

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Marc Rhoades at 9:05 a.m. on February 21 & 22, 2011, in Room 346-S of the Capitol.

All members were present

Committee staff present:

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 Amendments-Kansas Health Policy Authority and Kansas Department of Health and Environment
- Attachment 2 Medicaid Report – Kathleen Sebelius, Secretary, Health and Human Services
- Attachment 3 Health Care Cost Containment Contract
- Attachment 4 Contract Award
- Attachment 5 State Workers Compensation Program
- Attachment 6 FY 2011 and FY 2012 Budget Committee Report – Postsecondary Education Systemwide
- Attachment 7 Board of Regents Capital Improvements Addition
- Attachment 8 Recovery Audit Contract for Health Care Payments in Kansas
- Attachment 9 Proposed Amendment – Department of Health and Environment Subcommittee Report

Chairman Rhoades welcomed committee members and reviewed the meeting agenda. He stated that going forward all bill introductions must go through the Speaker of the House for review and approval. Discussion by committee members followed. It was noted that Budget Chairs have already received this request, which was in consideration of the approaching turn around timeframe, alleviate duplications, and to safe guard staff's workload.

Representative Crum, Chair, Department of Health and Environment - Health, reviewed amendments to the Kansas Health Policy Authority and Kansas Department of Health and Environment FY 2012 Budget Report, (Attachment 1), and reviewed the Medicaid Report from the Health and Human Services Secretary Kathleen Sebelius, (Attachment 2).

Representative Crum made a motion to amend the Kansas Health Policy Authority and Department of Health and Environment – Health FY 2012 Budget Committee Report that would add item h. requesting additional information on the maintenance of effort requirements from the American Recovery and Reinvestment Act (AARA) and the ability to reverse the Medicaid policy going forward based on maintenance of effort requirements. The motion was seconded by Representative Mast.

Representative Crum reviewed the ARRA maintenance of effort requirements, which was presented to the Budget Committee. He stated that these requirements were no longer in effect as of July 1, 2009. Concern was expressed regarding program expansion and the impact on maintenance of effort requirements from the federal government. Additional information was requested regarding these requirements by committee members.

Representative Crum responded to questions from committee members regarding the Kansas Health Policy Authority Health Care Cost Containment contract, (Attachment 3), and the Contract Award document, (Attachment 4). He stated that the estimated savings of \$27 million was the committee's FY 2010 projection and is included in the FY 2011 budget. The \$16.08 million reflects the contract with Health Data Insights, Inc. guarantee as a minimum collection over a three year period. The state's minimum recovery is approximately \$4.5 million. It was noted that any money recovered would be shared with the federal government based on the federal 60% and the state's 40%. He stated that the amendment

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:05 a.m. on February 21 & 22, 2011, in Room 346-S of the Capitol.
was based on the federal government's recommendation. Information on the State Worker's Compensation Program was distributed and reviewed, (Attachment 5).

Amy Deckard, Kansas Legislative Research Department, responded to questions from committee members. She stated that the \$27 million was captured in the caseload budget items for FY 2011 and FY 2012. In FY 2011, \$9.6 million was transferred from the State Employee Health Plan into the State General Fund, and is included in the revenue projections. This will reflect a funding shortfall when the consensus caseload estimates are reviewed in April, she noted.

Representative Crum made a motion that would add language to item e. that states the committee recommends that the agency investigates options for additional contracts regarding these audits. The motion was seconded by Representative Mast.

Discussion followed regarding the language that did not include a dollar amount. The request was made to review this at Omnibus, following additional information from the agency.

The motion was renewed. Motion carried.

The motion to approve the report as amended was renewed. Motion carried.

Representative Brown made a conceptual amendment requesting income verification for state aid programs and an independent audit. The motion was seconded by Representative Crum.

Amy Deckard responded to questions from committee members. She reviewed audit functions as related to audits of actual payments and the audits based on eligibility income guidelines.

Discussion continued regarding on-going and random audits, and the costs for internal and independent auditors. A directive for the Department of Revenue to communicate with the Department of Health and Environment to verify income and that additional audits would be forthcoming and look for other options for additional savings was expressed. It was noted that language in the amendment would allow for this authority but not are not required. The amendment will be reviewed in committee tomorrow, when the language is available for members, Chairman Rhoades stated.

Representative Brown withdrew the motion.

Representative Gordon, Chair, House Education Budget Committee, presented the FY 2011 Postsecondary Education Systemwide Budget Committee Report, (Attachment 6). The Budget Committee concurred with the Governor's recommendation with the following adjustments: add \$5.3 million for special revenue funds for the Kansas State University Large Animal Research Center, add \$5.2 million for special revenue funds to accelerate construction of Justin Hall at Kansas State University, add \$300,000 special revenue funds for the project to remove the Old Chemical Waste Landfill at Kansas State University, add \$1.2 million from special revenue funds for upgrades to West Hall at Kansas State University, add \$2 million from special revenue funds to construct the Kansas State University Southeast Research-Extension Center in Parsons, KS, add \$600,000 from special revenue funds at Kansas State University for renovation of the chemical engineer lab in Durland Hall, add \$600,000 from special revenue funds at Kansas State University to remodel the Technology Assistance Center on the Salina Campus, add \$550,000 from special revenue funds at Kansas State University to upgrade the John C. Pair Center in Wichita, and allow Kansas State University to enter into a lease agreement with the KSU Foundation for new Grain Science Center Feed Mill.

Representative Gordon made a motion to adopt the FY 2011 Postsecondary Education Systemwide Budget Committee Report. The motion was seconded by Representative Feuerborn.

Discussion followed by committee members. Clarification was provided regarding special revenue funds, which does not impact the State General Funds (SGF).

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:05 a.m. on February 21 & 22, 2011, in Room 346-S of the Capitol.

Audrey Dunkel, Kansas Legislative Research, responded to committee questions. She discussed funding sources that are in place to cover expansion, maintenance and construction projects that were included in the Budget Committee Report, and she stated that these projects do not require funds from the SGF for deferred maintenance. The review process for capital improvement requests within these budgets was based on the Board of Regents project review process and identified maintenance costs which were not approved until January, 2011. The source of special revenue funds will be provided to committee members and project completion dates, as requested.

Chairman Rhoades stated the House Education Budget Committee Report discussion will continue in committee tomorrow, and additional information and clarification will be provided to committee members.

The meeting was adjourned at 10:47 a.m.

Chairman Rhoades called the meeting to order at 9:04 a.m., February 22, 2011

Representative Henry made a motion to introduce legislation that would fund the waiting list for the PD, DD, Traumatic Brain Injury, and Autism waivers. The motion was seconded by Representative Feuerborn. Motion carried.

Representative McLeland made a motion to introduce legislation regarding gubernatorial inauguration contributions. The motion was seconded by Representative Mast. Motion carried.

Representative Gordon, Chair, House Education Budget Committee, referred to the handout from the Board of Regents Capital Improvement Additions, (Attachment 7). This report reflects project, completion date and funding sources, as requested by committee members. She reviewed the statute regarding the annual maintenance and operations cost when seeking approval for improvements.

Discussion followed by committee members regarding the FY 2012 Postsecondary Education Systemwide Budget Committee Report. Concern was expressed for spending recommendations and the timeliness of requests for capital improvements.

Sue Peterson, Assistant to the President, Director of Governmental Relations, Kansas State University, responded to questions from committee members regarding the reporting timeframe for the Regents Capital Improvements. She stated that negotiations were conducted with the Department of Health and Environment and the grant award notifications were received later in the year. Many projects are funded by private funds, bonding authority and foundation dollars. She stated that special revenue funds may be from fees and other components. She noted that the lease information on the SE Research – Extension Center will be provided. The impact of economic development on these projects was highlighted.

Representative McLeland, made a motion for an amendment that would add language requesting that the Board of Regents report back to the Legislature regarding a study on outsourcing opportunities in order to evaluate potential cost savings to the state. The motion was seconded by Representative Brown.

Committee members discussed privatization, outsourcing and encouraged agencies to explore options that would provide an immediate and long term cost savings for the state. It was noted that the Government on Efficiencies passed out a bill yesterday that would establish a council that would review outsourcing opportunities and would allow private enterprises to initiate case studies.

The motion to amend was renewed. Motion carried.

Representative Gordon, Chair, House Education Budget Committee, presented FY 2012 Postsecondary Education System Budget Committee Report (Attachment 6). The Budget Committee concurred with the Governor's recommendation with the following adjustments: add \$1.5 million from special revenue funds for demolition of the existing Presidents Home at Pittsburg State University and replace it with new housing, add \$1.3 million for window and door replacement at McMidnes Hall and add \$4 million for Special revenue funds for indoor practice facility at Fort Hays State University, add \$3.7 million for special

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:05 a.m. on February 21 & 22, 2011, in Room 346-S of the Capitol.
revenue funds at Kansas State University for the second stage of the Old Chemical Waste Landfill project and add \$50 million in bonding authority for the Snyder Family Stadium improvements.

Representative Gordon made a motion to adopt the FY 2012 Postsecondary Education Systemwide Budget Committee Report. The motion was seconded by Representative Feuerborn.

Discussion followed by committee members. Representative Gordon referred to the statute regarding capital improvements and new construction. It was noted that if 51% of funding is obtained by private dollars the agency is required to have a maintenance fund to provide for future maintenance and operational costs and no costs could be requested from the SGF.

Audrey Dunkel, Kansas Legislative Research Department, responded to questions by committee members. She discussed the deferred maintenance and infrastructure maintenance practices, and noted that private funding would not qualify for the use of SGF. As part of the on-going process, the Board of Regents requires Universities to provide the source of maintenance and operations funds for all of their projects as they are reviewed regardless of their funding sources. Future maintenance could be requested from existing resources in SGF, however, there are other resources that are available. It was noted that the bonding authority was let by the Athletic Corporation and they are not state-backed bonds. If structures are built on state owned property the building request must be approved by the Governor and Legislature, she added.

The motion was renewed. Motion carried.

Representative Gordon made a motion to bundle the remaining FY 2011 and FY 2012 Postsecondary Education Systemwide Budget Committee Reports. The motion was seconded by Representative Schwartz. Motion carried.

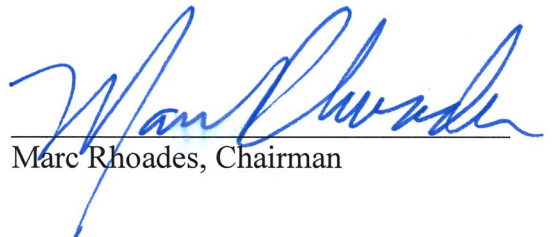
Representative Crum, Chair, Social Services Budget Committee, reviewed the amendment which was approved at yesterday's committee meeting. This amendment integrated concerns with Medicaid reform. Additional information was distributed to members regarding the Recovery Audit Contract (RAC) for Health Care Payments in Kansas, (Attachment 8).

Representative Brown made a motion for an amendment to the Department of Health and Environment Committee Report requesting the design and implementation of a process to verify income eligibility for FY 2012, (Attachment 9). The motion was seconded by Representative Donohoe. Motion carried.

Discussion by committee members continued regarding increased Human Services caseloads. It was noted that the net increase in caseloads is \$60 million, however savings have also been experience and deducted from the budget as a result of FTE reductions, the consolidation of Kansas Health Policy Authority into the Kansas Department of Health and Environment and no enhancement requests were funded.

The motion was renewed as amended. Motion carried.

Meeting adjourned: 10:18 a.m.


Marc Rhoades, Chairman

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 2-22-11

[illegible]

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 2-21-11

[illegible]



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIR: SOCIAL SERVICE BUDGET

MEMBER: APPROPRIATIONS
HEALTH & HUMAN SERVICES

J. DAVID CRUM

STATE REPRESENTATIVE, DISTRICT 77
2903 LAKESHORE DR.
AUGUSTA, KS 67010
(316) 775-6826

STATE CAPITOL—50-S
TOPEKA, KS 66612
785-296-7639

02/21/11

Amendment to Social Services Committee KHPA/KDHE 2012 Budget Report

13. The committee requests an update from the Secretary by omnibus regarding opportunities for savings through Medicaid reform strategies including the following:

- a. A review of optional benefits and cost sharing opportunities
- b. Managing care for high cost enrollees more effectively
- c. Opportunities through the establishment of “Benchmark” and “Benchmark Equivalent” plans.
- d. Minimizing fragmented care for “dual eligible” individuals covered by both Medicare and Medicaid
- e. Assuring program integrity through audits of providers as well as beneficiaries
- f. A review of Home and Community Based Services to assure that those in the greatest need are provided support
- g. An update on other Medicaid reform strategies under review by the agency

Appropriations Committee

Date February 21-22, 2011

Attachment 1

U.S. Department of Health & Human Services HHS.gov		Frequent Questions A-Z Index	
		Search	
		This Site All HHS Sites	
Email Updates		Font Size - + Print Download Reader	
Home	About Us	HHS Secretary	News
Jobs	Grants/Funding	Families	Prevention
Diseases	Regulations	Preparedness	

HHS Home > ASPA > Newsroom

Newsroom

Speeches & Op-eds

Testimony

Reports

Freedom of Information Act (FOIA)

Audio / Video / Photo

E-mail Updates/RSS Feeds

New Media

Contacts

News Release

FOR IMMEDIATE RELEASE
Thursday, February 3, 2011

Contact: HHS Press Office
(202) 690-6343

Sebelius outlines state flexibility and federal support available for Medicaid

HHS to increase efforts to create savings for states; ensure sustainability and quality in Medicaid program

WASHINGTON – Today, HHS Secretary Kathleen Sebelius sent a letter to governors outlining the flexibility and support available to states that are examining how to make Medicaid programs more efficient while meeting pressing health care challenges in the face of difficult budget circumstances.

"In light of difficult budget circumstances, we are stepping up our efforts to help you identify cost drivers in the Medicaid program and provide you with new tools and resources to achieve both short-term savings and longer-term sustainability while providing high-quality care to the citizens of your states," Sebelius wrote in the letter. "We are committed to responsiveness and flexibility, and will expedite review of state ideas."

Over the past two years, the administration has worked to provide additional support for states to manage their Medicaid program by working with Congress to increase federal support for the states through an enhanced federal match for Medicaid (known as the Federal Medical Assistance Percentage or FMAP), and, at the request of many governors, extending the enhanced FMAP policy through June 2011. In 2009 alone, due to the enhanced FMAP, state Medicaid spending fell by ten percent even though enrollment in Medicaid climbed by seven percent due to the recession.

In addition to this financial support, the administration has taken administrative steps to open up lines of communication with states, lower the paperwork burden states face in administering the program, and accelerate the review process for state plan amendments.

The letter also outlines the substantial flexibility that states have to design benefits, service delivery systems, and payment strategies, without a waiver. In 2008, roughly 40 percent of Medicaid benefits spending, \$100 billion, was spent on optional benefits for all enrollees, with nearly 60 percent of this spending for long-term care services. In addition, the letter describes new initiatives that HHS will pursue with states, and offers state-specific technical support.

Some of the key areas of potential cost savings include:

- **Changing Benefits.** States can generally change optional benefits or limit their amount, duration or scope through an amendment to their state plan. In addition, states may add or increase cost sharing for services within limits.
- **Managing Care for High-Cost Enrollees More Effectively.** Just 5 percent of Medicaid beneficiaries account for more than half of all of Medicaid's costs. These individuals often have fragmented care that contributes to higher costs. A new option to provide "health homes" to people with chronic illnesses, and initiatives to reduce unnecessary hospital readmissions, are just some of the strategies that can help improve care and lower costs.
- **Purchasing Drugs More Efficiently.** States have broad flexibility to set their pharmacy pricing. HHS will create a first-ever national database of actual acquisition costs that states can use to determine state-specific rates. HHS will also share proven approaches that states have used to drive down costs.
- **Assuring Program Integrity.** States will be able to use federal audit contractors to save funds and consolidate auditing efforts and will benefit from new, cutting-edge analytics, like predictive modeling, being developed to prevent fraud in the Medicare program. HHS' Medicaid Integrity Institute is preparing a series of webinars for states to share best practices for assuring program integrity.

