

April 24, 2017

To: Legislative Coordinating Council and Governor Sam Brownback
From: Division of the Budget and Kansas Legislative Research Department
Subject: Spring 2017 Human Services Consensus Caseload Estimates for FY 2017, FY 2018, and FY 2019

The Division of the Budget, Department for Children and Families, Department of Health and Environment (KDHE), Department for Aging and Disability Services (KDADS), and the Legislative Research Department met on April 18, 2017, to revise the estimates on human services caseload expenditures for FY 2017, FY 2018 and FY 2019. The caseload estimates include expenditures for Temporary Assistance to Families, the Reintegration/Foster Care Contracts, and KanCare Regular Medical Assistance and KDADS Non-KanCare. A chart summarizing the estimates for FY 2017 through FY 2019 is attached at the end of this memorandum.

The estimate for FY 2017 is an increase of \$25.1 million from all funding sources and \$14.2 million from the State General Fund as compared to the budget recommended by the Governor and adjusted by 2017 Senate Sub. for Sub. for HB 2052, the current year rescission bill. Since an appropriations bill for fiscal years 2018 and 2019 has not yet been passed, the starting point for the April estimates was the Governor's recommendations for FY 2018 and FY 2019. The estimate for FY 2018 is an increase of \$19.6 million from all funding sources and a State General Fund decrease of \$3.0 million compared to the FY 2018 Governor's recommendation. The estimate for FY 2019 is an increase of \$4.1 million from all funding sources and a State General Fund increase of \$6.4 million above the FY 2019 Governor's recommendation. **The combined estimate for FY 2017, FY 2018, and FY 2019 is an all funds increase of \$48.8 million and a State General Fund increase of \$17.6 million.**

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 Home and Community Based Services 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. Beginning in FY 2018, the DOC estimates will no longer be included in the Consensus Caseload Estimating process. Throughout this memorandum, KanCare Medical estimates include all Medicaid KanCare expenditures for all agencies. Beginning in FY 2018 all KanCare Medicaid expenditures are proposed to be included in the KDHE budget. KDADS and DOC would maintain responsibility for their program policies and performance.

FY 2017

For FY 2017, the revised estimate for all human service caseloads is an all funds increase of \$25.1 million and a State General Fund increase of \$14.2 million above the approved amount.

The estimate for the Temporary Assistance for Needy Families program is a decrease of \$324,360, all from federal funds, below the approved amount. The number of individuals receiving cash assistance benefits is expected to decrease slightly more than was anticipated in the fall estimate. Estimated expenditures for the Foster Care program were increased above the approved amount by \$55,324 from all funding sources and \$2.1 million from the State General Fund. The number of children anticipated to be served in the foster care system is expected to increase above the previous fiscal year and federal funding available is expected to be lower than estimated in the fall.

The FY 2017 estimate for KanCare Medical is \$2.7 billion, including \$890.2 million from the State General Fund, reflecting an increase of \$1.0 million from all funding sources and a State General Fund increase of \$2.1 million above the approved amount. The KanCare Medical estimate includes medical expenditures for KDHE, KDADS, and DOC. The increase in KanCare Medical costs is attributable to several factors including slightly higher rates than those used in the fall estimate and an increase in retroactive fee-for-service payments due to the number of pended cases awaiting eligibility determination. The increases are partially offset by slightly lower costs for the Health Insurance Providers Fee (HIPF), Medicare buy-in payments, Hepatitis C drugs, and expenditures for the health homes pilot. In addition, the estimate for HMO privilege fee revenue, which offsets State General Fund expenditures, was increased from \$108.0 million to \$111.7 million.

The FY 2017 estimate for KDADS Non-KanCare is an increase of \$24.3 million from all funding sources and a State General Fund increase of \$10.0 million above the approved amount. The estimate was increased due to a rise in retroactive fee-for-service payments, primarily for nursing facilities, attributable to the number of pended cases awaiting eligibility determination.

FY 2018

The FY 2018 estimate is \$2.9 billion from all funding sources, including \$1.0 billion from the State General Fund. The estimate is a change from the amount recommended by the Governor, reflecting an all funds increase of \$19.6 million and a State General Fund decrease of \$3.0 million.

