

August 18, 2015

The Honorable Daniel Hawkins, Chairperson
House Committee on Health and Human Services
Statehouse, Room 521-E
Topeka, Kansas 66612

Dear Representative Hawkins:

SUBJECT: Fiscal Note for HB 2270 by House Committee on Vision 2020

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2270 is respectfully submitted to your committee.

HB 2270 would expand Medicaid eligibility to include any adult under 65 years of age, not pregnant and whose income does not exceed 138.0 percent of the federal poverty level as of January 1, 2016. The bill would require the Secretary of the Kansas Department of Health and Environment (KDHE) to establish a tiered Kansas health care administrative support fee to be charged to hospitals, safety net clinic and other qualified health care providers, and any other recipients of state health care reimbursements and who would benefit from Medicaid expansion. A new fund would be created in the state treasury for collections of the support fees and expenditures from the new fund would finance the program expansion. The Kansas University Medical Center would be required to analyze healthcare outcomes data and report to the Robert G. (Bob) Bethell Joint Committee on Home and Community Based Services and the KanCare Oversight Committee. The bill outlines options and requirements for a KanCare II expanded Medicaid program.

Based upon updated estimates from Aon Consulting, KDHE states that enactment of HB 2270 would increase Medicaid assistance expenditures by \$877.5 million, including \$101.0 million from the State General Fund in FY 2016. The Centers for Medicare and Medicaid Services may require the elimination of waiting lists in conjunction with the proposed eligibility expansion. To eliminate all waiting lists for the Home and Community Based Services waivers for the physically disabled, the intellectually disabled and individuals with autism, Medicaid

enrollment would be increased by 5,854 individuals in FY 2016 at a cost of \$221.7 million, including \$97.6 million from the State General Fund. The following table shows estimated enrollment and cost increases to eliminate waiting lists for 2016 to 2025:

Year	Enrollment Increase	State Funds Increase	Federal Funds Increase	Total Funds Increase
2016	5,854	\$ 97,628,911	\$ 124,053,449	\$ 221,682,360
2017	5,883	101,060,568	128,413,927	229,474,495
2018	5,913	104,612,846	132,927,677	237,540,523
2019	5,942	108,289,988	137,600,085	245,890,073
2020	5,972	112,096,381	142,436,728	254,533,109
2021	6,002	116,036,569	147,443,379	263,479,947
2022	6,032	120,115,254	152,626,013	272,741,268
2023	6,062	124,337,305	157,990,818	282,328,123
2024	6,092	128,707,762	163,544,195	292,251,957
2025	6,123	133,231,840	169,292,773	302,524,613
TOTAL 10 Yr Cost		\$ 1,146,117,424	\$ 1,456,329,043	\$ 2,602,446,467

With Medicaid expansion, many individuals who are currently eligible, but not enrolled, will decide to enroll. This is called the woodwork effect. The Aon Consulting estimate for this woodwork effect in FY 2016 is that 2,748 additional individuals will enroll at a cost of \$10.0 million, including \$3.4 million from the State General Fund. The following table shows estimated enrollment and cost increases for this group for 2016 to 2025:

Year	Enrollment Increase	State Funds Increase	Federal Funds Increase	Total Funds Increase
2016	2,748	\$ 3,357,200	\$ 6,659,826	\$ 10,017,026
2017	3,314	4,170,246	8,272,703	12,442,949
2018	3,367	4,364,795	8,658,638	13,023,433
2019	3,421	4,567,868	9,061,484	13,629,352
2020	3,476	5,733,275	8,528,502	14,261,776
2021	3,531	5,998,614	8,923,206	14,921,820
2022	3,586	6,275,524	9,335,121	15,610,645
2023	3,642	6,564,488	9,764,969	16,329,458
2024	3,699	6,866,014	10,213,502	17,079,515
2025	3,755	7,180,626	10,681,501	17,862,127
TOTAL 10 Yr Cost		\$ 55,078,650	\$ 90,099,452	\$ 145,178,101

It is estimated that Medicaid enrollment would increase by 115,222 newly eligible individuals in FY 2016. Currently enhanced federal funding is available for newly eligible

individuals. Reflecting this enhanced federal funding, the estimated cost for newly eligible individuals in FY 2016 would be \$877.5 million, including \$101.0 million from the State General Fund. The following table shows estimated enrollment and cost increases for 2016 to 2025:

Year	Enrollment Increase	State Funds Increase	Federal Funds Increase	Total Funds Increase		
2016	115,222	\$ -	\$ 645,826,557	\$ 645,826,557		
2017	138,958	40,111,642	762,121,191	802,232,832		
2018	141,204	50,379,500	789,278,831	839,658,331		
2019	143,470	61,510,657	817,213,009	878,723,666		
2020	145,755	91,949,788	827,548,089	919,497,876		
2021	148,058	96,205,283	865,847,548	962,052,831		
2022	150,382	100,646,334	905,817,005	1,006,463,339		
2023	152,724	105,280,727	947,526,541	1,052,807,268		
2024	155,087	110,116,567	991,049,100	1,101,165,667		
2025	157,469	115,162,289	1,036,460,605	1,151,622,894		
TOTAL 10 Yr Cost	\$	771,362,786	\$	8,588,688,477	\$	9,360,051,262

Adding the effects of these three changes in Medicaid enrollment would equate to an increase in Medicaid expenditures of \$877.5 million in FY 2016 and \$1.0 billion in FY 2017. The State General Fund portions of these increases are \$101.0 million in FY 2016 and \$145.3 million in FY 2017. Enactment of HB 2270 would increase Medicaid assistance expenditures by \$12.1 billion, including \$2.0 billion from the State General Fund over the next ten years.

Year	Enrollment Increase	State Funds All Populations	Federal Funds All Populations	Total Funds All Populations		
2016	123,824	\$ 100,986,111	\$ 776,539,831	\$ 877,525,942		
2017	148,155	145,342,455	898,807,821	1,044,150,276		
2018	150,485	159,357,141	930,865,146	1,090,222,288		
2019	152,834	174,368,513	963,874,577	1,138,243,090		
2020	155,203	209,779,443	978,513,318	1,188,292,761		
2021	157,591	218,240,466	1,022,214,133	1,240,454,599		
2022	160,000	227,037,112	1,067,778,140	1,294,815,252		
2023	162,429	236,182,521	1,115,282,328	1,351,464,849		
2024	164,878	245,690,342	1,164,806,797	1,410,497,139		
2025	167,347	255,574,755	1,216,434,879	1,472,009,634		
TOTAL 10 Yr Cost	\$	1,972,558,860	\$	10,135,116,971	\$	12,107,675,831

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KDHE states that Medicaid expansion would increase administrative costs as well, but an estimate of the increase cannot be made at this time. Any fiscal effect associated with HB 2270 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Brad Ridley, KDADS
Aaron Dunkel, KDHE