

## MEMORANDUM

TO: Legislative Coordinating Council and Governor Laura Kelly

FROM: Division of the Budget and Kansas Legislative Research Department

DATE: April 25, 2024

SUBJECT: Spring 2024 Human Services Consensus Caseload Estimates for FY 2024 and FY 2025

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 Kansas Legislative Research Department (Consensus Group) met on April 17, 2024, to revise the estimates on human services consensus caseload expenditures for FY 2024 and FY 2025. The caseload estimates include expenditures for Temporary Assistance for Needy Families cash assistance, the state's Foster Care program, KanCare Regular Medical Assistance, and KDADS Non-KanCare. A chart summarizing the estimates for FY 2024 and FY 2025 is included at the end of this memorandum.

The starting point for the April 2024 estimates was the budget approved by the 2024 Legislature for FY 2024 and FY 2025, as represented in SB 28. The estimate for FY 2024 is an increase of \$30.2 million from all funding sources, and a SGF increase of \$19.6 million, compared to the FY 2024 approved amount. The estimate for FY 2025 is an increase of \$121.7 million from all funding sources and a SGF increase of \$79.0 million as compared to the FY 2025 approved amount. **The combined estimate for FY 2024 and FY 2025 is an all funds increase of \$151.9 million, and a SGF increase of \$98.6 million, from the approved amount.**

KanCare is administered by KDHE through financial management and contract oversight, including contracts for regular medical services. KDADS administers the Medicaid Home and Community-Based Services waiver programs, long-term care services, mental health and substance abuse services, and the state hospitals. In addition, the Department of Corrections (DOC) administers the part of KanCare related to youth in custody. The DOC KanCare expenditures have been included in the KDHE budget since FY 2018. Throughout this memorandum, KanCare Medical estimates include all Medical KanCare expenditures for all agencies.

## **FY 2024**

For FY 2024, the revised estimate for all human service consensus caseloads is \$4.997 billion from all funding sources, including \$1.488 billion SGF. This is an all funds increase of \$30.2 million, including a SGF increase of \$19.6 million, from the budget approved by the 2024 Legislature.

### ***Temporary Assistance for Needy Families***

The FY 2024 revised estimate for the Temporary Assistance for Needy Families (TANF) program is \$9.7 million, all from federal funds, which is an increase of \$450,000 above the amount approved by the 2024 Legislature. This increase is due to the Department for Children and Families addressing a backlog of cases from FY 2023; and an uptick in cases through the summer months that occurred sooner and lasted longer than previously projected.

### ***Foster Care***

FY 2024 revised estimate for the Foster Care program is \$300.9 million, including \$211.0 million SGF. The estimate is an increase of \$928,600, including \$4.9 million SGF above the FY 2024 approved budget. The projected number of children in foster care is slightly lower than the previous year; however, some children are requiring a higher level of care than traditional foster care which increases the cost. The increase is also attributable to a one-time payment to provide startup costs for the newest Child Welfare Case Management provider (CWCMP). Lastly, the implementation of the new, relative licensing policy is delayed. This delay results in reduced federal fund claiming and an increase in the need for SGF dollars. The program is currently expected to start in May.

### ***KanCare Medical***

The FY 2024 estimate for KanCare Medical is \$4.567 billion from all funding sources, including \$1.217 billion SGF. This an increase of \$26.0 million from all funding sources, including an increase of \$14.5 million SGF, from the amount approved by the 2024 Legislature. The KanCare Medical estimate includes medical expenditures for KDHE and, primarily, mental health and long-term care expenditures for KDADS.

The KanCare Medical all funds increase is primarily due to an increase of \$26.3 million, including \$10.2 million from the SGF for a rebase of rates for the first nine Certified Community Behavioral Health Clinics (CCBHCs). The initial rates for the nine CCBHCs were based on projected costs, while the rebased rates are based on actual costs. There was also an increase seen in the overall capitation payments to the Managed Care Organizations (MCOs) due to midyear rate adjustments. Additionally, there was a slight increase from the fall estimate in the disproportionate share for general and state hospitals. The increase is partially offset by larger than anticipated Pay for Performance recoupments.

