

Kansas Department of Health and Environment — Divisions of Health and Health Care Finance

Expenditure	Actual FY 2014	Approved FY 2015	Approved FY 2016	Approved FY 2017
All Funds:				
State Operations	\$ 196,448,789	\$ 190,988,759	\$ 195,555,666	\$ 180,155,785
Aid to Local Units	50,254,450	34,198,591	33,620,952	32,733,239
Other Assistance	1,937,158,475	2,053,925,531	2,151,739,006	2,178,671,292
<i>Subtotal - Operating</i>	<u>\$ 2,183,861,714</u>	<u>\$ 2,279,112,881</u>	<u>\$ 2,380,915,624</u>	<u>\$ 2,391,560,316</u>
Capital Improvements	-	-	-	-
TOTAL	<u><u>\$ 2,183,861,714</u></u>	<u><u>\$ 2,279,112,881</u></u>	<u><u>\$ 2,380,915,624</u></u>	<u><u>\$ 2,391,560,316</u></u>
State General Fund:				
State Operations	\$ 20,373,936	\$ 19,122,871	\$ 17,878,379	\$ 18,961,984
Aid to Local Units	5,258,620	5,857,243	6,186,937	5,808,937
Other Assistance	694,206,818	738,096,659	685,766,733	700,762,958
<i>Subtotal - Operating</i>	<u>\$ 719,839,374</u>	<u>\$ 763,076,773</u>	<u>\$ 709,832,049</u>	<u>\$ 725,533,879</u>
Capital Improvements	-	-	-	-
TOTAL	<u><u>\$ 719,839,374</u></u>	<u><u>\$ 763,076,773</u></u>	<u><u>\$ 709,832,049</u></u>	<u><u>\$ 725,533,879</u></u>
Percent Change:				
Operating Expenditures				
All Funds	12.6 %	4.4 %	4.5 %	0.4 %
State General Fund	7.8	6.0	(7.0)	2.2
FTE Positions	452.9	395.9	497.6	496.6
Non-FTE Unclass. Perm. Pos.	235.8	274.9	283.0	283.9
TOTAL	<u><u>688.7</u></u>	<u><u>670.8</u></u>	<u><u>780.6</u></u>	<u><u>780.5</u></u>

The approved budget for the Kansas Department of Health and Environment - Divisions of Health and Health Care Finance in FY 2015 is \$2.3 billion, including \$763.1 million from the State General Fund and \$7.1 million from the Children's Initiatives Fund (CIF). The budget is an all funds increase of \$95.3 million, or 4.4 percent, above the FY 2014 actuals and \$29.2 million, or 1.2 percent, below the amount approved by the 2014 Legislature. This also reflects a State General Fund increase of \$43.2 million, or 6.0 percent, above the FY 2014 actuals and a decrease of \$760,728, or 0.1 percent, below the amount approved by the 2014 Legislature. The CIF amount remains unchanged from the FY 2014 actual budget. The all funds increase from the actuals and decrease from the 2014 approved amount is largely due to adjustments in medical

assistance expenditures due to consensus caseload estimates and the Governor's Dec. 9th allotment of \$966,688. The budget reflects funding for KanCare medical caseload estimates of \$1.9 billion, including \$714.0 million from the State General Fund, in FY 2015.

The FY 2015 budget includes 395.9 FTE positions, a decrease of 57.0 FTE positions below the approved FY 2015 number, and 274.9 non-FTE unclassified positions, an increase of 39.2 non-FTE unclassified positions above the approved FY 2015 number. The agency states that due to the nature of its grant and federal funding, it is replacing classified positions with non-FTE unclassified positions.

The FY 2016 approved budget for the Kansas Department of Health and Environment - Divisions of Health and Health Care Finance is \$2.4 billion, including \$709.8 million from the State General Fund and \$7.1 million from the CIF. The budget is an all funds increase of \$101.8 million, or 4.5 percent, above the FY 2015 approved budget. This also reflects a State General Fund decrease of \$53.2 million, or 7.0 percent, below the FY 2015 approved budget. The CIF amount remains unchanged from the FY 2015 approved budget.

