

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on February 3, 2005, in Room 514-S of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Amy VanHouse, Legislative Research Department
Reagan Cussimano, Legislative Research Department
Audrey Dunkel, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Duane Goossen, Secretary, Department of Administration & Budget Director
Dr. Bob Day, Governor's Health Policy
Amy Bertrand, Department of Administration

Others attending:

See attached list.

- Attachment 1 Testimony on **ERO 33**, Duane Goossen, Secretary, Department of Administration
- Attachment 2 Background on Executive Reorganization Orders, Legislative Research Department

HB 2245 is referred to Public Safety Budget Committee.

Representative Feuerborn moved to approve, as written, the Committee minutes of January 19, 2005. The motion was seconded by Representative Bethell. Motion carried.

Chair Neufeld recognized, Duane Goossen, Secretary, Department of Administration, who presented testimony on **Executive Reorganization Order 33 (ERO 33)** (Attachment 1). Mr. Goossen introduced other resource personnel who were present to answer questions from the Committee: Dr. Bob Day, Director of Governor's Health Policy; Dr. Gary Daniels, Secretary of Department of Social and Rehabilitation Services (SRS); and Amy Bertrand, Legal Division of the Department of Administration. Mr. Goossen indicated that there is no intent by the Governor's office to request additional funding for the reorganization proposed in **ERO 33**.

Information, prepared by Alan Conroy, Legislative Research Department, on executive reorganization orders issued since the early 1970's through the present, was distributed to the Committee (Attachment 2).

The Chair recognized Dr. Bob Day, Director of Governor's Health Policy, who briefly explained the changes which are proposed in **ERO 33**. Dr. Day stated that the primary function of **ERO 33** is to move the regular medical portion of Medicaid under a single umbrella and combine it with the administrative functions of the State employee's health plan. The waiver programs and long-term care programs will remain with the Department of Social and Rehabilitation Services (SRS). Dr. Day indicated that staff who will move with the programs, have been identified. The Ticket to Work program will continue to be administered by SRS.

Responding to questions from the Committee, Mr. Goossen, Dr. Day and Ms. Bertrand explained:

- Goal of the reorganization, is not to expand government but to reduce the functions of SRS to focus more on human services, and bring the medical portion into a new department to focus on healthcare purchasing.
- There will be a one-time cost involved with the move to the new department: 50 percent to be paid

CONTINUATION SHEET

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by the federal government and 50 percent by the State. The approximate cost will be \$1,000 - \$1,200 per staff member, with approximately 78-85 staff members involved. The cost will be absorbed within the existing budget.

- Programs to remain in SRS include health-care products, long-term care, home-community based waivers, caseload estimating process, mental health services-policy and budget components.
- The new proposed division of health policy and finance will work to insure that Medicaid claiming meets requirements. They also will work with other agencies, such as Department on Aging, to create policy and work with issues relating to Medicaid. SED waivers will continue to be handled by Mental Health Division of SRS.
- At the present time, the Healthcare Data Governing Board is not included in the **ERO**; however, it is the Governor's intent to move this Board to the proposed division of health policy and finance through a memorandum of understanding. Claims data will be expanded to include information from Insurance Department, Medicaid data, state employee data and self-insured plans. This will expand information data available in order to improve the quality of healthcare.
- Current classified employees will remain as classified employees; vacancies could be filled with unclassified employees or as otherwise provided by law.
- Reasons for the reorganization include ability to consolidate purchasing power for healthcare, improve quality of healthcare, more efficiency, and bring about a new approach to the purchase of health care from the provider. In past years, Medicaid has moved from a welfare program to an insurance program and occupies approximately 80 percent of the SRS budget at the present time.
- Rural health is an important issue, as well as the availability of physicians in rural areas.

Although the Committee felt it is important to make change where improvement can be made, they continued to express their concern about the lack of details, the lack of communication with the Legislature to ensure that the Legislature was made a part of the process in the reorganization effort, why the reorganization was proposed and how the reorganization would be accomplished. The Committee felt it is important to bring about cost containment, to recognize the role of state government in healthcare and to research successful programs in other states before implementing the reorganization in Kansas. The Committee expressed concern that the state has a Director of Health within the Department of Health and Environment; however, this position will be disconnected from the new proposed division of health policy and finance. Because of the magnitude of the reorganization and the fact that SRS has the second largest budget of the State, the Committee felt it is important to include other entities in the process and further involve the Legislature in the process before any action is taken to advance the ERO.

The Chair requested that information be provided to the Committee on Monday, February 7, 2005, in the form of an organizational chart; detailed budget and how the dollars will move from SRS to the proposed division of health policy and finance; number of staff positions involved and budget for these positions; and other articles of the reorganization to be accomplished by administrative intent that are not included in the ERO.

Responding to a question from the Committee with reference to the House rules related to **ERO 33**, Jim Wilson, Revisor of Statutes, stated that **ERO 33** was introduced to the House on January 12th and referred to the Appropriations Committee on January 13th. Under House rules, the Committee has thirty calendar days from referral, or until Saturday, February 12, 2005, to report its recommendations (Rule 4502). If the Committee fails to report, it is deemed to have returned the matter to the House without recommendation (Rule 4503). The House then has until the 60th calendar day following transmittal to the House, or until Sunday, March 13, 2005, to take up the matter (Rule 4504).

The Chair noted that detailed information on **ERO 33** was not available or provided to the Legislative Research Department or to the Committee during the first two weeks of the legislative session which caused a delay in hearing testimony by the full Committee.

The meeting was adjourned at 11:00 a.m. The next meeting of the Committee will be held on Friday, February 4, 2005, with an overview from the Department of Corrections, Juvenile Justice Authority, Sentencing Commission and Board of Indigents' Defense Services. Committee discussion on **ERO 33** will be continued at the meeting on Monday, February 7, 2005.