

## MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 a.m. on February 24, 2004 in Room 514-S of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Legislative Research  
J. G. Scott, Legislative Research  
Amy VanHouse, Legislative Research  
Michele Alishahi, Legislative Research  
Audrey Dunkel, Legislative Research  
Melissa Calderwood, Legislative Research  
Julian Efird, Legislative Research  
Jim Wilson, Revisor of Statutes  
Mike Corrigan, Revisor of Statutes  
Nikki Feuerborn, Administrative Analyst  
Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Elaine Ryan, Executive Director of Governmental Affairs, American Public Human Services, Washington, D.C.

Others attending:

See Attached List.

- Attachment 1 Budget Committee Report on Kansas Lottery and Kansas Racing and Gaming Commission
- Attachment 2 Budget Committee Report on Department of Human Resources

Chairman Neufeld recognized Elaine Ryan, Executive Director of Governmental Affairs, American Public Human Services, Washington, D.C., who presented highlights on some of the major provisions of the President's FY 2005 federal budget. Ms. Ryan stated that the American Public Human Services works very closely with the National Conference of State Legislatures (NCSL). Ms. Ryan noted that the federal government is stressing cost containment measures which will have an impact on state government programs, particularly on Medicaid, noting there will be sufficient cuts to the Medicaid program. Major issues of concern include:

- Proposed \$1.5 billion cut from Medicaid reflecting increased scrutiny of intergovernmental transfers, one of a series of changes to the Medicaid program.
- Proposed \$300 million reduction in expenditures for Medicaid administrative funds. The proposal indicates that the federal government believes that, in the TANF Block Grant allocations, the states received matching funds for Medicaid administrative costs and each state would have administrative costs capped by the amount that was figured in the base block grant.
- Proposed reduction for matching costs for Medicaid information systems. The match is now 90 percent federal and 10 percent state funding. The proposal would decrease the match to 75 percent federal and 25 percent state funding.

NCSL has concerns about the CMS-37 law which would require all of the states to report on state funding sources for Medicaid match funding in advance to the federal government to determine if they are appropriate funding sources. Ms. Ryan stated that there will be more audits of the states on their matching funds for federal grants. Ms. Ryan noted that the Medicare prescription drug law was originally estimated to cost \$400 billion and has now grown by \$130 billion. Another concern with the Medicare prescription drug program involves the use of a prescription drug "discount" card. Some recipients also hold a Medicaid card and may have confusion as to which card has precedence over the other. The federal "claw-back" provision picks up an increasing share of the cost of the dual-eligibles in the prescription drug Medicaid program. The states will be required to report the number of dual-eligibles--those citizens who hold both a Medicaid card and a

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Medicare prescription drug card.

With regard to welfare reform legislation, Ms. Ryan noted there is concern with three issues:

- Increased dollars for child care.
- Acknowledgment that states do not currently have the dollars to match and draw down all of the federal dollars with possible changes in some instances where states could be forgiven of match in drawing down the dollars.
- Covering the work participation dollars.

Responding to questions from the Committee, Ms. Ryan stated:

- **Claw-Back Provision** - The “claw-back” provision could penalize states who have implemented cost containment measures. The provision starts with a lower base line and then inflates it forward by an inflation rate, noting that the inflation rate is calculated at a national level, not at the state level. The national inflation rate combines all the various state issues together into one rate. The Medicare program has no record of dual-eligibles. States hold dual-eligibles quite differently making it difficult to pull required information from their systems. The inflator does not incorporate the cost of prescription drugs in the market place or keep pace with the increase, making the possibility that states could lose money over time. Ms. Ryan noted that this provision needs further discussion.
- **Dual Eligibles** - The dual-eligibles will have a choice as to whether to move into the new federal prescription drug program or stay with Medicaid for prescription drugs. They also have a choice as to whether to go to the Social Security Office or the Medicaid Office for their eligibility determination. Ms. Ryan stated that there is \$1 billion funding in the Medicare law for implementation costs. None of these dollars will be shared with the states at the present time. Under the new law, the states will be required to do eligibility determination for those individuals who are in the 135 % to 150 % of poverty level.
- **Prescription Drug Legislation** - With reference to the prescription drug legislation, the states may have dual-eligible Medicaid participants who remain on Medicaid and Medicare, participants who will now enroll in the new program because it is a Medicare benefit and be identified as Medicaid eligible, resulting in additional cost to the state for the new population as well as the previous Medicaid population.
- **Long-Term Care** - With reference to long-term care, Louisiana is working on legislation to address closing the loopholes for the distribution of assets of Medicaid recipients.
- **Foster Care** - The proposal set forth by the President’s budget with regards to the foster care flexible funding grant, would set a baseline (costs) for children in need of care. Depending on where the baseline is drawn and because eligibility was not inflated, there are already fewer children eligible. Legislation has not been introduced because no one can determine how to make it cost neutral. The number of participants using the adoption base line is going up and the foster care baseline is going down; adoption assistance has exceeded the amount of foster care assistance payments in this country for the past several years.
- **Aging Out of System** - There is one provision at the federal level for tuition assistance for those individuals moving out of the children’s system. There is also proposed legislation regarding disabled and foster care which would allow those individuals to buy into the Medicaid program or give them assistance up to the age of twenty-one. There has been no discussion concerning re-authorization of the State Children’s Health Insurance Program (S-CHIP) beyond FY 2008. The biggest issue with S-CHIP is the fact that there is such a record high number of children enrolled and the states cannot afford to draw down the dollars that are being re-allocated. Record keeping on the number of children in the S-CHIP program has been difficult because of the number of children switching between the S-CHIP and Medicaid programs.
- **Long-Term Care** - 50 % of all long-term care is funded through the Medicaid program with approximately 13 % funded from the Medicare program. More than 85 % of the Medicaid spending

