

# HEALTH CARE STABILIZATION FUND BOARD OF GOVERNORS

## FY 2021 – FY 2023 BUDGET ANALYSIS

FIGURE 1  
**BUDGET OVERVIEW, FY 2021 – FY 2023**

	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
<b>Operating Expenditures:</b>					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	128	-	-	-	-
All Other Funds	27,781,290	36,608,272	36,608,272	37,004,697	37,004,697
<i>Subtotal</i>	<u>\$ 27,781,418</u>	<u>\$ 36,608,272</u>	<u>\$ 36,608,272</u>	<u>\$ 37,004,697</u>	<u>\$ 37,004,697</u>
<b>Capital Improvements:</b>					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	-	-	-	-	-
<i>Subtotal</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL</b>	<u><b>\$ 27,781,418</b></u>	<u><b>\$ 36,608,272</b></u>	<u><b>\$ 36,608,272</b></u>	<u><b>\$ 37,004,697</b></u>	<u><b>\$ 37,004,697</b></u>
<b>Percentage Change:</b>					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	(20.2) %	31.8 %	31.8 %	1.1 %	1.1 %
FTE Positions	21.0	21.0	21.0	21.0	21.0

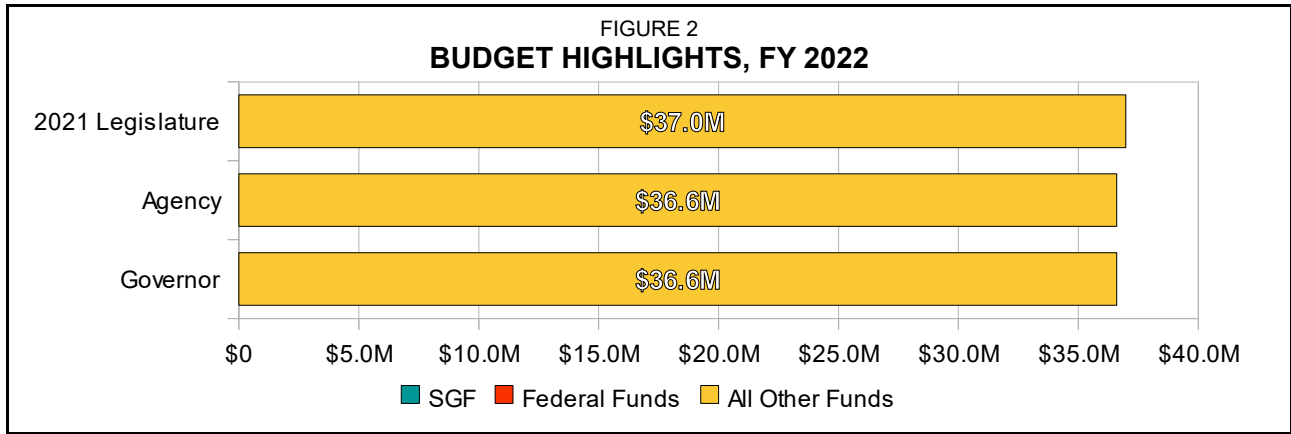
For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

The mission of the Health Care Stabilization Fund Board of Governors is to administer the Health Care Provider Insurance Availability Act in accordance with the duties and responsibilities set out in the Act. The principal goals are: (1) to assure that Kansas health care providers have access to adequate professional liability coverage, (2) to stabilize the medical professional liability insurance market for Kansas health care providers, and (3) to assure that sufficient assets are reserved to adequately fund accrued Health Care Stabilization Fund (HCSF) liabilities.

The Health Care Provider Insurance Availability Act (KSA 40-3401, *et seq.*) was enacted July 1, 1976. The original Act delegated responsibility for compliance activities and administration of the HCSF to the Commissioner of Insurance, whereas amendments enacted by the 1994 and 1995 Legislatures transferred those responsibilities to the HCSF Board of Governors. The Commissioner of Insurance appoints the 11 members of the Board of Governors.

