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November 12, 2014

To: Legislative Coordinating Council and Governor Sam Brownback
From: Kansas Legislative Research Department and Division of the Budget
Re: Fall 2014 Human Services Consensus Caseload Estimates for FY 2015, FY 2016, and FY 2017

The Division of the Budget, Department for Children and Families (DCF), Department of Health and Environment (KDHE), Department for Aging and Disability Services (KDADS), Department of Corrections (DOC), and the Legislative Research Department met on November 6, 2014, to revise the estimates on human services caseload expenditures for State FY 2015 and develop estimates for FY 2016 and FY 2017. The caseload estimates include expenditures for Temporary Assistance to Families, the Reintegration/Foster Care Contracts, Out of Home Placements and KanCare Regular Medical Assistance and Nursing Facilities. A chart summarizing the estimates for FY 2015 through FY 2017 is included at the end of this memorandum.

The estimate for FY 2015 is an increase of \$106.6 million from all funding sources and \$46.2 million from the State General Fund as compared to the budget approved by the 2014 Legislature. The estimate for FY 2016 is an increase of \$126.4 million from all funding sources and \$76.6 million from the State General Fund above the FY 2015 revised estimate. The estimate for FY 2017 is an increase of \$32.9 million from all funding sources and \$44.5 million from the State General Fund above the FY 2016 estimate. The combined estimate for FY 2015, FY 2016, and FY 2017 is an all funds increase of \$265.9 million and a State General Fund increase of \$167.3 million.

On January 1, 2013, the State implemented its integrated medical care model KanCare, in which three managed care organizations (MCOs) began coordinating health care for nearly all Medicaid beneficiaries. The administration of KanCare within the state is accomplished by KDHE maintaining financial management and contract oversight, while KDADS administers the Medicaid Waiver programs for disability services, mental health and substance abuse services, and the State Hospitals.

In addition, the Department of Corrections administers program management for Out of Home Placements and part of KanCare related to Foster Care, for juveniles in the custody of the Secretary. These programs were previously administered by the Juvenile Justice Authority and were transferred to the Department of Corrections on July 1, 2013.

FY 2015

For FY 2015, the revised estimate for all human service caseloads is an all funds increase of \$106.6 million and a State General Fund increase of \$46.2 million above the budget approved by the 2014 Legislature.

The estimate for Temporary Assistance to Families (TAF) is a decrease of \$200,000 from all funding sources and \$3,437,508 from the State General Fund expenditures from the amount approved by the 2014 Legislature. The all funds decrease is due to a series of policy changes which began in fall 2011 and resulted in a declining TAF population. The State General Fund reductions were the result of meeting the federal maintenance of effort requirements through other allowable expenditures, mainly the refundable portion of the Earned Income Tax Credit.

The estimate for contracted foster care services is anticipated to decrease by \$300,000 from all funding sources, and increase by \$10.2 million from the State General Fund. The increase in all funds is mostly attributable to a slight decrease in the number of children anticipated to be in the foster care system. In addition, there is an ongoing conversation with the federal Administration for Children and Families regarding expenditures from the Title IV-E foster care funding source. The ultimate decisions on the issue is not anticipated in calendar year 2014, and the estimate for FY 2015 includes the addition of \$13.1 million, all from the State General Fund, to provide for adequate cash flow for the program.

The FY 2015 caseload estimate is \$20.4 million for the Department of Corrections' Out of Home Placements. This is an overall decrease from the FY 2015 approved amount of \$300,000 partially offset by a State General Fund increase of \$500,000. The all funds decrease is attributable to fewer children in the system, specifically in the Youth Residential Center II facilities, and the State General Fund increase is due to less available Title IV-E federal funding.

The FY 2015 estimate for KanCare Medical is \$2.7 billion from all funding sources, including \$1.0 billion from the State General Fund, reflecting an increase of \$108.4 million from all funding sources and \$39.0 million from the State General Fund above the amount approved by the 2014 Legislature. For the Department of Health and Environment, the KanCare Medical estimate is \$2.0 billion from all funding sources including \$738.3 million from the State General Fund. The Department for Aging and Disability Services' KanCare Medical estimate is \$729.7 million from all funding sources, including \$281.5 million from the State General Fund. The KanCare Medical estimate for the Department of Corrections is \$4.0 million from all funding sources, including \$1.7 million from the State General Fund.