The estimate for the Temporary Assistance for Needy Families program is \$12.8 million from all funding sources, including \$117,616 from the State General Fund. The estimate is a decrease of \$1.7 million from all funding sources and maintains the State General Fund amount

recommended by the Governor. The number of individuals receiving cash assistance is expected to continue to decrease and program costs are estimated to be lower than was estimated in the fall. The reduction in State General Fund expenditures between FY 2017 and FY 2018 reflects a reduction in the level of an anticipated federal penalty regarding two-parent work participation rates for those receiving services through the program. Estimated expenditures for the Foster Care program are \$181.0 million, including \$115.5 million from the State General Fund. The estimate is an increase of \$14.8 million from all funding sources and an increase of \$13.0 million from the State General Fund above the Governor's recommendation. The number of children anticipated to be served in the foster care system, as well as the costs for those services are expected to continue to increase compared to the previous fiscal year. In addition, the estimate for FY 2018 includes some one-time cost adjustments.

The FY 2018 estimate for KanCare Medical is \$2.6 billion from all funding sources, including \$900.0 million from the State General Fund. The estimate reflects a decrease of \$10.7 million from all funding sources and a State General Fund decrease of \$22.8 million from the Governor's recommendation. The decrease results from a combination of changes from the fall estimate including a decrease in the estimate of the number of members as renewals pended from the eligibility determination backlog are completed and a \$9.0 million reduction in Medicare buy-in payments. Also included in the estimate are rate increases, increases due to federal rule changes related to home health services, and an increase in retroactive fee-for-service payments due to the number of pended cases awaiting eligibility determination. In addition, the estimate for privilege fee revenue, which offsets State General Fund expenditures, was increased from \$108.0 million to \$117.5 million. The KanCare Medical estimate includes KDHE, KDADS, and DOC KanCare Medical expenditures.

It should be noted that the new KanCare estimate for FY 2018 includes additional expenditures of \$62.0 million, including \$27.9 million from the State General Fund, to reflect the Governor's recommendation to increase the HMO privilege fee from 3.31 percent to 5.77 percent on January 1, 2018. Legislation to enact this recommendation is still under consideration.

The FY 2018 estimate for KDADS Non-KanCare is \$44.0 million, including \$27.3 million from the State General Fund. The estimate reflects an increase of \$17.2 million, including \$6.8 million from the State General Fund, above the Governor's recommendation. The increase is related to an increase in retroactive fee-for-service costs attributable to the number of pended cases awaiting eligibility determination. Although there will always be some level of fee-for-service costs, most pended cases are expected to be resolved by the end of FY 2018. In FY 2019, expenditures should return to historically trended levels.

FY 2019

The FY 2019 estimate is \$3.1 billion from all funding sources, including \$1.0 billion from the State General Fund. The estimate is an increase from the Governor's recommendation of \$4.1 million from all funding sources and a State General Fund increase of \$6.4 million.

The estimate for the Temporary Assistance for Needy Families program is \$10.8 million, including \$105,035 from the State General Fund. The estimate reflects a decrease of \$2.8 million from all funding sources. The State General Fund amount of \$105,035 is maintained at

the same level as recommended by the Governor. The number of individuals receiving cash assistance is expected to continue to decrease compared to FY 2018, but program costs are estimated to remain level. The reduction in State General Fund expenditures from the FY 2018 estimate reflects a reduction in the level of an anticipated federal penalty regarding two-parent work participation rates for those receiving services through the program. Estimated expenditures for the Foster Care program were increased by \$6.9 million, including \$6.4 million from the State General Fund, above the Governor's recommendation. The number of children anticipated to be served in the foster care system, as well as the costs for those services are expected to continue to increase compared to the previous fiscal year. In addition, federal funding available for these services is expected to be lower than the amount included in the fall estimate.

