

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 10:00 a.m. on April 20, 2011, in Room 548-S of the Capitol.

Committee staff present:

Jill Wolters, Office of the Revisor of Statutes  
Daniel Yoza, Office of the Revisor of Statutes  
David Wiese, Office of the Revisor of Statutes  
Alan Conroy, Director, Legislative Research Department  
J. G. Scott, Chief Fiscal Analyst, Legislative Research Department  
Aaron Klaassen, Senior Fiscal Analyst, Legislative Research Department  
Dorothy Hughes, Fiscal Analyst, Legislative Research Department  
Amy Deckard, Senior Fiscal Analyst, Legislative Research Department  
Michael Wales, Legislative Fellow, Legislative Research Department  
Christina Allen, Fiscal Analyst, Legislative Research Department  
Reagan Cussimano, Senior Fiscal Analyst, Legislative Research Department  
Dylan Dear, Fiscal Analyst, Legislative Research Department  
Michael Steiner, Senior Fiscal Analyst, Legislative Research Department  
Laura Younker, Legislative Fellow, Legislative Research Department  
Estelle, Montgomery, Fiscal Analyst, Legislative Research Department  
Audrey Dunkel, Principal Fiscal Analyst  
Shirley Morrow, Fiscal Analyst, Legislative Research Department  
Leah Robinson, Principal Fiscal Analyst  
Jan Lunn, Committee Assistant  
Josh Lewis, Chief of Staff

Others attending:

See attached list.

**Morning Session**

**April 2011 Consensus Caseload Estimates**

Senator McGinn recognized Amy Deckard, Legislative Research Department, to review the Consensus Caseload Estimates for FY 2011 and FY 2012. Ms. Deckard provided a summary of how the caseload estimates are generated and what expenditures are included (Attachment 1). Ms. Deckard noted that caseload estimates exclude Home and Community Based Services waivers. She reviewed estimates and a chart containing the Governor's recommended consensus caseload estimates for each fiscal year, the April 2011 revised estimates, and variances compared to the Governor's recommendation. Considerable discussion was heard regarding the Cost and Containment Recovery Contract through the Kansas Health Policy Authority. The estimated FY 2011 savings from this contractual agreement was \$17.3 million; the revised estimate is \$32,000. Additional information will be provided regarding the contract provider, terms of the agreement, etc., during the afternoon session.

**April 2011 Consensus Revenue Estimates for Expanded Lottery Act Revenue Fund**

Dylan Dear, Legislative Research Department, presented consensus revenue estimates for the Expanded Lottery Act Revenue Fund (ELARF) (Attachment 2). April 2011 revenue estimates increased \$15.9 million over the fall estimate.

**State Water Plan**

Christina Allen, Legislative Research Department, discussed the State Water Plan Fund (Attachment 3).

**Children's Development Initiatives Fund**

Amy Deckard, Legislative Research Department, distributed a handout (Attachment 4) and reviewed the Senate Committee of the Whole Adjustments for FY 2012 to the Children's Development Initiatives Fund (CDIF). Ms. Deckard reported that the April 2011 consensus revenue estimates from the tobacco master settlement agreement have been revised downward. The decrease in anticipated revenues is due to a large tobacco manufacturer

CONTINUATION SHEET  
MINUTES OF THE WAYS AND MEANS COMMITTEE on April 20, 2011, 10:00 a.m. 548-S

choosing to withhold a portion of the yearly payment. She explained that the ongoing litigation concerning the payments owed by the tobacco companies and the state's obligation under the agreement is at issue. Discussion followed in which Ms. Deckard outlined the current practice of transferring funding from the SGF to support CDIF appropriations (Attachment 4(a)).

**Economic Development Initiatives Fund**

Michael Steiner, Legislative Research Department, reviewed the Economic Development Initiatives Fund (Attachment 5).

**State General Fund Consensus Revenue Estimates**

Alan Conroy, Director of the Legislative Research Department, presented information related to the State General Fund Consensus Revenue Estimates for FY 2011 and FY 2012, and a comparison of the SGF receipts, expenditures and balances as recommended by the Governor, the Senate, and the House (Attachment 6). Mr. Conroy noted that the overall estimate for both fiscal years was decreased by a combined \$31.7 million. He further elaborated that significant adjustments for both years include the impact of the new federal tax legislation approved in December, which provided for expensing, bonus depreciation, removal of limitations on itemized deductions by high-income taxpayers, expansion of dependent care credits, and expansion of earned income tax credits. Several senators expressed concern relating to the new federal tax regulations and its impact on consensus estimates.

Senator McGinn requested that staff distribute a spreadsheet, "Budget Adjustments for Positions Agreed to as of April 19" which outlines the actions taken by the House Committee on Appropriations and the Senate Ways and Means Conference Committee (Attachment 7).

**Items for Omnibus Consideration**

J. G. Scott, Legislative Research Department, provided an explanation of the handout, "Items for Omnibus Consideration" (Attachment 8). Mr. Scott indicated that each fiscal analyst would review his/her specific assigned subject areas.

Items reviewed and discussed by committee members included:

- Department of Agriculture
- Kansas Corporation Commission
- Citizens' Utility Ratepayer Board
- Kansas Guardianship Program
- Children's Development Initiative Fund/Tobacco Revenue – Amy Deckard, Legislative Research Department, previously discussed this item (see "Children's Initiatives Fund" discussion above). Based on a Senator Kelly's request early in the 2011 Session to track caseload estimates for accuracy and comparison of variances (estimated to actual), Ms. Deckard distributed a spreadsheet, "Summary of Consensus Caseload Expenditures" (Attachment 9) and explained the information contained in the spreadsheet.
- Department of Social and Rehabilitation Services
- Department of Health and Environment – Health Care Finance/Kansas Health Policy Authority
- Department of Health and Environment – Health
- Department of Health and Environment – Environment

Chairperson McGinn indicated the committee would recess and reconvene at 1:45 p.m.

**Afternoon Session**

**Items for Omnibus Consideration (continued)**

- Office of the Governor
- Secretary of State
- Department on Aging - Estelle Montgomery, Legislative Research Department, reviewed information contained in Attachment 8. Senator Kelly requested that when the Secretary of the Department on Aging presents to the House Appropriations Committee on the proposed reorganization and downsizing of agency operations, the same report is furnished to the Senate Ways and Means Committee.
- Governmental Ethics Commission



## CONTINUATION SHEET

MINUTES OF THE WAYS AND MEANS COMMITTEE on April 20, 2011, 10:00 a.m. 548-S

- Rainbow Mental Health Facility
- Department of Commerce
- Kansas Public Employees Retirement System
- Kansas Technology Enterprise Corporation
- Board of Healing Arts
- Commission on Veterans Affairs
- Insurance Department
- Board of Regents
- Department of Education
- Department of Corrections
- Sentencing Commission
- Juvenile Justice Authority
- State Bank Commissioner
- Board of Indigents' Defense Services
- Judicial Branch
- Department of Labor
- Real Estate Commission
- State Historical Society
- Kansas Bureau of Investigation
- Kansas Commission on Peace Officers' Standards and Training
- Kansas Department of Transportation
- Special Revenue Fund Transfers to State General Fund

### **Kansas Health Policy Authority – Cost Containment and Recovery Contract**

Amy Deckard, Legislative Research Department, distributed the following:

1. Cost Containment and Recovery Contract Estimates in Human Services Consensus Caseload (Attachment 10).
2. Contract between the Kansas Health Policy Authority and Health Data Insights, Inc. (HDI) for Recovery Audit Contractor Services, which is an abbreviated version of the contract (Attachment 11).
3. Contract between the Kansas Health Policy Authority and Health Data Insights, Inc. for Recovery Audit Contractor Services, which is the contractual agreement in full (Attachment 12).

Numerous questions, concerns and issues were heard concerning the agreement. Scott Brunner, Chief Financial Officer of the Kansas Health Policy Authority, was in the audience and distributed a handout entitled "Recovery Audit Contract for Health Care Payment in Kansas" (Attachment 13), which explained the contractor is compensated at the rate of 17 percent of all overpayments recovered and 18 percent of all underpayments made to contracted providers of Kansas Medicaid services by KHPA, provided that overpayments equal or exceed underpayments. Senators Schmidt, Kelly, and Vratil expressed concern relative to many issues within the agreement such as: initial estimates of recovering millions of dollars only to learn of an estimated recovery of \$32,000 in FY 2011, liquidated damages represented as guarantees, the overpayment appeal process for providers and the possibility of losing Medicaid providers due to the time a provider expends to defend an overpayment, and whether the contract benefits the State. Senator Vratil moved to include a provision in the budget to prohibit the expenditure of any money for the administration of the contract between Kansas Health Policy Authority and Health Data Insights, Inc. Discussion followed in which Senator Masterson pointed out that the contract centers on an improvement process dedicated to accurate filing of Medicaid claims in which the vendor is paid on a contingency basis for under- and overpayments identified. Senator Vratil withdrew his motion and commented that a thorough investigation of the issues and evaluation of potential actions is warranted for the 2012 Session.

### **Action Items for Omnibus Consideration**

Legislative Research Department staff distributed a worksheet (Attachment 14) for committee members to use as action is taken on each item.

The committee members reached consensus to take no action on the following items:

# CONTINUATION SHEET

MINUTES OF THE WAYS AND MEANS COMMITTEE on April 20, 2011, 10:00 a.m. 548-S

- Kansas Corporation Commission – related to **H Sub for SB 50**
- Attorney General - related to **HB 2010**
- Department of Health and Environment – Health Care Finance related to **SB 36**
- Secretary of State – related to funding for the 2012 presidential preference primary
- Department of Commerce – related to **HB 2125**
- Kansas Public Employees Retirement Fund – related to **S Sub for HB 2194**
- Kansas Technology Enterprise Corporation – related to funding for FY 2012
- Kansas Technology Enterprise Corporation – related to **HB 2054**
- Commission on Veterans Affairs – related to prioritization of capital improvement items
- Insurance Department – related to **HB 2076**
- Insurance Department – related to **HB 2075**
- State Universities – related to **HB 2020**
- Department of Education – related to **SB 11**
- Sentencing Commission – related to **HB 2023**
- Sentencing Commission – related to **HB 2049**
- Juvenile Justice Authority – related to Prevention Block Grant Program Funding
- Board of Indigents' Defense Services – related to Assigned Counsel Caseload Services
- Department of Labor – related to **Sub HB 2134**
- Department of Labor – related to **SB 77**
- Kansas Bureau of Investigation – related to **SB 37**
- Special Revenue Transfers to the State General Fund – related to **SB 229**

The committee reached consensus to take action on the following items:

- Kansas Guardianship Program – Action: restore funding to the FY 2011 appropriation in the amount of \$44,418.
- Department of Social and Rehabilitation Services – related to **SB 210—Developmental Disabilities Provider Assessment.** Action: appropriate the new Quality Based Community Fee Fund as a no limit fund.
- Department of Social and Rehabilitation Services – related to Human Services Consensus Caseloads. Action: fund Human Services Caseloads for FY 2011 and FY 2012.
- Attorney General – related to **HB 2035—Concerning late-term abortions.** Action: use existing resources.
- Attorney General – related to **SB 93—Concerning racial or other biased-based policing.** Note: Enactment of this bill would require funds for investigation and training. Action: use existing resources.
- Department of Health and Environment – Health Care Finance – related to **HB 2035—Concerning late term abortions.** Action: use existing resources.
- Secretary of State – related to **HB 2240 – Concerning a cemetery Maintenance and Merchandise Fee Fund.** Action: appropriate the new fee funds as no limit funds.
- Governmental Ethics Commission Fee Funds – related to the Governor's FY 2012 and FY 2013 recommendation. Note: Without the passage of **S Sub for HB 2080** the agency will be unable to fund the Governor's FY 2011 and FY 2012 recommendations. Action: add \$230,000, all from the SGF, to fund the Governmental Ethics Commission Fee Fund for FY 2012, if action is not taken on S Sub for HB 2080 and, add \$220,000, all from the SGF, to fund the Governmental Ethics Commission Fee Fund for FY 2013, if action is not taken on S Sub for HB 2080.
- Board of Regents – related to **SB 143—Concerning technical education funding.** Action: create the Postsecondary Tiered Technical Education State Aid fund and the Washburn Institute of Technology Operating Fund for FY 2012.
- State Historical Society – related to repair and replacement of lighting fixtures. Action: fund \$50,000, all from SGF, for repair and replacement of lighting fixtures.
- Kansas Bureau of Investigation – related to an additional funding request to retain a trained part-time DNA scientist. Action: fund \$41,640, all from the SGF, for a part-time DNA scientist for FY 2012.
- Kansas Commission on Peace Officers' Standards and Training – related to the Local Law Enforcement Training Reimbursement Fund. Action: appropriate the Local Law Enforcement training Reimbursement Fund as a no limit fund.
- Kansas Department of Transportation – related to **HB 2003—Concerning K-18 Highway.** Action: add an operating expenditure increase of \$1,440, all from the State

CONTINUATION SHEET  
MINUTES OF THE WAYS AND MEANS COMMITTEE on April 20, 2011, 10:00 a.m. 548-S

- Highway Fund, for FY 2012.
- Kansas Department of Transportation – related to **HB 2192—Making seat belt regulations part of uniform act regulating traffic on highways.** Action: add the
- expenditures limitation increase of \$24,750, all from the State Highway Fund, for signage changes for FY 2012.
- Kansas Department of Transportation – related to **HB 2172 - Registration of vehicles; renewal; certification of financial security.** Action: add the expenditure limitation increase of \$14,120, all from the State Highway Fund, for FY 2012 to expend donations received for these designations.

Senator Vratil reported to committee members that with respect to the Kansas Department of Transportation and the Kansas Highway Patrol project that will allow for the completion of interoperable communications system in Kansas, additional spending authority must be authorized for the Kansas Department of Transportation. Senator Emler moved to authorize a spending limitation increase of \$1.75 million to the Kansas Department of Transportation for the Communications System Interoperability project for FY 2012. Senator Umbarger seconded the motion, which carried on a voice vote.

Senator Vratil moved introduction of the conflicts resolution bill (no rls number). Senator Emler seconded the motion, which carried on a voice vote.

Chairperson McGinn briefly reviewed the information contained in the worksheet entitled “Budget Adjustments for Positions Agreed to as of April 19<sup>th</sup>” (see Attachment 7).

The meeting was adjourned at 4:46 p.m.

SENATE WAYS AND MEANS  
GUEST LIST  
April 20 and 21, 2011

NAME	AFFILIATION
Mary Jane Stankiewicz	KGFA
Kim Seiber	KLFA
Mandy Miller	SCoKS
Michelle Butler	Cap. Strategics
Mark Casey	GSA
Marshall Kennedy	KCVA
Robin Clements	DCCCA INIC
Rob MEALY	KEARNEY & Assoc.
DELEN KERN	UGIN LAW FIRM
Doug Bowman	CCECDs
Tom KREBS	KRSB
Diane Gjerstad	Wichita Public Schools
Destin Mayer	KHPA
Nick Wood	DISABILITY RIGHTS CENTER
Jonathan Krueger	KBOR
Kevin Keatley	Kansas Association of Counties
DAN Morin	KS Noel Society
Jacki Montfort-Pay	KCC
April Holman	Kansas Action for Children
Laura Cottaris	" "
Colin Thomasset	ACMHCK
Wiley Hurd	ACMHCK
Amy Campbell	KMHC
Shannon Bell Little	Little Government Relations
John Kiefhaber	Ks. Chiropractic Association
Doug Smith	Pruess, Smith & Associates
Kari Bruffett	KDHE
Ben Cleaves	KDOT
Lindsay Douglas	KDOT
Tara Mays	KDOT



**SENATE WAYS AND MEANS  
GUEST LIST  
April 20 and 21, 2011**

NAME	AFFILIATION
Julia Thompson	DOB
Cindy Newton	DOB
Mark Dodel	KSGA
DAVID HUTCHINGS	KBI
Ed Kump	KAP/KJA/KPD
Martin Hansen	Hawaii's Capital Program
Sarah Green	KDA
Chris Wilson	KDA
Tris Weeks	SRS
John Sprunger	KDWP
ALAN BURT	SECRETARY OF STATE
Dodie Wellshear	Ad Astra Group
Heather Morgan	UMP
GWAMERE-Flammell	KVC
Dale Goto	Wichita
Mary Foster	KID
Dawn Palmberg	KWD
Kim Torrey	KHP
AD HUSKEY	SWIL
Shannon Jones	SICK
MARK DEBETTI	KNEA
Connie Hubbell	KAMC
BARB Conant	KABC
Hitzi McFetrich	KABC
Jean Kraker	KGP-
Stephanie Bunker	Judicial Branch
Kimi Fowler	Judicial Branch
Shelba Krideaux	YHSU
Dillon Henry	KALB
Leslie Kaufman	Ks Co-op Council

[illegible]





Steven J. Anderson, CPA, MBA, Director

Division of the Budget

Sam Brownback, Governor

## MEMORANDUM

TO: Governor Sam Brownback and Legislative Budget Committee

FROM: Kansas Division of the Budget and Kansas Legislative Research Department

DATE: April 18, 2011

SUBJECT: Consensus Caseload Estimates for FY 2011 and FY 2012

The Division of the Budget, Department of Social and Rehabilitation Services, Kansas Health Policy Authority, Department on Aging, Juvenile Justice Authority, and the Legislative Research Department met on April 14, 2011, to revise the estimates on caseload expenditures for FY 2011 and FY 2012. The caseload estimates include expenditures for Nursing Facilities, Regular Medical Assistance, Temporary Assistance to Families, General Assistance, the Reintegration/Foster Care Contracts, Psychiatric Residential Treatment Facilities, and Out of Home Placements. As the starting point for the current estimate the group used the Governor's budget recommendation as adjusted by the Governor's Budget Amendment No. 1 and the State General Fund allotment that took effect on April 8, 2011. A chart summarizing the estimates for FY 2011 and FY 2012 is included at the end of this memorandum. The estimate for FY 2011 is increased by \$2.2 million from all funding sources. However, the estimate for State General Fund caseload expenditures is decreased by \$1.2 million. The new estimate for FY 2012 then increases by \$11.3 million from the State General Fund, and \$44.6 million from all funding sources. **The combined increase for FY 2011 and FY 2012 is an all funds increase of \$46.9 million and a State General Fund increase of \$10.1 million.**

### FY 2011

**For FY 2011, the estimate is an all funds increase of \$2.2 million and a State General Fund decrease of \$1.2 million as compared to the Governor's recommended budget.** The previous caseload estimate included \$64.1 million from all funding sources to account for funds generated by the nursing facility provider assessment. However, after implementation of the program, it was realized that a portion of the FY 2011 assessment revenue would actually be expended in FY 2012. Therefore, FY 2011 expenditures for the program were reduced by \$13.5 million. The previous caseload estimate also included State General Fund savings of \$17.3 million to account for the Cost Containment and Recovery Contract. The new estimate includes savings of only \$32,000 requiring \$17.3 million from the State General Fund to be added. However, because the new estimate for the Regular Medical Program utilizes unanticipated fee fund receipts and includes changes in the distribution of populations served and funding sources available to those clients, the net result for FY 2011 is State General Fund savings of \$1.2 million for all caseload programs.

Senate Ways and Means

Date: 04/20/11

Attachment: 1



## FY 2012

**For FY 2012, the estimate is an increase of \$44.6 million from all funding sources, including \$11.3 million from the State General Fund.** These adjustments include decreases for the Department on Aging's Targeted Case Management (TCM) Program, the Juvenile Justice Authority's Psychiatric Residential Treatment Facilities, and the Department of Social and Rehabilitation Services' Temporary Assistance to Families, Foster Care, Mental Health, Community Supports and Services and Addiction and Prevention Services. All of these programs are still expected to increase over FY 2011 expenditures, but beneficiaries and program expenditures are not expected to increase as much as was originally estimated. The estimate for JJA Out of Home Placements is increased.

The overall estimate for Nursing Facilities is slightly increased from the fall, but the State General Fund portion is \$2.0 million lower. The estimate for the number of clients is actually decreased, but costs are increased to reflect additional funding from the provider assessment. The estimate for Regular Medical is an increase of \$52.9 million, including \$13.8 million from the State General Fund. The previous caseload estimate included State General Fund savings of \$10.0 million to account for the Cost Containment and Recovery Contract. The new estimate includes revenues of only \$2.7 million requiring \$7.3 million from the State General Fund to be added. However, because the new estimate for the Regular Medical Program utilizes unanticipated fee fund receipts and includes changes in the distribution of populations served and funding sources available to those clients, the additional amount needed from the State General Fund is not as large.

The portion of expenditures anticipated to be funded by the federal government for the Medicaid program have decreased due to the conclusion of the American Recovery and Reinvestment Act (ARRA) funding at the end of June 2011. The increased amount of State General Fund required for matching in FY 2012 for caseload expenditures was estimated to be \$175.6 million in the fall. The portion of the increase in the current estimate that is attributable to the loss of ARRA funding is \$4.1 million, bringing the total to \$179.7 million for caseload programs. The total amount of funding needed to replace federal funds for caseload and non-caseload programs as a result of the elimination of ARRA enhanced Medicaid funding totals \$220.1 million in FY 2012.

The base Medicaid matching rate for federal contribution, excluding ARRA funding, was reduced by 1.6 percent between FY 2011 and FY 2012. The estimated impact of this reduction in FY 2012 in the fall was \$35.3 million for caseload expenditures. The portion of the increase in the current estimate that is attributable to the reduction in the base Medicaid matching rate for federal contribution is \$757,306, bringing the total to \$36.1 million for caseload programs. The impact of the base federal match rate on non-caseload items is estimated to be increased State General Fund expenditures of \$9.1 million in FY 2012.

The remaining increases reflect caseload growth, for both increased individuals and cost increases, totaling \$44.6 million from all funding sources and \$15.2 million from the State General Fund in FY 2012. Regular Medical expenses for KHPA were increased by \$13.8 million from the State General Fund and \$52.9 million from all funds due largely to estimated increases in the number of persons served. This estimate includes an increase in fee fund expenditures for the state match and a corresponding decrease of State General Fund expenditures attributable to unanticipated fee fund revenues for the Kansas Health Policy Authority for FY 2012. Nursing Facility expenditures from all funding sources were increased slightly, but the State General Fund portion is decreased due to an increased estimate for the second year of the provider assessment expenditures.



# April 2011 Consensus Caseload Estimates

		FY 2011 Governor's Rec.	April Revised FY 2011	Difference from Governor's Rec.	FY 2012 Governor's Rec.	April Revised FY 2012	Difference from Governor's Rec.
Regular Medical	SGF	\$379,859,598	\$378,496,159	(\$1,363,439)	\$546,192,132	\$560,000,000	\$13,807,868
	AF	1,344,600,000	1,372,410,000	27,810,000	1,410,000,000	1,462,900,000	52,900,000
Nursing Facilities	SGF	123,000,000	124,216,779	1,216,779	166,000,000	164,029,355	(1,970,645)
	AF	445,706,642	428,290,486	(17,416,156)	437,900,247	439,107,822	1,207,575
Aging Targeted Case Management	SGF	1,634,935	1,587,634	(47,301)	2,200,000	2,143,553	(56,447)
	AF	5,072,712	4,925,952	(146,760)	5,169,173	5,036,544	(132,629)
Psychiatric Residential Treatment Facilities	SGF	2,151,953	2,170,000	18,047	2,979,200	2,888,802	(90,398)
	AF	6,676,862	6,732,858	55,996	7,000,000	6,787,599	(212,401)
Out-of-Home Placements	SGF	17,843,651	18,700,000	856,349	19,000,000	19,375,843	375,843
	AF	21,622,100	22,576,774	954,674	22,000,000	22,574,980	574,980
Temporary Assist. to Families	SGF	29,821,028	29,821,028	--	29,821,028	29,821,028	--
	AF	54,500,000	53,156,880	(1,343,120)	57,500,000	54,759,600	(2,740,400)
General Assistance	SGF	3,024,000	2,940,833	(83,167)	--	--	--
	AF	3,024,000	2,940,833	(83,167)	--	--	--
Reintegration/Foster Care Contract	SGF	91,000,000	90,673,124	(326,876)	86,479,948	86,154,990	(324,958)
	AF	139,000,000	138,437,936	(562,064)	144,450,000	144,279,664	(170,336)
Mental Health	SGF	77,700,000	76,159,382	(1,540,618)	100,760,000	100,679,045	(80,955)
	AF	248,163,791	241,066,186	(7,097,605)	248,000,000	241,939,391	(6,060,609)
Nursing Facilities Mental Health	SGF	14,000,000	14,000,000	--	14,500,000	14,500,000	--
	AF	18,562,101	18,562,101	--	18,742,269	18,742,269	--
Community Supports & Services	SGF	10,979,653	10,739,088	(240,565)	14,600,000	14,346,962	(253,038)
	AF	34,066,560	33,320,160	(746,400)	34,304,511	33,709,967	(594,544)
Addiction and Prevention Services	SGF	6,300,000	6,564,733	264,733	9,000,000	8,937,881	(62,119)
	AF	19,547,006	20,368,394	821,388	21,146,617	21,000,661	(145,956)
<b>Total SGF</b>		<b>\$757,314,818</b>	<b>\$756,068,760</b>	<b>(\$1,246,058)</b>	<b>\$991,532,308</b>	<b>\$1,002,877,459</b>	<b>\$11,345,151</b>
<b>Total AF</b>		<b>\$2,340,541,774</b>	<b>\$2,342,788,560</b>	<b>\$2,246,786</b>	<b>\$2,406,212,817</b>	<b>\$2,450,838,497</b>	<b>\$44,625,680</b>

SGF - State General Fund

AF - All Funds



# Consensus Revenue Estimate for ELARF

## April 2011

Revenue Source	FY 2009 Actual	FY 2010 Actual	October 2010 FY 2011 Estimate	April 2011 FY 2011 Estimate	October 2010 FY 2012 Estimate	April 2011 FY 2012 Estimate	[See Note 6] April 2011 FY 2013 Estimate	April 2011 FY 2014 Estimate	April 2011 FY 2015 Estimate
Lottery Gaming Facility Privilege Fees									
NE - Kansas Entertainment L.L.C.	\$ --	\$ 25,000,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
SW - Butler National	\$ 5,500,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
SC - Peninsula Gaming, L.L.C.	\$ --	\$ --	\$ 25,000,000	\$ 25,000,000	\$ --	\$ --	\$ --	\$ --	\$ --
SE - ???	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Transfer to ELARF (100%)	\$ 5,500,000	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ --	\$ --	\$ --	\$ --	\$ --
NE Gaming Zone - Net Revenue Estimate [See Note 1]	\$ --	\$ --	\$ --	\$ --	\$ 44,000,000	\$ 58,500,000	\$ 178,778,460	\$ 182,354,029	\$ 186,001,110
Transfer to ELARF (22%)	\$ --	\$ --	\$ --	\$ --	\$ 9,680,000	\$ 12,870,000	\$ 39,331,261	\$ 40,117,886	\$ 40,920,244
Problem Gambling & Addictions Grant Fund (2%)	\$ --	\$ --	\$ --	\$ --	\$ 880,000	\$ 1,170,000	\$ 3,575,569	\$ 3,647,081	\$ 3,720,022
Cities & Counties (3%)	\$ --	\$ --	\$ --	\$ --	\$ 1,320,000	\$ 1,755,000	\$ 5,363,354	\$ 5,470,621	\$ 5,580,033
Lottery Reimbursement (1.2%)	\$ --	\$ --	\$ --	\$ --	\$ 528,000	\$ 702,000	\$ 2,145,342	\$ 2,188,248	\$ 2,232,013
Lottery Gaming Facility Manager (71.8%)	\$ --	\$ --	\$ --	\$ --	\$ 31,592,000	\$ 42,003,000	\$ 128,362,934	\$ 130,930,193	\$ 133,548,797
SW Gaming Zone - Net Revenue Estimate [See Note 2]	\$ --	\$ 20,663,987	\$ 37,000,000	\$ 38,700,000	\$ 38,000,000	\$ 39,500,000	\$ 40,655,160	\$ 41,468,263	\$ 42,297,628
Transfer to ELARF (22%)	\$ --	\$ 4,484,021	\$ 8,140,000	\$ 8,514,000	\$ 8,360,000	\$ 8,690,000	\$ 8,944,135	\$ 9,123,018	\$ 9,305,478
Problem Gambling & Addictions Grant Fund (2%)	\$ --	\$ 378,487	\$ 740,000	\$ 774,000	\$ 760,000	\$ 790,000	\$ 813,103	\$ 829,365	\$ 845,953
Cities & Counties (3%)	\$ --	\$ 649,071	\$ 1,110,000	\$ 1,161,000	\$ 1,140,000	\$ 1,185,000	\$ 1,219,655	\$ 1,244,048	\$ 1,268,929
Lottery Reimbursement (1.2%)	\$ --	\$ 183,309	\$ 444,000	\$ 464,400	\$ 456,000	\$ 474,000	\$ 487,862	\$ 497,619	\$ 507,572
Lottery Gaming Facility Manager (71.8%)	\$ --	\$ 14,969,099	\$ 26,566,000	\$ 27,786,600	\$ 27,284,000	\$ 28,361,000	\$ 29,190,405	\$ 29,774,213	\$ 30,369,697
SC Gaming Zone - Net Revenue Estimate [See Note 3]	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 56,500,000	\$ 147,145,370	\$ 163,290,780	\$ 188,748,002
Transfer to ELARF (22%)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 12,430,000	\$ 32,371,981	\$ 35,923,972	\$ 41,524,561
Problem Gambling & Addictions Grant Fund (2%)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,130,000	\$ 2,942,907	\$ 3,265,816	\$ 3,774,960
Cities & Counties (3%)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,695,000	\$ 4,414,361	\$ 4,898,723	\$ 5,662,440
Lottery Reimbursement (1.2%)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 678,000	\$ 1,765,744	\$ 1,959,489	\$ 2,264,976
Lottery Gaming Facility Manager (71.8%)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 40,567,000	\$ 105,650,376	\$ 117,242,780	\$ 135,521,066
SE Gaming Zone - Net Revenue Estimate [See Note 4]	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Distribution of Lottery Gaming Facility Revenue									
Transfer to ELARF	\$ --	\$ 4,484,021	\$ 8,140,000	\$ 8,514,000	\$ 18,040,000	\$ 33,990,000	\$ 80,647,378	\$ 85,164,876	\$ 91,750,283
Problem Gambling & Addictions Grant Fund	\$ --	\$ 378,487	\$ 740,000	\$ 774,000	\$ 1,640,000	\$ 3,090,000	\$ 7,331,580	\$ 7,742,261	\$ 8,340,935
Cities & Counties	\$ --	\$ 649,071	\$ 1,110,000	\$ 1,161,000	\$ 2,460,000	\$ 4,635,000	\$ 10,997,370	\$ 11,613,392	\$ 12,511,402
Lottery Reimbursement [See Note 5]	\$ --	\$ 183,309	\$ 444,000	\$ 464,400	\$ 984,000	\$ 1,854,000	\$ 4,398,948	\$ 4,645,357	\$ 5,004,561
Lottery Gaming Facility Managers	\$ --	\$ 14,969,099	\$ 26,566,000	\$ 27,786,600	\$ 58,876,000	\$ 110,931,000	\$ 263,203,715	\$ 277,947,186	\$ 299,439,560
Lottery Gaming Facility Privilege Fees	\$ 5,500,000	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ --	\$ --	\$ --	\$ --	\$ --
Lottery Gaming Facility Revenue-ELARF	\$ --	\$ 4,484,021	\$ 8,140,000	\$ 8,514,000	\$ 18,040,000	\$ 33,990,000	\$ 80,647,378	\$ 85,164,876	\$ 91,750,283
Total Available in ELARF	\$ 5,500,000	\$ 29,484,021	\$ 33,140,000	\$ 33,514,000	\$ 18,040,000	\$ 33,990,000	\$ 80,647,378	\$ 85,164,876	\$ 91,750,283

### Assumptions:

**Note 1** - Assumes Hollywood Casino at the Kansas Speedway will open Phase I gaming operations on March 1, 2012 and no date certain for full operations.

**Note 2** - Boot Hill Casino & Resort opened Phase I gaming operations on December 15, 2009 and no date certain for full operations.

**Note 3** - Assumes Kansas Star Casino will open Phase I gaming operations on February 1, 2012, Phase II gaming operations on February 1, 2013, and full operations on February 1, 2015.

**Note 4** - Unknown if there will be a manager willing to pay the \$25.0 million privilege fee and make a minimum investment of \$225.0 million for this zone.

**Note 5** - The Lottery makes payments to GTECH for the central computer system and is reimbursed for these expenditures out of the manager's share of revenue.

**Note 6** - Please note the estimates for FY 2013, FY 2014, FY 2015, and FY 2016 are for planning purposes only and are not an official estimate. Future estimates assume a 2.0 percent growth rate.

Senate Ways and Means

Date:

Attachment:

04/20/11

2

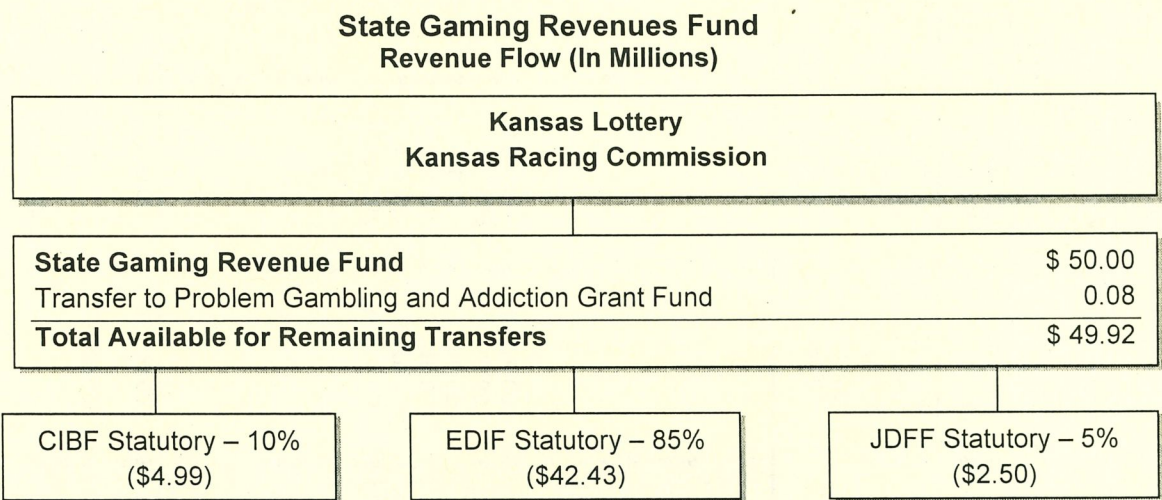


# GAMING REVENUES

The Kansas Lottery historically has generated revenue for the state through the sales of lottery tickets and online games. With the passage of 2007 SB 66, the Kansas Lottery will begin transferring new revenue to the state that will be in addition to the traditional (or old) lottery money. The new lottery money will be generated by fees and gaming at race track and casino facilities authorized by 2007 SB 66. The two different funds associated with old and new lottery money are in the new two sections.

## State Gaming Revenues Fund (SGRF) Overview

The statutes governing the SGRF provide that it shall be used to make transfers to the correctional institutions building fund (CIBF), the Juvenile Detention Facilities Fund (JDFF), and the State Economic Development Initiatives Fund (EDIF). The SGRF was created by 1986 legislation which created the Kansas Lottery. A portion of state revenue from both the Lottery and parimutuel wagering is transferred to the SGRF. That fund is used essentially as a clearing fund from which further transfers are made on a monthly basis. No more than \$50.0 million may be credited to the SGRF in any fiscal year. Amounts in excess of \$50.0 million are credited to the State General Fund. The Governor estimates \$72.0 million in FY 2011 and FY 2012 will accrue to the SGRF, with transfers to the State General Fund estimated at \$22.0 million for both fiscal years, which would be in addition to the statutory transfers shown below.



## Expanded Lottery Act Revenues Fund (ELARF) Overview

The statutes governing the ELARF provide that its funding shall be used for "...reduction of state debt, state infrastructure improvements, and reduction of local ad valorem tax..." Revenue to the fund is derived from the distribution of receipts from race track gaming facilities and lottery gaming facilities, and from one-time gaming machine privilege fees and one-time lottery gaming facility privilege fees. The ELARF was created by the 2007 legislation (SB 66).

Casinos	Racinos
Revenue Distribution Agreement in the Expanded Lottery Act	
73.0 % to the Lottery Gaming Facility Manger	25.0 % to racetrack gaming facility manager
22.0% to Expanded Lottery Act Revenue Fund	40.0 % to Expanded Lottery Act Revenue Fund
2.0% to Problem Gambling and Addictions Fund	2.0 % to Problem Gambling and Addiction Fund
3.0% to Cities and Counties	3.0 % to the Cities and Counties
	15.0 % to gaming facility manager for gaming expenses
	1.0 % to the Horse Fair Benefit Fund
	7.0 % to Live Greyhound Racing Purse Supplement Fund (amounts above \$3,750 per machine in 1 fiscal year split between the state and the gaming facility manager)
	7.0 % to Live Horse Racing Supplement Fund (amounts above \$3,750 per machine in 1 fiscal year split between the state and the gaming facility manager)
Privilege Fees Revenue	
\$25.0 million per site	\$2,500 per electronic gaming machine with a minimum of 600 machines at each track

*\*both casinos and racinos would be liable to repay the PMIB loan of 5.0 million to develop gaming in Kansas*



# State Water Plan Fund

Agency/Program Expenditures	FY 2012 KWA Rec.	FY 2012 Agency Request	FY 2012 Governor's Rec.	FY 2012 Ways and Means Adjustments
<b>KDHE</b>				
Contamination Remediation	\$ 800,000	\$ 800,000	\$ 800,000	\$ -
Local Environmental Protection Program	1,400,000	1,400,000	-	-
Non-Point Source Program	378,618	378,618	378,618	-
TMDL Initiatives	240,000	240,000	240,000	-
Water Restoration and Protection Strategy	725,000	725,000	725,000	-
Treece Superfund	-	-	-	-
<b>TOTAL</b>	<b>\$ 3,543,618</b>	<b>\$ 3,543,618</b>	<b>\$ 2,143,618</b>	<b>\$ -</b>
<b>Department of Agriculture</b>				
Interstate Issues	\$ 459,816	\$ 459,816	\$ 459,816	\$ -
Water Use	83,857	83,857	83,857	-
Subbasin Water Resources Management	704,584	704,584	704,584	40,000
<b>TOTAL</b>	<b>\$ 1,248,257</b>	<b>\$ 1,248,257</b>	<b>\$ 1,248,257</b>	<b>\$ 40,000</b>
<b>State Conservation Commission*</b>				
Water Resources Cost-Share	\$ 3,183,181	\$ 3,183,181	\$ 2,142,151	\$ -
Non-Point Source Pollution	3,254,907	3,254,907	2,278,435	150,000
Water Transition Assistance	837,425	837,425	600,984	225,000
Aid to Conservation Districts	2,266,962	2,266,962	2,113,796	150,000
Conservation Reserve Enhancement Program	-	-	-	-
Watershed Dam Construction	988,535	988,535	691,975	-
Water Quality Buffer Initiative	300,000	300,000	196,770	-
Riparian and Wetland Program	235,920	235,920	165,144	-
Multipurpose Small Lakes	-	-	-	-
Water Supply Restoration Program	892,227	892,227	656,298	(400,000)
<b>TOTAL</b>	<b>\$ 11,959,157</b>	<b>\$ 11,959,157</b>	<b>\$ 8,845,553</b>	<b>\$ 125,000</b>
<b>Kansas Water Office</b>				
Assessment and Evaluation	\$ 625,000	\$ 625,000	\$ 490,000	\$ (16,702)
GIS Database Development	250,000	250,000	175,000	-
MOU - Storage Operations and Maintenance	400,000	400,000	286,100	80,702
Technical Assistance to Water Users	455,000	455,000	437,443	(25,000)
Water Resource Education	70,000	70,000	38,500	-
Weather Modification	240,000	240,000	98,701	-
Weather Stations	70,000	70,000	49,000	(49,000)
Neosho River Basin Issues	-	-	-	-
Wichita Aquifer Storage & Recovery Project	850,000	850,000	652,141	100,000
Reservoir Sustainability	200,365	200,365	-	-
<b>TOTAL</b>	<b>\$ 3,160,365</b>	<b>\$ 3,160,365</b>	<b>\$ 2,226,885</b>	<b>\$ 90,000</b>
<b>Department of Wildlife and Parks</b>				
Stream Monitoring	\$ 40,000	\$ 40,000	\$ 40,000	\$ (40,000)
<b>University of Kansas</b>				
Geological Survey	\$ 40,000	\$ 28,800	\$ 28,800	\$ -
<b>TOTAL FUNDING</b>	<b>\$ 19,991,397</b>	<b>\$ 19,980,197</b>	<b>\$ 14,533,113</b>	<b>\$ 215,000</b>
Revenues	FY 2012 KWA Rec.	FY 2012 Agency Request	FY 2012 Governor's Rec.	FY 2012 Ways and Means Rec.
<b>Beginning Balance</b>	\$ 222,870	\$ 5,000,133	\$ 888,621	\$ 888,621
<b>Adjustments/Receipts</b>				
Released Encumbrances	\$ -	\$ -	\$ -	\$ -
State General Fund Transfer	6,000,000	6,000,000	-	-
EDIF Transfer	2,000,000	2,000,000	2,000,000	2,000,000
Fee Revenues	12,168,527	12,168,527	12,058,642	12,058,642
Transfer to the KCC - Abandoned Oil/Gas Wells	(400,000)	(400,000)	(400,000)	(400,000)
Transfer from the Standardized Water Data Repository	-	-	-	300,000
Transfer to the Grain Warehouse Inspection Fund	-	-	-	(75,000)
<b>Expenditures</b>	\$ (19,991,397)	\$ (19,980,197)	\$ (14,533,113)	\$ (14,748,113)
<b>ENDING BALANCE</b>	<b>\$ -</b>	<b>\$ 4,788,463</b>	<b>\$ 14,150</b>	<b>\$ 24,150</b>

\*For consistency with previous fiscal years, the State Conservation Commission expenditures remain separate from

Senate Ways and Means

Date: 04/20/11

Attachment: 3



# State Water Plan Fund

## History and Purpose

The **State Water Plan Fund** is a statutory fund (K.S.A. 82a-951) that was created by the 1989 Legislature for the purpose of implementing the State Water Plan (K.S.A. 82a-903). The fund is subject to appropriation by the Legislature and may be used for the establishment and implementation of water-related projects or programs and related technical assistance. Funding from the State Water Plan Fund may not be used to replace FTE positions or for recreational projects that do not meet the goals or objectives of the State Water Plan.

Revenue for the State Water Plan Fund is generated by water protection fees levied on public, industrial, and stock water users, fees on fertilizer and pesticide registration, and fines and penalties levied by the Kansas Department of Health and Environment (KDHE). Sand royalty receipts, fees paid by public water suppliers, and annual transfers of \$6.0 million from the State General Fund and \$2.0 million from the Economic Development Initiatives Fund (EDIF) also contribute to the revenue of the fund.

## Revenue

Revenue for the State Water Plan Fund is generated by the following sources:

- **Municipal Water Fees:** \$0.03 per 1,000 gallons;
- **Industrial Water Fees:** \$0.03 per 1,000 gallons;
- **Stock Water Fees:** \$0.03 per 1,000 gallons;
- **Pesticide Registration Fees:** \$100 per pesticide registered;
- **Fertilizer Registration Fees:** \$1.40 per ton inspected;
- **Sand Royalty Receipts:** \$0.15 per ton;
- **Clean Drinking Water Fee Fund:** \$0.03 per 1,000 gallons;
- **Pollution Fines and Penalties:** levied by the Kansas Department of Health and Environment (KDHE); the amount of revenue provided by pollution fines and penalties depends on the particular incident;
- **Water Litigation Proceeds Suspense Fund Transfer:** this transfer includes funds received from the State of Colorado as the result of litigation between Kansas and Colorado regarding the Arkansas River Compact. Approximately \$1.1 million was received by the Kansas Water Office in FY 2006 and placed in the Water Litigation Proceeds Suspense Fund at that time;
- **State General Fund Transfer:** K.S.A. 82a-953(a) provides for the annual transfer of \$6.0 million from the State General Fund to the State Water Plan Fund; and
- **Economic Development Initiatives Fund (EDIF) Transfer:** K.S.A. 79-4804(g) provides for the annual transfer of \$2.0 million from the EDIF to the State Water Plan Fund.

1 initiatives fund pursuant to this subsection and all reductions and  
2 adjustments thereto made pursuant to this subsection. The state treasurer  
3 shall enter all such amounts debited and credited and shall make  
4 reductions and adjustments thereto on the books and records kept and  
5 maintained for the state economic development initiatives fund by the state  
6 treasurer in accordance with the notice thereof.

7 (h) (1) On July 1, 2011, the director of accounts and reports shall  
8 record a debit to the state treasurer's receivables for the correctional  
9 institutions building fund and shall record a corresponding credit to the  
10 correctional institutions building fund in an amount certified by the  
11 director of the budget which shall be equal to 80% of the amount estimated  
12 by the director of the budget to be transferred and credited to the  
13 correctional institutions building fund during the fiscal year ending June  
14 30, 2012, except that such amount shall be proportionally adjusted during  
15 fiscal year 2012 with respect to any change in the moneys to be transferred  
16 and credited to the correctional institutions building fund during fiscal year  
17 2012. All moneys transferred and credited to the correctional institutions  
18 building fund during fiscal year 2012 shall reduce the amount debited and  
19 credited to the correctional institutions building fund under this subsection.

20 (2) On June 30, 2012, the director of accounts and reports shall adjust  
21 the amounts debited and credited to the state treasurer's receivables and to  
22 the correctional institutions building fund pursuant to this subsection, to  
23 reflect all moneys actually transferred and credited to the correctional  
24 institutions building fund during fiscal year 2012.

25 (3) The director of accounts and reports shall notify the state treasurer  
26 of all amounts debited and credited to the correctional institutions building  
27 fund pursuant to this subsection and all reductions and adjustments thereto  
28 made pursuant to this subsection. The state treasurer shall enter all such  
29 amounts debited and credited and shall make reductions and adjustments  
30 thereto on the books and records kept and maintained for the correctional  
31 institutions building fund by the state treasurer in accordance with the  
32 notice thereof.

33 (i) (1) On July 1, 2011, the director of accounts and reports shall  
34 record a debit to the state treasurer's receivables for the Kansas  
35 endowment for youth fund and shall record a corresponding credit to the  
36 Kansas endowment for youth fund in an amount certified by the director of  
37 the budget which shall be equal to 80% of the amount approved for  
38 expenditure by the children's cabinet during the fiscal year ending June 30,  
39 2012, as certified by the director of the budget. All moneys received and  
40 credited to the Kansas endowment for youth fund during fiscal year 2012  
41 shall reduce the amount debited and credited to the Kansas endowment for  
42 youth fund under this subsection.

43 (2) On June 30, 2012, the director of accounts and reports shall adjust  
44 the amounts debited and credited to the state treasurer's receivables and to  
45 the Kansas endowment for youth fund pursuant to this subsection, to  
46 reflect all moneys actually transferred and credited to the Kansas  
47 endowment for youth fund during fiscal year 2012.