The full letter can be found at this link, <http://www.hhs.gov/news/press/2011pres/01/20110203c.html>.

###

Note: All HHS press releases, fact sheets and other press materials are available at <http://www.hhs.gov/news>.

Last revised: February 11, 2011

[HHS Home](#) | [Questions?](#) | [Contacting HHS](#) | [Accessibility](#) | [Privacy Policy](#) | [FOIA](#) | [Disclaimers](#) | [Inspector General](#) | [No FEAR Act](#) | [Viewers & Players](#)

[The White House](#) | [USA.gov](#) | [HHS Archive](#) | [Flu.gov](#)

U.S. Department of Health & Human Services - 200 Independence Avenue, S.W. - Washington, D.C. 20201

Appropriations Committee

Date February 21-22, 2011

Attachment 2

Home

About Us

HHS Secretary

News

Jobs

Grants/Funding

Families

Prevention

Diseases

Regulations

Preparedness

HHS Home > ASPA > Newsroom

Newsroom

Speeches & Op-eds

Testimony

Reports

Freedom of Information
Act (FOIA)

Audio / Video / Photo

E-mail Updates/RSS Feeds

New Media

Contacts

Sebelius outlines state flexibility and federal support available for Medicaid - Full Letter

February 3, 2011

Dear Governor:

As the new year begins, officials at the Federal and State level are looking ahead to a period full of opportunities and challenges. I have had the opportunity to speak individually with many of you over the past few weeks, including many who are now assuming their new positions. Having served as a Governor, let me welcome you to one of the best jobs you will ever have.

In these conversations, I have heard the urgency of your State budget concerns. I know you are struggling to balance your budget while still providing critical health care services to those who need them most. I want to reaffirm the Obama Administration's commitment to helping you do both.

I also know that as you prepare your budget, your attention will turn to Medicaid. Medicaid is a major source of coverage for children, pregnant women, seniors and people with disabilities in every State. It has a unique role in our health care system, covering a diverse group of beneficiaries, including some of the most frail and vulnerable Americans. And it is the nation's primary payer for long-term care in nursing homes and outside of institutions. Medicaid is a Federal-State health partnership. The Federal government pays a fixed percentage or matching rate and sets minimum standards. States fund their share of program costs and have the lead on designing their programs beyond these standards, including what benefits are covered, how providers are paid, and how care is delivered.

In the last two years, the Administration has worked to ensure adequate support for States to manage their Medicaid and the Children's Health Insurance Programs (CHIP). One of the first actions taken by President Obama was to work with Congress on legislation to increase Federal support for the States in the form of an enhanced Federal match for Medicaid (known as the Federal Medical Assistance Percentage or FMAP). This enhanced FMAP was part of the American Recovery and Reinvestment Act and lasted through December 31, 2010. However, last year, at the request of many Governors, we worked with Congress to extend the enhanced FMAP policy through June 2011. Approximately \$100 billion has been provided to States, and in 2009 alone, due to the enhanced FMAP, State Medicaid spending fell by ten percent even though enrollment in Medicaid climbed by seven percent due to the recession. In addition to this financial support, we have taken many other administrative steps to open up lines of communication with States, lower the paperwork burden States face in administering the program, and accelerate our review process for State plan amendments.

We recognize that many States are re-examining their Medicaid programs and looking for opportunities to meet the pressing health care challenges and better cope with rising costs. In light of difficult budget circumstances, we are stepping up our efforts to help you identify cost drivers in the Medicaid program and provide you with new tools and resources to achieve both short-term savings and longer-term sustainability while providing high-quality care to the citizens of your States. We are committed to responsiveness and flexibility, and will expedite review of State proposals.

Starting immediately, the senior leadership from across the Department will be available to meet individually with your staff about plans that you may already have in mind. My team stands ready to come to your State to discuss your priorities and how we can help achieve them.

In the meantime, recent conversations suggest a lack of clarity about what flexibility currently exists in Medicaid. Some of you have asked whether I can "waive" the maintenance of effort requirements for people who a State has covered under Medicaid's "optional" eligibility categories and waivers. I note that the Affordable Care Act gives a State the flexibility to reduce eligibility for non-disabled, non-pregnant adults with incomes above 133 percent of the Federal poverty line (\$14,500 for an individual) if the State has a budget deficit, although prior to June 30, this would mean the loss of the enhanced FMAP under the Recovery Act. I continue to review what authority, if any, I have to waive the maintenance of effort under current law.

However, States have substantial flexibility to design benefits, service delivery systems, and payment strategies, without a waiver. In 2008, roughly 40 percent of Medicaid benefits spending – \$100 billion – was spent on optional benefits for all enrollees, with nearly 60 percent of this spending for long-term care services. The enclosed paper identifies a range of State options and opportunities to more efficiently manage Medicaid, many of which are underway across the country. Some of the key areas of potential cost savings are described briefly below:

- **Modifying Benefits.** While some benefits, such as hospital and physician services, are required to be provided by State Medicaid programs, many services, such as prescription drugs, dental services, and speech therapy, are optional. States can generally change optional benefits or limit their amount, duration or scope through an amendment to their State plan, provided that each service remains sufficient to reasonably achieve its purpose. In addition, States may add or increase cost sharing for services within limits (see attachment for details). Some States have opted for more basic benefit packages for higher-income enrollees (e.g., Wisconsin provides benefits equivalent to the largest commercial plan offered in the State plus mental health and substance disorder coverage for pregnant women with income between 200 and 250 percent of poverty). A number of States charge beneficiaries \$20 for non-urgent emergency room visits or use cost sharing for prescription drugs to steer individuals toward generics or preferred brand-name drugs. To the extent States scale back low-value benefits or add fair cost sharing that lowers inappropriate use of care, savings can be generated.
- **Managing Care for High-Cost Enrollees More Effectively.** Just one percent of all Medicaid beneficiaries account for 25 percent of all expenditures. Initiatives that integrate acute and long-term care, strengthen systems for providing long-term care to people in the community, provide better primary and preventive care for children with significant health care needs, and lower the incidence of low-birth weight babies are among the ways that States have improved care and lowered costs. For example, children's hospitals adopting a medical home model to manage the care of chronically ill children have accomplished impressive improvements in health and reductions in cost. One Florida children's hospital reduced emergency room visits by more than one-third, and reduced hospital days by 20 percent. These delivery models and payment strategies can be implemented by hospitals and States without seeking a Federal waiver, and we are exploring ways that we might provide further support for such

Appropriations Committee

Date February 21-22, 2011Attachment 2-2

initiatives.

In addition, the Affordable Care Act offers new Medicaid options that provide States with additional Federal matching funds. For example, States can now benefit from a 90 percent Federal matching rate for coordination of care services provided in the context of a health home for people with chronic conditions. Additionally, the Community First Choice Option, available in October, will offer States a six percent increase in the Federal matching rate to provide certain person-centered long-term care services and supports to enhance your efforts to serve beneficiaries in community-based settings.

- **Purchasing Drugs More Efficiently.** In 2009, States spent \$7 billion to help Medicaid beneficiaries afford prescription drugs. States have broad flexibility to set their pharmacy pricing. We are committed to working with States to ensure they have accurate information about drug costs in order to make prudent purchasing decisions. As recommended by States, the Department is undertaking a first-ever national survey to create a database of actual acquisition costs that States may use as a basis for determining State-specific rates, with results available later this year. Alabama, the first State to adopt use of actual acquisition costs as the benchmark for drug reimbursement, expects to save six percent (\$30 million) of its pharmacy costs in the first year of implementation. We will also share additional approaches that States have used to drive down costs, such as relying more on generic drugs, mail order, management relating to over-prescribed high cost drugs, and use of health information technology to encourage appropriate prescribing and avoidance of expensive adverse events.
- **Assuring Program Integrity.** According to the Department's 2010 Financial Agency Report, the three-year weighted average national error rate for Medicaid is 9.4 percent, meaning that \$33.7 billion in combined Federal and State funds were paid inappropriately. The Federal government and States have a strong, shared interest in assuring integrity in every aspect of the program, and there are new options and tools available to States. Our Medicaid Integrity Institute is preparing a series of webinars for States to share best practices, learn about the potential cost savings created by the new program integrity provisions in the Affordable Care Act, and hear about initiatives underway in Medicare and the private sector that could be replicated in Medicaid. For example, to help your State identify providers who were terminated elsewhere, States will have access to a new Federal portal starting in mid-February to obtain this information from other States and the Medicare program. In addition, States will be able to use Federal audit contractors to save State funds and consolidate auditing efforts. States will also benefit from new, cutting-edge analytics, like predictive modeling, being developed to prevent fraud in the Medicare program. In 2010, the Departments of Health and Human Services and Justice recovered more than \$4 billion in taxpayer dollars – the highest annual amount ever – from people who attempted to defraud seniors and taxpayers, and we want to continue to work closely with you to prevent and fight waste, fraud and abuse in Medicare, Medicaid and CHIP. The President is committed to cutting the error rate in half by 2012.

Beyond these areas of flexibility that could produce short-term savings, we are actively moving forward in areas that could lower costs in the long run. In particular, we are focused on how to help States provide better care and lower costs for so called "dual eligibles," seniors and people with disabilities who are eligible for both Medicaid and Medicare. These individuals represent 15 percent of Medicaid beneficiaries but nearly 40 percent of all Medicaid spending. This population offers great potential for improving care and lowering costs by replacing the fragmented care that is now provided to these individuals with integrated care delivery models. The new Federal Coordinated Health Care Office has already released a solicitation for up to 15 States to receive Federal support to design new models for serving dual eligibles. We also plan to launch a Department-wide effort to reduce the costs of health care by improving patient safety in Medicare, Medicaid and throughout the private health care system, and States will be critical partners in this effort. We welcome other ideas on new models of care, including new ways to deliver care that encourage investment and yield savings.

To expedite these 2011 efforts, we will host a series of "virtual" meetings with State health policy advisors and Medicaid directors. In these sessions, we will share information about promising Medicaid cost-saving initiatives underway in one or more States that we are prepared to support and approve in other States on a fast-track basis.

This is just the beginning of a discussion on how we can help you better manage your Medicaid programs and navigate your budget crises. Please be assured that I am committed to working with you toward a sustainable and vibrant Medicaid system in ways that are responsive to the current challenges you are facing every day.

Sincerely,

/s/

Kathleen Sebelius

Enclosures

[HHS Home](#) | [Questions?](#) | [Contacting HHS](#) | [Accessibility](#) | [Privacy Policy](#) | [FOIA](#) | [Disclaimers](#) | [Inspector General](#) | [No FEAR Act](#) | [Viewers & Players](#)
[The White House](#) | [USA.gov](#) | [HHS Archive](#) | [Flu.gov](#)

U.S. Department of Health & Human Services - 200 Independence Avenue, S.W. - Washington, D.C. 20201

Appropriations Committee

Date February 21-22, 2011

Attachment 2-3

- Newsroom
- Speeches & Op-eds
- Testimony
- Reports
- Freedom of Information Act (FOIA)
- Audio / Video / Photo
- E-mail Updates/RSS Feeds
- New Media
- Contacts

Medicaid Cost-Savings Opportunities

February 3, 2011

Overview

Medicaid is a large and diverse health care coverage program. Jointly financed by the States and the Federal government, in 2010, Medicaid covered nearly 53 million people and accounted for about 16 percent of all health care spending.¹ It accounts for 17 percent of all hospital spending and is the single largest source of coverage for nursing home care, for childbirth, and for people with HIV/AIDS.² It covers one out of four children in the nation as well as some people with the most significant medical needs.³ While children account for most of the beneficiaries, they comprise only 20 percent of the spending. By contrast, the elderly and people with disabilities account for 18 percent of enrollees but 66 percent of the costs.⁴

Over the past three years, despite rising enrollment due to the economic recession, nationwide State spending on the Medicaid program dropped by 13.2 percent (equivalent to a 10.3 percentage point decline in the State share of the total costs of the program) as a result of the added Federal support provided to State Medicaid programs through the American Recovery and Reinvestment Act of 2009 (the Recovery Act).⁵ In 2009 alone, due to this action, State Medicaid spending fell by 10 percent even though enrollment in Medicaid climbed by 7 percent due to the recession.⁶ However, this enhanced Federal Medical Assistance Percentage (FMAP) support is set to expire on June 30, 2011. While State revenues are beginning to show signs of recovery, the upcoming State fiscal year could be especially difficult for States.

Against this backdrop, States are beginning to plan for 2014 when Medicaid will be simplified and expanded to adults and children with income up to 133 percent of the Federal Poverty Level (FPL) (\$26,645 in annual income for a family of three in 2011). Benefits for most newly eligible adults will be comparable to that of typical private insurance. Significantly, almost all of the new Medicaid coverage costs will be borne by the Federal government. The Medicaid changes in the Affordable Care Act will also bring about major improvements in the program for States, health care providers, and low-income individuals. The Department of Health and Human Services (HHS), in collaboration with States, has been engaged in a multi-faceted process to accomplish these changes by 2014. The objective is to ensure that Medicaid functions as a high-performing program serving the needs of America's most vulnerable citizens and is a full partner with the Health Insurance Exchanges in achieving the coverage, quality and cost containment goals of the new law. Recent reports have found that the increased support for Medicaid, lower uncompensated care costs, and other provisions of the new law to tackle health care costs will produce savings to States as they become fully effective. In the short term, however, State budget pressures are forcing an immediate focus on this program whose enrollment has grown as job-based insurance declined due to the recession.

Now HHS is stepping up its efforts to help States consider policies that will improve care and generate efficiencies, in the short term and over time, as part of the larger imperative to tackle health care cost growth throughout the health care system. This paper identifies existing flexibility in the Medicaid program and new initiatives, many of which can be accomplished under either current program flexibilities or the new options under the Affordable Care Act.

Existing Areas of Program Flexibility

Over time, Medicaid has evolved to offer States considerable flexibility in the management and design of the program. States set provider payment rates and have considerable flexibility to establish the methods for payment, to design the benefits for adults, and to establish other program design features. In addition, States have the ability to apply for a Section 1115 waiver of other Federal requirements to adjust coverage and payment rules.⁷

1. Cost Sharing

In the Deficit Reduction Act of 2005, Congress gave States additional flexibility to impose cost sharing in Medicaid in the form of copayments, deductibles, coinsurance, and other similar charges without requiring States to seek Federal approval of a waiver. Certain vulnerable groups are exempt from cost sharing, including most children and pregnant women, and some services are also exempt. However, States may impose higher cost sharing for many targeted groups of somewhat higher-income beneficiaries, above 100 percent of the poverty level (the equivalent of \$18,530 in annual income for a family of three), as long as the family's total cost sharing (including cost sharing and premiums) does not exceed five percent of their income.

States may impose cost sharing on most Medicaid-covered services, both inpatient and outpatient, and the amounts that can be charged vary with income. In addition, Medicaid rules give States the ability to use cost-sharing to promote the most cost-effective use of prescription drugs. To encourage the use of lower-cost drugs, such as generics, States may establish different copayments for non-preferred versus preferred drugs. For people with incomes above 150 percent of the poverty level, cost sharing for non-preferred drugs may be as high as 20 percent of the cost of the drug. The following table describes the maximum allowable copayment amounts for different types of services.

