



November 15, 2023

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

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

**Re:** Fall 2023 Human Services Consensus Caseload Estimates for FY 2024 and FY 2025

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 November 3, 2023, to revise the estimates for human services consensus caseload expenditures for FY 2024 and to develop estimates for FY 2025. 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 2024 and FY 2025 is included at the end of this memorandum.

The starting point for the November 2023 estimate was the budget approved by the 2023 Legislature, as represented in HB 2184 and SB 25 with adjustments for the reappropriation of State General Fund appropriations not expended in FY 2023. The estimate for FY 2024 is a decrease of \$65.8 million, or 1.3 percent, from all funding sources, including a State General Fund (SGF) decrease of \$55.5 million, or 3.6 percent, compared to the FY 2024 approved amount. The estimate for FY 2025 is an increase of \$122.6 million, or 2.5 percent, from all funding sources including an SGF increase of \$45.9 million, or 3.1 percent, above the FY 2024 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 Medical KanCare expenditures for all agencies.

## **FY 2024**

For FY 2024, the revised estimate for all human service consensus caseloads is \$5.0 billion from all funding sources, including \$1.5 billion SGF. This is an all funds decrease of \$65.8 million, including an SGF decrease of \$55.5 million, from the budget approved by the 2023 Legislature.

### ***Temporary Assistance for Needy Families***

The FY 2024 revised estimate for the Temporary Assistance for Needy Families (TANF) program is \$9.2 million, all from federal funds, which is an increase of \$200,000 above the amount

approved by the 2023 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 yearly decline in the caseloads is projected to continue. However, the rate of decline in the early months of FY 2024 is slower than projected during Spring Caseloads.

### **Foster Care**

The FY 2024 revised estimate for the Foster Care program is \$298.0 million, including \$204.1 million SGF. The estimate is an increase of \$8.7 million, including \$2.8 million SGF, above the FY 2024 approved budget. The increase in this estimate is primarily attributable to the agency's policy decision to amend the case management contracts to allow the case management organizations to cover actual costs in FY 2024 with savings recognized from prior years (\$6.6 million including \$4.4 million SGF). The decreases are partially offset by implementation of the national rule which allows the Department for Children and Families (DCF) to use kin-specific licensing or approval standards for a child's foster home placement. With that, DCF can claim additional, Title IV-E federal dollars for the cost of foster care maintenance payments for that child.

FY 2024 is a one year extension to the previous foster care case management contracts that began in 2019; new negotiated contracts will begin in FY 2025. The FY 2024 revised estimate also includes expenditures of \$2.2 million all funds, including \$1.9 million SGF, for the Failure to Place (FTP) program to reduce the incidence of children sleeping in offices.

### **KanCare Medical**

The FY 2024 estimate for KanCare Medical is \$4.5 billion from all funding sources, including \$1.2 billion SGF. This a decrease of \$71.9 million from all funding sources, including a decrease of \$56.0 million SGF, from the amount approved by the 2023 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 decrease is largely due to \$29.7 million in reappropriations that were carried over from FY 2023. Also contributing were decreased estimates for the OneCare Kansas and Supports for Training for Employing People Successfully (STEPS) programs as these programs continue to increase the number of members served and a small decrease in the anticipated number of deliveries. The all funds decrease was partially offset by a small increase in Medicaid A and B buy-in payments as Medicare premiums increase and calendar year 2024 MCO rate increase that was 0.8 percent above spring estimates.

Additionally, expenditures to transition Community Mental Health Centers (CMHCs) to Certified Community Behavioral Health Clinics (CCBHCs) are estimated to decrease by \$11.6 million, including \$4.5 million SGF, below the FY 2024 approved amount to account for several CMHCs transitioning to CCBHCs partway through the year. Small decreases in long term care and brain injury populations also contributed to the overall decrease.