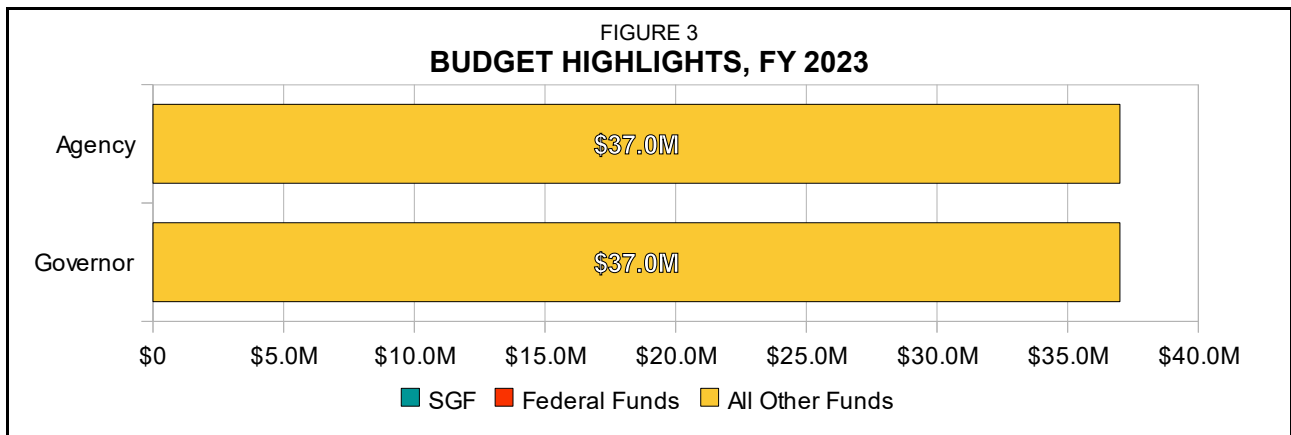
### EXECUTIVE SUMMARY

The 2021 Legislature approved a budget of \$37.0 million, all from special revenue funds, for the Health Care Stabilization Fund Board of Governors for FY 2022. No adjustments have been made subsequently to that approved amount.



The **agency** requests a revised estimate of \$36.6 million, all from special revenue funds, for expenditures in FY 2022. This is \$370,025, or 1.0 percent, below the FY 2022 approved amount. There are increased expenditures in salaries and wages of \$29,992, or 1.6 percent, and commodities of \$5,000, or 15.2 percent, above the FY 2022 approved amount. These are offset by decreased expenditures in contractual services of \$405,017, or 6.4 percent, below the FY 2022 approved amount. These changes are attributable to decreased expenditures on attorney fees, expert witness fees, deposition costs such as court reporter fees, and similar defense costs directly related to claims and lawsuits against health care providers. The **agency** estimate also includes 21.0 FTE positions, which is the same as the approved number.

The **Governor** concurs with the agency's FY 2022 revised estimate.



The **agency** requests an estimate of \$37.0 million, all from special revenue funds, for expenditures for FY 2023. This is an increase of \$396,425, or 1.1 percent, above the FY 2022 revised estimate. The request includes increased expenditures in salaries and wages of \$43,639, or 2.3 percent, and an increase in contractual services of \$72,759, or 1.2 percent, above the FY 2022 revised estimate. The request includes decreased expenditures in commodities of \$4,980, or 13.2 percent, and in capital outlay of \$1,500, or 2.4 percent, below the FY 2022 revised estimate. Additionally, the request includes an increase in other assistance of \$286,507, or 1.0 percent, above the FY 2022 revised estimate, for estimated expenditures related to court-approved settlement agreements or jury awards. The **agency** request also includes includes 21.0 FTE positions, which is the same FY 2022 revised estimate.

