

# HEALTH CARE STABILIZATION FUND BOARD OF GOVERNORS

## FY 2023 – FY 2025 BUDGET ANALYSIS

FIGURE 1  
**BUDGET OVERVIEW, FY 2023 – FY 2025**

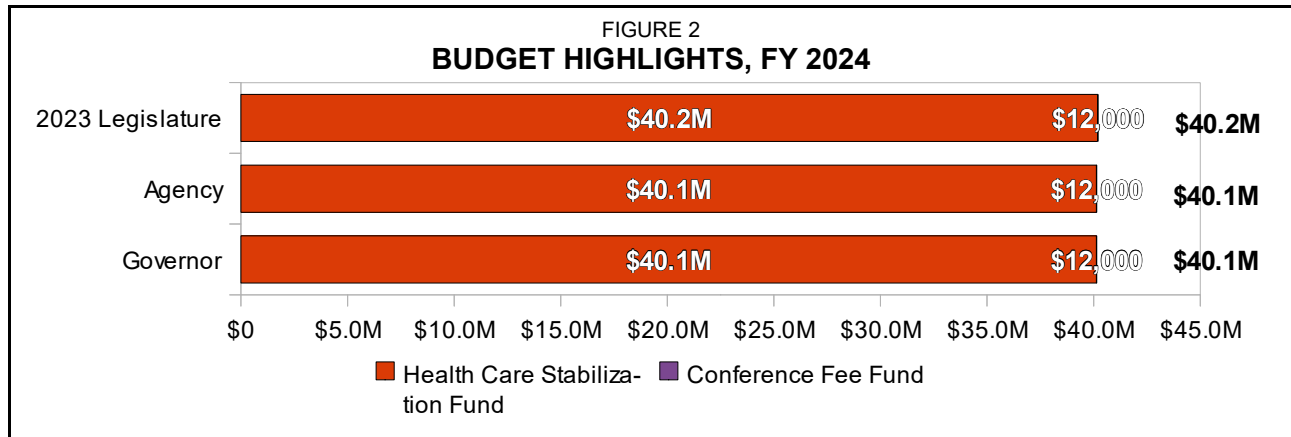
	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
<b>Operating Expenditures:</b>					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	50,722,815	40,139,980	40,139,980	49,009,411	49,009,411
<i>Subtotal</i>	<u>\$ 50,722,815</u>	<u>\$ 40,139,980</u>	<u>\$ 40,139,980</u>	<u>\$ 49,009,411</u>	<u>\$ 49,009,411</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>\$ 50,722,815</b></u>	<u><b>\$ 40,139,980</b></u>	<u><b>\$ 40,139,980</b></u>	<u><b>\$ 49,009,411</b></u>	<u><b>\$ 49,009,411</b></u>
<b>Percentage Change:</b>					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	33.3 %	(20.9) %	(20.9) %	22.1 %	22.1 %
FTE Positions	21.0	21.0	21.0	21.0	21.0

The mission of the Health Care Stabilization Fund Board of Governors (HCSF Board of Governors) is to administer the Health Care Provider Insurance Availability Act (the Act) in accordance with the duties and responsibilities set out in the Act. The Act requires that all health care providers who have an active license to render professional services in Kansas (1) purchase basic professional liability insurance with limits not less than \$500,000 per claim subject to not less than \$1,500,000 annual aggregate coverage, and (2) participate in funding the Health Care Stabilization Fund (HCSF) via assessments, also referred to as premium surcharges. The principal goals of the HCSF Board of Governors 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 HCSF liabilities. The Commissioner of Insurance appoints the eleven members of the HCSF Board of Governors.

Each year, the HCSF Board of Governors evaluates the actuarial analysis of accrued liabilities to determine appropriate surcharges to ensure sufficient assets are available to fund the accrued liabilities. The principle source of revenue for the agency is the premium surcharge assessed on each health care provider licensed to render professional services in Kansas. In addition, the initial payment of professional liability claims brought against medical residents in training and full-time physician faculty at the University of Kansas Medical Center is paid through the HCSF. The State of Kansas then reimburses the HCSF for claims paid on behalf of medical residents and physician faculty. Estimates for these reimbursements are based on analysis of the most recent ten-year loss experience of the State self-insurance program.

