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Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

February 23, 2016

The Honorable Mary Pilcher-Cook, Chairperson
Senate Committee on Public Health and Welfare
Statehouse, Room 441-E
Topeka, Kansas 66612

Dear Senator Pilcher-Cook:

SUBJECT: Fiscal Note for SB 371 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 371 is respectfully submitted to your committee.

SB 371 would create the KanCare Bridge to a Healthy Kansas Program, to be administered and promoted by the Kansas Department of Health and Environment (KDHE). The bill would allow the state to discontinue the program if the federal match is decreased below the current FMAP rate in the Affordable Care Act (ACA). SB 371 includes a list of mandatory services for the expansion program and would include anything not listed that would fall under federal law as a benchmark service. KDHE could include dental and vision services, with the state paying at least 50.0 percent of the premium costs. The bill would limit the out of pocket cost for an individual covered for dental and vision services to 5.0 percent of annual household income. If a vision plan is offered, the services must include optometric services. The plan must comply with Kansas coverage requirements and would disallow treatment limitations or financial requirements for mental health and substance abuse services, if those same limitations or requirements do not apply to other medical services.

The state would supply a list of appropriate preventive services for beneficiaries. Those services would be covered at no cost, be based on the age, sex, and condition appropriate for each individual and would have an annual cap of $500. The administrative costs of the Program would be limited to 15.0 percent including Managed Care Organization (MCO) profits.

Participants in the Program must be between the ages of 16 and 64; be a Kansas resident for more than 12 months; be without healthcare coverage for more than 90 days; and have a household income of less than 133.0 percent of the federal poverty level (FPL). Any Medicare recipient or individual that is otherwise eligible for medical assistance would not be eligible to participate in the Program. The bill would establish a health care account (HCA) requirement and establish who could contribute to the account which would be used to pay deductibles.

Program participants would be required to pay 1/12 of their annual payment before services could begin. Payments would be based on monthly payments consisting of $1 or 1/12 of 2.0 percent of the annual household income, whichever is more. Anyone making over 100.0 percent of the FPL who does not make a payment to the Program within 60 days of the due date may be terminated from the Program with written notice and could reapply after paying premiums in arrears or waiting six months. The bill also includes rules for dropping someone from the Program.

SB 371 would require all non-disabled adults in the Program who are working less than 20 hours a week to be referred to a state workforce training program which would require the state to screen for education and employment status. Parents with minor children would be exempt from this requirement.

An individual who is approved to participate in the Program would be eligible for a 12-month period, and could apply for renewal. An individual who does not renew would not be eligible to reapply for 12 months. The bill specifies the disposition of funds from an HCA when an individual does not renew their participation in the Program. The state would be required to refund the appropriate rebate to the beneficiary within 60 days.

The bill would allow for a $25 co-payment to be collected if a beneficiary goes to the emergency room for non-emergency services. This fee could be waived if the beneficiary contacted a health plan nurse hotline prior to going to the emergency room.

KDHE could establish a health insurance coverage premium assistance program for individuals who meet specific income requirements. The bill includes a severability clause and would define what a program phase out period would entail. KDHE would be required to submit a waiver for the Program to the federal Department of Health and Human Services by January 1, 2017. Expansion of the existing KanCare Program would go into effect January 1, 2017, if the waiver was not submitted in a timely manner allowing for implementation no later than January 1, 2017 or if good faith negotiations to finalize the waiver were not ongoing by that date.

The bill would establish the following new funds, all of which would receive interest earnings based on the balance and PMIB returns and be limited to program expenditures. The bill would require that an annual report on each of these funds be presented to the Legislature on the first day of each Legislative Session:

1. The KanCare Bridge to a Healthy Kansas Program Premium Fee Fund where KDHE would deposit premium dollars received from any individual, employer, non-profit, or insurance company;

2. The KanCare Bridge to a Healthy Kansas Program Drug Rebate Fund where KDHE would deposit dollars received from drug rebates;

3. The KanCare Bridge to a Healthy Kansas Program Privilege Fee Fund where KDHE would deposit dollars received from privilege fees collected related to premiums paid for participants in the program.

SB 371 would require an annual report from the Secretary of KDHE to the Legislature by the first day of each session summarizing costs of the Program and identified cost savings resulting from beneficiaries being moved from KanCare to the KanCare Bridge to a Healthy Kansas Program. The bill specifies how the calculations for the report should be made. An annual report to the Legislature would also be required from the Secretary of Corrections summarizing the state cost savings resulting from using the Program to cover inmate in-patient costs.

The bill would create the KanCare Bridge to a Healthy Kansas Working Group who would be charged with identifying non-State General Fund sources to fund program shortfalls. The group would consist of 15 members; would be staffed by the Kansas Legislative Research Department; would set rules and allowances for member payments; would hold two meetings per year; and would report to the Legislature by March 15 of each Legislative Session. The bill would take effect upon publication in the statute book.

Expenditures	FY 2016	FY 2017	FY 2018
State General Fund	--	$20,466,316	$44,691,306
Fee Fund(s)	--	35,743,733	25,325,790
Federal Fund	--	916,724,663	973,752,549
Total Expenditures	--	$972,934,711	$1,043,769,646
Revenues			
State General Fund	--	--	--
Fee Fund(s)	--	35,743,733	25,325,790
Federal Fund	--	916,724,663	973,752,549
Total Revenues	--	$952,468,396	$999,078,339
FTE Positions	--	115.00	115.00

The passage of SB 371 would increase Medicaid expenditures by $972,934,711, including $20,466,316 from the State General Fund in FY 2017. For FY 2018, the additional expenditures would total $1,043,769,646, including $44,691,306 from the State General Fund. KDHE estimates that the cost of care for 160,832 newly eligible beneficiaries, less healthcare cost savings for some current Medicaid beneficiaries, would be $938.3 million in FY 2017. There would be additional expenditures of $34.6 million for administration expenses necessary to meet the requirements of the bill. This estimate includes salaries for 115.00 additional FTE positions and increases to several Medicaid related contracts.

The bill would also increase some Medicaid revenues for drug rebates and privilege fees. KDHE would anticipate $4.6 million in additional drug rebate revenue and $31.1 million in additional privilege fee revenue. It is important to note that the HMOs that pay privilege fees are likely to pass on the $31.1 million to consumers in the form of higher premiums.

Because there would be numerous options for implementation, KDHE is unable to estimate any additional costs or offsetting revenues for the provisions of the bill pertaining to Health Care Accounts. Depending on how the HCA provisions are interpreted and implemented, additional state costs could be prohibitive. The guarantee of the enhanced federal funding match for Medicaid expansion could be in jeopardy in future years as well, if changes are made to the Affordable Care Act. KDHE's estimates for the fiscal effect of this bill are based on analysis by AON Hewitt Consulting.

This fiscal note does not include any costs for eliminating waiting lists for persons served through the physically disabled, the intellectually and developmentally disabled and Autism Home and Community Based Services waivers. The fiscal note prepared during the 2015 Legislative Session for HB 2319 estimated an increase of expenditures by $221.7 million, including $97.8 million from the State General Fund to eliminate the waiting lists. Any fiscal effect associated with SB 371 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Aaron Dunkel, Health & Environment