Approved: 03/11/94
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Rochelle Chronister at 12:10 p.m. on March 01, 1994 in Room 514-S of the Capitol.

All members were present except: none

Committee staff present: Alan Conroy, Legislative Research Department
Laura Howard, Legislative Research Department
Debra Duncan, Legislative Research Department
Jim Wilson, Revisor of Statutes
Jerry Cole, Committee Secretary
Sharon Schwartz, Administrative Assistant

Conferees appearing before the committee: none

Others attending: See attached list

The committee continued its consideration of agency budgets contained in **HB 2759**. The only remaining budget was that of the Department of Social and Rehabilitation Services. Rep. Mead read the FY 94 subcommittee recommendation for the department. Reps. Glasscock, Allen, Gregory and Helgerson gave the FY 95 subcommittee report. (See Attachment 1).

Rep. Everhart made a motion concerning the study by the Corporation for Change mentioned in FY 95 recommendation #21 by adding the study include an evaluation of Child Protective Services. Rep. Mead seconded the motion and it carried.

Rep. Dean moved to strike recommendation # 1 section k. Rep. Gross seconded the motion. Rep. Teagarden made a substitute motion by recommending both section k and l be stricken in FY 95 recommendation #1. The Teagarden motion failed on a vote of 10-12.

Chairman Chronister recessed the committee at 2:10 p.m. and set it to reconvene upon adjournment of the recessed House session. The committee reconvened at 5:45 p.m. Information on Kansas Nursing Homes was submitted to committee members over the recessed meeting. (See Attachment 2).

Rep. Heinemann made a substitute motion to strike section 1.k and section 1.m from the FY 95 recommendation. Rep. Dean seconded the motion and it failed 6-14. The Dean motion carried 12-9. Rep. Lowther moved to endorse the recommendation on the implementation of a managed care system under the report's Program Design Issues and that approximately $2 million savings All-Funds could be recognized as a result. Rep. Reinhardt seconded the motion and it carried. Rep. Hochhauser suggested adding to FY 95 recommendation #1. She said the targeted reductions for SRS referred to in the recommnedation were that of the chair and not of the committee. Chairman Chronister acknowledged the request and the committee was in consensus as to its addition to the report. Rep. Gross made a motion to add to FY 95 recommendation #7 drug & alcohol illnesses for federal waivers. Rep. Everhart seconded the motion and it failed 7-9. Rep. Gross moved to strike section 1.i. The motion was seconded by Rep. Hochhauser and failed. Rep. Dean made a motion for addition to FY 95 recommendation #6 by recommending "smart cards" be exchanged for "plastic cards" as a possible improvement. Rep. Carmody seconded the motion and it carried. Rep. Mead moved for adoption of the FY 94 and FY 95 SRS subcommittee recommendations as amended by the committee. Rep. Glasscock seconded the motion and it carried with Reps. Helgerson and Hochhauser dissenting.

Rep. Pottorff moved passage and favorable recommendation of **HB 2759** as amended by the committee. Rep. Mead seconded the motion and it carried with Reps. Helgerson and Hochhauser dissenting.

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, Room 514-S of the Capitol, at 12:10 p.m. on March 01, 1994.

Rep. Gatlin moved passage and favorable recommendation of **HB 2752** as amended. Rep. Pottorff seconded the motion and it carried with Reps. Helgerson and Hochhauser dissenting.

Chairman Chronister adjourned the meeting at 6:45 p.m. The next meeting is scheduled for March 03, 1994.

1994 Appropriation Committee Guest List

1	NAME	ORGANIZATION
2	Betty Meyers	Mental Health Assn/Ks
3	Terry Larson	Kansas AMI
4	Annette Siebert	KAHA
5	Marty Kennedy	DOB
6	Mathe Hazegesmith	KARF
7	Linda Labensky	KS Home Care Assoc
8	Glenn Gabehart	Corp. for Change
9	Lyndon Dunn	KDOT
10	Ellen Piekalkiewicz	Assoc. of CMHCs
11	Paul Klotz	" "
12	John Peterson	Ks Governmental Consulting
13	Joan Strickler	KAPS
14	Dena Kocis	SRS
15	Linda Ramirez Clanton	KOHA
16	TK Shuck	KLS
17	Shirley Norris	KAEYC
18	Jules Klein	Hein, Ebert & Weir
19	David Till	Seneca Pharmaceuticals
20	Bruce Linhos	KALPCCA
21	Melissa Ness	Ks. Children's Service League
22	Sydney Hardman	KS Action for Children
23	Jim Hoyt	SRS
24	Paul Johnson	PACK
25		
26		
27		
28		
29		
30		

Tue, Mar 1, 1994

SUBCOMMITTEE REPORT

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

H.B. 2752 -- FY 1994 Supplemental Appropriation

Representative Bob Mead
Subcommittee Chair

Representative Barbara Allen

Representative Kent Glasscock

Representative Gilbert Gregory

Representative Henry Helgerson

H.B. 2759 -- FY 1995 Appropriation

Representative Bob Mead
Subcommittee Chair

Representative Barbara Allen

Representative Kent Glasscock

Representative Gilbert Gregory

Representative Henry Helgerson

ATTACHMENT 1

SUBCOMMITTEE REPORT

Agency: SRS **Bill No.** 2752 **Bill Sec.** 17

Analyst: Howard **Analysis Pg. No.** 389 **Budget Page No.** 530

Expenditure	Agency Est. FY 94	Governor's* Rec. FY 94	Subcommittee Adjustments
All Funds:			
State Operations	$ 226,292,749	$ 225,197,591	$ (418,491)
Local Aid	59,141,114	61,089,672	--
Other Assistance	997,831,614	998,318,867	--
Subtotal -- Oper.	$ 1,283,265,477	$ 1,284,606,130	$ (418,491)
Cap. Improvements	5,180,396	5,180,396	--
TOTAL	$ 1,288,445,873	$ 1,289,786,526	$ (418,491)
State General Fund:			
State Operations	$ 87,666,592	$ 88,282,470	$ (221,000)
Local Aid	46,576,056	46,576,056	--
Other Assistance	278,657,480	271,645,499	--
Subtotal -- Oper.	$ 412,900,128	$ 406,504,025	$ (221,000)
Cap. Improvements	--	--	--
TOTAL	$ 412,900,128	$ 406,504,025	$ (221,000)
SRS Fee Fund	$ 148,447,634	$ 156,216,215	$ --
FTE Positions	3,936.9	3,928.7	--

* Includes Governor's Budget Amendment No. 1, issued January 26, 1994.

Agency Estimate/Governor's Recommendation

The FY 1994 estimated operating budget submitted by the Department of Social and Rehabilitation Services (SRS) is an increase of $22.7 million from the level approved by the 1993 Legislature, including an increase of $9.7 million from the State General Fund. The revised request would require an additional State General Fund appropriation of $10.7 million, based on agency expenditure of $1.0 million in FY 1993 which had been anticipated as a reappropriation to FY 1994. However, agency underexpenditure in other accounts in FY 1993 makes approximately $1.0 million available for expenditure in FY 1995.

Subsequent to submission of its budget, SRS revised its caseload estimates for cash and medical assistance. Estimates for cash programs and for regular medical assistance were reduced at the agency's November caseload estimating meeting; the estimate for long-term care was increased. Subsequent to submission of its revised budget, the agency also identified a potential shortfall of $8.2 million in the FY 1994 child care budget, including $6.6 million from the State General Fund. The agency

also identified a federal funds shortfall of $3.3 million in the employment preparation (KanWork) program in FY 1994 due to the agency overbudgeting federal Title IV-F funds. In total, these revisions resulted in a net increase in caseloads of $3.5 million (SGF) from the submitted budget, and increases of $6.6 million in child care and $3.3 million in employment preparation from the State General Fund.

The Governor's FY 1994 revised expenditure recommendation is an increase of $24.3 million ($3.5 million SGF) from the approved budget as adjusted by State Finance Council action. The recommendation also includes an increase of $8.1 million from the SRS Fee Fund to finance a portion of the state share of the supplemental.

The following table summarizes changes from the approved budget, as recommended by the Governor.