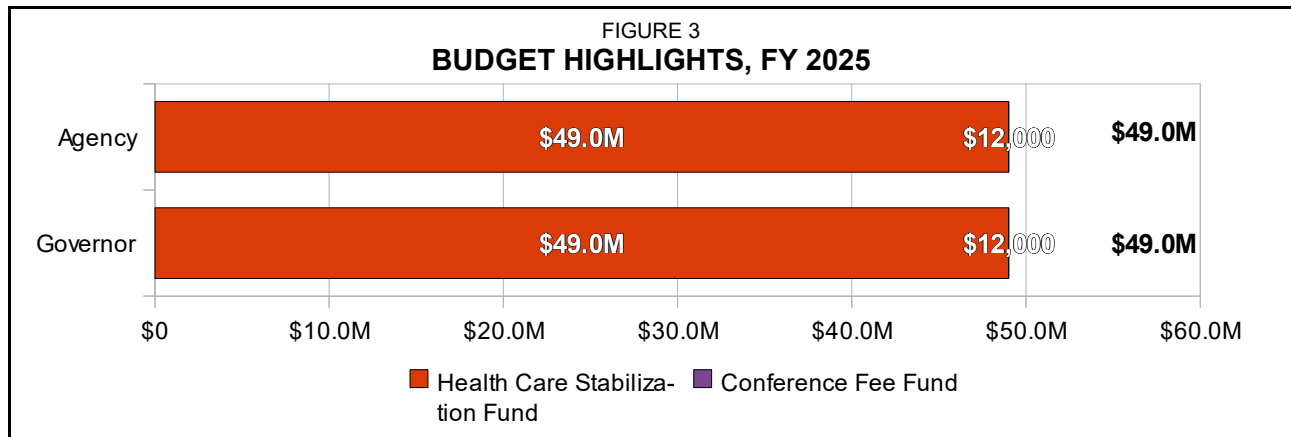
## EXECUTIVE SUMMARY

The 2023 Legislature approved a budget of \$40,197,011, all from special revenue funds, for the Health Care Stabilization Fund Board of Governors for FY 2024. No subsequent adjustments have been made to that amount.



The **agency** submits a revised budget of \$40.1 million, all from special revenue funds, in expenditures and 21.0 FTE positions in FY 2024. This is a decrease of \$57,031, or 0.1 percent, below the amount approved by the 2023 Legislature, which is primarily due to a decrease in employer contributions for fringe benefits, such as group health insurance.

The **Governor** concurs with the agency's FY 2024 revised estimate.



The **agency** requests \$49.0 million, all from special revenue funds, in expenditures and 21.0 FTE positions for FY 2025. This is an increase of \$8.9 million, or 22.1 percent, above the FY 2024 revised estimate. The increase is primarily attributable to the Medical Professional Liability Adjudication program, from which the agency pays the claims that are awarded to plaintiffs through court-approved settlements or jury awards.

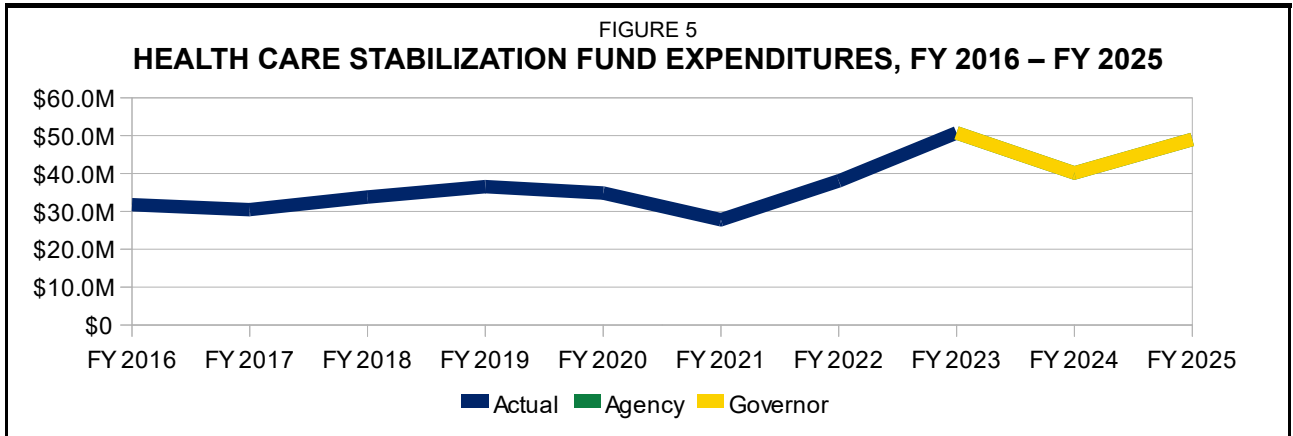
The **Governor** concurs with the agency's FY 2025 request.

