

MEMORANDUM

TO: Governor Sam Brownback and Legislative Budget Committee

FROM: Kansas Division of the Budget and Kansas Legislative Research Department

DATE: April 22, 2014

SUBJECT: Consensus Caseload Estimates for FY 2014 and FY 2015

The staff from the Division of the Budget, Department for Children and Families, Department of Health and Environment, Department for Aging and Disability Services, Department of Corrections, and the Legislative Research Department met on April 16, 2014, to revise the estimates on caseload expenditures for FY 2014 and FY 2015. The caseload estimates include expenditures for KanCare medical programs, Non-KanCare programs including Nursing Facilities for Mental Health (state only) and Frail Elderly/Physical Disability Waiver Assessments, Temporary Assistance to Families, the Reintegration/Foster Care Contracts, and Out of Home Placements.

As the starting point for the current estimate, the group used the Governor's budget recommendation as adjusted by the Temporary Assistance to Needy Families portion of 2014 Senate Sub. for HB 2506. A chart summarizing the estimates for FY 2014 and FY 2015 is included at the end of this memorandum. The estimate for FY 2014 is a decrease from the Governor's budget recommendation of \$24.5 million from the State General Fund and \$17.1 million from all funding sources. The new estimate for FY 2015 is an increase of \$55.2 million from all funding sources, but a decrease of \$6.0 million from the State General Fund. **The combined decrease for all human services caseloads for both years is an all funds increase of \$38.0 million and a State General Fund decrease of \$30.4 million.**

As a part of Medicaid reform, the Governor proposed a realignment of state agencies to administer the newly integrated KanCare program through Executive Reorganization Order Number 41. The realignment, approved by the 2012 Legislature, consolidated Medicaid fiscal and contract management in the Kansas Department of Health and Environment's (KDHE) Division of Health Care Finance and program management in the Kansas Department for Aging and Disability Services (KDADS). In addition, on January 1, 2013 the state implemented its integrated care model KanCare, in which three managed care organizations began coordinating health care for nearly all Medicaid beneficiaries. The administration of KanCare within the state is accomplished by KDHE maintaining financial management and contract oversight, while KDADS administers the Medicaid Waiver programs for disability services, mental health and substance abuse services, and the State Hospitals.

FY 2014

For FY 2014, the new estimate for all human services caseloads is a decrease of \$17.1 million from all funding sources and \$24.5 million from the State General Fund. These adjustments include a decrease of \$640,598 from all funding sources for the Temporary Assistance to Families program which reflects new program policies and the expectation that the Kansas economy will continue to improve. In addition, the estimate includes a reduction of \$4.7 million from the State General Fund that reflects a reduction in the state maintenance of effort that is possible because the TANF work participation rate has been met without the need for excess maintenance of effort. The estimate for Foster Care is reduced by \$74,991 from all funding sources. However, the State General Fund is increased by \$2.9 million, which reflects a decrease in the amount of federal funding that can be claimed for the program. The new estimate for the Department of Corrections/Juvenile Services Out of Home Placements reflects fewer children in the system and estimated savings of \$2.4 million, including \$1.9 million from the State General Fund.

The FY 2014 estimate for KanCare refines expectations for the new program and reflects a decrease of \$28.7 million from all funding sources and \$26.6 million from the State General Fund. The caseload estimate for FY 2014 that was made on November 5, 2013 included State General Fund payments to the federal Centers for Medicare and Medicaid Services for previously expended federal funds that the federal government subsequently disallowed. KDHE originally projected those payments would have to be made in the current fiscal year; however, the majority of payments will not be made until FY 2015. A payment of \$2.0 million is anticipated in the current fiscal year. The shift of those expenditures from FY 2014 to FY 2015 is the main cause of the large reduction in State General Fund for FY 2014. Also included in the KanCare estimate is a funding shift to reduce expenditures from the Problem Gambling and Addictions Grant Fund by \$366,000 and increase State General Fund expenditures by the same amount. This shift was made to reflect a new, lower estimate for Expanded Lottery Act revenue. A portion of the Problem Gambling and Addictions Grant Fund finances Medicaid addiction services. Finally, a technical adjustment increased the KDHE KanCare starting point by \$500,000 from the State General Fund to add the Health Savings Account pilot program that had been included in an administration program instead of KanCare Assistance Program.

The FY 2014 estimate for KDADS Non-KanCare is an increase of \$14.7 million, including \$5.9 million from the State General Fund. In the fall estimate, Targeted Case Management Services for the developmentally disabled were included in the KanCare line item. Those services did not actually become part of KanCare until March 2014, making the increase shown here simply a technical adjustment.

