

Approved: March 2, 2012

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(Date)

### **MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE**

The meeting was called to order by Chairperson Carolyn McGinn at 10:30 AM on Thursday, January 19, 2012 in 548-S of the Capitol.

All members were present except Senator Emler.

Committee staff present:

Jan Lunn, Committee Assistant  
Melinda Gaul, Chief of Staff, Senator McGinn's Office  
Eli Johns, Intern, Senator McGinn's Office  
Alan Conroy, Director, Legislative Research Department  
J. G. Scott, Chief Fiscal Analyst, Legislative Research Department  
Michael Steiner, Senior Fiscal Analyst, Legislative Research Department  
Bobbi Mariani, Fiscal Analyst, Legislative Research Department  
Jill Wolters, Office of the Revisor of Statutes  
David Wiese, Office of the Revisor of Statutes  
Daniel Yoza, Office of the Revisor of Statutes

Conferees appearing before the Committee:

Scott Frank, Director, Division of Legislative Post Audit  
Dr. Robert Moser, Secretary, Kansas Department of Health and Environment  
Shawn Sullivan, Secretary, Department on Aging

Others in attendance:

See attached list.

Bill introductions:

Senator McGinn moved introduction of a bill concerning sales taxation, 12rs1489; Senator Teichman seconded the motion, which carried on a voice vote.

Senator McGinn introduced a bill concerning appropriations for fiscal years ending June 30, 2012 and June 30, 2013, 12rs1826; Senator Kultala seconded the motion, which carried on a voice vote.

#### **Hearing on SB 254--Providing for information technology audits**

Daniel Yoza briefed committee members on **SB 254**, which concerns information technology (IT) audits performed by the Division of Post Audit (LPA). (Attachment 1) The bill provides LPA the authority to audit certain information technology projects including the use of data, information security, and the status of an ongoing project. The

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Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

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bill requires written reports be provided to the Governor, the agency being audited, the chief information officers for each branch, and the Legislative Post Audit Committee. In addition, the bill amends Kansas statutes, which deal with confidentiality of LPA reports.

Responding to questions, Mr. Yoza indicated:

- Reports are provided to recipients (as listed above) simultaneously.
- The fiscal note indicates the audits will be performed with existing staff and resources.
- With regard to the bill (lines 38, 39, and 40), the post auditor has the responsibility to define when a project is not being efficiently and effectively implemented.

A committee member inquired how this bill differs from the role of the Joint Committee on Information Technology (JCIT), Scott Frank, Director of the Division of Legislative Post Audit, indicated the bill's intent is to provide a complement to the existing oversight process.

A committee member requested that Legislative Research staff provide additional information regarding:

- The length of time JCIT has existed.
- The number of bills that have come through the JCIT.

Scott Frank, Director of the Division of Legislative Post Audit, provided background information on systems implementations in Kansas ([Attachment 2](#)); he indicated that despite the layers of oversight, several projects have run significantly behind schedule, come in over budget, or have not delivered the functionality expected. He reported this is a common issue that is reflected in current literature; as high as 25-50 percent of government IT projects experience similar problems. He discussed the provisions of **SB 254** and how the bill would be implemented; he provided examples of common problems noted in computer-related audits. Mr. Frank encouraged support of the bill.

In response to committee members' questions and concerns, Mr. Frank indicated:

- The Division of Legislative Post Audit developed the conceptual idea for this type of audit and presented it to the Legislative Post Audit Committee. There was neither collaboration with the chief information technology officers (CITOs) from the three branches of government nor any collaboration with the JCIT.
- The bill is designed to focus on specific IT projects; the focus is not on computer infrastructure planning and design.

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- The benefit in passing this bill (beyond the existing project management office process) is that it adds a set of trained project management eyes without a stake in the project to identify areas cost savings or efficiencies.

A committee member challenged the concept and suggested that not only expertise in project management methodology but also functional expertise is required to successfully manage an IT project.

Chairperson McGinn recognized Jim Miller, Chief Information Technology Officer for the Kansas Legislature, who was in the audience, to provide additional information concerning the subject. Mr. Miller commented that although he is relatively new to the legislative process, he has prior experience in project management. He indicated that auditing the project management process and deliverables is relatively simple. Key components in a successful audit are: an understanding of the business, the project assumptions, and the organization's willingness to accept and drive change. If these key components are ignored, functional failure occurs. Mr. Miller indicated that private sector auditors are paid \$100-\$250 hourly. While the proposed bill provides for existing LPA staff to perform audits, Mr. Miller indicated it was not within his plan to contract with outside auditors for any audits under his area of management.

A committee member suggested that Mr. Miller work with the Division of Post Audit to assist in their selection of potential audits.

In addition, another committee member voiced concern that the bill, as is currently written, does not include the direction and scope of any potential IT project on which LPA staff might work.