The FY 2019 estimate for KanCare Medical is \$2.9 billion from all funding sources, including \$875.4 million from the State General Fund. The estimate is the same as the amount recommended by the Governor. The KanCare Medical estimate includes KDHE, KDADS, and DOC KanCare Medical expenditures. The base Medicaid state share matching rate, Federal Medical Assistance Percentage (FMAP), is estimated to decrease by 0.76 percent for FY 2019, which will reduce the state share by approximately \$20.0 million. The Governor's recommendation assumed a larger decrease in the FMAP and included a reduction of \$27.0 million.

It should be noted that the new KanCare estimate for FY 2019 includes additional expenditures of \$307.9 million from all funding sources and a reduction in State General Fund expenditures of \$147.0 million to reflect the Governor's recommendation to increase the HMO privilege fee from 3.31 percent to 5.77 percent on January 1, 2018, increase the hospital provider assessment from 1.83 percent to 4.65 percent, and restore the 4.0 percent provider rate reductions that were implemented in FY 2016. If legislation to implement recommendations associated with the HMO privilege fee and hospital provider assessments are not enacted the estimate would need to be adjusted.

The FY 2019 estimate for KDADS Non-KanCare is \$26.8 million, including \$20.5 million from the State General Fund, which is the same as the Governor's recommendation.

HUMAN SERVICES
April 18, 2017
Consensus Caseload Estimates

		FY 2017 Gov. Rec. + HB 2052	April Revised FY 2017	Difference from Gov. Rec. + HB 2052	FY 2018 Gov. Rec.	April Revised FY 2018	Difference from Gov. Rec. + HB 2052	FY 2019 Gov. Rec.	April Revised FY 2019	Difference from Gov. Rec. + HB 2052
DCF - Temporary	SGF	303,093	303,093	--	117,616	117,616	--	105,035	105,035	--
Assist. to Families	AF	15,255,000	14,930,640	(324,360)	14,440,711	12,750,000	(1,690,711)	13,500,000	10,750,000	(2,750,000)
DCF -	SGF	99,715,411	101,775,000	2,059,589	102,534,200	115,540,000	13,005,800	108,325,024	114,750,000	6,424,976
Foster Care	AF	162,944,676	163,000,000	55,324	166,214,195	181,000,000	14,785,805	173,124,624	180,000,000	6,875,376
DOC -	SGF	1,403,134	1,403,134	--	--	--	--	--	--	--
KanCare	AF	3,199,849	3,199,849	--	--	--	--	--	--	--
KDHE -	SGF	643,035,162	644,750,000	1,714,838	922,829,900	900,000,000	(22,829,900)	875,410,710	875,410,710	--
KanCare	AF	2,076,659,434	2,080,000,000	3,340,566	2,640,688,336	2,630,000,000	(10,688,336)	2,913,971,936	2,913,971,936	--
KDADS -	SGF	243,580,000	244,000,000	420,000	--	--	--	--	--	--
KanCare	AF	666,700,000	664,400,000	(2,300,000)	--	--	--	--	--	--
KDADS -	SGF	24,000,000	34,000,000	10,000,000	20,469,336	27,250,000	6,780,664	20,469,318	20,469,318	--
Non-KanCare	AF	<u>35,680,300</u>	<u>60,000,000</u>	<u>24,319,700</u>	<u>26,843,319</u>	<u>44,000,000</u>	<u>17,156,681</u>	<u>26,843,319</u>	<u>26,843,319</u>	<u>--</u>
TOTALS	SGF	\$1,012,036,800	\$1,026,231,227	\$14,194,427	\$1,045,951,052	\$1,042,907,616	\$(3,043,436)	\$1,004,310,087	\$1,010,735,063	\$6,424,976
	AF	\$2,960,439,259	\$2,985,530,489	\$25,091,230	\$2,848,186,561	\$2,867,750,000	\$19,563,439	\$3,127,439,879	\$3,131,565,255	\$4,125,376

* Includes 2017 HB 2052

SGF - State General Fund

AF - All Funds

DCF - Department for Children and Families

DOC - Department of Corrections

KDHE - Kansas Department of Health and Environment

KDADS - Kansas Department for Aging and Disability Services