

CHFS ORGANIZATIONAL STRUCTURE, OPERATIONS & ADMINISTRATION TF

Minutes of the 1st Meeting of the 2022 Interim

July 6, 2022

Call to Order and Roll Call

The 1st meeting of the CHFS Organizational Structure, Operations & Administration TF was held on Wednesday, July 6, 2022, at 3:00 PM, in Room 131 of the Capitol Annex. Senator Stephen Meredith, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Stephen Meredith, Co-Chair; Representative David Meade, Co-Chair; Senators Ralph Alvarado, and Karen Berg; Representatives Danny Bentley, and Keturah Herron.

Guests: Representative Jason Petrie, 16th House District; Eric Friedlander, Secretary, Cabinet for Health and Family Services; Eric Lowery, Executive Director, Officer of Finance and Budget, Cabinet for Health and Family Services; and Jackie Richardson, Chief of Staff, Office of the Secretary, Cabinet for Health and Family Services.

LRC Staff: Samir Nasir, Katie Carney, and Eric Rodenberg.

Before introducing the presenters, Senator Meredith made opening remarks about the origins and goals of the task force.

Introduction to the Cabinet

Eric Friedlander, Secretary, Cabinet for Health and Family Services and Eric Lowery, Executive Director, Office of Finance and Budget, Cabinet for Health and Family Services, provided a presentation with a breakdown of the Cabinet for Health and Family Services including divisions, funding, expenditures, and statistics for each department. Secretary Friedlander provided a chart to the committee showing all the departments and divisions that make up the Cabinet for Health and Family Services. Before beginning the presentation, Secretary Friedlander suggested the committee look at the budget narratives, and also remember “F” forms which are federal funds, and “G” forms which are agency funds or grants.

In response to comments from Senator Meredith, Secretary Friedlander confirmed the reorganization bill passed during the 2022 Regular Session will go into effect on July 14, 2022, but the information given in the meeting incorporates the reorganization bill.

The first portion of the presentation centered on cabinet fund sources and how the funds are spent. One of the biggest funding sources for the cabinet is Medicaid. Providers, such as doctors or hospitals, make up the biggest portion of where the funding is spent. Recognition was given to Mr. Lowery for the cost allocation system and maximizing the federal funds received. With the cost allocation system, administrative costs are allocated across all departments. This system captures approximately 50 million dollars a year of federal indirect costs.

In response to questions from Senator Berg, Secretary Friedlander discussed Medicaid contracts. Medicaid contract fees are set and the vast majority of the providers work within the managed care organization (MCO) framework. Other contracts are done by a request for proposal (RFP). Another way is that a non-profit or a quasi- governmental group are contracted directly.

In response to questions and comments from Senator Berg, Secretary Friedlander provided the example of how to properly reimburse dentists for the services provided. Secretary Friedlander commented it is extremely difficult to set or agree upon the correct rate.

In response to questions from Senator Meredith, Mr. Lowery explained the federally approved cost allocation plan and how it can capture the indirect costs. It can include IT, personnel, and administrative support. The goal is to maximize the federal funds as much as possible, reduce reliance on general fund dollars, and maintain a base level of support to all departments. The cost allocation plan is based on salaries, and statistical analysis is done monthly to see what programs the employees have charged. With this information, a pro rata allocation is written against the grant or program. The indirect costs captured has increased from 50 million dollars in fiscal year 2019 to 54 million dollars in fiscal year 2022. COVID-19 was one possible explanation for the increase in the indirect cost captured. Secretary Friedlander discussed when the cabinet was split into 2 separate cabinets.

In response to questions from Senator Alvarado, Mr. Lowery responded that several programs are 100 percent state funded. CHFS had not figured out how to attach some of the programs to federal dollars. At the current moment, CHFS might be at the limit for federal funding. Secretary Friedlander spoke about testimony recently given regarding hospitals during the Medicaid Oversight and Advisory Committee.

Within the Inspector General's office, there are investigators who explore claims of fraud or abuse and try to recover the funds. Regarding the Supplemental Nutrition

Assistance Program (SNAP), Secretary Friedlander believed Kentucky leads the southeast region in disqualifying people for SNAP benefits due to intentional program violations.

Testimony was given regarding the Department for Medicaid Services. Secretary Friedlander discussed SB 50 from the 2021 Regular Session which changed to the single pharmacy benefits manager. There is a report being generated that will possibly show savings by switching to a single pharmacy benefits manager.

In response to comments from Senator Meredith, Secretary Friedlander spoke about also increasing the dispensing fees for all pharmacies and hoping to get back to a tiered dispensing fee.

Senator Alvarado made comments about one in three Kentuckians and 60 percent of Kentucky's children being insured within the Medicaid or Kentucky Children's Health Insurance program (KCHIP). In response to the statistics, Secretary Friedlander discussed another bill passed during the 2022 Regular Session that extended the benefits for pregnant and postpartum women up to a year. The number one expenditure for KCHIP is uncomplicated deliveries.

