

STATE OF KANSAS



DIVISION OF THE BUDGET
LONDON STATE OFFICE BUILDING
900 SW JACKSON STREET, ROOM 504
TOPEKA, KS 66612

PHONE: (785) 296-2436
FAX: (785) 296-0231
larry.campbell@ks.gov
<http://budget.kansas.gov>

GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

MEMORANDUM

TO: Legislative Coordinating Council and Governor Jeff Colyer, M.D.

FROM: Division of the Budget and Kansas Legislative Research Department

DATE: April 24, 2018

SUBJECT: Spring 2018 Human Services Consensus Caseload Estimates for FY 2018 and FY 2019

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 met on April 17, 2018, to revise the estimates on human services caseload expenditures for FY 2018 and FY 2019. The caseload estimates include expenditures for Temporary Assistance for Families, the Reintegration/Foster Care Contracts, and KanCare Regular Medical Assistance and KDADS Non-KanCare. A chart summarizing the estimates for FY 2018 and FY 2019 is attached at the end of this memorandum.

Since an appropriations bill for fiscal years 2018 and 2019 has not yet been passed, the starting point for the April 2018 estimates was the Governor's recommendations for FY 2018 and FY 2019. The estimate for FY 2018 is an increase of \$31.1 million from all funding sources and a State General Fund increase of \$40.5 million compared to the FY 2018 Governor's recommendation. The estimate for FY 2019 is an increase of \$76.9 million from all funding sources and a State General Fund increase of \$68.6 million above the FY 2019 Governor's recommendation. **The combined estimate for FY 2018 and FY 2019 is an all funds increase of \$108.0 million and a State General Fund increase of \$109.1 million above the Governor's recommended budget.**

The administration of KanCare within the state is accomplished by KDHE maintaining fiscal 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. Throughout this memorandum, KanCare Medical estimates include all Medicaid KanCare expenditures for all agencies.

FY 2018

The FY 2018 estimate for all human service caseloads is \$3.0 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 \$31.1 million and a State General Fund increase of \$40.5 million.

The estimate for the Temporary Assistance for Needy Families Program is \$13.2 million from all funding sources, including \$117,616 from the State General Fund. This is an increase of \$736,800, all from federal funds, above the Governor's recommendation. The number of individuals receiving cash assistance benefits is expected to decrease less than was anticipated in the fall estimate. Estimated expenditures for the Foster Care program were increased above the Governor's recommendation by \$6.7 million from all funding sources, including \$5.9 million from the State General Fund. The number of children anticipated to be served in the foster care system is expected to continue to increase above previous fiscal years and above the number estimated in the fall. In addition to increasing estimates for the number of children in foster care in FY 2018 and FY 2019, it is estimated that contract costs will continue to increase. A portion of the increase for FY 2018 includes the payment of preliminary estimates of the federally required actual reasonable costs incurred by the state's foster care contractors retroactive to FY 2017. The final amount to be paid to the contractors is dependent upon the audit findings of the independent auditors for expenditures in both FY 2017 and FY 2018.

The FY 2018 estimate for KanCare Medical is \$2.8 billion, including \$880.3 million from the State General Fund, reflecting an increase of \$21.5 million from all funding sources and a State General Fund increase of \$33.6 million above the Governor's recommendation. The KanCare Medical estimate includes medical expenditures for KDHE and KDADS. 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 KanCare capitation rates reflect an increase of approximately 7.0 percent over the estimated mid-year rates, primarily due to the redetermination of members. Projected member enrollment was estimated to be lower in the fall than what is anticipated in the revised estimate. The federal medical assistance percentage (FMAP) for fee-for-service was also adjusted to account for state-only programs. The primary cause of the increase in State General Fund expenditures is a revised estimate for HMO privilege fee revenue. The net impact is a reduction of \$16.0 million in special revenue funds, resulting in the need for an offsetting increase of State General Fund. The Nursing Facility Provider Assessment estimate is also reduced by \$5.0 million in the revised estimate. Numerous providers have struggled with cash flow issues due to eligibility delays and have set provider assessment payment plans. Additionally, the FY 2018 estimate was increased due to medical expenditures for the Program of All-Inclusive Care for the Elderly (PACE) not being operationalized to be adjusted to the KDADS Non-KanCare expenditures in FY 2018, so these expenditures are now reflected within KDHE KanCare expenditures in FY 2018.

The FY 2018 estimate for KDADS Non-KanCare is \$55.0 million, including \$33.0 million from the State General Fund. The estimate reflects an increase of \$2.1 million from all funding sources and a State General Fund increase of \$1.0 million above the Governor's recommendation. The increase in KDADS Non-KanCare costs is primarily attributable to an increase in expenditures for retroactive fee-for-service payments to nursing facilities attributable to delays in eligibility determinations for pended claims. The increase is also attributable to increased expenditures for head

injury rehabilitation and home and community based services waiver assessments. The increase was partially offset by a reduction in expenditures for PACE, as FY 2018 expenditures are still reflected in the KDHE KanCare portion of expenditures in FY 2018.