FY 1994 Governor's Recommendation
Change from Approved Budget

	SGF	All Funds
Approved Budget	$ 403,281,102	$ 1,260,779,351
Mental Retardation Grants	(3,788,118)	(3,788,118)
Community-based LTC	2,735,676	7,027,145
Adult Care Homes	5,382,050	25,570,034
Regular Medical Assistance	(2,801,164)	(9,542,446)
AFDC & General Assistance	(1,012,817)	(1,674,410)
Child Daycare	3,671,020	3,671,020
Retirement Savings	(139,365)	(311,334)
Title IV-F Funding Shortfall	2,700,000	0
Other Employment Prep Reductions	(1,457,083)	(1,808,989)
Guardianship Program	(371,000)	(371,000)
Youth Salaries Shift to Title XIX	(884,128)	0
Adoption Support Caseload	393,037	743,929
SGF Transfer to Youth Centers	(143,539)	(143,539)
Federal Flood Assistance	0	1,470,000
Mental Health Homeless Grant	0	1,948,558
Federal ADAS Funds	0	1,080,558
All Other	(779,201)	471,250
Subtotal -- Changes	$ 3,505,368	$ 24,342,658
Total FY 1994 Recommendation	$ 406,786,470	$ 1,285,122,009

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor with the following adjustments:

1. Delete $221,000 from the State General Fund ($418,491 All Funds) in rents. The Subcommittee learned that rent expenditures, particularly for local offices, have

increased substantially since FY 1992. Actual expenditures increased by 15.6 percent from FY 1992 to FY 1993 and the Governor's recommendations assumed an increase of an additional 16.0 percent in FY 1994. The Subcommittee recommendation reduces projected growth in FY 1994 to 10 percent, and allows the agency to proceed in the current year with new leases in its five highest priority areas.

2. The Subcommittee was informed that subsequent to submission of its revised FY 1994 budget, SRS projected a shortfall in the child care budget of $8.2 million (including $6.6 million from state funds) in FY 1994 and $13.7 million in FY 1995. The Governor recommended additional expenditures of $3.3 million in FY 1994 and directed that the agency make specific policy changes to avert a shortfall. Agency projections submitted to the Governor in November indicate that approximately two-thirds of the projected shortfall is in the non-mandated categories of childcare, that is, for the income-eligible population. The Governor's FY 1994 revised recommendation provides essentially the amount approved by the 1993 Legislature for the AFDC and AFDC-transitional mandated populations, with the approved increase reflected for the non-mandated populations. In response to the shortfall, the agency has instituted a waiting list for non-mandated child care. Program modifications which the agency has implemented to remain within the recommended budget, in addition to instituting a waiting list include: elimination of the current study time allowance for parents participating in education or training programs; elimination of the reduced family fee for transitional child care; limiting total child care to 45 hours per week or 194 hours per child per month; clarification of the 3-hour minimum policy; elimination of the 5-day termination period; reduction in the absent day policy from 5 to 3 days; and a 25 percent increase in the family fee.

3. The Subcommittee reviewed year-to-date expenditures but makes no budget adjustments at this time. The agency estimates a state funds shortfall of $3.3 million in the foster care program in FY 1994. Excluding the foster care shortfall, and a projected shortfall in child care which is addressed in item 2, the year-to-date expenditures project a net shortfall in all other programs of $38,063. The Subcommittee recommends that the Senate review expenditures based on more recent data and March caseload projections and recommends that SRS seek a Governor's Budget Amendment if the projected shortfall in the foster care program persists.

4. The Subcommittee heard testimony that the agency is estimating a shortfall in SRS fee fund child support collections of over $2.9 million in FY 1994 and $2.5 million in FY 1995 from the Governor's recommendations. The Governor's recommendations hold the agency to projections presented to the Legislature last year when additional staffing was approved for medical support enforcement. The Subcommittee understands that the agency failed to subtract certain federal and state withholding charges and incentives from its projections, but also believes that vacancies in child support enforcement staffing have contributed to this shortfall. The Subcommittee believes that it does not make sense to keep vacant child support enforcement positions to meet forced shrinkage when each position, which costs $30,000, is expected to bring in approximately $200,000 in revenue. The Subcommittee requested information on trends in collections per staff member over the last several years and has not yet received that information. We request that SRS provide this information to the House Committee and to the Senate Subcommittee. We

recommend that the Senate review the status of fee fund collections, and that the agency request a Governor's Budget Amendment if the projected shortfall persists.

5. Concur with Governor's Budget Amendment No. 1 which deletes $282,445 from the State General Fund ($515,879 All Funds) as a technical adjustment.

6. Make technical adjustments to the appropriations bill.

SUBCOMMITTEE REPORT

Agency: SRS **Bill No.** 2759 **Bill Sec.** 2

Analyst: Howard **Analysis Pg. No.** 389 **Budget Page No.** 530

Expenditure	Agency Req. FY 95	Governor's* Rec. FY 95	Subcommittee Adjustments
All Funds:			
State Operations	$ 277,977,266	$ 225,528,796	$ (19,378,727)
Local Aid	65,816,613	62,052,171	--
Other Assistance	1,148,264,477	1,073,916,370	(255,009,412)
Subtotal -- Oper.	$ 1,492,058,356	$ 1,361,497,337	$ (274,388,139)
Cap. Improvements	24,217,345	5,132,726	--
TOTAL	$ 1,516,275,701	$ 1,366,630,063	$ (274,388,139)
State General Fund:			
State Operations	$ 118,496,715	$ 91,806,038	$ (13,287,853)
Local Aid	53,342,789	47,905,289	--
Other Assistance	449,175,412	323,633,539	(94,813,573)
Subtotal -- Oper.	$ 621,014,916	$ 463,344,866	$ (108,101,426)
Cap. Improvements	--	--	--
TOTAL	$ 621,014,916	$ 463,344,866	$ (108,101,426)
SRS Fee Fund	$ 59,672,909	$ 133,231,130	$ (12,902,709)
FTE Positions	4,514.9	4,292.7	(394.0)

* Includes Governor's Budget Amendment No. 1, issued January 26, 1994.

Agency Request/Governor's Recommendation

The SRS FY 1995 operating budget request is an increase of $208.8 million from the revised FY 1994 estimate, including a State General Fund increase of $208.1 million, and a reduction from the SRS Fee Fund of $88.8 million. The request reflects a reduction in available disproportionate share funding from FY 1994 to FY 1995. The agency request assumes expenditure of $25.0 million from the SRS Contingency Fund transferred to the SRS Fee Fund. The agency request includes funding for 4,514.9 FTE positions, an increase of 578 from FY 1994.

The Governor recommends operating expenditures of $1.36 billion for SRS in FY 1995, an increase of $75.6 million (5.9 percent) from the FY 1994 recommendation. The Governor does not recommend funding for new staffing requested by the agency; however, the Governor does recommend that 364 current special project and intermittent positions be reclassified as FTE to provide a more accurate count of current staffing levels. Thus, the Governor's recommendation in FY 1995 funds 4,292.7 FTE. The Governor's recommendation is an increase of $56.4 million from the State General Fund from FY

1994, with a reduction in estimated expenditures from the SRS Fee Fund of $23.0 million. The Governor's recommendation from the SRS Fee Fund in FY 1995 includes the expenditure of $25 million in funds transferred from the Social Service Contingency Fund in SRS as requested by the agency. Her recommendation also includes the transfer of $50.0 million from the Budget Stabilization Fund in the Department of Administration to the SRS Fee Fund and expenditure of that funding for long-term care in FY 1995.

The following table summarizes the changes in the Governor's recommendations for SRS from FY 1994 to FY 1995 by state operations, and by aid and assistance items.

