

MEMORANDUM

TO: Governor Sam Brownback and Legislative Budget Committee

FROM: Kansas Division of the Budget and Kansas Legislative Research Department

DATE: April 15, 2015

SUBJECT: Consensus Caseload Estimates for FY 2015, FY 2016 and FY 2017

The staff from the Division of the Budget, Department for Children and Families (DCF), Department of Health and Environment (KDHE), Department for Aging and Disability Services (KDADS), Department of Corrections (DOC), and the Legislative Research Department met on April 15, 2015, to revise the estimates on caseload expenditures for FY 2015, FY 2016 and FY 2017. The caseload estimates include expenditures for KanCare medical programs, Non-KanCare programs including Nursing Facilities for Mental Health (state only) and Frail Elderly/Physical Disability Waiver Assessments, Temporary Assistance to Families, the Reintegration/Foster Care Contracts, and Out of Home Placements.

As the starting point for the current estimate, the group used the Governor's budget recommendation as adjusted by 2015 House Substitute for SB 4. A chart summarizing the estimates for FY 2015, FY 2016 and FY 2017 is included at the end of this memorandum. The estimate for FY 2015 is a decrease of \$36.4 million from the State General Fund and \$119.3 million from all funding sources from the amount approved in House Substitute for SB 4. The new estimate for FY 2016 is a decrease of \$58.6 million from all funding sources and an increase of \$3.8 million from the State General Fund. The estimate for FY 2017 is a decrease of \$6.5 million from the State General Fund and \$71.0 million from all funding sources from the Governor's budget recommendation. The combined estimate for FY 2015, FY 2016, and FY 2017 is an all funds decrease of \$248.9 million, including \$39.1 million from the State General Fund.

On January 1, 2013, the State implemented its integrated medical care model KanCare, in which three managed care organizations (MCOs) began coordinating health care for nearly all Medicaid beneficiaries. The administration of KanCare within the state is accomplished by KDHE maintaining financial management and contract oversight, while KDADS administers the Medicaid Waiver programs for disability services, mental health and substance abuse services, and the State Hospitals.

In addition, the Department of Corrections administers program management for Out of Home Placements and part of KanCare related to Foster Care for juveniles in the custody of the Secretary. These programs were previously administered by the Juvenile Justice Authority and were transferred to the Department of Corrections on July 1, 2013.

FY 2015

For FY 2015, the new estimate for all human services caseloads is a decrease of \$119.3 million from all funding sources and \$36.4 million from the State General Fund. These adjustments include a decrease of \$2.1 million from the State General Fund for contracted foster care services. The total estimate for foster care remains unchanged from the Governor's budget recommendation. The State General Fund reduction is possible because the level of allowable TANF funding has increased and Social Security collections for the program are higher than was previously estimated. The new estimate for the Department of Corrections/Juvenile Services Out of Home Placements reflects fewer children in the system and estimated savings of \$1.5 million, including \$800,000 from the State General Fund.

The FY 2015 estimate for KanCare Medical is \$2.6 billion, including \$989.2 million from the State General Fund. The new estimate reflects a decrease of \$116.5 million from all funding sources and \$32.3 million from the State General Fund. For the Department of Health and Environment, the KanCare Medical estimate is \$1.9 billion from all funding sources, including \$714.0 million from the State General Fund. The Department for Aging and Disability Services' KanCare Medical estimate is \$713.0 million from all funding sources and \$273.5 million from the State General Fund. The KanCare Medical estimate for the Department of Corrections is \$3.8 million, including \$1.7 million from the State General Fund.

The major contributor to the reduction for FY 2015 KanCare is the November 6, 2014 forecast utilized estimated managed care rates for calendar year 2016 that were higher than the final negotiated rates. The estimate reflects a slight increase in the number of persons served by KanCare. Along with accounting for lower rates per person, program adjustments such as postponing the implementation of health homes for chronic conditions and adjusting the Severe Mental Illness (SMI) Health Homes voluntary participation rate contributed to the reduced estimate. These reductions are offset partially by an increase in the cost for Hepatitis C medications. Additionally, the Affordable Care Act Insurers Fee that was added to the caseload in the fall included \$20.0 million that will actually not be expended until FY 2016.

The FY 2015 estimate for KDADS Non-KanCare is a decrease of \$1.3 million, including \$1.2 million from the State General Fund. The new estimate reflects lower waiver assessment costs and state only expenditures for services provided in nursing facilities for mental health.

FY 2016

The FY 2016 estimate for all human services caseloads is \$3.0 billion from all funding sources, including \$1.2 billion from the State General Fund. The estimate is an all funds decrease of \$58.6 million and an increase of \$3.8 million from the State General Fund, as compared to the

Governor's recommended budget. The estimate for the Temporary Assistance to Needy Families program is a decrease of \$703,000 all from federal funds. The number of families receiving services is expected to decrease at a faster rate than had been anticipated in the fall estimate. This estimate does not include the impact of Temporary Assistance for Needy Families policy changes included in 2015 Senate Substitute for HB 2258 which had not been signed by the Governor at the time the consensus meeting was held. Expenditures for Foster Care are increased by \$3.8 million from all funding sources, including \$16.7 million from the State General Fund. The increase in all funds is attributable to an increase in the cost of the contract, while the number of children anticipated to be in the foster care system is unchanged from the fall estimate. In addition, there is an ongoing conversation with the federal Administration for Children and Families regarding expenditures from the Title IV-E foster care funding source. The ultimate decision on the issue is expected in calendar year 2015. The current estimate for FY 2016 includes the addition of \$12.0 million, all from the State General Fund, to provide for adequate cash flow for the program. The estimate for the Department of Corrections/Juvenile Services Out of Home Placements is decreased by \$1.3 million, including \$400,000 from the State General Fund, resulting from fewer children in the program.

