



Revised as of November 8, 2022

To: Legislative Coordinating Council and Governor Laura Kelly

From: Division of the Budget and Kansas Legislative Research Department

Re: Fall 2022 Human Services Consensus Caseload Estimates for FY 2023 and FY 2024

The Division of the Budget, Department for Children and Families (DCF), Department of Health and Environment (KDHE), Department for Aging and Disability Services (KDADS), and the Legislative Research Department (Consensus Group) met on October 24, 2022, to revise the estimates on human services consensus caseload expenditures for FY 2023 and develop estimates for FY 2024. The caseload estimates include expenditures for Temporary Assistance for Needy Families, the Reintegration/Foster Care Contracts, KanCare Regular Medical Assistance, and KDADS Non-KanCare. A chart summarizing the estimates for FY 2023 and FY 2024 is included at the end of this memorandum.

The starting point for the October 2022 estimate was the budget approved by the 2022 Legislature, as represented in SB 267 and HB 2510 with adjustments for the reappropriation of money not expended in FY 2022. The estimate for FY 2023 is an increase of \$259.5 million, or 5.7 percent, from all funding sources, including a State General Fund (SGF) decrease of \$198.2 million, or 13.3 percent, compared to the FY 2022 approved amount. The estimate for FY 2024 is an increase of \$7.9 million, or 0.2 percent, from all funding sources including an SGF increase of \$163.0 million, or 12.6 percent, above the FY 2023 revised estimate.

KanCare is administered by KDHE through maintaining financial management and contract oversight, including contracts for regular medical services. KDADS administers the Medicaid Home and Community-Based Services waiver programs, long-term care services, mental health and substance abuse services, and the state hospitals. In addition, the Department of Corrections (DOC) administers the part of KanCare related to youth in custody. The DOC KanCare expenditures have been included in the KDHE budget since FY 2018. Throughout this memorandum, KanCare Medical estimates include all Medicaid KanCare expenditures for all agencies.

FY 2023

For FY 2023, the revised estimate for all human service consensus caseloads is \$4.8 billion from all funding sources, including \$1.3 billion SGF. This is an all funds increase of \$259.5 million, including an SGF decrease of \$198.2 million SGF, from the budget approved by the 2022 Legislature.

Temporary Assistance for Needy Families

The FY 2023 revised estimate for the Temporary Assistance for Needy Families (TANF) program is \$10.0 million, all from federal funds, which is a decrease of \$750,000 below the amount

approved by the 2022 Legislature. The TANF caseload peaked in June 2020 at the beginning of the COVID-19 pandemic. Supplemental employment benefits made in response to the pandemic ended in September 2021, resulting in a brief spike in TANF but the decline in benefits has continued since January of 2022.

Foster Care

The FY 2023 revised estimate for the Foster Care program is \$281.0 million, including \$193.0 million SGF. The estimate is an increase of \$9.0 million, including \$5.4 million SGF above the FY 2023 approved budget. While the projected number of children in foster care is lower than the spring estimate, there is an increase in the projected average cost per child. The change is attributable to the number of children in higher cost facilities increasing, an increase in the daily rate paid to facilities, an increase of 15.0 percent in the fees paid to Child Placement Agencies for administrative expenses, and the initiation of a new Failure to Place (FTP) program to reduce the incidence of children sleeping in offices which includes a combination of recruiter positions and additional beds. In FY 2022, DCF will begin enforcing the penalty provisions in the pay for performance contracts which will reduce the expenditures for outcome incentives by \$900,000 SGF. Additionally, child placement agencies are expending a larger percentage of their allocated funds which is reducing the recoupment rates.

KanCare Medical

The FY 2023 estimate for KanCare Medical is \$4.4 billion from all funding sources, including \$1.1 billion SGF. This an increase of \$253.7 million from all funding sources, including a decrease of \$199.5 million SGF, from the amount approved by the 2022 Legislature. The KanCare Medical estimate includes medical expenditures for KDHE and, primarily, mental health and long-term care expenditures for KDADS.