Governor's FY 1995 Recommendations
Change from FY 1994

	SGF	All Funds	FTE
FY 1994 Recommendation	$ 406,786,470	$ 1,285,122,009	3,928.7
Salaries and wages	3,308,523	1,902,608	
Other Operating Expenditures	(233,152)	(2,455,723)	
Special Project Switch to FTE	--	--	364.0
Subtotal - State Ops. Changes	$ 3,075,371	$ (553,115)	364.0
Aid and Assistance:			
Mental Health Reform	$ 2,932,611	$ 2,932,611	
Other Mental Health Grants	(400,000)	(777,068)	
Annualize MR/DD Grants	1,000,000	1,000,000	
Other MR/DD Grants	(720,326)	(720,326)	
AFDC Caseloads	2,769,346	5,712,924	
General Assistance Caseloads	1,128,841	1,020,824	
LIEAP Federal Funds Reduction	--	(1,881,400)	
Regular Medical Caseloads	30,616,882	43,704,158	
Adult Care Home Caseloads	14,286,064	21,579,802	
Community-based Long Term Care	3,663,867	8,052,848	
Foster Care	(513,838)	1,291,065	
Adoption Support	477,256	718,195	
Other Youth Service Grants	(542,185)	(749,060)	
One-time Flood Relief	--	(1,470,000)	
Child Care (Daycare)	(1,083,038)	(3,961,413)	
ADAS Prevention Grants	(352,818)	(97,727)	
ADAS Treatment Grants	(213,520)	(784,815)	
Federal Substance Abuse Grants	--	(603,542)	
Voc. Rehab. Aid and Assistance	17,576	605,584	
All Other	250,555	587,342	
Subtotal Aid and Assist. Changes	$ 53,317,273	$ 76,160,002	
Total Changes -- FY 94-FY 95	$ 56,392,644	$ 75,606,887	
Total FY 1995 Rec.	**$ 463,179,114**	**$ 1,360,728,896**	**4,292.7**

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor with the following adjustments:

Budget Recommendations

1. The Subcommittee began its review faced with a FY 1995 recommended budget including $50.0 million from the State Budget Stabilization Fund (BSF) and $25.0 million from the SRS Contingency Fund -- total one-time funding of $75.0 million supporting ongoing programs. In reviewing this agency's budget in light of the state's fiscal constraints and directions received from the Appropriations Committee to reduce the use of this one-time funding to support ongoing programs, the Subcommittee has struggled to reach consensus. The Subcommittee is not entirely comfortable with all of the budget reductions we are recommending in this report, and express a real concern about the impact these reductions are likely to have on the lives of aged and disabled Kansans and those living in poverty in the state.

   In general, the reductions the Subcommittee is recommending are in areas of the budget where costs have been rising most rapidly or in areas of lowest priority for the agency. In addition, the Subcommittee has also identified two priorities for which it recommends additional state funding. The Subcommittee believes that all but four of its reductions should be carried out even in the absence of fiscal constraints simply because they eliminate low priority programs, reduce certain inefficiencies, or provide reasonable opportunities for savings. The other four reductions are recommended solely to reach the requested targeted expenditure level for this agency and should be reinstated if funds are available.

   The net effect of the Subcommittee's recommendations is identified State General Fund savings in FY 1994 and FY 1995 totaling $14.1 million, slightly more than the proportionate share for SRS (excluding MHRS and the state hospitals) of the $20.0 million reduction target. The Subcommittee recommends that these SGF savings be used to offset BSF funding recommended in the Governor's Budget and that the transfer to SRS from the BSF for support of ongoing programs be reduced accordingly. The Subcommittee also recommends expenditure of $1.0 million from the BSF for one-time expenditures as described below.

   The following table summarizes the changes which the Subcommittee recommends be made to the Governor's budget recommendations. Following the summary table, each adjustment is individually described.

RECOMMENDED SRS BUDGET ADJUSTMENTS

	SGF	All Funds
Reductions Recommended Regardless of Fiscal Constraints:		
FY 1994:		
Reduce Rent Increase	$ (221,000)	$ (418,491)
FY 1995:		
Reduce Rent Increase	$ (248,000)	$ (469,710)
Unspecified Administrative Reduction	(500,000)	(500,000)
Unbundling Procedure Codes	(245,640)	(600,000)
Reduce Certain Medical Rates to lesser of Medicaid, Medicare, or Private Rates	(2,688,221)	(6,564,642)
Eliminate Burial Assistance	(852,800)	(852,800)
Reduce Pharmacy Dispensing Fee by $1 effective January 1, 1995	(500,000)	(1,250,000)
Implement Electronic Pharmacy Claims Management System with Prospective DUR	(590,400)	(1,440,000)
Shift One-time Capital Outlay to BSF	(1,000,000)	0
Subtotal	$ (6,625,061)	$ (11,677,152)
Additional Reductions to Meet Expenditure Target:		
Increase Pharmacy Copay from $1 to $2	$ (507,898)	$ (1,240,000)
Increase Drug Prior Authorization	(648,347)	(1,583,304)
Reduce Adult Care Home Income Cap to 250% SSI	(1,696,000)	(4,316,129)
Eliminate Inpatient Hospital Services for MediKan	(6,750,000)	(6,750,000)
Subtotal	$ (9,602,245)	$ (13,889,433)
TOTAL FY 1995 REDUCTIONS	$ (16,227,306)	$ (25,566,585)
Recommended Priority Enhancements to Budget:		
Increase Medicaid Eligibility for Children to 100% FPL	$ 1,324,507	$ 3,093,378
Child Day Care	1,000,000	1,000,000
Total Additions to Budget	$ 2,324,507	$ 4,093,378
NET REDUCTION -- BOTH YEARS	$ (14,123,799)	$ (21,891,698)

Reductions Recommended Regardless of Fiscal Constraints:

a. **Reduce Rent Increase.** Delete $221,000 SGF in FY 1994 ($418,491 All Funds), and $248,000 SGF in FY 1995 ($469,710 All Funds) in agency rent expenditures. The Subcommittee was informed that rent expenditures, primarily at the area office level, have grown significantly since FY 1992. Actual expenditures increased by 15.6 percent from FY 1992 to FY 1993 and the Governor's recommendations assumed an increase of an additional 16.0 percent in FY 1994 and 3.8 percent in FY 1995. Our recommendations reduce projected growth in FY 1994 to approximately 10.0 percent and still provide 3.8 percent growth in FY 1995. We received testimony from the agency regarding leases which are currently being renegotiated and adjusted our recommendation to allow the agency to proceed with its five highest priorities.

b. **Unspecified Administrative Reduction.** Delete $500,000 from the State General Fund from agency administration. The Subcommittee believes that administration must share in the hardships created by budget reductions and decided that rather than arbitrarily increasing agency shrinkage the decision as to how to make this reduction should be left to the Secretary. Depending on the Secretary's decision, the actual all funds reduction could be closer to $1.0 million, depending on the level of federal funds budgeted in the designated area.

c. **Unbundling Procedure Codes.** Delete $245,640 from the State General Fund ($600,000 All Funds) in savings from actions to be taken to prevent providers from unbundling procedure codes. The Subcommittee learned that providers sometimes bill for services under separate codes for each procedure performed, when another code exists which combines the separate procedures. This results in higher costs to the Medicaid program because the reimbursement for unbundled procedures is higher than when the appropriate bundled code is billed. The Subcommittee recommends that software be installed to detect this practice. Annualized savings in FY 1996 will increase to approximately $1.2 million, including $490,000 from the State General Fund.

d. **Reduce Certain Medical Rates to Lower of Private Rates or Medicare.** Delete $2,688,221 from the State General Fund ($6,564,642 All Funds) to reduce certain provider payment rates to the lesser of Medicaid, Medicare or private rates. The Subcommittee received an agency analysis of current procedure codes and would note that the estimated savings reflects a preliminary analysis by the agency based on limited private sector information.

e. **Eliminate Burial Assistance.** Delete $852,800 from the State General Fund to eliminate the burial assistance program. As a result

of this recommendation, the state would not reimburse for an estimated 1,020 burials of indigent individuals in FY 1995.

f. **Reduce Pharmacy Dispensing Fee by $1 effective January 1, 1995.** Delete $500,000 from the State General Fund ($1,250,000 All Funds) for projected half-year savings in FY 1995. The Subcommittee heard testimony that the mean pharmacy dispensing fee under the Medicaid program is $5.08, compared to a Blue Cross Blue Shield rate of $3.50-$4.05. The Subcommittee learned that the state of Missouri experienced significant savings from changes in its Medicaid dispensing fee. We would note that several questions remain to be answered regarding the feasibility of this reduction, including the impact on small Medicaid pharmacies, how all reimbursement components paid to pharmacies compare with actual costs, and how many times each drug is reimbursed. The Subcommittee recommends that the Senate Subcommittee review this additional information, and that this Subcommittee review this recommendation during the Omnibus Session if Senate review does not occur. The Subcommittee also recommends that the Senate Subcommittee review an alternative option of reducing the maximum percentile pharmacy reimbursement from the 80th to the 70th percentile.

g. **Implement Electronic Pharmacy Claims Management System with Prospective Drug Utilization Review.** Delete $590,400 from the State General Fund ($1,440,000 All Funds) in projected savings in the medical assistance program due to implementation of an electronic pharmacy claims management system effective October 1, 1994. Annualized savings would be expected to total $787,000 SGF ($1.9 million All Funds). The Subcommittee heard testimony that the Legislature has included funding of $1.1 million in the agency's budget for three years for an electronic pharmacy claims management system. SRS reported that it did not intend to proceed with this project until after a new Medicaid Management Information System is installed in FY 1996. The Subcommittee reviewed information received from Blue Cross Blue Shield of Kansas which indicated that an on-line claims processing and prospective drug utilization review system could be implemented at this time without tying the state to the current information system contract with EDS-federal. The Subcommittee understands that such a system could be on-line within 90 days, and Blue Cross Blue Shield estimates the state could experience savings of three percent in the pharmacy. The Subcommittee recommends that the agency proceed with seeking federal approval to put a system in place, and that they provide additional information to the Senate regarding potential savings. We encourage SRS to proceed with implementation in FY 1994 if it is feasible to do so since funding is currently in their budget.

h. **Shift Capital Outlay to Budget Stabilization Fund.** Delete $1.0 million from the State General Fund and add $1.0 million from the BSF for capital outlay recommended by the Governor.

