

# KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT

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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	\$ 767,428,847	\$ 692,601,753	\$ 721,727,904	\$ 704,394,049	\$ 718,551,660
Other Funds	<u>1,587,527,772</u>	<u>1,784,428,970</u>	<u>1,811,192,277</u>	<u>1,778,267,985</u>	<u>1,804,732,046</u>
TOTAL	<u>\$ 2,354,956,619</u>	<u>\$ 2,477,030,723</u>	<u>\$ 2,532,920,181</u>	<u>\$ 2,482,662,034</u>	<u>\$ 2,523,283,706</u>
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	<u>\$ 0</u>				
<b>GRAND TOTAL</b>	<b><u>\$ 2,354,956,619</u></b>	<b><u>\$ 2,477,030,723</u></b>	<b><u>\$ 2,532,920,181</u></b>	<b><u>\$ 2,482,662,034</u></b>	<b><u>\$ 2,523,283,706</u></b>
Percentage Change:					
Operating Expenditures					
State General Fund	5.8 %	(9.8) %	(6.0) %	1.7 %	(0.4) %
All Funds	4.9	5.2	7.6	0.2	(0.4)
FTE Positions	650.4	484.9	484.9	484.9	479.0
Non-FTE Perm.Uncl.Pos.	<u>406.9</u>	<u>596.8</u>	<u>596.8</u>	<u>596.8</u>	<u>596.8</u>
TOTAL	<u>1,057.3</u>	<u>1,081.7</u>	<u>1,081.7</u>	<u>1,081.7</u>	<u>1,075.8</u>

## AGENCY OVERVIEW

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The Kansas Department of Health and Environment (KDHE) is a cabinet-level agency with the mission to promote and protect the health of Kansans through public health programs and services and through preservation, protection, and remediation of natural resources in the environment.

The agency is divided into three main divisions:

The **Division of Public Health** works with local health departments and other organizations to help assure the health of Kansans through public health services and regulatory programs. The Division includes the Office of the Director (including the Center for Health Disparities), and the Bureaus of Surveillance and Epidemiology, Oral Health, Local and Rural Health, Disease Control and Prevention, Child Care and Health Facilities, Environmental Health, Health Promotion, Family Health, Public Health Preparedness (formerly Homeland Security), and Public Health Informatics (formerly the Center of Health and Environment Statistics). The Administration program is also included in the Division of Health function.

The **Division of Health Care Finance** develops and maintains a coordinated health policy agenda which combines the effective purchasing and administration of health care with

health promotion-oriented public health strategies. The powers, duties and functions of the Division are intended to be exercised to improve the health of the people of Kansas by increasing the quality, efficiency and effectiveness of health services and public health programs. The Division oversees the state's Medicaid program, the State Employee Health Plan and the State Self-Insurance Fund workers compensation program.

The **Division of Environmental Services** protects the environment and public health through compliance, enforcement, and proactive activities. The Division includes the Bureaus of Waste Management, Air, Water, Environmental Remediation, and Environmental Field Services (including the Office of the Director of Environment), and the Health and Environment Laboratories.

## **MAJOR ISSUES FROM PRIOR YEARS**

The **2007 Legislature** appropriated \$800,000, all from the State General Fund, and 2.0 FTE positions in the agency's laboratory program for expanded newborn screening. The 2007 Legislature also amended the newborn screening law, directing the Kansas Department of Health and Environment to adopt rules and regulations no later than July 1, 2008, requiring newborn screening tests for treatable disorders recommended in the 2005 report by the American College of Medical Genetics entitled "Newborn Screening: Toward a Uniform Screening Panel and System." The Secretary of Health and Environment is required to appoint an advisory committee on the implementation of the expanded screening program. The Committee is to provide advice on program efficiency, cost effectiveness, and whether program adjustments should be made. A designee of the agency is allowed to conduct the initial laboratory screening tests.

The **2008 Legislature** added \$2.5 million, all from the State General Fund, in FY 2009 for additional funding for primary safety net clinics, and added \$2.2 million, all from the Children's Initiatives Fund, to expand newborn screening. In addition, the Legislature shifted FY 2009 expenditures of \$3.5 million for Part C Infant Toddler (Tiny-K) services from the State General Fund to the Children's Initiatives Fund and added an additional \$1.0 million from the Children's Initiatives Fund for Tiny-K services in FY 2009.

The **2008 Legislature** deleted \$405,270, including \$74,949 from the State General Fund, and 5.0 FTE positions in FY 2009 to reflect the transfer of responsibility for the survey and certification of hospital long-term care units from the Kansas Department of Health and Environment to the Department on Aging.

The **2008 Legislature** also deleted \$1.8 million, including \$184,962 from the State General Fund, in FY 2009 to implement provisions of 2008 SB 584, which transfers responsibility for the inspection and licensing of food service and lodging facilities from the Kansas Department of Health and Environment to the Department of Agriculture.

The **2009 Legislature** appropriated funding of \$346,125, all from the State General Fund, in FY 2010 for the Pregnancy Maintenance Initiative.

The **2009 Legislature** lapsed funding of \$680,000, all from the State General Fund, which had been appropriated as matching funding by the 2007 Legislature for the City of Treece buyout program.

The **2010 Legislature** deleted \$548,617, all from the State General Fund, and 1.0 FTE position, for an operating expenditure reduction of approximately 2.5 percent from the

Governor's recommendation for FY 2011 for the Health function. The Legislature excluded the Cerebral Palsy Posture Seating program from the reduction.

The **2010 Legislature** added \$199,113, all from the State General Fund, for the Teen Pregnancy Prevention program for FY 2011. This restored funding for the program, which was eliminated as the result of the Governor's July 2009 State General Fund allotment.

The **2010 Legislature** added language directing the agency to expend \$199,113, all from the State General Fund, for the Pregnancy Maintenance Initiative for FY 2011. The funding was to come from existing resources. This restores funding for the program, which was eliminated as the result of the Governor's July 2009 State General Fund allotment.

The **2010 Legislature** appropriated the Health Information Exchange-Federal Fund as a no-limit fund for FY 2011. The fund will be used to receive and expend a 5-year, \$9.0 million federal grant to establish the Kansas Health Information Exchange.

The **2010 Legislature** deleted \$191,193, all from the State General Fund, and 3.0 FTE positions, to achieve a State General Fund reduction of approximately 2.5 percent from the Governor's recommendation for FY 2011 for the Environment function.

The **2010 Legislature** appropriated the QuantiFERON TB Laboratory Fund as a no-limit fund for FY 2011. The fund will be used to deposit contractual services payments received from state universities that wish to contract for lab services related to the requirements that all college students have a tuberculosis test using QuantiFERON.

Executive Reorganization Order No. 38 transferred the duties and responsibilities for the Kansas Health Policy Authority, including the State Employee Health Plan, to the Kansas Department of Health and Environment as the Division of Health Care Finance in FY 2012. With the reorganization, the Division of Health Care Finance is responsible for developing policies, administering and managing programs that fund health care services for persons who qualify for Medicaid (Title XIX), MediKan, and the Children's Health Insurance Program (Title XXI).

The **2011 Legislature** added \$100,000, all from the State General Fund, to the Teen Pregnancy Prevention program, bringing total funding available in FY 2011 to \$299,113 in FY 2011. For FY 2012, the Legislature added \$150,887, all from the State General Fund, to the program, bringing the total available for FY 2012 to \$350,000.

The **2011 Legislature** added \$100,000, all from the State General Fund, to the Senator Stan Clark Pregnancy Maintenance Initiative, bringing total funding available in FY 2011 to \$299,113.

The **2011 Legislature** deleted \$165,000, and 1.0 FTE position from the Office of the Director of Health for FY 2012.

The **2011 Legislature** deleted \$2,786, all from the Children's Initiatives Fund, because of projected shortfalls in tobacco funding for FY 2012.

The **2011 Legislature** deleted \$14,097,744, including \$6,000,000 from the State General Fund, for FY 2012 for reduced regular medical Medicaid expenditures associated with savings achieved in the Prepaid Ambulatory Health Plan managed care contract for mental health services.

The **2011 Legislature** deleted funding totaling \$1,879,699, including \$800,000 from the State General Fund, to capture savings in the Medicaid prescription drug program for FY 2012. A number of antidepressants and atypical anti-psychotic medications are or will soon be

available in generic form and should result in prescription drug savings, according to the agency.

The **2011 Legislature** added \$750,000, all from the State General Fund, to partially restore the Local Environmental Protection Program (LEPP) program for FY 2012.

The **2011 Legislature**, because of a shortfall in budgeted tobacco receipts, deleted funding of \$11,712, all from the Children's Initiatives Fund, from the newborn screening program, in addition to the other CIF reductions for the global reductions approved by the Legislature totaling \$23,750 for FY 2012.

The **2011 Legislature** deleted \$480,511, all from the State General Fund, to reduce the agency's State General Fund expenditures, excluding expenditures used to match federal funding or for federal maintenance of effort issues, by 15.0 percent for FY 2012.

The **2011 Legislature** passed the Kansas Health Information and Technology Act (HB 2182) which synchronizes Kansas health information laws with Health Insurance Portability and Accountability Act (HIPAA) privacy and security rules. This bill will allow Kansas Health Information Exchange to move forward in developing the framework for electronic health records.

The agency started a major initiative to implement the Kansas Eligibility and Enforcement System (KEES) to update the technology and processes for determining eligibility for medical programs and to detect fraud. The project is estimated to cost \$137.9 million over five years to implement and \$50 million each year for ongoing costs to maintain and operate the system. Phase I of the project implements a public portal for online application capability with initial functionality for Medicaid and Children's Health Insurance Program (CHIP) in the fall of 2013.

In addition, the agency started a process to reform Medicaid which includes the implementation of Managed Care contracts for all medical programs. The contracts were awarded in the Fall of 2012 and implemented in January 2013. The Initiative also included agency realignment related to Medicaid responsibility.

The **2012 Legislature** acknowledged the enactment of Executive Reorganization Order No. 41 which became effective on July 1, 2012, which transferred programs from the Kansas Department of Health and Environment (KDHE) to Kansas Department for Aging and Disability Services (KDADS). The following areas of the Health Occupations Credentialing program at KDHE were transferred and will be administered by the Secretary for Aging and Disability Services:

- Licensure of adult care home administrators;
- Licensure of dietitians;
- Certification of residential care facility operators, activity directors, social service designees, nurse aides, medication aides, and home health aides;
- Maintenance of the Kansas Nurse Aide Registry and Criminal History Record Check program, as authorized by credentialing statutes or rules and regulations.

The KDHE Psychiatric Residential Treatment Facility Licensure program was also transferred to KDADS.

In addition, the ERO further delineated the roles and responsibilities for Medicaid by consolidating Medicaid fiscal and contractual management in the Kansas Department of Health and Environment.

The **2012 Legislature** passed SB 14 which established the Newborn Screening Fund and funding mechanism for the program. Specifically, the bill establishes the Kansas Newborn Screening Fund (Fund) in the Kansas Department of Health and Environment (KDHE) and creates a mechanism for depositing a portion of the privilege fees received by the State from Health Maintenance Organizations (HMOs) into the new fund. All expenditures from the fund must be used for the program. The bill requires the Director of Accounts and Reports, Division of Accounts and Reports, Department of Administration, to determine, on a monthly basis, the amount of receipts from HMOs' privilege fee collections and to transfer the amount necessary to fund the Newborn Screening program for the preceding month as certified by the Secretary of Health and Environment, or designee. The transfer cannot exceed the amount credited to the State General Fund pursuant to KSA 40-3213. KSA 2011 Supp. 40-3213 requires HMOs to pay, on an annual basis, a privilege fee in an amount equal to 1.0 percent per annum of the total of all premiums, subscription charges, or other similar charges made by the HMO to its enrollees. Under the prior law, the entire amount of the collected privilege fees was deposited into the State General Fund.

The **2012 Legislature** added \$407,000, all from the State General Fund, for the Early Detection Works program for FY 2012.

The **2012 Legislature** added \$634,584, all from the State General Fund, for the Primary Care – Safety Net Clinics program for a total program expenditure of \$7,877,649 for FY 2013. To offset this addition, the Legislature deleted \$134,584, all from the State General Fund, for operating expenditures \$500,000, all from the State General Fund, for the Medicaid Reform Health Savings Account (HAS) program for FY 2013.

