



Kansas Legislative Research Department

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November 4, 2021

To: Legislative Coordinating Council and Governor Laura Kelly

From: Division of the Budget and Kansas Legislative Research Department

Re: Fall 2021 Human Services Consensus Caseload Estimates for FY 2022 and FY 2023

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 Legislative Research Department (Consensus Group) met on October 28, 2021, to revise the estimates on human services consensus caseload expenditures for FY 2022 and develop estimates for FY 2023. The caseload estimates include expenditures for Temporary Assistance for Needy Families, the Reintegration/Foster Care Contracts, KanCare Regular Medical Assistance, and KDADS Non-KanCare. A chart summarizing the estimates for FY 2022 and FY 2023 is included at the end of this memorandum.

The starting point for the October 2022 estimates was the budget approved by the 2021 Legislature, as represented in HB 2007 and SB 159 with adjustments for the reappropriation of money not expended in FY 2021. The estimate for FY 2022 is a decrease of \$72.5 million from all funding sources, including a State General Fund (SGF) decrease of \$173.2 million, compared to the FY 2022 approved amount. The estimate for FY 2023 is an increase of \$92.9 million from all funding sources including an SGF increase of \$170.0 million above the FY 2022 revised estimate.

KanCare is administered by KDHE through maintaining 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 Medicaid KanCare expenditures for all agencies.

FY 2022

For FY 2022, the revised estimate for all human service consensus caseloads is \$4.0 billion from all funding sources, including \$1.1 billion SGF. This is an all funds decrease of \$72.5 million, including \$173.2 million SGF, below the budget approved by the 2021 Legislature.

Temporary Assistance for Needy Families and Foster Care

The estimate for the Temporary Assistance for Needy Families (TANF) program is \$9.0 million, all from federal funds, which is a decrease of \$1.9 million below the amount approved by the 2021 Legislature. The caseload has had a steady decline since it reached its peak in June

2020. The availability of COVID-19 stimulus funds appears to be impacting the ability for potential recipients to meet the TANF eligibility requirements.

Estimated expenditures for the Foster Care program are \$259.0 million, including \$174.0 million SGF. The estimate is a decrease of \$16.5 million, including \$17.0 million SGF. The majority of the decrease was the \$10.0 million in reappropriated SGF moneys from FY 2021. While the projected number of children is slightly lower than the spring estimate, there is a slight increase in the projected average cost per child. DCF received \$4.1 million from the St. Francis settlement, of which \$2.0 million will be expended for the foster care program in FY 2022 and \$2.1 million will be expended in FY 2023. Additionally, pursuant to the reduced resources option adopted during the 2021 Session, the FY 2022 Case Management Provider rates will be maintained at the FY 2021 levels and will be scheduled to increase in FY 2023. The Families First Prevention grantees (Family Preservation Services) served over 1,100 families in FY 2021 which is expected to continue to increase. As this program continues to grow, foster care caseloads are expected to decrease further.

KanCare Medical

The FY 2022 estimate for KanCare Medical is \$3.7 billion from all funding sources, including \$947.6 million SGF. This a decrease of \$50.6 million from all funding sources, including \$151.8 million SGF, below the amount approved by the 2021 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 decrease is partially due to lower than anticipated midyear rate adjustments for Managed Care Organizations (MCOs), which contributed to the decrease in overall capitation expenditures. In addition, anticipated expenditures for Fee-for-Service payments were decreased due to a continued reduction in utilization. The estimate also includes a decrease of \$6.9 million from the nursing facility provider assessment fund. Nursing facilities have decreased bed capacity as censuses have decreased, which has led to lower anticipated revenue from those assessments.

The all funds decrease was offset by an increase in population growth above what was estimated in the Spring consensus estimates. This population increase is due to the continuation of the public health emergency for two additional quarters of FY 2022, therefore extending federal restrictions on removing individuals from Medicaid until the end of the month in which the public health emergency (PHE) ends. This requirement was a condition of accepting the increase of 6.2 percent in the federal Medical Assistance Percentage (FMAP) match rate.

