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M E M O R A N D U M

TO: Legislative Coordinating Council and Governor Laura Kelly

FROM: Division of the Budget and Kansas Legislative Research Department

DATE: April 22, 2020

SUBJECT: Spring 2020 Human Services Consensus Caseload Estimates for FY 2020 and FY 2021

The Division of the Budget, Department for Children and Families (DCF), Department of Health and Environment (KDHE), Department for Aging and Disability Services (KDADS), and the Legislative Research Department met on April 16, 2020, to revise the estimates on human services caseload expenditures for FY 2020 and FY 2021. The caseload estimates include expenditures for Temporary Assistance for Families, the Reintegration/Foster Care Contracts, KanCare Regular Medical Assistance, and KDADS Non-KanCare. A chart summarizing the estimates for FY 2020 and FY 2021 is attached at the end of this memorandum.

The starting point for the April 2020 estimates was the budget approved by the 2020 Legislature for FY 2020 and FY 2021. The estimate for FY 2020 is an increase of $12.4 million from all funding sources and a State General Fund decrease of $106.1 million compared to the FY 2020 approved. The estimate for FY 2021 is a decrease of $21.8 million from all funding sources and a State General Fund increase of $65.2 million above the FY 2021 approved. **The combined estimate for FY 2020 and FY 2021 is an all funds decrease of $9.4 million and a State General Fund decrease of $40.9 million below the approved amount.**

The administration of KanCare within the state is accomplished by KDHE maintaining fiscal management and contract oversight including regular medical services, while KDADS administers the Medicaid Home and Community Based Services waiver programs for disability services as well as long-term care services, mental health and substance abuse services, and the State Hospitals. Throughout this memorandum, KanCare Medical estimates include all Medicaid KanCare expenditures for all agencies.

FY 2020

The FY 2020 revised estimate for all human service caseloads is $3.7 billion from all funding sources, including $1.2 billion from the State General Fund. The estimate is a change from the amount approved by the 2020 Legislature, reflecting an all funds increase of $12.4 million and a State General Fund decrease of $106.1 million.

The FY 2020 estimate for the Temporary Assistance for Needy Families (TANF) Program is $12.6 million from all funding sources, which is equal to the approved amount. At the beginning of FY 2020, TANF Cash Assistance caseloads were increasing. This corresponded with an increase in the number of hardships being approved. Hardships were granted to families still in need of assistance but whose 24-month lifetime limit had been exceeded. These families were granted up to an additional 12 months. After an initial increase related to the hardship cases, the caseload began to decline beginning in September 2019. At this point, the hardship caseload has leveled off and the historical decline in cases resumed. The number of applications had also begun to decrease, and the percentage of cases denied had begun to increase. However, beginning in March 2020, the number of new applications began to increase again in response to the COVID-19 pandemic. This increase was identified beginning in mid-March and is expected to continue. With the increase in applications, additional cases are expected to be approved for TANF cash assistance. No additional funds are being requested in FY 2020 due to the lower caseload at the beginning of the fiscal year.

The FY 2020 estimate for the Foster Care Program is $259.0 million, including $183.6 million from the State General Fund. Estimated expenditures for the Foster Care program were increased above the approved by $12.7 million from all funding sources, including $11.6 million from the State General Fund.

The number of children anticipated to be served in the foster care system is expected to decrease below previous fiscal years, and the new estimate for children in care is below the number estimated in the fall. However, it is estimated that contract costs will continue to increase. The main drivers of increased costs in FY 2020 are lower than anticipated fall estimates for direct placements and Child Placing Agency administration expenditures. This is causing a deficit in funding due to the following factors:

- Family foster homes increased by 14.0 percent;
- The average Family Foster Home Intellectual or Developmental Disability rate increased by $6 a day;
- Relative placements had an intensity decrease overall, but all rates were increased by $1 per day;
- Qualified Residential Treatment Programs (QRTPs) increased by 70.0 percent over fall consensus caseload estimates. These placements are $250 per day; and
- Corona virus assistance add-on payments for foster care placements of $8 per day for foster homes, relative home, and non-related kin placements and $39 per day for residential and group home placements. These additional payments began March 23, 2020 and will end May 15, 2020.