Additional Reductions to Meet Expenditure Target:

The following four items reflect reductions recommended reluctantly by the Subcommittee to meet the targeted expenditures level. The reductions are in long-term care, where expenditures have increased significantly in recent years with little change in the number of clients served, and in MediKan, which is a state program. The Subcommittee reiterates its position that if funds are available, these items should be restored during the Omnibus Session.

i. **Increase Pharmacy Copay from $1 to $2.** Delete $507,898 from the State General Fund ($1,240,000 All Funds) in savings from increasing the pharmacy recipient copayment from $1 to $2 per prescription, the maximum allowable under the Medicaid program. SRS estimates that 32,578 recipients would be affected by the increase in the copayment.

j. **Increase Drug Prior Authorization.** Delete $648,347 from the State General Fund ($1,583,304 All Funds) from the medical assistance budget to add prior authorization requirements for four additional categories of drugs (medicines to treat allergies, ulcers, arthritis and pain relief, and schizophrenia and psychosis). The Subcommittee further recommends that the agency cease the prior authorization for anti-depressant medication (which began in January, 1994) based on the small level of projected savings and recommendations of the Drug Utilization Review (DUR) committee. The Subcommittee further recommends that prior authorization for the four new classes be instituted **only if recommended by the Drug Utilization Review Committee.** The Subcommittee received assurances from the Secretary that she would not implement this recommendation in the absence of a recommendation to do so by the DUR committee. The Subcommittee recommends that a recommendation from the DUR committee be sought prior to Senate Subcommittee review of this item.

k. **Reduce Adult Care Home Income Cap to 250% SSI.** Delete $1,696,000 from the State General Fund ($4,316,129 All Funds) and reduce the income eligibility for adult care home services from 300 percent of the income level for Supplemental Security Income (SSI) to 250 percent of SSI. The recommendation would decrease the income cap for Medicaid nursing home eligibility from $1,338 per month to $1,115 per month. The agency estimates that 370 aged and 25 disabled persons who currently receive Medicaid assistance for a portion of their nursing home costs would lose their Medicaid eligibility for nursing home services. They would retain eligibility for regular medical assistance and community-based services.

l. **Eliminate Inpatient Hospital Services for MediKan Clients.** Delete $6,750,000 from the State General Fund associated with inpatient hospital services for MediKan clients. SRS estimates that hospital

services would no longer be reimbursed under this recommendation for approximately 2,387 disabled persons and adult family members currently receiving General Assistance. Children and pregnant women covered through the General Assistance program would continue to receive these services through the Medicaid program. We further recommend that if additional funding is not available to restore this entire service, that the Senate consider, or we consider during the Omnibus Session, program modifications which might allow reinstatement of a partial program.

Recommended Additions to the Budget:

m. **Increase Medicaid Eligibility for Children to 100% of the Federal Poverty Level.** Add $1,324,507 from the State General Fund ($3,093,378 All Funds) to increase Medicaid eligibility for children born before October 1, 1983 to 100 percent of the federal poverty level. The Subcommittee recommendation increases Medicaid eligibility for children ages 10 through 17. The recommendation essentially accelerates a current federal mandate which would phase in such coverage by the year 2001. The Subcommittee would note that under current policy, children ages 10-17 born before October 1, 1983, are only Medicaid-eligible if the household income is 46 percent of the federal poverty level (FPL) or less, or the family has excessive medical expenses which allows the family to "spend down" to that much remaining income. The Subcommittee notes that current policy results in two children in the same family having different eligibility for Medicaid based only on their age. SRS and the Subcommittee place a high priority on health care access for children and believe this recommendation is a cost-effective way to increase access to primary care. We believe that in the long-term this recommendation will actually result in savings in the health care system. The recommendation would provide services to over 6,000 additional children, at an estimated average monthly cost of $52 per child, of which the federal government pays $31.

The following table summarizes current and proposed eligibility for pregnant women and children.

Age of Child	Current Eligibility	Proposed Eligibility
Pregnant Women and Infants up to age 1	150% FPL	150% FPL
Children ages 1 to 5	133% FPL	133% FPL
Children born after September 30, 1983 (currently children aged 10 and under)	100% FPL	100% FPL
Children under 18 born before September 30, 1983; eligibility tied to AFDC or spenddown	46% FPL	100% FPL

n. **Child Day Care.** Add $1.0 million from the State General Fund for child day care in FY 1995. As described in the FY 1994 report, the agency has made certain modifications to its child care program and instituted a waiting list for non-mandated client groups. The Governor's FY 1995 recommendation reduced expenditures for child day care by approximately $3.6 million from the recommended level for FY 1994. Her recommendations assume full-year implementation of these modifications designed to reduce expenditures. The Subcommittee recommends this addition in order to partially mitigate these reductions. It is the Subcommittee's understanding that the agency should also be able to access additional federal matching funds for certain populations.

Medical Assistance and Long-term Care

2. The Subcommittee reviewed the growth in the regular medical assistance budget, which is projected to increase over 150 percent from FY 1989 to FY 1995, compared to projected growth in State General Fund receipts of 37.0 percent over that same time period. We are convinced that the state cannot continue to afford this level of growth in the medical program. In discussing long-term policy, the Subcommittee agrees that its desired mission for health services is **to provide and adequately fund a basic package of primary health care services for needy and vulnerable Kansans.**

   Based on fiscal reality and the need to set into place a process designed to both contain growth in the Medicaid budget and provide adequate access to services for the Medicaid population, the Subcommittee is recommending a **long-term plan to shift the Medicaid program from its current fee-for-service system to a capitated, managed care plan.** The Subcommittee believes that the shift to such a system is appropriate based on some of the following considerations:

   - At the current time, adequate primary care services are not provided to recipients, and current primary care reimbursement rates are inadequate, thus resulting in a shift to more costly treatment and inpatient expenses.

- In addition to reimbursement rates, physicians cite the amount of paperwork (the "hassle factor") and difficulties in dealing with this population as reasons for not participating in the Medicaid program.

- As an example, in FY 1993, 13.8 percent of urban recipients in counties where the primary care network is available did not have a primary care physician.

- It is time for the state to learn from the private sector and to translate its models and modes of health care delivery to state-funded systems. Managed care and capitation are becoming the norm in the private sector and are common components in health care reform proposals.

The Subcommittee believes that an adequately funded capitated managed care system will lessen bureaucracy, increase primary care provider satisfaction, and increase client access to preventive and primary care services. We believe that a capitated managed care system is the best way to both improve the quality of patient care, resulting in improved health outcomes (and long-term health care savings), and to control escalating costs in the Medicaid program.

The Subcommittee reviewed the provisions of 1993 S.B. 119, enacted by the 1993 Legislature, which directs the Secretary of SRS to negotiate and enter into contracts for a pilot managed care project "to be conducted in two counties of this state during the fiscal year ending June 30, 1995." During the appropriations process last year, it was also recommended that an additional project be implemented in conjunction with the University of Kansas Medical Center. The Subcommittee learned that based on the current status of the planning process, SRS will not be able to begin implementation of the pilot projects prior to July 1, 1995, and will be unable to meet the statutory timeframe.

