

January 22, 2020

The Honorable Gene Suellentrop, Chairperson
Senate Committee on Public Health and Welfare
Statehouse, Room 441B-E
Topeka, Kansas 66612

Dear Senator Suellentrop:

SUBJECT: Fiscal Note for SB 252 by Senator Denning, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 252 is respectfully submitted to your committee.

SB 252 would establish the Kansas Innovative Solution for Affordable Healthcare Act to expand eligibility of medical assistance benefits. The Kansas Department of Health and Environment (KDHE) and the Kansas Insurance Department would be required to submit to the U.S. Centers for Medicare and Medicaid Services (CMS) and the U.S. Department of the Treasury any state plan amendment, waiver request or other approval request to implement the Act. Upon approval from CMS, Medicaid services would be expanded on or after January 1, 2021 to any adult applicants under 65 years of age who are not pregnant and whose income does not exceed 138.0 percent of the federal poverty level (FPL) to the extent allowed under the federal Social Security Act and subject to the 90.0 percent Federal Medical Assistance Percentage (FMAP).

Upon approval from the State Finance Council, the Kansas Insurance Department would submit to CMS a waiver request under Section 1332 of the Federal Patient Protection and Affordable Care Act to establish the Health Insurance Plan Reinsurance Program, a reinsurance program for health insurance plans sold in the Kansas individual market. Additionally, KDHE would submit to CMS a waiver request under Section 1115 of the federal Social Security Act to provide Medicaid services to any adult applicants under 65 years of age who are not pregnant and whose income does not exceed 100.0 percent FPL. The Section 1115 waiver would also request to transition adult applicants under 65 years of age who are not pregnant and whose income is greater than 100.0 percent FPL but does not exceed 138.0 percent FPL to health insurance plans on the health benefit exchange in Kansas. The Kansas Insurance Department would be required to design the reinsurance program in coordination with KDHE to offset any costs related to the Section 1115 waiver. The reinsurance program and the Medicaid eligibility requirements in the Section 1115 waiver would begin on January 1, 2022, subject to approval by CMS and the U.S. Department of the Treasury. If the State Finance Council does not approve submitting the reinsurance program waiver, or if CMS or the U.S. Department of the Treasury do not approve the reinsurance program waiver or the Section 1115 waiver, then Medicaid expansion up to 138.0 percent FPL in effect on or after January 1, 2021 would continue.

The bill would require a \$25 monthly fee to be charged to each person enrolled in the program, not to exceed \$100 per month per family. KDHE could grant hardship exemptions, as determined by

the Secretary of Health and Environment. The state's share of revenue collected from the monthly fee would be credited to the State General Fund. KDHE would be allowed to use the Debt Setoff Program administered by the Department of Administration for any covered individual who is delinquent by 60 days or more. Also, KDHE could require managed care organizations to collect the monthly fee.

KDHE would be authorized to establish a health insurance coverage premium assistance program for individuals whose income is greater than 100.0 percent FPL but does not exceed 138.0 percent FPL who are eligible for employer health insurance coverage but cannot afford the premiums. An individual's payment for a health insurance coverage premium cannot exceed 2.0 percent of the individual's modified adjusted gross annual income. Also, total premium payments cannot exceed 2.0 percent of a household's modified adjusted gross income for all members of the household who participate in the premium assistance program.

The bill would require KDHE to refer all non-disabled adults receiving benefits from the Act and who are unemployed or working less than 20 hour a week to the KansasWorks program administered by the Department of Commerce. The Department of Commerce would be required to track employment outcomes for Kansas Innovative Solution for Affordable Healthcare Act participants. Full-time postsecondary education institution or technical school students would be exempt from the referral program.

If at any point the FMAP becomes lower than 90.0 percent, KDHE must terminate coverage under the Act over a 12-month period beginning on the first day the percentage becomes lower than 90.0 percent.

The bill would create the Medicaid Expansion Privilege Fee Fund in the state treasury. Revenues resulting from Kansas Innovative Solution for Affordable Healthcare Act members would be deposited in the new fund and could only be spent on assistance payments for members. All revenues from drug rebates associated with current and expanded medical assistance members would be credited to the State General Fund. Under current law, revenues from drug rebates are remitted to the Medical Programs Fee Fund in KDHE. KDHE would be required to certify to the Director of Legislative Research and the Director of the Budget the amount of monies received from drug rebates. "Drug rebates" would be added as a separate line on State General Fund receipt reports produced by the Legislative Research Department and the Division of the Budget.