### ***End of the 6.2% FMAP increase and Public Health Emergency***

The Families First Coronavirus Response Act (FFCRA) provided a temporary 6.2 percentage point increase to the FMAP beginning on January 1, 2020. The 6.2 percent increase

was originally intended to last the duration of the federal public health emergency (PHE) associated with the COVID-19 pandemic; however, the federal Omnibus bill, signed into law in December 2022, uncoupled the 6.2 percent increase from the PHE. The same legislation created a phase-down approach to phase out the 6.2 percent increase by the end of calendar year 2023. With this approach, quarter one of calendar year 2023 included a 6.2 percent increase; quarter two included a 5.0 percent increase; quarter three included a 2.5 percent increase; and quarter four included a 1.5 percent increase. Since January 2024 there has not been an enhanced FMAP associated with the COVID-19 pandemic.

With the phase-down approach, the FMAP for state fiscal year (SFY) 2024 is 61.67, which is an increase of 1.0 percent above the SFY 2024 base FMAP of 60.67. This included an increase of 2.5 percent in quarter one and an increase of 1.5 percent in quarter two, above the base. The savings from the increase above the base seen in FY 2024 is \$44.9 million. KDHE has reported that the total savings derived from the enhanced FMAP between January 1, 2020, and December 2023 is \$1.004 billion, all from the SGF.

### *Medicaid Unwinding*

For the past three years, federal law has required states to keep Medicaid members enrolled for the duration of the COVID-19 public health emergency, as a condition of receiving the enhanced FMAP. During that time, KanCare did not complete annual re-determinations. Instead, each member's eligibility was retained without verifying renewal eligibility. As a result, Medicaid enrollment increased from approximately 410,000 to 540,000 members between March 2020 and April 2023.

In December 2022, the federal Omnibus bill set April 1, 2023 as the end of the continuous eligibility requirement and states were required to resume re-determinations. This process is referred to as "unwinding." Kansas began its unwinding period in March 2023 with members who had an April renewal date. The unwinding process took place over a 12 month period with final renewal notices of the unwinding period sent out in February 2024. The current member count after the unwinding process is estimated to be at approximately 365,000.

### *KDADS Non-KanCare*

The estimate for KDADS Non-KanCare is \$119.0 million, including \$60.0 million SGF. This is an increase of \$2.8 million, including \$190,000 SGF compared to the budget approved by the 2024 Legislature. The increase is due to an estimated increase in the number of nursing facility fee-for-service payments and Program of All-inclusive Care for the Elderly (PACE) population increases as the program expands into Franklin, Johnson, and Miami counties.

### **FY 2025**

The FY 2025 revised estimate for all human service consensus caseloads is \$5.355 billion, including \$1.650 billion SGF. This is an all funds increase of \$121.7 million, including an SGF increase of \$79.0 million, above the FY 2025 approved amount. The FY 2025 revised estimate is an increase of \$358.8 million, including \$162.1 million SGF, above the FY 2024 revised estimate.

### ***Temporary Assistance for Needy Families***

The FY 2025 estimate for TANF is \$9.3 million, all from federal funds, which is an increase of \$200,000, compared to the budget approved by the 2024 Legislature. Current projections show a slowing rate of decrease in TANF beneficiaries. It is anticipated that the total number of beneficiaries will reach a floor at some point.

### ***Foster Care***

The FY 2025 estimate for the Foster Care program is \$340.0 million, including \$236.6 million SGF. The estimate is an increase of \$39.1 million, and a SGF increase of \$35.7 million, compared to the budget approved by the 2024 Legislature. As anticipated and previously reported, the cost increase is primarily attributable to new contracts with the Child Welfare Case Management Providers (CWCMPs). These new contracts will pay providers prospectively rather than retrospectively; this results in an additional payment in FY 2025 that is the last, final payment on the previous contracts. Additionally, there are changes within the new contracts that result in increased costs. This includes reducing the staff caseloads from 20 to 30 cases to 12 to 15 cases and including three additional positions for each contract including an Independent Living coordinator, an IT position to collaborate with DCF's Comprehensive Child Welfare Information System, and a discharge transition position to help assist children leaving foster care.

### ***KanCare Medical***

The FY 2025 estimate for KanCare Medical is \$4.864 billion, including \$1.344 billion SGF. This is an increase of \$75.5 million, including \$41.4 million SGF, above the FY 2025 approved amount.

