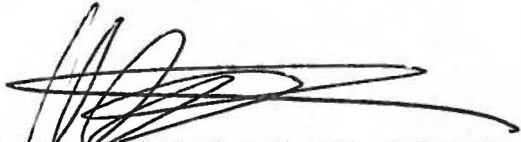


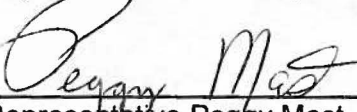
FY 2015, FY 2016, and FY 2017

Social Services Budget Committee

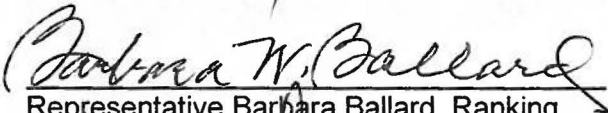
Kansas Department of Health and Environment – Division of Health
and Health Care Finance



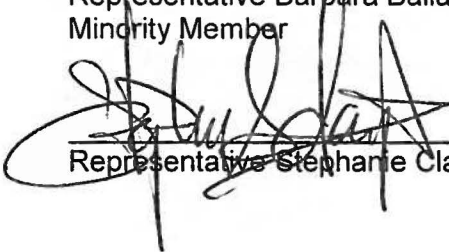
Representative Will Carpenter, Chair



Representative Peggy Mast, Vice-Chair



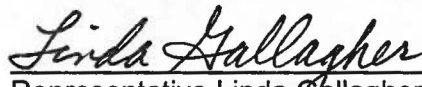
Representative Barbara Ballard, Ranking
Minority Member



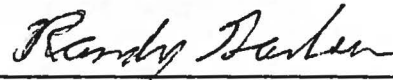
Representative Stephanie Clayton



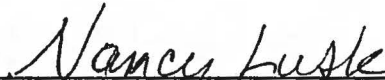
Representative Bud Estes



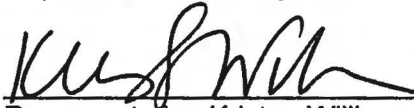
Representative Linda Gallagher



Representative Randy Garber



Representative Nancy Lusk



Representative Kristey Williams

House Budget Committee Report

Agency: Kansas Department of Health and Environment -
Health and Health Care Finance

Bill No. --

Bill Sec. --

Analyst: Mariani

Analysis Pg. No. --

Budget Page No. 202

Expenditure Summary	Agency Estimate FY 2015	Governor Recommendation FY 2015	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 764,183,580	\$ 787,376,773	\$ 0
Other Funds	1,552,639,017	1,591,336,108	0
Subtotal	\$ 2,316,822,597	\$ 2,378,712,881	\$ 0
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
 TOTAL	 \$ 2,316,822,597	 \$ 2,378,712,881	 \$ 0
 FTE positions	 354.5	 354.5	 0.0
Non FTE Uncl. Perm. Pos.	274.9	274.9	0.0
TOTAL	629.4	629.4	0.0

Agency Estimate

The **agency** estimates operating expenditures for FY 2015 of \$2.3 billion, including \$764.2 million from the State General Fund and \$7.1 million from the Children's Initiatives Fund (CIF). The request is an all funds increase of \$8.2 million, or 0.4 percent, a State General Fund increase of \$383,794, or 0.1 percent, and a CIF increase of \$930, or less than 0.1 percent, above the amount approved by the 2014 Legislature. The all funds increase is largely due to an increase in other assistance for medical programs partially offset by a reduction in agency operating expenditures for contractual services. The State General Fund increase is due to an increase in contractual services funding off set by a decrease in funding for salaries and wages.

The budget includes 354.5 FTE positions, a decrease of 57.0 FTE positions below, and 274.9 non-FTE unclassified positions, an increase of 39.2 non-FTE unclassified positions above, the approved FY 2015 number. The agency states that due to the nature of its grant and federal funding it is replacing classified positions with non-FTE unclassified positions.

The Governor's December allotment, which was applied after the agency submitted its budget request, reduced the agency's FY 2015 approved amount for State General Fund by \$1,034,093 in the agency operating expenditures for administration (\$642,928), aid to locals for Primary Care - Safety Net Clinics (\$254,000), PKU Treatment Program (\$100,903), the Office of the Inspector General (\$36,262), and salaries and wages (\$33,688).

Governor's Recommendation

The **Governor** recommends FY 2015 operating expenditures of \$2.4 billion, including \$787.4 million from the State General Fund, and \$7.1 million from the Children's Initiatives Fund. The recommendation is an all funds increase of \$61.9 million, or 2.7 percent, a State General Fund increase of \$23.2 million, or 3.0 percent, above the agency's revised estimate. The Children's Initiatives Fund is the same as the agency's revised estimate. The increase is largely attributable the addition of \$63.2 million, including \$24.2 million from the State General Fund to fully fund the November Human Services Consensus Caseload estimates.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Kansas Department of Health and Environment -
Health and Health Care Finance