Recommended Legislation

The Subcommittee recommends introduction of Medicaid reform legislation which would implement a more comprehensive managed care system than that envisioned in 1993 S.B. 119. The Subcommittee recommends that legislation be introduced to require the Secretary of SRS to implement a capitated, managed care system for the AFDC and pregnant women and children population beginning July 1, 1995, to be phased in statewide over the course of FY 1996. The recommendation would result in coverage of 80.8 percent of the Medicaid population. The current provisions relating to the pilot projects would be repealed in the proposed legislation. The Subcommittee believes that there is a lot of experience in the private sector and in other state Medicaid programs and that managed care and capitation are not untried concepts. Commencing a statewide phase-in of the AFDC and pregnant women and children population at the beginning of FY 1996 provides the agency with an additional year, and a total of two years since the pilot project planning process began, to prepare for implementation. We recommend that the legislation also include provisions relating to the establishment of a managed care implementation committee described in greater detail in the following

paragraphs. We recommend that the legislation exempt managed care contracts from the competitive bid requirements of K.S.A. 75-3739 and related amendments, in order to allow flexibility to negotiate and/or competitively bid contracts to obtain the best managed care plans.

The Subcommittee believes that other populations could be covered through a capitated managed care system in the future but we include no specific timeframe in this legislation to address the aged and disabled populations.

Monitoring Mechanisms and Program Design Issues

The Subcommittee does not believe that a shift to a capitated managed care system can be accomplished solely by SRS. Rather, it will require a cooperative effort with providers, clients and the Legislature. Thus, the Subcommittee is recommending the creation of certain advisory and oversight bodies.

- **Legislative Oversight Committee**. The Subcommittee recommends that the LCC designate the SRS subcommittees of the House Appropriations and Senate Ways and Means Committees to serve as a special committee meeting jointly during the interim to provide oversight as SRS moves through the difficult changes necessary to accomplish a shift to a capitated managed care system. The responsibilities of this oversight committee would include: ensuring compliance with statutory design and direction; facilitating collaboration between providers, the public and consultants; and ensuring that SRS meets designated timeframes for implementation. Although the primary focus of this oversight committee during the 1994 interim would be managed care and the Medicaid program, the Subcommittee recommends that the charge be sufficiently broad to allow exploration of other Medicaid issues and active work with the agency on the continued development of outcome measures. The Subcommittee believes that if successful, the use of the joint subcommittees in future interim periods would provide an ongoing opportunity to meld continuity into the public policy discussion surrounding social services issues.

- **Managed Care Implementation Committee.** The Subcommittee has heard widespread dissatisfaction regarding the current planning process for implementation of the proposed pilot projects. The Subcommittee believes there is shared responsibility between the Legislature, providers and SRS for these problems. The Subcommittee does not believe that the current managed care task force established pursuant to 1993 S.B. 119 provides the representation and expertise necessary to accomplish the massive tasks involved in undertaking such a systems transformation. The Subcommittee recommends the establishment of a state-level managed care implementation committee to include membership from the private sector, SRS and providers. Private sector membership should include persons experienced in the area of managed care, as well as public members representative of the populations served or advocacy groups. Each group (state agency, private sector, and providers) shall comprise one-third of the membership of the committee and shall be appointed by the Secretary of SRS. The Secretary shall also facilitate the

development of local task forces to address issues specific to geographic regions of the state.

In its review of managed care and capitation, the Subcommittee has identified several questions which must be addressed and issues which must be resolved prior to implementation. We believe the agency should take advantage of expertise available from the private sector in this state and from other states in designing the system. We recommend that SRS redirect a portion of funding currently allocated for administrative expenses associated with implementation of the pilot projects to contract for the assistance it will need in carrying out these recommendations. The Subcommittee further recommends that any consultants retained by SRS provide independent reports directly to the implementation committee and the Legislative Oversight Committee.

In the following paragraphs, the Subcommittee attempts to further clarify its direction to the agency regarding the design of a managed care plan, and to identify questions to be answered and tasks to be completed prior to implementation in FY 1996. Information requested below and agency responses to questions raised should be presented to the implementation and oversight committees.

Program Design Issues

In moving to a capitated, managed care system, the Subcommittee makes the following recommendations:

- Through a prioritization process, SRS should develop a basic benefit package for the populations to be served through a capitated, managed care system.

- It is the Subcommittee's intent that all populations and all services, including mental health, will be included in a comprehensive managed care plan; the Subcommittee directs SRS to work with all providers, including local health departments, private non-profit entities, community mental health centers and others involved in the health care delivery system.

- The Subcommittee believes that there are communities where providers are willing to join together to form a local health service delivery system for the Medicaid population, and recommends that SRS include this option as a part of its plan.

- The Subcommittee recognizes that demographic and geographic considerations may mean that a capitated managed care system will not be feasible in every community. However, to the extent that capitation is not possible, the Subcommittee still recommends that the agency look to other managed care options for these parts of the state, rather than staying with the current fee-for-service arrangement.

- SRS is directed to develop specific strategies for cost-control for high-cost populations (e.g. AIDS, pregnant women) and recommendations as to how

to address these populations in a managed care plan, and to propose those strategies to the Implementation and Oversight Committees (See also item 8 below).

- The Subcommittee recommends that SRS provide a recommendation on a timeframe for expansion of managed care to other populations, including the aged and disabled.

- The Subcommittee recommends that SRS provide information on its capacity to fund a capitated managed care system within the current level of funding and reimbursement in the regular medical assistance program.

- As an option, the State should consider contracting out the administration of health care services under the Medicaid program to a private entity.

- The Subcommittee recommends the agency conduct an analysis, with the assistance of consultants if necessary, which addresses the impact of such a shift on information systems, including the agency's current arrangement with EDS as the fiscal agent and electronic claims management operations, including options to contract out these functions to a private entity. The Subcommittee recommends that the Oversight Committee review these issues during the 1994 interim before a new contract for a Medicaid Management Information System.

3. The Subcommittee wants to further review the potential for consolidation of all long-term care programs under one agency when it reviews the Department on Aging budget. We believe it makes financial and programmatic sense to consolidate these programs. The 1993 Legislature recommended funding in the KDOA budget for a consultants' report. Preliminary recommendations from those consultants should be available in early March. Pending our review of the consultants' study and the recent Post Audit report, we recommend the deletion of all funding associated with long-term care from the SRS budget. The effect of this recommendation is to delete $108,101,425 from the State General Fund ($252,914,932 All Funds) and 30.0 FTE, including the nursing home program, community-based long-term care, adult protective services, and guardianship, as well as administrative costs associated with these programs.

4. The Subcommittee reviewed the agency's recommendations regarding contracting for nursing facility (adult care home) services and was informed that SRS has submitted a waiver request to the federal government to begin such a contracting process. The Subcommittee recognizes that there are serious concerns regarding such a process which must be addressed prior to implementation, but we also believe this waiver may be a mechanism to control long-term care costs and would place Kansas as a frontrunner in reform of long-term care. The Subcommittee believes that the Oversight Committee discussed in item 2 should also monitor the implementation of this waiver.

5. The Subcommittee was informed that the agency's current contract with EDS-federal for a Management Information System will expire in FY 1995, and that the

agency is in the process of developing a request for proposal to be issued in September for system reprocurement. The Subcommittee believes that there is a gross discrepancy between what the current Medicaid Management Information System can provide and what both the agency and the Subcommittee need to make respective management and policy decisions. The Subcommittee also believes there are grave problems with the quality of the information in the current system. As an example, the agency requested information from EDS-federal in order to make certain comparisons with the Oregon prioritization plan. This information included costs for certain diagnoses which appeared either unreasonably high or low; assigned over half of all payments to just three of the ranked diagnoses; linked procedures to diagnoses for which such procedures would be inconsistent; and could only identify 40 percent of all claims to a ranked diagnosis. The Subcommittee expects the new contract to ensure better information access, and requests that the agency keep in mind the information the legislature will be seeking, particularly as we move to performance-based budgeting. As noted in item 2 above, the Subcommittee believes it is essential for the Oversight Committee to review these issues before SRS proceeds with reprocurement of the system.

6. The Subcommittee solicited and received suggestions from Blue Cross Blue Shield of Kansas regarding technologies which now exist in the health care industry which might be used to facilitate the processing of Medicaid claims. The Subcommittee received suggestions designed to assist providers in submitting claims and accessing information. All of the recommendations are currently used or planned for use by Blue Cross and Blue Shield, including standardized electronic format, plastic identification cards, on-line claims adjudication, on-line pre-certification, electronic mail for communication between providers and the fiscal agent, and electronic funds transfer. The Subcommittee did not have time to receive an agency response and recommends that SRS report both to the House Committee and the Senate Subcommittee on implementation costs and potential savings and other benefits from implementing any or all of these initiatives.

