

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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November 10, 2016

To: Legislative Coordinating Council and Governor Sam Brownback

From: Kansas Legislative Research Department and Division of the Budget

Re: Fall 2016 Human Services Consensus Caseload Estimates for FY 2017, FY 2018, and FY 2019

The Division of the Budget, Department for Children and Families, Department of Health and Environment (KDHE), Department for Aging and Disability Services (KDADS), and the Legislative Research Department met on October 28, 2016, to revise the estimates on human services caseload expenditures for FY 2017 and develop estimates for FY 2018 and FY 2019. 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 2017 through FY 2019 is included at the end of this memorandum.

The estimate for FY 2017 is an increase of \$147.0 million from all funding sources and \$1.9 million from the State General Fund as compared to the budget approved by the 2016 Legislature. (The approved amount reflects the Governor's May 2016 Allotments.) The estimate for FY 2018 is a decrease of \$120.4 million from all funding sources and an increase of \$35.3 million from the State General Fund above the FY 2017 revised estimate. The estimate for FY 2019 is an increase of \$48.4 million from all funding sources and \$165.8 million from the State General Fund above the FY 2018 estimate. **The combined estimate for FY 2017, FY 2018, and FY 2019 is an all funds increase of \$75.0 million and a State General Fund increase of \$203.0 million.**

The administration of KanCare within the state is accomplished by KDHE maintaining financial management and contract oversight including regular medical services, while KDADS administers the Medicaid Waiver programs for disability services as well as long-term care services, mental health and substance abuse services, and the State Hospitals. In addition, the Department of Corrections (DOC) administers the part of KanCare related to youth in custody. Throughout this memorandum, KanCare Medical estimates include all Medicaid KanCare expenditures for all agencies. Beginning in FY 2018 all KanCare expenditures will be included in the KDHE budget. KDADS and DOC will maintain responsibility for their program policies and performance.

FY 2017

For FY 2017, the revised estimate for all human service caseloads is an all funds increase of \$147.0 million and a State General Fund increase of \$1.9 million above the budget approved by the 2016 Legislature.

The estimate for the Temporary Assistance for Needy Families program is an increase of \$255,000, all from federal funds, above the approved amount. The number of individuals receiving cash assistance benefits is still expected to decrease compared to the previous fiscal year, just not as quickly as had been anticipated in the spring estimate. Estimated expenditures for the Foster Care program were increased by \$4.9 million, including \$4.0 million from the State General Fund, above the approved amount. The number of children anticipated to be served in the foster care system is still expected to increase above the previous fiscal year, though not as rapidly as previously projected, and the cost per child is expected to be higher than anticipated in the spring.

The FY 2017 estimate for KanCare Medical is \$2.7 billion from all funding sources, including \$889.5 million from the State General Fund, reflecting an increase of \$130.1 million from all funding sources and a decrease of \$6.6 million from the State General Fund from the amount approved by the 2016 Legislature. The KanCare Medical estimate includes KDHE, KDADS, and DOC KanCare Medical expenditures. The estimate includes the addition of \$93.5 million, including \$41.0 million from the Nursing Facility Quality Care Assessment, due to the enactment of 2016 Senate Sub. for HB 2365. A total assessment collection of \$41.0 million is anticipated due to revenues in the first quarter of the fiscal year utilizing the previous provider assessment rate followed by three quarters of the new provider assessment rate.

The all funds increase in KanCare Medical is attributable to several factors, a scheduled increase in Medicare buy-in payments and higher Health Care Access Improvement Panel pool payments due to the timing of those payments. In addition, because Osawatomie State Hospital was not certified before the end of the federal fiscal year, federal funding for Disproportionate Share Hospital payments is lower than estimated in the spring. Other increases are due to estimated savings which were not realized for Medicaid Eligibility Payment Error Rate Measurement rates and increases in retroactive fee-for-service payments due to the eligibility determination backlog.

The FY 2017 estimate for KDADS Non-KanCare is an increase of \$11.7 million, including \$4.5 million from the State General Fund, above the amount approved by the 2016 Legislature. The estimate was increased due to a rise in retroactive fee-for-service payments attributable to the eligibility determination backlog.

FY 2018

The FY 2018 estimate is \$2.8 billion from all funding sources, including \$1.0 billion from the State General Fund. The estimate is an all funds decrease of \$120.4 million and a State General Fund increase of \$35.3 million above the FY 2017 revised estimate. The base Medicaid matching rate determined by the federal Centers for Medicare and Medicaid Services increased the required state share (commonly referred to as FMAP) by 1.04 percent between FY 2017 and FY 2018. The estimated impact of this adjustment in FY 2018 is approximately \$27.0 million in additional State General Fund required for caseload expenditures.

The estimate for the Temporary Assistance for Needy Families program is a decrease of \$814,289, including \$185,477 from the State General Fund, below the amount estimated for FY 2017. The number of individuals receiving cash assistance is expected to continue to decrease compared to FY 2017. The reduction in State General Fund expenditures accounts for a reduction in the level of an anticipated federal penalty regarding two-parent work participation rates for those receiving services through the program. Estimated expenditures for the Foster Care program were increased by \$4.1 million, including \$3.5 million from the State General Fund, above the FY 2017 estimate. The number of children anticipated to be served in the foster care system is expected to continue to increase above the previous fiscal year.

