

*Coordinating health & health care  
for a thriving Kansas*



**Testimony on:**  
KHPA 2009 Health Reform Recommendations

**Presented to:**  
Senate Public Health & Welfare Committee

**By**  
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Good morning Mr. Chairman, Mr. Vice Chairman, and members of the Committee. I am Marcia Nielsen, and I serve as the Executive Director of the Kansas Health Policy Authority Board. I also served as the first KHPA Board Chair from fall 2005 to July 2006. Today I will share with the Senate Public Health and Welfare Committee excerpts from the 2008 KHPA Annual Report which will be approved by our Board next week (and subsequently electronically submitted to the legislature and provided publicly at our website [www.khpa.ks.gov](http://www.khpa.ks.gov)). I will also provide some additional information on our health reform priorities, and a brief overview of our early assessment of the Governor's budget.

**KHPA History:** As background, the Kansas Health Policy Authority was established by the legislature in 2005 with passage of S.B. 272. That bill established KHPA as a state agency within the executive branch of state government (K.S.A. 75-7401, et seq.). The bill called for forming a 16-member Board of Directors to govern the agency, including nine voting members appointed by the Governor, Speaker of the House and Senate President, as well as seven non-voting, ex-officio members. The seven ex-officio members include the secretaries of Health and Environment, Social and Rehabilitation Services, Administration and Aging; the director of health of the Department of Health and Environment, the state Insurance Commissioner and the Executive Director. In 2008, the Kansas legislature passed legislation designating the state Education Commissioner as an eighth ex-officio member. The board provides independent oversight and policymaking decisions for the management and operation of KHPA. The KHPA also answers to the Joint Committee on Health Policy Oversight.

**KHPA Programs:** KHPA administers the medical portions of Medicaid, the State Children's Health Insurance Program (SCHIP), HealthWave, the State Employee Health Plan and the State Self-Insurance Fund (SSIF), which provides workers compensation coverage for state employees. Our public insurance programs – Medicaid, SCHIP – provided medical coverage to more than 300,000 people last month (December). That includes more than 125,000 infants and children and nearly 88,000 elderly and disabled Kansans. The agency is also charged with gathering and compiling a wide array of Kansas health-related data that is used to guide policy development and inform the public. Certain Medicaid-funded long-term care services, including nursing facilities and Home and Community Based Services (HCBS) are managed on a day-to-day basis by the Kansas Department of Aging (KDOA) and the Kansas Department of Social Rehabilitation Services (SRS). These agencies also set policy for the Medicaid programs under their jurisdictions.

**KHPA 2008 Annual Report:** Although 2008 was a year of a faltering economy across the country, Kansas fared better than some other states. As 2009 begins, Kansas finds itself facing steep budget deficits and a growing number of Kansans in need. Despite the budget challenges facing the state, KHPA was able to make progress on a number of key initiatives, advancing the statutory mission of the KHPA to “develop and maintain a coordinated health policy agenda that combines effective purchasing and administration of health care with health promotion oriented public health strategies.” The Board of Directors (the governing body for the agency) and staff also made significant progress with our statutory mandate regarding the “development of a statewide health policy agenda including health care and health promotion components.” And as required, the annual report includes “recommendations for implementation of the health policy agenda recommended by the authority.”

Our Board Chairman Joe Tilghman outlined several of the highlights of those efforts for you this morning. I would like to underscore a few of those key initiatives.

