

**MINUTES**

**SPECIAL COMMITTEE ON WAYS AND MEANS AND APPROPRIATIONS**

August 6-7, 2001  
Room 123-S—Statehouse

**Members Present**

Representative Kenny Wilk, Chairman  
Senator Steve Morris, Vice Chairman  
Representative Melvin Minor, Ranking Minority Member  
Senator Paul Feleciano, Jr.  
Senator Dave Jackson  
Senator Nick Jordan  
Representative Bob Bethell  
Representative Larry Campbell  
Representative Jerry Henry  
Representative Nancy Kirk  
Representative Melvin Neufeld  
Representative Clark Shultz

**Member Absent**

Senator Susan Wagle

**Staff Present**

Alan Conroy, Kansas Legislative Research Department  
Rae Ann Davis, Kansas Legislative Research Department  
Leah Robinson, Kansas Legislative Research Department  
Deb Hollon, Kansas Legislative Research Department  
Jim Wilson, Revisor of Statutes Office  
Mike Corrigan, Revisor of Statutes Office  
Nikki Feuerborn, Committee Secretary

**Monday, August 6  
Morning Session**

The meeting was called to order by Chairman Wilk at 11:00 a.m. A staff briefing on the increase in the medical assistance budget was presented (Attachment 1). The increased number of caseloads will continue to drive up the cost of medical assistance. The Committee discussed the possible numbers of caseloads in the ensuing budget years. The next consensus meeting on case loads will be in November of 2001. Staff noted the FY 1999 budget was \$549,036,578 and the approved FY 2002 was \$730,000,000. It is not just case load increases which are driving the costs up. Medical costs and pharmaceutical costs are also important factors to consider.

Dr. Robert Day, Director of Medical Policy and Medicaid, Department of Social and Rehabilitation Services (SRS), shared a slide presentation on the cost factors of medical assistance (Attachment 2 see notations on attachments). He stated that the state is the largest health care funding payer in the state. Medicaid is the third largest payer, ranking right below Blue Cross/Blue Shield. Medicaid pays for approximately one-third of the births in Kansas. Dr. Day explored the increasing cost of drug therapy which is driving the cost of pharmaceuticals up for Medicaid and the general population in Kansas. He reminded the Committee that Medicaid reimbursement to physicians is substantially below Medicare and that there is a need for addressing an increase in the reimbursement formula. Dr. Day pointed out that although the federal government pays for 60 percent of the costs of Medicaid, they substantially control the entire program by their rules and restrictions.

The Committee discussed the fact that only 28,000 children are currently enrolled in the HealthWave program. It was suggested that a consultant's study be authorized to explore home health care providers regarding the cost and quality levels as well as the participation in the HealthWave program. Also discussed by the Committee was the case management system which is now in place:

- Are participants actually gaining from being in the system?
- Why are only approximately 6,000 persons participating in the home health system as provided by SRS?
- Is the skill level commensurate with the level of care?
- What is in the content of service in the waiver cost that needs to be supplemented on the home health side?
- Does case management mean "service direction" or do we need to address medical case management?

By increasing the cost by 20 percent each year, there is an added \$3-4 million from the State General Fund for home health care with fewer persons being served. Dr. Day informed the Committee of the agency's plan to bring in experts from other parts of the country in September to discuss high utilization-high need patients (aged and disabled, frail

elderly population, physically disabled, and developmentally disabled) in a more managed and thoughtful pattern. The majority of costs is driven by a small number of people.

The Committee requested additional information and recommendations on streamlining services and cutting costs on home-based services.

The Committee discussed the possibility of exploring the Veteran's Administration program regarding pharmaceuticals for those eligible as a possible model for Medicaid beneficiaries and ultimately the state health care plan for employees. The possibility of forming a compact with other like-states in order to negotiate for prescription drugs was also discussed. It was pointed out that the chart on pharmacies did not clarify what rebates were paid to the state. SRS currently requires the Medicaid recipient to receive the generic drug even if a rebate is available on the "name drug" which would make it lower in price. Thus, it appears there is no incentive for the pharmacy to use an ultimately less expensive drug.

The meeting was recessed at 12:07 p.m.

### **Afternoon Session**

Chairman Wilk called the meeting back to order at 1:35 p.m. Staff presented information on the Public Health Departments—Finance and Responsibilities ([Attachment 3](#)).