The all funds increase for KanCare Medical is primarily due to increases in the capitation payments to the MCOs. While the overall population estimate has decreased from the fall estimates, costs for the post-pandemic members are higher than originally anticipated. The increase is also due to policy changes that include the addition of \$7.4 million all funds for the coverage of continuous and bilevel positive airway pressure (CPAP and BiPAP) equipment and \$6.5 million all funds for diabetes devices, accessories, and supplies for members up to age 20. The CPAP and BiPAP equipment were previously offered as an alternative benefit by MCOs under a policy that has been clarified by CMS as non-allowable. The diabetes devices are related to recently clarified federal requirements that certain medical services must be provided to any child on Medicaid who meets medical need requirements. As reported in the fall, these services had previously been provided only to children on a qualifying waiver. These devices were not included in the previous estimate for the policy change. The increase also includes an additional \$54.6 million all funds for a full year of rebased rates for the first nine CCBHCs.

The SGF increase is partially due to a reduction in the revenue estimate available for caseload expenditures from the Medical Programs Fee Fund, resulting in an addition of \$16.0 million from the SGF. KDHE will need to utilize the fee fund for increases in Medicaid administrative costs related to the Kansas Modular Medicaid System. The SGF estimate also includes \$20.5 million for a full year of rebased rates for the first nine CCBHCs.

The FY 2025 estimate includes a modest decrease in the FMAP from 61.67 in FY 2024 to 61.65 in FY 2025. This change was accounted for in the fall estimates. The shift in FMAP increased the required state share by approximately 0.02 percent between FY 2024 and FY 2025.

***KDADS Non-KanCare***

The FY 2025 estimate for KDADS Non-KanCare is \$142.0 million, including \$69.0 million SGF. This is an increase of \$6.9 million, including \$1.8 million SGF, above the amount approved by the 2024 Legislature. The increase is primarily due to increased expenditures for nursing facility fee-for-service payments, revised estimates to increase PACE Medicaid rates to 90.0 percent of the amount that otherwise would have been paid if the participants were not enrolled in the PACE program, funding for an add-on payment for Nursing Facilities for Mental Health rates, and increased PACE population due to the ongoing expansion in Franklin, Johnson, and Miami counties.

**HUMAN SERVICES**  
**April 17, 2024**  
**Consensus Caseload Estimates**

		FY 2024 Approved	April Revised FY 2024	Difference from Approved	FY 2025 Approved	April Revised FY 2025	Difference from Approved
<b>DCF - Temporary Assistance to Families</b>	SGF	--	--	--	--	--	--
	AF	9,200,000	9,650,000	450,000	9,100,000	9,300,000	200,000
<b>DCF - Foster Care</b>	SGF	206,071,400	211,000,000	4,928,600	200,866,400	236,600,000	35,733,600
	AF	299,971,400	300,900,000	928,600	300,866,400	340,000,000	39,133,600
<b>KDHE - KanCare</b>	SGF	676,000,000	686,500,000	10,500,000	736,555,486	764,000,000	27,444,514
	AF	3,090,000,000	3,109,000,000	19,000,000	3,241,493,716	3,274,000,000	32,506,284
<b>KDADS - KanCare</b>	SGF	526,000,000	530,000,000	4,000,000	566,000,000	580,000,000	14,000,000
	AF	1,451,000,000	1,458,000,000	7,000,000	1,547,000,000	1,590,000,000	43,000,000
<b>KDADS - Non-KanCare</b>	SGF	59,810,000	60,000,000	190,000	67,188,000	69,000,000	1,812,000
	AF	116,187,000	119,000,000	2,813,000	135,122,000	142,000,000	6,878,000
<b>TOTALS</b>	<b>SGF</b>	<b>\$ 1,467,881,400</b>	<b>\$ 1,487,500,000</b>	<b>\$ 19,618,600</b>	<b>\$ 1,570,609,886</b>	<b>\$ 1,649,600,000</b>	<b>\$ 78,990,114</b>
	<b>AF</b>	<b>\$ 4,966,358,400</b>	<b>\$ 4,996,550,000</b>	<b>\$ 30,191,600</b>	<b>\$ 5,233,582,116</b>	<b>\$ 5,355,300,000</b>	<b>\$ 121,717,884</b>

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