48 (3) The director of accounts and reports shall notify the state treasurer  
49 of all amounts debited and credited to the Kansas endowment for youth

Senate Ways and Means

Date:

04/20/11

Attachment:

4(a)



1 fund pursuant to this subsection and all reductions and adjustments thereto  
2 made pursuant to this subsection. The state treasurer shall enter all such  
3 amounts debited and credited and shall make reductions and adjustments  
4 thereto on the books and records kept and maintained for the Kansas  
5 endowment for youth fund by the state treasurer in accordance with the  
6 notice thereof.

7 (4) The reductions and adjustments prescribed to be made by the  
8 director of accounts and reports and the state treasurer pursuant to this  
9 subsection for the Kansas endowment for youth fund to account for  
10 moneys actually received that are to be deposited in the state treasury and  
11 credited to the Kansas endowment for youth fund shall be made before the  
12 reductions and adjustments prescribed to be made by the director of  
13 accounts and reports and the state treasurer pursuant to subsection (f) for  
14 the children's initiatives fund to account for moneys actually received that  
15 are to be transferred and credited to the children's initiatives fund.

16 (j) During the fiscal year ending June 30, 2012, the secretary of  
17 administration, with the approval of the director of the budget, may  
18 transfer any part of any item of appropriation for the fiscal year ending  
19 June 30, 2012, from the state general fund for the department of  
20 administration to another item of appropriation for fiscal year 2012 from  
21 the state general fund for the department of administration. The secretary  
22 of administration shall certify each such transfer to the director of accounts  
23 and reports and shall transmit a copy of each such certification to the  
24 director of legislative research.

25 (k) There is appropriated for the above agency from the state  
26 institutions building fund for the fiscal year ending June 30, 2012, the  
27 following:

28 SIBF – state building insurance .....\$110,000

29 *Provided*, That, notwithstanding the provisions of K.S.A. 76-6b05, and  
30 amendments thereto, expenditures may be made by the above agency from  
31 the SIBF – state building insurance account of the state institutions  
32 building fund for state building insurance premiums.

33 (l) There is appropriated for the above agency from the correctional  
34 institutions building fund for the fiscal year ending June 30, 2012, the  
35 following:

36 CIBF – state building insurance.....\$100,000

37 *Provided*, That, notwithstanding the provisions of K.S.A. 76-6b09, and  
38 amendments thereto, expenditures may be made by the above agency from  
39 the CIBF – state building insurance account of the correctional institutions  
40 building fund for state building insurance premiums.

41 (m) On July 1, 2011, or as soon thereafter as moneys are available  
42 during the fiscal year ending June 30, 2012, the director of accounts and  
43 reports shall transfer an amount or amounts from the appropriate federal  
44 fund or funds of the department on aging to the older Americans act long-  
45 term care ombudsman federal fund of the department of administration:  
46 *Provided*, That the aggregate of such amount or amounts transferred  
47 during fiscal year 2012 shall be equal to and shall not exceed the Older  
48 Americans Act Title VII: Ombudsman Award and 4.38% of the Kansas  
49 Older Americans Act Title III: Part B Supportive Services Award.

4(a)2



# Children's Initiatives Fund

FY 2010 - FY 2012

Senate Committee of the Whole Adjustments

	Actual FY 2010	Legislative Approved FY 2011	Gov. Rec. FY 2011	Gov. Rec. FY 2012	Senate Committee of the Whole Adjustments FY 2012
<b>Department of Health and Environment</b>					
Healthy Start/Home Visitor	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
Infants and Toddlers Program (Tiny K)	5,700,000	5,700,000	5,700,000	5,700,000	-
Smoking Cessation/Prevention Program Grants	1,000,000	1,000,000	1,000,000	1,000,000	-
PKU/Hemophilia	-	-	-	-	-
Newborn Hearing Aid Loaner Program	49,227	50,000	50,773	50,000	-
SIDS Network Grant	75,000	75,000	75,000	75,000	-
Newborn Screening	2,222,222	2,218,443	2,218,443	2,218,443	-
Subtotal - KDHE	\$ 9,296,449	\$ 9,293,443	\$ 9,294,216	\$ 9,293,443	\$ -
<b>Juvenile Justice Authority</b>					
Juvenile Prevention Program Grants	\$ 4,673,032	\$ -	\$ -	\$ -	\$ -
Juvenile Graduated Sanctions Grants	4,324,677	-	-	-	-
Subtotal - JJA	\$ 8,997,709	\$ -	\$ -	\$ -	\$ -
<b>Department of Social and Rehabilitation Services</b>					
Children's Cabinet Accountability Fund	\$ 545,407	\$ 541,802	\$ 291,802	\$ 541,802	\$ -
Children's Mental Health Initiative	3,800,000	3,800,000	3,800,000	3,800,000	-
Family Centered System of Care	5,000,000	5,000,000	4,850,000	-	4,750,000
Child Care Services	1,399,836	1,400,000	1,400,000	4,852,779	180,900
Reading Roadmap	-	-	-	6,000,000	(5,000,000)
Smart Start Kansas - Children's Cabinet	8,321,820	8,443,161	8,318,582	7,468,582	-
Family Preservation	3,241,062	3,241,062	3,241,062	3,241,062	-
Early Childhood Block Grants	11,023,599	11,049,690	10,023,221	11,024,853	-
Early Childhood Block Grants - Autism	50,000	50,000	50,000	50,000	-
Early Head Start	3,452,625	3,452,779	3,452,626	-	69,100
Child Care Quality Initiative	500,000	500,000	500,000	500,000	-
Subtotal - SRS	\$ 37,334,349	\$ 37,478,494	\$ 35,927,293	\$ 37,479,078	\$ -
<b>Department of Education</b>					
Parents as Teachers	\$ 7,527,019	\$ 7,539,500	\$ 7,359,130	\$ 7,539,500	\$ -
Pre-K Pilot	5,000,000	5,000,000	4,880,370	5,000,000	-
Subtotal - Dept. of Ed.	\$ 12,527,019	\$ 12,539,500	\$ 12,239,500	\$ 12,539,500	\$ -
<b>TOTAL</b>	<b>\$ 68,155,526</b>	<b>\$ 59,311,437</b>	<b>\$ 57,461,009</b>	<b>\$ 59,312,021</b>	<b>\$ -</b>

	Actual FY 2010	Legislative Approved FY 2011	Gov. Rec. FY 2011	Gov. Rec. FY 2012	Senate Committee of the Whole Adjustments FY 2012
Beginning Balance	\$ 165,984	\$ (6,200,937)	\$ (6,200,937)	\$ 428	\$ 428
Plus: Other Income*	406,440	-	-	-	-
State General Fund Transfer					
Children's Initiatives Reserve Fund					
Transfer In**	1,283,705	1,194,152	1,194,152	-	-
KEY Fund Transfer In	60,119,242	59,764,922	62,469,685	59,311,593	59,311,593
Total Available	\$ 61,975,371	\$ 54,758,137	\$ 57,462,900	\$ 59,312,021	\$ 59,312,021
Less: Expenditures	68,155,526	59,311,437	57,461,009	59,312,021	59,312,021
Transfer Out to KEY Fund	-	-	-	-	-
Transfer Out to Children's Initiatives					
Reserve Fund**	-	-	-	-	-
Transfer Out to State General Fund	20,782	-	1,463	-	-
<b>ENDING BALANCE</b>	<b>\$ (6,200,937)</b>	<b>\$ (4,553,300)</b>	<b>\$ 428</b>	<b>\$ -</b>	<b>\$ -</b>

\* Other Income includes released encumbrances, recoveries and reimbursements.

Staff Note: The Governor's recommendation for FY 2011 transfers \$475,985 from the Kansas Endowment for Youth Fund to the Attorney General. The Governor's recommendation for FY 2012 recommends a transfer from the KEY fund to the Attorney General of \$485,593.

Senate Ways and Means

Date:

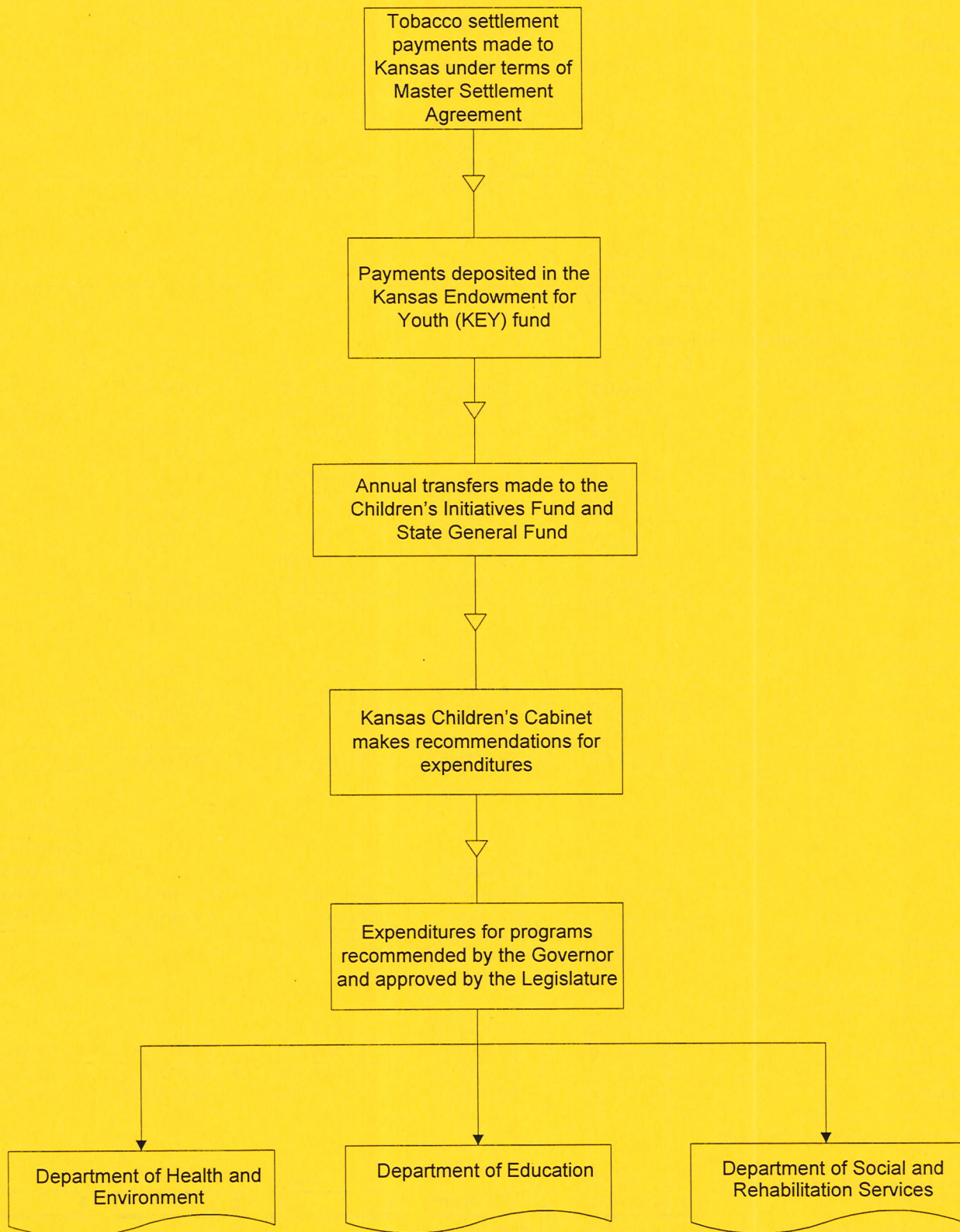
04/20/11

Attachment:

4



# Flow of Tobacco Settlement Dollars in Kansas



4-2



# ECONOMIC DEVELOPMENT INITIATIVES FUND

FY 2011 - 2012

Agency/Program	Legislature Final Approved FY 2011	Gov. Rec. FY 2011	Gov. Rec. FY 2012	Senate Committee Recommendation FY 2012
<b>Department of Commerce</b>				
Operating Grant	\$ 13,060,619	\$ 13,080,487	\$ 9,803,058	\$ -
Older Kansans Employment Program	294,682	294,682	294,652	-
Rural Opportunity Program	1,756,681	1,765,017	-	-
Senior Community Services Employment Program	9,141	9,141	141,061	-
Kansas Commission on Disability Concerns	192,026	201,250	-	-
Strong Military Bases Program	307,050	245,640	100,000	-
Rural Opportunity Zones Program	-	-	2,213,887	-
Small Technology Pilot Program	-	-	100,000	-
Community College Competitive Grants	-	-	500,000	(500,000)
Engineering Expansion Grants	-	-	1,000,000	(1,000,000)
Centers of Excellence	-	-	1,358,581	(1,358,581)
Entrepreneurial Centers	-	-	968,023	(968,023)
Mid-America Manufacturing Center (MAMTC)	-	-	1,025,000	(1,025,000)
KTEC Programs	-	-	-	3,351,604
Subtotal - Commerce	\$ 15,620,199	\$ 15,596,217	\$ 17,504,262	\$ (1,500,000)
<b>Department of Administration</b>				
Governor's Economic Council	\$ -	\$ -	\$ 200,000	\$ -
<b>Kansas Technology Enterprise Corporation **</b>				
Operations	\$ 1,189,886	\$ 1,079,443	\$ -	\$ -
University & Strategic Research	2,416,000	2,050,328	-	-
Product Development Financing	-	300,000	-	-
Commercialization	1,382,500	1,421,880	-	-
Mid-America Manuf. Tech. Center (MAMTC)	1,000,000	1,025,000	-	-
Subtotal - KTEC	\$ 5,988,386	\$ 5,876,651	\$ -	\$ -
<b>Kansas, Inc.</b>				
Operations	\$ 346,317	\$ 257,561	\$ -	\$ -
<b>Board of Regents &amp; Universities</b>				
Vocational Education Capital Outlay	\$ 2,565,000	\$ 2,565,000	\$ 2,565,000	\$ -
Technology Innovation & Internship	180,500	274,531	180,500	-
EPSCoR	-	-	1,000,000	-
Engineering Expansion Grants	-	-	-	1,000,000
Community College Competitive Grants	-	-	-	500,000
KSU - ESARP	300,815	300,815	301,332	-
FHSU - KAMS	200,000	200,000	-	-
WSU - Aviation Classroom & Training Equipment	5,000,000	5,000,000	5,000,000	-
WSU - Aviation Research	4,998,060	4,998,348	-	-
Subtotal - Regents & Universities	\$ 13,244,375	\$ 13,338,694	\$ 9,046,832	\$ 1,500,000
<b>Department of Agriculture</b>				
Grain Warehouse Inspection Program	\$ 75,000	\$ 75,000	\$ -	\$ -
Agriculture Marketing Program	-	-	396,331	-
Subtotal - Agriculture	\$ 75,000	\$ 75,000	\$ 396,331	\$ -
<b>Department of Wildlife and Parks</b>				
Travel and Tourism Development	\$ -	\$ -	\$ 1,856,487	\$ -
<b>Total Expenditures</b>	<b>\$ 35,274,277</b>	<b>\$ 35,144,123</b>	<b>\$ 29,003,912</b>	<b>\$ -</b>
<b>Transfers to Other Funds</b>				
Kansas Economic Opportunity Initiatives Fund **	\$ 1,250,000	\$ 625,000	\$ 1,250,000	\$ -
KS Qualified Biodiesel Fuel Producer Incentive Fund	200,000	200,000	200,000	-
State Water Plan Fund	2,000,000	2,000,000	2,000,000	-
Public Use General Aviation Airport Development Fund	1,000,000	1,000,000	-	-
KPERS Death and Disability Moratorium	16,236	16,236	-	-
Health Insurance Moratorium	-	-	-	-
State Housing Trust Fund	-	-	-	-
State Fair	-	-	159,207	-
Affordable Airfare Transfer	-	-	5,000,000	-
State General Fund	3,743,605	3,743,605	5,785,830	-
Subtotal - Transfers	\$ 8,209,841	\$ 7,584,841	\$ 14,395,037	\$ -
<b>TOTAL TRANSFERS AND EXPENDITURES</b>	<b>\$ 43,484,118</b>	<b>\$ 42,728,964</b>	<b>\$ 43,398,949</b>	<b>\$ -</b>
<b>EDIF Resource Estimate</b>				
Beginning Balance	\$ 15,081	\$ 439,648	\$ 666,949	\$ 666,949
Gaming Revenues	42,432,000	42,432,000	42,432,000	42,432,000
Other Income*	800,000	524,265	300,000	300,000
Total Available	\$ 43,247,081	\$ 43,395,913	\$ 43,398,949	\$ 43,398,949
Less: Expenditures and Transfers	43,484,118	42,728,964	43,398,949	43,398,949
<b>ENDING BALANCE</b>	<b>\$ (237,037)</b>	<b>\$ 666,949</b>	<b>\$ -</b>	<b>\$ -</b>

\* Other income includes interest, transfers, reimbursements and released encumbrances

\*\* Included in the Governor's allotment of March 11, 2011

Senate Ways and Means

Date:

04/20/11

Attachment:

5



Economic Development Initiatives Fund (EDIF) Overview

The statutes governing the EDIF provide that it shall be used to finance programs "... supporting and enhancing the existing economic foundation of the state and fostering growth ... to the state's economic foundation." With the exception of a statutory \$2.0 million transfer from the EDIF to the State Water Plan Fund, the Legislature annually appropriates the EDIF for individual projects and programs deemed to support and enhance the state's economic foundation.

The EDIF is funded through the State Gaming Revenues Fund (SGRF). A portion of state revenue from both the Lottery and parimutuel wagering is transferred to the SGRF. That fund is used essentially as a holding fund from which further transfers are made on a monthly basis. No more than \$50.0 million may be credited to the SGRF in any fiscal year. Amounts in excess of \$50.0 million are credited to the State General Fund.

The initial transfers from the State Gaming Revenue Fund, which began in 1986, were as follows:

- 1. County Reappraisal Fund (until June 30, 1989) - 30.0%
- 2. Split between Juvenile Detention Facilities Fund and Correctional Institutions Building Fund (Actual amount to be determined by appropriations act) - 10.0%
- 3. Economic Development Initiatives Fund (to be increased to 90.0% as of July 1, 1989) - 60.0%

During the 1988 Session, the Legislature delayed the increase in the transfer to the EDIF until July 1, 1990.

During the 1994 Session, the Legislature changed the transfers as of July 1, 1995 to the following:

- 1. Correctional Institutions Building Fund - 10.0%
- 2. Juvenile Detention Facilities Fund - 5.0%
- 3. Economic Development Initiatives Fund - 85.0%

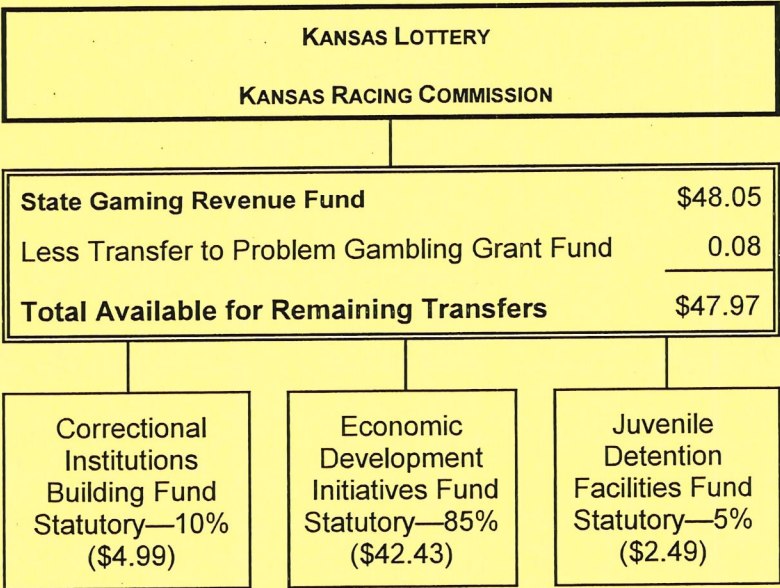
During the 2000 Session, the Legislature changed the transfers to the following:

- 1. Economic Development Initiatives Fund—\$42,432,000;
- 2. Correctional Institutions Building Fund—\$4,992,000;
- 3. Juvenile Detention Facilities Fund—\$2,496,000; and
- 4. Problem Gambling Grant Fund—\$80,000.

During the 2009 Session, the Legislature changed the transfers to the following for FY 2009 and FY 2010

- 1. Economic Development Initiatives Fund - \$40,782,869
- 2. Correction Institutions Building Fund - \$4,797,985
- 3. Juvenile Detention Facilities Fund - \$2,398,992
- 4. Problem Gambling Grant Fund - \$80,000

ECONOMIC DEVELOPMENT INITIATIVES FUND  
Revenue Flow  
(In Millions)



5-2

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

68-West-Statehouse, 300 SW 10th Ave.  
Topeka, Kansas 66612-1504  
(785) 296-3181 • FAX (785) 296-3824

kslegres@klrd.ks.gov

<http://www.kslegislature.org/klrd>

April 20, 2011

**To:** House Appropriations Committee  
Senate Ways and Means Committee

**From:** Alan D. Conroy, Director

**Re:** April, 2011 State General Fund Consensus Revenue Estimates

There will be distributed in a few days a long memorandum on the Consensus Revenue estimates that were made on April 15, 2011. Pending the completion of that long memorandum, I thought I would share with you some of the factors that the Consensus Group were made of aware of as we finalized our revenue estimates.

- Kansas Personal Income (an individual's total annual gross earnings coming from wages, business enterprises and various investments):
  - 2010 - 2.5 percent.
  - 2011 - 4.1 percent, up from the previous estimate of 3.4 percent.
  - 2012 - 5.4 percent, down from the previous estimate of 5.6 percent.
- Kansas Disposable Income (amount of money that households have available for spending and savings after income taxes):
  - 2010 - 2.9 percent.
  - 2011 - 3.0 percent, up from the previous estimate of 2.5 percent.
  - 2012 - 3.7 percent, down from the previous estimate of 4.3 percent.
- Inflation Rate (Consumer Price-Index for All Urban Consumers - CPI-U):
  - 2010 - 1.6 percent;
  - 2011 - 2.2 percent, up from the previous estimate of 1.6 percent.
  - 2012 - 2.2 percent, down from the previous estimate of 2.4 percent.
- Kansas Annual Unemployment Rate:
  - 2008 - 4.5 percent;
  - 2009 - 7.1 percent;
  - 2010 - 7.0 percent;
  - 2011 (estimated) - 6.8 percent (recent historic high);
  - 2012 (estimated) - 6.1 percent.

Senate Ways and Means

Date:

04/20/11

Attachment:

6

- Agricultural Plantings Report:

- As of March 31, Kansas farmers **expect to plant** 20.4 million acres of the four major crops (wheat, sorghum, corn, and soybeans) for the 2011 crop year, up 2.5 percent from 2010.
- **Wheat seeded** in the fall of 2010 totaled 8.8 million acres, up 5 percent from the previous year. This is the second lowest seeded wheat acres since 1957 when 7.2 million acres were seeded.
- Corn planting intentions totaled 5.1 million acres, up 5 percent from the 2010 acreage. If realized, this would be the largest area planted to corn since 1936 and the second year that Kansas farmers will plant more corn and soybeans than wheat.
- Soybean planted acreage is expected to be 4.0 million acres, down 7.0 percent from last year. However, this would be the second largest soybean acreage in Kansas history.
- Sorghum acreage expected to be planted, at 2.5 million acres, is up 6 percent from a year ago and still the largest acres in the nation.

- Agricultural Prices:

- All Crops Index in March, at 245 percent of the 1990-1992 base, is down 19 points from February but up 88 points from 2010.
- Mid-March wheat prices at \$7.0 per bushel, are down 94 cents from February but \$2.71 above last March.
- Mid-March corn prices at \$5.80 per bushel, are down 31 cents from February but \$2.28 above last March.
- Mid-March grain sorghum at \$9.95 per hundred weight, down 85 cents from February but \$4.42 above last March.
- Mid-March soybeans at \$12.30 per bushel, down 90 cents from February but \$3.06 above last March.
- All hay prices averaged \$107 per ton in Mid-March, up \$3 from February and \$9 higher than last year.

- Livestock:

- All cattle and calves on Kansas farms and ranches on January 1, 2011 totaled 6.3 million head, up 5 percent from a year earlier.
- Cattle on feed in Kansas feedlots with 1,000 head or more capacity as of March 1, 2011 totaled 2.22 million head, unchanged from a year ago, but down 2 percent from February 1<sup>st</sup>.
- Hogs and pigs on Kansas farms March 1, 2011 totaled 1.82 million head, up 2 percent from a year ago and 1 percent above December, 2010.

- Crop Progress and Condition:

- Condition of the wheat crop was rated:
  - 34 percent poor to very poor (last year 6 percent);

6-2



- 35 percent fair (last year 25 percent); and
    - 31 percent good to excellent (last year 69 percent).
  - Topsoil moisture:
    - 18 percent very short;
    - 23 percent short;
    - 51 percent adequate; and
    - 8 percent surplus.
  - Subsoil moisture:
    - 19 percent very short;
    - 25 percent short;
    - 51 percent adequate; and
    - 5 percent surplus.
  - Great variance within state in topsoil moisture:
    - East Central - 96 percent adequate to surplus (on April 3<sup>rd</sup>);
    - Southeast - 37 percent surplus;
    - West and Southwest - 91 percent short to very short;
    - Southwest - 65 percent very short.
- 
- Oil and Gas
    - Oil - 40 million barrels in FY 2011 and 41 million in FY 2012, both up from the previous estimate of 39 million barrels;
    - Oil price per barrel - \$77.00 in FY 2011 and \$82.00 in FY 2012, up from \$73.00 and \$75.00 in the previous estimate.
    - Gas - Price per mcf of \$3.85 in FY 2011 and \$4.15 in FY 2012, both up from \$3.60 and \$3.95, respectively in the previous estimate.
    - Gas - Estimated taxable value of \$1.232 billion in FY 2011 and \$1.245 billion in FY 2012.
  
  - Aviation Manufacturing
    - General aviation remains weak. It is estimated that manufactures will not increase employment significantly until the national economy shows signs of sustained growth.
    - Commercial aviation continues to grow. Spirit AeroSystems has been able to maintain its workforce of roughly 10,000. Spirit produces 70 percent of the Boeing 737 fuselage and demand for that aircraft remains strong.
    - Military aviation shows signs of growth. In February, the Boeing Company was awarded the U.S. Air Force's \$35 billion tanker contract. Although, it might be 2013 before an major tangible impact.

6-3



**Table 1**  
**Consensus Revenue Estimate for Fiscal Years 2011 and 2012**  
**and FY 2010 Actual Receipts**  
*(Dollars in Thousands)*

	FY 2010 (Actual)		FY 2011 (Revised)		FY 2012 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$ 24,993	(14.6) %	\$ 25,500	2.0 %	\$ 27,000	5.9 %
Income Taxes:						
Individual	\$2,418,208	(9.8) %	\$2,595,000	7.3 %	\$2,726,000	5.0 %
Corporation	224,940	(6.4)	231,000	2.7	231,000	--
Financial Inst.	16,515	(36.9)	21,000	27.2	21,500	2.4
Total	\$2,659,663	(9.8) %	\$2,847,000	7.0 %	\$2,978,500	4.6 %
Estate Tax	\$ 8,396	(62.7) %	\$ 500	(94.0) %	\$ --	(100.0) %
Excise Taxes:						
Retail Sales	\$1,652,037	(2.2) %	\$1,990,000	20.5 %	\$2,080,000	4.5 %
Compensating Use	205,540	(12.5)	283,000	37.7	297,000	4.9
Cigarette	99,829	(6.9)	94,000	(5.8)	92,000	(2.1)
Tobacco Products	6,352	10.9	6,500	2.3	6,700	3.1
Cereal Malt Bev.	1,989	(4.8)	1,850	(7.0)	1,850	--
Liquor Gallonage	17,953	(1.4)	18,800	4.7	19,200	2.1
Liquor Enforcement	54,827	1.9	57,000	4.0	58,000	1.8
Liquor Drink	8,930	(2.3)	9,000	0.8	9,100	1.1
Corp. Franchise	41,462	(0.6)	24,000	(42.1)	8,000	(66.7)
Severance	81,870	(34.1)	102,900	25.7	107,700	4.7
Gas	39,988	(45.8)	41,600	4.0	41,600	--
Oil	41,882	(17.0)	61,300	46.4	66,100	7.8
Total	\$2,170,788	(5.1) %	\$2,587,050	19.2 %	\$2,679,550	3.6 %
Other Taxes:						
Insurance Prem.	\$ 120,375	0.7 %	\$ 132,000	9.7 %	\$ 133,000	0.8 %
Miscellaneous	1,655	(7.7)	1,800	8.8	2,000	11.1
Total	\$ 122,030	0.5 %	\$ 133,800	9.6 %	\$ 135,000	0.9 %
Total Taxes	\$4,985,870	(7.8) %	\$5,593,850	12.2 %	\$5,820,050	4.0 %
Other Revenues:						
Interest	\$ 24,629	(61.6) %	\$ 18,400	(25.3) %	\$ 13,000	(29.3) %
Net Transfers	128,586	261.4	113,700	(11.6)	(95,100)	(183.6)
Agency Earnings	53,365	(34.0)	49,000	(8.2)	51,200	4.5
Total	\$ 206,579	14.3 %	\$ 181,100	(12.3) %	\$ (30,900)	(117.1) %
Total Receipts	<u>\$5,192,449</u>	<u>(7.1) %</u>	<u>\$5,774,950</u>	<u>11.2 %</u>	<u>\$5,789,150</u>	<u>0.2 %</u>

6-6



**Table 2**  
**State General Fund Receipts**  
**FY 2011 Revised**  
**Comparison of November 2010 Estimate to April 2011 Estimate**  
*(Dollars in Thousands)*

	FY 2011 CRE Est. Revised 11/02/10	FY 2011 CRE Est. Revised 04/15/11	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$ 26,000	\$ 25,500	\$ (500)	(1.9) %
Income Taxes:				
Individual	\$ 2,577,175	\$ 2,595,000	\$ 17,825	0.7 %
Corporation	260,000	231,000	(29,000)	(11.2)
Financial Inst.	20,770	21,000	230	1.1
Total	\$ 2,857,945	\$ 2,847,000	\$ (10,945)	(0.4) %
Estate Tax	\$ 3,000	\$ 500	\$ (2,500)	(83.3) %
Excise Taxes:				
Retail Sales	\$ 2,000,000	\$ 1,990,000	\$ (10,000)	(0.5) %
Compensating Use	280,000	283,000	3,000	1.1
Cigarette	97,000	94,000	(3,000)	(3.1)
Tobacco Product	6,600	6,500	(100)	(1.5)
Cereal Malt Beverage	1,900	1,850	(50)	(2.6)
Liquor Gallonage	18,800	18,800	--	--
Liquor Enforcement	58,000	57,000	(1,000)	(1.7)
Liquor Drink	9,300	9,000	(300)	(3.2)
Corporate Franchise	18,000	24,000	6,000	33.3
Severance	92,800	102,900	10,100	10.9
Gas	38,700	41,600	2,900	7.5
Oil	54,100	61,300	7,200	13.3
Total	\$ 2,582,400	\$ 2,587,050	\$ 4,650	0.2 %
Other Taxes:				
Insurance Premiums	\$ 124,000	\$ 132,000	\$ 8,000	6.5 %
Miscellaneous	1,800	1,800	--	--
Total	\$ 125,800	\$ 133,800	\$ 8,000	6.4 %
Total Taxes	\$ 5,595,145	\$ 5,593,850	\$ (1,295)	(0.0) %
Other Revenues:				
Interest	\$ 17,400	\$ 18,400	\$ 1,000	5.7 %
Net Transfers	116,300	113,700	(2,600)	(2.2)
Agency Earnings	56,320	49,000	(7,320)	(13.0)
Total Other Revenue	\$ 190,020	\$ 181,100	\$ (8,920)	(4.7) %
Total Receipts	\$ 5,785,165	\$ 5,774,950	\$ (10,215)	(0.2) %



**Table 3**  
**State General Fund Receipts**  
**FY 2012 Revised**  
**Comparison of November 2010 Estimate to April 2011 Estimate**  
*(Dollars in Thousands)*

	FY 2012 CRE Est. Revised 11/02/10	FY 2012 CRE Est. Revised 04/15/11	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$ 27,000	\$ 27,000	\$ --	-- %
Income Taxes:				
Individual	\$ 2,705,000	\$ 2,726,000	\$ 21,000	0.8 %
Corporation	275,000	231,000	(44,000)	(16.0)
Financial Inst.	21,000	21,500	500	2.4
Total	\$ 3,001,000	\$ 2,978,500	\$ (22,500)	(0.7) %
Estate Tax	\$ --	\$ --	\$ --	-- %
Excise Taxes:				
Retail Sales	\$ 2,090,000	\$ 2,080,000	\$ (10,000)	(0.5) %
Compensating Use	295,000	297,000	2,000	0.7
Cigarette	97,000	92,000	(5,000)	(5.2)
Tobacco Product	6,800	6,700	(100)	(1.5)
Cereal Malt Beverage	1,900	1,850	(50)	(2.6)
Liquor Gallonage	19,200	19,200	--	--
Liquor Enforcement	59,000	58,000	(1,000)	(1.7)
Liquor Drink	9,500	9,100	(400)	(4.2)
Corporate Franchise	8,000	8,000	--	--
Severance	94,300	107,700	13,400	14.2
Gas	39,400	41,600	2,200	5.6
Oil	54,900	66,100	11,200	20.4
Total	\$ 2,680,700	\$ 2,679,550	\$ (1,150)	(0.0) %
Other Taxes:				
Insurance Premiums	\$ 125,000	\$ 133,000	\$ 8,000	6.4 %
Miscellaneous	2,000	2,000	--	--
Total	\$ 127,000	\$ 135,000	\$ 8,000	6.3 %
Total Taxes	\$ 5,835,700	\$ 5,820,050	\$ (15,650)	(0.3) %
Other Revenues:				
Interest	\$ 11,800	\$ 13,000	\$ 1,200	10.2 %
Net Transfers	(93,700)	(95,100)	(1,400)	(1.5)
Agency Earnings	56,800	51,200	(5,600)	(9.9)
Total Other Revenue	\$ (25,100)	\$ (30,900)	\$ (5,800)	(23.1) %
Total Receipts	\$ 5,810,600	\$ 5,789,150	\$ (21,450)	(0.4) %



**STATE GENERAL FUND RECEIPTS, EXPENDITURES AND BALANCES**  
**GOVERNOR'S RECOMMENDATION**  
 In Millions

	<b>Actual FY 2010</b>	<b>Gov. Rec. FY 2011</b>	<b>Gov. Rec. FY 2012</b>
Beginning Balance	\$ 49.6	\$ (27.1)	\$ 29.3
<b>Receipts (April 2011 Consensus)*</b>	<b>5,191.2</b>	<b>5,775.4</b>	<b>5,805.0</b>
Governor's Recommended Receipt Adjustments	0.0	4.7	234.1
Adjusted Receipts	5,191.2	5,780.1	6,039.1
Total Available	\$ 5,240.8	\$ 5,753.0	\$ 6,068.4
<b>Human Services Caseload</b>	<b>0.0</b>	<b>(1.2)</b>	<b>11.3</b>
Less All Other Expenditures**	5,268.0	5,724.9	6,066.2
Ending Balance	\$ 27.1	\$ 29.3	\$ (9.0)
Ending Balance as a Percentage of Expenditures	(0.5) %	0.5 %	(0.3) %

**AS RECOMMENDED BY THE SENATE**

In Millions

(Reflects Senate Action on all Appropriation Bills including Conference Committee Action - April 19)

	<b>Actual FY 2010</b>	<b>Senate FY 2011</b>	<b>Senate FY 2012</b>
Beginning Balance	\$ 49.6	\$ (27.1)	\$ 79.3
<b>Receipts (April 2011 Consensus)*</b>	<b>5,191.2</b>	<b>5,775.4</b>	<b>5,805.0</b>
Governor's Recommended Receipt Adjustments	0.0	4.7	234.1
Senate Receipt Adjustments	0.0	1.0	12.7
Adjusted Receipts	5,191.2	5,781.1	6,051.8
Total Available	\$ 5,240.8	\$ 5,754.0	\$ 6,131.1
<b>Human Services Caseload</b>	<b>0.0</b>	<b>(1.2)</b>	<b>11.3</b>
Less All Other Expenditures**	5,268.0	5,675.9	6,136.7
Ending Balance	\$ (27.1)	\$ 79.3	\$ (17.0)
Conference Committee Adjustments (Revenue and Expenditures)	0.0	0.0	19.9
<b>Ending Balance with Conference Committee Action - April 19</b>	<b>\$ (27.1)</b>	<b>\$ 79.3</b>	<b>\$ 2.9</b>
Ending Balance as a Percentage of Expenditures	(0.5) %	1.4 %	0.0 %

**AS RECOMMENDED BY THE HOUSE**

In Millions

(Reflects House Action on all Appropriation Bills including Conference Committee Action - April 19)

	<b>Actual FY 2010</b>	<b>House FY 2011</b>	<b>House FY 2012</b>
Beginning Balance	\$ 49.6	\$ (27.1)	\$ 77.3
<b>Receipts (April 2011 Consensus)*</b>	<b>5,191.2</b>	<b>5,775.4</b>	<b>5,805.0</b>
Governor's Recommended Receipt Adjustments	0.0	4.7	234.1
House Receipt Adjustments	0.0	(0.8)	12.1
Adjusted Receipts	5,191.2	5,779.3	6,051.2
Total Available	\$ 5,240.8	\$ 5,752.2	\$ 6,128.5
<b>Human Services Caseload</b>	<b>0.0</b>	<b>(1.2)</b>	<b>11.3</b>
Less All Other Expenditures**	5,268.0	5,676.1	6,062.9
Ending Balance	\$ (27.1)	\$ 77.3	\$ 54.3
Conference Committee Adjustments (Revenue and Expenditures)	0.0	(0.0)	6.3
<b>Ending Balance with Conference Committee Action - April 19</b>	<b>\$ (27.1)</b>	<b>\$ 77.3</b>	<b>\$ 60.6</b>
Ending Balance as a Percentage of Expenditures	(0.5) %	1.3 %	0.8 %

\* Includes transfer of \$0.4 million in FY 2011 and \$16.0 million in FY 2012 for increased Expanded Lottery Act Revenue Fund receipts.

\*\* Includes the Governor's March Allotment reduction of \$7.1 million, and the Governor's Budget Amendment 1.

6-9

## Budget Adjustments for Positions Agreed to as of April 19th

FY	AGENCY NAME	No.	ITEM	Senate SGF	Senate All Funds	S FTE	House SGF	House All Funds	H FTE	Position
FY 2011	Board of Pharmacy	1	Add \$16,000, all from special revenue funds, for the replacement of one agency vehicle for FY 2011.	\$ -	\$ -	-	\$ -	\$ 16,000	-	Concur with the Senate.
FY 2011	Board of Pharmacy	2	Add \$150,000, all from special revenue funds, for the addition of a litigation fund for potential litigation costs in FY 2011.	-	-	-	-	150,000	-	Concur with the Senate.
FY 2011	Board of Regents	1	Delete \$300,000, all from the State General Fund, from the Board of Regents Postsecondary Education Infrastructure (PEI) account in FY 2011 to fund the Standardized Water Data Repository at the University of Kansas (House floor amendment).	-	-	-	300,000	300,000	-	Concur with the Senate.
FY 2011	University of Kansas	1	Add \$300,000, all from the State General Fund, for the Standardized Water Data Repository in FY 2011 (House floor amendment).	-	-	-	(300,000)	(300,000)	-	Concur with the Senate.
FY 2011	Department of Wildlife, Parks and Tourism	1	Add funding from the State General Fund, for the Reimbursement for Annual Licenses Issued to Kansas Disabled Veterans account, to adjust the Governor's recommended lapse of \$73,240 in FY 2011.	-	-	-	(8,240)	(8,240)	-	Concur with the Senate.
FY 2011	Department of Wildlife, Parks and Tourism	2	Add \$4,290, all from the State General Fund, in the Reimbursement for Annual Licenses Issued to National Guard Members account in FY 2011.	4,290	4,290	-	-	-	-	Concur with the House.
FY 2011	Department of Wildlife, Parks and Tourism	3	Add \$2,748, all from the State General Fund, in the Reimbursement for Annual Park Permits Issued to National Guard Members account in FY 2011.	2,748	2,748	-	-	-	-	Concur with the House.
FY 2011	Department of Corrections	1	Add language to require that expenditures made from the Kansas Correctional Industries be included in the reportable budget in FY 2011.	-	9,062,356	-	-	-	-	Concur with the House.
	<b>TOTAL</b>			<b>\$ 7,038</b>	<b>\$ 9,069,394</b>	<b>-</b>	<b>\$ (8,240)</b>	<b>\$ 157,760</b>	<b>-</b>	<b>--</b>

7-2

FY	AGENCY NAME	No.	ITEM	Senate SGF	Senate All Funds	S FTE	House SGF	House All Funds	H FTE	Position
FY 2012	Insurance Department	1	Add \$278,735, all from special revenue funds, to the FY 2012 bond principal payment, for a total of \$348,850, which allows the agency to pay off early the bond used to finance an overhaul of the HVAC system.	\$ -	\$ -	-	\$ -	\$ 278,735	-	Concur with the Senate.
FY 2012	Board of Accountancy	1	Add \$25,000, all from the agency's special revenue funds, to grant the agency enhancement request to retain contractual disciplinary counsel for FY 2012.	-	-	-	-	25,000	-	Concur with the Senate.
FY 2012	State Bank Commissioner	1	Add \$20,900, all from special revenue funds, for the replacement of one agency vehicle for FY 2012.	-	-	-	-	20,900	-	Concur with the Senate.
FY 2012	Board of Barbering	1	Add \$15,100, all from the agency fee fund, for an intermediate size car to replace an existing model for FY 2012.	-	-	-	-	15,100	-	Concur with the Senate.
FY 2012	Board of Healing Arts	2	Add 2.0 FTE positions for FY 2012, for a total of 45.0 FTE positions, to increase the number of FTE positions to the agency FY 2012 request. These positions are currently filled.	-	-	-	-	-	2.0	Concur with the Senate.
FY 2012	Board of Cosmetology	1	Add \$15,100, all from the agency fee fund, for the replacement of one mid-sized vehicle for inspections for FY 2012.	-	-	-	-	15,100	-	Concur with the Senate.
FY 2012	Department of Credit Unions	1	Add \$15,200, all from special revenue funds, for the purchase of one agency vehicle for FY 2012.	-	-	-	-	15,200	-	Concur with the Senate.
FY 2012	Board of Pharmacy	1	Add \$750, all from special revenue funds, for hospitality expenditures for FY 2012, due to the estimated increase from four board meetings to six board meetings annually.	-	-	-	-	750	-	Concur with the Senate.
FY 2012	Real Estate Commission	1	Add \$49,325, all from the Real Estate Fee Fund, for an enhancement in salaries and wages to reclassify and fund 2.0 FTE positions for an attorney and legal assistant for FY 2012.	-	49,325	-	-	-	-	Concur with the House.

7-2



FY	AGENCY NAME	No.	ITEM	Senate SGF	Senate All Funds	S FTE	House SGF	House All Funds	H FTE	Position
FY 2012	Office of the Governor	1	Delete 3.0 FTE positions, added during FY 2011, for FY 2012. The positions are associated with federal American Recovery and Reinvestment Act grants and will no longer be needed.	-	-	-	-	-	(3.0)	Concur with the Senate.
FY 2012	Board of Indigents' Defense Services	1	Delete \$93,073, all from the State General Fund, to reduce state support to the Legal Services for Prisoners non-profit corporation.	-	-	-	93,073	93,073	-	Concur with the Senate.
FY 2012	Kansas Corporation Commission	2	Add \$200,000, all from special revenue funds, for FY 2012 to approve part of the agency's FY 2012 enhancement request, for the replacement of ten agency vehicles.	-	(100,000)	-	-	100,000	-	Modified Position.
FY 2012	Department of Administration	1	Delete funding, all from the Department of Administration Systems Account of the State General Fund, for FY 2012.	-	-	-	(6,784)	(6,784)	-	Concur with the Senate.
FY 2012	Department of Labor	1	Delete \$77,400, all from special revenue funds, for FY 2012 to remove the roof replacement project at 417 SW Jackson Ave. from the capital improvements request. The agency stated the project is not necessary at this time.	-	-	-	-	(77,400)	-	Concur with the Senate.
FY 2012	Dept. of Health and Environment - Health	5	Delete \$165,000, all from the State General Fund, and 1.0 FTE position for FY 2012 to capture savings from the Office of the Director of Health. The Secretary of the agency is also assuming the responsibilities of the Director of Health.	-	-	-	(165,000)	(165,000)	(1.0)	Concur with the Senate.
FY 2012	Social and Rehabilitation Services	4	Add funding for the Early Head Start Program for FY 2012 (House and Senate floor amendment).	-	-	-	-	(1,139,618)	-	Concur with the Senate.
FY 2012	Social and Rehabilitation Services	13	Add funding for the Home and Community Based Services Waiver for individuals with developmental disabilities currently on the waiting list for FY 2012 (House floor amendment).	-	-	-	827,606	1,944,563	-	Concur with the Senate.

FY	AGENCY NAME	No.	ITEM	Senate SGF	Senate All Funds	S FTE	House SGF	House All Funds	H FTE	Position
FY 2012	Social and Rehabilitation Services	15	Delete \$900,000, all from the Problem Gambling and Addictions Grant Fund, for FY 2012 and transfer the resulting savings to the State General Fund.	-	-	-	-	(900,000)	-	Concur with the Senate.
FY 2012	Social and Rehabilitation Services	16	Add \$1.5 million, all from the State General Fund, for FY 2012 for day and residential grants for individuals with developmental disabilities (House floor amendment).	-	-	-	(1,500,000)	(1,500,000)	-	Concur with the Senate.
FY 2012	Social and Rehabilitation Services	17	Add \$704,887, including \$300,000 from the State General Fund, for FY 2012 for the Home and Community Based Services Autism Waiver waiting list (House floor amendment).	-	-	-	(300,000)	(704,887)	-	Concur with the Senate.
FY 2012	Department of Education	10	Add 15.0 FTE positions for FY 2012. The Governor recommended deleting 37.3 vacant FTE positions, however, 15.0 of those positions were filled or in the process of being filled at the time of the Governor's recommendation.	-	-	-	-	-	15.0	Concur with the Senate.
FY 2012	University of Kansas	2	Add \$100,000, all from the State General Fund, for the Standardized Water Data Repository for FY 2012 (House floor amendment).	-	-	-	(100,000)	(100,000)	-	Concur with the Senate.
FY 2012	Board of Regents	6	Delete \$400,000, all from the State General Fund, from the Board of Regents Postsecondary Education Infrastructure (PEI) account in FY 2012 to fund the Standardized Water Data Repository at the University of Kansas (\$100,000) and the Autism Waiver in the Department of Social and Rehabilitation Services (\$300,000) (House floor amendment).	-	-	-	400,000	400,000	-	Concur with the Senate.
FY 2012	Department of Corrections	2	Add \$750,000, all from the State General Fund, for FY 2012 for offender programming.	-	-	-	(750,000)	(750,000)	-	Concur with the Senate.
FY 2012	Department of Corrections	3	Add \$2.0 million, all from the State General Fund, in FY 2012 for Community Corrections grants.	-	-	-	(2,000,000)	(2,000,000)	-	Concur with the Senate.