## EXPENDITURES AND FINANCING

FIGURE 4  
**BUDGET SUMMARY BY CATEGORY OF EXPENDITURE, FY 2023 – FY 2025**

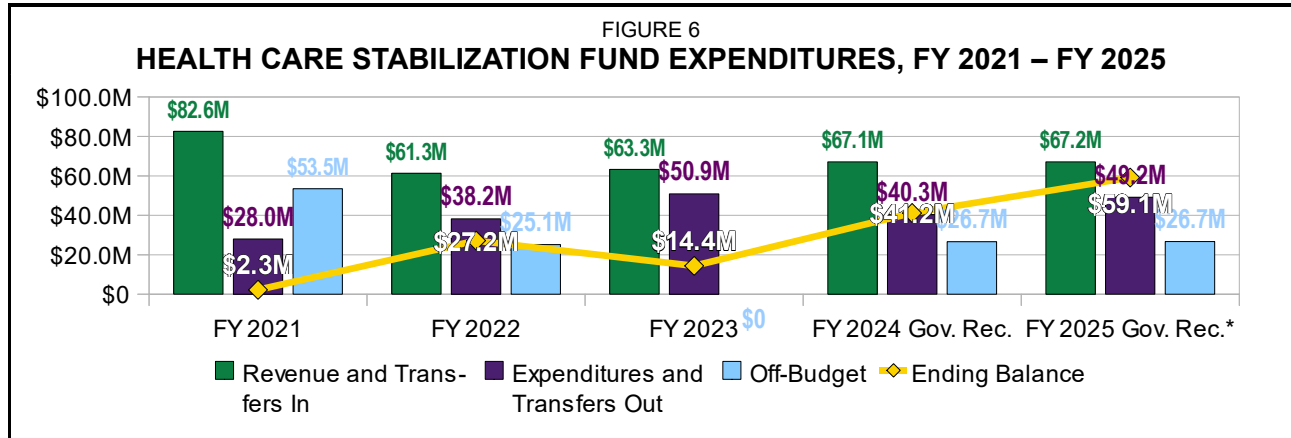
Category of Expenditure:	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Salaries and Wages	\$ 1,786,121	\$ 2,048,905	\$ 2,048,905	\$ 2,085,389	\$ 2,085,389
Contractual Services	6,905,183	6,949,025	6,949,025	6,837,347	6,837,347
Commodities	12,957	38,530	38,530	38,905	38,905
Capital Outlay	21,648	103,520	103,520	47,770	47,770
Debt Service Interest	-	-	-	-	-
<i>Subtotal</i>	<u>\$ 8,725,909</u>	<u>\$ 9,139,980</u>	<u>\$ 9,139,980</u>	<u>\$ 9,009,411</u>	<u>\$ 9,009,411</u>
Aid to Local Units	-	-	-	-	-
Other Assistance	41,996,792	31,000,000	31,000,000	40,000,000	40,000,000
<i>Subtotal—Operating</i>	<u>\$ 50,722,701</u>	<u>\$ 40,139,980</u>	<u>\$ 40,139,980</u>	<u>\$ 49,009,411</u>	<u>\$ 49,009,411</u>
Capital Improvements	114	-	-	-	-
Debt Service Principal	-	-	-	-	-
<b>TOTAL</b>	<u><b>\$ 50,722,815</b></u>	<u><b>\$ 40,139,980</b></u>	<u><b>\$ 40,139,980</b></u>	<u><b>\$ 49,009,411</b></u>	<u><b>\$ 49,009,411</b></u>
<b>Financing:</b>					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Health Care Stabilization Fund	50,722,815	40,127,980	40,127,980	48,997,411	48,997,411
Federal Funds	-	-	-	-	-
All Other Funds	-	12,000	12,000	12,000	12,000
<b>TOTAL</b>	<u><b>\$ 50,722,815</b></u>	<u><b>\$ 40,139,980</b></u>	<u><b>\$ 40,139,980</b></u>	<u><b>\$ 49,009,411</b></u>	<u><b>\$ 49,009,411</b></u>
FTE Positions	21.0	21.0	21.0	21.0	21.0

