

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Marc Rhoades at 9:08 a.m. on February 17, 2011, in Room 346-S of the Capitol.

All members were present

Committee staff present:

Jim Wilson, Office of the Revisor of Statutes
Nobuko Folmsbee, Office of the Revisor of Statutes
Alan Conroy, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Jarod Waltner, Kansas Legislative Research Department
Shirley Morrow, Kansas Legislative Research Department
Cindy O'Neal, Administrative Assistant, Appropriations Committee
Kathy Holscher, Committee Assistant, Appropriations Committee

Others attending:

See attached list.

- Attachment 1 FY 2012 Budget Committee Report - Kansas Department of Health and Environment – Environment
- Attachment 2 Local Environmental Protection Program
- Attachment 3 FY 2012 Budget Committee Report – Kansas Department of Health and Environment – Health and the Kansas Health Policy Authority
- Attachment 4 Kansas Health Policy Authority – Projected Reserve Calculation
- Attachment 5 FY 2006 – 2010 State Employee Health Plan-Contracts and Covered Lives
- Attachment 6 FY 2000 – 2010 State Employees' Health Benefits Plan

Chairman Rhoades welcomed committee members.

Representative Brown made a motion to introduce legislation regarding private activity bonds available for all counties. The motion was seconded by Representative Schwartz. Motion carried.

Representative Kleeb made a motion to introduce legislation regarding the Civil Air Patrol. The motion was seconded by Representative Brown. Motion carried.

Representative Rhoades made a motion to introduce legislation regarding a concurrent resolution that would request the State Board of Education to study, design, and recommend an administrative reorganization of school districts to include one administrator per 10,000 pupils. The motion was seconded by Representative Peck. Motion carried.

Representative Schwartz, Chair, House Agriculture and Natural Resources Budget Committee, presented the Kansas Department of Health and Environment-Environment FY 2012 Budget Report, (Attachment 1). The Budget Committee concurred with the Governor's recommendation with the following adjustments and observations: introduction of legislation to reduce fees in the Waste Tires Management Program, directed that agency to compile information on the Waste Tire Management Program and report back to the Budget Committee during Omnibus, that the agency prioritizes vehicle requests and report back to the Budget Committee at Omnibus, and provide the Budget Committee with information reflecting funding for the Local Environmental Protection Program, (LEPP) program, which has been prepared and distributed to committee members (Attachment 2).

Representative Schwartz made motion to adopt the Kansas Department of Health and Environment – Environment FY 2012 Budget Report. The motion was seconded by Representative Carlin.

Discussion followed by committee members. An explanation of the Waste Tire Management Fund was provided. It was noted that the fund balance is approximately \$200,000, there are no duplication of services, staffing numbers include both the Environment and Health Departments within the Kansas Department of Health and Environment, and the increase in FY 2012 was to replace federal funding. A review of the LEPP Grant History followed.

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:08 a.m. on February 17, 2011, in Room 346-S of the Capitol.

The motion was renewed. Motion carried.

Representative Crum, Chair, Social Services Budget Committee, presented the Kansas Health Policy Authority FY 2012 Budget Committee Report ([Attachment 3](#)). The Budget Committee concurred with the Governor's recommendations with the following observations: the Budget Committee supports the Governor's Executive Reorganization Order to transfer the duties and responsibilities to the Kansas Department of Health and Environment in FY 2012, review adult dental services at Omnibus, work with the Kansas Hospital Association on emergency room services and report back to the Budget Committee at Omnibus, cost saving measures for prescription drugs was requested to be identified and reviewed at Omnibus, HealthWave backlog corrective action plan outlined, additional language recommended for the Governor's budget bill draft, actions taken to address audit findings presented to the Budget Committee, concerns for limited state actions regarding Medicaid and the Children's Health Insurance Program, service providers commended, report on Medicaid waiver options to the committee at Omnibus, concerns expressed for Medicaid and Children's Health Insurance Program, (CHIP) expenditures, and the need to continue to monitor the balance of and contributions to the State Employee Health Plan.

Representative Crum made a motion to adopt the Kansas Health Policy Authority FY 2012 Budget Committee Report. The motion was seconded by Representative Mast.

Discussion followed by committee members. A review of the federal and state funding for waivers followed. It was noted that there may be other opportunities for federal match dollars for these waivers. Expansion of home and community based services and the need for additional state dollars was discussed. The concern for expansion of Medicaid dollars and the impact on the maintenance of effort through the Affordable Care Act and the federal stimulus funding guidelines was discussed. It was noted that Human Services caseloads falls under the Medicaid State Plan, and the Governor's recommendations includes meeting Medicaid obligations. The impact on the loss of federal stimulus dollars, increased caseloads, and poverty guidelines was discussed. Additional information from staff was requested.

J.G. Scott stated that under the Affordable Care Act the maintenance of effort deals more with eligibility guidelines as opposed to a dollar amount. He noted that the poverty guidelines are established by the federal government and that the state must maintain the FY 2010 level. He referred to the language contained in the Title 19 Act regarding Medicaid co-pay and deductibles.

Committee members continued their discussion and referred to the Kansas Health Policy Authority Projected Reserve Calculation, ([Attachment 4](#)). State contributions continue to increase, employee contributions are declining, and the number of contracts in the plan have substantially increased. It was noted that projections change the flow of data on the reports that were not available at the time the committee met, and the state's contribution rate were issues of concern. The importance of preventative care to minimize utilization and excessive use and costs for emergency room services was emphasized. It was suggested that a representative from National Conference of State Legislators present information to the committee on the impact of federal stimulus dollars and what we should expect for the future.

Committee member were referred to the State Employee Health Plan Contracts, ([Attachment 5](#)) and FY 2000 – 2010 State Employees' Health Benefits Plan ([Attachment 6](#)). It was suggested that a representative from the Department of Health and Environment present an overview of the state health care plan to the committee.

Representative DeGraaf made a substitute motion for an amendment that would add language to the Division of Health, Department of Health and Environment prioritize the use of funds from the federal government. The motion was seconded by Representative Peck. Motion carried.

The motion to adopt the Kansas Health Policy Authority FY 2012 Budget Committee Report as amended was renewed. Motion carried.

Discussion continued by committee members concerning health care priorities and needs that are not being met by the state. It was noted that the waiver program is optional under Medicaid and must meet the maintenance of effort requirements. The original intent was to encourage people to move from institutional services to community based services, which would be cost effective and provide enhanced quality care. A committee member recommended additional time to review the Budget Committee Report for additional amendments.

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:08 a.m. on February 17, 2011, in Room 346-S of the Capitol.


February 21st as requested by committee members.

Committee members continued discussion on the Kansas Health Policy Budget Report. Funding for the additional children receiving services from HealthWave is included in the budget. The Health Care Cost and Recovery Contract was discussed, and the details of the contract will be provided at the February 21st committee meeting, as requested by a committee member. This contract was just initiated and projections and time-lines with results available within the next few months. It was noted that there are no service expansions in the budget and the committee is concerned about the maintenance of effort requirements and what need to be looked at going forward. Auditing issues, the clearinghouse back-log and the need to review eligibility requirements was discussed.

Alan Conroy and J.G. Scott, Kansas Legislative Research Department, responded to questions from committee members. The federal government provides a 60% match to the state's 40% match for eligible participants. The state matching fund remains the same regardless of the number of eligible participants. Each agency contributes to the Worker's Compensation Fund, which is included in the agency's budget expenditures under employee benefits. Each agency is rated, has their own compensation rate, and the average for all state agencies is 1.28%, it was noted. As requested, this information will be provided at the next committee meeting with the Worker's Compensation rate listed by agency.

Chairman Rhoades reviewed the committee agenda for Monday, February 21st.

The meeting was adjourned at 11:00 a.m.