FY	AGENCY NAME	No.	ITEM	Senate SGF	Senate All Funds	S FTE	House SGF	House All Funds	H FTE	Position
FY 2012	Juvenile Justice Authority	1	Add \$342,000, all from the Juvenile Delinquency Prevention Trust Fund for FY 2012, to the prevention block grant program.	-	-	-	-	342,000	-	Concur with the Senate.
FY 2012	Juvenile Justice Authority	2	Add \$19,908, all from the Kansas Juvenile Correctional Facility Fee Fund for FY 2012, to the prevention block grant program.	-	-	-	-	19,908	-	Concur with the Senate.
FY 2012	Juvenile Justice Authority	3	Delete \$146,521, all from the State General Fund, for salaries and wages for FY 2012. The Governor's recommended consolidation with the Department of Corrections will result in reduced expenditures for legal, architecture, fiscal, and human resources responsibilities in the agency.	-	-	-	(146,521)	(146,521)	-	Concur with the Senate.
FY 2012	Juvenile Justice Authority	5	Add \$500,000, all from the State General Fund, for tertiary community programs for FY 2012.	-	-	-	(500,000)	(500,000)	-	Concur with the Senate.
FY 2012	Juvenile Justice Authority	6	Delete \$57,998, all from the State General Fund, for salaries and wages, and 1.0 FTE position for FY 2012.	-	-	-	57,998	57,998	1.0	Concur with the Senate.
FY 2012	State Fire Marshal	1	Delete \$80,748, all from the Fire Marshal Fee Fund, to reduce budgeted purchases for paper based supplies from \$150,748 to \$70,000 for FY 2012.	-	(80,748)	-	-	-	-	Concur with the House.
FY 2012	Kansas Bureau of Investigation	1	Add \$326,670, all from the State General Fund, to replace federal American Reinvestment and Recovery Act: Federal Edward Byrne Memorial Justice Assistance Grant (ARRA/JAG) funding, to retain 3.0 special agent and 1.0 special investigator FTE positions for FY 2012.	-	-	-	(326,670)	(326,670)	-	Concur with the Senate.
FY 2012	Kansas Bureau of Investigation	2	Add \$167,000, all from the State General Fund, to restore funding for 2.0 of the 3.0 unclassified FTE investigative polygraph and digital forensic examination positions that were part of the agency's reduced resources budget that was recommended by the Governor for FY 2012.	-	-	-	(167,000)	(167,000)	-	Concur with the Senate.



FY	AGENCY NAME	No.	ITEM	Senate SGF	Senate All Funds	S FTE	House SGF	House All Funds	H FTE	Position
FY 2012	Kansas Water Office	2	Add funding from the State Water Plan Fund, for the Storage and Operations Maintenance Memorandum of Understanding (MOU), which is annually contracted with the Corps of Engineers at the reservoirs where the state owns water storage.	-	-	-	-	(7,908)	-	Concur with the Senate.
FY 2012	Kansas Department of Transportation	1	Delete \$2.7 million, all from the State Highway Fund, to reduce by half the recommended enhancement funding for replacement of 281 agency vehicles for FY 2012.	-	(2,723,036)	-	-	-	-	Concur with the House.
FY 2012	Kansas Department of Transportation	4	Add \$875,000, all from the State Highway Fund, to provide half of the remaining \$1.75 million necessary to complete the KDOT Communications System Project for FY 2012. The other half will be provided by the Kansas Highway Patrol from federal forfeiture funds.	-	-	-	-	875,000	-	Concur with the Senate.
FY 2012	Other Statewide Adjustments	2	Delete \$50.6 million, including \$23.0 million from the State General Fund, to implement a 1.193 percent across the board reduction for FY 2012. Exemptions from the across the board reduction include human services consensus caseload programs, debt service, and all K-12 state aid programs. This was used to replace savings from eliminating all state employee salary reductions (Floor amendment).	(23,021,455)	(50,645,160)	-	-	-	-	Concur with the House.
FY 2012	State Employee Pay	1	Delete \$2,068,552, including \$1,463,179 from the State General Fund, for a 2.5 percent pay reduction for state officers (justices, judges, statewide elected officials, statutory agency heads and other constitutional officers of the state) excluding legislators, who receive a 7.5 percent cut for FY 2012 (Floor amendment).	1,463,179	2,068,552	-	-	-	-	Concur with the House.
FY	TOTAL			<u>\$ (21,558,276)</u>	<u>\$ (51,431,067)</u>	<u>-</u>	<u>\$ (4,583,298)</u>	<u>\$ (4,288,461)</u>	<u>14.0</u>	<u>--</u>

L-6  
9-6

FY	AGENCY NAME	No.	ITEM	Senate SGF	Senate All Funds	S FTE	House SGF	House All Funds	H FTE	Position
FY 2013	Board of Accountancy	1	Add \$25,000, all from the agency's special revenue funds, to grant the agency enhancement request to retain contractual disciplinary counsel for FY 2013.	\$ -	\$ -	-	\$ -	\$ 25,000	-	Concur with the Senate.
FY 2013	State Bank Commissioner	1	Add \$43,200, all from special revenue funds, for the replacement of two agency vehicles for FY 2013.	-	-	-	-	43,200	-	Concur with the Senate.
FY 2013	Board of Healing Arts	2	Add 2.0 FTE positions for FY 2013, for a total of 45.0 FTE positions, to increase the number of FTE positions to the agency FY 2013 request. These positions are currently filled.	-	-	-	-	-	2.0	Concur with the Senate.
FY 2013	Board of Pharmacy	1	Add \$16,000, all from special revenue funds, for the purchase of one agency vehicle for FY 2013.	-	-	-	-	16,000	-	Concur with the Senate.
FY 2013	Board of Pharmacy	2	Add \$750, all from special revenue funds for FY 2013 for hospitality expenditures, due to the estimated increase from four board meetings to six board meetings annually.	-	-	-	-	750	-	Concur with the Senate.
FY 2013	TOTAL			<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 84,950</u>	<u>2.0</u>	--

	FY 2011	FY 2012	FY 2011	FY 2012
Adjusted Original State General Fund Ending Balances	\$ 79.3	\$ (16.9)	\$ 77.3	\$ 54.3
Agreed Upon Revenue Adjustments	-	(1.7)	-	1.7
Agreed Upon Expenditure Adjustments	0.0	(21.6)	(0.0)	(4.6)
Agreed Upon Conference State General Fund Ending Balances	<u>\$ 79.3</u>	<u>\$ 3.0</u>	<u>\$ 77.3</u>	<u>\$ 60.6</u>

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

68-West-Statehouse, 300 SW 10th Ave.  
Topeka, Kansas 66612-1504  
(785) 296-3181 • FAX (785) 296-3824

kslegres@kldr.ks.gov

<http://www.kslegislature.org/kldr>

April 15, 2011

## ITEMS FOR OMNIBUS CONSIDERATION

### Department of Agriculture

**A. Continuation of the Conservation Reserve Enhancement Program (CREP) (House Committee).** The House Committee recommended review of the possible addition of language for the continuation of the Conservation Reserve Enhancement Program (CREP) for FY 2012 and the possible addition of language to authorize the agency to make expenditures from the Water Transition Assistance Program (WTAP) account for CREP for FY 2012.

**B. Funding for Additional Veterinarian Position (House Committee).** The House Committee recommended review of funding for an additional veterinary position for the Animal Disease Control Program for FY 2012.

The Committee supported the need for an additional veterinary position in western Kansas within the Animal Disease Control Program and suggests sharing the position with the Meat and Poultry Program within the Department of Agriculture. The Committee recommended the review of the Department of Agriculture working with the Animal Health Department to restore the veterinary position for the Animal Disease Control Program. This veterinary position is significant due to the retirement of an United States Department of Agriculture inspector in western Kansas.

### Kansas Corporation Commission

**A. Abandoned Oil and Gas Fund (House Committee).** The House Committee recommended review of the restoration of the \$400,000 statutory transfer from the State General Fund to the Abandoned Oil and Gas Well Fund for FY 2012.

The agency receives transfers from the State General Fund, State Water Plan Fund, and other funds, which are deposited in the Abandoned Oil and Gas Well Fund for well-plugging activities. By law, the agency is to receive \$400,000 per fiscal year from the State General Fund, State Water Plan Fund, the Conservation Fee Fund, and 50.0 percent of the state's share of the Federal Mineral Leasing Program. It should be noted, however, that State General Fund transfers have not been made to the fund from FY 2004 through FY 2011. The Governor's FY 2012 recommendation does not include the \$400,000 transfer from the State General Fund to the Abandoned Oil and Gas Well Fund.

K.S.A. 55-192 provides for the plugging of abandoned wells and the remediation of contamination sites related to pre-July 1, 1996, oil and gas activities that have no responsible

Senate Ways and Means

Date:

04/20/11

Attachment:

8

parties. Currently, there are 5,665 abandoned wells that need to be plugged at an average cost of \$4,500 per well and 58 active remediation sites. The agency asserts that a well left unplugged can impact surface and ground water and be a general threat to public health. Since 1997, the Kansas Corporation Commission has plugged over 8,400 abandoned wells.

**B. Vehicle Purchases (House Committee).** The House Committee recommended review of vehicles the agency requested to replace.

The agency requests \$651,100, all from special revenue funds, for FY 2012 for the replacement of 34 agency vehicles, all of which have met the mileage threshold. A large number of vehicles were requested due to requests from past fiscal years not being authorized. The vehicles requested to be replaced include:

- Utilities. \$105,700 from the Public Service Regulation Fund, Pipeline Fee Fund, and Pipeline Safety Federal Fund to replace seven vehicles;
- Conservation. \$404,000 from the Conservation Fee Fund to replace twenty four-wheel drive trucks;
- Transportation. \$121,200 from the Motor Carrier License Fee Fund to replace six SUV's; and
- Energy. \$20,200 from the Facilities Conservation Improvement Program Fund to replace one SUV.

The following is a list of six vehicles within the agency's fleet that the agency is requesting be replaced. The maintenance and repair cost information is based on agency records from FY 2007 to the present. There were maintenance and repair expenses prior to 2007 associated with the vehicles identified, but the agency does not have the complete detailed expense reports as this function was performed by the Department of Administration's Central Motor Pool.

The Conservation Division's staff trucks are driven off-road (fields, gravel roads, lease roads, etc.) and as such the agency cannot utilize the statewide Enterprise Vehicle Rental Contract as the contract does not allow off-road use.

8-2



### Vehicles Requested to Be Replaced

TAG #	TYPE	MODEL YEAR	ODOMETER READING FEBRUARY 2011	EXPENSE AND REPAIRS FY 2007 – PRESENT
1449 Offerle*	COMPACT CAR	2002	158,121	\$ 4,393.15
9077 Hays	TRUCK	2002	202,329	8,175.87
9182 Chanute	TRUCK	2002	225,464	11,988.15
9515 Dodge City	TRUCK	2002	193,993	8,283.55
9561 Dodge City	TRUCK	2002	195,740	9,215.38
9569 Chanute	TRUCK	2002	187,363	10,095.22

\*The **compact car** is parked and not currently used as it needs numerous repairs including: electrical short in odometer, cracked windshield, inoperable horn, inaccessible trunk, broken muffler hanger bracket, two missing hubcaps, replacement of two front tires, daylight gap between door and door post on driver's side (takes in road dust), and significant hail damage.

**C. Federal American Recovery and Reinvestment Act (ARRA) Fund Expenditures (House Committee).** The House Committee recommended a review of the agency's alternatives for ensuring the expenditure of \$34.0 million in remaining federal ARRA funds by April 2012.

The ARRA requires that the State Energy Program funds provided to the Kansas Energy Office must be expended by April 2012. Current projections, provided by a federal Department of Energy finance specialist, indicate that the Efficiency Kansas program will utilize the full funding allotted to it well within the April 2012 time frame. However, in the event that these projections are not met, the Kansas Energy Office has developed the following plans to redirect \$17.0 million in State Energy Program funds from the approximate \$34.0 million remaining in the program. These contingency plans meet the Energy Office's goal of achieving cost-effective, whole-building improvements and must be approved by the Department of Energy prior to expenditure.

#### *Commercial Lighting Loan Program (\$10.0 million)*

Lighting is one of the largest uses of energy in commercial facilities and typically has a payback of less than five years. This program would allow utilities and lenders to make loans to commercial facilities for lighting improvements. The maximum loan term for this loan would be five to seven years. This project would be implemented as a pilot project with Midwest Energy.

#### *Funding Facility Conservation Improvement Program Projects (\$5.0 million)*

Using the existing Facility Conservation Improvement Program, this program would provide financing for a project. With the agency's existing relationship with Partner Lenders, the Kansas Energy Office can provide funds to Partner Lenders, and the lender makes the low-interest loan.

8-3

This program would be implemented on a small scale in the last quarter of CY 2011, funding up to \$5.0 million by December 2011. A second round of funding in the first half of 2012 may be made available if the Efficiency Kansas program is projected to spend less.

*Multi-Family Housing - Weatherization (\$1.5 million)*

The Kansas Housing Resources Corporation directed some of its ARRA funds to its Multi-Family Weatherization Assistance Program. This program targets the United States Department of Agriculture Rural Development, Tax Credit, and the United States Department of Housing and Urban Development properties for weatherization improvements. The KHRC plans to direct additional funds to this program. The Kansas Housing Resources Corporation indicates that this is the maximum amount that it could receive and spend by April 2012.

Use of ARRA funds requires a lengthy approval process from the Department of Energy. Prior to contracting with subgrantees, the United States Department of Energy must first approve the scope of the activity, which must fall within certain market title categories (e.g., energy efficiency retrofits). The agency states that this process has been taking a long time. The agency submitted a proposal for a new activity in October 2010 and still does not have approval. The agency indicates that this nearly six month turnaround is incredibly cumbersome and frustrating.

All projects that use ARRA funding must meet certain federal requirements. The first of these is the Davis-Bacon Act, which requires contractors to pay prevailing wages. Additionally, the Davis-Bacon Act requires that contractors submit certified weekly payroll reports to the agency. The subgrantee and the Kansas Energy Office must review these reports and interview workers to verify that the appropriate wage was paid.

The National Environmental Policy Act requires that each project have its environmental impact assessed prior to approval by the Department of Energy. While not all projects require this approval, any project that will be breaking ground or is of any substantial size, may trigger this requirement. In some cases, a formal environmental assessment is required, which the agency states can take six months.

Projects using ARRA funds must also meet the "Buy American" provisions of ARRA and ensure that the equipment installed is made in the United States.

Finally, all projects must be approved by the Kansas State Historical Society for compliance with Historical Preservation Guidelines.

*Board of Regents Possible Energy Projects*

The agency requested a copy of the Board of Regents' deferred maintenance capital improvement project list for review. The Kansas Energy Office is working with the Board of Regents to determine if there are deferred maintenance projects that will successfully and timely meet ARRA requirements. Each campus has provided the agency with additional information, including projected payback, calculations, and applicability to the energy efficiency criteria furnished by the Kansas Corporation Commission. The campuses are aware of the federal deadlines and believe they will complete the projects within the prescribed time. The agency has included these projects in the ARRA project plan.

*University Projects*

8-4



Emporia State University Subtotal - \$900,000

**Kansas State University**

Campus Utility Meters Installation

Waters Complex Window Replacement

Kansas State University Subtotal - \$2.6 million

**University of Kansas**

Murphy Hall Heating, Ventilating, and Air Conditioning Improvements Phase 2

Strong Hall Window Replacement

Kansas University Subtotal - \$1.5 million

Total campus projects - \$5.9 million

*Regents Facility Conservation Improvement Program Projects*

The agency asserts that more than \$50.0 million worth of Facility Conservation Improvement Program projects are currently under construction at Kansas State University, the University of Kansas, and Wichita State University, with a project under consideration at Pittsburg State University. The projects are detailed in the following table:

<b>FACILITY NAME</b>	<b>PROJECT STATUS</b>	<b>TOTAL PROJECT COST</b>	<b>ANNUAL SAVINGS</b>
Pittsburg State University	Energy Audit	\$ Unknown	\$ Unknown
Wichita State University – Housing	Under Construction	1,548,989	109,294
University of Kansas – Deferred Maintenance	Under Construction	25,596,490	2,017,439
Kansas State University – Water	Under Construction	3,942,618	404,720
Kansas State University – Phase II	Under Construction	19,459,752	1,512,056
University of Kansas – Campus	Complete	18,393,010	1,723,488
Pittsburg State University	Complete	4,500,000	385,152
Fort Hays State University	Complete	4,887,301	348,816
Kansas State University – Housing	Complete	2,418,169	356,097
University of Kansas – Medical Center	Complete	12,289,489	964,768
Pittsburg State University – Nation Hall	Complete	1,550,401	90,425
Kansas State University – Campus	Complete	21,090,000	1,629,935
Wichita State University	Complete	12,316,635	1,118,277
<b>TOTAL</b>		<b>\$ 127,992,854</b>	<b>\$ 10,660,467</b>

The Facility Conservation Improvement Program is housed at the Kansas Energy Office and works on the principal of Energy Savings Performance Contracting. By working with Energy Service Companies, the Facility Conservation Improvement Program can guarantee the avoided utility costs a facility will save as a result of energy efficiency improvements.

8-5

The Facility Conservation Improvement Program is a program that allows Kansas municipalities, counties, public schools, community colleges, and other public entities to enter into contracts with private companies. The Kansas Energy Office provides oversight and consultation throughout the entire process - from the initial contact with the Energy Service Companies, to the end of the energy savings verification period, as long as 30 years. The State of Kansas has negotiated contracts with ten Energy Service Companies. These national companies all have offices in Kansas and extensive experience in energy performance contracting.

The Energy Service Company guarantees to cover the financing for projects implemented under the Facility Conservation Improvement Program. If the savings don't materialize, the Energy Service Company, not the customer, is obligated to make up the difference. The contract signed by the Energy Service Company and the customer includes a guarantee of savings. Based on product performance, utility cost models, and detailed knowledge of the industry, Energy Service Companies are able to know exactly how a building performs, how often the building is used, and how much money it will cost to run the equipment installed in the building.

The money saved from the utility bill is used as a means to pay for those improvements. The payments made on the debt incurred from the project matches the guarantee of savings. No start up capital costs are required by the customer in most cases. Payments made on the equipment come from the avoided energy costs. After the debt has been paid by the customer, all additional savings are an added bonus to the customer.

#### *Potential Project with the Department of Commerce*

Further, the agency has worked with the Department of Commerce to develop several projects that may meet the Department of Energy requirements. The Department of Commerce is currently preparing project applications that will be submitted to the Department of Energy for review and approval. At this time the agency has redirected approximately \$10.8 million to fund these projects. If the Kansas Efficiency Revolving Loan program does not meet expenditure benchmarks (August 1, October 1 and December 1) additional funds will be shifted to the Department of Commerce initiatives that have received Department of Energy approval.

8-6



<b>Kansas Corporation Commission ARRA Projects (April 2009 – April 2012)</b>	
Program	Budgeted Amount
Kansas Energy Office Administrative Expenses	\$ 1,592,576
Take Charge Challenge – 16-city energy saving competition	212,262
Efficiency Kansas Residential/Small Business Revolving Loan Program	15,741,327
Efficiency Kansas \$500 Audit Rebate Promotion (ends 9/30/2011)	1,350,000
Efficiency Kansas \$500 Thermal Rebate Promotion (ends 12/31/2012)	284,000
Efficiency Kansas \$350 Rebates – Phase 1 – Completed	9,100
Efficiency Kansas \$250 Loan Fee Rebates Promotion to Banks (15 banks, over 100locations)	58,500
Efficiency Kansas Energy Auditor Training Institutions and Scholarships	181,088
Efficiency Kansas New Auditor Business Initiative (Residential Audit Equipment)	248,055
Efficiency Kansas Advertising and Promotion	500,000
Kansas Housing Resources Corporation Multi-Family Housing Weatherization	1,000,000
Board of Regents Campus Energy Efficiency Projects	5,900,000
Building Operator Certification for Municipal and Cooperative Utilities	85,000
Dynamic Pricing Study for Kansas Corporation Commission	320,000
Kansas Department of Commerce Renewable Energy Development Initiatives	10,802,092
<b>Total</b>	<b>\$ 38,284,000</b>

**D. House Substitute for Senate Bill 50. (Conference Committee).** House Sub. for SB 50 would enact new law relating to 911 emergency phone calls. Provisions of the bill would apply to all modes of service, including telephone, cell phone, Voice over Internet Protocol (VoIP), prepaid wireless, and other services capable of contacting a public safety answering point (PSAP). Major provisions of the bill affect the payment and collection of 911 fees, prepaid wireless service, distribution of fee moneys, use of fee moneys, 911 coordinating council, immunity to rules and regulations, audits and reviews, cost recovery, 911 state grant fund, 911 federal grant fund, and the dissolution of the current process. The fiscal note for the original bill prepared by the Division of the Budget indicates that the Department of Revenue would have start-up programming costs of \$70,000 which the bill allows to be reimbursed from retained fees. The Department estimated ongoing administrative costs of approximately \$20,000 annually. The League of Kansas Municipalities indicates the bill will have a fiscal effect on cities but the amount cannot be determined. The Governor's Grants Office which administers the current grant fund would presumably no longer administer the grants.

8-7

## **Citizens' Utility Ratepayer Board**

**A. Citizens' Regulatory Review Board (House Committee).** The House Committee requested that the Governor provide a funding recommendation for expenses incurred by Citizens' Utility Ratepayer Board (CURB) to carry out newly-created regulatory oversight duties for review during Omnibus. No recommendation had been made at the time this document was written.

Executive Order 11-02 charged CURB with the additional function of serving as the Citizens' Regulatory Review Board to provide citizen oversight for administrative rules and regulations. No budgetary recommendation was included in the Executive Order. The agency and the Committee expressed reservations about paying for the new duties out of existing resources because CURB's sole source of funding is the Utility Regulatory Fee Fund, which is drawn from an assessment on utility companies. The agency and Committee suggested it would be an inappropriate source for expenditures unrelated to utilities.

## **Kansas Guardianship Program**

**A. Funding Restoration (Senate Committee and House Committee).** Both the House Committee and Senate Committee requested a review of the Guardianship Program budget during Omnibus. The agency requested operating expenditures of \$1,199,407, which is \$85,560, or 7.7 percent, above the Governor's recommendation. The agency's request also included 11.0 FTE positions, 1.0 FTE position more than the Governor's recommendation. The additional position was deleted in the reduced resources package. Both the House and Senate Committees of the Whole concurred with the Governor's FY 2012 recommendation, which is a decrease of \$44,418, or 3.8 percent, below the FY 2011 recommendation.

The House Committee recommended that the agency be given a high priority for any available funds to restore all or part of the agency's request. The enactment of the reduced resources package required the agency to eliminate its administrative assistant position.

The Senate Committee recommended a review of possible additional funding for the agency. The Committee also expressed concern that the provisions of the reduced resources package would not result in adequate savings to meet the 5.0 percent reduction target. In particular, the Committee expressed doubts that the contractual services item would be sufficiently reduced by stopping the payment of volunteer stipends for monthly reports more than 90 days old.

## **Children's Initiative Fund/Tobacco Revenue**

**A. Revenue Estimate.** The Division of the Budget, Legislative Research Department and the Attorney General's Office met on April 14, 2011 to discuss revenues from the tobacco master settlement agreement. The group revised downward the expected revenues from the tobacco companies for both FY 2011 and FY 2012. The decrease in anticipated revenues is due to a large tobacco manufacturer choosing to withhold a portion of the yearly payment, as allowed in the settlement agreement. The actual payment from the tobacco settlement agreement was anticipated on April 15<sup>th</sup>, however, the payment had not yet been received when this memo was completed.

8-8



Revenues for both FY 2011 and FY 2012 had been projected at \$60.5 million. The revised revenue estimate for FY 2011 is \$57.0 million, a decrease of \$3.5 million. The revised revenue estimate for FY 2012 is \$55.8 million, a decrease of \$4.7 million.

There is ongoing litigation concerning the payments owed by the tobacco companies and the state's obligations under the agreement. More information should be available before the start of the 2012 Legislative Session concerning payments by the tobacco companies. It is possible that actual receipts for FY 2012 will be significantly less than the revised estimate.

## **Department of Social and Rehabilitation Services**

**A. Review of Programs for which Funding was Eliminated (House Committee).** The House Committee recommended a review of Department of Social and Rehabilitation programs for which all funding had been eliminated. These programs including Developmental Disabilities Day and Residential grants and the General Assistance program.

### **Developmental Disabilities Day and Residential Grants**

The elimination of State General Funds in the Developmental Disabilities Day and Residential grants would have the following impacts on persons:

The Department indicated that the elimination of funding for the Developmental Disabilities day and residential grants will result in the loss of services to 2,450 individuals. The Department further indicated the following impacts from this elimination:

- Persons receiving Residential Supports would no longer have access to the necessary staff to assist them in their homes. These staff currently assist persons throughout their day by providing assistance, supervision or full support with those typically occurring activities such as showering/bathing, toileting, dressing, feeding, taking medications, cooking, cleaning, grocery shopping and the provision of necessary supervision to assure each persons' health and safety.
- Persons receiving Day Supports would no longer have access to the necessary staff that provide them assistance with accessing and sustaining employment, accessing pre-vocational services aimed at preparing a person for paid and volunteer employment opportunities, and developing socialization skills to help the person become a more productive and independent person in his/her community.

In addition, State General Funds are used to assist persons and their families with the purchase of diapers, chucks, respite care services, adaptive equipment and other items. Without State General Fund appropriations, this assistance would no longer be available to individuals.

If this funding is eliminated, these families would be referred to other possible community resources. The Community Developmental Disability Organizations (CDDOs) have access to some county mill levy funding for possible use, but that amount varies greatly by county. Some CDDOs may also utilize their State Aid funding. When they do that, they most likely would discontinue other services in their area such as transportation and early childhood services.

8-9

## General Assistance Program

The Department indicated that the elimination of the General Assistance program, including cash assistance, will result in the loss of benefits to 2,000 individuals. The General Assistance program serves extremely low-income single adults and childless couples that have been determined to meet a standard of disability. The program has inherently served two purposes: primarily to serve as a bridge while the recipient is pursuing a Social Security Disability benefit and ultimately, as a short term safety net program for disabled Kansans that do not qualify for any other public benefit program.

The current General Assistance caseload (1,939 cases) does not rely solely upon the cash portion of the program. In addition to accessing the cash benefit, current General Assistance recipients also access other SRS programs to the following extent:

- 100 percent of the recipients receive a medical benefit – either Medicaid or MediKan;
- 94 percent currently receive a food assistance benefit averaging \$213 per month; and
- 16 percent have accessed the Low Income Energy Assistance Program (LIEAP) with an average benefit of \$275.

These benefits will continue to be available to the current and future caseload even with the termination of the General Assistance cash benefit. The specific medical program for future applicants will be dependent upon a presumptive medical determination process which assesses the severity of their disability as it relates to Social Security Disability standards. There are not any other cash assistance programs available for this population through the Department of Social and Rehabilitation Services.

The termination of the cash benefit will result in this caseload accessing community helping agencies and faith-based organizations in their respective communities to assist in filling the resulting gap in their resources. SRS staff currently do and will continue to, work with this caseload to make them aware of these community agencies in addition to the other benefit programs already mentioned that they will continue to be able to access. These community services could include food banks, homeless shelters, mental health resources, and clothing banks as well as other services specifically available in the individual community.

The cost of continuing the cash benefit for the General Assistance caseload for FY 2012 is projected to be slightly more than \$3.1 million, all from the State General Fund.

**B. Review of funding for Mental Health State Aid (House Committee).** The House Committee recommended a review of the funding for mental health state aid. The Governor's FY 2012 recommendation eliminated all funding for community mental health state aid, totaling \$10.2 million, all from the State General Fund. As of April 1, 2011 the House restored \$7,240,000, all from the State General Fund, in 2011 HB 2383, and the Senate restored \$10,233,297, all from the State General Fund, in 2011 SB 234. The FY 2011 level of funding for mental health state aid under the Governor's recommendation is \$10,233,297.

**C. Spring Human Services Consensus Caseloads.** The Division of the Budget, Department of Social and Rehabilitation Services, Kansas Health Policy Authority, Department on Aging, Juvenile Justice Authority, and the Legislative Research Department, met on April 14,

8-10



2011, to revise the estimates on caseload expenditures for FY 2011 and FY 2012. The caseload estimates include expenditures for Nursing Facilities, Regular Medical Assistance, Temporary Assistance to Families, General Assistance, the Reintegration/Foster Care Contracts, Psychiatric Residential Treatment Facilities, and JJA Out of Home Placements. As the starting point for the current estimate the group used the Governor's budget recommendation as adjusted by the Governor's Budget Amendment No.1 and the State General Fund allotment that took effect on April 8, 2011.

**For FY 2011, the estimate is an all funds increase of \$2.2 million and a State General Fund decrease of \$1.2 million as compared to the Governor's recommended budget.** The previous caseload estimate included \$64.1 million from all funding sources to account for funds generated by the nursing facility provider assessment. However, after implementation of the program, it was realized that a portion of the FY 2011 assessment revenue would actually be expended in FY 2012. Therefore, FY 2011 expenditures for the program were reduced by \$13.5 million. The previous caseload estimate also included State General Fund savings of \$17.3 million to account for the Cost Containment and Recovery Contract. The new estimate includes savings of only \$32,000 requiring \$17.3 million from the State General Fund to be added. However, because the new estimate for the Regular Medical Program utilizes unanticipated fee fund receipts and includes changes in the distribution of populations served and funding sources available to those clients, the net result for FY 2011 is State General Fund savings of \$1.2 million for all caseload programs.

	FY 2011 Adjustments	
	All Funds	State General Fund
Regular Medical Assistance-Health Policy Authority	\$ 27,810,000	\$ (1,363,439)
Nursing Facilities - Aging	(17,416,156)	1,216,779
Aging Targeted Case Management	(146,760)	(47,301)
Psychiatric Residential Treatment Facilities - JJA	55,996	18,047
Out of Home Placements- JJA	954,674	856,349
Temporary Assistance for Families- SRS	(1,343,120)	0
General Assistance -SRS	(83,167)	(83,167)
Reintegration/Foster Care- SRS	(562,064)	(326,876)
Mental Health -SRS	(7,097,605)	(1,540,618)
Nursing Facilities Mental Health - SRS	0	0
Community Supports and Services -SRS	(746,400)	(240,565)
Addiction and Prevention Services -SRS	821,388	264,733
<b>TOTAL</b>	<b>\$ 2,246,786</b>	<b>\$ (1,246,058)</b>

**For FY 2012, the estimate is an increase of \$44.6 million from all funding sources, including \$11.3 million from the State General Fund.** These adjustments include decreases for the Department on Aging's Targeted Case Management Program, the Juvenile Justice Authority's Psychiatric Residential Treatment Facilities, and the Department of Social and Rehabilitation Services' Temporary Assistance to Families, Foster Care, Mental Health, Community Supports and Services and Addiction and Prevention Services. All of these programs are still expected to increase over FY 2011 expenditures, but beneficiaries and

8-11

program expenditures are not expected to increase as much as was originally estimated. The estimate for JJA Out of Home placements is increased.

The overall estimate for Nursing Facilities is slightly increased from the fall, but the State General Fund portion is \$2.0 million lower. The estimate for the number of clients is actually decreased, but costs are increased to reflect additional funding from the provider assessment. The estimate for Regular Medical is an increase of \$52.9 million, including \$13.8 million from the State General Fund. The previous caseload estimate included State General Fund savings of \$10.0 million to account for the Cost Containment and Recovery Contract. The new estimate includes revenues of only \$2.7 million requiring \$7.3 million from the State General Fund to be added. However, because the new estimate for the Regular Medical Program utilizes unanticipated fee fund receipts and includes changes in the distribution of populations served and funding sources available to those clients, the additional amount needed from the State General Fund is not as large.

The portion of expenditures anticipated to be funded by the federal government for the Medicaid program have decreased due to the conclusion of the American Recovery and Reinvestment Act (ARRA) funding at the end of June 2011. The increased amount of State General Fund required for matching in FY 2012 for caseload expenditures was estimated to be \$175.6 million in the fall. The portion of the increase in the current estimate that is attributable to the loss of ARRA funding is \$4.1 million, bringing the total to \$179.7 million for caseload programs. The total amount of funding needed to replace federal funds for caseload and non-caseload programs as a result of the elimination of ARRA enhanced Medicaid funding totals \$220.1 million in FY 2012.

The base Medicaid matching rate for federal contribution, excluding ARRA funding, was reduced by 1.6 percent between FY 2011 and FY 2012. The estimated impact of this reduction in FY 2012 in the fall was \$35.3 million for caseload expenditures. The portion of the increase in the current estimate that is attributable to the reduction in the base Medicaid matching rate for federal contribution is \$757,306, bringing the total to \$36.1 million for caseload programs. The impact of the base federal match rate on non-caseload items is estimated to be increased State General Fund expenditures of \$9.1 million in FY 2012.

The remaining increases reflect caseload growth, for both increased individuals and cost increases, totaling \$44.6 million from all funding sources and \$15.2 million from the State General Fund in FY 2012. Regular Medical expenses for KHPA were increased by \$13.8 million from the State General Fund and \$52.9 million from all funds due largely to estimated increases in the number of persons served. This estimate includes an increase in fee fund expenditures for the state match and a corresponding decrease of State General Fund expenditures attributable to unanticipated fee fund revenues for the Kansas Health Policy Authority for FY 2012. Nursing Facility expenditures from all funding sources were increased slightly, but the State General Fund portion is decreased due to an increased estimate for the second year of the provider assessment expenditures.

	FY 2012 Adjustments	
	All Funds	State General Fund
Regular Medical Assistance-KDHE	\$ 52,900,000	\$ 13,807,868
Nursing Facilities - Aging	1,207,575	(1,970,645)
Aging Targeted Case Management	(132,629)	(56,447)
Psychiatric Residential Treatment Facilities - JJA	(212,401)	(90,398)

8-12



Out of Home Placements- JJA	574,980	375,843
Temporary Assistance for Families -SRS	(2,740,400)	0
General Assistance - SRS	0	0
Reintegration/Foster Care -SRS	(170,336)	(324,958)
Mental Health -SRS	(6,060,609)	(80,955)
Nursing Facilities Mental Health -SRS	0	0
Community Supports and Services -SRS	(594,544)	(253,038)
Addiction and Prevention Services -SRS	(145,956)	(62,119)
<b>TOTAL</b>	<b>\$ 44,625,680</b>	<b>\$ 11,345,151</b>

## Department of Health and Environment - Health Care Finance/ Kansas Health Policy Authority

**A. Opportunities for Savings in the Prescription Drug Program (House Committee).** The Social Services Budget Committee encouraged the agency to explore all opportunities for savings in the prescription drug program, including expenditures for both the state Medicaid program and the State Employee Health Plan. Specifically, the Budget Committee recommended that the agency work with providers to identify opportunities for potential savings, including: drug rebates; increased utilization of generic drugs, including antidepressants and atypical antipsychotic medications which are or will soon be available in generic form; enhanced use of e-prescribing technology; use of actual acquisition costs as the benchmark for drug reimbursement; and enhanced cost-sharing concepts on Medicaid-covered services such as different co-payments for preferred and non-preferred drugs. Any savings which can be identified should be reinvested in the program and the agency should report back on the status of this review during Omnibus.

The Kansas Health Policy Authority indicated the agency began implementation of a number of discrete, non-integrated targeted pharmacy initiatives aimed at cost reductions in FY 2011. Those initiatives included elimination of coverage of certain over-the-counter medications, limiting the first fill of a name brand prescription, a limit of four name brand prescriptions per month, and implementation of an automated Prior Authorization system. The agency noted that over the years, implementation of similar independent incremental pharmacy policies has resulted in a piecemeal approach to improving the efficiency and cost effectiveness of the pharmacy management program and an absence a cohesive pharmacy management strategy lacking complimentary strategies for prudent spending.

KHPA has recently initiated a review of the total Medicaid pharmacy program, including all policies related to pricing, utilization, drug mix, and complex condition management. An independent outside evaluation team from the University of Kansas Medical Center's Department of Preventive Medicine has begun a review of existing Kansas Medicaid pharmacy benefit coverage policies, including prior authorization, drug utilization review, and reimbursement incentives for common/and-or high cost care items. The evaluation team will review current Kansas Medicaid pharmacy management practices against national standards and the practices of other states and make recommendations for changes in current pharmacy policy to maximize program efficiency and improvement in health outcomes. The agency indicated that other pharmacy program efficiencies will be explored as part of the broader Medicaid reform effort this summer.

8-13

**B. Federal Section 1915(i) and (k) Options (House Committee).** The Social Services Budget Committee requested the agency consider the opportunities available to the state under federal section 1915(i) and (k) options. The Budget Committee noted that these Medicaid options have the potential for increased federal match for home and community based services, and should be reviewed to determine what potential benefits are available to Kansas. The Budget Committee requested the agency report back at Omnibus on the potential implications of participation in either option.

The Kansas Health Policy Authority consulted with the Department on Aging and the Department of Social and Rehabilitation Services regarding Section 1915 (i) and (k) options. Kansas currently requires an institutional level of care score to receive home and community based services. Changes to the 1915(i) option in the federal health reform law would allow people with lower level of care scores to be eligible for home and community based services. Section 1915(k) creates the Community First Choice Option.

### **1915 (i) State Plan Options Changes Under the Affordable Care Act**

The Affordable Care Act removed limitations for the 1915(i) option established under the Deficit Reduction Act of 2005:

- Can now cover any service that could be approved in a 1915(c) waiver;
- Coverage went from 150.0 percent of the federal poverty level to 300.0 percent of Supplemental Security Income benefits rate;
- Allows those who would qualify for a 1915(c) waiver to get a different amount, duration or scope of services under a 1915(i) option than others who are receiving 1915(i) services.
- The state can target services on the 1915(i) to specific populations and to factor the type, amount, duration and scope to specific populations.
- Five year period will be renewed for another five years.
- Eliminated ability to cap enrollment in 1915(i) – can change eligibility criteria without approval, but those on the waiver that continue to meet the old criteria are grandfathered in as long as they meet the old eligibility criteria.

#### *Agency Noted Considerations:*

- What would be the impact of instituting the 1915(i) provision? Could Kansas reduce the number of people on the Home and Community Based Services Waiver for individuals with a physical disability by offering a limited amount of less costly services such as these listed below and reduce the amount the state spends:
  - Independent living skills
  - Home maker services
  - Assistive services
- Under the current guidance it is not clear how much the federal Centers for Medicare and Medicaid Services would allow a state to limit the target population to receive the 1915(i) services. This could potentially open up these services to a much wider range of beneficiaries than have previously received these services on the 1915(c) waiver. With the elimination of the ability to cap enrollment in a 1915(i) program the State could end up spending more money on these services than it did on the 1915(c) waiver.

8-14



## Community First Choice Option

The Community First Choice Option is a new home and community based program. The primary focus is the removal of barriers that prevent individuals from returning to the community or remaining in the community, thus avoiding unnecessary or premature institutionalization.

When using this option states must define qualifications for providers of attendant services and supports under the agency model.

### Services Offered Must Include:

- Self directed plans of care;
- Assistance with activities of daily living and instrumental activities of daily living and health related tasks;
- Teaching the skills necessary of the individual to accomplish activities of daily living and instrumental activities of daily living tasks;
- Back-up systems or mechanisms to ensure continuity of services;
- Voluntary training on how to select, manage and dismiss attendants;
- Cannot mandate training program for home care attendants;
- Planning process would:
  - include people chosen by the individual;
  - provide necessary support to ensure that the individual has a meaningful role;
  - occur at times and locations of convenience to the individual;
  - reflect cultural considerations;
  - include strategies for solving conflict of interest concerns among planning participants;
  - include opportunities for plan updates; offer choices regarding the services and supports they receive and from whom.

### *Agency Noted Limitations/Considerations*

- State would receive a 6-percent federal medical assistance percentage increase; for the first full year of implementation, the State must maintain or exceed the level of Medicaid expenditures from the previous year.
- Does not allow a state to choose only specific categories or types of home and community-based attendant services and supports to be included in the overall service benefit.
- The services would be an entitlement, as the State could not place a ceiling on enrollment, establish waiting lists, or target populations.
- At a minimum, the State must permit expenditures for transition costs (rent, utilities, bedding, kitchen supplies or any other supplies required to transition out of a nursing facility).
- The State can pre-approve expenditures, require approval for all expenditures or only require approval for some expenditures.
- Cannot use for: room and board; special education or services provided under the federal Individuals with Disabilities Education Act; vocational rehabilitation; assistive technology; medical supplies and equipment; home modifications.
- Persons can become eligible for this program without taking an assessment if their income is 150% or less of the federal poverty level.
- Must verify income annually.

8-15

- Must conduct an assessment of individual's functional need on which to base the person-centered service plan. Must be reassessed every 12 months or when the individual's needs or circumstances change.
- Must be serviced by vouchers, direct cash payments, or use of a fiscal agent to assist in obtaining services.
- The State must develop and approve a service budget, which would include specific items, such as the specific dollar amount, how the individual is informed of the amount, and the procedures for how the individual may adjust the budget.
- The State must collaborate with a Development and Implementation Council.
- Must employ measures for program performance and quality of care, standards for delivery models, mechanisms for discovery and remediation, and quality improvements proportionate to the benefit and number of individuals served.

**C. Review Topics Regarding Potential Savings Through Medicaid Reform Strategies (House Committee).** The House Appropriations Committee directed the agency to review the following topics related to potential Medicaid reform savings.

The agency noted it is actively engaged in supporting the comprehensive review of the Medicaid program, led by the Lieutenant Governor, to improve the quality of services provided and reduce state costs to ensure sustainability. So far, through this process, the state has received a great many suggestions to improve the program, including many of the items raised by the committee. KHPA is helping to coordinate an interagency and public stakeholder review of these ideas and suggestions. A listing of the reform ideas is available on the KHPA website: [http://www.khpa.ks.gov/medicaid\\_proposals/default.htm](http://www.khpa.ks.gov/medicaid_proposals/default.htm)

The process is expected to result in a coordinated package of reforms later this year. The agency is providing a status report in each area:

1. A review of optional benefits and cost sharing opportunities:

A review of optional medical care benefits reveals limited opportunities for significant savings due to the likelihood that the most expensive optional services, if eliminated, could lead to substitution of these services by other, more expensive and mandatory Medicaid services, such as inpatient care. Reductions in some optional services should not be ruled out, however, and these services remain open for review through the Medicaid reform process this summer.

2. Managing care for high-cost enrollees more effectively:

Coordination and management of medical care, behavioral health, and long-term care is a central objective of the Medicaid program reform efforts and will be thoroughly reviewed with the aid and assistance of outside consultants and stakeholders. A variety of approaches are possible. Innovations in this area will receive significant consideration in the Medicaid reform process led by the Lieutenant Governor.

3. Opportunities available through the establishment of "Benchmark" and "Benchmark Equivalent" plans:

The agency is exploring these options with the aid of privately funded outside consultants and expects options to be available for public review and consideration later this year.

8-16



4. Minimizing fragmented care for dual-eligible individuals covered by both Medicare and Medicaid:

KHPA submitted a proposal to achieve significant reforms and savings for dually enrolled Medicaid and Medicare recipients earlier this year, but it was not selected by federal Centers for Medicaid and Medicare Services. Nevertheless, these enrollees reflect a substantial percentage of spending in Kansas' Medicaid program, and KHPA expects that reforms in this area will receive significant attention in the Medicaid reform process.

5. Assuring program integrity through audits of providers as well as beneficiaries, including pursuing additional opportunities for outside audit contracts:

The agency indicated that this is an option under Kansas' existing Medicaid audit contract (the RAC audits), and will be pursued by the contractor if it is found cost-effective.

6. A review of Home and Community and Based Services to assure that those in the greatest need are provided support:

Home and Community Based Services (HCBS) were created to provide medical and non-medical services to children and adults in their home, assisted living or residential care facility. Services are designed to provide individuals with the least intensive level of care, who may otherwise be placed in a nursing home, mental or acute care hospital, rehabilitation facility, or intermediate care facility for the mentally retarded.

Persons must have a medical need for the special care. There must be an open space in the HCBS program, and the individual must be determined eligible for Medicaid. The resource limit is \$2,000 for single persons, with special resource provisions for married individuals. Persons with income more than \$747 a month help pay for their care. People on HCBS also get a case manager to oversee medical care.

For the frail and elderly population, a nursing home level of care score is required to receive HCBS, administered by the Department on Aging.

The Department of Social and Rehabilitation Services administers six HCBS waivers serving individuals with disabilities. The chart below includes details on eligibility and services. There are currently waiting lists for three of the waivers (excluding Traumatic Brain Injury, Technology Assisted, and Seriously Emotionally Disturbed waivers). For the Developmental Disability Waiver and the Physical Disability Waiver, Kansas uses a first-come, first-serve approach to the waiting list. In addition, Kansas has established crisis exception criteria for these waiting lists. This ensures those on the waiting list who are at risk of harm, which would be those in most need of services, have access to the waivers. The autism waiver waiting list is addressed only in a first-come, first-serve manner.

8-17

# Overview of Medicaid Home & Community Based Services Waivers Operated by the Department of Social and Rehabilitation Services

WAIVER	AUTISM	DEVELOPMENTAL DISABILITY	PHYSICAL DISABILITY	TECHNOLOGY ASSISTED	TRAUMATIC BRAIN INJURY	SERIOUSLY EMOTIONALLY DISTURBED (SED)
<b>Institutional Equivalent</b>	State Mental Health Hospital Services	Intermediate Care Facility for Persons with Mental Retardation	Nursing Facility	Acute Care Hospital	Head Injury Rehabilitation Facility	State Mental Health Hospital
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>▶ Time of diagnosis through 5 years of age</li> <li>▶ Diagnosis of an Autism Spectrum Disorder or PDD-NOS</li> <li>▶ Meet functional eligibility</li> <li>▶ Eligible for State Institutional</li> </ul>	<ul style="list-style-type: none"> <li>▶ Individuals age 5 and up</li> <li>▶ Meet definition of mental retardation or developmental disability</li> <li>▶ Eligible for ICF/MR level of care</li> </ul>	<ul style="list-style-type: none"> <li>▶ Individuals age 16-64*</li> <li>▶ Determined disabled by SSA</li> <li>▶ Need assistance with the activities of daily living.</li> <li>▶ Eligible for nursing facility care</li> </ul> <p><i>*Those on the waiver at the time they turn 65 may choose to stay on the waiver</i></p>	<ul style="list-style-type: none"> <li>▶ Children under age 22</li> <li>▶ Dependent upon intensive medical technology</li> <li>▶ Medically fragile</li> <li>▶ Requires the level of care provided in an acute hospital</li> </ul>	<ul style="list-style-type: none"> <li>▶ Individuals age 16-65</li> <li>▶ Have traumatic, non-degenerative brain injury resulting in residual deficits and disabilities</li> <li>▶ Eligible for in-patient care in a Head Injury Rehabilitation Hospital</li> </ul>	<ul style="list-style-type: none"> <li>▶ Children 4-18; under 4 /over 18 if age exception approved</li> <li>▶ Choose HCBS</li> <li>▶ Determined Seriously Emotionally Disturbed by CMHC</li> <li>▶ Meet admission criteria for State Hospital</li> </ul>
<b>Waiting list as of April 2011</b>	259	Unserved: 2,501 Underserved: 1,053	3,950	No waiting list	No waiting list	No waiting list
<b>Cost in FY 2012 to eliminate waiting list</b>	\$4,953,980 All Funds \$2,112,670 SGF	\$121,155,339 All Funds \$51,563,712 SGF	\$61,008,144 All Funds \$25,965,066 SGF	No waiting list	No waiting list	No waiting list

8-18



7. Information on what the state has committed itself to regarding maintenance of effort for ongoing programs by acceptance of federal American Recovery and Reinvestment Act funding and what impact those commitments may have for the agency's budget going forward.

