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MEMORANDUM

TO: Robert Stivers, President of the Senate
David Osborne, Speaker of the House
Members of the Legislative Research Commission

FROM: Senator Stephen Meredith, Co-chair *Stephen Meredith*
Representative David Meade, Co-chair *David Meade*
CHFS Organizational Structure, Operations, and Administration Task Force

SUBJECT: Findings and Recommendations of the CHFS Organizational Structure,
Operations, and Administration Task Force

DATE: November 2, 2022

In a memorandum dated June 3, 2022, the Legislative Research Commission established the CHFS Organizational Structure, Operations, and Administration Task Force. The duties of the task force included

- examining the structure, operations, programs, policies, and procedures within the Cabinet for Health and Family Service (CHFS) to determine if or how services can be delivered more effectively and efficiently, particularly relating to health outcomes, prevention of child abuse and neglect and elder abuse, and mental health services;
- assessing the current workforce structure of the Cabinet for Health and Family Services with the goal of determining how its workforce is effectively meeting the needs of its constituency;
- evaluating the administrative cost of delivering services and studying alternative ways of reducing administrative costs; and
- studying the productivity of different programs and services administered by the Cabinet for Health and Family Services and receiving input from cabinet officials as well as advocates and recipients of its services and programs.

The eight-member task force began meeting in July 2022, and convened six times during the 2022 Interim. The task force heard testimony from cabinet leadership including the secretary, commissioners, and deputy commissioners. Testimony focused on the agency's organizational structure, budget, and workforce, and on the scope of specific department program areas within the agency.

In accordance with the June 3, 2022, memorandum, the task force submits the following findings and recommendations to the Legislative Research Commission for consideration. These findings and recommendations are based on the testimony provided to the task force during the 2022 Interim. The findings do not include independent research by LRC staff. This memorandum serves as the final work product for the task force.

Findings

1. The Cabinet for Health and Family Services consists of 93 agencies, branches, and functions with approximately 6,618 employees. The cabinet is composed of the Department for Aging and Independent Living (DAIL); the Department for Behavioral Health, Developmental and Intellectual Disabilities (DBHDID); the Department for Community Based Services (DCBS); the Department for Family Resource Centers and Volunteer Services (DFRCVS); the Department for Income Support; the Department for Medicaid Services (DMS); the Department for Public Health; the Office of the Secretary; the Office of Health Data and Analytics; and the Office for Children with Special Health Care Needs. The cabinet's budget in FY 2023 is approximately \$19 billion, of which 72 percent comes from federal funds, 16 percent comes from general funds, 12 percent comes from restricted agency funds, and 0.1 percent comes from tobacco settlement funds. Approximately 91 percent of the cabinet's funds are spent on providers. The cabinet's funding sources are cost allocated across all departments. Through indirect cost allocation, the cabinet captures roughly \$50 million a year in federal funds. Kentucky's cabinet is unique in that it has an umbrella structure that includes Medicaid and social services. As a result of the cabinet's structure, the cabinet has employed an integrated eligibility system, which allows public assistance benefits such as the Supplemental Nutrition Assistance Program (SNAP), the Child Care Assistance Program (CCAP), Temporary Assistance for Needy Families (TANF) programs, and Medicaid to connect under one operating system.
2. The Department for Medicaid Services serves as the single state agency authorized by the Center for Medicaid Services (CMS) to administer the Medicaid program. A total of 1.6 million Kentuckians are covered under Medicaid, and approximately 60 percent of children in Kentucky are enrolled in Medicaid. There are at least 25 categories of eligibility in the Medicaid program. DMS accounts for 82 percent of the cabinet's budget, and federal dollars are allocated through DMS to other programs within various departments in the cabinet. Approximately 79.21 percent of the DMS budget is payments to managed care organizations; the other 20.79 percent is payments to fee-for-service providers, which include nursing facilities and 1915(c) Medicaid waiver participants. The DMS workforce contains 146 full-time employees, 1 part-time employee, approximately 15 temporary employees, approximately 94 contractors, and 71 vacant positions. DMS hires temporary employees to

fill administrative positions. The majority of the 94 contractors are located within the IT division. DMS created a research and analytics branch to help make data-informed decisions.

