

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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November 5, 2015

To: Legislative Coordinating Council and Governor Sam Brownback

From: Kansas Legislative Research Department and Division of the Budget

Re: Fall 2015 Human Services Consensus Caseload Estimates for FY 2016 and FY 2017

The Division of the Budget, Department for Children and Families, Department of Health and Environment (KDHE), Department for Aging and Disability Services (KDADS), Department of Corrections, and the Legislative Research Department met on October 28, 2015, to revise the estimates on human services caseload expenditures for FY 2016 and FY 2017. The caseload estimates include expenditures for Temporary Assistance to Families, the Reintegration/Foster Care Contracts, Out of Home Placements, KanCare Regular Medical Assistance, Non-KanCare, and Nursing Facilities. A chart summarizing the estimates for FY 2016 through FY 2017 is included at the end of this memorandum.

The human services caseload expenditures estimate for FY 2016 is \$3.0 billion from all funding sources and \$1.1 billion from the State General Fund. This represents an increase of \$48.9 million from all funding sources including \$16.6 million from the State General Fund as compared to the budget approved by the 2015 Legislature. The estimate for FY 2017 is \$3.0 billion from all funding sources including \$1.1 billion from the State General Fund and is an increase of \$82.2 million from all funding sources including \$30.8 million from the State General Fund from the FY 2017 approved budget. **The combined estimate for FY 2016 and FY 2017 is an all funds increase of \$131.0 million and a State General Fund increase of \$47.4 million.**

The administration of KanCare within the state is accomplished by KDHE maintaining financial management and contract oversight including regular medical services, while KDADS administers the Medicaid Waiver programs for disability services as well as long-term care services, mental health and substance abuse services, and the State Hospitals. In addition, the Department of Corrections administers the part of KanCare related to youth in custody.

FY 2016

The FY 2016 estimate for human services caseload expenditures is \$3.0 billion, including \$1.1 billion from the State General Fund. The estimate is an all funds increase of \$48.9 million and a State General Fund increase of \$16.6 million above the FY 2016 approved amount.

The estimate for Temporary Assistance for Families caseloads is the same as the FY 2016 approved amount. The number of individuals estimated to receive cash assistance benefits from the Temporary Assistance for Needy Families is expected to continue to decline.

This estimate results from a combination of lower applications for assistance and an increase in the rate of denials of the applications.

The estimate for foster care in FY 2016 is an increase of \$6.8 million from all funding sources and a decrease of \$3.5 million from the State General Fund. The increase from all funding sources is attributable to an increase in the anticipated number of children in the foster care system above the spring estimate and an increase in the contracted rates. The spring estimate included an anticipated rate increase, however, the final negotiation yielded a contract with a higher percent increase. The spring estimate also included \$12.0 million from the State General Fund for cash flow issues associated with the Title IV-E funding source which was part of an ongoing conversation regarding expenditures with the federal Administration for Children and Families. The Department for Children and Families indicated that a settlement on this issue was anticipated to resolve the cash flow issue, resulting in a State General Fund savings. Although included in caseloads, the agency's submitted budget request included using internal State General Fund resources to allocate an additional \$2.2 million to Foster Care to further reduce the State General Fund funding needs.

For the Department of Corrections, expenditures for Out of Home Placements for FY 2016 are estimated to be \$18.9 million from all funding sources which is the same as the approved amount.

The FY 2016 estimate for KDADS Non-KanCare is an increase of \$2.0 million, including \$700,000 from the State General Fund, above the amount approved by the 2015 Legislature. The revised estimate reflects the transfer of expenditures for State Hospital Assessments from the KanCare to Non-KanCare portion of caseloads beginning January 1, 2016. The estimate also reflects increased costs for nursing facility fee for service expenditures.

The FY 2016 estimate for KanCare Medical is \$2.8 billion from all funding sources and \$988.6 million from the State General Fund. The new estimate is higher than the approved FY 2016 amount by \$40.1 million from all funding sources and \$19.4 million from the State General Fund. For the Department of Health and Environment, the KanCare Medical estimate is \$2.1 billion from all funding sources, including \$702.5 million from the State General Fund. The Department of Aging and Disability Services' KanCare caseload estimate is \$708.4 million from all funds, including \$284.8 million from the State General Fund. The KanCare Medical estimate for the Department of Corrections is \$2.9 million from all funds, including \$1.3 million from the State General Fund.

The increase for KanCare Medical is attributable to an estimated slight growth in population and capitation rates, continued increases in costs associated with the Affordable Care Act Insurers Fee included in the capitation rates (except for long term care services and supports which are excluded from the federal requirements), scheduled increases in Medicare buy-in payments (the estimate was made prior to the change at the federal level to modify the increased amount), and costs associated with new drugs for treatment of high cholesterol and cystic fibrosis. The reduction in the KDADS KanCare estimate and increase in KDHE KanCare continues to reflect refinements made in the allocation to each agency based on additional experience and actual data on the type of medical services needed by consumers in those populations.

FY 2017

The FY 2017 estimate for human services caseload expenditures is \$3.0 billion, including \$1.1 billion from the State General Fund. The estimate is an all funds increase of \$82.2 million and a State General Fund increase of \$30.8 million above the FY 2017 approved amount. The base Medicaid matching rate determined by the federal Centers for Medicare and Medicaid Services decreased the required state share by 0.02 percent between FY 2016 and FY 2017. The estimated impact of this adjustment in FY 2017 is \$554,415 less State General Fund required for KanCare caseload expenditures.