## **Effective Purchasing and Administration of Health Care:**

- **Developed the Medical Home Model of Delivery:** KHPA convened a stakeholder group to begin implementing the medical home model that was enacted by the legislature in 2008. This process included a broad array of providers, consumers, health plans and businesses. The goal is to create a medical home model – or possible models – for Kansas, with incentives for payment reform that will promote improved health outcomes and lower health care costs. *Transforming the health care system requires a significant change in the ways we coordinate care and reimburse providers for primary care and prevention.*
- **Improved Payments for Hospitals which Treat Low Income Patients:** The Centers for Medicare and Medicaid Services (CMS) approved a plan submitted by KHPA to pay hospitals for treating indigent patients. The former Disproportionate Share Hospital (DSH) payment method resulted in Kansas hospitals receiving \$22.2 million of available federal funding for Medicaid DSH payments in Fiscal Year 2007. With the reforms, the DSH program will provide at least an additional \$4.3 million in federal matching funds annually. *Legislators have asked us to maximize the use of federal dollars; this is a noteworthy priority in Kansas Medicaid and we have made several State Plan changes this year to do just that.*
- **Implemented a Health Information Exchange Pilot Program:** The Care Entrust program was implemented in May 2008 for state employees who live in 15 counties in the Kansas City metropolitan area. This innovative employer-driven community health record gives consumers access to their health information and authority to share this information with providers of their choosing. We have an existing Medicaid community health record pilot on-going in Sedgwick County. *Expanding Health Information Technology is one of the most substantial ways to improve patient safety, health outcomes, and control rising health care costs.*

Regarding our focus on health promotion oriented public health strategies, the KHPA made progress on our goal being to improve the overall health status of Kansans and ultimately lower health care costs. Achievements includes:

## **Health Promotion Oriented Public Health Strategies:**

- **Provided Wellness Programs for State Employees:** More than 76,000 employees and dependents are now eligible to participate in the wellness programs. Approximately 16,300 members took a personal health assessment and more than 9,000 individuals participated in health screening events held across the state. *In order to control health care costs in the long term, we need better manage our own health through improved health and wellness, and disease/care management. This will be an increased priority for Kansas Medicaid in the 2009.*
- **Launched Online Health Consumer Search Tool:** The Kansas Health Online Consumer Transparency Portal ([www.kansashealthonline.org](http://www.kansashealthonline.org)) was launched in January 2008. It is dedicated to informing health consumers by empowering them with resources to stay healthy, manage their medical conditions, navigate the health system, improve their health literacy, purchase health care, compare provider quality and understand health policy. *Legislators have us to promote personal responsibility for health behaviors and providing education is the first step.*
- **Honored by the Institute for Health and Productivity Management:** KHPA was named a winner of the 2008 *Value-Based Health (VBH) Award* by the Institute of Health and Productivity Management. The

Institute recognized KHPA for innovative strategies in the 2009 state employee health plan that were designed to control costs by promoting healthy lifestyles and personal responsibility. *Lawmakers expect us to integrate appropriate health promotion and disease prevention in all of the programs we manage – and to use best practices management to help control health care costs.*

The KHPA made impressive progress on advancing data driven health policy, particularly with the exhaustive review of the Kansas Medicaid program through the Medicaid Transformation process. In addition, the KHPA succeeded in the requirement to “develop and adopt health indicators and shall include baseline and trend data on the health costs and indicators in each annual report to the legislature.”

### **Data Driven Health Policy:**

- **Completed the 2008 Medicaid Transformation Process to reform Kansas Medicaid:** The KHPA completed 14 program reviews of the Kansas Medicaid Program and have scheduled a regular review schedule for 2009. The overall purpose of the program reviews is to provide a regular and transparent format to monitor, assess, diagnose, and address policy issues in each major program area within Medicaid. The preparation of these reviews is designed to serve as the basis for KHPA budget initiatives in the Medicaid program on an ongoing basis, providing a concrete mechanism for professional Medicaid staff within the KHPA to actively recommend new policies. *Our goal is that well-founded, data-driven, and operationally sound Medicaid reform proposals may be advanced to the Board, the Governor, and the Legislature.*
- **Finalized and published Health Indicators:** The KHPA Board adopted a list of nearly 90 different measures which had been recommended by the Data Consortium, divided into four categories that are aligned with the KHPA Board’s vision principles: Access to Care; Health and Wellness; Quality and Efficiency; and Affordability and Sustainability. These measures are presented as concise graphics and tables that show baseline and historical trends along with benchmark information for comparison to national and peer state data (see end of testimony for an example). In addition, statistical indicators are included which provide intuitive alerts signaling either the achievement of policy objectives or the need for policy intervention. *Our statute explicitly requires the KHPA to adopt health indicators and include baseline and trend data on health costs and indicators in each annual report submitted to the Kansas Legislature.*
- **Completed Plans to Implement Data Analysis Infrastructure:** This ambitious technology infrastructure development initiative aims to consolidate and manage health care data for several state programs managed by KHPA, including the Medicaid Management Information System, the State Employee Health Benefit Program, and the Kansas Health Insurance Information System, and allow analysis of health care based on episodes of treatment, disease management, predictive modeling, and the measure of cost and outcome effectiveness. This web-based tool is being designed to use public and private data to compare the health care service and utilization patterns, identify trends and areas for focus and improvement. *KHPA is charged with using and reporting data to increase the quality, efficiency and effectiveness of health services and public health programs.*

