

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Kevin Yoder at 9:06 a.m. on January 13, 2010, in Room 346-S of the Capitol.

All members were present except:

Representative Owen Donohoe- excused
Representative Kasha Kelley- excused

Committee staff present:

Jim Wilson, Office of the Revisor of Statutes
Nobuko Folmsbee, Office of the Revisor of Statutes
Alan Conroy, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Jonathan Tang, Legislative Research Department
Stephen Huggins, Chief of Staff
Kathy Holscher, Committee Assistant, Appropriations Committee

Others attending:

See attached list.

- Attachment 1 Kansas Department on Aging Budget Adjustments FY 2010 and FY 2011
- Attachment 2 Kansas Department of Social and Rehabilitation Services Medicaid Reductions
- Attachment 3 Kansas Health Policy Authority Budget Reductions in Medicaid and Alternative Sources of Savings
- Attachment 4 Johnson County Developmental Disabilities Alternative Proposal to Medicaid Rate Reductions
- Attachment 5 Johnson County Commissioners Medicaid Reductions

Chair Yoder welcomed committee members and introduced Stephen Huggins, Chief of Staff and committee interns Kate Stark and Robert Swift.

Marty Kennedy, Acting Secretary, Department on Aging, presented an overview of the programs and services provided and the Kansas Department on Aging Budget Adjustments for FY 2010 and FY 2011, (Attachment 1). The total budget is \$491.1 million with the largest portion supporting Nursing Facilities, 92% of the total budget is funded by medicaid reimbursements and 97% of the budget goes to direct services to individuals, he stated. Mr. Kennedy stated that there were no budget cuts to nutrition programs due to American Recovery and Reinvestment Act, (ARRA) funding in the amount of \$865,164 and allotments reduced Medicaid reimbursements by 10%. He also discussed waiting lists for the Home and Community Based Services for the Frail Elderly, waiting lists and the cost for providing these services for those individuals in nursing homes.

Marty Kennedy and Bill McDaniel responded to questions from committee members regarding program utilization, waiting lists, budget adjustments and inspections. It was noted that 550,000 people are using services, which represents 10% of the total state population and there has not been a waiting list on the Frail Elderly waiver since FY 2002. Three nursing facilities have closed as there was not a need for beds. ARRA funding presently represents 70% federal dollars and 30% is state matching funds. In 2011 the federal dollars will be at 60% and state dollars at 40%. Projected allotments for FY 2011 could result in layoffs, closures and reduction in programs and services, Mr. Kennedy stated.

Don Jordan, Secretary, Kansas Department of Social and Rehabilitation Services, presented an overview of the impact of the Medicaid Reimbursement Rate Reductions, (Attachment 2). He stated that a 10% reduction in FY 2010 budget would amount to a decrease of \$6.2 million in state general funds or \$19.3 million in All Funds for Medicaid programs. He added that the agency has experienced a 50% reduction in funding over the past few years.

Secretary Jordan responded to questions from committee members regarding the impact of budget cuts which would reduce mental health services and place additional responsibility on counties to respond. Reductions

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:06 a.m. on January 13, 2010, in Room 346-S of the Capitol.

in services in order to balance projected expenditures for FY 2010 and FY 2011 waivers were reviewed. Concern was expressed for meeting statutory requirements and the need to ensure quality of life, safety and security issues was emphasized. Rates for services received and subsidized Medicaid payments for those services and demographics vary throughout the system, he noted. Efforts to work with staff to correct the way funds are allocated which in some cases have been based on an old funding formula for state aid are underway, he added. Further information was provided concerning board structure, and contract regulations regarding access to care and benefit packages, which are reviewed and budgeted by each mental health center. He noted that there are 28 facilities statewide.

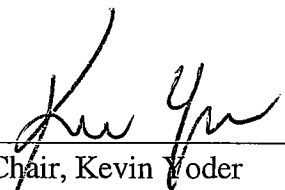
Andy Allison, Acting Executive Director, Kansas Health Policy Authority, presented an overview of the Kansas Health Policy Authority Budget Reductions in Medicaid and Alternative Sources of Savings, (Attachment 3). He stated that 95% of the budget costs are caseloads. Implementing the 10% rate reduction and the impact of those cuts was reviewed. The current federal matching rate is 69.8%, he noted. Provider response to Medicaid budget reductions and reducing Medicaid spending was reviewed.

Mr. Allison responded to questions from committee members regarding eligibility, cost saving measures and rate determination.

Maury Thompson, Executive Director, Johnson County Development Supports, presented information on the Johnson County Developmental Disabilities Alternative Proposal to Medicaid Rate Reductions, (Attachment 4). He discussed the Governor's allotment and alternate proposal. Mr. Thompson reviewed the contents of the Johnson County Commissioners Medicaid Reductions, (Attachment 5).

The next meeting is scheduled for January 14, 2010.

The meeting was adjourned at 10:43 a.m.