The agency indicated that since maintenance of effort provisions went into effect (2008 - 2010) Kansas Medicaid enrollment grew nearly 18 percent, and spending will reach nearly \$2.8 billion, an almost 17 percent increase.

The maintenance of effort commitment established under federal American Recovery and Reinvestment Act was renewed in the Affordable Care Act with a different penalty. Once federal American Recovery and Reinvestment Act funding expires on June 30, 2011, a violation of the MOE will induce a withholding of all federal matching funds for Medicaid, but will not entail a return of previously accepted federal American Recovery and Reinvestment Act stimulus funding.

In a February 25, 2011 letter to state Medicaid directors, the federal Centers for Medicare and Medicaid Services (CMS) indicated, "The maintenance of effort provisions in the Affordable Care Act generally ensure that States' coverage for adults under the Medicaid program remains in place pending implementation of coverage changes that become effective in January 2014. The Medicaid maintenance of effort provisions relating to adults expire when the Secretary determines that an Exchange established by the State under section 1311 of the Affordable Care Act is fully operational. The maintenance of effort provisions for children under age 19, in both Medicaid and Children's Health Insurance Program are effective through September 30, 2019."

**D. SB 210 Developmental Disabilities Provider Assessment (Governor).** 2011 SB 210 would establish a provider assessment on the gross revenues received by entities providing services to individuals with developmental disabilities. The proceeds of the provider assessment would be used to draw down additional federal funds for the Medicaid Home and Community Based Services Waiver for Individuals with Developmental Disabilities (HCBS/DD). The increased funding would be utilized to increase provider reimbursement rates for HCBS/DD waiver providers. The bill would authorize an assessment for the fiscal year that approval is achieved and the subsequent four fiscal years. The bill would become effective upon publication in the Kansas Register.

If the provider assessment was approved and implemented for the entire fiscal year, revenues from the provider assessment for FY 2012 would be \$19.9 million. This revenue would be used to draw down an additional \$26.9 million in federal funds for total increased expenditures of \$46.8 million for FY 2012. The bill would create the "Quality based community fee fund" within the Kansas Health Policy Authority.

**E. Spring Human Services Consensus Caseloads.** The FY 2011 Spring Consensus Caseload Estimate for the Regular Medical program is an increase of \$27.8 million, but a State General Fund decrease of \$1.3 million from the State General Fund. The previous caseload estimate also included State General Fund savings of \$17.3 million to account for the Cost Containment and Recovery Contract. The new estimate includes savings of only \$32,000 and \$17.3 million from the State General Fund was added to replace fee fund revenues not realized. However, because the new estimate for the Regular Medical Program utilizes unanticipated fee fund receipts and includes changes in the distribution of populations served and funding sources available to those clients, the net result for FY 2011 is State General Fund savings of \$1.3 million.

8-19

The FY 2012 Spring Consensus Caseload Estimate for the Regular Medical program is an increase of \$52.9 million, including \$13.8 million from the State General Fund. The previous caseload estimate included State General Fund savings of \$10.0 million to account for the Cost Containment and Recovery Contract. The new estimate includes revenues of only \$2.7 million requiring the addition of \$7.3 million from the State General Fund. However, because the new estimate for the Regular Medical Program utilizes unanticipated fee fund receipts and includes changes in the distribution of populations served and funding sources available to those clients, the additional amount needed from the State General Fund is not as large.

More information on the Spring Human Services Consensus Caseload Estimates is included under the Department of Social and Rehabilitation Services, Item C, Page 10.

## **Dept. of Health and Environment - Health**

### **A. Provision of Adequate Dental Services Across the State (House Committee).**

The Social Services Budget Committee requested that the agency review the cost effectiveness of providing adult dental services, provide an update on dental issues in rural areas of the state, and provide information on the agency's continued commitment to a state dental officer to respond to these and other ongoing dental issues. 2011 SB 132, currently referred to the Senate Public Health and Welfare Committee, would create the Kansas Comprehensive Oral Health Initiative Act. Under the Act, the Kansas Health Policy Authority (KHPA) would be required to include dental coverage for all Medicaid beneficiaries. The fiscal note on that bill indicates that the program would require additional expenditures totaling \$10.6 million, including \$4.4 million from the State General Fund. These amounts assume that of 198,583 beneficiaries who may not have access to dental services, 114,127 or 57.0 percent would use the services at a rate of \$7.69 per consumer per month. The Kansas Health Policy Authority notes that these estimates do not include likely savings from the health complications that emerge from untreated dental conditions, and indicates that such savings may significantly reduce the net cost of the expansion. KHPA does not have a specific estimate of these savings, but provided a review which included items to be considered in an expansion of dental services.

KHPA states that the cost of not providing a dental benefit for Medicaid-eligible adults is paid in complications people with chronic disease experience and an increased use of hospital emergency departments. In addition, the agency notes that medical and dental researchers are showing the interaction between oral disease and other systemic diseases, like diabetes, cardiovascular disease, and rheumatoid arthritis. KHPA also notes that states are moving away from reductions in coverage of optional services as a means of cost control because costs for these services are often pushed into more costly settings such as the emergency room. The agency indicates that the absence of dental care in the Kansas Medicaid program disrupts the continuity of care. Dental services, if accessible, are primarily preventive in nature. For example, a dental visit can detect the signs of a chronic disease or the worsening of that disease. Lack of access to dental care can lead to more damaging and more costly health conditions.

The Department of Health and Environment also provided information on its oral health activities. The Bureau of Oral Health provides the state with current data on the oral health status of Kansas children. According to the Bureau, 21.9 percent of Kansas children statewide attended school with active, untreated dental decay. In some parts of the state, however, the rate was almost twice that high. The Bureau also expressed concern about the state of Kansas' dental work force. Kansas has 1,425 dentists with a practice address in the state, but 15

8-20



counties in the state have no full time dentist. The Bureau also highlights concerns with access to dental care for uninsured adults. The Bureau of Oral Health notes its major programs as: the utilization of extended care permit hygienists to provide preventive services to at-risk children in schools; dental recruitment assistance to rural areas; promotion of dental careers to rural and minority high school students; support for rural dental safety net clinic staff; using non-dental personnel for oral health preventive services; and data collection.

**B. Report on Increasing Pressures on Emergency Room Services Provided by Hospitals Across the State (House Committee).** The Social Services Budget Committee directed the agency to work with the Kansas Hospital Association to develop information on emergency room utilization and report back to the Budget Committee during Omnibus with a plan or some manner of addressing this concern. In March, the Legislative Division of Post Audit released its Performance Audit Report reviewing the use of emergency room services by Medicaid clients. The report analyzed emergency room claims data from the Kansas Health Policy Authority's Medicaid Management Information System from January 1, 2008, to December 31, 2009. The report found that about two-thirds of emergency room claims were for conditions that did not require emergency room treatment. However, because KHPA reduces payments for unnecessary emergency room use, limiting the direct savings that can be achieved through additional policy intervention, the report concluded that "under the most optimistic assumptions, the State could potentially save about \$625,000 per year by reducing the number of emergency room visits for non-urgent conditions." The report included seven cost-saving strategies Kansas should consider implementing, but the report did not quantify potential costs or savings. Those measures included the following:

1. Operate a 24-7 phone line staffed by nurses who could assess callers' needs and direct them to the appropriate place to receive treatment;
2. Pay primary care providers for services currently not reimbursed, such as traveling to rural areas to visit patients, consulting with specialists over the phone, or seeing patients on the same day an appointment is made;
3. Educate the public about various aspects of preventive medicine and the health care system, such as how to spot and take action for common ailments or symptoms, or what health care resources are available in the community;
4. Use existing technology to analyze emergency room claims data for general patterns in usage, to track high-frequency users specifically, and to provide that information to medical providers on a regular basis;
5. Provide case management services for frequent users of the emergency room;
6. Draft regulations or guidelines for hospital emergency rooms which market themselves as "Express Care Centers" with short wait times; and
7. Send reminders to doctors and other medical professionals on when to refer patients to the emergency room and how to talk about it with their patients.

The Department indicates that it and the Kansas Hospital Association believe that adoption of a secure health information exchange will improve information-sharing among primary care providers and hospitals, potentially leading to improved outcomes, coordination of care, and reduced repeat emergency department utilization. The agency and association continue to discuss the issue and anticipate a range of strategies that could affect emergency

8-21

department utilization being part of this summer's Medicaid reform public input and stakeholder consultation process.

**C. House Bill 2035 (Law).** HB 2035 amends current law regarding late-term abortions. As it relates to the Department of Health and Environment, KDHE would be required to include additional information in its abortion reporting; and law enforcement officials would be granted access to KDHE reports. The Department of Health and Environment indicates that passage of the bill would increase expenditures for FY 2012 by \$70,380 from all funding sources, including \$20,380 from the State General Fund and \$50,000 from agency special revenue funds. The expenditures would include: changes to the Woman's Right to Know website (\$20,380); Vital Statistics Information System changes (\$25,000); consultation with medical and legal professionals (\$20,000); and changes to paper forms; drafting of regulations, and training (\$5,000).

**D. House Substitute for Senate Bill 36 (Conference Committee).** House Sub. for SB 36, as recommended by the House, would provide for the licensing of abortion clinics by the Kansas Department of Health and Environment (KDHE). Any facility that performs any second or third trimester abortion, or five or more first trimester abortions within a month would have to be licensed. KDHE would be required to adopt and enforce regulations and would collect an initial and subsequent annual fee of \$500 from each licensee. The Department would also establish classes of violations and corresponding fines for those violations. Inspections would be required twice per year. SB 36, as passed by the Senate, would have updated the exemptions from creditors provided for individual retirement accounts or account plans to include plans added to the federal Internal Revenue Code since the exemptions were originally enacted. The House substituted provisions originally contained in HB 2337. The Department originally indicated that passage of HB 2337 would increase State General Fund expenditures by \$1,259,481 and require the addition of 12.5 FTE positions. The estimate is based on the fact that it is possible every general or special hospital or ambulatory surgery center in the state could perform abortions, and would have to be licensed. Currently, there are 67 general or special hospitals, one ambulatory surgery center which performs abortions, and two other locations that performed abortions in FY 2010. The agency also calculated revenue from licensing fees at \$35,000, based on 70 facilities being licensed at \$500 per facility. Subsequently, a revised fiscal note for HB 2337 was submitted by the Director of the Budget. The Director disagreed with KDHE's assessment of the fiscal effect of HB 2337, and estimated a fiscal effect of \$67,165 and 1.0 FTE position. The Budget Director assumed instead that only the three facilities which currently perform abortions would need to be licensed. The Budget Director did not believe it likely that any other facilities would perform five or more abortions per month and require a license.

#### **Dept. of Health and Environment - Environment**

**A. New Vehicle Request (House Committee).** The House Agriculture and Natural Resources Budget Committee noted that the agency requested 19 new vehicles (at a total cost of \$428,900, all from special revenue funds) for the Environment portion of the budget for FY 2012. The Budget Committee requested that the agency further prioritize the vehicle request and attempt to reduce the number of vehicles and amount of expenditures requested and report back during Omnibus. The agency indicates that a total of eight vehicles, including one van, five trucks, one four-wheel drive sport utility vehicle, and one heavy duty geoprobe truck are the highest priority for FY 2012. The vehicles range from 150,000 miles to over 183,000 miles. The

8-22



revised estimate of expenditures for these vehicles totals \$205,100, all from special revenue funds.

**B. Waste Tire Management Grant Program (House Committee).** The House Agriculture and Natural Resources Budget Committee requested Omnibus review of the Waste Tire Management Program. The program began in FY 2004. According to the agency, a major goal of this grant program is to stimulate the production and sale of commercial products made from recycled Kansas waste tires including playground cover, park benches, and picnic tables. Local units of government and school districts are eligible to apply for funding, which will provide up to 50.0 percent of the total cost to purchase and install eligible products made from waste tires. The program is funded from a \$0.25 excise tax on all new tires sold in Kansas. A seven-member Solid Waste Grants Advisory Committee prioritizes projects and make recommendations on competitive grant selection and disbursements. Based on the past two rounds of grants, 79 out of 84 cities, counties, and schools that purchased products made from recycled tires using grant funds bought them from Kansas companies. The agency notes that many of these Kansas companies are distributors of products made in other states, but every one of those out-of-state manufacturers utilized at least some Kansas waste tires as the raw material for their products. Some of the match goes for product installation as well as product purchases, so an estimate of the total business benefit in Kansas of this grant program for the past two grant rounds, according to the agency, was about \$1.4 million.

## **Office of the Governor**

**A. Consolidation of Fund for Domestic Violence Prevention Programs in One Agency (House Committee).** The General Government Budget Committee noted in its report that it would further explore the issue of funding for domestic violence prevention programs and give consideration at Omnibus to consolidating all of the funding for domestic violence prevention grants in one agency. Currently, most domestic violence prevention funding is included in two budgets, the Office of the Attorney General and the Office of the Governor. In addition, funding specifically geared toward domestic violence programs for Temporary Assistance for Needy Families (TANF) recipients is included in the budget of the Department of Social and Rehabilitation Services. The following table reflects FY 2012 funding included in each of the three budgets.

8-23

Agency/Program	House Recommendation FY 2012	
	State General Fund	All Funds
<b>Office of the Governor</b>		
Domestic Violence Prevention Grants	\$ 3,426,934	\$ 3,426,934
Domestic Violence Prevention Grant Administration	140,011	140,011
<b>Total-Office of the Governor</b>	3,566,945	3,566,945
<b>Office of the Attorney General</b>	\$ 200,000	\$ 350,000
<b>Department of Social and Rehabilitation Services</b>		
Domestic Violence Child Welfare Specialist	\$ 0	\$ 66,102
Domestic Violence and Sexual Assault Programs for Temporary Assistance for Needy Families work program participants	0	1,695,884
<b>Total-SRS</b>	\$ 0	\$ 1,761,986
<b>GRAND TOTAL</b>	<u>\$ 3,766,945</u>	<u>\$ 5,678,931</u>

## Attorney General

### A. Consolidation of Fund for Domestic Violence Prevention Programs in One Agency .

See item A, under Office of the Governor, on page 23.

**B. Funding for the Human Rights Commission (House Committee).** The General Government Budget Committee noted in its report that the Governor's FY 2012 recommendation for the agency including transferring the responsibilities of the Kansas Human Rights Commission to the Office of the Attorney General. The agency's FY 2012 budget included funding of \$1.6 million, including \$1.2 million from the State General Fund, and 22.0 FTE positions associated with the move of the Commission. No Executive Reorganization Order was ever submitted. The Budget Committee noted that if no legislation passed to accomplish the transfer, consideration would have to be given at Omnibus to deleting the funding from the Attorney General's budget and restoring funding to the Kansas Human Rights Commission. Governor's Budget Amendment No. 1, issued March 16, 2011, reversed the Governor's original recommendation and recommended restoring funding for the Human Rights Commission as a separate agency. Both the House and Senate concurred with the Governor's Budget Amendment and restored funding to the separate agency.

**C. House Bill 2035 (Law).** HB 2035 amends current law regarding late-term abortions. As it relates to the Attorney General's budget, the Attorney General or a district or county attorney for a county where any violation of the late-term abortion restrictions occur would be authorized to prosecute the criminal offense. The Office of the Attorney General estimates a fiscal impact of \$220,000, all from the State General Fund for FY 2012 because the Attorney General is authorized to prosecute any criminal offense related to the late-term abortion restrictions in the bill. This includes funding for the salaries of 2.5 FTE positions, 1.0 FTE Attorney, 1.0 FTE Investigator, and a 0.5 FTE Secretary, and would also include funding for expert witness fees.

24



**D. House Bill 2010 (Conference Committee).** HB 2010, as amended by the Senate Committee of the Whole, includes a provision originally contained in 2011 SB 217. That section provides that when a person is committed as a sexually violent predator and files a habeus corpus petition, the costs incurred as part of the prosecution and defense of the petition would be assessed to the county responsible for the costs, which would be defined in the bill as the county where the person was determined to be a sexually violent predator. A county could refuse to approve payment of the costs assessed by the court if it is not the county responsible for the costs and could file a claim against the debtor county, which would have to be paid within 120 days. The county responsible for the costs would be reimbursed for the costs by the Attorney General from the Sexually Violent Predator Expense Fund. The statute governing this fund would be amended to allow for such expenditures. If the fund's balance was insufficient to cover the costs, the county could file a claim against the state for reimbursement. The Attorney General estimates that required reimbursements from the Sexually Violent Predator Fund, which has no consistent revenue source, would total \$18,000 to \$50,000 per year.

**E. Senate Bill 93 (Conference Committee).** SB 93 would prohibit a law enforcement officer from using racial or other biased-based policing, allow community advisory boards to be established, and under the Senate version of the bill, would require written policies and annual reports, data collection, and procedures for the investigation and disposition of a racial or other biased-based policing complaint. The Senate Committee of the Whole amended the bill to require that individuals be informed of their right to file a complaint with the Attorney General, and include in data collection and the annual report whether the law enforcement agency collects pedestrian stop data. The Attorney General's office states that enactment of the bill would require \$82,000 and 1.0 new FTE position to review and investigate allegations of racial profiling and notify local agencies and the Kansas Commission on Peace Officers Standards and Training.

## **Secretary of State**

**A. Funding for the 2012 Presidential Preference Primary (Senate Committee and House Committee).** Both the House and Senate Committees noted that 2011 SB 128, currently referred to the House Elections Committee, delays the next scheduled Presidential Preference Primary from 2012 to 2016. Should this legislation not be enacted, the Secretary of State estimates expenditures of \$1.3 million, all from the State General Fund, will be required to cover the Secretary of State's costs and to reimburse counties for primary election related costs. No funding was included in the Governor's recommendation for these costs. The Committees recommended that the issue of funding be reviewed at Omnibus, after the outcome of the legislation to delay the Presidential Preference Primary had been determined. The legislation has passed the House but is currently in the Senate Elections Committee.

**B. House Bill 2240 (Conference Committee).** House Bill 2240 establishes a new Cemetery Maintenance and Merchandise Fee Fund. Two fees collected by the Secretary of State, one related to the agency's responsibility to audit cemetery merchandise, burial products, or services preneed contracts (a fee not to exceed \$30 on each pre-need merchandise contract sold after January 1, 2011, and its responsibility to audit cemetery permanent maintenance trust funds (a fee not to exceed \$30 on each interment sold as of January 1, 2011) would be authorized by the bill, and the bill would require these fees be deposited in the new fund. The Secretary of State would be required to promulgate rules and regulations fixing the fees to be charged and collected. The new fee fund is created under both the House and Senate versions

8-25

of the bill, and would need to be appropriated in the appropriations bill to provide authority for expenditure of the fees collected.

## **Department on Aging**

**A. Department on Aging Reorganization (House Committee).** The House Committee recommended Omnibus review of a report from the Secretary of the Kansas Department on Aging to the Committee pertaining to the proposed reorganization and downsizing of agency operations to restore the reduced programs and fund the Home and Community Based Services for the Frail Elderly (HCBS/FE) waiver caseloads.

**B. Restorations of Reduced Resources (House Committee).** The House Committee recommended Omnibus review of the agency's plan to utilize any savings realized through the proposed reorganization and downsizing of agency operations to restore the reduced resource items of a Senior Care Act reduction of \$1,333,949, all from the State General Fund, and a Nutrition Program reduction of \$300,000, all from the State General Fund for FY 2012.

**C. Home and Community Based Services for the Frail Elderly (HCBS/FE) Waiver Caseload (House Committee).** The House Committee recommended Omnibus review of the remainder of the agency's enhancement request not recommended by the Governor for \$9,393,567, including \$3,847,109 from the State General Fund, to fund an increase in the Home and Community Based Services for the Frail Elderly (HCBS/FE) waiver caseload by 787 persons at a cost of \$1,150 per person for FY 2012. The agency has indicated that without the enhancement, the HCBS/FE program would need to start a waiting list to stay within the available resources.

**D. Spring Human Services Consensus Caseloads.** The Division of Budget, Legislative Research Department, and the Kansas Department on Aging met on April 14, 2011 to estimate the caseload expenditures for FY 2011 and FY 2012. The consensus estimates for the Kansas Department on Aging includes expenditures for Nursing Facilities and Targeted Case Management.

In FY 2011, the Nursing Facility estimate is a State General Fund increase of \$1.2 million as compared to the Governor's recommended budget. The previous Nursing Facility caseload estimate included \$64.1 million from all funding sources to account for funds generated by the nursing facility provider assessment in FY 2011. However, after implementation of the nursing facility provider assessment, it was realized that a portion of the FY 2011 assessment revenue would actually be expended in FY 2012. Therefore, FY 2011 expenditures for the program were reduced by \$13.5 million. In addition, adjustments decreased the Targeted Case Management Program by \$146,760, including \$47,301 from the State General Fund.

The FY 2012 adjustment includes a decrease of \$132,629, including \$56,447 from the State General Fund, for the Targeted Case Management program which is still expected to increase over FY 2011 expenditures, but beneficiaries and program expenditures are not expected to increase as much as was originally estimated. For FY 2012, the overall estimate for Nursing Facilities is slightly increased from the fall, but the State General Fund portion is \$2.0 million lower than the Governor's budget but an increase of \$1.2 million for all funds. The estimate for the number of clients is actually decreased, but costs are increased to reflect additional funding from the provider assessment.

8-26



## **Governmental Ethics Commission**

**A. Governmental Ethics Commission Fee Fund (Senate Committee and House Committee).** The House and Senate Committees recommend Omnibus review of the Governor's FY 2012 recommendation of \$669,147, including \$180,656 from the State General Fund. Traditionally, the agency's main source of revenue is the State General Fund and a portion of its revenue comes from the Governmental Ethics Commission Fee Fund. However, the Governor's FY 2012 recommendation requires the agency's main source of revenue to come from the Governmental Ethics Commission Fee Fund. Currently, the Governmental Ethics Commission Fee Fund balance and fee structure will not be in future years enough to fully off-set the State General Fund reductions. Therefore, the Governor's recommendation assumed the agency requests for a statutory fee increase would be granted by the 2011 Legislature and is not possible without this assumption. However, the current fee increase located in Senate Substitute for House Bill 2080 is currently awaiting House action. The agency indicates it will not be able to fund the Governor's FY 2012 recommendation operations in FY 2012 without the passage of Senate Substitute for House Bill 2080.

The agency requests FY 2012 operating expenditures of \$690,760, including \$432,269 from the State General Fund.

**B. Governmental Ethics Commission Fee Fund (Senate Committee and House Committee).** The House and Senate Committees recommend review of the Governor's FY 2013 recommendation of \$691,133, including \$201,567 from the State General Fund. Traditionally, the agency's main source of revenue is the State General Fund and a portion of its revenue comes from the Governmental Ethics Commission Fee Fund. However, the Governor's FY 2013 recommendation requires the agency's main source of revenue to come from the Governmental Ethics Commission Fee Fund. Currently, the Governmental Ethics Commission Fee Fund balance and fee structure will not be in future years enough to fully off-set State General Fund reductions to maintain operating levels. Therefore, the Governor's recommendation assumed the agency requests for a statutory fee increase would be granted by the 2011 Legislature and is not possible without this assumption. However, the current fee increase located in Senate Substitute for House Bill 2080 is currently awaiting House action. Further, the current fee structure in Senate Substitute for House Bill 2080 only funds the agency at the recommended level through FY 2012. The agency indicates that it will not be able to fund the Governor's FY 2013 recommendation operations in FY 2013 with the current form of Senate Substitute for House Bill 2080.

The agency requests FY 2013 operating expenditures of \$713,321, including \$443,755 from the State General Fund.

## **Rainbow Mental Health Facility**

**A. Closure of 14.0 beds (House Committee).** The House Committee recommended Omnibus review of a detailed report provided by the Secretary of the Department of Social and Rehabilitation Services (SRS) pertaining to the closure of 14.0 beds at Rainbow Mental Health Facility in FY 2011.

The Department of Social and Rehabilitation Services (SRS) has indicated that it recently closed 14.0 of the 50.0 beds provided by the agency due to findings of a recent federal

8-27

Centers for Medicare and Medicaid Services (CMS) survey. While previous CMS surveys found the facility operating at acceptable client to staff ratios, the recent survey concluded that the facility is operating four units instead of two. Thus, the agency is considered understaffed according to the survey. Therefore, the agency would have to reduce the number of individuals served or provide additional levels of RN staffing and expenditures of \$812,000, all from the State General Fund, to staff above levels that had previously been found acceptable by CMS surveys. Corrected action alternative plans submitted by the agency were rejected by CMS. In the current fiscal year, 11.0 additional beds have been opened at Larned State Hospital. Therefore, the closure of the Rainbow Mental Health Facility beds will have an overall reduction of 3.0 beds in the state mental health hospital system in the current fiscal year.

## **Department of Commerce**

**A. Kansas State University School of Veterinary Medicine Application Process (House Committee).** The House Committee recommended Omnibus review of the application process for the Kansas State University School of Veterinary Medicine and the Committee noted the importance of admitting students from Kansas. The data below outlines the admissions processes, including factors considered for acceptance and the number of in-state versus out-of-state students.

### *Admission Requirements*

An applicant must have at least a 2.8 GPA on the Kansas State University's School of Veterinary Medicine 64 hours of prerequisite courses, at least a 2.8 GPA on his or her last 45 hours of undergraduate course work, and must be able to complete all prerequisites by the end of the spring semester prior to the fall during which he or she desires to matriculate. Qualified applicants are ranked based on composite GRE scores, science GPA, and interview scores. During the interview animal experience, veterinary experience, prior involvement in one's community, written and oral communication skills, professionalism, career goals, etc. are evaluated. At least three letters of reference are required. The admissions committee is committed to identifying applicants who possess the following characteristics:

- A strong desire to be a veterinarian;
- A compassion for people and animals and a respect for life;
- Personal integrity and high ethical standards;
- Strong written and oral communication skills ;
- Problem solving and critical thinking skills ;
- A commitment to the betterment of humanity and the improvement of one's community, society, and profession;
- An understanding of the world and its cultures;
- Documented strong academic ability in the sciences;
- A commitment to lifelong learning.

### *Decisions on Admissions*

The Associate Dean for Academic Programs, Admissions, and Diversity facilitates the admissions process for a college admissions committee composed of six faculty members.

8-28



Students being considered for acceptance undergo a personal interview with an interview team. Each interview team is composed of two College of Veterinary Medicine faculty members and one private veterinary practitioner practicing in Kansas. Interviews for Kansas residents are conducted during mid-December. Interviews for non-resident applicants are conducted in January. The associate dean prepares academic evaluations, schedules interviews, and provides ranking summary information for the admissions committee. The admissions committee uses this information to advise the dean about which applicants should be given letters of offer, which applicants should be placed on an alternate list, and which applicants should not be admitted. The dean makes the final decisions regarding the admission status for each applicant.

#### *In-State versus Out-of-State Students*

- 2005 admissions cycle - 49 Kansas residents and 56 nonresidents (105 total)
- 2006 admissions cycle - 45 Kansas residents and 60 nonresidents (105 total)
- 2007 admissions cycle - 46 Kansas residents and 62 nonresidents (108 total)
- 2008 admissions cycle - 45 Kansas residents and 67 nonresidents (112 total)
- 2009 admissions cycle - 45 Kansas residents and 78 nonresidents (123 total)

#### *Tuition Rates*

The tuition and fees for Kansas residents are approximately \$20,000 per year and the tuition and fees for nonresidents are approximately \$40,000 per year.

**B. House Bill 2125 - Kansas Professional Regulated Sports Act. (Law).** HB 2125, as recommended by the Senate Committee of the Whole would make revisions to the Kansas Professional Regulated Sports Act and to the powers of the Athletic Commission. The bill would authorize the Athletic Commission to impose a civil penalty which would be limited to a maximum of \$10,000 per day per violation. The section would outline procedures for the imposition of the penalty and an appeals process, including appeal to district court if necessary. Penalty funds would be deposited into the Athletic Fee Fund.

The bill would increase revenue in the Athletic Fee Fund by \$5,000 in FY 2011 and \$25,000 in FY 2012. The Department did not anticipate any increase in expenditures. For FY 2012 the Athletic Fee Fund had revenue of \$120,117 and a projected ending balance of \$59,760.

#### **Kansas Public Employees Retirement System (KPERs)**

**A. Senate Sub for HB 2194 - Increased Employee and Employer Contribution Rates and Benefit Formula Multiplier (Conference Committee).** Senate Sub for HB 2194 would modify the Kansas Public Employees Retirement System (KPERs) retirement plan for current public employees who are KPERs members and for future public employees of the state, school, and local groups.

Increased Employer Contributions - The annual cap on state and school participating employer KPERs contributions would increase from 0.6 percent per year to 1.1 percent per year, beginning July 1, 2013. For local participating employers, the 1.1 percent cap in contribution increases would begin on January 1, 2014.

8-29

Increased Employee Contributions - Rates for KPERS Tier 1 and certain Tier 2 members would increase by 1.0 percent in each of two calendar years, beginning January 1, 2014. By calendar year 2015, the contribution for Tier 1 employees would reach 6.0 percent and the contribution rate for certain Tier 2 employees would reach 8.0 percent. Subject to Internal Revenue Service approval, an election would be offered to Tier 2 members to opt out of the rate increase if they would give up the cost-of-living adjustment (COLA) in their plan. If a Tier 2 member opted to give up the COLA, then the Tier 2 employee contribution rate would remain 6.0 percent. All Tier 2 members hired after July 1, 2013 would have an employee contribution rate of 6.0 percent, but would not receive a COLA. The current contribution rate is 4.0 percent for Tier 1 employees and 6.0 percent for Tier 2 employees.

Increased Benefit Multiplier for Future Service - Beginning January 1, 2014, the KPERS retirement benefit formula multiplier would increase from 1.75 percent to 1.85 percent for all future years of service credited to KPERS Tier 1 members and certain Tier 2 members who elect to have their contribution increased to 8.0 percent. Members of Tier 2 who opt to remain at 6.0 percent for the employee contribution rate would continue to have a multiplier of 1.75 percent for future service. All Tier 2 members hired on or after July 1, 2013 would have a 1.75 multiplier.

KPERS Study Commission - The bill also would establish a KPERS Study Commission that is directed to review certain topics and to submit a report by December 15, 2011 for the 2012 Legislature. In order for the other statutory changes in the bill to become effective, the 2012 Legislature must take action within 180 days of the report being issued. The implementation of the increases in employer and employee contributions, as well as the increase in benefit multiplier, would be contingent upon the 2012 Legislature acting upon the report's recommendations.

## **Kansas Technology Enterprise Corp.**

**A. Funding for the Kansas Technology Enterprise Corporation for FY 2012 (Senate Committee).** The Senate Committee recommended that if SB 42, which allows the transfer of the Kansas Technology Enterprise Corporation (KTEC) programs to the Kansas Department of Commerce and the Kansas Board of Regents did not pass, then funding should be restored which would allow KTEC to be an independent and stand-alone agency for FY 2012. The Senate Committee recommended that KTEC should be funded at the amount recommended by the Governor for FY 2011. For FY 2011, the Governor recommended \$8,226,601 including \$5,876,651 from the Economic Development Initiatives Fund. Included in the Governor's FY 2011 recommendation is funding for 9.0 FTE.

SB 42 was dually referred to the Senate Committee on Commerce and the Senate Committee on Ways and Means and the bills are currently in both committees. House Bill 2382 and Senate Bill 234 do not maintain funding for KTEC as a separate state agency. The funding for the KTEC programs are included in both the Kansas Department of Commerce and the Kansas Board of Regents.

**B. HB 2054 (House Committee).** The House Committee recommended review of HB 2054 which would abolish the Kansas Technology Enterprise Corporation (KTEC) and transfer most of its duties and responsibilities to the Department of Commerce and the Secretary of Commerce and the Kansas Board of Regents. The House Committee wanted to ensure that

8-30



HB 2054 made all of the necessary statutory changes. HB 2054 was passed by the House and referred to the Senate Committee on Commerce. A hearing was held on the bill on March 16, 2011.

## **Board of Healing Arts**

**A. Potential Fee Increases for Part-Time Contractual Medical Director (House Committee).** The House Committee requested Omnibus review of potential revenue to be gained from fee increases for FY 2012 and FY 2013. The following chart identifies whether such revenue may be adequate to support a part-time contractual medical director in those fiscal years.

8-31

**Potential Revenue to be Gained From Fee Increases  
For Purposes of Paying for a Part-Time Contractual Medical Director**

License Type	Statutory Limit	Regulation. Fee	Amount Available	Option 1	Option 2	Option 3
Number of Renewals, Active and Federal/Active: 8,000	\$500	Paper: \$330 Online: 320	Paper: \$170 Online: \$180	Paper: \$400 Online: \$330  Potential revenue increase: \$80,000	Paper: \$400 Online: \$340  Potential revenue increase: \$160,000	Paper: \$400 Online: \$350  Possible revenue increase: \$240,000
Number of Late Renewals, Active and Federal/Active: Unknown	\$500.00	Paper: \$350 Online: \$339	Paper: 150 Online: \$161	Paper: \$450 Online: \$400  The goal is to reduce or eliminate late renewals; therefore, they are not a reliable revenue source.		
Number of Renewals, Inactive/Exempt: 2,000	\$150.00	Paper: \$150 Online: \$150	\$0	Proposed reduction: Paper: \$150 Online: \$100		
Number of Late Renewals, Inactive/Exempt: Unknown	\$150.00	Paper: \$150 Online: \$150	\$0	Proposed reduction: Paper: \$150 Online: \$125		
<p>In summary, the Board of Healing Arts states that a \$10 increase in active license fees could increase revenues by \$80,000 annually, a \$20 increase could increase revenues by \$160,000 annually, and a \$30 increase could increase revenues by \$240,000, annually.</p> <p>The Board also proposes decreasing online renewal fees for inactive/exempt licenses in order to incentivize timely renewal.</p>						
<p align="center"><i>Information provided by the Kansas State Board of Healing Arts.</i></p>						



## Commission on Veterans Affairs

**A. Prioritization of Capital Improvements Items (Senate Committee).** The Senate Capital Improvements Subcommittee requested an Omnibus review of the Kansas Commission on Veterans' Affairs capital improvements requests for FY 2011 and FY 2012. The Committee requested the agency prioritize their projects and provide that information to the Committee.

The Kansas Commission on Veterans Affairs has reprioritized the capital improvements budget for FY 2011 and 2012 and has volunteered the following reductions outlined below.

### Governor's Recommendations

The FY 2011 Kansas Soldiers' Home (located at Fort Dodge) capital improvements as recommended by the Governor are:

- Rehab & Repair \$150,000;
- Storm Damage \$833,856;
- Barn Roof Replace \$ 33,630;
- Street Repair \$200,000;
- Stone/Foundation Repair \$130,000;
- Pershing Windows \$38,279.

The FY 2011 the Kansas Soldiers' Home capital improvements budget as originally recommended by the Governor totals \$1,385,765, all from the State Institutions Building Fund. Rehab and repair expenditures can be reduced to \$106,350 by reducing the number of hot water heaters, floor coverings, and plumbing and bathroom repairs in FY 2011. The Pershing windows project can also be deferred into FY 2013. This would result in a revised FY 2011 request of \$1,303,836 for a reduction of \$81,929 below the original request in FY 2011.

The FY 2012 Kansas Soldier' Home capital improvements as recommended by Governor are:

- Rehab & Repair \$150,000;
- Street Repair \$124,585.

The FY 2012 Kansas Soldiers' Home capital improvements budget as originally recommended by the Governor totals \$274,585, all from the State Institutions Building Fund. Rehab and repair expenditures can be reduced to \$104,350 by reducing the number of hot water heaters, floor coverings, and plumbing and bathroom repairs for FY 2012. This would result in a revised FY 2012 request of \$228,935 for a reduction of \$45,650 below the original request for FY 2012.

The FY 2011 Kansas Veterans' Home (located in Winfield) capital improvements as recommended by the Governor are:

- Rehab & Repair \$100,000;
- Fire Alarm Panels \$ 45,000;
- Nurse Call Station \$ 20,000;
- Carpet Replacement \$ 31,000;
- Donlon Window Replacement \$176,505.

8-33

The FY 2011 KVH capital improvements budget as originally recommended by the Governor totals \$372,505, all from the State Institutions Building Fund. The start of the Donlon window replacement can be deferred until FY 2012. This would result in a revised FY 2011 request of \$196,000 for a reduction of \$176,505 below the original request in FY 2011.

The FY 2012 Kansas Veterans' Home capital improvements as recommended by Governor are:

- Update Fire Alarm System \$12,000;
- Repair & Rehab \$100,000;
- Carpet Replace \$220,000;
- Sprinkler System \$65,000;
- Donlon Window Replace \$176,505.

The FY 2012 Kansas Veterans' Home capital improvements budget as originally recommended by the Governor totals \$573,505, all from the State Institutions Building Fund. The agency does not expect to reduce any of these originally recommended amounts. There is no change to the total FY 2012 request of \$573,505.

#### Agency Priorities by Project

The Kansas Soldiers' Home projects, in order of priority importance in FY 2011:

1. Rehab & Repair \$106,350
2. Storm Damage \$833,856
3. Barn Roof Replace \$ 33,630
4. Street Repair \$200,000
5. Stone/Foundation Repair \$130,000

Total: \$1,303,836, all from the State Institutions Building Fund.

The Kansas Soldiers' Home projects, in order of priority importance for FY 2012:

1. Rehab & Repair \$104,350;
2. Street Repair \$124,585.

Total: \$228,935, all from the State Institutions Building Fund.

The Kansas Veterans' Home projects, in order of priority importance in FY 2011:

1. Fire Alarm Panels \$ 45,000;
2. Nurse Call Station \$ 20,000;
3. Rehab & Repair \$100,000;
4. Carpet Replacement \$ 31,000.

Total: \$196,000, all from the State Institutions Building Fund.

The Kansas Veterans' Home projects, in order of priority importance for FY 2012:

1. Update Fire Alarm Sys \$ 12,000;
2. Repair & Rehab \$100,000;
3. Carpet Replace \$220,000;
4. Sprinkler System \$ 65,000;
5. Donlon Window Replace \$176,505.

8-34



Total: \$573,505, all from the State Institutions Building Fund.

## **Insurance Department**

**A. House Bill 2076 - Amend Time Requirements for Municipal Pools and Group-Funded Workers Compensation and Enact the Surplus Lines Insurance Multi-State Compliance Compact (Conference Committee).** House Bill 2076 would make amendments to certain statutory time requirements specified for municipal pools and group funded workers compensation pools; extend the sunset provision that allows anti-fraud plans to remain confidential from July 1, 2011, to July 1, 2016; enact the Surplus Lines Insurance Multi-State Compliance Compact; and make amendments to the current law governing the allocation of surplus lines' premium tax revenue. The fiscal note on the bill initially indicated no fiscal impact. However, the provisions of the bill that were added related to the Multi-State Compliance Compact bring the state into compliance with the federal Dodd-Frank Wall Street Reform Act, which protects the state from a potential loss of \$2.0 million in revenue. The Senate has adopted the conference committee report for this bill, and it is pending in the House.

**B. House Bill 2075 - Enact the Surplus Lines Insurance Multi-State Compliance Compact and Amend the Governing of Surplus Lines' Premium Tax Revenue (Conference Committee).** House Bill 2075, as amended, would enact the Surplus Lines Insurance Multi-State Compliance Compact and make amendments to the current law governing the allocation of surplus lines' premium tax revenue. The model compact legislation (known as SLIMPACT-Lite, a National Conference of Insurance Legislators (NCOIL initiative) is intended to comply with requirements of the Nonadmitted and Reinsurance Reform Act of 2010 (the NRRA), legislation enacted in Title V, Subtitle B of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Passage of the bill has the potential to protect the State General Fund from revenue loss. Kansas currently collects approximately \$10.0 million in surplus lines premium taxes each year. The Department estimates that as much as \$2.0 million of this revenue could be lost to the State if a bill is not passed to comply with the Dodd-Frank Wall Street Reform Act.

## **Board of Regents**

**A. Senate Bill 143 (Conference Committee).** SB 143 would make technical corrections and updates related to postsecondary technical education. The bill would update terminology, remove definitions for terms no longer used, eliminate vocational school references, add individual institution specific references, update and remove obsolete sections of identified statutes, and repeal statutes no longer needed.

The bill would create the Postsecondary Tiered Technical Education State Aid Act (the Act), replacing the current funding structure. Beginning with FY 2012, and in each fiscal year thereafter, each community college and technical college and the Washburn Institute of Technology would be eligible for postsecondary tiered technical education state aid from the State General Fund for credit hours approved by the State Board of Regents, using a credit hour cost calculation model, that would include all of the following concepts:

8-35

- Arrange into categories or tiers, technical education programs, recognizing cost differentials. (For example, programs with similar costs comprise one of six tiers.)
- Consider target industries critical to the Kansas economy.
- Respond to program growth. Consider local taxing authority for credit hours generated by in-district students.
- Include other factors and considerations determined necessary by the State Board of Regents.

The State Board of Regents would establish the rates to be used as the state's share in a given year, as well as in the actual distribution. The bill would prohibit receipt of both tiered technical education state aid and non-tiered course state aid for any one credit hour. (A non-tiered course would be a general education course.)

The bill would provide for fund accounting and management requirements related to state aid received under the Act. The bill would authorize the State Board of Regents to adopt policies necessary or desirable to implement and administer the Act.

The bill would provide that each community college and technical college is eligible for a grant from the State General Fund, in an amount determined by the State Board of Regents for non-tiered course credit hours approved by the Board of Regents after discussions with community college and technical college presidents.

The bill is subject to appropriations, and would have no fiscal impact without action by the Legislature. However, the passage of the bill would require the creation of two new funds and the elimination of three existing funds, contingent upon the passage of SB 143 as follows:

Strike community college operating grant.....	\$97,166,602
Strike technical college aid for technical education .....	18,892,718
Strike other institutions aid for technical education .....	<u>12,205,692</u>
TOTAL	\$128,265,012

Insert postsecondary tiered technical education state aid.....	\$47,502,198
Insert non-tiered course credit hour grant .....	<u>80,762,814</u>
TOTAL	\$128,265,012

## State Universities

**A. House Bill 2020 (Conference Committee).** HB 2020 would allow revenues from rents, boarding fees, and other charges related to university student housing at state universities, to go to either the Housing System Suspense Fund or directly to the Housing System Operations Fund, at the discretion of the university. In addition, the bill would allow interest earned from the Housing System Operations Fund and Housing System Repairs Fund

8-36



to be transferred into those funds. (Current law allows interest earned from the Housing System Suspense Fund to be transferred into that Fund.) The change would have no fiscal impact.

The bill would also require that the interest earnings from the Johnson County Education Research Triangle sales tax be transferred from the State General Fund to the Johnson County Education Triangle Fund of the University of Kansas, the University of Kansas Medical Center, and Kansas State University. The bill would require that the interest earnings be transferred by the tenth day of each month, and would be determined by the average daily balance in each of the respective funds in the preceding month, and the net earnings rate for the Pooled Money Investment Board portfolio for the preceding month. The fiscal impact of this change would be increased revenues for the universities of \$4,320, and decreased revenues to the State General Fund of the same amount.

The bill would continue the new categories and fee levels established for FY 2011 that the Board of Regents may charge private and out-of-state postsecondary educational institutions in order to carry out the Board's statutory and regulatory responsibilities through July 1, 2012. The fiscal impact of this change is unknown at this time. The fees listed in the bill would be the maximum allowable amounts, which are currently being charged by the Kansas Board of Regents.

The bill would also remove the requirement in existing law that second year Kansas State University veterinary medical students who perform spay or neuter surgeries at animal shelters be supervised by a faculty member of Kansas State University's Veterinary Medical Center. The bill would require that such students performing spay or neuter surgeries would do so as part of a spay or neuter program as part of curriculum under the direct supervision of a licensed veterinarian. In addition, the bill would limit students to performing spay or neuter surgeries on dogs or cats belonging to a pound or animal shelter, and not dogs or cats belonging to a member of the public. This portion of the bill dealing with veterinary students would become effective upon publication in the Kansas Register. The fiscal impact of this change is unknown at this time.

## **Department of Education**

**A. Senate Bill 11 - Ft. Leavenworth Unified School District No. 207 Transportation (Law).** Senate Bill 11, as amended, would provide funding to Fort Leavenworth Unified School District No. 207 to transport students in grades 10 through 12 who reside at Ft. Leavenworth to Leavenworth High School (Unified School District No. 453). The bill would require related transportation weighting to be calculated using only students counted on September 20. The bill also would redefine non-resident pupil as a student or member of the student's family who lives 2.5 or more miles from the attendance center the student would attend in the district where the student resides. Current law defines a non-resident pupil as a student or member of the student's family who lives ten miles or more from the resident attendance center. In addition, the bill would clarify that provisions of the bill would not apply to school districts located in Johnson, Sedgwick, Shawnee, or Wyandotte counties. According to the fiscal note, there are approximately 100 students who live on the Fort Leavenworth military reservation who are eligible for transportation to Unified School District No. 453 (Leavenworth). Since these students currently are not counted in the enrollment of Unified School District No. 207 (Fort Leavenworth), these students would be added to the transportation weighting to Unified School District No. 207 (Fort Leavenworth), which would result in approximately \$550 in state aid per

8-37

student for FY 2012. As a result, enactment of SB 11 would require an additional \$55,000, all from the State General Fund.

## **Department of Corrections**

**A. Offender Management Information System/Total Offender Activity and Document System (OMIS/TOADS) Replacement (House Committee).** The Committee recommended review of the Department's Offender Management and Offender Activity System, which is used to track all offender activity for inmates in the custody of the Secretary of Corrections. Some of the offender activities include sentencing information, movement between facilities, vocational and education program participation, and disciplinary actions.

The Offender Management and Offender Activity System is nearly 30 years old and is thought to be the second oldest offender management system in the country and the Department is having increased difficulty in finding qualified staff and replacement parts as staff retire and as the computer hardware and software become older and more out-of-date. The 2008 Legislature included \$3.0 million to being the replacement of the Offender Management and Offender Activity System but the Department lapsed the funds during FY 2009 due to budget reductions. The Department of Corrections included an enhancement request totaling \$3.0 million, all from the State General Fund, in FY 2012 to begin the replacement of the Offender Management and Offender Activity System. The total cost of replacement was estimated to be \$12.0 million but that estimate has not been updated since 2008. The Department states that the \$3.0 million will include a feasibility study and the request for proposal (RFP) and when those are completed a more accurate total cost of replacement will be available.

## **Sentencing Commission**

**A. HB 2023 - Amending the Drug Schedule by Adding Additional Unlawful Substances (Law).** HB 2023 adds substances to each of the five controlled substance schedules currently in statute. The addition of the substances brings the statute into agreement with the federal schedule.

The Sentencing Commission estimates HB 2023 would increase the inmate population in the Department of Corrections by between 2 to 7 inmates. Since the Department of Corrections is currently above capacity for male inmates, this has the potential to further complicate the matter of capacity and could necessitate additional construction or contract beds to alleviate overcrowding at the facilities. However, the affect of an additional 7 inmates is not likely to be the necessitating factor in the decision to pursue new construction or contract prison beds.

The Sentencing Commission estimates that HB 2023 will translate into more offenders eligible for 2003 SB 123 drug treatment services and estimates an additional \$46,672, all from the State General Fund, would be needed to cover the additional treatment services.