Finally, the Board and staff also made significant progress with our statutory mandate regarding the “development of a statewide health policy agenda including health care and health promotion components.” Last year, the KHPA advanced a set of health reform recommendations that met with limited progress. Legislators asked us to prioritize our reform recommendations for 2009, and requested that we complete 20 studies on a variety of different topics; on 7 studies we worked in collaboration with other agencies. Those studies have been completed and are being sent to the Legislative Coordinating Council today. In order to prepare our 2009 health reform priorities, we met with Kansans in 54 meetings across the state this summer to discuss their recommendations for moving a health agenda during these difficult budget times. Our reform

recommendations are:

### **Coordinating Statewide Health Policy Agenda**

- **Advancing a Statewide Clean Indoor Air Law:** An overwhelming number of studies confirm that smoking is the number-one preventable cause of death and illness in Kansas. Without such a ban, even those who wisely choose not to smoke are made to suffer from exposure to secondhand smoke. This is especially true for people who work in restaurants, bars and other establishments where smoking is allowed, as well as the customers who patronize those establishments. A statewide ban would protect the public from these harmful effects and send a strong social message that smoking in public is unacceptable. We strongly support the clean indoor air legislation being proposed by Senator David Wysong and the Senate Public Health Committee and stand ready to work with you on this common sense legislation that helps control care costs without spending scarce state general fund dollars.
- **Increasing Tobacco User Fees:** KHPA is proposing a 95-percent increase in the state excise tax on tobacco. That would increase cigarette taxes by \$.75 per pack – from \$.79 to \$1.54. This is based on findings that show a large amount of health care expense in the United States is directly attributable to smoking. The purpose of the tax is twofold: to make smoking more expensive, thus encouraging smokers to quit and discouraging non-smokers from ever starting; and to generate revenue to fund expansion of health insurance coverage. The budget impact will add \$87.4 million in new revenue for FY 2010.
- **Expanding Access to Affordable Health Care and Public Health:** Using the tobacco user fee as funding, the KPHA is proposing to expanding Medicaid to cover all parents and caregivers with incomes below the federal poverty level; as well as other reform measures aimed at making insurance more affordable to small businesses and young adults, expanding access to cancer screening for low-income Kansans and providing tobacco cessation programs for Medicaid recipients.

**KHPA Budget Challenges:** As mentioned in testimony from Joe Tilghman, the KHPA Board has expressed a sincere commitment to work with policymakers to address the difficult financial situation facing our state. The Board and staff stand ready to work with the legislature and the Governor in a collaborative fashion. In order to cut costs, we have already begun our administrative belt-tightening, including: instituted a hiring freeze; implemented an out-of-state travel ban; placed limits on printing, communications, and training; and are in the process of reducing some of our contract expenditures.

Although we are still analyzing the specifics of the budget proposed by Governor Sebelius, her budget has not eliminated programs for beneficiaries or asked for reductions in provider reimbursement. She has called for a significant increase in salary dollars or “shrinkage” of more than 10% in FY 2010, and administrative cuts to the agency of 6.7% in FY 2010. We will provide our analysis of how the proposed budget impacts the KHPA in the coming days.

The Governor’s budget does include many of the recommendations derived from the Medicaid Transformation process, and also includes two proposed program changes that the KHPA submitted to the Division of Budget in order to meet our reduced resource budget targets for FY 2010.

