

## House Budget Committee Report

**Agency:** Kansas Department for Aging and Disability Services **Bill No.** HB 2370 **Bill Sec.** 83

**Analyst:** Deckard

**Analysis Pg. No.** 2519

**Budget Page No.** 176

Expenditure Summary	Agency Request FY 2017	Governor Recommendation FY 2017*	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 626,845,205	\$ 675,818,882	\$ 0
Other Funds	843,373,890	856,169,094	0
Subtotal	<u>\$ 1,470,219,095</u>	<u>\$ 1,531,987,976</u>	<u>\$ 0</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	7,720,000	7,720,000	0
Subtotal	<u>\$ 7,720,000</u>	<u>\$ 7,720,000</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 1,477,939,095</u></u>	<u><u>\$ 1,539,707,976</u></u>	<u><u>\$ 0</u></u>
FTE positions	195.0	195.0	0.0
Non FTE Uncl. Perm. Pos.	80.0	80.0	0.0
<b>TOTAL</b>	<u><u>275.0</u></u>	<u><u>275.0</u></u>	<u><u>0.0</u></u>

\*Note: Includes GBA No. 1, Item 9, to fund the spring Human Services Consensus Caseload estimate to add \$7,853,312 from the State General Fund and delete \$46,300,594 from other funding sources for FY 2017. Changes are reflected in the table only.

### Agency Request

The **agency** expenditures of \$1.5 billion, including \$626.8 million from the State General Fund, for FY 2017. The request is an increase of \$435,644, including \$184,547 from the State General Fund above the FY 2016 request. The request includes the addition of approximately \$568,650, including \$184,547 from the State General Fund, to cover the cost of the 27th payroll period. The request includes capital improvement expenditures totaling \$7.7 million, all from the State Institutions Building Fund.

The agency request includes the shift of savings totaling \$1.5 million from the Kansas Neurological Institute (KNI) to the KDADS budget to be expended for the Home and Community Based Services Waiver for Individuals with Developmental Disabilities. The agency's enhancement request also includes \$1.9 million in additional federal Medicaid funds as a result of the additional State General Fund expenditures.

The agency also included a request to change the DADS Social Welfare Fund from a limited special revenue fund to a no limit special revenue fund for FY 2017.

## **Governor's Recommendation**

The **Governor** FY 2017 expenditures totaling \$1.6 billion, including \$668.0 million from the State General Fund. The recommendation is an increase of \$100.2 million, or 6.8 percent, and a decrease of \$470,000, or 0.9 percent, from the State General Fund, from the agency's request.

The Governor's recommendation includes the addition of \$111.2 million, including \$55.8 million from the State General Fund, to fully fund the fall 2014 Human Services consensus caseload estimate. Also included in the Governor's recommendation is a reduction of \$1,198,469, for a 4.0 percent operating reduction. The reduction will be managed by a decrease in mental health grants, Senior Care Act, and community developmental disability grant funding.

The Governor's recommendation includes a reduction of \$194,267, including \$62,383 from the State General Fund, to reduce employer contributions for state employee health insurance.

The Governor's FY 2017 recommendation also includes the addition of \$66.6 million, including \$29.3 million from the State General Fund, associated with the increase of the Managed Care Organization privilege fee. This increase is partially offset by the decrease of \$56.8 million, including \$25.0 million from the State General Fund, associated with the implementation of KanCare policy changes.

The recommendation includes shifting \$9.8 million from the State General Fund to a transfer from the State Highway Fund into a special revenue fund in FY 2017. Also included is an increase of \$1.0 million, all from the State General Fund, for mental health services, to provide behavioral health access for transitional and intermediate levels of care. The recommendation includes the addition of \$6.8 million, including \$3.0 million from the State General Fund, to reduce the waiting list for services on the home and community based services waiver for individuals with developmental disabilities. Also included is the addition of \$2.3 million, including \$1.0 million from the State General Fund, to reduce the waiting list for services on the home and community based services waiver for individuals with physical disabilities.

