

MEMORANDUM

TO: Governor Sam Brownback and Legislative Budget Committee

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

DATE: April 19, 2013

SUBJECT: Consensus Caseload Estimates for FY 2013, FY 2014 and FY 2015

The Division of the Budget, Department for Children and Families, Department of Health and Environment, Department for Aging and Disability Services, Department of Corrections /Juvenile Justice Authority, and the Legislative Research Department met on April 17, 2013, to revise the estimates on caseload expenditures for FY 2013, FY 2014 and FY 2015. 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 the Governor's Budget Amendment No. 1. A chart summarizing the estimates for FY 2013, FY 2014 and FY 2015 is included at the end of this memorandum. The estimate for FY 2013 is a decrease of \$97.4 million from all funding sources, including \$37.6 million from the State General Fund. The new estimate for FY 2014 is a decrease of \$24.6 million from the State General Fund and \$21.1 million from all funding sources. The estimate for FY 2015 is a decrease from the Governor's budget recommendation of \$10.9 million, including \$5.6 million from the State General Fund. **The combined decrease for all human services caseloads for all three years is an all funds decrease of \$129.5 million and a State General Fund decrease of \$67.8 million.**

As a part of Medicaid reform, the Governor proposed a realignment of state agencies to administer the newly integrated KanCare program through Executive Reorganization Order Number 41. The realignment, approved by the 2012 Legislature, consolidated Medicaid fiscal and contract management in the Kansas Department of Health and Environment's (KDHE) Division of Health Care Finance and program management in the Kansas Department for Aging and Disability Services (KDADS). In addition, on January 1, 2013 the state implemented its integrated care model KanCare, in which three managed care organizations 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.

### FY 2013

**For FY 2013, the estimate for all human services caseloads is an all funds decrease of \$97.4 million, including \$37.6 million from the State General Fund, as compared to the Governor's recommended budget.** The new estimate for the Temporary Assistance to Families Program reflects a reduction in beneficiaries that has resulted from program policies and decreasing unemployment in Kansas. The reduced estimate for the Juvenile Justice Authority's Out of Home Placements reflects fewer children in the system and a temporary loss of some special revenue funding utilized in the program. The Foster Care Contract is estimated to increase in the current year. More children are estimated in this program as the result of an increase in referrals and a decrease in permanent placements.

The major difference in the current estimate from the prior one is in the KanCare program. The reduction of \$97.8 million from all funding sources is attributable to several factors including fewer than previously expected beneficiaries, particularly beneficiaries that receive high cost services. In addition, certain costs associated with converting to the new KanCare program have not been as high as previously estimated and the timing of those costs have been different than was previously expected.

### FY 2014

**For FY 2014, the estimate for all human services caseloads is a decrease of \$21.1 million from all funding sources and \$24.6 million from the State General Fund.** These adjustments include a decrease of \$4.1 million for the Temporary Assistance to Families program which reflects new program policies and the expectation that the Kansas economy will continue to improve. The estimate for Foster Care is reduced by \$4.4 million, including \$3.7 million from the State General Fund. The savings are expected to result from new contracts that will go into effect on July 1, 2013. A switch from five regions to four will reduce fixed costs in the system. Although overall costs are estimated to decrease with the new contracts, the estimate is based on higher number of children in the program. Conversely, the new estimate for the Department of Corrections/Juvenile Justice Out of Home Placements reflects fewer children in the system and estimated savings of \$676,669.

The FY 2014 estimate for KanCare refines expectations for the new program and reflects a decrease of \$14.8 million from all funding sources and \$23.7 million from the State General Fund. The larger reduction to the State General Fund is mainly due to a temporary increase in payments to primary care physicians that is fully funded with federal Medicaid dollars. The effects of this policy change were not included in the prior estimate.

### FY 2015

**For FY 2015, the estimate for all human services caseloads is a decrease of \$10.9 million, including \$5.6 million from the State General Fund, as compared to the Governor's recommended budget.** The estimate for the Temporary Assistance to Families is a decrease of \$5.2 million all in federal funds. As was the case for the FY 2013 and FY 2014 estimates, the number of families is expected to decrease as economic conditions improve. Foster Care and Department of Corrections/Juvenile Justice Out of Home Placements are also decreased in the new estimates. The Foster Care estimate reflects savings of \$7.1 million resulting from the new contracts and the Juvenile Out of Home Placements estimate reflects savings of \$1.2 million resulting from fewer children in the program. The total estimate for the KanCare program in all agencies in FY 2015 reflects an increase of less than \$1.0 million or 0.03%. The FY 15 KanCare estimate is also impacted by the anticipated change in the Federal Medical Assistance Percentage (FMAP) rate which changed from 43.19 to 43.02 and lowered the state share by .17 percent ,or approximately \$4.4 million for FY 15.