The all funds decrease was also offset by the inclusion of \$1.6 million, including \$553,786 SGF for Medicaid funding for services received at Certified Community Behavioral Health Clinics (CCBHC) in FY 2022. 2021 HB 2208 directs KDADS to certify any community mental health center licensed by KDADS which desires to become a CCBHC and meets certifications standards. This funding would provide funding for Medicaid eligible individuals who receive services from a CCBHC.

The SGF decrease is primarily attributable to the federal Families First Coronavirus Response Act which provided states a temporary 6.2 percentage-point increase to the federal Medical Assistance Percentage (FMAP). The increased FMAP is in effect for three quarters of FY 2022, raising the FY 2022 FMAP from its base of 60.04 percent to 64.69 percent. This is

expected to decrease the required state share of Medicaid expenditures by approximately \$170.0 million in FY 2022. The extension of the increased FMAP through three quarters of FY 2022 is a change from the April 2021 estimates when it was only in effect through the first quarter of FY 2022. The temporary increase in the FMAP began on January 1, 2020, and it extends through the last day of the calendar quarter in which the public health emergency (PHE) is declared terminated by the federal Department of Health and Human Services. The federal Centers for Medicare and Medicaid Services will inform states when the public health emergency period for COVID-19 ends. The caseload estimates include enhanced funding through March 2022 as the current PHE is scheduled to continue through January of 2022.

The estimates for FY 2022 and FY 2023 include SGF expenditures for the Health Care Access Improvement Program (HCAIP). HCAIP is an assessment on inpatient revenues for hospitals that was created to help improve access to medical care for low-income Kansans. Funds generated from the assessment are used to draw down federal matching dollars that are dispersed back to hospitals and physicians through a variety of methods, including increased reimbursement for certain procedures and a pool to fund hospitals for uncompensated care. In 2020, HB 2246 was enacted to implement changes to the HCAIP program that were intended to bring the revenue to a level that consistently covers all outgoing payments. These changes must be approved by the federal Centers for Medicare and Medicaid Services (CMS) before being implemented, however, as of this time, CMS has not approved these changes. The HCAIP program is estimated to require \$4.6 million SGF in FY 2022 and \$12.3 million in FY 2023.

Expenditures for Medicaid Expansion are not included in the KanCare Medical estimates for FY 2022 or FY 2023. While the additional funding for Medicaid expansion was included in the FY 2022 budget approved by the 2021 Legislature, HB 2007 also stipulated that if Medicaid expansion did not pass, the funds would be transferred to the Children's Health Insurance Program. Because the expansion of Medicaid eligibility was not approved by the 2021 Kansas Legislature, the money was not factored into the estimated caseload expenditures for either fiscal year.

KDADS Non-KanCare

The estimate for KDADS Non-KanCare is \$39.4 million, including \$24.6 million SGF. This is a decrease of \$3.6 million, including \$4.4 million SGF from the approved in FY 2022. The decrease is due to lower nursing facility fee-for-service payments. Included in the estimate is an increase in the cost for Intellectual Developmental Disability assessments from \$125 to \$150 per assessment starting in January 2022.

FY 2023

The FY 2023 revised estimate is \$4.1 billion from all funding sources, including \$1.3 billion from the State General Fund (SGF). This is an all funds increase of \$92.9 million, including an increase of \$170.0 million SGF, above the FY 2022 revised estimate.

Temporary Assistance for Needy Families and Foster Care

The estimate for TANF is \$8.6 million, all from federal funds, which is a decrease of \$400,000 below the revised FY 2022 revised estimate. Estimated expenditures for the Foster Care program are \$266.0 million, including \$185.0 million SGF. The estimate is an increase of

\$7.0 million, including \$11.0 million SGF, above the FY 2022 revised estimate. It is anticipated that contract costs will continue to fluctuate based on acuity and service needs of children which can impact costs and needed supports. This increase also includes replacing \$3.0 million from the fee fund that was a one-time reduction as a part of the Governor's reduced resources budget in FY 2022.

KanCare Medical

The FY 2023 estimate for KanCare Medical is \$3.7 billion from all funding sources, including \$1.1 billion SGF. The estimate is a change from the amount estimated for FY 2022, reflecting an all funds increase of \$40.6 million, including an SGF increase of \$139.4 million.