8-38



In addition, the Board of Indigents' Defense Services estimates that HB 2023 will increase the number of cases handled by public defenders by as much as 126 cases per year and estimates the need for an increase of \$30,000 and 0.5 FTE attorney position to handle the increase.

**B. HB 2049 - Adding Cannabinoids to Schedule I of the Controlled Substances Statute (Conference Committee).** HB 2049 would amend the controlled substances schedule I by moving Tetrahydrocannabinols (THC) to a new subsections addressing cannabiniods and adding several substances to the new subsection, including the synthetic marijuana commonly known as K-3.

The Sentencing Commission estimates HB 2049 would increase the inmate population in the Department of Corrections by 2 to 8 inmates. Since the Department of Corrections is currently above capacity for male inmates, this has the potential to further complicate the matter of capacity and could necessitate additional construction or contract beds to alleviate overcrowding at the facilities. However, the affect of an additional 8 inmates is not likely to be the necessitating factor in the decision to pursue new construction or contract prison beds.

The Sentencing Commission estimates that HB 2049 will translate into more offenders eligible for 2003 SB 123 drug treatment services and estimates an additional \$178,120, all from the State General Fund, would be needed to cover the additional treatment services.

In addition, the Kansas Bureau of Investigation (KBI) estimates that \$6,000, all from the State General Fund, would be needed to purchase a known standard of each of the new substances added by HB 2049. The known standards are used by the KBI laboratories for comparison purposes when testing unknown substances.

## **Juvenile Justice Authority**

**A. Prevention Block Grant Program Funding (Senate Committee).** The Senate Committee noted that revenues from expanded lottery funds are reviewed in April by the consensus caseload estimating group. The Committee recommended that consideration be given to adding funding to the prevention block grant program once revised revenue estimates are available. (See Item B, below for results of caseload estimates).

The Committee also recommended that reconsideration be given to the agency's ability to add an additional \$500,000, all from within the agency's FY 2012 existing resources, to the prevention block grant program.

The Governor recommended the agency's reduced resources budget, totaling \$2,724,765, all from the State General Fund, which was entirely derived from the prevention block grant program. The agency indicates that prevention funding, which is directed toward youth who are at risk of offending, does not produce immediate measurable results, but eventually results in a decrease in the number of youth who offend and are placed in JJA custody.

**B. Spring Human Services Consensus Caseload Estimates.** The Division of Budget, Juvenile Justice Authority, and the Legislative Research Department met on April 14, 2011 to estimate the caseload expenditures for FY 2011 and FY 2012. The consensus estimates for the

8-39

Juvenile Justice Authority include expenditures for Psychiatric Residential Treatment Facilities (PRTF's) and Out-of-Home Placement contracts.

For FY 2011 the estimate includes expenditures of \$6,732,858 for Psychiatric Residential Treatment Facilities, including \$2,170,000 from the State General Fund. This is an all funds increase of \$55,996, or 0.8 percent, and a State General Fund increase of \$18,047, or 0.8 percent, above the Governor's recommendation for FY 2011. Out-of-Home placements were estimated at \$22,576,774, including \$18,700,000 from the State General Fund. This is an all funds increase of \$954,674, or 4.2 percent, and a State General Fund increase of \$856,349, or 4.8 percent, above the Governor's recommendation for FY 2011.

For FY 2012 the estimate includes expenditures of \$6,787,599 for Psychiatric Residential Treatment Facilities, including \$2,888,802 from the State General Fund. This is an all funds decrease of \$212,401, or 3.0 percent, and a State General Fund decrease of \$90,398, or 3.0 percent, below the Governor's recommendation for FY 2012. The decrease from the Governor's recommendation is due to stable population trends from FY 2011 to FY 2012. Out-of-Home placements were estimated at \$22,574,980, including \$19,375,843 from the State General Fund. This is an all funds increase of \$574,980, or 2.6 percent, and a State General Fund increase of \$375,843, or 2.0 percent, above the Governor's recommendation for FY 2012. The increase is due to rising population projections in Out-of-Home placements.

These items are included in the Spring Consensus Caseload Item C, page 10, in the Department of Social Rehabilitation Services section.

## **State Bank Commissioner**

**A. Vehicle Replacement for FY 2012 (House Committee).** The House Committee recommended review of the agency's enhancement request for \$20,900, all from the Bank Commissioner Fee Fund, for the replacement of one agency van for FY 2012.

The agency stated that this request is warranted in order to continue maintaining a fleet of vehicles for use in the agency's main office and seven field offices. The agency's fleet consists of 13 vehicles, and the FY 2012 request would replace a 2001 Dodge Caravan with an odometer reading that exceeds 125,000 miles. The agency included this item as a Bank Commissioner Fee Fund enhancement in the FY 2012 budget request, but the funding was not recommended by the Governor. Neither the House nor the Senate has recommended funding in the FY 2012 appropriation bills.

**B. Vehicle Replacement for FY 2013. (House Committee).** The House Committee recommended Omnibus review of the agency's enhancement request for \$43,200, all from the Bank Commissioner Fee Fund, for the replacement of two agency vans for FY 2013.

The agency stated that this request is warranted in order to continue maintaining a fleet of vehicles for use in the agency's main office and seven field offices. The agency's fleet consists of 13 vehicles, and the FY 2013 request would replace a 2002 Dodge Caravan with an odometer reading that exceeds 125,000 miles, and a 2006 Dodge Grand Caravan with an odometer reading that exceeds 110,000 miles. The agency included this item as a Bank Commissioner Fee Fund enhancement in the FY 2013 budget request, but the funding was not

8-40



recommended by the Governor. Neither the House nor the Senate has recommended funding in the FY 2012 appropriation bills.

## **Board of Indigents' Defense Services**

**A. Assigned Counsel Caseload Estimate.** During the fall of 2010, the agency, the Division of Budget, and the Legislative Research Department developed a caseload estimate for the Assigned Counsel Program, of \$8,103,156, all from the State General Fund for FY 2011 that is identical to that originally developed in the Spring of 2010. The caseload estimates reflect a reduction in the pay rates established for Assigned Counsel from \$80 per hour to \$62 per hour. The updated estimate from the April 13, 2011 meeting is \$8,600,000, an increase of \$496,844, or 6.1 percent above the fall estimate. The increase reflects the fact that the original estimate did not recognize that hourly rate reductions do not impact fees charged by assigned counsel for costs incurred, transcripts, expert witnesses, or travel. Additionally, the long timeframe for the litigation of some cases has delayed the impact of the rate reduction.

The estimate for FY 2012 is \$8,580,000, a decrease of \$20,000, or 0.2 percent below the FY 2011 projected amount. The estimate allows for an increase of 2.38 percent in the number of hours for assigned counsel and an increase of 7.0 percent in expenses. The increases are reflective of historical trends for the agency. However, the estimate also assumes that the new FY 2011 rate of \$62 per hour for assigned counsel will be fully implemented in FY 2012 and captures those savings.

## **Judicial Branch**

**A. Senate Bill 97 - Concerning courts; relating to court fees and costs; relating to the Judicial Branch Surcharge Fund. (House Committee).** SB 97 would extend for one year the judicial surcharge the Legislature authorized in 2010 Senate Sub. for HB 2476 to fund non-judicial personnel. The bill would also increase the Judicial Branch Surcharge by 25.0 percent in FY 2012. The agency indicated that the additional surcharge would increase revenue to the Judicial Branch Surcharge Fund by \$1,994,336. Total Judicial Branch Surcharge revenue for FY 2012 is estimated to be \$10,995,360.

The bill also would delay the expansion of the Court of Appeals from 13 to 14 judges for one year, until December 31, 2012. Both the House and Senate appropriations bills recommend deleting the appropriation for the 14th Court of Appeals judge in FY 2012.

## **Department of Labor**

**A. Federal Funds and the Unemployment Insurance Trust Fund (House Committee).** The House Committee recommended the Secretary of the Department of Labor review the borrowing of federal funds from the Unemployment Insurance Trust Fund and provide recommendations to the House Appropriations Committee on how to avoid borrowing funds in the future, during Omnibus.

8-41

As of April 2, 2011, the Department of Labor has borrowed \$159.7 million. The first interest payment to the federal government is due September 30, 2011. 2011 SB 77, currently in conference committee, provides a mechanism for the repayment of the loan and interest. The bill would authorize the creation of the Employment Security Interest Assessment Fund that would be administered by the Secretary of Labor. The Interest Assessment Fund would be used to pay interest and principal owed to the U.S. Department of Labor for advances received by the Kansas Employment Security Trust Fund.

**B. Substitute for House Bill 2134 (Governor).** Substitute for HB 2134 would amend current law regarding the Kansas Workers Compensation Act. The bill would make several amendments to the requirements for workers reporting injuries. The bill would change and create new standards for definitions of what constitutes an injury. In addition, the bill would increase the maximum level of benefits for temporary and permanent disabilities and death cases.

The fiscal note on the bill notes that according to the Department of Labor, enactment of HB 2134 would reduce the number of weekly mailings to injured workers that the agency is required to distribute. The agency estimates that approximately 60,000 mailings would be eliminated each year, for a savings of \$39,288 for FY 2012, all from the Workers Compensation Fund. However, part of this savings for FY 2012 would be offset by additional one-time training costs of approximately \$8,700 to train agency employees on the various changes to the Workers Compensation Act.

**C. Senate Bill 77 (Conference Committee).** SB 77 would establish the Employment Security Interest Assessment Fund. This fund would allow the Secretary of Labor to deposit funds collected from the surcharge paid by eligible negative balance contributing employers to be used to pay principal and interest payments for the Unemployment Insurance Trust Fund advances made by the federal government. The bill would allow the Kansas Department of Labor to collect delinquent employer tax contribution payments, payments in lieu of contributions, and filing of quarterly wage reports for the purposes of the Unemployment Insurance trust fund loan principal and interest payments. The bill would also re-establish the "waiting week" for unemployment benefits. Retroactive compensation for the first week of benefits would no longer be available. Individuals who leave work because of a relocating spouse would not be eligible for Unemployment Insurance benefits but members of the United States Armed Services would be exempt from this change.

The fiscal note on the bill indicates that according to the Kansas Department of Labor, enactment of SB 77 would reduce Unemployment Insurance trust fund expenditures by \$13,388,731 for FY 2012, including a savings of \$1,936,694 from the elimination of the relocating spouse provision and \$11,452,037 from the reinstatement of the waiting week for Unemployment Insurance benefits. The Department of Labor also estimates that the Employment Security Interest Assessment would collect approximately \$9.0 million from employer surcharges for FY 2012, with a corresponding payment of interest to the federal government for interest payments on Unemployment Insurance Trust Fund advances. However, the FY 2012 Governor's Budget Report has accounted for the interest payment to the federal government for FY 2012, totaling \$9.0 million from all funding sources.

8-42



## **Real Estate Commission**

**A. Reclassification of Two Current FTE Positions (House Committee).** The House Committee recommended review of reclassifying and providing additional funds for two existing positions within the Real Estate Commission for FY 2012. The agency requests reorganization and reclassifying two existing positions with 1.0 FTE attorney position and 1.0 FTE legal assistant position. No new FTE positions are added. Due to the reclassification of the positions, additional funding of \$49,325, all from special revenue funds would be necessary. The Governor did not recommend the additional funding but did recommend that the Commission proceed with the position reclassification as long as the agency is able to fund the changes with existing resources.

The Real Estate Commission indicates that it has experienced an increase in complaints. Licensure orders are drafted before audit and complaint orders because licensure orders require a quicker turnaround due to statutory constraints. This has resulted in a backlog of complaint and audit orders.

## **State Historical Society**

**A. Repair and Replace Lighting Fixtures (Senate Committee).** The Senate Committee recommends review of the Joint Building Committee's recommendation to increase the FY 2012 capital improvement budget by \$50,000, all from the State General Fund, to repair and replace lighting fixtures which have been causing electrical fires in the Historical Society headquarters and museum building. The Historical Society's available capital improvement funds were depleted from repairs to the roof of the Fort Hays Visitor Center after a severe storm in 2010. The Governor did not recommend this additional capital improvement expenditure.

## **Kansas Bureau of Investigation**

**A. House Substitute for Senate Bill 37 (Conference Committee).** House Sub for SB 37 would make several changes to the Kansas Offender Registration Act (the Act) to bring Kansas into compliance with the federal Adam Walsh Sex Offender Registration and Notification Act (SORNA). First, the bill would amend KSA 22-4902(a) by limiting the definition of "offender" to sex offenders, violent offenders, and drug offenders, all of which would be defined in the bill, in addition to persons required to register in other states or by a Kansas court for a crime that is not otherwise an offense requiring registration. The definitions of sex offenders, violent offenders, and drug offenders would incorporate the crimes removed from the current definition of "offender." The bill also would define other key terms.

The KBI indicates passage of the bill would add 2,150 offenders to the Offender Registry, which it oversees. The agency is requesting \$41,807, all from the State General Fund, for FY 2012 for one-time staff time and database set-up costs.

**B. Review KBI Additional Funding Requests (Senate Committee).**

8-43

The Senate Committee recommended review of the agency's additional funding requests for FY 2012, none of which were recommended by the Governor. These requests total \$595,653, all from the State General Fund, for FY 2012 and include:

- Replacement of laboratory funding reduced as part of the Governor's recommended State General Fund reduction for FY 2012 totaling \$227,343. The agency states that the laboratory funding reduction would result in more than 9,000 arrestee DNA samples not being profiled;
- Funding to retain a trained part-time DNA scientist for \$41,640, all from the State General Fund, for FY 2012. The agency states that the trained part-time DNA scientist processed 109 cases in CY 2010 and if not retained would result in a backlog increase of the same amount; and
- Replacement of American Reinvestment and Recovery Justice Assistance Grant federal funds (\$326,670, all from the State General Fund) that would provide for 3.0 special agent FTE positions for case investigations and 1.0 special investigator FTE position. The agency states that these positions would be used for case investigations and statutory gubernatorial and judicial background investigations.

### **Kansas Commission on Peace Officers' Standards and Training**

**A. House Bill 2001 (Law).** House Bill 2001 was introduced to make technical changes concerning spending that were not made when Kansas Commission on Peace Officers' Standards and Training (KCPOST) separated from the Kansas Law Enforcement Training Center. House Bill 2001 would amend the statutes governing the Law Enforcement Training Reimbursement Fund to require that all expenditures made from the Fund be in accordance with appropriation acts upon warrants of the Director of Accounts and Reports pursuant to vouchers approved by the Kansas Commission on Peace Officers' Standards and Training (KCPOST) or designee of the commission. This language would give KCPOST the authority to expend money from that fund. The fund receives \$1 from the \$20 assessment imposed by KSA 12-4117(a) in each case filed in municipal court other than a non-moving traffic violation, where there is a finding of guilt, plea of guilty, plea of no contest, forfeiture of bond, or a diversion.

Municipalities that currently operate approved local law enforcement training programs may be reimbursed for the training costs, subject to some limitations, from the Local Law Enforcement Training Center Fund currently maintained by the Kansas Law Enforcement Training Center. House Bill 2001 would move the operation of the fund from the Kansas Law Enforcement Training Center to the KCPOST. The agency indicated that there would be no fiscal effect to agency operations.

Language in the bill would be adjusted to reflect the movement of the Local Law Enforcement Training Reimbursement Fund from the University of Kansas to the KCPOST as a no limit fund.

8-44



## Kansas Department of Transportation

**A. House Bill 2003 (Law).** House Bill 2003 would designate a portion of K-18 Highway, from US-81 to the western boundary of Lincoln County, as the Medal of Honor Recipient Donald K. Ross Memorial Highway.

The bill would establish these provisions related to signage:

- Require the Secretary of Transportation to place suitable signs to indicate the designation;
- Preclude the signs from being erected until the Secretary has received sufficient moneys from gifts and donations to reimburse the Secretary for the cost of placing the signs and an additional 50.0 percent of the initial cost to defray future maintenance or replacement of the signs; and
- Allow the Secretary to accept and administer gifts and donation to aid in obtaining and installing suitable signs.

The fiscal note prepared by the Division of the Budget states that the Kansas Department of Transportation reported that the agency would have to receive \$2,160 in donations before installing the signs. Of the expenditures, \$1,440 for the cost of a set of signs including installation and an additional 50.0 percent, \$720, for future maintenance. The agency is requesting an operating expenditure increase of \$1,440, all from the State Highway Fund, for FY 2012.

**B. House Bill 2192 (Governor).** House Bill 2192 combines various provisions regulating traffic.

Vehicle identification number (VIN) inspection fees (Section 1). The bill would increase the fee per hour and the minimum fee paid for inspection of a VIN from \$10 to \$15 in FY 2012 and to \$20 beginning in FY 2013. It would allow the Kansas Highway Patrol (KHP) to receive 10.0 percent (changed from \$1) of the fees for each inspection conducted by a program designee or new vehicle dealer.

Signature at registration renewal (Section 2). The bill would remove a requirement that an applicant for renewal of a vehicle's registration sign a certification that the applicant has and will maintain financial security (insurance) on the vehicle. A signature on such a certification statement would continue to be required at a vehicle's initial registration.

"Dead red" (Section 3). The bill would allow the driver of a motorcycle or the rider of a bicycle to proceed through a steady red signal, subject to other traffic rules governing right of way, if the red light has failed to change to green within a reasonable period of time because the signal has malfunctioned or has failed to detect the vehicle. The driver or rider must yield the right of way to any vehicle in the intersection or approaching so as to constitute an immediate hazard, to any pedestrian lawfully within an adjacent crosswalk, and to any other traffic lawfully using the intersection.

Passing bicycles (Section 4). The bill would require the driver of a vehicle overtaking a bicycle to pass that bicycle on the left no less than three feet away from the bicycle. It would allow the vehicle to pass a bicycle in a no-passing zone only when it is safe to do so.

8-45

Speed Limit to 75 miles per hour (mph) (Sections 5, 6, 7). The bill would increase the maximum lawful speed limit from 70 miles per hour to 75 miles per hour on any separated multilane highway, as designated by the Secretary of Transportation. The bill would increase 70 mph to 75 mph in two additional statutes: a violation of a speed limit of 55 mph up to 75 mph (increased from 70 mph) by not more than 10 mph could not be construed as a moving violation, nor could it be reported by the Division of Vehicles to an insurance company or considered by any insurance company in determining the rate to be charged for an automobile liability insurance policy.

Seat belt law into the Uniform Act Regulating Traffic (Sections 8, 9, 10). The bill would include the Safety Belt Use Act in the Uniform Act Regulating Traffic. It would clarify that no court costs are to be applied to seat belt violations and would remove outdated language. It also would remove language redundant to the Child Passenger Safety Act.

The only provision within the bill with a fiscal effect requiring appropriations is the Speed Limit to 75 mph. The fiscal note prepared on the original bill (HB 2034) states the Kansas Department of Transportation said passage would require modification to highway signs, at a cost of \$16,500 to \$24,750. The agency is requesting an expenditures limitation increase of \$24,750, all from the State Highway Fund, for signage changes in FY 2012.

**C. House Bill 2172 (Conference Committee).** HB 2172 would designate the junction of U.S. 24 and K-7 highways in Wyandotte County as the Representative Margaret Long Interchange.

The bill also would designate a portion of I-70 as the Truman/Eisenhower Presidential Highway: from the Missouri state line west to the junction with K-15, at Abilene. (The bill would allow the name of the highway to be modified from, but be substantially similar to, the name given above.) The designation would be contingent on the State of Missouri designating a portion of I-70 similarly.

The bill would modify the designation of the Blue Star Memorial Highway, currently US-40 from the Missouri state line to the Colorado state line, to exclude the portion from the west city limits of Topeka (where US-40 joins with I-70) to the junction of I-70/US-40 and K-15. This modification also would be contingent on the State of Missouri designating the Truman/Eisenhower Presidential Highway.

The bill would establish these provisions related to signage for each of the designations:

- Require the Secretary of Transportation to place suitable signs to indicate the designation;
- Preclude the signs from being erected until the Secretary has received sufficient funds from gifts and donations to reimburse the Secretary for the cost of placing the signs and an additional 50 percent of the initial cost to defray future maintenance or replacement of the signs; and
- Allow the Secretary to accept and administer gifts and donations to aid in obtaining and installing suitable signs.

The Conference Committee replaced the contents of HB 2172 with the contents of HB 2169/SB 58 (bills with identical contents, designating an intersection for former Representative Long) and the contents of SB 225 (Truman/Eisenhower Presidential Highway).

8-46



*Designation of intersection for former Representative Long:*

The fiscal note prepared by the Division of the Budget says that the Kansas Department of Transportation reported that the agency would have to receive \$11,400 from donations before installing the signs: \$7,600 for the cost of a set of signs including installation and an additional 50.0 percent, \$3,800, for future maintenance. The agency is requesting an operating expenditure increase of \$7,600, all from the State Highway Fund, for FY 2012.

*Designation of Truman/Eisenhower Presidential Highway:*

The fiscal note prepared by the Division of the Budget says that the Kansas Department of Transportation reported that the agency would have to receive \$9,780 from donations before installing the signs: \$6,520 for the cost of a set of signs including installation and an additional 50.0 percent, \$3,260, for future maintenance. The agency is requesting an operating expenditure increase of \$6,520, all from the State Highway Fund, for FY 2012.

Cumulatively, the agency is requesting an expenditure limitation increase of \$14,120, all from the State Highway Fund, for FY 2012 to expend donations received for these designations.

**Special Revenue Fund Transfers to State General Fund**

**A. Senate Bill 229 - Fee agencies; implementing a 10.0 percent transfer for FY 2012 then repealing the 20.0 percent transfer requirement. (Governor).** SB 229 would modify current law which provides for the deposit of 20.0 percent of certain fee revenue up to a maximum of \$200,000 to the State General Fund. For FY 2012, the 20.0 percent of fee revenue deposited in the State General Fund would be reduced to 10.0 percent and the maximum would be reduced to \$100,000. The bill contains two provisions requiring the Department of Administration to report to the Legislature no later than January 1, 2012. First, to provide a complete accounting and legal basis for each charge currently assessed to state agencies and second to provide a complete accounting and legal basis for the actual cost to provide any and all governmental services to state agencies that currently are not being assessed.

Based on the actual revenue received by the fee agencies in FY 2010, the bill would reduce State General Fund Revenue for FY 2012 by \$1.69 million and these funds would remain with the agencies. The bill would not necessarily have an effect on agency expenditures from the special revenue funds. The agencies would have to request additional expenditure authority through the budget process to utilize the funds.

8-47

Summary of Consensus Caseload Expenditures

9	Fiscal Year 2008													
	Fall 2006 Estimate		Spring 2007 Estimate		Fall 2007 Estimate		Final Consensus Caseload		Actual Expenditures		Difference from Final Estimate			
	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	All Funds Percent	SGF	SGF Percent
Temporary Assistance for Families (TAF)	\$ 60,000,000	\$ 29,821,028	\$ 51,000,000	\$ 29,821,028	\$ 51,000,000	\$ 29,821,028	\$ 48,526,310	\$ 29,821,028	\$ 48,044,991	\$ 29,821,028	\$ 481,319	1.00 %	-	- %
General Assistance	8,000,000	8,000,000	9,000,000	9,000,000	8,700,000	8,700,000	9,104,400	9,104,400	8,982,037	8,982,138	122,363	1.36	122,262	1.36
Foster Care/Reintegration	136,000,000	95,000,000	148,000,000	105,000,000	149,636,886	102,163,619	143,710,871	101,000,000	142,622,093	99,716,148	1,088,778	0.76	1,283,852	1.29
Community Supports & Services	-	-	50,500,000	11,400,000	44,000,000	17,800,000	25,658,639	10,355,814	26,116,679	10,524,267	(458,040)	(1.75)	(168,453)	(1.60)
Nursing Facilities For Mental Health	12,600,000	10,800,000	13,300,000	11,300,000	13,300,000	11,346,890	14,604,510	12,500,000	14,484,069	12,403,019	120,441	0.83	96,981	0.78
Mental Health	-	-	187,000,000	75,500,000	199,000,000	77,500,000	200,625,053	80,500,000	203,583,448	81,289,833	(2,958,395)	(1.45)	(789,833)	(0.97)
Substance Abuse Prepaid Inpatient Health Plan (PIHP)	-	-	25,400,000	10,200,000	23,105,776	9,325,491	24,529,237	9,900,000	24,519,559	9,889,362	9,678	0.04	10,638	0.11
Regular Medical	1,466,067,432	505,703,985	1,218,000,000	445,000,000	1,197,000,000	438,000,000	1,214,000,000	437,000,000	1,267,080,007	435,812,971	(53,080,007)	(4.19)	1,187,029	0.27
Nursing Facilities	352,500,000	142,300,000	352,500,000	142,300,000	352,500,000	142,300,000	355,500,000	143,480,000	355,469,020	143,244,331	30,980	0.01	235,669	0.16

Total	\$ 2,035,167,432	\$ 791,625,013	\$ 2,054,700,000	\$ 839,521,028	\$ 2,038,242,662	\$ 836,959,028	\$ 2,262,542,712	\$ 924,517,056	\$ 2,357,539,895	\$ 943,767,903	\$ (58,059,318)	(2.46) %	\$ 1,019,859	0.11 %
-------	------------------	----------------	------------------	----------------	------------------	----------------	------------------	----------------	------------------	----------------	-----------------	----------	--------------	--------

	Fiscal Year 2009													
	Fall 2007 Estimate		Spring 2008 Estimate		Fall 2008 Estimate		Final Consensus Caseload		Actual Expenditures		Difference from Final Estimate			
	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	All Funds Percent	SGF	SGF Percent
Temporary Assistance for Families (TAF)	\$ 49,000,000	\$ 29,821,028	\$ 44,919,365	\$ 29,821,028	\$ 48,209,440	\$ 29,821,028	\$ 45,446,100	\$ 29,821,028	\$ 45,222,312	\$ 29,820,987	\$ 223,788	0.49 %	41	0.00 %
General Assistance	8,700,000	8,700,000	9,504,000	9,504,000	9,600,000	9,600,000	9,261,000	9,261,000	9,183,840	9,183,512	77,160	0.84	77,488	0.84
Foster Care/Reintegration	165,000,000	115,600,000	160,081,744	117,500,000	157,509,392	116,239,056	152,954,837	106,760,213	150,528,296	106,494,569	2,426,541	1.61	265,644	0.25
Community Supports & Services	42,963,300	17,169,690	42,963,300	17,219,690	27,643,684	11,079,589	29,398,008	10,433,612	30,175,691	10,640,345	-	-	-	-
Nursing Facilities For Mental Health	14,000,000	12,000,000	14,604,510	12,500,000	15,210,674	13,129,854	15,733,191	13,373,212	15,578,223	13,351,018	154,968	0.99	22,194	0.17
Mental Health	192,200,000	76,500,000	189,483,896	75,000,000	201,000,000	81,572,778	206,614,645	74,302,430	211,104,184	73,748,311	(4,489,539)	(2.13)	554,119	0.75
Substance Abuse Prepaid Inpatient Health Plan (PIHP)	22,792,800	9,135,354	23,453,094	9,400,000	21,336,200	8,551,549	21,285,672	7,435,085	20,194,410	6,981,107	1,091,262	5.40	453,978	6.50
Regular Medical	1,240,000,000	9,135,354	1,256,800,000	465,000,000	1,263,690,000	471,716,000	1,272,360,000	404,000,000	1,293,812,847	396,866,095	(21,452,847)	(1.66)	7,133,905	1.80
Nursing Facilities	365,000,000	146,292,000	370,000,000	148,296,000	370,000,000	148,296,000	368,000,000	128,542,400	366,838,422	128,105,870	1,161,578	0.32	436,530	0.34
Targeted Case Management FE	Not Included	Not Included	Not Included	Not Included	5,800,000	2,325,000	5,000,000	1,746,500	5,021,735	1,776,053	(21,735)	(0.43)	(29,553)	(1.66)
PRTFs - JJA	Not Included	Not Included	Not Included	Not Included	Not Included	Not Included	7,145,000	2,495,749	7,008,731	2,445,003	136,269	1.94	50,746	2.08
Out of Home Placement - JJA	Not Included	Not Included	Not Included	Not Included	Not Included	Not Included	21,577,146	18,185,640	24,997,631	21,108,528	(3,420,485)	(13.68)	(2,922,888)	(13.85)

Total	\$ 2,099,656,100	\$ 424,353,426	\$ 2,111,809,909	\$ 884,240,718	\$ 2,119,999,390	\$ 892,330,854	\$ 2,390,788,252	\$ 891,092,911	\$ 2,420,946,197	\$ 884,910,054	\$ (29,380,262)	(1.21) %	\$ 6,389,590	0.72 %
-------	------------------	----------------	------------------	----------------	------------------	----------------	------------------	----------------	------------------	----------------	-----------------	----------	--------------	--------

	Fiscal Year 2010													
	Fall 2008 Estimate		Spring 2009 Estimate		Fall 2009 Estimate		Final Consensus Caseload		Actual Expenditures		Difference from Final Estimate			
	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	All Funds Percent	SGF	SGF Percent
Temporary Assistance for Families (TAF)	\$ 50,000,000	\$ 29,821,028	\$ 50,812,736	\$ 29,821,028	\$ 53,000,000	\$ 29,821,028	\$ 50,503,500	\$ 23,821,028	\$ 49,917,941	\$ 18,583,957	\$ 585,559	1.17 %	5,237,071	28.18 %
General Assistance	10,000,000	10,000,000	6,000,000	6,000,000	4,500,000	4,500,000	3,835,680	3,835,680	3,824,373	3,763,672	11,307	0.30	72,008	1.91
Foster Care/Reintegration	158,000,000	115,405,617	137,000,000	90,196,703	131,115,351	85,000,000	133,041,453	68,159,943	132,556,160	68,968,685	485,293	0.37	(808,742)	(1.17)
Community Supports & Services	11,245,719	28,333,884	30,315,888	9,400,957	31,928,901	9,700,000	31,130,678	9,457,500	31,973,098	9,716,834	(842,420)	(2.63)	(259,334)	(2.67)
Nursing Facilities For Mental Health	15,500,000	13,369,000	15,743,520	13,381,992	16,251,608	13,900,000	15,845,318	13,552,500	15,814,601	13,378,786	30,717	0.19	173,714	1.30
Mental Health	208,000,000	83,625,972	212,565,574	66,219,352	239,085,578	73,000,000	236,864,573	71,272,108	234,564,526	70,561,351	2,300,047	0.98	710,757	1.01
Substance Abuse Prepaid Inpatient Health Plan (PIHP)	21,554,124	8,554,832	21,930,800	6,800,741	22,383,147	6,800,000	21,823,568	5,307,200	22,703,893	5,688,841	(880,325)	(3.88)	(381,641)	(6.71)
Regular Medical	1,350,000,000	498,000,000	1,305,635,000	350,000,000	1,321,580,000	365,000,000	1,280,604,528	335,505,687	1,332,355,258	335,505,703	(51,750,730)	(3.88)	(16)	(0.00)
Nursing Facilities	380,190,000	150,890,000	368,000,000	114,116,800	370,000,000	112,424,500	356,000,000	108,752,800	358,674,067	107,965,922	(2,674,067)	(0.75)	786,878	0.73
Targeted Case Management FE	5,857,899	2,325,000	5,200,000	1,612,520	5,200,000	1,580,020	5,070,000	1,540,526	4,896,099	1,501,888	173,901	3.55	38,638	2.57
PRTFs - JJA	Not Included	Not Included	7,100,000	2,201,710	7,100,000	2,157,335	6,922,500	2,103,322	6,923,738	2,106,851	(1,238)	(0.02)	(3,529)	(0.17)
Out of Home Placement - JJA	Not Included	Not Included	21,968,941	18,500,000	22,900,000	19,600,000	21,953,671	18,112,661	23,837,755	20,215,983	(1,884,084)	(7.90)	(2,103,322)	(10.40)

Total	\$ 2,210,347,742	\$ 940,325,333	\$ 2,182,272,459	\$ 708,251,803	\$ 2,225,044,585	\$ 723,482,883	\$ 2,431,590,720	\$ 742,150,563	\$ 2,484,579,133	\$ 738,236,658	\$ (52,988,413)	(2.13) %	\$ 3,913,905	0.53 %
-------	------------------	----------------	------------------	----------------	------------------	----------------	------------------	----------------	------------------	----------------	-----------------	----------	--------------	--------

#9  
Senate Ways & Means  
A-20-11



# **Cost Containment and Recovery Contract Estimates in Human Services Consensus Caseload**

Agency	Fall Caseload Savings Estimate		Spring Caseload Savings Estimate		SGF Amount Added in Human Services Caseloads	
	FY 2011 SGF	FY 2012 SGF	FY 2011 SGF	FY 2012 SGF	FY 2011 SGF	FY 2012 SGF
KHPA	\$ (15,808,500)	\$ (10,000,000)	\$ (32,000)	\$ (2,713,200)	\$ 15,776,500	\$ 7,286,800
SRS	(903,469)	(903,469)	-	-	903,469	903,469
KDOA	(522,626)	-	-	-	522,626	-
JJA	(90,406)	-	-	-	90,406	-
<b>TOTAL</b>	<b>\$ (17,325,001)</b>	<b>\$ (10,903,469)</b>	<b>\$ (32,000)</b>	<b>\$ (2,713,200)</b>	<b>\$ 17,293,001</b>	<b>\$ 8,190,269</b>

Staff Note: \$9,675,000 was transferred from the State Employee Health Plan to the State General Fund on July 1, 2011.



**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**

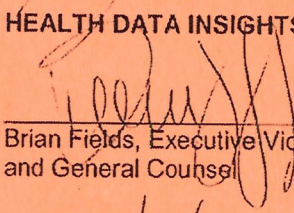
The provisions found in Contractual Provisions Attachment (form DA-146a), which is attached hereto, are hereby incorporated in this Contract and made a part thereof.

**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.

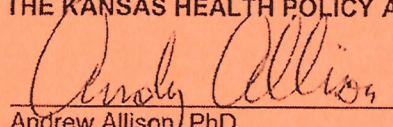
IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their duly authorized official or officers.

**HEALTH DATA INSIGHTS, INC.**

  
\_\_\_\_\_  
Brian Fields, Executive Vice President  
and General Counsel

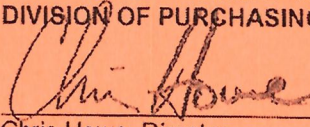
12/6/10  
\_\_\_\_\_  
Date

**THE KANSAS HEALTH POLICY AUTHORITY**

  
\_\_\_\_\_  
Andrew Allison, PhD.  
Executive Director

12/13/10  
\_\_\_\_\_  
Date

**KANSAS DEPARTMENT OF ADMINISTRATION  
DIVISION OF PURCHASING**

  
\_\_\_\_\_  
Chris Howe, Director

\_\_\_\_\_  
Date



State of Kansas  
Department of Administration  
DA-146a (Rev. 1-01)

# 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.

11-4



11-5

### HDI Recoupment Estimate by Plan

<u>Data</u>	<u>2008</u>	<u>2009</u>	<u>2010 est</u>	<u>2011 est</u>	<u>Total</u>	Estimated Recoupment by Plan		
						6/30/2011	6/30/2012	6/30/2013
Total FFS \$ Spent	2,270,000,000	2,570,000,000	2,550,000,000	2,677,500,000	10,067,500,000	80,000	5,925,000	6,715,000
MCO Medical	395,619,392	378,924,174	405,363,491	425,631,666	1,605,538,723	0	450,000	510,000
SHP	328,010,589	381,458,527	392,902,283	404,689,351	1,507,060,750	0	1,125,000	1,275,000
Kansas Total	2,993,629,981	3,330,382,701	3,348,265,774	3,507,821,017	13,180,099,473	80,000	7,500,000	8,500,000

CONFIDENTIAL



**REQUEST FOR PROPOSAL (RFP)**

<b>Bid Event Number:</b>	<b>EVT0000146</b>
<b>Requisition ID:</b>	<b>0000000230</b>
<b>Document Number:</b>	<b>RFX0000040</b>
<b>Replaces Contract:</b>	<b>N/A</b>
<b>Date Mailed:</b>	<b>September 22, 2010</b>
<b>Closing Date:</b>	<b>October 12, 2010, 2:00 PM CST</b>
<b>Procurement Officer:</b>	<b>Jill Martin</b> Telephone: 785-296-3123 E-Mail Address: <a href="mailto:jill.martin@da.ks.gov">jill.martin@da.ks.gov</a> Web Address: <a href="http://da.ks.gov/purch">http://da.ks.gov/purch</a>
<b>Item:</b>	<b>Recovery Audit Contractor</b>
<b>Agency:</b>	<b>Kansas Health Policy Authority</b>
<b>Period of Contract:</b>	<b>Date of Award through June 30, 2013</b> <b>(with option to renew for three (3) additional one-year periods)</b>
<b>Guarantee:</b>	<b>\$1,000,000 Performance Guaranty/Bond required (see section 3.47)</b>
<b>Scope:</b>	<b>This Contract shall cover the procurement of Recovery Audit Contractor services and Health Care Cost Containment and Recovery Services for the Kansas Health Policy Authority during the contract period referenced above.</b>

Event Number EVT0000146 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/RFQ/>

It shall be the bidder's responsibility to monitor this website on a regular basis for any changes/amendments.

## 1. INSTRUCTIONS

### 1.1. Bid Event ID / Reference Number:

The Bid Event ID / RFP number, indicated in the header of this page, as well as on the first page of this proposal, has been assigned to this RFP and MUST be shown on all correspondence or other documents associated with this RFP and MUST be referred to in all verbal communications. All inquiries, written or verbal, shall be directed only to the procurement officer reflected on Page 1 of this proposal. There shall be no communication with any other State employee regarding this RFP except with designated state participants in attendance ONLY DURING:

- Negotiations
- Contract Signing
- as otherwise specified in this RFP.

Violations of this provision by bidder or state agency personnel may result in the rejection of the proposal.

### 1.2. Negotiated Procurement:

This is a negotiated procurement pursuant to K.S.A. 75-37,102. Final evaluation and award will be made by the Procurement Negotiation Committee (PNC) consisting of the following entities (or their designees):

- Secretary of Department of Administration;
- Director of Purchases, Department of Administration; and
- Head of Using Agency

### 1.3. Appearance Before Committee:

Any, all or no bidders may be required to appear before the PNC to explain the bidder's understanding and approach to the project and/or respond to questions from the PNC concerning the proposal; or, the PNC may award without conducting negotiations, based on the initial proposal. The PNC reserves the right to request information from bidders as needed. If information is requested, the PNC is not required to request the information of all bidders.

Bidders selected to participate in negotiations may be given an opportunity to submit a revised technical and/or cost proposal/offer to the PNC, subject to a specified cut off time for submittal of revisions. Meetings before the PNC are not subject to the Open Meetings Act. Bidders are prohibited from electronically recording these meetings. All information received prior to the cut off time will be considered part of the bidder's revised offer.



No additional revisions shall be made after the specified cut off time unless requested by the PNC.

#### **1.4. Cost of Preparing Proposal:**

The cost of developing and submitting the proposal is entirely the responsibility of the bidder. This includes costs to determine the nature of the engagement, preparation of the proposal, submitting the proposal, negotiating for the contract and other costs associated with this RFP.

#### **1.5. Preparation of Proposal:**

Prices are to be entered in spaces provided on the cost proposal form if provided herein. Computations and totals shall be indicated where required. In case of error in computations or totals, the unit price shall govern. The PNC has the right to rely on any prices provided by bidders. The bidder shall be responsible for any mathematical errors. The PNC reserves the right to reject proposals which contain errors.

All copies of cost proposals shall be submitted in a separate sealed envelope or container separate from the technical proposal. The outside shall be identified clearly as "Cost Proposal" or "Technical Proposal" with the Bid Event ID / RFP number and closing date.

A proposal shall not be considered for award if the price in the proposal was not arrived at independently and without collusion, consultation, communication or agreement as to any matter related to price with any other bidder, competitor or public officer/employee.

Technical proposals shall contain a concise description of bidder's capabilities to satisfy the requirements of this RFP with emphasis on completeness and clarity of content. Repetition of terms and conditions of the RFP without additional clarification shall not be considered responsive.

#### **1.6. Signature of Proposals:**

Each proposal shall give the complete legal name and mailing address of the bidder and be signed by an authorized representative by original signature with his or her name and legal title typed below the signature line. If the contract's contact will be a different entity, indicate that individual's contact information for communication purposes. Each proposal shall include the bidder's tax number.

#### **1.7. Acknowledgment of Amendments:**

All bidders shall acknowledge receipt of any amendments to this RFP by returning a signed hard copy with the bid. Failure to acknowledge receipt of any amendments may render the proposal to be non-responsive. Changes to this RFP shall be issued only by the Division of Purchases in writing.

12-3

**1.8. Modification of Proposals:**

A bidder may modify a proposal by letter or by FAX transmission at any time prior to the closing date and time for receipt of proposals.

**1.9. Withdrawal of Proposals:**

A proposal may be withdrawn on written request from the bidder to the Procurement Officer at the Division of Purchases prior to the closing date.

**1.10. Competition:**

The purpose of this RFP is to seek competition. The bidder shall advise the Division of Purchases if any specification, language or other requirement inadvertently restricts or limits bidding to a single source. Notification shall be in writing and must be received by the Division of Purchases no later than five (5) business days prior to the bid closing date. The Director of Purchases reserves the right to waive minor deviations in the specifications which do not hinder the intent of this RFP.

**1.11. Evaluation of Proposals:**

Award shall be made in the best interest of the State as determined by the PNC or their designees. Although no weighted value is assigned, consideration may focus toward but is not limited to:

- Cost. Bidders are not to inflate prices in the initial proposal as cost is a factor in determining who may receive an award or be invited to formal negotiations. The State reserves the right to award to the lowest responsive bid without conducting formal negotiations, if authorized by the PNC.
- Adequacy and completeness of proposal
- Bidder's understanding of the project
- Compliance with the terms and conditions of the RFP
- Experience in providing like services
- Qualified staff
- Response format as required by this RFP

**1.12. Acceptance or Rejection:**

The Committee reserves the right to accept or reject any or all proposals or part of a proposal; to waive any informalities or technicalities; clarify any ambiguities in proposals; modify any criteria in this RFP; and unless otherwise specified, to accept any item in a proposal.

12-4



### **1.13. Proposal Disclosures:**

At the time of closing, only the names of those who submitted proposals shall be made public information. No price information will be released. Interested bidders or their representatives may be present at the announcement at the following location:

Kansas Division of Purchases  
900 Jackson Street, Room 102N  
Topeka, KS 66612 1286

Bid results will not be given to individuals over the telephone or email. Results may be obtained after contract finalization by obtaining a bid tabulation from the Division of Purchases by sending (do not include with bid):

- A check for \$3.00, payable to the State of Kansas
- A self-addressed, stamped envelope
- Bid Event ID Number

Send to:

Kansas Division of Purchases  
Attention: Bid Results/Copies  
900 SW Jackson, Room 102N  
Topeka, KS 66612 1286

Copies of individual proposals may be obtained under the Kansas Open Records Act by sending an email to [janet.miller@da.ks.gov](mailto:janet.miller@da.ks.gov) or calling 785-296-0002 to request an estimate of the cost to reproduce the documents and remitting that amount with a written request to the above address or a vendor may make an appointment by calling the above number to view the proposal file. Upon receipt of the funds, the documents will be mailed. Information in proposal files shall not be released until a contract has been executed or all proposals have been rejected.

### **1.14. Disclosure of Proposal Content and Proprietary Information:**

All proposals become the property of the State of Kansas. The Open Records Act (K.S.A. 45-215 et seq) of the State of Kansas requires public information be placed in the public domain at the conclusion of the selection process, and be available for examination by all interested parties. (<http://da.ks.gov/purch/KSOpenRecAct.doc>) No proposals shall be disclosed until after a contract award has been issued. The State reserves the right to destroy all proposals if the RFP is withdrawn, a contract award is withdrawn, or in accordance with Kansas law. Late Technical and/or Cost proposals will be retained unopened in the file and not receive consideration or may be returned to the bidder.

12-5

Trade secrets or proprietary information legally recognized as such and protected by law may be requested to be withheld if clearly labeled "Proprietary" on each individual page and provided as separate from the main proposal. Pricing information is not considered proprietary and the bidder's entire proposal response package will not be considered proprietary.

All information requested to be handled as "Proprietary" shall be submitted separately from the main proposal and clearly labeled, in a separate envelope or clipped apart from all other documentation. The bidder shall provide detailed written documentation justifying why this material should be considered "Proprietary". The Division of Purchases reserves the right to accept, amend or deny such requests for maintaining information as proprietary in accordance with Kansas law.

The State of Kansas does not guarantee protection of any information which is not submitted as required.

#### **1.15. Exceptions:**

By submission of a response, the bidder acknowledges and accepts all terms and conditions of the RFP unless clearly avowed and wholly documented in a separate section of the Technical Proposal to be entitled: "Exceptions".

#### **1.16. Notice of Award:**

An award is made on execution of the written contract by all parties.



## 2. PROPOSAL RESPONSE

### 2.1. Submission of Proposals:

Bidder's proposal shall consist of:

- One (1) original and three (3) copies of the Technical Proposal, including the signed Event Details document, applicable literature and other supporting documents;
- One (1) original and three (3) copies of the cost proposal including the signed Event Details document,
- Eight (8) electronic / software version(s) of the technical and cost proposals are required. This shall be provided on CD or flash drive, in Microsoft® Word or Excel. Technical and cost responses shall be submitted on separate media.

All copies of cost proposals shall be submitted in a separate sealed envelope or container separate from the technical proposal. The outside shall be identified clearly as "Cost Proposal" or "Technical Proposal" with the Bid Event ID number and closing date.

Bidder's proposal, sealed securely in an envelope or other container, shall be received no later than 2:00 p.m., Central Time, on the closing date, addressed as follows:

Kansas Division of Purchases

Proposal # EVT0000146

Closing Date: October 12, 2010, 2:00 CST

900 SW Jackson Street, Room 102N

Topeka, KS 66612 1286

It is the bidder's responsibility to ensure bids are received by the closing date and time. Delays in mail delivery or any other means of transmittal, including couriers or agents of the issuing entity shall not excuse late bid submissions.

Faxed, e-mailed or telephoned proposals are not acceptable unless otherwise specified.

Proposals received prior to the closing date shall be kept secured and sealed until closing. The State shall not be responsible for the premature opening of a proposal or for the rejection of a proposal that was not received prior to the closing date because it was not properly identified on the outside of the envelope or container. Late Technical and/or Cost proposals will be retained unopened in the file and not receive consideration or may be returned to the bidder.

12-7

## 2.2. Proposal Format:

Bidders are instructed to prepare their Technical Proposal following the same sequence as this RFP.