The **2012 Legislature** deleted \$1,000,000, including \$600,000 from the State General Fund, for statewide education prior to implementation of KanCare for FY 2013 and deleted \$2,427,116, including \$776,677 from the State General Fund, to update the Medicaid Management Information System for KanCare for FY 2013.

The **2012 Legislature** increased the Health Care Access Improvement Fund limit from \$33,354,454 to no limit to account for the increased revenues and expenditures as a result of 2012 HB 2416 which changed the base year for the assessment calculations for FY 2013.

The **2012 Legislature** added language for a new special revenue fund with a \$1.0 million limit for FY 2013 for the purpose of integrating the Medicaid Management Information System and data analysis to monitor data from contractors. State Finance Council may release funds only upon receiving the Approved Medicaid Reform waiver approval by Federal Centers for Medicare and Medicaid Services.

The **2012 Legislature** added language for FY 2013 to delay the implementation of the home and community based services waiver for individuals with developmental disabilities in a managed care system (KanCare). Also, allow for an optional pilot program for those developmental disabilities service provider organizations for FY 2013.

The **2012 Legislature** added \$800,000 for the Local Environmental Protection Program, all from the State Water Plan Fund, for FY 2013. The funding was subsequently vetoed by the Governor.

The **2013 Legislature** added \$634,584, including \$317,292 from the State General Fund to Primary Care - Safety Net Clinics for FY 2014 and \$317,292, all from the State General Fund for FY 2015.

The **2013 Legislature** added \$85.0 million, including \$24.5 million from the State General Fund, to adjust for the Spring Human Services Consensus Caseload estimate for FY 2014.

The **2013 Legislature** concurred with Governor's Budget Amendment No. 2, Item 8 and added \$385,777, all from the Medical Program Fees Fund for both FY 2014 and FY 2015 for the External Quality Review contract.

The **2014 Legislature** approved funding the Governor added for KanCare Pilots of \$10.5 million, including \$4.5 million from the State General Fund. KDHE requested CMS approval to implement three pilot programs designed to support Kansans who might otherwise be enrolled in Medicaid. Two of the proposed pilots are focused on increasing opportunities for Kansans with disabilities to work and the third pilot would offer an alternative to transitional Medicaid using a Health Account model.

KDHE received \$10.8 million from the Children's Health Insurance Program (CHIP) in FY 2014 in bonus funding for simplifying enrollment and successfully enrolling eligible children. The **2014 Legislature** transferred \$7.1 million of this bonus funding to the Department for Aging and Disability Services to provide additional services to individuals on the underserved waiting list for the Home and Community-Based Services Waiver for individuals with developmental disabilities for FY 2015.

In addition, \$200,000 was added to Safety Net Clinics - Primary Care for FY 2015 from money received for the CHIP Bonus Award. The Legislature also added language directing the agency to spend an additional \$125,000 of the reappropriated State General Fund in the Aid to Local Programs on the Safety Net Clinics - Primary Care Program.

The **2014 Legislature** deleted \$4.7 million, including \$14.8 million from the State General Fund, for spring human services consensus caseload estimates in FY 2014, and added \$58.6 million from all funding sources and deleted \$8.5 million from the State General Fund, for spring human services consensus caseload estimates for FY 2015.

The **2015 Session** had several policy and organizational adjustments affecting the Department of Health and Environment - Divisions of Health and Health Care Finance.

The Governor issued Executive Reorganization (ERO) No. 43 to transfer the responsibility for Medicaid eligibility determination and associated employees from DCF to the KDHE effective January 1, 2016. The Governor indicates this reorganization is anticipated to increase accuracy in Medicaid eligibility determination and reduce program expenditures partially through uniform implementation of policy and processing changes. These associated savings will be split between this Department and the Department for Aging and Disability Services. In addition, ERO No. 43 transferred foster care licensing responsibilities from KDHE to DCF effective July 1, 2015.

The **2015 Legislature** adjusted funding to implement the provisions of ERO No. 43. The Legislature deleted \$1.9 million, including \$920,000 from the State General Fund, and 23.0 FTE positions for FY 2016 and deleted \$2.0 million, including \$938,000 from the State General Fund, and 23.0 FTE positions for FY 2017 to implement the provision that transfers the foster care licensing program from KDHE - Division of Public Health to Department of Children and Families (DCF). The Legislature added \$3.5 million, including \$869,000 from the State General Fund, and 138.0 FTE positions for FY 2016 and added \$6.9 million, including \$1.7 million from

the State General Fund, and 138.0 FTE positions for FY 2017 to implement the portion of the ERO that transfers the Medicaid eligibility determination program from DCF to KDHE - Division of Health Care Finance.

The appropriations bill, 2015 House Sub. for SB 112, included language stating that no state agency shall expend any state monies for fiscal years 2015, 2016 and 2017 for the purpose of implementing KanCare Health Homes – Chronic Conditions unless the legislature expressly consents to such program and expenditures. It also contained language requiring the agency to submit a report regarding ERO No. 43 implementation and the transition of the eligibility responsibilities and staff effective January 2016 to determine whether the proposed changes were effective in decreasing the Medicaid Eligibility Payment Error Rate Measurement (PERM) rates for Kansas. The bill also requires an audit of the Health Care Access Improvement Fund and a report to the 2016 Legislature of a sustainability plan for the program using only assessment revenues.

The **2015 Legislature** passed 2015 Senate Sub. for HB 2281 which created the Medical Assistance Fee Fund and increased the annual privilege fees paid by every HMO for the reporting period beginning January 1, 2015, and ending December 31, 2017, from 1.0 percent per year to 3.31 percent per year of the total of all premiums, subscription charges, or any other term that may be used to describe the charges made by such organization to enrollees. The privilege fees collected or received by the Insurance Commissioner from July 1, 2015, through June 30, 2018, from HMOs, including the three KanCare Managed Care Organizations (MCOs), and Medicare provider organizations for fees specified in law are to be deposited in the Fund to be expended for Medicaid medical assistance payments only. On and after January 1, 2018, the privilege fee will be 2.0 percent. The Legislature deleted \$31.0 million, including \$119.8 million from the State General Fund, and added \$88.8 million from the Medical Assistance Fund for FY 2016 and deleted \$29.6 million, including \$123.7 million from the State General Fund, and added \$94.1 million for the Medical Assistance Fund for FY 2017 to adjust funding to implement the HMO privilege fee changes at 3.31 percent.

The **2015 Legislature** passed 2015 Senate Sub. for HB 2149 which required KDHE to reimburse medical care facilities in certain situations for donor human breast milk provided to a recipient of medical assistance under the Kansas Medical Assistance Program. The bill also amended the procedures regarding restrictions of patients' access to any new prescription-only drug under the Kansas Medicaid Program. Specifically, the bill allows prior authorization or other restrictions on medications used to treat mental illness to be imposed on Medicaid recipients for medications subject to guidelines developed by the Medicaid Drug Utilization Review Board; establishes requirements for Board review of medications used to treat mental illness available for use before and after July 1, 2015; and creates a Mental Health Medication Advisory Committee, which is required to provide the Board with recommendations for the development of guidelines.

The **2015 Legislature** added \$378,000, all from the State General Fund, to Primary Care - Safety Net Clinics for FY 2016 due to funds made available through a transfer from the Kansas Endowment for Youth to the State General Fund.

## **BUDGET SUMMARY AND KEY POINTS**

**FY 2016 – Current Year.** The **agency** estimates operating expenditures of \$2.5 billion, including \$20.2 million for the Administration Function, \$146.7 million for the Health Function, \$2.3 billion for the Health Care Finance Function, and \$59.7 million for the Environment Function. The agency estimate includes 484.9 FTE positions, a decrease of 263.7 FTE positions, and 596.8 non-FTE unclassified positions, an increase of 182.7 non-FTE unclassified

positions from the approved amount. The agency estimate is an increase of \$69.8 million, or 2.9 percent, above the FY 2016 approved amount. The increased estimate is largely due to increases in the medical assistance program.

The Governor's November allotment, which was applied after the agency submitted its budget request, reduced the agency's FY 2016 approved amount for State General Fund by \$15.8 million for additional Medicaid savings. Savings were realized: when the final federal Medicare Part B rates were not as high as anticipated (\$5.8 million); for a change in hospital provider tax policy (\$3.0 million); and as enrollment eligibility continues to lag since implementing KEES (\$7.0 million) in FY 2016.

The **Governor** recommends FY 2016 operating expenditures of \$2.5 billion, including \$721.7 million from the State General Fund. This represents an increase of \$55.9 million, or 2.3 percent, above the approved amount and includes the following adjustments:

- Added \$91.8 million, including \$44.9 million from the State General Fund, to fully fund Medicaid caseloads based on the November consensus caseload estimates; and
- Deleted \$17.7 million, all from the State General Fund, and increased the same amount from federal funds for the enhanced federal match for the State Children's Health Insurance Program (SCHIP).

**FY 2017 – Budget Year.** The **agency** requests a revised estimate for operating expenditures of \$2.5 billion. The agency estimate is \$32.2 million, or 1.3 percent, above the approved amount and \$5.6 million, or 0.2 percent above the FY 2016 revised estimate. The FY 2017 revised estimate includes \$20.6 million for the Administration Function, \$144.2 million for the Health Function, \$2.3 billion for the Health Care Finance Function, and \$61.2 million for the Environment Function. The agency estimate includes 484.9 FTE positions, a decrease of 262.7 from the approved amount and 596.8 non-FTE unclassified positions, an increase of 182.0 non-FTE unclassified positions above the approved amount. The increase is largely due to increases in the medical assistance programs.

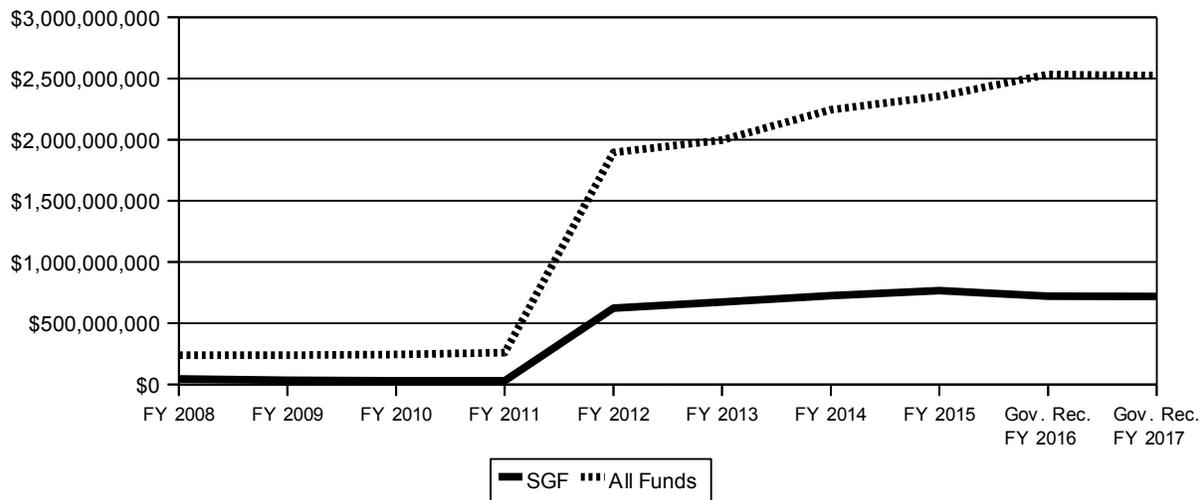
The **Governor** recommends FY 2017 operating expenditures of \$2.5 billion, including \$718.6 million from the State General Fund. This represents an increase of \$40.6 million, or 1.6 percent, above the approved amount and includes the following adjustments:

- Added \$145.1 million, including \$58.4 million from the State General Fund, to fully fund Medicaid caseloads based on the November consensus caseload estimates;
- Deleted \$64.2 million, including \$32.2 million from the State General Fund, for additional Medicaid savings. Savings were realized: when the final federal Medicare Part B rates were not as high as anticipated (\$11.6 million); by implementing Step Therapy policy changes for medications (\$10.6 million); for a change in hospital provider tax policy (\$7.0 million); and as enrollment eligibility continues to lag since implementing KEES (\$3.0 million);
- Deleted \$30.5 million, including \$13.4 million from the State General Fund, to eliminate the Health Homes Program;

- Deleted \$17.3 million, all from the State General Fund, and increased the same amount from federal funds for the enhanced federal match for the State Children's Health Insurance Program (SCHIP);
- Deleted 8.2 million, all from the State General Fund, and added the same amount from fee funds for medical program expenditures;
- Transferred the Infants and Toddlers Program to the Kansas Department of Education and reduced related expenditures by \$9.8 million; and
- Added \$1.3 million from the State General Fund for the following programs which were previously funded from the Children's Initiatives Fund:
  - \$237,914 for the Healthy Start Program;
  - \$946,236 for Smoking Cessation;
  - \$47,161 for the Newborn Hearing Aid Loaner Program; and
  - \$96,374 for the SIDS Network Grant.

