Approved: March 2, 2012

(Date)

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 10:30 AM on Tuesday, January 17, 2012 in 548-S of the Capitol.

All members were present.

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 Office
Daniel Yoza, Office of the Revisor of Statutes Office

Conferees appearing before the Committee:

Dr. Jeff Colyer, Lieutenant Governor, State of Kansas
Dr. Robert Moser, Secretary, Kansas Department of Health and Environment
Shawn Sullivan, Secretary, Kansas Department on Aging
Kari Bruffett, Kansas Department of Health and Environment, Division of Health Care Finance
Jeff Kahrs, Acting-Interim Secretary, Kansas Department of Social and Rehabilitation Services

There were no bill introductions.

Presentation on Medicaid Reorganization:

Lieutenant Governor Jeff Colyer discussed the proposed Medicaid reform in Kansas, which is known as KanCare. (Attachment 1) He discussed the challenges involved in reform and the rationale and goals for developing the KanCare program. Lt. Governor Colyer provided statistics concerning Medicaid growth largely in the elderly and disabled waiver populations; he discussed the options involved in reform and the decision to transform Kansas' Medicaid into an outcome-based system.

Lt. Governor Colyer outlined the public involvement with the decision-making process which included the themes of: aligning financing around care for the whole person; patient-centered medical homes; enhancing health literacy. He reported that through

stakeholder meetings, public forums, and web conferences, three key concerns were identified: children/families and pregnant women; aged and senior populations; and the disabled community.

The resulting solution was the introduction of a system to transform Medicaid into an integrated system that focuses on controlling costs and improving outcomes. Lt. Governor Colyer described a person-centered care coordination model managed through a private-sector administrator. A Request for Proposal (RFP) has been released from which the state will select three state-wide contractors to provide care coordination without reducing services, beneficiary protections, and provider payments.

A committee member requested further clarification on the term, "integrated care system." Lt. Governor Colyer elaborated the term is used to describe a concept of bringing together inputs; delivery; management and organization of services related to diagnosis, treatment, care rehabilitation; and health promotion that improves services in relation to access, quality, satisfaction and efficiency.

In response to an inquiry from a committee member concerning Connecticut's movement away from a managed care organization, Lt. Governor Colyer responded he was unaware of the Connecticut issue; however, evaluation of other states' experiences with managed care organizations (MCOs) was conducted prior to finalizing the Kansas plan. It is estimated the plan will achieve $853 million (all funds) and $367.6 million (SGF) over the next five years. The committee member encouraged that any savings generated from an MCO plan be reinvested back into Kansas.

Due to a scheduling conflict, Dr. Robert Moser, Secretary, Kansas Department of Health and Environment, continued with testimony on the Lt. Governor's behalf.

Dr. Moser commented the MCO concept affords Kansas with the opportunity to provide patient-centered care with outcome measures to ensure best practices in the delivery of care. He reviewed the operational measures identified, the performance measures created, and indicated an advisory group would be formed in order to provide a communication channel for consumers. The proposed strategic realignment of various agencies and programs was described:

- Department of Aging and Disability Services will gain Medicaid waivers, mental health and substance abuse programs, and state hospitals/institutions;
- Department of Children and Families (formerly the Department of Social and Rehabilitation Services) will transform to a department focused on children and families programs; and

- Kansas Department of Health and Environment, Division of Health Care Finance will assume responsibility for KanCare finance and oversight.

Dr. Moser indicated an Executive Reorganization Order (ERO) will be issued regarding the realignment proposal.

With regard to a question concerning Kansas having the sixth highest percentage of seniors living in nursing homes across the country, Dr. Moser clarified that statement refers to all seniors who reside in nursing homes regardless of whether they receive Medicaid services. While there was no available data indicating the percentage of seniors (who receive Medicaid benefits) living in nursing homes, Shawn Sullivan, Secretary of the Department on Aging, indicated it is probable that number is high.

A committee member inquired whether there was any state wide information concerning the percentage seniors who receive home and community based services (HCBS) in rural areas as opposed to urban areas. Secretary Sullivan responded there is no pattern, 85 of Kansas' 105 counties have a percentage higher than the national average.

In the recommended budget, there is a proposal to incentivize individuals to use a state-funded health care savings account (HSA) instead of receiving Medicaid benefits for a three-year period, Dr. Moser indicated the MCOs would be responsible to assist a beneficiary in making that decision. He confirmed that depending on how the program is structured, indigent care in hospitals could increase. Kari Bruffet, Division of Health Care Finance, added that this particular proposal is intended to be paired with an actual insurance plan purchased by the HSA. Concern was voiced related to unintended consequences and the complexity of the plan being discussed.

When asked a question regarding the percentage of disabled beneficiaries who could benefit from the employment provision (contained in the budget proposal), Dr. Moser indicated a survey has identified approximately 2,000 disabled Kansans who would be interested in employment. At the current time, additional work is required to determine an individual's functional capabilities, available job opportunities, and other details or incentives; it is too early in the development stage to report whether or not this would be an additional cost. Mark Dugan, office of the Lieutenant Governor, commented there would be a bill introduced to add a $500,000 cash incentive for this program that could be paired with a federal incentive.

Concerning assisted living facilities, Secretary Sullivan reported that many beneficiaries in skilled facilities could be housed in a less restrictive, less costly environment. Most assisted living facilities place a cap on HCBS clients; however, Secretary Sullivan expressed that most assisted living providers would increase access if HCBS

reimbursement were increased. He indicated that if skilled facility residents were decreased 10 percent, a corresponding percentage of available funds for HCBS waivers would increase; thereby increasing provider reimbursement to assisted living facilities or for the beneficiary's in-home care. It was requested that Secretary Sullivan furnish additional information on that point.

A committee member inquired if the three managed care companies would be in-state companies, when the RFP award would be made, and whether KDHE would reduce their staffing complement. Dr. Moser indicated that the RFP contains MCO requirements that their primary staff for this program be in the state of Kansas, KDHE staffing will be maintained at the current level, the RFP is scheduled for completion on February 22, 2012.

In response to a question concerning the pay for performance threshold, Dr. Moser confirmed as negotiations occur between the MCO and providers, it is possible for the MCO to write the incentive (3 to 5 percent) into their contracts with providers. The RFP provides that the current base fee-for-service rate remains inclusive of any incentives.

Dr. Moser reported there are two bid deadlines: one for the technical component, and one for the financial component. Ms. Bruffett commented that the technical proposal includes a section with value-added services, which could be impacted by the cost proposal. The technical closing date is January 31; however, a limited, minimal amendment will be allowed to the value-added section at the time of the closing of the cost proposal, which is February 22, 2012.

Dr. Moser reiterated that the provider reimbursement rate is "held harmless" at 100 percent, which is inclusive of any incentive.

Department of Social and Rehabilitation Services:
Jeff Kahrs, Acting Interim SRS Secretary, distributed a handout outlining the reorganization plan. He indicated that the organizational chart depicts the proposed structure only. Acting Secretary Kahrs reported that the agency now has 4 regions with 39 offices. (Attachment 2)

Chairperson McGinn requested that conferees return next week to continue discussion on managed care and the reorganizational plan among various agencies.

The meeting was adjourned at 11:59 a.m.