

HEALTH CARE STABILIZATION FUND BOARD OF GOVERNORS

Expenditure	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Operating Expenditures:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	<u>31,753,391</u>	<u>34,606,339</u>	<u>34,606,339</u>	<u>37,320,415</u>	<u>37,320,415</u>
TOTAL	\$ 31,753,391	\$ 34,606,339	\$ 34,606,339	\$ 37,320,415	\$ 37,320,415
Capital Improvements:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 0				
GRAND TOTAL	<u>\$ 31,753,391</u>	<u>\$ 34,606,339</u>	<u>\$ 34,606,339</u>	<u>\$ 37,320,415</u>	<u>\$ 37,320,415</u>

Percentage Change:

Operating Expenditures					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	(3.1)	9.0	9.0	7.8	7.8
FTE Positions	20.0	20.0	20.0	20.0	20.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>20.0</u>	<u>20.0</u>	<u>20.0</u>	<u>20.0</u>	<u>20.0</u>

AGENCY OVERVIEW

The 1976 Health Care Providers Insurance Availability Act created the Health Care Stabilization Fund (Fund) to stabilize the availability of medical professional liability coverage for health care providers. From 1976 to 1995, the Fund was the administrative responsibility of the Commissioner of Insurance. Beginning in 1995, the administration of the Fund was established as an independent state agency, separate from the Insurance Department.

Among the provisions of the Fund law are: a mandate for health care providers to maintain basic professional liability insurance as a condition to render services in Kansas, a requirement that the Fund provide excess professional liability insurance coverage, and the establishment of an availability plan to provide the required basic professional liability insurance coverage when such coverage is not available through insurance companies.

Fund loss exposures begin when a medical professional liability claim or legal action exceeds the required professional liability coverage of \$200,000 per claim, with an annual aggregate for all claims of \$600,000. Fund coverage may also be provided for claims and legal actions brought against eligible inactive health care providers. Since July 1, 1999, health care providers have selected one of three Fund coverage limits: \$100,000 / \$300,000; \$300,000 / \$900,000; or \$800,000 / \$2,400,000.

The Fund is financed by a surcharge levied on and paid by Kansas health care providers based on a rating classification system established by the Board of Governors. The surcharge revenue in FY 1991 was \$35.7 million. Surcharge receipts in FY 2015 were \$28.4 million and are estimated at \$26.5 million for FY 2016 and FY 2017. In addition to Fund surcharges, the Fund also receives interest on agency investments. The investment income for FY 2015 was \$10.2 million and is expected to decrease to \$7.1 million in FY 2016 and FY 2017, due to the maturation of lower interest rate investments. Investments for the Board are administered by the Pooled Money Investment Board.

Full-time faculty, private practice foundations and corporations, and residents at the University of Kansas Medical Center (KUMC) and Wichita Center for Graduate Medical Education (WCGME) receive basic coverage through statutory self-insurance provisions and excess coverage from the Fund. Basic coverage provisions applicable to these individuals and entities are set forth in the Fund law, including a \$500,000 reserve fund maintained by the University of Kansas School of Medicine private practice foundations. The law also contains provisions for reimbursement to the Fund of basic coverage losses arising from these statutory basic coverage self-insurance provisions from the State General Fund.

MAJOR ISSUES FROM PRIOR YEARS

The **2006 Legislature** added a 1.0 FTE legal assistant position to assist with increased case filings. This position was requested by the Board of Governors to assure claim file documentation, assist with attorney fee and claim expense billing processing, participate in settlement meetings, observe health care provider trials, and assist in other matters related to the increased number of health care provider cases and claims.

The **2008 Legislature** added \$75,000, all from special revenue funds, to fund an independent audit of the agency's claims procedures.

The **2009 Legislature** limited transfers from the State General Fund to the Health Care Stabilization Fund to \$2,805,000 in FY 2009 and FY 2010, which was 6.5 percent, or \$195,000 less than the \$3.0 million transfer projected in both years. The Governor, whose original recommendation had eliminated the entire projected \$3.0 million transfer in both years, vetoed language limiting the transfers and through the allotment process deleted those transfers.

The **2009 Legislature** also added \$251,834 in FY 2010, all from special revenue funds, for the sole purpose of technology improvements and professional development.