The all funds increase is partially due to \$41.9 million in risk corridor payments that are anticipated to be recouped in FY 2022 for FY 2020, due to lower than anticipated utilization of medical services. These recoupments were not included in the FY 2023 estimates due to the discontinuation of risk corridor payments in the MCO contracts. The increase is also due to a 3.0 percent increase in nursing facility provider rates which added an additional \$21.5 million, including \$8.6 million SGF, for FY 2023.

The estimate also includes \$14.1 million, including \$5.7 million SGF for Medicaid funding for services received at CCBHCs in FY 2022. KDADS plans a phased approach to certifying CCBHCs and expects to have nine CCBHCs certified for FY 2023. This funding would provide funding for Medicaid eligible individuals who receive services from a CCBHC. The estimate also includes \$2.0 million, including \$802,800 SGF for CMHCs to provide outpatient services to individuals residing in nursing facilities.

The all funds increase is offset by decreased KanCare capitation expenditures as a result of the anticipated end of the PHE. As mentioned above, federal rules are in place during the PHE that restrict the removal of individuals from Medicaid until the end of the quarter when the public health emergency ends. Recent guidance from the Centers for Medicare and Medicaid Services (CMS) allows states 12 months to complete the redetermination process for all current Medicaid beneficiaries and remove those no longer eligible for services. With the PHE currently anticipated to end March of 2022, it is anticipated that the overall membership will steadily decline through March 2023, twelve months from the end of the PHE. The all funds increase is also offset by the discontinuation of the Health Insurance Provider Fees (HIPF), which included a payment of \$94.9 million in FY 2022.

The SGF increase is largely attributable to the end of the temporary 6.2 percentage-point increase to the FMAP that was in effect through the first three quarters of FY 2022. Since the 6.2 percent increase is anticipated to end March 2022, it is not included in any quarters of FY 2023, increasing the state share by 4.83 percent between FY 2022 and FY 2023.

The increase to the SGF was partially offset by an increase of \$10.5 million from the Medical Assistance Fee Fund (HMO Privilege Fee), which is used to offset SGF obligations. In addition, the elimination of HIPF payments in FY 2023 contributed to a reduction of SGF expenditures.

KDADS Non-KanCare

The estimate for KDADS Non-KanCare is \$85.1 million, including \$44.2 million SGF. This is an increase of \$45.7 million, including \$19.6 million SGF for FY 2023 above the FY 2022 revised estimate. The increase is primarily due to the inclusion of PACE non-medical

expenditures in the caseload estimating process. Recently only PACE medical expenditures were included in the caseload estimating process; however all PACE expenditures, including a 6.5 percent increase to rebase PACE rates, will be included in the process starting in FY 2023. Federal rules require that PACE rates be rebased no less than every three years. The state's last rebase of PACE rates was effective for FY 2020.

**Human Services
October 28th, 2021
Consensus Caseload Estimates**

		FY 2022 Approved	October Revised FY 2022	Difference from Approved	FY 2023 Estimate	Difference from FY 2022 to FY 2023
DCF - Temporary Assistance to Families	SGF	--	--	--	--	--
	AF	10,900,000	9,000,000	(1,900,000)	8,600,000	(400,000)
DCF - Foster Care Contract	SGF	191,013,441	174,000,000	(17,013,441)	185,000,000	11,000,000
	AF	275,513,441	259,000,000	(16,513,441)	266,000,000	7,000,000
KDHE - KanCare	SGF	702,333,466	635,600,000	(66,733,466)	690,000,000	54,400,000
	AF	2,657,333,466	2,716,400,000	59,066,534	2,648,000,000	(68,400,000)
KDADS - KanCare	SGF	397,106,743	312,000,000	(85,106,743)	397,000,000	85,000,000
	AF	1,100,627,342	991,000,000	(109,627,342)	1,100,000,000	109,000,000
KDADS - Non- KanCare	SGF	29,002,145	24,610,000	(4,392,145)	44,169,770	19,559,770
	AF	43,002,145	39,440,000	(3,562,145)	85,135,208	45,695,208
Total	SGF	1,319,455,795	1,146,210,000	(173,245,795)	1,316,169,770	169,959,770
	AF	4,087,376,394	4,014,840,000	(72,536,394)	4,107,735,208	92,895,208

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