### HEALTH CARE STABILIZATION FUND



The HCSF was created by KSA 40-3403 as part of the 1976 Health Care Providers Insurance Availability Act, which stipulates that the HCSF 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 HCSF Board of Governors. The 2021 Legislature amended statutes to create two coverage level options, rather than three options. The HCSF Board of Governors chose to offer only one coverage level for health care providers of \$500,000, which resulted in reduced surcharge revenue in FY 2022. The agency notes that an actuarial study predicts a reduction in surcharge revenue for several years, along with a reduction in the liability of the HCSF.

# HEALTH CARE STABILIZATION FUND



\* For FY 2025, the lowest month ending balance for the Health Care Stabilization Fund will occur in September, with a balance of \$56.1 million.

The Health Care Stabilization Fund Board of Governors employs a conservative, ladder investment strategy. Reserves are invested by the Pooled Money Investment Board on behalf of the Board of Governors. The investment earnings are a significant source of supplemental income to the HCSF. Maturities occur throughout the year as a result of these investments. If a maturity occurs near the end of the month, there will be a higher ending balance at the conclusion of that month.

The chief attorney for the Board of Governors 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 and 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 2024 ANALYSIS

FIGURE 7

### SUMMARY OF BUDGET REQUEST, FY 2024

	SGF	All Funds	FTE
<b>Legislative Approved:</b>			
Amount Approved by 2023 Legislature	\$ -	\$ 40,197,011	21.0
1. No Changes	-	-	--
<i>Subtotal—Legislative Approved</i>	\$ -	\$ 40,197,011	--
<b>Agency Revised Estimate:</b>			
2. Salaries and Wages	\$ -	\$ (57,031)	--
<i>Subtotal—Agency Revised Estimate</i>	\$ -	\$ 40,139,980	--
<b>Governor’s Recommendation:</b>			
3. No Changes	\$ -	\$ -	--
<b>TOTAL</b>	\$ -	\$ 40,139,980	--

### LEGISLATIVE APPROVED

1. **NO CHANGE.** Subsequent to the 2023 Session, no adjustments were made to the \$40.2 million appropriated to the Health Care Stabilization Fund Board of Governors in FY 2024.

### AGENCY ESTIMATE

The **agency** requests a revised budget of \$40.1 million, all from special revenue funds, for expenditures in FY 2024. This is a decrease of \$57,031, or 0.1 percent, below the FY 2024 approved amount.

The revised estimate includes the following adjustment:

2. **SALARIES AND WAGES.** The agency made adjustments to expenditures in salaries and wages of \$57,031, or 0.1 percent, below the FY 2024 approved amount. This change is mainly attributed to a decrease in employer contributions to fringe benefits, such as group health insurance.

The **agency’s** estimate also includes 21.0 FTE positions, which is the same as the approved number of positions in FY 2024.