MAXIMUM ALLOWABLE COPAYMENTS

Services and Supplies (Cost Sharing Subject to a Per-Beneficiary Limit) ^a	Eligible Populations by Family Income ^{b,c}		
	<100% FPL	101-150% FPL	>150% FPL
Institutional Care (inpatient hospital care, rehab care, etc.)	50% of cost for 1 st day of care	50% of cost for 1 st day of care, 10% of cost	50% of cost for 1 st day of care, 20% of cost
Non-Institutional Care (physician visits, physical therapy, etc.)	\$3.65	10% of cost	20% of cost

Non-emergency use of the ER	\$3.65	\$7.30	No limit
Preferred drugs	\$3.65	\$3.65	\$3.65
Non-preferred drugs	\$3.65	\$3.65	20% of cost

- Emergency services, family planning, and preventive services for children are exempt from copayments. Cost sharing is subject to a limit of five percent of income.
- Some groups of beneficiaries, including most children, pregnant women, terminally ill individuals, and most institutionalized individuals, are exempt from copayments except nominal copayments for non-emergency use of an emergency room and non-preferred drugs. American Indians who receive services from the Indian Health Service, tribal health programs, or contract health service programs are exempt from all copayments.
- Under certain circumstances for beneficiaries with income above 100 percent of FPL, States may deny services for nonpayment of cost sharing.

Because Medicaid covers particularly low-income and often very sick patients, Medicaid cost sharing is subject to an overall cap. The Medicaid cost for one inpatient hospital visit averages more than \$5,700 for blind and disabled beneficiaries.⁸ Someone in very frail health, such as a beneficiary with advanced Lou Gehrig's disease, likely requires multiple hospital visits each year. If such an individual has four hospital stays per year and income amounting to 160 percent of poverty (about \$23,000 for a family of two), without the cap he could be charged hospital cost sharing averaging up to \$1,140 per visit. Total cost sharing is capped at five percent of income, so this beneficiary would not be required to pay the full 20 percent copayment for such a costly hospital stay, but could still face more than \$1,100 in cost sharing per year.

2. Benefits

States have various sources of flexibility with respect to the design of Medicaid benefits for adults. For children, any limitations on services (either mandatory or optional) must be based solely on medical necessity; States are required to cover their medically necessary services.

"Optional" benefits. Medicaid-covered benefits are broken out into "mandatory" services, which must be included in every State Medicaid program for all beneficiaries (except if waived under a Section 1115 waiver), and "optional" services which may be covered at the State's discretion. Below is a table listing mandatory and optional services. While considered "optional," some services like prescription drugs are covered by all States. In 2008, roughly 40 percent of Medicaid benefits spending – \$100 billion – was spent on optional benefits for all enrollees, with nearly 60 percent of this spending for long-term care services.⁹

MEDICAID COVERED SERVICES

Mandatory Services (60% of Spending)

- Inpatient hospital services
- Outpatient hospital services
- Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services
- Nursing facility services
- Home health services
- Physician services
- Rural health clinic services
- Federally qualified health center services
- Laboratory and X-ray services
- Family planning services
- Nurse Midwife services
- Certified Pediatric and Family Nurse Practitioner services
- Freestanding Birth Center services (when licensed or otherwise recognized by the State)
- Transportation to medical care
- Smoking cessation for pregnant women

Optional Services (40% of Spending)

- Prescription drugs
- Clinic services
- Physical therapy
- Occupational therapy
- Speech, hearing and language disorder services
- Respiratory care services
- Other diagnostic, screening, preventive and rehabilitative services
- Podiatry services
- Optometry services
- Dental services
- Dentures
- Prosthetics
- Eyeglasses
- Chiropractic services
- Other practitioner services
- Private duty nursing services
- Other services approved by the Secretary^a

- This includes home and community-based care and other community-based long-term care services, coverage of organ transplants, Intermediate Care Facilities for Persons with Mental Retardation (ICF/MR) services and other services.

Amount, duration and scope of a benefit. States have flexibility in the design of the particular benefit or service for adults, so long as each covered service is sufficient in amount, duration and scope to reasonably achieve its purpose.

"Benchmark benefits." States have broad flexibility to vary the benefits they provide to certain adult enrollees through the use of alternative benefit packages called "benchmark" or "benchmark-equivalent" plans. These plans may be offered in lieu of the benefits covered under a traditional Medicaid State plan. A benchmark benefit package can be tailored to the specific medical conditions of enrollees and may vary in different parts of a State.

Benchmark benefits coverage is health benefits coverage that is equal to the coverage under one or more of the following standard commercial benefit plans:

- Federal employee health benefit coverage – a benefit plan equivalent to the standard Blue Cross/Blue Shield preferred provider plan offered to Federal employees;
- State employee health benefit coverage – a benefit plan offered and generally available to State employees in the State; or
- Health maintenance organization (HMO) coverage – a benefit plan offered through an HMO with the largest insured commercial non-Medicaid enrolled population in the State.

States may also offer health benefit coverage through two additional types of benchmark benefit plans. Secretary

Medicaid Cost-Savings Opportunities

States may also offer health benefit coverage through two additional types of benchmark benefit plans, ⁹ approved coverage or benchmark-equivalent plan coverage. Secretary-approved coverage is any other health benefits coverage that the Secretary determines provides appropriate coverage to meet the needs of the population provided that coverage. Benchmark-equivalent coverage is a plan with different benefits, but with an actuarial value equivalent to one of the three standard benchmark plans. Benchmark-equivalent packages must include certain services such as inpatient and outpatient hospital services, physician services, and prescription drugs.

States have the option to limit coverage for generally healthy adults to benchmark or benchmark-equivalent coverage. Other groups, including blind and disabled, medically frail, and institutionalized individuals can be offered enrollment in a benchmark plan, but they cannot be required to enroll in such a plan. To date, 11 States have approved benchmark coverage. States generally have used this option to provide benefits to targeted groups of beneficiaries, rather than having to provide these services to a broader group of people. For example, Wisconsin provides benefits equivalent to the largest commercial plan offered in the State plus mental health and substance disorder coverage for pregnant women with income between 200 and 250 percent of poverty.

Opportunities for Medicaid Efficiencies

Medicaid costs per enrollee, like those in the health system generally, are driven by utilization and payment rates, including rising prices, and to some degree by waste, fraud, and abuse. Medicaid costs are also uniquely driven by increased utilization associated with the complex cases and chronic illness prevalent among those enrolled in the program. The initiatives below aim to help States improve care and lower costs largely through changes in care delivery systems and payment methodologies focused on the costs drivers in the program. We are developing a portfolio of approaches that would be combined with technical support and fast-track ways for States to implement the new initiatives and we remain open to other ideas that can improve care and efficiency. Most of these initiatives can be accomplished under current flexibilities under the program.

1. Service Delivery Initiatives and Payment Strategies for Enrollees with High Costs

Because Medicaid serves people with significant medical needs (including but not limited to "dual eligibles") and is the largest single payer for long term care, Medicaid expenditures are driven largely by the relatively small number of people with chronic and disabling conditions. For example, in 2008, five percent of beneficiaries accounted for more than half of all Medicaid spending and one percent of beneficiaries accounted for 25 percent of all expenditures.¹⁰ Working to develop better systems of care for these individuals holds great promise not only to improve care but to reduce costs. Reducing the average cost of care by just ten percent for the five percent of beneficiaries who are the highest users of care, could save \$15.7 billion in total Medicaid spending and produce a significant positive impact on longer term spending trends.¹¹

Some initiatives focusing on high-need beneficiaries include:

- **Care and payment models for children's hospitals** to reorganize and refinance the way care is delivered for children with severe chronic illnesses. A number of children's hospitals are working to coordinate all primary care and specialized care needs of these children through a medical home model. For example, St. Joseph's Children's Hospital of Tampa reduced emergency room visits by more than one-third, and hospital days by 20 percent. The Arkansas Children's Hospital model is projected to reduce annual per-child costs by more than 30 percent and reduce hospital admissions by 40 percent.¹² Even more importantly, the overall quality of life for these children can be dramatically improved through a medical home model of care.
- **The "Money Follows the Person" demonstration grants** extended and expanded under the Affordable Care Act. Currently, 43 States and the District of Columbia are using or planning to use these funds to help transition people from costly nursing home settings to more integrated community settings. HHS is currently exploring innovative ways for States to use these funds and welcomes State ideas. Promoting alternatives for home and community-based services reduces dependence on institutional care, improves the quality of life, and enhances beneficiary choice.
- **Initiatives to change care and payment models to reduce premature births.** Given that Medicaid currently finances about 40 percent of all births in the U.S., it has a major role to play in improving maternity care and birth outcomes. Early deliveries are associated with an increase in premature births and admissions to neonatal intensive care units (NICUs), which carry a high economic cost.¹³ One factor contributing to premature births is an increase in births by elective cesarean section. Promising models to reduce premature births and medically unnecessary cesarean sections include adopting new protocols and using mid-level providers in an integrated care delivery setting to improve care coordination. In New York, one model of coordinated prenatal care reduced the chances of a mother giving birth to a low-birth weight infant by 43 percent in an intervention group as compared with a group of women receiving care under standard practices.¹⁴ In Ohio, a focus on lowering the rate of non-medically necessary pre-term cesarean deliveries has led to reductions in pre-term cesarean births and NICU admissions.¹⁵ According to some analyses, a NICU admission increases costs ten-fold above normal delivery costs. These service delivery and payment initiatives can be accomplished without a waiver or demonstration.
- **Promoting better care management for children and adults with asthma.** About a quarter of all asthma-related health care spending is for hospital care, much of which could be avoided with better care management.¹⁶ Successful models exist that involve nontraditional educators and patient self-management. A New York initiative focused on patient self-management and tailored case management reduced asthma-related emergency room visits by 78 percent.¹⁷ A similar project in California reduced hospital admissions by 90 percent.¹⁸
- **Initiatives to reduce hospital readmissions,** which could improve care and lower costs. A recently published analysis shows that 16 percent of people with disabilities covered by Medicaid (excluding the dual eligibles) were readmitted to the hospital within 30 days of discharge. Half of those who were readmitted had not seen a doctor since discharge.¹⁹ There is a significant body of evidence showing that improving care transitions as patients move across different health care settings can greatly reduce readmission rates. Interventions such as using a nurse discharge advocate to arrange follow-up appointments and conduct patient education or a clinical pharmacist to make follow-up calls has yielded dramatic reductions in readmission rates. One Colorado project, for example, reduced its 30-day readmission rate by 30 percent.²⁰ These practices can continue to be expanded in Medicaid, where the average cost of just one hospital admission for an individual with disabilities (excluding dual eligibles) is more than \$5,700.²¹
- **Implementing the new Health Homes option** in the Affordable Care Act. This option offers new opportunities – and Federal support – to care for people with chronic conditions by providing eight quarters of 90 percent Federal match for care coordination services. Guidance to States has been issued (<http://www.cms.gov/smdl/downloads/SMD10024.pdf>), and HHS is establishing an intensive State-based peer-to-peer collaborative within the new Centers for Medicare & Medicaid Services (CMS) Innovation Center to test and share information about different models. The option, which was effective January 1, 2011, could result in immediate savings, given the enhanced match, as well as a path for learning how to establish effective care coordination systems for people with chronic conditions.
- **Promoting Accountable Care Organizations (ACOs)** that include Medicaid by bringing States into the planning and testing of ACO models that include, or even focus on, Medicaid plans and providers. CMS will work with States to ensure that States have ample opportunity to participate in these new models of care and benefit from any savings.

Medicaid Cost-Savings Opportunities

CMS will be organizing new Payment Accuracy Improvement Groups with States grouped based on a shared interest in particular program integrity vulnerabilities. States with similar interests will work with CMS as well as Federal contractors and other experts, to target issues and problem solve.

1. 2010 Actuarial Report on the Financial Outlook for Medicaid. Office of the Actuary, Centers for Medicare & Medicaid Services (for enrollment data). *National Health Expenditure Projections 2009-2019*. Office of the Actuary, Centers for Medicare & Medicaid Services (for expenditure data).
2. Kaiser Family Foundation 2010.
3. Kaiser Family Foundation 2010.
4. 2010 Actuarial Report on the Financial Outlook for Medicaid. Office of the Actuary, Centers for Medicare & Medicaid Services.
5. CMS analysis of FY 2008-2010 Medicaid Budget and Expenditure System (MBES) data.
6. Martin A. et al, "Recession Contributes To Slowest Annual Rate Of Increase In Health Spending In Five Decades," *Health Affairs*, 30(1): 11-22, January 2011.
7. Section 1115 of the Social Security Act authorizes the Secretary of HHS to waive compliance with certain specified provisions of the law or to permit expenditures not otherwise allowed under the law in the context of an "experimental, pilot of demonstration project" that the Secretary determines is "likely to assist in promoting the objectives" of the program.
8. CMS Analysis of Inpatient Hospital Spending for Blind/Disabled Non-Dual Medicaid Beneficiaries, FY2008, MSIS (Medicaid Statistical Information System), FFS only. Inpatient claim count is used as a proxy for inpatient admission count.
9. ASPE Analysis of the Medicaid Statistical Information System (MSIS) data for 2008. Spending for mandatory and optional populations.
10. CMS analysis of FY 2008 CMS MSIS data.
11. CMS analysis of FY 2008 CMS MSIS data.
12. November 2010 presentation by the National Association of Children's Hospitals.
13. Tita, A., et al. *The New England Journal of Medicine*. January 8, 2009 volume 360, No. 2, pages 11-120.
14. Eunju Lee, et al. *American Journal of Preventive Medicine* 2009; 36(2):154-160.
15. The Ohio Perinatal Quality Collaborative Writing Committee. A statewide initiative to reduce inappropriate scheduled births at 360/7-386/7 weeks' gestation. *Am J Obstet Gynecol* 2010;202:243.e1-8.
16. American Lung Association. Trends in Asthma Morbidity and Mortality, January 2009.
17. Hoppin, et al, August 2010. Asthma Regional Council.
18. Hoppin, et al, August 2010. Asthma Regional Council.
19. *Hospital Readmissions among Medicaid beneficiaries with Disabilities: Identifying Targets of Opportunity*. Center for Health Care Strategies, December 2010.
20. Coleman EA, Parry C, Chalmers S, Min SJ. The care transitions intervention: results of a randomized controlled trial. *Arch Intern Med*. 2006 Sep 25;166(17):1822-8.
21. CMS Analysis of Inpatient Hospital Spending for Blind/Disabled Non-Dual Medicaid Beneficiaries, FY2008, MSIS (Medicaid Statistical Information System), FFS only. Inpatient claim count is used as a proxy for inpatient admission count.
22. National health expenditures, historical tables. Includes state and local spending on Medicaid prescription drugs for 2009. https://www.cms.gov/NationalHealthExpendData/02_NationalHealthAccountsHistorical.asp.
23. See for example, OEI-05-05-00240, Medicaid Drug Price Comparisons: Average Manufacturer Price to Published Prices, June 2005.
24. *Post AWP Pharmacy Pricing and Reimbursement: Executive Summary and White Paper*. American Medicaid Pharmacy Association and the National of Medicaid Directors, June 2010. Accessed at: <http://www.nasmd.org/home/doc/SummaryofWhitePaper.pdf>.
25. Kaiser Family Foundation. *Dual Eligibles: Medicaid Enrollment and Spending for Medicare Beneficiaries in 2007*, December 2010. Accessed at: <http://www.kff.org/medicaid/upload/7846-02.pdf>.

[HHS Home](#) | [Questions?](#) | [Contacting HHS](#) | [Accessibility](#) | [Privacy Policy](#) | [FOIA](#) | [Disclaimers](#) | [Inspector General](#) | [No FEAR Act](#) | [Viewers & Players](#)
[The White House](#) | [USA.gov](#) | [HHS Archive](#) | [Flu.gov](#)

U.S. Department of Health & Human Services - 200 Independence Avenue, S.W. - Washington, D.C. 20201

Medicaid Cost-Savings Opportunities

- **Continuing to integrate health information technology.** Health information technology (health IT) and chronic health information exchange are also key to driving down health care costs. Medicaid-financed incentive payments to eligible providers began in several States in January. HHS-funded health IT initiatives are underway in every State, providing implementation assistance and supporting improved care coordination. Additional Federal grants from the Office of the National Coordinator for Health Information Technology to support State-level initiatives will be awarded in February. (http://healthit.hhs.gov/portal/server.pt/community/healthit_hhs_gov_hitech_and_funding_opportunities/1310).