DCF is experiencing funding changes also. Title IV-E eligibility percentage rate has dropped over the last two quarters. There are three major reasons. First, some of the recent reduction in the penetration rate is preparation for the Title IV-E federal review. Historically, the rate decreases as the agency prepares for the review and converts questionable IV-E cases. Second, childcare and transportation costs will no longer be able to be claimed out of TANF. The agency is now treating transportation provided by the Case Management Provider as an administration cost and claiming it only to Title IV-E at the Title IV-E foster care administration eligibility rate. This is a change that is related to the old foster care contracts. Previously, DCF claimed TANF for maintenance, which included childcare and transportation. Also, the childcare that was formerly paid by the foster care providers under the old contracts are now paid through the electronic benefits card with Child Care Development Funds. Lastly, Title IV-E cannot be claimed on residential placements and group homes after October 1, 2019 because of Kansas' participation in the Family First Prevention Service Act (FFPSA). Since Kansas is still in the approval process for a Prevention State Plan, Title IV-E cannot be claimed on QRTPs. Once the Prevention Plan is approved by the Children's Bureau and the appropriate data is collected, DCF will be able to claim for this placement type. Additionally, in taking the FFPSA grant dollars in October, DCF agreed to only claim 14 days IV-E for residential facilities except QRTPs and some limited exceptions. Children are still staying in Youth Residential Centers past the 14 days and these are currently paid with State General Fund. Lastly, there is a big push to place more children with relatives and kin, which are not eligible for Title IV-E. DCF has raised these rates and created a process to consider relative and kin placements. TANF and State General Fund are needed to absorb higher placement costs.

The Family First Prevention Grants are still starting up and slowly beginning to accept referrals. As this program continues to expand, foster care caseloads are expected to decrease further. The Family Preservation Contracts that began January 1, 2020 also provide some evidence-based services that were not available to families in prior contracts, these will also serve to reduce the number of children removed from homes.

The FY 2020 estimate for KanCare Medical is $3.4 billion, including $962.3 million from the State General Fund, reflecting an increase of $4.7 million from all funding sources and a State General Fund decrease of $113.7 million below the approved amount. The KanCare Medical estimate includes medical expenditures for KDHE and KDADS. The all funds increase in KanCare Medical costs is primarily attributable to an increase in previously estimated population growth. Increased population growth is expected in FY 2020 due to increased enrollment resulting from COVID-19 and federal restrictions on removing individuals from Medicaid until the end of the month when the public health emergency ends. The all funds increase is partially offset by decreases to Health Insurer Provider Fee (HIPF) expenditures and Delivery System Reform Incentive Payment (DSRIP) expenditures. The decrease in HIPF expenditures is the result of payments that were originally anticipated in FY 2020 being shifted to FY 2021. The decrease to DSRIP expenditures is attributable to payments that were delayed from FY 2019 and scheduled to be paid in FY 2020 that are no longer required.

The State General Fund decrease is primarily attributable to the federal Families First Coronavirus Response Act which provided states a temporary 6.2 percentage-point increase to the Federal Medical Assistance Percentage (FMAP). The change in the FMAP is estimated to decrease the required state share of Medicaid expenditures by approximately $90.0 million. The temporary increase in the FMAP is in effect from January 1, 2020, and extends through the last day of the calendar quarter in which the public health emergency is declared terminated by the federal Department of Health and Human Services. The Centers for Medicare and Medicaid Services (CMS) will inform states when the public health emergency period for COVID-19 ends. The caseload estimates assume the enhanced funding will only be available through June 30, 2020. A portion of the State General Fund reduction from the increased FMAP will be used to provide grants to hospitals for COVID-19 relief. A total of $17.3 million from the State General Fund will be made available to over 120 hospitals, with grants ranging from $100,000 up to $250,000. Also contributing to the State General Fund reduction is an increase of $16.3 million from the Medical Assistance Fee Fund (Privilege Fee) and $7.5 million from the Medical Programs Fee Fund that is available to offset State General Fund obligations.

