



Kansas Legislative Research Department

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

kslegres@klrd.ks.gov

kslegislature.org/klrd

November 6, 2019

To: Legislative Coordinating Council and Governor Laura Kelly

From: Kansas Legislative Research Department and Division of the Budget

Re: Fall 2019 Human Services Consensus Caseload Estimates for 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 October 24, 2019, to revise the estimates on human services caseload expenditures for FY 2020 and develop estimates for 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 2020 and FY 2021 is included at the end of this memorandum.

The estimate for FY 2020 is a decrease of \$24.7 million from all funding sources and \$15.3 million from the State General Fund as compared to the budget approved by the 2019 Legislature, adjusted for reappropriation of money not expended in FY 2019. The estimate for FY 2021 is an increase of \$482.7 million from all funding sources, and a State General Fund increase of \$80.5 million, from the FY 2020 revised estimate. **The combined estimate for FY 2020 and FY 2021 is an all funds increase of \$458.0 million and a State General Fund increase of \$65.2 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 2020

For FY 2020, the revised estimate for all human service caseloads is an all funds decrease of \$24.7 million, including \$15.3 million from the State General Fund, below the budget approved by the 2019 Legislature, as adjusted for reappropriated moneys from FY 2019.

The estimate for the Temporary Assistance for Needy Families program is \$12.6 million, all from federal funds, which is an increase of \$1.6 million above the approved amount. The number of individuals receiving cash assistance is expected to increase from the spring estimate. Estimated expenditures for the Foster Care program are \$246.3 million, including \$172.0 million from the State General Fund. The estimate is an increase of \$3.5 million from all

funding sources and no change from the State General Fund approved amount. The number of children anticipated to be served in the foster care system is expected to increase slightly more than was anticipated in the spring. Additional federal funding is anticipated to be available which is expected to cover the cost of the additional expenditures. The estimates include the transition to the new catchment areas and the new contracts being implemented on October 1, 2019. The new contracts include case management, child placing agency administration, direct placement expenses, qualified residential treatment facilities assessments, and placement management system expenditures.

The FY 2020 estimate for KanCare Medical is \$3.4 billion from all funding sources, including \$1.1 billion from the State General Fund, reflecting a decrease of \$20.4 million from all funding sources, and \$11.1 million from the State General Fund, below the amount approved by the 2019 Legislature. The KanCare Medical decrease is largely attributable to a decrease in the previously estimated population growth. The decreases are partially offset by increased expenditures for a new high cost drug used for spinal muscular atrophy, and increased expenditures for Health Insurance Provider Fees (HIPF) and Delivery System Reform Incentive Payment (DSRIP). The increase to HIPF and DSRIP expenditures are due to payments that were originally anticipated to be paid during FY 2019.

The estimate for KDADS Non-KanCare is \$61.0 million, including \$35.0 million from the State General Fund. This is a decrease of \$9.4 million, including \$4.3 million from the State General Fund, below the amount approved by the 2019 Legislature. The decrease is primarily attributable to decreased expenditures on retroactive fee-for-service payments attributable to fewer delays in eligibility determinations for pending claims. The decrease is also attributable to decreased medical expenditures for the Program for All-Inclusive Care for the Elderly (PACE).

FY 2021

The FY 2021 estimate is \$4.2 billion from all funding sources, including \$1.4 billion from the State General Fund. The estimate is an all funds increase of \$482.7 million, including \$80.5 million from the State General Fund, above the FY 2020 revised estimate.

The estimate for the Temporary Assistance for Needy Families program is \$12.6 million, all from federal funds. This is the same amount as the FY 2020 revised estimate. The number of individuals receiving cash assistance is expected to be comparable to the number estimated to receive assistance in FY 2020. Estimated expenditures for the Foster Care program are \$260.0 million from all funding sources, including \$181.0 million from the State General Fund. The estimate is an increase of \$13.7 million, including \$9.0 million from the State General Fund above the FY 2020 revised estimate. The number of children anticipated to be served in the foster care system is expected to continue to increase above the previous fiscal year however, it is anticipated the rate of growth will slow due to implementation of the policies associated with the federal Family First Prevention Services Act. Additionally, the new contract for foster care services will be in place for the entire year, instead of eight months in FY 2020.

The FY 2021 estimate for KanCare Medical is \$3.8 billion from all funding sources, including \$1.1 billion from the State General Fund. The estimate is an all funds increase of \$468.0 million, and a State General Fund increase of \$71.0 million, above the FY 2020 revised estimate. The estimate includes a modest change in the base Medicaid matching rate determined by the federal Centers for Medicare and Medicaid Services (commonly referred to as FMAP). The shift in FMAP decreased the required state share by approximately 0.91 percent between FY 2020 and FY 2021, which is approximately equal to \$34.5 million.