7. The Subcommittee spent a considerable amount of time discussing the question of whether the state ought to be obliged to fund the costs of the consequences of high-risk behavior on the part of individuals. We believe that the state spends an inordinate amount of money on health care for conditions arising due to such behaviors. The Subcommittee believes that continued requirements to fund such treatment contributes to the current bias against early intervention and prevention services. The Subcommittee recommends that SRS apply for a federal waiver to allow it to discontinue coverage for smoking-related illnesses under the Medicaid program, with costs saved to be shifted to managed care, primary health care for children, and prevention services.

8. The Subcommittee recommends that SRS develop specific intervention strategies for certain special high-cost populations, such as AIDS patients and problem pregnancies. The Subcommittee included this recommendation in item 2 as it relates to how to address special populations in a managed care plan, but believes that, even prior to implementation of managed care, the agency can take steps to design specific strategies in these areas. For example, the Subcommittee received information regarding the high cost to the Medicaid program of low birthweight babies and information on the higher rates of infant mortality and low birthweight

for the Medicaid population compared to the state as a whole. Although the agency includes specific measurable reductions in this rate as a part of its performance objectives, it does not have a strategy in place at the current time to ensure achievement of these reductions. The Subcommittee recommends that the agency develop specific strategies for high-cost populations and make those available to the Oversight Committee recommended in item 2 during the 1994 interim, and to the 1995 Legislature.

9. The Subcommittee discussed fraud, particularly recipient fraud as it relates to increased efforts proposed under the agency's welfare reform package. The Subcommittee urges the agency to make fraud prevention and recovery a priority, but also recommends that the agency continue to increase its efforts to detect provider fraud. Several national studies indicate that in terms of actual costs, provider fraud far exceeds recipient fraud.

Caseloads

10. The Subcommittee makes no adjustments to caseloads included in the Governor's budget recommendations at this time. The Subcommittee was informed that a consensus caseload meeting between SRS, the Legislative Research Department, and the Division of the Budget will be held in March. The Senate should review the consensus estimates after that meeting. The Subcommittee would note that based on trends in FY 1994, the agency is projecting a foster care shortfall of up to $10.8 million from All Funds in FY 1995. The Subcommittee recommends that the agency seek a Governor's Budget Amendment if caseload projections indicate a continued shortfall. As noted in the FY 1994 report, cash assistance caseloads are currently growing at a lesser rate than budgeted, while medical caseload costs are slightly over projections.

Child Support Enforcement

11. The Subcommittee learned of two bills (S.B. 452 and 583) which are necessary to meet requirements regarding establishment of paternity and medical support enforcement mandated by the federal Omnibus Budget Reconciliation Act of 1993. The agency estimates State General Fund savings in the Medicaid program of $555,656 in FY 1995 and $1,025,765 in FY 1996 from S.B. 452, the medical support enforcement bill. The Subcommittee also supports passage of S.B. 797 which would allow a district court finding a person in contempt for nonpayment of child support to direct licensing bodies to notify the person that their professional license will not be renewed or will be suspended. The bill provides for a six-month temporary licensing period, during which period the individual would have the opportunity to obtain a release from the court allowing renewal or reissuance of the professional license.

12. The Subcommittee heard testimony that the agency is estimating a shortfall in SRS fee fund child support collections of over $2.9 million in FY 1994 and $2.5 million in FY 1995 from the Governor's recommendations. The Governor's recommendations hold the agency to projections presented to the Legislature last year when

additional medical support enforcement staff were approved. The Subcommittee understands that the agency failed to subtract certain federal and state withholding charges and incentives from its projections, but also believes that vacancies in child support enforcement staffing have contributed to this shortfall. The Subcommittee believes that it does not make sense to keep vacant child support enforcement positions to meet forced shrinkage when each position, which costs $30,000, is expected to bring in approximately $200,000 in revenue. The Subcommittee requested information on trends in collections per staff member over the last several years and has not yet received that information. We request that SRS provide this information to the House Committee and to the Senate Subcommittee. We recommend that the Senate review the status of fee fund collections, and that the agency request a Governor's Budget Amendment if the projected shortfall persists.

13. For the third year in a row, the Subcommittee compared the performance of the Kansas child support enforcement system to others in this region, particularly the state of Iowa which continues to have an impressive collection record. The Subcommittee notes that while progress has improved substantially in Kansas, the state still lags behind Iowa. The Collections to Expenditures ratio in Kansas is 3.65 while in Iowa it is 5.54. The Subcommittee recognizes that there are certain administrative processes in place in Iowa which do not exist in Kansas which contribute to Iowa's success, but recommends that SRS again review which features of the Iowa program could be adapted to Kansas to further increase collections and cost-effectiveness.

KanWork and Employment Preparation

14. As discussed in item 1, the Subcommittee has recommended the addition of $1.0 million from the State General Fund for child care programs in FY 1995, in an effort to partially mitigate recommended program reductions. Although the Subcommittee continues to receive testimony that child care assistance is crucial for self-sufficiency and an effective component in keeping persons off of welfare, we have never seen any specific studies or indicators to measure this effectiveness. The Subcommittee recommends that the agency begin to develop specific performance measures for the child care program designed to test these widely held assumptions, and in particular to determine the effectiveness of child care assistance in successfully transitioning and keeping persons off of welfare.

15. The Subcommittee commends SRS for the modifications it has made in the KanWork program this fiscal year, many of which were in direct response to concerns raised by this Subcommittee and other legislators during the 1993 Session. In particular, the Subcommittee is pleased that the agency is attempting to target its resources and has refined its assessment process. The KsCares information system is nearing completion and the Subcommittee expects next year to see better data which can be used to measure real client outcomes over time, including information on average wages, percent of clients entering and remaining in the workplace, percent returning to public assistance, and other data to better evaluate the program. The Subcommittee reviewed outcome measures which the University of Kansas is assisting the agency in developing for its cash assistance and income support programs and believes that developing baselines for and beginning to keep

these types of measures will provide valuable management information to the agency and policymaking information to the Legislature.

16. Concur with Governor's Budget Amendment No. 1 which adds $400,000 from federal Title IV-E funds for child care, as a technical adjustment to accurately reflect the Governor's recommendations.

17. The Subcommittee makes no adjustments to the budget for any pending welfare reform proposals. We will make separate recommendations on a welfare reform package and recommend that the fiscal impact be reviewed and the budget adjusted, if necessary, during the Omnibus Session.

Administration

18. Concur with Governor's Budget Amendment No. 1 which recommends the addition of $165,752 from the State General Fund ($368,441 All Funds) in salaries erroneously omitted from the Governor's recommendation.

19. Delete 364 FTE positions recommended by the Governor and retain these positions as special project positions. The Governor recommended that 364 special project positions be made limited-term FTE positions. The Subcommittee heard testimony from the agency requesting that only 204.5 of the positions be made FTE. The Subcommittee recommends further study of the impact of switching these staff to FTE positions, including the fiscal impact. We recommend the addition of a proviso as a technical adjustment to the appropriations bill, based on our recommendation to retain these as special projects.

Youth and Adult Services

20. The Subcommittee heard testimony from providers regarding the inadequacy of foster care rates but received no evaluation comparing actual costs to reimbursement rates. The Subcommittee does know, however, that the last foster care rate increase was in January, 1990. The Subcommittee believes that it is time to reassess the entire rate structure and recommends that SRS submit information to the Senate Subcommittee which compares the reimbursement rates to actual costs incurred by providers. In addition, we recommend that the Senate Subcommittee review the potential for emergency shelters to receive some type of federal reimbursement for their services. If federal matching funds are available, this might be a mechanism to restructure and increase rates for categories of providers where the data shows great disparities between costs and rates.

