

STATE OF KANSAS

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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 8, 2018

The Honorable Vicki Schmidt, Chairperson
Senate Committee on Public Health and Welfare
Statehouse, Room 441-E
Topeka, Kansas 66612

Dear Senator Schmidt:

SUBJECT: Fiscal Note for SB 332 by Senate Committee on Public Health and Welfare

In accordance with KSA 75-3715a, the following fiscal note concerning SB 332 is respectfully submitted to your committee.

SB 332 would amend the Developmental Disabilities Reform Act by changing the method of delivery for Intellectual or Developmental Disability Services (I/DD) by the Kansas Department of Health and Environment (KDHE) and the Kansas Department for Aging and Disability Services (KDADS). Currently, the agencies utilize Managed Care Organizations (MCO) to serve the needs of the I/DD population. Under this bill, I/DD Home and Community Based Services (HCBS) services would no longer be administered by MCOs, but rather by Community Developmental Disability Organizations (CDDO). KDHE/KDADS would be required to terminate the portion of the 1115 waiver that allows the agencies to deliver these services through an MCO, and submit a new waiver application allowing for CDDOs to administer these services.

The bill would require the implementation of a person-centered system that provides appropriate support for persons who receive I/DD services. The Secretary of KDADS would be required to advise and consult with the Robert G. (Bob) Bethel Joint Committee on HCBS and KanCare Oversight to develop a plan to eliminate the waiting list for all persons with I/DD seeking community services. The Secretary would submit the plan to the Legislature on or before December 31, 2019. The bill would also change how the Secretary of KDADS establishes the reimbursement rates for the delivery of community services to persons with I/DD.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$1,312,500	\$3,250,000
FTE Pos.	--	--	--	--

KDHE states that enactment of SB 332 would require changes to the agency's systems with their fiscal agent. These changes would reflect the move from MCO capitated payments to CDDO administered HCBS services; the total cost for these changes is estimated to be \$1.3 million from all funds and \$312,500 from the State General Fund. KDHE also receives a Privilege Fee under the Managed Care model that is used to draw down additional federal funding that equates to approximately \$18.0 million annually. If the administration of I/DD services are moved to CDDOs, the privilege fee revenue would be reduced to medical only services of approximately \$2.0 million annually, resulting in a loss of \$16.0 million of federal funds in FY 2020. The total fiscal effect on the loss of privilege fee revenue for FY 2020 through FY 2024 would be \$71.3 million of federal funds. For FY 2020 and beyond, KDHE states that administrative expenses would increase by \$15.0 million from all funding sources, including \$8.0 million from the State General Fund. The administrative expenses would include increased fee-for-service auditing, processing and administration. Other expenses would include call center support, member services, provider support and general administration.

For FY 2020, KDADS states that enactment of SB 332 would increase expenditures for reimbursement rates for CDDOs by \$27.4 million from all funding sources, including \$12.0 million from the State General Fund. KDADS would increase expenditures for Targeted Case Management and Care Coordination by \$1.7 million from all funding sources, including \$829,260 from the State General Fund. The total fiscal effect on reimbursement rate expenditures for FY 2020 through FY 2024 would be \$319.4 million from all funding sources, including \$141.0 million from the State General Fund.

KDADS also states that the agency would need to hire additional central office staff and increase administrative costs to oversee and administer an HCBS/IDD fee for service program. For FY 2019, administrative expenditures would increase by \$2.0 million from all funding sources, including \$1.0 million from the State General Fund. In FY 2020 and beyond, the higher administrative costs would be continued.

KDADS estimates that over the five-year period of FY 2020 to FY 2024 total additional expenditures of \$330.0 million, including \$146.3 million from the State General Fund, would result from the enactment of SB 332. KDHE estimates that over the five-year period of FY 2020 to FY 2024 total additional expenditures of \$75.0 million, including \$40.0 million from the State General Fund, would result from the enactment of SB 332. Over the five-year period of FY 2020 to FY 2024, total additional expenditures for all state agencies of \$405.0 million, including \$186.3 million from the State General Fund, would result from the enactment of SB 332. Any fiscal effect associated with SB 322 is not reflected in *The FY 2019 Governor's Budget Report*.

Fiscal Effect of SB 332

KDADS All Funding Sources						
Expenditures	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2020 to FY 2024
TCM	\$ 60,448	\$ 125,127	\$ 194,261	\$ 268,081	\$ 346,832	\$ 994,749
HCBS	\$ 27,356,489	\$ 43,616,825	\$ 60,921,490	\$ 79,326,571	\$ 98,891,037	\$ 310,112,412
Care Coordination	\$ 1,605,326	\$ 1,629,406	\$ 1,653,846	\$ 1,678,654	\$ 1,703,834	\$ 8,271,066
Admin. Costs	\$ 3,319,600	\$ 1,819,600	\$ 1,819,600	\$ 1,819,600	\$ 1,819,600	\$ 10,598,000
Total Increase	\$ 32,341,863	\$ 47,190,958	\$ 64,589,197	\$ 83,092,906	\$ 102,761,303	\$ 329,976,227

KDADS State General Fund						
Expenditures	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2020 to FY 2024
TCM	\$ 26,597	\$ 55,056	\$ 85,475	\$ 117,956	\$ 152,606	\$ 437,690
HCBS	\$ 12,036,855	\$ 19,191,403	\$ 26,805,456	\$ 34,903,691	\$ 43,512,056	\$ 136,449,461
Care Coordination	\$ 802,663	\$ 814,703	\$ 826,923	\$ 839,327	\$ 851,917	\$ 4,135,533
Admin. Costs	\$ 1,659,800	\$ 909,800	\$ 909,800	\$ 909,800	\$ 909,800	\$ 5,299,000
Total SGF Increase	\$ 14,525,915	\$ 20,970,962	\$ 28,627,654	\$ 36,770,774	\$ 45,426,379	\$ 146,321,684

KDHE All Funding Sources						
Expenditures	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2020 to FY 2024
Agency System Changes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Admin. Costs (\$13.0-\$15.0 M)	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 75,000,000
Total Increase	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 75,000,000

KDHE State General Fund						
Expenditures	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2020 to FY 2024
Agency System Changes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Admin. Costs (\$7.0-\$8.0 M)	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 40,000,000
Total SGF Increase	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 40,000,000

Total AFS Expenditures	\$ 47,341,863	\$ 62,190,958	\$ 79,589,197	\$ 98,092,906	\$ 117,761,303	\$ 404,976,227
Total SGF Expenditures	\$ 22,525,915	\$ 28,970,962	\$ 36,627,654	\$ 44,770,774	\$ 53,426,379	\$ 186,321,684

Revenue	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2020 to FY 2024
Privilege Fee (Federal)	\$ (15,589,242)	\$ (13,606,798)	\$ (13,818,740)	\$ (14,034,102)	\$ (14,252,943)	\$ (71,301,825)

Sincerely,



Larry L. Campbell
Chief Budget Officer

cc: Dan Thimmesch, Health & Environment
Cody Gwaltney, Aging & Disability Services