The increase over the FY 2020 revised estimate is largely due to increased projections in cost trends and member growths based on historical trends. The increases to the State

General Fund can be attributed, in part, to the re-introduction of the full Health Insurance Provider Fee amount, which was suspended for FY 2019 (removing the payments that would have been made in FY 2020). In addition, the FY 2021 amount includes the full payment of \$2.5 million from the State General Fund required for the OneCare Kansas program (health homes) and a \$2.3 million increase to Fee-for-Service and Medicare buy-in payments, both estimates increased to match anticipated population trends. Changes to the Health Care Access Improvement Program (HCAIP) contributed an additional \$169.0 million to the all funds amount for FY 2021. Adjustments to the HCAIP include an assumed increase in the assessment percentage from 1.83 percent to 3.0 percent and an update of the base year for assessments from 2010 to 2016. While the changes to HCAIP are still pending on approval from the federal Centers for Medicare and Medicaid Services, it is anticipated that these changes will be approved by the beginning of FY 2021 and are reflected in the consensus caseload estimate for all of FY 2021.

Reductions in Medicaid Disproportionate Share Hospital (DSH) allotments were authorized by the initial passage of the Affordable Care Act, but were delayed by Congress until November of 2020. Under current law, without Congressional action to delay these reductions, Kansas is estimated to experience a DSH allotment reduction from \$48.6 million to \$32.8 million. Following existing law, the FY 2021 caseload estimate for DSH revenue has been reduced to match the estimated decrease. As of October 30, 2019, the federal House of Representatives had approved a bill at the committee level (H.R. 2328) to delay the DSH cuts until 2022, though the bill has not advanced further. If the scheduled reductions are not delayed, adjustments to DSH funding for FY 2020 may also be needed.

The FY 2021 estimate includes \$42.0 million, including \$17.0 million from the State General Fund, to provide a full rebasing for the reimbursement rates for nursing facilities for FY 2021. Per KSA 75-5958, the Secretary for Aging and Disability Services is directed to increase nursing facility reimbursement rates yearly using past cost reports and inflationary factors. House Sub. for SB 25 (2019) included language notwithstanding the statutory requirements to allow the Secretary to provide an increase other than by the statutory formula for FY 2020, however no similar language exists in current law for FY 2021.

The estimate includes the reduction of \$66.7 million, including \$27.0 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, if no change in law occurs, the Nursing Facility Provider Assessment will not continue in FY 2021. Based on the differences between the state fiscal year and federal fiscal year, the agency anticipates receiving and expending one quarter of the Provider Assessment totaling \$9.0 million for FY 2021.

The estimate for KDADS Non-KanCare is \$62.0 million, including \$35.5 million from the State General Fund. This is an increase of \$1.0 million, including \$500,000 from the State General Fund, above the FY 2020 revised estimate. The increase is largely attributable to increased projections in member growth for the Program for All-Inclusive Care for the Elderly (PACE). The increase is also attributable to increased expenditures for functional assessments for individuals applying for Medicaid Home and Community Based Services waiver services.

HUMAN SERVICES
October 24, 2019
Consensus Caseloads Estimates

		FY 2020 Approved	October Revised FY 2020	Difference from Approved	FY 2021 Estimate	Difference from FY 2020 to FY 2021
DCF – Temporary Assistance for Needy Families	SGF	\$ --	\$ --	\$ --	\$ --	\$ --
	AF	11,000,000	12,600,000	1,600,000	12,600,000	--
DCF – Foster Care Contract	SGF	172,000,000	172,000,000	--	181,000,000	9,000,000
	AF	242,800,000	246,300,000	3,500,000	260,000,000	13,700,000
KDHE – KanCare	SGF	723,041,169	686,000,000	(37,041,169)	722,000,000	36,000,000
	AF	2,414,386,838	2,330,000,000	(84,386,838)	2,758,000,000	428,000,000
KDADS – KanCare	SGF	364,046,334	390,000,000	25,953,666	425,000,000	35,000,000
	AF	985,966,231	1,050,000,000	64,033,769	1,090,000,000	40,000,000
KDADS – Non-KanCare	SGF	39,261,056	35,000,000	(4,261,056)	35,500,000	500,000
	AF	70,420,556	61,000,000	(9,420,556)	62,000,000	1,000,000
TOTALS	SGF	\$ 1,298,348,559	\$ 1,283,000,000	\$ (15,348,559)	\$ 1,363,500,000	\$ 80,500,000
	AF	\$ 3,724,573,625	\$ 3,699,900,000	\$ (24,673,625)	\$ 4,182,600,000	\$ 482,700,000

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