The bill would create the Hospital Medicaid Expansion Support Surcharge Fund. Revenues from the fund would be used to offset costs related to Medicaid expansion. The surcharge would equal to the number of unduplicated Medicaid expansion enrollees multiplied by \$233 and be imposed on each hospital provider proportionally as determined by the Healthcare Access Improvement Panel. However, the total amount received from the surcharge cannot exceed \$35.0 million in any calendar year and the surcharge would discontinue if the FMAP falls below 90.0 percent. SB 252 outlines the procedures for KDHE and the Healthcare Access Improvement Panel to collect the surcharge annually. On July 1 of each fiscal year, the Director of Accounts and Report in the Department of Administration would record a debit against Hospital Medicaid Expansion Support Surcharge Fund receivables and a corresponding credit to the fund equal to 100.0 percent of revenues estimated by the Director of the Budget.

The bill would also create the Federal Medical Assistance Percentage Stabilization Fund. The fund would be financed by any monies recovered by the Office of the Attorney General on behalf of Kansas in the civil action *Texas v. United States*. If the state's share of Medicaid costs increases as a

result of a change to the FMAP, funds would be transferred from the Federal Medical Assistance Percentage Stabilization Fund to the State General Fund to cover the costs. Conversely, if the states share of Medicaid costs decreases because of a FMAP change, funds would be transferred from the State General Fund to the Federal Medical Assistance Percentage Stabilization Fund. The Director of Legislative Research and the Director of the Budget must certify any Medicaid cost increases or decreases.

SB 252 would require the Department of Corrections to coordinate with county sheriffs who request assistance in facilitating Medicaid coverage for any state or county inmate incarcerated in a Kansas prison or jail.

The bill would create the Rural Hospital Advisory Committee to manage the new Rural Hospital Transformation Program. The advisory committee would include KDHE; the Department of Labor; the Board of Regents; the Kansas Hospital Association; the Kansas Medical Society; the Community Care Network of Kansas; the Association of Community Mental Health Centers of Kansas; the Board of Healing Arts; the Kansas Farm Bureau; the Emergency Medical Services Board; and other public and private stakeholders. The advisory committee would identify one or more consulting firms to work with target hospitals, as defined in the bill, to develop transformation plans as part of the Rural Primary Health Center Pilot Initiative.

The Kansas Insurance Department would be required to study and prepare a report on any risks associated with converting the health benefit exchange operated in Kansas under the federal Patient Protection and Affordable Care Act from a federally facilitated exchange to a state-based exchange. The study must be submitted to the House Committee on Health and Human Services and the Senate Committee on Public Health and Welfare on or before January 11, 2021. In coordination with the Kansas Hospital Association, Kansas Medical Society, Community Care Network of Kansas and other private and public stakeholders, KDHE would be required to establish a task force to develop a plan to measure and report uncompensated care provided by healthcare providers and hospitals in Kansas. A report must be submitted to the House Committee on Health and Human Services and the Senate Committee on Public Health and Welfare on or before January 10, 2022.

The bill would authorize the Kansas Insurance Department to make expenditures from the Insurance Department Service Regulation Fund for FY 2021 and FY 2022 for costs related to studying converting from a federally facilitated health benefit exchange to a state based exchange; preparing the Section 1332 waiver request for the reinsurance program; determining the extent to which a \$35.0 million annual appropriation for the reinsurance program would decrease health insurance premiums on the health benefit exchange in Kansas; and submitting the waiver request and actuarial analysis to the State Finance Council for approval no later than 150 days after the effective date of the Act.

The bill would authorize KDHE to make expenditures from the State General Fund or any special revenue fund for FY 2020 and FY 2021 to submit a waiver request to CMS to allow for Medicaid reimbursement for inpatient psychiatric acute care. The bill would appropriate \$35.0 million from the Health Insurance Plan Reinsurance account of the State General Fund to the State Finance Council for FY 2022. The funds would be used to implement the Health Insurance Plan Reinsurance Program beginning January 1, 2022 upon approval of the State Finance Council.

During calendar year 2021 and calendar year 2022, the Robert G. (Bob) Bethell Joint Committee on Home and Community Based Services and KanCare Oversight would meet for an additional day per

meeting in order to monitor the implementation of the Kansas Innovative Solution for Affordable Healthcare Act.