- **Expansion of the preferred drug list.** State law currently prohibits management of mental health prescription drugs dispensed under Medicaid. Under this proposal, that prohibition would be rescinded and KHPA will use the newly created Mental Health Prescription Drug (PDL) Advisory Committee to recommend appropriate medically-indicated management of mental health drugs dispensed under the

Medicaid program. Over the past three fiscal years mental health drugs have been the highest drug expenditure by class of medications and the most-prescribed drugs by volume. This has led to cost growth in pharmacy services that exceeds growth in other services. Expenditures for mental health drugs increased from the previous fiscal year by more than \$4 million in FY 2007. The KHPA is currently recruiting members for the mental health prescription drug advisory committee and begin development of the Preferred Drug List (PDL). In fiscal year 2010 will continue to expand the PDL and develop criteria for prior authorization of selected drugs. The KHPA proposal would begin using the mental health PDL in January of 2010 with an expected savings of \$2,000,000, including \$800,000 from the State General Fund in FY 2010.

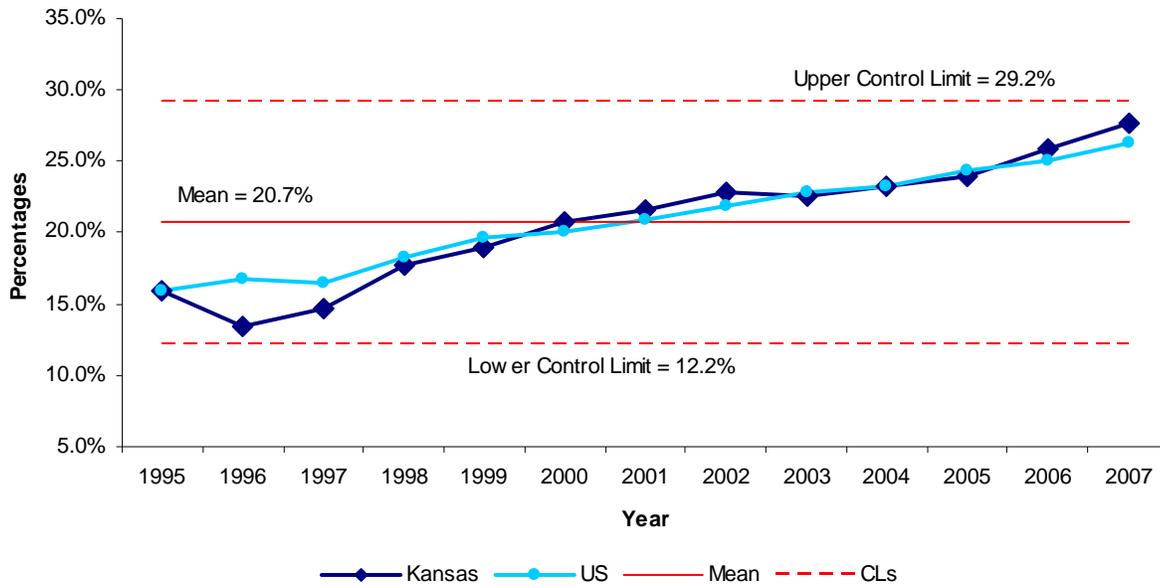
- **Time limited MediKan.** The reduced resource proposal would place a firm “lifetime limit” on the receipt of MediKan benefits with no exceptions or hardship criteria. Also, using Working Healthy as a model, MediKan would be modernized by redirecting a portion of current expenditures to offer a package of services consisting of basic health care and employment services aimed at re-entry into the workforce and achieving self-sufficiency. MediKan currently provides health care coverage to persons with significant impairments, as determined by the Presumptive Medical Disability Team (PMDT), who do not meet the level of disability necessary to receive Medicaid and are unlikely to meet Social Security Disability criteria. However, people eligible for MediKan are required to pursue Social Security benefits as a condition of eligibility. Although a lifetime limit of 24 months currently exists in the MediKan program, the limit can be waived if the individual is still attempting to receive Social Security benefits, creating a “hardship exception.” Almost 30% of the current MediKan caseload receives coverage under the hardship exception. The KHPA proposal estimated that applying the time limit and developing the modified services package would result in savings of \$1.5 million from the State General Fund during FY 2010.

