



**Kansas Legislative Research Department**

*Providing nonpartisan, objective research and fiscal analysis for the Kansas Legislature since 1934*

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

kslegres@klrd.ks.gov

kslegislature.org/klrd

November 3, 2020

**To:** Legislative Coordinating Council and Governor Laura Kelly

**From:** Kansas Legislative Research Department and Division of the Budget

**Re:** Fall 2020 Human Services Consensus Caseload Estimates for FY 2021 and FY 2022

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 28, 2020, to revise the estimates on human services consensus caseload expenditures for FY 2021 and develop estimates for FY 2022. 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 2021 and FY 2022 is included at the end of this memorandum.

The estimate for FY 2021 is a decrease of \$20.3 million from all funding sources and \$166.5 million from the State General Fund, as compared to the budget approved by the 2020 Legislature, adjusted for reappropriation of money not expended in FY 2020, and for funds allotted by the Governor in FY 2021. The estimate for FY 2022 is an increase of \$184.2 million from all funding sources, and a State General Fund increase of \$204.8 million, from the FY 2021 revised estimate.

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 2021**

For FY 2021, the revised estimate for all human service consensus caseloads is \$4.1 billion from all funding sources, including \$1.2 billion from the State General Fund. This is an all funds decrease of \$20.3 million, including \$166.5 million from the State General Fund, below the budget approved by the 2020 Legislature, as adjusted for reappropriated moneys from FY 2020 and by allotments made by the Governor in FY 2021.

## ***Temporary Assistance for Needy Families and Foster Care***

The estimate for the Temporary Assistance for Needy Families (TANF) program is \$14.1 million, all from federal funds, which is an increase of \$1.5 million above the approved amount. The increase is attributed to an increase in the number of applications in response to the COVID-19 pandemic. Estimated expenditures for the Foster Care program are \$268.0 million, including \$184.7 million from the State General Fund. The estimate is an increase of \$8.0 million from all funding sources, including \$3.7 million from the State General Fund. The State General Fund increase is primarily attributable to a decrease in Title IV-E funds available, partially offset by TANF increases.

The number of children anticipated to be served in the foster care system is expected to decrease slightly more than was anticipated last fall. The Families First Prevention Grantees (family preservation services) served an average of 252 children each month in FY 2020. As this program continues to grow, foster care caseloads are expected to decrease further. It is estimated that contract costs will continue to increase for the foster care program. This is due to an intensity of service increase for placements in family foster homes and increases in the rates for Family Foster Home Intellectual or Development Disability, relative placements, and Qualified Residential Treatment Programs (QRTPs).

## ***KanCare Medical***

The FY 2021 estimate for KanCare Medical is \$3.8 billion from all funding sources, including \$995.9 million from the State General Fund, reflecting a decrease of \$9.3 million from all funding sources, and \$159.9 million from the State General Fund, below the amount approved by the 2020 Legislature, as adjusted for reappropriated moneys from FY 2020 and by allotments made by the Governor for FY 2021. The KanCare Medical estimate includes medical expenditures for KDHE and KDADS.

The KanCare Medical all funds decrease is largely attributable to changes to the Health Care Access Improvement Program (HCAIP) that were anticipated to begin in FY 2021 but which have not been approved by the federal Centers for Medicare and Medicaid Services (CMS). Proposed changes to the program include an increase in the hospital provider assessment from 1.83 percent to 3.0 percent and an expansion of taxable revenue to include income from both inpatient and outpatient services. The Fall 2020 caseload estimate assumes a continuation of the current HCAIP program with a 1.83 percent provider assessment.

A decrease in Medicaid Disproportionate Share Hospital (DSH) allotments also contributed to the all funds decrease. Reductions in DSH allotments were authorized by the initial passage of the Affordable Care Act but were delayed by Congress through December 11, 2020. The FY 2021 caseload estimate for DSH has been reduced in accordance with existing federal law and assumes no additional delays are enacted. The reduction impacted half of FY 2021 and all of FY 2022. If the scheduled reductions are not delayed, adjustments to DSH funding for FY 2021 and FY 2022 may be needed.