3. DMS has oversight of all six 1915(c) Medicaid waivers and the Participant Directed Services (PDS) program. The Department for Aging and Independent Living shares operating functions with DMS for the Home and Community-Based waiver and supports operations of the PDS for all waivers that allow PDS. The Department for Behavioral Health, Developmental, and Intellectual Disabilities shares operating functions with DMS for the Supports for Community Living and Michelle P. waivers.
4. The Department for Community Based Services is responsible for delivering services to families to enhance the self-sufficiency of families, improve safety and permanency for children and vulnerable adults, and engage families and community partners in a collaborative decision-making process. DCBS administers several programs, including eligibility determinations for Medicaid and health insurance affordability options, the Supplemental Nutrition Assistance Program, the Temporary Assistance for Needy Families Block Grant, the Child Care Assistance Program, and more.
5. DCBS contains most of the cabinet's workforce, which accounts for 10 percent of the state's budget. There are approximately 4,065 full-time employees and 112 interim employees, although there is a need for 4,500 employees. With at least one office in each of Kentucky's 120 counties, DCBS receives about 200,000 calls a month. As a result of workforce vacancies, the wait times of these calls have increased. The hiring process in the cabinet is long, and it can take months to employ and onboard an employee within DCBS, which has led DCBS to now hire temporary employees as a quicker process to onboard prospective candidates to full-time positions.
6. The majority of DCBS funding is composed of federal grants and, unlike Medicaid, they are block grants that are capped. Therefore, there are specific grant dollars allocated for specific issues, such as child care. The Division of Child Care within DCBS has used funds from the 2021 American Rescue Plan Act (ARPA) to support providers, including providing grants for child care desert start-ups, family child care start-ups, facility repairs, and child care teacher credentialing. However, ARPA funds are nonrecurring funds, which may be an issue in the future when the state does not receive additional funds. In 2021, social worker front-line workforce turnover was 40 percent and family support front-line workforce turnover was approximately 29 percent. As of June 2022, social worker front line workforce turnover was roughly 21 percent, and family support front line workforce turnover was roughly 12 percent. The top reasons listed for staff exit from DCBS include better jobs outside state government, retirement, insufficient pay, high workload, and lack of opportunities for promotion.
7. The Department for Aging and Independent Living serves older adults, individuals with disabilities, individuals with dementia, adults under state guardianship, and caregivers. Kentucky has over 1 million individuals aged 60 and older. The number of individuals aged 55 and older is expected to nearly double by 2040. Statistics show that in order to meet the demand in 2050, Kentucky needs a 430 percent increase in geriatricians, and in order to meet the demand for home health and personal aides by 2028, Kentucky needs an increase of

37 percent of workers. Within DAIL, there are both federal- and state-funded programs. In FY 2020, DAIL was heavily reliant on state funds. Roughly 70 percent of the budget came from state funds, and 30 percent came from federal funds. In the budget for the 4 years that followed, DAIL has become more reliant on federal funding than state funding. The average caseload for state guardianship workers is 40 to 70 cases, and the national recommendation is 40. The Long-Term Care Ombudsman program is a federal program charged with working directly with individuals in long-term care facilities. This program is designed to serve as an intermediary between a long-term care facility and a resident in that facility, whereas the Office of Inspector General conducts surveys and investigations for regulatory compliance.

8. The Department for Income Support administers the Child Support Enforcement program and the Disability Determination Services program. Disability Determination Services composes 41 percent of the budget, and Child Support Enforcement composes 59 percent. Disability Determination Services are 100 percent federally funded by the Social Security Administration. Child Support Enforcement funding is a blended state and federal match. The federal government reimburses the state, accounting for 66 percent of the funding. Child Support Enforcement received approximately \$46 million, including \$7.5 million in incentives in federal funds in 2021. There are 113 county attorneys contracted statewide to provide local services. There are 651 full-time equivalents staff in Child Support Enforcement, and that includes the 113 county attorneys contracted statewide. A total of \$6.96 in child support is collected for each \$1 that is spent. Disbursements to families in 2021 totaled approximately \$347,250,708.
9. Approximately 56.35 percent of the total amount of current child support has been collected. The total amount of child support arrearages in Kentucky is \$1.4 billion. The Child Support Office has federal performance measures and ranks counties by those measures. Salary raises for local child support officials are not based on performance. Because of high turnover, many Kentucky counties have challenges in collecting child support. As of now, there remains no standardized threshold for when a county has reached its limit in trying to collect child support and when responsibility is taken from the counties. County attorneys are in elected positions, and the Department for Income Support has demonstrated its inability to adequately address and remedy program deficiencies when a county attorney continues to fail to meet performance measures regarding child support collection. Other states have privatized aspects of their child support enforcement program. A 2019 state audit identified a lack of adequate controls and oversight to identify waste, fraud, and abuse within the program.¹
10. The Office of the Secretary allocates its administrative cost across all departments in the cabinet. The Office of Data Analytics has been moved into the Office of the Secretary. As a result, the Office of the Secretary has an entire group evaluating data and partnering with universities to conduct research that the Office of the Secretary needs in order to make policy-informed decisions. Within the Office of the Secretary is the Office of Human Resource Management, which works in conjunction with the Personnel Cabinet to facilitate and conduct disciplinary, hiring, and other human resource actions relating to staff within the