## 2.3. Transmittal Letter:

All bidders shall respond to the following statements:

- (a) the bidder is the prime contractor and identifying all subcontractors;
- (b) the bidder is a corporation or other legal entity;
- (c) no attempt has been made or will be made to induce any other person or firm to submit or not to submit a proposal;
- (d) the bidder does not discriminate in employment practices with regard to race, color, religion, age (except as provided by law), sex, marital status, political affiliation, national origin or disability;
- (e) no cost or pricing information has been included in the transmittal letter or the Technical Proposal;
- (f) the bidder presently has no interest, direct or indirect, which would conflict with the performance of services under this contract and shall not employ, in the performance of this contract, any person having a conflict;
- (g) the person signing the proposal is authorized to make decisions as to pricing quoted and has not participated, and will not participate, in any action contrary to the above statements;
- (h) whether there is a reasonable probability that the bidder is or will be associated with any parent, affiliate or subsidiary organization, either formally or informally, in supplying any service or furnishing any supplies or equipment to the bidder which would relate to the performance of this contract. If the statement is in the affirmative, the bidder is required to submit with the proposal, written certification and authorization from the parent, affiliate or subsidiary organization granting the State and/or the federal government the right to examine any directly pertinent books, documents, papers and records involving such transactions related to the contract. Further, if at any time after a proposal is submitted, such an association arises, the bidder will obtain a similar certification and authorization and failure to do so will constitute grounds for termination for cause of the contract at the option of the State;
- (i) bidder agrees that any lost or reduced federal matching money resulting from unacceptable performance in a contractor task or responsibility defined in the RFP, contract or modification shall be accompanied by reductions in state payments to Contractor; and
- (j) the bidder has not been retained, nor has it retained a person to solicit or secure a state contract on an agreement or understanding for a commission, percentage, brokerage or contingent fee, except for retention of bona fide employees or bona fide established commercial selling agencies maintained by the bidder for the purpose of securing business. For breach of this provision, the Committee shall have the right to reject the proposal, terminate the contract for cause and/or deduct from the contract price or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee or other benefit.

## 2.4. Bidder Information:

The bidder must include a narrative of the bidder's corporation and each subcontractor if any. The narrative shall include the following:

12-8



- (a) date established;
- (b) ownership (public, partnership, subsidiary, etc.);
- (c) number of personnel, full and part time, assigned to this project by function and job title;
- (d) resources assigned to this project and the extent they are dedicated to other matters;
- (e) organizational chart;
- (f) current financial statement is required.

## **2.5. Qualifications:**

A description of the bidder's qualifications and experience providing the requested or similar service, including resumes of personnel assigned to the project stating their education and work experience, shall be submitted with the Technical Proposal. The bidder must be an established firm recognized for its capacity to perform. The bidder must have sufficient personnel to meet the deadlines specified in the RFP.

## **2.6. Timeline:**

A timeline for implementing services must be submitted with the bid.

## **2.7. References:**

Provide three (3) references who have purchased similar items or services from the bidder in the last two (2) year(s). References shall show firm name, contact person, address, e-mail address and telephone number. Bidder's employees and the buying agency shall not be shown as references.

Additionally, bidders shall list clients who have terminated services within the past two (2) years, indicating reason for termination. Provide the firm name, contact person, address, e-mail address and telephone number of each referenced organization.

## **2.8. Technical Literature:**

All Technical Proposals shall include specifications and technical literature sufficient to allow the State to determine that the equipment/services meet(s) all requirements. If a requirement is not addressed in the technical literature, it must be supported by additional documentation and included with the bid. Proposals without sufficient technical documentation may be rejected.

## **2.9. Procurement Card (P-Card):**

Many State Agencies use a State of Kansas Procurement Card (currently Visa) in lieu of a state warrant to pay for certain purchases. No additional charges will be allowed for using the P-Card. Bidders shall indicate on the Event Details document if they will accept the Procurement Card for payment.

12-9

**2.10. Political Subdivisions:**

Political subdivisions (City, County, School Districts, etc.) are permitted to utilize contracts administered by the Division of Purchases. Please state in the area provided on the Event Details document whether or not you will allow this usage. Conditions included in this contract shall be the same for political subdivisions. The State has no responsibility for payments owed by political subdivisions. The Contractor must deal directly with the political subdivision.

12-10



### 3. TERMS AND CONDITIONS

#### 3.1. Contract Documents:

This RFP, any amendments, the response and any response amendments of the Contractor, and the State of Kansas DA-146a (Contractual Provision Attachment) shall be incorporated into the written contract, which shall compose the complete understanding of the parties.

In the event of a conflict in terms of language among the documents, the following order of precedence shall govern:

- Form DA 146a;
- written modifications to the executed contract;
- written contract signed by the parties;
- the RFP, including any and all amendments;
- and Contractor's written proposal submitted in response to the RFP as finalized.

#### 3.2. Contract:

The successful bidder will be required to enter into a written contract with the State. The contractor agrees to accept the provisions of Form DA 146a (Contractual Provisions Attachment), which is incorporated into all contracts with the State and is incorporated into this RFP.

#### 3.3. Contract Formation:

No contract shall be considered to have been entered into by the State until all statutorily required signatures and certifications have been rendered and a written contract has been signed by the successful bidder.

#### 3.4. Notices:

All notices, demands, requests, approvals, reports, instructions, consents or other communications (collectively "notices") that may be required or desired to be given by either party to the other shall be IN WRITING and addressed as follows:

Kansas Division of Purchases  
900 SW Jackson St, Room 102N  
Topeka, Kansas 66612-1286  
RE: Bid Event ID Number EVT0000146

or to any other persons or addresses as may be designated by notice from one party to the other.

12-11

### **3.5. Termination for Cause:**

The Director of Purchases may terminate this contract, or any part of this contract, for cause under any one of the following circumstances:

- the Contractor fails to make delivery of goods or services as specified in this contract;
- the Contractor provides substandard quality or workmanship;
- the Contractor fails to perform any of the provisions of this contract, or
- the Contractor fails to make progress as to endanger performance of this contract in accordance with its terms.

The Director of Purchases shall provide Contractor with written notice of the conditions endangering performance. If the Contractor fails to remedy the conditions within ten (10) days from the receipt of the notice (or such longer period as State may authorize in writing), the Director of Purchases shall issue the Contractor an order to stop work immediately. Receipt of the notice shall be presumed to have occurred within three (3) days of the date of the notice.

### **3.6. Termination for Convenience:**

The Director of Purchases may terminate performance of work under this contract in whole or in part whenever, for any reason, the Director of Purchases shall determine that the termination is in the best interest of the State of Kansas. In the event that the Director of Purchases elects to terminate this contract pursuant to this provision, it shall provide the Contractor written notice at least 30 days prior to the termination date. The termination shall be effective as of the date specified in the notice. The Contractor shall continue to perform any part of the work that may have not been terminated by the notice.

### **3.7. Debarment of State Contractors:**

Any Contractor who defaults on delivery or does not perform in a satisfactory manner as defined in this Agreement may be barred for up to a period of three (3) years, pursuant to K.S.A. 75-37,103, or have its work evaluated for pre-qualification purposes. Contractor shall disclose any conviction or judgment for a criminal or civil offense of any employee, individual or entity which controls a company or organization or will perform work under this Agreement that indicates a lack of business integrity or business honesty. This includes (1) conviction of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract or in the performance of such contract or subcontract; (2) conviction under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property; (3) conviction under state or federal antitrust statutes; and (4) any other offense to be so serious and compelling as to affect responsibility as a state contractor. For the purpose of this section, an individual or entity shall be presumed to have control of a company or organization if the individual or entity directly or indirectly, or acting in concert with one or more individuals or entities, owns or controls 25 percent or more of its equity, or otherwise controls its management or policies. Failure to disclose an offense may result in disqualification of the bid or termination of the contract.



### **3.8. Rights and Remedies:**

If this contract is terminated, the State, in addition to any other rights provided for in this contract, may require the Contractor to transfer title and deliver to the State in the manner and to the extent directed, any completed materials. The State shall be obligated only for those services and materials rendered and accepted prior to the date of termination.

In the event of termination, the Contractor shall receive payment prorated for that portion of the contract period services were provided to or goods were accepted by State subject to any offset by State for actual damages including loss of federal matching funds.

The rights and remedies of the State provided for in this contract shall not be exclusive and are in addition to any other rights and remedies provided by law.

### **3.9. Force Majeure:**

The Contractor shall not be held liable if the failure to perform under this contract arises out of causes beyond the control of the Contractor. Causes may include, but are not limited to, acts of nature, fires, tornadoes, quarantine, strikes other than by Contractor's employees, and freight embargoes.

### **3.10. Waiver:**

Waiver of any breach of any provision in this contract shall not be a waiver of any prior or subsequent breach. Any waiver shall be in writing and any forbearance or indulgence in any other form or manner by State shall not constitute a waiver.

### **3.11. Independent Contractor:**

Both parties, in the performance of this contract, shall be acting in their individual capacity and not as agents, employees, partners, joint ventures or associates of one another. The employees or agents of one party shall not be construed to be the employees or agents of the other party for any purpose whatsoever.

The Contractor accepts full responsibility for payment of unemployment insurance, workers compensation, social security, income tax deductions and any other taxes or payroll deductions required by law for its employees engaged in work authorized by this contract.

### **3.12. Staff Qualifications:**

The Contractor shall warrant that all persons assigned by it to the performance of this contract shall be employees of the Contractor (or specified Subcontractor) and shall be fully qualified to perform the work required. The Contractor shall include a similar provision in any contract with any Subcontractor selected to perform work under this contract.

Failure of the Contractor to provide qualified staffing at the level required by the contract specifications may result in termination of this contract or damages.

12-13

### **3.13. Subcontractors:**

The Contractor shall be the sole source of contact for the contract. The State will not subcontract any work under the contract to any other firm and will not deal with any subcontractors. The Contractor is totally responsible for all actions and work performed by its subcontractors. All terms, conditions and requirements of the contract shall apply without qualification to any services performed or goods provided by any subcontractor.

The State of Kansas requires tax clearance certificates for all subcontractors be submitted with the technical proposal, and that the bidder additionally provide subcontractor(s) legal company name, contact information and tax ID number (FEIN/TIN) as well.

### **3.14. Proof of Insurance:**

Upon request, the Contractor shall present an affidavit of Worker's Compensation, Public Liability, and Property Damage Insurance to the Division of Purchases.

### **3.15. Conflict of Interest:**

The Contractor shall not knowingly employ, during the period of this contract or any extensions to it, any professional personnel who are also in the employ of the State and providing services involving this contract or services similar in nature to the scope of this contract to the State. Furthermore, the Contractor shall not knowingly employ, during the period of this contract or any extensions to it, any state employee who has participated in the making of this contract until at least two years after his/her termination of employment with the State.

### **3.16. Confidentiality:**

All State information or data are considered confidential information and data. Contractor agrees to return any or all information and data furnished by the State promptly at the request of State, in whatever forms they are maintained by Contractor. Upon termination or expiration of this agreement, the Contractor and each of the persons and entities working for the Contractor shall return to the State all data or information, electronic or written, or descriptive materials, or any other related matter of any type including but not limited to drawings, blueprints, descriptions, or other papers or documents which contain any such confidential information.

Upon termination or expiration of this agreement or at the request of State, the Contractor and each of the persons and entities working for the Contractor shall securely destroy all electronic data provided by the State and sanitize storage media used to store such data in compliance with State of Kansas ITEC policy 7900. The Contractor will provide a media sanitization procedure that meets requirements for data classified by HIPAA as confidential in HIPAA Regulation Part 164.310(d), 1 & 2, subject to State approval. Documentation of the sanitization must be provided to the State following the execution of that process.

Contractor will have access to information and private confidential information or data, maintained by the State of Kansas, to the extent necessary to carry out Contractor's responsibilities under this contract. This information and data may include, but is not limited to, personal financial information, information regarding undercover law enforcement agents, social security numbers, student employees, medical providers and/or their recipients, etc. Contractor agrees that any information or data it may have in its custody regarding any participant shall be kept strictly confidential. All the information and data of the State shall be considered to be confidential and private and Contractor may not disclose any information or data at any time to any person or entity. Contractor agrees to comply with all state and federal confidential laws in providing services under the contract.

12-14



1. Contractor shall be fully responsible for providing adequate supervision and training to its agents and employees to ensure compliance with all applicable State and Federal Acts regarding confidentiality and/or open records issues. No private or confidential data collected, maintained, or used in the course of performance of this contract shall be disseminated by Contractor except as required by statute, either during the period of the contract or thereafter. Contractor shall only use confidential information as required by this contract. All electronic data shall be secured through encryption or other comparable security measures.
2. Contractor shall limit access to confidential information solely to staff of Contractor who have a need to know for purposes of fulfilling Contractor's obligations under this contract. Contractor shall not remove confidential information from State's site without State's prior written approval.
3. Contractor shall hold State harmless and indemnify the State for expenses or damages, of any kind, incurred or suffered by the State as a result of the unauthorized disclosure of said data by Contractor or any agent, representative, employee, or subcontractor of Contractor. Contractor shall notify the State of any loss or breach of confidential information or data within 24 hours of receipt of such knowledge. Contractor shall also be responsible and liable for any and all damages to individuals due to such breaches or loss of confidential information. In the event of any security breach in which the confidential information of one or more individuals is compromised or is potentially compromised, Contractor shall be responsible and pay for any and all damages, expenses, and costs (including lost wages and efforts spent to defend or correct against identity theft) caused to the State or any individual for the disclosure of any State Information. Contractor shall provide notice to the State and affected individuals of such disclosure and shall also offer free of charge to the individuals or the State identity theft protection insurance for a period of five years. These terms shall also apply to any third-party vendor or subcontractor.
4. The Contractor shall hold all such confidential information in trust and confidence for the State, and agrees that it and its employees will not, during the performance or after the termination of this agreement, disclose to any person, firm, or corporation, or use for its own business or benefit any information obtained by it while in execution of the terms and conditions of this agreement.
5. Any staff, individual, or entity assigned to work for Contractor under this agreement shall separately sign an agreement(s) to the effect of this Subsection and also but not limited to the Department of Administration computer security user agreement.

### **3.17. Nondiscrimination and Workplace Safety:**

The Contractor agrees to abide by all federal, state and local laws, and rules and regulations prohibiting discrimination in employment and controlling workplace safety. Any violations of applicable laws or rules or regulations may result in termination of this contract.

### **3.18. Environmental Protection:**

The Contractor shall abide by all federal, state and local laws, and rules and regulations regarding the protection of the environment. The Contractor shall report any violations to the applicable governmental agency. A violation of applicable laws or rule or regulations may result in termination of this contract for cause.

12-15

**3.19. Hold Harmless:**

The Contractor shall indemnify the State against any and all loss or damage to the extent arising out of the Contractor's negligence in the performance of services under this contract and for infringement of any copyright or patent occurring in connection with or in any way incidental to or arising out of the occupancy, use, service, operations or performance of work under this contract.

The State shall not be precluded from receiving the benefits of any insurance the Contractor may carry which provides for indemnification for any loss or damage to property in the Contractor's custody and control, where such loss or destruction is to state property. The Contractor shall do nothing to prejudice the State's right to recover against third parties for any loss, destruction or damage to State property.

**3.20. Care of State Property:**

The Contractor shall be responsible for the proper care and custody of any state owned personal tangible property and real property furnished for Contractor's use in connection with the performance of this contract. The Contractor shall reimburse State for such property's loss or damage caused by Contractor, normal wear and tear excepted.

**3.21. Prohibition of Gratuities:**

Neither the Contractor nor any person, firm or corporation employed by the Contractor in the performance of this contract shall offer or give any gift, money or anything of value or any promise for future reward or compensation to any State employee at any time.

**3.22. Retention of Records:**

Unless the State specifies in writing a different period of time, the Contractor agrees to preserve and make available at reasonable times all of its books, documents, papers, records and other evidence involving transactions related to this contract for a period of six (6) years from the date of the expiration or termination of this contract.

Matters involving litigation shall be kept for one (1) year following the termination of litigation, including all appeals, if the litigation exceeds six (6) years.

The Contractor agrees that authorized federal and state representatives, including but not limited to, personnel of the using agency; independent auditors acting on behalf of state and/or federal agencies shall have access to and the right to examine records during the contract period and during the five (5) year post contract period. Delivery of and access to the records shall be within five (5) business days at no cost to the state.

**3.23. Antitrust:**

If the Contractor elects not to proceed with performance under any such contract with the State, the Contractor assigns to the State all rights to and interests in any cause of action it has or may acquire under the anti-trust laws of the United States and the State of Kansas relating to the particular products or services purchased or acquired by the State pursuant to this contract.



### **3.24. Modification:**

This contract shall be modified only by the written agreement and approval of the parties. No alteration or variation of the terms and conditions of the contract shall be valid unless made in writing and signed by the parties. Every amendment shall specify the date on which its provisions shall be effective.

### **3.25. Assignment:**

The Contractor shall not assign, convey, encumber, or otherwise transfer its rights or duties under this contract without the prior written consent of the State. State may reasonably withhold consent for any reason.

This contract may terminate for cause in the event of its assignment, conveyance, encumbrance or other transfer by the Contractor without the prior written consent of the State.

### **3.26. Third Party Beneficiaries:**

This contract shall not be construed as providing an enforceable right to any third party.

### **3.27. Captions:**

The captions or headings in this contract are for reference only and do not define, describe, extend, or limit the scope or intent of this contract.

### **3.28. Severability:**

If any provision of this contract is determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this contract shall not be affected and each provision of this contract shall be enforced to the fullest extent permitted by law.

### **3.29. Governing Law:**

This contract shall be governed by the laws of the State of Kansas and shall be deemed executed in Topeka, Shawnee County, Kansas.

### **3.30. Jurisdiction:**

The parties shall bring any and all legal proceedings arising hereunder in the State of Kansas District Court of Shawnee County, unless otherwise specified and agreed upon by the State of Kansas. Contractor waives personal service of process, all defenses of lack of personal jurisdiction and forum non conveniens. The Eleventh Amendment of the United States Constitution 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 Agreement shall be deemed a waiver of the Eleventh Amendment.

### **Mandatory Provisions:**

The provisions found in Contractual Provisions Attachment (DA 146a) are incorporated by reference and made a part of this contract.

### **3.31. Integration:**

This contract, in its final composite form, shall represent the entire agreement between the parties and shall supersede all prior negotiations, representations or agreements, either written or oral, between the parties

12-17

relating to the subject matter hereof. This Agreement between the parties shall be independent of and have no effect on any other contracts of either party.

### **3.32. Immigration and Reform Control Act of 1986 (IRCA):**

All contractors are expected to comply with the Immigration and Reform Control Act of 1986 (IRCA), as may be amended from time to time. This Act, with certain limitations, requires the verification of the employment status of all individuals who were hired on or after November 6, 1986, by the contractor as well as any subcontractor or sub-contractors. The usual method of verification is through the Employment Verification (I-9) Form.

With the submission of this bid, the contractor hereby certifies without exception that such contractor has complied with all federal and state laws relating to immigration and reform. Any misrepresentation in this regard or any employment of persons not authorized to work in the United States constitutes a material breach and, at the State's option, may subject the contract to termination for cause and any applicable damages.

Unless provided otherwise herein, all contractors are expected to be able to produce for the State any documentation or other such evidence to verify Contractor's IRCA compliance with any provision, duty, certification or like item under the contract.

Contractor will provide a copy of a signed Certification Regarding Immigration Reform and Control Form (<http://www.da.ks.gov/purch/CertificationImmigrationForm.doc>) with the technical proposal.

### **3.33. Worker Misclassification:**

The contractor and all lower tiered subcontractors under the contractor shall properly classify workers as employees rather than independent contractors and treat them accordingly for purposes of workers' compensation insurance coverage, unemployment taxes, social security taxes, and income tax withholding. Failure to do so may result in contract termination.

### **3.34. Injunctions:**

Should Kansas be prevented or enjoined from proceeding with the acquisition before or after contract execution by reason of any litigation or other reason beyond the control of the State, Contractor shall not be entitled to make or assert claim for damage by reason of said delay.

### **3.35. Statutes:**

Each and every provision of law and clause required by law to be inserted in the contract shall be deemed to be inserted herein and the contract shall be read and enforced as though it were included herein. If through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then on the application of either party the contract shall be amended to make such insertion or correction.

### **3.36. Federal, State and Local Taxes:**

Unless otherwise specified, the proposal price shall include all applicable federal, state and local taxes. The Contractor shall pay all taxes lawfully imposed on it with respect to any product or service delivered in accordance with this Contract. The State of Kansas is exempt from state sales or use taxes and federal excise

12-18



taxes for direct purchases. These taxes shall not be included in the bidder's price quotation. Upon request, the State shall provide to the Contractor a certificate of tax exemption.

The State makes no representation as to the exemption from liability of any tax imposed by any governmental entity on the Contractor.

### **3.37. Accounts Receivable Set-Off Program:**

If, during the course of this contract the Contractor is found to owe a debt to the State of Kansas, agency payments to the Contractor may be intercepted / setoff by the State of Kansas. Notice of the setoff action will be provided to the Contractor. Pursuant to K.S.A. 75-6201 et seq, Contractor shall have the opportunity to challenge the validity of the debt. If the debt is undisputed, the Contractor shall credit the account of the agency making the payment in an amount equal to the funds intercepted.

K.S.A. 75-6201 et seq. allows the Director of Accounts & Reports to setoff funds the State of Kansas owes Contractors against debts owed by the Contractors to the State of Kansas. Payments setoff in this manner constitute lawful payment for services or goods received. The Contractor benefits fully from the payment because its obligation to the State is reduced by the amount subject to setoff.

### **3.38. Definitions:**

A glossary of common procurement terms is available at <http://da.ks.gov/purch>, under "Purchasing Forms".

### **3.39 Definite Quantity Contract:**

This Request is for a close-ended contract between the Contractor and the State to furnish a predetermined quantity of a good or service in a given period of time.

### **3.40 HIPAA Confidentiality:**

Per the Health Insurance Portability and Accountability Act (1996) (HIPAA), the agency is a covered entity under the act and therefore Contractor is not permitted to use or disclose health information in ways that the agency could not. This protection continues as long as the data is in the hands of the Contractor.

The Contractor shall establish and maintain procedures and controls acceptable to the agency to protect the privacy of members' information. Unless the Contractor has the member's written consent, the Contractor shall not use any personally identifiable information obtained for any reason other than that mandated by this agreement

The successful Contractor must sign a Business Associate Agreement at the time of Contract award (when signing the Contract). This document will contain additional HIPAA, Personally Identifiable Information (PII), and conflict of interest language required with this contract.

12-19

### **3.41 Off-Shore Sourcing:**

Bidders shall disclose in their bid response the location where the contracted services will be performed and whether or not any of the work necessary to provide the contracted services will be performed at a site outside the United States.

If, during the term of the contract, the Contractor or subcontractor plans to move work previously performed in the United States to a location outside of the United States, the Contractor shall immediately notify the Division of Purchases and the respective agency in writing, indicating the desired new location, the nature of the work to be moved and the percentage of work that would be relocated. The Director of Purchases, with the advice of the respective agency, must approve any changes prior to work being relocated. Failure to obtain the Director's approval may be grounds to terminate the contract for cause.

### **3.42 Corporate Experience:**

All bidders are to have a minimum of three (3) years continuous active participation in the applicable industry, providing equipment/services comparable in size and complexity to those specified herein. Preference will be given to vendors with experience implementing the solution they are proposing and implementing systems in state government.

The bidder must provide information about the bidder's experience implementing and operating an eligibility determination system. The information should be separated into categories for each type of experience. This information must include the client's name and address and complete contact information for the client's responsible project administrator or for a senior official of the client who is familiar with the bidder's performance and who may be contacted by the State during the evaluation process. The State reserves the right to contact the reported clients for further details. Overlapping responsibilities on the same client's contract should be identified so that they are easily recognized.

Bidders must provide the same information for any potential subcontractors (if any) that is required for the bidder, including corporate background and relevant experience. In addition, each potential subcontractor must submit a letter of agreement indicating that they have read, understand, and shall perform their role on the project throughout the life of the contract in accordance with contract terms and conditions herein. The letter must be on subcontractor's corporate stationery and signed by an individual authorized to bind the corporation.

### **3.43 Prices:**

Prices shall remain firm for the entire contract period and subsequent renewals. Prices shall be net delivered, including all trade, quantity and cash discounts. Any price reductions available during the contract period shall be offered to the State of Kansas. Failure to provide available price reductions may result in termination of the contract for cause.

12-20

#### **3.44 Payment:**

Payment schedule shall be on a frequency mutually agreed upon by both the agency and the Contractor.

#### **3.45 Upgrades:**

Bidders shall indicate the upgrade price and policy for any software, firmware, or hardware upgrades anticipated for the equipment bid. If the upgrades are provided without cost, this should be indicated.

#### **3.46 Demonstration Requirements:**

A demonstration of the selected devices/equipment/solution for the using agencies may be required before final contract approval. The State of Kansas reserves the right to request said devices/equipment/solution fully configured/operational for testing, which shall be furnished at no expense to the State within ten (10) days after receipt of request. Devices/equipment will be returned at the bidder's expense if not consumed during the evaluation process.

#### **3.47 Performance Guaranty/Bond:**

The Contractor shall file with the Director of Purchases a performance guaranty/bond in the amount of \$1,000,000. The guaranty shall be released upon the completion of this contract subject to total or partial forfeiture for failure to adequately perform the terms of this contract. If damages exceed the amount of the guaranty, the State may seek additional damages.

A performance guaranty must be one of the following: (1) certificate of deposit payable to the State; or (2) a properly executed bond payable to the State.

Necessary bond forms will be furnished by the Division of Purchases and can be completed by any General Insurance Agent. Bonds shall be issued by a Surety Company licensed to do business in the State of Kansas.

#### **3.48 Equipment:**

All proposed equipment, equipment options, and hardware expansions must be identified by manufacturer and model number and descriptive literature of such equipment must be submitted with the bid response.

#### **3.49 Implied Requirements:**

All products and services not specifically mentioned in this solicitation, but which are necessary to provide the functional capabilities described by the specifications, shall be included. Furthermore, all products and services required to make the vendor's proposal functional shall be identified in the vendor's proposal. If additional products or services are later found to be necessary to make the vendor's proposal functional, or to make the vendor's proposal compliant with the specifications, regardless of whether the additional needed products or

12-21



services are identified as being necessary by the State or the vendor, such products or services shall be provided by the vendor at no charge to the State.

### **3.50 Warranty:**

The State requires a warranty on any and all equipment, hardware, software, and services proposed to be effective throughout the term of this contract. The date the defect or issue was discovered will be the determination date for warranty purposes. This warranty shall be included in the cost of the solution.

The Contractor will be the sole point of contact on any problems with the equipment, hardware, software, systems or services proposed during the warranty period.

The Contractor shall be responsible for all work performed under these specifications. The Contractor shall make good, repair and replace, at the Contractor's own expense, as may be necessary, any defective work, material acceptance, if in the opinion of the agency or the Division of Purchases said defect is due to imperfection in material, design, or workmanship for the warranty period specified.

### **3.51 Acceptance:**

No contract provision or use of items by the State shall constitute acceptance or relieve the Contractor of liability in respect to any expressed or implied warranties.

### **3.52 Ownership:**

All data, forms, procedures, software, manuals, system descriptions and work flows developed or accumulated by the Contractor under this contract shall be owned by the using agency. The Contractor may not release any materials without the written approval of the using agency.

### **3.53 Software Code and Intellectual Property Rights:**

The State of Kansas will have all ownership rights in the completed system including all software or modifications thereof and associated materials, work products, data, models, forms, source code, procedures, manuals, system descriptions, work flows, and other Intellectual Property developed by the Contractor(s) under this contract, with the exception of proprietary operating/vendor software packages (e.g., ADABAS or TOTAL) which are provided at established catalog or market prices and sold or leased to the general public. All agencies of the federal government shall have a royalty-free, nonexclusive, and irrevocable license to reproduce, publish, or otherwise use and to authorize others to use for Federal Government purposes, such software, modifications, and documentation in accordance with 45 CFR 95.617 and 45 CFR 95 Subpart F.

The State of Kansas reserves the right to use any and all ideas presented in a proposal unless the respondent presents a valid legal case that such ideas are trade secret or confidential information, and identifies the information as such in its proposal. A respondent may not object to the use of ideas that are not the respondent's

intellectual property and so designated in the proposal that: (1) were known to State of Kansas before the submission of the proposal, (2) were in the public domain through no fault of State of Kansas, or (3) became properly known to State of Kansas after proposal submission through other sources or through acceptance of the proposal

### **3.54 Data:**

Any and all data required to be provided at any time during the bid process or contract term shall be made available in a format as requested and/or approved by the State.

### **3.55 Submission of the Bid:**

Submission of the bid will be considered presumptive evidence that the bidder is conversant with local facilities and difficulties, the requirements of the documents and of pertinent State and/or local codes, state of labor and material markets, and has made due allowances in the proposal for all contingencies. Later claims for labor, work, materials, equipment, and tax liability required for any difficulties encountered which could have been foreseen will not be recognized and all such difficulties shall be properly taken care of by Contractor at no additional cost to the State of Kansas.

### **3.56 New Materials, Supplies or Equipment:**

Unless otherwise specified, all materials, supplies or equipment offered by the Contractor shall be new, unused in any regard and of most current design. All materials, supplies and equipment shall be first class in all respects. Seconds or flawed items will not be acceptable. All materials, supplies or equipment shall be suitable for their intended purpose and, unless otherwise specified, fully assembled and ready for use on delivery.

### **3.57 Bidder Contracts:**

Bidders must include with their RFP response, a copy of any contracts, agreements, licenses, warranties, etc. that the bidder would propose to incorporate into the any contract generated from this Bid Event. (State of Kansas form DA-146a remains a mandatory requirement in all contracts.)

### **3.58 Contract Price:**

Statewide contracts are awarded by the Division of Purchases to take advantage of volume discount pricing for goods and services that have a recurring demand from one or more agencies. However, if a state agency locates a vendor that can provide the identical item at a lower price, a waiver to "buy off state contract" may be granted by the Division of Purchases.

### **3.59 Transition Assistance:**

12-23

In the event of contract termination or expiration, Contractor shall provide all reasonable and necessary assistance to State to allow for a functional transition to another vendor.

### **3.60 Award:**

Award will be by line item or group total, whichever is in the best interest of the State of Kansas.

### **3.61 Termination for Unavailability of Funds:**

It is understood and agreed by the Contractor and the State of Kansas that all obligations of the State of Kansas including continuance of payments hereunder, are contingent upon the availability and continued appropriation of state and federal funds, and in no event shall the State of Kansas be liable for any payments hereunder in excess of such available appropriated funds. In the event that the amount of any available or appropriated funds provided by the state or federal sources for the purchase of services hereunder shall be reduced, terminated or shall not be continued at an aggregate level sufficient to allow for the purchase of the services specified hereunder for any reason whatsoever, the State of Kansas shall notify the Contractor of such reduction of funds available and shall be entitled to reduce the State's commitment hereunder or to terminate the contract as it deems necessary.

### **3.62 Termination Obligations of Contractor and the State of Kansas:**

In the event of any termination, the Contractor shall:

- a. Stop work under the contract on the date and the extent specified in the notice of termination.
- b. Place no further orders or subcontractor services or facilities except as may be necessary for completion of such portion of the work under the contracts as is not terminated.
- c. Terminate all orders and subcontracts to the extent that they relate to the performance of work terminated by the notice of termination.
- d. Complete the performance of such part of the work as shall not have been terminated by the notice of termination.
- e. Any payments advanced to the Contractor for coverage of members for periods after the date of termination shall be promptly returned to the State of Kansas.
- f. The Contractor shall promptly supply all information necessary for the reimbursement of any outstanding claims.
- g. The Contractor shall comply with the terms and provisions of the turnover plan as submitted and approved.

12-24



#### **4 SPECIFICATIONS**

**See Attached File**

12-25

## 5 COST SHEET

*Must be submitted separately from the Technical Proposal, unless otherwise specified.  
(See Response Section, #1)*

Vendor Name: \_\_\_\_\_

Vendors shall submit proposed overpayments recovered and underpayments identified by the RAC for the three years of the base contract plus the three optional years as indicated.

Estimated overpayments recovered in year one \$ \_\_\_\_\_

Estimated overpayments recovered in year two \$ \_\_\_\_\_

Estimated overpayments recovered in year three \$ \_\_\_\_\_

Optional years

Estimated overpayments recovered in year four \$ \_\_\_\_\_

Estimated overpayments recovered in year five \$ \_\_\_\_\_

Estimated overpayments recovered in year six \$ \_\_\_\_\_

Estimated underpayments identified in year one \$ \_\_\_\_\_

Estimated underpayments identified in year two \$ \_\_\_\_\_

Estimated underpayments identified in year three \$ \_\_\_\_\_

Estimated underpayments identified in year four \$ \_\_\_\_\_

Estimated underpayments identified in year five \$ \_\_\_\_\_

Estimated underpayments identified in year six \$ \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

12-26

State of Kansas  
Department of Administration  
DA-146a (Rev. 1-01)

## 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."

12-27



# STATE OF KANSAS

## Event Details (cont.)

### PeopleSoft Strategic Sourcing

Event ID	Format	Type	Page
17300-EVT0000146	Sell	RFx	3
Event Round	Version		
1	4		
Event Name			
Recovery Audit Contractor			
Start Time	Finish Time		
09/22/2010 11:06:00 CST	10/25/2010 14:00:00 CST		

Event Currency: US Dollar  
Bids allowed in other currency: No

**Bidder:** HEALTH DATA INSIGHTS INC  
7501 TRINITY PEAK ST  
SUITE 210  
LAS VEGAS NV 89128  
United States

**Submit To:** Department of Administration  
Division Of Purchases  
900 SW Jackson  
Room 102-North  
Topeka KS 66612  
XML Bids to: Bids@da.ks.gov

**Contact:** Jill M Martin  
**Phone:** 7852963123  
**Email:** jill.martin@da.ks.gov

#### Response Comments

Question	UOM	Best	Worst	Response
Is a current Tax Clearance Certificate Included with this bid event submission?		Yes		

Required: Yes Mandatory Response: No

#### Response Comments

#### Line Details

Line: 1	Item ID:	Line Qty: 1	UOM: Batch Lot	Bid Qty:
Required: No	Reserve Price: No			
Description: Estimated overpayments recovered in year one			\$ 80,000.00	Min/Max Qty: No min / No max

Question	UOM	Best	Worst	Response
What is your bid price?		0		17%

Required: No Mandatory Response: No

#### Response Comments

Line: 2	Item ID:	Line Qty: 1	UOM: Batch Lot	Bid Qty:
Required: No	Reserve Price: No			
Description: Estimated overpayments recovered in year two			\$ 7,500,000	Min/Max Qty: No min / No max

Question	UOM	Best	Worst	Response
What is your bid price?		0		17%

Required: No Mandatory Response: No

#### Response Comments

12-28

# STATE OF KANSAS

## Event Details (cont.)

### PeopleSoft Strategic Sourcing

Event ID	Format	Type	Page
L7300-EVT0000146	Sell	RFx	4
Event Round	Version		
1	4		
Event Name			
Recovery Audit Contractor			
Start Time	Finish Time		
09/22/2010 11:06:00 CST	10/25/2010 14:00:00 CST		

Event Currency: US Dollar  
Bids allowed in other currency: No

**Bidder:** HEALTH DATA INSIGHTS INC  
7501 TRINITY PEAK ST  
SUITE 210  
LAS VEGAS NV 89128  
United States

**Submit To:** Department of Administration  
Division Of Purchases  
900 SW Jackson  
Room 102-North  
Topeka KS 66612  
XML Bids to: Bids@da.ks.gov

**Contact:** Jill M Martin  
**Phone:** 7852963123  
**Email:** jill.martin@da.ks.gov

Line: 3 Item ID: Line Qty: 1 UOM: Batch Lot  
Required: No Reserve Price: No

Bid Qty:

Min/Max Qty: No min / No max

Description: Estimated overpayments recovered in year three \$8,500,000

Question	UOM	Best	Worst	Response
What is your bid price?		0		17 1/2

Required: No Mandatory Response: No

#### Response Comments

Line: 4 Item ID: Line Qty: 1 UOM: Batch Lot  
Required: No Reserve Price: No

Bid Qty:

Min/Max Qty: No min / No max

Description: Estimated overpayments recovered in year four \$7,500,000

Question	UOM	Best	Worst	Response
What is your bid price?		0		17 1/2

Required: No Mandatory Response: No

#### Response Comments

Line: 5 Item ID: Line Qty: 1 UOM: Batch Lot  
Required: No Reserve Price: No

Bid Qty:

Min/Max Qty: No min / No max

Description: Estimated overpayments recovered in year five \$6,000,000

Question	UOM	Best	Worst	Response
What is your bid price?		0		17 1/2

Required: No Mandatory Response: No

#### Response Comments

12-29

# STATE OF KANSAS

## Event Details (cont.)

### PeopleSoft Strategic Sourcing

Event ID	Format	Type	Page
17300-EVT0000146	Sell	RFx	5
Event Round	Version		
1	4		
Event Name			
Recovery Audit Contractor			
Start Time	Finish Time		
09/22/2010 11:06:00 CST	10/25/2010 14:00:00 CST		

Event Currency: US Dollar  
Bids allowed in other currency: No

**Bidder:** HEALTH DATA INSIGHTS INC  
7501 TRINITY PEAK ST  
SUITE 210  
LAS VEGAS NV 89128  
United States

**Submit To:** Department of Administration  
Division Of Purchases  
900 SW Jackson  
Room 102-North  
Topeka KS 66612  
XML Bids to: Bids@da.ks.gov  
**Contact:** Jill M Martin  
**Phone:** 7852963123  
**Email:** jill.martin@da.ks.gov

Line: 6 Item ID: Line Qty: 1 UOM: Batch Lot  
Required: No Reserve Price: No

Bid Qty:

Min/Max Qty: No min / No max

Description: Estimated overpayments recovered in year six \$6,000,000

Question	UOM	Best	Worst	Response
What is your bid price?		0		17%
Required: No Mandatory Response: No				

#### Response Comments

Line: 7 Item ID: Line Qty: 1 UOM: Batch Lot  
Required: No Reserve Price: No

Bid Qty:

Min/Max Qty: No min / No max

Description: Estimated underpayments identified in year one \$3,000,000

Question	UOM	Best	Worst	Response
What is your bid price?		0		600 - or 18%
Required: No Mandatory Response: No				

#### Response Comments

FLEXIBLE ON IF FIXED PRICE OR CONTINGENCY FOR UNDERPAYMENTS

Line: 8 Item ID: Line Qty: 1 UOM: Batch Lot  
Required: No Reserve Price: No

Bid Qty:

Min/Max Qty: No min / No max

Description: Estimated underpayments identified in year two \$300,000

Question	UOM	Best	Worst	Response
What is your bid price?		0		55,000 -
Required: No Mandatory Response: No				

#### Response Comments

12-30



# STATE OF KANSAS

## Event Details (cont.)

### PeopleSoft Strategic Sourcing

Event ID	Format	Type	Page
17300-EVT0000146	Sell	RFX	6
Event Round	Version		
1	4		
Event Name			
Recovery Audit Contractor			
Start Time	Finish Time		
09/22/2010 11:06:00 CST	10/25/2010 14:00:00 CST		

Event Currency: US Dollar  
Bids allowed in other currency: No

Bidder: HEALTH DATA INSIGHTS INC  
7501 TRINITY PEAK ST  
SUITE 210  
LAS VEGAS NV 89128  
United States

Submit To: Department of Administration  
Division Of Purchases  
900 SW Jackson  
Room 102-North  
Topeka KS 66612  
XML Bids to: Bids@da.ks.gov  
Jill M Martin  
7852963123  
jill.martin@da.ks.gov

Line: 9 Item ID: Line Qty: 1 UOM: Batch Lot  
Required: No Reserve Price: No

Bid Qty:

Description: Estimated underpayments identified in year three \$ 300,000 -

Min/Max Qty: No min / No max

Question	UOM	Best	Worst	Response
What is your bid price?		0		55,000 -

Required: No Mandatory Response: No

#### Response Comments

Line: 10 Item ID: Line Qty: 1 UOM: Batch Lot  
Required: No Reserve Price: No

Bid Qty:

Description: Estimated underpayments identified in year four \$ 300,000 -

Min/Max Qty: No min / No max

Question	UOM	Best	Worst	Response
What is your bid price?		0		55,000 -

Required: No Mandatory Response: No

#### Response Comments

Line: 11 Item ID: Line Qty: 1 UOM: Batch Lot  
Required: No Reserve Price: No

Bid Qty:

Description: Estimated underpayments identified in year five \$ 200,000 -

Min/Max Qty: No min / No max

Question	UOM	Best	Worst	Response
What is your bid price?		0		34,000 -

Required: No Mandatory Response: No

#### Response Comments

12-31

# STATE OF KANSAS

## Event Details (cont.)

### PeopleSoft Strategic Sourcing

Event ID	Format	Type	Page
17300-EVT0000146	Sell	RFx	7
Event Round	Version		
1	4		
Event Name			
Recovery Audit Contractor			
Start Time	Finish Time		
09/22/2010 11:06:00 CST	10/25/2010 14:00:00 CST		

Event Currency: US Dollar  
Bids allowed in other currency: No

**Bidder:** HEALTH DATA INSIGHTS INC  
7501 TRINITY PEAK ST  
SUITE 210  
LAS VEGAS NV 89128  
United States

**Submit To:** Department of Administration  
Division Of Purchases  
900 SW Jackson  
Room 102-North  
Topeka KS 66612  
XML Bids to: Bids@da.ks.gov

**Contact:** Jill M Martin  
**Phone:** 7852963123  
**Email:** jill.martin@da.ks.gov

Line: 12 Item ID: Line Qty: 1 UOM: Batch Lot  
Required: No Reserve Price: No

Bid Qty:

Description: Estimated underpayments identified in year six

*\$200,000-*

Min/Max Qty: No min / No max

Question	UOM	Best	Worst	Response
What is your bid price?		0		<i>36,000-</i>

Required: No Mandatory Response: No

#### Response Comments

*12-32*

# STATE OF KANSAS

## Event Details (cont.)

### PeopleSoft Strategic Sourcing

Event ID	Format	Type	Page
0-EVT0000146	Sell	RFx	8
Round	Version		
4	4		
Event Name			
Recovery Audit Contractor			
Start Time	Finish Time		
09/22/2010 11:06:00 CST	10/25/2010 14:00:00 CST		


Event Currency: US Dollar  
Bids allowed in other currency: No

**Bidder:** HEALTH DATA INSIGHTS INC  
7501 TRINITY PEAK ST  
SUITE 210  
LAS VEGAS NV 89128  
United States

**Submit To:** Department of Administration  
Division Of Purchases  
900 SW Jackson  
Room 102-North  
Topeka KS 66612  
XML Bids to: Bids@da.ks.gov

**Contact:** Jill M Martin  
**Phone:** 7852963123  
**Email:** jill.martin@da.ks.gov

### Bidder Information

<b>Firm Name:</b>	Health Data Insights, Inc		
<b>Name:</b>	Brian Fields	<b>Signature:</b>	 <b>Date:</b> 11/23/10
<b>Phone #:</b>	702 994-1098	<b>Fax #:</b>	
<b>Street Address:</b>	7501 Trinity Peak Street, Suite 210		
<b>City &amp; State:</b>	LAS VEGAS, NV	<b>Zip Code:</b>	89128
<b>Email:</b>	brian.fields@hdi.com		



## 4.SPECIFICATIONS

The State of Kansas is issuing this Request for Proposal to obtain competitive responses from vendors to provide Recovery Audit Contractor (RAC) services and Health Care Cost Containment and Recovery Services per the attached specifications, for the Kansas Health Policy Authority (KHPA), Topeka, KS.

**4.1 Term of Contract:** The term of this contract is for an initial three (3) year period from the Date of Award (DOA) of this RFP with the option of three (3) additional one (1) year renewals by mutual agreement of both parties.

### 4.2 Background.

KHPA is the single state agency responsible for developing and coordinating health policy in the State of Kansas. KHPA is directed by a nine (9) member citizen board as well as six (6) non-voting ex-officio members that include state agency secretaries. KHPA is the single state Medicaid agency and also administers the State of Kansas's Children's Health Insurance Program (CHIP) and the State Employee Health Benefit Plan. The agency was created in statute by the 2005 legislature. Prior to this date, Medicaid and CHIP were functions of the Department of Social and Rehabilitation Services (SRS) which continues to serve as the umbrella agency for most Social Service programs, including Temporary Assistance for Needy Families (TANF), and Child Welfare services.

The Kansas State Legislature in the 2010 legislative session passed legislation (House Substitute for Senate bill 572, signed by the Governor on May 27, 2010) directing the Kansas Health Policy Authority establish a pilot project for Health Care Cost Containment and Recovery Services to be implemented regarding programs of state agencies or programs responsible for payment of medical or pharmacy claims including the Department of Social and Rehabilitation Services, Juvenile Justice Authority (JJA), Department on Aging (KDOA), Kansas Health Policy Authority, Department of Labor (KDOL), Department of Health and Environment (KDHE) and the State Employee Health Plan (SEHP). The state further provided that the pilot project be implemented in such a manner as to coordinate with the federal requirements to establish a Medicaid Recovery Audit Contract pursuant to the federal Patient Protection and Affordable Care Act, H.R. 3590 (PPACA).

The RAC Program's mission is to reduce Medicaid and CHIP improper payments through the efficient detection and collection of overpayments, the identification of underpayments and the identification of actions that will assist KHPA in preventing future improper payments.

CMS is required to actively review Medicaid payments for services to determine accuracy and if errors are noted to pursue the collection of any payment that it determines was in error.

Throughout this document, the term “Contractor” is used to refer to the entity responding to this RFP.

#### **4.3 Scope of Work.**

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.

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 sections 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.

#### **4.4 Deliverables**

This contract includes the following deliverables which are defined in detail in the subsequent sections of this contract:

- 4.4.1.** Identifying Medicaid, CHIP and MediKan claims that are underpayments for which any payment was made for any medical services under title XIX and XXI of the Social Security Act, underpayments made for waiver services under TXIX and XXI of the Social Security Act, or underpayments made 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.

- 4.4.2.** Identifying and recouping Medicaid, CHIP and MediKan overpayments for any medical services under title XIX and XXI of the Social Security Act, overpayments made for waiver services under TXIX and XXI of the Social Security Act, or overpayments made 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.
- 4.4.3.** The Contractor shall, as a part of the RFP process, quantify the amount of money that it projects it will be able to recover under this contract. The projection shall be by State of Kansas fiscal year (July 1 – June 30). This amount will be used in the selection of a contractor. If the contractor does not recover the amount projected for a particular fiscal year within 10%, then liquidated damages will apply.
- 4.4.4.** Correspond with any provider which will be affected by an identified overpayment or underpayment identified by the contractor.
- 4.4.5.** The Contractor system shall have the ability to interface with the State of Kansas's Medicaid Management Information System (MMIS), or current Medicaid Claims operating system if different, to report overpayment and underpayment findings on a claim specific level.
- 4.4.6.** For any adverse decision the Contractor shall notify the affected provider of its right to appeal the decision and the process for the provider to appeal the decision. The Contractor shall also provide support to KHPA throughout the administrative appeals process and where applicable, a subsequent appeal to the District court.
- 4.4.7.** The Contractor shall coordinate all of its cost recovery efforts with KHPA, KHPA contractors, other state and federal agencies and contractors of the same that are performing audits or payment reviews of medical services provided in the State of Kansas.
- 4.4.8.** The Contractor shall identify vulnerabilities within KHPA's payment systems. For any identified vulnerability, the Contractor shall assist KHPA, or the applicable state agency/contractor, in developing and implementing an Improper Payment Prevention Plan to help prevent similar overpayments from occurring in the future.
- 4.4.9.** The Contractor shall perform provider outreach to notify provider communities of the Contractor's purpose and direction prior to any cost recovery. The format of the outreach shall be included in Contractor's project plan and shall be approved



by KHPA prior to the Contractor's implementation of the outreach.