FY 2015

For FY 2015, the estimate for all human services caseloads is an increase of \$55.2 million from all funding sources and a decrease of \$6.0 million from the State General Fund, as compared to the Governor's recommended budget. The estimate for the Temporary Assistance to Needy Families program is a decrease of \$2.3 million all from federal funds. As was the case for the FY 2014 estimate, the number of families receiving services is expected to decrease as economic conditions improve. The decrease in state maintenance of effort for the TANF program reflects savings of \$4.7 million from the State General Fund and was included in

2014 Senate Sub. for HB 2506. The estimate for Foster Care is increased by \$1.2 million from all funding sources, including \$4.8 million from the State General Fund, which reflects an increase in the number of children in the program and a decrease in the amount of federal funding that can be claimed for the program. The estimate for the Department of Corrections/Juvenile Services Out of Home Placements is decreased by \$2.3 million, including \$2.2 million from the State General Fund, resulting from fewer children in the program.

The total estimate for the KanCare program in all agencies in FY 2015 reflects an increase of \$55.2 million from all funding sources and a decrease of \$6.0 million from the State General Fund. The increase from all funding sources is largely due to the addition of expenditures for the implementation of Health Homes in KanCare which will provide comprehensive and intensive coordination of care for people with serious mental illness or other chronic conditions. The majority of these expenditures (90.0 percent) will be federally funded. Also added to the estimate are expenditures for the Affordable Care Act Insurers fee for managed care organizations and estimated savings resulting from the Pay for Performance provisions in the KanCare contracts. The FY 2015 estimate includes the payments for federal disallowances of \$20.9 million that were shifted from FY 2014. Also included in the estimate is a funding shift to reduce expenditures from the Problem Gambling and Addictions Grant Fund by \$408,000 and increase State General Fund expenditures by the same amount. This shift was made to reflect a new, lower estimate for Expanded Lottery Act revenue. Finally, a technical adjustment increased the KDHE KanCare starting point by \$500,000 from the State General Fund to add the Health Savings Account pilot program that had been included in an administration program instead of KanCare. This is the same as the adjustment that was made for FY 2014.

The FY 2015 estimate for KDADS Non-KanCare is an increase of \$3.2 million, including \$700,000 from the State General Fund. In FY 2015, a small portion of the Targeted Case Management Services for the developmentally disabled will continue to be paid outside of the KanCare contract and includes the reassessment of all waiver consumers in either FY 2014 or FY 2015. Those fee for service payments were not included in the prior estimate. There is also an estimated increase in payments to nursing facilities outside of KanCare.

HUMAN SERVICES
April 16, 2014
Consensus Caseloads Estimates

		<u>FY2014</u>	<u>April Revised FY</u>	<u>Difference from</u>	<u>FY2015</u>	<u>April Revised FY</u>	<u>Difference from</u>
		<u>Gov. Rec.</u>	<u>2014</u>	<u>Gov. Rec.</u>	<u>Gov. Rec. *</u>	<u>2015</u>	<u>Gov. Rec.</u>
DCF -	SCF	\$ 8,137,508	\$ 3,437,508	\$ (4,700,000)	\$ 3,437,508	\$ 3,437,508	\$ --
Temporary							
Assistance to							
Needy Families	AF	24,940,598	24,300,000	(640,598)	23,000,000	20,700,000	(2,300,000)
DCF -	SCF	67,500,000	70,400,000	2,900,000	71,500,000	76,300,000	4,800,000
Foster Care							
Contract	AF	135,374,991	135,300,000	(74,991)	141,492,207	142,700,000	1,207,793
DOC -	SCF	2,159,500	2,044,286	(115,214)	2,099,646	2,066,989	(32,657)
KanCare	AF	5,000,000	4,733,239	(266,761)	4,849,067	4,773,647	(75,420)
DOC -	SCF	21,415,555	19,500,000	(1,915,555)	21,358,643	19,200,000	(2,158,643)
Out of Home							
Placements	AF	23,191,902	20,800,000	(2,391,902)	22,970,589	20,700,000	(2,270,589)
KDHE -	SCF	685,500,000	670,700,000	(14,800,000)	722,503,600	714,000,000	(8,503,600)
KanCare	AF	1,761,665,000	1,757,000,000	(4,665,000)	1,859,410,000	1,918,000,000	58,590,000
KDADS -	SCF	232,200,000	220,500,000	(11,700,000)	266,773,075	266,000,000	(773,075)
KanCare	AF	629,000,000	605,200,000	(23,800,000)	682,197,171	679,000,000	(3,197,171)
KDADS -	SCF	16,625,556	22,500,000	5,874,444	17,300,000	18,000,000	700,000
Non-KanCare	AF	19,300,379	34,000,000	14,699,621	19,800,000	23,000,000	3,200,000
TOTALS	SGF	\$1,033,538,119	\$1,009,081,794	\$ (24,456,325)	\$1,104,972,472	\$1,099,004,497	\$ (5,967,975)
	AF	\$2,598,472,870	\$2,581,333,239	\$ (17,139,631)	\$2,753,719,034	\$2,808,873,647	\$ 55,154,613

* Includes 2014 Senate Sub. For HB 2506 (TANF portion)

SCF - State General Fund

AF - All Funds

DCF - Department for Children and Families

DOC - Department of Corrections

KDHE - Kansas Department of Health and Environment

KDADS - Kansas Department for Aging and Disability Services