The **2010 Legislature** authorized an additional FTE position for the Fund beginning in FY 2011. This position is assigned to the Legal section and focuses on responding to Kansas Open Records Act requests. Although this is not a statutory duty of the Fund, external clients such as hospitals and insurance companies rely on the Fund to provide information on levels of coverage and claims history for health care providers.

The **2010 Legislature** also passed SB 414, which amended the Health Care Provider Insurance Availability Act to exempt the Health Care Stabilization Fund from transfers to the State General Fund under the allotment authority delegated to the Secretary of Administration by KSA 75-3722. The bill also deferred payment to the Fund from the State General Fund for costs and expenditures associated with the administration of a self-insurance program for the full-time faculty, private practice foundations and corporations, and the residents of KUMC and WCGME. Payments scheduled for state Fiscal Years 2010, 2011, 2012, and 2013 were not

transferred until July 1, 2013. At that time, annual State General Fund payments resumed and will continue through July 1, 2017, each in the amount of 20.0 percent of the total amount owed.

Miller v. Johnson Decision. On October 5, 2012, the Kansas Supreme Court upheld the \$250,000 cap on non-economic damage awards in a 5-2 decision. This cap on the amount of damages for pain and suffering awarded by juries to personal injury action claimants has been previously upheld (1990, *Samsel II*). The majority of the Court upheld KSA 60-19a02 as it applied to *Miller* (personal injury plaintiff, medical malpractice claim)—the statute provides for a \$250,000 cap on non-economic damages and applies to all personal injury actions, including medical malpractice claims, accruing on or after July 1, 1988.

The opinion also cited the Health Care Provider Insurance Availability Act by indicating, “As noted in several of our prior cases, the legislature’s expressed goals for the comprehensive legislation comprising the Health Care Provider Insurance Availability Act and the non-economic damages cap have long been accepted by this court to carry a valid public interest objective.”

The opinion also noted the Legislature enacted this statute “in an attempt to reduce and stabilize liability insurance premiums by eliminating both the difficulty with rate setting due to the unpredictability of non-economic damage awards and the possibility of large non-economic damage awards.”

Missouri: Watts v. Lester E. Cox Medical Centers. On July 31, 2012, the Missouri Supreme Court struck down a 2005 law that had capped non-economic damage awards in Missouri medical malpractice actions at \$350,000 in a 4-3 decision. The plaintiff, Deborah Watts, filed suit against Cox Medical Centers in Springfield; her son was born with severe brain injuries in 2006. A jury had awarded Watts \$1.45 million for non-economic damages for the injuries (*Watts* also was awarded \$3.371 million for future medical expenses). Missouri law limited the awards to \$350,000. The Supreme Court found the cap unconstitutional because it violated the state’s constitutional right to trial by jury.

The decision states the statutory cap (§538.210) is “unconstitutional to the extent that it infringes on the jury’s constitutionally protected purpose of determining the amount of damages sustained by an injured party. Such a limitation was not permitted at common law when Missouri’s constitution first was adopted in 1820, and therefore, violates the right to trial by jury guaranteed by article I, section 22(a) of the Missouri Constitution.”

The **2014 Legislature** passed SB 311, which increased the statutory limit on non-economic damages in personal injury actions. On July 1, 2014, the “cap” increased from \$250,000 to \$300,000. The limit will increase again on July 1, 2018 to \$325,000 and then again on July 1, 2022 to \$350,000.

The **2014 Legislature** also passed HB 2516, which added five new categories of health care providers to the definition section of the Health Care Provider Insurance Availability Act. The new categories of providers include physician assistants, nurse-midwives, assisted living facilities, nursing facilities, and residential health care facilities. The Legislature added \$73,379, and 1.0 FTE position for FY 2015, to allow the agency to implement relevant provisions of the Act.

The **2015 Legislature** passed HB 2064, which allowed health care systems to aggregate insurance premiums for the purpose of obtaining a certificate of self-insurance. The Legislature added \$40,980, and 0.5 FTE position for FY 2016 and FY 2017 to fund operating expenditures associated with a Compliance Officer.