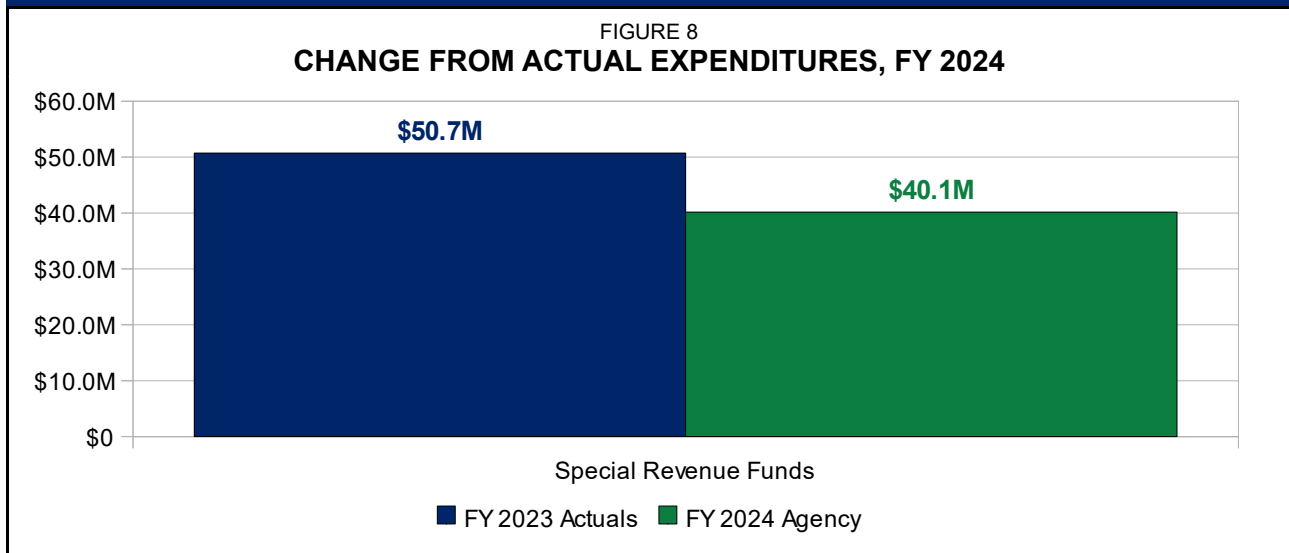
### GOVERNOR’S RECOMMENDATION

The **Governor** concurs with the agency's revised estimate of \$40.1 million, all from special revenue funds, in FY 2024.

3. **NO CHANGES.** The Governor does not recommend any changes to the agency's revised estimate of \$40.1 million in FY 2024.

The **Governor’s** recommendation also includes 21.0 FTE positions, which is the same number as the agency's FY 2024 revised estimate.

## FY 2024 CHANGE FROM ACTUAL EXPENDITURES



The **agency** estimates revised expenditures of \$40.1 million, all from special revenue funds, in FY 2024. This is a decrease of \$10.6 million, or 20.9 percent, below the FY 2023 actual expenditures. This is primarily attributable to the anticipated decrease in the total compensation awarded to injured patients through court-approved settlements or jury awards from what was awarded in FY 2023.

In determining the value of claims the agency may have to pay in any given fiscal year, the agency relies on a report prepared by the agency's Chief Counsel that examines the number of claims with HCSF obligations and the total amount of HCSF obligations for those claims. In addition, the agency also relies on observational trends, such as historical payments of claims and the rising cost of claims, to predict the total amount of claims the agency will be required to pay.

## FY 2025 ANALYSIS

FIGURE 9

### SUMMARY OF BUDGET REQUEST, FY 2025

	SGF	All Funds	FTE
<b>Agency Request:</b>			
Request without Major Changes	\$ -	\$ 40,139,980	21.0
1. Medical Malpractice Claims Payment	\$ -	9,000,000	--
2. All Other Adjustments	-	(130,569)	--
<i>Subtotal—Agency Request</i>	\$ -	\$ 49,009,411	21.0
<b>Governor’s Recommendation:</b>			
3. No Changes	\$ -	\$ -	--
<b>TOTAL</b>	\$ -	\$ 49,009,411	21.0

### AGENCY REQUEST

The **agency** requests \$49.0 million, all from special revenue funds, for expenditures for FY 2025. This is an increase of \$8.9 million, or 22.1 percent, above the agency’s FY 2024 revised request.

