

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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November 8, 2018

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

From: Kansas Legislative Research Department and Division of the Budget

Re: Fall 2018 Human Services Consensus Caseload Estimates for FY 2019, FY 2020, and FY 2021

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 November 1, 2018, to revise the estimates on human services caseload expenditures for FY 2019 and develop estimates for FY 2020 and FY 2021. 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 2019 through FY 2021 is included at the end of this memorandum.

The estimate for FY 2019 is an increase of \$121.6 million from all funding sources and \$54.6 million from the State General Fund as compared to the budget approved by the 2018 Legislature. The estimate for FY 2020 is an increase of \$84.7 million from all funding sources, and a State General Fund decrease of \$20.5 million, from the FY 2019 revised estimate. The estimate for FY 2021 is an increase of \$71.3 million from all funding sources, and \$51.0 million from the State General Fund, above the FY 2020 estimate. **The combined estimate for FY 2019, FY 2020, and FY 2021 is an all funds increase of \$277.6 million and a State General Fund increase of \$85.1 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 (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 2019

For FY 2019, the revised estimate for all human service caseloads is an all funds increase of \$121.6 million, including \$54.6 million from the State General Fund, above the budget approved by the 2018 Legislature.

The estimate for the Temporary Assistance for Needy Families program is \$12.2 million, all from federal funds, which is a decrease of \$300,000 below the approved 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 \$209.5 million, including \$147.5 million from the State General Fund. The estimate is a decrease of \$513,223 from all funding sources and an increase of \$3.7 million from the State General Fund from the approved amount. The number of children anticipated to be served in the foster care system is expected to increase more than was anticipated in the spring estimate. Additionally, the spring estimate included federal funds that are not expected to be available based upon current federal eligibility guidelines.

The FY 2019 estimate for KanCare Medical is \$3.3 billion from all funding sources, including \$1.1 billion from the State General Fund, reflecting an increase of \$124.3 million from all funding sources, and \$51.7 million from the State General Fund, above the amount approved by the 2018 Legislature. The KanCare Medical increase is attributable to several factors including a midyear managed care organization (MCO) rate adjustment reflecting 6.0 percent growth in the cost trend, higher hepatitis C costs due to expanded coverage, higher utilization and higher cost in fee-for-service payments, which is an increase above the spring estimates in the Medicare buy-in payments and higher than previously estimated disproportionate share (DSH) payments to general hospitals due to a recalculation of the Institutions for Mental Disease share. State General Fund increases were partially offset by an adjustment of \$15.9 million in the privilege fee revenue estimate and decreases in the Health Homes and Juvenile Crisis Intervention Center projects due to implementation time lines.

The Nursing Facility Provider Assessment estimate is decreased by \$7.5 million in the revised estimate. Some providers have struggled with cash flow issues due to eligibility delays, some facilities have decreased their number of patient beds resulting in a lower amount per bed, some facilities are on delayed payment plans, and other facilities are not currently contributing to the Provider Assessment due to falling into receivership. The estimate includes \$2.1 million in one-time expenditures to reimburse MCOs for the cost of services provided to patients in certain facilities for the time period of July 1, 2017, to December 31, 2017. An exception to use actual costs instead of past cost reports for reimbursements was granted by the Secretary for Aging and Disability Services for certain facilities for this time period, to assist with cash flow purposes, and this amount represents the difference between these different rates. The estimate also includes decreased expenditures of \$3.6 million, including \$1.7 million from the State General Fund, for Behavioral Health Housing projects in FY 2019. House Sub. for SB 109 (2018) added \$4.8 million, including \$2.2 million from the State General Fund, for Behavioral Health Housing for patients needing supported housing, which was less intensive than crisis centers; however, due to the estimated time frame for approval by the federal Centers for Medicare and Medicaid Services, it is anticipated that fewer costs than originally projected will occur in FY 2019.

In addition, the KanCare Medical estimate includes a shift of approximately \$42.0 million from KDHE to KDADS due to an updated cost allocation tool based on the most recent encounter data and recent program changes.