The changes are largely attributable to the addition of \$33.4 million from all funding sources, including a reduction of \$91.6 million from the State General Fund, to implement the health maintenance organization (HMO) privilege fee changes from 1.0 percent to 3.31 percent for FY 2016. This is partially offset by a reduction of \$57.0 million, including \$25.0 million from the State General Fund, for reduced expenditures due to policy changes in the KanCare Medical Program and a reduction of \$1.3 million, all from the State General Fund, to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor's FY 2015 allotment. The budget reflects funding for KanCare medical caseload estimates for total KanCare Regular Medical caseload expenditures of \$2.0 billion from all funding sources, including \$671.2 million from the State General Fund, for FY 2016.

The FY 2016 budget includes 497.6 FTE positions, an increase of 101.7 FTE positions above the FY 2015 approved amount, and 283.0 non-FTE unclassified positions, an increase of 8.1 non-FTE unclassified positions above the FY 2015 approved amount. The changes are largely due to Executive Reorganization Order (ERO) No. 43, which transfers Medicaid eligibility processing responsibility from the Kansas Department for Children and Families (DCF) to the Kansas Department of Health and Environment (KDHE), effective January 1, 2016, and transferred foster care licensing duties from KDHE to DCF, effective July 1, 2015.

The FY 2017 approved budget for the Kansas Department of Health and Environment - Divisions of Health and Health Care Finance is \$2.4 billion, including \$725.5 million from the State General Fund and \$7.1 million from the CIF. The budget is an all funds increase of \$10.6 million, or 0.4 percent, above the FY 2016 approved amount. This includes a State General Fund increase of \$15.7 million, or 2.2 percent, above the FY 2016 approved amount. The CIF remains unchanged from the FY 2016 approved budget.

The changes are largely attributable to the addition of \$34.8 million from all funding sources, including a reduction of \$95.4 million from the State General Fund, to implement the HMO privilege fee changes from 1.0 percent to 3.31 percent for FY 2017. This is partially offset by a reduction of \$57.0 million, including \$25.0 million from the State General Fund, for reduced expenditures due to policy changes in the KanCare Medical Program; a decrease of \$1.3 million, all from the State General Fund, for operating expenses to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor's FY 2015 allotment; and a reduction of \$29.5 million, including \$13.0 million from the State General Fund, for an anticipated reduced payment error rate and associated savings. The budget reflects funding for KanCare medical caseload estimates for total KanCare Regular Medical caseload expenditures of \$2.0 billion from all funding sources, including \$691.3 million from the State General Fund, for FY 2017.

The budget includes 496.6 FTE positions, a decrease of 1.0 FTE position below the FY 2016 approved amount, and 281.9 non-FTE unclassified positions, an increase of 0.9 non-FTE unclassified positions above the FY 2016 approved amount. This includes changes related to ERO No. 43.

The 2015 Session had several policy and organizational adjustments affecting the Department of Health and Environment - Divisions of Health and Health Care Finance.

The Governor issued ERO No. 43 to transfer the responsibility for Medicaid eligibility determination and associated employees from DCF to the KDHE effective January 1, 2016. The Governor indicates this reorganization is anticipated to increase accuracy in Medicaid eligibility determination and reduce program expenditures partially through uniform implementation of policy and processing changes. These associated savings will be split between this Department and the Department for Aging and Disability Services. In addition, ERO No. 43 transferred foster care licensing responsibilities from KDHE to DCF effective July 1, 2015. The Governor indicates this reorganization is anticipated to streamline the licensing process. The Legislature transferred funding and FTE positions to implement the ERO.

The appropriations bill, 2015 House Sub. for SB 112, included language stating that no state agency shall expend any state monies for fiscal years 2015, 2016 and 2017 for the purpose of implementing

KanCare Health Homes – Chronic Conditions unless the legislature expressly consents to such program and expenditures. It also contained language requiring the agency to submit a report regarding ERO No. 43 implementation and the transition of the eligibility responsibilities and staff effective January 2016 to determine whether the proposed changes were effective in decreasing the Medicaid Eligibility Payment Error Rate Measurement (PERM) rates for Kansas. The bill also requires an audit of the Health Care Access Improvement Fund and a report to the 2016 Legislature of a sustainability plan for the program using only assessment revenues.