The bill would require the following other reports to the Legislature on the Kansas Innovative Solution for Affordable Healthcare Act:

1. KDHE, in coordination with the Department of Commerce, must submit a report annually to the Legislature regarding the employment outcomes of individuals covered under the Act.
2. In January of each year, KDHE must submit a report on revenues received from the monthly fees.
3. On or before January 10, 2022, and on or before the first day of the regular session of the Legislature annually thereafter, KDHE must submit a report on Medicaid Expansion Privilege Fee Fund revenues.
4. On or before January 10, 2022, and on or before the first day of the regular session of the Legislature annually thereafter, KDHE must submit a report on the cost savings from the movement of individuals to the higher FMAP rate.
5. On or before January 10, 2022, and on or before the first day of the regular session of the Legislature annually thereafter, the Secretary of Corrections must deliver a report that identifies cost savings from receiving Medicaid reimbursement for inmate inpatient hospitalization.
6. On or before February 15 of each year, the Secretary of Health and Environment must present a report to the House Committee on Appropriations and the Senate Committee on Ways and Means on the costs, cost savings and additional revenues generated during the preceding fiscal year.
7. On or before September 1 of each year, KDHE must submit a report on the FMAP and all amounts transferred in and out of the Federal Medical Assistance Percentage Stabilization Fund.
8. On or before January 10, 2022, and on or before the first day of the regular session of the Legislature annually thereafter, the Kansas Insurance Department must submit a report on any cost shifting from hospitals to commercial health insurance plans as a result of implementing the Act.

SB 252 would be come effective upon its publication in the *Kansas Register*.

The fiscal effect is divided into two parts. The first section shows the fiscal effect for Medicaid expansion up to 138.0 percent FPL, which would be in effect for half of FY 2021 and all of FY 2022. The second section shows the fiscal effect for Medicaid expansion for 100.0 percent – 138.0 percent FPL with the reinsurance program, which would in effect for half of FY 2022 and all of FY 2023.

Medicaid Expansion: 138.0 percent FPL

Capitation

For the provisions of the bill that would expand Medicaid on or after January 1, 2021 to certain adults whose income does not exceed 138.0 percent FPL, KDHE estimates that an additional 150,000 individuals would be eligible for Medicaid coverage in FY 2021 and 154,000 additional individuals

would be eligible for FY 2022. In general, KDHE expects member counts and health costs to increase by 2.5 percent, annually. Expenditures related to the expansion population would be eligible for the enhanced FMAP rate in which the federal government's share of the costs would be 90.0 percent and the state's share 10.0 percent. Because of the start date of January 1, 2021, the agency estimates that the total cost of care for the newly eligible beneficiaries would be \$562.5 million for half of FY 2021. The federal share at 90.0 percent would be \$506.25 million and the state share at 10.0 percent would be \$56.3 million before offsets. The cost of care for the newly eligible beneficiaries for the full year in FY 2022 is estimated to be approximately \$1,139.1 million, with a federal share of about \$1,025.2 million and a state share of \$113.9 million before offsets.

Revenue Offsets

KDHE estimates additional revenue of \$2.2 million in FY 2021 and about \$4.4 million in FY 2022 from increased drug rebates which would be deposited into the State General Fund. KDHE estimates additional revenue of \$32.5 million in FY 2021 and \$65.7 million in FY 2022 from the 5.77 percent privilege fee, which would be deposited into the Medicaid Expansion Privilege Fee Fund. Also, revenues from the Medicaid expansion surcharge would total approximately \$35.0 million in FY 2022, which would be credited to the Hospital Medicaid Expansion Support Surcharge Fund. Additional revenues from drug rebates, the privilege fee and the Medicaid expansion surcharge would be used to meet state share requirements.

Population Movement Savings

KDHE indicates that the bill would create health care cost savings for certain populations, such as members of the MediKan Program or Medical Needy Spend-Down Program, that are part of the current covered Medicaid population and would be eligible for the enhanced FMAP rate. For expansion to 138.0 percent FPL, KDHE estimates the savings for these populations would total \$10.6 million in FY 2021 and approximately \$21.5 million in FY 2022. There would be additional savings from state correctional facility inmates who would be eligible for the enhanced FMAP rate. Those savings are described below.