Chair, Kevin Yoder

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: January 13, 2010

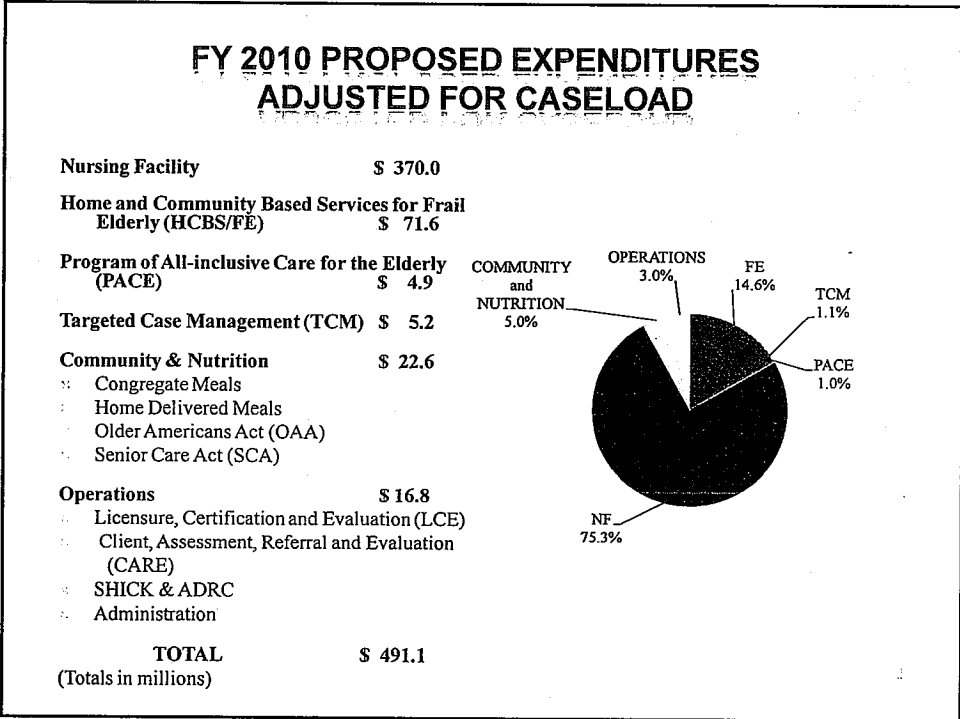
NAME	REPRESENTING
Paul Johnson	Kansas Catholic Conf.
Cindy Luxem	KHCA
Mark Bozanyet	CAPITOL STRATEGISTS
Petrick Wesley	PT
Robin Clemons	Public Relations LLC
Halle Ring	TFI
Steve Solomon	TFI
Rachelle Colombo	KS Chamber
Matt Casey	GBA
Joe Ewers	Kansa
Kevin Siek	TILRC
Kelli Kirkwood	KLA
Marty Kennedy	KDOA
Dustin Mop	KAPA
Teresa Schwab	REACH
Bob Mally	REMARK & Assoc.
Katy Belot	SRS
Don Jordan	SRS
Lois Weeles	SRS

Leigh Beck

HLF

House Committee on Appropriations
 Jan. 13, 2010
 Martin Kennedy, KDOA Acting Secretary

FY 2010 AND FY 2011 BUDGET ADJUSTMENTS



SFY 2010 BUDGET ADJUSTMENTS

- Current state support for nutrition programs was not cut because ARRA funds provided \$865,164 for nutrition programs over 2 years.
- The HCBS-FE waiver was funded at the 2009 level, which did not provide for case load growth. Some services have been suspended.
- Nursing home rates were held flat.
- Senior Care Act funding was reduced \$1.3 million (\$829,048 for services; \$484,110 for admin.)
- AAA core funding was suspended. (\$750,000)
- Allotments reduced Medicaid reimbursements by 10% and required administrative cuts of \$333,000 from SGF, along with a corresponding loss of federal matching funds.

SFY2010 10% MEDICAID PAYMENT REDUCTION

Medicaid Program-Total Funds	Pre-Allot. Caseload Budget	10% Reduction	Post Allot. Budget
Nursing Facility	\$370,000,000	\$9,250,000	\$360,750,000
Home and Community Based Services-Frail Elderly (HCBS-FE)	71,561,929	1,789,048	69,772,881
Targeted Case Management-HCBS-FE	5,200,000	130,000	5,070,000
Program for All-Inclusive Care for the Elderly (PACE)	4,864,081	121,602	4,742,479
Total Medicaid Budget	\$451,626,010	\$11,290,650	\$440,335,360
Medicaid Program-State General	Pre-Allot. Caseload Budget	10% Reduction	Post Allot. Budget
Nursing Facility	\$112,424,500	\$2,810,150	\$109,614,350
Home and Community Based Services-Frail Elderly (HCBS-FE)	21,758,332	543,513	21,214,819
Targeted Case Management-HCBS-FE	1,580,020	39,494	1,540,526
Program for All-Inclusive Care for the Elderly (PACE)	1,477,951	36,943	1,441,008
Total Medicaid State General Fund	\$137,240,803	\$3,430,100	\$133,810,703

FY 2011 BUDGET PLANNING

- ※ The uncertainty of State revenues requires close scrutiny of programs on a month-by-month basis.
- ※ HCBS-FE expenditures will be tracked carefully to avoid a waiting list.
- ※ Operating costs will continue to be constrained, including holding vacant positions open. The first priority in operations is to maintain health and safety through adult care home surveys.

