formulary during the fiscal year ending June 30, 2012: Provided, That all prescriptions paid for by the MediKan program during fiscal year 2012 shall be filled pursuant to subsection (a) of K.S.A. 65-1637, and amendments thereto: Provided further, That the Kansas health policy authority and the department of health and environment shall follow the existing prior authorization protocol for reimbursement of prescriptions for the MediKan program for fiscal year 2012: And provided further, That the Kansas health policy authority and the department of health and environment shall not expend any moneys appropriated from the state general fund or any special revenue fund or funds for fiscal year 2012, as authorized by this or other appropriation act of the 2012 regular session of the

legislature, to implement or maintain a preferred drug formulary for medications prescribed for mental health purposes to individuals in the MediKan program during fiscal year 2012.”

House Budget Committee Report

Agency: Kansas Health Policy Authority

Bill No. --

Bill Sec. --

Analyst: Deckard

Analysis Pg. No. 2156

Budget Page No. 218

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 538,757,882	\$ 0	\$ 0
Other Funds	944,546,583	0	0
Subtotal	\$ 1,483,304,465	\$ 0	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
TOTAL	\$ 1,483,304,465	\$ 0	\$ 0
FTE positions	217.0	0.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	217.0	0.0	0.0

Agency Request

The **agency** requests FY 2012 reportable operating expenditures of \$1.5 billion, an increase of \$4.4 million, or 0.3 percent, above the revised current year estimate. The request includes State General Fund expenditures of \$538.8 million, an increase of \$150.7 million, or 38.8 percent, above the revised current year estimate. The request includes 217.0 FTE positions, a decrease of 16.0 FTE positions below the revised FY 2011 estimate.

The request includes enhancement funding of \$15.8 million, including \$5.3 million from the State General Fund. Absent the enhancement requests, the FY 2012 request would be a reduction of \$49.7 million, or 3.3 percent, and a State General Fund increase of \$145.4 million, or 37.5 percent, above the FY 2011 revised estimate.

The agency's enhancement requests include the following:

Contract Funding. The agency requests additional funding to restore Funding for Medicaid Management Information Systems (MMIS) and the HealthWave Eligibility Clearinghouse contract. The enhancement requests totals \$2.2 million, including \$1.1 million from the State General Fund, for FY 2012. The funding for the contracts for both vendors was reduced for FY 2010 and FY 2011 due to budget constraints.

HealthWave Funding. The agency requests the addition of \$13.3 million, including \$3.4 million from the State General Fund for FY 2012 for the HealthWave program. The funding

includes restoration of \$11.0 million in funding deleted for FY 2011 in anticipation of revenue collected due to a \$40 per month premium increase. The remainder of the request would cover the cost of service expansion in the Children's Health Insurance Program (CHIP) to expand mental health services to the same level available in the Medicaid program. Equivalence between the programs was a requirement of the recent reauthorization legislation for the CHIP program.

Accounting Fees. The agency requests the addition of \$695,799 all from the State General Fund, offset by corresponding decreased in fee funds for FY 2012 due to increased charges and transaction fees in the Statewide Management, Accounting, and Reporting Tool (SMART). The agency indicated that there was a significant increase in the estimated cost of the fee from FY 2010.

Office of the Inspector General Funding. The agency requests the addition of \$56,682, including \$24,891 from the State General Fund. This enhancement request includes \$52,880 in salaries and wages funding for one FTE position, which is currently vacant. In addition, the request includes \$3,802 in contractual services funding to allow for planned operating expenditures in FY 2012.

MMIS Contract Procurement. The agency requests the addition of \$250,000, including \$25,000 from the State General Fund, for FY 2012 to begin the procurement process of the Medicaid Management Information System (MMIS). These resources will be utilized to develop the system requirements and contract specifications. This process will conclude in FY 2013 with the issuance of a Request for Proposal. The MMIS processes all claims and member eligibility information for both the Medicaid and Children's Health Insurance Programs in Kansas. The current system began operation in FY 2003 for a ten year contract period. The system must meet federal requirements to be eligible for federal financing.

Governor's Recommendation

The **Governor** recommends an Executive Reorganization Order for FY 2012 which includes a transfer of the duties and responsibilities of the Kansas Health Policy Authority, which has been a separate state agency, to the Kansas Department of Health and Environment.

Budget Adjustments Related to the Transfer. The Governor's FY 2012 recommendation adds a total of \$1.5 billion, including \$578.5 million from the State General Fund to the Department of Health and Environment reportable budget. The recommendation adds a total of 207.7 FTE positions to the the Department of Health and Environment budget. This is an all funds increase of \$49.8 million, or 3.4 percent, and a State General Fund increase of \$39.7 million, or 7.4 percent, and a decrease of 71.1 FTE positions, below the amount requested by the Kansas Health Policy Authority for FY 2012. In addition, the Governor recommends transferring non-reportable expenditures of \$38.8 million. The changes from the amount requested by the Kansas Health Policy Authority and the amount recommended in the budget of the Department of Health and Environment include the following:

- **Enhancement Request.** The Kansas Health Policy Authority had requested a total of \$15.8 million, including \$5.3 million from the State General Fund, for FY 2012. The Governor does not recommend any of the enhancement requests. However, the Governor does recommend the addition of \$73.8 million, including \$49.6 million from the State General Fund, to fund the human services consensus caseload estimate.

- **Reduced Resources.** The agency's submitted budget for FY 2012 included reduced resources of \$4.0 million, including \$1.7 million from the State General Fund. The Governor did not recommend accepting the agency's reduced resources. The Governor did recommend a 5.0 percent operating expenditures reduction totaling \$5.8 million, including \$1.7 million from the State General Fund.
- **Staff Reorganization.** The Governor recommends reorganizing the Authority's staff, which is estimated to produce savings of \$2.4 million, including \$1.0 million from the State General Fund. These savings include reportable savings in the Administration Program of \$2,268,823, including \$949,012 from the State General Fund, and 28.8 FTE positions. Additional savings in non-reportable Administration expenditures total \$602,089 and 9.0 FTE positions. In addition, the Governor's recommendation identifies Medicaid Administration savings of \$116,188 and 1.0 FTE position. The Governor's recommendation eliminates 29.8 FTE positions including all staff from the Executive Director's office, all staff from the Deputy Director's office, and the majority of the rest of the Administration program. The Governor recommends a portion of the Finance and Operations division be transferred to the Department of Health and Environment. The Governor's recommendation also includes the deletion of 32.3 currently vacant Kansas Health Policy Authority FTE positions.