The KanCare Medical all funds increase is largely due to changes to the Health Care Access Improvement Program (HCAIP). HCAIP is an assessment on inpatient revenues for hospitals. HCAIP was created to help improve access to medical care for low-income Kansans. Funds generated from the assessment are used to draw down federal matching dollars that are dispersed back to hospitals and physicians through a variety of methods, including increased reimbursement for certain procedures and a pool to fund hospitals for uncompensated care. In 2020, HB 2246 was enacted to implement changes to the HCAIP program that were intended to bring the revenue to a level that consistently covers all outgoing payments. These changes include increasing the provider assessment rate from a 1.83 percent tax on inpatient revenues to a 3.0 percent tax rate on inpatient and outpatient revenues and adjusting the base year to 2016. This change was recently approved by the Centers for Medicare and Medicaid Services (CMS) and is anticipated to bring an additional \$240.1 million federal dollars into the state in FY 2023.

The all funds increase was partially offset by population growth estimates below the Spring consensus estimates, and \$58.4 million reappropriations that were carried over from FY 2022 and not budgeted for in the Fall estimate. Other all funds offsets included lower than anticipated expenditures for fee for service payments and MCO reimbursements for at home COVID tests.

The SGF decrease is primarily attributable to the federal Families First Coronavirus Response Act which provided states a temporary 6.2 percentage-point increase to the federal Medical Assistance Percentage (FMAP). The increased FMAP is in effect for three quarters of FY 2023, raising the FY 2023 FMAP from its base of 59.86 percent to 64.51 percent. This is expected to decrease the required state share of Medicaid expenditures by approximately \$182.5 million in FY 2023. The extension of the increased FMAP through three quarters of FY 2023 is a change from the April 2022 estimates when it was only in effect through the first quarter

of FY 2023. The temporary increase in the FMAP began on January 1, 2020, and it extends through the last day of the calendar quarter in which the public health emergency (PHE) is declared terminated by the federal Department of Health and Human Services. The CMS will inform states when the public health emergency period for COVID-19 ends. The caseload estimates include enhanced funding through March 2023 as the current PHE is scheduled to continue through January of 2023.

Beginning in this October 2022 estimate, all Pay for Performance Recoupments are included in the KDHE caseload. This appears as an approximately \$16.0 million increase to the KDADS caseload and an equivalent decrease to the KDHE caseload. Combined, there is no impact to the overall caseload estimate.

KDADS Non-KanCare

The estimate for KDADS Non-KanCare is \$91.0 million, including \$45.0 million SGF. This is a decrease of \$2.4 million, including \$4.0 million SGF from the approved in FY 2022. The decrease is due to lower nursing facility for mental health fee-for-service payments and actual expenditures for HCBS I/DD waiver assessments being lower than the anticipated amount.

FY 2024

The FY 2024 revised estimate is \$4.8 billion from all funding sources, including \$1.5 billion from the State General Fund (SGF). This is an all funds increase of \$7.9 million, including an increase of \$163.0 million SGF, above the FY 2023 revised estimate.

Temporary Assistance for Needy Families

The FY 2024 estimate for TANF is \$9.8 million, all from federal funds, which is a decrease of \$150,000 below the revised FY 2023 revised estimate. Current projections show a slowing rate of decrease in TANF beneficiaries. It is anticipated that the total number of beneficiaries will reach a floor at some point. In the event inflationary pressures in FY 2024 result in a recession this number may increase but no recession is reflected in the current estimates.

Foster Care

The FY 2024 estimate for the Foster Care program is \$280.0 million, including \$195.0 million SGF. The estimate is an all funds decrease of \$1.0 million, and an SGF increase of \$2.0 million, from the FY 2023 revised estimate. While the total number of children continues to decrease the daily rate paid to child placing agencies is estimated to increase. Those rate increases are partially offset due to one-time expenditures in FY 2023 for Foster Care Workforce Recruitment (\$7.5 million SGF) and CALM Parent Development Bonus (\$450,000 SGF). These expenditures were not included in the caseload estimate for FY 2024. The estimate does include \$3.9 million, including \$3.6 million SGF for a continuation of the FTP program which was first initiated in FY 2023.