The increase in KanCare Medical is largely attributable to a slight growth in the population served and the costs associated with the Affordable Care Act Insurers Fee included in the capitated rate payment (except for long term care services and supports which are excluded from the federal requirements). KDADS' KanCare includes the addition of \$6.3 million for payments to the MCOs for mental health assessments for both the current year and prior years, which had not been previously included in the capitation payments. The estimate includes funding of \$4.0 million from the Problem Gambling and Addictions Grant Fund.

FY 2016

The FY 2016 estimate is \$3.0 billion from all funding sources, including \$1.2 billion from the State General Fund. The estimate is an all funds increase of \$126.4 million and a State

General Fund increase of \$76.6 million above the FY 2015 revised estimate. The base Medicaid matching rate determined by the federal Centers for Medicare and Medicaid Services increased the required state share by 0.57 percent between FY 2015 and FY 2016. The estimated impact of this adjustment in FY 2016 is \$16.2 million in additional State General Fund required for caseload expenditures.

The estimate for Temporary Assistance for Families caseloads has decreased by \$1.1 million from all funding sources, with no impact on State General Fund expenditures, from the revised FY 2015 estimate. The number of individuals estimated to receive cash assistance benefits from TAF is estimated to continue to decline. This results from a combination of lower anticipated applications for assistance and an increase in the rate of denials of the applications.

It is estimated the contracted foster care services will increase by \$2.6 million from all funding sources, and decrease by \$10.0 million from the State General Fund. This is due to the reduction of the one-time increase in State General Fund expenditures in FY 2015 to address the federal IV-E funding issue partially offset by the anticipated increase in the number of children receiving services.

For the Department of Corrections, expenditures for Out of Home Placements for FY 2016 are estimated to be \$20.2 million from all funds. This is a decrease of \$200,000 from all funds and \$1.0 million from the State General Fund, below the revised FY 2015 estimate. This is largely due to fewer children in the system, specifically in the Youth Residential Center II facilities, and increased federal Title IV-E funding.

The FY 2016 estimate for KanCare Medical is \$2.8 billion from all funding sources, including \$1.1 billion from the State General Fund. The new estimate is higher than the revised FY 2015 estimate by \$124.7 million from all funding sources and \$87.3 million from the State General Fund. For the Department of Health and Environment, the KanCare Medical estimate is \$2.1 billion from all funds, including \$800.4 million from the State General Fund. The Department for Aging and Disability Services' KanCare Medical estimate is \$758.3 million from all funds, including \$306.7 million from the State General Fund. The KanCare Medical estimate for the Department of Corrections is \$3.8 million from all funds, including \$1.7 million from the State General Fund.

The increase is largely attributable to a slight growth in population and the increased costs associated with the Affordable Care Act Insurer Fee included in the capitation rates (except for long-term care services and supports which are excluded from the federal requirements) and the fact that plan year 2016 includes 53 weeks of payments, rather than the standard 52 weekly payments. The FY 2016 estimate for KDADS' KanCare Medical includes an increase of \$7.1 million, all from the State General Fund, to replace fee fund moneys which were no longer available. The estimate also includes funding of \$4.0 million from the Problem Gambling and Addictions Grant Fund.

FY 2017

The FY 2017 estimate is \$3.1 billion, including \$1.3 billion from the State General Fund. The estimate is an all funds increase of \$32.9 million and a State General Fund increase of \$44.5 million above the FY 2016 estimate. The base Medicaid matching rate for federal contribution increased the state share by 0.16 percent between FY 2016 and FY 2017. The estimated impact of this adjustment in FY 2017 is \$4.9 million in additional State General Fund required for caseload expenditures.

The estimate for Temporary Assistance for Families caseloads has decreased by \$1.0 million from all funding sources, with no impact on State General Fund expenditures, from the FY 2016 estimate. The number of individuals estimated to receive cash assistance benefits from TAF is estimated to continue to decline. This results from a combination of lower anticipated applications for assistance and an increase in the rate of denials of the applications.

The estimate for contracted foster care services is estimated to increase by \$2.3 million from all funding sources, and increase by \$7.0 million from the State General Fund, due to an anticipated increase in the number of children receiving services and the replacement of \$5.3 million in fee funds utilized in the previous year no longer being available.