BUDGET SUMMARY AND KEY POINTS

FY 2016 – Current Year. The **agency** requests a revised estimate of \$34.6 million, all from special revenue funds, in FY 2016. This is an increase of \$1.7 million, or 5.0 percent, above the amount approved by the 2015 Legislature. The increase is attributable to an increase in other assistance expenditures due to the agency re-estimating claims payments and associated legal expenses in FY 2016. The agency estimates that liabilities from adding five new categories of health care providers under the Health Care Stabilization Fund after the 2014 session will begin to be reflected and historical shifts support an increased estimate for claims' expenditures. The request includes 20.0 FTE positions, which is the same number approved by the FY 2015 Legislature.

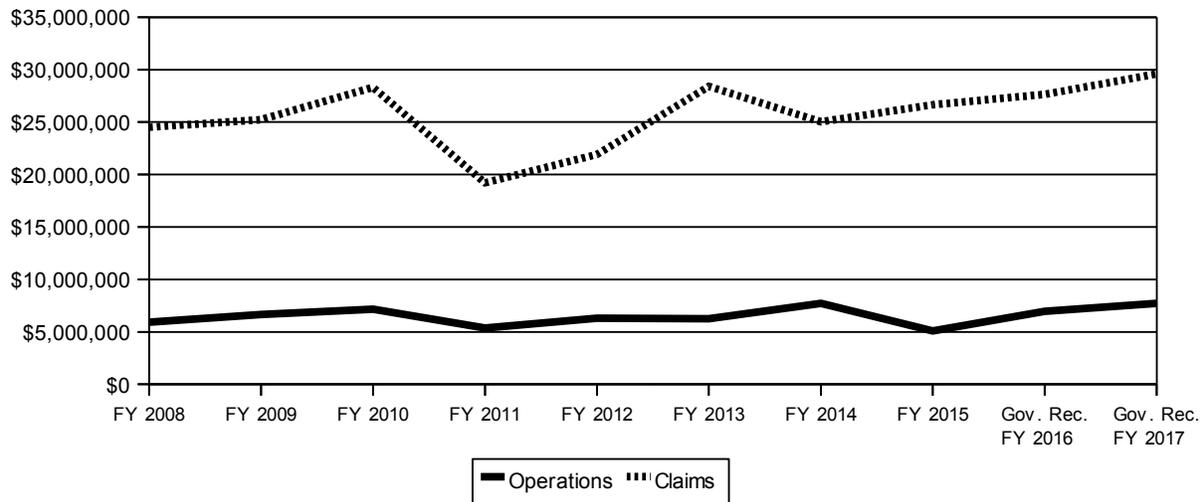
The **Governor** recommends expenditures of \$34.6 million, all from special revenue funds, in FY 2016. This is the same amount as the agency's revised estimate. The recommendation includes 20.0 FTE positions, which is the same number as the agency's revised estimate.

FY 2017 – Budget Year. The **agency** requests a revised estimate of \$37.3 million, all from special revenue funds, for FY 2017. This is the same amount approved by the 2015 Legislature. The agency previously anticipated increased expenditures based on the assumption of a 12.0 percent increase in claim frequency attributable to the addition of five new categories of health care providers. However, it now appears that the average rate of annual increase will be higher, but the number of new health care providers is somewhat lower, so the agency did not re-estimate FY 2017 claims expenditures. The revised request includes 20.0 FTE positions, which is the same number approved by the 2015 Legislature.

The **Governor** recommends expenditures of \$37.3 million, all from special revenue funds, for FY 2017. This is the same amount as the agency's revised estimate. The recommendation includes 20.0 FTE positions, which is the same number as the agency's revised estimate.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2008 – FY 2017



OPERATING EXPENDITURES FY 2008 – FY 2017

Fiscal Year	Operations	% Change	Claims	% Change	FTE
2008	\$ 5,928,742	1.3 %	\$ 24,508,355	9.1 %	17.0
2009	6,655,856	12.3	25,236,640	3.0	17.0
2010	7,164,696	7.6	28,314,866	12.2	17.0
2011	5,373,243	(25.0)	19,207,586	(32.2)	18.0
2012	6,292,258	17.1	21,910,074	14.1	18.0
2013	6,250,365	(0.7)	28,405,415	29.6	18.0
2014	7,722,355	23.6	25,029,266	(11.9)	19.5
2015	5,099,207	(34.0)	26,654,184	6.5	20.0
2016 Gov. Rec.	6,961,551	36.5	27,644,788	3.7	20.0
2017 Gov. Rec.	7,718,475	10.9	29,601,940	7.1	20.0
Ten-Year Change Dollars/Percent	\$ 1,789,733	30.2 %	\$ 5,093,585	20.8 %	3.0