The request includes the following adjustments:

1. **MEDICAL MALPRACTICE CLAIMS PAYMENT.** The agency’s request includes \$40.0 million, all from special revenue funds, for payment of medical malpractice claims for FY 2025. This is an increase of \$9.0 million, or 29.0 percent, above the FY 2024 revised estimate for the payment of claims based on the previous years' expenditures.
  
2. **ALL OTHER ADJUSTMENTS.** The agency's request of additional moneys is partially offset by a decrease of \$130,569, all from special revenue funds, for all other adjustments for FY 2025. Notable adjustments include:
  - **CONTRACTUAL SERVICES.** The agency’s request includes a decrease of \$111,678, or 1.6 percent, below the FY 2024 revised request. This is primarily attributable to adjustments made within the program that oversees medical professional liability coverage. The request includes decreases of \$75,000 for information systems consulting, \$29,000 for third-party database access fees, and \$25,000 for computer software maintenance below the FY 2024 revised request.
  
  - **CAPITAL OUTLAY.** The agency’s request includes a decrease of \$77,000, or 100.0 percent, below the FY 2024 revised request for non-capital personal computer hardware and support equipment. This is partially offset by an increase of \$20,000, or 100.0 percent, above the FY 2024 revised request for information-processing equipment.
  
  - **SALARIES AND WAGES.** The agency’s request includes an increase of \$36,484, or 1.8 percent, above the FY 2024 revised estimate for salaries and wages. This is primarily due to increases in pay of regular unclassified employees and employer contributions to group health insurance.

The **agency’s** request also includes 21.0 FTE positions, which is the same as the FY 2024 revised estimate.

## **GOVERNOR'S RECOMMENDATION**

---

The **Governor** concurs with the agency's request of \$49.0 million, all from special revenue funds, for FY 2025.

3. **NO CHANGES.** The Governor does not recommend any changes to the agency's request of \$49.0 million for FY 2025.

The **Governor's** recommendation also includes 21.0 FTE positions, which is the same number of positions requested by the agency for FY 2025.