# BUDGET TRENDS

## OPERATING EXPENDITURES FY 2008 – FY 2017



## OPERATING EXPENDITURES FY 2008 – FY 2017

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2008	\$ 44,848,297	30.4 %	\$ 238,609,374	9.3 %	884.4
2009	33,950,133	(24.3)	238,989,295	0.2	884.1
2010	30,909,024	(9.0)	244,635,937	2.4	789.6
2011	30,729,451	(0.6)	259,937,352	6.3	932.7
2012	623,295,158	1,928.3	1,895,723,904	629.3	927.3
2013	673,845,298	8.1	1,997,106,319	5.3	818.3
2014	725,058,164	7.6	2,244,135,298	12.4	757.0
2015	767,428,847	5.8	2,354,956,619	4.9	650.4
2016 Gov. Rec.	721,727,904	(6.0)	2,532,920,181	7.6	484.9
2017 Gov. Rec.	718,551,660	(0.4)	2,523,283,706	(0.4)	479.0
Ten-Year Change Dollars/Percent	\$ 673,703,363	1,502.2 %	\$ 2,284,674,332	957.5 %	(405.4)

The large change in expenditures from FY 2011 to FY 2012 is due to Executive Reorganization Order No. 38 in FY 2012 which transferred the duties and responsibilities for the Kansas Health Policy Authority, including the State Employee Health Plan, to the Kansas Department of Health and Environment as the Division of Health Care Finance.

**Summary of Operating Budget FY 2015 - FY 2017**

Kansas Department of Health and Environment

	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
<b>By Program:</b>									
Administration	\$ 17,662,053	\$ 20,249,975	\$ 20,628,610	\$ 378,635	1.9 %	\$ 20,249,975	\$ 20,628,610	\$ 378,635	1.9 %
Public Health	159,142,191	146,702,442	144,249,980	(2,452,462)	(1.7)	146,702,442	134,426,123	(12,276,319)	(8.4)
Health Care Finance	2,122,293,674	2,250,343,412	2,256,611,007	6,267,595	0.3	2,306,232,870	2,307,056,536	823,666	0.0
Environment	55,858,701	59,734,894	61,172,437	1,437,543	2.4	59,734,894	61,172,437	1,437,543	2.4
<b>TOTAL</b>	<b>\$ 2,354,956,619</b>	<b>\$ 2,477,030,723</b>	<b>\$ 2,482,662,034</b>	<b>\$ 5,631,311</b>	<b>0.2 %</b>	<b>\$ 2,532,920,181</b>	<b>\$ 2,523,283,706</b>	<b>\$ (9,636,475)</b>	<b>(0.4)%</b>
<b>By Major Object of Expenditure:</b>									
Salaries and Wages	\$ 63,281,696	\$ 69,554,356	\$ 73,125,322	\$ 3,570,966	5.1 %	\$ 69,554,356	\$ 72,743,916	\$ 3,189,560	4.6 %
Contractual Services	166,399,962	207,874,163	182,629,906	(25,244,257)	(12.1)	207,874,163	182,128,617	(25,745,546)	(12.4)
Commodities	6,276,736	4,591,541	4,559,276	(32,265)	(0.7)	4,591,541	4,557,826	(33,715)	(0.7)
Capital Outlay	3,127,822	3,147,653	2,076,168	(1,071,485)	(34.0)	3,147,653	2,075,968	(1,071,685)	(34.0)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 239,086,216	\$ 285,167,713	\$ 262,390,672	\$ (22,777,041)	(8.0)%	\$ 285,167,713	\$ 261,506,327	\$ (23,661,386)	(8.3)%
Aid to Local Units	52,306,328	39,760,171	37,839,954	(1,920,217)	(4.8)	39,760,171	35,177,489	(4,582,682)	(11.5)
Other Assistance	2,063,564,075	2,152,102,839	2,182,431,408	30,328,569	1.4	2,207,992,297	2,226,599,890	18,607,593	0.8
<b>TOTAL</b>	<b>\$ 2,354,956,619</b>	<b>\$ 2,477,030,723</b>	<b>\$ 2,482,662,034</b>	<b>\$ 5,631,311</b>	<b>0.2 %</b>	<b>\$ 2,532,920,181</b>	<b>\$ 2,523,283,706</b>	<b>\$ (9,636,475)</b>	<b>(0.4)%</b>
<b>Financing:</b>									
State General Fund	\$ 767,428,847	\$ 692,601,753	\$ 704,394,049	\$ 11,792,296	1.7 %	\$ 721,727,904	\$ 718,551,660	\$ (3,176,244)	(0.4)%
State Water Plan Fund	1,754,024	1,882,021	1,823,092	(58,929)	(3.1)	1,882,021	1,823,092	(58,929)	(3.1)
Children's Initiatives Fund	7,129,050	7,127,685	7,127,685	0	0.0	7,127,685	0	(7,127,685)	(100.0)
Special Revenue Funds	178,148,679	313,493,985	306,469,923	(7,024,062)	(2.2)	317,003,585	313,485,923	(3,517,662)	(1.1)
Federal Funds	1,400,496,019	1,461,925,279	1,462,847,285	922,006	0.1	1,485,178,986	1,489,423,031	4,244,045	0.3
<b>TOTAL</b>	<b>\$ 2,354,956,619</b>	<b>\$ 2,477,030,723</b>	<b>\$ 2,482,662,034</b>	<b>\$ 5,631,311</b>	<b>0.2 %</b>	<b>\$ 2,532,920,181</b>	<b>\$ 2,523,283,706</b>	<b>\$ (9,636,475)</b>	<b>(0.4)%</b>

# BUDGET OVERVIEW

## A. FY 2016 – Current Year

### Adjustments to Approved State General Fund Budget

The 2015 Legislature approved a State General Fund budget of \$714.1 million for the Department of Health and Environment in FY 2016. Several adjustments have subsequently been made to that amount. These adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustments have been made:

- An increase of \$511,039, based on the reappropriation of FY 2015 funding which was not spent in FY 2015 and has shifted to FY 2016;
- A reduction of \$4.4 million, on July 30, as the result of the authority given under 2015 Senate Sub. for HB 2135; and
- A reduction of \$15.8 million, as the result of the Governor’s November 6 State General Fund allotment.

These adjustments change the FY 2016 approved State General Fund to \$694.0 million. That amount is reflected in the table below as the currently approved FY 2016 State General Fund amount. The agency’s budget was submitted after the Governor’s July allotment, but prior to the November allotment, so the agency’s revised budget estimates do not incorporate the second allotment.

<b>CHANGE FROM APPROVED BUDGET</b>					
	Legislative Approved FY 2016	Agency Estimate FY 2016	Agency Change from Approved	Governor Rec. FY 2016	Governor Change from Approved
State General Fund	\$ 694,452,602	\$ 692,601,753	\$ (1,850,849)	\$ 721,727,904	\$ 27,275,302
All Other Funds	1,705,479,311	1,784,428,970	78,949,659	1,811,192,277	105,712,966
<b>TOTAL</b>	<b>\$ 2,399,931,913</b>	<b>\$2,477,030,723</b>	<b>\$ 77,098,810</b>	<b>\$ 2,532,920,181</b>	<b>\$ 132,988,268</b>
FTE Positions	748.6	484.9	(263.7)	484.9	(263.7)

The **agency** estimates operating expenditures of \$2.4 billion, including \$20.2 million for the Administration Function, \$146.7 million for the Health Function, \$2.3 billion for the Health Care Finance Function, and \$59.7 million for the Environment Function. The agency estimate includes 484.9 FTE positions, a decrease of 263.7 FTE positions, and 596.8 non-FTE unclassified positions, an increase of 182.7 non-FTE unclassified positions from the approved amount. The agency estimate is an increase of \$57.5 million, or 2.4 percent, above the FY 2016 approved amount. The increased estimate is largely due increases in the medical assistance program.

The Governor's November allotment, which was applied after the agency submitted its budget request, reduced the agency's FY 2016 approved amount for State General Fund by \$12.8 million in the medical assistance program and \$3.0 million for the Health Care Access Improvement Fund for a total reduction of \$15.8 million.

The revised estimate includes:

- **State General Fund** expenditures of \$692.6 million, a decrease of \$1.4 million, or 0.2 percent below the approved amount;
- **Federal Fund** expenditures of \$1.5 billion, an increase of \$46.6 million, or 3.3 percent, above the approved amount, largely because of medical caseload increases;
- **Children's Initiatives Fund (CIF)** expenditures of \$7.1 million, a decrease of \$435, or 0.01 percent, below the FY 2016 approved amount; and
- **State Water Plan Fund (SWPF)** expenditures of \$1.9 million, an increase of \$68,461, or 3.8 percent, above the FY 2016 approved amount. The SWPF increase is due entirely to a appropriation of money that was not spent in FY 2015 and shifted to FY 2016. The SWPF reappropriated funding will be largely used for total maximum daily load and nonpoint source pollution.

Category of expenditures in the request are detailed below:

- **Salaries and Wages** expenditures of \$69.6 million, a decrease of \$2.4 million, or 3.3 percent, below the approved amount. The reduction is due to a decrease in classified regular pay offset partially by an increase in unclassified temporary pay. It also includes a reduction in expenditures for group health insurance, unemployment insurance, and longevity pay. Federal and fee funds provide funding for 84.9 percent of salaries and wages in this agency;
- **Contractual Services** expenditures of \$207.9 million, an increase of \$38.2 million, or 22.5 percent, above the approved amount. The increase is largely due to additional costs for professional services for the fiscal agent contractor, computer software maintenance fees, state building operating charges, and building rents. These expenditures include rents and capital surcharge, financial management system fees, and Enterprise Application fees. Along with professional services and contracts, this request provides for printing public health materials and enrollment packets, communication expenditures, limited travel and contracts with local health entities;
- **Commodities** expenditures of \$4.6 million, an decrease of \$301,586, or 6.2 percent below the approved amount. This decrease is due to a reduction of office and data supplies and vehicle parts offset partially by an increase in drugs and pharmaceuticals. Expenditures in this category include office supplies; scientific supplies and materials necessary for conducting inspections, collecting samples, investigating food borne illnesses and educating the public regarding various public health programs such as, Breast & Cervical Cancer program, tobacco use prevention, nutrition resources; and disability prevention. Other scientific supplies are purchased such as surgery and ostomy supplies, drugs, prosthesis, orthotics,

hearing aids, orthopedic shoes, and other items for individuals with disabilities. Expenses also include drugs and pharmaceuticals for migrant farm workers and their families and the purchase of STD and TB drugs as well as PKU treatment products and vaccine purchases;

- **Capital Outlay** expenditures of \$3.1 million, an increase of \$1.0 million, or 47.4 percent, above the approved amount. The increase is mostly due to an increase in professional and scientific equipment. The largest expenditures in this category are for projected replacements of technology items as well as system upgrades. It also includes durable medical equipment (DME) such as wheelchairs and braces purchased for Special Health Services (SHS) program eligible youth;
- **Aid to Local** expenditures of \$39.8 million, an increase of \$3.0 million, or 8.3 percent, above the approved amount due largely to an increase in federal aid to locals. Major programs in this area include: General Public Health programs (State Formula Grant) (provides funding to 99 local health departments for development and expansion of their general health programs and WIC Administration), Primary Health (provides affordable, family-oriented primary care for low income and medically underserved Kansans), Family Planning programs (promote optimal reproductive health for men and women through basic preventive and primary health care with treatment and follow-up of identified health problems), Infant-Toddler (Tiny-K) Services provides early intervention services at the local level through a statewide service system for infants and toddlers birth through age two with developmental delays, Mothers and Infant Health (promotes positive pregnancy outcomes and health status for mothers and infants and early entry into and compliance with prenatal and pediatric care), Childcare Licensure Inspection Program (provides reimbursements to counties for inspection services). Children's Initiative Funds are used to continue implementation of a comprehensive tobacco use prevention program (\$946,236) and other programs within the Division such as Healthy Start (\$237,914), and the direct assistance portion of the Infant Toddler program (\$1.7 million); and
- **Other Assistance** expenditures of \$2.2 billion, a decrease of \$2.1 million, or 0.1 percent, below the approved amount due to a reduction in the Women, Infants and Children Program (WIC). The major expenditures in this category are the medical programs. It also includes WIC, Primary Care, and the Infant-Toddler Services IDEA Part C programs.