Summary of Operating Budget FY 2015 - FY 2017

Health Care Stabilization Fund Board of Governors

	Actual 2015	Agency Estimate				Governor's Recommendation			
		Estimate FY 2016	Estimate FY 2017	Dollar Change from FY 16	Percent Change from FY 16	Rec. FY 2016	Rec. FY 2017	Dollar Change from FY 16	Percent Change from FY 16
By Program:									
Administration	\$ 1,631,768	\$ 1,947,426	\$ 2,007,385	\$ 59,959	3.1 %	\$ 1,947,426	\$ 2,007,385	\$ 59,959	3.1 %
Claims	30,121,623	32,658,913	35,313,030	2,654,117	8.1	32,658,913	35,313,030	2,654,117	8.1
TOTAL	\$ 31,753,391	\$ 34,606,339	\$ 37,320,415	\$ 2,714,076	7.8 %	\$ 34,606,339	\$ 37,320,415	\$ 2,714,076	7.8 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 1,367,242	\$ 1,484,558	\$ 1,536,537	\$ 51,979	3.5 %	\$ 1,484,558	\$ 1,536,537	\$ 51,979	3.5 %
Contractual Services	3,689,195	5,402,903	6,105,168	702,265	13.0	5,402,903	6,105,168	702,265	13.0
Commodities	21,036	33,870	34,500	630	1.9	33,870	34,500	630	1.9
Capital Outlay	21,734	40,220	42,270	2,050	5.1	40,220	42,270	2,050	5.1
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 5,099,207	\$ 6,961,551	\$ 7,718,475	\$ 756,924	10.9 %	\$ 6,961,551	\$ 7,718,475	\$ 756,924	10.9 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	26,654,184	27,644,788	29,601,940	1,957,152	7.1	27,644,788	29,601,940	1,957,152	7.1
TOTAL	\$ 31,753,391	\$ 34,606,339	\$ 37,320,415	\$ 2,714,076	7.8 %	\$ 34,606,339	\$ 37,320,415	\$ 2,714,076	7.8 %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
All Other Funds	31,753,391	34,606,339	37,320,415	2,714,076	7.8	34,606,339	37,320,415	2,714,076	7.8
TOTAL	\$ 31,753,391	\$ 34,606,339	\$ 37,320,415	\$ 2,714,076	7.8 %	\$ 34,606,339	\$ 37,320,415	\$ 2,714,076	7.8 %

BUDGET OVERVIEW

A. FY 2016 – Current Year

Adjustments to Approved State General Fund Budget

	CHANGE FROM APPROVED BUDGET				
	Legislative Approved FY 2016	Agency Estimate FY 2016	Agency Change from Approved	Governor Rec. FY 2016	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	32,950,961	34,606,339	1,655,378	34,606,339	1,655,378
TOTAL	\$ 32,950,961	\$ 34,606,339	\$ 1,655,378	\$ 34,606,339	\$ 1,655,378
FTE Positions	20.0	20.0	0.0	20.0	0.0

The **agency** requests a revised estimate in FY 2016 of \$34.6 million, all from special revenue funds. This is an increase of \$1.7 million, or 5.0 percent, above the amount approved by the 2015 Legislature. The increase is attributable to an increase in other assistance expenditures due to the agency re-estimating claims payments and associated legal expenses in FY 2016. The agency estimates that liabilities from adding five new categories of health care providers under the Health Care Stabilization Fund after the 2014 Session will begin to be reflected and historical shifts support an increased estimate for claims expenditures. The request includes 20.0 FTE positions, which is the same number approved by the 2015 Legislature.

The revised estimate is detailed below by category of expenditure.