Also included in the recommendation are savings totaling \$14.8 million, including \$6.5 million from the State General Fund, associated with a reduction of the state's payment error rate measurement. The reduction is anticipated with the Executive Reorganization Order No. 43 which transfers the responsibility for Medicaid eligibility to the Kansas Department for Health and Environment beginning January 1, 2016.

## **House Budget Committee Recommendation**

The **Budget Committee** concurs with the Governor's recommendation with the following notations and adjustments:

1. The Budget Committee notes the Governor's FY 2016 recommendation for the agency includes reductions of \$57.0 million, including \$25.0 million from the State General Fund. These reductions are based on anticipated savings from implementation of KanCare policy savings related to caseload cost reductions, Medicaid pharmacy administrative reforms, and Managed Care Organization (MCO) financial incentives for contracted providers. The Committee is concerned the savings anticipated from the proposed policy

changes will not be fully realized and the agency may not have adequate funding for entitlement services for FY 2016.

The Committee recommends the estimated costs of \$57.0 million, including \$25.0 million from the State General Fund, associated with the anticipated savings from implementation of the KanCare policy changes be reviewed at Omnibus, including the passage of 2015 SB 123 or similar legislation.

2. The Budget Committee notes testimony provided by the agency which indicated that currently there are six individuals receiving services on the Home and Community Based Services Waiver for individuals with traumatic brain injuries who are currently located out-of-state at a cost of approximately \$1.0 million per year. The Budget Committee notes that the agency stated as part of the KanCare savings plan these expenditures were being reviewed with the expectation that the majority, if not all, of these individuals could return to Kansas for their treatment. The Budget Committee notes that while the anticipated savings from this policy implementation are already contained in the Governor's budget recommendation, it is the intention of the Budget Committee to request follow-up information from the agency to ensure this effort is completed.
3. The Budget Committee requests the agency review and evaluate the implementation of best practices, including any available software or technology for providing services of the Home and Community Based Services Waiver for individuals with traumatic brain injuries. This software package has the potential to dramatically decrease the length of treatment for these individuals resulting in a faster return to normal activity levels for the individuals and a decrease in expenditures on the part of the state. The Budget Committee encourages the agency to implement this within its existing resources, at an estimated cost of \$300,000.
4. The Budget Committee notes the importance of nutrition programs in the lives of older citizens and individuals with disabilities. The Budget Committee notes that the nutrition program is anticipated to provide meals to approximately 35,000 people during a single year, including approximately 3,000,000 meals. Testimony provided to the Budget Committee included information that funding for this program had not increased since FY 2009, although the cost to provide the services had continued to increase. The Budget Committee notes its intention to review the potential to add funding for this program during Omnibus.
5. The Budget Committee notes concerns raised regarding the payer for the fees associated with completing background checks for all Home and Community Based Services waiver providers. The Budget Committee received testimony that indicated the expectation that this additional expense, if required to be paid from the current FMS provider rate, would cause a hardship for these providers. The Budget Committee requests the agency pursue options to either have the provider pay for the background checks for themselves, or find an alternative which does not pass the costs to the FMS providers.
6. The Budget Committee notes that the 4.0 percent operating reduction for this agency was implemented including a reduction of \$520,447 from the State General Fund in FY 2017 for the Community Developmental Disability Organization contracts. The Community Developmental Disability Organizations provide services to individuals with developmental disabilities who reside in the community, including individuals receiving services on the Medicaid Home and Community Based Services Waiver. The Budget Committee notes that the reduction results in a decrease specific to this program higher

than 4.0 percent, resulting in a disproportionate level of reductions. The Budget Committee notes its intention to review the potential to restore funding for this program at Omnibus.