### ***End of the 6.2 percent FMAP increase and Public Health Emergency***

The Families First Coronavirus Response Act (FFCRA) provided a temporary 6.2 percentage point increase to the FMAP beginning on January 1, 2020. The 6.2 percent increase was originally intended to last the duration of the federal public health emergency (PHE) associated with the COVID-19 pandemic; however, the federal Omnibus bill, signed into law in December 2022, uncoupled the 6.2 percent increase from the PHE. The same legislation created a phase-down approach to phase out the 6.2 percent increase by the end of calendar year 2023. With this approach, quarter one of calendar year 2023 included a 6.2 percent increase; quarter two included

a 5.0 percent increase; quarter three included a 2.5 percent increase; and quarter four included a 1.5 percent increase. It is expected that there will not be any enhanced FMAP associated with the COVID-19 pandemic beginning in January 2024.

With the phase-down approach, the FMAP for SFY 2024 is 61.67, which is an increase of 1.0 percent above the SFY 2024 base FMAP of 60.67. This included an increase of 2.5 percent in quarter one and an increase of 1.5 percent in quarter two, above the base. The anticipated savings from the increase above the base in FY 2024 is estimated to be \$39.6 million. KDHE has reported that the total savings derived from the enhanced FMAP between January 1, 2020, and June 2023 (the end of FY 2023) is \$959.6 million, all from the SGF.

### *Medicaid Unwinding*

For the past three years, federal law has required states to keep Medicaid members enrolled for the duration of the COVID-19 public health emergency, as a condition of receiving the enhanced FMAP. During that time, KanCare did not complete annual re-determinations. Instead, each member's eligibility was retained without verifying renewal eligibility. As a result, Medicaid enrollment increased from approximately 410,000 to 540,000 members between March 2020 and April 2023.

In December 2022, the federal Omnibus bill set April 1, 2023 as the end of the continuous eligibility requirement and states were required to resume re-determinations. This process is referred to as "unwinding." Kansas began its unwinding period in March 2023 with members who had an April renewal date. The unwinding process will take place over a 12 month period with final renewal notices of the unwinding period being sent out in February 2024. It is estimated that the member count after the unwinding process will be approximately 376,000.

### *KDADS Non-KanCare*

The estimate for KDADS Non-KanCare is \$116.2 million, including \$59.8 million SGF. This is a decrease of \$2.8 million, including a decrease of \$2.4 million SGF, from the approved in FY 2024. The decrease is due to lower nursing facility fee-for-service payments and participation in the Program of All-Inclusive Care for the Elderly (PACE) being lower than anticipated. The overall decrease is partially offset by the inclusion of the Client Assessment, Referral and Evaluation (CARE) program being in consensus caseloads. CARE is a CMS-mandated assessment used to determine appropriate placement of an individual in a long-term care facility, including nursing facilities which are funded through the consensus caseloads process.

### **FY 2025**

The FY 2025 revised estimate for all human service consensus caseloads is \$5.1 billion from all funding sources, including \$1.5 billion from the State General Fund (SGF). This is an all funds increase of \$122.6 million, including an increase of \$45.9 million SGF, above the FY 2024 revised estimate.

### *Temporary Assistance for Needy Families*

The FY 2025 estimate for TANF is \$9.1 million, all from federal funds, which is a decrease of \$100,000 from the revised estimate for FY 2024.

### *Foster Care*

The FY 2025 estimate for the Foster Care program is \$299.0 million, including \$199.0 million SGF. This amount includes \$9.6 million in anticipated SGF savings due to the implementation of the kin-specific licensing or approval standards for a child's foster home placement.

The Consensus Group notes that the cost for the Foster Care program is anticipated to increase with the new case management contracts set to begin in FY 2025. This current estimate does not consider these increases as the contracts were being negotiated during the writing of this memorandum. The Consensus Group anticipates a more precise estimate will be available for the April consensus estimates.