The **Governor** recommends FY 2016 operating expenditures of \$2.5 billion, including \$721.7 million from the State General Fund. This represents an increase of \$55.9 million, or 2.3 percent, above the agency request and includes the following adjustments:

- Added \$91.8 million, including \$44.9 million from the State General Fund, to fully fund Medicaid caseloads based on the November consensus caseload estimates; and
- Deleted \$17.7 million, all from the State General Fund, and increased the same amount from federal funds for the enhanced federal match for the State Children's Health Insurance Program (SCHIP).

## Governor's Allotments

The 2015 Legislature, through the enactment of Senate Sub. for HB 2135, authorized the Director of the Division of the Budget to lapse appropriations or transfer funding from special revenue funds to the State General Fund (SGF), up to a total of \$100.0 million, at any time during FY 2016 if the Director determines the unencumbered ending balance of the SGF for FY 2016 will be less than \$100.0 million. This authority does not apply to appropriations for the Judicial Branch, Legislative Branch agencies, debt service, employer contributions to the Kansas Public Employees Retirement System (KPERs), the Department of Education (except the agency's operating expenditures account), or demand transfers to the school district capital improvements fund. On July 30, 2015, the Director announced various SGF lapses and transfers totaling \$60.7 million of which \$17.7 million require legislative approval.

On November 6, 2015, the Consensus Revenue Estimating Group met to revise the SGF Revenue Estimate for FY 2016. The estimate was decreased by \$159.1 million, for FY 2016. Excluding Governor recommended legislative adjustments, the ending balance for FY 2016 was estimated to require \$135.9 million in adjustments to achieve a zero ending balance. This estimate assumes that human services caseloads are funded at the recommended level and school finance KPERs contributions are reduced to reflect current estimates. As a result, on November 6, 2015 the Director exercised his authority under Senate Sub. for HB 2135 to make an additional \$56.9 million in revenue adjustments. The Governor further made \$52.6 million in expenditure reductions under the Governor's allotment authority. Finally, the Governor recommended the Legislature make an additional \$14.3 million in revenue adjustments.

Between the July and November adjustments, the Governor has reduced expenditures by a total of \$73.2 million, made \$79.4 million in revenue adjustments, and recommended the Legislature enact an additional \$32.0 million through the allotment authority and authority under 2015 Senate Sub. for HB 2135 or the special allotment statute. These adjustments, including the recommended Legislative adjustments, would result in a State General Fund ending balance of approximately \$5.6 million in FY 2016. This estimate excludes monthly SGF receipts subsequent to the November 6, 2015 consensus revenue estimate and any further adjustments made within the FY 2016 Governor's Budget Recommendation. The impact of these adjustments on this agency is described below.

<b>GOVERNOR'S ALLOTMENTS</b>			
<u>Allotment</u>	<u>SGF</u>	<u>All Funds</u>	<u>FTE</u>
July Special Allotment			
Lapse Reappropriations	\$ (4,383,947)	\$ (4,383,947)	0.0
November Allotment			
Revised Medicaid Estimates	\$(12,800,000)	\$(12,800,000)	0.0
HCAIP Reduction	<u>(3,000,000)</u>	<u>(3,000,000)</u>	
<b>TOTAL</b>	<b><u>\$(20,183,947)</u></b>	<b><u>\$(20,183,947)</u></b>	<b><u>0.0</u></b>

### Reappropriations Lapse:

Reduced \$4.4 million as a result of the Governor's State General Fund reappropriation allotment due to lapses in reappropriated funds. This is a reduction to the total FY 2015 State General Fund reappropriation of \$4.9 million for the agency. This allotment will decrease

available funding for medical assistance (\$4.0 million), vaccines purchases (\$293,826), immunizations (\$85,934), and teen pregnancy prevention (\$4,178).

**Additional Reductions:**

Reduced \$12.8 million in the medical assistance program and \$3.0 million for the Health Care Access Improvement Program (HCAIP). The medical assistance reductions are for savings realized when the final federal Medicare Part B rates were not as high as anticipated (\$5.8 million); for a change in hospital provider tax policy (\$3.0); and as enrollment eligibility continues to lag since implementing KEES (\$7.0 million) in FY 2016. HCAIP will be expected to be a self sustaining program from the funds collected therefore not needing the amount originally budgeted from the State General Fund.

**B. FY 2017 – Budget Year**

**Adjustments to Approved State General Fund Budget**

The 2015 Legislature approved a State General Fund budget of \$729.9 million for the Department of Health and Environment for FY 2017.

<b>CHANGE FROM APPROVED BUDGET</b>					
	<u>Legislative Approved FY 2017</u>	<u>Agency Estimate FY 2017</u>	<u>Agency Change from Approved</u>	<u>Governor Rec. FY 2017</u>	<u>Governor Change from Approved</u>
State General Fund	\$ 729,909,112	\$ 704,394,049	\$ (25,515,063)	\$ 718,551,660	\$ (11,357,452)
All Other Funds	1,720,577,791	1,778,267,985	57,690,194	1,804,732,046	84,154,255
<b>TOTAL</b>	<b>\$ 2,450,486,903</b>	<b>\$ 2,482,662,034</b>	<b>\$ 32,175,131</b>	<b>\$ 2,523,283,706</b>	<b>\$ 72,796,803</b>
FTE Positions	747.6	484.9	(262.7)	479.0	(268.6)

The **agency** requests a revised estimate for operating expenditures of \$2.5 billion. The agency estimate is \$32.2 million, or 1.3 percent, above the approved amount and \$5.6 million, or 0.2 percent, above the FY 2016 revised estimate. The FY 2017 revised estimate includes \$20.6 million for the Administration Function, \$144.2 million for the Health Function, \$2.3 billion for the Health Care Finance Function, and \$61.2 million for the Environment Function. The agency estimate includes 484.9 FTE positions, a decrease of 262.7 from the approved amount and 596.8 non-FTE unclassified positions, an increase of 182.0 non-FTE unclassified positions above the approved amount.

The request includes the following funding sources of note:

- **State General Fund** expenditures of \$704.4 million, an decrease of \$25.5 million, or 3.5 percent, below the approved amount due to a decrease in expenditures in the medical assistance program because of the newly created medical assistance fee fund to capture the MCO privilege fee increase as well as a decrease in salaries and wages expenditures from this funding source;

- **State Water Plan Fund** expenditures of \$1.8 million, the same as the approved amount;
- **Children's Initiative Fund** expenditures of \$7.1 million, a decrease of \$435 below the approved amount; and
- **Federal Funds** expenditures of \$1.5 billion, an increase of \$48.3 million, or 3.4 percent, above the approved amount largely in the Medicaid and Children's Health Insurance program funding offset slightly by a reduction in funding for the Women Infant, and Children's (WIC) program.

Category of expenditures in the request are detailed below.

- **Salaries and Wages** expenditures of \$73.1 million for salaries and wages, a decrease of \$4.7 million, or 6.0 percent, below the approved amount largely due to shrinkage as well as reduction in group health insurance expenditures and longevity pay. Federal and fee funds provide funding for 84.9 percent of salaries and wages in this agency;
- **Contractual Services** expenditures of \$182.6 million, an increase of \$33.3 million, or 22.3 percent, above the approved amount. The increase is largely due to additional costs for professional services for the fiscal agent contractor, computer software maintenance fees, state building operating charges, and building rents. These expenditures include rents and capital surcharge, financial management system fees, and Enterprise Application fees. Along with professional services and contracts, this request provides for printing public health materials and enrollment packets, communication expenditures, limited travel and contracts with local health entities;
- **Commodities** expenditures of \$4.6 million, a decrease of \$237,922, or 5.0 percent, below the FY 2015 approved amount. These expenditures include office supplies; scientific supplies and materials necessary for conducting inspections, collecting samples, investigating food borne illnesses and educating the public regarding various public health programs such as, Breast & Cervical Cancer program, tobacco use prevention, nutrition resources; and disability prevention. Other scientific supplies are purchased such as surgery and ostomy supplies, drugs, prosthesis, orthotics, hearing aids, orthopedic shoes, and other items for individuals with disabilities. Expenses also include drugs and pharmaceuticals for migrant farm workers and their families and the purchase of STD and TB drugs as well as PKU treatment products and vaccine purchases;
- **Capital Outlay** expenditures of \$2.1 million, a decrease of \$60,037, or 2.8 percent, below the approved amount. The largest expenditures in this category are for projected replacements of technology items as well as system upgrades. It also includes durable medical equipment (DME) such as wheelchairs and braces purchased for Special Health Services (SHS) program eligible youth;
- **Aid to Local** expenditures of \$37.8 million, an increase of \$1.9 million, or 5.4 percent, above the approved amount due largely to an increase in federal aid to locals. Major programs in this area include: General Public Health programs (State Formula Grant) (provides funding to 99 local health departments for

development and expansion of their general health programs and WIC Administration), Primary Health (provides affordable, family-oriented primary care for low income and medically underserved Kansans), Family Planning programs (promote optimal reproductive health for men and women through basic preventive and primary health care with treatment and follow-up of identified health problems), Infant-Toddler (Tiny-K) Services provides early intervention services at the local level through a statewide service system for infants and toddlers birth through age two with developmental delays, Mothers and Infant Health (promotes positive pregnancy outcomes and health status for mothers and infants and early entry into and compliance with prenatal and pediatric care), Childcare Licensure Inspection Program (provides reimbursements to counties for inspection services). Children's Initiative Funds are used to continue implementation of a comprehensive tobacco use prevention program (\$946,246) and other programs within the Division such as Healthy Start (\$237,914), and the direct assistance portion of the Infant Toddler program (\$1.7 million); and

- **Other Assistance** expenditures of \$2.2 billion, an increase of \$2.0 million, or 0.1 percent, above the approved amount due to an increase in expenditures for medical programs. The major expenditures in this category are the medical programs. It also includes the Women, Infants and Children (WIC), Primary Care, and the Infant-Toddler Services IDEA Part C programs.

The **Governor** recommends FY 2017 operating expenditures of \$2.5 billion, including \$718.6 million from the State General Fund. This represents an increase of \$40.6 million, or 1.6 percent, above the agency request and includes the following adjustments:

- Added \$145.1 million, including \$58.4 million from the State General Fund, to fully fund Medicaid caseloads based on the November consensus caseload estimates;
- Deleted \$64.2 million, including \$32.2 million from the State General Fund, for additional Medicaid savings. Savings were realized: when the final federal Medicare Part B rates were not as high as anticipated (\$11.6 million); by implementing Step Therapy policy changes for medications (\$10.6 million); for a change in hospital provider tax policy (\$7.0 million); and as enrollment eligibility continues to lag since implementing KEES (\$3.0 million);
- Deleted funding of \$30.5 million, including \$13.4 million from the State General Fund, to eliminate the Health Homes Program;
- Deleted \$17.3 million, all from the State General Fund, for the enhanced federal match for the State Children's Health Insurance Program (SCHIP);
- Deleted 8.2 million, all from the State General Fund, and added the same amount from fee funds for medical program expenditures;
- Transferred the Infants and Toddlers Program to the Kansas Department of Education and reduced related expenditures by \$9.8 million; and
- Added \$1.3 million in State General Fund for the following programs which were previously funded from the Children's Initiatives Fund:

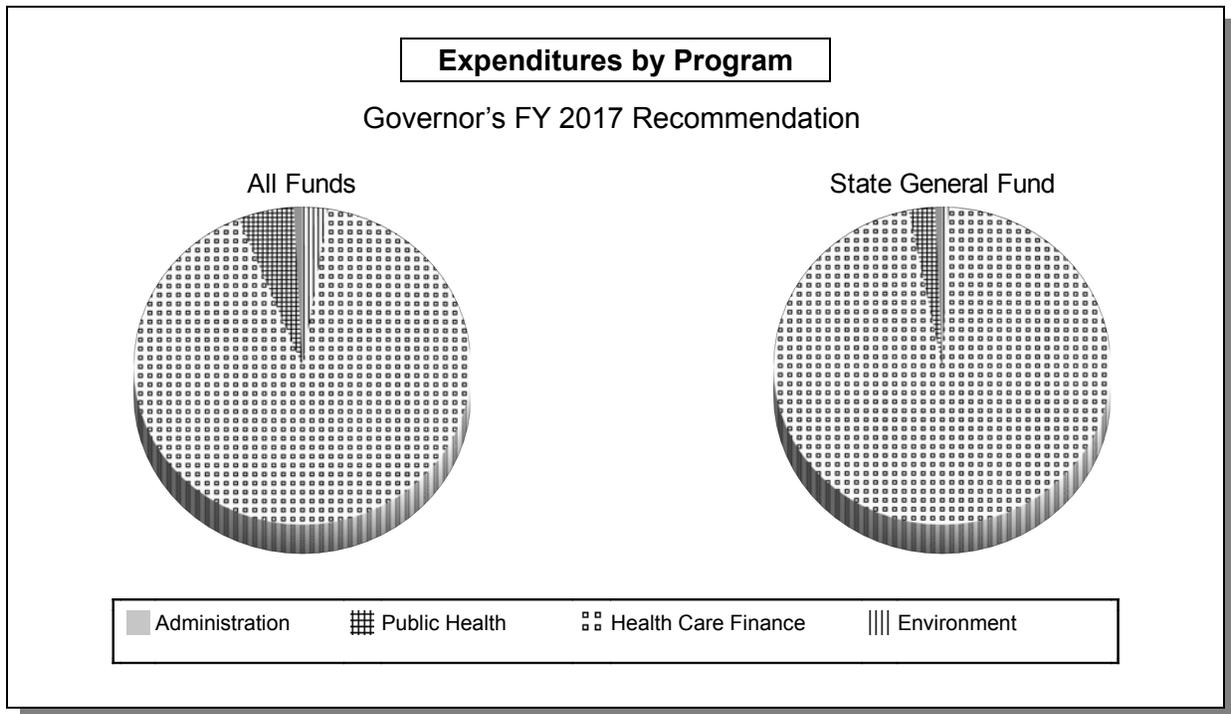
- \$237,914 for the Healthy Start Program;
- \$946,236 for Smoking Cessation;
- \$47,161 for the Newborn Hearing Aid Loaner Program; and
- \$96,374 for the SIDS Network Grant.

## Funding Sources

Funding Source	Agency Est. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
State General Fund	28.4 %	28.5 %
State Water Plan Fund	0.1	0.1
Children's Initiatives Fund	0.3	0.0
Federal Funds	58.9	59.0
Special Revenue Funds	12.3	12.4
<b>TOTAL</b>	<b>100.0 %</b>	<b>100.0 %</b>

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

# PROGRAM DETAIL



Program	Gov. Rec. All Funds FY 2017	Percent of Total	Gov. Rec. SGF FY 2017	Percent of Total
Administration	\$ 20,628,610	0.8 %	\$ 4,828,291	0.7 %
Public Health	134,426,123	5.3	18,139,363	2.5
Health Care Finance	2,307,056,536	91.4	691,121,773	96.2
Environment	61,172,437	2.4	4,462,233	0.6
<b>TOTAL</b>	<b>\$ 2,523,283,706</b>	<b>100.0 %</b>	<b>\$ 718,551,660</b>	<b>100.0 %</b>

<b>FTE POSITIONS BY PROGRAM FY 2015 – FY 2017</b>					
Program	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Administration	45.0	45.0	45.0	45.0	45.0
Public Health	195.9	102.0	102.0	102.0	96.1
Health Care Finance	116.0	116.0	116.0	116.0	116.0
Environment	293.5	221.9	221.9	221.9	221.9
<b>TOTAL</b>	<b>650.4</b>	<b>484.9</b>	<b>484.9</b>	<b>484.9</b>	<b>479.0</b>

## A. Administration

The Administration program provides the central management and administrative support functions of KDHE. The program includes the **Secretary's Office**, which sets agency policy and coordinates operations in order to carry out statutory mandates. The **Office of Legal Services** supports all program areas in the enforcement of health and environmental laws and regulations. The **Division of Management and Budget** provides financial and strategic planning support services to all programs in the Department. Financial services include budget development, grant management, maintenance of accounts and reports, central reporting, and execution of all financial transactions. The Division also confers with Human Resource staff from the Department of Administration on all KDHE personnel transactions, such as recruitment and selection, employment management, benefit administration, classification and workforce planning, examination and certification of qualified candidates, employee relations, and Equal Employment Opportunity and affirmative action program implementation.

The **Office of Communications** supplies written, oral, and visual communications services to convey KDHE's program objectives to internal and external audiences. The **Office of Information Technology Services** (OITS) is under the Kansas Executive Chief Information Technology Officer and activities are coordinated through the KDHE OITS staff to maintain agency information technology, from hardware and basic desktop applications to vendor produced or internally produced specialty programming. Internal computer training and network safety are also conducted by OITS. Funding for the OITS staff and technology acquisition and maintenance is represented in the KDHE budget. The **Office of the Inspector General** audits and reviews programs within the Kansas Medicaid program and the State Employee Health Benefit Plan, making recommendations on program operations based on their observations.

<b>ADMINISTRATION PROGRAM SUMMARY OF EXPENDITURES FY 2015 – FY 2017</b>					
Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
<b>Expenditures:</b>					
Salaries and Wages	\$ 6,450,541	\$ 7,456,362	\$ 7,456,362	\$ 7,715,478	\$ 7,715,478
Contractual Services	10,158,796	12,201,413	12,201,413	15,357,198	12,357,198
Commodities	57,670	69,818	69,818	69,818	69,818
Capital Outlay	515,106	356,382	356,382	320,116	320,116
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 17,182,113</u>	<u>\$ 20,083,975</u>	<u>\$ 20,083,975</u>	<u>\$ 23,462,610</u>	<u>\$ 20,462,610</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	479,940	166,000	166,000	166,000	166,000
<b>TOTAL</b>	<b><u>\$ 17,662,053</u></b>	<b><u>\$ 20,249,975</u></b>	<b><u>\$ 20,249,975</u></b>	<b><u>\$ 23,628,610</u></b>	<b><u>\$ 20,628,610</u></b>
<b>Financing:</b>					
State General Fund	\$ 4,106,208	\$ 4,690,448	\$ 4,690,448	\$ 4,828,291	\$ 4,828,291
All Other Funds	13,555,845	15,559,527	15,559,527	15,800,319	15,800,319
<b>TOTAL</b>	<b><u>\$ 17,662,053</u></b>	<b><u>\$ 20,249,975</u></b>	<b><u>\$ 20,249,975</u></b>	<b><u>\$ 20,628,610</u></b>	<b><u>\$ 20,628,610</u></b>
FTE Positions	45.0	45.0	45.0	45.0	45.0
Non-FTE Uncl. Perm. Pos.	48.0	53.0	53.0	53.0	53.0
<b>TOTAL</b>	<b><u>93.0</u></b>	<b><u>98.0</u></b>	<b><u>98.0</u></b>	<b><u>98.0</u></b>	<b><u>98.0</u></b>

The **agency** requests FY 2017 operating expenditures of \$20.6 million for the Administration program, an increase of \$2.1 million, or 11.2 percent, above the approved amount and an increase of \$378,635, or 1.9 percent, above the revised FY 2016 estimate.

The request includes the following funding sources of note.

- **State General Fund** expenditures of \$4.8 million, an increase of \$701,833, or 17.0 percent, above the approved amount; and
- **Federal Funds** expenditures of \$3.4 million, an increase of \$427,530, or 14.5 percent, above the approved amount.

Category of expenditures in the request are detailed below.

- **Salary and Wages** expenditures of \$7.7 million, an increase of \$435,107, or 6.0 percent, above the approved amount. The increase is primarily due to an increase in unclassified regular and temporary pay offset partially by a reduction in classified pay;
- **Contractual Services** expenditures of \$12.4 million, an increase of \$1.5 million, or 14.3 percent above the approved amount. The increase is largely due to an increase in the state building operating charge, state building capital charge, computer software maintenance services, building rent. The largest expenditures in this category are for rents and security, capital surcharge, financial management system fees and Enterprise Application fees;
- **Commodities** expenditures, largely for office supplies, of \$69,818, a decrease of \$789, or 1.1 percent, below the approved amount;
- **Capital Outlay** expenditures of \$320,116, an increase of \$151,044, or 89.3 percent, above the approved amount due largely to increased software expenditures and computer equipment. The largest expenditures in this category are for projected replacements of technology items and system upgrades; and
- **Other Assistance** expenditures of \$166,000, a reduction of \$50,000, or 23.1 percent, below the approved amount largely due to a reduction in the sponsored project overhead fund.

The **Governor** recommends FY 2017 operating expenditures of \$20.6 million, including \$4.8 million from the State General Fund, which is the same as the agency request.

## ***B. Public Health***

The Division of Public Health seeks to promote and protect health and prevent disease and injury among the people of Kansas. Three basic functions are employed to further this mission. Assessment is the systematic collecting, analyzing, and distributing of information on various aspects of health, trends in health, and health-related problems. Policy development utilizes scientific knowledge in making important health policy decisions. Finally, assurances make sure that services are provided to meet the state's health goals. This may be done directly

through state or local programs, or indirectly through encouraging others to act. Within the division, the **Office of the Director** includes general management functions of the Division as well as the Center for Health Equity (CHE) and the Center for Performance Management (CPM).

While the bulk of its staff and programs are located in Topeka, the Division of Public Health provides direct services throughout the state, with staff stationed in several of KDHE's district offices. In addition, the Division works closely with 100 local health departments serving all 105 Kansas counties. Six bureaus administer the Division of Public Health programs.

**Bureau of Oral Health** seeks to improve the oral health status of all Kansans through technical support, public education, and aid to local partners. Funded primarily through federal grants, current programs include a Dental Professional Workforce program, the School Screening Initiative and a Children with Special Health Care Needs health improvement project. Oral health assessment is another function of the Bureau.

**Bureau of Community Health Systems** continues to grow as programmatic alignment for improved coordination of programs occurs. The Radiation Control Program recently joined the bureau, bringing the total number of programs to eight and total number of staff to 70. The bureau provides leadership for the agency in public health and hospital preparedness program, which coordinates response to all public health and radiation emergency situations, whether caused by natural events or acts of terrorism. There is close collaboration with other federal, state, and local partners, including the Wolf Creek nuclear generating station. The Health Facilities Program licenses or certifies about 850 hospitals, ambulatory surgical centers, home health agencies, and other medical care providers. The Radiation Program inspects mammography and x-ray equipment at the state's health and medical facilities. The bureau helps local communities serve local health needs by providing technical assistance and other resources. Kansans who face financial, geographic, or other barriers to accessing health care services are served by programs in Primary Care, Rural Health, and the State Trauma Program. Liaison efforts with local health departments and critical access hospitals across the state are coordinated in the bureau, working toward an effective, "seamless" system for public health efforts in Kansas.

**Bureau of Disease Control and Prevention** concentrates on identifying, preventing and controlling communicable diseases of crucial public health concern. The bureau conducts focused programming in regard to tuberculosis education and prevention, HIV/STD education and prevention, adult viral hepatitis education and prevention, and immunizations for vaccine-preventable diseases among children and adults.

**Bureau of Health Promotion** assists communities in decreasing the prevalence of health risk behaviors that contribute to the leading preventable chronic diseases and injury in the Kansas population by providing grant funding, technical assistance, and training to local communities for the development of community based interventions aimed at reducing the prevalence of the leading risk factors for chronic disease (nutrition, physical activity, and tobacco prevention), unintentional injury (proper use of safety restraints, helmets, smoke detectors), and intentional injury (bullying behaviors); linking community-based intervention and grant activity between bureaus and outside partners; providing public and professional education on emergent chronic disease and injury health issues; developing and evaluating nutrition, physical activity, tobacco use prevention and injury prevention programs that meet the expressed needs of communities and/or statewide programs; increasing collaboration among stakeholders through development, implementation, evaluation and institutionalization of nutrition, physical activity, tobacco use prevention and injury prevention programs; increasing public awareness regarding the association between health risk behaviors and chronic disease; engaging statewide organizations which represent disparate populations to improve health risk

behaviors; and sponsoring a statewide youth movement including regional youth training, statewide leadership summit, a tobacco cessation program for special populations, a website, regional van tours, promotional rallies, national training for youth leaders, and the development of youth chapters aimed at decreasing tobacco use among Kansas youth.