- 4.4.10.** The Contractor shall use discretion to ensure that the amount of the information requested and timeframe in which the information is requested from a provider or supplier shall not negatively impact the provider's ability to provide services.
- 4.4.11.** The Contractor shall notify KHPA, or the applicable state agency/contractor, upon identifying potential fraud. After notification of KHPA, the Contractor shall notify the State of Kansas's Medicaid Fraud Control Unit (MFCU) of any potential Medicaid fraud.
- 4.4.12.** The Contractor shall notify identified KHPA staff of any private insurance policy identified by the Contractor that is not currently on file with the fiscal agent for the State of Kansas (Fiscal Agent).
- 4.4.13.** The Contractor shall utilize the imaging system used by KHPA and shall be responsible for paying and maintaining any and all licensing fees used by the Contractor for the imaging system. The Contractor shall be responsible for providing any and all equipment required to scan documents and input them into KHPA's imaging system. KHPA will pass on any discounts on the imaging system licensing that currently are or may become available.
- 4.4.14.** The Contractor shall conduct weekly meetings for the first three months, and then the Contractor shall conduct meetings on at least a monthly basis. The Contractor will record meeting minutes with program integrity staff designated by KHPA. Minutes shall be submitted to KHPA (5) five business days following the date of the meeting
- 4.4.15.** On at least a monthly basis the Contractor shall produce administrative and fiscal reports required by state and/or federal law or regulations as well as reports requested by KHPA. The Contractor shall also maintain the ability to produce a report requested and designed by KHPA staff (Ad Hoc report reporting capabilities).
- 4.4.16.** In addition to the Medicaid Recovery Audit Contractor deliverables described above, the Contractor shall be required to propose and bid other cost recoveries for medical service programs operated by an agency within the State of Kansas as required by House Substitute for Senate bill 572, signed by the Governor on May 27, 2010 (e.g. enhanced federal match claiming, other potential audits, etc) for this RFP. The Contractor shall be compensated by a percentage of recoveries attained.

**4.4.17.** Contractor shall also be required to provide certain administrative deliverables such as a business continuity plan including risk management and disaster recovery; a turnover plan; and conflict of interest documentation as provided in subsequent paragraphs of this RFP.

**4.4.18.** The Contractor shall develop detailed written review guidelines made available to the State as the Contractor's Business Practice Manual (BPM).

## **4.5 Services to Be Provided**

The Contractor shall furnish all the necessary services, qualified personnel, material, equipment, and facilities, not otherwise provided by KHPA, as needed to perform the Section 4.3 (Scope of Work) and Section 4.5 (Services to Be Provided).

KHPA will provide minimum administrative support which may include standard system changes when appropriate, help communicating with Medicaid contractors and other participating agencies, policies interpretations as necessary and other support deemed necessary by KHPA to allow the Contractor to perform their tasks efficiently. KHPA will support changes it determines are necessary but cannot guarantee timeframes or constants. In changing systems to support greater efficiencies for KHPA, the end product could result in an administrative task being placed on the Contractor that was not previously. These administrative tasks will not extend beyond the scope of this contract.

### **4.5.1 General Requirements**

#### **A. Initial Meeting with Contractor and KHPA Staff**

##### **1. Project Plan –**

The Contractor's key project staff shall meet with the KHPA Contract Manager (Contract Manager) and relevant KHPA staff within two (2) weeks of the DOA to discuss the project plan. The specific focus will be to discuss the time frames for the tasks outlined below. Within two (2) weeks of this meeting, the Contractor will submit a formal project plan, in Microsoft Project, outlining the resources and time frame for completing the work outlined. It will be the responsibility of the Contractor to update this project plan. The initial project plan shall be for the base year of the contract. As new issues rise the project plan shall be updated.

The project plan shall include the following:

Detailed quarterly projection by vulnerability issue including: a) incorrect procedure code and correct procedure code; b) type of review (automated, complex); c) type of vulnerability (medical necessity, incorrect coding, detailed yearly (fiscal year) projection of cost recoveries, including the Medicaid RAC (section 4.5.2), detailed list of issues the Contractor expects to encounter in the implementation of the cost recoveries, any other items that KHPA may request to be included.)

**2. Provider Outreach Plan –**

A base debtor/provider outreach plan shall be submitted as part of the proposal. KHPA will use the base debtor/provider outreach plan as a starting point for discussions during the initial meeting. Within two weeks of the initial meeting the Contractor shall submit to the Contract Manager a detailed debtor/provider Outreach Plan. The base debtor/provider outreach plan at a minimum shall include potential outreach efforts to associations, providers and Medicaid contractors.

KHPA will announce the use of the RAC. All other debtor/provider education and outreach concerning the use of Contractor will be the responsibility of the Contractor. The Contractor shall only educate providers on their business, their purpose and their process. The Contractor shall not educate providers on Medicaid policy or any other medical or pharmacy policy. The Contract Manager shall approve all presentations and written information shared with the provider, beneficiary, and/or other debtor communities before use.

The Contractor is encouraged to develop and maintain a webpage to communicate to the provider community helpful information (e.g., who to call for an extension, how to customize the address for a medical record request letter). If the Contractor so chooses, the Medicaid information must appear on pages that are separate and distinct from any other non-Medicaid work the Contractor may have. The Contractor shall obtain prior KHPA approval for all Medicaid webpage content.

**3. Contractor Organizational Chart –**

A draft "Contractor Organization Chart" shall be submitted as part of the proposal. The organizational chart shall identify the number

12-39



of key personnel and the organizational structure of the Contractor effort. While KHPA is not dictating the number of key personnel, it is KHPA's opinion that one key person will not be adequate for the state. An example of a possible organizational structure would be a key person overseeing a different claim type (Inpatient, Physician, DME, etc.). This is not prescriptive and KHPA is open to a variety organizational structures. A detailed organizational chart extending past the key personnel shall be submitted within two weeks of the initial meeting. The "Contractor Organizational Chart" shall take into consideration the staffing requirements of section 4.5.5.E.

**B. Monthly Meetings/ Conference Calls**

Meetings may be held through conference calls. At KHPA's request a meeting(s) shall take place in person at the offices of KHPA. For the first three (3) months after the DOA, the Contractor shall conduct weekly meetings with the Contract Manager and other designated KHPA staff. After the initial three months of the contract, the Contractor shall require its key project staff to participate in a meeting with the Contract Manager and other designated KHPA staff on at least a monthly basis.

The meetings shall be to discuss the progress of the work, evaluate any problems, discuss findings, and discuss plans for immediate next steps of the project and process improvements that will facilitate KHPA in paying claims accurately in the future. The Contractor will be responsible for setting up the meetings, preparing an agenda, documenting the minutes of the meeting and preparing any other supporting materials as needed. The minutes of the meeting shall be provided to KHPA within 5 (five) business days from the date of the meeting.

The Contractor will be required to attend monthly Medicaid Fraud Control Unit (MFCU) meetings at the State of Kansas's Attorney General's Office. The Contractor may call into the meeting.

**C. Monthly Reports**

The Contractor shall produce and distribute monthly administrative progress reports outlining all work accomplished during the previous month. The reports shall be produced and distributed within established

timeframes and according to the format, content and media specified by the state, at a minimum these reports shall include the following:

1. Complications Completing any task;
2. Communication with Fiscal Agent;
3. Upcoming Debtor/Provider Outreach Efforts;
4. Update of Project Plan;
5. Update of what vulnerability issues are being reviewed in the next month; including how vulnerability issues were identified and what potential vulnerabilities cannot be reviewed because of potentially ineffective policies;
6. Recommended corrective actions for vulnerabilities (i.e. LCD change, system edit, provider education, etc);
7. Update on Joint Operating Agreements ("JOA");
8. Action Items;
9. Appeal Statistics;
10. Process Improvements to be completed by Contractor.

The Contractor shall produce and distribute monthly financial reports outlining all work accomplished during the previous month. The reports shall be produced and distributed within established timeframes and according to the format, content and media specified by the state. At a minimum the reports shall include the following

1. Overpayments Identified;
2. Overpayments Collected - Amounts shall only be on this report if the amount has been collected by the Fiscal Agent for the State of Kansas;
3. Underpayments Identified;
4. Underpayments Paid Back to Provider - Amounts shall only be on this report if the amount has been paid back to the provider by the Fiscal Agent for the State of Kansas;
5. Overpayments Adjusted - Amounts shall be included on this report if an appeal has been decided in the provider's favor or if the Contractor rescinded the overpayment after adjustment occurred;
6. Claims report – Number of claims reviewed by claim type, and provider type and specialty;
7. Any report requested and designed by a KHPA staff, an Ad Hoc report.

At KHPA's discretion additional standardized monthly report(s) may be required. If a standardized monthly report is required, KHPA will assist the contractor in defining the report content and format. All monthly reports shall be submitted by the close of business on the fifth business day following the end of the month by email to the Contract Manager or designee with the invoice. The contractor must have the capability to securely transfer reports to KHPA or other authorized parties electronically.

**D. Access to Data**

The Contractor shall pay for any charges associated with the transfer of data. This includes, but is not limited to, cartridges, data communications equipment, software, lines, messenger service, mail, etc. The Contractor shall pay for all charges associated with the storage and processing of any data necessary to accomplish the demonstration. The Contractor shall establish and maintain back-up and recovery procedures to meet industry standards. The Contractor shall comply with all KHPA privacy and security requirements. The Contractor shall be responsible for all personal computers, software, printers and equipment necessary to accomplish the contract throughout the contract term.

**1. Retrieving and Sending Medicaid Data for the State of Kansas**

The Contractor shall have the ability to interface with the Fiscal Agent to retrieve data for its queries. The data retrieval shall occur on at least a weekly basis.

Each and every bidding contractor shall describe its data tracking system as a requirement of this RFP. The data tracking system shall at a minimum be able to identify claims or claim records within the Contractor's data repository on which it has identified overpayments or underpayments, on which the Contractor is currently working to identify overpayments or underpayments, and claims on which the Contractor has completed work but did not identify overpayments or underpayments. The Contractor shall compile a list from this tracking system of overpayments and underpayments identified and ready for action by the Fiscal Agent. This list of overpayments and underpayments shall be sent to the Fiscal Agent via interface at least weekly. The Contract Manager and other designated KHPA personnel shall have access to the Contractor's data tracking system.

**2. Retrieving SEHP Data for the State of Kansas**

12-42



The Contractor shall have the ability to retrieve SEHP data from a FTP site that will be set up and maintained by SEHP.

**3. Data Manipulation**

The Contractor shall maintain the ability to store and manipulate the data that it obtains from KHPA, the Fiscal Agent, or any other source in the State of Kansas. Any bidding contractor must describe its ability to store and manipulate any data received under this RFP.

**E. Document Maintenance and Case Files**

**1. Imaging System**

The Contractor shall use the same imaging system as KHPA. Currently that system is Perceptive Software's ImageNow. The Contractor shall determine how many licenses it needs to complete the RFP requirements and shall be responsible for the purchase and maintenance of those licenses.

The case file, referenced in section 4.5.2.2.C shall be maintained on KHPA's imaging system. Any files maintained for section 4.5.3 that involve Medicaid, MediKan or SEHP shall also be maintained on KHPA's imaging system. The Contractor will be responsible for uploading any documents received to the proper case file within one week (five business days) of receipt of the documentation.

If a cost recovery under section 4.5.3 involves programs and medical or pharmacy services provided outside of the scope of Medicaid, SEHP or other programs operated under KHPA, then the sister agency with direct oversight of the program may request that the Contractor have the ability to use a different imaging system than ImageNow.

**2. Document Tracking System**

Each and every bidding contractor shall describe its document tracking system as a requirement of this RFP.

**3. Case File Maintenance**

The Contractor shall maintain a case file for every overpayment and underpayment that is identified, including documentation of subsequent recovery and payment efforts. This file shall include documentation of all processes followed by the contractor including a copy of all correspondence, including demand letters, a telephone log for all conversations with the debtor/provider or other any other individuals on behalf of the debtor/provider, and all

12-43

collection activities (including certified/registered mail receipts, extended repayment agreements, etc). The case file shall be electronic and maintained on KHPA's imaging system. KHPA shall provide adequate storage for all electronic and imaged documentation that is imaged using the ImageNow software.

For any and all cost recovery implemented through section 4.5.3 of this section the Contractor shall also maintain a case file as approved by the Contract Manager or other KHPA designated personnel for that specific cost recovery.

The Contractor shall maintain a log of all requests for medical records indicating at least the requester, a description of the medical record being requested, the date the request was received, and the date the request was fulfilled. The Contractor shall make information about the status of a case (outstanding, received, review underway, review complete, case closed) available to debtor/providers upon request.

#### **4.5.2 Medicaid Recovery Audit Contractor (RAC)**

Throughout this document, the terms "overpayment," "Medicaid overpayment" and "Medicaid underpayment" are used interchangeably to refer collectively to overpayments and underpayments made by any Title XIX, Title XXI or waiver program operating under title XIX or title XXI, or the MediKan program administered by the State of Kansas. The Contractor shall pursue the identification of Medicaid and MediKan claims which contain improper payments.

##### **4.5.2.1 Identification of Medicaid Overpayments**

###### **A. Improper payments INCLUDED in this Statement of Work**

Unless prohibited in Section 4.5.2.1.B, the Contractor shall attempt to identify improper payments that result from any of the following:

1. Incorrect payment amounts (exception: in cases where KHPA issues instructions directing contractors to not pursue certain incorrect payments made);
2. Non-covered services;
3. Incorrectly coded services (including DRG miscoding);
4. Duplicate services;
5. Lack of eligibility at the time of payment;
6. Situations where Medicaid paid a claim to a provider as the primary payer and another group health plan insurer paid the claim as the primary payer (post pay review process);

7. The Contractor may find the claim to be an overpayment if medical records are requested and not received within 30 calendar days without good reason. Providers may be given additional time if requested and approved. Additional letters/calls are at the discretion of the Contractor.

**B. Improper Medicaid payments EXCLUDED from this Statement of Work**

The Contractor may not attempt to identify improper payments arising from any of the following:

1. **Claims limitation based on the date of the initial determination**

The Contractor shall not attempt to identify any overpayment more than 4 (four) years past the date of the initial determination made on the claim. The Contractor shall not attempt to identify any underpayment more than 2 (two) years past the date of the initial determination made on the claim. Any overpayment or underpayment inadvertently identified by the Contractor after this timeframe shall be set aside. The Contractor shall take no further action on these claims except to indicate the appropriate status code in its document tracking system. The identification date by the Contractor begins on the mailing date of the medical record request letter or demand letter.

**Note:** KHPA reserves the right to limit the time period available for Contractor review by claim type, by provider type, by whether or not the provider is active and billing, or by any other reason where KHPA believes it is in the best interest of the Medicaid program to limit claim review. This notice will be in writing, may be by email and will be effective immediately.

2. **Claims where the beneficiary is liable for the overpayment**

The Contractor shall not attempt to contact a beneficiary when the beneficiary is liable for the overpayment. The Contractor may not attempt recoupment from a beneficiary. The Contractor shall compile a list of all overpayments identified that are the responsibility of a beneficiary and at least monthly shall give the list to the Contract Manager and to the applicable program manager for the program.



**3. Random selection of claims**

The Contractor shall not rely solely on the use of random review in order to identify cases for which it will order medical records from the provider. Instead, the Contractor shall also utilize data analysis techniques in order to identify those claims most likely to contain overpayments. This process is called “targeted review”. The Contractor may not target a claim solely because it is a high dollar claim but may target a claim because it is high dollar and contains other information that leads the Contractor to believe it is likely to contain an overpayment.

The Contractor also may not rely on the use of extrapolation for its findings. The Contractor must have supporting evidence of a Medicaid Overpayment for every claim that it identifies.

**4. Prepayment Review**

The Contractor shall only identify Medicaid improper payments using the post payment claims review process and not a prepayment review process. Any other source of identification of a Medicaid overpayment or underpayment (such as prepayment review) is not included in the scope of the Medicaid RAC section of this RFP (section 4.5.2).

**5. Overlapping Reviews**

In order to minimize the impact on the provider community, it is critical that the Contractor avoids situations where the Contractor and another entity are working on the same claim. Therefore, the Contractor will coordinate all of its reviews and audits with other KHPA contractors, sub-contractors, KHPA’s sister agencies and the contractors for the sister agencies in the State of Kansas that review Medicaid claims, MFCU and any other party that KHPA designates. This coordination will be noted in each JOA that the Contractor enters into (see Subsection 4.5.5.C of this section for further information on JOA’s).

If the Contractor finds that a claim has been previously reviewed or is currently under review by another contractor, KHPA or another agency for the same circumstance for which the Contractor was going to conduct its audit, then the Contractor is not permitted to review that claim. Providers and claims can be reviewed multiple times, as long as the scope of the review is different. For example a provider or a claim may be

reviewed for an overpayment and for fraud without an overlap. If there is a question as to whether a claim is excluded by a prior review, then the Contractor may request a decision from KHPA. KHPA's decision on whether the claim or scope of review in question is excluded shall final.

**6. Minimum Overpayment Amount**

The Contractor shall not attempt to identify any claim for recoupment if the amount of the overpayment is less than \$10.00, unless the Contractor can demonstrate that the overpayment is part of a billing pattern that results in repeated overpayments of less than \$10.00.

**4.5.2.2 Obtaining Medical Records for reviews**

**A. Obtaining Medical Records**

Whenever needed for reviews, the Contractor may obtain medical records by going onsite to the provider's location to view/copy the records or by requesting that the provider mail/fax or securely transmit the records to the Contractor through a form letter approved by the Contract Manager.

When onsite review results in an improper payment finding, the Contractor shall copy the relevant portions of the medical record and retain them for future use. If the onsite review results in no finding of improper payment, the Contractor need not retain a copy of the medical record.

If the Contractor attempts an onsite visit and the provider refuses to allow access to their facility, the Contractor may not make an overpayment determination based upon the lack of access. Instead, the Contractor shall request the needed records in writing. The Contractor may request Contract Manager's assistance in obtaining the requested medical records if the provider continues its refusal.

**B. Limits on Excessive Requests**

When requesting medical records the Contractor shall use discretion to ensure the number of medical records in the request will not negatively impact the provider's ability to provide care and that the request is not disproportionate to the potential overpayment. At KHPA discretion, KHPA may institute a medical record request limit. Different limits may apply for different provider types and for hospitals the limit may be based on size of

12-47

the hospital (number of beds).

**C. Updating the Case File**

The Contractor shall include the following in the case file (See Section 4.5.1.E.3 for additional case record maintenance instructions.)

- A copy of all request letters,
- Contacts with KHPA, MFCU, SRS, KDOA, or JJA,
- Dates of any calls made, and
- Notes indicating what transpired during the call.

**4.5.2.3 The Overpayment Claim Review Process**

**A. Types of Determinations the Contractor may make**

When the Contractor reviews a claim, they may make any or all of the determinations listed below.

**1. Coverage Determinations**

The Contractor may find a full or partial overpayment exists if the service is not covered (i.e., it fails to meet one or more of the conditions for coverage listed below). In order to be covered by Kansas Medical Assistance Program (KMAP), a service must:

- a. Be included in one of the benefit categories described in Title XIX of the Social Security Act (and regulations on the same), State laws and regulations governing Title XIX and/or in KMAP manuals, policies and rules, as well as State Plan Amendments;
- b. Be included in one of the benefit categories described in Title XXI of the Social Security Act (and regulations on the same), State laws and regulations governing Title XXI and/or in KMAP manuals, policies and rules, as well as State Plan Amendments;
- c. Be included as a waiver service as allowed under 42 U.S.C. 1396n(b)-(c) and contained in an approved waiver application for utilization in the State of Kansas;



- d. Be included as a service 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.
- e. Not be excluded from coverage; and
- f. Appropriate, including the duration and frequency that is considered appropriate for the service, in terms of whether it is:
  - 1. Furnished in accordance with accepted standards of medical practice for the diagnosis or treatment of the patient's condition or to improve the function of a malformed body member;
  - 2. Furnished in a setting appropriate to the patient's medical needs and condition;
  - 3. Ordered and furnished by qualified personnel;
  - 4. One that meets, but does not exceed, the patient's medical need; and
  - 5. At least as beneficial as an existing and available medically appropriate alternative.

The Contractor must be very careful in choosing which denial type to use since beneficiaries' liability varies based on denial type. Benefit category denials take precedence over statutory exclusion and reasonable and necessary service denials. Statutory exclusion denials take precedence over reasonable and necessary denials.

**2. Coding Determinations**

The Contractor may find that an overpayment or underpayment exists if the services were not correctly coded (i.e., it fails to meet one or more of the coding requirements listed in a National Coverage Determination (NCD), local coding article, Coding Clinic, Current Procedural Terminology (CPT) or CPT Assistant.)

**3. Other Determinations**

The Contractor may determine that an overpayment or underpayment exists if the claim was paid twice (i.e., a duplicate claim) or was priced incorrectly.

**4. Minor Omissions**

The Contractor shall not make denials on minor omissions such as missing dates or signatures. If the Contractor makes

any such findings, the findings shall be referred to the Contract Manager as well as to the appropriate state agency program manager responsible for the program for review. This referral shall occur on at least a monthly basis.

## **B. Medicaid Policies**

The Contractor shall comply with all KMAP policies, procedures and manuals, with all state and federal laws, regulations and standards. In addition, the Contractor shall comply with all relevant joint signature memos and State Medicaid Director letters forwarded to the Contractor by the Contract Manager.

The Contractor should not apply a policy or procedure retroactively to claims processed prior to the effective date of the policy or procedure unless the policy or procedure indicates that it should be retroactively applied.

If an issue is brought to the attention of KHPA by any means and KHPA instructs the Contractor on the interpretation of any policy and/or regulation, the Contractor shall abide by KHPA's decision.

## **C. Evidence**

The Contractor shall only identify an overpayment where there is supporting evidence of the overpayment. There are two primary ways of identification:

1. **Automated Review.** Automated review occurs when the Contractor makes a claim determination at the system level without a human review of the medical record.

### **a. Coverage/Coding Determinations Made Through Automated Review**

The Contractor may use automated review when making coverage and coding determination only where BOTH of the following conditions apply:

- there is certainty that the service is not covered or is incorrectly coded, AND
- a written Medicaid policy or coding guideline exists

When making coverage and coding determinations, if no certainty exists as to whether the service is covered or correctly coded, the Contractor shall not use automated review. When making coverage and coding determinations, if no written Medicaid

policy or coding guideline exists, the contractor shall not use automated review. Examples of coding guidelines include: CPT statements, CPT Assistant statements, and Coding Clinic statements.

**EXCEPTION:** If the Contractor identifies a “clinically unbelievable” issue (i.e., a situation where certainty of non-coverage or incorrectly coding exists but no Medicaid policy or coding guidelines exist), the Contractor may seek KHPA approval to proceed with automated review. Unless or until KHPA approves the issue for automated review, the Contractor must make its determinations through complex review.

**b. Other Determinations Made Through Automated Review**

The Contractor may use automated review when making other determinations (e.g. duplicate claims, pricing mistakes) when there is certainty that an overpayment or underpayment exists. Written policies/articles/guidelines often don't exist for these situations.

- 2. Complex Review.** Complex review occurs when a Contractor makes a claim determination utilizing human review of the medical record. The Contractor may use complex review in situations where the requirements for automated review are not met or the Contractor is unsure whether the requirements for automated review are met. Complex medical review is used in situations where there is a high probability (but not certainty) that the service is not covered or where no Medicaid policy or coding guideline exists. Complex copies of medical records will be needed to provide support for the overpayment.

**a. Individual Claim Determinations**

The term “individual claim determination” refers to a complex review performed by the Contractor in the absence of a written Medicaid policy or coding statement. When making individual claim determinations, the Contractor shall utilize appropriate medical literature and apply appropriate clinical judgment. The Contractor shall consider the broad range of available evidence and evaluate its quality before making individual claim determinations. The extent and quality of supporting evidence is vital to defending challenges



to individual claim determinations. Individual claim determinations which challenge the standard of practice in a community shall be based on sufficient evidence to convincingly refute evidence presented in support of coverage. The Contractor shall ensure that their Contractor Medical Director (“CMD”) or other adequately trained medical professionals are actively involved in examining all evidence used in making individual claim determinations and acting as a resource to all reviewers making individual claim determinations.

**b. Timeframes for Completing a Complex Review**

The Contractor shall complete their complex reviews within 100 calendar days of obtaining the requested documentation. The Contractor may request a waiver from KHPA if an extended timeframe is needed due to extenuating circumstances.

**3. Summary of Automated vs. Complex.** The chart below summarizes these requirements.

Complex Review (with medical record)		Automated (without medical record)					
		Coverage/Coding Determinations				Other Determinations (duplicates, pricing mistakes, etc)	
Written Medicaid policy or coding guidelines exists	No written Medicaid policy or coding guidelines exists	Written Medicaid policy or coding guidelines exists		No written Medicaid policy or coding guidelines exists		Certainty exists	NO Certainty exists
		Certainty exists	NO Certainty exists	Certainty exists	NO Certainty exists		
<b>Allowed</b>	<b>Allowed</b> (often called “Individual Claim Determinations” )	<b>Allowed</b>	<b>Not allowed</b>	<b>Allowed with prior KHPA approval</b> (often called “clinically unbelievable” situations)	<b>Not allowed</b>	<b>Allowed</b>	<b>Not allowed</b>

**D. Activities Following Review**

**1. Rationale for Determination.** The Contractor shall document the rationale for the determination. This rationale

shall list the review findings including a description of the Medicaid policy or rule that was violated and a statement as to whether the violation

- a. Resulted in an overpayment; or
- b. Did not affect payment.

The Contractor shall make all rationales available to KHPA upon request.

## **2. Communication with Providers.**

After identification and validation, if necessary, the Contractor shall send written notification of the overpayment to the provider. The Contract Manager shall approve all written notifications to the provider before any letters can be sent. Written notification to the provider shall occur prior to a Medicaid overpayment is sent to the Fiscal Agent for recoupment. Medicaid providers shall be informed not to send in refund checks, but to wait for recoupment which will be specified by KHPA at a later date.

If the same claim is under review by the Contractor for concurrent reviews, then the Contractor shall send the provider only one review results letter per claim. For example, a Contractor may NOT send the provider a letter on January 10 containing the results of a medical necessity review and send a separate letter on January 20 containing the results of the correct coding review for the same claim. Instead, the Contractor must wait until January 20 to inform the provider of the results of both reviews in the same letter.

### **a. Automated review**

The Contractor shall communicate to the provider the results of each automated review that results in an overpayment determination. The Contractor shall inform the provider of which coverage/coding/payment policy or article was violated. The contractor need not communicate to providers the results of automated reviews that do not result in an overpayment determination. The Contractor shall record the date and format of this communication in its document tracking system.

### **b. Complex review**

12-53

The Contractor shall communicate to the provider the results of every complex review (i.e., every review where a medical record was obtained), including cases where no improper payment was identified. In cases where an improper payment was identified, the Contractor shall inform the provider of which coverage/coding/payment policy or article was violated. The Contractor shall record the date and format of this communication in its document tracking system.

### **3. Determine the Overpayment Amount**

#### **a. Full denials**

A full denial occurs when the Contractor determines that:

- 1) No service was provided; or
- 2) Another payor should have been primary and the provider received full payment from the third party payor.

The overpayment amount is the total paid amount for the service in question.

#### **b. Partial denials**

A partial denial occurs when the Contractor determines that:

- 1) The submitted service was up coded (and a lower level service was actually performed) or an incorrect code (such as a discharge status code) was submitted that caused a higher payment to be made.
- 2) Another payor should have been primary and the provider received partial payment from the third party payor.

**Note:** Other situations that are not categorized above should be brought to KHPA's attention before the Contractor sends notification to the provider.

In these cases, the Contractor must determine the level of service that was appropriate based upon Medicaid rules and regulations and the medical record reviewed or represents the correct code for the service described in the medical record. The Contractor will be provided adequate education in how to identify the correct payment for codes and



services by the Fiscal Agent. The overpayment can only be the difference between the paid amount and the amount that should have been paid. The Fiscal Agent shall proceed with any necessary recoupment.

**c. Recording the Improper Payment Amount in the Data Tracking System**

The Contractor shall update the data tracking system with:

- 1) The improper payment amount for each claim in question
- 2) Line level claim detail with overpayment or underpayment amounts;

Once an overpayment is identified, the Contractor shall send a recoupment file to the Fiscal Agent. The Fiscal Agent shall recoup the identified monies.

**d. Re-openings of Claims Denied due to Failure to Submit Requested Medical Documentation**

In cases where the Contractor identifies an overpayment without reviewing the medical record because the requested records were not received or were not received timely and the overpayment determination is appealed or the provider submits documentation after the timeline given and requests a review, the Contractor shall begin the review/audit with the documentation submitted by the provider.

The Contractor shall review the claims appealed by the provider within 15 business days of the appeal request. Within 5 business days of reviewing the claims, the Contractor shall suggest to the Contract Manager, based upon the Contractor's findings, whether to defend the appeal, or drop the original overpayment finding. In addition, the Contractor shall issue a new letter containing the revised review results, if requested by the Contract Manager.

**E. Potential Quality Problems**

The Contractor shall report potential quality issues immediately to the Contract Manager and/or KHPA designated staff.

**F. Assisting KHPA in the development of the Medicaid Improper**

## **Payment Prevention Plan**

Through monthly meetings, monthly reports and any other notification the Contractor shall assist KHPA in the identification of vulnerabilities within the Medicaid system. The contractor shall assist KHPA and any state agency managing the services involved in the development of the Medicaid Improper Payment Prevention Plan. The Medicaid Improper Payment Prevention Plan is a listing of every vulnerability identified by the Contractor that KHPA or appropriate state agency may need to address through policy, provider education or system edits.

### **G. Referrals to and from KHPA**

#### **1. Referrals from KHPA**

At KHPA discretion, the Contractor may receive referrals or “tips” on potential overpayments from KHPA. The Contractor shall work with the appropriate entities concerning formats and transfer arrangements. The Contractor must consider all referrals, but is not required to pursue all referrals.

#### **2. Referrals from the Contractor to KHPA**

The Contractor may refer Medicaid occurrences to KHPA or one of its sister agencies for investigation. KHPA and its sister agencies will accept the referral, but are not required to pursue all referrals. KHPA and its sister agencies are also not required to follow up with the Contractor on the referrals.

### **4.5.2.4 Underpayments**

The Contractor will review claims, using automated or complex reviews, to identify potential Medicaid underpayments. Upon identification the Contractor will communicate the underpayment finding to the Fiscal Agent. The mode of communication and the frequency shall be agreed upon by both the Contractor and the Fiscal Agent, though it shall be at least weekly. This communication shall be separate from the overpayment communications.

The Contractor will issue a written notice to the provider. This underpayment notification letter shall include the claim(s), identified by ICN, and beneficiary detail. A form letter shall be approved by the Contract Manager before issuing the first letter.

For purposes of the Medicaid RAC program, a Medicaid underpayment is defined as: those lines or payment group on a claim that was billed at a low level of payment but should have been billed at a higher level of payment. The Contractor will review each claim line or payment group and consider all possible occurrences of an underpayment in that one line or payment group. If changes to the diagnosis, procedure or order in that line or payment group would create an underpayment, the Contractor will identify an underpayment. Service lines or payment groups that a provider failed to include on a claim are not considered underpayments for the purposes of the program.

**A. Examples of an Underpayment**

1. The provider billed for 15 minutes of therapy when the medical record clearly indicates 30 minutes of therapy was provided. (This provider type is paid based on a fee schedule that pays more for 30 minutes of therapy than for 15 minutes of therapy)
2. A diagnosis/condition was left off the Medicaid claim but appears in the medical record. Had this diagnosis or condition been listed on the Medicaid claim, a higher payment group would have been the result.

The following will **NOT** be considered an underpayment:

1. The medical record indicates that the provider performed additional services such as an EKG, but the provider did not bill for the service. (This provider type is paid based on a fee schedule that has a separate code and payment amount for EKG)
2. The provider billed for 15 minutes of therapy when the medical record clearly indicates 30 minutes of therapy was provided however the additional minutes do not affect the group or the price. (This provider type is paid based on a prospective payment system that does not pay more for this much additional therapy.)

**B. Provider Inquiries**

The Contractor shall have no responsibility to accept case files from providers for an underpayment case review. If case files are received from providers that were not requested by the Contractor, the Contractor may shred the record requests. The Contractor is under no obligation to respond to the provider.



**C. Medical Record Requests**

The Contractor may request medical records for the sole purpose of identifying an underpayment. If records are requested for an underpayment determination, then the record requests and record retention shall be treated in the same manner as if the records were for an overpayment determination.

**D. Appeal of the Underpayment Determination**

The provider does not have any official appeals rights in relation to an underpayment determination. The provider may utilize the Contractor rebuttal process and discuss the underpayment determination with the Contractor. If the provider disagrees with the Contractor that an underpayment exists, the Contractor shall defer to the billing provider's judgment and request that the Fiscal Agent "undo" the underpayment. In addition, the Contractor shall forward all supporting documentation, including the validation from the Fiscal Agent to the Contract Manager.

**E. Underpayment Minimum Amount**

The Contractor shall not attempt to identify any underpayment that is less than \$50.00.

**4.5.2.5 Recoupment of Overpayments**

The Contractor will pursue the recoupment of Medicaid overpayments that are identified through Section 4.5.2.1. The recovery techniques utilized by the Contractor shall be legally supportable. The recovery techniques shall follow the guidelines of all applicable KHPA policies, regulations and manuals as well as all federal laws and regulations.

**A. Recoupment**

KHPA utilizes recoupment, as defined in 42 CFR 433.304 to recover a large percentage of all Medicaid provider overpayments. Overpayments identified and sent to the Fiscal Agent for recoupment by the Contractor will also be subject to the existing recoupment procedures.

Recoupment of present and/or future payments will be performed by the Fiscal Agent. These recoupment procedures will be used for all provider overpayments.

The Provider shall have 60 days after the written notification of

overpayment letter is sent, prior to any recoupment taking place. This shall allow time for an administrative review, if one is requested, prior to any recoupment.

The recoupment remains in place until the debt is satisfied in full or alternative payment arrangements are made. As payments are recouped they are applied against the oldest outstanding overpayment. The debt receiving the payments may or may not have been determined by the Contractor.

The Contractor will receive a contingency payment, as stated in Section 4.5.4, for all amounts recovered through recoupments that are applied to the principal amount verified and demanded by the Contractor.

## **B. Adjustments to Claims Determinations**

The Contractor shall not forward claims to the Fiscal Agent for adjustment if the claim is incorrectly coded but the coding error does not equate to a difference in the payment amount. For example, HCPCS code xxxxx requires a modifier for payment. Payment with the modifier is \$25.50 per service. Without the modifier payment is \$25.50 per service. While the claim without the modifier is incorrect, there is no overpayment or underpayment and the claim shall not be forwarded for adjustment.

Sometimes when the system adjusts the claim for the Contractor identified overpayment other lines are adjusted because of system edits. These additional lines are associated findings. While the Contractor did not identify these lines for adjustment, they were initiated because of the Contractor adjustment. The Contractor receives credit for the entire claim adjustment and the Contractor shall include these additional lines and denial reason codes on the written notification to the provider.

When partial adjustments to claims are necessary, the Fiscal Agent shall downcode the claim whenever possible. The Contractor will only be paid a contingency payment on the difference between the original claim paid amount and the revised claim paid amount. Some examples include DRG validations where a lower-weighted DRG is assigned, claim adjustments resulting in a lower payment amount, inpatient stays that should have been billed as outpatient, etc. If the system cannot currently accommodate this type of downcoding/adjustments, KHPA will work with the system engineers to create the necessary changes if deemed possible.

**C. Referral to the Department of Administration, State of Kansas Debt Recovery System**

Once a recoupment is set up by the Fiscal Agent, the Administrative Recoupment (A/R) shall follow the same timeline and guidelines that the Fiscal Agent follows for all other A/Rs. This means that if the A/R is still open after as little as 70 days after the initial recoupment is set to occur, without certain action from the provider, the debt will be referred to the State of Kansas Debt Recovery System in the Department of Administration (DSO). Once a cost recovery is referred to DSO, then the Contractor shall receive 50% of its normal contingency fee on any money recovered on that debt.

**D. Compromise and/or Settlement of Overpayment**

The Contractor shall not have any authority to compromise and/or settle an identified or possible overpayment. If a debtor presents the Contractor with a compromise request, the Contractor shall forward the overpayment recovery claim case and all applicable supporting documentation to the Contract Manager or other KHPA designated staff as well as the appropriate state agency program manager for direction. The Contractor must include its recommendation on the request and justification for such recommendation.

If the Contract Manager and the appropriate state agency program manager determine that a compromise and/or settlement is in the best interests of Medicaid and the State of Kansas, the Contractor shall receive a contingency payment for the portion of principal that was recouped and/or received.

**E. Recoupment During MFCU Review**

If a case is referred to MFCU and MFCU decides to take the case, then the Contractor must notify MFCU, through the Contract Manager or designee, prior to any administrative action on the case, including recoupment. Any current recoupments on a case referred to and taken by MFCU shall be placed on hold until notice is received from KHPA to proceed with the recoupment.

**F. Recoupment During the Appeals Process**

The Contractor shall ensure that all demand letters initiated as a result of an identified overpayment in Sections 4.5.2.3.D.2 and 4.5.5.A contain information concerning the provider's fair hearing



and other appeal rights, where applicable.

If a provider files an appeal with the appropriate entity within the appropriate timeframes, the Contractor shall follow all KHPA guidance regarding the limitation on recoupment.

Once the Contractor is notified of an administrative appeal request, the Contractor shall notify the Contract Manager or other KHPA designated staff immediately.

All recoupments shall be set for 60 days after the notice of overpayment letter is sent to the provider. The 60 days should allow enough time for resolution of an administrative hearing. Recoupment efforts should continue as normal, unless the Contractor is notified otherwise by the Contract Manager.

If a provider requests a formal appeal through OAH, then all recoupment efforts by the Contractor shall be placed on hold, unless notified differently by the Contract Manager. If the appeal is decided in favor of KHPA, then the recoupments shall proceed as if the provider had not filed an appeal.

#### **4.5.2.6 Supporting Identification of Overpayments in the Medicaid Appeal Process**

Providers are given appeal rights if Medicaid overpayments are determined during the post payment review process. If a provider chooses to appeal an overpayment determined by the Contractor, the Contractor shall assist KHPA with support of the overpayment determination throughout all levels of the appeal.

This includes providing supporting documentation with appropriate reference to Medicaid statutes, regulations, manuals and instructions when requested, providing assistance, and representing KHPA at any hearings associated with the overpayment when requested by KHPA.

Providers shall request an appeal through the appropriate Medicaid appeals process. Providers may request an administrative rehearing prior to requesting a formal appeal through OAH. OAH shall adjudicate all formal appeal requests related to provider overpayments identified by the Contractor. Some recovery claims may eventually be appealed to the appropriate district court. If the Contractor receives a written appeal request it shall forward it to the OAH within one business day of receipt and notify KHPA of the same. If the Contractor receives a verbal request for appeal from a provider, the Contractor shall give the provider the telephone number of the OAH and inform them that their verbal request

does not suspend the permissible time frame for requesting an appeal as set forth in the demand letter.

#### **4.5.3 Other Medical Services Cost Recoveries**

The scope of the services described in section 4.5.2 may also include 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, KHPA, 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.

The projects shall be designed to provide statewide efficiencies and cost savings across multiple state agencies and the state health care benefits program. The identified projects shall include any services recover funds for health care services paid by any state agency.

The projects 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.

##### **A. Projects Involving Agencies Outside of KHPA**

If a proposed cost recovery involves programs and medical or pharmacy services provided outside of the scope of Medicaid, SEHP or other programs operated under KHPA, then the sister agency with direct oversight of the program shall be involved in the development, approval, implementation and oversight of the cost recovery.

#### **4.5.4 Payment and Estimates of Potential Cost Recoveries**

##### **A. Payment to the Contractor**

The Contractor shall be paid monthly based upon the following:

##### **1. Overpayments Recovered**

The Contractor shall be paid on a contingency fee basis only and payment shall be based on the principal amount of money identified by the Contractor and actually recovered.

In order for the Contractor's invoice to be paid, all supporting information for the invoice shall be in the Contractor's data tracking system and on the listing received from the Fiscal Agent

for Medicaid recoveries. If a Medicaid recovery is not listed in both places, the claim will be removed from the invoice and not paid.

Discrepancies must be noted along with supporting documentation

Contingency fees:

- a. The Contractor shall not receive any payments solely for the identification of the overpayments;
- b. The contingency fee will be determined by the overpayments collected without consideration given to the underpayments identified (i.e. without netting out the underpayments against the overpayments.);
- c. The Contractor shall be paid a set percentage of the amount that is collected through its recovery efforts;
- d. The Contractor's contingency fee shall be 50% of the normal set percentage for any of the following recovery efforts:
  - 1) Recovery efforts accomplished through the Kansas Department of Administration, State of Kansas Debt Recovery System offset or another collection vehicle after the debt is referred to the Department of Administration;
  - 2) Recoveries made through the self-disclosure of a provider/debtor if Contractor had initiated a review of the provider prior to the self-disclosure; and
- e. If a provider files an appeal disputing the overpayment determination and the appeal is adjudicated in the provider's/debtor's favor at ANY level, the Contractor shall repay KHPA or its sister agency the contingency payment for that recovery. Repayment to KHPA will occur on the next applicable invoice.

## **2. Underpayments Paid**

The Contractor shall be paid a flat negotiated rate for all Medicaid underpayments that have been identified by the Contractor and paid to the provider.

## **B. Projected Cost Recovery**

### **1. Projected Cost Recovery**

The Contractor shall submit, as part of the RFP bidding process, its projected cost recovery for the Medicaid RAC section of this RFP

12-63



(4.5.2) as well as any other medical and pharmacy services cost recovery projects that are proposed by the Contractor at the time of the bidding process. The projected cost recovery shall be the Contractor's best estimate of the amount of money that the Contractor will be able to identify and recover for KHPA in each State of Kansas fiscal year (July 1 through June 30), for three fiscal years. The Contractor's projected cost recovery shall be broken down by agency and by the program involved.

## **2. State Compliance with Data**

KHPA will provide each bidder with at least three state fiscal year's worth of general Medicaid claims information and comparable SEHP information that will enable the bidders to make an accurate projection of cost recovery for the RAC as outlined under section 4.5.2. The claims information will not contain PHI and shall include at least the total claims processed by State fiscal year, total claims processed by claim type for State fiscal year and the total dollar amount spent on claims processed by State fiscal year.

## **3. Liquidated Damages**

If, at the end of the State of Kansas's fiscal year (June 30), the Contractor's recoveries are not within 10% of the projected amount of cost recovery for that particular project (RAC or other cost recovery) required under section 4.5.4.B.1, then the Contract Manager shall apply liquidated damages to the Contractor in an amount equal to the difference between the projected recoveries minus 10% and the actual recoveries (e.g. projected recovery of \$100,000 and an actual recovery of \$50,000 would result in damages of \$40,000  $((100,000 * .1) - \$50,000)$ ). The damages shall be due and owing within five (5) business days from the date that the liquidated damages are applied by the Contract Manager. The state reserves the right to set off liquidated damages against future payments owed to the contractor.

### **4.5.5 Administrative and Miscellaneous Issues**

#### **A. Debtor Notification**

Once the Contractor has identified an overpayment, the Contractor shall send the debtor/provider written notification (specific to the RAC in section 4.5.2.3.D.2). At KHPA's discretion, KHPA may utilize a third party contractor to process the administrative functions for the overpayments and underpayments determined by the Contractor. This may

include the financial reporting of the receivable, any claims adjustments necessary to ensure an accurate claims history, the appeal process, depositing the refund check and initiating offset. The Contractor shall have no rights in the selection of a third party contractor to process the administrative functions if KHPA elects to utilize such a third party contractor. The Contractor shall interact cooperatively with the third party contractor on an as-needed basis.

The letters issued by the Contractor shall instruct debtors, other than Medicaid providers to send in refund checks. Medicaid providers shall be informed not to send in refund checks, but to wait for recoupment which will be specified by KHPA at a later date.

**B. Point of Contact for Contractor**

The primary point of contact for the Contractor shall be Contract Manager (specifically Joshua Mast) or other party that the Contract Manager delegates. Any contact between other state agencies and the Contractor or other contractors and the Contractor, shall flow through the Contract Manager or other party designated by the Contract Manager.

**C. Communication with State of Kansas Medical Contractors**

**1. State of Kansas Medical Contractors**

A State of Kansas Medical Contractor is either a contractor that is contracted with one of KHPA's sister agencies, or is one of KHPA's sister agencies that operates any programs and medical or pharmacy services provided outside of the scope of Medicaid, SEHP or other programs operated directly under KHPA (such as a medical program operated by the Department of Labor).

**2. Joint Operating Agreements (JOA)**

The Contractor shall be required to complete a Joint Operating Agreement with all applicable State of Kansas medical contractors. KHPA shall be included in all JOA's entered into by the Contractor. The JOA shall encompass all communication between the other State of Kansas Medical Contractors and the Contractor. The JOA shall be a mutually agreed to document that is reviewed semi-annually and updated as needed. The JOA shall prescribe 1) agreed upon service levels and 2) notification and escalation mechanisms with KHPA involvement.

**D. Fraud**

12-65

The Contractor shall report all instances of potential fraud immediately to KHPA. If the case involves potential Medicaid fraud, then the case shall also be referred to MFCU. If MFCU decides to pursue any cases, then the Contractor shall suspend any work on the claim until it receives further notice from MFCU or KHPA.

#### **E. Staffing**

Any employee of the Contractor may be called as a witness by MFCU in a fraud case. Any employee of the Contractor that MFCU calls as a witness shall be required to attend the deposition or trial as part that employee's employment with the Contractor.

The Contractor may suggest its own organizational structure, but the organizational structure must be approved by KHPA as outlined in section 4.5.1.A.3. The Contractor may also suggest its own minimum staffing requirements, but they must be approved by the Contract Manager.

##### **1. Contractor Medical Director**

The Contractor must employ a minimum of one FTE CMD and arrange for an alternate, to be approved by the Contract Manager, when the CMD is unavailable for extended periods. The CMD FTE must be either a Doctor of Medicine or a Doctor of Osteopathy who has relevant work and educational experience. More than one individual's time cannot be combined to meet the one FTE minimum. The Contractor, however, shall also use additional medical professionals to complement the use of the CMD, see sub-section 2 to this section for more details (i.e. dental consultants, RX consultants, RNs, etc).

##### **a. Relevant Work Experience**

1. Prior work experience in the health insurance industry, utilization review firm or health care claims processing organization,
2. Extensive knowledge of the Medicaid program particularly the coverage and payment rules, and
3. Public relations experience such as working with physician groups, beneficiary organizations or Congressional offices.

##### **b. Relevant Educational Experience**

Experience practicing medicine as a board certified doctor of medicine or doctor who is currently licensed.



All clinicians employed or retained as consultants must be currently licensed to practice medicine in the United States, and the Contractor must annually verify that the license is current. When recruiting CMDs, the Contractor must give preference to physicians who have patient care experience and are actively involved in the practice of medicine. The CMD's duties relevant to the Contractor are listed below.

- 1) Primary duties include:
  - a) Providing the clinical expertise and judgment to understand Medicaid policy;
  - b) Serving as a readily available source of medical information to provide guidance in questionable claims reviews situations;
  - c) Recommending when provider education, system edits or other corrective actions are needed or must be revised to address Contractor identified vulnerabilities;
  - d) Briefing and directing personnel on the correct application of policy during claim adjudication, including through written internal claim review guidelines;
  - e) Keeping abreast of medical practice and technology changes that may result in improper billing or program abuse;
- 2) Other duties include:
  - a) Interacting with the CMDs at other Contractors and/or RACs to share information on potential problem areas;

To prevent conflict of interest issues, the CMD must provide written notification to KHPA within 3 months after the appointment, election, or membership effective date if the CMD becomes a committee member or is appointed or elected as an officer in any State or national medical societies or other professional organizations. In addition, CMDs who are currently in practice should notify KHPA of the type and extent of the practice.