FY 2011 BUDGET ADJUSTMENTS

The Governor's Budget Recommendation includes several additional reductions. The following reduced resources items were included in FY 2011:

Senior Care Act (SCA)

-- Reduce SGF for SCA direct services by \$315,484. This represents a 15% reduction in the total SGF budget for direct services. It does not include a reduction in the federal Social Service Block Grant (SSBG) funds. The reduction will result in approximately 245 seniors no longer receiving SCA services during the year.

Agency Operations

- Reduce its SGF operations \$130,400 (\$335,832 all funds).
- Professional fees reduced \$18,412 through negotiation with contractors to reduce fees and cutbacks on deliverables.
- 6.75% across the board reduction in travel.
- Delay lifecycle capital information technology equipment replacement for another year.

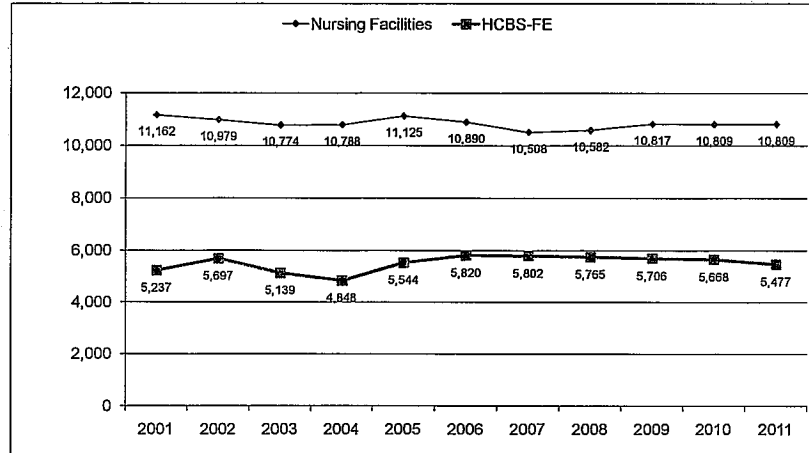
SFY2011 10% MEDICAID PAYMENT REDUCTION

Medicaid Program- Total Funds (Millions)	Pre-Allot. Budget	10% Reduction	Post Allot. Budget	Caseload Adj.	Adj. Budget
Nursing Facility	\$368,091,544	\$37,370,000	\$330,721,544	\$5,608,456	\$336,330,000
Home and Community Based Services-Frail Eldery (HCBS-FE)	70,657,621	7,065,762	63,591,859	-1,293	63,590,566
Targeted Case Management-HCBS-FE	5,201,293	520,000	4,681,293		4,681,293
Program for All-Inclusive Care for the Elderly (PACE)	5,743,526	574,353	5,169,173		5,169,173
Total Medicaid Budget	\$449,693,984	\$45,530,115	\$404,163,869	\$5,607,163	\$409,771,032
Medicaid Program-SGF (Millions)	Pre-Allot. Budget	10% Reduction	Post Allot. Budget	Caseload/FMAP Adjustment	Adj. Budget
Nursing Facility	\$128,714,251	\$13,314,931	\$115,399,320	\$4,435,073	\$119,834,393
Home and Community Based Services-Frail Eldery (HCBS-FE)	24,707,557	2,517,531	22,190,026	467,754	22,657,780
Targeted Case Management-HCBS-FE	1,818,788	185,276	1,633,512	33,972	1,667,484
Program for All-Inclusive Care for the Elderly (PACE)	2,008,396	204,642	1,803,754	38,022	1,841,776
Total Medicaid SGF	\$157,248,992	\$16,222,380	\$141,026,612	\$4,974,821	\$146,001,433

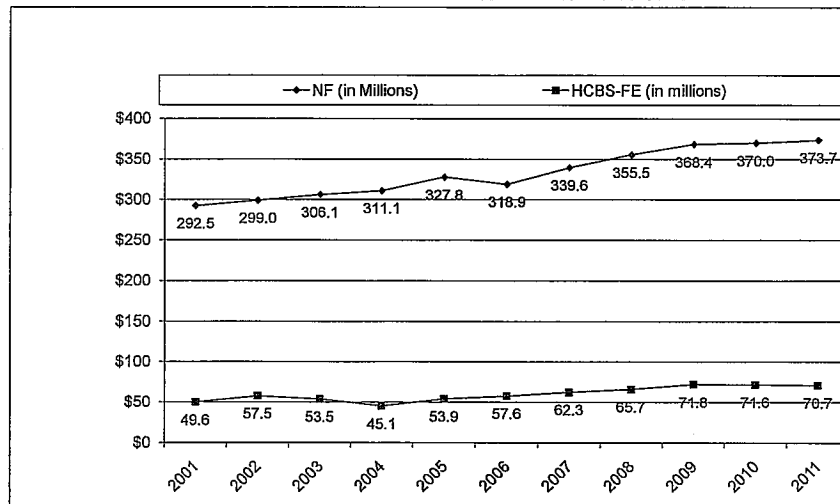
HCBS-FE STATE FY 2010 SERVICE REDUCTIONS

HCBS-FE Service	Customers	Projected Savings	Projected Savings
		State General Fund	Total Funds
Assistive Technology	66	\$86,543	\$288,477
Sleep Cycle Support	275	216,563	721,876
Oral Health Services	113	113,310	377,700
Comprehensive Supports	110	<u>208,946</u>	<u>696,488</u>
Total Projected Savings		\$625,362	\$2,084,541

KANSAS LTC MEDICAID AVERAGE CASELOAD



KANSAS LTC MEDICAID EXPENDITURES



The logo features the word "KANSAS" in a bold, sans-serif font. A stylized, curved line arches over the letters, ending in a five-pointed star.