2015 Senate Sub. for HB 2281 created the Medical Assistance Fee Fund and increased the annual privilege fees paid by every HMO for the reporting period beginning January 1, 2015, and ending December 31, 2017, from 1.0 percent per year to 3.31 percent per year of the total of all premiums, subscription charges, or any other term that may be used to describe the charges made by such organization to enrollees. The privilege fees collected or received by the Insurance Commissioner from July 1, 2015, through June 30, 2018, from HMOs, including the three

KanCare Managed Care Organizations (MCOs), and Medicare provider organizations for fees specified in law are to be deposited in the Fund to be expended for Medicaid medical assistance payments only. On and after January 1, 2018, the privilege fee will be 2.0 percent.

2015 Senate Sub. for HB 2149 required KDHE to reimburse medical care facilities in certain situations for donor human breast milk provided to a recipient of medical assistance under the Kansas Medical Assistance Program. The bill also amended the procedures regarding restrictions of patients' access to any new prescription-only drug under the Kansas Medicaid Program. Specifically, the bill allows prior authorization or other restrictions on medications used to treat mental illness to be imposed on Medicaid recipients for medications subject to guidelines developed by the Medicaid Drug Utilization Review Board; establishes requirements for Board review of medications used to treat mental illness available for use before and after July 1, 2015; and creates a Mental Health Medication Advisory Committee, which is required to provide the Board with recommendations for the development of guidelines.

Kansas Department of Health and Environment — Division of Health and Health Care Finance

	FY 2015			FY 2016			FY 2017		
	SGF	All Funds	FTE	SGF	All Funds	FTE	SGF	All Funds	FTE
Agency Estimate/Request	\$ 764,183,580	\$ 2,316,822,597	395.9	\$ 763,654,566	\$ 2,325,073,541	382.6	\$ 763,990,817	\$ 2,312,725,971	381.6
Governor's Changes:									
1. Governor's Dec. 9 th Allotment	\$ (966,688)	\$ (966,688)	-	\$ -	\$ -	-	\$ -	\$ -	-
2. Fall Consensus Caseload Estimate	24,159,881	63,200,000	-	86,400,000	162,652,715	-	109,600,000	164,652,715	-
3. KPERs Employer Contribution Rate Reduction	-	(343,028)	-	-	-	-	-	-	-
4. GBA No.1, Item 9	(24,300,000)	(99,600,000)	-	(24,637,092)	(82,929,786)	-	(20,910,688)	(38,820,282)	-
5. Health Insurance Reduction	-	-	-	(85,847)	(459,040)	-	(87,233)	(467,267)	-
6. 4.0 Percent SGF Operating Reduction	-	-	-	(1,522,883)	(1,282,837)	-	(1,540,383)	(1,300,337)	-
7. Fee Fund Sweep Replacement	-	-	-	12,000,000	-	-	21,000,000	-	-
8. KanCare Policy Changes Savings	-	-	-	(25,000,000)	(56,986,551)	-	(25,000,000)	(56,766,576)	-
9. MCO Privilege Fee Increase	-	-	-	28,237,092	64,416,338	-	29,310,688	66,605,478	-
10. PERM Reduction Savings	-	-	-	-	-	-	(13,000,000)	(29,518,619)	-
11. GBA No. 1 Item 6	-	-	-	(9,600,000)	-	-	(14,764,000)	-	-
12. GBA No. 1 Item 7	-	-	-	(18,700,000)	-	-	(18,700,000)	-	-
Total Governor's Recommendation	\$ 763,076,773	\$ 2,279,112,881	395.9	\$ 810,745,836	\$ 2,410,484,380	382.6	\$ 829,899,201	\$ 2,417,111,083	381.6
Change from Agency Est./Req.	\$ (1,106,807)	\$ (37,709,716)	-	\$ 47,091,270	\$ 85,410,839	-	\$ 65,908,384	\$ 104,385,112	-
Percent Change from Agency Est./Req.	(0.1)%	(1.6)%	- %	6.2 %	3.7 %	- %	8.6 %	4.5 %	- %
Legislative Action:									
13. Non-Concur GBA No. 1 Item 7	\$ -	\$ -	-	\$ 18,700,000	\$ -	-	\$ 18,700,000	\$ -	-
14. ERO No. 43 Foster Care Licensing Transfer to DCF	-	-	-	(920,000)	(1,897,697)	(23.0)	(938,000)	(1,951,682)	(23.0)
15. ERO No. 43 Transfer Medicaid Eligibility to KDHE from DCF	-	-	-	869,000	3,476,000	138.0	1,737,000	6,948,000	138.0
16. Primary Care - Safety Net Clinics Increase	-	-	-	378,000	378,000	-	-	-	-
17. Fee Fund Transfer to SGF	-	-	-	-	-	-	-	-	-
18. HMO Privilege Fee Change	-	-	-	(119,826,151)	(30,989,459)	-	(123,665,926)	(29,585,530)	-
19. KPERs Employer Contribution Rate Reduction	-	-	-	(83,838)	(432,333)	-	(164,245)	(847,843)	-
20. KPERs Death and Disability Reduction	-	-	-	(17,528)	(89,997)	-	(19,210)	(98,771)	-
21. Travel Expenditures Reduction	-	-	-	(13,270)	(13,270)	-	(14,941)	(14,941)	-
22. Newspapers and Magazines Prohibition	-	-	-	-	-	-	-	-	-
TOTAL APPROVED	\$ 763,076,773	\$ 2,279,112,881	395.9	\$ 709,832,049	\$ 2,380,915,624	497.6	\$ 725,533,879	\$ 2,391,560,316	496.6
Change from Gov. Rec.	\$ -	\$ -	-	\$ (100,913,787)	\$ (29,568,756)	115.0	\$ (104,365,322)	\$ (25,550,767)	115.0
Percent Change from Gov. Rec.	- %	- %	- %	(12.4)%	(1.2)%	30.1 %	(12.6)%	(1.1)%	30.1 %
Change from Agency Est./Req.	\$ (1,106,807)	(37,709,716)	-	\$ (53,822,517)	\$ 55,842,083	115.0	\$ (38,456,938)	\$ 78,834,345	115.0
Percent Change from Agency Est./Req.	(0.1)%	(1.6)%	- %	(7.0)%	2.4 %	30.1 %	(5.0)%	3.4 %	30.1 %

