

MEMORANDUM

TO: Legislative Coordinating Council and Governor Laura Kelly

FROM: Division of the Budget and Kansas Legislative Research Department

DATE: April 22, 2021

SUBJECT: Spring 2021 Human Services Consensus Caseload Estimates for FY 2021 and FY 2022

The Division of the Budget, Department for Children and Families (DCF), Department of Health and Environment (KDHE), Department for Aging and Disability Services (KDADS), and the Legislative Research Department (Consensus Group) met on April 19, 2021, to revise the estimates on human services consensus caseload expenditures for FY 2021 and FY 2022. The caseload estimates include expenditures for Temporary Assistance for Needy Families, the Reintegration/Foster Care Contracts, KanCare Regular Medical Assistance, and KDADS Non-KanCare. A chart summarizing the estimates for FY 2021 and FY 2022 is included at the end of this memorandum.

The starting point for the April 2021 estimates was the budget approved by the 2021 Legislature for FY 2021 and FY 2022, as represented in HB 2007. The estimate for FY 2021 is a decrease of \$353.7 million from all funding sources, and a State General Fund decrease of \$189.5 million, compared to the FY 2021 approved. The estimate for FY 2022 is a decrease of \$268.8 million from all funding sources and a State General Fund decrease of \$141.6 million below the FY 2022 approved. **The combined estimate for FY 2021 and FY 2022 is an all funds decrease of \$622.5 million, and a State General Fund decrease of \$331.2 million, below the approved amount.**

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. The DOC KanCare expenditures have been included in the KDHE budget since FY 2018. Throughout this memorandum, KanCare Medical estimates include all Medicaid KanCare expenditures for all agencies.

FY 2021

For FY 2021, the revised estimate for all human service consensus caseloads is \$3.8 billion from all funding sources, including \$1.0 billion from the State General Fund. This is an all funds

decrease of \$353.7 million, including \$189.5 million from the State General Fund, below the budget approved by the 2021 Legislature.

Temporary Assistance for Needy Families and Foster Care

The estimate for the Temporary Assistance for Needy Families (TANF) program is \$11.5 million, all from federal funds, which is a decrease of \$2.6 million below the amount approved by the 2021 Legislature. While the caseload increased due to the pandemic, the total estimated increase did not develop. The caseload peaked in June 2020, remained steady for a few months, and has recently had a steady decline. The availability of COVID-19 stimulus funds is serving as a deterrent for potential clients to meet the TANF eligibility requirements. Estimated expenditures for the Foster Care program are \$257.5 million, including \$181.4 million from the State General Fund. The estimate is a decrease of \$10.5 million from all funding sources, and a decrease of \$3.4 million from the State General Fund. While the projected number of children is slightly higher than the fall estimate, the projected average cost per child is lower than was estimated in the fall. Additionally, DCF will receive \$8.3 million through the St. Francis repayment plan that will be used toward the foster care program in FY 2021.

The Families First Prevention Grantees (family preservation services) are serving approximately 900 children per month. As this program continues to grow, foster care caseloads are expected to decrease further. Additionally, the Family Preservation Grantees are projected to serve approximately 2,000 families annually. It is estimated that contract costs will continue to fluctuate based on acuity and service needs of children which can impact placement costs and needed supports.

KanCare Medical

The FY 2021 estimate for KanCare Medical is \$3.5 billion from all funding sources, including \$829.5 million from the State General Fund. This a decrease of \$334.4 million from all funding sources, including \$178.0 million from the State General Fund, below the amount approved by the 2021 Legislature. The KanCare Medical estimate includes medical expenditures for KDHE and KDADS.

The KanCare Medical all funds decrease is largely attributable to a decrease in capitation expenditures. The decrease is a result of lower estimated population growth as compared to estimates made last fall. When the Consensus Group met in late October 2020, it was estimated that the number of KanCare members could reach a high of approximately 400,000 members by the end of FY 2021, which would have been an increase of approximately 70,000 members since March 2020. The large increase was attributed to federal restrictions on removing individuals from Medicaid until the end of the month in which the public health emergency (PHE) ends, as a condition of accepting the increase of 6.2 percent in the federal Medical Assistance Percentage (FMAP) match rate. Since the October 2020 estimates, additional months of actual population data under the PHE have been received. Based on these data, it is now estimated that the number of KanCare members could reach approximately 385,000 members. In addition, midyear rate adjustments for Managed Care Organizations (MCOs) were lower than anticipated, which also contributed to the decrease in capitation expenditures.

The all funds decrease is also attributable to Health Insurance Provider Fees (HIPF), an annual tax on health care providers. The decrease resulted from payments that were originally anticipated in FY 2021 being shifted to FY 2022. Also contributing to the all funds decrease is a decrease to fee for

service expenditures that resulted from lower utilization of school-based services, inpatient and other services.