¹<https://auditor.ky.gov/Auditreports/Special%20Exams%20%20Performance%20Documents/2019CSEExamination.pdf>

Cabinet for Health and Family Services. The Office of Inspector General conducts all the inspections for child care, health care, and long-term care facilities and conducts independent audits and investigations. As a result, approximately \$5 million has been recovered from fraud.

11. The Department for Behavioral Health, Developmental and Intellectual Disabilities is designated as Kentucky's mental health, substance abuse treatment/prevention and developmental/intellectual disability authority. It is responsible for administration of state and federally funded programs and services related to mental health, substance use disorder, and developmental/intellectual disability. DBHDID comprises five divisions. The Division of Mental Health and the Division of Substance Use were previously combined into one division, the division of Behavioral Health, but due to the demand for mental health services and substance use services, one division alone did not have the capacity to handle all the required services. Within the Division of Mental Health, Community Mental Health Centers (CMHCs) provided services to over 146,000 individuals, including 44,000 adults with serious mental illness and 12,300 children with serious emotional disability. Within the Division of Substance Use Disorder, CMHCs provided outpatient support to over 24,000 individuals diagnosed with a substance use disorder, and CMHCs provided short- and long-term residential services for substance use disorder. Within the Division of Developmental and Intellectual Disabilities, DBHDID administers Medicaid Supports for Community Living and Michelle P. waiver programs that support 15,000 people to live in the community, and DBHDID collaborates and monitors the 14 CMHCs to serve 16,000 people with intellectual and developmental disabilities each year.
12. DBHDID employs approximately 1,300 state and contract staff with an additional 1,400 staff employed in contracted facilities. The budget for FY 2023 is \$530.9 million, and the largest share is for residential including nursing facilities and psychiatric hospitals. Approximately 21 percent of the budget supports community-based programs that provide substance use and prevention services, and 16 percent supports community-based mental health programs. Roughly 43 percent is funded by agency funds, which are primarily receipts from Medicaid but do include receipts from operation of facilities, Medicare, and other third-party payors. A total of 33 percent of the budget is funded by general funds, 22 percent is funded by federal grants, and 2 percent is funded by tobacco settlement funds. DBHDID administers programs and waivers on behalf of Medicaid, but Medicaid funds those programs.
13. Prior to the COVID-19 pandemic, the Department for Public Health's budget was approximately \$360 million. During COVID, the Department for Public Health received more federal funds to provide additional services, and the budget for FY 2023 will be \$640 million. Federal funds in fiscal year 2024 will be reduced, and the budget will be approximately \$522 million. Roughly 75 percent of the budget is from federal dollars. Resources are passed through federal grants to local health departments. There are roughly 3,000 public health workers at the state and local levels.
14. The commissioner of the Department for Public Health is the head of medical staff at the cabinet. The Department for Public Health became a public health accredited state department in 2022. This process took nearly 10 years. The Department for Public Health

oversees programs designed to improve the lives of citizens and visitors through prevention of negative health outcomes; promotion of health lifestyles; and protection from diseases, injury, and environmental health impacts. There are approximately 150 programs to help Kentuckians become healthier. Some of the services provided include assisting parents with infant development, managing a women's cancer screening program, providing colon cancer and lung cancer screening, operating food safety programs and conducting inspections, reporting and managing vital statistics, testing for newborn and metabolic issues, providing bacteriology and virology testing, and supporting local health departments.