The total estimate for the KanCare program in all agencies in FY 2016 reflects a decrease of \$58.5 million from all funding sources and a decrease of \$11.1 million from the State General Fund. For the Department of Health and Environment, the KanCare Medical estimate is \$2.0 billion from all funding sources, including \$791.0 million from the State General Fund. The Department for Aging and Disability Services' KanCare Medical estimate is \$789.8 million from all funding sources and \$323.4 million from the State General Fund. The KanCare Medical estimate for the Department of Corrections is \$4.2 million, including \$1.8 million from the State General Fund.

Like FY 2015, the major contributor to the reduction for FY 2016 KanCare is the lower final negotiated rates. The estimate for the number of persons served by KanCare is essentially unchanged. Along with accounting for lower managed care rates per person, some fee for service rates have been reduced. Additionally, program adjustments such as postponing the implementation of health homes for chronic conditions contributed to the reduced estimate.

The FY 2016 estimate for KDADS Non-KanCare is a decrease of \$1.9 million, including \$1.4 million from the State General Fund. The new estimate reflects lower waiver assessment costs and state only expenditures for services provided in nursing facilities for mental health.

FY 2017

The FY 2017 estimate for all human services caseloads is \$3.0 billion from all funding sources, including \$1.3 billion from the State General Fund. The estimate is an all funds decrease of \$71.0 million from all funding sources and \$6.4 million from the State General Fund, as compared to the Governor's recommended budget. The estimate for the Temporary Assistance to Needy Families program is a decrease of \$503,000 all from federal funds. The number of families receiving services is expected to decrease at a faster rate than had been anticipated in the fall estimate. This estimate does not include Temporary Assistance for Needy Families policy changes included in 2015 Senate Substitute for HB 2258 which had not been signed by the Governor at the time the consensus meeting was held. Expenditures for Foster Care are

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		FY 2015 Gov. Rec.+ SB 4	April Revised FY 2015	Difference from Gov. Rec.+ SB 4	FY 2016 Gov. Rec.	April Revised FY 2016	Difference from Gov. Rec.	FY 2017 Gov. Rec.	April Revised FY 2017	Difference from Gov. Rec.
DCF - Temporary Assistance to Families	SGF	—	—	—	—	—	—	—	—	—
	AF	20,503,000	20,503,000	—	19,403,000	18,700,000	(703,000)	18,403,000	17,900,000	(503,000)
DCF - Foster Care	SGF	88,500,000	84,400,000	(2,100,000)	76,500,000	93,200,000	16,700,000	83,500,000	91,005,000	7,505,000
	AF	142,400,000	142,400,000	—	145,000,000	148,812,000	3,812,000	147,300,000	154,426,000	7,126,000
DOC - KanCare	SGF	1,700,000	1,660,000	(40,000)	1,700,000	1,824,000	124,000	1,700,000	1,854,000	154,000
	AF	4,000,000	3,826,000	(174,000)	3,800,000	4,157,000	357,000	4,000,000	4,224,000	224,000
DOC - Out of Home Placements	SGF	19,300,000	18,500,000	(800,000)	18,700,000	18,300,000	(400,000)	18,000,000	16,900,000	(1,100,000)
	AF	20,400,000	18,900,000	(1,500,000)	20,200,000	18,900,000	(1,300,000)	19,500,000	18,900,000	(600,000)
KDHE - KanCare	SGF	738,300,000	714,000,000	(24,300,000)	815,637,092	791,000,000	(24,637,092)	835,910,688	815,000,000	(20,910,688)
	AF	1,981,200,000	1,881,600,000	(99,600,000)	2,084,929,786	2,002,000,000	(82,929,786)	2,058,820,282	2,020,000,000	(38,820,282)
KDADS - KanCare	SGF	281,500,000	273,500,000	(8,000,000)	309,937,092	323,350,000	13,412,908	313,010,688	322,264,000	9,253,312
	AF	729,700,000	713,000,000	(16,700,000)	765,729,786	789,816,000	24,086,214	769,720,282	733,173,000	(36,547,282)
KDADS - Non-KanCare	SGF	17,900,000	16,700,000	(1,200,000)	18,200,000	16,800,000	(1,400,000)	18,200,000	16,800,000	(1,400,000)
	AF	22,000,000	20,700,000	(1,300,000)	22,400,000	20,500,000	(1,900,000)	22,400,000	20,500,000	(1,900,000)
	SGF	\$ 1,145,200,000	\$ 1,108,760,000	\$ (36,440,000)	\$ 1,240,674,184	\$ 1,244,474,000	\$ 3,799,816	\$ 1,270,321,376	\$ 1,263,823,000	\$ (6,498,376)
TOTALS	AF	\$ 2,920,203,000	\$ 2,800,929,000	\$ (119,274,000)	\$ 3,061,462,572	\$ 3,002,885,000	\$ (58,577,572)	\$ 3,040,143,664	\$ 2,969,123,000	\$ (71,020,664)

* Includes 2015 House Sub. For SB 4

SGF - State General Fund

AF - All Funds

DCF - Department for Children and Families

DOC - Department of Corrections

KDHE - Kansas Department of Health and Environment

KDADS - Kansas Department for Aging and Disability Services