- **Salaries and Wages.** The agency estimates \$1.5 million, all from special revenue funds, for salaries and wages in FY 2016. This is a decrease of \$6,798, or 0.5 percent, below the amount approved by the 2015 Legislature. The decrease corresponds to an increase of the same amount in contractual services expenditures, to properly reflect operational expenditures of a 0.5 FTE position that was added in 2015 in accord with the passage of 2015 HB 2064, which allowed health care systems to aggregate insurance premiums for the purpose of obtaining a certificate of self-insurance.
- **Contractual Services.** The agency estimates \$5.4 million, all from special revenue funds, for contractual services expenditures in FY 2016. This is an increase of \$6,798, or 0.1 percent, above the amount approved by the 2015 Legislature. The increase corresponds to a decrease of the same amount in salaries and wages expenditures, to properly reflect operational expenditures of a 0.5 FTE position that was added in accord with the passage of 2015 HB 2064.

- **Commodities.** The agency estimates \$33,870, all from special revenue funds, for capital outlay expenditures in FY 2016. This is the same amount approved by the 2015 Legislature.
- **Capital Outlay.** The agency estimates \$40,220, all from special revenue funds, for commodities expenditures in FY 2016. This is the same amount approved by the 2015 Legislature.
- **Other Assistance.** The agency estimates \$27.6 million, all from special revenue funds, for other assistance expenditures in FY 2016. This is an increase of \$1.7 million, or 6.4 percent, above the amount approved by the 2015 Legislature. The increase is attributable to the agency re-estimating claims payments and associated legal expenses.

The **Governor** recommends expenditures of \$34.6 million, all from special revenue funds, in FY 2016. This is the same amount as the agency's revised estimate. The recommendation includes 20.0 FTE positions, which is the same number as the agency's revised estimate.

B. FY 2017 – Budget Year

Adjustments to Approved State General Fund Budget

	CHANGE FROM APPROVED BUDGET				
	Legislative Approved FY 2017	Agency Estimate FY 2017	Agency Change from Approved	Governor Rec. FY 2017	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	37,320,415	37,320,415	0	37,320,415	0
TOTAL	\$ 37,320,415	\$ 37,320,415	\$ 0	\$ 37,320,415	\$ 0
FTE Positions	20.0	20.0	0.0	20.0	0.0

The **agency** requests a revised estimate for FY 2017 of \$37.3 million, all from special revenue funds. This is the same amount approved by the 2015 Legislature. The agency previously anticipated increased expenditures based on the assumption of a 12.0 percent increase in claim frequency attributable to the addition of five new categories of health care providers. However, it now appears that the average rate of annual increase will be higher, but the number of new health care providers is somewhat lower, so the agency did not re-estimate FY 2017 claims expenditures. The request includes 20.0 FTE positions, which is the same number approved by the 2015 Legislature.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency estimates \$1.5 million, all from special revenue funds, for salaries and wages for FY 2017. This is a decrease of \$6,798, or 0.4 percent, below the amount approved by the 2015 Legislature. The

decrease corresponds to an increase of the same amount in contractual services expenditures, to properly reflect operational expenditures of a 0.5 FTE position that was added in accord with the passage of 2015 HB 2064, which allowed health care systems to aggregate insurance premiums for the purpose of obtaining a certificate of self-insurance.

- **Contractual Services.** The agency estimates \$6.1 million, all from special revenue funds, for contractual services expenditures for FY 2017. This is an increase of \$6,798, or 0.1 percent, above the amount approved by the 2015 Legislature. The increase corresponds to a decrease of the same amount in salaries and wages expenditures, to properly reflect operational expenditures of a 0.5 FTE position that was added in accord with the passage of 2015 HB 2064.
- **Commodities.** The agency estimates \$34,500, all from special revenue funds, for capital outlay expenditures for FY 2017. This is the same amount approved by the 2015 Legislature.
- **Capital Outlay.** The agency estimates \$42,270, all from special revenue funds, for commodities expenditures for FY 2017. This is the same amount approved by the 2015 Legislature.
- **Other Assistance.** The agency estimates \$29.6 million, all from special revenue funds, for other assistance expenditures for FY 2017. This is the same amount approved by the 2015 Legislature.