2. Purchasing Drugs More Efficiently

Pharmacy costs account for eight percent of Medicaid program spending, with States spending \$7 billion on prescription drugs in 2009.²² While States have taken steps to reduce their pharmacy costs over the past decade, there is still strong evidence that many State Medicaid agencies are paying too high a price for drugs in the Medicaid program.²³ Recent court settlements have disclosed that the information most States rely upon to establish payment rates is seriously flawed. As a result, the major drug pricing compendium used by Medicaid State agencies will cease publication before the end of 2011, and States must find a new basis for drug pricing. We will work with States to help them manage their pharmacy costs and ensure their pharmacy pricing is fair and efficient:

- **Provide States with a new, more accurate benchmark to base payments.** A workgroup of State Medicaid directors and State Medicaid pharmacy directors has recommended a new approach to establishing a benchmark for rates, namely, use of actual average acquisition costs.²⁴ Alabama, the first State to adopt use of actual acquisition costs as the benchmark for drug reimbursement rates, expects to save six percent (\$30 million) of its pharmacy cost in the first year of implementation. However, it is difficult and costly for each State to create its own data source for actual acquisition costs. States have recommended a national benchmark. In response, CMS is about to undertake a national survey of pharmacies to create a database of actual acquisition costs that States may use as a basis for determining State-specific rates. The data will be available to States later this year.

3. Dual Eligibles

There is great potential for improving care and lowering costs by ending the fragmented care that is now provided to "dual eligibles" – people who are enrolled in both Medicaid and Medicare. While only 15 percent of enrollees in Medicaid and Medicare are dual eligibles, four out of every ten dollars spent in the Medicaid program and one quarter of Medicare spending are for services provided to dual eligibles.²⁵ Fragmented care, wasteful spending, and patient harm are significant risks with two programs serving some of the most frail and medically needy people, each with its own sets of rules and disparate financial mechanisms. Just a few examples can explain the problem and suggest some of the solutions:

- When Medicaid programs invest in health homes and similar initiatives that can help people who are dually eligible avoid hospitalizations, Medicare realizes most of the savings since it is the primary payer for the cost of hospital care for these people.
- If Medicare seeks to reduce hospital costs and avoid preventable hospital readmissions, extensive discharge planning relying on the availability of community-based long-term care may be required. Those long-term care services, however, are largely driven and financed by Medicaid, not Medicare.

Except in a very small number of specialized plans covering only about 120,000 of the 9.2 million dual eligibles, people do not have a team of caregivers that direct and manage their care across Medicaid and Medicare and States do not have access to information about the care delivered across the two programs.

The Affordable Care Act establishes a new Federal Coordinated Health Care Office to focus attention and resources on improving care for dual eligibles. The Office, which was formally announced on December 29, 2010, will work with States, physicians and others to develop new models of care. In the short term, the Office will focus on the following initiatives that will have an immediate impact on States' ability to better manage care:

- **Support State Demonstrations to Integrate Care for Dual Eligible Individuals.** The Federal Coordinated Health Care Office recently announced that it will award contracts to up to 15 States of up to \$1 million each to help them design a demonstration proposal to structure, implement, and evaluate a model aimed at improving the quality, coordination, and cost-effectiveness of care for dual eligible individuals. Through these initiatives, we will identify and validate delivery system models that can be rapidly tested and, upon successful demonstration, replicated in other States. Further investments from the new CMS Innovation Center are under review; this is a priority area for States and HHS. Additional areas of focus and opportunity are demonstrations to decrease transfers between nursing homes and hospitals and developing accountable care organizations to serve dual eligibles and other populations with complex health problems.
- **Provide States with access to Medicare Parts A, B and D data.** For several years State Medicaid agencies have been requesting access to Medicare data to support efforts to: (1) improve quality; (2) better coordinate care; and (3) reduce unnecessary spending for their dual eligible beneficiaries. CMS will make these data available to States in early 2011.

4. Improving Program Integrity

States and the Federal government share a common interest in ensuring that limited dollars are not wasted through fraud. According to the 2010 HHS Financial Agency Report, the three-year weighted average national error rate for Medicaid is 9.4 percent, meaning that \$33.7 billion in combined federal and State funds was paid inappropriately. Our work on developing new ways to prevent fraud as well as some of the new tools created by the Affordable Care Act will bring additional options and resources to States to help them with their fraud prevention and detection efforts. No waiver or special demonstration is needed to move ahead on these initiatives.

- **The Medicaid Integrity Institute** provides free training to State Medicaid agency staff—it conducted 38 courses last year and trained 1,900 staff since February 2008. States participate as faculty, receive training, and help shape the curriculum. We are planning a special series of web-based trainings for State Medicaid agencies to share best practices and inform States about new provisions of the law aimed at preventing fraud.
- **The Affordable Care Act requires the screening of providers** and provides States with new authority to help keep problematic providers from enrolling in Medicaid. The vast majority of Medicaid providers and suppliers participate in both Medicaid and Medicare, so Medicare provider screening actions in Medicare will also benefit Medicaid and CHIP programs. A significant value for States is expected. CMS will provide active support and assistance to States, including training of State Medicaid and CHIP program staff and best practice guidelines.
- **New, cutting edge initiatives are being developed to prevent fraud in the Medicare program** and will be shared with States to ensure that Medicaid gets the full benefit of Medicare advances in this area including analytics such as predictive modeling to identify patterns and examine high-cost problem areas across all types of care.

• CMS will be organizing new Payment Accuracy Improvement Groups with States grouped based on their

Health Care Cost Containment Contract

2010 House Sub for SB 572 contained language directing the Kansas Health Policy Authority to:

"..enter into a three-year contract for a pilot project for health care cost containment and recovery services to be implemented regarding programs of state agencies or programs responsible for the payment of medical or pharmacy claims, including the department of social and rehabilitation services, department on aging, Kansas health policy authority, juvenile justice authority, department of labor, department of health and environment and the state health care benefits program, as provided in K.S.A. 75-6501 through 75-6523, and amendments thereto: Provided, That the pilot project shall be designed to provide statewide efficiencies and cost savings across multiple state agencies and the state health care benefits program: Provided further, That the pilot project shall include services to extract savings and recover funds for health care services paid by any state agency to include, but not be limited to, the recovery of overpayments identified through claims review and provider audits; and coordination of payment between private insurers, Medicare, and other public and private payers of health care claims: And provided further, That the pilot project shall include these services and additional services as approved by the Kansas health policy authority and the affected state agency: And provided further, That the pilot project shall be supplemental to audit and recovery projects already conducted by individual state agencies and shall determine ways to improve efficiencies by coordinating audits and recovery program activities across multiple state agencies: And provided further, That the contract for the pilot project shall provide for the vendor to be compensated by a percentage of recoveries or savings attained: And provided further, That, upon completion of the pilot project, the executive director of the Kansas health policy authority shall report to the legislature the savings generated from the pilot program and make recommendations regarding extension of the pilot program, termination of the program, or competitive procurement for the services provided thereunder: And provided further, That such contract shall be entered into on or before October 1, 2010, through a request for proposal process: And provided however, That nothing in the contract for such pilot project shall make null and void any other contract that a selected vendor under such request for proposal may currently be entered into with the state of Kansas: And provided further, That such pilot project shall be implemented in such a manner as to coordinate with federal requirements to establish a medicaid recovery audit contract pursuant to the federal patient protection and affordable care act, H.R. 3590."

The 2010 Legislature captured estimated savings of \$27.0 million, all from the State General Fund, in FY 2011 associated with the recovery contract. These savings were reflected in State General Fund appropriation reductions for the Kansas Health Policy Authority, the Department of Social and Rehabilitation Services, the Department on Aging, and the Juvenile Justice Authority. The total savings included estimated savings of \$9,675,000 in the State Employee Health Plan (located at the Kansas Health Policy Authority). These estimated savings were transferred from the State Employee Health Plan to the State General Fund in July 2010.

The Kansas Health Policy Authority indicates that the request for proposal was developed with input from all affected agencies. The request for proposal was processed by the Department of Administration, Division of Purchases, and closed October 29, 2010. The request for proposal required that bidders guarantee at least 90.0 percent of projected recoveries to ensure legitimate bids and enhance competition.

The Kansas Health Policy Authority awarded the contract to Health Data Insights, Inc. (HDI) on December 6, 2010. The contract with HDI guaranteed minimum collection of \$16.08 million over a three year period. The contractor can utilize a four year look back period for recovery purposes. The contract provides the contractor with a 17 percent contingency fee for recovery of overpayments. In addition, the federal government is entitled to recoveries proportionate to the federal match rate. Of the estimated \$16.08 million, the state would retain recoveries of \$6.5 million. This includes estimated recoveries of \$4.5 million for the Medicaid and CHIP programs and \$2.0 million for the State Employee Health Plan.

CONTRACT AWARD

Date of Award: December 6, 2010

Contract ID: 0000000000000000000035290

Bid Event: EVT0000146

Procurement Officer: Jill M Martin

Telephone: 785-296-3123

E-Mail Address: jill.martin@da.ks.gov

Web Address: <http://da.ks.gov/purch>

Item: Recovery Audit Contractor

Agency/Business Unit: Kansas Health Policy Authority

Period of Contract: December 6, 2010 through June 30, 2013
(With the option to renew for three (3) additional twelve (12) month periods)

Contractor: HEALTH DATA INSIGHTS INC
7501 TRINITY PEAK ST
SUITE 210
LAS VEGAS, NV 89128

Local Telephone: 702-243-8730
Fax: 702-240-5502
FEIN: 20-0350950
SMART ID: 256035
Contact Person: Brian Fields
E-Mail: brian.fields@emailhdi.com

Political Subdivisions: Pricing is available to the political subdivisions of the State of Kansas.

Procurement Cards: Agencies may not use a P-Card for purchases from this contract.

Administrative Fee: No Administrative Fee will be assessed against purchases from this contract.

The above referenced contract award was recently posted to the Division of Purchases Internet website. The document can be downloaded by going to the following website:

<http://www.da.ks.gov/purch/Contracts/>

**CONTRACT
BETWEEN
THE KANSAS HEALTH POLICY AUTHORITY
AND
HEALTH DATA INSIGHTS, INC.
For Recovery Audit Contractor Services**

This Contract is made and entered into this 6 day of December, 2010 by and between Health Data Insights, Inc. whose address is 7501 Trinity Peak St, Suite 210, Las Vegas, NV 89128, hereinafter referred to as "HDI" or "Contractor" and the Kansas Health Policy Authority, whose address is 900 S.W. Jackson Street, Room 900-N, Landon State Office Building, Topeka, Kansas 66612, hereinafter referred to as "KHPA" or "Authority."

The Authority, authorized by K.S.A. 2007 Supp. 75-7401 et seq., to enter into a Contract, desires to obtain services to develop and administer Recovery Audit Contractor (RAC) services; and,

the Contractor is a recognized provider of these services and desires to provide them to KHPA; and,

a Bid Event No. EVT0000146, Document No. RFX0000040, was issued on September 22, 2010 pursuant to K.S.A. 75-37,102 for acquisition of these services; and,

a Procurement Negotiating Committee (PNC) conducted negotiations and determined the best interests of KHPA will be served by awarding a Contract to Contractor to provide such services.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained herein, KHPA and Contractor do hereby mutually covenant and agree as follows:

I. SCOPE OF WORK

The purpose of this contract will be to support KHPA in achieving the requirements set forth in both the federal Patient Protection and Affordable Care Act, H.R. 3590 (PPACA), including regulations on the same issued by Health and Human Services (HHS) or the Centers for Medicare and Medicaid Services (CMS), and the State of Kansas Fiscal Year 2011 budget bill. The identification of underpayments and overpayments for the Medicaid RAC portion of this RFP (Document RFX0000040, section 4.5.2) shall occur for all claims paid under the Medicaid and CHIP programs, for all medical services for which payment is made by any agency of the State of Kansas for waiver services operated under title XIX and XXI of the Social Security Act, and for any payment for services provided under Chapter 39, Article 7 of the Kansas Statutes Annotated which are provided using exclusively State of Kansas general fund and are commonly referred to as MediKan.

The contract shall also support KHPA in achieving the goals established for it by the State of Kansas's 2010 legislative session, specifically the House Substitute for Senate Bill 572, signed by the Governor on May 27, 2010. These goals are specifically addressed in Document RFX0000040, section 4.5.3.

This RFP is being issued prior to CMS regulations defining the requirements for a Medicaid RAC contract being published. It is the expectation of KHPA that the regulations when issued will be similar if not the same in most areas discussed in this RFP. However, any CMS regulations issued for the Medicaid RAC contractor that differ from the requirements or are not included in this RFP will be adopted, accepted and implemented by the contractor selected.

II. CONTRACT DOCUMENTS

The Contract documents shall consist of the following documents. In the event of conflict in terms of language among the documents, the following order of precedence shall govern and later documents will take precedence over earlier documents:

1. Form DA-146a;
2. Written modifications to the executed Contract;
3. Written Contract signed by the parties;
4. Event No. EVT0000146 and Document RFX No. 0000040 including Amendment Nos. 1, 2, 3 and 4;
5. Contractor's written proposal submitted in response to the Request for Proposal as finalized, including:
 - a. Contractor's final revised Cost Proposal dated November 23, 2010, received by Jill Martin on November 24, 2010.
 - b. Contractor's response to questions and clarifications made before and during negotiations on November 19, 2010 with attachments received by Jill Martin, November 24, 2010.
 - c. Original Technical, Proprietary and Cost Proposals submitted by Contractor, dated October 25, 2010.

III. CONTRACT PERIOD

The term of this contract is for an initial three (3) year period from the Date of Award (DOA) with the option of three (3) additional one (1) year renewals by mutual agreement of both parties. The first Contract year period shall be from the date of final signing through June 30, 2013.

For each optional renewal year, KHPA will notify the Contractor no later than six (6) months prior to the Contract's expiration regarding KHPA's intent. Within thirty (30) days of receipt of KHPA's notice of its intent to extend the Contract for an optional period, the Contractor must respond in writing with agreement or non-agreement to the extension period.

IV. REPORTS

In addition to the reports required by Document No. RFX0000040, Paragraph 4.4.15, Contractor shall provide to KHPA within 30 days of initial data exchange, and at such other times as mutually agreed upon, budget reports consisting of revised, non-binding, estimates of recoveries for KHPA budgetary purposes.

V. COMPENSATION

Contractor shall be paid seventeen percent (17%) of all overpayments recovered on behalf of KHPA under this contract. In addition, Contractor shall be paid eighteen percent (18%) of all underpayments made to contracted providers of Kansas Medicaid services by KHPA, provided, that overpayments recovered equal or exceed the underpayments.

Payment for actual overpayment recoveries and underpayments paid to contracted providers of Kansas Medicaid services shall be made within 30 days of Contractor's invoice following each month end.

VI. SUBCONTRACTORS

Except for affiliates, the Contractor shall not assign, transfer, sublet or delegate this Contract or its power to execute this Contract to any other person, company or corporation, in whole or in part, without the prior written consent and approval from KHPA.

VII. CAPTIONS

The descriptive headings of this Contract are for convenience only and shall not be deemed to affect the meaning of any provision.

VIII. MODIFICATIONS

This Contract shall only be modified by the mutual, written agreement of the parties.

IX. DEBARMENT

Contractor warrants that it and its subcontractor(s) are currently not debarred from participation in any federal or state funded programs and that it shall immediately provide notice to KHPA in the event it or its subcontractor(s) becomes debarred during the term of this Contract.

X. FORM DA-146a

The provisions found in Contractual Provisions Attachment (form DA-146a), which is attached hereto, are hereby incorporated in this Contract and made a part thereof.

XI. ENTIRE CONTRACT

This Contract constitutes the entire Contract of the parties and supersedes all other prior written or oral contract between the parties with respect to the subject matter hereof.