House Budget Committee Recommendation

The Budget Committee concurs with the recommendations of the Governor, with the following observations:

1. The Budget Committee notes its support of Governor's Executive Reorganization Order Number 38, to transfer the duties and responsibilities from the Kansas Health Policy to the Kansas Department of Health and Environment. The Budget Committee notes its belief that the reorganization provides an opportunity for increased efficiency and program improvement. The reorganization should ensure the state has effective health purchasing and administration activities, in addition, the transfer provides opportunities for improvements and in health promotion, disease prevention, and disease management based upon provider led, evidence based guidelines.
2. The Budget Committee remains committed to the provision of adequate dental services across the state, and requests more information from the agency for review at Omnibus. The Budget Committee would like the agency to review the cost effectiveness of providing adult dental services, provide an update on dental issues in rural areas of the state, and provide information on the agency's continued commitment to a state dental officer to respond to these and other ongoing dental issues.
3. The Budget Committee notes concerns with increasing pressures on emergency room services provided by hospitals across the state. The Budget Committee directs the agency to work with the Kansas Hospital Association to develop information on emergency room utilization and report back to the Budget Committee during Omnibus with a plan or some manner of addressing this concern.
4. The Budget Committee encourages the agency to explore all opportunities for savings in the prescription drug program, including expenditures for both the state Medicaid program and the State Employee Health Plan. Specifically, the

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Budget Committee recommends that the agency work with providers to identify opportunities for potential savings, including: drug rebates; increased utilization of generic drugs, including antidepressants and atypical antipsychotic medications which are or will soon be available in generic form; enhanced use of e-prescribing technology; use of actual acquisition costs as the benchmark for drug reimbursement; and enhanced cost-sharing concepts on Medicaid-covered services such as different co-payments for preferred and non-preferred drugs. Any savings which can be identified should be reinvested in the program and the agency should report back on the status of this review during Omnibus.

5. The Budget Committee notes that there has been a backlog of applications accumulating at the HealthWave clearinghouse. As of October 2010, there were 34,000 applications waiting to be processed. The backlog had been consistently increasing since 2009. On April 22, 2010, KHPA received a letter from the federal Centers for Medicare and Medicaid Services (CMS), which noted that Kansas was out of compliance with its state Medicaid plan and with federal requirements regarding timely determination of eligibility. CMS requested the filing of a corrective action plan outlining how Kansas planned to resolve the issue.

On July 30, 2010 KHPA sent the corrective action plan to resolve the HealthWave Clearinghouse backlog, which included: *System modification*, which includes shortcut keys, consolidation of case creation to a single screen, as well as other technical adjustments and *Eligibility simplification*, which includes accepting self-declaration of income; and allowing parents to apply for children 18 years of age.

On August 11, 2010 KHPA was notified by CMS that Kansas had been awarded a \$1.2 million CHIPRA bonus award. The performance bonuses were included in the Children's Health Insurance Program Reauthorization Act (CHIPRA) to recognize states for making significant progress in enrolling children in health coverage through Medicaid and the state children's health insurance program. In addition, KHPA received a second award of \$2.6 million in December 2010. Testimony provided by the Kansas Health Policy Authority indicated that the backlog of applications is anticipated to be addressed by March 2011.

6. The Budget Committee notes that if the following language is not included in the Governor's budget bill draft, the language should be added:

"During the fiscal year ending June 30, 2012, notwithstanding the provisions of this or any other appropriation act of the 2011 regular session of the legislature, or any other statute, no moneys appropriated for the Kansas health policy authority or the department of health and environment from the state general fund or from any special revenue fund or funds for fiscal year 2012 shall be expended by the Kansas health policy authority or the department of health and environment for the purposes of requiring, and the Kansas health policy authority or the department of health and environment shall not require, an individual, who is currently prescribed medications for mental health purposes in the MediKan program, to change prescriptions under a preferred drug formulary during the fiscal year ending June 30, 2012: Provided, That all prescriptions paid for by the MediKan program during fiscal year 2012 shall be filled pursuant to subsection (a) of K.S.A. 65-1637, and amendments thereto: Provided further, That the Kansas health policy authority and the department of health and environment shall follow the

existing prior authorization protocol for reimbursement of prescriptions for the MediKan program for fiscal year 2012: And provided further, That the Kansas health policy authority and the department of health and environment shall not expend any moneys appropriated from the state general fund or any special revenue fund or funds for fiscal year 2012, as authorized by this or other appropriation act of the 2012 regular session of the legislature, to implement or maintain a preferred drug formulary for medications prescribed for mental health purposes to individuals in the MediKan program during fiscal year 2012.”

7. The Budget Committee directs the agency to review the recent Legislative Post Audit findings (10PA19) regarding options for better coordination of health care programs and consider methods of implementation. Specifically, the agency is to review the opportunity to bill Medicaid for correctional inmates' inpatient care and sharing of data related to health care. The Budget Committee notes the introduction of legislation, SB 199, by the Senate Ways and Means Committee to operationalize this recommendation. As of February 16, 2011, SB 199 was referred to the Senate Ways and Means Committee.

The Committee requests the agency to provide a report to the 2012 Budget Committee of any action taken to address the audit findings.