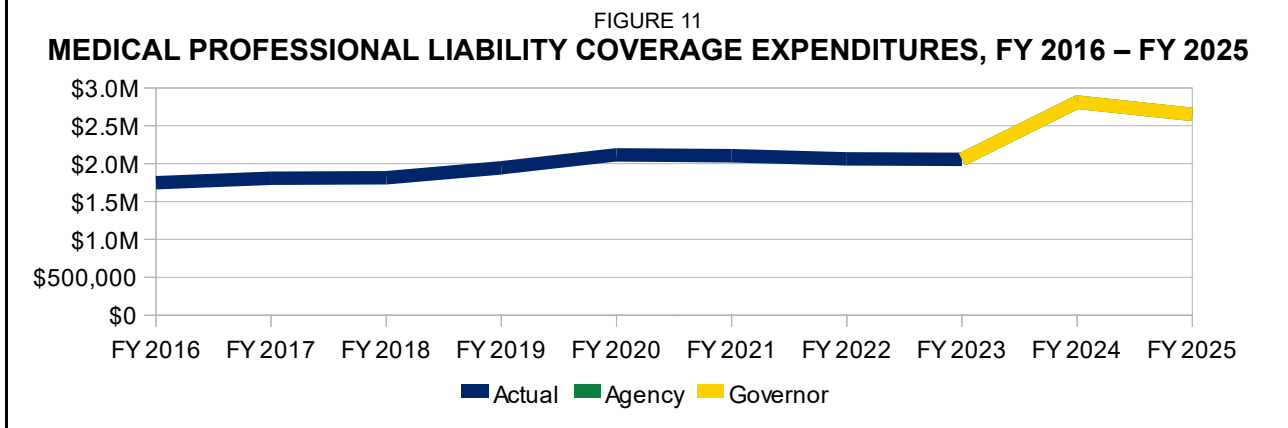


## PROGRAM OVERVIEW

FIGURE 10  
**EXPENDITURES AND FTE POSITIONS BY PROGRAM, FY 2023 – FY 2025**

Programs	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
<b>Expenditures:</b>					
Medical Professional Liability Coverage	\$ 2,057,083	\$ 2,811,880	\$ 2,811,880	\$ 2,651,411	\$ 2,651,411
Medical Professional Liability Adjudication	48,665,732	37,328,100	37,328,100	46,358,000	46,358,000
<b>TOTAL</b>	<b><u>\$ 50,722,815</u></b>	<b><u>\$ 40,139,980</u></b>	<b><u>\$ 40,139,980</u></b>	<b><u>\$ 49,009,411</u></b>	<b><u>\$ 49,009,411</u></b>
<b>FTE Positions:</b>					
Medical Professional Liability Coverage	21.0	21.0	21.0	21.0	21.0
Medical Professional Liability Adjudication	-	-	-	-	-
<b>TOTAL</b>	<b><u>21.0</u></b>	<b><u>21.0</u></b>	<b><u>21.0</u></b>	<b><u>21.0</u></b>	<b><u>21.0</u></b>

## MEDICAL PROFESSIONAL LIABILITY COVERAGE



**STATUTORY BASIS:** • KSA 40-3402

**PROGRAM GOALS:** • Assure that all health care providers have access to adequate professional liability coverage and maintain adequate professional liability coverage.

The Medical Professional Liability Coverage program is often referred to as the "compliance program," but it is not regulatory. The program provides instructions to insurers and health care providers for compliance with the statutory requirement, reviews documentation submitted by insurers and health care providers to ensure accuracy and correct payment, and assists insurers and health care providers who need help or have unusual circumstances.

This particular program was previously referred to as the "Administration program." All administrative support costs for the HCSF Board of Governors are allocated to the Medical Professional Liability Coverage program. This includes the activities of the Board of Governors, the executive staff, and the administrative support staff. Other major operating costs include office rent, actuarial and contractual services, information technology costs, and routine office supplies.

FIGURE 12  
**MEDICAL PROFESSIONAL LIABILITY COVERAGE FINANCING, FY 2023 – FY 2025**

Fund	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
SGF	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	2,057,083	2,811,880	2,811,880	2,651,411	2,651,411
<b>TOTAL</b>	<b>\$ 2,057,083</b>	<b>\$ 2,811,880</b>	<b>\$ 2,811,880</b>	<b>\$ 2,651,411</b>	<b>\$ 2,651,411</b>
<b>Percent Change:</b>					
SGF	-- %	-- %	-- %	-- %	-- %
All Funds	(0.3) %	36.7 %	-- %	(5.7) %	-- %
FTE Positions	21.0	21.0	21.0	21.0	21.0

**BUDGET ANALYSIS**

The Medical Professional Liability Coverage program is, for all intents and purposes, a compliance program. Compliance officers routinely work with health care providers and their staff, as well as insurers, to comply with the statutory professional liability insurance requirements.

More than two-thirds of the expenditures in the Medical Professional Liability Coverage program are for employees' salaries and wages. Other principle categories of expenditures that are budgeted through the program include contractual services, commodities, and capital outlay.

**FY 2024**

The **agency's** revised estimate includes expenditures of \$2.8 million, all from special revenue funds, for the Medical Professional Liability Coverage program in FY 2024. This is an increase of \$754,797, or 36.7 percent, above the FY 2023 actual expenditures.

The agency estimates increased expenditures for all categories, notably for salaries and wages and for contractual services, in FY 2024. The increase in contractual services is primarily due to information systems consulting and other computer and informational services.

The **Governor** concurs with the agency's FY 2024 revised estimate.

