

February 18, 2019

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

Dear Representative Waymaster:

SUBJECT: Fiscal Note for HB 2102 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2102 is respectfully submitted to your committee.

HB 2102 would establish the KanCare Bridge to a Healthy Kansas Program. The Kansas Department of Health and Environment (KDHE) would administer and promote the program and provide information to potential eligible individuals who live in medically underserved areas of Kansas. The bill would expand Medicaid services under certain eligibility limitations to adult applicants under 65 years of age, who are not pregnant and whose income does not exceed 133.0 percent of the federal poverty level. The bill would include the following:

1. KDHE would refer all non-disabled adults in the program who are unemployed or working less than 20 hour a week to the state's existing workforce training programs and other work search resources;
2. KDHE could establish a health insurance coverage premium assistance program for individuals at 133.0 percent of the federal income poverty level and for those who are eligible for employer health insurance coverage but cannot afford the premiums;
3. The KanCare Bridge to a Healthy Kansas Program Drug Rebate Fund and the KanCare Bridge to a Healthy Kansas Program Privilege Fee Fund would be created in the state treasury. Drug rebates and privilege fees resulting from the bridge program beneficiaries would be deposited in the new funds and could only be spent on assistance payments for the bridge program beneficiaries.
4. On or before January 11, 2021, and on or before the first day of the regular session of the Legislature each year thereafter, KDHE would deliver a report that summarizes the cost savings achieved during the previous year. Cost savings would be determined by

calculating the cost of beneficiaries if services were provided through the KanCare program less the cost of services provided to beneficiaries under the KanCare Bridge to a Healthy Kansas Program.

5. A working group would be established to identify non-State General Fund sources to fund any shortfall identified by the Secretary of KDHE. The group would include six legislators and a representative from each of the following groups: the Kansas Hospital Association, the Kansas Medical Society; the Community Care Network of Kansas; the Kansas Academy of Family Physicians; the Association of Community Mental Health Centers of Kansas; the Kansas Dental Association; the Kansas Emergency Medical Services Association; the Kansas Optometric Association; the Kansas Pharmacist’s Association; and, the KanCare Bridge to a Healthy Kansas Program consumers from Alliance for a Healthy Kansas. The group would meet at least twice per year, and report to the Legislature annually on March 15.
6. The staff of the Kansas Legislative Research Department would provide assistance as requested by the working group. Legislative members would receive compensation, subsistence and travel allowances. Non-legislative members would not receive compensation, subsistence or travel allowances.
7. If, at any point, the percentages of federal medical assistance available to the program for coverage of program participants described in section 1902(a)(10)(A)(i)(VIII) of the federal Social Security Act are less than the percentages provided for in section 1201 (b)(1)(A) through (E) of the federal Health Care and Education Reconciliation Act of 2010, as it exists on the effective date of this act, KDHE could terminate the program over a 12-month period.

Estimated State Fiscal Effect				
	FY 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	--	\$503,177,300
Expenditure	--	--	\$13,569,426	\$516,746,726
FTE Pos.	--	--	--	163.00

The Kansas Department of Health and Environment states that because of the system changes required to implement Medicaid expansion the earliest date to begin enrolling the newly eligible would be January 1, 2020. As a result, the fiscal effect estimates in this note are for one half of FY 2020. KDHE indicates that passage of the bill would assume costs and offsets associated with an additional 150,000 individuals becoming eligible for Medicaid coverage. KDHE estimates that the cost of care for the newly eligible beneficiaries would be \$501.8 million for half of FY 2020. The state share at 10.0 percent would be \$50.2 million. The cost of care for the newly eligible beneficiaries for the full year in FY 2021 is estimated to be in a range from \$1,083.7 million to \$1,170.0 million. The estimated state share for FY 2021 at 10.0 percent would be in a range from \$108.4 million to \$117.0 million.

KDHE estimates additional revenue of \$2.1 million in FY 2020 and between \$4.3 and \$4.4 million in FY 2021 from increased drug rebates. This additional revenue would be used to meet state share requirements. KDHE estimates additional revenue of \$29.0 million in FY 2020 and between \$62.5 and \$67.5 million in FY 2021 from the 5.77 percent Privilege Fee. This additional revenue would also be used to meet state share requirements. Healthcare cost savings that would be realized for certain populations are also included in the estimate. These savings total \$11.1 million in FY 2020 and between \$22.2 million and \$23.1 million in FY 2021.