Clyde Graeber, Secretary of the Department of Health and Environment (KDHE), presented his testimony on local health department funding in Kansas ([Attachment 4](#)). In response to questions regarding why certain counties do not have health departments, Secretary Graeber explained that some counties are part of a multiple county consortium. The growth in use of public health departments is attributed to the increase in use by the elderly population because of rising medical costs for routine visits and the unavailability of physicians. Chairman Wilk asked Secretary Graeber to prepare an imaginary optimum appropriation plan for the public health departments showing the amount, what would be done with the money, and what the benefit would be of the increased funding. The funding should all be assumed to come from the State General Fund. Currently, KDHE receives only 25 percent of their funding from the State General Fund, the remainder is from grants, fees, and federal funds. The Secretary was asked to provide information regarding the total amount of fines KDHE receives annually from its inspection programs.

Dr. Moser, Director of Health, KDHE, reported the top three priorities of local public health departments are the protection of water quality, assessment of any outbreak of disease that might occur within a particular community, and vaccinations. Public health departments can reduce medical costs with the delivery of clinical out-patient primary care services and the offering of preventive services, *i.e.* tobacco use prevention delivered to the entire community. One community in Kansas has a \$500,000 program especially targeted for young people in an attempt to arrest the use of tobacco. At the same time the tobacco industry is spending \$50 million in advertising and promotion of their product in Kansas.

Sally Finney, Executive Director, Kansas Public Health Association, presented testimony supporting increased funding for local health departments and the continuation of the program of enforcement of sanitary codes for the assurance of quality drinking water under the jurisdiction of the local public health department (Attachment 5).

In response to questions regarding food inspection, Ms. Finney and Dr. Moser said the food inspection fees have been raised. Eight of the large counties in the state have contracts with KDHE to handle regularly scheduled inspections which is one inspection per unit per year. Assistance has been given to Sedgwick and Wyandotte counties over the past year due to the increased number of inspections required. Increased scheduling would involve additional costs; however, the Legislature can levy fees for additional inspection programs although counties cannot do this on an individual basis for the same type inspection as provided by the state. Some of the cities such as Overland Park can levy fees for supplemental food inspection programs. The 18,000 restaurants in Kansas are on an optimal annual inspection schedule. Increased funding by the food service community would allow for additional inspections of each unit annually. Kansas City, Missouri, now requires two inspections per year due to a serious problem with inspections a few years ago. Dr. Moser reminded the Committee of the success of the inspections in the Hutchinson area during the hepatitis outbreak; not one case was attributed to food-borne illness within their reported 400 restaurants.

Kay Kent, RN, MS, Administrator/Health Officer of the Lawrence-Douglas County Health Department and President of the Association of Local Health Departments, provided information on the role of the local government in the public health arena (Attachment 6). She reported that local governments have been forced to assist the local health departments through additional funding as the federal and state grants for the past years have remained level. She expects the health department budget to be cut this next year by the county as it is being forced to raise property taxes in order to meet budgetary needs. The use of the health departments by the elderly and the providing of child vaccinations have increased operational costs due to the need for well-trained staff and additional equipment as well as infrastructure problems due to environmental issues.

Robert St. Peter, M.D., President of the Kansas Health Institute, presented information on state expenditures on public health in 1999 and the current capacity of local health departments (Attachment 7). Kansas currently ranks 47<sup>th</sup> in public health expenditures per capita. Kansas ranks 44<sup>th</sup> in local funding for public health per capita. A forum on long-term care and aging issues is planned for September 13, 2001.

Alan Conroy, Kansas Legislative Research Department, walked the Committee through the 12 assigned topics for study by the Special Committee on Ways and Means and Appropriations (Attachment 8).

Staff presented an overview of the state budgeting practices (Attachment 9). Senator Jackson had requested Topic No. 7—Pilot Building of a Zero-Based Budget for One State Agency. Senator Jackson pointed out that the current budget process appears to be incrementally increased rather than establishing a definite need for the requested increase. Chairman Wilk pointed out that the House experimented with a zero-based budgeting approach during the break in the 2001 Session for FYs 2000, 2001, and 2002. Staff was directed to prepare copies of these exercises for the Committee. The Committee discussed:

- The timing of information provided for budgeting purposes;
- The need for more rationale from each agency requesting an increase;
- The individual ultimately responsible for requesting the increase from each department;
- The lack of time for the development of zero-based budgeting by the Legislature during the Session;
- Time adjustments that would have to be made if the Legislature requested zero-based budgeting;
- The issues which have kept other states from using “pure” zero-based budgeting; and
- The use of two days of meeting time to assist one agency in the preparation of a zero-based budget as a preliminary exercise for establishing a pilot program (the agency to be decided upon at a later date).

