

March 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 2319 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2319 is respectfully submitted to your committee.

HB 2319 would delete a provision in current law that prevents Medicaid eligibility from being expanded without a legislative act. The bill would also direct the Kansas Department of Health and Environment (KDHE) to develop a Medicaid waiver application for a budget-neutral managed care program, to be known as KanCare 2.0, to provide access to health care coverage options for newly eligible individuals. "Newly eligible individuals" would be defined as otherwise ineligible adults between 19 and 65 years of age and with an income that is equal to or less than 138.0 percent of the federal poverty level.

Based upon updated estimates from Aon Consulting, KDHE states that enactment of HB 2319 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 2319 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	

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 2319 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget