

April 20, 2017

The Honorable Troy Waymaster, Chairperson
House Committee on Appropriations
Statehouse, Room 111-N
Topeka, Kansas 66612

Dear Representative Waymaster:

SUBJECT: Fiscal Note for HB 2418 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2418 is respectfully submitted to your committee.

HB 2418 would require the Department of Administration to procure the services of a vendor to establish an on-site state employee health clinic. At a minimum, the vendor must offer general primary healthcare services, pharmacy services, on-site and third party laboratory services, behavioral health services, and chiropractic services. The vendor would be required to submit a report to the Secretary of Administration and the Legislature detailing cost avoidance and return on investment over a period of five years.

The bill would appropriate \$2,700,000 in FY 2018 to the Department of Administration in a new On-Site State Employee Health Clinic account of the State General Fund. However, expenditures from the account for construction or renovation of any premises for the on-site clinic could not exceed \$500,000. The Department of Administration would be required to consult with the Kansas State Employees Health Care Commission, the Joint Committee on State Building Construction, and the Kansas Department of Health and Environment (KDHE) regarding the establishment of the on-site clinic.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	--	--
Expenditure	\$2,700,000	\$2,700,000	--	(\$2,542,582)
FTE Pos.	--	--	--	--

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KDHE estimates that HB 2418 would result in savings to the State Employee Health Plan (SEHP) of \$2,542,582 in FY 2019. Of the total amount, \$1,133,015 would be savings from medical services and \$1,409,567 would be savings from prescription drugs. The medical services savings assumes that 45.0 percent of state employees would use an on-site clinic (\$2,517,812 gross savings X 45.0 percent = \$1,133,015 estimated medical savings). The prescription savings assumes the state would achieve 15.0 percent savings off prescription drugs (\$20,882,473 prescription spend X 45.0 percent of employees using on-site clinic X 15.0 percent drug savings = \$1,409,567 estimated prescription drug savings). It is estimated that the SEHP would achieve out-year savings of \$3,041,582 in FY 2020 and \$3,584,043 in FY 2021. These amounts assume the percentage of state employees using an on-site clinic would increase to 50.0 percent and 55.0 percent in FY 2020 and FY 2021, respectively.

The Department of Administration anticipates that there would be no fiscal effect beyond the amount of the appropriation included in the bill for start-up costs for the on-site clinic. The Department would seek bids for services at or below the amount allowed by the appropriation. Any fiscal effect associated with HB 2418 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Colleen Becker, Department of Administration