Marc Rhoades, Chairman

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 2/17/11

[illegible]

FY 2012

HOUSE AGRICULTURE AND NATURAL RESOURCES BUDGET COMMITTEE

Kansas Department of Health and Environment-Environment



Representative Sharon Schwartz, Chair



Representative Steven Johnson



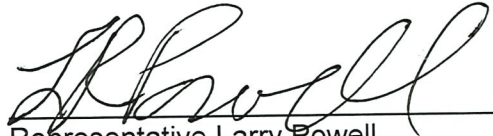
Representative Don Schroeder, Vice-Chair



Representative Harold Lane



Representative Sydney Carlin,
Ranking Minority Member



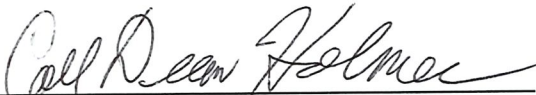
Representative Larry Powell



Representative Dan Collins



Representative Tom Sloan



Representative Carl Holmes

Appropriations Committee

Date February 17, 2011

Attachment 1

House Budget Committee Report

Agency: Kansas Department of Health and Environment-Environment **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	\$ 7,707,083	\$ 7,457,083	\$ 0
Other Funds	65,002,312	63,173,412	0
Subtotal	\$ 72,709,395	\$ 70,630,495	\$ 0
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
TOTAL	\$ 72,709,395	\$ 70,630,495	\$ 0
FTE positions	431.0	421.0	0.0
Non FTE Uncl. Perm. Pos.	69.0	69.0	0.0
TOTAL	500.0	490.0	0.0

Agency Request

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

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

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Governor's Recommendation

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

House Budget Committee Recommendation

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

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

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Attachment 1-3

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

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Attachment 1-4

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February 9, 2011

To: House Agriculture and Natural Resources Budget Committee

From: Leah Robinson, Principal Fiscal Analyst

Re: Local Environmental Protection Program

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

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

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

The program lists the following annual goals for participants:

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

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Attachment 2

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

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

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

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

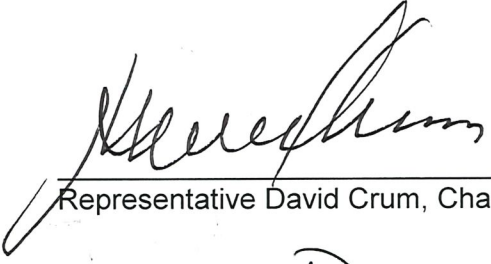


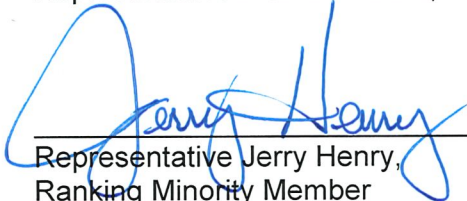

LOCAL ENVIRONMENT PROTECTION PROGRAM (LEPP) GRANT HISTORY
FY 1990-FY 2010

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

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	\$ 180,034,533	\$ 1,709,777,024	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
TOTAL	\$ 180,034,533	\$ 1,709,777,024	\$ 0
FTE positions	372.1	555.3	0.0
Non FTE Uncl. Perm. Pos.	201.8	200.8	0.0
TOTAL	573.9	756.1	0.0

Agency Request

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

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

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

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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 3-3

- **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

Attachment 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

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Attachment 3-B

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 3-7

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	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

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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

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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

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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.

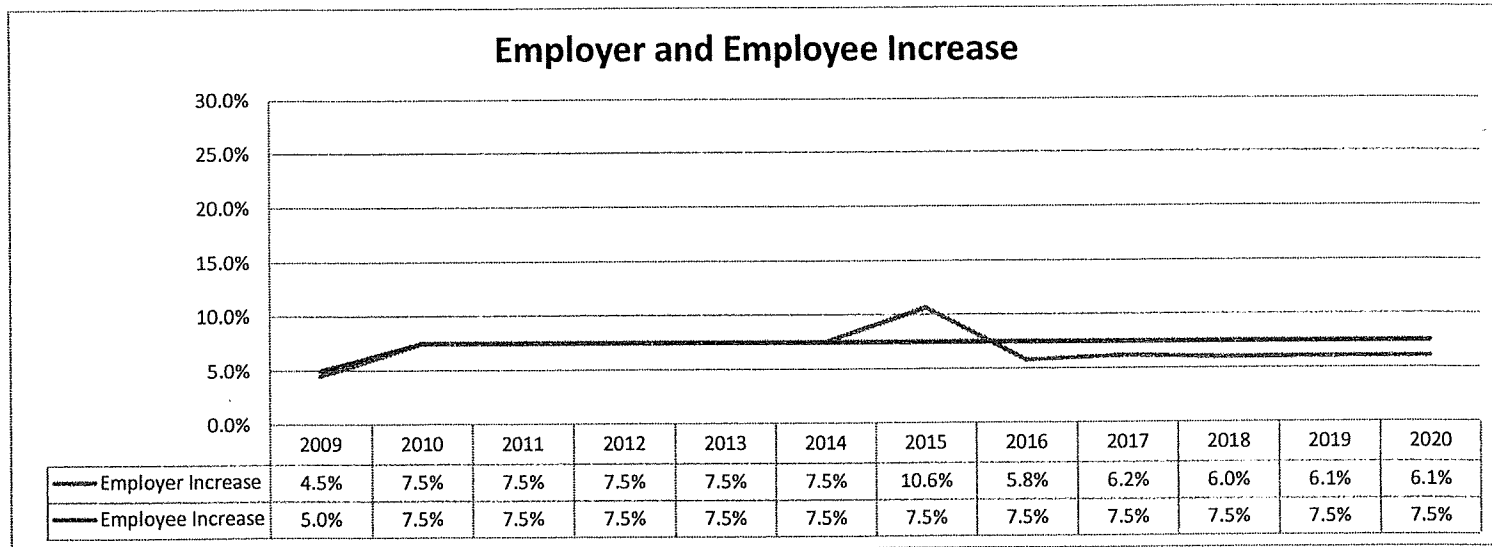
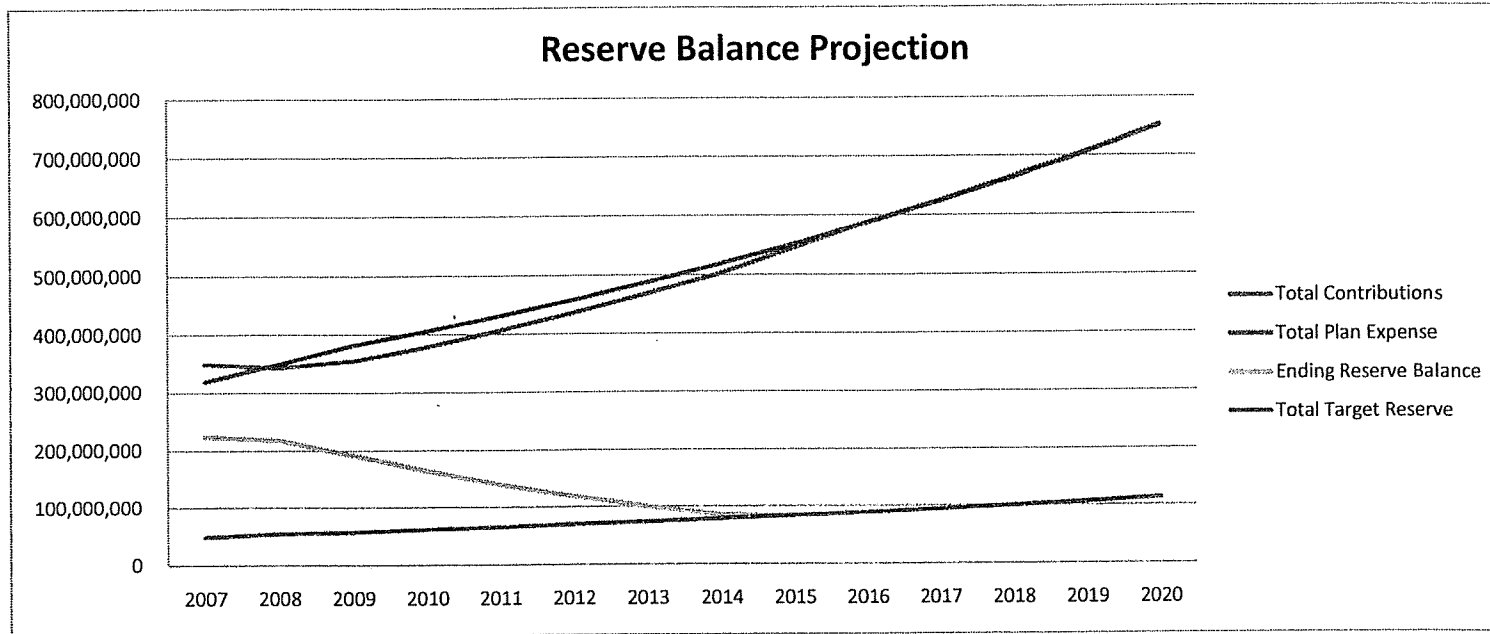
Kansas Health Policy Authority
 Projected Reserve Calculation - "Original Projections"
 Medical, Pharmacy, Dental and Vision
 Date of Projection: 05/27/2008