7. The Budget Committee notes the importance of the Senior Care Act, which provides in-home services to individuals 60 years of age and older to prevent premature nursing facility placement. The Budget Committee expresses concern that the Governor's recommendation includes a reduction of \$120,000 for FY 2017. The Budget Committee notes its concern that if services are not funded at an adequate level, there may be an increase in nursing facility placements for this group. The Budget Committee requests the agency to monitor the funding level closely and request additional funding in the future to ensure this population is able to remain in their homes.
8. The Budget Committee notes the agency indicated as a part of implementation of the 4.0 percent operating reduction, it is not renewing several grants which will expire at the end of FY 2015. The agency further indicates its intention to issue a Request for Information and then a Request for Proposal for a series of consolidated grants. Specific contracts which are not planned to be renewed include National Alliance on Mental Illness and Keys for Networking, Inc. The Budget Committee notes its intention to review the status of funding for the entities which are currently receiving these grants at Omnibus to determine if specific funding needs to be restored, particularly if the entities are providing services not provided by any other grant.
9. The Budget Committee recommends that the DADS Social Welfare Fund remain a limited special revenue fund not a no-limit special revenue fund as recommended by the Governor.

### **House Committee Recommendation**

The **Committee** concurs with the Budget Committee's recommendation with the following adjustment:

1. Encourage the agency to pursue the options of coordinating with local nutrition programs to utilize local high schools as volunteers for the home delivered meal programs, which are experiencing issues with recruiting enough volunteers for the daily routes.
  2. Add language directing the agency to contract with the National Alliance on Mental Illness for \$150,000 for FY 2017.
-

## Senate Subcommittee Report

**Agency:** Kansas Department for Aging and Disability Services    **Bill No.** SB 237    **Bill Sec.** 83

**Analyst:** Deckard

**Analysis Pg. No.** 2519

**Budget Page No.** 176

Expenditure Summary	Agency Request FY 2017	Governor Recommendation FY 2017*	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 626,845,205	\$ 675,818,882	\$ 0
Other Funds	843,373,890	856,169,094	(382,000)
Subtotal	<u>\$ 1,470,219,095</u>	<u>\$ 1,531,987,976</u>	<u>\$ (382,000)</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	7,720,000	7,720,000	0
Subtotal	<u>\$ 7,720,000</u>	<u>\$ 7,720,000</u>	<u>\$ 0</u>
 TOTAL	 <u><u>\$ 1,477,939,095</u></u>	 <u><u>\$ 1,539,707,976</u></u>	 <u><u>\$ (382,000)</u></u>
 FTE positions	 195.0	 195.0	 0.0
Non FTE Uncl. Perm. Pos.	80.0	80.0	0.0
TOTAL	<u><u>275.0</u></u>	<u><u>275.0</u></u>	<u><u>0.0</u></u>

\*Note: Includes GBA No. 1, Item 9, to fund the spring Human Services Consensus Caseload estimate to add \$7,853,312 from the State General Fund and delete \$46,300,594 from other funding sources for FY 2017. Changes are reflected in the table only.

### Agency Request

The **agency** expenditures of \$1.5 billion, including \$626.8 million from the State General Fund, for FY 2017. The request is an increase of \$435,644, including \$184,547 from the State General Fund above the FY 2016 request. The request includes the addition of approximately \$568,650, including \$184,547 from the State General Fund, to cover the cost of the 27th payroll period. The request includes capital improvement expenditures totaling \$7.7 million, all from the State Institutions Building Fund.

The agency request includes the shift of savings totaling \$1.5 million from the Kansas Neurological Institute (KNI) to the KDADS budget to be expended for the Home and Community Based Services Waiver for Individuals with Developmental Disabilities. The agency's enhancement request also includes \$1.9 million in additional federal Medicaid funds as a result of the additional State General Fund expenditures.

The agency also included a request to change the DADS Social Welfare Fund from a limited special revenue fund to a no limit special revenue fund for FY 2017.