KANSAS

DEPARTMENT OF SOCIAL
AND REHABILITATION SERVICES

Don Jordan, Secretary

House Appropriations Committee
January 13, 2010

Medicaid Reimbursement Rate Reductions

Secretary Don Jordan

For Additional Information Contact:
Katy Belot, Director of Public Policy
Docking State Office Building, 6th Floor North
(785) 296-3271

Appropriations Committee
Date 1-13-10
Attachment 2-1

Medicaid Reimbursement Rate Reductions

House Appropriations Committee January 13, 2010

Thank you for the opportunity to testify today regarding the impact of the 10% Medicaid rate reduction that was instituted as a part of the November allotment reductions. For SRS, the 10% reduction in FY 2010 results in a reduction of \$6.2 million SGF (\$19.3 million All Funds) across all Medicaid programs. Attachment A details the estimated reductions by provider group in FY 2010. These cuts will reduce access to services for clients and impact the financial viability of Medicaid providers. The extent of this impact will differ by provider type and is also dependent on how long these reductions are in place. The following paragraphs further describe some of the anticipated impacts by provider and service type.

Community Mental Health Centers

The Governor's November 2009 allotment reduced Medicaid reimbursement rates by 10%. The Prepaid Ambulatory Health Plan (PAHP) is Kansas' community based mental health managed care program. The rate cut will reduce expenditures in the PAHP by a total of \$4,904,656 and reduce the share paid to CMHCs by an estimated \$4,664,818. This will seriously affect the financial viability of many CMHCs. As many as one third of CMHCs experienced an operating loss in their last reported fiscal year. The Medicaid rate reduction will worsen this situation and could threaten the ability of some CMHCs to remain open. Some CMHCs have already begun laying off staff. Other effects will be better known in the weeks ahead once CMHCs have a chance to assess the full impact of these budget cuts.

Independent Mental Health Providers.

One of the goals of community based mental health managed care was to expand the choice of mental health providers in the state. On July 1, 2007, prior to the inception of the managed care program, there were 654 independent mental health practitioners who were not working for CMHCs. Kansas Health Solutions, the managed care organization, now has 1,410 independent mental health practitioners enrolled in Medicaid. The rate reduction will reduce payments to these providers by about \$239,838. Since these providers are not statutorily required to provide public mental health services, they may simply choose to discontinue serving Medicaid recipients, thereby reducing choice of providers.

Psychiatric Residential Treatment Facilities (PRTF) and Nursing Facilities for Mental Health (NFs/MH).

PRTFs provide comprehensive mental health treatment to children and adolescents who, due to mental illness, substance abuse or severe emotional disturbance, require treatment in a residential treatment facility. In FY 2009 PRTFs served over 902 children and adolescents. NFs/MH provide supports and treatment for persons with a severe and persistent mental illness (SPMI) who are unable to live successfully in the community without intensive levels of assistance. NFs/MH served 757 residents in FY 2009.

Both NFs/MH and PRTFs must meet federal Medicaid requirements. Meeting these requirements at current reimbursement rates is difficult for some facilities. Funding cuts may result in serious deficiencies in meeting requirements, some that could put residents at risk of harm. Some facilities may choose to close or be forced out of business. Residents in these facilities will need a home with intensive supervision for them to live successfully in the community or they will be referred to state mental health hospitals, who are also experiencing budget cuts. The number of families in crisis will increase if children with a serious SED are returned home. There could also be an increase in homelessness for adults with an SPMI.

Community Supports and Services

The 10% rate reduction to the Medicaid Home and Community Based Services waiver programs will have several effects on providers. We will see larger group living arrangements as providers move individuals from 2-4 bed homes into 5-7 bed homes to decrease the number of necessary staff. Consumers may see an impact on the quality of care due to a higher staff to consumer ratio in day and residential settings. Providers that have not been fiscally sound will go out of business, and smaller providers may be forced out of business regardless of their financial position. Individuals who self-direct their services will not be able to find attendants due to the decrease in the hourly rate.

Addiction and Prevention Services

The network of providers who deliver substance abuse services in Kansas has relied on Medicaid funding to support their operations. As a result of the rate reductions, capacity for needed services will continue to shrink and waiting lists will become a reality. Reduced medical services at treatment centers may result in more referrals to emergency rooms. Fewer dollars for client medications will ultimately affect client outcomes. Dollars for transportation of clients will be reduced. Some treatment employees will see their positions reduced from full-time to part time to eliminate employee benefit costs, and some treatment positions will remain open. Some providers are also considering layoffs and furloughs as an effort to reduce costs.

