

An audit released by the inspector general said the Insurance Department improperly allowed dozens of nursing homes to claim a big break on a per-bed tax that helps fund Medicaid.

TOPEKA, Kan. (AP) — An audit released Tuesday by Kansas' attorney general concluded that the state is losing more than \$20 million a year because its Insurance Department is lax in overseeing one of its programs. The department said the audit is flawed and should be “discounted nearly in its entirety.”

The dispute involves two elected Republicans, Attorney General Kris Kobach and Insurance Commissioner Vicki Schmidt, who are considered potential candidates in 2026 to succeed term-limited Democratic Gov. Laura Kelly. Their conflict flared a week after the GOP-controlled state Senate approved [a bill](#) that would give Kobach's office greater power to investigate social services fraud through its inspector general for the state's Medicaid program.

The audit released by the inspector general said the Insurance Department improperly allowed dozens of nursing homes to claim a big break on a per-bed tax that helps fund Medicaid. It said that from July 2020 through August 2023, the state lost more than \$94 million in revenues, mostly because 68% of the certificates issued by the Insurance Department to allow homes to claim the tax break did not comply with state law.

But Schmidt's office said the inspector general relied on an “unduly harsh and unreasonable” interpretation of state law and “unreliable extrapolations” to reach its conclusions. Also, the department said, the conclusion that most applications for the tax break were mishandled is “astronomically unreflective of reality.”

The state taxes many skilled nursing facilities \$4,908 per bed for Medicaid, which covers nursing home services for the elderly but also health care for the needy and disabled. But nursing homes can pay only \$818 per bed if they have 45 or fewer skilled nursing beds, care for a high volume of Medicaid recipients or hold an Insurance Department certificate saying they are part of a larger retirement community complex.

“There are proper procedures in place; however, they are not being followed,” the audit said.

The inspector general's audit said the Insurance Department granted dozens of certificates without having complete records, most often lacking an annual audit of a nursing home.

The department countered that the homes were being audited and that it showed “forbearance” to “the heavily regulated industry” because annual audits often cannot be completed as quickly as the inspector general demands.

Insurance Department spokesperson Kyle Stratham said that if the agency accepted the inspector general's conclusions, “Kansas businesses would be charged tens of millions of dollars in additional taxes, which would have a devastating impact on the availability of care for senior Kansans.”