April 2013 Consensus Caseload Estimates

|                                  | FY 2013                   |                         |                         |                        | FY 2014                   |                         |                        |                         | FY 2015                   |                        |                         |                        |
|----------------------------------|---------------------------|-------------------------|-------------------------|------------------------|---------------------------|-------------------------|------------------------|-------------------------|---------------------------|------------------------|-------------------------|------------------------|
|                                  | Governor's Budget Revised |                         | Difference from         |                        | Governor's Budget Revised |                         | Difference from        |                         | Governor's Budget Revised |                        | Difference from         |                        |
|                                  | Recommendation            | Estimate                | GBR                     | GBR                    | Recommendation            | Estimate                | GBR                    | GBR                     | Recommendation            | Estimate               | GBR                     | GBR                    |
| Temporary Assistance to Families | SGF                       | 10,580,290              | 10,580,290              | --                     | 8,137,508                 | 8,137,508               | --                     | 8,137,508               | 8,137,508                 | --                     | 8,137,508               | --                     |
|                                  | AF                        | 31,302,000              | 29,500,000              | (1,802,000)            | 29,637,000                | 25,500,000              | (4,137,000)            | 29,000,000              | 23,800,000                | (5,200,000)            | 23,800,000              | (5,200,000)            |
| Foster Care Contract             | SGF                       | 77,865,288              | 79,685,238              | 1,819,950              | 74,593,912                | 70,921,075              | (3,672,837)            | 78,235,135              | 71,000,000                | (7,235,135)            | 71,000,000              | (7,235,135)            |
|                                  | AF                        | 140,193,271             | 142,855,991             | 2,662,720              | 137,510,931               | 133,147,105             | (4,363,826)            | 140,353,739             | 133,283,000               | (7,070,739)            | 133,283,000             | (7,070,739)            |
| Juvenile Justice KanCare         | SGF                       | 1,950,979               | 2,071,241               | 120,262                | 1,941,987                 | 2,265,243               | 323,256                | 2,070,158               | 2,358,990                 | 288,832                | 2,358,990               | 288,832                |
|                                  | AF                        | 4,496,380               | 4,775,409               | 279,029                | 4,496,380                 | 5,244,832               | 748,452                | 4,793,141               | 5,483,472                 | 690,331                | 5,483,472               | 690,331                |
| Out of Home Placements           | SGF                       | 21,849,836              | 21,249,440              | (600,396)              | 22,059,052                | 21,960,608              | (98,444)               | 22,501,000              | 21,960,608                | (540,392)              | 21,960,608              | (540,392)              |
|                                  | AF                        | 24,450,924              | 23,612,080              | (838,844)              | 24,661,912                | 23,985,243              | (676,669)              | 25,155,150              | 23,985,243                | (1,169,907)            | 23,985,243              | (1,169,907)            |
| KDHE KanCare                     | SGF                       | 612,420,000             | 612,420,000             | --                     | 618,320,000               | 642,790,000             | 24,470,000             | 659,129,120             | 659,129,120               | --                     | 659,129,120             | --                     |
|                                  | AF                        | 1,590,120,000           | 1,590,120,000           | --                     | 1,617,390,000             | 1,702,390,000           | 85,000,000             | 1,724,137,740           | 1,724,137,740             | --                     | 1,724,137,740           | --                     |
| KDADS KanCare                    | SGF                       | 307,442,737             | 267,604,747             | (39,837,990)           | 312,239,878               | 263,721,459             | (48,518,419)           | 329,242,652             | 329,242,652               | --                     | 329,242,652             | --                     |
|                                  | AF                        | 768,479,456             | 670,386,104             | (98,093,352)           | 761,614,976               | 661,026,416             | (100,588,560)          | 811,719,577             | 811,719,577               | --                     | 811,719,577             | --                     |
| KDADS Non-KanCare                | SGF                       | 22,645,754              | 23,589,641              | 943,887                | 12,633,883                | 15,524,641              | 2,890,758              | 13,668,937              | 15,524,641                | 1,855,704              | 15,524,641              | 1,855,704              |
|                                  | AF                        | 34,342,882              | 34,706,279              | 363,397                | 13,228,288                | 16,119,048              | 2,890,760              | 14,263,342              | 16,119,046                | 1,855,704              | 16,119,046              | 1,855,704              |
| <b>Total SGF</b>                 |                           | <b>\$ 1,054,754,884</b> | <b>\$ 1,017,200,597</b> | <b>\$ (37,554,287)</b> | <b>\$ 1,049,926,220</b>   | <b>\$ 1,025,320,534</b> | <b>\$ (24,605,686)</b> | <b>\$ 1,112,984,510</b> | <b>\$ 1,107,353,519</b>   | <b>\$ (5,630,991)</b>  | <b>\$ 1,107,353,519</b> | <b>\$ (5,630,991)</b>  |
| <b>Total AF</b>                  |                           | <b>\$ 2,593,384,913</b> | <b>\$ 2,495,955,863</b> | <b>\$ (97,429,050)</b> | <b>\$ 2,588,539,487</b>   | <b>\$ 2,567,412,644</b> | <b>\$ (21,126,843)</b> | <b>\$ 2,749,422,689</b> | <b>\$ 2,738,528,078</b>   | <b>\$ (10,894,611)</b> | <b>\$ 2,738,528,078</b> | <b>\$ (10,894,611)</b> |

SGF - State General Fund  
AF - All Funding Sources