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Beginning Total Reserve Balance														
Reserve earning interest	10,714,357	11,269,564	11,832,715	12,424,351	13,045,569	13,697,847	14,382,739	15,101,876	84,497,562	82,633,124	88,055,192	93,548,682	99,511,209	105,786,692
Reserve not earning interest	182,228,577	212,102,003	205,260,781	178,511,551	151,158,700	126,110,550	103,824,104	84,491,869	0	0	0	0	0	0
Total Beginning Reserve Balance	192,942,934	223,371,567	217,093,497	190,935,902	164,204,269	139,808,397	118,206,844	99,593,745	84,497,562	82,633,124	88,055,192	93,548,682	99,511,209	105,786,692
Total Employer Contributions	228,190,918	245,000,000	250,512,500	265,625,938	285,547,883	306,963,974	329,986,272	354,735,242	387,037,519	418,307,063	443,429,065	470,464,905	498,934,883	529,369,911
Total Participant Contributions	120,300,650	97,273,114	104,175,269	112,465,324	120,360,396	128,833,569	137,911,791	147,638,878	158,061,794	169,230,881	181,200,090	194,027,232	207,774,256	222,507,535
Total Contributions	348,491,568	342,273,114	354,687,769	378,091,261	405,908,279	435,797,543	467,898,063	502,374,120	545,099,313	587,537,945	624,629,155	664,492,137	706,709,140	751,877,446
Total Plan Expenses	318,618,160	349,114,318	381,436,999	405,444,113	430,956,429	458,083,988	487,230,299	518,225,397	551,188,630	586,247,532	623,538,424	663,207,045	705,409,217	750,311,539
Interest on Reserve Fund	555,225	563,463	591,636	621,218	652,278	684,892	719,137	755,094	4,224,878	4,131,656	4,402,760	4,677,434	4,975,560	5,289,335
Net Cashflow (Contributions- expenses+Interest)	30,428,633	(6,277,741)	(26,157,594)	(26,731,634)	(24,395,872)	(21,601,553)	(18,613,099)	(15,096,183)	(1,864,438)	5,422,069	5,493,490	5,962,526	6,275,483	6,855,241
Cashflow as % of expenditures	9.6%	-1.8%	-6.9%	-6.6%	-5.7%	-4.7%	-3.8%	-2.9%	-0.3%	0.9%	0.9%	0.9%	0.9%	0.9%
Ending Available Balance (Reserve Ending Balance)	223,371,567	217,093,497	190,935,902	164,204,269	139,808,397	118,206,844	99,593,745	84,497,562	82,633,124	88,055,192	93,548,682	99,511,209	105,786,692	112,641,933
Total Target Reserve	47,749,833	53,383,000	55,891,988	60,762,038	64,585,451	68,650,933	73,018,956	77,664,048	82,604,096	87,858,211	93,446,825	99,391,779	105,716,423	112,445,727
Ending Reserve - Target Reserve	175,621,734	163,710,497	135,043,915	103,442,231	75,222,946	49,555,911	26,574,789	6,833,514	29,028	196,981	101,857	119,430	70,268	196,206
Target Reserve Factor			15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Policy Choices														
Interest Rate on Reserves			5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Healthcare cost trend rate			6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Agency % increase (eff. July 1)			4.5%	7.5%	7.5%	7.5%	7.5%	7.5%	10.6%	5.8%	6.2%	6.0%	6.1%	6.1%
Employee contribution % (eff. Jan 1)			5.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%

Appropriations Committee
 Date February 17, 2011
 Attachment 4

Date of Projection: 05/27/2008

Projected Reserve Calculation - "Original Projections"



Appropriations Committee
 Date February 17, 2011
 Attachment 4-2

Kansas Health Policy Authority
Reserve
Medical, Pharmacy, Dental and Vision
Date of Projection: 2/15/2011

Plan History 2000 - 2009

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Beginning reserve earning interest	39,052,969	34,152,534	21,907,108	12,153,284	9,801,115	9,953,998	10,250,261	10,714,357	11,269,564	11,657,438
Beginning reserve not earning interest	22,246,472	8,541,631	7,628,968	17,682,127	33,284,780	78,333,637	139,486,120	182,228,577	212,102,003	183,032,836
Beginning Total Reserve Balance	61,299,441	42,694,165	29,536,076	29,835,411	43,085,895	88,287,634	149,736,381	192,942,934	223,371,567	194,690,274
Total Employer Contributions	107,268,471	119,839,599	147,222,177	179,420,314	212,900,861	223,279,228	233,676,934	228,190,918	246,219,378	200,650,045
Total Participant Contributions	81,995,102	86,937,742	94,665,947	113,296,795	129,955,094	132,104,154	123,843,391	120,300,650	103,260,905	115,205,958
Total Contributions*	189,263,573	206,777,341	241,888,124	292,717,109	342,855,955	355,383,382	357,520,325	348,491,568	349,480,283	315,856,003
Total Plan Expenses	210,094,868	221,369,836	242,026,931	279,624,618	297,811,033	294,233,255	314,785,284	318,618,160	378,549,433	420,593,007
Interest on Reserves	2,226,019	1,434,406	438,142	157,993	156,818	298,620	471,512	555,225	387,857	222,635
Net Cash flow	(18,605,276)	(13,158,089)	299,335	13,250,484	45,201,740	61,448,747	43,206,553	30,428,633	(28,681,293)	(104,514,369)
Ending Available Balance (Reserve Ending Balance)	42,694,164	29,536,076	29,835,411	43,085,894	88,287,634	149,736,381	192,942,934	223,371,567	194,690,274	90,175,905
Total Target Reserve	31,514,230	33,205,475	36,304,040	41,943,693	44,671,655	44,134,988	47,217,793	47,749,833	53,383,000	63,088,951
Ending Reserve - Target Reserve	11,179,934	(3,669,400)	(6,468,629)	1,142,201	43,615,980	105,601,393	145,725,141	175,621,734	141,307,274	27,086,954
Ending Balance as a Percent of Claims	20.3%	13.3%	12.3%	15.4%	29.6%	50.9%	61.3%	70.1%	51.4%	21.4%
Targeted Reserve Factor	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Policy Choices										
Interest Rate on Reserves**	5.7%	4.2%	2.0%	1.3%	1.6%	3.0%	4.6%	5.0%	3.5%	3.1%
Admin/Contract Fee Trend									2.7%	2.7%
Healthcare cost trend rate									6.5%	6.5%
Employer % increase (eff. July 1)	9.0%	9.0%	20.0%	12.0%	21.5%	0.0%	0.0%	0.0%	0.0%	4.5%
Employee contribution % (eff. Jan 1)		4.0%	5.0%	39.0%	10.0%	13.0%	21.5%	1.0%	-12.5%	5.0%

* Contributions on 2009 reflect a seven pay period moratorium on contributions from state agencies totaling \$64 million.

