

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Representative Kenny Wilk at 9:00 a.m. on February 5, 2002, in Room 514-S of the Capitol.

All members were present except: Representative Tom Klein, Excused
Representative Jeff Peterson, Excused

Committee staff present: Alan Conroy, Legislative Research
Amy Kramer, Legislative Research
Audrey Nogle, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Barb Hinton, Legislative Post Audit
David C. Riley, Bland and Associates
George Barbee, Kansas Consulting Engineers
Clay Blair, President, Board of Regents
Dr. Kim Wilcox, Board of Regents
Joe Fritton, Facilities Management, DOA
Carey Peterson, Association of General Contractors of KS

Others attending: See Attached

Barb Hinton, Legislative Post Audit, introduced David C. Riley, Bland and Associates, who presented the Performance Audit Report on Medicaid Cost Containment: Controlling Fraud and Abuse (Attachment 1). \$1.38 billion in Medicaid claims is made every year by \$270,000 Kansans. The federal government is responsible for 60% of the cost while Kansas is expected to make the other 40% payment. There is an estimated \$138 million in fraudulent claims made every year in Kansas which costs Kansas tax payers more than \$55 million. The Attorney General's Office's Medicaid Fraud and Abuse Division provides the investigative and prosecutorial arm to the State's Medicaid fraud identification process but only through referral. At this point the federal government does not allow this enforcement area to be proactive and seek out fraud. In order to change this position, the law must be changed at the federal level or, in the alternative, the state's have the right to refuse federal funding. He encouraged lobbying at the federal level to get this law changed. Nebraska has a waiver in place regarding the federal funding dollars and the state employees are doing the work.. Mr. Riley recommended that the Kansas legislature adopt a false claim act which would provide empowerment to the Attorney General's office in this area. If a grading system was in place for identifying fraudulent claims, Kansas would receive a C- or a D in this arena.

Both Blue Cross and Blue Shield of Kansas and the Surveillance and Utilization Review (SUR) Unit of SRS were cited as being ineffective in their job charges of watching for Medicaid abuse and fraud. SRS is not managing their units of providers nor profiling trends and abuses through a data base as they have indicated they do not believe fraud is as pervasive in Kansas as has been cited. It was noted that dentists are rarely investigated as there is such a shortage that provide services for Medicaid clients. The most often-cited areas for fraudulent claims are with durable medical equipment, chiropractors who bill as physical therapists, physical therapists, and managed care organizations. The introduction and implementation of the HealthWave program has opened the door to more children and families to be identified as Medicaid eligible.

Continued Hearing on HB 2690– Regents research and development facilities

Jim Wilson, Office of the Revisor of Statutes, presented an explanation of the proposed replacement section in Section 10 of the bill relating to exemption from certain statutory provisions (Attachment 2).

Dr. Kim Wilcox, Executive Director of the Board of Regents, stated that the Regents never intended to be exempted from accountability and construction efficiency as is designated in the statutes. These proposed exemptions remove redundancy but leave in place the safeguards.

George Barbee, Executive Director of Kansas Consulting Engineers, acted as spokesperson for his group as

well as the Kansas Society of Professional Engineers and the Kansas AIA. He reported that all interested parties had met and had come to an agreement regarding the proposed replacement section and exemptions. They were also in agreement that the Board of Regents and the Division of Facilities Management, Department of Administration, should negotiate the scope of services and the percentage fee which would be charged for inspection of plan design, construction documents, and project construction. Even though this project would be tied to the bonding and funds available, the bonds might stretch out for future use.

Clay Blair, President of the Board of Regents, explained that this legislative movement would break the chains of inefficiency of the past by using a format that gathers the educators, professional engineers, architects, and experts on research facilities involved, and have them work together in the most efficient way and economical way. Maximum flexibility is needed to make this venture successful. The State represents only 25% of the transaction with a cap of \$50 million. The other partners are the federal government, private enterprise, and the lending institution who are providing oversight at all levels. At this point the money is available at the most economical rate in recent history. If the statutorily-approved method is used for this venture, it will take months to have the designs approved and code inspections would be delayed. The plan is to have an operating oversight group comprised of two regents and 3 lay persons. Measurable outcomes of the success of the program will be available within three to four years after completion of the buildings.

Joe Fritton, Facilities Management Division of the Department of Administration, explained that the current statutes were designed to facilitate the traditional method of construction used in the late 1970's: design, bid, and build. (Attachment 3). He was in agreement to updating the statutes to facilitate new construction processes while ensuring the protection of tax payer dollars. He explained their opposition to a portion of the proposal made by the Board of Regents and provided an amendment which would change the composition of the board of directors of the subsidiary corporation and make the Secretary of Administration in charge of administrative oversight of building design, construction, and code compliance. Also, all deviation from exempted statutes would be presented to and need approval by the Joint Committee on State Building Construction.

During Committee discussion of the proposed amendments, the matter of the Secretary of Administration being given expanded authority was questioned. Mr. Blair agreed that inspections could be provided by the state or local governments on a timely basis but was reluctant to agree to the inflated inspection fee of 1% as charged by the Division of Facilities Management.

Corey Peterson, Association of General Contractors of Kansas, requested that the competitive bidding statutes remain in the bill. The Regents agreed with this request.

Representative Melvin Neufeld moved for the introduction of legislation regarding vaccines being furnished by local health departments. Motion was seconded by Representative Pottorff. Motion carried.

The meeting was adjourned at 10:50 a.m. The next meeting is scheduled for Wednesday, February 6, 2002.

CONTINUATION SHEET