1. The Governor deleted \$966,688, all from the State General Fund, as part of the December 9th allotment in FY 2015. For this agency, the allotment included a reduction of \$79,572 to reduce the Kansas Public Employees Retirement System employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015; a reduction of \$774,198 for a 4.0 percent reduction in operating expenditures for the last six months of FY 2015; and a deletion of \$112,918 for a reappropriation lapse from FY 2014 to FY 2015.
2. The Governor added \$63.2 million, including \$24.2 million from the State General Fund, for fall Human Service consensus caseload estimates in FY 2015, added \$162.7 million, including \$86.4 from the State General Fund, for Human Service consensus caseload estimates for FY 2016, and added \$164.7 million, including \$109.6 million from the State General Fund, for Human Service consensus caseload estimates for FY 2017.
3. The Governor deleted \$343,028, all from special revenue funds, to reduce the Kansas Public Employees Retirement System employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.
4. The Legislature concurred with Governor's Budget Amendment (GBA) No. 1, Item 9 and deleted \$99.6 million, including \$24.3 million from the State General Fund, for spring Human Service consensus caseload estimates in FY 2015, deleted \$82.9 million, including \$24.6 million from the State General Fund, for Human Service consensus caseload estimates for FY 2016, and deleted \$38.8 million, including \$20.9 million from the State General Fund, for Human Service consensus caseload estimates for FY 2017.
5. The Governor deleted \$459,040, including \$85,847 from the State General Fund, for FY 2016 and \$467,267, including \$87,233 from the State General Fund, for FY 2017 to reduce employer contributions for state employee health insurance.
6. The Governor deleted \$1.3 million, including \$1.5 million from the State General Fund, for FY 2016 and FY 2017 for a 4.0 percent reduction in operating expenditures.
7. The Governor added \$12.0 million for FY 2016 and \$21.0 million for FY 2017, all from the State General Fund, to replace the Medical Program Fee Fund transfer to the State General Fund in FY 2015 as part of the Governor's allotment plan.
8. The Governor reduced the agency budget by \$57.0 million, including \$25.0 million from the State General Fund, for FY 2016 and \$56.8 million, including \$25.0 million from the State General Fund, for FY 2017 for anticipated savings in expenditures due to policy changes in the KanCare Medical Program. The changes include the following items: caseload reduction due to improved rates; Medicaid pharmacy administrative drug reforms; financial incentives to MCOs for contracted providers; and program changes for behavioral health.
9. The Governor added \$64.4 million, including \$28.2 million from the State General Fund, for FY 2016 and \$66.6 million, including \$29.3 million from the State General Fund, for FY 2017 for the proposed MCO privilege fee increase from 1.0 percent to 5.5 percent.
10. The Governor reduced the agency budget by \$29.5 million, including \$13.0 million from the State General Fund, for an anticipated reduction in the Medicaid Eligibility Payment Error Rate Measurement (PERM) and associated caseload savings for FY 2017. The agency anticipates a 2.0 percent improvement in the error rate.
11. The Legislature concurred with GBA No. 1, Item 6 and deleted \$9.6 million for FY 2016 and \$14.8 million for FY 2017, all from the State General Fund, and added the same amount to the Medical Program Fee Fund for KanCare medical assistance for FY 2016 and FY 2017 due to increased revenues anticipated in the fee fund for pharmacy rebates.
12. The Governor deleted \$18.7 million from the State General Fund and added the same amount from the Health Care Access Improvement Fund to account for the proposed increase to the health care provider assessment from 1.83 percent to 2.55 percent for FY 2016 and FY 2017 with GBA No 1, Item 7.
13. The Legislature did not concur with GBA No. 1, Item 7 and added \$18.7 million from the State General Fund, and deleted the same amount from the Health Care Access Improvement Fund, to account for the proposed increase to the health care provider assessment from 1.83 percent to 2.55 percent that was not implemented for FY 2016 or FY 2017.
14. The Legislature deleted \$1.9 million, including \$920,000 from the State General Fund, and 23.0 FTE positions for FY 2016 and deleted \$2.0 million, including \$938,000 from the State General Fund, and 23.0 FTE positions for FY 2017 to implement the provision in ERO No. 43 which transfers the foster care licensing program from KDHE - Division of Public Health to DCF.