CONTRACTUAL PROVISIONS ATTACHMENT

Important: This form contains mandatory contract provisions and must be attached to or incorporated in all copies of any contractual agreement. If it is attached to the vendor/contractor's standard contract form, then that form must be altered to contain the following provision:

"The Provisions found in Contractual Provisions Attachment (Form DA-146a, Rev. 1-01), which is attached hereto, are hereby incorporated in this contract and made a part thereof."

The parties agree that the following provisions are hereby incorporated into the contract to which it is attached and made a part thereof, said contract being the _____ day of _____, 20_____.

1. **Terms Herein Controlling Provisions:** It is expressly agreed that the terms of each and every provision in this attachment shall prevail and control over the terms of any other conflicting provision in any other document relating to and a part of the contract in which this attachment is incorporated.
2. **Agreement With Kansas Law:** All contractual agreements shall be subject to, governed by, and construed according to the laws of the State of Kansas.
3. **Termination Due To Lack Of Funding Appropriation:** If, in the judgment of the Director of Accounts and Reports, Department of Administration, sufficient funds are not appropriated to continue the function performed in this agreement and for the payment of the charges hereunder, State may terminate this agreement at the end of its current fiscal year. State agrees to give written notice of termination to contractor at least 30 days prior to the end of its current fiscal year, and shall give such notice for a greater period prior to the end of such fiscal year as may be provided in this contract, except that such notice shall not be required prior to 90 days before the end of such fiscal year. Contractor shall have the right, at the end of such fiscal year, to take possession of any equipment provided State under the contract. State will pay to the contractor all regular contractual payments incurred through the end of such fiscal year, plus contractual charges incidental to the return of any such equipment. Upon termination of the agreement by State, title to any such equipment shall revert to contractor at the end of State's current fiscal year. The termination of the contract pursuant to this paragraph shall not cause any penalty to be charged to the agency or the contractor.
4. **Disclaimer Of Liability:** Neither the State of Kansas nor any agency thereof shall hold harmless or indemnify any contractor beyond that liability incurred under the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.).
5. **Anti-Discrimination Clause:** The contractor agrees: (a) to comply with the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and the Kansas Age Discrimination in Employment Act (K.S.A. 44-1111 et seq.) and the applicable provisions of the Americans With Disabilities Act (42 U.S.C. 12101 et seq.) (ADA) and to not discriminate against any person because of race, religion, color, sex, disability, national origin or ancestry, or age in the admission or access to, or treatment or employment in, its programs or activities; (b) to include in all solicitations or advertisements for employees, the phrase "equal opportunity employer"; (c) to comply with the reporting requirements set out at K.S.A. 44-1031 and K.S.A. 44-1116; (d) to include those provisions in every subcontract or purchase order so that they are binding upon such subcontractor or vendor; (e) that a failure to comply with the reporting requirements of (c) above or if the contractor is found guilty of any violation of such acts by the Kansas Human Rights Commission, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration; (f) if it is determined that the contractor has violated applicable provisions of ADA, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration. Parties to this contract understand that the provisions of this paragraph number 5 (with the exception of those provisions relating to the ADA) are not applicable to a contractor who employs fewer than four employees during the term of such contract or whose contracts with the contracting state agency cumulatively total \$5,000 or less during the fiscal year of such agency.
6. **Acceptance Of Contract:** This contract shall not be considered accepted, approved or otherwise effective until the statutorily required approvals and certifications have been given.
7. **Arbitration, Damages, Warranties:** Notwithstanding any language to the contrary, no interpretation shall be allowed to find the State or any agency thereof has agreed to binding arbitration, or the payment of damages or penalties upon the occurrence of a contingency. Further, the State of Kansas shall not agree to pay attorney fees and late payment charges beyond those available under the Kansas Prompt Payment Act (K.S.A. 75-6403), and no provision will be given effect which attempts to exclude, modify, disclaim or otherwise attempt to limit implied warranties of merchantability and fitness for a particular purpose.
8. **Representative's Authority To Contract:** By signing this contract, the representative of the contractor thereby represents that such person is duly authorized by the contractor to execute this contract on behalf of the contractor and that the contractor agrees to be bound by the provisions thereof.
9. **Responsibility For Taxes:** The State of Kansas shall not be responsible for, nor indemnify a contractor for, any federal, state or local taxes which may be imposed or levied upon the subject matter of this contract.
10. **Insurance:** The State of Kansas shall not be required to purchase, any insurance against loss or damage to any personal property to which this contract relates, nor shall this contract require the State to establish a "self-insurance" fund to protect against any such loss or damage. Subject to the provisions of the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.), the vendor or lessor shall bear the risk of any loss or damage to any personal property in which vendor or lessor holds title.
11. **Information:** No provision of this contract shall be construed as limiting the Legislative Division of Post Audit from having access to information pursuant to K.S.A. 46-1101 et seq.
12. **The Eleventh Amendment:** "The Eleventh Amendment is an inherent and incumbent protection with the State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this contract shall be deemed a waiver of the Eleventh Amendment.

Appropriations Committee

Date February 21-22, 2011Attachment 4-5

State Workers Compensation Program

Workers compensation is provided by the employer for a personal injury caused by an accident arising out of and in the course of employment. Employees who sustain compensable injuries from an accident injury or occupational disease may be entitled to:

- Reasonable and necessary medical treatment expenses to treat the job related injury or illness;
- Disability compensation to replace part of the wages lost due to a disability; and
- Survivors benefits if death results.

The State Self-Insurance Fund was established by the Kansas legislature to administer workers compensation claims on behalf of State of Kansas employees. The State Self-Insurance Fund was implemented in 1972. It is a self-insured, self-administered program funded by agency rates based on experience rating. Payments to injured state workers are reflected in the other assistance expenditures in the non-reportable budget of the Kansas Health Policy Authority in FY 2011. The Governor's recommendation for FY 2012 moves the State Self-Insurance Fund to the Kansas Department of Health and Environment.

On average, 349 accident reports are received monthly. In FY 2009, the State Self-Insurance Fund spent over \$22 million on compensation, with approximately 60 percent for medical services and 40 percent for indemnity.

For FY 2011, the Governor's recommendation includes expenditures of \$27.1 million from the State Self-Insurance Fund, with an ending balance in the fund of \$8,442,317. This includes estimated payments for claims totaling \$23.3 million. The remaining \$3.8 million are utilized for administrative expenses.

For FY 2012, the Governor's recommendation includes expenditures of \$27.9 million from the State Self-Insurance Fund, with an ending balance estimated for the fund of \$7,567,314. This includes estimated payments for claims totaling \$24.4 million. The remaining \$3.5 million are utilized for administrative expenses.

Attached is a chart from the Division of the Budget FY 2012 Budget Instructions that list the Workers Compensation Assessment by agency.

Appropriations Committee

Date February 21-22, 2011

Attachment 5

Workers Compensation Assessment

Experienced-based Rates by Agency:

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
016 Abstracters Board of Examiners	1.692	1.678	1.643
028 Board of Accountancy	0.230	0.227	0.223
034 Adjutant General	2.226	2.305	2.354
039 Department on Aging	0.667	0.690	0.705
046 Department of Agriculture	0.378	0.391	0.400
055 Animal Health Department	0.086	0.090	0.092
058 Kansas Human Rights Commission	0.086	0.090	0.092
082 Attorney General	0.133	0.138	0.141
083 Kansas Bureau of Investigation	0.433	0.448	0.458
094 Banking Department	0.086	0.090	0.092
100 Board of Barbering	0.304	0.301	0.295
102 Behavioral Sciences Regulatory Board	0.086	0.090	0.092
105 Board of Healing Arts	0.086	0.090	0.092
122 Citizens Utility Ratepayer Board	0.086	0.090	0.092
143 Kansas Corporation Commission	0.389	0.403	0.411
149 Board of Cosmetology	0.086	0.090	0.092
159 Department of Credit Unions	0.086	0.090	0.092
167 Kansas Dental Board	0.242	0.239	0.235
171 Kansas Health Policy Authority	0.379	0.392	0.401
173 Department of Administration	1.307	1.353	1.381
177 Ellsworth Correctional Facility	2.689	2.784	2.843
178 Office of Administrative Hearings	0.116	0.115	0.113
195 El Dorado Correctional Facility	4.904	5.077	5.185
204 Board of Mortuary Arts	0.207	0.205	0.201
206 Emergency Medical Services Board	0.086	0.090	0.092
234 State Fire Marshal	1.828	1.892	1.933
246 Fort Hays State University	0.861	0.891	0.910
247 Governmental Ethics Commission	0.086	0.090	0.092
252 Office of the Governor	0.086	0.090	0.092
264 Health and Environment	0.354	0.366	0.374
266 Hearing Instruments Board of Examiners	1.796	1.793	1.758
270 Health Care Stabilization	0.086	0.090	0.092
276 Kansas Department of Transportation	2.977	3.082	3.148
280 Highway Patrol	1.597	1.654	1.689
288 Historical Society	0.517	0.536	0.547
291 Kansas Home Inspectors Registration Board	-	-	-
296 Department of Labor	0.631	0.653	0.667
300 Department of Commerce	0.741	0.768	0.784
313 Hutchinson Correctional Facility	4.052	4.195	4.284
328 Board of Indigents Defense Services	0.340	0.352	0.360
331 Insurance Department	0.481	0.498	0.509
349 Judicial Council	0.086	0.090	0.092
350 Juvenile Justice Authority	0.086	0.090	0.092
352 Kansas Juvenile Correctional Complex	6.967	7.213	7.367
359 Kansas Arts Commission	0.086	0.090	0.092
360 Kansas, Inc	0.132	0.131	0.128
363 Kansas Neurological Institute	5.357	5.546	5.664
365 KPERS	0.112	0.116	0.119
367 Kansas State University	0.723	0.748	0.764
368 Kansas State University—Veterinary Med. Center	0.723	0.748	0.764
369 Kansas State University—ESARP	0.723	0.748	0.764
371 Kansas Technology Enterprise Corp.	0.086	0.090	0.092
373 Kansas State Fair	1.002	1.038	1.060
379 Emporia State University	0.867	0.898	0.917
385 Pittsburg State University	0.626	0.648	0.662
400 Lansing Correctional Facility	6.114	6.329	6.464
408 Larned Correctional MH Facility	3.417	3.537	3.613

Appropriations Committee

Date Feb. 21-22,

Attachment 5-2

Workers Compensation Assessment

<u>Experienced-based Rates by Agency:</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
410 Larned State Hospital	4.561	4.722	4.823
412 Larned Juvenile Correctional Facility	5.411	5.602	5.722
422 Legislative Coordinating Council	0.086	0.090	0.092
425 Legislative Research Department	0.086	0.090	0.092
428 Legislature	0.211	0.218	0.223
434 State Library	0.086	0.090	0.092
446 Office of the Lieutenant Governor	0.193	0.305	0.299
450 Kansas Lottery	0.064	0.066	0.068
482 Board of Nursing	0.086	0.090	0.092
488 Board of Examiners in Optometry	0.688	0.681	0.668
494 Osawatomie State Hospital	7.000	7.247	7.402
507 Parsons State Hospital and Training Center	3.430	3.551	3.627
521 Department of Corrections	1.734	1.796	1.834
523 Kansas Parole Board	0.086	0.090	0.092
529 KS Comm. on Peace Officers' Standards&Training	0.105	0.104	0.102
531 Board of Pharmacy	0.086	0.090	0.092
540 Legislative Division of Post Audit	0.086	0.090	0.092
543 Real Estate Appraisal Board	0.257	0.254	0.249
549 Kansas Real Estate Commission	0.086	0.090	0.092
553 Kansas Racing and Gaming Commission	1.132	1.171	1.196
555 Rainbow Mental Health Facility	8.240	8.531	8.713
561 Board of Regents	0.086	0.090	0.092
562 Court of Tax Appeals	0.086	0.090	0.092
565 Department of Revenue	0.722	0.748	0.764
579 Revisor of Statutes	0.086	0.090	0.092
581 Norton Correctional Facility	3.908	4.046	4.132
604 School for the Blind	1.569	1.625	1.659
610 School for the Deaf	3.983	4.124	4.212
622 Secretary of State	0.086	0.090	0.092
625 Office of the Securities Commissioner	0.086	0.090	0.092
626 Sentencing Commission	0.086	0.090	0.092
628 Social and Rehabilitation Services	0.551	0.571	0.583
634 State Conservation Commission	0.086	0.090	0.092
652 Department of Education	0.439	0.454	0.464
660 Topeka Correctional Facility	8.140	8.427	8.607
663 Board of Technical Professions	0.152	0.150	0.147
670 State Treasurer	0.086	0.090	0.092
671 Pooled Money Investment Board	0.086	0.090	0.092
677 Judiciary	0.440	0.455	0.465
682 University of Kansas	0.563	0.583	0.596
683 KU Medical Center	0.448	0.464	0.474
694 Commission on Veterans Affairs	7.808	8.084	8.256
700 Board of Veterinary Examiners	0.214	0.211	0.207
709 Kansas Water Office	0.086	0.090	0.092
710 Department of Wildlife and Parks	1.775	1.837	1.877
712 Winfield Correctional Facility	2.226	2.305	2.354
715 Wichita State University	0.449	0.465	0.475

Appropriations Committee

Date February 21-22, 2011

Attachment 5-3

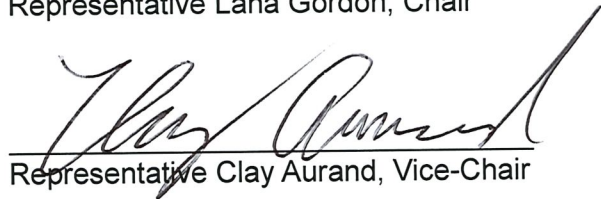
FY 2012

HOUSE EDUCATION BUDGET COMMITTEE

Postsecondary Education Systemwide
Board of Regents
University of Kansas
University of Kansas Medical Center
Kansas State University
Kansas State University- Extension Systems and Agricultural Research Programs
Kansas State University Veterinary Medical Center
Wichita State University
Emporia State University
Fort Hays State University
Pittsburg State University



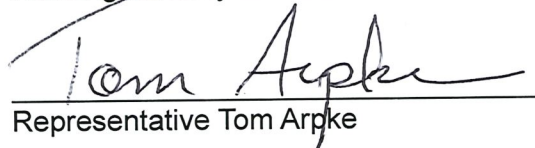
Representative Lana Gordon, Chair



Representative Clay Aurand, Vice-Chair



Representative Valdenia Winn,
Ranking Minority Member



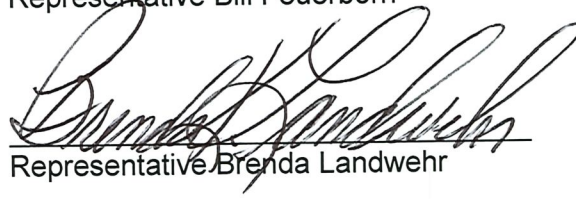
Representative Tom Arpke



Representative Ward Cassidy



Representative Bill Feuerborn



Representative Brenda Landwehr



Representative Connie O'Brien



Representative Sheryl Spalding

Appropriations Committee

Date February 21-22, 2011

Attachment 6

House Budget Committee Report

Agency: Postsecondary Education System **Bill No.** 16

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. Various

Expenditure Summary	Agency Estimate FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 753,114,394	\$ 753,114,394	\$ 0
Other Funds	1,529,290,199	1,529,290,199	0
Subtotal	\$ 2,282,404,593	\$ 2,282,404,593	\$ 0
Capital Improvements			
State General Fund	\$ 3,600,264	\$ 3,600,264	\$ 0
Other Funds	145,643,849	145,643,849	17,750,000
Subtotal	\$ 149,244,113	\$ 149,244,113	\$ 17,750,000
TOTAL	\$ 2,431,648,706	\$ 2,431,648,706	\$ 17,750,000
FTE positions	17,356.3	17,356.3	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	17,356.3	17,356.3	0.0

Agency Estimate

The **agency** estimates an FY 2011 operating budget of \$2.3 billion, including \$753.1 million from the State General Fund and \$578.0 million from General Fees (tuition). The estimate is an increase of \$111.8 million, or 5.2 percent, all funds above the amount approved by the FY 2010 Legislature. The estimate includes an increase of \$51.5 million, or 9.8 percent, in General Fees expenditures. The increase reflects carry-forward and higher than anticipated revenues in General Fees and other funds.