**Summary:** The KHPA believes that we can build from the progress we made in 2008. Beginning with the Medicaid Transformation plan, the KHPA intends to reform our Medicaid program to improve the overall cost-effectiveness of the program while preserving vital services to low income Kansans. Through several innovative initiatives, we are provide increasing amounts of data and information to consumers and policymakers, in order to empower individuals to make healthy choices, and provide lawmakers with needed data to inform health policy decisions. Finally, our goal continues to be to advance a health policy agenda that will not only make health care available to more Kansans but also improve the overall health of Kansans. This will help control the growth of health care costs in the future, an increasing important priority for the state.

### **Example of Data Indicator:**

### **Percentage of Adults Who Are Obese**





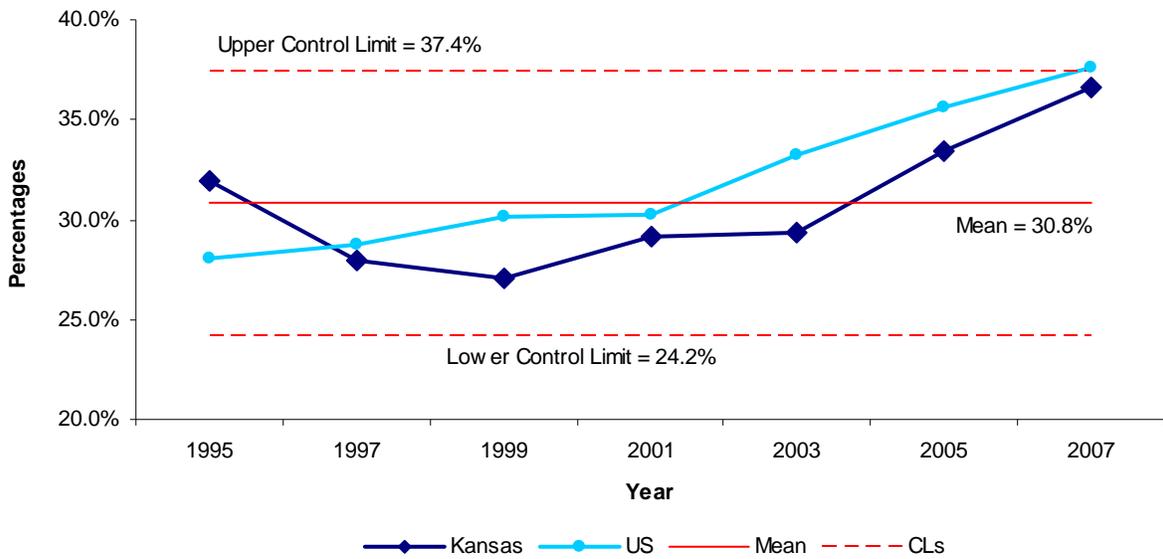
Source: Behavioral Risk Factor Surveillance System

Year	Data Kansas	US
1995	15.9%	15.9%
1996	13.4%	16.8%
1997	14.7%	16.5%
1998	17.7%	18.3%
1999	18.9%	19.6%
2000	20.8%	20.0%
2001	21.6%	20.9%
2002	22.8%	21.9%
2003	22.6%	22.9%
2004	23.2%	23.2%
2005	23.9%	24.4%
2006	25.9%	25.1%
2007	27.7%	26.3%

## Risk of Morbidity And Mortality Due to Heart Disease

Percentage of Adults Who Were Tested and Diagnosed With High Blood Cholesterol





Source: Behavioral Risk Factor Surveillance System

Year	Data	
	Kansas	US
1995	31.9%	28.1%
1997	28.0%	28.8%
1999	27.1%	30.1%
2001	29.2%	30.2%
2003	29.4%	33.2%
2005	33.4%	35.6%
2007	36.6%	37.6%