Monthly Fee

SB 252 would require KDHE to assess a monthly fee of \$25 for each eligible member. The analysis that KDHE performed to determine the net revenue from this program assumed various levels of compliance with the monthly payments, based on historical compliance with premiums in the CHIP program. KDHE estimates that the total annual revenue collected from the monthly fee would be between \$3.7 million and \$5.9 million in FY 2021 and between \$7.4 million and \$11.8 million in FY 2022. However, the agency would be allowed to retain only 10.0 percent of the monthly fee collections and must return 90.0 percent to the federal government. It is estimated that KDHE would gain revenue of about \$300,000 to \$600,000 in FY 2021 and \$600,000 to \$1.2 million in FY 2022. The revenue gained would be credited to the State General Fund.

There would also be a cost to administer the monthly fee program by KDHE's fiscal agent. KDHE estimates the cost to administer the monthly fee program would be about \$3.0 million from all funding sources annually. KDHE receives a 50.0 percent match from the federal government on this portion of administrative expense, leaving an annual state cost of about \$1.5 million. Between anticipated revenues and known expenses, KDHE estimates the monthly fee program would require additional expenditures of \$300,000 to \$700,000 from the State General Fund for FY 2021 and FY 2022.

Incremental Administrative Costs

The state would also incur incremental administrative costs associated with expanding the program. KDHE would require the addition of 120.00 FTE positions, the majority of which would be eligibility staff and support staff. KDADS would require the addition of 5.00 FTE positions for the same purposes. Additional office space would be needed for the new positions. Also, the cost of the current Medicaid support contracts would also increase as a result of system changes that would be implemented to account for the new rules, as well as handling the increased volume of encounter submissions. KDHE estimates the state share of administration expenditures would be \$7.9 million for FY 2021 and \$15.8 million for FY 2022.

KDHE estimates that it would incur expenditures of approximately \$400,000 in FY 2020 to develop the waivers. Of this amount, \$200,000 would be from the State General Fund and \$200,000 would be from federal funds.

Inmate Healthcare

The Department of Corrections (DOC) states that under current law inmates are covered by Medicaid for cases in which an inmate requires inpatient services at a hospital for more than 24 hours. For inmates that would be part of the expansion population, DOC estimates that being able to use Medicaid pricing for inpatient hospitalization would generate savings of \$516,817 from the State General Fund in FY 2021. Additionally, the enhanced FMAP rate of 90.0 percent would be used for costs related to the inmates. This would result in savings of \$890,655 from the State General Fund in FY 2021. Savings from both Medicaid pricing and the FMAP rate would total \$1.4 million from the State General Fund in FY 2021. For FY 2022, it is estimated that total savings would be \$2.8 million.

DOC would, however, have increased administrative costs that would reduce the savings. DOC would need an additional 1.00 FTE position to enroll inmates and process payments, 4.00 FTE discharge planner positions to assist inmates in applying for Medicaid benefits prior to release, and 4.00 FTE substance abuse care coordinator positions to assist offenders with getting into a community-based substance abuse program. DOC's estimate for increased administration is \$368,667 from the State General Fund for seven months of salaries and wages expenditures for 9.00 additional FTE positions in FY 2021. For FY 2022, total salaries and wages are estimated to be \$632,000 from the State General Fund. Altogether, the fiscal effect for DOC would be State General Fund savings of \$1.0 million in FY 2021 and \$2.2 million in FY 2022.

SB 252 would require the Department of Corrections to provide assistance to counties in facilitating Medicaid coverage for inmates in county jails. If the intent of the bill is for the Department of Corrections to take responsibility for enrolling and processing claims of county inmates, the Department would need 2.00 additional FTE coordinator positions at a cost of \$84,000 from the State General Fund in FY 2021 and \$144,000 in FY 2022. These amounts are not included in the DOC total fiscal effect above.

Workforce Training Program Referrals

For referrals to the KansasWorks program, the Department of Commerce estimates it would require \$450,680 from the State General Fund in FY 2021. This amount includes \$200,680 for half a year of salaries and wages for 8.00 new FTE positions to handle the additional demand on program services. The amount also includes \$250,000 in information technology costs to modify the KansasWorks system. Beginning in FY 2022, ongoing costs would total \$426,360 from the State

General Fund, which would include \$401,360 for salaries and wages and \$25,000 for annual system maintenance.