Governor's Recommendation

The **Governor** concurs with the agency estimate for FY 2011.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation for FY 2011 with the following adjustments:

1. **Kansas State University.** Add \$5.3 million, all from special revenue funds, at Kansas State University in FY 2011 for an 11,570 square foot animal suite at the Large Animal Research Center (LARC). This would be in addition to the the existing 22,223 square

Appropriations Committee

Date February 21-22, 2011

Attachment 6-2

foot facility that is currently being relocated in preparation for the National Bio and Agro-defense Facility (NBAF). The relocation is being funded from federal NBAF dollars. The suite will be constructed with private funds, while the operations and maintenance will be paid from Sponsored Research Overhead funds.

2. **Kansas State University.** Add \$5.2 million, all from special revenue funds, at Kansas State University in FY 2011 to accelerate construction of the Justin Hall Addition into FY 2011. Justin Hall is the home of the College of Human Ecology. This project will add a 16,000 square foot addition to provide office, classroom and laboratory space for the departments located within the College of Human Ecology. According to the university, the enrollment in this college is at an all time high due to increased research into human environments. The project is expected to begin in FY 2011 and be completed in FY 2013.
3. **Kansas State University.** Add \$300,000, all from special revenue funds, at Kansas State University in FY 2011 for the first stage of a project to remove the Old Chemical Waste Landfill (OCWLF). The site was a disposal area for hazardous chemical waste or low level radioactive waste from the mid 1960s until 1984. Since the closure of the site, the University has been monitoring it for chemical contamination of groundwater. That monitoring has indicated that the OCWLF is releasing hazardous materials to the uppermost aquifer.

According to the university, annual costs to monitor the site now exceed \$300,000 per year and are expected to continue to rise. In addition, both the Kansas Department of Health and Environment (KDHE) and the Environmental Protection Agency (EPA) require permanent resolution of the issue. Working with these agencies, as well as a subject matter expert, the university has developed a plan to remove the landfill – the only permanent solution.

The removal will be funded from a combination of Sponsored Research Overhead funds and bond funds.

4. **Kansas State University.** Add \$1.2 million, all from special revenue funds, at Kansas State University in FY 2011 for upgrades to West Hall. The project includes updating HVAC, lighting, and plumbing systems, as well as installation of a new fire alarm system in a dormitory constructed in 1962. The project will be funded from housing system funds.
5. **Kansas State University.** Add \$2.0 million, all from special revenue funds, at Kansas State University in FY 2011 to construct a 12,000 square foot Southeast Research-Extension Center in Parsons, Kansas. The facility will serve as the headquarters for the Southeast Area Extension office and the Southeast Agricultural Research Center. The Extension Office currently rents space in Chanute, while the Agricultural Research Center currently occupies space on the Parsons State Hospital grounds. The university indicates that renovation at Parson's State Hospital would be cost prohibitive. The construction will be funded from restricted fees and private gifts, while operation and maintenance will come from within existing resources.
6. **Kansas State University.** Add \$600,000, all from special revenue funds, at Kansas State University in FY 2011 for the renovation of 5,337 square feet of chemical engineering lab space in Durland Hall. The university received a \$1.6 million National Science Foundation (NSF) – federal American Recovery and Reinvestment Act (ARRA)

Appropriations Committee

Date February 21-22, 2011

Attachment 6-3

grant award for this purpose. The remaining \$400,000 will come from Sponsored Research Overhead funds.

7. **Kansas State University.** Add \$600,000, all from special revenue funds, at Kansas State University in FY 2011 to remodel the Technology Assistance Center on the Salina Campus. The project will be funded from restricted fees.
8. **Kansas State University.** Add \$2.0 million, all from special revenue funds, for renovation of chemical engineering lab space in Durland Hall. The university received a \$1.6 million National Science Foundation-American Recovery and Reinvestment Act award for this purpose. The remaining \$400,000 for the project will come from sponsored research overhead funds.
9. **Kansas State University.** Add \$550,000, all from special revenue funds, at Kansas State University in FY 2011 to upgrade the John C. Pair Center in Wichita. The project would correct major Americans with Disabilities Act (ADA) deficiencies, replace the roof, and add 3,000 square feet to the existing building to expand the office, teaching and meeting space for the existing facility. The project will be paid for with private funds and research and extension funds.
10. **Kansas State University.** Allow the University to enter into a lease purchase agreement with the KSU Foundation for a new Grain Science Center Feed Mill. The estimated cost of the project is \$13.0 million. Lease payments will be made from reallocation of resources over a 15-year period, with private sources and any funding received from the project from the Kansas Bioscience Authority will be used to retire the obligation early.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-4

House Budget Committee Report

Agency: Board of Regents

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No.--

Budget Page No. 292

Expenditure Summary	Agency Estimate FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 175,638,249	\$ 175,638,249	\$ 0
Other Funds	44,069,731	44,069,731	0
Subtotal	\$ 219,707,980	\$ 219,707,980	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	19,210,000	19,210,000	0
Subtotal	\$ 19,210,000	\$ 19,210,000	\$ 0
TOTAL	\$ 238,917,980	\$ 238,917,980	\$ 0
FTE positions	63.5	63.5	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	64.5	64.5	0.0

Agency Estimate

The **agency** estimates a revised FY 2011 operating budget of \$219.7 million, including \$175.6 million from the State General Fund. The estimated budget is a reduction of \$26.9 million, or 10.9 percent, all funds and an increase of \$2.7 million, or 1.5 percent, State General Fund from the approved budget. The approved budget includes State General Fund reappropriations from FY 2010 of \$1.5 million from the State General Fund. The State General Fund increase reflects transfers of \$5.0 million from capital improvements to operations expenditures and a reduction of \$2.3 million for a technical correction to the operating grant. The all funds reduction reflects transfers to postsecondary institutions, mainly from federal American Recovery and Reinvestment Act (ARRA) funds in FY 2011.

Governor's Recommendation

The **Governor** concurs with the agency estimate.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-5

House Budget Committee Report

Agency: University of Kansas

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 314

Expenditure Summary	Agency Estimate FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 136,524,876	\$ 136,524,876	\$ 0
Other Funds	497,025,375	497,025,375	0
Subtotal	\$ 633,550,251	\$ 633,550,251	\$ 0
Capital Improvements			
State General Fund	\$ 1,257,136	\$ 1,257,136	\$ 0
Other Funds	34,056,261	34,056,261	0
Subtotal	\$ 35,313,397	\$ 35,313,397	\$ 0
TOTAL	\$ 668,863,648	\$ 668,863,648	\$ 0
FTE positions	5,342.1	5,342.1	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	5,342.1	5,342.1	0.0

Agency Estimate

The **agency** estimates a revised FY 2011 operating budget of \$633.6 million, including \$136.5 million from the State General Fund. The estimate is an increase of \$27.7 million, or 4.6 percent, all funds and no change from the State General Fund approved amount. The other funds increase reflects higher than anticipated revenues in special revenue funds.

Governor's Recommendation

The **Governor** concurs with the agency estimate.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-6

House Budget Committee Report

Agency: University of Kansas Medical Center

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 316

Expenditure Summary	Agency Estimate FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 110,141,911	\$ 110,141,911	\$ 0
Other Funds	187,028,348	187,028,348	0
Subtotal	\$ 297,170,259	\$ 297,170,259	\$ 0
Capital Improvements			
State General Fund	\$ 440,000	\$ 440,000	\$ 0
Other Funds	3,755,203	3,755,203	0
Subtotal	\$ 4,195,203	\$ 4,195,203	\$ 0
TOTAL	\$ 301,365,462	\$ 301,365,462	\$ 0
FTE positions	2,438.3	2,438.3	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	2,438.3	2,438.3	0.0

Agency Estimate

The **agency** estimates a revised FY 2011 budget of \$297.2 million, including \$110.1 million from the State General Fund. The estimate is an all funds increase of \$17.2 million, or 6.1 percent, all funds above the approved amount reflecting funds carried-forward from FY 2010. The State General Fund request is no change from the approved amount.

Governor's Recommendation

The **Governor** concurs with the agency estimate.

House Budget Committee

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-7

House Budget Committee Report

Agency: Kansas State University

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 306

Expenditure Summary	Agency Estimate FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 104,756,636	\$ 104,756,636	\$ 0
Other Funds	363,762,163	363,762,163	0
Subtotal	\$ 468,518,799	\$ 468,518,799	\$ 0
Capital Improvements			
State General Fund	\$ 165,396	\$ 165,396	\$ 0
Other Funds	38,138,179	38,138,179	17,750,000
Subtotal	\$ 38,303,575	\$ 38,303,575	\$ 17,750,000
TOTAL	\$ 506,822,374	\$ 506,822,374	\$ 17,750,000
FTE positions	3,601.7	3,601.7	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	3,601.7	3,601.7	0.0

Agency Estimate

The **agency** estimates a revised FY 2011 operating budget of \$468.5 million, including \$104.8 million from the State General Fund. The estimate is an increase of \$51.6 million, or 12.4 percent, all funds above the approved amount. The State General Fund estimate is no change from the approved amount. The other funds increase reflects higher than anticipated revenues to the General Fees Fund and the shift of unspent funds from FY 2010 to FY 2011.

Governor's Recommendation

The **Governor** concurs with the agency estimate.

House Budget Committee Recommendation

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

1. Add \$5.3 million, all from special revenue funds, at Kansas State University in FY 2011 for an 11,570 square foot animal suite at the Large Animal Research Center (LARC). This would be in addition to the the existing 22,223 square foot facility that is currently being relocated in preparation for the National Bio and Agro-defense Facility (NBAF). The relocation is being funded from federal NBAF dollars. The suite will be constructed

Appropriations Committee

Date February 21-22, 2011

Attachment 6-8

with private funds, while the operations and maintenance will be paid from Sponsored Research Overhead funds.

2. Add \$5.2 million, all from special revenue funds, at Kansas State University in FY 2011 to accelerate construction of the Justin Hall Addition to FY 2011. Justin Hall is the home of the College of Human Ecology. This project will add a 16,000 square foot addition to provide office, classroom and laboratory space for the departments located within the College of Human Ecology. According to the university, the enrollment in this college is at an all time high due to increased research into human environments. The project is expected to begin in FY 2011 and be completed in FY 2013.
3. Add \$300,000, all from special revenue funds, at Kansas State University in FY 2011 for the first stage of a project to remove the Old Chemical Waste Landfill (OCWLF). The site was a disposal area for hazardous chemical waste or low level radioactive waste from the mid 1960s until 1984. Since the closure of the site, the University has been monitoring it for chemical contamination of groundwater. That monitoring has indicated that the OCWLF is releasing hazardous materials to the uppermost aquifer.

According to the university, annual costs to monitor the site now exceed \$300,000 per year and are expected to continue to rise. In addition, both the Kansas Department of Health and Environment (KDHE) and the Environmental Protection Agency (EPA) require permanent resolution of the issue. Working with these agencies, as well as a subject matter expert, the university has developed a plan to remove the landfill – the only permanent solution.

The removal will be funded from a combination of Sponsored Research Overhead funds and bond funds.

4. Add \$1.2 million, all from special revenue funds, at Kansas State University in FY 2011 for upgrades to West Hall. The project includes updating HVAC, lighting, and plumbing systems, as well as installation of a new fire alarm system in a dormitory constructed in 1962. The project will be funded from housing system funds.
5. Add \$2.0 million, all from special revenue funds, at Kansas State University in FY 2011 to construct a 12,000 square foot Southeast Research-Extension Center in Parsons, Kansas. The facility will serve as the headquarters for the Southeast Area Extension office and the Southeast Agricultural Research Center. The Extension Office currently rents space in Chanute, while the Agricultural Research Center currently occupies space on the Parsons State Hospital grounds. The university indicates that renovation at Parson's State Hospital would be cost prohibitive. The construction will be funded from restricted fees and private gifts, while operation and maintenance will come from within existing resources.
6. Add \$600,000, all from special revenue funds, at Kansas State University in FY 2011 for the renovation of 5,337 square feet of chemical engineering lab space in Durland Hall. The university received a \$1.6 million National Science Foundation (NSF) – federal American Recovery and Reinvestment Act (ARRA) grant award for this purpose. The remaining \$400,000 will come from Sponsored Research Overhead funds.
7. Add \$600,000, all from special revenue funds, at Kansas State University in FY 2011 to remodel the Technology Assistance Center on the Salina Campus. The project will be funded from restricted fees.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-9

8. Add \$2.0 million, all from special revenue funds, for renovation of chemical engineering lab space in Durland Hall. The university received a \$1.6 million National Science Foundation-American Recovery and Reinvestment Act award for this purpose. The remaining \$400,000 for the project will come from sponsored research overhead funds.
9. Add \$550,000, all from special revenue funds, at Kansas State University in FY 2011 to upgrade the John C. Pair Center in Wichita. The project would correct major Americans with Disabilities Act (ADA) deficiencies, replace the roof, and add 3,000 square feet to the existing building to expand the office, teaching and meeting space for the existing facility. The project will be paid for with private funds and research and extension funds.
10. Allow the University to enter into a lease purchase agreement with the KSU Foundation for a new Grain Science Center Feed Mill. The estimated cost of the project is \$13.0 million. Lease payments will be made from reallocation of resources over a 15-year period, with private sources and any funding received from the project from the Kansas Bioscience Authority will be used to retire the obligation early.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-10

House Budget Committee Report

Agency: Kansas State University Extension Systems and
Agricultural Research Programs

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 308

Expenditure Summary	Agency Estimate FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 49,101,825	\$ 49,101,825	\$ 0
Other Funds	70,772,457	70,772,457	0
Subtotal	\$ 119,874,282	\$ 119,874,282	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	2,006,334	2,006,334	0
Subtotal	\$ 2,006,334	\$ 2,006,334	\$ 0
TOTAL	\$ 121,880,616	\$ 121,880,616	\$ 0
FTE positions	1,191.6	1,191.6	0.0
Non FTE Uncl. Perm. Pos.	0	0	0.0
TOTAL	1,191.6	1,191.6	0.0

Agency Estimate

The **agency** estimates a revised FY 2011 operating budget of \$119.9 million, including \$49.1 million from the State General Fund. The estimate is an increase of \$1.3 million, or 1.1 percent, all funds from the FY 2011 approved amount. The State General Fund amount includes the distribution of unified operating grant funds by the Board of Regents. The other funds increase reflects carry-forward of special revenue funds from FY 2010 to FY 2011.

Governor's Recommendation

The **Governor** concurs with the agency estimate.

House Budget Committee Recommendations

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-11

House Budget Committee Report

Agency: Kansas State University Veterinary Medical Center

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 310

Expenditure Summary	Agency Estimate FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 10,415,617	\$ 10,415,617	\$ 0
Other Funds	27,695,227	27,695,227	0
Subtotal	\$ 38,110,844	\$ 38,110,844	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	1,092,660	1,092,660	0
Subtotal	\$ 1,092,660	\$ 1,092,660	\$ 0
TOTAL	\$ 39,203,504	\$ 39,203,504	\$ 0
FTE positions	310.9	310.9	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	310.9	310.9	0.0

Agency Estimate

The **agency** estimates a revised FY 2011 operating budget of \$38.1 million, including \$10.4 million from the State General Fund. The estimate is an increase of \$3.4 million, or 9.8 percent, from all funding sources and no change in State General Fund expenditures from the approved amount. The State General Fund request includes the transfer of unified operating grant funds from the Board of Regents, while the other funds increase reflects carry-forward of funds from FY 2010 to FY 2011.