The FY 2018 estimate for KanCare Medical is \$2.6 billion from all funding sources, including \$925.0 million from the State General Fund. The estimate is an all funds decrease of \$114.9 million and a State General Fund increase of \$35.5 million from the FY 2017 revised estimate. The KanCare Medical estimate includes KDHE, KDADS, and DOC KanCare Medical expenditures. The estimate includes the addition of \$104.7 million all funds, including \$47.0 million from the Nursing Facility Quality Care Assessment, due to the enactment of 2016 Senate Sub. for HB 2365. Original provider assessment revenues were estimated to be \$55.6 million. However, updated information from KDADS indicates the total revenue is projected to be \$47.0 million in each fiscal year.

The State General Fund increase is largely attributable to the state share increase (commonly referred to as FMAP) and a scheduled increase in Medicare buy-in payments (Note: Previously scheduled increases have been reduced by additional action at the federal level). In addition, KDHE continues to see a decline in fee fund balances. The all funds decrease is due to a federal suspension of Health Insurance Provider Fee payments for premiums written in calendar year 2016, decreasing KanCare expenditures by \$53.9 million, including \$23.6 million from the State General Fund. In addition, a decrease will be seen in member population from the previous year as the impact from the eligibility determination backlog is eliminated and the MCO privilege fee will be reduced from 3.31 percent to 2.0 percent effective January 1, 2018, reducing payment rates to the contractors.

The FY 2018 estimate for KDADS Non-KanCare is a decrease of \$8.8 million, including \$3.5 million from the State General Fund, below the FY 2017 revised estimate. The decrease is related to retroactive fee-for-service expected to be mitigated due to anticipated resolution of the backlog by FY 2018, so expenditures will return to historical trending levels which existed prior to the backlog. The decrease is partially offset by the shift of medical expenditures associated with the Program of All-Inclusive Care for the Elderly (PACE) from the KDHE budget to the KDADS non-KanCare budget so all PACE expenditures reside in one agency.

FY 2019

The FY 2019 estimate is \$2.9 billion from all funding sources, including \$1.2 billion from the State General Fund. The estimate is an all funds increase of \$48.4 million and a State General Fund increase of \$165.8 million above the FY 2018 estimate. The base Medicaid matching rate for federal contribution increased the required state share (commonly referred to as FMAP) by 1.04 percent between FY 2017 and FY 2018. The FY 2018 rate was continued for FY 2019 estimating purposes.

The estimate for the Temporary Assistance for Needy Families program is a decrease of \$940,711, including \$12,581 from the State General Fund, below the amount estimated for FY 2018. The number of individuals receiving cash assistance is expected to continue to decrease

compared to FY 2018. The reduction in State General Fund expenditures is to account for a reduction in the level of an anticipated federal penalty regarding two-parent work participation rates in those receiving services through the program. Estimated expenditures for the Foster Care program were increased by \$6.9 million, including \$5.8 million from the State General Fund, above the FY 2018 estimate. The number of children anticipated to be served in the foster care system is expected to continue to increase above the previous fiscal year.

The FY 2019 estimate for KanCare Medical is \$2.7 billion from all funding sources, including \$1.1 billion from the State General Fund. The estimate is higher than the FY 2018 estimate by \$42.4 million from all funding sources and \$160.0 million from the State General Fund. The KanCare Medical estimate includes KDHE, KDADS, and DOC KanCare Medical expenditures. The estimate includes the addition of \$104.7 million, including \$47.0 million from the Nursing Facility Quality Care Assessment, due to the enactment of 2016 Senate Sub. for HB 2365.

The increase is largely attributable to the MCO privilege fee continuing at the reduced 2.0 percent for the entire fiscal year. Under current law, the funds from the privilege fee move from being deposited in the Medical Assistance Fee Fund back to the State General Fund in FY 2019. In addition, Health Insurance Provider Fee payments suspended in FY 2018 will be reinstated in FY 2019 which will increase KanCare expenditures by \$72.4 million, including \$32.5 million from the State General Fund.

The FY 2019 estimate for KDADS Non-KanCare is a decrease of \$18, all from the State General Fund, below the FY 2018 estimate.

HUMAN SERVICES
November 10, 2016
Consensus Caseloads Estimates

	FY 2017 Approved*	November Revised FY 2017	Difference from Approved	FY 2018 Estimate	Difference from FY 2017 to FY 2018	FY 2019 Estimate	Difference from FY 2018 to FY 2019
DCF - Temporary Assistance to Families	SGF \$ 303,093	\$ 303,093	--	\$ 117,616	\$ (185,477)	\$ 105,035	\$ (12,581)
DCF - Foster Care Contract	AF 15,000,000	15,255,000	255,000	14,440,711	(814,289)	13,500,000	(940,711)
DOC - KanCare	SGF 99,715,411	99,715,411	4,015,411	103,223,125	3,507,714	109,000,000	5,776,875
KDHE - KanCare	AF 158,000,000	162,944,676	4,944,676	167,090,244	4,145,568	173,982,936	6,892,692
KDADS - KanCare	SGF 1,500,000	1,403,134	(96,866)	--	--	--	--
KDADS - Non-KanCare	AF 3,500,000	3,199,849	(300,151)	--	--	--	--
TOTALS	SGF \$ 1,011,572,312	\$ 1,013,501,638	\$ 1,929,326	\$ 1,048,810,077	\$ 35,308,439	\$ 1,214,574,353	\$ 165,764,276
	AF \$ 2,816,780,713	\$ 2,963,779,825	\$ 146,999,112	\$ 2,843,420,274	\$ (120,359,551)	\$ 2,891,775,855	\$ 48,355,581

*Includes Governor's May 2016 Allotments
 SGF - State General Fund
 AF - All Funds
 DCF - Department for Children and Families
 DOC - Department of Corrections
 KDHE - Kansas Department of Health and Environment (includes all Medicaid KanCare estimates for FY 2018 and FY 2019)
 KDADS - Kansas Department for Aging and Disability Services