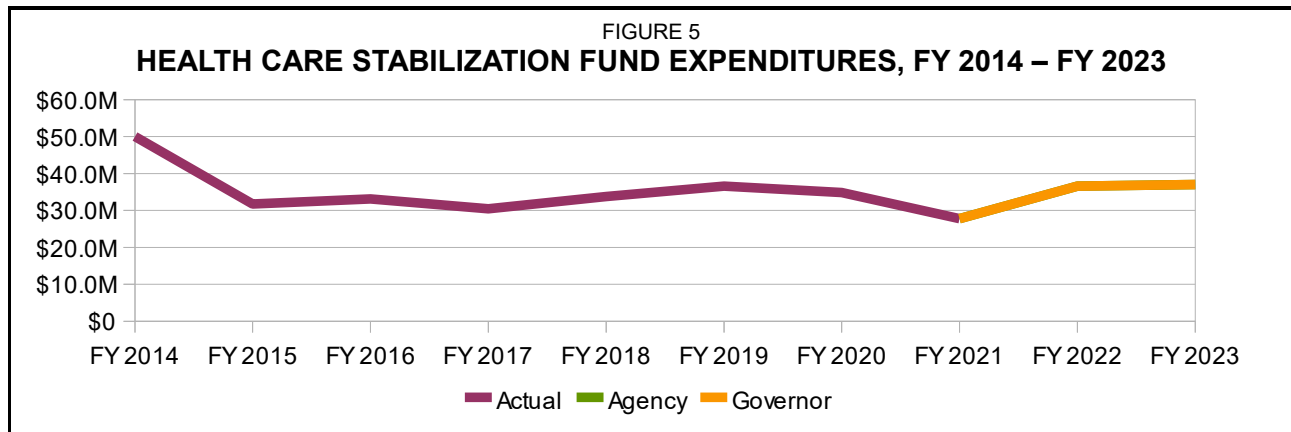
The **Governor** concurs with the agency's FY 2023 request.

## EXPENDITURES AND FINANCING

FIGURE 4  
**BUDGET SUMMARY BY CATEGORY OF EXPENDITURE, FY 2021 – FY 2023**

Category of Expenditure:	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Salaries and Wages	\$ 1,837,337	\$ 1,909,068	\$ 1,909,068	\$ 1,952,707	\$ 1,952,707
Contractual Services	4,462,330	5,948,952	5,948,952	6,021,711	6,021,711
Commodities	3,388	37,837	37,837	32,857	32,857
Capital Outlay	25,066	61,720	61,720	60,220	60,220
Debt Service Interest	-	-	-	-	-
<i>Subtotal</i>	<u>\$ 6,328,121</u>	<u>\$ 7,957,577</u>	<u>\$ 7,957,577</u>	<u>\$ 8,067,495</u>	<u>\$ 8,067,495</u>
Aid to Local Units	-	-	-	-	-
Other Assistance	21,453,297	28,650,695	28,650,695	28,937,202	28,937,202
<i>Subtotal—Operating</i>	<u>\$ 27,781,418</u>	<u>\$ 36,608,272</u>	<u>\$ 36,608,272</u>	<u>\$ 37,004,697</u>	<u>\$ 37,004,697</u>
Capital Improvements	-	-	-	-	-
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
<b>TOTAL</b>	<u><b>\$ 27,781,418</b></u>	<u><b>\$ 36,608,272</b></u>	<u><b>\$ 36,608,272</b></u>	<u><b>\$ 37,004,697</b></u>	<u><b>\$ 37,004,697</b></u>
<b>Financing:</b>					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Health Care	27,780,790	36,596,272	36,596,272	36,992,697	36,992,697
Stabilization Fund					
Conference Fee Fund	500	12,000	12,000	12,000	12,000
Federal Funds	128	-	-	-	-
All Other Funds	-	-	-	-	-
<b>TOTAL</b>	<u><b>\$ 27,781,418</b></u>	<u><b>\$ 36,608,272</b></u>	<u><b>\$ 36,608,272</b></u>	<u><b>\$ 37,004,697</b></u>	<u><b>\$ 37,004,697</b></u>
FTE Positions	21.0	21.0	21.0	21.0	21.0