**Bureau of Family Health** supports a statewide system of public health services for Maternal and Child populations including women of reproductive age, pregnant women, infants, children, and adolescents to age 22 years. The Early Care and Youth Programs section (Child Care Licensing) is responsible for licensing and regulating approximately 6,000 child care facilities and agencies serving children under the age of 16. The Children and Families section includes MCH and Reproductive Health programs, supporting services for women (preconception/family planning), pregnant women, infants, children, adolescents, and men with focus on communities and schools. The Special Health Services section activities include newborn hearing and metabolic screening, infant-toddler services (early intervention), and special health care needs with priority to coordinating medical specialty services and systems for children and youth. The Nutrition and WIC Services section supports nutrition education and supplemental foods for low-income (pregnant, breastfeeding, and postpartum) and their young children infant to 5 years. In FY 2015, the Healthy Homes and Lead Hazard Prevention Program (HHLHPP) was transferred to BFH to further align programming aimed at improving the health, safety, and well-being of children and families. The program activities include licensure and certification of individuals and industry, accreditation of training providers for all licensed lead activity disciplines, and education outreach for high risk industry and the general public. The Child Placing Agency and Residential Programs Section (Foster Care) successfully transitioned from BFH to the Department for Children and Families effective July 1, 2015, in response to Executive Reorganization Order 43.

**Bureau of Epidemiology and Public Health Informatics**, under the supervision of the State Epidemiologist, manages the state's reportable disease surveillance system, responds to outbreaks of disease related to infectious and environmental agents, provides professional staffing to a 24-hour disease response hot line, and conducts a number of special projects and studies related to the control of infectious diseases in Kansas. The bureau also administers the state's healthcare-associated infections prevention and control program. In addition, this Bureau is a data and information support group for the Kansas Department of Health and Environment as well as other State agencies. This includes vital records acquisition, management and issuance; data and information acquisition; and analysis, distribution, and publication for the public, policymakers, and program managers. Annually, the office registers approximately 100,000 vital records and issues over 320,000 certified copies of documents.

**PUBLIC HEALTH PROGRAM  
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
<b>Expenditures:</b>					
Salaries and Wages	\$ 19,161,423	\$ 20,129,593	\$ 20,129,593	\$ 20,965,290	\$ 20,583,884
Contractual Services	27,573,093	21,503,974	21,503,974	20,443,323	19,942,034
Commodities	1,538,818	1,980,121	1,980,121	1,962,893	1,961,443
Capital Outlay	560,410	576,177	576,177	573,027	572,827
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 48,833,744</u>	<u>\$ 44,189,865</u>	<u>\$ 44,189,865</u>	<u>\$ 43,944,533</u>	<u>\$ 43,060,188</u>
Aid to Local Units	38,687,353	36,540,640	36,540,640	35,083,673	32,421,208
Other Assistance	71,621,094	65,971,937	65,971,937	65,221,774	58,944,727
<b>TOTAL</b>	<b><u>\$ 159,142,191</u></b>	<b><u>\$ 146,702,442</u></b>	<b><u>\$ 146,702,442</u></b>	<b><u>\$ 144,249,980</u></b>	<b><u>\$ 134,426,123</u></b>
<b>Financing:</b>					
State General Fund	\$ 16,959,225	\$ 17,245,047	\$ 17,245,047	\$ 16,811,678	\$ 18,139,363
All Other Funds	<u>142,182,966</u>	<u>129,457,395</u>	<u>129,457,395</u>	<u>127,438,302</u>	<u>116,286,760</u>
<b>TOTAL</b>	<b><u>\$ 159,142,191</u></b>	<b><u>\$ 146,702,442</u></b>	<b><u>\$ 146,702,442</u></b>	<b><u>\$ 144,249,980</u></b>	<b><u>\$ 134,426,123</u></b>
FTE Positions	195.9	102.0	102.0	102.0	96.1
Non-FTE Uncl. Perm. Pos.	<u>117.5</u>	<u>231.3</u>	<u>231.3</u>	<u>231.8</u>	<u>231.8</u>
<b>TOTAL</b>	<b><u>313.4</u></b>	<b><u>333.3</u></b>	<b><u>333.3</u></b>	<b><u>333.8</u></b>	<b><u>327.9</u></b>

The agency requests FY 2017 operating expenditures of \$144.2 million for the Health program, an increase of \$5.7 million, or 4.1 percent, above the approved amount and a decrease of \$2.5 million, or 1.7 percent, below the FY 2016 revised estimate.

The request includes the following funding sources of note:

- **State General Fund** expenditures of \$16.8 million, an increase of \$221,160, or 1.3 percent, above the approved amount. The agency reports the State General Fund is used for overall program planning, policy, decision-making, and administrative functions, particularly for activities not specifically supported by grant or fee funds. Activities funded through the State General Fund include: the Cancer Registry match, diagnostic and treatment services within the Children with Special Health Care Needs section, pandemic influenza vaccine products, the childcare licensing inspection program, family planning activities, teen pregnancy case management and prevention activities, AIDS testing, school health clinics, and immunization programs;
- **Children’s Initiative Fund** expenditures of \$7.1 million, \$435 less than the approved amount. Children’s Initiatives Fund financed activities include Healthy Start, the Infants and Toddlers program, smoking prevention, newborn hearing aid loaner program, and SIDS network grant; and
- **Federal Funds** expenditures of \$111.9 million, an increase of \$4.9 million, or 4.5 percent, below the approved amount. The largest single item funded from federal

sources is the Women, Infants, and Children (WIC) program that provides \$60.5 million for assistance and benefit payments to individuals eligible for the program. A majority of the salary request, 68.6 percent, for the Division of Health is financed through federal funds. Other major expenditures categories financed through federal funds include professional services and professional, scientific, and office supplies. Aid to local units and other assistance are also significantly funded through federal funds.

Category of expenditures in the request are detailed below.

- **Salary and Wages** expenditures of \$21.0 million, an increase of \$711,067, or 3.5 percent, above the approved amount largely due to a reduction in classified regular pay offset partially by an increase in unclassified temporary pay. It also reflects a decrease in group health insurance and longevity pay expenditures;
- **Contractual Services** expenditures of \$20.4 million, an increase of \$3.5 million, or 20.6 percent above the approved amount. This reflects an increase largely in computer software and maintenance services. Major expenses in this category are communication and travel for inspection activities and licensure programs, printing of public health materials in multi-language format, and contractual obligations with county health departments and community based organizations;
- **Commodities** expenditures of \$2.0 million, an increase of \$106,909, or 5.8 percent, above the approved amount. The amount requested is for routine office and professional supplies as well as scientific supplies and materials necessary for conducting inspections, collecting samples, investigating food-borne illnesses and educating the public regarding various public health programs such as, the Breast & Cervical Cancer program, Tobacco use prevention, nutrition resources, and disability prevention. Other scientific supplies are purchased such as surgery and ostomy supplies, drugs, prosthesis, orthotics, hearing aids, orthopedic shoes, and other items for individuals with disabilities. Expenses also include drugs and pharmaceuticals for migrant farm workers and their families and the purchase of STD and TB drugs;
- **Capital Outlay** expenditures of \$573,027, a decrease of \$155,656, or 21.4 percent, below the approved amount, largely due to reduced expenditures for microcomputer equipment. The largest expenditures in this category are for projected replacements of technology items and system and durable medical equipment (DME) such as wheelchairs and braces purchased for program eligible youth under the Special Health Services (SHS) program;
- **Aid to Local** expenditures of \$35.1 million, an increase of \$2.4 million, or 7.2 percent, above the approved amount largely due to an increase in federal aid to local governments. Major programs in this category include: General Public Health programs (funds the 100 local health departments); Primary Health (provides primary care for low income and medically under-served Kansans); Family Planning (provides optimal reproductive health for men and women through basic health care with treatment and follow-up for identified health problems); Infant-Toddler (Tiny-K) Services (provides early intervention services at the local level through a statewide service system for infants and toddlers with developmental delays); Mothers and Infant Health (promotes positive pregnancy outcomes and health status for mothers and infants and early entry into and

compliance with prenatal and pediatric care); and Childcare Licensure Inspection (provides reimbursements to counties for inspection services). The Children's Initiatives Fund also provides aid to local units funding through programs such as the Comprehensive Tobacco Use Prevention program, Healthy Start, and the Infant and Toddlers program; and

- **Other Assistance** expenditures of \$65.2 million, a decrease of \$804,544, or 1.2 percent, below the approved amount largely due to a decrease in the supplemental nutrition program. The major expenditure in this category is the Women, Infants, and Children (WIC) program. It also includes \$7.5 million for Primary Care program and \$6.4 million for Infant Toddler Services IDEA Part C program.

The **Governor** recommends FY 2017 operating expenditures for the Health Program of \$134.4 million, including \$18.1 million from the State General Fund. This represents a decrease of \$9.8 million, or 6.8 percent, below the agency request and includes the following adjustments:

- Transferred the Infants and Toddlers Program to the Kansas Department of Education and reduced related expenditures by \$9.8 million; and
- Added \$1.3 million in State General Fund and deleted the same amount from the Children's Initiatives Fund for the following programs:
  - \$237,914 for the Healthy Start Program;
  - \$946,236 for Smoking Cessation;
  - \$47,161 for the Newborn Hearing Aid Loaner Program; and
  - \$96,374 for the SIDS Network Grant.

### ***C. Health Care Finance***

Executive Reorganization Order No. 38 transferred the duties and responsibilities for the Kansas Health Policy Authority, including the State Employee Health Plan, to the Kansas Department of Health and Environment as the Division of Health Care Finance in FY 2012. With the reorganization, the Division of Health Care Finance is responsible for developing policies, administering and managing programs that fund health care services for persons who qualify for Medicaid (Title XIX), MediKan, and the Children's Health Insurance Program (Title XXI).

Executive Reorganization Order No. 41, effective FY 2013, further delineated the roles and responsibilities for Medicaid by consolidating Medicaid fiscal and contractual management in the Kansas Department of Health and Environment. The Division of Health Care Finance has primary contract oversight responsibility for KanCare. The Division is responsible for interagency coordination and promoting integrated oversight.

The Division of Health Care Finance includes the Office of Director and three major program areas: Medicaid/KanCare, Program Finance and Informatics, and State Employee Benefits.

**Office of the Director** oversees the operations and administrative responsibilities of the agency, and is responsible for ensuring the agency's compliance with statutory obligations. The

office is responsible for coordinating all programs established to assist with the mission and vision of the Division.

## **Medicaid/KanCare**

The Medicaid/KanCare Unit develops policies and administers and manages programs that fund health care services for persons who qualify for Medicaid, MediKan and the Children's Health Insurance Program (CHIP). Persons served by these programs include: low income children and adults, people with disabilities, and the elderly. In addition to administering cost-effective managed care and fee-for-service purchasing systems, the division contracts with and oversees a fiscal agent that operates the Medicaid Management Information System (MMIS), ensures compliance with relevant federal rules and regulations and coordinates health care purchasing and planning among various State agencies.

Medicaid is a federal-state program that provides health and long-term care services to people with low incomes. All states currently participate in the Medicaid program and federal matching funds are available for the costs of these services. As a condition of state participation, each state must agree to cover certain populations (e.g., elderly poor receiving Social Security Income) and certain services (e.g., physician services). These eligibility groups and services are referred to as "mandatory." Mandatory benefits include:

### **Acute Care Benefits**

- Physician services;
- Laboratory and x-ray services;
- Inpatient hospital services;
- Outpatient hospital services;
- Early and periodic-screening, diagnostic and treatment (EPSDT) services for individuals under 21;
- Family planning and supplies;
- Federally-qualified health center (FQHC) services;
- Rural health clinic services;
- Nurse midwife services; and
- Certified pediatric and family nurse practitioner services.

### **Long-Term Care Benefits**

- Institutional Services: Nursing facility (NF) services for individuals 21 or over.

Nearly all health care services purchased by KDHE are financed through a combination of state and federal matching dollars either through Title XIX (Medicaid) or Title XXI, the State Children's Health Insurance Program (CHIP). Under Title XIX the federal government provides approximately 57.0 percent of the cost of Medicaid services with no upper limit on what the federal government will reimburse the state. The state provides the remaining 43.0 percent of the cost of Medicaid services. Under Title XXI the federal government provides approximately 72.0 percent of the cost up to a maximum allotment, and the state provides the remaining 28.0 percent and any excess spent above the federal allotment. Health care services are purchased through both traditional fee-for-service and managed care models as described below.