The **Governor** recommends expenditures of \$37.3 million, all from special revenue funds, for FY 2017. This is the same amount as the agency's revised estimate. The recommendation includes 20.0 FTE positions, which is the same number as the agency's revised estimate.

Funding Sources

Funding Source	Agency Est. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
Health Care Stabilization Fund	100.0 %	100.0 %
Conference Fee Fund	0.0	0.0
TOTAL	100.0 %	100.0 %

Note: Details may not add to totals due to rounding.

Health Care Stabilization Fund Analysis

The Health Care Stabilization Fund was established by KSA 40-3401. The Fund receives deposits from annual premium surcharges on every health care provider who has obtained basic professional liability insurance coverage and upon all self-insurers, investments, and transfers from the Health Care Provider Insurance Availability Plan.

KSA 40-3403 authorizes the transfer of monies from the State General Fund to reimburse the Fund for costs incurred defending any claim filed against a person participating in the University of Kansas Medical Center (KUMC) and Wichita Center for Graduate Medical Education (WCGME) residency programs and for that portion of the paid claims which is equal to the basic coverage liability of self-insurers. This statute also authorizes the transfer of monies from the State General Fund and the KUMC Private Practice Foundation Reserve Fund to reimburse the Fund for costs incurred to defend any claim filed against KUMC foundations and full-time faculty and for that portion of any claim which is equal to the basic liability of self-insurers.

The Governor's July 2010 allotment eliminated the State General Fund transfer into the Fund related to KUMC and WCGME claims expenses. The Fund wrote off the transfer, which would have been approximately \$2.9 million, as not collectible. The 2010 Legislature passed 2010 SB 414, which exempted the Fund from future allotments. It also deferred payment to the Fund from the State General Fund for costs and expenses associated with the KUMC and WCGME claims expenses. The legislation stated that payments scheduled for state Fiscal Years 2010, 2011, 2012, and 2013 would not be transferred until July 1, 2013. At that time, annual State General Fund payments would begin and continue through July 1, 2017, each in the amount of 20.0 percent of the total amount owed.

Resource Estimate	Actual FY 2015	Agency Estimate FY 2016	Gov. Rec. FY 2016	Agency Estimate FY 2017	Gov. Rec. FY 2017
Beginning Balance	\$ 4,754,724	\$ 3,580,205	\$ 3,580,205	\$ 1,578,166	\$ 1,578,166
Revenue	66,271,988	63,865,500	63,865,500	63,334,700	63,334,700
Transfers in	3,603,857	3,926,800	3,926,800	3,926,800	3,926,800
Total Funds Available	\$ 74,630,569	\$ 71,372,505	\$ 71,372,505	\$ 68,839,666	\$ 68,839,666
Less: Expenditures	31,738,628	34,594,339	34,594,339	37,307,915	37,307,915
Transfers Out	200,000	200,000	200,000	200,000	200,000
Off Budget Expenditures	39,111,736	35,000,000	35,000,000	29,000,000	29,000,000
Ending Balance	<u>\$ 3,580,205</u>	<u>\$ 1,578,166</u>	<u>\$ 1,578,166</u>	<u>\$ 2,331,751</u>	<u>\$ 2,331,751</u>
Ending Balance as Percent of Expenditures	11.3%	4.6%	4.6%	6.3%	6.3%
Month Highest Ending Balance	December <u>\$ 9,779,317</u>	January <u>\$ 4,344,604</u>	January <u>\$ 4,344,604</u>	January <u>\$ 4,005,008</u>	January <u>\$ 4,005,008</u>
Month Lowest Ending Balance	August <u>\$ 1,888,097</u>	March <u>\$ 838,245</u>	March <u>\$ 838,245</u>	August <u>\$ 880,598</u>	August <u>\$ 880,598</u>

Staff Notes

The actual cash balance on any given day of the year is a function of three principal variables: (1) HCSF premium surcharges collected and remitted by commercial liability insurance companies, (2) investment maturity dates, and (3) pending claim payments. Because many medical professional liability insurance policies have effective dates and renewal dates at January 1 or July 1, HCSF premium surcharges are often collected by insurance companies in late December or late June. Because insurers have a statutory 30-day remittance period, the surcharge revenue is often received near the end of January or near the end of July. Therefore, those two months normally have a comparatively high ending balance.