**FY 2025**

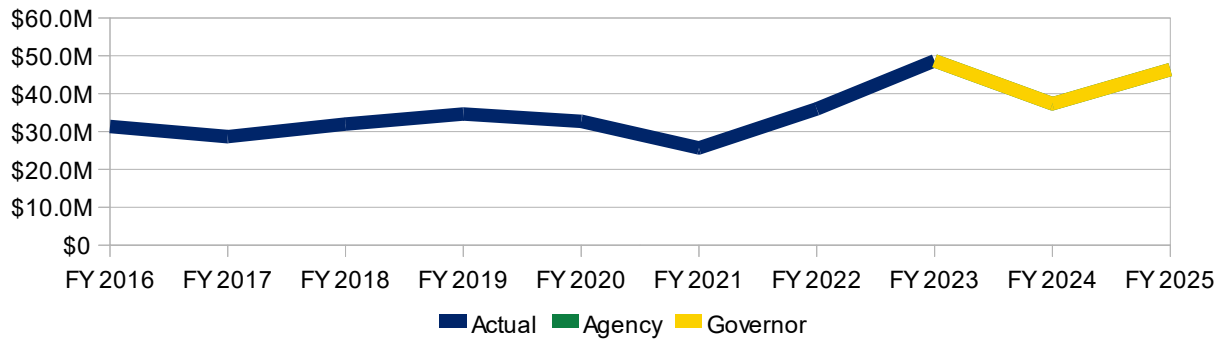
The **agency** requests expenditures of \$2.7 million, all from special revenue funds, for the Medical Professional Liability Coverage program for FY 2025. This is a decrease of \$160,469, or 5.7 percent, below the FY 2024 revised estimate. The agency estimates that the need for information systems consulting and other computer and informational services will not be as great for FY 2025.

The **Governor** concurs with the agency's FY 2025 request.

## MEDICAL PROFESSIONAL LIABILITY ADJUDICATION

FIGURE 13

### MEDICAL PROFESSIONAL LIABILITY ADJUDICATION EXPENDITURES, FY 2016 – FY 2025



**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 court system determines that an injured patient should be compensated, to assure the appropriate compensation is provided in a timely manner.

The Medical Professional Liability Adjudication program is a function of the statutory liabilities of the HCSF. It was previously referred to as the "Claims program."

This program is 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 Medical Professional Liability Adjudication program operates within a budget, it does not have an appropriated limit on its expenditures.

FIGURE 14  
**MEDICAL PROFESSIONAL LIABILITY ADJUDICATION FINANCING, FY 2023 – FY 2025**

Fund	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
SGF	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	48,665,732	37,328,100	37,328,100	46,358,000	46,358,000
<b>TOTAL</b>	<b>\$ 48,665,732</b>	<b>\$ 37,328,100</b>	<b>\$ 37,328,100</b>	<b>\$ 46,358,000</b>	<b>\$ 46,358,000</b>
<b>Percent Change:</b>					
SGF	-- %	-- %	-- %	-- %	-- %
All Funds	35.3 %	(23.3) %	-- %	24.2 %	-- %
FTE Positions	-	-	-	-	-

**PERFORMANCE AND BUDGET ANALYSIS**

The Medical Professional Liability Adjudication program is a function of the statutory liabilities of the HCSF. The agency states that it is not possible to accurately predict the cash-flow characteristics of claims due to the adjudicatory nature, and that the estimate is based on historical trends from previous years and the upward-trending average costs of claims.

The majority of expenditures in this program are for the payment of court-approved settlements for medical malpractice claims or jury awards for medical malpractice claims. A portion of expenditures are also for costs associated with litigation, such as attorney fees, deposition costs, and expert witness fees.

**FY 2024**

The **agency's** revised estimate includes expenditures of \$37.3 million, all from the HCSF, for the Medical Professional Liability Adjudication program in FY 2024. This decrease of \$11.3 million, or 23.3 percent,

below the FY 2023 actual expenditures is due to the agency's anticipation that there will not be as many court-approved settlement agreements or jury awards in FY 2024 as compared with FY 2023 due to pandemic-era cases making their way through the legal process.

The **Governor** concurs with the agency's FY 2024 revised estimate.

**FY 2025**

The **agency** requests expenditures of \$46.3 million, all from special revenue funds, for the Medical Professional Liability Adjudication program for FY 2025. This increase of \$9.0 million, or 24.2 percent, above the FY 2024 revised estimate is due entirely to other assistance that the agency anticipates expending for court-approved settlements and jury awards.

The **Governor** concurs with the agency's FY 2025 request.