Medicaid Oversight

SB 252 would affect two programs within the Office of the Attorney General. The Office of Medicaid Inspector General was transferred to the agency in June 2017. Additionally, the Office of the Attorney General is responsible for identifying, investigating and prosecuting Medicaid fraud. The Office of Attorney General indicates the bill would increase the workload of both programs and require additional expenditures of \$335,688 for FY 2021 and 7.00 new FTE positions. Of the total amount, \$50,401 would be from the State General Fund, \$71,322 would be from the Medicaid Revolving Fund and \$213,966 would be from federal funds. For FY 2022, the Office of the Attorney General estimates expenditures of \$671,376 would be required, including \$100,801 from the State General Fund, \$142,644 from the Medicaid Revolving Fund and \$427,931 from federal funds.

Robert G. (Bob) Bethell Joint Committee on Home and Community Based Services & KanCare Oversight

Kansas Legislative Services estimates that legislative compensation, subsistence and travel costs would total \$14,134 from the State General Fund for FY 2022 for additional meeting days of the Robert G. (Bob) Bethell Joint Committee on Home and Community Based Services and KanCare Oversight. For the purposes of the estimate, it was assumed the additional meeting days would occur at meetings outside of the regular session.

Summary

Total Medicaid expansion population costs for 138.0 percent FPL would be \$18.2 million from the State General Fund and \$588.0 million from all funds in FY 2021. For FY 2022, it is estimated that Medicaid expansion population costs would be approximately \$1.5 million from the State General Fund and \$1,190.4 million from all funds. Population costs include the estimated fiscal effects from KDHE and DOC. The estimates from KDHE for this fiscal note account for the fiscal effect for KDADS. The allocation of costs between the agencies would be determined prior to implementation of the bill.

When all other costs are factored, total expenditures for Medicaid expansion up to 138.0 percent FPL would be \$588.8 million from all funds in FY 2021, including \$18.7 million from the State General Fund. For FY 2022, expenditures are estimated to be approximately \$1,191.5 million, including \$2.1 million from the State General Fund. The total number of positions needed would be 149.00 FTE positions for both fiscal years.

The FY 2021 Governor's Budget Report includes Medicaid expansion expenditures of \$562.5 million from all funds, including \$17.5 million from the State General Fund. The expenditures are reflected in the KDHE budget. *The FY 2021 Governor's Budget Report* does not reflect additional expenditures for the Department of Commerce, the Office of the Attorney General and Kansas Legislative Services or DOC's estimated savings from Medicaid expansion.

The table below summarizes the fiscal effect for Medicaid expansion up to 138.0 FPL for FY 2021 and FY 2022 and the resulting share required from the State General Fund. The table starts with total capitation expenditures at the top and works downward towards total net State General Fund expenditures. Please note that certain revenues are shown offsets to state share of expenditures.

Medicaid Expansion: 138.0 percent FPL
In millions

	<u>FY 2021</u>	<u>FY 2022</u>
Total Capitation	\$ 562.50	\$1,139.06
Federal Share	\$ 506.25	\$1,025.16
State Share	\$ 56.25	\$ 113.91
Drug Rebate Offset (to SGF)	(2.16)	(4.38)
Privilege Fee Offset	(32.46)	(65.72)
Medicaid Surcharge Offset	--	(34.98)
Monthly Fee Program	0.26	0.53
Population Movement Savings (excluding KDOC)	(10.60)	(21.47)
Incremental Administrative	<u>7.91</u>	<u>15.83</u>
Net State Share—SGF	\$ 19.20	\$ 3.72
Inmate Health Care (KDOC)—SGF	(\$ 1.04)	(\$ 2.18)
Medicaid Expansion Population Costs—SGF	\$ 18.16	\$ 1.54
KansasWorks—SGF	\$ 0.45	\$ 0.43
Medicaid Oversight—SGF	0.05	0.10
Robert G. (Bob) Bethell Joint Committee—SGF	--	0.01
Total Medicaid Expansion Costs—SGF	\$ 18.66	\$ 2.08

Medicaid Expansion: 100.0 percent – 138.0 percent FPL with Reinsurance Program

Capitation

KDHE estimates that an additional 126,000 individuals would be eligible for Medicaid coverage in FY 2022, which would decrease to 103,000 individuals by FY 2023. It is assumed that the expansion population would be eligible for the 90.0 percent FMAP rate. The cost of care for FY 2022 is estimated to be approximately \$946.9 million, with a federal share of about \$852.2 million and a state share of \$94.7 million before offsets. For FY 2023, total capitation is estimated to be \$772.0 million, with a federal share of \$694.8 million and a state share before offsets of \$77.2 million.