## **2. Other Professional Medical Staff**

Whenever performing complex coverage or coding reviews (i.e., reviews involving the medical record), the Contractor shall ensure that coverage/medical necessity determinations are made by RNs or therapists and that coding determinations are made by certified coders. The Contractor shall ensure that it has adequate staffing to perform all duties mandated by this RFP.

The Contractor shall ensure that no nurse, therapist or coder reviews claims from a provider who was their employer within the previous 12 months.

**F. Recalled Cases**

KHPA may determine that a cost recovery case or a particular uncollectible debt should be handled by KHPA staff and may recall the case/debt for that reason. Should KHPA recall a case/debt for that reason, the Contractor shall immediately stop all activities on the case/debt identified by KHPA for recall and return the case/debt and all related information to KHPA within one (1) business day of the recall request.

The Contractor shall receive no payment, except for monies already recouped, for recalled cases.

**G. Internal Guidelines (Business Practice Manual)**

As part of its process of reviewing claims for coverage and coding purposes, the Contractor shall develop detailed written review guidelines. The Contractor need not hold public meetings or seek public comments on their proposed internal guidelines. However, they must make their Internal Guidelines available to KHPA for review and approval. The Contractor's internal guidelines shall not create, change or override KHPA policy.

The Contractor shall also include administrative operations and other projects in the BPM. The BPM shall be presented to and approved by the Contract Manager before any reviews occur.

**H. Recovery**

If the Contractor receives a refund check, the Contractor shall forward the check to KHPA. Before forwarding the check, the Contractor shall image the check and otherwise document these payments. A copy shall be included in the appropriate overpayment case file. The Contractor shall develop and implement a process for forwarding the checks received to KHPA or the appropriate state agency, and that process shall be approved by the Contract Manager or KHPA designee prior to implementation.

**I. Audit Support**

Should KHPA, the Federal and State OIG, CMS or a CMS authorized contractor choose to conduct an audit of the Contractor, the Contractor shall provide workspace and produce all needed reports and case files

within 1 (one) business day of the request. If KHPA, or one of its sister agencies, is audited the Contractor shall provide staff that can perform research needed for the audit and meet with the auditors.

**J. Customer Service**

The Contractor shall provide a toll free customer service telephone number in all correspondence sent to Medicaid providers or other prospective debtors. The customer service number shall be staffed by qualified personnel during normal business hours from 8:00 a.m. to 5:00 p.m. in the central time zone. After normal business hours, a message shall indicate the normal business hours for customer service. All messages playing after normal business hours or while on hold shall be approved by the KHPA before use.

The staff answering the customer service lines shall be knowledgeable of the RAC program and any other programs that may be implemented by the Contractor under this contract or any amendments thereto. The staff shall have access to all identified overpayments and shall be knowledgeable of all possible recovery methods and the appeal rights of the provider (for provider debts. Calls from providers shall be returned within 1 business day. The Contractor shall provide a translation service for non-English speaking providers or other prospective debtors. Access to the translation services shall be immediate.

The Contractor shall respond to written correspondence within 10 days of receipt. The Contractor shall image and file all correspondence received indicating displeasure with the Contractor within ten (10) days of receipt. The Contractor shall notify the Contract Manager or designed of receipt and imaging of the correspondence and its location. If the Contractor is required to respond, the Contractor shall save copies of its response in the same file as the correspondence received. (If the Contractor is not sure how the correspondence will be interpreted, it should forward the correspondence to the KHPA.)

The Contractor shall image a report of contact for all telephone inquiries and supply it to KHPA within 48 hours of any request.

**K. Contractor's Quality Assurance**

The Contractor shall utilize a Quality Assurance (QA) program to ensure that all customer service representatives are knowledgeable, being respectful to providers and providing timely follow-up calls when necessary. The QA program shall be described in detail in the proposal.

The Contractor's QA program shall ensure that the Contractor follows all proper laws, regulations, rules and guidance in performing its audits, reviews and special projects. The QA program shall ensure reviews and

projects are completed within the required timeframes and that all provider complaints are properly followed up and directed to the correct personnel.

The Contractor's QA program shall be outlined in the Contractor's BPM.

**L. KHPA's Quality Assurance**

1. The Contractor shall be required to complete a Statement of Auditing Standards No. 70 (SAS 70) Audit. The Contractor shall be responsible for contracting with an independent and certified public accounting (CPA) firm to perform the audit. The CPA firm will ideally have experience in Medicaid operations and must have experience performing SAS 70 Type II audits.

The scope of the audits will be dictated by KHPA and will be determined no later than 180 days after award. A final report from the CPA firm must be submitted to KHPA by the end of each award year. Any corrective action plan must be submitted to KHPA within 45 days of the issuance of the final report.

2. At KHPA's discretion, KHPA may perform a contractor performance evaluation. Advance notice may or may not be given. During the evaluation KHPA reviewers will work from a prescribed audit protocol, review actual cases and issue a final report. Any finding from the review will require a corrective action plan.
3. At KHPA discretion, KHPA may contract with an independent contractor to perform an accuracy audit on the Contractor's identifications.

**M. Third Party Liability Information**

Any Third Party Liability (TPL) information that the Contractor finds during any of its audits/reviews, shall be sent to the Fiscal Agent. The timing of the TPL file being sent to the Fiscal Agent at a minimum shall be once a month.

**N. Business Continuity Plan; Risk Management Plan with Disaster Recovery Plan**

Contractor shall provide to KHPA, within 90 days following contract award, with the following plans. Plans will be updated annually and a copy of the updated plans will be sent to the KHPA Contract Manager.

1. **Business Continuity Plan.**



The Medicaid, CHIP, SEHP and other PHI data and other Contract documents and records must be protected against hardware and software failures, human error, natural disasters, and other emergencies which could interrupt services.

**a. Requirements.**

- 1) The plan must address recovery of business functions, business units, business processes, human resources, and the technology infrastructure.
- 2) Identify core business processes;
  - a) Identification of potential system failures for the process.
  - b) Risk analysis.
  - c) Impact analysis.
  - d) Definition of minimum acceptable levels of outputs.
  - e) Documentation of contingency plans.
  - f) Definition of triggers for activating contingency plans.
  - g) Discussion of establishment of a business resumption team.

**b. Maintenance of updated disaster recovery plans and procedures.**

**c. Plan for replacement of personnel**

- 1) Replacement in the event of loss of personnel before or after signing this contract.
- 2) Replacement in the event of inability by personnel to meet performance standards.
- 3) Allocation of additional resources in the event of the Contractor's inability to meet performance standards.
- 4) Replacement/addition of personnel with specific qualifications.
- 5) Time frames necessary for replacement.
- 6) The Contractor's capability of providing replacements/additions with comparable experience.
- 7) The Contractor shall ensure that quality of service is not compromised by excessive staff turnover.
- 8) The process for replacement of personnel in the event of loss of key personnel or other personnel before or after signing of the contract, including the State's role in getting the replacement personnel;
- 9) Replacement of staff with key qualifications and experience with new staff with similar qualifications and experience.

## **2. Risk Management Plan.**

The Risk Management Plan is the vendor's identified risks and their proposed solution or action to be taken to alleviate or minimize the consequences in the event that those risks become actuality. The Business Continuity Plan encompasses the Risk Management Plan, the Disaster Recovery Plan, as well as providing additional analysis of the impact of potential risks, disasters, and etc., and further, it also addresses personnel replacement plans, both short term and long term.

## **O. Fair Hearings**

A fair hearing is a formal administrative process. For Medicaid, federal law requires state Medicaid agencies to provide a fair hearing for any applicant, recipient, or interested person who wants to appeal a denial, termination, suspension, or reduction of Medicaid eligibility or covered services. See 42 C.F.R. Part 431, Subpart E. For CHIP, Kansas law requires KHPA to provide a fair hearing to any applicant or other interested person who appeals from the decision or final action of any agent or employee of the KHPA. See K.S.A. 75-3306.

Fair hearings are governed by the Kansas Administrative Procedures Act, K.S.A. 77-513 et seq., and regulations in K.A.R. 30-7-64, et seq., and K.A.R. 129-7-65. The Office of Administrative Hearings (OAH), under the Kansas Department of Administration, conducts the fair hearings. All notices and forms of adverse action shall include an explanation of fair hearing rights in accordance with state and federal rules. If a request for a fair hearing is received by the Contractor, it must be forwarded to OAH immediately.

An appellant who is not satisfied with a decision relating to a denial of Medicaid or CHIP benefits may request a fair hearing. Appellants may be represented by a person of their choosing, such as a lawyer, relative, or friend. A hearing officer will send a notice that a hearing has been requested to the appellant and the agency. An agency summary will be prepared and the hearing officer will schedule a date for the hearing. After the hearing, which usually includes the submission of exhibits and testimony from witnesses, the hearing officer issues an initial order. If either the appellant or the agency is dissatisfied with the initial order, the dissatisfied party may request the KHPA State Appeals Committee (SAC) to review the decision. The SAC is composed of three (3) individuals selected by the KHPA, and they review the record of the hearing, and issue a "final order." If the appellant is dissatisfied with the final order, the appellant may seek judicial review in district court.

12-72

1. Contractor responsibilities: When an appellant files a request for fair hearing the contractor shall:
  - a. Notify the appropriate KHPA Contractor staff
  - b. Review the appellant's file
  - c. Re-evaluate the Contractor's finding/decision when appropriate
  - d. Prepare and distribute summary packets or dismissal as directed by KHPA staff
  - e. Testify at the hearing as directed by KHPA staff
  - f. Maintain a tracking log approved by KHPA.
  - g. Maintain all historical documentation for hearings based on guidelines provided by KHPA.
  - h. Complete additional review and correspondence on hearings referred to SAC.

**P. *Grievances***

A grievance is an expression of dissatisfaction about any matter. A grievance shall be filed on behalf of a caller who expresses dissatisfaction, regardless of a specific request to file a grievance. Grievances may include: denial of coverage, partial denial of coverage, not given clear and accurate information from staff, lack of action being taken on an appeal, aspects of the business relationships such as rudeness of an employee or failure to respect the consumer's rights. A grievance may be received by telephone, voice mail, e-mail, written communication or by a person walking into the Contractor's place of business.

The grievance process must be in full compliance with all applicable State and Federal laws and regulations and shall not supplant, delay, or hinder the fair hearing process outlined in Section 4.5.5.O.

Contractor Responsibilities:

1. The Contractor is responsible to document, investigate and resolve all grievances received for/from debtors/providers in a courteous and prompt manner.
2. The Contractor will develop policies and procedures approved by KHPA to identify, record, investigate, resolve and report grievances related to Contract services.
3. Referrals to other agency.
  - a. There may be times when the grievance isn't related to the business performed by the Contractor and will need to be referred to the appropriate entity.

- b. The referral to the other agency would be the resolution by the Contractor.

**Q. Turnover Plan**

1. Contractor Responsibilities.
  - a. The Contractor must assist KHPA in an orderly transition at the end of this contract should the Contractor be replaced by another entity.
  - b. The Contractor must take no action(s) that will hinder the orderly transition of duties and responsibilities as listed herein, from the contractor to another, separate contractor upon termination of this contract.
  - c. Six (6) months prior to the expiration date of the contract, the Contractor will provide, at no extra charge, assistance in turning over the operations performed under this Contract to the State, or designated agent assigned by the State.
2. Turnover Plan Requirements.
  - a. Must be provided within thirty (30) days of contract award, outlining the following information but not limited to:
    - 1) Proposed approach to transition operations to another vendor;
    - 2) Identification and release of State owned documents;
    - 3) Timely turnover of all records and other necessary data to another review entity or appropriate custodian;
    - 4) Electronic records or files to be turned over to another entity will be in an acceptable format to KHPA, the cost of converting to the format will be the responsibility of the contractor;
    - 5) Maintenance and transition of telephone services, including current 800 numbers;
    - 6) Designation of a knowledgeable person who will be available on a daily basis to assist KHPA during the transition process and for one month following the transition date;
    - 7) Proposed timeline delineating the transfer process; and
    - 8) Turnover plan will be resubmitted annually on the anniversary date of contract implementation for review, update and approval by KHPA.
3. Turnover Protocol.
  - a. The Contractor will release all documents and records (hardcopy and/or electronic copy) necessary to complete the



transfer of operations, and will provide a final report documenting all such actions.

- b. At the State's option, the Contractor will arrange for the removal of hardware and software, or the transfer of documents, equipment or software leases, where applicable.

- 1) The Contractor will organize and box all records (hardcopy and/or electronic copy) for shipment to the new Contractor, unless otherwise instructed by KHPA.

- a) Boxed materials must be labeled on the outside with a list of contents.

- b) Include an inventory list on each box and clearly indicate the type and date of materials.

- 2) All review records should be identified and boxed

- 3) The Contractor will receive specific instructions from KHPA regarding boxing, labeling, and shipment of all records utilized under this contract.

- c. In the event the Contractor is non-compliant or non-cooperative with the approved transfer plan, KHPA will hold the Contractor responsible for all expenses associated with the delay of the transition and include a ten (10%) percent liquidated damages assessment against the Contractor's final invoice.

## **R. Conflict of Interest – Required Documentation**

- 1. **The Kansas Health Policy Authority (KHPA) intends: To avoid any real or apparent** conflict of interest on the part of the Contractor, subcontractors, or employees, officers and directors of the Contractor or subcontractors. Thus, the KHPA reserves the right to determine, at its sole discretion, whether any information, assertion or claim received from any source indicates the existence of a real or apparent conflict of interest; and, if a conflict is found to exist, to require the Contractor to submit additional information or a plan for resolving the conflict, subject to KHPA review and prior approval.

- 2. **Conflicts of interest include, but are not limited to:**

- a. An instance where the Contractor or any of its subcontractors, or any employee, officer, or director of the Contractor or any subcontractor has an interest, financial or otherwise, whereby the use or disclosure of information obtained while performing services under the Contract would allow for private or personal benefit or for any purpose that is contrary to the goals and objectives of the

Contract.

- b. An instance where the Contractor's or any subcontractor's employees, officers, or directors use their positions for purposes that are, or give the appearance of being, motivated by a desire for private gain for themselves or others, such as those with whom they have family, business or other ties.

If the KHPA is or becomes aware of a known or suspected conflict of interest, the Contractor will be given an opportunity to submit additional information or to resolve the conflict. A Contractor with a suspected conflict of interest will have five (5) business days from the date of notification of the conflict by the KHPA to provide complete information regarding the suspected conflict. If a conflict of interest is determined to exist by the KHPA and cannot be resolved to the satisfaction of the KHPA, the conflict will be grounds for terminating the Contract. The KHPA may, at its discretion upon receipt of a written request from the Contractor, authorize an extension of the timeline indicated herein.

- 3. **Contractor Responsibilities:** The Contractor shall submit for KHPA review and approval, a "Conflict of Interest Disclosure Statement" (Disclosure Statement), a "Conflict of Interest Disclosure Statement Questionnaire" (Questionnaire) and as necessary, a "Conflict of Interest Disclosure Avoidance Plan" (Avoidance Plan), using the following timetable:

- a. Originals two (2) weeks after DOA;
- b. An update January 1st of each calendar year thereafter;
- c. The originals completed by new Program personnel within ten (10) business days of their hire; and
- d. An update completed by Program personnel who experience a change in holdings that may create a real or apparent conflict of interest within ten (10) business days of such change.

The Disclosure Statement shall fully describe any direct or indirect interest the Contractor, any parent or any subcontractor, has in any MCO, PIHP, PAHP, PCCM or other health care provider in the State of Kansas (as defined in Title 42, CFR, Subpart 438.810), together with the name and position description of the Contractor, any parent, or subcontractor employee, director, consultant, or officer about whom the disclosure is being made.

4. **At a minimum, the Contractor's Disclosure Statement** shall disclose the name and address of any provider, including MCO, PIHP, PAHP, PCCM or other health care providers in the State of Kansas in which:
  - a. The Contractor, or any parent corporation, or any subcontractor, or any of the Contractor's, or any parent corporation's or any subcontractor's employee, director, consultant, or officer has a direct or indirect interest of any dollar amount.
  - b. The Contractor, or any parent corporation, or any subcontractor, or any of the Contractor's or any parent corporation's or any subcontractor's employees, directors, consultants, or officers assigned to the Contract is a director, officer, partner, trustee, employee, or holder of a management position, or is self-employed; and
  - c. The Contractor, or any parent corporation, or any subcontractor, or any of the Contractor's, or any parent corporation's or any subcontractor's employees, directors, consultants, or officers assigned to the Contract, has derived any direct or indirect income within the twelve (12) months immediately prior to the submittal of a proposal.
5. Questionnaires shall be completed by all Contractor Program personnel, and, of those with real or apparent conflict of interests, Avoidance Plans shall be completed. The Contractor shall provide copies of all Questionnaires, and as necessary, all Avoidance Plans, to the KHPA using the timetable described above.
6. The Contractor shall disclose the name of any proposed subcontractor, consultant, officer, director, or employee who was employed by the State of Kansas, the KHPA, the Governor's Office, Health and Human Services Agency, State Controller's Office, Office of the Attorney General, and/or the Legislature as of July 1, 2008.
7. If a real or apparent conflict exists, the Contractor shall, together with the Disclosure Statement and Questionnaire, submit an Avoidance Plan and procedures to hold separate such relationships and/or to safeguard against conflicts. If the Contractor has nothing to disclose under this section, it shall so certify in its Disclosure Statement.
8. The Contractor shall furnish to the Kansas Health Policy Authority the ownership and control information required by Title 42, CFR, Subpart 438.810 prior to CED.

12-77

9. The Contractor's Representative, or the selected designee, shall certify under penalty of perjury that such reports and updates to such reports are accurate, complete and current to the best of that individual's knowledge and belief unless the requirement is expressly waived by the Contracting Officer in writing.

10. The Avoidance Plan shall include procedures to:

- a. Guard against conflict of interest;
- b. Hold separate any disclosed relationships or any potential conflict of interest relationships that could arise during the life of the Contract, including but not limited to such problematic matters as financial interactions, reporting, sharing of office space, staff interactions, or Contractor fulfillment of Contract responsibilities; and

Ensure that the Contractor shall discharge its responsibilities and duties with disinterested skill, zeal, diligence, and that no Contractor's, parent corporations, or subcontractor's employee, officer, director, or consultant will be in a position to exploit that position for private benefit or for other Contractor, or parent corporation or subcontractor interests which are or may be in conflict with Kansas Health Policy Authority interests.

## **S. LIQUIDATED DAMAGES**

### **1. Purpose**

The purpose of liquidated damages is to ensure adherence to the performance requirements in the contract. Damages are not intended to be punitive. It is agreed by the State and the Contractor that, in the event of a failure to meet the performance requirements listed below damage shall be sustained by the State, and that it is and shall be impractical and extremely difficult to ascertain the actual damages which the State shall sustain in the event of, and by reason of, such failure. It is therefore agreed that the Contractor shall pay the State for such failures at the sole discretion of the State according to the following sections found in the table below in section 4.5.5.T.

Damage assessments are linked to performance of system implementation or operational responsibilities. Where an assessment is defined as an "up to \$, \$\$\$" amount, the dollar value shall be set at the discretion of the State.

Written notification of each failure to meet a performance requirement shall be given to the Contractor prior to assessing



liquidated damages. The Contractor shall have five (5) business days from the date of receipt of written notification of a failure to correct the failure or submit a corrective action plan. The plan must be approved by KHPA. If the failure is not resolved within this warning/cure period, liquidated damages may be imposed retroactively to the date of failure to perform. Liquidated damages imposed under this RFP shall be cumulative. The imposition of liquidated damages is not in lieu of any other remedy available to the State. The Contract Manager will consider each deficiency on a case-by-case basis and may waive damages at KHPA's discretion. Such waiver will not prevent the State from assessing future damages if the failure recurs.

## 2. Deductions of Damages from Payments Due

KHPA may deduct amounts due as actual or liquidated damages from any monies payable to the Contractor pursuant to its contract. The Contract Manager shall notify the Contractor of any claim for damages. The State shall have the option to request payment for damages either through deduction from monies payable to the Contractor or remittance made by the Contractor, directly to the State.

## T. PERFORMANCE GUARANTEES

	Requirement	Liquidated Damages
1	<b>Failure to submit Project Plan:</b> by the date as agreed upon by Contractor and KHPA per Section 4.5.1.A.1	For each business day after the Contractor is notified of its non-compliance, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
2	<b>Failure to conduct debtor/provider outreach:</b> as required by Section 4.5.1.A.2	For each month (beginning 75 days after DOA) that the Contractor fails to conduct adequate debtor/provider outreach, damages of .1% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
3	<b>Contractor Organizational Chart:</b> must be provided to the Contract Manager as required by 4.5.1.A.3	For each business day after the Contractor is notified of its non-compliance, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
4	<b>Meetings:</b> must be conducted by the Contractor as in accordance with Section 4.5.1.B	For each business day after the Contractor is notified of its non-compliance, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's

12-79

		next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
5	<b>Progress and Fiscal Reports:</b> must be submitted to the Contract Manager or designee as stated in Section 4.5.1.C	For each business day after the Contractor is notified of its non-compliance, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
6	<b>Case File Maintenance: by the Contractor as found in section 4.5.1.E</b>	For each instance in which the Contractor is non-compliant, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
7	<b>Organizational Structure and Staffing:</b> Contractor must staff a CMD and other professional medical staff as required by section 4.5.5.E	For each business day after the Contractor is notified of its non-compliance, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
8	<b>Medicaid Policy:</b> for the purposes of the RAC portion of this RFP, the Contractor shall accept KHPA's interpretation of any Medicaid policy as stated in Section 4.5.2.3.B	For each instance in which the Contractor is non-compliant, damages of .02% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
9	<b>Timeline to Complete Complex Review of Claims:</b> the Contractor shall complete 99% of its complex reviews within the 100 calendar day window given in section 4.5.2.3.C.2.b	For each instance in which the Contractor is non-compliant, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
10	<b>Meeting Summaries:</b> Meeting summaries requirements and standards are found in Section 4.5.1.B	For each business day after the Contractor is notified of its non-compliance, damages of .02% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
11	<b>Rationale for Determinations:</b> The Contractor shall document its rationale for determinations for the RAC portion of this RFP as stated in section 4.5.2.3.D.1	For each instance in which the Contractor is non-compliant, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
12	<b>Reopening of overpayments based only on failure of debtor/provider to submit documentation:</b> Contractor shall reopen every RAC case in which a overpayment	For each instance in which the Contractor is non-compliant, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the

	determination was based solely on failure of the debtor/provider to submit documentation within the timeline given and on which the provider later submits documentation or requests an appeal as stated in section 4.5.2.3.D.3.d	Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
13	<b>Notification of Overpayment/Debt:</b> Contractor shall send the debtor/provider notification of the debt/overpayment prior to taking any collection action as stated in sections 4.5.5.A and 4.5.2.3.D.2	For each instance in which the Contractor is non-compliant, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
14	<b>Turnover Plan:</b> Deliverables and requirements are found in Section 4.5.5.Q.	For each business day after the Contractor is notified of its non-compliance, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
15	<b>Recoupment of Overpayments during an appeal:</b> the Contractor shall not recoup or send claims to the fiscal agent for recoupment and overpayment determination that is being appealed as stated in section 4.5.2.5.G	For each business day after the Contractor is notified of its non-compliance, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
16	<b>Support during an Appeal:</b> The Contractor shall provide support o KHPA or its sister agencies for an appeal of an overpayment determination as outlined in section 4.5.2.6	For each instance in which the Contractor is non-compliant, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
17	<b>Projected Cost Recovery:</b> The Contractor must comply with the projected cost recovery requirement of this RFP as stated in section 4.5.4.B	The Contract Manager shall apply liquidated damages to the Contractor in an amount equal to the difference between the projected recoveries minus 10% and the actual recoveries (e.g. projected recovery of \$100,000 and an actual recovery of \$50,000 would result in damages of \$40,000 $((100,000 * .1) - \$50,000)$ ). The damages shall be due and owing within five (5) business days from the date that the liquidated damages are applied by the Contract Manager.
18	<b>Reporting of Potential Fraud:</b> The Contractor shall report all instances of potential fraud to KHPA as required by section 4.5.5.D	For each instance in which the Contractor is non-compliant, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
19	<b>Recalled Cases:</b> The Contractor shall not work on any case recalled by KHPA as stated in section 4.5.5.F	For each business day after the Contractor is notified of its non-compliance, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.

12-81

20	<b>Customer Service:</b> The Contractor shall comply with section 4.5.5.J	For each business day after the Contractor is notified of its non-compliance, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
21	<b>Quality Assurance:</b> The Contractor shall comply with section 4.5.5.K	For each business day after the Contractor is notified of its non-compliance, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
22	<b>Business Continuity Plan:</b> The Contractor shall submit a Business Continuity Plan and Risk Management Plan as outlined in section 4.5.5.N	For each business day after the Contractor is notified of its non-compliance, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
23	<b>Fair Hearings:</b> The Contractor shall comply with section 4.5.5.O	For each instance in which the Contractor is non-compliant, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
24	<b>Grievances:</b> The Contractor shall comply with section 4.5.5.P	For each instance in which the Contractor is non-compliant, damages of .01% will be assessed against the contractor's next contingency payment until such time as the deficiency is corrected by the Contractor. Damages will be deducted from the contractor's next contingency payment and any damages applied prior to recovery of money under this RFP shall be applied against the first contingency payment.
25	<b>Real Damages:</b> The Contractor shall be responsible to KHPA for any real damages caused by the Contractor's action or inaction in carrying out the responsibilities listed in this RFP.	

## U. DISPUTE RESOLUTION

Notwithstanding the authority of the Director of the Division of Purchases (reference Section 3, paragraphs 5 and 6), any dispute arising under the contract which is not disposed of by agreement between the State and the Contractor will be decided by the KHPA Director of Medicaid Operations, who will commit his or her decision to writing and will serve a copy to the Contractor. The decision of the KHPA Director of Medicaid Operations shall be final and conclusive.

12-82



Pending final determination of any dispute hereunder, the Contractor will proceed diligently with the performance of the contract and in accordance with the direction of the KHPA Director of Medicaid Operations.

**V. COST SHEET**

The Cost Sheet attached hereto is to be completed and submitted separately from the technical proposal. Both documents must be identified as being in response to this RFP.

**W. SUBJECT TO OPEN RECORDS ACT**

Audits and all other materials generated by or under the contract, unless clearly marked by the Contractor as proprietary, will be subject to disclosure and disclosed, under the Kansas Open Records Act.

12-83

Blank

Kansas Department of Administration  
Recovery Audit Contractor Services



~~Response Request for Additional Information for RFP# EVT0000146~~

HealthDataInsights, Inc.'s  
Responses to the State of Kansas, Division of  
Purchases, RFP follow-up questions, including its  
Best and Final offer

EVT0000146 RAC-KHPA

November 24, 2010

1

12-85



1. Will HDI please provide a tax clearance certificate for itself?

Attachment 1 is a copy of the HealthDataInsights, Inc.'s Tax Clearance Certificate dated October 22, 2010.

2. Please provide the results of your most recent SAS 70 Type II audit.

Attachment 2 is a copy of the most recent SAS 70 Type II audit. HealthDataInsights, Inc. is undergoing an updated SAS 70 Type II audit. The report should be available by the end of November 2010. HealthDataInsights, Inc. will provide the State of Kansas with a copy of the new report as soon as possible. Attachment 2 is marked as confidential as it contains proprietary information not publicly available.

3. Please provide a demonstration of the systems that you propose to use if you win the contract.

HealthDataInsights, Inc. provided an on-site demonstration of its MERE™ and ReCoup™ systems using dummy data on November 19, 2010. Attachment 3 is a copy of the Application Overview presentation which was used as part of the on-site demonstration. As indicated in the presentation, co-payments, co-insurance and deductibles figures are stored and calculated in the live applications. Attachment 3 is marked as confidential as it contains proprietary information not publicly available.



4. Please provide a complete annual report for shareholders for the most recent fiscal year.

Attachment 4 is a copy of the complete annual report for shareholders for the most recent fiscal year. The Attachment is marked as confidential as HealthDataInsights, Inc. is a private company and its annual report is not publicly available and contains confidential information.

5. Will HDI please expand on its proposal in response to section 4.5.3 of the RFP?

HealthDataInsights, Inc.'s pharmacy auditing program entails a comprehensive audit of 100% of all pharmacy paid claim data via an automated review. Attachment 5 contains a more detailed description of HealthDataInsights, Inc.'s pharmacy auditing program which includes an overview of the pharmacy audit process, auditing activities, audit scope and examples of audit findings and reportable data.

In addition, as part of its pharmacy auditing program HealthDataInsights, Inc. will identify package billing errors, excessive quantity prescriptions, duplicate prescriptions as well as near duplicates. HealthDataInsights, Inc. will audit claim pricing based on pharmacy specific contract terms and state/program policies. Attachment 5 is marked as confidential as it contains proprietary information and is not publicly available.

6. Are the overpayment estimates given by HDI in its Cost Proposal prior to any fees (Are they the amount recovered prior to paying the contingency fee to the contractor and repaying the federal share)?

Yes. The overpayment estimates provided by HDI in its Cost Proposal are prior to payment of any contingency fee or repaying State's the federal share.

7. Do the overpayment estimates given by HDI include any projects under section 4.5.3 of the RFP?

Yes. The overpayment estimates provided by HDI include the pharmacy projects identified in its response to Section 4.5.3 of the RFP.

8. HDI indicates in the Cost Proposal that its bid price is 18% of overpayments. Is this an across the board contingency

fee? Does this include MCOs? PIHPs and PAHPs? Is there any negotiating room in this 18%?

Yes. The contingency fee is an across the board contingency fee that includes MCO, PHIP and PHAP. HDI believes that it would be the highest quality and most effective partner for the State of Kansas. In the spirit of cooperation and collaboration, HDI has lowered its cost proposal. HDI's revised cost proposal is attached in a separate binder.

9. HDI indicates a flat fee for underpayments that is between 18-20% for each fiscal year. Is this a fixed flat fee or a percentage of underpayments?

This is a fixed flat fee as requested. HDI is flexible as to whether it is a flat fee or performance based.

10. The State of Kansas asked HDI whether it was flexible in its response to Section 4.5.5.E.2. of the RFP.

HDI indicated in its response to Section 4.5.5.E.2 of the RFP that it will ensure that no nurse, therapist or coder reviews claims from a provider who was their employer within the previous 12 months. HDI will implement a black out period of any length requested by the State of Kansas, including a permanent prohibition on reviewers auditing health care claims from a prior employer.

11. What is your experience in conducting recovery/audit activities for HBCS waiver programs, and what do you see as the core differences between those services and more traditional Medicaid-funded health care services?

HDI has reviewed all types of claims paid in waiver programs as a part of the PERM reviews performed for the past 5 years in all 50 states. Typically, these types of services are more difficult to audit because the specialized services are individualized, require individual service plans, and prior authorization for members residing in the home or group home. In addition, the providers are often non-traditional, often, attendant-like, respite services, or personal care services. Many states have consumer-directed options where the client directs the services and negotiates contracts for the services.

Usually, there are limited or no edits in place for sister-agency payments which are not as controlled due to the customized plans of the State and the recipients. Many MMIS systems are limited as to payment edits for these type of services and some pay-as-billed.

## 12. What is your experience in conducting recovery audit activities for Medicaid managed care programs? What are lessons learned?

80% of all States have Medicaid managed care and HDI has reviewed all of them as the PERM contractor. The State plans were responsible for recovering any improper payments. HDI has reviewed medical, dental and behavioral health plans, as well as non-emergency medical transportation PMPM plans. HDI reviewed whether the correct rate cell was assigned to the member for accurate payment. HDI reviewed the member's age, sex, geography and diagnosis to determine the correct payment for the health plan, the factors that determine that particular rate cell criteria.

HDI learned that most States do a very good job of paying these claims accurately. States are most likely to have issues with identifying the enrollees in the managed care plan actually on the roster and eligible to receive services based on the benefit plan on the date-of-service. Carve-out services, such as transplants or nursing home services are more likely to have a payment issue because the patients are not always identified in a timely manner and a FFS payment may have been made.

## 13. What is your experience in conducting recovery audit activities for any program that uses a Health Information System outside the MMIS system? What are lessons learned?

Many States utilize claims payment systems other than MMIS, and HDI has audited those systems during the PERM review. Generally, these systems are not as robust as MMIS, or contain partial information. For example, a PBM may determine pricing for a drug that is paid by the MMIS system; the PBM system may contain the data on what and how drug should be paid, while the MMIS system has the actual payment.

It is more difficult to audit when the data is incomplete or in two systems, and it is necessary to be able to link data in order to effectively identify improper payments.

14. What is your experience in conducting recovery audit activities for a program that uses a comprehensive corporate compliance system to manage program integrity? What strategies did you use to effectively interface with that system? Lessons learned?

All States have some method for managing Program Integrity. As the PERM review contractor, HDI generally did not interface with the systems, other than to review information. HDI would prefer access to the system data in order to gain an understanding of current audit strategies and reduce any 'double' auditing of claims. HDI will not audit a claim that is already under audit by another program.

Lessons learned – coordinating the audits will reduce the burden on providers.

15. The State of Kansas requested that HealthDataInsights, Inc. provide an estimate of recoupment by plan.

Attachment 7 contains the estimated recoupment by plan.

Formatted: Font color: Auto

*CONFIDENTIAL ATTACHMENTS:*

1. Tax Clearance Certificate for Bidder
2. SAS 70 Type II Audit
3. Financial Statements with footnotes
4. HDI Application Overview
5. Pharmacy Auditing Program
6. Revised Cost Proposal – (Separate Cost Proposal Binder)
7. Estimated Recoupments by Plan – (Separate Cost Proposal Binder)

HealthDataInsights, Inc.

Brian J. Fields  
EVP & General Counsel



Kansas Department of Administration  
Recovery Audit Contractor Services



Response to Request for Additional Information for RFP# EVT0000146

Date

Formatted: Requirement

October 25, 2010 November 24, 2010

7

12-91



## **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.

Rm. 900-N, Landon Building, 900 SW Jackson Street, Topeka, KS 66612-1220

[www.khpa.ks.gov](http://www.khpa.ks.gov)

#### Medicaid and HealthWave:

Phone: 785-296-3981

Fax: 785-296-4813

#### State Employee Health Plan:

Phone: 785-368-6361

Fax: 785-368-7180

#### Senate Ways and Means

Date:

Attachment:

04/20/11

13

- ▶ 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.



AGENCY_NAME	TITLE	ITEM	Information	DESCRIPTION	House Position
Kansas Corporation Commission	House Substitute for Senate Bill 50.	D	(Conference Committee)	Sub. for SB 50 would enact new law relating to 911. The fiscal note for the original SB 50 prepared by the Division of the Budget indicates the Department of Revenue would have start-up programming costs of \$70,000 which the bill allows to be reimbursed from retained fees. The Department estimated ongoing administrative costs of approximately <b>\$20,000 from the State General fund</b> annually.	No Action
Kansas Guardianship Program	Funding Restoration	A	(Senate Committee and House Committee)	Both the House Committee and Senate Committee requested the chance to revisit the Guardianship Program budget during Omnibus. The agency requested operating expenditures of \$1,199,407, which is <b>\$85,560</b> , or 7.7 percent, above the Governor's recommendation. The agency's request also included 11.0 FTE, <b>1.0 FTE</b> more than the Governor's recommendation. Both the House and Senate Committees of the Whole concurred with the Governor's recommendation.	No Action
Department of Social and Rehabilitation Services	SB 210 Developmental Disabilities Provider Assessment	B	(Governor)	<b>Appropriate a new Quality Based Community Fee Fund</b>	Appropriated Fund
	<b>Human Services Consensus Caseloads</b>	C	(Senate Committee and House Committee)	<b>Various amount for various agencies</b>	No Action
Attorney General	House Bill 2035	C	(Law)	HB 2035 amends current law regarding late-term abortions. The Office of the Attorney General estimates a fiscal impact of <b>\$220,000, all from the State General Fund</b> for FY 2012. This includes funding for the salaries of <b>2.5 FTE positions</b> , 1.0 FTE Attorney, 1.0 FTE Investigator, and a 0.5 FTE Secretary, and would also include funding for expert witness fees.	Use existing resources
	House Bill 2010	D	(Conference Committee)	The county responsible for the costs would be reimbursed for the costs by the Attorney General from the Sexually Violent Predator Expense Fund. The Attorney General estimates that required reimbursements from the Sexually Violent Predator Fund, which has <b>no consistent revenue source</b> , would total <b>\$18,000 to \$50,000</b> per year.	No Action
	Senate Bill 93	E	(Conference Committee)	Racial or other biased-based policing, The Attorney General's office states that enactment of the bill would require <b>\$82,000</b> and <b>1.0 new FTE</b> position to review and investigate allegations of racial profiling and notify local agencies and the Kansas Commission on Peace Officers Standards and Training. <b>\$95,237 and 1.5 FTE for KCPOST</b>	Use existing resources
Department of Health and Environment - Health Care Finance	House Bill 2035	C	(Law)	HB 2035 amends current law regarding late-term abortions. The Department of Health and Environment indicates that passage of the bill would increase expenditures for FY 2012 by <b>\$70,380</b> from all funding sources, <b>including \$20,380 from the State General Fund</b> and \$50,000 from agency special revenue funds	Use existing resources
	House Substitute for Senate Bill 36	D	(Conference Committee)	Licensing of abortion clinics by the Kansas Department of Health and Environment (KDHE). estimated a fiscal effect of <b>\$67,165</b> and <b>1.0 FTE</b> position.	No Action
Secretary of State	Funding for the 2012 Presidential Preference Primary	A	(Senate Committee and House Committee)	Should this <b>legislation not be enacted</b> , the Secretary of State estimates expenditures of <b>\$1.3 million</b> , all from the State General Fund, will be required to cover the Secretary of State's costs and to reimburse counties for primary election related costs.	No Action
	House Bill 2240	B	(Conference Committee)	<b>Appropriate a new Cemetery Maintenance and Merchandise Fee Fund</b>	No Action



AGENCY_NAME	TITLE	ITEM	Information	DESCRIPTION	House Position
Governmental Ethics Commission	Governmental Ethics Commission Fee Fund	A	(Senate Committee and House Committee)	Review the Governor's FY 2012 recommendation of \$669,147, including \$180,656 from the State General Fund. The agency requests FY 2012 operating expenditures of \$690,760, including \$432,269 from the State General Fund. The recommendation assumed the agency requests for a statutory fee increase would be granted by the 2011 Legislature and is not possible without Senate Substitute for House Bill 2080 has not obtained a Gubernatorial signature for statutory fee increases necessary to fund the agency at the Governor's recommended level. The agency indicates that the agency will not be able to fund the Governor's FY 2012 recommendation operations in FY 2012 without the passage of <b>Senate Substitute for House Bill 2080</b> .	No Action
	Governmental Ethics Commission Fee Fund	B	(Senate Committee and House Committee)	Review the Governor's FY 2013 recommendation of \$691,133, including \$201,567 from the State General Fund. The agency requests FY 2013 operating expenditures of \$713,321, including \$443,755 from the State General Fund. The recommendation assumed the agency requests for a statutory fee increase would be granted by the 2011 Legislature and is not possible without Senate Substitute for House Bill 2080, not obtained a Gubernatorial signature for statutory fee increases necessary yet The agency indicates that the agency will not be able to fund the Governor's FY 2013 recommendation operations in FY 2013 with the current form of <b>Senate Substitute for House Bill 2080</b> .	No Action
Department of Commerce	House Bill 2125 - Kansas Professional Regulated Sports Act.	B	(Law)	The bill would increase revenue in the <b>Athletic Fee Fund</b> by <b>\$5,000 in FY 2011</b> and <b>\$25,000 in FY 2012</b> . The Department did not anticipate any increase in expenditures. For FY 2012 the Athletic Fee Fund had revenue of \$120,117 and a projected ending balance of \$59,760.	No Action
Kansas Public Employees Retirement System (KPERs)	Senate Sub for HB 2194 - Increased Employee and Employer Contribution Rates and Benefit Formula Multiplier	A	(Conference Committee)	<b>No action needed</b>	
Kansas Technology Enterprise Corp.	Funding for the Kansas Technology Enterprise Corporation for FY 2012	A	(Senate Committee)	The Senate Committee recommended that if SB 42 did not pass, which allows the transfer of the Kansas Technology Enterprise Corporation (KTEC) programs to the Kansas Department of Commerce and the Kansas Board of Regents, then funding shall be restored which would allow KTEC to be an independent and stand-alone agency for FY 2012. The Senate Committee recommended that KTEC should be funded at the amount recommended by the Governor for FY 2011. For FY 2011, the Governor recommended \$8,226,601 including \$5,876,651 from the Economic Development Initiatives Fund. Included in the Governor's FY 2011 recommendation is funding for 9.0 FTE.  SB 42 was dually referred to the Senate Committee on Commerce and the Senate Committee on Ways and Means and the bills are currently in both committees.	No Action
	HB 2054	B	(Senate Committee and House Committee)	The Senate and House Committees recommended review of HB 2054 which would abolish Kansas Technology Enterprise Corporation (KTEC) and transfer most of its duties and responsibilities to the Department of Commerce and the Secretary of Commerce and the Kansas Board of Regents. HB 2054 was passed by the House and referred to the Senate Committee on Commerce.	No Action
Commission on Veterans Affairs	Prioritization of Capital Improvements Items	A	(Senate Committee)	The Senate Capital Improvements Subcommittee requested an Omnibus review of the Kansas Commission on Veterans' Affairs capital improvements requests for FY 2011 and FY 2012. The Committee requested the agency prioritize their projects and provide that information to the Committee.	No Action

14-2



14-3

AGENCY NAME	TITLE	ITEM	Information	DESCRIPTION	House Position
Insurance Department	House Bill 2076- Amend Time Requirements for Municipal Pools and Group-Funded Workers Compensation and Enact the Surplus Lines Insurance Multi-State Compliance Compact	A	(Conference Committee)	The fiscal note on the bill initially indicated no fiscal impact	No Action
	House Bill 2075- Enact the Surplus Lines Insurance Multi-State Compliance Compact and Amend the Governing of Surplus Lines' Premium Tax Revenue	B	(Conference Committee)	The Department estimates that as much as \$2.0 million of this revenue could be lost to the State if a bill is not passed to comply with the Dodd-Frank Wall Street Reform Act.	No Action
Board of Regents	Senate Bill 143	A	(Conference Committee)	The bill is subject to appropriations, and would have no fiscal impact without action by the Legislature. However, the passage of the bill would require the creation of two new funds - the Postsecondary Tiered Technical Education State Aid fund and the Washburn Institute of Technology Operating fund for FY 2012.	No Action
State Universities	House Bill 2020	A	(Conference Committee)	The fiscal impact of this change would be increased revenues for the universities of \$4,320, and decreased revenues to the State General Fund of the same amount.	No Action
Department of Education	Senate Bill 11 - Ft. Leavenworth Unified School District No. 207 Transportation	A	(Law)	As a result, enactment of SB 11 would require an additional \$55,000, all from the State General Fund.	No Action
Sentencing Commission	HB 2023 - Amending the Drug Schedule by Adding Additional Unlawful Substances	A	(Law).	The Sentencing Commission estimates that HB 2023 will translate into more offenders eligible for 2003 SB 123 drug treatment services and estimates an additional \$46,672, all from the State General Fund, would be needed to cover the additional treatment services. In addition an increase of \$30,000 and 0.5 FTE positions to handle the increase.	\$46,672 to KSC & \$30,000 0.5 FTE to BIDS
	HB 2049 - Adding Cannabinoids to Schedule I of the Controlled Substances Statute	B	(Conference Committee).	The Sentencing Commission estimates that HB 2049 will translate into more offenders eligible for 2003 SB 123 drug treatment services and estimates an additional \$178,120, all from the State General Fund, would be needed to cover the additional treatment services.  In addition, the Kansas Bureau of Investigation (KBI) estimates that \$6,000, all from the State General Fund,	No Action
Juvenile Justice Authority	Prevention Block Grant Program Funding	A	(Senate Committee)	The Committee also recommended that reconsideration be given to the agency's ability to add an additional \$500,000, all from within the agency's FY 2012 expenditure limitation, to the prevention block grant program.	No Action
Board of Indigents' Defense Services	Assigned Counsel Caseload Estimate	A		The updated estimate from the March 13th meeting is \$8,600,000, an increase of \$496,844 for FY 2011 and \$580,000 for FY 2012	No Action



1A-4

AGENCY NAME	TITLE	ITEM	Information	DESCRIPTION	House Position
Department of Labor	Substitute House Bill No. 2134	B	(LAW)	The agency estimates that approximately 60,000 mailings would be eliminated each year, for a savings of \$39,288 for FY 2012, all from the Workers Compensation Fund. However, part of this savings for FY 2012 would be offset by additional one-time training costs of approximately \$8,700 to train agency employees on the various changes to the Workers Compensation Act. <b>Total savings of \$30,588 Workers Compensation Fund</b>	No Action
	Senate Bill No. 77	C	(Conference Committee)	No action needed	No Action
State Historical Society	Repair and Relace Lighting Fixtures	A	(Senate Committee)	The Senate Committee recommends Omnibus review of the Joint Building Committee's recommendation to increase the FY 2012 capital improvement budget by <b>\$50,000, all from the State General Fund</b> . These funds would be used to repair and replace lighting fixtures which have been causing electrical fires in the Historical Society headquarters and museum building.	No Action
Kansas Bureau of Investigation	Senate Bill 37	A	(Conference Committee)	The KBI indicates passage of the bill would add 2,150 offenders to the Offender Registry, which it oversees. The agency is <b>requesting \$41,807, all from the State General Fund and 1.0 FTE</b> , for FY 2012 for one-time staff time and database set-up costs.	No Action
	Review KBI Funding Requests	B	(Senate Committee)	The Senate Committee recommended review of the agency's additional funding requests for FY 2012. These requests total <b>\$595,653, all from the State General Fund</b> , for FY 2012 and include:	No Action
Kansas Commission on Peace Officers' Standards and Training	House Bill 2001	A	(Law)	Appropriate Local Law Enforcement Training Reimbursement Fund	Appropriated Fund
Kansas Department of Transportation	House Bill 2003	A	(Law)	The agency is requesting an operating expenditure increase of <b>\$1,440 State Highway Fund</b> for FY 2012.	Added funding
	House Bill 2192	B	(LAW)	The agency is requesting an expenditures limitation increase of <b>\$24,750 State Highway Fund</b> for signage for FY 2012.	No Action
	House Bill 2172	C	(Conference Committee)	Cumulatively, the agency is requesting an expenditure limitation increase of <b>\$14,120 State Highway Fund</b> for FY 2012 to expend donations received for these designations.	Added funding
Special Revenue Fund Transfers to State General Fund	Senate Bill 229 - Fee agencies; implementing a 10% transfer for FY2012 then repealing the 20% transfer requirement.	A	(Governor)	Based on the actual revenue received by the fee agencies in FY 2010, the bill would reduce State General Fund Revenue in FY 2012 by \$1.69 million and these funds would remain with the agencies. <b>No action required</b>	No Action