



KHA's Capitol Comments
September 10, 2025

Senate Government Oversight Committee Hears about MCO Use of Prior Authorization

Today, the Senate Government Oversight Committee heard from the state inspector general on a variety of topics related to the State Nutritional Assistance Program, as well as active audits and those in process.

Inspector General Steven Anderson highlighted the OIG has finalized a performance audit of the managed care organization's prior authorization process that should be published later this week.

Anderson highlighted the questions of the audit and related findings, including:

- Are there delays in the peer-to-peer review process under each MCO?
 - Yes. P2P reviews can take up to seven business days, depending on the MCO, resulting in delays to critical care. High rates of prior authorization denials result in additional P2P reviews, placing an administrative burden on hospitals and physicians and causing further delays. One MCO reported more than 50 percent of PA requests result in denials.
- Are Medicaid beneficiaries being placed in observation status when they should be classified as an inpatient?
 - Yes. Patients are defaulted to observation status when they are admitted to the hospital. MCOs appear to be abusing commercially sold InterQual or Milliman Care Guideline criteria to deny inpatient status and keep patients in observation status despite them meeting the medical standard for inpatient criteria.
- Is there consistency in how each MCO determines the level of care for post-acute care?
 - No. There is no universal standard or federal requirement for how MCOs determine LOC for PAC. The MCOs' individual determination processes are not available to hospitals, and PAC claims are often denied without explanation.

Inspector General Anderson reported to the committee that one of the MCOs owns a clinical criteria screening tool and highlighted the possibility that a conflict of interest may exist. An analysis revealed hospital claim denial values have seen steady increases over the three-year evaluation period.

OIG Anderson also shared they are reviewing pharmacy dispensing fees on over-the-counter medications filled by prescription and dispensed to Medicaid beneficiaries and the process of payments from the MCO through the Pharmacy Benefit Manager to the dispensing pharmacy following a legislative committee meeting in which HealthyBlue testified that their most prescribed medication was ibuprofen.

The office discussed the ongoing review of the Home and Community-Based Services waiver program and whether standards are being met. The committee also discussed Artificial Intelligence and possible savings, including as it relates to healthcare. Members highlighted other areas they would like to look at when they meet next in October.

340B and PBMs Topic of Upcoming Interim Committee

The Senate Vice President Tim Shallenburger (R-Baxter Springs) requested an interim committee to discuss the topics of 340B and Pharmacy Benefit Managers. The 2025 Special Committee on Pharmaceutical Studies committee meeting has been set for Sept. 26. The committee members include the following:

- Chair Senator Beverly Gossage (R-Eudora)
- Vice Chair Representative Bill Sutton (R-Gardner)
- Senator Bill Clifford (R-Garden City)
- Senator Brenda Dietrich (R-Topeka)
- Senator Michael Fagg (R-El Dorado)
- Senator Cindy Holscher (D-Overland Park)
- Senator Michael Murphy (R-Slyvia)
- Senator Tim Shallenburger (R-Baxter Springs)
- Representative Will Carpenter (R-El Dorado)
- Representative Melissa Oropeza (D-Kansas City)
- Representative Susan Ruiz (D-Shawnee)
- Representative Pat Proctor (R-Fort Leavenworth)
- Representative Sean Tarwater (R-Stillwell)
- Representative Adam Turk (R-Olathe)

Legislative Dinners Begin Soon

The Kansas Hospital Association will begin its annual legislative dinners in October and continue through December. These dinners are designed for hospital leadership, staff and board members to speak with our elected officials and their staff about issues of importance. We hope that you will use this opportunity to engage with policymakers while KHA is in your area. Below are upcoming opportunities for our hospitals to participate:

- Oct. 28 – Salina
- Oct. 30 – Garden City
- Nov. 4 – Topeka
- Nov. 13 – Kansas City/Lenexa
- Nov. 20 – Hays
- Dec. 4 – Pittsburg
- Dec. 10 – Wichita

To register for these events, hospitals can visit: <https://registration.kha-net.org/>. For questions, contact Tara Mays at tmays@kha-net.org.