The Governor's FY 2011 budget recommendation restores Medicaid rates to their prior levels.

Thank you for the opportunity to testify. I would be happy to answer any questions.

FY 2010 SRS 10% Medicaid Rate Reductions

SRS	SGF	AF
Nursing Facilities/Mental Health	(347,500)	(406,290)
PD TCM	(42,187)	(138,865)
Head Injury Rehabilitation Hospitals	(71,292)	(234,667)
Positive Behavior Support	(1,440)	(4,742)
CDDO Targeted Case Management	(127,581)	(419,950)
Substance Abuse Treatment-PIHP	(170,000)	(559,579)
Behavior Management Services/PRTF	(319,588)	(1,051,968)
Prepaid Ambulatory Health Plan-PAHP	(1,585,642)	(4,904,656)
HCBS/DD Waiver	(2,271,881)	(7,476,981)
HCBS/Physically Disabled Waiver	(889,918)	(2,928,808)
Head Injured Waiver	(61,271)	(201,648)
Technology Assistance Waiver	(164,475)	(541,305)
HCBS Autism Waiver	(9,511)	(31,302)
Intermediate Care Facilities--MR	(110,226)	(362,766)
Total	(6,172,512)	(19,263,525)

These amounts represent one quarter of lower rates.



Kansas Health Policy Authority

Impact of Budget Reductions in Medicaid and Alternative Sources of Savings

Testimony before the House Appropriations Committee
January 13, 2009

Dr. Andrew Allison, KHPA Acting Executive Director



Brief Overview of KHPA's Budget

- KHPA's FY 2009 budget was about \$2.6 billion
 - \$1.36 billion was non-SGF funding for KHPA medical programs
 - \$800 million was federal funds passed through to other Medicaid service agencies (SRS, KDOA, JJA, KDHE)
 - \$450 million was SGF funding for services and operations
- KHPA programs and operations are funded separately
 - FY 2009 operational funding was \$23 million SGF
 - Caseload costs are about 20 times larger than operational costs
 - Caseload savings cannot be credited to cost-saving operations
 - The federal government matches Medicaid operations at 50-90%
- Operational costs for the state employee plan are funded off-budget through standard charges to agencies for each participating employee
 - KHPA FY 2010 budget reductions concentrated on operations
 - Medicaid caseload protected due to Federal stimulus dollars
 - KHPA operational funding reduced 15.5% versus FY 2009



Overview


- KHPA Budget Summary
- FY 2010 Governor's Allotments
- Expected impact of 10% reduction in provider payments
- Alternative sources of savings



FY 2010 Governor's State General Fund Allotments July 2009

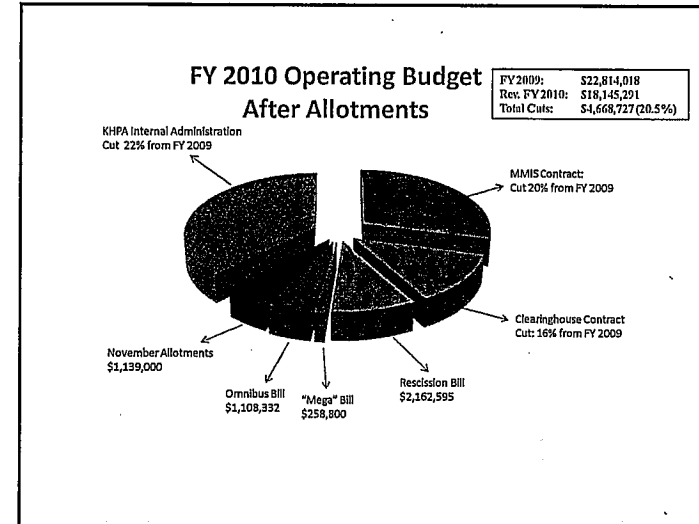
- FY 2009 Caseload Savings (\$5,300,000)
- Expansions to Pregnant Women (\$524,000)
- Increased FM/AP Rate (\$6,300,000)
- No impact on current services

**FY 2010 Governor's
State General Fund Allotments
November 2009**




- Caseload reductions
 - Across-the-board 10% reduction in Medicaid provider rates
 - Limitation on MediKan benefits to 12 months
- Administrative reduction of \$1.13 million SGF
 - Total impact is \$2.5 million all-funds
 - Cumulative 20.5% reduction since approved FY 2009
 - Allotment represents 5% reduction on FY 2009 base
- SCHIP reduction of \$1 million SGF
 - Growing backlog may reduce pressure on funding
 - Waiting to see the impact of the January 1st expansion in coverage to children between 200% of the FY 2009 poverty level and 250% of the 2008 poverty level

