

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on January 22, 2010, in Room 548-S of the Capitol.

All members were present except:

Senator Ty Masterson- excused
Senator Jean Schodorf- excused

Committee staff present:

Alan Conroy, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Dylan Dear, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Melinda Gaul, Chief of Staff
Shirley Jepson, Committee Assistant
James Fisher, Intern

Conferees appearing before the Committee:

Andy Allison, Acting Executive Director, Kansas Health Policy Authority (KHPA)

Others attending:

See attached list.

Introduction of Legislation

Senator Teichman moved to introduce legislation concerning property tax exemptions pertaining to property held by the secretary of transportation. The motion was seconded by Senator Umbarger. Motion carried on a voice vote

Senator Schmidt moved to introduce legislation establishing the child witness protection act. The motion was seconded by Senator Umbarger. Motion carried on a voice vote.

Approval of Minutes

Senator Teichman moved to approve the minutes of December 15, 2009; January 12, 2010; January 13, 2010; January 14, 2010 and January 15, 2010. The motion was seconded by Senator McGinn. Motion carried on a voice vote.

Update on Kansas Health Policy Authority (KHPA) Operations

Andy Allison, Acting Executive Director, Kansas Health Policy Authority (KHPA), presented an update on Administrative Improvement Ideas (Attachment 1). Mr. Allison provided a brief overview of KHPA's FY 2009 and FY 2010 budget. Mr. Allison noted that the Governor's allotments in November 2009 had a significant impact on KHPA's FY 2010 budget and their ability to provide services. Reductions in funding for the State Children Health Insurance Program (SCHIP) has caused a backlog of applicants with budget reductions attributing to a lack of staff to process the applications.

Mr. Allison addressed several cost-saving options that were included in the FY 2011 budget submission to the Governor including:

- Streamline Prior Authorization in Medicaid - Eliminating the statutory requirement that Preferred Drug List (PDL)/Prior Authorization (PA) be done through administrative rules and regulations process or change rules and regulations process to include only drug classes and not specific drugs.
- Mental Health Pharmacy Management - Create a caseload investment and savings process.
- Align Professional Rates in Medicaid .

01/22/2010

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on January 22, 2010, in Room 548-S of the Capitol.

A copy of the 2008 and 2009 Federal Poverty Guidelines was provided to the Committee (Attachment 2).

Responding to a question from the Committee concerning the effects of the 10 percent reduction in Medicaid rates, Mr. Allison stated that they have not had any providers drop out of the program at this time; however, KHPA intends to track providers and facilities.

- ◆ The Committee requested a written copy of the proposals presented with their FY 2011 budget request to the Governor. The Committee also requested figures on the cost to the state of the expansion of SCHIP in FY 2008 and FY 2009.

Adjournment

The next meeting is scheduled for January 23, 2010.

The meeting was adjourned at 11:25 a.m.

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE: January 22, 2010

NAME	REPRESENTING
Destin Moyer	KHPA
Andy Allison	KHPA
MARK BOPANYAK	EDITOR STRATEGIES
Carol A. Curtis	AstraZeneca
Doug Bowman	CCECDS
Jessica Noble	KDHE
Erk Wisner	KDA
Nancy Zogleman	Polsinelli
Leigh Keck	Hein law firm
Scott Ruchold	Lumme Jernard-Ward
Suzanne Gittle	KS Action for Children
Emily Meissen-Sebeling	KS Health Institute
Layla Shaw	KACCT
Tom Bruno	Bruno & Assoc.
Rob Merly	KEARNEY & Assoc.