### Presentation on Kansas Water Office:

Tracy Streeter, Director of the Kansas Water Office, discussed water issues with committee members. (Attachment 3) Mr. Streeter commented that 2011 was a year of extremes in Kansas: flooding and extreme drought. In addition, reservoir issues continued to be a source of concern; algae blooms affected dozens of reservoirs resulting in the closure of many destinations and impacting water supplies. He provided information on proposed 2012 legislation as well as the State Water Plan Fund revenue estimates and expenditure recommendations. Mr. Streeter reported that additional detail will be provided during Ways and Means Subcommittee meetings. The Kansas Water Authority 2012 Annual Report to the Governor and Legislature was distributed to committee members; this report can be located at:

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[http://www.kwo.org/reports\\_publications/Reports/Rpt\\_2012\\_KWA\\_Rpt\\_Governor\\_Legislature.pdf](http://www.kwo.org/reports_publications/Reports/Rpt_2012_KWA_Rpt_Governor_Legislature.pdf)

A committee member inquired concerning the issue of sedimentation in area lakes and its long-term implications for Kansas' water supply. Mr. Streeter responded that sediment is a result of drought; three viable corrective options exist: dredging, building a new lake, or finding water elsewhere (piping water from the Kansas River valley). If dredging is the selected method, it would be a long-term project with a dedicated funding stream.

With regard to a question concerning the elimination of funding, Mr. Streeter responded:

- Weather Stations were not recommended for funding by the Water Authority due to their poor functioning.
- Water Resource Education was recommended for funding; it is unknown why it was unfunded in the Governor's budget recommendation.
- Weather Modification was recommended by the Water Authority but was excluded in the Governor's recommendation.

### Managed Care:

Amy Deckard, Senior Fiscal Analyst, Legislative Research Department, reported on the process of payments to providers of services for individuals with developmental disabilities (Attachment 4). Ms. Deckard provided background information concerning eligibility requirements, services provided, organizations providing services, and agencies from which funds are provided. She reported that to be served by a Home and Community Based Services (HCBS) Medicaid waiver, a person must be determined both financially and functionally eligible; once eligible the beneficiary can receive waiver services and medical services. Community Developmental Disability Organizations (CDDOs) serve as the single point entry for the state developmental disabilities system.

A committee member asked whether monetary differences could occur between different CDDOs as they negotiate with the three KanCare vendors. Secretary Shawn Sullivan, Department on Aging, was recognized (in the audience) and responded that there could be different payments to CDDOs depending on negotiated incentives. (No written testimony)

In response to a question regarding whether eligible beneficiaries would receive the same services as they currently receive, Secretary Sullivan reported that the RFP provides that services cannot be reduced to consumers. He elaborated that each of the 27 Kansas CDDOs use the Basic Assessment and Services Information System (BASIS) tool to determine levels of service required for individual clients; 5 of the 27 organizations serve

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as a point of entry only; the remaining 22 offer some or all of the services, which includes a case manager.

A committee member observed the proposed KanCare proposal adds a layer (in addition to the CDDOs) of organizations who will be reimbursed for the management of health care, and without reducing services or expenditures, it is difficult to see where potential savings would exist. It appears as though the state is relying on the employment of individuals with disabilities to create the savings. Dr. Robert Moser, Secretary of the Kansas Department of Health and Environment, indicated the concept is to partner with these managed care organizations (MCOs) to reduce unnecessary health care costs through a variety of mechanisms that will increase the quality of care for various populations, to intensively manage high-cost health care cases, and to focus on preventive and behavioral changes that will generate savings for the state. A component within the KanCare proposal is to stabilize the populations within the managed care organizations, to partner with the three managed care companies, and to hold them accountable for outcomes, particularly for the developmentally disabled (DD) and the frail elderly (FE). These are the two populations who will enter the Medicaid program and will remain in the program for a long period of time. Significant savings are not expected to be seen in the first few years of the program, but most studies demonstrate that a 6 percent savings yearly can be achieved subsequent years.

A committee member inquired about the plan for reducing DD waiting lists, Dr. Moser indicated it is hoped that with Medicaid stabilization and individual employment, eligible individuals could begin to receive benefits and move from the waiting list.

Secretary Sullivan added that individuals and families would have an opportunity to choose their provider. With regard to the question concerning how families will choose a MCO vendor, Secretary Sullivan explained that in January 2013, Aging and Disability Resource Connections (ADRCs) entities would assist in the enrollment process and provide counseling to eligible individuals for waiver services. CDDOs, by statute, are required to perform this function for DD waivers; at the current time, Secretary Sullivan indicated that collaboration with InterHab will occur in order to develop a counseling plan for DD waiver beneficiaries. Once a family/individual chooses a MCO, they are locked into that decision for one year until the next open-enrollment period.

Senator McGinn indicated addition discussion will occur in the next week concerning Medicaid reform and managed care in Kansas.

The meeting was adjourned at 12:02 p.m.