

SESSION OF 2014

SUPPLEMENTAL NOTE ON SENATE BILL NO. 271

As Amended by Senate Committee on Judiciary

Brief*

SB 271 would amend the Medicaid Fraud Control Act as follows:

- Rename the crime of making a false claim, statement or representation to the Medicaid program to “Medicaid fraud”;
- Add the intentional execution or attempt to execute a scheme or artifice to defraud Medicaid or any Medicaid contractor or subcontractor to the definition of the crime;
- Restructure the applicable severity levels so that, for each individual count involving an illegal claim, the severity level would depend on the aggregate amount of payments illegally claimed, as follows:
 - \$1,000,000 or more, a severity level 2, nonperson felony;
 - at least \$250,000 but less than \$1,000,000, a severity level 3, nonperson felony;
 - at least \$100,000 but less than \$250,000, a severity level 4, nonperson felony;
 - at least \$25,000 but less than \$100,000, a severity level 5, nonperson felony;
 - at least \$1,000 but less than \$25,000, a severity level 7, nonperson felony;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- less than \$1,000, a class A nonperson misdemeanor, unless committed by a person convicted of a violation of this section within the previous 5 years, where it would be a severity level 7, nonperson felony;
- Provide definitions for “aggregate amount of payments illegally claimed” and “pecuniary harm”;
- Impose a fine of \$1,000 to \$11,000 per violation, on any person convicted of a violation of the act, if requested by the Attorney General, and direct the revenue from this fine to the False Claims Litigation Revolving Fund; and
- Make technical changes to correct statutory and agency references.

Background

SB 271 was introduced by the Senate Committee on Judiciary at the request of the Attorney General’s Office. In the Senate Committee, Attorney General Schmidt and another representative of his office testified in support of the bill. There was no opponent testimony.

The Senate Committee amended the bill to make technical corrections to statutory references and the crime definition.

According to the fiscal note prepared by the Division of the Budget on the bill, the Office of the Attorney General indicates fine proceeds would provide additional funding for investigation and litigation of Medicaid fraud, but it is not possible to estimate the proceeds.

The Kansas Sentencing Commission estimates that the bill would require two additional prison beds in FY 2015 and seven additional prison beds by FY 2024.

For all crimes, the Kansas Sentencing Commission estimates that the number of inmates will be below available capacity (9,636 as of January 13, 2014) by 103 beds in FY 2014 and by 196 beds in FY 2015. However, starting in FY 2017, it is expected that adult correctional facilities will again be over capacity. The reduction in estimates when compared to last year's projections can be directly attributed to the passage of 2013 HB 2170, the Justice Reinvestment Initiative Act. Continued population increases will require new construction providing 512 beds at a construction cost of approximately \$24.4 million and operating costs of approximately \$8.4 million (\$45 per inmate per day). If utilized, bond financing for construction would need to be authorized in FY 2016. Because it increases the number of beds needed, this bill could require earlier construction or additional funds for contract beds. Should passage of the bill require capacity beyond the scenario described above, additional costs for contract beds or facility expansion would be incurred.

Any fiscal effect associated with the bill is not reflected in *The FY 2014 Governor's Budget Report*.