For the Department of Corrections, expenditures for Out of Home Placements for FY 2017 are estimated to be \$19.5 million from all funds. This is a decrease of \$700,000, all from the State General Fund below the FY 2016 estimate and is largely due fewer children in the system, specifically in the Youth Residential Center II facilities.

The FY 2017 estimate for KanCare Medical is \$2.9 billion from all funding sources, including \$1.1 billion from the State General Fund. The new estimate is higher than the FY 2016 estimate by \$32.3 million from all funding sources and \$38.2 million from the State General Fund. For the Department of Health and Environment, the KanCare Medical estimate is \$2.1 billion from all funds, including \$823.6 million from the State General Fund. The Department for Aging and Disability Services' KanCare Medical estimate is \$789.4 million from all funds, including \$321.7 million from the State General Fund. The KanCare Medical estimate for the Department of Corrections is \$4.0 million from all funds, including \$1.7 million from the State General Fund.

The increase is attributable to a slight growth in population and the increased costs associated with the Affordable Care Act Insurer Fee included in the capitation rates (except for long-term care services and supports which are excluded from the federal requirements) partially offset by the elimination from the estimated expenditures of risk corridor payments for the contractors due to the original three year contract provisions ending in December 2015. The FY 2017 estimate includes \$4.0 million, all from the Problem Gambling and Addictions Grant Fund.

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HUMAN SERVICES
November 6, 2014
Consensus Caseloads Estimates

		FY 2015 Approved*	November Revised FY 2015	Difference from Approved	FY 2016 Estimate	Difference from FY 2015 to FY 2016	FY 2017 Estimate	Difference from FY 2016 to FY 2017
DCF – Temporary Assistance to Families	SGF	\$ 3,437,508	\$ --	\$ (3,437,508)	\$ --	\$ --	\$ --	\$ --
	AF	20,700,000	20,500,000	(200,000)	19,400,000	(1,100,000)	18,400,000	(1,000,000)
DCF – Foster Care Contract	SGF	76,300,000	86,500,000	10,200,000	76,500,000	(10,000,000)	83,500,000	7,000,000
	AF	142,700,000	142,400,000	(300,000)	145,000,000	2,600,000	147,300,000	2,300,000
DOC – KanCare	SGF	2,066,989	1,700,000	(366,989)	1,700,000	--	1,700,000	--
	AF	4,773,647	4,000,000	(773,647)	3,800,000	(200,000)	4,000,000	200,000
DOC – Out of Home Placements	SGF	19,200,000	19,700,000	500,000	18,700,000	(1,000,000)	18,000,000	(700,000)
	AF	20,700,000	20,400,000	(300,000)	20,200,000	(200,000)	19,500,000	(700,000)
KDHE – KanCare	SGF	714,140,119	738,300,000	24,159,881	800,400,000	62,100,000	823,600,000	23,200,000
	AF	1,918,000,000	1,981,200,000	63,200,000	2,077,500,000	96,300,000	2,078,500,000	1,000,000
KDADS – KanCare	SGF	266,268,825	281,500,000	15,231,175	306,700,000	25,200,000	321,700,000	15,000,000
	AF	683,692,577	729,700,000	46,007,423	758,300,000	28,600,000	789,400,000	31,100,000
KDADS – Non-KanCare	SGF	18,000,000	17,900,000	(100,000)	18,200,000	300,000	18,200,000	--
	AF	23,000,000	22,000,000	(1,000,000)	22,400,000	400,000	22,400,000	--
TOTALS	SGF	\$ 1,099,413,441	\$ 1,145,600,000	\$ 46,186,559	\$ 1,222,200,000	\$ 76,600,000	\$ 1,266,700,000	\$ 44,500,000
	AF	\$ 2,813,566,224	\$ 2,920,200,000	\$ 106,633,776	\$ 3,046,600,000	\$ 126,400,000	\$ 3,079,500,000	\$ 32,900,000

*Includes reappropriations
SGF - State General Fund
AF - All Funds
DCF - Department for Children and Families
DOC - Department of Corrections
KDHE - Kansas Department of Health and Environment
KDADS - Kansas Department for Aging and Disability Services