21. The Subcommittee reviewed original projections provided to the 1992 Legislature regarding status quo projections for youth services expenditures and custody trends, and projections based on implementation of the Family Agenda initiatives. Several hundred new staff and other enhancements were approved by the 1992 Legislature. At the current time, the number of children in custody is beginning to decline, although not as fast as initially planned, but expenditures in the foster care program have not declined but rather have continued to increase. The Subcommittee has

learned that certain expenditures which are reported in the foster care budget, possibly up to ten percent of reported expenditures, are actually for services designed to prevent out-of-home placement. The Subcommittee is frustrated at the lack of data and the inconsistency between the existing reporting systems and believes it is essential to be able to determine whether the shift in focus to principles enunciated in the Family Agenda, and the investment of additional resources are resulting in better outcomes for children and families. The Subcommittee is supportive of the move towards family preservation and away from out-of-home care ("beds") and believes this is probably an effective model so long as sufficient community-based alternatives are available. We believe that this premise must be proven in a verifiable way through sound evaluation of our system. It is for this reason that the Subcommittee recommends an independent evaluation of the Family Agenda. Because of our serious concerns regarding the data available from the Youth and Adult Services Commission, we believe it is essential to determine whether the lives of children have been improved by the change of direction and financial investment the state has made in this area. The Subcommittee recommends that SRS work with the Corporation for Change in designing the scope of such a study and present that information to this Subcommittee. We plan to recommend $100,000 from the Budget Stabilization Fund in the Corporation for Change Budget for this study and request that the Corporation for Change and SRS come back to us with more refined cost estimates. The Subcommittee is cognizant of the agency's frustrations with its data and its desire to move ahead with an information system; however, the Subcommittee is unwilling to invest in a new data system without the type of independent evaluation of our progress which we describe in this recommendation.

Mission and Performance Information

22. To the extent that the information has been available, the Subcommittee has reviewed agency performance measures. We reviewed business plans for each Commission articulating goals, strategies, identified barriers and performance measures. The Subcommittee also received and reviewed at length the agency's prioritization of its programs. The priority list and a summary of the agency's mission and performance measures for each Commission are attached to this document. The Subcommittee spent a considerable amount of time discussing the material provided by the agency and whether the material met the needs of the Subcommittee in making outcomes-based decisions. The Subcommittee believes that this dialogue has been beneficial both to the agency and the Subcommittee. We have provided clear direction to the agency regarding our needs as policy-makers and our expectation that the agency be prepared next year to provide **concise measurable outcomes-based performance measures**, which the Subcommittee can use to prioritize programs and evaluate the merit and effectiveness of each agency program.

23. Make technical adjustments as needed to accurately reflect the Governor's recommendations.

Department of Social and Rehabilitation Services Agency Priorities In Order Supports for Children, Adults and Families	
Priority	
1	Skills Development and Employment
	Kanwork\JOBS Employment Services Vocational Rehabilitation Services Program Youth Services Independent Living Independent Living Services Program Mental Health Reform MOST Blind Employment Programs Rehabilitation Facilities Program
2	Children and Family Support
	Family Preservation Child Care Family Support Alcohol & Drug Prevention & Treatment Services Family Initiative Child Protective Services Mental Health Reform Transitional Services Community Alternatives for Juvenile Offenders MR\DD Family Subsidy MR\DD Family Support Adoption Services
3	Adult Home and Community Based Supports
	Consumer Choice of HCBS in LTC Independent Living Services Program Mental Health Reform HCBS\MR Waiver Day Care Adult Protective Services CMHC Title XIX
4	Enforce and Establish Child Support Enforcement
5	Aid to Families with Dependent Children
6	Food Stamps
7	Preventative and Primary Medical Care
	Prenatal Kan B Healthy CMHC Title XIX Primary Care for Eligible Population Reducing High Risk Behavior through Protective Factors Early Detection

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KANSAS DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Priorities are by Commission Only

PRIORITY	COMMISSION	SGF	ALL FUNDS
	Workforce Development		
1	KanWork/JOBS Employment Services	6.2	13.7
2	Child Care	9.8	31.7
3	MOST	0.5	0.9
4	Refugee Services	0.07	2.9
5	Grants/Licensing	0.02	2.6
	Youth & Adult Services		
1	Direct Client Services	19.4	36.6
2	Purchase of Services on Behalf of Clients	35.4	53.2
3	Resource Development Activity	1.7	4.4
4	Grants	0.0	7.0
5	Other Direct Services/Administration	4.0	5.9
	MHRS		
1	Mental Health Reform	14.7	14.7
2	HCBS/MR Waiver	16.6	39.8
3	CMHC Title XIX	0.0	19.0
4	MR/DD Family Subsidy	1.0	1.0
5	MR/DD Family Support	1.5	1.5
6	Mental Health Grants	3.3	7.1
7	Mental Health State Aid	10.0	10.0
8	MR/DD Special Purpose Grants	12.1	12.1
9	MR/DD State Aid	5.9	5.9
10	Children Pilot Project	0.7	0.7
11	ICF/MR Reimbursement	14.8	35.3
12	Autism Grants	0.1	0.1
13	MH Special Project Grants	0.0	3.1
14	MR/DD Alternate Care	0.3	0.3
	ADAS		
1	Comprehensive Continuum of Alcohol & Drug Prevention & Treatment Services	3.7	17.4
2	Administrative Costs	0.03	1.0
3	Electronic Communication System/Public Education	Included in #1	Included in #1
4	Professional Training & Technical Assistance	Included in #1	Included in #1
	Income Support/Medical Services		
1	Establish & enforce CSE	6.4	19.3
2	AFDC	55.9	135.5
3	General Assistance	10.9	10.9
4	Food Stamps	0.0	158.0
5	Medical for AFDC, GA Fed, SSI, TransMed, Youth	116.6	284.5
6	MediKan	12.9	12.9
7	Medical for Medically Needy	26.1	63.7
8	Medical for Poverty Level Pregnancies/Children	27.3	66.6
9	ACH for those under 300% of SSI standards	116.5	274.3
10	LIEAP	0.0	12.1
11	Commodity Food Program	0.0	0.5
12	Medical for Tuberculosis victims	0.004	0.01
13	Qualified & Low-income Medicare Beneficiaries	0.02	0.5
14	Refugee Cash & Medical Assistance	0.0	0.9
15	Burial Assistance	0.9	0.9
16	Medical Assistance for Illegal Aliens	0.4	1.0
	Rehabilitation Services		
1	Vocational Rehabilitation Services Program	3.0	21.3
2	Rehabilitation Facilities Program	0.8	5.1
3	Independent Living Services Program	0.7	2.7
4	KS Commission for the Deaf & Hard of Hearing	0.09	0.3
5	Blind Employment Programs	0.0	1.9
6	DDRS Program	0.07	8.7

SRS MISSION AND PERFORMANCE INDICATORS

(Performance Indicators are those Included in
Governor's Budget Report to the 1994 Legislature
as well as supplemental measures reported by the agency)

SRS Mission Statement

The Kansas Department of Social and Rehabilitation Services empowers individuals and families to achieve and sustain independence and to participate in the rights, responsibilities, and benefits of full citizenship by creating conditions and opportunities for change, by advocating for human dignity and worth, and by providing care, safety, and support in collaboration with others.

ADMINISTRATION

Indicator	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Number of nursing home field audits completed	119	100	100
Number of supervisors trained	239	200	200
Payment transactions processed	881,041	939,013	939,013
Percent of budget and policy documents prepared on schedule	98%	95%	95%
Number of grant applications reviewed according to procedures	562	400	500
Number of days required for audit exception correction plans	N/A	90	90
Amounts of recipient fraud collections	1,108,564	1,108,564	1,108,564
% of SRS offices meeting SRS space standards	27%	40%	52%
% of normal production processing completed on established schedule	88%	90%	86%
% of online system unplanned downtime per month during normal working hours	10%	7.5%	7.5%

INCOME SUPPORT

Indicator	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
% of cash and medical assistance applications processed in 45 days	98.5%	96.0%	94.0%
% of initial food stamp benefits issued in 30 days	92.9%	91.0%	89.0%
% of quality controls completed within 75 days of sample month	75%	75%	75%
Support collections	$80,300,000	$90,400,000	$108,000,000
CSE cost-effective ratio	3.68:1	3.50:1	3.70:1
Medicaid estate recoveries	$196,367	$400,000	$500,000
Number of AFDC overpayments documented	3,800	3,800	3,500
AFDC overpayments collected	$1.9m	$1.9m	$1.7m

CASH ASSISTANCE

Indicator	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
No. of person months for which AFDC payments provided	1,048,738	1,090,658	1,134,285
No. of person months for which General Assistance payments provided	84,024	75,000	77,250
Number of Burial Assistance cases	964	950	950
Quality control accuracy rate for AFDC payments	96.0%	97.0%	97.0%
No. of households receiving LIEAP benefits	58,259	60,000	61,800
Earnings + cash assistance + food stamps + EITC as a % of the federal poverty level (measured at the point of leaving assistance)	85.5%	85.5%	84%
Average grant amount per individual	$119	$119	$119
Percent of employed public assistance recipients	10.66%	10.66%	10.66%
No. of families leaving public assistance per month due to employment	536	536	536
Percent of AFDC cases receiving child support	16%	16%	16%
No. of families leaving public assistance each year due to child support	623	623	623