8. The Budget Committee notes the February 3, 2011 letter from the Secretary of Health and Human Services to the Governor, which references optional Medicaid services and requirements of the federal Affordable Care Act. The Budget Committee notes that the majority of optional services are services that the state does not currently have the discretion to discontinue, including the home and community based services waivers, which are required to be maintained at a base level under the provisions of the Affordable Care Act. The Budget Committee notes its frustration with the limitation on state actions related to Medicaid and the Children's Health Insurance Program.
9. The Budget Committee notes that there are a number of valuable programs funded in this budget, all of which should be commended for exceptional service in the face of funding shortfalls that complicate the programs' ability to provide services for vulnerable Kansans. The safety net clinics, the community mental health centers, and others continue to provide these crucial services, despite the fact that funding for the programs has not kept pace with the demands placed on the programs and is not reflective of the level of performance being achieved. The Budget Committee commends these service providers for their outstanding service to the people of the state.
10. The Budget Committee requests the agency consider the opportunities available to the state under federal section 1915 (i), (k) waivers. These Medicaid waiver options have the potential for increased federal match for home and community based services, and should be reviewed to determine what potential benefits are available to Kansas. The Budget Committee requests the agency report back at Omnibus on the potential implications of participation in either option.
11. The Budget Committee notes that potential adjustments to spending in the Medicaid and Children's Health Insurance Program (CHIP) are currently constrained by Maintenance of Effort requirements contained in both the federal American Recovery and Reinvestment Act (ARRA) and the federal Affordable

Care Act (ACA). The Budget Committee notes it received information regarding estimated Medicaid optional services expenditures, and notes that the majority of expenditures occur in areas where the state is still constrained from making changes. An example is the Home and Community Based Services Waivers, for which there is a maintenance of effort requirement. The Budget Committee notes its frustration at the lack of control the state currently has over Medicaid and CHIP expenditures.

12. The Budget Committee notes information provided regarding the projected revenues and expenditures for the State Employee Health Plan. The Budget Committee notes that the State Employee Health Fund is a self insured plan, with contribution made twice monthly by both the employee and the employer (state agencies or participating local units of government). The Budget Committee notes its concern that there is a large projected negative ending balance in 2020. The Committee notes recent Legislative action which contributed to the trend, including the seven payroll period moratorium on state employer contributions in 2008 which resulted in \$64.0 million in lost revenues to the fund. In addition, \$9.7 million was transferred from the fund to the State General Fund in July in anticipation of recoveries through the health care cost containment contract authorized in 2010 SB 572. The Budget Committee notes its understanding that estimates that occur that far in the future are hindered by the necessity of making assumptions regarding changes to the economy and the marketplace, as well as assumptions regarding health insurance requirements at the federal level.

The Health Care Commission annually reviews plan design and premium levels. Total state contributions for the State Employee Health Plan for FY 2011 are estimated at \$241.4 million, including \$107.5 million from the State General Fund, across all agencies. For FY 2012, the employer contribution rate increases by 15 percent above FY 2011.

The Budget Committee notes its intent to continue to monitor the balance of and contributions to the State Employee Health Plan.

House Committee Recommendation

The Committee concurs with the Budget Committee's recommendation with the following adjustments:

1. Add proviso language as follows:

"Provided, that the Department of Health and Environment, in consultation with the Department of Revenue, shall design and implement a process for the fiscal year ending June 30, 2012, to verify the income eligibility for each recipient of each income based program operated by the Department of Health and Environment; Provided further, that income based programs include but are not limited to the Title XIX Medicaid program and Title XXI Children's Health Insurance Program; Provided further that this verification process shall include the confirmation of the income level reported for tax purposes with the Department of Revenue and information provided by the recipient to the Department of Health and Environment or its contractors or designees.

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Provided, that the Department of Health and Environment shall make expenditures, not to exceed \$50,000, from the state general fund or any special revenue fund, to enter into a contract with a private audit firm or other qualified entity to provide audit services to review the findings of income and tax verification process implemented by the Department of Health and Environment and the Department of Revenue."

2. Add proviso language as follows:

"(a) During the fiscal year ending June 30, 2012, subject to any applicable requirements of federal statutes, rules, regulations or guidelines, any expenditures or grants of money by any state agency for family planning services financed in whole or in part from federal title X moneys shall be made subject to the following two priorities: First priority to public entities (state, county, local health departments and health clinics) and if any moneys remain then; second priority to non-public entities which are hospitals or federally qualified health centers that provide comprehensive primary and preventative care in addition to family planning services. (b) As used in this section "hospitals" shall have the same meaning as defined in K.S.A. 65- 425, and amendments thereto, and "federally qualified health center" shall have the same meaning as defined in K.S.A. 65-1669, and amendments thereto."

3. Direct the agency to review the following topics regarding potential savings through Medicaid reform strategies and provide information to the Committee prior to Omnibus:

- A review of optional benefits and and cost sharing opportunities;
- Managing care for high-cost enrollees more effectively;
- Opportunities available through the establishment of "Benchmark" and "Benchmark Equivalent" plans;
- Minimizing fragmented care for dual-eligible individuals covered by both Medicare and Medicaid;
- Assuring program integrity through audits of providers as well as beneficiaries, including pursuing additional opportunities for outside audit contracts;
- A review of Home and Community and Based Services to assure that those in the greatest need are provided support; and
- Information on what the state has committed itself to regarding maintenance of effort for ongoing programs by acceptance of federal American Recovery and Reinvestment Act (ARRA) funding and what impact those commitments may have for the agency's budget going forward.

Senate Subcommittee Report

Agency: Kansas Health Policy Authority

Bill No. --

Bill Sec. --

Analyst: Deckard

Analysis Pg. No. 2156

Budget Page No. 218

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 538,757,882	\$ 0	\$ (800,000)
Other Funds	944,546,583	0	(679,699)
Subtotal	\$ 1,483,304,465	\$ 0	\$ (1,479,699)
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
TOTAL	\$ 1,483,304,465	\$ 0	\$ (1,479,699)
FTE positions	217.0	0.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	217.0	0.0	0.0

Agency Request

The **agency** requests FY 2012 reportable operating expenditures of \$1.5 billion, an increase of \$4.4 million, or 0.3 percent, above the revised current year estimate. The request includes State General Fund expenditures of \$538.8 million, an increase of \$150.7 million, or 38.8 percent, above the revised current year estimate. The request includes 217.0 FTE positions, a decrease of 16.0 FTE positions below the revised FY 2011 estimate.

The request includes enhancement funding of \$15.8 million, including \$5.3 million from the State General Fund. Absent the enhancement requests, the FY 2012 request would be a reduction of \$49.7 million, or 3.3 percent, and a State General Fund increase of \$145.4 million, or 37.5 percent, above the FY 2011 revised estimate.

