

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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November 7, 2012

To: Legislative Budget Committee and Governor Sam Brownback
From: Kansas Legislative Research Department and Kansas Division of the Budget
Re: Fall 2012 Human Services Consensus Caseload Estimates for FY 2013 and FY 2014

Representatives of the Division of the Budget, Department for Children and Families, Department of Health and Environment, Department for Aging and Disability Services, Juvenile Justice Authority, and the Legislative Research Department met on November 2, 2012, to revise the estimates on human services caseload expenditures for FY 2013 and to make initial estimates for FY 2014. The caseload estimates include expenditures for Nursing Facilities, Regular Medical Assistance, Temporary Assistance to Families, the Reintegration/Foster Care Contracts, Psychiatric Residential Treatment Facilities, and Out of Home Placements.

A chart summarizing the estimates for FY 2013 and FY 2014 is included at the end of this memorandum. The estimate for FY 2013 is decreased by \$46.2 million from all funding sources and \$18.8 million from the State General Fund as compared to the budget approved by the 2012 Legislature. The estimate for FY 2014 then decreases by \$215,942 from all funding sources and \$13,248 from the State General Fund as compared to the revised FY 2013 estimate. **The combined estimate for FY 2013 and FY 2014 is an all funds decrease of \$46.4 million and a State General Fund decrease of \$18.8 million.**

As part of the Medicaid reforms, the Governor proposed a realignment of state agencies to administer the newly integrated KanCare program through Executive Reorganization Order 41. The realignment, approved by the 2012 Legislature, consolidated Medicaid fiscal and contract management in the Kansas Department of Health and Environment's (KDHE's) Division of Health Care Finance and program management in the newly named Kansas Department for Aging and Disability Services (KDADS). KDADS includes the Division of Disabilities and Behavioral Health Services formerly in the Department of Social and Rehabilitation Services (SRS); the Division includes Home and Community Based Services (HCBS) waivers, mental health and addiction programs, other community support services, and the five state hospitals. SRS now is called the Department for Children and Families (DCF).

In addition, the state is in the process of a Medicaid reform initiative, which includes the implementation of managed care contracts for all medical programs and services. The KanCare program is the State of Kansas' plan to transition Kansas Medicaid into an integrated care model. Kansas has contracted with three new health plans, or managed care organizations (MCOs), to begin coordinating health care for nearly all Medicaid beneficiaries. The KanCare program is scheduled to begin in January 2013. The KanCare health plans are Amerigroup of Kansas, Inc. (Amerigroup), Sunflower State Health Plan (Sunflower), and United Healthcare Community Plan of Kansas (United). The administration of KanCare within the State of Kansas is carried out by KDHE and KDADS. KDHE maintains financial management and contract

oversight of the KanCare program while KDADS administers the Medicaid waiver programs for Disability Services, Mental Health and Substance Abuse, and the State Hospitals and Institutions. On August 6, 2012, the state submitted its formal KanCare Section 1115 waiver to the federal Centers for Medicare and Medicaid Services (CMS), which must approve the waiver prior to implementation of all aspects of KanCare.

FY 2013

For FY 2013, the revised estimate is an all funds decrease of \$46.2 million from all funding sources and a decrease of \$18.8 million from the State General Fund as compared to the budget approved by the 2012 Legislature. The State General Fund decrease is attributable to a slowed caseload growth below the approved amount for FY 2013. The all funds decrease is due largely to reduced estimates for regular medical expenditures and nursing facilities expenditures, as well as a decrease in Temporary Assistance to Families.

The estimate for Temporary Assistance to Families is a decrease of \$1.7 million, all from the State General Fund. The estimate includes a reduction to adjust for policy changes implemented during the fall of 2011 by DCF, including benefit penalties for those individuals who choose not to cooperate in work programs and child support enforcement, co-habitation inclusion in eligibility determination, and a reduction in lifetime benefits from 60 months to 48 months. The estimate includes a decrease of \$1.7 million from the State General Fund to recognize that the portion of required state maintenance of effort for the federal Temporary Assistance for Needy Families (TANF) funding attributed to this particular program has decreased. This calculation is impacted by Kansas anticipating a caseload reduction credit and an increased work participation percentage, which decreases the required maintenance of effort.