Bill No. --

Bill Sec. --

Analyst: Mariani

Analysis Pg. No. --

Budget Page No. 202

Expenditure Summary	Agency Request FY 2016	Governor Recommendation FY 2016	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 763,654,566	\$ 863,682,928	\$ 0
Other Funds	1,561,418,975	1,629,731,238	0
Subtotal	\$ 2,325,073,541	\$ 2,493,414,166	\$ 0
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
 TOTAL	 \$ 2,325,073,541	 \$ 2,493,414,166	 \$ 0
FTE positions	342.2	342.2	0.0
Non FTE Uncl. Perm. Pos.	281.0	281.0	0.0
TOTAL	623.2	623.2	0.0

Agency Request

The **agency** requests operating expenditures for FY 2016 of \$2.3 billion, including \$763.7 million from the State General Fund, and \$7.1 million from the Children's Initiatives Fund. The request is an all funds increase of \$8.3 million, or 0.4 percent, a State General Fund decrease of \$529,014, or 0.1 percent, and a Children's Initiatives Fund decrease of \$930, or less than 0.1 percent, from the FY 2015 agency request. The all funds increase is largely due to an increase in other assistance for medical programs and an increase in contractual services expenditures. The State General Fund decrease is due to a reduction in agency operating expenditures in contractual services, commodities and capital outlay. The budget includes 342.2 FTE positions, a decrease of 12.3 FTE positions below, and 281.0 non-FTE unclassified positions, an increase of 6.1 non-FTE unclassified positions above, the FY 2015 agency request.

Governor's Recommendation

The **Governor** recommends FY 2016 operating expenditures of \$2.5 billion, including \$863.7 million from the State General Fund, and \$7.1 million from the Children's Initiatives Fund. The recommendation is an all funds increase of \$168.3 million, or 7.2 percent, and a State General Fund increase of \$100.0 million, or 13.1 percent, above the agency request. The Children's Initiatives Fund recommendation is the same as the agency request.

The increase is largely attributable the addition of \$162.7 million, including \$86.4 million from the State General Fund to fully fund the November Human Services Consensus Caseload estimates; the addition of \$64.4 million, including \$28.2 million from the State General Fund, as a result of the Managed Care Organization (MCO) privilege fee increasing from 1.0 percent to 5.5 percent; and an increase of \$12.0 million, all from the State General Fund, to replace the Medical Program Fee Fund transfer to the State General Fund in FY 2015 as part of the Governor's allotment plan.

The increases are partially offset by the reduction of \$57.0 million, including \$25.0 million from the State General Fund, for reduced expenditures due to policy changes in the KanCare Medical Program and the reduction of \$1.3 million, all from the State General Fund, to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor's FY 2015 allotment.

The Governor issued Executive Reorganization Order (ERO) No. 43 to transfer the responsibility for Medicaid eligibility determination and associated employees from the Department for Children and Families to the Department of Health and Environment effective January 1, 2016. The Governor indicates this reorganization is anticipated to increase accuracy in Medicaid eligibility determination and reduce program expenditures partially through uniform implementation of policy and processing changes. These associated savings will be split between this Department and the Department for Aging and Disability Services. In addition, ERO No. 43 will transfer foster care licensing responsibilities from the Department of Health and Environment to the Department for Children and Families effective July 1, 2015. The Governor indicates this reorganization is anticipated to streamline the licensing process.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation with the following adjustments and notations:

1. Transfer \$378,000 from the State General Fund operating expenditures account for administration to the State General Fund Aid to Local account for Primary Care - Safety Net Clinics for FY 2016.
2. Add language requiring the agency to submit a report regarding Reorganization Order (ERO) No. 43 implementation and the transition of the eligibility responsibilities and staff effective January 2016. The committee recommends the implementation be monitored and evaluated to determine whether the proposed changes were effective in decreasing the Medicaid eligibility Payment Error Rate Measurement (PERM) rates for Kansas. The report should detail the findings and be reviewed by the 2017 Legislature.

The Budget Committee further notes the Kansas Medicaid eligibility payment error rate is 12.8 percent while the national average is 3.3 percent. The committee recommends the agency make improving the error rate and bringing the rate closer to the national average a priority focus.

3. The Budget Committee requests that Legislative Post Audit conduct an audit of the Kansas Eligibility and Enforcement System (KEES) implementation by the Department of Health and Environment and other project partner agencies. The committee notes the project is more than two years delayed from its original implementation schedule and the agency has already expended \$ 93.5 million as of the September 30, 2014 Chief Information Technology Office (CITO) Report.

Contingent upon the passage of SB 7 or similar legislation by the 2015 Legislature, the committee further notes an audit may be pursued under the newly created audit provisions.

4. The Budget Committee notes the Governor's FY 2016 recommendation for the agency includes reductions of \$57.0 million, including \$25.0 million from the State General Fund. These reductions are based on anticipated savings from implementation of KanCare policy savings related to caseload cost reductions, Medicaid pharmacy administrative reforms, and Managed Care Organization (MCO) financial incentives for contracted providers. The Committee is concerned the savings anticipated from the proposed policy changes will not be fully realized and the agency may not have adequate funding for entitlement services for FY 2016.