** Interest rate is average rate earned during the Plan Year

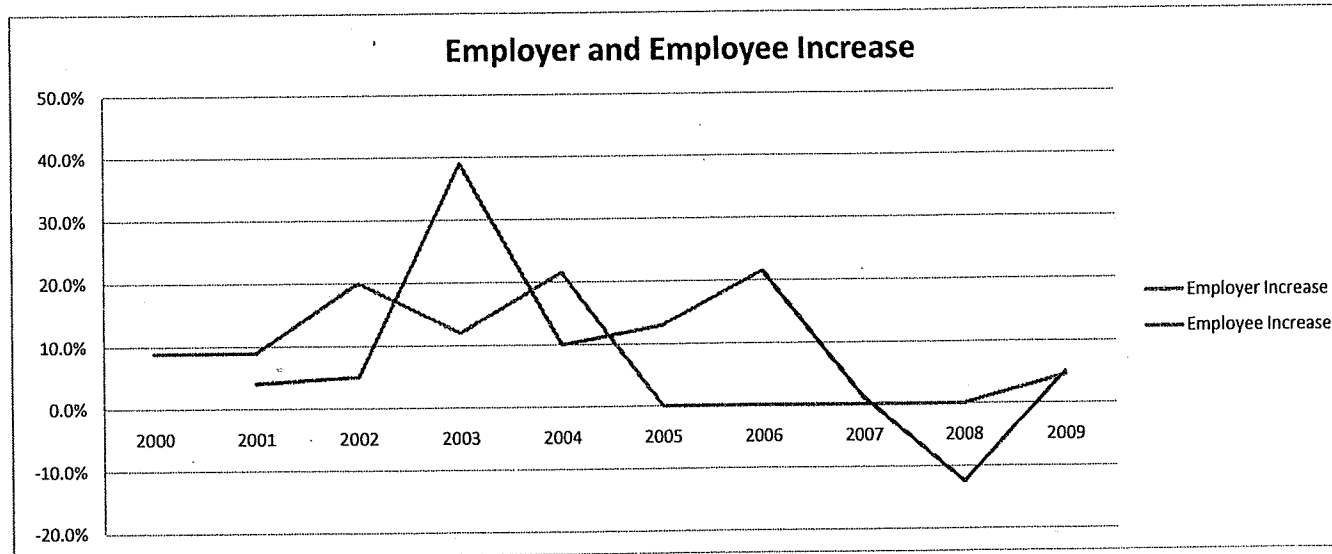
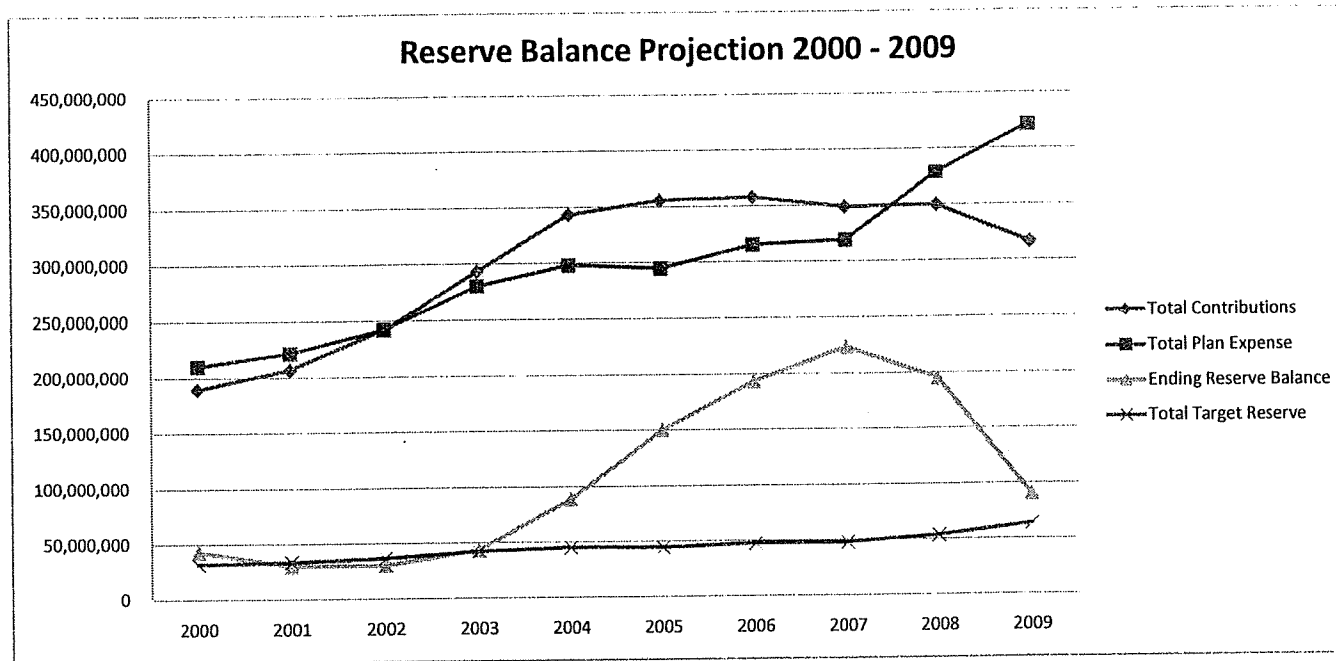
Appropriations Committee

Date February 17, 2011

Attachment 4-3

Date of Projection: 2/15/2011

Plan History 2000 - 2009



Appropriations Committee

Date February 17, 2011

Attachment 4-94

Kansas Health Policy Authority
Projected Reserve Calculation - "Hard Landing" at PY2013
Medical, Pharmacy, Dental and Vision
Date of Projection: 2/16/2011

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Beginning reserve earning interest	11,880,073	11,991,989	12,363,741	12,747,017	13,142,174	69,356,226	75,126,502	81,223,256	89,554,994	97,617,106	107,258,925
Beginning reserve not earning interest	78,295,832	74,866,652	71,090,543	74,978,586	50,811,283	0	0	0	0	0	0
Beginning Total Reserve Balance	90,175,905	86,858,641	83,454,284	87,725,603	63,953,457	69,356,226	75,126,502	81,223,256	89,554,994	97,617,106	107,258,925
 Total Employer Contributions	 293,900,171	 332,719,957	 369,273,058	 382,620,276	 432,360,912	 482,101,548	 518,861,791	 572,985,223	 622,522,400	 682,520,985	 744,086,997
Total Participant Contributions	127,392,488	125,907,442	133,957,911	134,097,788	167,723,536	167,871,068	192,767,139	204,610,491	226,427,692	245,321,486	268,202,521
Total Contributions*	421,292,659	458,627,399	503,230,969	516,718,065	600,084,448	649,972,616	711,628,930	777,595,714	848,950,092	927,842,471	1,012,289,518
 Total Plan Expenses	 424,721,839	 462,403,507	 499,342,926	 540,885,368	 595,089,086	 646,352,384	 707,861,098	 771,781,898	 843,664,185	 921,226,782	 1,006,584,286
 Interest on Reserves	 111,916	 371,752	 383,276	 395,158	 407,407	 2,150,043	 2,328,922	 2,517,921	 2,776,205	 3,026,130	 3,325,027
Net Cash flow	(3,317,264)	(3,404,357)	4,271,319	(23,772,146)	5,402,770	5,770,275	6,096,754	8,331,738	8,062,112	9,641,819	9,030,258
Ending Available Balance (Reserve Ending Balance)	86,858,641	83,454,284	87,725,603	63,953,457	69,356,226	75,126,502	81,223,256	89,554,994	97,617,106	107,258,925	116,289,183
Total Target Reserve	48,589,000	53,113,000	57,537,000	62,530,000	68,291,000	74,594,000	81,492,000	89,039,000	97,297,000	106,336,000	116,227,000
Ending Reserve - Target Reserve	38,269,641	30,341,284	30,188,603	1,423,457	1,065,226	532,502	(268,744)	515,994	320,106	922,925	62,183
 Ending Balance as a Percent of Claims	 20.5%	 18.0%	 17.6%	 11.8%	 11.7%	 11.6%	 11.5%	 11.6%	 11.6%	 11.6%	 11.6%
Targeted Reserve Factor	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Policy Choices											
Interest Rate on Reserves	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Admin/Contract Fee Trend	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Healthcare cost trend rate	9.5%	8.5%	9.0%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
 Employer % increase (eff. July 1)	 12.5%	 15.0%	 7.5%	 0.0%	 26.0%	 0.0%	 15.3%	 6.3%	 10.9%	 8.5%	 9.5%
Employee contribution % (eff. Jan 1)	7.5%	8.0%	7.5%	0.0%	26.0%	0.0%	15.3%	6.3%	10.9%	8.5%	9.5%

*Total Contributions for Plan Year 2010 include a one time SMaRT conversion contribution to the fund of \$20.050 million and a reduction to the fund of \$9.675 million for SB 572