15. The Department for Family Resource Centers and Volunteer Services comprises Family Resource and Youth Services Centers (FRYSC) and Serve Kentucky. There are 887 FRYSCs statewide in over 1,200 schools. FRYSC operates the Backpack Program, which provides nearly 300,000 meals to students in need. The majority of students who participated in the FRYSC summer program had an increase in their math and reading. In a post-program survey for the Build-A-Bed program, FRYSC found that all participating students reported that their sleep had improved, and the average GPA of the participating students improved from 2.63 to 3.22 in the semester following the program.
16. Serve Kentucky oversees the AmeriCorps program across Kentucky. AmeriCorps grants are awarded to eligible organizations proposing to engage AmeriCorps members in evidence-based or evidence-informed interventions to strengthen local communities. AmeriCorps brings in an investment of approximately \$25 million in Kentucky by federal match, grantee match, and education awards. AmeriCorps members are individuals who lend their experiences and qualifications to organizations to help meet the social, educational, economic, health, or basic needs of the community in which they serve. Upon successful completion, members can earn an education award that can be used to pay for higher education expenses or apply to qualified student loans. AmeriCorps is a great program for a variety of people, including senior citizens and vets who want to stay connected to their communities and serve their country; it is for young people who need resources to go back to school; and it is for people who want to build skill sets to enter the workforce. Serve Kentucky has grown 400 percent in the last 9 years, and there are Serve Kentucky programs in every county in Kentucky through AmeriCorps.

Recommendations

The objective of these recommendations is not to reduce the number of departments, divisions, and programs in the cabinet, nor is it to eliminate invaluable programs and services; rather, the object is to streamline programs, reduce bureaucracy, and eliminate redundancy to create efficiencies within the cabinet and state government as a whole.

1. Due to size of the Cabinet for Health and Family Services and the scope of its jurisdiction, in order to ensure a thorough study of the organizational structure, operations, and administrations of the cabinet and to allow providers, cabinet employees, and relevant stakeholders to testify to their experiences, it is recommended that the task force continue through the Interim of 2023.

2. The Department for Income Support administers the Child Support Enforcement program and the Disability Determination Services program. Due to the legal nature of the Child Support Enforcement program, the program would be more effective and better served by removing it from the Cabinet for Health and Family Services and placing it within the Office of the Attorney General. Within the Office of the Attorney General, the Child Support Enforcement program may be privatized and contracted out, but the administration of the program should remain under the Office of the Attorney General. Due to the impact the determination of a disability has on the workforce, it is recommended that the Disability Determination Services program be moved to the Education and Labor Cabinet.
3. The Office for Children with Special Health Care Needs (OCSHCN) provides comprehensive care, including providing medical services, therapy services, hearing loss services, and support services. Given the jurisdiction of the Department for Public Health, including the services currently offered, and the composition of the personnel within the Department for Public Health – including the statutory requirement that the Commissioner of the department be a medical doctor, it is recommended that OCSHCN would be better served within the Department for Public Health.
4. The Department for Family Resource Centers and Volunteer Services is comprised of the Family Resource and Youth Services Centers (FRYSC) and Serve Kentucky. KRS 194A.575 defines the purpose of Serve Kentucky, which is more consistent as a function of the Education and Labor Cabinet so it is recommended that Serve Kentucky be moved to the Education and Labor Cabinet. FRYSC remains a key part of Kentucky’s educational system and may be either: 1) removed from the Cabinet for Health and Family Services and placed within the Education and Labor Cabinet; or 2) placed within the jurisdiction of a department of jurisdiction within the Cabinet for Health and Family Services—such as DCBS or DBHDID.
5. The Office of the Ombudsman and Administrative Review, and the Office of the Inspector General be separated from the Office of the Secretary and protocol should be developed to ensure independence of its operations in order to uphold public integrity and confidence.
6. Require the Department for Medicaid Services, DAIL, and DBHDID to identify and eliminate redundancies and barriers to administering 1915(c) Medicaid waiver programs and issue a report containing its findings, recommendations, and action plan to the Legislative Research Commission by December 1, 2023.
7. Require the Office of Human Resource Management to work with the Personnel Cabinet to identify the systemic barriers and redundancies that are prohibiting an effective and timely hiring and onboarding process for prospective employees. Require the cabinet to issue a report containing its findings, recommendations, and action plan to the Legislative Research Commission by December 1, 2023.
8. The State Guardianship Program within DAIL assists vulnerable adults, which can also be administered as an extension and function of Adult Protective Services within the jurisdiction of DCBS.

9. Given the growth of the Medicaid program and increased demand for public assistance and social and human services in Kentucky, the task force acknowledges the need to re-evaluate the committee structure of the General Assembly in order to adequately serve the needs of Kentuckians.