The estimate for the foster care contract is anticipated to increase by \$1.7 million from all funding sources, and decrease by \$6,591 from the State General Fund, due to an estimated increase in the number of children receiving services and an increased cost per child. The decrease in State General Fund monies is partially attributable to an increase in the amount of special revenue funds available to fund this program.

The FY 2013 caseload estimate is \$24.5 million for Out of Home Placements. This is an increase of \$291,938 from all funds and \$242,877 from the State General Fund and is largely due to an estimated increase in referrals to Out of Home Placements.

Estimated expenditures for the regular medical program have decreased by \$45.9 million from all funding sources, including \$21.5 million from the State General Fund. The decrease includes anticipated savings from KanCare managed care contracted services for the last half of FY 2013. In addition, the estimate includes making only five months of capitated payments in FY 2013, since those payments will be made retrospectively. These caseload estimates assume the KanCare implementation is effective January 1, 2013.

The estimate for Nursing Facility expenditures was decreased by \$9.2 million from all funds due to the reduction in the number of people served and a slight cost reduction. The estimate includes funds collected through the nursing facility provider assessment and disbursed to nursing facilities and nursing facilities for mental health.

Behavioral Health Services includes the previous categories of Mental Health, Addiction and Prevention Services, as well as the Prepaid Inpatient Health Plan (PIHP) and Prepaid Ambulatory Health Plan (PAHP). The caseload estimate for Behavioral Health Services is an increase of \$9.9 million in all funds and \$3.6 million from the State General Fund in FY 2013. Generally, the increase is due to an increase in the estimated number of beneficiaries, the mix of services anticipated to be required by those individuals, and additional expenditures to transition the PAHP for the reconciliation period embedded in the PAHP contract to KanCare Managed Care contract. This also contains the continued use of \$6.5 million from the Problem Gambling and Addiction Grant Fund as a portion of the state match required for the Addiction and Prevention Services Program. Also contained in the estimate is the use of \$3.8 million from the Children's Initiative Fund for mental health services.

The estimate for Community Service and Programs increased \$663,965 in all funds, including \$288,093 from the State General Fund, due to an anticipated increased number of individuals receiving services and increased cost of those services.

FY 2014

The FY 2014 initial estimate is \$2.6 billion, including \$1.1 billion from the State General Fund. The estimate is an all funds decrease of \$215,942 and a State General Fund decrease of \$13,248 as compared to the revised FY 2013 estimate. The base federal Medicaid matching rate for federal contribution decreased the state share by 0.2 percent between FY 2013 and FY 2014. The estimated impact of this adjustment in FY 2014 is \$3.9 million in State General Fund savings for caseload expenditures.

Caseloads for Temporary Assistance for Families (TAF) have decreased by \$1.7 million from all funding sources and decreased by \$2.4 million from the State General Fund below the revised FY 2013 estimate. The all funds decrease is due to the continuation of recent changes in policies, which are resulting in a decrease in the TAF population. In addition, the estimate includes a decrease of \$2.4 million from the State General Fund to recognize that the portion of required state maintenance of effort for the federal TANF funding attributed to this particular program has decreased. The overall maintenance of effort requirements have remained the same, but are accomplished through other allowable programs utilizing TANF as a funding source.

The estimate for the foster care contract is estimated to increase by \$1.9 million from all funding sources, and increase by \$1.5 million from the State General Fund, due to an estimated increase in the number of children receiving services.

The estimate for Psychiatric Residential Treatment Facilities (PRTF) in the Juvenile Justice Authority (JJA) is unchanged at \$4.5 million for FY 2014. Out of Home Placements for FY 2014 is estimated at \$24.7 million from all funds. This is an increase of \$210,988 from all funds and \$209,216 from the State General Fund, largely due to an estimated increase in referral to Out of Home Placements.