Duane Goossen, Director of the Budget, explained the agency budgetary submission process to the Committee and responded to questions regarding the time line, information regarding a designated allocation, and the supporting data required. Also requested from the agency is a reduced resource package which is the product produced by the agency if they were forced to cut their budget by a certain percentage. An enhancement package is also included in the supporting documents indicating what programs or items the agency would ideally like to add to the budget projection. The deadline for this information is September 15. This information is used by the Division of the Budget to develop the Governor’s Budget Recommendation. He indicated the Budget Division was not opposed to zero-based budgeting, however, they are not currently “set-up” for this procedure. True zero-based budgeting would wipe out all former information presented in prior years and the establishment of a budget from the ground up.

The Committee continued discussion on Topic 8–Determine Factors Driving Up the Cost of Medical Assistance in the SRS Budget. Chairman Wilk offered to contact the VA for an explanation of their model for the distribution of pharmaceuticals as a possible option to decreasing costs for Medicaid clients. Representatives of the drug industry were requested to prepare a list of statutory changes which would be necessary for allowing Medicaid to use restricted formularies on certain populations (including TANF, low income children, and nursing home recipients). The Committee discussed whether research and development programs for drugs were being fully funded by drug companies or if the general population was partially funding such an effort through tax dollars at the public institutions receiving the grants from the drug companies.

Also discussed was the change in the Medicaid Management Information System contract being introduced and the need to discuss with SRS that the Request for Information which is being dispersed includes the fact that Kansas has until October 2002 to make the

required federal changes. It was noted that it is literally impossible to set up a computer system and have it operational in that time period. The cost of the computer system would be 90 percent federal with a 10 percent state match at this time. If the deadline is not met, the match in the new system will be lowered with the state required to pay a higher percentage in the future, probably 25 percent. The need for the Legislature to start thinking further into the future regarding the Department of Aging projections was discussed. It was suggested that the Center on Aging at KU be contacted for supporting information.

Chairman Wilk recessed the meeting at 4:30 p.m.

### **Tuesday, August 7 Morning Session**

Chairman Wilk called the meeting back to order at 9:00 a.m.

Staff presented a review of Topic No. 4—Review and Revision of the Pre-Admission Screening and Annual Resident Review (PASARR) (Attachment 10).

Connie L. Hubbell, Secretary of the Department on Aging, presented testimony explaining the purpose, development, and criteria for those requiring PASARR testing for nursing home and community based services and the possibility of increasing the level of care score from 26 (Attachment 11). Client referral and assessments by case managers hired by the local Area Agency on Aging or a discharge planner from a hospital are done prior to PASARR testing. She also explained the variation in PASARR scores for individuals and the difference in threshold scores for requiring assistance; some require community-based or nursing home care at 26, others at 60 to 80. The total impact of raising a level of care score would not happen within the first year but would change over time through attrition. PASARR scores are also determined for the mentally ill or developmentally disabled in order to seek correct placement. It was noted that there are typically more community based services in urban area than in rural areas. The Department's plan of action and recommendation of raising the score to 30 (using the same indicators) if required were reviewed by the Committee.

The Committee requested information on the number of nursing homes that have clients with scores of 50 or below. Assisted living facilities which take Medicaid clients must be certified. Many of the more upscale assisted living facilities do not wish to be Medicaid certified. When the Frail and Elderly Waiver was instituted, it was assumed that many of the nursing homes would change to assisted living in order to save \$1,000 per month for care of the clients. This has not been true in the northwest and northeast portions of the state. It is thought the reason for this was that nursing homes make more money than assisted living facilities. Medicaid pays for \$700 per month for rent and board and \$780 per month for nursing home services or assisted living services if the facility is Medicaid certified. Currently, there are 350 nursing homes in Kansas of which 98 percent are Medicaid certified. There are 94 assisted living facilities (30 percent being Medicaid certified) and 52 freestanding residential health care facilities. The average age of the client in the nursing home is 84 and those on Frail Elderly waivers is 79.

The Department on Aging recommended allowing additional research before modifying the function eligibility criteria. The agency also recommended that if the functional eligibility is changed, that the score be increased to 30, that current beneficiaries under that score who are receiving services be allowed to continue receiving services, and that funding be enhanced by \$780,511 SGF.

Martha Hodgesmith, Director of Community Support and Services within the Health Care Policy Division, SRS, presented information on the review and revision of the PASARR levels as they relate to Home and Community Based Services Waiver for the Physically Disabled and the potential for temporary transitional services to enable people with certain PASARR scores to divert from long-term care and live independently (Attachment 12).

Chairman Wilk requested written case studies of individuals who have scores of 26, 30, 35, and 39.