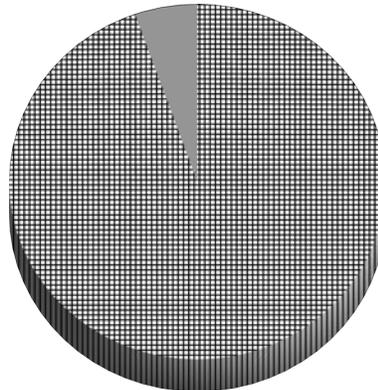
The HCSF Board of Governors employs a conservative, laddered investment strategy. Reserves are invested by the Pooled Money Investment Board on behalf of the HCSF Board of Governors. As a result, there are maturities throughout the year. If a maturity occurs near the end of the month, there will of course be a higher ending balance at the conclusion of that particular month.

The Board's Chief Attorney maintains a contemporary accounting of settlements and jury awards that have been approved by the Courts. This includes scheduled future payments attributable to settlements and jury awards in prior fiscal years. The agency indicates that it is imperative that sufficient, unencumbered cash balances be maintained in order to promptly pay these statutory HCSF liabilities. Consequently, the ending balance is often a reflection of pending claim payments at the conclusion of a particular month.

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2017 Recommendation



Administration
 Claims Payments

Program	Gov. Rec. All Funds FY 2017	Percent of Total
Administration	\$ 2,007,385	5.4 %
Claims Payments	35,313,030	94.6
TOTAL	\$ 37,320,415	100.0 %

FTE POSITIONS BY PROGRAM FY 2015 – FY 2017

Program	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Administration	20.0	20.0	20.0	20.0	20.0
Claims	0.0	0.0	0.0	0.0	0.0
TOTAL	20.0	20.0	20.0	20.0	20.0

A. Administration

The Administration program is responsible for state operations at the Health Care Stabilization Fund. The program includes the Board of Governors and the Executive Director as well as the Legal, Compliance, Fiscal and Information Technology, and Administrative Support departments. The administrative expenditures of the Fund have traditionally been subject to an expenditure limitation as opposed to the Claims program, which is no-limit.

ADMINISTRATION SUMMARY OF EXPENDITURES FY 2015 – FY 2017					
Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Expenditures:					
Salaries and Wages	\$ 1,367,242	\$ 1,484,558	\$ 1,484,558	\$ 1,536,537	\$ 1,536,537
Contractual Services	222,861	391,098	391,098	396,398	396,398
Commodities	19,931	31,550	31,550	32,180	32,180
Capital Outlay	21,734	40,220	40,220	42,270	42,270
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 1,631,768</u>	<u>\$ 1,947,426</u>	<u>\$ 1,947,426</u>	<u>\$ 2,007,385</u>	<u>\$ 2,007,385</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
TOTAL	<u>\$ 1,631,768</u>	<u>\$ 1,947,426</u>	<u>\$ 1,947,426</u>	<u>\$ 2,007,385</u>	<u>\$ 2,007,385</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	<u>1,631,768</u>	<u>1,947,426</u>	<u>1,947,426</u>	<u>2,007,385</u>	<u>2,007,385</u>
TOTAL	<u>\$ 1,631,768</u>	<u>\$ 1,947,426</u>	<u>\$ 1,947,426</u>	<u>\$ 2,007,385</u>	<u>\$ 2,007,385</u>
FTE Positions	20.0	20.0	20.0	20.0	20.0
Non-FTE Uncl. Perm. Pos.	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u>20.0</u>	<u>20.0</u>	<u>20.0</u>	<u>20.0</u>	<u>20.0</u>

The **agency** requests a revised estimate of \$2.0 million, all from special revenue funds, for the Administration program for FY 2017. This is the same amount approved by the 2015 Legislature. The program includes 20.0 FTE positions, which is the same amount approved by the 2015 Legislature.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests \$1.5 million, all from special revenue funds, for salaries and wages for FY 2017. This is a decrease of \$6,798, or 0.4 percent, below the amount approved by the 2015 Legislature. The decrease corresponds to an increase of the same amount in contractual services expenditures, to properly reflect operational expenditures of a 0.5 FTE position that was added in accord with the passage of 2015 HB 2064, which allowed health care systems to aggregate insurance premiums for the purpose of obtaining a certificate of self-insurance.