As part of the Balanced Budget Act of 1997, Congress created Title XXI, Children's Health Insurance Program (CHIP), to address the growing problem of children without health insurance. The program was designed to expand health insurance to children whose families do not qualify for Medicaid. CHIP is a federal/state partnership similar to Medicaid. The program was designed to provide coverage to "targeted low-income children." A "targeted low-income child" is one who resides in a family with income below 200.0 percent of the Federal Poverty level (FPL) or whose family has an income no more than 50.0 percent higher than the state's Medicaid eligibility threshold. The 2009 Legislature approved and funded an expansion of CHIP to children in families up to 250.0 percent of the 2008 FPL. Kansas provides free or low cost health insurance coverage to children who:

- Are under the age of 19;
- Do not qualify for Medicaid;
- Have family incomes under 250.0 percent of the federal poverty level (2008 FPL standard); and
- Are not covered by State Employees' Health Insurance or other private health insurance.

In FY 2015, the agency spent over \$1.9 billion purchasing health care for more than 400,000 persons through the Medicaid and CHIP programs. It is the third largest purchaser of health care services and the largest purchaser of children's health care services in Kansas. Approximately 70 percent of the people served were low-income children and families, although spending for these populations comprises less than half of total spending on medical care. Services for people with disabilities and the aging population comprise the majority of expenditures. Medicaid pays for approximately 40 percent of the births in Kansas each year.

The Medicaid/KanCare Unit is comprised of the following sections: Clinical Policy and Improvement, Eligibility and Operations.

**Clinical Policy Improvement** includes a Medical Policy unit for medical review and policy research that maintains remaining fee-for-service (FFS) benefits, and assesses each of the medical programs for overall functioning by reviewing the programs' past and current trends in reimbursement and coverage issues for effectiveness, efficiency, and quality in conjunction with the mission and vision of DHCF. A Pharmacy unit is also part of CPI and is responsible for overseeing MCO and FFS pharmacy operations, including managing the Drug Utilization Review and Preferred Drug List processes.

The Medicaid Initiatives Unit within CPI is responsible for research, development and training for new Medicaid initiatives. This group has led the Health Homes project, which launched July 1, 2014. Health Homes provide coordination of physical and behavioral health care with long term services and supports for people with chronic conditions. Health Homes expand upon medical home models to include links to community and social supports.

The first population to receive Health Home services is people with serious mental illness (SMI). We estimate that 36,000 KanCare members are eligible for SMI Health Homes. Health Homes in Kansas will be provided through a partnership between Lead Entities - the KanCare managed care organizations (MCOs) - and Health Home Partners (HHPs), community providers who meet certain requirements and contract with the MCOs. The division of services, as well as payment between the MCO and the HHP, will be spelled out in contract between the MCO and HHP.

**Eligibility** currently has three units that oversee all aspects of Medicaid eligibility. The Eligibility Policy Unit is responsible for overseeing all program, policy, and training activities related to beneficiaries and their enrollment into the program. This unit interprets federal and state laws and regulations, issues policies about who is eligible and how eligibility is determined, coordinates issues related to the customer experience and actively works with community partners to develop strategies for enrolling eligible beneficiaries.

The Eligibility Policy Unit has been integral to the Kansas Eligibility Enforcement System (KEES) project. The unit has provided policy support, and some members have been assigned to the project full-time. KEES is an information system that is used to determine eligibility for Medicaid, CHIP, and other medical assistance programs. KDHE is partnering with the Department for Children and Families so that eligibility for other human service programs will be included, such as TANF, SNAP, child care assistance, LIEAP, and others. Phase 1 implemented the medical assistance online application in July 2012. Phase 2.6 was implemented June 29, 2015, with a full range of medical assistance eligibility functionality. In spring 2016, Phase 3 will implement the human services components.

The Out-Stationed Eligibility Specialist and Presumptive Medical Disability Determination Unit (OSW/PMDD) include a group of 12 eligibility workers that are set up in local communities and provide application assistance and outreach. The out-stationed workers will be providing local support for the new KEES system by encouraging communities to embrace the online aspects of KEES. This unit will still be able to process applications in KEES. Also, part of the unit makes disability determinations for medical assistance applicants who claim a disability and are currently awaiting a determination from the Social Security Administration.

**Medicaid Operations** is responsible for the procurement, management, and oversight of all contracts that include Medicaid and CHIP funding. It oversees more than 125 contracts valued in excess of \$500 million. It is also responsible for program integrity and the management of third-party liability collections from primary insurance carriers and Medicare. In addition, Medicaid Operations is responsible for claims processing, dispute resolution, fair hearings and implementation of policy changes and federal mandates. Eligibility determination for participation in KanCare and other medical programs and management and oversight of the KanCare eligibility clearinghouse are also included in this section.

It is also responsible for the oversight of the daily operational issues for the three KanCare managed care organizations (MCOs): Amerigroup Kansas, Sunflower Health Plan and United Healthcare of the Midwest. This oversight spans across the full range of managed care Medicaid and Children's Health Insurance Program (CHIP) populations. The realm of responsibilities includes issue resolution for members and providers, review of material for accuracy, clarity, compliance with program requirement and readability and coordination with the Kansas Title V Maternal and Child Health Program, and the KDHE Dental program.

## **Program Finance and Informatics**

The Program, Finance and Informatics section provides financial analysis and estimations of the State's Medicaid and Children's Health Insurance Program (CHIP) to all Division of Health Care Finance (DHCF) program areas.

**Medicaid Programs Finance and Reporting Unit** is charged with the fiscal management and accurate financial reporting for the Division. Key finance activities include: managing the budget submission; accurately reporting expenditures and revenues to the federal government; and prudently managing cash balances, receipts and receivables. The Accounting

section manages all payables processing, including reconciling contractor pay tapes for provider payments, managing contract encumbrances and developing management reports to guide decision making.

**Informatics Unit** provides Kansas Department of Health and Environment (KDHE) with information for data driven policy setting and continuous improvement of programs. This is accomplished through the collection of health and health care information from health care claims of the Kansas Medicaid population including programmatic and administrative data as well as market generated data. Also, the unit administers the Kansas Health Insurance Information System (KHIS), Health Professional Licensure and the Hospital Inpatient Discharge data set which produce standard as well as *ad-hoc* reports. Finally, the unit designs, implements, maintains, and automates dashboards and reports employing state of the art best practices in data visualization/presentation to enhance decision-making by staff and other health industry stakeholders.

**Projections Unit** is responsible for collaborating with program staff to compute the fiscal impact of proposed policies, forecast caseloads, and provide projections for CMS. The unit is also responsible for assisting with the development of the Division's budget and estimating interagency expenditures for Medicaid assistance. This unit tracks and evaluates legislative activities that may impact activities of the Division.

**Health Care Informatics Unit** provides KDHE and outside stakeholders with health care data information policy setting and continuous program and financial improvement. This is accomplished through collecting health care information from claims associated with the Kansas Medicaid population, including programmatic and administrative data.

**Fiscal Analysis and Projections Unit** is responsible for financial reviews and oversight of the KanCare managed care organizations, development of the division budget, interagency medical caseload projections, risk management tracking and fiscal monitoring of critical projects.

**Medicaid Eligibility Quality Control (MEQC)** is a federally mandated unit that completes in depth analysis of compliance with state and federal regulations surrounding eligibility for Medicaid benefits. MEQC audits both the HealthWave Clearing House and the Kansas Department of Children and Families for Medicaid accuracy. Additionally, MEQC conducts eligibility and payment reviews of Medicaid and CHIP for the Payment Error Rate Measurement (PERM) project.

In FY 2015, MEQC will be participating in the transition planning related to Executive Reorganization Order 43 and completing additional audits based upon state needs and CMS mandates. MEQC is continuing to take a proactive stance toward error reduction by providing comprehensive data to audited agencies, reviewing agency quarterly reports, and increasing areas of assessment. These combined efforts are aimed at increasing efficiency and accuracy in Medicaid and CHIP determinations and transitioning the Elderly and Disabled Medicaid cases to KDHE.

## **State Employee Benefit Plan**

**State Employee Health Benefit Plan (SEHBP)** administers health benefits for state employees, retirees, non-state group members, and state employees with worker's compensation claims. The plan is overseen by the Health Care Commission which was statutorily created in 1984 to design and implement a health care benefits program. Coverages

included in the plan are medical, prescription drugs, dental and employee health and wellness, and vision.

Total enrollment numbers in the SEHP include active employees, retirees, employees receiving long-term disability payments, employees on leave without pay, non-State public employer groups, qualified beneficiaries on COBRA and other individuals identified in KAR 108-1-1, KAR 108-1-3 and KAR 108-1-4. There are 176 non-State public employers participating in the SEHP. As of July 1, 2015, non-State public employers included 33 school districts; 82 cities, counties or townships; 23 extension offices or libraries; 16 public hospitals; 11 housing authorities, and 11 miscellaneous local government entities. The number of members in the groups range from one to 1,069. There are 24 groups who have more than 200 and 38 have between 100 and 200 members.

<b>ENROLLMENT FIGURES</b>	
Group	Participants
Active State of Kansas employees	34,463
Active entities (education and local units)	6,936
Direct bill/Retiree member	11,303
COBRA member	1,279
<b>Total</b>	<b>53,981</b>
Note: Total may not add due to rounding.	

Currently, 93 percent of active State employees and 90 percent of the non-State public employer population are enrolled. For the active State population, 47 percent are enrolled in single coverage and 53 percent provide coverage for their dependents.

Reportable expenditures for this program represent costs for administering the program as it relates to non-state employee members such as local units of government and school districts. All other expenditures related to the operation of the program are included in the non-reportable section as they are financed by payments from state agencies.

**Health Plan Ancillary Services** includes the following:

*Flexible Spending Accounts (FSA)* programs are administered through a third-party administrator. The FSA programs are offered to active State of Kansas employees and include a health care FSA to help employees pay with pre-tax dollars expenses not covered by their health, dental and vision plans and a dependent care FSA to help employees pay day care expenses for their dependents under age 13 or elder care. Currently there are 6,597 active State employees that participate in these programs.

*Premium Billing Administration* services are provided for the public employers and direct bill programs offered through the State Employees' Health Plan. The administrator provides invoices to the members, collects premiums and remits premiums back to the State. There are 26,706 members participating in these two programs.

*Employee Health and Wellness, or HealthQuest*, was instituted in 1988 to provide wellness programs with the goal of improving employee health and reducing health care costs. Program offerings include an annual online health assessment and health screening, health coaching, web-based lifestyle programs, online health resources, condition and disease management programs, employee assistance counseling and referrals, life coaching, a wellness newsletter, a blog and wellness presentations for employee groups across Kansas.

**Workers' Compensation Program** for state employees is called the State Self Insurance Fund. The Fund was implemented in 1972. It is a self-insured, self-administered program funded by agency rates based on experience rating. The program manages and processes claims for injuries that arise out of and in the course of employment. Medical compensation to treat the employee's injury does not have a cap. Medical payments to providers are based on a fee schedule developed by the Workers' Compensation Division of the Kansas Department of Labor. Additionally, compensation is paid for loss of time, permanent impairment or death. A medical review service is utilized to review claims for medical appropriateness, nurse case management on complex cases and pricing. On average, 238 accident reports are received monthly. In FY 2015, the SSIF spent about \$21.8 million on claims expenses, with about 70.0 percent for medical services and 30.0 percent for indemnity. Payments to injured workers are reflected in the other assistance expenditures in the non-reportable budget.