The agency's enhancement requests include the following:

Contract Funding. The agency requests additional funding to restore Funding for Medicaid Management Information Systems (MMIS) and the HealthWave Eligibility Clearinghouse contract. The enhancement requests totals \$2.2 million, including \$1.1 million from the State General Fund, for FY 2012. The funding for the contracts for both vendors was reduced for FY 2010 and FY 2011 due to budget constraints.

HealthWave Funding. The agency requests the addition of \$13.3 million, including \$3.4 million from the State General Fund for FY 2012 for the HealthWave program. The funding 327

includes restoration of \$11.0 million in funding deleted for FY 2011 in anticipation of revenue collected due to a \$40 per month premium increase. The remainder of the request would cover the cost of service expansion in the Children's Health Insurance Program (CHIP) to expand mental health services to the same level available in the Medicaid program. Equivalence between the programs was a requirement of the recent reauthorization legislation for the CHIP program.

Accounting Fees. The agency requests the addition of \$695,799 all from the State General Fund, offset by corresponding decreased in fee funds for FY 2012 due to increased charges and transaction fees in the Statewide Management, Accounting, and Reporting Tool (SMART). The agency indicated that there was a significant increase in the estimated cost of the fee from FY 2010.

Office of the Inspector General Funding. The agency requests the addition of \$56,682, including \$24,891 from the State General Fund. This enhancement request includes \$52,880 in salaries and wages funding for one FTE position, which is currently vacant. In addition, the request includes \$3,802 in contractual services funding to allow for planned operating expenditures in FY 2012.

MMIS Contract Procurement. The agency requests the addition of \$250,000, including \$25,000 from the State General Fund, for FY 2012 to begin the procurement process of the Medicaid Management Information System (MMIS). These resources will be utilized to develop the system requirements and contract specifications. This process will conclude in FY 2013 with the issuance of a Request for Proposal. The MMIS processes all claims and member eligibility information for both the Medicaid and Children's Health Insurance Programs in Kansas. The current system began operation in FY 2003 for a ten year contract period. The system must meet federal requirements to be eligible for federal financing.

Governor's Recommendation

The **Governor** recommends an Executive Reorganization Order for FY 2012 which includes a transfer of the duties and responsibilities of the Kansas Health Policy Authority, which has been a separate state agency, to the Kansas Department of Health and Environment.

Budget Adjustments Related to the Transfer. The Governor's FY 2012 recommendation adds a total of \$1.5 billion, including \$578.5 million from the State General Fund to the Department of Health and Environment reportable budget. The recommendation adds a total of 207.7 FTE positions to the the Department of Health and Environment budget. This is an all funds increase of \$49.8 million, or 3.4 percent, and a State General Fund increase of \$39.7 million, or 7.4 percent, and a decrease of 71.1 FTE positions, below the amount requested by the Kansas Health Policy Authority for FY 2012. In addition, the Governor recommends transferring non-reportable expenditures of \$38.8 million. The changes from the amount requested by the Kansas Health Policy Authority and the amount recommended in the budget of the Department of Health and Environment include the following:

- **Enhancement Request.** The Kansas Health Policy Authority had requested a total of \$15.8 million, including \$5.3 million from the State General Fund, for FY 2012. The Governor does not recommend any of the enhancement requests. However, the Governor does recommend the addition of \$73.8 million, including \$49.6 million from the State General Fund, to fund the human services consensus caseload estimate.

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- **Reduced Resources.** The agency's submitted budget for FY 2012 included reduced resources of \$4.0 million, including \$1.7 million from the State General Fund. The Governor did not recommend accepting the agency's reduced resources. The Governor did recommend a 5.0 percent operating expenditures reduction totaling \$5.8 million, including \$1.7 million from the State General Fund.
- **Staff Reorganization.** The Governor recommends reorganizing the Authority's staff, which is estimated to produce savings of \$2.4 million, including \$1.0 million from the State General Fund. These savings include reportable savings in the Administration Program of \$2,268,823, including \$949,012 from the State General Fund, and 28.8 FTE positions. Additional savings in non-reportable Administration expenditures total \$602,089 and 9.0 FTE positions. In addition, the Governor's recommendation identifies Medicaid Administration savings of \$116,188 and 1.0 FTE position. The Governor's recommendation eliminates 29.8 FTE positions including all staff from the Executive Director's office, all staff from the Deputy Director's office, and the majority of the rest of the Administration program. The Governor recommends a portion of the Finance and Operations division be transferred to the Department of Health and Environment. The Governor's recommendation also includes the deletion of 32.3 currently vacant Kansas Health Policy Authority FTE positions.

Senate Subcommittee Recommendation

The **Subcommittee** concurs with the recommendations of the Governor, with the following adjustments and observations:

1. Delete a total of \$1.9 million, including \$800,000 from the State General Fund, to capture savings in the Medicaid prescription drug program. The Subcommittee notes that a number of antidepressants and atypical antipsychotic medications, including Zoloft, Effexor, Lexapro, and Seroquel are or will soon be available in generic form. The Subcommittee recommends that the full Committee consider utilizing the State General Fund savings from this recommendation to partially restore funding for the Family Centered System of Care program in the budget of the Department of the Social and Rehabilitation Services.
2. Add \$400,000, all from federal Medicaid funds for FY 2012. The Subcommittee recommends adjustments to the Governor's FY 2012 recommendation for three programs: the Senator Stan Clark Pregnancy Maintenance Initiative (PMI), the Teen Pregnancy Prevention program, and the Coordinated School Health program. The Governor recommended a total of \$549,113, all from the State General Fund, for FY 2012 for the PMI (\$350,000), and the Teen Pregnancy Prevention program (\$199,113). No funding was recommended for the Coordinated School Health program. During testimony to the Subcommittee, the agency indicated that federal Medicaid funding was available to match funding for the PMI and the Teen Pregnancy Prevention program. As a result of the availability of this federal funding, the Subcommittee recommends the following adjustments to each program. As reflected in the table below, overall funding is enhanced for each program, with no increase in recommended State General Fund expenditures. Specifically, the Subcommittee recommends the following:
 - Delete \$150,000 from the State General Fund, and add \$200,000 from federal Medicaid funding to the PMI. This provides total funding of \$400,000 for the program for FY 2012, an increase of \$50,000 over the total amount recommended by the Governor. The program awards grants to not-for-profit organizations for services to enable pregnant women to carry their pregnancies to term. Services provided include

an array of social services relating to pregnancy maintenance. Services are provided during the pregnancy and/or for up to one year after the birth based on individual client needs and attainment of client-set goals.