The estimate for KDADS Non-KanCare is \$59.5 million, including \$34.6 million from the State General Fund. This is a decrease of \$1.8 million, including \$730,000 from the State General Fund, below the amount approved by the 2018 Legislature. The estimate was decreased due to lower estimates for retroactive fee-for-service payments attributable to delays in eligibility determinations for pended claims and slower than previously estimated growth in

utilization of the Program for All-Inclusive Care for the Elderly and associated medical expenditures.

FY 2020

The FY 2020 estimate is \$3.6 billion from all funding sources, including \$1.3 billion from the State General Fund. The estimate is an all funds increase of \$84.7 million, and a State General Fund decrease of \$20.5 million, from the FY 2019 revised estimate.

The estimate for the Temporary Assistance for Needy Families program is \$11.6 million, all from federal funds. This is a decrease of \$600,000 below the amount estimated for FY 2019. The number of individuals receiving cash assistance is expected to continue to decrease compared to FY 2019. Estimated expenditures for the Foster Care program are \$245.0 million, including \$175.0 million from the State General Fund. The estimate is an increase of \$35.5 million from all funding sources, including \$27.5 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 the previous fiscal year. In addition, the costs for the services provided to foster care children are anticipated to increase to cover the additional costs associated with the new grants for foster care services. The Kansas Department for Children and Families is still in the process of negotiating these grants so the actual costs associated with the grants are not finalized at this time.

The FY 2020 estimate for KanCare Medical is \$3.3 billion from all funding sources, including \$1.1 billion from the State General Fund. The estimate is an all funds increase of \$47.6 million, and a State General Fund decrease of \$48.0 million, from the FY 2019 revised estimate. The base Medicaid matching rate determined by the federal Centers for Medicare and Medicaid Services decreased the required state share (commonly referred to as FMAP) by approximately 2.13 percent between FY 2019 and FY 2020. The estimated impact of this adjustment in FY 2020 is approximately \$71.7 million in State General Fund savings.

The estimate includes modest cost trend and member population growth, increased pay for performance payments, continued increases in fee-for-service due to higher utilization and higher costs of hospital service categories, and increased Medicare buy-in payments based on federal projections. The State General Fund decrease is attributable to the FMAP adjustment, offset by the increases described. In addition, the Nursing Facility Provider Assessment estimate is increased by \$2.0 million in anticipation that some nursing facilities currently in receivership will be overseen by new providers and will be renewing contributions to the Nursing Facility Provider Assessment and some facilities currently in delayed payment plans due to cash flow concerns will be able to transition back to paying the regular amount of contributions.

The estimate for KDADS Non-KanCare is \$61.7 million, including \$34.6 million from the State General Fund. This is an increase of \$2.2 million, including \$30,000 from the State General Fund, above the FY 2019 estimate. The estimate includes increased expenditures for retroactive fee-for-service payments attributable to delays in eligibility determinations for pended claims and medical expenditures for the Program for All-Inclusive Care for the Elderly, as both populations are expected to continue to rise. The estimate also includes increased expenditures for functional assessments for individuals applying for the Medicaid Home and Community Based Services Traumatic Brain Injury waiver, to account for an increased number of individuals eligible for waiver services due to the removal of the traumatic onset requirement and the age restriction in 2018 House Sub. for SB 109.

FY 2021

The FY 2021 estimate is \$3.7 billion from all funding sources, including \$1.3 billion from the State General Fund. The estimate is an all funds increase of \$71.3 million, including a State General Fund increase of \$51.0 million above the FY 2020 estimate.

The estimate for the Temporary Assistance for Needy Families program is \$11.1 million, all from federal funds. The estimate is a decrease of \$500,000 below the amount estimated for FY 2020. The number of individuals receiving cash assistance is expected to continue to decrease compared to the amount estimated for FY 2020. Estimated expenditures for the Foster Care program are \$253.0 million, including \$180.0 million from the State General Fund. The estimate is an increase of \$8.0 million from all funding sources, including \$5.0 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 and the costs for services provided are expected to continue to increase to cover the additional costs associated with the new grants for foster care services. The Kansas Department for Children and Families is still in the process of negotiating these grants so the actual costs associated with the grants are not finalized at this time.