The all funds decrease is partially offset by an increase in the previously estimated population growth. It is estimated that per member per month costs will increase by 3.2 percent. In addition, increased population growth occurred in FY 2021 due to higher enrollment resulting from COVID-19 and federal restrictions on removing individuals from Medicaid until the end of the month when the public health emergency ends as a condition of accepting the increased

federal Medical Assistance Percentage (FMAP) match rate. The all funds decrease is also offset by an increase in Health Insurance Provider Fees (HIPF), an annual tax on health care providers. The increase resulted from payments that were originally anticipated in FY 2020 being shifted to FY 2021.

The State General Fund decrease is primarily attributable to the federal Families First Coronavirus Response Act which provided states a temporary 6.2 percentage-point increase to the FMAP. The increased FMAP is in effect for the first, second, and third quarters of FY 2021 and decreased the required state share of Medicaid expenditures by approximately \$161.4 million in SFY 2021. The temporary increase in the FMAP began on January 1, 2020, and extends through the last day of the calendar quarter in which the public health emergency (PHE) is declared terminated by the federal Department of Health and Human Services. The federal Centers for Medicare and Medicaid Services (CMS) will inform states when the public health emergency period for COVID-19 ends. The caseload estimates assume the enhanced funding will be available through March 31, 2021 as the current PHE is scheduled to continue through January of 2021.

Also contributing to the State General Fund reduction is an increase of \$16.3 million from the Medical Assistance Fee Fund (HMO Privilege Fee) and \$7.5 million from the Medical Programs Fee Fund that is available to offset State General Fund obligations.

The FY 2021 estimate for KanCare Medical includes \$2.9 million, including \$1.0 million from the State General Fund, to provide funding for KDADS to implement a policy, starting January 2021, for Medicaid reimbursement of Psychiatric Residential Treatment Facilities (PRTFs) stays for individuals with primary private insurance. According to the agency, currently when an individual has both private insurance and Medicaid there is a discrepancy in the lower reimbursement rate a private insurer pays. In an effort to address the PRTF waitlist, the agency's new policy includes a reimbursement from Medicaid to make up the difference in the rates.

During the 2020 Session, the Legislature passed HB 2168, which extended the sunset on the Nursing Facility Provider Assessment to July 1, 2030, rather than the original sunset of July 1, 2020. As a result, the estimate contributes approximately \$58.0 million, all from the Nursing Facility Provider Assessment, to reduce the State General Fund obligation. This is an increase of \$49.0 million, due in part to the FY 2020 balance forward being utilized for expenditures in FY 2021. The increase is also the result of fewer nursing facilities in receiverships, which increased the number of facilities required to pay the assessment.

### ***KDADS Non-KanCare***

The estimate for KDADS Non-KanCare is \$41.5 million, including \$25.2 million from the State General Fund. This is a decrease of \$20.5 million, including \$10.3 million from the State General Fund, below the amount approved by the 2020 Legislature. The decrease is primarily due to decreased expenditures on retroactive fee-for-service payments attributable to both fewer delays in eligibility determinations for pending claims and possible decreases in individuals entering nursing facilities due to the COVID-19 pandemic. The decrease is partially offset by increased medical expenditures for the Program for All-Inclusive Care for the Elderly (PACE) due to an expansion in PACE membership.

## **FY 2022**

The FY 2022 estimate is \$4.3 billion from all funding sources, including \$1.4 billion from the State General Fund. The estimate is an all funds increase of \$184.2 million, including \$204.8 million from the State General Fund, above the FY 2021 revised estimate.

### ***Temporary Assistance for Needy Families and Foster Care***

The estimate for the Temporary Assistance for Needy Families program is \$13.5 million, all from federal funds, which is a decrease of \$600,000, below the FY 2021 revised estimate. Estimated expenditures for the Foster Care program are \$268.7 million from all funding sources, including \$186.0 million from the State General Fund. The estimate is an increase of \$700,000, including \$1.3 million from the State General Fund above the FY 2021 revised estimate. The increase in the State General Fund is mainly attributable to the termination of the 6.2 percent increase to the FMAP due to the public health emergency. The number of children anticipated to be served in the foster care system is expected to decrease from FY 2021. The costs for foster care services are expected to continue to increase compared to the approved for continuation of the conditions discussed in FY 2021 and the scheduled rate increases for foster care grantees.