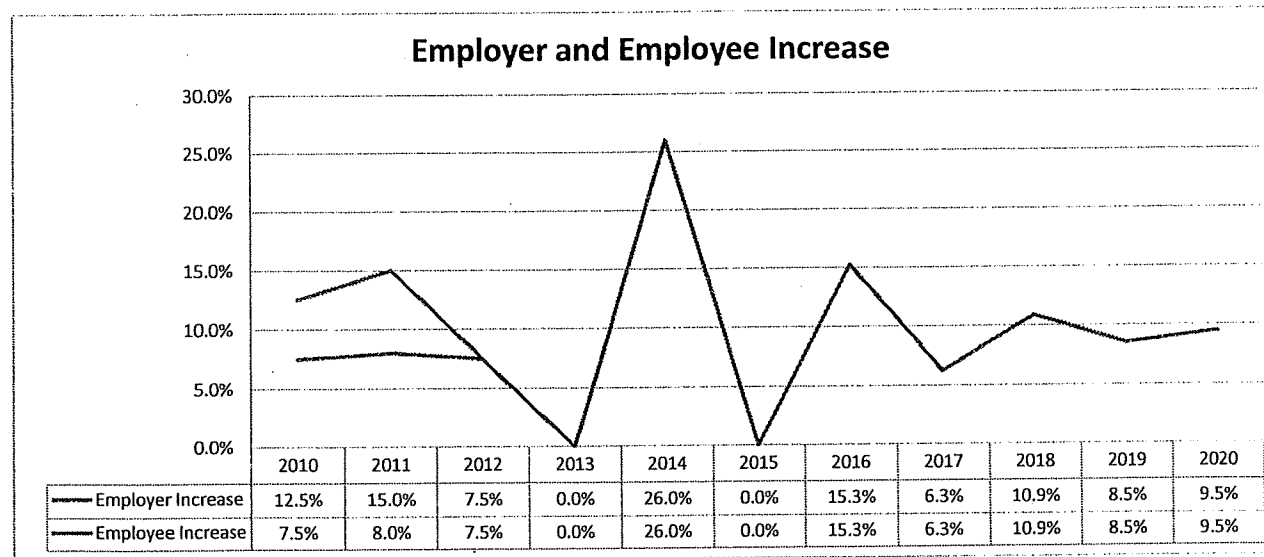
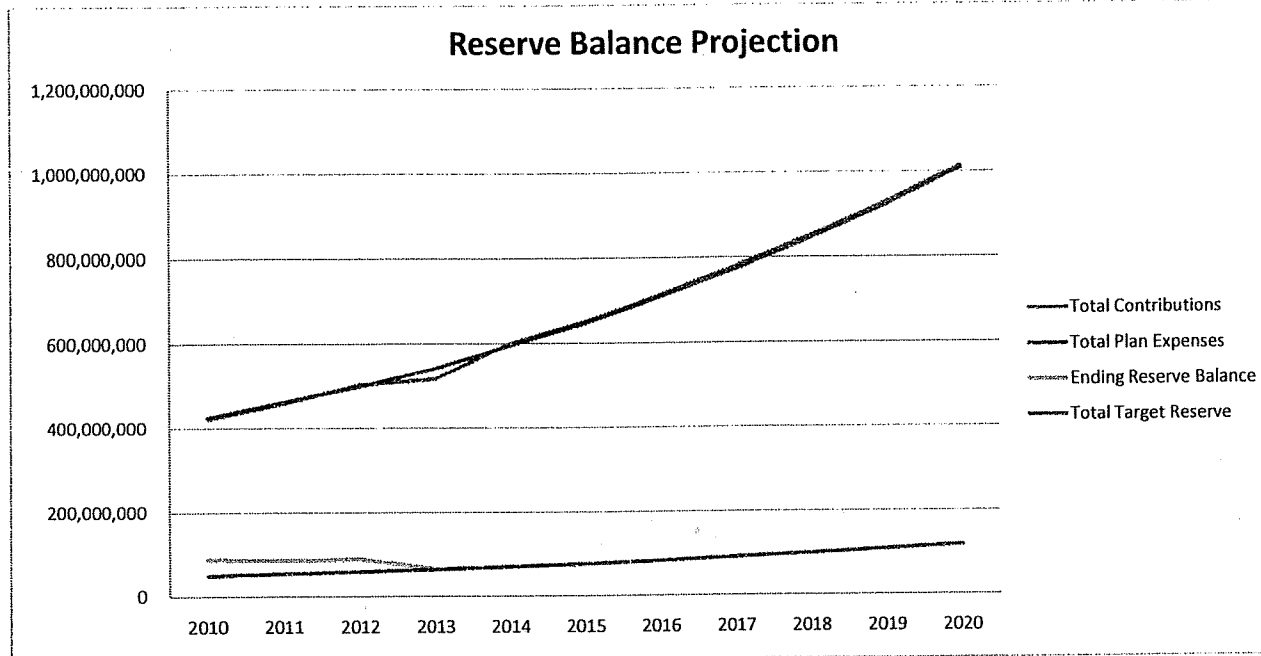
Appropriations Committee

Date February 17, 2011

Attachment 4-5

Date of Projection: 2/16/2011

Projected Reserve Calculation - "Hard Landing" at PY2013



Appropriations Committee

Date February 17, 2011

Attachment 4-Q

Kansas Health Policy Authority
 Projected Reserve Calculation with Plan Design Changes in PY 2015
 Medical, Pharmacy, Dental and Vision
 Date of Projection: 2/16/2011

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Beginning reserve earning interest	11,880,073	11,991,989	12,363,741	12,747,017	13,142,174	75,131,485	74,440,999	80,354,513	86,699,817	102,768,410	109,196,346
Beginning reserve not earning interest	78,295,832	74,866,652	71,090,543	74,978,586	72,699,797	0	0	0	0	0	0
Beginning Total Reserve Balance	90,175,905	86,858,641	83,454,284	87,725,603	85,841,971	75,131,485	74,440,999	80,354,513	86,699,817	102,768,410	109,196,346
Total Employer Contributions	293,900,171	332,719,957	369,273,058	396,968,537	426,741,177	464,826,542	513,080,622	561,567,350	606,378,270	653,427,379	709,942,564
Total Participant Contributions	127,392,488	125,907,442	133,957,911	143,756,085	154,282,407	169,683,810	187,062,898	202,628,978	217,542,049	234,623,246	255,916,996
Total Contributions	421,292,659	458,627,399	503,230,969	540,724,621	581,023,584	634,510,351	700,143,520	764,196,328	823,920,318	888,050,624	965,859,560
Total Plan Expenses	424,721,839	462,403,507	499,342,926	543,003,411	592,141,477	637,529,914	696,537,676	760,342,014	810,539,420	884,808,509	966,648,569
Interest on Reserves	111,916	371,752	383,276	395,158	407,407	2,329,076	2,307,671	2,490,990	2,687,694	3,185,821	3,385,087
Net Cash flow	(3,317,264)	(3,404,357)	4,271,319	(1,883,632)	(10,710,485)	(690,487)	5,913,514	6,345,304	16,068,593	6,427,936	2,596,078
Ending Available Balance (Reserve Ending Balance)	86,858,641	83,454,284	87,725,603	85,841,971	75,131,485	74,440,999	80,354,513	86,699,817	102,768,410	109,196,346	111,792,424
Total Target Reserve	48,589,000	53,113,000	57,537,000	62,530,000	68,291,000	73,457,000	80,249,000	87,681,000	93,453,000	102,133,000	111,633,000
Ending Reserve - Target Reserve	38,269,641	30,341,284	30,188,603	23,311,971	6,840,485	983,999	105,513	(981,183)	9,315,410	7,063,346	159,424
Ending Balance as a Percent of Claims Targeted Reserve Factor	20.5% 13.0%	18.0% 13.0%	17.6% 13.0%	15.8% 13.0%	12.7% 13.0%	11.7% 13.0%	11.5% 13.0%	11.4% 13.0%	12.7% 13.0%	12.3% 13.0%	11.6% 13.0%
Policy Choices											
Interest Rate on Reserves	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Admin/Contract Fee Trend	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Healthcare cost trend rate	9.5%	8.5%	9.0%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Employer % increase (eff. July 1)	12.5%	15.0%	7.5%	7.5%	7.5%	10.3%	10.5%	8.5%	7.5%	8.0%	9.3%
Employee contribution % (eff. Jan 1)	7.5%	8.0%	7.5%	7.5%	7.5%	10.3%	10.5%	8.5%	7.5%	8.0%	9.3%