MEDICAL ASSISTANCE AND LONG-TERM CARE

Indicator	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Inpatient hospital cost avoidance	$18,500,000	$19,250,000	$20,210,000
Number of long-term care recipients by level of care:			
Nursing facilities	13,250	13,167	13,167
Intermediate Care Facility for mentally retarded	976	961	961
Home and community based services MR waiver	1,016	1,615	1,615
Program integrity cost savings	$16,091,000	$17,700,000	$19,600,000
Third party recoveries	$868,693	$1,000,000	$1,000,000
% Medicaid eligibles under age of 21 participating in KAN Be Healthy program of screening and preventive care	36%	60%	80%
% eligible persons in urban counties assigned a primary care provider	86.2%	90%	90%
Infant mortality rate per 1,000 births for Medicaid recipients who are pregnant (will begin reporting information for FY 1993)	9.53	9.21	9.0
Number of inpatient hospital days per 1,000 Medicaid eligibles	1,340	1,300	1,250
% diversion from inpatient psychiatric admissions in general hospitals	18%	20%	20%
% of diversions from nursing facilities	7.2%	11.0%	11.0%
Increase average case mix index with participating Medicaid nursing facilities	.8	.8	.8
Number of nursing facility beds per thousand persons over age 85	644.3	644.3	644.3
% expenditures NF of total LTC expenditures	90%	84%	82%
% expenditures CBS of total long-term care expenditures	10%	16%	18%

EMPLOYMENT PREPARATION

Indicator	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Number of participants becoming employed	3,055	3,418	3,760
Number of JOBS/KanWork cases closed due to employment	1,286	1,318	1,331
Number of children receiving child care who have special needs, are at risk of abuse, or have working foster parents	2,165	2,369	2,215
Number of AFDC grants eliminated	n/a	547	602
Number attaining high school/GED	772	800	880
Number other education completions	225	360	396
Number completing training	653	680	748
Number completing employment skills	1,792	2,618	2,880
Data system established	30%	70%	100%
Assessment tool established	0%	40%	70%

ALCOHOL AND DRUG ABUSE SERVICES

Indicator	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Number of admissions to funded treatment programs	18,318	18,500	18,500
Percentage points less alcohol use than national average	4	5	5
Percentage points less other drug use than national average	3	4	4
Resources committed to high-risk youth	30%	30%	30%
Number of pilot projects (communities)	30	34	34
After six months:			
No alcohol use	40%	40%	40%
No other drug use	40%	40%	40%
Employed	60%	60%	60%
Fewer legal involvements	50%	50%	50%
Medical	n/a	40%	40%
Family/social	n/a	40%	40%
Psychological	n/a	40%	40%

YOUTH AND ADULT SERVICES

Indicator	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
No. of person months for which Foster Care payments provided	58,753	59,700	54,705
No. of person months for which Adoption Support payments provided	25	25	25
No. of grants awarded to minimize placement of juveniles within adult jails and lock-ups	31%	36%	41%
No. of families receiving family support services	33%	23%	13%
No. of children in custody of SRS at year end	7,703	6,930	6,000
% of service delivery staff trained according to plan	n/a	70%	95%
Ratio of expenditures for in-home to out-of-home services	.049	.030	.052
% of staff time involved in provision of in-home services	Agency is currently developing a baseline.		
% of children maintained in own home due to family preservation services	n/a	65%	75%
No. of children who achieve permanency goal at case closure	3,576	3,755	4,131
No. of disabled and aged adults diverted from institutional and nursing home placements	482	482	482
% of children returned to family within 12 months of out-of-home placement	31%	36%	41%
% of youth adjudicated for lessor non-person offenses placed by the Secretary in youth centers	33%	23%	13%
Median length of time between termination of parental rights and adoptive placement	Agency is currently developing a baseline.		

REHABILITATION SERVICES

Indicator	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Number of persons sustaining employment	1,501	1,570	1,450
Number of clients moved to independent living	1,776	1,484	1,484
Number of interpreting hours utilized	2,921	2,790	2,790

BLIND SERVICES

Indicator	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Number of persons achieving employment outcomes	192	180	180
Number of persons achieving independent living	323	270	270
Number of persons achieving supported employment outcomes	2	3	3

DISABILITY DETERMINATION AND REFERRAL

Indicator	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
Accuracy of determinations	95.0%	95.0%	95.0%
Cost per determination	$328	$345	$330
Title XVI processing days per claim	77	58	58

KINH Kansans for Improvement of Nursing Homes, Inc.

913 Tennessee, suite 2 Lawrence, Kansas 66044 (913) 842 3088

To the Members of the House Committee on Appropriations

Impact of the 250% Medicaid Cap on Long Term Care Consumers

February 28, 1994

The SRS subcommittee has recommended that no one with income over 250% of SSI income ($1,115 per month) receive Medicaid assistance for nursing home costs. An obvious problem with this restriction is that no nursing homes in the state have rates this low.

There is a serious flaw in the logic that individuals with incomes above $1,115 per month are too affluent to need public assistance. No other public assistance recipients are forced to spend all of their income on any single need.

At $1,115 per month, a private-pay nursing home resident could afford a maximum daily rate of $36.65. However, according to information supplied by SRS, the lowest private pay rate in the state is $40 per day. In the absence of Medicaid assistance, how will these people receive the care they need? This policy will place vulnerable people at great risk of harm and neglect, and could ultimately result in increased hospitalization costs.

KINH has received many calls for help from vulnerable citizens with incomes over the current 300% Medicaid cap. We have heard heartbreaking accounts of situations in which family members are forced to provide inadequate home care, with disastrous consequences. Some real life examples:

1. A 79 year old man had income above the 300% cap. When his wife attempted to care for him at home, both of them fell, resulting in a new fracture of a previously broken hip for the husband and a broken pelvis and two fractured vertebrae for the wife. On a subsequent trip to the doctor, the husband fell again, and suffered a third broken hip. Both spouses ended up in a nursing home. The wife, whose income was below the 300% cap, went on Medicaid. Family members, who were having financial problems of their own, had to pay for the husband's care.

The bottom line: The state, by causing the wife's nursing home placement, achieved no savings by denying assistance to the husband. Both spouses suffered avoidable injuries. Financially burdened family members faced the threat of bankruptcy to help out.

2. A 78 year old man, blind, and with palsy, was placed in a nursing home following cancer surgery. When his Medicare coverage ran out, and the 300% cap barred him from Medicaid, he returned home and a daughter-in-law provided care until she was hospitalized with a back injury. Family members sought community services, but couldn't find an affordable program to meet his needs. His son summarized the problem in a letter to KINH:

ATTACHMENT 2

(Dad) cannot afford 24 hour a day care and Medicaid cannot help him under current regulations. (Dad) has never been a drinker, gambler or "chaser." His illness is not the result of a "deviant lifestyle." He worked hard at a good job with good benefits and a good group health plan. He earned a good pension. He thought it would care for him in his "golden years" so he was always ready to help a family member or a friend in need....He has no house, car, savings account nor any investments. In short, he has no assets.

The State of Kansas will not help him because his railroad retirement pension pays too much. 46 CENTS A DAY TOO MUCH!

I don't suppose (Dad) has long to live, even with the best of care. It is certain his remaining days will be fewer and harder to bear if he is denied essential care for lack of funds.

There is no doubt that rising Medicaid costs are a problem for the state budget. However, the "solution" of denying care to those who need it but can't afford it is not a responsible one. The state should not balance its budget at the expense of sick and vulnerable people. KINH supports other solutions, including strict guidelines for Medicaid eligibility to prevent sheltering of assets, estate recovery of Medicaid payments, development of less costly home and community based services, and detailed audits of nursing home expenditures to detect any inappropriate profit-taking.

The 300% income cap has created too many problems similar to these two examples. Lowering the cap to 250% would at least double the number of people affected and would make a bad situation worse. We urge the committee to avoid taking this extreme measure.

Respectfully submitted,

Sandy Strand

Sandra Strand
Legislative Coordinator