## HEALTH CARE STABILIZATION FUND

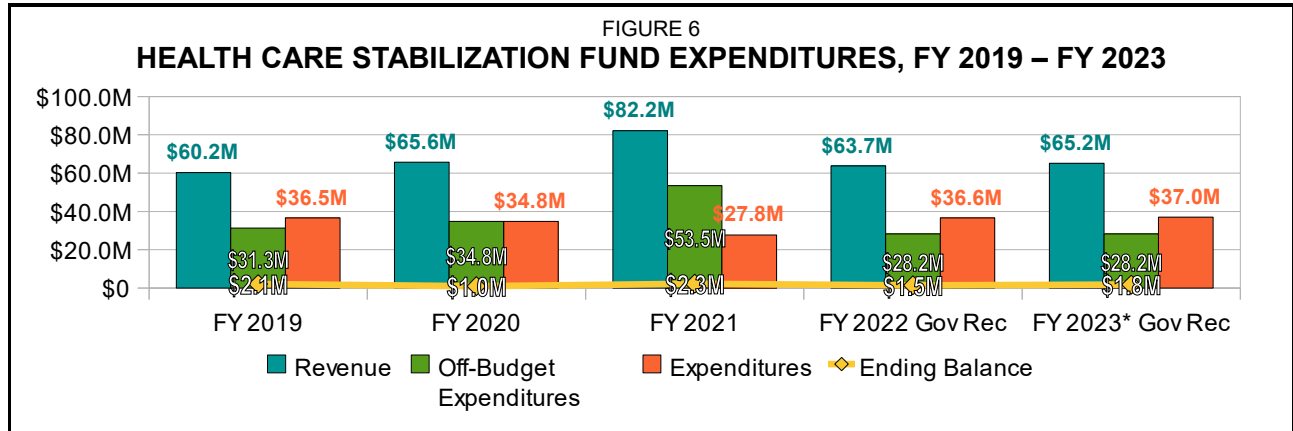


The Health Care Stabilization Fund was created by KSA 40-3403 as part of the Health Care Provider Insurance Availability Act, which stipulates that the Fund shall be held in trust in the State Treasury. The principal source of revenue is the premium surcharge assessed on each health care provider licensed to render professional services in Kansas. Premium surcharge rates are determined by the Board of Governors.

Each year, the Board of Governors is required to evaluate the actuarial analysis of accrued liabilities and determine appropriate surcharges to assure sufficient assets are available to fund the accrued liabilities. The Board of Governors decided to reduce surcharge rates effective January 2022.

Reimbursements to the Fund from the State of Kansas for claims paid on behalf of residents in training and full-time physician faculty at the University of Kansas Medical Center resumed in FY 2014. Estimates for these reimbursements are based on analysis of the most recent ten-year loss experience of the State self-insurance program. In addition, there are transfers from the Private Practice Foundation Reserve Fund that amount to \$500,000 per fiscal year.

### HEALTH CARE STABILIZATION FUND



\* For FY 2023, the lowest month ending balance for the Health Care Stabilization Fund will occur in September, with a balance of \$1.0 million.

The Health Care Stabilization Fund Board of Governors employs a conservative, laddered investment strategy. Reserves are invested by the Pooled Money Investment Board on behalf of the Board of Governors. As a result, there are maturities throughout the year. If a maturity occurs near the end of the month, there will be a higher ending balance at the conclusion of that particular month.

The Board's Chief Attorney maintains a contemporary accounting of settlements and jury awards that have been approved by the courts. This includes scheduled future payments attributable to settlements and jury awards in prior fiscal years. The agency indicates it is imperative that sufficient, unencumbered cash balances be maintained in order to promptly pay these statutory Fund liabilities. Consequently, the ending balance is often a reflection of pending claim payments at the conclusion of a particular month.

## FY 2022 ANALYSIS

FIGURE 7  
**SUMMARY OF BUDGET REQUEST, FY 2022**

	SGF	Special Revenue Funds	All Funds	FTE
<b>Legislative Approved:</b>				
Amount Approved by 2021 Legislature	\$ -	\$ 36,978,297	\$ 36,978,297	21.0
1. No Changes	-	-	-	-
<i>Subtotal—Legislative Approved</i>	\$ -	\$ 36,978,297	\$ 36,978,297	21.0
<b>Agency Revised Estimate:</b>				
2. All Other Adjustments	-	(370,025)	(370,025)	-
<i>Subtotal—Agency Revised Estimate</i>	\$ -	\$ 36,608,272	\$ 36,608,272	21.0
<b>Governor's Recommendation:</b>				
3. No Changes	-	-	-	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 36,608,272</b>	<b>\$ 36,608,272</b>	<b>21.0</b>

### LEGISLATIVE APPROVED

Subsequent to the 2021 Session, no adjustments were made to the \$37.0 million appropriated to the Health Care Stabilization Fund Board of Governors for FY 2022.