Governor's Recommendation

The **Governor** concurs with the agency estimate.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-12

House Budget Committee Report

Agency: Wichita State University

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 318

Expenditure Summary	Agency Estimate FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 66,597,127	\$ 66,597,127	\$ 0
Other Funds	173,734,658	173,734,658	0
Subtotal	\$ 240,331,785	\$ 240,331,785	\$ 0
Capital Improvements			
State General Fund	\$ 1,405,000	\$ 1,405,000	\$ 0
Other Funds	13,504,020	13,504,020	0
Subtotal	\$ 14,909,020	\$ 14,909,020	\$ 0
TOTAL	\$ 255,240,805	\$ 255,240,805	\$ 0
FTE positions	1,878.5	1,878.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	1,878.5	1,878.5	0.0

Agency Estimate

The **agency** estimates a revised FY 2011 operating budget of \$240.3 million, including \$66.6 million from the State General Fund and \$59.6 million in General Fees Fund (tuition). The estimate is an increase of \$19.3 million, or 8.8 percent, all funds, and \$2.9 million, or 5.2 percent General Fees Fund. The increases reflect carry forward from FY 2010 to FY 2011.

Governor's Recommendation

The **Governor** recommends concurs with the agency estimate.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-13

House Budget Committee Report

Agency: Emporia State University

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 302

Expenditure Summary	Agency Estimate FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 31,535,322	\$ 31,535,322	\$ 0
Other Funds	54,703,737	54,703,737	0
Subtotal	\$ 86,239,059	\$ 86,239,059	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	5,374,875	5,374,875	0
Subtotal	\$ 5,374,875	\$ 5,374,875	\$ 0
TOTAL	\$ 91,613,934	\$ 91,613,934	\$ 0
FTE positions	837.1	837.1	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	837.1	837.1	0.0

Agency Estimate

The **agency** estimates a revised FY 2011 operating budget of \$86.2 million, including \$31.5 million from the State General Fund. The estimate is an increase of \$10.5 million, or 13.9 percent, from all funding sources, above the approved amount. The increases reflect funds carried forward from FY 2010.

Governor's Recommendation

The **Governor** concurs with the agency estimate.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-14

House Budget Committee Report

Agency: Fort Hays State University

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 304

Expenditure Summary	Agency Estimate FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 34,122,340	\$ 34,122,340	\$ 0
Other Funds	53,158,757	53,158,757	0
Subtotal	\$ 87,281,097	\$ 87,281,097	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	22,665,848	22,665,848	0
Subtotal	\$ 22,665,848	\$ 22,665,848	\$ 0
TOTAL	\$ 109,946,945	\$ 109,946,945	\$ 0
FTE positions	793.8	793.8	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	793.8	793.8	0.0

Agency Estimate

The **agency** estimates a revised FY 2011 operating budget of \$87.3 million, including \$34.1 million from the State General Fund. The estimate is an increase of \$3.4 million, or 4.0 percent, all funds from the FY 2011 approved amount, due to carry forward in special revenue funds from FY 2010 and higher than anticipated General Fees Fund revenues in FY 2011.

Governor's Recommendation

The **Governor** concurs with the agency estimate for FY 2011.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-15

House Budget Committee Report

Agency: Pittsburg State University

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 312

Expenditure Summary	Agency Estimate FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 34,280,491	\$ 34,280,491	\$ 0
Other Funds	57,339,746	57,339,746	0
Subtotal	\$ 91,620,237	\$ 91,620,237	\$ 0
Capital Improvements			
State General Fund	\$ 332,732	\$ 332,732	\$ 0
Other Funds	5,840,469	5,840,469	0
Subtotal	\$ 6,173,201	\$ 6,173,201	\$ 0
TOTAL	\$ 97,793,438	\$ 97,793,438	\$ 0
FTE positions	898.7	898.7	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	898.7	898.7	0.0

Agency Estimate

The **agency** requests a revised FY 2011 budget of \$91.6 million, including \$34.3 million from the State General Fund. The estimate is an increase of \$4.2 million, or 4.8 percent, all funds, above the approved amount, reflecting special revenue fund carry-forward from FY 2010. The State General Fund request is no change from the approved amount.

Governor's Recommendation

The **Governor** concurs with the agency estimate.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-16

House Budget Committee Report

Agency: Postsecondary Education System **Bill No. --**

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. Various

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 786,278,800	\$ 746,251,762	\$ 0
Other Funds	1,481,700,738	1,478,478,049	0
Subtotal	\$ 2,267,979,538	\$ 2,224,729,811	\$ 0
Capital Improvements			
State General Fund	\$ 20,430,945	\$ 5,430,945	\$ 0
Other Funds	69,417,466	69,417,466	10,500,000
Subtotal	\$ 89,848,411	\$ 74,848,411	\$ 10,500,000
TOTAL	\$ 2,357,827,949	\$ 2,299,578,222	\$ 10,500,000
FTE positions	17,356.3	17,356.3	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	17,356.3	17,356.3	0.0

Agency Request

The **agency** requests FY 2012 expenditures of \$2.3 billion, including \$786.3 million from the State General Fund and \$555.2 million from General Fees. The request is a reduction of \$14.4 million, or 0.6 percent, all funds and \$22.8 million, or 3.9 percent, General Fees and an increase of \$33.2 million, or 4.4 percent, State General Fund from the FY 2011 estimate. The request reflects enhancement requests totaling \$52.7 million, including \$35.4 million from the State General Fund, and fringe benefit increases, offset by reductions due to carry forward funds available in FY 2011 that is not available for FY 2012. In addition, the reductions reflect the loss of federal American Recovery and Reinvestment Act (ARRA) funding in FY 2012.

Governor's Recommendation

The **Governor** recommends FY 2012 operating expenditures of \$2.2 billion, including \$746.3 million from the State General Fund. The recommendation is a decrease of \$57.7 million, or 2.5 percent, all funds and \$6.9 million, or 0.9 percent, State General Fund below the FY 2011 recommendation. The recommendation reflects the System request, absent enhancements, with the following adjustments: the addition of \$40,283, all from the State General Fund, for fringe benefit increases at the Board office; a 5.0 percent administrative reduction of \$203,021, all from the State General Fund; the addition of \$10.0 million, all from the Kansas Universal Service Fund (KUSF) for KAN-ED; the addition of \$1.0 million, all from the Economic Development Initiatives Fund (EDIF), for the transfer of the Experimental Program to

Appropriations Committee

Date February 21-22, 2011

Attachment 6-17

Stimulate Competitive Research (EPSCoR) from the Kansas Technology Enterprise Corporation (KTEC) to the Board of Regents; the deletion of \$4.8 million, all from the State General Fund, at the University of Kansas Medical Center and a deletion of \$5.0 million, all from the Economic Development Initiatives Fund, at Wichita State University reflecting the transfer of both items from the universities to the Department of Commerce in FY 2012.

House Budget Committee Recommendation

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

1. **Pittsburg State University.** Add \$1.5 million, all from special revenue funds, at Pittsburg State University for the demolition of the existing President's Home and to replace it with a new University House. The new house will provide private quarters for the President's family, as well as functional events space for University use and private quarters for overnight guests and dignitaries. The project will be funded through private gifts, and the operating and maintenance costs will be paid from the existing operations budget.
2. **Fort Hays State University.** Add \$1.3 million, all from housing revenue funds, at Fort Hays State University for window and exterior door replacement at McMIndes Hall. The project will occur during the summers of 2012 and 2013.
3. **Fort Hays State University.** Add \$4.0 million, all from special revenue funds, at Fort Hays State University for an indoor practice facility. The university has indicated that its athletic teams to do not currently have sufficient indoor practice facilities for the variety of teams that require them. The total square footage of the project is estimated at 48,000 square feet and will include a weight room, running track, half a football field, and support areas. The project will be funded with private gifts, and operations funded through the existing budget.
4. **Kansas State University.** Add \$3.7 million, all from special revenue funds, at Kansas State University in FY 2012 for the second stage of a project to remove the Old Chemical Waste Landfill (OCWLF). The site was a disposal area for hazardous chemical waste or low level radioactive waste from the mid 1960s until 1984. Since the closure of the site, the University has been monitoring it for chemical contamination of groundwater. That monitoring has indicated that the OCWLF is releasing hazardous materials to the uppermost aquifer.

According to the university, annual costs to monitor the site now exceed \$300,000 per year and are expected to continue to rise. In addition, both the Kansas Department of Health and Environment (KDHE) and the Environmental Protection Agency (EPA) require permanent resolution of the issue. Working with these agencies, as well as a subject matter expert, the university has developed a plan to remove the landfill – the only permanent solution.

The removal will be funded from a combination of Sponsored Research Overhead funds and bond funds.

5. **Kansas State University.** Add \$50.0 million in bonding authority for FY 2012 for Snyder Family Stadium improvements. The stadium was built in 1968 with the press box area on the west side added in 1993 and the east side boxes completed in 1999. According to

Appropriations Committee

Date February 21-22, 2011

Attachment 6-18

the university, to meet the needs of the program, students, and alumnus attending the game, the stadium needs to expand once again. There is a waiting list of interested parties to rent suites and for use of the club area seating. Additionally, there is a need for a larger, more functional and updated structure. The cost of this project is estimated at \$50 million funded by bonds to be repaid by athletic revenues. The time line for construction is to begin immediately following the 2011 football season.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-19

House Budget Committee Report

Agency: Board of Regents

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 292

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 209,398,385	\$ 173,795,364	\$ 0
Other Funds	28,816,926	29,816,926	0
Subtotal	\$ 238,215,311	\$ 203,612,290	\$ 0
Capital Improvements			
State General Fund	\$ 15,000,000	\$ 0	\$ 0
Other Funds	32,062,069	32,062,069	0
Subtotal	\$ 47,062,069	\$ 32,062,069	\$ 0
TOTAL	\$ 285,277,380	\$ 235,674,359	\$ 0
FTE positions	63.5	63.5	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	64.5	64.5	0.0

Agency Request

The **agency** requests an FY 2012 operating budget of \$238.2 million, including \$209.4 million from the State General Fund. The request is an increase of \$18.5 million, or 8.4 percent, all funds and \$33.8 million, or 19.2 percent, State General Fund above the FY 2011 estimate. The request includes enhancements totaling \$45.4 million, including \$35.4 million, from the State General Fund. Absent the enhancements, the agency request is a reduction of \$26.9 million, or 12.3 percent, all funds and \$1.7 million, or 1.0 percent, State General Fund below the FY 2011 estimate, mainly due to the lack of federal funds in FY 2012.

Governor's Recommendation

The **Governor** recommends FY 2012 operating expenditures of \$203.6 million, including \$173.8 million from the State General Fund. The recommendation is a reduction of \$16.1 million, or 7.3 percent, all funds and \$1.8 million, or 1.0 percent, State General Fund, below the FY 2011 recommendation. The recommendation reflects the agency request, absent enhancements, with the following four adjustments: the addition of \$40,283, all from the State General Fund, for fringe benefit increases as the Board office; a 5.0 percent administrative reduction of \$203,021, all from the State General Fund; the addition of \$10.0 million, all from the Kansas Universal Service Fund (KUSF) for KAN-ED; and the addition of \$1.0 million, all from the Economic Development Initiatives Fund (EDIF) for the transfer of the Experimental Program

Appropriations Committee

Date February 21-22, 2011

Attachment 6-20

to Stimulate Competitive Research (EPSCoR) from the Kansas Technology Enterprise Corporation (KTEC) to the Board of Regents.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-21

House Budget Committee Report

Agency: University of Kansas

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 314

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 136,895,315	\$ 136,895,315	\$ 0
Other Funds	495,555,871	495,555,871	0
Subtotal	\$ 632,451,186	\$ 632,451,186	\$ 0
Capital Improvements			
State General Fund	\$ 3,150,261	\$ 3,150,261	\$ 0
Other Funds	8,504,734	8,504,734	0
Subtotal	\$ 11,654,995	\$ 11,654,995	\$ 0
TOTAL	\$ 644,106,181	\$ 644,106,181	\$ 0
FTE positions	5,342.1	5,342.1	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	5,342.1	5,342.1	0.0

Agency Request

The agency requests FY 2012 operating expenditures of \$632.5 million, including \$136.9 million from the State General Fund. The request is a reduction of \$1.1 million, or 0.2 percent, all funds and an increase of \$370,439, or 0.3 percent, State General Fund from the FY 2011 estimate. The all funds reduction reflects funds carried forward from FY 2010 to FY 2011 that are not available for FY 2012. The State General Fund increase reflects salaries and wages fringe benefit increases.

Governor's Recommendation

The Governor concurs with the agency request.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-22

House Budget Committee Report

Agency: University of Kansas Medical Center

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 316

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 109,737,814	\$ 105,313,797	\$ 0
Other Funds	176,223,541	176,223,541	0
Subtotal	\$ 285,961,355	\$ 281,537,338	\$ 0
Capital Improvements			
State General Fund	\$ 470,000	\$ 470,000	\$ 0
Other Funds	1,274,000	1,274,000	0
Subtotal	\$ 1,744,000	\$ 1,744,000	\$ 0
TOTAL	\$ 287,705,355	\$ 283,281,338	\$ 0
FTE positions	2,438.3	2,438.3	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	2,438.3	2,438.3	0.0

Agency Request

The **agency** requests FY 2012 operating expenditures of \$286.0 million, including \$109.7 million from the State General Fund. The request is an all funds decrease of \$11.2 million, or 3.8 percent, and a State General Fund decrease of \$404,097, or 0.4 percent, below the FY 2011 estimate. The reduction reflects the absence of federal American Recovery and Reinvestment Act funds in FY 2012 that were available in FY 2011. The State General Fund reduction reflects reappropriations available in FY 2011 that are not available in FY 2012, partially offset by salary and wage fringe benefit increases in FY 2012.

Governor's Recommendation

The **Governor** recommends \$281.5 million, including \$105.3 million from the State General Fund, for FY 2012. The recommendation is a reduction of \$4.4 million, all from the State General Fund, below the agency request and reflects the move of funding for the Cancer Center to the Department of Commerce in FY 2012.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-23

House Budget Committee Report

Agency: Kansas State University

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 306

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 104,667,630	\$ 104,667,630	\$ 0
Other Funds	351,578,979	351,578,979	0
Subtotal	\$ 456,246,609	\$ 456,246,609	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	7,312,103	7,312,103	3,700,000
Subtotal	\$ 7,312,103	\$ 7,312,103	\$ 3,700,000
TOTAL	\$ 463,558,712	\$ 463,558,712	\$ 3,700,000
FTE positions	3,601.7	3,601.7	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	3,601.7	3,601.7	0.0

Agency Request

The **agency** requests an FY 2012 operating budget of \$456.2 million, including \$104.7 million from the State General Fund. The request is a reduction of \$12.3 million, or 2.6 percent, all funds and \$89,006, or 0.1 percent, State General Fund below the FY 2011 estimate. The State General Fund reduction reflects a reduction in the revised base budget, while the other funds reduction reflects funds that shift from FY 2010 to FY 2011 that will not be available in the budget year.

Governor's Recommendation

The **Governor** concurs with the agency request.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor with the following adjustments:

1. Add \$3.7 million, all from special revenue funds, at Kansas State University in FY 2012 for the second stage of a project to remove the Old Chemical Waste Landfill (OCWLF). The site was a disposal area for hazardous chemical waste or low level radioactive waste from the mid 1960s until 1984. Since the closure of the

Appropriations Committee

Date February 21-22, 2011

Attachment 6-24

site, the University has been monitoring it for chemical contamination of groundwater. That monitoring has indicated that the OCWLF is releasing hazardous materials to the uppermost aquifer.

According to the university, annual costs to monitor the site now exceed \$300,000 per year and are expected to continue to rise. In addition, both the Kansas Department of Health and Environment (KDHE) and the Environmental Protection Agency (EPA) require permanent resolution of the issue. Working with these agencies, as well as a subject matter expert, the university has developed a plan to remove the landfill – the only permanent solution.

