

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

68-West-Statehouse, 300 SW 10th Ave.
Topeka, Kansas 66612-1504
(785) 296-3181 □ FAX (785) 296-3824

kslegres@klrd.ks.gov

<http://www.kslegislature.org/klrd>

November 7, 2017

To: Legislative Coordinating Council and Governor Sam Brownback

From: Kansas Legislative Research Department and Division of the Budget

Re: Fall 2017 Human Services Consensus Caseload Estimates for FY 2018 and FY 2019

Representatives of 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 October 31, 2017, to revise the estimates on human services caseload expenditures for FY 2018 and FY 2019. The caseload estimates include expenditures for Temporary Assistance to Families, the Reintegration/Foster Care contracts, KanCare Regular Medical Assistance, and Nursing Facilities. A chart summarizing the estimates for FY 2018 and FY 2019 is included at the end of this memorandum.

The estimate for FY 2018 is a decrease of \$4.6 million from all funding sources and an increase of \$16.4 million from the State General Fund as compared to the budget approved by the 2017 Legislature. The estimate for FY 2019 is an increase of \$259.1 million from all funding sources including \$50.0 million from the State General Fund above the approved amount. **The combined estimate for FY 2018 and FY 2019 is an all funds increase of \$254.5 million and a State General Fund increase of \$66.4 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 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 administers the part of KanCare related to youth in custody that is included in the KDHE KanCare expenditures.

FY 2018

The FY 2018 estimate is \$3.0 billion from all funding sources, including \$1.0 billion from the State General Fund. The estimate is an all funds decrease of \$4.6 million and a State General Fund increase of \$16.4 million from the amount approved by the 2017 Legislature.

The estimate for the Temporary Assistance for Needy Families program is \$12.5 million from all funding sources, including \$117,616 from the State General Fund. The estimate is a decrease of \$286,800 from all funding sources below the approved amount and maintains the approved State General Fund amount. The number of individuals receiving cash assistance is expected to continue to decrease more than was estimated in the spring. Estimated expenditures for the Foster Care program are \$185.7 million, including \$124.7 million from the

State General Fund. The estimate is an increase of \$4.7 million from all funding sources including an increase of \$9.1 million from the State General Fund above the approved amount. The number of children anticipated to be served in the foster care system and the costs for those services are expected to continue to increase compared to the level estimated in the spring. In addition, the estimate for FY 2018 includes the replacement of federal funds included in the spring that are not anticipated to be available based upon current eligibility criteria of the children in foster care and services provided to them.

The estimate for KanCare Medical is \$2.7 billion from all funding sources, including \$863.7 million from the State General Fund. The new estimate is an all funds decrease of \$17.9 million and a State General Fund increase of \$2.6 million from the approved amount.

For KDHE, the KanCare estimate is \$2.1 billion, including \$620.0 million from the State General Fund, which is an all funds decrease of \$17.0 million and a State General Fund increase of \$53,821,529. The State General Fund increase includes a \$51.0 million State General Fund correction related to a miscalculation in the shift between KDHE and KDADS during the 2017 Legislative Session when the proposed combination of KanCare expenditures into the KDHE budget was not implemented. The remaining State General Fund increase is attributable to an error in the agency accounting system misidentifying AIDS Drug Assistance Program expenditures, partially off-set by several decreases including lower inpatient utilization of fee-for-service and lower-than-expected federal funding for Delivery System Reform Incentive Payments.

The KDHE all funds decrease is primarily attributable to decreases in several items, including lower inpatient utilization of fee-for-service, lower than expected Delivery System Reform Incentive Payments, and other reductions after updated estimates in managed care organization (MCO) rates for the remainder of FY 2018.

The KDADS KanCare estimate is \$657.2 million, including \$243.7 million from the State General Fund. This is an all funds decrease of \$902,431 and a State General Fund decrease of \$51.3 million below the approved amount. The State General Fund decrease is primarily due to the State General Fund correction discussed above. Other adjustments reflect refinements made in the allocation of expenditures based on updated data on the populations of beneficiaries needing specific types of medical services.

The estimate for KDADS Non-KanCare is \$52.9 million, including \$32.0 million from the State General Fund. This is an increase of \$8.9 million, including \$4.8 million from the State General Fund, above the amount approved by the 2017 Legislature. The estimate was increased due to a rise in retroactive fee-for-service payments attributable to delays in eligibility determinations for pended claims. The estimate was also increased due to an increase in utilization of the Program for All-Inclusive Care for the Elderly and associated medical expenditures.

FY 2019

The FY 2019 estimate is \$3.2 billion from all funding sources, including \$1.1 billion from the State General Fund. The estimate is an all funds increase of \$259.1 million and a State General Fund increase of \$50.0 million above the amount approved by the 2017 Legislature.

The estimate for the Temporary Assistance for Needy Families program is \$10.8 million, all from federal funds. The estimate is the same as the approved amount; however, it reflects a decrease of \$105,035 from the State General Fund. The number of individuals receiving cash assistance is expected to continue to decrease compared to FY 2018, while program costs are

estimated to remain level. The reduction in State General Fund expenditures from the approved amount reflects forgiveness of the anticipated federal penalty regarding two-parent work participation rates for those receiving services through the program. Estimated expenditures for the Foster Care program are \$184.6 million, including \$122.8 million from the State General Fund. The estimate is an increase of \$4.6 million, including \$8.1 million from the State General Fund, above the approved amount. The number of children anticipated to be served in the foster care system and the costs for those services are expected to continue to increase compared to the previous fiscal year as well as to the level estimated in the spring. In addition, federal funding available for these services is expected to be lower than the amount included in the spring estimate.