The state would also incur incremental administrative costs associated with expanding the program. KDHE would require the addition of 120.00 FTE positions, the majority of which would be eligibility staff and support staff. The Kansas Department of Aging and Disability Services would require the addition of 5.00 FTE positions for the same purposes. The cost of the current Medicaid support contracts would also increase as a result of system changes that would be implemented to account for the new rules, as well as handling the increased volume of encounter submissions. Total additional administrative costs are estimated at \$13.0 million in FY 2020 and \$25.6 million in FY 2021. The state share of those administration expenditures is approximately \$6.5 million for FY 2020 and \$12.8 million for FY 2021.

The Department of Corrections (DOC) states that when an inmate is hospitalized for longer than 24 hours the Medicaid inmate exclusion rule does not apply. Therefore, some of these inmates could be Medicaid eligible on a fee-for-service basis. DOC currently estimates approximately \$3.0 million in State General Fund expenditures for these hospitalizations in FY 2020. If most of those inmates were Medicaid eligible under the provisions of HB 2102, DOC would realize savings of approximately \$2.8 million from the State General Fund in FY 2020. This estimate equates to \$1.0 million in savings resulting from lower Medicaid fee rates plus \$1.8 million from the federal match that could be drawn down. DOC would, however, have increased administrative costs that would reduce the savings. DOC would need an additional 1.00 FTE position to determine eligibility and process claims, 4.00 FTE discharge planner positions to assist inmates in applying for Medicaid benefits prior to release, and 4.00 FTE substance abuse care coordinator positions to assist offenders with getting into a community-based substance abuse program. The current estimate for increased administration is \$610,000 from the State General Fund and 9.00 additional FTE positions.

The Department for Children and Families (DCF) states that HB 2102 would result in additional costs through increased referrals to its Generating Opportunities to Attain Lifelong Success Program (GOALS). The GOALS Program is a time-limited, federally funded program scheduled to end in March 2019. The grant was awarded based on an established caseload. Referrals resulting from HB 2102 would increase the number of participants beyond the budgeted amount. Following completion of the pilot program, results from Kansas and other states will be evaluated and continuing federal funding is not certain. DCF assumes for purposes of this fiscal note that no federal funding will be available, and any additional costs would be funded through the State General Fund.

Based on KDHE estimates for additional Medicaid recipients and assumptions regarding the bill's requirements for referral to the GOALS Program, DCF estimated additional program participants of at least 1,372 in FY 2020 and 3,026 in FY 2021. Assistance costs for these new

participants are estimated at \$231,625 in FY 2020 and \$1,073,042 in FY 2021. Also, to meet the needs of the increased caseload DCF would require 29.00 additional FTE positions in FY 2020 and 64.00 additional FTE positions in FY 2021. Salaries, benefits, and other operating costs to support the additional FTE are estimated at \$1,055,688 in FY 2020 and \$3,938,161 in FY 2020. Therefore, the total estimated fiscal effect for DCF would be \$1,287,313 (\$231,625 + \$1,055,688) in FY 2020 and \$5,011,203 (\$1,073,042 + \$3,938,161) in FY 2021.

Kansas Legislative Services estimates that legislative compensation, subsistence and travel costs would total \$14,258 from the State General Fund for FY 2020 for the legislative working group. The Department of Commerce states that it anticipates no fiscal effect for the agency from HB 2102.

The total estimated State General Fund fiscal effect for KDHE and DOC resulting from enactment of HB 2102 would be increased expenditures of \$513.9 million, including \$13.6 million from the State General Fund in FY 2020. For FY 2021, the total expenditures would be increased by \$1.1 billion, including \$33.9 million from the State General Fund. *The FY 2020 Governor's Budget Report* reflects additional expenditures of \$509.2 million, including \$14.2 million from the State General Fund, for KDHE for Medicaid expansion. *The FY 2020 Governor's Budget Report* does not reflect additional expenditures for DCF and Kansas Legislative Services or DOC's estimated savings from Medicaid expansion.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Dan Thimmesh, Health & Environment
Linda Kelly, Corrections
Karen Clowers, Legislative Services
Glenda Haverkamp, Insurance
Jackie Aubert, Children & Families