- Add \$200,887, including \$887 from the State General Fund, for the Teen Pregnancy Prevention program for FY 2012. This provides a total of \$400,000 for the program for FY 2012. The program utilizes comprehensive case management services to pregnant and/or parenting adolescents in Kansas communities, with priority to communities with greater numbers of adolescent Medicaid recipients. The services are intended to reduce the negative consequences of teenage pregnancy for teens and their children, to increase levels of self sufficiency, and to delay subsequent childbearing until completion of goals related to basic education or training or they reach the age of 21 years.
- Add \$149,113, all from the State General Fund, for the Coordinated School Health program for FY 2012. The program is a collaborative project between KDHE and the Kansas Department of Education to integrate chronic disease prevention strategies into the school setting. Specific risk factors addressed include physical inactivity, nutrition, tobacco use and obesity. This funding would be used for grants only for the program. No administrative expenditures would be authorized for the program.

The following table reflects the amount recommended by the Governor and the adjustments recommended by the Subcommittee for each program:

Program	Governor's Rec.		Subcommittee Rec.		Difference	
	SGF	All Funds	SGF	All Funds	SGF	All Funds
Pregnancy Maintenance Initiative	\$ 350,000	\$ 350,000	\$ 200,000	\$ 400,000	\$ (150,000)	\$ 50,000
Teen Pregnancy Prevention	199,113	199,113	200,000	400,000	887	200,887
Coordinated School Health	0	0	149,113	149,113	149,113	149,113
TOTAL	\$ 549,113	\$ 549,113	\$ 549,113	\$ 949,113	\$ 0	\$ 400,000

3. The Subcommittee recommends an interim study on the cost effectiveness and health benefits of providing a Medicaid adult dental benefit. A representative of Oral Health Kansas testified to the Subcommittee regarding barriers to accessing oral health in Kansas, such as availability of providers and funding sources. While the Affordable Care Act and the Children's Health Insurance Program provide a children guaranteed access to a funding source for dental services, no such funding source is available for adults under either Medicaid or Medicare.
4. The Subcommittee notes that the Kansas Health Policy Authority (KHPA), in its FY 2012 budget request, included an enhancement for \$11.0 million, including \$2.4 million from the State General Fund, to restore funding deleted for FY 2011 in anticipation of revenue collected due to a \$40 per month premium increase for the Children's Health Insurance Program. As changes in eligibility criteria must be approved by CMS, KHPA submitted a plan amendment to increase premiums effective July 1, 2010. CMS has asked the agency several questions about the proposed premium increase and the questions indicate that CMS may be leaning towards interpreting a premium increase as an

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eligibility restriction that would not be allowed under the federal Medicaid stimulus bill. However, a letter dated February 25, 2011 from CMS indicates that states may, through state plan amendments, adopt certain inflation-related adjustments to premium levels. The Subcommittee directs the agency to review its request in light of the new letter from CMS and report back to the full Committee prior to completion of the Mega appropriation bill.

5. The Subcommittee notes that there has been a backlog of applications accumulating at the HealthWave clearinghouse. As of October 2010, there were 34,000 applications waiting to be processed. The backlog had been consistently increasing since 2009. On April 22, 2010, KHPA received a letter from the federal Centers for Medicare and Medicaid Services (CMS), which noted that Kansas was out of compliance with its state Medicaid plan and with federal requirements regarding timely determination of eligibility. CMS requested the filing of a corrective action plan outlining how Kansas planned to resolve the issue.

On July 30, 2010 KHPA sent the corrective action plan to resolve the HealthWave Clearinghouse backlog, which included: *System modification*, which includes shortcut keys, consolidation of case creation to a single screen, as well as other technical adjustments and *Eligibility simplification*, which includes accepting self-declaration of income; and allowing parents to apply for children 18 years of age.

On August 11, 2010 KHPA was notified by CMS that Kansas had been awarded a \$1.2 million CHIPRA bonus award. The performance bonuses were included in the Children's Health Insurance Program Reauthorization Act (CHIPRA) to recognize states for making significant progress in enrolling children in health coverage through Medicaid and the state children's health insurance program. In addition, KHPA received a second award of \$2.6 million in December 2010. Testimony provided by the Kansas Health Policy Authority indicated that the backlog of applications is anticipated to be addressed by March 2011.

6. The Subcommittee recommends that if the following language regarding the preferred drug formulary is not included in the Governor's budget bill, the language should be added:

"During the fiscal year ending June 30, 2012, notwithstanding the provisions of this or any other appropriation act of the 2011 regular session of the legislature, or any other statute, no moneys appropriated for the Kansas health policy authority or the department of health and environment from the state general fund or from any special revenue fund or funds for fiscal year 2012 shall be expended by the Kansas health policy authority or the department of health and environment for the purposes of requiring, and the Kansas health policy authority or the department of health and environment shall not require, an individual, who is currently prescribed medications for mental health purposes in the MediKan program, to change prescriptions under a preferred drug formulary during the fiscal year ending June 30, 2012: Provided, That all prescriptions paid for by the MediKan program during fiscal year 2012 shall be filled pursuant to subsection (a) of K.S.A. 65-1637, and amendments thereto: Provided further, That the Kansas health policy authority and the department of health and environment shall follow the existing prior authorization protocol for reimbursement of prescriptions for the MediKan program for fiscal year 2012: And provided further, That the Kansas health policy authority and the department of health and environment shall not expend any moneys appropriated from the state general fund or any special revenue fund or funds for fiscal year 2012, as authorized by this or other appropriation act of the 2012 regular session of the

legislature, to implement or maintain a preferred drug formulary for medications prescribed for mental health purposes to individuals in the MediKan program during fiscal year 2012.”

A Hack

test

From: "Scott Barnhart" <sbarnhart@mgcountyks.org>
To: <Dwayne.Umbarger@senate.ks.gov>
Sent: Thursday, March 03, 2011 11:15 AM
Subject: Preservation of LEPP

Senator Dewayne Umbarger
Member of the Senate Ways & Means Committee,

Please accept my sincere appreciation in the opportunity to share with you some of the vast services and functions that are currently afforded Kansans through the Local Environmental Protection Program (LEPP). Each service is provided by way of a "boots on the ground" approach through locally appointed officials known as county sanitarians and/or environmental specialists.

The following activities are examples of functions afforded to Kansans, as the primary frontline defense mechanism for preserving public health and the environment through the LEP program:

- Onsite evaluations on individual wastewater disposal facilities involving real estate transactions
- Onsite evaluations on individual wastewater disposal facilities in acquiring licensure for day care services
- Onsite evaluations during the installation of new individual wastewater disposal facilities
- Onsite evaluations during reconstruction/repair of existing individual wastewater facilities
- Enforcement of violations to state and local onsite wastewater disposal regulations
- Complaint investigations and response to public nuisances
- Preliminary site assessments for proposed construction of individual water wells
- Enforcement of state Wellhead Protection Plan standards
- Analytical laboratory services for private drinking water systems
- Information resource to the various River Basin Advisory Committees
- Insure proposed subdivisions comply with state and local water & wastewater regulations
- Counties liaison agency for assuring compliance with state solid waste management plans & programs
- Local investigation agency to investigate reports of illegal dumping
- Local investigative agency to investigate improper open burnings
- Local response and reporting of incidents involving the spill or release of potentially hazardous materials
- Local public information resource to rural water district issues
- Local public information resource in contacting state agencies
- Local public information resource for information to Household Hazardous Waste Facilities services
- Local public information resource for the proper disposal of solid waste
- Local public information resource to air quality related issues
- Local public information resource for private water supply systems
- Local public information resource for environmental education opportunities
- Local public information resource for technological advancements in the onsite wastewater industry

The current proposed state budget for FY 2012, eliminates state funding for LEPP and thus potentially diminish many of the locally assisted services as described therein the above functions.

Senate Ways and Means Committee

Date: 03/04/11

Attachment:

Many rural Kansas communities will potentially lose their primary qualified resource, for which lawmakers had previously established in the adoption of KSA 75-5657.

The preservation of this cost effective program, at approximately the previous year's rate of 35 cents per state capita, is deserving on its merits of historical performance, current Kansas Water Plan priorities, and the futuristic goals to provide all Kansans the best opportunity for health and an enjoyable environment.

Thank you for the opportunity to express points for consideration on determining such a critical issue.

Respectfully,

Montgomery County, Kansas
Environmental Health Dept.

Scott L. Barnhart
Director

"A wise and frugal Government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement." Thomas Jefferson

Information from ESET NOD32 Antivirus, version of virus signature database 5923
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ONSITE WASTEWATER AND PRIVATE WATER WELL ACTIVITIES FROM 2005-2010
(LEPP Annual Report)

State-wide efforts to protect and preserve the water supply of Kansas
By LEPP staff

<u>Onsite Wastewater Categories</u>	<u>Total reported 2005-2010</u>
Real Estate Evaluations.....	14,531
Permits Issued (new & repairs).....	22,013
Contractors Licenses Issued.....	5,673
Complaints Investigated.....	6,091
Enforcement Cases.....	2,338
Failing Systems in TMDL's.....	3,190 (treated)

<u>Private Water Wells Categories</u>	<u>Total reported 2005-2010</u>
Private Wells Screened.....	18,393
New Permits Issued.....	6,555
Enforcement Cases.....	689
Complaints Investigated.....	828
Real Estate Evaluations from 2007-2010.....	5,239

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February 23, 2011

To: Senate Ways and Means Subcommittee on Natural Resources

From: Leah Robinson, Principal Fiscal Analyst

Re: Local Environmental Protection Program

The Local Environmental Protection Program (LEPP) was enacted by the 1989 Legislature and took effect January 1, 1990. KSA 75-5657 contains the statutory provisions regarding the program. The statute provides that the state, through the Kansas Department of Health and Environment (KDHE), is to provide environmental protection grants to local health departments or other local entities for the purpose of developing and implementing environmental protection plans and programs. Under the Governor's FY 2012 recommendation, the Local Environmental Protection Plans program will be discontinued in FY 2012. According to Volume 1 of the *FY 2012 Governor's Budget Report*, the program was established with State Water Plan funding in 1989 to provide funding to counties to develop environmental protection plans to meet local needs, and once those plans were adopted, the funding was to be discontinued.

KDHE administers the Local Environmental Protection Program (LEPP) to local entities for development of a local environmental protection plan. These plans implement the environmental protection strategy of the Kansas Water Plan. An environmental protection plan includes the environmental code (private onsite wastewater code and non-public water well code), subdivision water and wastewater, solid waste management, hazardous waste management, public water supply protection, and nonpoint source pollution control. An information and education program addressing each component is also included in the plan.

According to the agency, through this grant program, financial and technical assistance is provided to counties to assist in establishing and operating programs for environmental and public health protection. This is accomplished by both the prevention of environmental pollution and the abatement of existing sources of pollution.

The program lists the following annual goals for participants:

- Implement Local Environmental Protection Plans;
- Establish and maintain a Local Environmental Protection Committee;
- Develop, implement and enforce an environmental code for onsite wastewater treatment;
- Develop, implement and enforce code for private drinking water wells and supplies;

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- Provide local environmental information, education, and technical assistance;
- Participate in local subdivision water and wastewater programs;
- Promote proper solid and hazardous waste management;
- Participate in local nonpoint source pollution control programs;
- Promote water supply protection;
- Participate in the establishment and implementation of Total Maximum Daily Loads (TMDLs); and
- Where TMDLs have been established, address the impairments.

Program Funding. Funding for the program is entirely from the State Water Plan Fund. The attached table reflects grant funding to each participating program since the program's inception. A total of \$32.5 million has been paid to counties through grants since the program began in FY 1990.