The Regular Medical expenditure estimate for KDHE was increased by \$5.9 million from the State General Fund and \$27.3 million from all funding sources. The estimate represents a full year (12 monthly capitated payments) under the new KanCare managed care contracts and reflects slight population growth from FY 2013. These caseload estimates assume KanCare

implementation on January 1, 2013, and the addition of services for individuals with developmental disabilities on January 1, 2014.

The Nursing Facility expenditures estimate was decreased by \$24.8 million from all funds and \$1.1 million from the State General Fund due to an estimated reduction in both the number of people and cost per person. The estimate includes funds collected through the nursing facility provider assessment and disbursed to nursing facilities and nursing facilities for mental health. The provider assessment is decreasing to 60.0 percent of the FY 2013 level as set in current statute.

The Behavioral Health Substance Abuse Services caseload estimate decreases by \$4.8 million from all funding sources. A \$3.9 million State General Fund decrease in FY 2014, generally, is tied to estimated increases in the number of people served, the mix of services anticipated to be required by individuals, and a full year under the new KanCare managed care contracts with no transition expenditures. The funding also contains the continued use of \$6.5 million from the Problem Gambling and Addiction Grant Fund as a portion of the state match required for the Addiction and Prevention Services Program. Also contained in the estimate is the continued use of \$3.8 million from the Children's Initiative Fund for mental health services.

The estimate for Community Service and Programs decreased \$245,000 in all funds including a \$186,210 decrease from the State General Fund.

HUMAN SERVICES
November 2, 2012
Consensus Caseloads Estimates

Program		FY 2013 Approved	November Revised FY 2013	Difference from Approved	November Estimates FY 2014	Difference from FY 2013 Estimate
Temporary Assistance for Families (DCF)	SGF	\$ 12,278,290	\$ 10,580,290	\$ (1,698,000)	\$ 8,137,508	\$ (2,442,782)
	AF	33,000,000	31,302,000	(1,698,000)	29,637,000	(1,665,000)
Reintegration/Foster Care (DCF)	SGF	77,871,879	77,865,288	(6,591)	79,409,328	1,544,040
	AF	138,454,714	140,193,271	1,738,557	142,140,415	1,947,144
Psychiatric Residential Treatment facilities (PRTFs) (JJA)	SGF	1,917,281	1,950,979	33,698	1,941,987	(8,992)
	AF	4,418,716	4,496,380	77,664	4,496,380	--
Out of Home Placements (JJA)	SGF	21,606,959	21,849,836	242,877	22,059,052	209,216
	AF	24,158,986	24,450,924	291,938	24,661,912	210,988
Regular Medical (KDHE)	SGF	633,870,000	612,420,000	(21,450,000)	618,320,000	5,900,000
	AF	1,635,983,000	1,590,120,000	(45,863,000)	1,617,390,000	27,270,000
Nursing Facilities (DADS)	SGF	177,951,139	177,951,139	--	176,883,762	(1,067,377)
	AF	458,518,412	449,299,698	(9,218,714)	424,518,026	(24,781,672)
Nursing Facilities for Mental Health (NFMH) (DADS)	SGF	15,524,391	15,705,254	180,863	15,658,962	(46,292)
	AF	20,391,600	18,347,259	(2,044,341)	20,200,122	1,852,863
Behavioral Health/ Substance Abuse (DADS)	SGF	115,425,927	119,000,000	3,574,073	115,085,149	(3,914,851)
	AF	285,105,498	295,000,000	9,894,502	290,194,835	(4,805,165)
Community Services and Programs (DADS)	SGF	17,144,005	17,432,098	288,093	17,245,888	(186,210)
	AF	39,511,416	40,175,381	663,965	39,930,281	(245,100)
TOTAL	SGF	\$ 1,073,589,871	\$ 1,054,754,884	\$ (18,834,987)	\$ 1,054,741,636	\$ (13,248)
	AF	2,639,542,342	2,593,384,913	(46,157,429)	2,593,168,971	(215,942)
SGF - State General Fund						
AF - All Funds						