15. The Legislature added \$3.5 million, including \$869,000 from the State General Fund, and 138.0 FTE positions for FY 2016 and added \$6.9 million, including \$1.7 million from the State General Fund, and 138.0 FTE positions for FY 2017 to implement the provision in ERO No. 43 which transfers the Medicaid eligibility determination program to KDHE - Division of Health Care Finance.
16. The Legislature added \$378,000, all from the State General Fund, to Primary Care - Safety Net Clinics for FY 2016 due to funds made available through a transfer from the Kansas Endowment for Youth to the State General Fund.
17. The Legislature transferred \$500,000, all from the Sponsored Overhead Project Fund, to the State General Fund for FY 2016.
18. The Legislature deleted \$31.0 million, including \$119.8 million from the State General Fund, and added \$88.8 million from the Medical Assistance Fund for FY 2016 and deleted \$29.6 million, including \$123.7 million from the State General Fund, and added \$94.1 million for the Medical Assistance Fund for FY 2017 to adjust funding to implement the HMO privilege fee changes at 3.31 percent and delete the expenditures contained in the Governor's recommendation.
19. The Legislature reduced the Kansas Public Employees Retirement System employer contribution rate (excluding KPERS Death and Disability) from 12.37 percent to 10.91 percent for FY 2016 and from 13.57 percent to 10.81 percent for FY 2017. **For this agency, the reductions totaled \$432,333, including \$83,838 from the State General Fund, for FY 2016 and \$847,843, including \$164,245 from the State General Fund, for FY 2017.**
20. The Legislature deleted \$89,997, including \$17,528 from the State General Fund, for FY 2016 and \$98,771, including \$19,210 from the State General Fund, for FY 2017 to suspend employer contributions to the Kansas Public Employees Retirement System Group Insurance Fund, or Death and Disability Fund, for the final seven pay periods for FY 2016 and FY 2017.
21. The Legislature deleted \$13,270 for FY 2016 and \$14,941 for FY 2017, all from the State General Fund, for a 25.0 percent reduction of travel expenditures.
22. The Legislature prohibited agencies from making expenditures on newspapers and magazines, including electronic subscriptions, for FY 2016 and FY 2017.