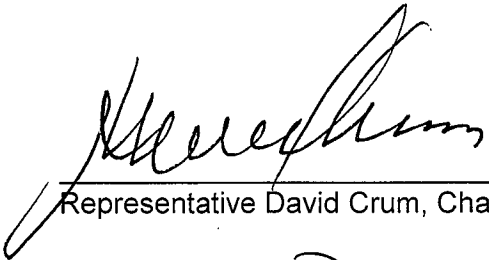


FY 2012

SOCIAL SERVICES BUDGET COMMITTEE

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



Representative David Crum, Chair

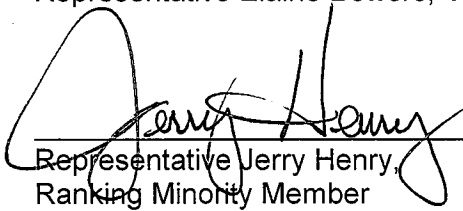
Representative Mike Kiegerl



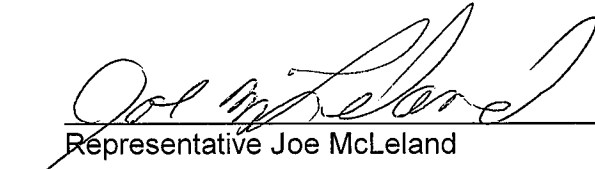
Representative Elaine Bowers, Vice-Chair



Representative Peggy Mast




Representative Jerry Henry,
Ranking Minority Member



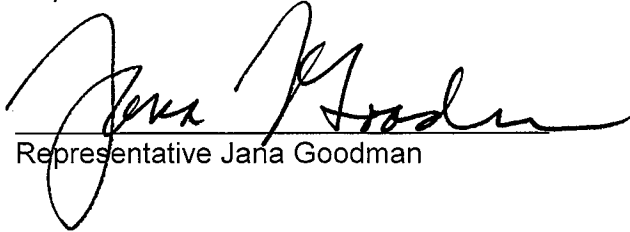
Representative Joe McLeland



Representative Barbara Ballard



Representative Bill Wolf



Representative Jana Goodman

Appropriations Committee

Date February 17, 2011

Attachment 3

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. --

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	<u>\$ 180,034,533</u>	<u>\$ 1,709,777,024</u>	<u>\$ 0</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>\$ 0</u></u>
FTE positions			
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.

Appropriations Committee

Date February 17, 2011

Attachment 3-2

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.

Appropriations Committee

Date February 17, 2011

Attachment 3-8

- **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

Appropriations Committee

Date February 17, 2011

Attachment 3-4

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

Appropriations Committee

Date February 17, 2011

3-5

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

Appropriations Committee

Date February 17, 2011

Attachment 3-6

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 Budget Committee Report

Agency: Kansas Health Policy Authority

Bill No. --

Bill Sec. --

Analyst: Deckard

Analysis Pg. No. --

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			
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

Appropriations Committee

Date February 17, 2011

Attachment 3-8

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.

Appropriations Committee

Date February 17, 2011

Attachment 3-9

- **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

Appropriations Committee

Date February 17, 2011

Attachment 3-10

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

Appropriations Committee

Date February 17, 2011

Attachment 3-11

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

Appropriations Committee

Date February 17, 2011

Attachment 3-12

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.

Appropriations Committee

Date February 17, 2011

Attachment 3-13