- **Contractual Services.** The agency requests \$396,398, all from special revenue funds, for contractual services for FY 2017. This is an increase of \$6,798, or 1.7 percent, above the amount approved by the 2015 Legislature. The increase corresponds to a decrease of the same amount in salaries and wages expenditures, to properly reflect operational expenditures of a 0.5 FTE position that was added in accord with the passage of 2015 HB 2064.
- **Commodities.** The agency estimates \$32,180, all from special revenue funds, for capital outlay expenditures for FY 2017. This is the same amount approved by the 2015 Legislature.
- **Capital Outlay.** The agency estimates \$42,270, all from special revenue funds, for commodities expenditures for FY 2017. This is the same amount approved by the 2015 Legislature.
- **Other Assistance.** The agency did not request other assistance expenditures for FY 2017.

The **Governor** recommends expenditures of \$2.0 million, all from special revenue funds, for FY 2017. This is the same amount as the agency's revised estimate. The recommendation includes 20.0 FTE positions, which is the same number as the agency's revised estimate.

B. Claims

The Claims program was instituted as a separate program in FY 2010 as the portion of the Fund responsible for the payment of court-approved claims, attorneys' fees, and other costs associated with claims activity. Historically, expenditures for the payment of claims have been treated as no-limit by the Legislature. No-limit means that although the Claims program operates within a budget, it does not have an appropriated limit on its expenditures.

**CLAIMS
SUMMARY OF EXPENDITURES FY 2015 – FY 2017**

Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Expenditures:					
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	3,466,334	5,011,805	5,011,805	5,708,770	5,708,770
Commodities	1,105	2,320	2,320	2,320	2,320
Capital Outlay	0	0	0	0	0
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 3,467,439</u>	<u>\$ 5,014,125</u>	<u>\$ 5,014,125</u>	<u>\$ 5,711,090</u>	<u>\$ 5,711,090</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	26,654,184	27,644,788	27,644,788	29,601,940	29,601,940
TOTAL	<u>\$ 30,121,623</u>	<u>\$ 32,658,913</u>	<u>\$ 32,658,913</u>	<u>\$ 35,313,030</u>	<u>\$ 35,313,030</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	30,121,623	32,658,913	32,658,913	35,313,030	35,313,030
TOTAL	<u>\$ 30,121,623</u>	<u>\$ 32,658,913</u>	<u>\$ 32,658,913</u>	<u>\$ 35,313,030</u>	<u>\$ 35,313,030</u>
FTE Positions	0.0	0.0	0.0	0.0	0.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

The **agency** requests a revised estimate of \$35.3 million, all from special revenue funds, for the claims program for FY 2017. The agency previously anticipated increased expenditures based on the assumption of a 12.0 percent increase in claim frequency attributable to the addition of five new categories of health care providers. However, it now appears that the average rate of annual increase will be higher, but the number of new health care providers is somewhat lower, so the agency did not re-estimate FY 2017 claims expenditures. This is the same amount approved by the 2015 Legislature.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency does not request funding for salaries and wages for FY 2017.
- **Contractual Services.** The agency requests \$5.7 million, all from special revenue funds, for contractual services for FY 2017. This is the same amount approved by the 2015 Legislature.
- **Commodities.** The agency requests \$2,320, all from special revenue funds, for commodities for FY 2017. This is the same amount approved by the 2015 Legislature.
- **Capital Outlay.** The agency does not request capital outlay expenditures for FY 2017.

- **Other Assistance.** The agency requests \$29.6 million, all from special revenue funds, for other assistance expenditures for FY 2017. This is the same amount approved by the 2015 Legislature.

The **Governor** recommends expenditures of \$35.3 million, all from special revenue funds, for FY 2017. This is the same amount as the agency's revised estimate.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2015	Actual FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of cases opened	600	599	654	672
Number of cases closed	550	585	600	636
Unassigned reserves as percent of indicated liabilities	19.9%	21.6%	20.8%	N/A