5




**Summary of November 2009
Allotment for KHPA Operations**



- Freeze KHPA staff overtime and reduce KHPA staff through attrition (109,000) SGF
- Eliminate extra contract funding dedicated to the Clearinghouse eligibility backlog (140,000)SGF
- Cut State staff overtime dedicated to the Clearinghouse eligibility backlog (60,000) SGF
- Reduce scope of services in the Clearinghouse contract (197,000) SGF
- Amend verification policies and reduce call center capacity at the eligibility Clearinghouse (233,000) SGF
- Lapse funds from FY 2009 (150,000) SGF
- Eliminate the call center for Medicaid providers and significantly reduce call center capacity for Medicaid beneficiaries (250,000) SGF

7

**Focus: Eliminate Added Capacity at
the Eligibility Clearinghouse**



- Extra contract funding and state staff overtime dedicated to the eligibility Clearinghouse backlog
- Loss of funding will lead directly to growth in the backlog of applications, estimated backlog in June 2011 of 33,000
- Growing backlog will result in delayed or foregone medical care for beneficiaries and a loss of revenue for providers
- Created the potential violation of federal 45 day processing time requirements
- Threatens compliance linked to ARRA funding
- Potential loss of up to \$11 million in CHIPRA bonus payments
- Potential threat to \$40 million HRSA grant for improved eligibility operations

8



Focus: Examples of Simplifications to Medicaid/SCHIP Applications

- Self declaration of child support
- Eliminate trust test for "Caretaker Medical" (low-income parents)
- Self declaration of pregnancy
- Eliminate mid-year reporting for Transitional Medical recipients
- Continuous 12-month eligibility for caretaker medical (parents)
- Change income calculation for new applicants with new jobs
- Focus state workers on oversight and processing, not duplication
- Rely on Department of Labor wage information
- Pre-populate review form with lessened verification requirements
- New HW application designed to get questions answered accurately and to obtain necessary information



Focus: Eliminate Provider Call Center and Reduce Customer Service

- Option eliminates all Medicaid provider service and reduces customer service at the fiscal agent (HP)
- Fiscal agent receives 250,000 calls per year from providers and beneficiaries, those callers will now be directed to a web portal for information
- Call volume may divert to KHPA staff, but we have no capacity to manage the increase
- Payment accuracy likely to decline, resulting in higher caseload costs
- No in-person training for new providers or changes in billing without the Provider liaisons
- Strain in relationships with Medicaid Providers
- Increase in payment appeals




Implementing the 10% Rate Reduction

- The "Budget Shortfall" payment reduction applies to the Medicaid paid amount (net reimbursement amount)
- Reductions are effective with dates of service on and after January 1, 2010
- The reduction applies to all providers as indicated in the public notice, published in the Kansas Register, December 17, 2009
 - HealthWave MCOs will pass the reductions through beginning in March or April, following mandatory advance CMS approval of the reduced capitation payments
 - The reduction will apply to paid claims, Medicaid disproportionate share payments, graduate medical education payments, critical access hospital settlements, Rural Health Clinic (RHC) cost settlements, Federally Qualified Health Center (FQHC) cost settlements, payments for Home and Community Based Services (HCBS) waivers, targeted case management, psychiatric residential treatment facility (PRTF), nursing facility for mental health (NF/MH), community mental health center (CMHC), substance abuse, head injury rehabilitation, and other payments.
 - The reduction does not apply to state Institutions (University of Kansas hospital, state psychiatric institutions), nor to payments set by Federal regulation (i.e., through Medicare)



Financial Impact of the 10% Reduction


- At least \$18 million in savings to the state expected in FY 2010
 - About \$8 million SGF for payment reductions to fee for service medical care providers
 - More than \$10 million in expected savings through Medicaid services overseen by SRS and KDOA
 - Additional savings through managed care plans to be implemented following CMS approval
- The current federal matching rate is approximately 69%
- Providers experience the all funds reduction
 - Impact on providers is more than three times the savings to the state (1/.31 = 3.2)
 - Providers will experience a \$58 million reduction in payments in FY 2010
- Foregone Federal matching payments will total approximately \$40 million in FY 2010
- The impact in FY 2011 will be at least twice as great if the reductions continue
 - Full year impact on providers (all funds) would be around \$150 million
 - Up to \$25-30 million additional impact through HealthWave MCOs, pending CMS approval
 - ARRA stimulus payments expire in December 2010, after which the state match reverts to about 60%
 - State savings in FY 2011 would be around \$50-55 million
 - Foregone Federal matching payments would be around \$95-100 million



Provider Response to Medicaid Budget Reductions


- Rate reduction has prompted a strong reaction from a wide spectrum of providers
 - Impact is likely to vary by type of provider
 - Impact of rate cuts different if providers view it as permanent
 - Many have expressed concerns about the impact reductions will have on access to providers for Medicaid and SCHIP recipients
- Providers have expressed some of their deepest concerns over the latest reductions in customer service
 - A majority of KHPA administrative costs are outsourced through competitively bid contracts (fiscal agent; eligibility clearinghouse)
 - Alternatives are limited and reduce capacity for effective management of caseload costs