Jim Beckwith, President of the Kansas Association of Area Agencies on Aging, stated that the primary medical issue among seniors is the cost of pharmaceuticals (Attachment 13). Mr. Beckwith requested the Committee consider the following in their decision-making regarding changing the Level of Care and PASARR scores:

- The Uniform Assessment Instrument (UAI) that determines Long-Term Care Scores (LTC) is administered by professionals with no hidden agendas, no personal gain, and no reason to inflate any score. When using the UAI, it is very easy for the assessor to know when a person needs assistance in their home and would not be safe alone.
- Raising the LTC score will mean that senior Kansans will turn more to hospitals for care, but only after their health reaches critical conditions.
- Raising the eligibility score will result in persons being in worse shape when they are admitted to a nursing home.

Staff presented information on Topic No. 9—Review the Potential Cost Savings Related to Use of Private Sector Printing Services Providers (Attachment 14).

Danielle Noe, Assistant Secretary of the Department of Administration, reported that the State Printer publishes the bills, calendars, and journals for the Legislature. The Department of Commerce and Housing was suggested for a pilot project for comparing costs and efficiencies of the private sector and the State Printer due to the variety and quality standards required.

Richard Gonzales, Director of the Division of Printing, Department of Administration, described the printing equipment on site, services available at satellite shops, networking between satellites, agencies, prisons, and departments (Attachment 15). The Board of Regents, Department of Education, Department of Transportation, Department of Wildlife and Parks, and the Department of Corrections unit at Hutchinson have their own printing shops. The Regents schools charged an hourly rate plus 46 percent for outside the system customers. Mr. Gonzales discussed the limitations of the Division of Printing which includes

their inability to do four-color printing, long-runs, and blue print printing as required by KDOT. Their main focus is serving the Legislature and their Topeka-based customers. The Division of Printing runs their own trucks and delivery system. Most private sector print shops would not accept the Legislative business as it would have to be rebid every year or two and it would be unfair to allow the private sector to take "only the cream." According to Mr. Gonzales, only California and Washington's print shops exceed that of Kansas.

The Committee requested the number of personnel in the Regents print shops and a copy of the performance review on all shops. The Committee recommended the transfer of KDOT printing to the Division of Printing as they have room in their facility to handle the workload but may have to locate outside storage facilities.

Chairman Wilk recessed the meeting at 12:00 noon for lunch.

### **Afternoon Session**

Chairman Wilk called the meeting back to order at 1:35 p.m.

David Priest, Integrated Service Delivery of SRS, reviewed the simplification and shortening of the application for food stamps for eligible individuals (Attachment 16). Changes include the exemption of a new vehicle in a household, the elimination of monthly reporting for the majority of households, shortening to a four-page form for application which is now available from many locations, interviews only every 12 months, increased benefits for able-bodied adults, participation by ineligible aliens, increased maximum shelter allowance deduction, increased standard utility allowance, and three months transitional time for families moving from Temporary Assistance for Families to work. It was pointed out that the food stamp program is federally funded with the state paying for administrative costs only. \$89 million was paid out in Kansas to 117,000 individuals this past year.

Sister Therese Bangert, Archdiocese of Kansas City, provided an additional list of suggested reforms for the Food Stamp program which would make available to more needy individuals, especially targeting state employees who qualify, child care workers, and nursing home employees (Attachment 17). She encouraged the development of a marketing program which would destigmatize the use of food stamps.

The Committee requested the number of FTEs which would be reduced due to the reduction in administrative costs of the food stamp program.

Karen Suddath, Director of Mental Health, Substance Abuse Treatment and Recovery Unit of SRS, addressed Topic No. 12—Review Number of Beds in Nursing Facilities for Mental Health (Attachment 18).

The Committee continued their discussion and raised the following concerns regarding zero-based budgeting:

- The necessity;



- Inefficient use of time;
- Additional staff required;
- Probable proof more funding is needed in each agency;
- Availability of funding if proof is provided that it is needed in order to remain efficient;
- Funding of enhancement programs; and
- Time commitment for total budgetary preparation is on the department head.

Staff presented copies of the instruments entitled State General Fund Expenditures for FY 2002-2003 which were used for the zero-based budgeting exercise during the 2001 Legislative Session (Attachment 19). The Committee ultimately agreed to ask the Kansas Bureau of Investigation to prepare a zero-based budget justifying its budget on a program by program basis and to present it at an upcoming scheduled meeting.

Chairman Wilk adjourned the meeting at 4:30 p.m. The next meeting is scheduled for August 28 and 29.

Prepared by Nikki Feuerborn  
Edited by Deb Hollon

Approved by Committee on:

December 17, 2001