The all funds decrease is partially offset by a temporary increase of \$15 per day for Nursing Home reimbursement rates which was intended to help alleviate increased costs that occurred due to COVID.

The State General Fund decrease is primarily attributable to the federal Families First Coronavirus Response Act which provided states a temporary 6.2 percentage-point increase to the federal Medical Assistance Percentage (FMAP). The increased FMAP is in effect for all of FY 2021, raising the FY 2021 FMAP from its base of 59.55 percent to 65.75 percent. This is expected to decrease the required state share of Medicaid expenditures by approximately \$240.0 million in FY 2021. The extension of the increased FMAP through all of FY 2021 is a change from the October 2020 estimates. Under the October 2020 caseload estimates, it was assumed the increased FMAP would be in effect for the first, second, and third quarters of FY 2021. The temporary increase in the FMAP began on January 1, 2020 and extends through the last day of the calendar quarter in which the public health emergency (PHE) is declared terminated by the federal Department of Health and Human Services. The federal Centers for Medicare and Medicaid Services will inform states when the public health emergency period for COVID-19 ends. The caseload estimates include enhanced funding through September 2021 as the current PHE is scheduled to continue through July of 2021.

Contributing to the State General Fund reduction is an increase of \$12.9 million from the Medical Assistance Fee Fund (HMO Privilege Fee) that is available to offset State General Fund obligations based upon Spring 2021 consensus revenue estimates.

Included in the KanCare Medical estimate is an increase of \$75.2 million from all funding sources, including \$26.3 million State General Fund, to provide a \$15 increase to the daily reimbursement rate for nursing facilities approved by the FY 2021 Legislature. This recommendation continues a daily rate increase that was first provided at the beginning of FY 2021, which was provided through the federal Coronavirus Aid, Relief, and Economic Security Act funding, and approved by the Strengthening People and Revitalizing Kansas Taskforce.

Expenditures for Medicaid Expansion are not included in the KanCare Medical estimates for FY 2021 or FY 2022. While the additional funding for Medicaid expansion was included in the FY 2022 budget approved by the 2021 Legislature, HB 2007 also stipulated that if Medicaid expansion did not pass, the funds would be transferred to the Children's Health Insurance Program. Because the expansion of Medicaid eligibility was not approved by the 2021 Kansas Legislature at the time of the Consensus Group meeting, the money was not factored into the estimated caseload expenditures for either fiscal year.

KDADS Non-KanCare

The estimate for KDADS Non-KanCare is \$35.0 million, including \$22.5 million from the State General Fund. This is a decrease of \$6.1 million, including \$8.2 million from the State General Fund, below the amount approved by the 2021 Legislature. The decrease is primarily due to decreased expenditures on retroactive fee-for-service payments attributable to both fewer delays in eligibility determinations for pending claims and possible decreases in individuals entering nursing facilities due to the COVID-19 pandemic.

FY 2022

The FY 2022 revised estimate is \$4.1 billion from all funding sources, including \$1.3 billion from the State General Fund. The estimate is a change from the amount approved by the 2021 Legislature, reflecting an all funds decrease of \$268.8 million, including a decrease of \$141.6 million from the State General Fund.

Temporary Assistance for Needy Families and Foster Care

The estimate for the Temporary Assistance for Needy Families program is \$10.9 million, all from federal funds, which is a decrease of \$2.6 million below the amount approved by the 2021 Legislature. Estimated expenditures for the Foster Care program are \$265.5 million from all funding sources, including \$181.0 million from the State General Fund. The estimate is a change from the amount approved by the 2021 Legislature, reflecting an all funds decrease of \$891,000, including an increase of \$130,000 from the State General Fund. The costs for foster care services are expected to continue to decline compared to the approved because of a continuation of the conditions discussed in FY 2021. DCF will receive \$4.1 million through the St. Francis repayment process that will be used for the foster care program for FY 2022. Additionally, a portion of the savings is from maintaining the FY 2022 Case Management Provider rates at the FY 2021 levels.

KanCare Medical

The FY 2022 estimate for KanCare Medical is \$3.7 billion from all funding sources, including \$1.1 billion from the State General Fund. The estimate is a change from the amount approved by the 2021 Legislature, reflecting an all funds decrease of \$262.0 million, and a State General Fund decrease of \$140.3 million.

The all funds decrease is largely due to decreased KanCare capitation expenditures as a result of lower than expected estimates for member populations. As mentioned above, federal rules are in place during the PHE that restrict the removal of individuals from Medicaid until the end of the month when the public health emergency ends. When the Consensus Group made its estimates last fall, it was expected that the growth in membership in FY 2021 would remain higher than normal in FY 2022 even after the end of the PHE when eligibility staff at the Kansas Department of Health and Environment (KDHE) were to reinstate the redetermination process for all Medicaid recipients. For the April 2021 estimate, it is now expected that KDHE will be able to process redeterminations of the PHE growth population within six months from the end of the PHE. Also contributing to the all funds decrease is an anticipated reduction in risk corridor payments to MCOs resulting from a reduction in the utilization of medical services.