1. **NO CHANGES.** Subsequent to the 2021 Session, no adjustments were made to the \$37.0 million appropriated to the Health Care Stabilization Fund Board of Governors for FY 2022.

### AGENCY ESTIMATE

The **agency** requests a revised estimate of \$36.6 million, all from special revenue funds, for expenditures in FY 2022. This is \$370,025, or 1.0 percent, below the FY 2022 approved amount.

The **agency** estimate also includes includes 21.0 FTE positions, which is the same as the approved number.

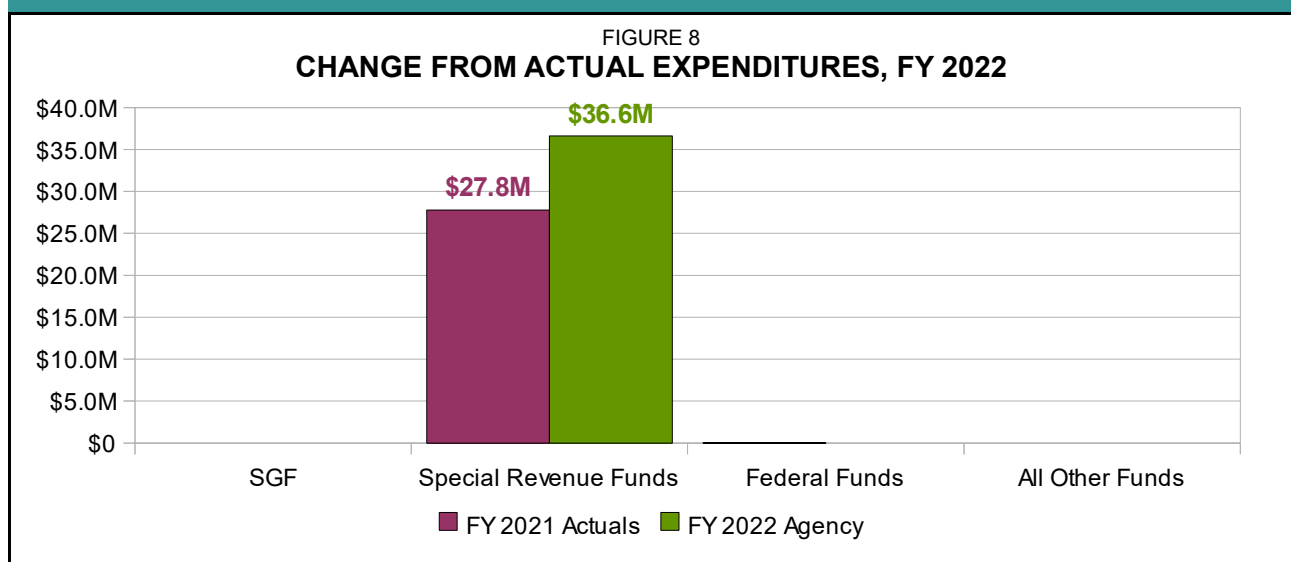
2. **ALL OTHER ADJUSTMENTS.** The agency made adjustments to expenditures in salaries and wages of \$29,992, or 1.6 percent, and commodities of \$5,000, or 15.2 percent, above the FY 2022 approved amount. The request includes decreased expenditures in contractual services of \$405,017, or 6.4 percent, below the FY 2022 approved amount. These changes are attributable to decreased expenditures on attorney fees, expert witness fees, deposition costs such as court reporter fees, and similar defense costs directly related to claims and lawsuits against health care providers.

### GOVERNOR'S RECOMMENDATION

The **Governor** concurs with the agency's FY 2022 revised estimate.

3. **NO CHANGES.** The Governor recommended no changes to the agency's FY 2022 revised estimate.

