

MEMORANDUM

TO: Legislative Coordinating Council and Governor Laura Kelly

FROM: Division of the Budget and Kansas Legislative Research Department

DATE: April 17, 2019

SUBJECT: Spring 2019 Human Services Consensus Caseload Estimates for FY 2019 and FY 2020

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 12, 2019, to revise the estimates on human services caseload expenditures for FY 2019 and FY 2020. The caseload estimates include expenditures for Temporary Assistance for Families, the Reintegration/Foster Care Contracts, KanCare Regular Medical Assistance, and KDADS Non-KanCare. A chart summarizing the estimates for FY 2019 and FY 2020 is attached at the end of this memorandum.

Since an appropriations bill for fiscal years 2019 and 2020 has not yet been passed by the 2019 Legislature, the starting point for the April 2019 estimates was the Governor's recommendations for FY 2019 and FY 2020. The estimate for FY 2019 is a decrease of \$15.9 million from all funding sources and a State General Fund decrease of \$12.3 million compared to the FY 2019 Governor's recommendation. The estimate for FY 2020 is an increase of \$5.4 million from all funding sources and a State General Fund increase of \$4.2 million above the FY 2020 Governor's recommendation. **The combined estimate for FY 2019 and FY 2020 is an all funds decrease of \$10.4 million and a State General Fund decrease of \$8.0 million below 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 2019

The FY 2019 revised estimate for all human service caseloads is \$3.5 billion from all funding sources, including \$1.3 billion from the State General Fund. The estimate is a change from the

amount recommended by the Governor, reflecting an all funds decrease of \$15.9 million and a State General Fund decrease of \$12.3 million.

The FY 2019 estimate for the Temporary Assistance for Needy Families Program is \$12.0 million from all funding sources. This is a decrease of \$200,000, all from federal funds, below the Governor's recommendation. The number of individuals receiving cash assistance benefits is expected to decrease more than was anticipated in the fall estimate. The FY 2019 estimate for the Foster Care Program is \$215.0 million, including \$149.7 million from the State General Fund. Estimated expenditures for the Foster Care program were increased above the Governor's recommendation by \$5.5 million from all funding sources, including \$2.2 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, but the new estimate for children in care is below the number estimated in the fall. In addition to the increasing number of children in foster care in FY 2019, it is estimated that contract costs will continue to increase. DCF has negotiated new rates with the current foster care contractors for the remainder of FY 2019. The main drivers of increased costs for FY 2019 are increases in placement costs related to limited capacity, costs for higher daycare utilization, emergency placements to keep children from staying overnight in contractor offices, increased security measures for contractor offices, more placements for higher needs children, an increased number of children entering DCF custody from the juvenile justice system, and personnel and transportation costs related to an increased number of children in care. While the caseload has continued to increase, DCF reports that the overall growth for FY 2019 is 2.2 percent, which is lower than the recent average annual increase of 5.6 percent. A major factor in the slower growth is an increase in adoptions through DCF initiatives.

The FY 2019 estimate for KanCare Medical is \$3.2 billion, including \$1.1 billion from the State General Fund, reflecting a decrease of \$22.5 million from all funding sources and a State General Fund decrease of \$15.2 million below the Governor's recommendation. The KanCare Medical estimate includes medical expenditures for KDHE and KDADS. The decrease in KanCare Medical costs is attributable to several factors including a reduction in the projected member enrollment of 1.0 percent from the fall estimate, and overall enrollment is down 1.9 percent from FY 2018. Member enrollment continues to decrease as a result of the resolution of the eligibility backlog and resumption of full annual reviews. In addition, the OneCare Kansas health homes estimate was eliminated in FY 2019 as the implementation date was delayed to January 1, 2020. The estimate includes \$6.0 million, all from the State General Fund, to account for a \$6.0 million transfer to the Department of Corrections for juvenile crisis intervention centers. There are no estimated expenditures for these centers and this amount was already factored into caseload savings in the fall estimates.

The FY 2019 estimate for KDADS Non-KanCare is \$60.8 million, including \$35.3 million from the State General Fund. The estimate reflects an increase of \$1.3 million from all funding sources and a State General Fund increase of \$730,000 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 due to delays in eligibility determinations for pended claims. The increase is also attributable to increased expenditures for home and community-based services waiver assessments.

FY 2020

The FY 2020 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 recommended by the Governor, reflecting an all funds increase of \$5.4 million and a State General Fund increase of \$4.2 million.