<b>HEALTH CARE FINANCE PROGRAM SUMMARY OF EXPENDITURES FY 2015 – FY 2017</b>					
Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
<b>Expenditures:</b>					
Salaries and Wages	\$ 10,768,007	\$ 12,598,875	\$ 12,598,875	\$ 14,164,695	\$ 14,164,695
Contractual Services	109,643,343	153,348,212	153,348,212	126,615,571	126,615,571
Commodities	2,046,183	44,001	44,001	44,002	44,002
Capital Outlay	1,410,231	577,047	577,047	597,729	597,729
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 123,867,764</u>	<u>\$ 166,568,135</u>	<u>\$ 166,568,135</u>	<u>\$ 141,421,997</u>	<u>\$ 141,421,997</u>
Aid to Local Units	10,367,030	0	0	0	0
Other Assistance	1,988,058,880	2,083,775,277	2,139,664,735	2,115,189,010	2,165,634,539
<b>TOTAL</b>	<b><u>\$ 2,122,293,674</u></b>	<b><u>\$ 2,250,343,412</u></b>	<b><u>\$ 2,306,232,870</u></b>	<b><u>\$ 2,256,611,007</u></b>	<b><u>\$ 2,307,056,536</u></b>
<b>Financing:</b>					
State General Fund	\$ 741,173,040	\$ 666,287,801	\$ 695,413,952	\$ 678,291,847	\$ 691,121,773
All Other Funds	1,381,120,634	1,584,055,611	1,610,818,918	1,578,319,160	1,615,934,763
<b>TOTAL</b>	<b><u>\$ 2,122,293,674</u></b>	<b><u>\$ 2,250,343,412</u></b>	<b><u>\$ 2,306,232,870</u></b>	<b><u>\$ 2,256,611,007</u></b>	<b><u>\$ 2,307,056,536</u></b>
FTE Positions	116.0	116.0	116.0	116.0	116.0
Non-FTE Uncl. Perm. Pos.	106.4	106.4	106.4	106.0	106.0
<b>TOTAL</b>	<b><u>222.4</u></b>	<b><u>222.4</u></b>	<b><u>222.4</u></b>	<b><u>222.0</u></b>	<b><u>222.0</u></b>

The **agency** requests FY 2017 operating expenditures of \$2.3 billion for the Health Care Finance program, an increase of \$22.2 million, or 1.0 percent, above the approved amount and an increase of \$6.3 million, or 0.3 percent, above the revised FY 2016 estimate.

The request includes the following funding sources of note:

- **State General Fund** expenditures of \$678.3 million, a decrease of \$26.5 million, or 3.8 percent, below the approved amount; and

- **Federal Funds** expenditures of \$1.3 billion, an increase of \$43.2 million, or 3.4 percent, above the approved amount mostly due to additional federal funding available in the Children's Health Insurance program. There are two main federal funds included in this division, Medicaid and Children's Health Insurance Program (CHIP).

Category of expenditures in the request are detailed below.

- **Salary and Wages** expenditures of \$14.2 million, a decrease of \$5.6 million, or 28.2 percent, below the approved amount. The increase is primarily to reduce the shrinkage rate;
- **Contractual Services** expenditures of \$126.6 million, an increase of \$25.0 million, or 24.5 percent, above the approved amount largely due to an increase in fiscal agent services and computer software maintenance fees for the medical programs. Major expenses in this category are professional and contractual services related to the operation of the Medicaid fiscal agent, eligibility system and clearinghouse, and for electronic health record incentive payments to Medicaid providers;
- **Commodities** expenditures, largely for office supplies, of \$44,002, an increase of \$1,354, or 3.2 percent, above the approved amount;
- **Capital Outlay** expenditures of \$597,729, an increase of \$14,012, or 2.4 percent, above the approved amount. The largest expenditures in this category are for projected replacements of technology items, software, and system upgrades; and
- **Other Assistance** expenditures of \$2.1 billion, an increase of \$2.8 million, or 0.1 percent, above the approved amount largely due to an increase in medical caseload expenditures. The major expenditures in this category are the medical assistance programs.

The **Governor** recommends FY 2017 operating expenditures for the Health Care Finance Program of \$2.3 billion, including \$691.1 million from the State General Fund. This represents an increase of \$50.4 million, or 2.2 percent, above the agency request and includes the following adjustments:

- Added \$145.1 million, including \$58.4 million from the State General Fund, to fully fund Medicaid caseloads based on the November consensus caseload estimates;
- Deleted \$64.2 million, including \$32.2 million from the State General Fund, for additional Medicaid savings. Savings were realized: when the final federal Medicare Part B rates were not as high as anticipated (\$11.6 million); by implementing Step Therapy policy changes for medications (\$10.6 million); for a change in hospital provider tax policy (\$7.0 million); and as enrollment eligibility continues to lag since implementing KEES (\$3.0 million);

- Deleted funding of \$30.5 million, including \$13.4 million from the State General Fund, to eliminate the Health Homes Program;
- Deleted \$17.3 million, all from the State General Fund, and increased the same amount from federal funds for the enhanced federal match for the State Children's Health Insurance Program (SCHIP); and
- Deleted 8.2 million, all from the State General Fund, and added the same amount from fee funds for medical program expenditures.

## ***D. Environment***

The **Division of Environment** protects the environment and public health through compliance, enforcement, and proactive activities. The Division includes the Bureaus of Waste Management, Air, Water, Environmental Remediation, Environmental Field Services (including the Office of the Director of Environment), and the Health and Environment Laboratories.

The **Bureau of Waste Management** has primary responsibility for the solid waste, hazardous waste, and waste tire programs which are entirely funded from state fees and federal grants. The Bureau works with the Bureau of Environmental Field Services for inspections and the Bureau of Environmental Remediation for closed city dump remediation and corrective action.

The **Bureau of Air** protects the public from the harmful effects of air pollution and conserves the natural resources of the state by preventing damage to the environment from the releases of air contaminants.

The **Bureau of Water** issues permits for wastewater treatment, control and disposal for municipalities, industries, commercial and livestock entities and is heavily influenced by Federal law and regulation. The Bureau also regulates and permits the construction and operation of public water supplies. The Bureau provides training to system operators, administers two low interest loan programs for water works and wastewater treatment works; administers programs to address non-point sources of pollution; and regulates the storage of natural gas and liquefied petroleum in natural underground salt formations.

The **Bureau of Environmental Remediation** identifies, investigates, and takes appropriate remedial actions when pollution endangers the public health, natural resources, and environment of the state. Responsibilities include investigating pollution sources, designing and overseeing remedial activities at contaminated sites, and negotiating with parties responsible for effective cleanup. The Bureau also utilizes remediation funds to take corrective action at sites where a responsible party cannot be found or is recalcitrant. In addition, the Bureau is also responsible for administering the duties of the Department related to the regulation and clean-up of alleged illegal drug manufacturing sites.

The **Bureau of Environmental Field Services**, which includes the Office of the Director of the Division, administers all environmental program operations at six district offices and provides scientific, technical, and operational support to the programs in the Division. This bureau is also responsible for the stream segment classification program. District and satellite offices provide direct services, inspections, and technical assistance to businesses and industries.

The **Health and Environment Laboratories** provide comprehensive chemical and biological analyses on a large volume of clinical specimens and environmental samples. The Chemistry Laboratory conducts analyses to evaluate environmental water quality, to define radiological hazards, and monitor the use and disposal of chemicals. The Radiochemistry Laboratory performs radiological testing of public drinking water samples, ambient water samples, and samples related to issuance of radioactive material licenses. The Microbiology, Virology, and Serology Laboratories conduct analyses to characterize and diagnose infectious diseases, food-borne epidemics, intestinal illnesses, and sexually transmitted diseases. The Neonatal Chemistry Laboratory tests for potential genetic defects in infants. Laboratory Improvement and Certification evaluates regulated clinical, environmental, and breath alcohol laboratories using established standards to ensure data quality.

<b>ENVIRONMENT</b>					
<b>SUMMARY OF EXPENDITURES FY 2015 – FY 2017</b>					
Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
<b>Expenditures:</b>					
Salaries and Wages	\$ 26,901,725	\$ 29,369,526	\$ 20,369,526	\$ 30,279,859	\$ 30,279,859
Contractual Services	19,024,730	20,820,564	20,820,564	23,213,814	23,213,814
Commodities	2,634,065	2,497,601	2,497,601	2,482,563	2,482,563
Capital Outlay	642,075	1,638,047	1,638,047	585,296	585,296
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 49,202,595</u>	<u>\$ 54,325,738</u>	<u>\$ 45,325,738</u>	<u>\$ 56,561,532</u>	<u>\$ 56,561,532</u>
Aid to Local Units	3,251,945	3,219,531	3,219,531	2,756,281	2,756,281
Other Assistance	3,404,161	2,189,625	2,189,625	1,854,624	1,854,624
<b>TOTAL</b>	<b><u>\$ 55,858,701</u></b>	<b><u>\$ 59,734,894</u></b>	<b><u>\$ 50,734,894</u></b>	<b><u>\$ 61,172,437</u></b>	<b><u>\$ 61,172,437</u></b>
<b>Financing:</b>					
State General Fund	\$ 5,190,374	\$ 4,378,457	\$ 4,378,457	\$ 4,462,233	\$ 4,462,233
All Other Funds	50,668,327	55,356,437	55,356,437	56,710,204	56,710,204
<b>TOTAL</b>	<b><u>\$ 55,858,701</u></b>	<b><u>\$ 59,734,894</u></b>	<b><u>\$ 59,734,894</u></b>	<b><u>\$ 61,172,437</u></b>	<b><u>\$ 61,172,437</u></b>
FTE Positions	293.5	221.9	221.9	221.9	221.9
Non-FTE Uncl. Perm. Pos.	135.0	206.0	206.0	206.0	206.0
<b>TOTAL</b>	<b><u>428.5</u></b>	<b><u>427.9</u></b>	<b><u>427.9</u></b>	<b><u>427.9</u></b>	<b><u>427.9</u></b>

The **agency** requests FY 2017 expenditures of \$61.2 million, an increase of \$2.6 million, or 3.8 percent, and an increase of \$87,000 from the State General Fund, or 2.0 percent, above the approved amount. The increase is largely attributable to storage tank replacement and projected need for remediation and prevention related to above-ground petroleum storage tanks and cleaning sites where a primarily responsible party is identified. The revised budget includes changes to several categories of expenditure:

- **Salaries and Wages.** The agency requests FY 2017 salary and wage expenditures of \$30.3 million, a decrease of \$265,400, or 0.9 percent, below the approved amount. The decrease is largely attributable to increased shrinkage and decreased costs for group health hospitalization;

- **Contractual Services.** The agency requests FY 2017 contractual services expenditures of \$23.2 million, an increase of \$3.3 million, or 16.4 percent, above the approved amount. The increase is largely attributable to increases in expenditures from the Environmental Stewardship Fund, mostly regarding subsidies for tank replacement, and the Above-ground Storage Tank Release Trust Fund, which projects an increase in claims to respond to releases or potential releases from above-ground petroleum storage tanks. Additionally, the agency projects increased expenditures for cleaning up sites for which a primarily responsible party is identified. In the Environment Division, contractual service expenditures also include contractor expenses for investigation and remediation of contaminated sites, performing assessments and investigations, implementing remedial actions, and laboratory maintenance contracts;
- **Commodities.** The agency requests FY 2017 commodities expenditures of \$2.5 million, a decrease of \$345,396, or 12.2 percent, below the approved amount. The decrease is largely attributable to decreased need for supplies for assessment and remediation of a large project involving two former dry cleaning facilities in Wichita. Commodities expenditures also include office supplies, professional and scientific supplies, vehicle parts, and maintenance materials;
- **Capital Outlay.** The agency requests FY 2017 capital outlay expenditures of \$585,296, a decrease of \$69,437, or 10.6 percent, below the approved amount. The decrease is largely attributable to not replacing an air monitoring station in southeast Kansas. Capital outlay expenditures also include laboratory equipment replacement, computers, and field remedial equipment;
- **Aid to Local Units.** The agency requests FY 2017 aid to local expenditures of \$2.8 million, a decrease of \$419,687, or 13.2 percent, below the approved amount. The decrease is largely attributable to shifting State Water Plan Funds to other projects, and a decrease in expenditures from the Waste Tire Management Fund due to expected reductions in grants. These decreases are offset in part by increased expenditures from the Solid Waste Management Fund, which provides grants for waste planning activities. Additionally, the decrease includes recategorization of some federal EPA non-point source pollution grants as other assistance, offset in part by a recategorization of some site-specific remediation activities as aid to local units; and
- **Other Assistance.** The agency requests FY 2017 other assistance expenditures of \$1.9 million, an increase of \$71,672, or 4.0 percent, above the approved amount. The increase is attributable to recategorized expenditures previously budgeted as aid to local units.

The **Governor** concurs with the agency's requested budget for the Division of Environment for FY 2017.

**PERFORMANCE MEASURES**

Measure	Gov. Rec. for FY 2015	Actual FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of clients accessing primary health clinics	710,000	607,185	650,000	700,000
Average number of WIC participants served annually	131,300	111,958	113,040	113,810
Immunization rate for hepatitis B, measles, and DPT	88.0%	73.0%	80.0%	85.0%
Number of Children (ages 0-2) receiving services from Infants and Toddlers Program	9,040	9,421	9,600	9,800
Number of permitted hazardous waste facilities	45	46	46	47
Number of public water supplies tested annually	46,000	53,201	46,000	46,000
Number of new petroleum storage tank trust fund sites approved	20	24	25	25
Number of annual inspections at solid waste sites	590	275	450	450