Revenue Offsets

KDHE estimates additional revenue of \$3.6 million in FY 2022 and about \$3.0 million in FY 2023 from increased drug rebates which would be deposited into the State General Fund. KDHE estimates additional revenue of \$54.6 million in FY 2022 and \$44.5 million in FY 2023 from the 5.77 percent privilege fee, which would be deposited into the Medicaid Expansion Privilege Fee Fund. Also, revenues from the Medicaid expansion surcharge would total approximately \$29.0 million in FY 2022 and \$24.0 million in FY 2023, which would be credited to the Hospital Medicaid Expansion Support Surcharge Fund. Additional revenues from drug rebates, the privilege fee and the Medicaid expansion surcharge would be used to meet state share requirements.

Population Movement Savings

KDHE indicates that the bill would create health care cost savings for certain populations, such as members of the MediKan Program or Medical Needy Spend-Down Program, that are part of the current covered Medicaid population and would be eligible for the enhanced FMAP rate. KDHE estimates the savings for these populations would total \$14.3 million in FY 2022 and approximately \$14.7 million in FY 2023. There would be additional savings from state correctional facility inmates who would be eligible for the enhanced FMAP rate. Those savings are described below.

Incremental Administrative Costs

The state would also incur incremental administrative costs associated with expanding the program. KDHE would require the addition of 120.00 FTE positions, the majority of which would be eligibility staff and support staff. KDADS would require the addition of 5.00 FTE positions for the same purposes. Additional office space would be needed for the new positions. Also, the cost of the current Medicaid support contracts would also increase as a result of system changes that would be implemented to account for the new rules, as well as handling the increased volume of encounter submissions. KDHE estimates the state share of administration expenditures would be \$14.3 million for FY 2022 and \$12.7 million for FY 2023.

KDHE estimates that it would incur expenditures of approximately \$400,000 in FY 2020 to develop the waivers. Of this amount, \$200,000 would be from the State General Fund and \$200,000 would be from federal funds.

Reinsurance Program

The Kansas Department of Insurance estimates the bill would require expenditures totaling \$2.3 million from the Insurance Department Service Regulation Fund and 8.00 new FTE positions in FY 2021. The total amount would include \$1,568,500 and 1.00 FTE position for preparing the 1332 waiver; \$66,250 and 0.50 FTE position for determining the amount of privilege fee revenue deposited into the Medicaid Expansion Privilege Fee Fund; \$246,500 and 1.00 FTE position to develop the hospital cost shifting report; \$446,500 and 1.00 FTE to develop and submit the study on converting to a state based exchange; \$54,250 and 0.50 FTE position for monitoring expenditures from the Insurance Department Service Regulation Fund for the Kansas Innovative Solution for Affordable Healthcare Act; and \$96,500 and 4.00 FTE positions to monitor the Health Reinsurance Program. The Kansas Department of Insurance estimates total ongoing expenditures of \$642,500 in FY 2022 and \$605,000 in FY 2023.

Inmate Healthcare

DOC estimates the savings and costs identified for FY 2022 for Medicaid expansion up to 138.0 percent FPL would be the same under 100.0 percent—138.0 percent expansion. Total savings from Medicaid pricing and the enhanced FMAP rate are estimated to be \$2.8 million in FY 2022. Expenditures for 9.00 additional FTE positions would be \$632,000 for FY 2022. The fiscal effect for DOC would be State General Fund net savings \$2.2 million in FY 2022. DOC estimates net savings for FY 2023 would be identical.

SB 252 would require the Department of Corrections to provide assistance to counties in facilitating Medicaid coverage for inmates in county jails. If the intent of the bill is for the Department of Corrections to take responsibility for enrolling and processing claims of county inmates, the

Department would need 2.00 additional FTE coordinator positions at a cost of \$84,000 from the State General Fund in FY 2021 and \$144,000 in FY 2022. These amounts are not included in the DOC total fiscal effect above.

Workforce Training Program Referrals

The estimates above from the Department of Commerce for costs related to referrals to the KansasWorks program would be the same here. For FY 2022, \$426,360 from the State General Fund would be needed, which includes \$401,360 for salaries and wages for 8.00 new FTE positions and \$25,000 for annual maintenance for the KansasWorks system. A total of \$426,360 from the State General Fund would be needed for FY 2023.