House Budget Committee Report

Agency: Kansas Department of Health and Environment -
Health and Health Care Finance

Bill No. --

Bill Sec. --

Analyst: Mariani

Analysis Pg. No. --

Budget Page No. 202

Expenditure Summary	Agency Request FY 2017	Governor Recommendation FY 2017	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 763,990,817	\$ 884,273,889	\$ 0
Other Funds	1,548,735,154	1,571,657,476	0
Subtotal	\$ 2,312,725,971	\$ 2,455,931,365	\$ 0
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
 TOTAL	 \$ 2,312,725,971	 \$ 2,455,931,365	 \$ 0
 FTE positions	 341.2	 341.2	 0.0
Non FTE Uncl. Perm. Pos.	281.8	281.8	0.0
TOTAL	623.0	623.0	0.0

Agency Request

The **agency** requests operating expenditures for FY 2017 of \$2.3 billion, including \$764.0 million from the State General Fund and \$7.1 million from the Children's Initiatives Fund. The request is an all funds decrease of \$12.3 million, or 0.5 percent, and a State General Fund increase of \$336,251, or less than 0.1 percent, from the FY 2016 agency request. The Children's Initiatives Fund request is the same as the FY 2016 agency request. The all funds decrease is largely due to a reduction in contractual services expenditures partially offset by an increase in other assistance for medical program expenditures. The request also reflects an increase in salaries and wages due to the 27th payroll expenditure which occurs in FY 2017. The State General Fund increase is due to an increase in salary and wages and contractual services expenditures partially offset by a decrease in expenditures for capital outlay. The budget includes 341.2 FTE positions, a decrease of 1.0 FTE positions below, and 281.8 non-FTE unclassified positions, an increase of 0.8 non-FTE unclassified positions above, the FY 2016 agency request.

Governor's Recommendation

The **Governor** recommends FY 2017 operating expenditures of \$2.5 billion, including \$884.3 million from the State General Fund and \$7.1 million from the Children's Initiatives Fund. The recommendation is an all funds increase of \$143.2 million, or 6.2 percent, and a State

General Fund increase of \$120.3 million, or 15.7 percent, above the agency request. The Children's Initiatives Fund recommendation is the same as the agency request.

The increase is largely attributable the addition of \$164.7 million, including \$109.6 million from the State General Fund to fully fund the November Human Services Consensus Caseload estimates; addition of \$66.6 million, including \$29.3 million from the State General Fund, as a result of the Managed Care Organization (MCO) privilege fee increasing from 1.0 percent to 5.5 percent; and an increase of \$21.0 million, all from the State General Fund, to replace the Medical Program Fee Fund transfer to the State General Fund in FY 2015 as part of the Governor's allotment plan.

The increases are partially offset by the reduction of \$57.0 million including \$25.0 million from the State General Fund for reduced expenditures due to policy changes in the KanCare Medical Program; a decrease of \$1.3 million, all from the State General Fund, for operating expenses to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor's FY 2015 allotment; and the reduction of \$29.5 million, including \$13.0 million from the State General Fund, for an anticipated reduced Medicaid eligibility payment error rate and associated savings.

The Governor issued Executive Reorganization Order (ERO) No. 43 to transfer the responsibility for Medicaid eligibility determination and associated employees from the Department for Children and Families to the Department of Health and Environment effective January 1, 2016. The Governor indicates this reorganization is anticipated to increase accuracy in Medicaid eligibility determination and reduce program expenditures partially through uniform implementation of policy and processing changes. These associated savings will be split between this Department and the Department for Aging and Disability Services. In addition, ERO No. 43 will transfer foster care licensing responsibilities from the Department of Health and Environment to the Department for Children and Families effective July 1, 2015. The Governor indicates this reorganization is anticipated to streamline the licensing process.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation with the following adjustments:

1. Transfer \$378,000 from the State General Fund operating expenditures account for administration to the State General Fund Aid to Local account for Primary Care - Safety Net Clinics for FY 2017.
2. Add language requiring the agency to submit a report regarding Reorganization Order (ERO) No. 43 implementation and the transition of the eligibility responsibilities and staff effective January 2016. The committee recommends the implementation be monitored and evaluated to determine whether the proposed changes were effective in decreasing the Medicaid eligibility Payment Error Rate Measurement (PERM) rates for Kansas. The report should detail the findings and be reviewed by the 2017 Legislature.

The Budget Committee further notes the Kansas Medicaid eligibility payment error rate is 12.8 percent while the national average is 3.3 percent. The committee recommends the agency make improving the error rate and bringing the rate closer to the national average a priority focus.

3. The Budget Committee notes the FY 2017 Governor's recommendation for the agency includes reductions of \$86.5 million, including \$38.0 million from the State General Fund. These reductions are based on anticipated savings from implementation of KanCare policy changes related to caseload cost reductions, Medicaid pharmacy administrative reforms, Managed Care Organization (MCO) financial incentives for contracted providers, and improvement of the Payment Error Rate Management (PERM). The Committee is concerned the the projected savings from the proposed policy changes will not be realized and the agency may not have adequate funding for entitlement services for FY 2017.