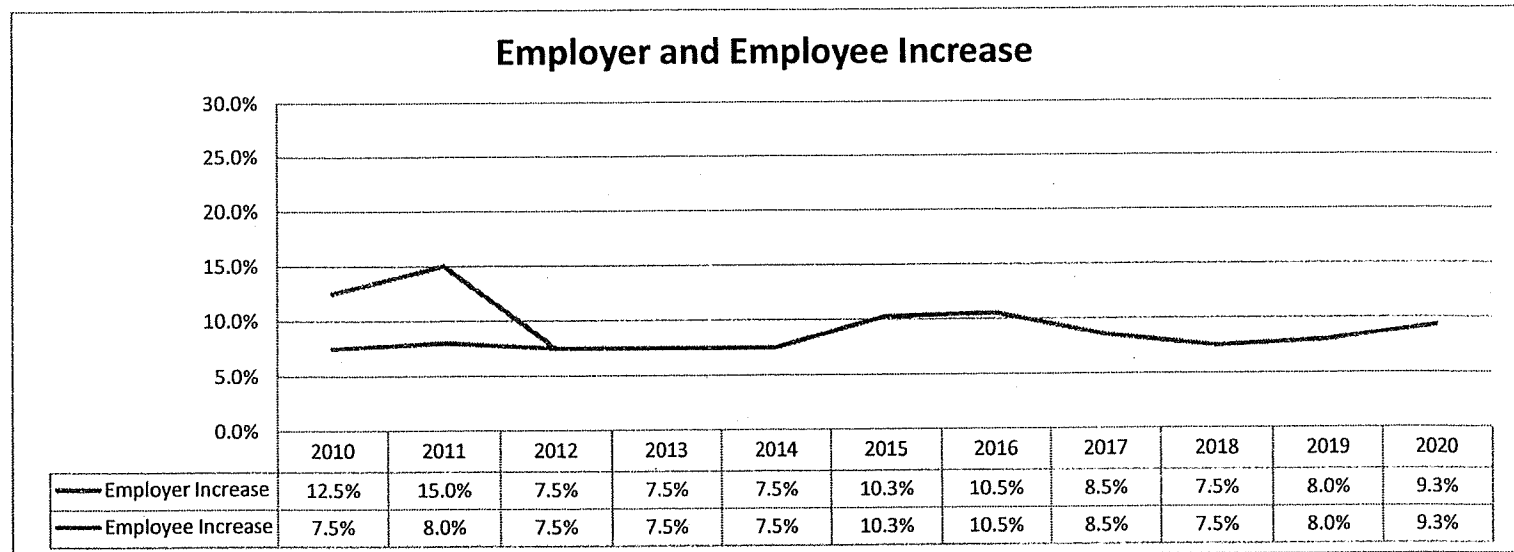
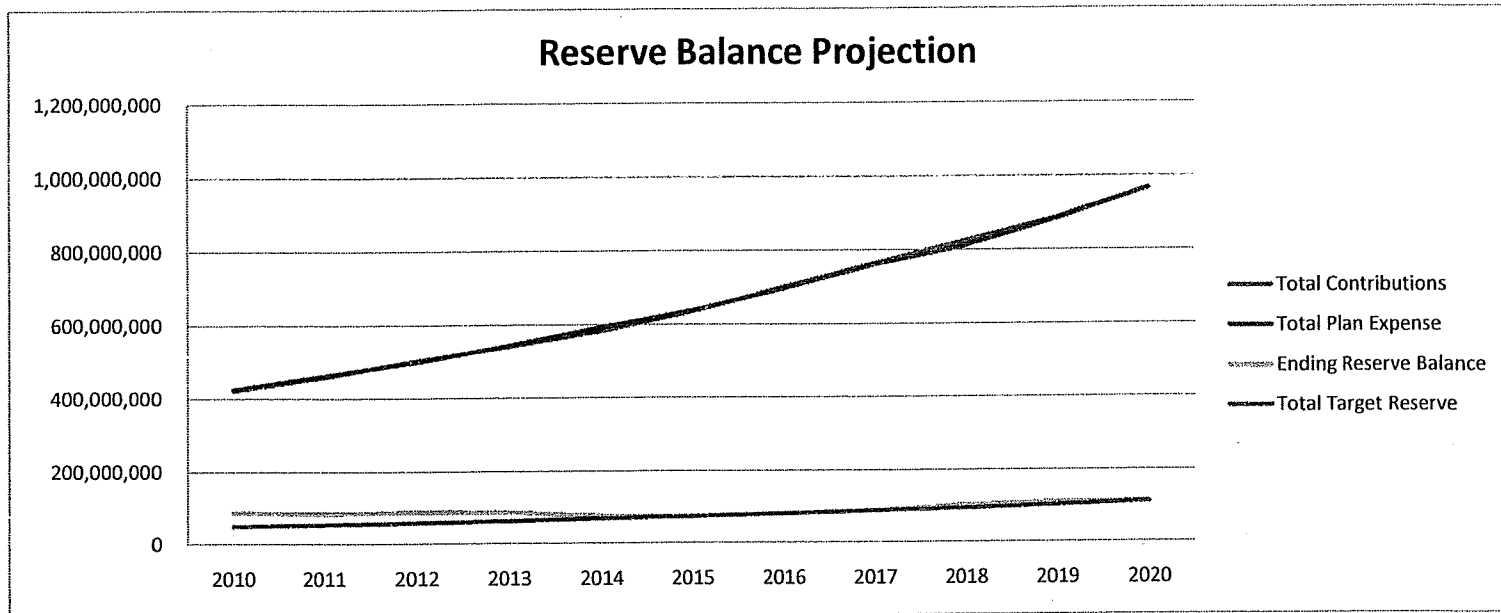
In 2015, it is assumed plan design changes are put in place. The plan design changes are: Increase deductible to \$500/\$1,000, Increase copay by \$5, and increase coinsurance to 30% on Plan A

Appropriations Committee

Date February 17, 2011
 Attachment 4-7

Date of Projection: 2/16/2011

Projected Reserve Calculation with Plan Design Changes in PY 2015



Appropriations Committee
 Date February 17, 2011
 Attachment 4-8

Kansas Health Policy Authority
 Projected Reserve Calculation - "Soft Landing" at PY2015
 Medical, Pharmacy, Dental and Vision
 Date of Projection: 2/15/2011

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Beginning reserve earning interest	11,880,073	11,991,989	12,363,741	12,747,017	13,142,174	75,131,485	74,596,980	81,612,439	89,062,092	97,309,247	106,373,093
Beginning reserve not earning interest	78,295,832	74,866,652	71,090,543	74,978,586	72,699,797	0	0	0	0	0	0
Beginning Total Reserve Balance	90,175,905	86,858,641	83,454,284	87,725,603	85,841,971	75,131,485	74,596,980	81,612,439	89,062,092	97,309,247	106,373,093
Total Employer Contributions	293,900,171	332,719,957	369,273,058	396,968,537	426,741,177	470,972,643	522,519,707	570,614,260	623,621,789	681,559,019	744,944,007
Total Participant Contributions	127,392,488	125,907,442	133,957,911	143,756,085	154,282,407	173,820,957	189,279,516	206,502,139	225,276,080	245,825,567	268,275,323
Total Contributions*	421,292,659	458,627,399	503,230,969	540,724,621	581,023,584	644,793,600	711,799,223	777,116,399	848,897,869	927,384,585	1,013,219,330
Total Plan Expenses	424,721,839	462,403,507	499,342,926	543,003,411	592,141,477	647,657,182	707,096,270	772,196,732	843,411,639	921,337,326	1,006,600,251
Interest on Reserves	111,916	371,752	383,276	395,158	407,407	2,329,076	2,312,506	2,529,986	2,760,925	3,016,587	3,297,566
Net Cash flow	(3,317,264)	(3,404,357)	4,271,319	(1,883,632)	(10,710,485)	(534,505)	7,015,459	7,449,653	8,247,155	9,063,846	9,916,645
Ending Available Balance (Reserve Ending Balance)	86,858,641	83,454,284	87,725,603	85,841,971	75,131,485	74,596,980	81,612,439	89,062,092	97,309,247	106,373,093	116,289,738
Total Target Reserve	48,589,000	53,113,000	57,537,000	62,530,000	68,291,000	74,594,000	81,492,000	89,039,000	97,297,000	106,336,000	116,227,000
Ending Reserve - Target Reserve	38,269,641	30,341,284	30,188,603	23,311,971	6,840,485	2,980	120,439	23,092	12,247	37,093	62,738
Ending Balance as a Percent of Claims Targeted Reserve Factor	20.5% 13.0%	18.0% 13.0%	17.6% 13.0%	15.8% 13.0%	12.7% 13.0%	11.5% 13.0%	11.5% 13.0%	11.5% 13.0%	11.5% 13.0%	11.5% 13.0%	11.6% 13.0%
Policy Choices											
Interest Rate on Reserves	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Admin/Contract Fee Trend	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Healthcare cost trend rate	9.5%	8.5%	9.0%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Employer % increase (eff. July 1)	12.5%	15.0%	7.5%	7.5%	7.5%	13.0%	9.1%	9.3%	9.3%	9.3%	9.3%
Employee contribution % (eff. Jan 1)	7.5%	8.0%	7.5%	7.5%	7.5%	13.0%	9.1%	9.3%	9.3%	9.3%	9.3%