The removal will be funded from a combination of Sponsored Research Overhead funds and bond funds.

2. Add \$50.0 million in bonding authority for FY 2012 for Snyder Family Stadium improvements. The stadium was built in 1968 with the press box area on the west side added in 1993 and the east side boxes completed in 1999. According to the university, to meet the needs of the program, students, and alumnus attending the game, the stadium needs to expand once again. There is a waiting list of interested parties to rent suites and for use of the club area seating. Additionally, there is a need for a larger, more functional and updated structure. The cost of this project is estimated at \$50 million funded by bonds to be repaid by athletic revenues. The time line for construction is to begin immediately following the 2011 football season.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-25

House Budget Committee Report

Agency: Kansas State University Extension Systems and
Agricultural Research Programs

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 308

Expenditure Summary	Agency Request FY 2012	Governor Recommendation 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 49,050,123	\$ 49,050,123	\$ 0
Other Funds	70,967,541	70,967,541	0
Subtotal	\$ 120,017,664	\$ 120,017,664	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	1,700,000	1,700,000	0
Subtotal	\$ 1,700,000	\$ 1,700,000	\$ 0
TOTAL	\$ 121,717,664	\$ 121,717,664	\$ 0
FTE positions	1,191.6	1,191.6	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	1,191.6	1,191.6	0.0

Agency Request

The **agency** requests FY 2012 operating expenditures of \$120.0 million, including \$49.1 million from the State General Fund. The request is an increase of \$143,382, or 0.1 percent, all funds and a decrease of \$51,702, or 0.1 percent, State General Fund from the FY 2011 request, reflecting a partial shift of State General Fund expenditures to special revenue funds.

Governor's Recommendation

The **Governor** concurs with the agency request.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-26

House Budget Committee Report

Agency: Kansas State University Veterinary Medical Center

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 310

Expenditure Summary	Agency Request 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 10,417,710	\$ 10,417,710	\$ 0
Other Funds	26,308,569	26,308,569	0
Subtotal	\$ 36,726,279	\$ 36,726,279	\$ 0
Capital Improvements			
State General Fund	\$ 0 0	\$ 0	\$ 0
Other Funds	10,000,000	10,000,000	0
Subtotal	\$ 10,000,000	\$ 10,000,000	\$ 0
TOTAL	\$ 46,726,279	\$ 46,726,279	\$ 0
FTE positions	310.9	310.9	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	310.9	310.9	0.0

Agency Request

The **agency** requests FY 2012 operating expenditures of \$36.7 million, including \$10.4 million from the State General Fund. The request is a reduction of \$1.4 million, or 3.6 percent, from all funding sources and an increase of \$2,093, or less than 0.1 percent, in State General Fund expenditures from the FY 2011 estimate. The State General Fund increase reflects fringe benefit increases, while the other funds reduction reflects carry-forward funds available in FY 2011 that are not available in FY 2012.

Governor's Recommendation

The **Governor** concurs with the agency request.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-27

House Budget Committee Report

Agency: Wichita State University

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 318

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 66,465,375	\$ 66,465,375	\$ 0
Other Funds	172,783,062	167,783,062	0
Subtotal	\$ 239,248,437	\$ 234,248,437	\$ 0
Capital Improvements			
State General Fund	\$ 1,465,000	\$ 1,465,000	\$ 0
Other Funds	1,884,130	1,884,130	0
Subtotal	\$ 3,349,130	\$ 3,349,130	\$ 0
TOTAL	\$ 242,597,567	\$ 237,597,567	\$ 0
FTE positions	1,878.5	1,878.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	1,878.5	1,878.5	0.0

Agency Request

The **agency** requests FY 2012 operating expenditures of \$239.2 million, including \$66.5 million from the State General Fund. The request is a reduction of \$1.1 million, or 0.5 percent, all funds and \$131,752, or 0.2 percent State General Fund below the FY 2011 estimate. The reduction reflects federal American Recovery and Reinvestment Act (ARRA) funds that are not available for FY 2012, partially offset by increases in special revenue fund revenues.

Governor's Recommendation

The **Governor** concurs with the agency request with one adjustment. The Governor recommends a reduction of \$5.0 million, all from the Economic Development Initiatives Fund (EDIF), for the National Institute for Aviation Research (NIAR) for FY 2012. The Governor adds \$5.0 million, all from the State General Fund, to the Department of Commerce, for grants related to NIAR for FY 2012.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-28

House Budget Committee Report

Agency: Emporia State University

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 302

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 31,505,676	\$ 31,505,676	\$ 0
Other Funds	50,386,894	50,386,894	0
Subtotal	\$ 81,892,570	\$ 81,892,570	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	1,291,237	1,291,237	0
Subtotal	\$ 1,291,237	\$ 1,291,237	\$ 0
TOTAL	\$ 83,183,807	\$ 83,183,807	\$ 0
FTE positions	837.1	837.1	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	837.1	837.1	0.0

Agency Request

The **agency** requests FY 2012 operating expenditures of \$81.9 million, including \$31.5 million from the State General Fund. The estimate is a decrease of \$4.3 million, or 5.0 percent, from all funding sources, and \$29,646, or 0.1 percent, from the State General Fund below the FY 2011 estimate. The reduction reflects carry forward funds available in FY 2011 that are not available in FY 2012, as well as the absence of federal American Recovery and Reinvestment (ARRA) funds.

Governor's Recommendation

The **Governor** concurs with the agency request.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-29

House Budget Committee Report

Agency: Fort Hays State University

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 304

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 33,918,200	\$ 33,918,200	\$ 0
Other Funds	52,480,941	53,258,252	0
Subtotal	\$ 86,399,141	\$ 87,176,452	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	2,698,118	2,698,118	5,300,000
Subtotal	\$ 2,698,118	\$ 2,698,118	\$ 5,300,000
TOTAL	\$ 89,097,259	\$ 89,874,570	\$ 5,300,000
FTE positions	793.8	793.8	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	793.8	793.8	0.0

Agency Request

The **agency** requests FY 2012 operating expenditures of \$86.4 million, including \$33.9 million from the State General Fund. The request is a reduction of \$881,956, or 1.0 percent, all funds and \$204,140, or 0.6 percent, State General Fund below the FY 2011 estimate. The reduction reflects funds that carried forward from FY 2010 to FY 2011 that are not available for FY 2012.

Governor's Recommendation

The **Governor** recommends FY 2012 expenditures of \$87.2 million, including \$33.9 million from the State General Fund. The recommendation is an increase of \$777,311, or 0.9 percent, all funds and no State General Fund above the FY 2011 agency estimate, reflecting a technical adjustment to reflect the agency request, partially offset by a reduction of \$200,000, all from the Economic Development Initiatives Fund, for an enhancement request not funded by the Governor. The recommendation is a reduction of \$104,645, or 0.1 percent, all funds and \$204,140 or 0.6 percent, State General Fund below the FY 2011 recommendation, primarily reflecting the unfunded enhancement request.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-30

House Budget Committee Recommendation

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

1. Add \$1.3 million, all from housing revenue funds, at Fort Hays State University for window and exterior door replacement at McMinder Hall. The project will occur during the summers of 2012 and 2013.
2. Add \$4.0 million, all from special revenue funds, at Fort Hays State University for an indoor practice facility. The university has indicated that its athletic teams do not currently have sufficient indoor practice facilities for the variety of teams that require them. The total square footage of the project is estimated at 48,000 square feet and will include a weight room, running track, half a football field, and support areas. The project will be funded with private gifts, and operations funded through the existing budget.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-31

House Budget Committee Report

Agency: Pittsburg State University

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. --

Budget Page No. 312

Expenditure Summary	Agency Request FY 2012	Governor Recommendation FY 2012	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 34,222,572	\$ 34,222,572	\$ 0
Other Funds	56,598,414	56,598,414	0
Subtotal	\$ 90,820,986	\$ 90,820,986	\$ 0
Capital Improvements			
State General Fund	\$ 345,684	\$ 345,684	\$ 0
Other Funds	2,691,069	2,691,069	1,500,000
Subtotal	\$ 3,036,753	\$ 3,036,753	\$ 1,500,000
TOTAL	\$ 93,857,739	\$ 93,857,739	\$ 1,500,000
FTE positions	898.7	898.7	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	898.7	898.7	0.0

Agency Request

The **agency** requests FY 2012 expenditures of \$90.8 million, including \$34.2 million from the State General Fund. The request is a decrease of \$799,251, or 0.9 percent, all funds and \$57,919, or 0.2 percent, State General Fund below the FY 2011 estimate. The reduction reflects the loss of federal American Recovery and Reinvestment Act (ARRA) funds, reappropriations of State General Funds available in FY 2011 that are not available for FY 2012 offset by fringe benefit increases, and variations in special revenue fund revenues.

Governor's Recommendation

The **Governor** concurs with the agency request.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation with the following adjustment:

1. Add \$1.5 million, all from special revenue funds, at Pittsburg State University for the demolition of the existing President's Home and to replace it with a new University House. The new house will provide private quarters for the President's family, as well as

Appropriations Committee

Date February 21-22, 2011

Attachment 6-32

functional events space for University use and private quarters for overnight guests and dignitaries. The project will be funded through private gifts, and the operating and maintenance costs will be paid from the existing operations budget.

Appropriations Committee

Date February 21-22, 2011

Attachment 6-33

Regents Capital Improvements Additions

Project	Completion Date	Funding Sources	
		Construction	Operations and Maintenance
FY 2011			
1 KSU - Large Animal Research Center	Unknown at this time	Private Funds	Sponsored Research Overhead funds
2 KSU - Jusin Hall Addition	2013	Private Gifts	Existing Budget
3 KSU - Old Chemical Waste Landfill (Stage I)	2012	Sponsored Research Overhead funds	None required
4 KSU - Upgrade West Hall	Summer 2011	Housing Funds	Existing Budget
5 KSU - SE Research-Extension Center	2012	Private Gifts and Research and Extension Funds	Research and Extension Funds
6 KSU - Durland Hall Lab Renovation	Fall 2011	Grant Funds and Sponsored Research Overhead Funds	Existing Budget
7 KSU - Technology Assistance Center Remodel	Unknown - Phased Project	Restricted Fees from user fees associated with the facility	Existing Budget
8 Duplicate of #6 above			
9 KSU - Upgrade John C. Pair Center	2012	Private Gifts and Research and Extension Funds	Existing Budget
10 KSU - Lease Purchase for Grain Science Center Feed Mill	Summer 2013	Reallocation of resources, private sources, and other funds	Part of the lease agreement
FY 2012			
1 PSU - University House	2012	Private Gifts	Existing Resources
2 FHSU - Replace Windows and Doors at McMIndes Hall	Summers of 2012 and 2013	Housing Funds	Housing Funds
3 FHSU - New Indoor Practice Facility	Dec-12	Private Gifts	Existing Resources
4 KSU - Remove Old Chemical Waste Landfill (Stage 2)	Summer 2012	Sponsored Research Overhead funds	None required
5 KSU - Bonding Authority for Snyder Family Stadium	2012	Bonds	Athletic Revenues

Sponsored Research Overhead Funds. Statutory authority is provided in K.S.A. 76-753. Indirect cost recoveries (overhead) on sponsored research and training agreements are deposited in this fund. Overhead allowances on contracts vary widely, ranging from zero in some cases to the maximum which official audits justify. Receipts are used to finance administrative costs of handling contracts, to finance specific research projects of individual members of the faculty, to cover salaries of personnel involved in or associated with research, to cover research-related library acquisitions, to fund capital improvements (research purposes), and to pay charges for computer services and specialized service centers.

Recovery Audit Contract (RAC) for Health Care Payments in Kansas

RAC requirements

- ▶ § 6411 of the Patient Protection and Affordable Care Act (PPACA) expands the Recovery Audit Contractor (RAC) program from Medicare to include Medicaid, Medicare C & D. Under the requirements of the PPACA, states must be in a contract with a RAC by December 31, 2010. CMS relaxed the time schedule and allowed the states to enter a State Plan Amendment (SPA) by December 31, 2010 and be in a contract for RAC services by April 2011 (since extended).
- ▶ In the Fiscal Year 2011 Budget bill, the Kansas Legislature required KHPA to enter into a competitively bid RAC contract by October 1, 2010. The Kansas Legislature expanded the scope of the RAC program to include medical and pharmacy services provided outside of Medicaid and the SEHP.

Procurement of a RAC vendor

- ▶ KHPA designed the RFP to meet both the requirements of the appropriations bill and to meet federal RAC requirements.
- ▶ KHPA published its request for proposals (RFP) on September 22, 2010, and the RFP closed on October 25, 2010.
- ▶ Federal Medicaid RAC requirements had not yet been issued with KHPA released its RFP in September 2010. KHPA modeled the RAC requirements on Federal Medicare RAC audits, which excludes audits of beneficiary liability.
- ▶ The scope of the RFP includes any improper payment or overpayment not specifically excluded by KHPA. Section 4.3 of the RFP/contract reads as follows:

“The purpose of this contract will be to support KHPA in achieving the requirements set forth in both the PPACA, including regulations on the same issued by HHS or CMS, and the State of Kansas Fiscal Year 2011 budget bill. The identification of underpayments and overpayments for the RAC portion of this RFP (section 4.5.2) shall occur for all claims paid under the Medicaid and CHIP programs, for all medical services for which payment is made by any agency of the State of Kansas for waiver services operated under title XIX and XXI of the Social Security Act, and for any payment for services provided under Chapter 39, Article 7 of the Kansas Statutes Annotated which are provided using exclusively State of Kansas general fund and are commonly referred to as MediKan.” <http://www.khpa.ks.gov/healthwave/download/procurements/RAC-RFP-Specifications.pdf>

- ▶ The scope of the RFP was specifically written to meet the Medicaid RAC requirement, however the bidders were encouraged to propose and bid on potential recoveries outside of Medicaid, such as SEHP and other medical services.

- ▶ Types of audits excluded by KHPA in the RFP include date of service limitation, improper payments on which the beneficiary is liable, and improper payments that have already been reviewed).
 - ▶ A separate contract may be needed in order to investigate beneficiaries and recover funds for fraud or misrepresentation in the eligibility process.
 - ▶ The rate of return on audits and recoveries for beneficiary activities is expected to be significantly less than audits, recoveries, and other fraud control activities for providers, but there may also be a deterrent effect that improves the accuracy of information provided by applicants.
- ▶ Bidders were required to estimate the overpayment recoveries that they could recover under the contract with the possibility of damages if the recoveries did not amount to at least 90% of the bid amount on which the vendor selection was based. The vendor is to be paid only for overpayments that have actually been recovered and not overturned on appeal.

Selection of vendors and expected recoveries

- ▶ KHPA received three (3) bids. One bidder took exception to several necessary requirements. The other two were invited for a vendor conference which was held on November 19, 2010. The two bidders were Health Data Insights, Inc (HDI) and Health Management Services (HMS).
- ▶ HDI was awarded the contract on December 7, 2010. Implementation of the RAC contract is under way and recoveries are expected to begin before the end of the current State Fiscal Year.
- ▶ Both vendors proposed audit services for SEHP and for Medicaid. HMS proposed two projects that KHPA is and has been doing for several years (Medicare Buy-in and Health Insurance Premium Payment System (HIPPS)). HDI proposed working with outside agencies to look for future projects.
- ▶ The RAC vendor is only paid on a contingency fee basis for all recovered overpayments and repaid underpayments.
 - ▶ HDI bid an overpayment recovery of \$16.08 million over three years (including \$2.4 million for SEHP) at a contingency fee of 17%.
 - ▶ HMS bid an overpayment recovery of \$5 million over three years at a contingency fee of 18% and did not specify how much would be recovered for SEHP.
 - ▶ Actual recoveries may exceed bid amounts.

Proposed Amendment to the Department of Health and Environment Subcommittee Report:

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

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

Appropriations Committee

Date February 21-22, 2011

Attachment 9