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goes to cover long-term care.

- S-CHIP Eligibility - Because of the statute, a public employee cannot enter the S-CHIP program. This will be an issue in the re-authorization process. The biggest issue is seeing that the dollars are spent-down. Another issue for the states, will be those states who cover single adults without dependents in the S-CHIP program.
- CMS-37 and CMS-64 Rule Changes with regard to Hospital Provider Tax and Manager Provider Tax restrictions - Not all provider taxes are the same. A number of states use provider taxes to draw down Medicaid dollars. The issue is in the design of the provider taxes. A legal memo has been written on the proposed rule that says that there is no statutory or regulatory authority to require states to forward identify funding sources.
- De-coupling between Regional Offices and the States - It is a national issue, especially as it relates to Medicaid. Because of the difficulty in the past with different opinions from different regional offices, the move is to centralize all information to make it more uniform, noting also that any audits of the states will come from a centralized location.

Chairman Neufeld thanked Ms. Ryan for her presentation.

Representative Pottorff, Chair of the House General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Kansas Lottery for FY 2004 and moved for the adoption of the Budget Committee recommendation for FY 2004 (Attachment 1). Motion was seconded by Representative Shriver. Motion carried.

Representative Pottorff, Chair of the House General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Kansas Lottery for FY 2005 and moved for the adoption of the Budget Committee recommendation with comments for FY 2005 (Attachment 1). Motion was seconded by Representative Shriver. Motion carried.

Representative Howell, member of the House General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Kansas Racing and Gaming Commission for FY 2004 and moved for the adoption of the Budget Committee recommendation for FY 2004 (Attachment 1). Motion was seconded by Representative Pottorff. Motion carried.

Representative Howell, member of the House General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Kansas Racing and Gaming Commission for FY 2005 and moved for the adoption of the Budget Committee recommendation with adjustments for FY 2005 (Attachment 1). Motion was seconded by Representative Pottorff. Motion carried.

Representative Howell moved for the adoption of the Budget Committee's recommendation to report favorably the passage of **SB 306**. The motion was seconded by Representative Pottorff. Motion carried.

Representative Shriver, member of the House General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Department of Human Resources for FY 2004 and moved for the adoption of the Budget Committee recommendation with notation for FY 2004 (Attachment 2). Motion was seconded by Representative Pottorff. Motion carried.

Representative Shriver, member of the House General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Department of Human Resources for FY 2005 and moved for the adoption of the Budget Committee recommendation with adjustments and notations for FY 2005 (Attachment 2). Motion was seconded by Representative Pottorff. Motion carried.

Representative Feuerborn moved to introduce legislation concerning state finance relating to biennial budgets. The motion was seconded by Representative Pottorff. Motion carried.

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Representative Merrick moved to introduce legislation concerning state employees regarding legal holidays. The motion was seconded by Representative Gatewood. Motion carried.

Representative Merrick moved to introduce legislation relating to retirement and pensions with regard to Kansas police and firemen's retirement system. The motion was seconded by Representative Klein. Motion carried.

Representative Pottorff moved to approve the minutes of February 11, February 12 and February 13, 2004, as written. The motion was seconded by Representative Ballard. Motion carried.

**HB 2901** and **HB 2902** were referred to General Government and Commerce Budget Committee.  
**HB 2905** was referred to Agriculture and Natural Resources Budget Committee.