

February 20, 2017

REVISED

The Honorable Carolyn McGinn, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas 66612

Dear Senator McGinn:

SUBJECT: Revised Fiscal Note for SB 38 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following revised fiscal note concerning SB 38 is respectfully submitted to your committee.

SB 38 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 8, 2018, and on or before the first day of the regular session of the Legislature each year, 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; Kansas Association for the Medically Underserved; 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. 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 would terminate the program over a 12-month period.

KDHE & DOC Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	\$485,439,443	--	\$964,712,018
Expenditure	\$26,355,642	\$511,795,082	\$57,639,526	\$1,022,351,544
FTE Pos.	--	118.00	--	118.00

The table above reflects the total fiscal effect for KDHE for the cost of newly eligible beneficiaries, savings in existing populations and increased administrative costs, as well as increased revenue from drug rebates and federal matching funds.

The expanded Medicaid eligibility in SB 38 would take effect on January 1, 2018. As a result, the fiscal effect estimates in this note are for one half of FY 2018. KDHE indicates that passage of the bill would assume costs and offsets associated with a 40.0 percent expansion from

current Medicaid member counts, and that count would grow annually. Any savings to the state would be realized through a higher Federal match rate for certain populations within Medicaid. The Department indicates that additional revenues would not fully offset the Medicaid expansion costs. KDHE estimates that the cost of care for 90,921 newly eligible beneficiaries would be \$517.7 million in FY 2018. The state share at 6.0 percent would be \$31.1 million. The cost of care for 187,373 newly eligible beneficiaries in FY 2019 would be \$1,034.2 million, including the state share at 7.0 percent of \$67.2 million. If the Affordable Care Act enhanced federal match for Medicaid expansion was not available and Kansas' regular state share of approximately 45.0 percent was required for these new beneficiaries, the additional cost to the State General Fund would be \$233.0 million in FY 2018 and \$465.4 million in FY 2019.

KDHE estimates additional revenue of \$2.6 million in FY 2018 and \$5.4 million in FY 2019 from increased drug rebates. This additional revenue would be used to meet state share requirements. The KDHE estimate does not include any additional revenue from privilege fees because under current law those fees collected for calendar year 2018 will be deposited in the State General Fund instead of the KDHE fee fund. Healthcare cost savings that would be realized for certain populations are also included in the estimate. These savings total \$14.5 million in FY 2018 and \$29.3 million in FY 2019.

KDHE states that because it cannot estimate how many of the newly eligible beneficiaries would also be eligible for the premium assistance program in SB 38 and because the provision is permissive, an estimate for a premium assistance program has not been provided. The agency does state that because new tracking systems would have to be developed and maintained for such a program, the additional administrative costs would likely be substantial.

The bill would also result in increased administrative costs. KDHE would require the addition of 115.0 FTE positions, the majority of which would be eligibility staff and support staff. This estimate is based on the current staff to beneficiary ratio and assumes a 25.0 percent increase. Salary and other operating expenditures for the added positions are estimated at \$2.3 million in FY 2018 and \$4.8 million in FY 2019. The cost of the three Medicaid support contracts, which include Hewlett Packard Enterprises (HPE), Accenture and Maximus would also increase by approximately \$12.0 million per year. Total additional administrative costs are estimated at \$8.4 million in FY 2018 and \$17.1 million in FY 2019. The state share of those administration expenditures is approximately \$4.2 million for FY 2018 and \$8.6 million for FY 2019.

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 \$2.0 million in State General Fund expenditures for these hospitalizations in FY 2018. If half of those inmates were Medicaid eligible under the provisions of SB 38, DOC would realize savings of approximately \$940,000 from the State General Fund in FY 2018 and \$930,000 in FY 2019. This estimate equates to the enhanced federal match that could be drawn down. These savings would be reduced over time as the enhanced federal match is reduced.

DOC would, however, have increased administrative costs that would reduce the savings. DOC would need additional FTE positions to determine eligibility and process claims. The current estimate for increased administration is \$300,000, which will include \$150,000 from the State General Fund and 3.00 additional FTE positions. The table above reflects new revenues and expenditures for both KDHE and DOC.

DCF Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	--	--	--
Expenditure	\$1,044,057	\$1,044,057	\$4,492,017	\$4,492,017
FTE Pos.	--	29.00	--	64.00

The Department for Children and Families (DCF) states that SB 38 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 January 2019. The grant was awarded based on an established caseload. Referrals resulting from SB 38 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 2018 and 3,026 in FY 2019. These estimates equate to 10.0 percent of newly eligible adults. Assistance costs for these new participants are estimated at \$140,098 in FY 2018 and \$649,013 in FY 2019. Also to meet the needs of the increased caseload DCF would require 29.00 additional FTE positions in FY 2018 and 64.00 additional FTE positions in FY 2019. Salaries, benefits, and other operating costs to support the additional FTE are estimates at \$903,959 in FY 2018 and \$3,843,004 in FY 2019. Therefore, the total estimated fiscal effect for DCF would be \$1,044,057 (\$140,098 + \$903,959) in FY 2018 and \$4,492,017 (\$649,013 + \$3,843,004) in FY 2019. These costs are included in the table above.

Kansas Legislative Services estimates that legislative compensation, subsistence and travel costs would total \$6,756 from the State General Fund for both FY 2018 and FY 2019 for the legislative working group. The Department of Commerce states that it anticipates no fiscal effect for the agency from SB 38. Finally, Medicaid expansion would increase privilege fees paid to the Kansas Insurance Department and deposited in the State General Fund in FY 2019 by approximately \$20.7 million. The table below reflects the total estimated fiscal effect of this bill. Any fiscal effect associated with SB 38 is not reflected in *The FY 2018 Governor's Budget Report*.

The Honorable Carolyn McGinn, Chairperson

February 20, 2017

Page 5—SB 38

Total Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	\$485,439,443	\$20,708,150	\$985,420,168
Expenditure	\$27,406,455	\$512,845,895	\$62,138,299	\$1,026,850,317
FTE Pos.	--	147.00	--	182.00

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Dan Thimmesch, Health & Environment
Cody Gwaltney, Aging & Disability Services
Jackie Aubert, Children & Families