The Nursing Facility Provider Assessment receipts were decreased by $5.0 million in the revised estimate. The estimate was reduced as some provider are struggling with COVID-19 related expenditures. Additionally, some facilities have decreased the number of beds or taken steps to qualify as Continuing Care Retirement Facilities, resulting in a lower amount per bed. It is estimated that the delayed contributions will be received during FY 2021.

The FY 2020 estimate for KDADS Non-KanCare is $56.0 million, including $31.0 million from the State General Fund. The estimate reflects a decrease of $5.0 million from all funding sources and a State General Fund decrease of $4.0 million below the approved amount. The decrease in KDADS Non-KanCare costs is primarily attributable to a decrease in expenditures for retroactive fee-for-service payments to nursing facilities related to eligibility determinations for pended claims. Of the $4.0 million State General Fund decrease, $1.2 million is attributable to FMAP savings for six months of FY 2020.

FY 2021

The FY 2021 revised estimate is $4.1 billion from all funding sources, including $1.4 billion from the State General Fund. The estimate is a change from the amount approved by the 2020 Legislature, reflecting an all funds decrease of $21.8 million and a State General Fund increase of $65.2 million.

The FY 2021 estimate for the TANF Program is $15.3 million from all funding sources. The estimate is an increase of $2.7 million from all funding sources from the approved amount. The number of applications in March increased by over 40.0 percent. DCF indicates while not all these individuals will be eligible, they anticipate the caseload increasing by 20.0 percent.

The FY 2021 estimate for the Foster Care Program is $263.1 million, including $189.6 million from the State General Fund. The estimate is an increase of $3.1 million from all funding sources, including $8.6 million from the State General Fund, above the approved amount. The number of children anticipated to be served in the foster care system is expected to decrease from FY 2020. The costs for foster care services are expected to continue to increase compared to the approved for continuation of the conditions discussed in FY 2020.

The FY 2021 estimate for KanCare Medical is $3.8 billion from all funding sources, including $1.2 billion from the State General Fund. The estimate reflects a decrease of $26.6 million from all funding sources and a State General Fund increase of $58.1 million from the approved amount. The all funds decrease is primarily attributable to changes to the Health Care Access Improvement Program (HCAIP) that were anticipated to begin in FY 2021 but have not yet been approved by CMS. Changes to the program include an increase in the hospital provider assessment from 1.83 percent to 3.0 percent and an expansion of taxable revenue to include income from both inpatient and outpatient services. It is unknown when or if HCAIP changes will be approved by CMS. The spring estimate for FY 2021 KanCare Medical assumes a continuation of the current HCAIP program with a 1.83 percent provider assessment. HCAIP estimates for FY 2021 will be updated in future consensus caseload estimates should CMS grant approval of the program changes in FY 2021.

The State General Fund increase is largely attributable to increases in KanCare capitation expenditures resulting from a growth in cost trends and membership base. It is estimated that per member per month costs will increase by 3.2 percent and membership will grow by 4.0 percent in FY 2021. The State General Fund increase also includes increased expenditures for Health Insurance Provider Fees and HCAIP. The increase in HIPF is due to payments that were originally anticipated to be made in FY 2020 that have shifted to FY 2021. The temporary 6.2 percentage-point increase to FMAP was not applied to KanCare Medical estimates for FY 2021 because it is unknown when the public health emergency will be declared terminated, effectively reducing the rate to the regular FMAP percentage.

SB 66 included the reallocation of $3.0 million from the Problem Gambling and Addictions Grant Fund, which had previously been used in the human services consensus caseloads as the state match for mental health addiction services, to be used to provide a rate increase for behavioral health services for FY 2021. The spring estimate includes the addition of $3.0 million from the State General Fund to replace these reallocated funds for FY 2021.