13



Alternative Savings in Medicaid


14



Reducing Medicaid Spending: Overview

- Medicaid spending is determined by four key factors
 - People covered, e.g., elderly, disabled, children and families, Medicaid, foster care, etc.
 - Services provided, e.g., hospital services, pharmacy, mental health, nursing homes, community-based care, home health, hospice, etc.
 - Rates paid to each type of provider
 - Utilization of each service by each beneficiary
- Opportunities for reductions in spending differ
 - People covered
 - ARRA requires states to maintain eligibility through January 1, 2011
 - House and Senate health reform bills would extend that requirement indefinitely
 - Services provided
 - Some of the most expensive services are mandated by Federal statute
 - Optional services are not protected in ARRA
 - Rates
 - Rates are set, by and large, by fee schedule
 - Current ten percent reduction is at the upper end of imposed cuts nationally
 - Utilization of services
 - Health care management is intended to reduce unnecessary care and improve quality prevention

15




Reducing Medicaid Spending: People Covered

- Distribution of spending across all populations varies widely
 - Low income families and children comprise about half of Medicaid enrollment (52% in FY 2009) and account for one-fifth of spending (21%)
 - Aged beneficiaries comprise about one tenth of Medicaid enrollment and account for nearly one-quarter of spending (23%)
 - Disabled beneficiaries comprise about one fifth of enrollment (18%) and account for nearly half of spending (47%)
- Spending for optional covered populations is concentrated among the elderly and disabled
 - SCHIP coverage of Children above 100% to 150% of poverty, depending on age, totals approximately \$64 million AF (FY 2009)
 - Medicaid coverage of Newborns aged 0-1 between 133% and 150% of poverty could not be reduced without first eliminating SCHIP (no current estimate)
 - Spending on optional Aged and Disabled populations totals approximately \$163 million (FY 2009)

16

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Reducing Medicaid Spending: Services Provided

- Optional services comprise about 31% of total Medicaid spending
- No medical services are optional for children
- Largest optional services for adults
 - Home and community based service waivers (\$577 million AF; \$175 million SGF)
 - Prescription drugs (\$116 million AF; \$38 million SGF)
 - Hospice services (\$27 million AF; \$8 million SGF)
 - Targeted case management for the MR/DD population and ICFs/MR (each about \$13 million AF; \$4 million SGF)
- Largest optional services are preferred substitutes for mandatory services
 - Eliminating optional services would cause harm to beneficiaries
 - A significant percentage of spending on optional services would shift to other, more intensive services
 - pharmacy, hospice, mental health → inpatient hospital
 - HCBS → nursing facilities


17



Reducing Medicaid Spending: Health Care Management and Quality Improvement

- Recent KHPA initiatives
 - Health Promotion for Kansans with Disabilities Transformation Grant
 - Enhanced Care Management Pilot Project
 - Community Health Care Record Pilot Project
 - Commonwealth State Quality Institute Phase I & II
 - Vermont Medical Home Technical Assistance Initiative
 - National Academy of State Health Policy State Consortium to Advance the Medical Home for Medicaid and CHIP Programs
- KHPA Board request to review the net impact of HealthWave managed care


18



Reducing Medicaid Spending: Health Care Management and Quality Improvement

- Recent Measures Taken by Administrative Action
 - Transformation Recommendations Implemented
 - Reasonable pricing requirements for durable medical equipment
 - Outsourced management of non-emergency transportation
 - Developed diabetes management initiative for home health
 - (Pricing reforms in home health are in process)
 - Published performance and quality data for HealthWave
 - Established the Mental Health Advisory Committee
 - Automated Prior Authorization for Select Pharmaceuticals
 - Increased Presumptive Eligibility Sites

19



Reducing Medicaid Spending: Health Care Management and Quality Improvement

- Reduction Options Included in FY 2011 Budget Submission
 - Streamline Prior Authorization in Medicaid
 - \$243,000 SGF/ \$952,000 AF
 - Mental Health Pharmacy Management
 - \$800,000SGF/ \$2.0M AF
 - Align Professional Rates in Medicaid
 - \$ 1 M SGF/ \$ 2.8 M AF (Corrected)

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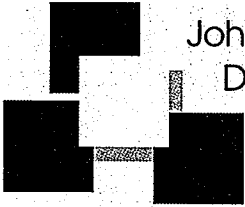
Cost-Saving Measures Taken by Other States

- Options Kansas Medicaid has already taken
 - Reductions in provider rates
 - Placing limits on community based long term care services, home health services, and private duty nursing
 - Intensifying prescription drug utilization and cost control initiatives
 - Chronic care management
 - Behavioral health utilization review
 - Post payment and hospital outlier review
 - Reduction in MCO administrative reimbursement

- Other options
 - Long term care managed care
 - 30 day no re-admit hospital policy for the same diagnosis
 - Coordination of behavioral health with physical health care
 - Incorporation of durable medical equipment costs into Home Health Nursing Home per diems
 - Eliminating optional services, e.g., hospice
 - Imposing new or higher copayment requirements, e.g., for pharmaceuticals



<http://www.khpa.ks.gov/>



Johnson County
Developmental
Supports

BUILDING RESOURCES FOR PEOPLE WITH DISABILITIES
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January 13, 2010

To: House Appropriations Committee

From: Maury L. Thompson, Executive Director
Johnson County Developmental Supports

RE: Alternative proposal to Developmental Disabilities 10% Medicaid Rate Reduction

Chairman Yoder and members of the Committee, I appreciate the opportunity to speak with you today. I appear today on behalf of the Chairman of the Johnson County Board of Commissioners, Annabeth Surbaugh. The Chairman sends her apologies for not being here today due to previous commitments.