The main expenditure for the Department for Medicaid Services is the payments to health care providers. Traditional Medicaid (age, blind, disabled) typically has a Federal Medical Assistance Percentage (FMAP) of 72 percent.

In response to questions from Senator Meredith, Secretary Friedlander clarified that the 10 percent to MCOs is not included or combined with the three percent administration fee. The payments to the MCOs are considered to be benefits.

Secretary Friedlander discussed the Department for Community Based Services (DCBS). The money goes to the provider, not necessarily the individual. Testimony included a discussion about foster care and child abuse. The increase in phone calls a month, from 100,000 to 200,000, has caused wait times on phone calls to increase. The cabinet is trying to reduce the wait times.

In response to questions from Senator Meredith, Secretary Friedlander agreed that some of the increase in phone calls to DCBS could be COVID-19 driven; but also with more money for programs comes an increase in demand for those programs.

Secretary Friedlander highlighted the Low Income Home Energy Assistance Program (LIHEAP), stating the "cooling period" portion of the program is now functioning in addition to the "heating period."

Secretary Friedlander turned the focus to the Department for Public Health and discussed several programs including the Health Access Nurturing Development Services (HANDS), abuse and neglect programs, and the First Steps programs.

In response to questions and comments from Senator Meredith, Secretary Friedlander commented that COVID-19 showed the significance of the Department for Public Health but also commented on the varying number of services the department provides including radon kits, restaurant inspections, and inspections of septic systems.

Secretary Friedlander spoke to the implementation of HB 499 from the 2022 Regular Session and how they are working with the employers to help with child care.

A lot of the restricted funds listed for Public Health comes from fees, such as birth and death certificate. The department's funding is not as heavily dependent on Medicaid; but Medicaid is still present. Secretary Friedlander spoke of a future request for a new lab for the Department for Public Health.

The testimony on Department for Behavioral Health, Developmental and Intellectual Disabilities included topics such as the implementation of 988, a suicide prevention hotline; implementation of SB 90 from the 2022 Regular Session; mobile crisis centers; and ideas or ways to support law enforcement when answering a behavioral health call. Secretary Friedlander noted the numerous workforce initiatives and the shortage of behavioral health providers. Medicaid funds about 90 percent of the restricted funds of the department, and Medicaid facilities take up over half of the budget.

The Department for Aging and Independent Living provides services and programs to people who may not qualify for Medicaid but still need services due to significant disabilities. During the 2021 Regular Session, a bill was passed that created, within the department, the Office of Alzheimer's, and the cabinet is working to expand that office with grants. Secretary Friedlander testified that the office was much needed as there is an aging population that is seeing an increase in dementia and Alzheimer's. Within the funds for the department, a small portion of Medicaid was able to be accessed through the guardianship side of this department.

In response to questions from Senator Berg, Secretary Friedlander clarified the Student Drug Prevention Education actually falls under Serve Kentucky.

Serve Kentucky and the Division of Family Resource and Youth Services Centers (FRYSCs) are based on volunteerism and supporting the local communities within schools. The FRYSCs are designed to respond to local needs with plans and solutions that work within the community. There is no Medicaid within this fund, it is mostly general and federal funds.

The Department for Income Support has two divisions: Child Support Enforcement which enforces the child support payments, and the Disability Determination Services which contracts for the Social Security Office and is able to make determinations on whether someone qualifies for social security disability payments. Secretary Friedlander noted the money in the capital planning budget is for an update to the computer system for the child support payments.

In response to questions from Representative Meade, Secretary Friedlander confirmed that 56 percent of the budget for the Department for Income Support is child support. Representative Meade requested information regarding the amount of child support collected versus the amount not collected.

The presentation ended with statistics about the Office for Children with Special Health Care Needs. The office follows up on newborn hearing screenings. The office also has several specialty clinics such as neurology and orthopedic. Within this office, restricted funds is almost all Medicaid.

Senator Alvarado made comments regarding volunteerism, Ombudsman offices, Serve Kentucky and FRYSCs. He spoke of the concept of consolidating different organizations that require volunteers within one department so volunteers could possibly serve in various different aspects of the department. Secretary Friedlander thought it was an interesting point and worthy of possible consideration.

In response to comments and questions from Representative Herron, Secretary Friedlander thought the seven percent in the Department for Public Health programs, labeled Public Health Protection and Safety, included the inspectors such as milk, radiation, lead paint, swimming pools, and restaurants etc. Secretary Friedlander would update Representative Herron if he was incorrect.

In response to comments and questions from Senator Meredith, Secretary Friedlander will share CHFS and each department's mission statements. He spoke to the different lenses the cabinet tries to look through when applying the mission statements. Secretary Friedlander commented that it is a fundamental shift in thinking there is no money for a program to go about finding funding for a program.

Senator Berg requested the Secretary think about three wishes that could significantly impact the care or quality of care of people within the state, that require legislation. Secretary Friedlander commented the most important things were education, wages and living wage jobs, and housing.

Senator Meredith announced the next meeting will be Tuesday, July 19, 2022 at 3 p.m. in Annex Room 131.

The meeting adjourned at 4:37 p.m.