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Robert Moser, MD, Secretary

Sam Brownback, Governor

Memorandum

To: Senate Public Health and Welfare Committee
From: Kari Bruffett, Director, Division of Health Care Finance
Date: January 20, 2012
Re: KanCare/Interest Earned

A number of questions and suggestions have been raised about interest that could be earned by KanCare contractors.

The rate-setting process includes an offset for interest earned. Interest earned, which shows up as investment income on a plan's financials, may be a material benefit to the contractors, depending upon investment yields. It is therefore accounted for in the State's actuary's non-medical loading (administrative loading) assumptions.

The non-medical loading assumption will be revisited on an annual basis in the rate-setting process, so an offset for yields on investments will always be reflected in the rates the State pays contractors.

Thank you for the opportunity to address this question.