*Total Contributions for Plan Year 2010 include a one time SMarT conversion contribution to the fund of \$20.050 million and a reduction to the fund of \$9.675 million for SB 572

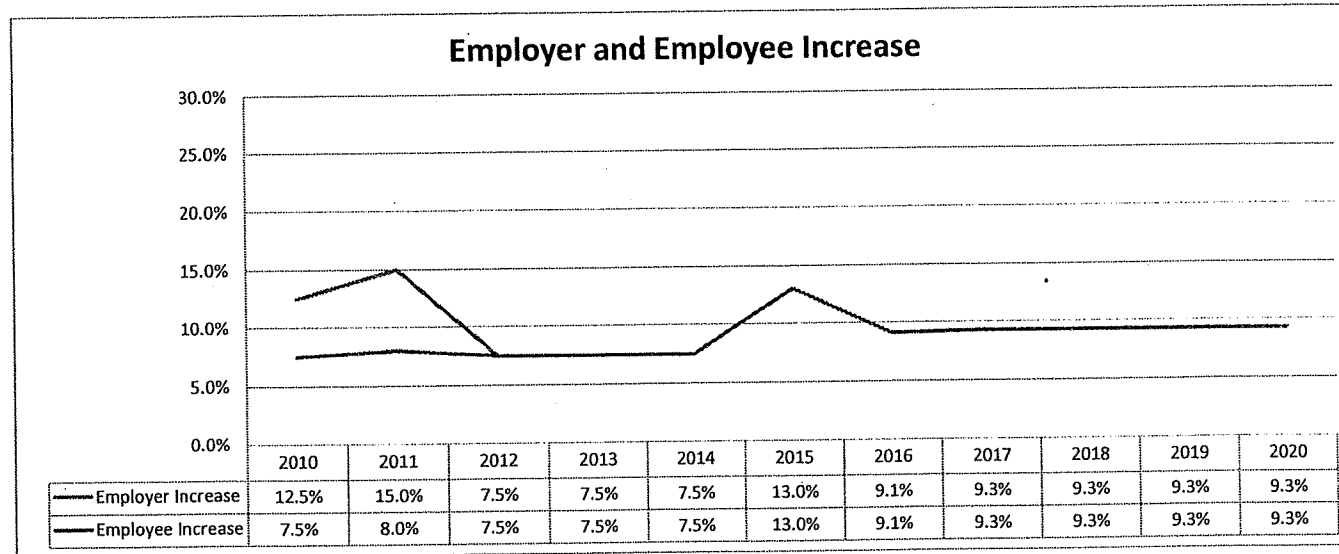
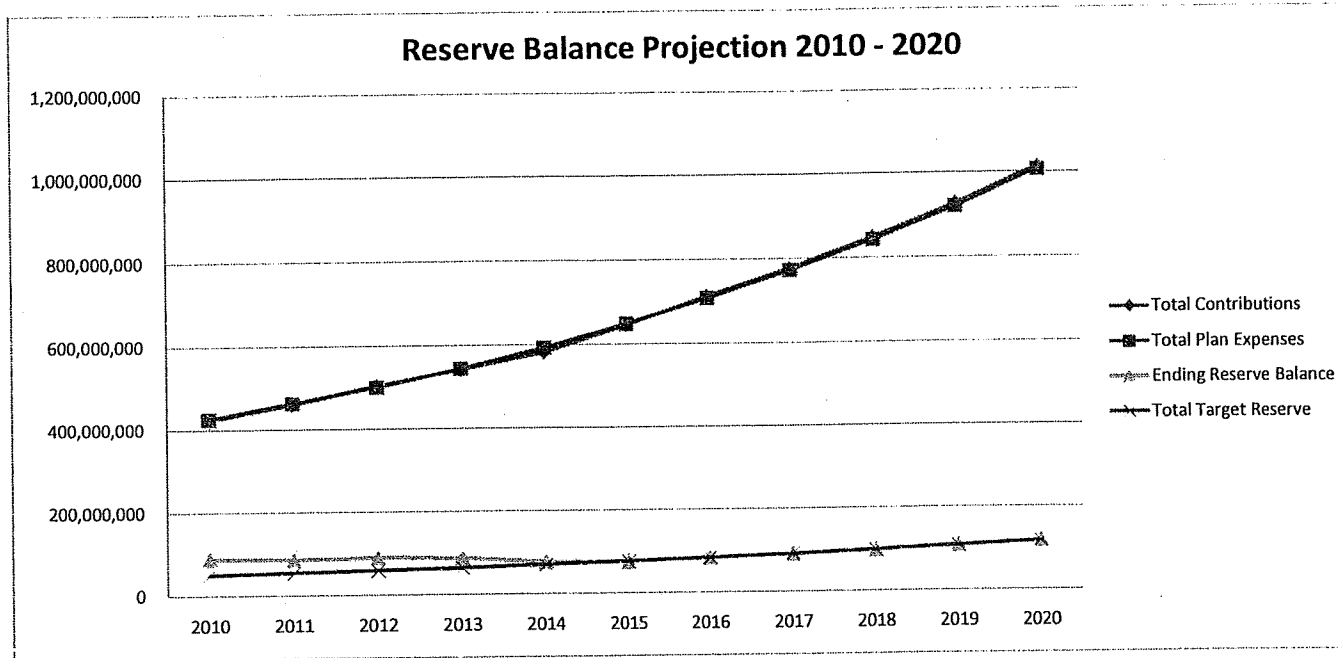
Appropriations Committee

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Attachment 4-9

Date of Projection: 2/15/2011

Projected Reserve Calculation - "Soft Landing" at PY2015



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Attachment 4-10

**State Employee Health Plan
Contracts and Covered Lives
Plan Years 2006-2010**

	<u>Plan Year 2006</u>	<u>Plan Year 2007</u>	<u>Plan Year 2008</u>	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>
Contracts	50,070	51,163	53,187	54,625	54,577
Covered Lives	88,226	88,185	92,816	96,694	97,257