Kansas Health Policy Authority

Administrative Improvement Ideas

**Testimony before the Senate Ways and Means
January 22, 2010**

Dr. Andrew Allison, KHPA Acting Executive Director

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Overview

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

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Senate Ways & Means Cmte
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Attachment 1



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

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

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

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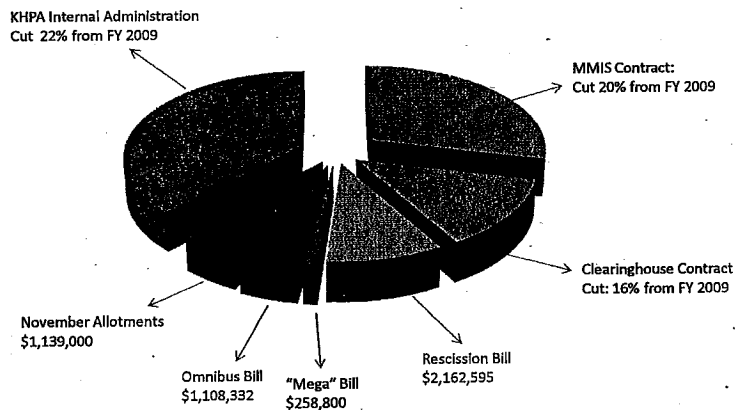
FY 2010 Governor's State General Fund Allotments November 2009

- **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

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FY 2010 Operating Budget After Allotments

FY 2009:	\$22,814,018
Rev. FY 2010:	\$18,145,291
Total Cuts:	\$4,668,727 (20.5%)





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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Pharmaceutical Policy In Medicaid

- In order to make cost saving changes in Medicaid Pharmacy, KHPA must add drug classes to rules and regulations. KSA 39-7,120
 - Eliminate the statutory requirement that Preferred Drug List (PDL/ Prior Authorization (PA) be done through administrative rules and regulations process
 - **OR**, change rules and regulations process to include only drug classes and not specific drugs

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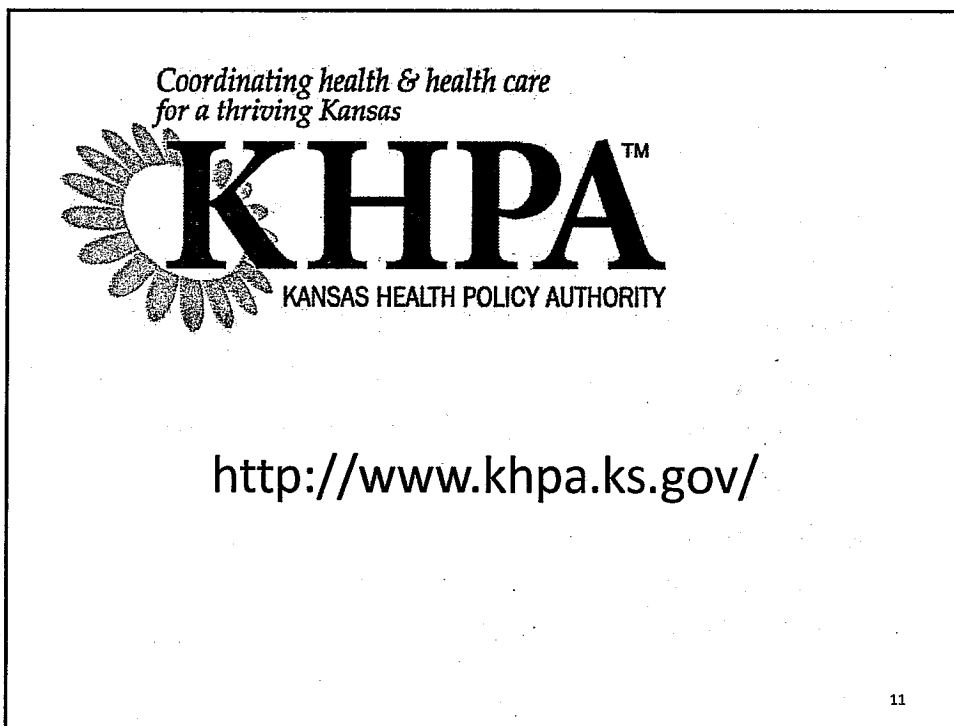
Create a Caseload Investment & Savings Process