## **Governor's Recommendation**

The **Governor** FY 2017 expenditures totaling \$1.6 billion, including \$668.0 million from the State General Fund. The recommendation is an increase of \$100.2 million, or 6.8 percent, and a decrease of \$470,000, or 0.9 percent, from the State General Fund, from the agency's request.

The Governor's recommendation includes the addition of \$111.2 million, including \$55.8 million from the State General Fund, to fully fund the fall 2014 Human Services consensus caseload estimate. Also included in the Governor's recommendation is a reduction of \$1,198,469, for a 4.0 percent operating reduction. The reduction will be managed by a decrease in mental health grants, Senior Care Act, and community developmental disability grant funding.

The Governor's recommendation includes a reduction of \$194,267, including \$62,383 from the State General Fund, to reduce employer contributions for state employee health insurance.

The Governor's FY 2017 recommendation also includes the addition of \$66.6 million, including \$29.3 million from the State General Fund, associated with the increase of the Managed Care Organization privilege fee. This increase is partially offset by the decrease of \$56.8 million, including \$25.0 million from the State General Fund, associated with the implementation of KanCare policy changes.

The recommendation includes shifting \$9.8 million from the State General Fund to a transfer from the State Highway Fund into a special revenue fund in FY 2017. Also included is an increase of \$1.0 million, all from the State General Fund, for mental health services, to provide behavioral health access for transitional and intermediate levels of care. The recommendation includes the addition of \$6.8 million, including \$3.0 million from the State General Fund, to reduce the waiting list for services on the home and community based services waiver for individuals with developmental disabilities. Also included is the addition of \$2.3 million, including \$1.0 million from the State General Fund, to reduce the waiting list for services on the home and community based services waiver for individuals with physical disabilities.

Also included in the recommendation are savings totaling \$14.8 million, including \$6.5 million from the State General Fund, associated with a reduction of the state's payment error rate measurement. The reduction is anticipated with the Executive Reorganization Order No. 43 which transfers the responsibility for Medicaid eligibility to the Kansas Department for Health and Environment beginning January 1, 2016.

## **Senate Subcommittee Recommendation**

The **Subcommittee** concurs with the Governor's recommendation with the following adjustment:

1. Delete \$382,000, all from the Problem Gambling and Addictions Grant Fund, which had been utilized for an advertizing campaign and transfer the same amount to the DADS Social Welfare Fund.

### **Senate Committee Recommendation**

The **Committee** concurs with the Subcommittee's recommendation with the following adjustments:

1. Of funds recommended by the Subcommittee to be deleted from the Problem Gambling and Addictions Grant Fund, instead transfer \$94,993 to the State General Fund and reduce the transfer to the DADS Social Welfare Fund by \$94,993, for a resulting transfer totaling \$287,007 to the Social Welfare Fund. The amount transferred to the DADS Social Welfare Fund would be available to be expended by the agency to address findings from the recent federal survey of the Osawatomie State Hospital.
2. Add \$97,000, including \$48,500 from the State General Fund, to restore grant funding for the Self Advocate Coalition of Kansas (SACK). The current grant is set to expire on June 30, 2015 and the agency indicated it did not intend to continue this as separate grant funding going forward as a part of the plan to meet its 4.0 percent operating reduction.

### **Senate Committee of the Whole Recommendation**

The **Committee of the Whole** concurs with the Committee's recommendation.

### **Conference Committee Recommendation (House Sub. for SB 112)**

The **Conference Committee** concurs with the Governor's recommendation with the following adjustments:

1. Delete \$382,000, all from the Problem Gambling and Addictions Grant Fund, for FY 2017 and transfer \$94,993 to the State General Fund and \$287,007 to the DADS Social Welfare Fund.
2. Add \$97,000, including \$48,500 from the State General Fund, to restore grant funding for the Self Advocate Coalition of Kansas (SACK) for FY 2017.
3. Concur with GBA No. 1, Item 9, to fund the spring Human Services Consensus Caseload estimate to add \$7.5 million from the State General Fund and delete \$46.3 million from other funding sources for FY 2017.
4. Concur with GBA No. 1, Item 2, to transfer the remaining balance in Problem Gambling and Addictions Grant Fund to the State General Fund at the end of FY 2017.
5. Add language directing the Director of Accounts and Reports to withhold 10.0 percent of each Children's Initiatives Fund account until the Children's Cabinet certifies all requested information has been provided for FY 2017.
6. Delete \$376,041, including \$121,787 from the State General Fund, to reduce the Kansas Public Employees Retirement System employer contribution rate from 13.57 percent to 10.81 percent for FY 2017. This implements the provisions of SB 228.

7. Delete language to transfer \$200,000 from the Health Care Stabilization Fund to the Health Facilities Review Fund. The language will be added to the Kansas Department of Health and Environment for FY 2017 to reflect current operating practice.
8. Delete \$43,579, including \$14,113 from the State General Fund, to suspend employer contributions to the Kansas Public Employees Retirement System Group Insurance Fund, or Death and Disability Fund, for the final seven pay periods for FY 2017.
9. Delete \$11,610, all from the State General Fund, for a 50.0 percent reduction of advertising expenditures for FY 2017.
10. Delete \$113,362, all from the State General Fund, for a 25.0 percent reduction of travel expenditures for FY 2017.
11. Delete \$29.6 million, including \$12.9 million from the State General Fund, and adjust funding to implement the HMO privilege fee changes to 3.31 percent and delete the expenditures contained in the Governor's Recommendation to reconcile bill provisions with the intent of the Governor's proposal and maximize the State General Fund revenue impact for FY 2017.
12. Add language to prohibit expenditures on newspapers and magazines, including electronic subscriptions, for FY 2017.

	Governor's Recommendation FY 2017*	Legislative Action	Legislative Approved FY 2017	Governor's Veto FY 2017	Final Legislative Approved FY 2017
All Funds					
State Operations	\$ 67,074,824	\$ (829,592)	\$ 66,245,232	\$ 0	\$ 66,245,232
Aid to Local Units	50,230,313	0	50,230,313	0	50,230,313
Other Assistance	1,414,682,839	(29,585,530)	1,385,097,309	0	1,385,097,309
Subtotal- Operations	\$ 1,531,987,976	\$ (30,415,122)	\$ 1,501,572,854	\$ 0	\$ 1,501,572,854
Capital Improvements	7,720,000	0	7,720,000	0	7,720,000
TOTAL	<u>\$ 1,539,707,976</u>	<u>\$ (30,415,122)</u>	<u>\$ 1,509,292,854</u>	<u>\$ 0</u>	<u>\$ 1,509,292,854</u>
State General Fund					
State Operations	\$ 28,943,867	\$ (212,372)	\$ 28,731,495	\$ 0	\$ 28,731,495
Aid to Local Units	31,100,465	0	31,100,465	0	31,100,465
Other Assistance	615,774,550	(12,949,851)	602,824,699	0	602,824,699
Subtotal-Operating	\$ 675,818,882	\$ (13,162,223)	\$ 662,656,659	\$ 0	\$ 662,656,659
Capital Improvements	0	0	0	0	0
TOTAL	<u>\$ 675,818,882</u>	<u>\$ (13,162,223)</u>	<u>\$ 662,656,659</u>	<u>\$ 0</u>	<u>\$ 662,656,659</u>
FTE Positions	195.0	0.0	195.0	0.0	195.0
Non-FTE Unclass. Perm. Pos.	80.0	0.0	80.0	0.0	80.0
TOTAL	<u>275.0</u>	<u>0.0</u>	<u>275.0</u>	<u>0.0</u>	<u>275.0</u>

\*Note: Includes GBA No. 1, Item 9, to fund the spring Human Services Consensus Caseload estimate to add \$7,853,312 from the State General Fund and delete \$46,300,594 from other funding sources for FY 2017.