KanCare Medical

The FY 2024 estimate for KanCare Medical is \$4.4 billion from all funding sources, including \$1.2 billion SGF. This estimate shows no change in the all funds amount from the FY 2023 revised estimate, but is an SGF increase of \$154.0 million due primarily to a reduction in federal funds available.

As mentioned above, federal rules are in place during the PHE that restrict the removal of

individuals from Medicaid until the end of the public health emergency. Recent guidance from the CMS allows states 12 months to initiate all renewals and 14 months to complete the redetermination process for all current Medicaid beneficiaries and remove those no longer eligible for services. CMS guidance requires states to initiate a full renewal for all individuals. With the PHE currently anticipated to end March of 2023, it is anticipated that the overall membership will steadily decline through May 2024, fourteen months from the end of the PHE. Somewhere between 100,000 and 125,000 beneficiaries are anticipated to be removed from Medicaid by the end of FY 2024, creating an overall decrease in capitation expenditures.

The all funds decrease associated with the drop in membership is offset by funding related to the ongoing transition of Community Mental Health Centers (CMHCs) to Certified Community Behavioral Health Clinic (CCBHC). The FY 2024 estimates include \$70.0 million, including \$27.5 million SGF related to the transition of nine CMHCs to CCBHCS for FY 2024. According to the schedule set forth in 2022 HB 2208, nine CCBHCs will become certified by the end of FY 2024 and the final eight will become certified by the end of FY 2025.

The SGF increase is largely attributable to the end of the temporary 6.2 percentage-point increase to the FMAP that was in effect through the first three quarters of FY 2023. Because the 6.2 percent increase is anticipated to end March 2023, it is not included in any quarters of FY 2024. The base FMAP in FY 2023 was 59.86 percent and increased to 64.51 percent with the 6.2 percent enhancement in effect for three quarters. The base FMAP in FY 2024 with no quarters of the 6.2 percent FMAP enhancement is 60.67 percent. This will increase the state share required in FY 2024 by 3.84 percent over that of FY 2023. The base FMAP rate change between FY 2023 and FY 2024 is estimated to reduce SGF expenditures by \$32.1 million.

KDADS Non-KanCare

The estimate for KDADS Non-KanCare is \$100.0 million, including \$52.0 million SGF. This is an increase of \$9.0 million, including \$7.0 million SGF, for FY 2023 above the FY 2022 revised estimate. The increase is primarily due to increased expenditures for the Program of All-inclusive Care for the Elderly (PACE) program. The number of participants in the program is expected to grow as the number of providers increase.

**Human Services
November 8, 2022 Consensus
Caseload Estimates**

		FY 2023 Approved	October Revised FY 2023	Difference from Approved	FY 2024 Estimate	Difference from FY 2023 to FY 2024
DCF - Temporary Assistance to Families	SGF	--	--	--	--	--
	AF	10,700,000	9,950,000	(750,000)	9,800,000	(150,000)
DCF - Foster Care Contract	SGF	187,600,000	193,000,000	5,400,000	195,000,000	2,000,000
	AF	272,000,000	281,000,000	9,000,000	280,000,000	(1,000,000)
KDHE - KanCare	SGF	783,782,182	625,000,000	(158,782,182)	700,000,000	75,000,000
	AF	2,834,192,182	3,100,000,000	265,807,818	3,000,000,000	(100,000,000)
KDADS - KanCare	SGF	471,763,382	431,000,000	(40,763,382)	510,000,000	79,000,000
	AF	1,312,155,727	1,300,000,000	(12,155,727)	1,400,000,000	100,000,000
KDADS - Non- KanCare	SGF	49,031,990	45,000,000	(4,031,990)	52,000,000	7,000,000
	AF	93,383,222	91,000,000	(2,383,222)	100,000,000	9,000,000
Total	SGF	1,492,177,554	1,294,000,000	(198,177,554)	1,457,000,000	163,000,000
	AF	4,522,431,131	4,781,950,000	259,518,869	4,789,800,000	7,850,000

SGF - State General Fund

AF - All Funds

DCF - Department for Children and Families

KDHE - Kansas Department of Health and Environment

KDADS - Kansas Department for Aging and Disability Services