- Most savings ideas in Medicaid result in decreases in caseload spend
- Some savings ideas require up-front investment
- There is currently no mechanism to allow agencies to make investments in order to realize the savings
- Creating an investment, tracking and savings mechanism would result in more timely and thorough savings in medicaid

Current PDL/PA Process

- A drug or drug class goes through the Drug Utilization Review (DUR) Board for consideration
 - When agreed, a drug or drug class is added to the PDL or put on PA through a KHPA Policy.
 - The policy then goes through the Administrative Rules and Regulations process
 - It generally takes 5 months to get something through the rest of the process and to make the change

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2008 Federal Poverty Guidelines*

Federal Poverty Percentage	Household Size				
	1	2	3	4	5
27.5%	\$ 2,860	\$ 3,850	\$ 4,840	\$ 5,830	\$ 6,820
37%	3,848	5,180	6,512	7,844	9,176
50%	5,200	7,000	8,800	10,600	12,400
75%	9,750	13,125	16,500	19,875	23,250
100%	10,400	14,000	17,600	21,200	24,800
125%	13,000	17,500	22,000	26,500	31,000
133%	13,832	18,620	23,408	28,196	32,984
150%	15,600	21,000	26,400	31,800	37,200
185%	19,240	25,900	32,560	39,220	45,880
200%	20,800	28,000	35,200	42,400	49,600
225%	23,400	31,500	39,600	47,700	55,800
250%	26,000	35,000	44,000	53,000	62,000

For each additional person in the household add \$3,600 for 100% of FPL.

* from U.S. Department of Health and Human Services (www.aspe.hhs.gov). Figures are for the 48 contiguous states and D.C..

Note: The HHS poverty guidelines, or percentage multiples of them (such as 125 percent etc.) are used as an eligibility criterion by a number of federal programs including Head Start, Food Stamps, National School Lunch Program, Low-Income Home Energy Assistance, Children's Health Insurance Program and some parts of the Medicaid program. In general, cash public assistance programs do not use these poverty guidelines in determining eligibility. A more detailed list of programs that use or do not use these guidelines can be found at www.aspe.hhs.gov.

Senate Ways & Means Cmte

Date 1-22-2010

Attachment 2

2009 Federal Poverty Guidelines*

Federal Poverty Percentage	Household Size				
	1	2	3	4	5
30%	\$ 3,249	\$ 4,371	\$ 5,493	\$ 6,615	\$ 7,737
37%	4,007	5,391	6,775	8,159	9,542
50%	5,415	7,285	9,155	11,025	12,895
75%	10,153	13,659	17,166	20,672	24,178
100%	10,830	14,570	18,310	22,050	25,790
125%	13,538	18,213	22,888	27,563	32,238
130%	14,079	18,941	23,803	28,665	33,527
133%	14,404	19,378	24,352	29,327	34,301
150%	16,245	21,855	27,465	33,075	38,685
185%	20,036	26,955	33,874	40,793	47,712
200%	21,660	29,140	36,620	44,100	51,580
225%	24,368	32,783	41,198	49,613	58,028
250%	27,075	36,425	45,775	55,125	64,475
300%	32,490	43,710	54,930	66,150	77,370

For each additional person in the household add \$3,740 for 100% of FPL.

* from U.S. Department of Health and Human Services (www.aspe.hhs.gov). Figures are for the 48 contiguous states and D.C..

Note: The HHS poverty guidelines, or percentage multiples of them (such as 125 percent etc.) are used as an eligibility criterion by a number of federal programs including Head Start, Food Stamps, National School Lunch Program, Low-Income Home Energy Assistance, Children's Health Insurance Program and some parts of the Medicaid program. In general, cash public assistance programs do not use these poverty guidelines in determining eligibility. A more detailed list of programs that use or do not use these guidelines can be found at www.aspe.hhs.gov.

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