The estimate for the Temporary Assistance for Needy Families program is an all funds decrease of \$523,068, and a State General Fund increase of \$303,093 for FY 2017. The number of families anticipated to receive services is now expected to decrease at a faster rate than projected in the spring. The addition of State General Fund expenditures is needed to account for an anticipated federal penalty regarding two-parent work participation rates in those receiving services through the program. The agency's submitted budget request reflects the intention to cover the additional State General Fund expenditure required without additional funding.

The estimate for foster care is an increase of \$6.7 million, including \$6.2 million from the State General Fund, for FY 2017. The increase is attributable to an increase in the anticipated number of children in the foster care system above the spring estimate and an increase in the contracted rates. The spring estimate included an anticipated rate increase, however, the final negotiation yielded a contract with higher percent increase.

For the Department of Corrections, expenditures for Out of Home Placements for FY 2017 are estimated to be \$18.9 million from all funds which is the same as the approved amount.

The FY 2017 estimate for KDADS Non-KanCare is an increase of \$2.1 million, including \$800,000 from the State General Fund, above the amount approved by the 2015 Legislature. The revised estimate reflects a full year of expenditures for State Hospital Assessments in the KDADS Non-KanCare portion of caseloads, which had previously been reflected in KDADS KanCare. The revised estimate also reflects increased costs for nursing facility fee for services.

The FY 2017 estimate for KanCare Medical is \$2.8 billion from all funding sources and \$1.0 billion from the State General Fund. The new estimate is higher than the FY 2017 approved amount by \$73.9 million from all funding sources and \$23.4 million from the State General Fund. For the Department of Health and Environment, the KanCare Medical estimate is \$2.1 billion from all funds, including \$735.0 million from the State General Fund. The Department of Aging and Disability Services' KanCare caseload estimate is \$633.8 million from all funds, including \$275.0 million from the State General Fund. The KanCare Medical estimate for the Department of Corrections is \$2.7 million from all funds, including \$1.2 million from the State General Fund.

The increase for KanCare Medical is attributable to an estimated slight growth in population and capitation rates, continued increases in costs associated with the Affordable Care Act Insurers Fee included in the capitation rates (except for long term care services and supports which are excluded from the federal requirements), scheduled increases in Medicare buy-in payments (the estimate was made prior to the change at the federal level to modify the increase amount), and costs associated with new drugs for treatment of high cholesterol and

cystic fibrosis. The reduction in the KDAD KanCare estimate and increase in KDHE KanCare continues to reflect refinements made in the allocation to each agency based on additional experience and actual data on the type of medical services needed by consumers in those populations.

The funding mix for the medical programs is also affected by the implementation of the Managed Care Organization privilege fee which increased from 1.0 percent to 3.3 percent. The funds are deposited in the new Medical Assistance Fee Fund to be used for Medicaid funding which then lessens the State General Fund needed for caseloads.

HUMAN SERVICES
October 30, 2015
Consensus Caseloads Estimates

		FY 2016 Approved	November Revised FY 2016	Difference from Approved	FY 2017 Approved	November Revised FY 2017	Difference From Approved	Difference from FY 2016 to FY 2017
DCF – Temporary Assistance to Families	SGF	\$ --	\$ --	\$ --	\$ --	\$ 303,093	\$ 303,093	\$ 303,093
	AF	17,648,965	17,648,965	--	17,243,318	16,720,250	(523,068)	(928,715)
DCF – Foster Care Contract	SGF	93,200,000	89,720,000	(3,480,000)	91,005,000	97,234,000	6,229,000	7,514,000
	AF	148,812,000	155,584,668	6,772,668	154,426,000	161,159,784	6,733,784	5,575,116
DOC – KanCare	SGF	1,824,000	1,254,000	(570,000)	1,854,000	1,181,000	(673,000)	(73,000)
	AF	4,157,000	2,859,000	(1,298,000)	4,224,000	2,694,000	(1,530,000)	(165,000)
DOC – Out of Home Placements	SGF	18,300,000	18,300,000	--	16,900,000	16,900,000	--	(1,400,000)
	AF	18,900,000	18,900,000	--	18,900,000	18,900,000	--	--
KDHE – KanCare	SGF	657,573,849	702,500,000	44,926,151	676,570,074	735,000,000	58,429,926	32,500,000
	AF	1,967,010,542	2,058,800,000	91,789,458	1,990,414,470	2,135,560,000	145,145,530	76,760,000
KDADS – KanCare	SGF	309,777,280	284,840,000	(24,937,280)	309,314,149	275,000,000	(34,314,149)	(9,840,000)
	AF	758,826,541	708,440,000	(50,386,541)	703,587,470	633,823,000	(69,764,470)	(74,617,000)
KDADS – Non-KanCare	SGF	16,800,000	17,500,000	700,000	16,800,000	17,600,000	800,000	100,000
	AF	20,500,000	22,500,000	2,000,000	20,500,000	22,600,000	2,100,000	100,000
TOTALS	SGF	\$ 1,097,475,129	\$ 1,114,114,000	\$ 16,638,871	\$ 1,112,443,223	\$ 1,143,218,093	\$ 30,774,870	\$ 29,104,093
	AF	\$ 2,935,855,048	\$ 2,984,732,633	\$ 48,877,585	\$ 2,909,295,258	\$ 2,991,457,034	\$ 82,161,776	\$ 6,724,401

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