## FY 2022 CHANGE FROM ACTUAL EXPENDITURES



The agency estimates revised expenditures of \$36.6 million, all from special revenue funds, in FY 2022. This is an increase of \$8.8 million, or 31.8 percent, above the FY 2021 actual expenditures. There are increases to all categories of expenditure, including salaries and wages expenditures of \$71,731, or 3.9 percent; contractual services of \$1.5 million, or 33.3 percent; commodities of \$34,449, or 1,016.8 percent; capital outlay of \$36,654, or 146.2 percent; and other assistance expenditures of \$7.2 million, or 33.5 percent, above the FY 2021 actual expenditure amounts.

The increase is primarily attributable to the effects of the COVID-19 pandemic on the courts in FY 2021. These increased expenditures are related to attorney fees, expert witness fees, deposition costs such as court reporter fees, and similar defense costs directly related to claims and lawsuits against health care providers along with anticipated court-approved settlement agreements or jury awards. The increase in commodities is due to expenditures for the annual Defense Counsel Seminar, which was canceled in FY 2020 and FY 2021 due to the COVID-19 pandemic.

## FY 2023 ANALYSIS

FIGURE 9  
**SUMMARY OF BUDGET REQUEST, FY 2023**

	SGF	Special Revenue Funds	All Funds	FTE
<b>Agency Revised Estimate, FY 2022</b>	\$ -	\$ 36,608,272	\$ 36,608,272	21.0
<b>Agency Request:</b>				
1. All Other Adjustments	-	396,425	396,425	-
<i>Subtotal—Agency Request</i>	<u>\$ -</u>	<u>\$ 37,004,697</u>	<u>\$ 37,004,697</u>	<u>21.0</u>
<b>Governor's Recommendation:</b>				
2. No Changes	-	-	-	-
<b>TOTAL</b>	<u><u>\$ -</u></u>	<u><u>\$ 37,004,697</u></u>	<u><u>\$ 37,004,697</u></u>	<u><u>21.0</u></u>

### AGENCY REQUEST

The **agency** requests an estimate of \$37.0 million, all from special revenue funds, for expenditures for FY 2023. This is an increase of \$396,425, or 1.1 percent, above the FY 2022 revised estimate.

The **agency** estimate also includes includes 21.0 FTE positions, which is the same as the FY 2022 revised estimate.

- 1. ALL OTHER ADJUSTMENTS.** The agency made other adjustments to salaries and wages of \$43,639, or 2.3 percent, and an increase in contractual services of \$72,759, or 1.2 percent, above the FY 2022 revised estimate. The request includes decreased expenditures in commodities of \$4,980, or 13.2 percent, and capital outlay of \$1,500, or 2.4 percent, below the FY 2022 revised estimate. Additionally, the request includes an increase in other assistance of \$286,507, or 1.0 percent, above the FY 2022 revised estimate. The increase primarily is due to expenditures related to court-approved settlement agreements or jury awards.

### GOVERNOR'S RECOMMENDATION

The **Governor** concurs with the agency's FY 2023 request.

- 2. NO CHANGES.** The Governor recommended no changes to the agency's FY 2023 request.