FY 2019

The FY 2019 estimate is \$3.4 billion from all funding sources, including \$1.2 billion from the State General Fund. The estimate is a change from the amount recommended by the Governor, reflecting an all funds increase of \$76.9 million and a State General Fund increase of \$68.6 million.

The estimate for the Temporary Assistance for Needy Families Program is \$12.5 million from all funding sources. The estimate is an increase of \$1.8 million from all funding sources from the Governor's recommendation. The number of individuals receiving cash assistance benefits is expected to decrease less than was anticipated in the fall estimate. Estimated expenditures for the Foster Care Program are \$199.0 million, including \$135.0 million from the State General Fund. The estimate is an increase of \$14.4 million from all funding sources and \$12.2 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 Governor's recommendation. It is estimated that contract costs will increase in FY 2019 to cover the actual, reasonable costs incurred by foster care contractors, pending completion of the independent audits of the state's foster care contractors' expenses.

The FY 2019 estimate for KanCare Medical is \$3.1 billion from all funding sources, including \$1.0 billion from the State General Fund. The estimate reflects an increase of \$49.4 million from all funding sources and a State General Fund increase of \$50.1 million from the Governor's recommendation. The increase is a result of many factors. The KanCare capitation expenditures were estimated by applying a 3.2 percent per member per month growth for cost trend in FY 2019. Projected member enrollment is estimated to increase by approximately 10,000 members from FY 2018. The FMAP for fee-for-service was also adjusted to account for state-only programs. The primary cause of the increase in State General Fund expenditures is a revised estimate for FY 2019 HMO privilege fee revenue. The net impact is a reduction of \$21.0 million in fee revenue, resulting in the need for an offsetting increase of State General Fund.

It should be noted that the new KanCare estimate for FY 2019 includes additional expenditures in the Governor's budget recommendation of \$22.1 million, including \$9.6 million from the State General Fund, to reflect the Governor's recommendation to increase all hospital provider rates by 4.0 percent; \$17.7 million, including \$7.7 million from the State General Fund, for a 3.0 percent increase to nursing facility rates; and \$2.3 million, including \$1.0 million from the State General Fund, for hospitals to start new residency programs.

The FY 2019 estimate for KDADS Non-KanCare is \$61.3 million, including \$35.3 million from the State General Fund. The estimate reflects an increase of \$11.3 million, including \$6.3 million from the State General Fund, above the Governor's recommendation. The increase in KDADS Non-KanCare costs is primarily attributable to an increase in expenditures for retroactive fee-for-service payments to nursing facilities attributable to delays in eligibility determinations for pended claims. The increase is also attributable to increased expenditures for head injury rehabilitation and home and community based services waiver assessments.

HUMAN SERVICES
April 17, 2018
Consensus Caseload Estimates

		FY 2018 Gov. Rec.	April Revised FY 2018	Difference from Gov. Rec.	FY 2019 Gov. Rec.	April Revised FY 2019	Difference from Gov. Rec.
DCF - Temporary Assistance to Families	SGF	117,616	117,616	--	--	--	--
	AF	12,463,200	13,200,000	736,800	10,750,000	12,500,000	1,750,000
DCF - Foster Care	SGF	124,669,847	130,600,000	5,930,153	122,844,730	135,000,000	12,155,270
	AF	185,687,745	192,400,000	6,712,255	184,573,456	199,000,000	14,426,544
KDHE - KanCare	SGF	608,500,000	631,300,000	22,800,000	740,916,000	776,000,000	35,084,000
	AF	2,092,200,000	2,101,600,000	9,400,000	2,350,280,000	2,365,000,000	14,720,000
KDADS - KanCare	SGF	238,200,000	249,000,000	10,800,000	250,550,000	265,600,000	15,050,000
	AF	657,200,000	669,300,000	12,100,000	694,070,220	728,800,000	34,729,780
KDADS - Non-KanCare	SGF	32,000,000	33,000,000	1,000,000	29,000,000	35,300,000	6,300,000
	AF	52,890,000	55,000,000	2,110,000	50,000,000	61,300,000	11,300,000
	SGF	\$ 1,003,487,463	\$ 1,044,017,616	\$ 40,530,153	\$ 1,143,310,730	\$ 1,211,900,000	\$ 68,589,270
TOTALS	AF	\$ 3,000,440,945	\$ 3,031,500,000	\$ 31,059,055	\$ 3,289,673,676	\$ 3,366,600,000	\$ 76,926,324

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