Reductions in Medicaid Disproportionate Share Hospital (DSH) allotments were authorized by the initial passage of the Affordable Care Act, but were delayed by Congress through November of 2020. The FY 2021 caseload estimate for DSH has been reduced in accordance with existing federal law and assumes no additional delays are enacted.

The Nursing Facility Provider Assessment estimate is increased by $29.0 million in the spring revised estimate. The estimate for the Nursing Facility Provider Assessment was reduced to $9.0 million in the fall 2019 estimate due to existing law that the Nursing Facility Provider Assessment would sunset at the end of FY 2020, and the agency anticipated receiving one quarter of contributions in FY 2021 due to a lag in receipts. Enacted HB 2168 set a new sunset for the Nursing Facility Provider Assessment of July 1, 2030, so the estimate has been raised to reflect a full year of contributions and recoupment of delayed payments from facilities from FY 2020.

Expenditures for Medicaid Expansion are not included in the KanCare Medical estimates for FY 2020 or FY 2021. While the additional funding for Medicaid Expansion was included in the FY 2021 budget approved by the 2020 legislature, SB 66 also stipulates that no money shall be expended to expand eligibility for Medicaid unless the Legislature expressly consents to such expansion by an act of the Legislature. Because the expansion of Medicaid eligibility was not approved by the 2020 Kansas Legislature at the time of the estimating meeting, the money was not factored into the estimated caseload expenditures for either fiscal year.

The FY 2021 estimate for KDADS Non-KanCare is $61.0 million, including $34.0 million from the State General Fund. The estimate reflects a decrease of $1.0 million, including $1.5 million from the State General Fund, below the approved. The decrease in KDADS Non-KanCare costs is primarily attributable to a decrease in expenditures for retroactive fee-for-service payments to nursing facilities related to eligibility determinations for pended claims.

HUMAN SERVICES
April 16, 2020
Consensus Caseload Estimates

		FY 2020 Approved	April Revised FY 2020	Difference from Approved	FY 2021 Approved	April Revised FY 2021	Difference from Approved
DCF - Temporary Assistance to Families	SGF	--	--	--	--	--	--
	AF	12,600,000	12,600,000	--	12,600,000	15,300,000	2,700,000
DCF - Foster Care	SGF	172,000,000	183,600,000	11,600,000	181,000,000	189,600,000	8,600,000
	AF	246,300,000	259,000,000	12,700,000	260,000,000	263,100,000	3,100,000
KDHE - KanCare	SGF	686,000,000	595,800,000	(90,200,000)	723,200,000	772,000,000	48,800,000
	AF	2,330,000,000	2,335,000,000	5,000,000	2,761,000,000	2,635,000,000	(126,000,000)
KDADS - KanCare	SGF	390,000,000	366,500,000	(23,500,000)	410,661,520	420,000,000	9,338,480
	AF	1,050,000,000	1,049,700,000	(300,000)	1,051,552,583	1,151,000,000	99,447,417
KDADS - Non-KanCare	SGF	35,000,000	31,000,000	(4,000,000)	35,500,000	34,000,000	(1,500,000)
	AF	61,000,000	56,000,000	(5,000,000)	62,000,000	61,000,000	(1,000,000)
	SGF	**$ 1,283,000,000**	**$ 1,176,900,000**	**$ (106,100,000)**	**$ 1,350,361,520**	**$ 1,415,600,000**	**$ 65,238,480**
TOTALS	**AF**	**$ 3,699,900,000**	**$ 3,712,300,000**	**$ 12,400,000**	**$ 4,147,152,583**	**$ 4,125,400,000**	**$ (21,752,583)**

SGF - State General Fund
AF - All Funds
DCF - Department for Children and Families
KDHE - Kansas Department of Health and Environment
KDADS - Kansas Department for Aging and Disability Services