The FY 2019 estimate for KanCare Medical is \$3.0 billion from all funding sources, including \$973.2 million from the State General Fund. The new estimate is an all funds increase of \$231.3 million and a State General Fund increase of \$33.5 million from the approved amount. The estimate includes an increase in the federal share (commonly referred to as FMAP) of 1.4 percent over the FY 2018 amount and an increase of 0.65 percent over the rate used in the spring estimates. A change in FMAP was anticipated in the spring and the updated estimates associated with this adjustment total an additional \$23.0 million in State General Fund savings.

For KDHE, the KanCare estimate is \$2.3 billion, including \$730.3 million from the State General Fund. This is an all funds increase of \$256.3 million and a State General Fund increase of \$114.7 million above the approved amount. Almost half of the State General Fund increase is attributable to the State General Fund correction related to the KDHE and KDADS shift during the 2017 Legislative Session discussed previously. A majority of the remaining increase is due to an overall rate increase of 9.3 percent. A portion of the rate increase was previously accounted for in the approved budget for the federal Health Insurance Premium Fee and increased expenditures related to the increased Health Maintenance Organization Privilege Fee. In addition to the rate increase, there was also a slight increase in member population over the spring estimates. The MCO rates utilized may require further adjustment at the spring estimate as final rates will not be available until spring 2018. Other increases include increased federal funding for Delivery System Reform Incentive Payments, higher delivery payments, and higher-than-previously-estimated local education agency cost settlements.

The KDADS KanCare estimate is \$676.4 million, including \$242.9 million from the State General Fund. This includes an all funds decrease of \$25.0 million and a State General Fund decrease of \$81.2 million. The State General Fund decrease is partially attributable to the State General Fund correction. Additionally, part of the decrease in State General Fund expenditures is attributable to a change in the FMAP. Other adjustments reflect refinements made in the allocation of expenditures based on updated actual data on the populations of consumers needing specific types of medical services. Member populations are expected to increase, but more slowly than at the rate previously estimated.

The estimate for KDADS Non-KanCare is \$50.0 million, including \$29.0 million from the State General Fund. This is an increase of \$23.2 million, including \$8.5 million from the State General Fund, above the amount approved by the 2017 Legislature. The estimate was increased due to projected expenditures for retroactive fee-for-service payments attributable to delays in eligibility determinations for pended claims decreasing more slowly than previously estimated. The estimate was also increased due to a projected increase in medical expenditures for the Program for All-Inclusive Care for the Elderly.

HUMAN SERVICES
October 31, 2017
Consensus Caseloads Estimates

		FY 2018 Approved	Fall Revised FY 2018	Difference from Approved	FY 2019 Approved	Fall Revised FY 2019	Difference From Approved	Difference from FY 2018 to FY 2019
DCF – Temporary Assistance to Families	SGF	\$ 117,616	\$ 117,616	\$ --	\$ 105,035	\$ --	\$ (105,035)	\$ (117,616)
	AF	12,750,000	12,463,200	(286,800)	10,750,000	10,750,000	--	(1,713,200)
DCF – Foster Care Contract	SGF	115,540,000	124,669,847	9,129,847	114,750,000	122,844,730	8,094,730	(1,825,117)
	AF	181,000,000	185,687,745	4,687,745	180,000,000	184,573,456	4,573,456	(1,114,289)
KDHE – KanCare	SGF	566,178,471	620,000,000	53,821,529	615,652,284	730,316,000	114,663,716	110,316,000
	AF	2,109,158,696	2,092,200,000	(16,958,696)	2,069,600,799	2,325,907,000	256,306,201	233,707,000
KDADS – KanCare	SGF	294,964,530	243,700,000	(51,264,530)	324,031,358	242,850,000	(81,181,358)	(850,000)
	AF	658,102,431	657,200,000	(902,431)	701,335,120	676,365,000	(24,970,120)	19,165,000
KDADS – Non-KanCare	SGF	27,250,000	32,000,000	4,750,000	20,469,318	29,000,000	8,530,682	(3,000,000)
	AF	44,000,000	52,890,000	8,890,000	26,843,319	50,000,000	23,156,681	(2,890,000)
TOTALS	SGF	\$ 1,004,050,617	\$ 1,020,487,463	\$ 16,436,846	\$ 1,075,007,995	\$ 1,125,010,730	\$ 50,002,735	\$ 104,523,267
	AF	\$ 3,005,011,127	\$ 3,000,440,945	\$ (4,570,182)	\$ 2,988,529,238	\$ 3,247,595,456	\$ 259,066,218	\$ 247,154,511

SGF - State General Fund

AF - All Funds

FY - Fiscal Year

DCF - Department for Children and Families

KDHE - Kansas Department of Health and Environment

KDADS - Kansas Department for Aging and Disability Services