The FY 2020 estimate for the Temporary Assistance for Needy Families Program is \$11.0 million from all funding sources. The estimate is a decrease of \$600,000 from all funding sources from the Governor's recommendation. The number of individuals receiving cash assistance benefits is expected to decrease more than was anticipated in the fall estimate. The FY 2020 estimate for the Foster Care Program is \$242.8 million, including \$172.0 million from the State General Fund. The estimate is a decrease of \$2.2 million from all funding sources, including \$3.0 million from the State General Fund, below the Governor's recommendation. The number of children anticipated to be served in the foster care system is still expected to increase over FY 2019. However, the increase is less than the increase included in the fall estimate. The costs for foster care services are expected to continue to increase compared to the Governor's recommendation. One significant change since the fall estimate is the extension of the current foster care contracts. The current contracts now run through September 30, 2019 with the new grants starting October 1, 2019. DCF has negotiated new rates for the current foster care contracts for the first quarter of FY 2020 and for the new foster care case management grants starting in the second quarter of FY 2020.

The FY 2020 estimate for KanCare Medical is \$3.8 billion from all funding sources, including \$1.1 billion from the State General Fund. The estimate reflects an increase of \$6.3 million from all funding sources and a State General Fund increase of \$5.6 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 2020. Projected member enrollment is estimated to increase over FY 2019. The primary cause for the increase in State General Fund is due to the repayment of \$17.8 million for a portion of federal Children's Health Insurance Program bonus payments received from FY 2009 through FY 2013 that were disallowed by the federal Centers for Medicare and Medicaid Services (CMS). KDHE maintains that the data used in Kansas' bonus payment calculations were in accordance with Federal requirements. However, CMS suggests that Kansas overstated FY 2009 through FY 2013 by including individuals who did not qualify because of their basis-of-eligibility category. KDHE plans to appeal the final determination. The OneCare Kansas health homes estimate was reduced as the implementation date was delayed to January 1, 2020. The estimate assumes budget neutral expenditures for the Health Care Access Improvement Program as a solution for the program continues to be discussed in the budget process. In addition, the estimate includes \$6.0 million, all from the State General Fund, to account for a \$6.0 million transfer to the Department of Corrections for juvenile crisis intervention centers. There are no estimated expenditures for these centers and this amount was already factored into caseload savings in the fall estimates.

The Nursing Facility Provider Assessment estimate is decreased by \$2.0 million in the revised estimate. The estimate was reduced as some providers have struggled with cash flow issues, 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.

It should be noted that the KanCare estimate for FY 2020 includes expenditures of \$509.0 million, including \$14.2 million from the State General Fund, to reflect the Governor's recommendation for expansion of Medicaid.

The FY 2020 estimate for KDADS Non-KanCare is \$63.6 million, including \$36.2 million from the State General Fund. The estimate reflects an increase of \$2.0 million, including \$1.6 million from the State General Fund, above the Governor's recommendation. The increase in KDADS Non-KanCare costs is primarily attributable to an anticipated increase in the reimbursement rates for Nursing Facilities for Mental Health (NFMH). The increase is also attributable to an increase in the number of assessments for the Medicaid Home and Community Based Services (HCBS) waiver for individuals with a Traumatic Brain Injury (TBI), due to removal of the requirement of a traumatic onset and removal of the limitation of the waiver to certain age ranges.

HUMAN SERVICES
April 12, 2019
Consensus Caseload Estimates

		FY 2019 Gov. Rec.	April Revised FY 2019	Difference from Gov. Rec.	FY 2020 Gov. Rec.	April Revised FY 2020	Difference from Gov. Rec.
DCF - Temporary Assistance to Families	SGF	--	--	--	--	--	--
	AF	12,200,000	12,000,000	(200,000)	11,600,000	11,000,000	(600,000)
DCF - Foster Care	SGF	147,500,000	149,700,000	2,200,000	175,000,000	172,000,000	(3,000,000)
	AF	209,500,000	215,000,000	5,500,000	245,000,000	242,800,000	(2,200,000)
KDHE - KanCare	SGF	758,600,000	747,000,000	(11,600,000)	698,352,450	712,000,000	13,647,550
	AF	2,334,400,000	2,320,000,000	(14,400,000)	2,796,304,203	2,829,000,000	32,695,797
KDADS - KanCare	SGF	359,000,000	355,400,000	(3,600,000)	369,000,000	361,000,000	(8,000,000)
	AF	923,000,000	914,900,000	(8,100,000)	1,005,000,000	978,600,000	(26,400,000)
KDADS - Non-KanCare	SGF	34,570,000	35,300,000	730,000	34,600,000	36,200,000	1,600,000
	AF	59,480,000	60,800,000	1,320,000	61,650,000	63,600,000	1,950,000
	SGF	\$ 1,299,670,000	\$ 1,287,400,000	\$ (12,270,000)	\$ 1,276,952,450	\$ 1,281,200,000	\$ 4,247,550
TOTALS	AF	\$ 3,538,580,000	\$ 3,522,700,000	\$ (15,880,000)	\$ 4,119,554,203	\$ 4,125,000,000	\$ 5,445,797

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