## PROGRAM AND PERFORMANCE MEASURES OVERVIEW

FIGURE 10  
**EXPENDITURES AND FTE POSITIONS BY PROGRAM, FY 2021 – FY 2023**

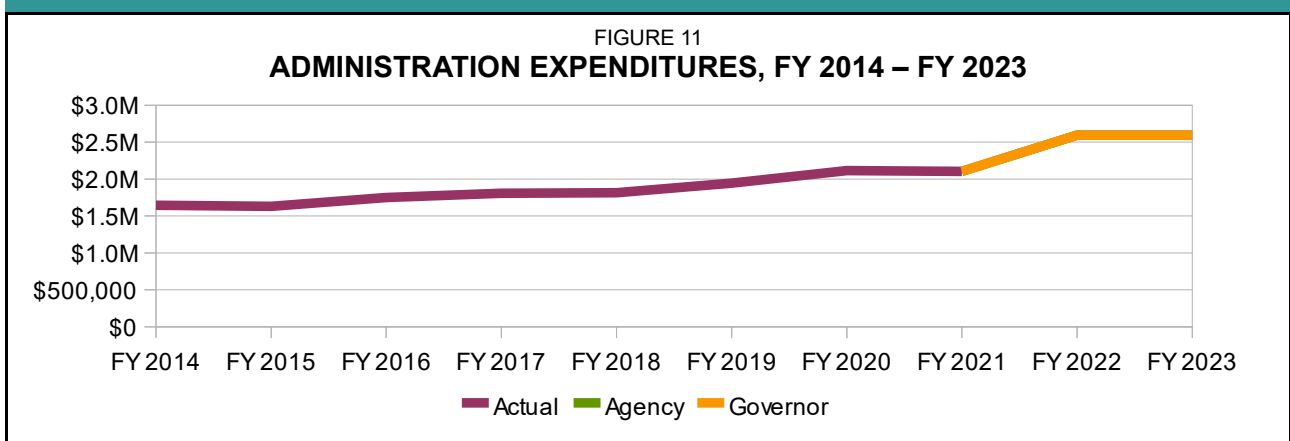
Programs	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
<b>Expenditures:</b>					
Administration	\$ 2,104,043	\$ 2,593,968	\$ 2,593,968	\$ 2,596,307	\$ 2,596,307
Claims and Expenses	25,677,375	34,014,304	34,014,304	34,408,390	34,408,390
<b>TOTAL</b>	<b>\$ 27,781,418</b>	<b>\$ 36,608,272</b>	<b>\$ 36,608,272</b>	<b>\$ 37,004,697</b>	<b>\$ 37,004,697</b>
<b>FTE Positions:</b>					
Administration	21.0	21.0	21.0	21.0	21.0
Claims and Expenses	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>21.0</b>	<b>21.0</b>	<b>21.0</b>	<b>21.0</b>	<b>21.0</b>

### PERFORMANCE MEASURES

The 2016 Legislature passed HB 2739, which outlined a three-year process for state agencies to develop and implement a system of performance budgeting using outcome measures to evaluate program effectiveness.



# ADMINISTRATION



**STATUTORY BASIS:** • KSA 40-3402

**PROGRAM GOALS:** • To assure that all health care providers as defined in KSA 40-3401 maintain adequate professional liability coverage as required by KSA 40-3402.

The Administration program is responsible for agency operations at the Health Care Stabilization Fund Board of Governors. The program includes the Board of Governors and the Executive Director, as well as the Legal, Compliance, and Administrative Support departments. The expenditures of the Administration program have traditionally been subject to an expenditure limitation, as opposed to those of the Claims program, which do not

have an expenditure limit. The agency has transitioned to a new program structure, and indicates that in future years the current Administration and Claims programs will be reflected as the Medical Professional Liability Coverage Program and the Medical Professional Liability Adjudication Program, with an Administrative Support Subprogram in each program.

FIGURE 12  
**ADMINISTRATION, PERFORMANCE MEASURES**

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
<b>Outcome Measure:</b>					
1. Number of Insurance Companies offering PLI** to KS health care providers.*	32	23	32.7	35	N/A
2. Number of health care providers as of July 1 of fiscal year*	14,741	15,474	15,402	17,013	N/A
3. Net surcharge revenue collected (in millions)*	\$ 28.7	\$ 35.0	\$ 30.5	N/A	N/A
4. Number of health care providers in compliance July 1	15,992	14,741	15,402	15,474	15,474
<b>Financing</b>	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	128		-	-
All Other Funds	2,116,109	2,103,915		2,593,968	2,596,307
<b>TOTAL</b>	<u>\$ 2,116,109</u>	<u>\$ 2,104,043</u>		<u>\$ 2,593,968</u>	<u>\$ 2,596,307</u>
<b>Percentage Change:</b>					
SGF	-- %	-- %		-- %	-- %
All Funds	8.7 %	(0.6) %		23.3 %	0.1 %
FTE Positions	21.0	21.0		21.0	21.0

\* The Governor's Office does not utilize this measure for evaluation purposes.