### ***KanCare Medical***

The FY 2025 estimate for KanCare Medical is \$4.7 billion from all funding sources, including \$1.2 billion SGF. This is an increase of \$109.0 million, including \$46.0 million SGF, above the FY 2024 revised estimate.

The all funds increase is partially due to expenditures to meet newly clarified federal requirements that certain medical services, including personal care and private duty nursing services, be provided to any child on Medicaid who meets medical need requirements. Prior to receiving clarification from CMS, these services had been provided only to children on a qualifying waiver. This change is anticipated to add \$51.2 million, including \$19.6 million SGF, for FY 2025. Due to the timing of the policy change, the current estimate anticipates that expenditures accrued in FY 2024 will be paid in FY 2025. For this reason, the amount per year is anticipated to decrease in FY 2026 and beyond. Other increases above the FY 2024 approved amount include increased fee for service and Medicare buy-in payments.

In addition, the FY 2025 estimate includes \$57.8 million, including \$22.2 million SGF, to fully rebase the nursing facility daily reimbursement rates and to implement the CMS-mandated transition from the Resource Utilization Group (RUG) to the Patient Driven Payment Model (PDPM) system. Together, the full rebase and transition to PDPM would result in an estimated 6.8 percent increase in nursing facility daily reimbursement rates for FY 2025. This estimate will be further revised in the Spring consensus caseloads process as actual cost reports are submitted by nursing facilities and reviewed by KDADS.

The overall increase is partially offset by a decrease of \$61.6 million, including \$23.7 million SGF, to eliminate the add-on payment to nursing facilities based on the number of Medicaid residents served for FY 2025. The 2023 Legislature added this payment for FY 2024 only.

The FY 2025 estimate includes a modest change in the FMAP from 61.67 in FY 2024 to 61.65 in FY 2025. The shift in FMAP decreased the required state share by approximately 0.03 percent between FY 2024 and FY 2025, which is equal to approximately \$1.4 million.

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

The estimate for KDADS Non-KanCare is \$128.9 million, including \$64.8 million SGF. This is an increase of \$12.7 million, including \$5.0 million SGF, for FY 2025 above the FY 2024 revised estimate. The increase is due to an increase in the nursing facility fee for service payments based on the 6.8 percent increase to reimbursement rates from a full rebase and transition to the PDPM system. Additionally, participation in PACE is expected to increase as the program expands into additional counties.

**Human Services  
November 3rd, 2023  
Consensus Caseload Estimates**

		<b>FY 2024 Approved</b>	<b>November Revised FY 2024</b>	<b>Difference from Approved</b>	<b>FY 2025 Estimate</b>	<b>Difference from FY 2024 to FY 2025</b>
Temporary Assistance to Families	SGF	--	--	--	--	--
	AF	9,000,000	9,200,000	200,000	9,100,000	(100,000)
Foster Care Contract	SGF	201,254,310	204,100,000	2,845,690	199,000,000	(5,100,000)
	AF	289,300,000	298,000,000	8,700,000	299,000,000	1,000,000
KDHE KanCare	SGF	715,689,787	676,000,000	(39,689,787)	700,000,000	24,000,000
	AF	3,125,689,787	3,090,000,000	(35,689,787)	3,150,000,000	60,000,000
KDADS KanCare	SGF	542,307,403	526,000,000	(16,307,403)	548,000,000	22,000,000
	AF	1,487,207,082	1,451,000,000	(36,207,082)	1,500,000,000	49,000,000
KDADS Non-KanCare	SGF	62,163,887	59,810,000	(2,353,887)	64,788,000	4,978,000
	AF	118,963,887	116,187,000	(2,776,887)	128,922,000	12,735,000
<b>Total</b>	SGF	<b>1,521,415,387</b>	<b>1,465,910,000</b>	<b>(55,505,387)</b>	<b>1,511,788,000</b>	45,878,000
	AF	<b>5,030,160,756</b>	<b>4,964,387,000</b>	<b>(65,773,756)</b>	<b>5,087,022,000</b>	122,635,000

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