Medicaid Oversight

The Office of Attorney General indicates the bill would increase the workload of both the Office of Medicaid Inspector General and Medicaid Fraud Division. The Office of the Attorney General would require additional expenditures of \$671,376 in FY 2022, including \$100,801 from the State General Fund, \$142,644 from the Medicaid Revolving Fund and \$427,931 from federal funds. The expenditures would be for the salaries and wages and support costs for 7.00 new FTE positions. The estimate for FY 2023 is identical to FY 2022.

Robert G. (Bob) Bethell Joint Committee on Home and Community Based Services & KanCare Oversight

Kansas Legislative Services estimates that legislative compensation, subsistence and travel costs would total \$14,134 from the State General Fund for FY 2022 and FY 2023 for additional meeting days of the Robert G. (Bob) Bethell Joint Committee on Home and Community Based Services and KanCare Oversight. For the purposes of the estimate, it was assumed the additional meeting days would occur at meetings outside of the regular session.

Summary

Total Medicaid expansion population costs for 100.0 percent -- 138.0 percent FPL with the reinsurance program would be \$4.8 million from the State General Fund and \$993.6 million from all funds in FY 2022. For FY 2023, it is estimated that Medicaid expansion population costs would be approximately \$1.6 million from the State General Fund and \$813.7 million from all funds. Population costs include the estimated fiscal effects from KDHE and DOC. The estimates from KDHE account for the fiscal effect for KDADS. The allocation of costs between the agencies would be determined prior to implementation of the bill.

When all other costs are factored, including the reinsurance program, total expenditures would be \$1,030.3 million from all funds in FY 2022, including \$40.3 million from the State General Fund. For FY 2023, expenditures are estimated to be approximately \$850.4 million, including \$37.10 million from the State General Fund. The total number of positions needed would be 137.00 FTE positions in FY 2022 and 117.00 FTE positions for FY 2023.

As noted above, *the FY 2021 Governor's Budget Report* includes Medicaid expansion expenditures of \$562.5 million from all funds, including \$17.5 million from the State General Fund. The expenditures are reflected in the KDHE budget. *The FY 2021 Governor's Budget Report* does not reflect

additional expenditures for the Kansas Insurance Department, the Department of Commerce, the Office of the Attorney General and Kansas Legislative Services or DOC's estimated savings from Medicaid expansion.

The table below summarizes the fiscal effect for Medicaid expansion for 100.0 percent – 138.0 percent FPL with the reinsurance program for FY 2022 and FY 2023 and the resulting share required from the State General Fund. The table starts with total capitation expenditures at the top and works downward towards total net State General Fund expenditures. Please note that certain revenues are shown as offsets to state share of expenditures.

Medicaid Expansion: 100.0 percent – 138.0 percent FPL with Reinsurance
In millions

	<u>FY 2022</u>	<u>FY 2023</u>
Total Capitation	\$946.88	\$771.95
Federal Share	\$852.19	\$694.76
State Share	\$ 94.69	\$ 77.20
Drug Rebate Offset (to SGF)	(3.64)	(2.97)
Privilege Fee Offset	(54.63)	(44.54)
Medicaid Surcharge Offset	(29.42)	(23.98)
Population Movement Savings (excluding KDOC)	(14.30)	(14.67)
Incremental Administrative	<u>14.26</u>	<u>12.70</u>
Net State Share—SGF	\$ 6.96	\$ 3.74
Inmate Health Care (KDOC)—SGF	(\$ 2.18)	(\$ 2.18)
Medicaid Expansion Population Costs—SGF	\$ 4.78	\$ 1.56
Reinsurance Program—SGF	\$ 35.00	\$ 35.00
KansasWorks—SGF	0.43	0.43
Medicaid Oversight—SGF	0.10	0.10
Robert G. (Bob) Bethell Joint Committee—SGF	0.01	0.01
Total Medicaid Expansion Costs—SGF	\$ 40.32	\$ 37.10

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Sherry Rentfro, Commerce
Jay Hall, Association of Counties
Karen Clowers, Legislative Services
Dan Thimmesch, Health & Environment
Bobbi Mariani, Insurance
Connie Hubbell, Aging & Disability Services
Randy Bowman, Corrections
Willie Prescott, Office of the Attorney General