Under the formula, each eligible county receives a grant based on county population. Counties with populations less than 12,727 receive a \$7,000 grant. Counties with populations greater than 227,273 receive a \$125,000 grant. All other counties receive a grant in the amount of \$0.55 multiplied by the county population. Rules and regulations have been established so that, in the event the program is not fully funded, each program is awarded a proportionally-reduced grant. During FY 2010, 104 counties received base grants: there were 48 single county programs and eight multi-county groups. In FY 2010, only one county in the state, Chase, did not participate in the program. Funds remaining after awarding base grants are available as target grants and can be used to perform specific projects or to purchase equipment and supplies that cannot be acquired with base grant funds. In FY 2010, base grants for the program were reduced by 29.0 percent, and no funding was available for target grants.

Guidelines for Participation. Counties must adopt environmental codes to be eligible to participate in LEPP. In addition, the codes must be revised to comply with changes in state regulations or address changes in local conditions. LEPP regulations require each LEPP core program include the development, implementation, and enforcement of an environmental code approved by the secretary of KDHE which establishes standards for: the management of on-site wastewater systems for the treatment and disposal of domestic sewage only; and the management of water supply wells which do not meet the definition of a public water supply well pursuant to K.S.A. 65-162a (b).

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LOCAL ENVIRONMENT PROTECTION PROGRAM (LEPP) GRANT HISTORY
FY 1990-FY 2010