The all funds decrease is partially offset by a projected 3.2 percent rate adjustment for MCOs, based on cost trends, and Health Insurance Provider Fee (HIPF) payments that shifted from FY 2021 to FY 2022. An additional offset to the all funds decrease is the full implementation of the Support and Training to Employ People Successfully (STEPS) pilot program. STEPS is an extension of the working healthy program that allows individuals between the ages of 16 and 65 who meet the Social Security Administration definition of disability and are not being served by a home and community based services waiver, to receive supportive employment services.

The State General Fund decrease is largely attributable to decreases in KanCare capitation expenditures and to the extension of the temporary 6.2 percentage-point increase to the FMAP through the first quarter of FY 2022. The U.S. Department of Health and Human Services announced the renewal of the PHE effective April 21, 2021. With this renewal, the enhanced FMAP will be available through September 2021, effectively decreasing the base state share by approximately 1.55 percent for FY 2022. However, due to the 6.2 percent increase in effect for all of FY 2021, the overall state share increased by 4.18 percent between FY 2021 and FY 2022. Also contributing to the State General Fund reduction is an increase of \$17.5 million from the Medical Assistance Fee Fund (HMO Privilege Fee), which is used to offset State General Fund obligations.

The decrease to the State General Fund was partially offset by the shift of HIPF payments from FY 2021 to FY 2022. Shifting the payments to FY 2022 will increase the amount needed from the State General Fund for HIPF over the fall estimate due to outstanding payments that will have exceeded the timeline to be eligible for federal match. The decrease to the State General Fund also includes a \$13.0 million reduction to funds available from the Medical Programs Fee Fund, a fund used to offset State General Fund caseload expenditures.

The FY 2022 estimate includes a \$20.5 million increase in all funding sources, including an \$8.2 million increase in State General Fund for a 3.0 percent rate increase to Nursing Facilities approved by the legislature. There is also an addition of \$1.6 million from all funding sources, including \$500,000 from the State General Fund for the coverage of mobile crisis introduced by the Department for Children and Families.

KDADS Non-KanCare

The estimate for KDADS Non-KanCare is \$40.0 million, including \$26.0 million from the State General Fund. The estimate is a change from the amount approved by the 2021 Legislature, reflecting an all funds decrease of \$3.4 million, and a State General Fund decrease of \$1.5 million. The decrease is mainly attributable to the continued decrease in nursing facility fee for service expenditures because of the pandemic.

HUMAN SERVICES
April 19, 2021
Consensus Caseload Estimates

		FY 2021 Approved	April Revised FY 2021	Difference from Approved	FY 2022 Approved	April Revised FY 2022	Difference from Approved
DCF - Temporary Assistance to Families	SGF	--	--	--	--	--	--
	AF	14,100,000	11,500,000	(2,600,000)	13,500,000	10,900,000	(2,600,000)
DCF - Foster Care	SGF	184,700,000	181,350,000	(3,350,000)	180,870,408	181,000,000	129,592
	AF	268,000,000	257,454,000	(10,546,000)	266,390,999	265,500,000	(890,999)
KDHE - KanCare	SGF	651,000,000	512,000,000	(139,000,000)	745,000,000	689,000,000	(56,000,000)
	AF	2,650,000,000	2,420,000,000	(230,000,000)	2,740,000,000	2,644,000,000	(96,000,000)
KDADS - KanCare	SGF	356,507,675	317,500,000	(39,007,675)	460,285,911	376,000,000	(84,285,911)
	AF	1,228,480,000	1,124,100,000	(104,380,000)	1,265,985,262	1,100,000,000	(165,985,262)
KDADS - Non-KanCare	SGF	30,678,905	22,500,000	(8,178,905)	27,470,000	26,000,000	(1,470,000)
	AF	41,140,000	35,000,000	(6,140,000)	43,350,000	40,000,000	(3,350,000)
	SGF	\$ 1,222,886,580	\$ 1,033,350,000	\$ (189,536,580)	\$ 1,413,626,319	\$ 1,272,000,000	\$ (141,626,319)
TOTALS	AF	\$ 4,201,720,000	\$ 3,848,054,000	\$ (353,666,000)	\$ 4,329,226,261	\$ 4,060,400,000	\$ (268,826,261)

SGF - State General Fund
AF - All Funds
DCF - Department for Children and Families
KDHE - Kansas Department of Health and Environment
KDADS - Kansas Department for Aging and Disability Services