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Attachment 5

Table 1

State Employees' Health Benefits Plan

Plan History FY 2000 to FY 2010

		FISCAL YEAR											Ap
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
REMITTANCE & RESERVE FUND													
Begin Balance:													
Reserve Fund		39,055,152	39,050,785	29,254,282	14,559,934	9,746,634	9,855,595	10,052,400	10,448,122	10,989,553	11,487,866	11,796,538	
Remittance to Providers		33,328,129	11,164,815	5,918,447	9,339,489	26,024,764	40,544,796	116,122,477	162,849,763	185,410,396	209,178,243	125,842,927	
Total Beginning Balance		72,383,281	50,215,599	35,172,728	23,899,423	35,771,399	50,400,391	126,174,877	173,297,884	196,399,949	220,666,109	137,639,465	
Revenue:													
Agency Contributions		99,803,602	108,589,670	120,510,567	149,576,276	163,216,145	198,132,780	197,551,160	200,451,184	204,132,341	164,516,992	218,026,528	
Participant Contributions		78,610,262	88,787,339	94,488,623	114,184,273	152,728,660	166,020,286	163,486,857	152,788,942	144,255,736	152,987,257	175,445,171	
SMART Contribution (7/1/2010)												20,050,000	
RAC (SB 572 Sec 76(f)) Eff (7/1/2010)												(9,675,000)	
Other - rebates, penalties, etc.		5,799,060	11,200,121	17,348,028	8,052,414	2,696,776	2,925,131	-17,344,739	1,925,082	-96,375	1,593	1,282,735	
Total Revenue		184,212,925	208,577,130	232,347,217	271,812,963	318,641,581	367,078,197	343,693,278	355,165,209	348,291,703	317,505,842	405,129,434	
Reserve Fund Interest/Transfers		-4,367	-9,796,503	-14,694,348	-4,813,299	108,960	196,805	395,722	541,431	498,312	308,672	152,541	
Expenses:													
Premiums, Claims & ASO Payments		205,889,093	213,380,345	228,294,048	254,739,933	303,875,532	291,260,896	296,727,542	332,269,889	322,992,585	393,735,340	422,526,782	
Contracts/Other Payments		487,145	443,153	632,127	387,755	246,017	239,621	238,450	334,686	2,101,171	7,105,820	4,840,861	
Total Expenses		206,376,239	213,823,498	228,926,175	255,127,688	304,121,549	291,500,517	296,965,992	332,604,575	325,093,756	400,841,160	427,367,643	
End Balance:													
Reserve Fund		39,050,785	29,254,282	14,559,934	9,746,634	9,855,595	10,052,400	10,448,122	10,989,553	11,487,866	11,796,538	11,949,080	
Remittance to Providers		11,164,815	5,918,447	9,339,489	26,024,764	40,544,796	116,122,477	162,849,763	185,410,396	209,178,243	125,842,927	103,604,717	
End Balance		50,215,599	35,172,728	23,899,423	35,771,399	50,400,391	126,174,877	173,297,884	196,399,949	220,666,109	137,639,465	115,553,797	
ADMINISTRATION													
Begin Balance:		1,484,187	2,201,536	2,936,054	3,237,339	756,276	405,462	858,454	1,611,873	2,598,534	3,617,167	3,186,826	
Revenues:													
Cafeteria Fund		2,155,544	2,155,550	1,944,921	168,534	2,010,441	2,016,100	2,010,918	2,035,464	2,490,006	2,179,871	3,171,368	
Wellness Fund		617,147	617,149	579,952	-253	528,004	576,924	605,259	645,828	781,433	686,226	798,133	
Total Revenues		2,772,691	2,772,699	2,524,873	168,281	2,538,446	2,593,024	2,616,178	2,681,292	3,271,439	2,866,097	3,969,501	
Expenses:													
Admin Expenses		2,067,406	2,040,150	2,222,192	2,664,746	2,897,189	2,133,582	1,864,679	1,694,631	2,252,806	3,296,439	3,422,948	
Other Payments												32,566	
Total Admin Expenses		2,067,406	2,040,150	2,222,192	2,664,746	2,897,189	2,133,582	1,864,679	1,694,631	2,252,806	3,296,439	3,455,514	
Ending Balance		2,189,472	2,934,085	3,238,736	740,874	397,533	864,904	1,609,952	2,598,534	3,617,167	3,186,826	3,700,812	

Information for FY2000-FY2009 was obtained from the Statewide Cost Allocation (SWCAP) documents
 Information for FY 2010 is preliminary information from STARS until the SWCAP is completed in March 2011

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 Attachment 6

Table 2
Kansas Health Policy Authority
Reserve Calculation
Medical, Pharmacy, Dental and Vision

Year	2009	2010 Original Projection	2010 Updated Projection	Difference	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Reserve Fund	11,657,437	11,880,073	11,880,073	0	11,992,333	12,364,095	12,747,382	13,142,551	33,836,037	21,658,196	7,806,988	0	0	0
Remittance to Providers	183,032,836	78,295,832	78,295,832	0	68,562,639	52,881,998	43,127,334	32,285,447	0	0	0	(7,835,281)	(25,142,914)	(43,929,628)
Total Beginning Balance	194,690,273	90,175,905	90,175,905	0	80,554,972	65,246,094	55,874,717	45,427,998	33,836,037	21,658,196	7,806,988	(7,835,281)	(25,142,914)	(43,929,628)
Agency Contributions	0	292,296,478	287,787,250	(4,509,228)	328,422,181	368,902,124	405,792,337	446,371,570	491,008,727	540,109,600	594,120,560	653,532,616	718,885,878	790,774,465
Participant Contributions	0	118,994,506	123,437,928	4,443,422	127,091,673	136,235,002	146,203,957	156,913,869	168,420,130	180,782,278	194,064,315	208,335,036	223,668,390	240,143,868
SMART Contributions (7/1/2010)		0	20,050,000	20,050,000										
Total Revenue	315,856,003	411,290,984	431,275,178	19,984,194	455,513,854	505,137,126	551,996,293	603,285,439	659,428,857	720,891,878	788,184,875	861,867,652	942,554,268	1,030,918,333
RAC (SB 572 Sec 76(f)) Eff(7/1/2010)			(9,675,000)	(9,675,000)										
Total Expenses	420,593,007	447,842,038	431,333,371	16,508,667	471,194,495	514,891,790	562,838,181	615,284,820	672,655,615	735,414,490	804,069,162	879,175,285	961,340,981	1,051,231,802
Interest on Reserves	222,635	368,282	112,260	(256,022)	371,762	383,287	395,169	407,419	1,048,917	671,404	242,017	0	0	0
Net Cash flow	(104,514,369)	(36,182,772)	(9,620,933)	26,561,839	(15,308,878)	(9,371,377)	(10,446,719)	(11,591,961)	(12,177,841)	(13,851,207)	(15,642,270)	(17,307,633)	(18,786,714)	(20,313,469)
Ending Available Balance														
(Reserve Ending Balance)	90,175,905	53,993,133	80,554,972	26,561,839	65,246,094	55,874,717	45,427,998	33,836,037	21,658,196	7,806,988	(7,835,281)	(25,142,914)	(43,929,628)	(64,243,097)
Target Reserve	63,088,951	51,542,000	49,384,000	2,158,000	54,076,000	59,213,000	64,839,000	70,998,000	77,743,000	85,128,000	93,216,000	102,071,000	111,768,000	122,386,000
"Ending Reserve" - "Target Reserve"	27,086,953	2,451,133	31,170,972	(28,719,839)	11,170,094	(3,338,283)	(19,411,002)	(37,161,963)	(56,084,804)	(77,321,012)	(101,051,281)	(127,213,914)	(155,697,628)	(186,629,097)
Ending Balance as a Percent of														
Claims	21.4%	12.4%	18.7%		13.8%	10.9%	8.1%	5.5%	3.2%	1.1%	-1.0%	-2.9%	-4.6%	-6.1%

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Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Beginning Total Reserve Balance	90,175,905	53,539,241	14,228,342	(35,622,998)	(97,598,717)	(173,478,860)	(271,068,558)	(389,840,479)	(532,962,399)	(704,000,015)	(906,962,403)
Total Employer Contributions	292,296,478	321,096,278	345,178,498	371,066,886	398,896,902	428,814,170	460,975,233	495,548,375	532,714,503	572,668,091	615,618,198
Total Participant Contributions	<u>118,994,506</u>	<u>126,169,075</u>	<u>135,300,895</u>	<u>145,236,711</u>	<u>155,911,996</u>	<u>167,382,056</u>	<u>179,706,340</u>	<u>192,948,753</u>	<u>207,177,986</u>	<u>222,467,880</u>	<u>238,897,808</u>
Total Contributions	411,290,984	447,265,353	480,479,393	516,303,597	554,808,899	596,196,226	640,681,573	688,497,128	739,892,489	795,135,971	854,516,006
Total Plan Expenses	448,295,930	486,955,951	530,722,204	578,682,920	631,105,159	688,408,079	751,050,369	819,533,993	894,408,271	976,274,359	<u>1,065,790,149</u>
Interest on Reserves	368,282	379,699	391,470	403,605	416,117	(5,377,845)	(8,403,125)	(12,085,055)	(16,521,834)	(21,824,000)	(28,115,835)
Net Cashflow	(36,636,664)	(39,310,899)	(49,851,341)	(61,975,718)	(75,880,144)	(97,589,697)	(118,771,922)	(143,121,920)	(171,037,616)	(202,962,388)	(239,389,978)
Ending Available Balance (Reserve Ending Balance)	53,539,241	14,228,342	(35,622,998)	(97,598,717)	(173,478,860)	(271,068,558)	(389,840,479)	(532,962,399)	(704,000,015)	(906,962,403)	(1,146,352,381)
Total Target Reserve	67,244,389	73,043,393	79,608,331	86,802,438	94,665,774	103,261,212	112,657,555	122,930,099	134,161,241	146,441,154	159,868,522
Ending Reserve - Target Reserve	(13,705,148)	(58,815,050)	(115,231,329)	(184,401,155)	(268,144,634)	(374,329,769)	(502,498,035)	(655,892,499)	(838,161,256)	(1,053,403,557)	(1,306,220,904)
Ending Balance as a Percent of Claims	11.9%	2.9%	-6.7%	-16.9%	-27.5%	-39.4%	-51.9%	-65.0%	-78.7%	-92.9%	-107.6%

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