County/Program	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	TOTAL
Allen	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,751	\$ 19,751	\$ 18,712	\$ 18,519	\$ 17,862	\$ 16,912	\$ 14,912	\$ 14,912	\$ 14,912	\$ 7,912	\$ 7,912	\$ 7,912	\$ 5,670	\$ 185,649
Anderson	-	-	-	-	-	-	-	-	9,186	9,186	8,703	8,613	8,385	-	8,038	7,000	7,299	7,000	7,000	7,000	5,017	92,427
Barber	-	-	35,000	35,000	35,000	55,685	52,218	65,670	55,116	55,116	43,515	8,613	8,385	8,000	7,000	7,000	7,000	7,000	7,000	7,000	5,017	504,335
Barton	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,013	16,649	15,513	15,513	15,513	15,513	11,118	106,832
Bourbon	-	-	-	-	-	-	10,223	10,518	16,302	10,802	10,233	10,128	10,131	9,458	8,458	8,458	8,832	10,006	8,458	8,888	6,062	146,957
Butler-Greenwood Bi-County	19,100	34,015	34,610	37,319	34,819	43,598	43,289	44,490	45,693	45,693	-	-	-	-	-	-	-	-	-	-	-	382,626
Butler	-	-	-	-	-	-	-	-	-	-	34,586	34,230	35,485	33,715	32,715	32,715	32,715	32,715	32,715	32,715	23,446	357,752
Central Kansas LEPP	30,103	52,827	66,240	82,487	77,227	90,574	76,799	83,292	76,323	76,323	72,309	71,562	68,892	64,513	42,000	42,000	46,952	43,595	43,800	42,000	30,102	1,279,920
Chautauqua	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000
Cherokee	7,215	12,262	8,000	7,000	-	-	-	15,021	15,427	15,427	14,615	14,465	14,892	12,433	12,433	12,433	12,433	12,433	12,433	12,433	8,910	220,265
Coffey	-	-	-	10,745	9,415	10,742	8,703	8,945	11,861	9,186	8,703	8,613	8,385	8,000	8,000	7,000	9,779	7,000	7,170	7,000	5,017	154,264
Comanche	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	12,017
Cowley	-	-	-	20,303	20,303	25,422	25,242	25,943	26,644	26,644	25,242	24,982	23,908	19,960	19,960	19,960	20,260	19,960	19,960	19,960	14,304	398,957
Crawford	-	40,784	36,039	19,562	19,562	24,494	27,321	24,997	32,347	25,672	29,321	24,071	25,194	23,471	21,683	21,033	22,734	22,052	21,033	21,848	15,074	498,292
Dickinson	6,435	-	-	-	10,258	12,459	12,963	62,033	13,683	13,683	12,963	12,830	12,744	11,639	16,129	10,639	10,911	10,639	10,639	10,639	7,625	258,911
Douglas	23,595	41,161	42,075	47,952	44,989	56,331	55,932	57,486	66,414	62,039	55,932	57,798	65,855	57,320	54,979	56,160	58,720	54,979	54,979	54,979	39,402	1,109,077
Elk	-	-	-	-	-	-	-	-	10,386	9,186	8,703	8,613	8,385	7,000	7,000	7,000	7,000	7,000	7,000	7,000	5,017	99,290
Ellis	-	-	-	-	-	24,618	18,106	20,935	23,769	18,769	17,781	18,208	18,122	17,329	19,628	15,129	15,373	15,129	15,129	15,129	10,843	283,997
Ford	-	-	-	-	-	18,913	18,779	19,300	19,822	19,822	18,779	18,586	21,383	17,852	17,852	17,852	18,122	17,852	17,852	17,852	12,794	293,412
Franklin	7,118	12,279	12,375	15,292	12,097	15,146	15,039	17,656	15,875	15,875	15,039	14,884	16,327	13,631	13,631	13,631	13,631	13,631	13,631	13,631	9,769	290,188
Greenwood	-	-	-	-	-	-	-	-	-	-	8,703	8,613	8,385	7,000	7,000	7,000	7,000	7,000	7,000	7,000	5,017	79,718
Harper (SC Coalition)	-	-	-	-	-	-	-	-	-	-	-	-	35,251	33,540	55,750	34,000	22,500	21,299	21,000	21,000	15,050	280,390
Harvey	10,010	16,893	-	-	-	21,070	21,216	21,806	22,395	22,395	21,216	20,998	21,654	21,078	18,078	18,078	18,344	18,078	18,078	18,078	12,956	342,421
Haskell	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000	5,017	19,017
Jefferson	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,134	10,134	7,263	37,665
Johnson	-	-	125,000	130,120	125,000	163,523	155,405	172,288	164,039	164,039	155,405	153,806	149,727	125,000	125,000	125,000	125,300	125,000	125,000	125,000	89,584	2,623,236
Junction City/Geary County	33,088	60,422	60,025	51,837	52,766	64,908	77,226	67,189	68,626	68,026	64,448	64,981	62,537	56,371	50,793	50,371	-	55,698	52,707	-	-	1,062,019
Labette	8,255	14,043	-	-	24,787	41,337	65,816	16,651	17,101	17,101	16,201	16,034	16,543	14,009	12,559	13,409	12,559	12,559	12,559	13,891	9,001	354,415
Leavenworth	19,695	35,615	36,575	35,404	41,404	44,330	50,016	45,239	46,461	46,461	44,016	43,563	51,253	38,780	37,780	38,630	37,780	37,780	37,780	27,076	833,418	
Linn	-	-	-	-	-	-	-	-	9,186	9,186	8,703	8,613	8,385	-	-	-	9,864	7,000	7,000	7,215	5,017	80,169
Lyon-Wabaunsee-Chase	18,408	33,228	33,140	33,103	33,103	41,449	41,155	54,799	50,941	43,441	-	-	-	-	-	-	-	-	-	-	-	382,767
Lyon	-	-	-	-	-	-	-	-	-	-	23,749	23,505	24,474	20,764	22,096	20,924	23,097	19,764	19,764	20,203	14,164	232,504
Marion	4,258	-	-	14,000	-	7,000	8,703	8,944	9,186	9,186	8,703	8,613	8,803	8,349	7,349	7,349	7,640	7,349	8,603	7,349	5,267	146,651
McPherson	8,970	14,992	14,905	15,197	14,997	18,778	18,645	51,323	22,476	19,681	18,645	18,454	19,470	17,255	16,255	17,105	16,500	16,255	16,255	11,650	384,063	
Miami	-	-	13,145	12,906	12,906	16,160	16,046	20,556	16,937	16,937	16,046	15,881	18,678	15,593	15,593	15,593	15,593	15,593	15,593	16,930	11,175	300,861
Montgomery	13,390	22,653	22,495	21,349	21,349	29,609	26,542	27,279	52,353	28,016	26,542	28,769	26,383	19,939	21,039	19,939	19,939	19,939	21,622	19,939	14,290	503,375
Morton	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,299	7,000	7,616	8,124	9,113	7,085	5,017	56,254
Neosho	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,348	9,348	17,348	9,348	9,348	6,699	61,439
Northeast Kansas LEPP	21,994	47,782	47,855	52,306	50,031	65,556	59,301	64,641	76,945	69,445	57,266	61,275	62,330	59,360	114,631	47,360	47,659	37,576	41,646	37,226	26,680	1,148,865
Northwest Kansas LEPP	43,685	98,000	105,000	112,885	113,541	140,240	149,692	143,104	146,976	146,976	139,248	137,808	134,160	155,000	128,800	112,000	112,000	112,000	112,000	112,000	80,268	2,535,383
Osage	-	-	8,855	9,675	8,386	10,501	10,806	11,266	11,006	11,006	10,426	11,779	11,010	10,192	9,192	9,192	9,192	9,192	9,192	9,192	6,588	186,648
Phillips	17,500	35,000	38,843	42,000	49,000	61,355	67,921	65,681	64,302	64,302	60,921	60,291	58,695	49,000	52,390	49,000	49,354	49,000	49,000	35,119	1,067,759	
Pottawatomie	-	-	-	8,870	10,870	11,107	11,028	11,028	11,641	11,641	11,028	10,915	11,996	10,015	12,215	10,015	10,313	10,015	10,015	11,056	7,178	190,946
Pratt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,272	7,882	7,000	7,000	5,017	41,171
Reno	21,223	53,749	35,585	34,314	38,764	48,865	42,661	69,498	59,191	57,431	42,660	46,537	42,684	42,035	37,635	35,635	36,485	35,635	35,635	25,539	877,396	
Rice	3,640	7,000	7,000	7,000	7,000	8,765	8,703	8,945	9,186	9,186	8,703	8,613	8,385	8,000	7,000	7,000	34,564	7,000	7,000	7,000	5,017	184,707
Riley County/Manhattan	21,158	34,449	34,485	36,926	36,926	46,236	45,908	54,334	48,459	48,459	45,908	45,436	41,401	35,564	34,564	37,524	34,836	34,564	34,564	24,771	811,036	
Rural Lakes Region	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,643	-	-	51,703	36,101	138,447
Salina-Saline County/Tri-Rivers LEPP	23,250	41,492	41,500	44,515	43,274	60,247	59,820	61,480	63,142	63,142	59,820	64,015	60,464	60,778	58,015	59,337	51,867	51,944	55,713	50,478	36,177	1,110,470
Sedgwick	127,095	125,000	125,000	136,054	130,780	156,515	155,405	159,722	144,606	154,606	155,405	153,806	149,727	180,000	186,517	126,500	125,000	125,000	125,000	125,000	89,584	2,956,322
Seward	-	-	-	-	-	12,908	12,816	13,172	13,528	13,528	12,816	12,684	14,830	13,381	20,881	12,381	12,381	12,381	12,381	12,381	8,873	211,322
Shawnee	28,635	89,313	90,348	86,883	88,537	107,454	53,537	73,677	107,924	107,924	110,073	108,940	111,911	93,429	93,429	93,429	93,429	93,429	93,429	66,958	1,886,117	
Southwest Kansas LEPP	-	83,443	88,606	99,603	99,603	92,894	92,237	94,801	97,357	109,643	108,510	110,547	89,288	86,862	79,606	78,836	84,977	80,277	78,288	56,109	1,808,844	
Stevens	-	-	-	-	-	-	8,703	8,944	14,675	9,953	8,703	8,613	8,385	8,000	7,000	7,000	7,000	7,000	7,000	7,000	5,017	122,993
Sumner	-	-	14,080	15,534	14,210	17,796	17,670	18,160	18,651	18,651	17,670	17,488	17,093	14,270	14,270	14,270	14,270	14,270	14,270	14,270	10,227	297,120
Wabaunsee	-	-	-																			