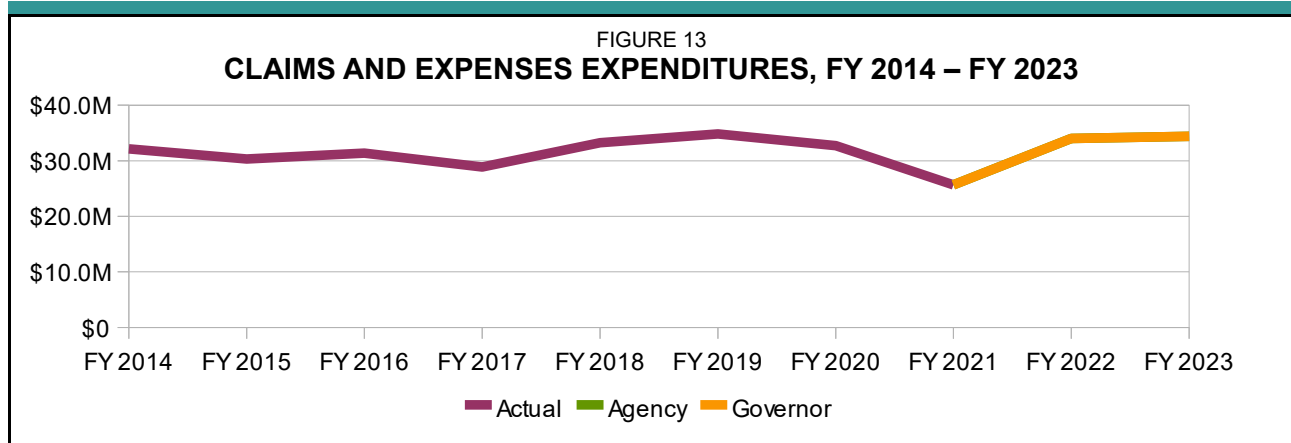
\*\* Professional liability coverage

### BUDGET ANALYSIS

The **agency** requests Administration program expenditures of \$2.6 million, all from special revenue funds, for FY 2023. This is an increase of \$2,339, or 0.1 percent, above the FY 2022 revised estimate.

The **Governor** concurs with the agency's request for FY 2023.

## CLAIMS AND EXPENSES



**STATUTORY BASIS:** • KSA 40-3403

- PROGRAM GOALS:**
- Assure appropriate representation and advocacy in the event of a claim against a health care provider.
  - In the event the courts determine that an injured patient should be compensated, assure the appropriate compensation is provided in a timely manner.

The Claims and Expenses program was instituted as a separate program in FY 2010 as the portion of the Fund responsible for the payment of court-approved claims, attorneys' fees, and other expenditures associated with claims activity. Historically, expenditures for the

payment of claims have been treated as no limit by the Legislature. "No limit" means that although the Claims program operates within a budget, it does not have an appropriated limit on its expenditures. The program does not have any FTE positions.

FIGURE 14  
**CLAIMS AND EXPENSES, PERFORMANCE MEASURES**

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
<b>Outcome Measure:</b>					
1. Number of claims closed*	524	421	498	-	-
2. Number of cases closed	549	524	-	524	524
3. Number of claims opened	597	586	-	586	586
4. Expenditures (claim payments for settlements and awards) (in millions)*	\$ 27.7	\$ 21.5	\$ 26.0	\$ 28.7	\$ 28.9
<b>Financing</b>	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	32,703,373	25,677,375		34,014,304	34,408,390
<b>TOTAL</b>	<u>32,703,373</u>	<u>25,677,375</u>		<u>34,014,304</u>	<u>34,408,390</u>
<b>Percentage Change:</b>					
SGF	-- %	-- %		-- %	-- %
All Funds	(6.1) %	(21.5) %		32.5 %	1.2 %
FTE Positions	--	--		--	--

\*The Governor's Office does not utilize this measure for evaluation purposes.

## BUDGET ANALYSIS

The **agency** requests Claims and Expenses program expenditures of \$34.4 million, all from special revenue funds, for FY 2023. This is an increase of \$34,086, or 1.2 percent, above the FY 2022 revised estimate. The increase is primarily related to expenditures for court-

approved settlement agreements or jury awards.

The **Governor** concurs with the agency's request for FY 2023.