

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Stephen Morris at 11:15 a.m. on March 24, 2004, in Room 123-S of the Capitol.

All members were present.

Committee staff present:

J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Amy Van House, Kansas Legislative Research Department
Norman Furse, Revisor of Statutes
Jill Wolters, Senior Assistant, Revisor of Statutes
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Tom Bell, Executive Vice President, Kansas Hospital Authority
Jerry Marquette, CEO, Coffeyville Regional Medical Center
Steven Scheer, Principal, Health Management Associates
Dr. Robert Day, Director, Governor's Office of Health Planning and Finance
Laura Howard, Deputy Secretary, Division of Health Care Policy, Kansas Department of Social and Rehabilitation Services
Jerry Slaughter, Executive Director, Kansas Medical Society
Karla Finnell, Kansas Association for the Medically Underserved
Debra Zehr, R.N., Vice President, Kansas Association of Homes and Services for the Aging

Others attending:

See Attached List.

Chairman Morris opened a public hearing on:

Establishment of a Provider Assessment Program

The Chairman welcomed the following conferees in support of the establishment of a provider assessment program:

Tom Bell, Executive Vice President, Kansas Hospital Association ([Attachment 1](#)). Mr. Bell explained that the Kansas Hospital Association feels that a provider assessment program could help the state solve the difficult problem of chronic underpayment of Medicaid providers. It would be the establishment of a program whereby hospitals in Kansas will be assessed a certain amount of money for the purpose of generating additional federal matching funds to be used to increase Medicaid reimbursement rates for hospitals and physicians.

Jerry Marquette, CEO, Coffeyville Regional Medical Center ([Attachment 2](#)). Mr. Marquette explained that Coffeyville Regional is a large Medicaid provider. In 2003 they billed Medicaid nearly \$7.8 million in total charges and received only \$2.8 million in payments for the services. Mr. Marquette noted that this is why additional funds to increase Medicaid payments for hospitals and doctors need to be found.

Steve Scheer, Principal, Health Management Associates, whose practice specializes in Medicaid financing ([Attachment 3](#)). Mr. Scheer described the proposed hospital provider assessment program in his written testimony. He explained as state revenues have shrunk, hospitals and state governments across the country have turned to provider assessment programs as a means to increase Medicaid assessment rates. In his written testimony, Mr. Scheer recommended specific provisions of the legislation for consideration that would make this approach both work better for everyone and would be more universally acceptable among the hospital community.

CONTINUATION SHEET

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2Dr. Robert M. Day, Ph.D., Director, Governor's Office of Health Planning and Finance (Attachment 4). **HB 2938** referred to in the written testimony did not apply regarding the Senate hearing on the subject of the hospital provider assessment program. Dr. Day expressed concern that not including an assessment on HMOs, which contract with the state to provide Medicaid services, is a missed opportunity. He further noted that the estimate of an assessment on the net revenues of the current HMO places the amount that could be used to draw additional federal match dollars at \$9.5 million. Dr. Day urged the committee to consider adding an HMO assessment to additional dollars.

Laura Howard, Deputy Secretary, Kansas Department of Social and Rehabilitation Services (Attachment 5). SRS supports the passage of provider assessment legislation that would enable SRS to provide long-needed rate increases for critical health care services and supports managed care. In her written testimony, Ms. Howard explained that if the legislation is passed, SRS would need to submit a State Plan Amendment to CMS detailing how the assessments would be levied and how the funds would be used. This amendment would be reviewed by the Medicaid National Institutional Reimbursement Team within CMS.

Jerry Slaughter, Executive Director, Kansas Medical Society (Attachment 6). Mr. Slaughter explained that the assessment program is modeled after similar programs that have been used successfully by a number of states over the years to increase federal funds available to the Medicaid program without creating a drain on the state general fund. He also noted that this assessment program would allow the state to begin to address the fee schedule in a comprehensive way for the first time in 30 years and urged favorable consideration of the program.

Karla Finnell, J.D., M.P.H., Kansas Association for the Medically Underserved (Attachment 7). Ms. Finnell expressed the concern that 280,000 Kansans do not have health insurance coverage. Delaying treatment, not filling a prescription and rationing medications all results in worsening of the condition, rendering it more expensive to treat. Ms. Finnell requested committee passage of the provider assessment bill.

Written testimony was submitted by Debra Zehr, RN, Vice President, Kansas Association of Homes & Services for the Aging (Attachment 8).

Committee questions and discussion followed.

Senator Adkins moved, with a second by Senator Schodorf, to recommend **Senate Substitute for HB 2912** which contains the provider assessment language. Committee discussion followed.

Senator Helgerson moved, with a second by Senator Downey, to amend the provider assessment language to add health maintenance organizations and recommend a **Senate Substitute for HB 2912**. Motion carried on a voice vote.

Senator Helgerson moved, with a second by Senator Schodorf, to recommend **Senate Substitute for HB 2912** favorable for passage as amended. Motion carried on a roll call vote.

Senator Kerr moved, with a second by Senator Helgerson, to direct the Chairman of Senate Ways and Means to send a letter to the Secretary of the Department of Social and Rehabilitation Services (SRS) to direct SRS to file two clearly separate plans regarding provider assessment regarding the amended portion tied together for CMS to consider. Motion carried on a voice vote.

Chairman Morris called the committee's attention to discussion of:

SB 539--Authority of certain state agencies to issue bonds to finance capital improvements for water-related infrastructure projects

Ken Grotewiel, Kansas Water Office, explained a balloon amendment to **SB 539** (Attachment 9). Committee discussion followed.

Senator Adkins moved, with a second by Senator Downey, the balloon amendment for **SB 539** and recommend a **Senate Substitute for SB 539**. Motion carried on a voice vote.

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Senator Adkins moved, with a second by Senator Jackson, to report **Senate Substitute for SB 539** without recommendation as amended and request to have the bill re-referred back to Senate Ways and Means for an interim study. Motion carried on a roll call vote.

Chairman Morris called the committee's attention to discussion of:

HB 2582--Creating the horsethief reservoir benefit district

Senator Adkins moved, with a second by Senator Jackson, to recommend **HB 2582** favorable for passage. Motion carried on a voice vote.

The meeting adjourned at 12:30 p.m. The next meeting is scheduled for March 31, 2004.