### ***KanCare Medical***

The FY 2022 estimate for KanCare Medical is \$4.0 billion from all funding sources, including \$1.2 billion from the State General Fund. The estimate is an all funds increase of \$182.2 million, and a State General Fund increase of \$201.2 million, above the FY 2021 revised estimate. The estimate includes a modest change in the base FMAP determined by the federal Centers for Medicare and Medicaid Services. The shift in FMAP decreased the base state share by approximately 0.49 percent between FY 2021 and FY 2022. However, due to the 6.2 percent increase in effect for three quarters of FY 2021, the overall state share increased by 4.16 percent between FY 2021 and FY 2022.

The all funds increase over the FY 2021 revised estimate is largely due to increased projections in cost trends and member growth based on historical trends. Along with a projected 3.2 percent increase for rates, membership is expected to remain higher than normal even after the end of the PHE emergency as eligibility staff reinstate the redetermination process for all Medicaid recipients.

The State General Fund increase is largely attributable to increases in KanCare capitation expenditures. The temporary 6.2 percentage-point increase to the FMAP was not applied to KanCare Medical estimates for FY 2022 because the current PHE is scheduled to end in January of 2021, effectively returning the rate to the regular FMAP percentage. Adjustments to the Medicare Drug Bill Phasedown Payments also added a modest increase to the State General Fund expenditures for FY 2022.

The increases to the State General Fund were partially offset by the elimination of the Health Insurance Provider Fee amount, which was repealed beginning in FY 2021. In addition, a full year of reductions in Medicaid Disproportionate Share Hospital (DSH) allotments were made for FY 2022. 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. If the scheduled reductions are not delayed, adjustments to DSH funding for FY 2022 may be

needed. Also contributing to the State General Fund reduction is an increased offset of \$9.5 million from the Medical Assistance Fee Fund (HMO Privilege Fee) and \$43.1 million from the Medical Programs Fee Fund over the FY 2021 revised estimate, to offset State General Fund obligations.

The FY 2022 estimate includes \$5.8 million, including \$2.3 million from the State General Fund, to provide funding to continue the policy for Medicaid reimbursement of Psychiatric Residential Treatment Facilities (PRTF)s stays for children with primary private insurance.

### ***KDADS Non-KanCare***

The estimate for KDADS Non-KanCare is \$43.4 million, including \$27.5 million from the State General Fund. This is an increase of \$1.9 million, including \$2.3 million from the State General Fund, above the FY 2021 revised estimate. The increase is attributable to increased projections in member growth for the Program for All-Inclusive Care for the Elderly (PACE), as well as increased expenditures on retroactive fee-for-service payments based off historical trends.

**HUMAN SERVICES**  
**October 28th, 2020**  
**Consensus Caseloads Estimates**

		<b>FY 2021 Approved</b>	<b>October Revised FY 2021</b>	<b>Difference from Approved</b>	<b>FY 2022 Estimate</b>	<b>Difference from FY 2021 to FY 2022</b>
<b>DCF - Temporary Assistance for Needy Families</b>	SGF	--	--	--	--	--
	AF	12,600,000	14,100,000	1,500,000	13,500,000	(600,000)
<b>DCF - Foster Care Contract</b>	SGF	181,000,000	184,700,000	3,700,000	186,000,000	1,300,000
	AF	260,000,000	268,000,000	8,000,000	268,700,000	700,000
<b>KDHE - KanCare</b>	SGF	750,751,297	651,000,000	(99,751,297)	745,000,000	94,000,000
	AF	2,760,999,997	2,650,000,000	(110,999,997)	2,740,000,000	90,000,000
<b>KDADS - KanCare</b>	SGF	405,000,000	344,900,000	(60,100,000)	452,100,000	107,200,000
	AF	1,051,552,583	1,153,300,000	101,747,417	1,245,500,000	92,200,000
<b>KDADS - Non-KanCare</b>	SGF	35,500,000	25,200,000	(10,300,000)	27,470,000	2,270,000
	AF	62,000,000	41,500,000	(20,500,000)	43,350,000	1,850,000
<b>Total</b>	SGF	<b>1,372,251,297</b>	<b>1,205,800,000</b>	<b>(166,451,297)</b>	<b>1,410,570,000</b>	<b>204,770,000</b>
	AF	<b>4,147,152,580</b>	<b>4,126,900,000</b>	<b>(20,252,580)</b>	<b>4,311,050,000</b>	<b>184,150,000</b>

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