The FY 2021 estimate for KanCare Medical is \$3.4 billion from all funding sources, including \$1.1 billion from the State General Fund. The estimate is higher than the FY 2020 estimate by \$63.3 million from all funding sources and \$45.7 million from the State General Fund. The base Medicaid matching rate for federal contributions decreased the required state share (commonly referred to as FMAP) by 2.13 percent between FY 2019 and FY 2020. The FY 2020 rate was continued for FY 2021 estimating purposes until a preliminary rate is available next year.

The increase over the FY 2020 estimate is largely attributable to increased projections in cost trends and member growths based on historical trends. Other increases include adjustments similar to those seen in FY 2020, including continued increases in fee-for-service due to hospital service categories and increased Medicare buy-in payments based on federal projections. The estimate was decreased by \$96.7 million, including \$40.0 million from the Quality Care Service Fund, due to the sun-setting of the Nursing Facility Provider Assessment on July 1, 2020. Senate Sub. for HB 2365 (2016) extended the sunset for the Nursing Facility Provider Assessment to July 1, 2020, so if no change in law occurs, the Provider Assessment will not continue in FY 2021.

The estimate for KDADS Non-KanCare is \$62.1 million, including \$34.8 million from the State General Fund. This is an increase of \$490,000, including \$230,000, above the FY 2020 estimate. The estimate includes increased expenditures for retroactive fee-for-service payments, attributable to delays in eligibility determinations for pended claims and medical expenditures for the Program for All-Inclusive Care for the Elderly, as both populations are expected to continue to rise.

HUMAN SERVICES
November 1, 2018
Consensus Caseloads Estimates

		<u>FY 2019 Approved</u>	<u>November Revised FY 2019</u>	<u>Difference from Approved</u>	<u>FY 2020 Estimate</u>	<u>Difference from FY 2019 to FY 2020</u>	<u>FY 2021 Estimate</u>	<u>Difference from FY 2020 to FY 2021</u>
DCF – Temporary Assistance for Needy Families	SGF	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
	AF	12,500,000	12,200,000	(300,000)	11,600,000	(600,000)	11,100,000	(500,000)
DCF – Foster Care Contract	SGF	143,829,223	147,500,000	3,670,777	175,000,000	27,500,000	180,000,000	5,000,000
	AF	210,013,223	209,500,000	(513,223)	245,000,000	35,500,000	253,000,000	8,000,000
KDHE – KanCare	SGF	788,100,000	758,600,000	(29,500,000)	700,600,000	(58,000,000)	735,300,000	34,700,000
	AF	2,377,451,040	2,334,400,000	(43,051,040)	2,300,000,000	(34,400,000)	2,425,000,000	125,000,000
KDADS – KanCare	SGF	277,800,000	359,000,000	81,200,000	369,000,000	10,000,000	380,000,000	11,000,000
	AF	755,693,442	923,000,000	167,306,558	1,005,000,000	82,000,000	943,300,000	(61,700,000)
KDADS – Non-KanCare	SGF	35,300,000	34,570,000	(730,000)	34,600,000	30,000	34,830,000	230,000
	AF	61,300,000	59,480,000	(1,820,000)	61,650,000	2,170,000	62,140,000	490,000
TOTALS	SGF	\$ 1,245,029,223	\$ 1,299,670,000	\$ 54,640,777	\$ 1,279,200,000	\$ (20,470,000)	\$ 1,330,130,000	\$ 50,930,000
	AF	\$ 3,416,957,705	\$ 3,538,580,000	\$ 121,622,295	\$ 3,623,250,000	\$ 84,670,000	\$ 3,694,540,000	\$ 71,290,000

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