If I understand correctly, at least one of your objectives today is to determine if anything can be done to alleviate cuts to the State's Medicaid program as a result of the Governor's allotments. As you are aware, Chairman Surbaugh has conveyed a recommendation to Governor Parkinson on how precisely to accomplish this task in the community developmental disabilities system.

The mechanics of the Governor's allotment and the alternative proposal are as follows:

Governor's allotment

10% reduction to the community DD Medicaid rate – **\$2.3 million State General Fund budget reduction/7.7 All Funds**

(2.3 million SGF, 5.4 million Federal Funds)

**\$2.3 million of SGF are saved, \$5.4 million of Federal funds are forfeited*

Alternative proposal

The community DD Medicaid rate is not reduced - **\$2.3 million State General Fund budget reduction**

** \$2.3 million of SGF are saved, 0 Federal Funds are forfeited*

The \$2.3 million SGF reduction is available from currently unmatched funds in the community DD system. As of today, currently unmatched funds include the following:

State General Funds for Day, Residential, and Family Support and Subsidy - \$3,554,546

State Aid - \$5,163,175

Total Unmatched Funds - \$8,717,721

**Two quarters of payments have been made.*

Appropriations Committee

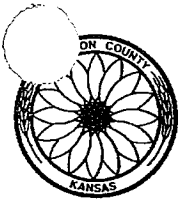
Date 1-13-10

Attachment 4-1

As you can see, this alternative proposal does not suggest that the community DD system be spared "sharing the pain" of these difficult economic times. This proposal identifies the required \$2.3 million reduction as specified in the Governor's allotments. However, this alternative proposal suggests that we first utilize every option at our disposal to make decisions that not only protect vulnerable populations to the greatest extent possible, but that we not unnecessarily forfeit valuable, and greatly needed resources while so doing.

Lest anyone suggest that this proposal has been lightly considered, or causes no harm to the community DD system, I assure you that is not the case. Citizens of this State have been, and will continue to lose access to, valuable services. These are difficult times. These are difficult decisions. However they have been made with the intent of protecting services to as many individuals as possible, given our current economic constraints. In other words, this is the best of the bad choices before us.

As I addressed you today, I indicated I am speaking on behalf of Johnson County. However I am also speaking on behalf of the members of InterHab – Community Developmental Disabilities Organizations and Community Service Providers, who like me, are advocating today that this is the best decision for the greatest numbers of those we serve. On behalf of Johnson County and the many other organizations statewide, but more importantly, on behalf of those we support and serve, I ask for your assistance in preserving services to some of our most vulnerable citizens.



BOARD OF COUNTY COMMISSIONERS
JOHNSON COUNTY, KANSAS

December 7, 2009

Honorable Mark Parkinson
Office of the Governor
300 Southwest Tenth Avenue, Suite 212-South
Topeka, Kansas 66612-1590

Dear Governor Parkinson:

I write today, acknowledging the fiscal realities all Kansans currently face during these extraordinarily difficult times. Within this context, the leaders of Johnson County government, like our counterparts across this great state, have been carefully reviewing the decisions you were forced to make last month to balance the State's fiscal year 2010 budget.

One particular area of on-going concern for the Johnson County Board of Commissioners is the growing number of citizens with developmental disabilities (DD) who are waiting for years for essential services. We are extremely troubled by the proposed ten percent rate reduction to the Medicaid program and its subsequent effect on this most vulnerable of populations. (By way of illustration, a ten percent reduction in the Medicaid reimbursement rate will yield a loss approaching \$2 million in Johnson County alone.) Not only does it jeopardize the quantity and quality of services provided to this population by reducing the state resources devoted to this need (\$2.3 million), but it most dramatically will "return" more than \$5 million to the federal government that is sorely needed to meet the most basic needs of the DD community.

However there is an option to forego the need to reduce the Medicaid reimbursement rate for the developmentally disabled. The required \$2.3 million State General Fund reduction could be made from currently "unmatched" funds in the State DD budget. The elimination of State General Fund Grants and a reduction in State Aid would yield the amount needed to "hit" this budget target. We do not propose this option lightly; nevertheless, it is one that does not forego the loss of more than \$5 million in federal funds.

As you can see, we are not suggesting that the DD budget be spared "sharing the pain" in this most difficult of times. We are however, asking that you first utilize every option at your disposal to make decisions that not only protect vulnerable populations to the greatest extent possible, but maximizes the use of federal funds. This will allow us to provide revenue necessary to adequately serve some of our most vulnerable citizens.

BOARD OF COUNTY COMMISSIONERS
JOHNSON COUNTY, KANSAS



ANNABETH SURBAUGH, *Chairman*

Copy: Board of County Commissioners
Johnson County Legislative Delegation
Johnson County Developmental Supports Governing Board/Executive Director
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Appropriations Committee
Date 1-13-10
Attachment 5