May 22, 2023

The Honorable Rick Billinger, Chairperson
Senate Committee on Ways and Means
300 SW 10th Avenue, Room 548-S
Topeka, Kansas  66612

Dear Senator Billinger:

SUBJECT:  Fiscal Note for SB 225 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 225 is respectfully submitted to your committee.

SB 225 would establish the KanCare Bridge to a Healthy Kansas Program. The Kansas Department of Health and Environment (KDHE) would be required to administer and promote the program and provide information to potential eligible individuals residing in medically underserved areas of Kansas. On and after January 1, 2024, eligibility determinations under the Kansas Program of Medical Assistance would be granted to any adult under 65 years of age who is not pregnant and whose modified adjusted gross income does not exceed 138.0 percent of the federal poverty limit, to the extent permitted under the provisions of 42 USC § 139a, as in effect on July 1, 2023. The bill would specify that the Legislature expressly consents this expansion of benefits as required by KSA 39-709(e)(2) by passage of the bill.

According to KDHE, enactment of SB 225 would increase administrative expenditures necessary to prepare for implementation of the bill in FY 2023 by $400,000, including $200,000 from the State General Fund. For FY 2024, the bill would generate State General Fund savings totaling $71.5 million after all additional expenditures were accounted for. Expenditures for FY 2024 would total $671.4 million, with approximately $642.5 million for direct assistance and $28.9 million for administrative costs, which would include 125.00 new FTE positions. Total expenditures include reductions to account for estimated savings for some current Medicaid populations that could be included in the new population, such as those enrolled in MediKan and certain correctional facility inmates. Estimated revenue related to the new population would total approximately $721.8 million, including $682.4 million in federal matching funds, $37.2 million in additional Privilege Fee revenue, and $2.2 million in additional drug rebate revenue. This includes the Division of the Budget estimate of $370.0 million over eight quarters for the federal
incentive of an additional 5.0 percent in the federal medical assistance percentage for the new population. This equates to $92.5 million in State General Fund savings in FY 2024. The overall fiscal effect is estimated to total State General Fund savings of $71.5 million in FY 2024.

KDHE reports their analysis is calculated assuming an effective date of January 1, 2024, but notes the agency would require at least nine months after the bill passes to have time to implement the new program. The estimate uses the assumption of 150,000 new individuals eligible for Medicaid coverage in FY 2024 under provisions of the bill.

The Kansas Department of Corrections (KDOC) estimates that approximately 80.0 to 90.0 percent of the resident population would be eligible for Medicaid under SB 225. Services for eligible residents could only be covered by Medicaid for inpatient hospitalization services when the stay was longer than 24 hours. For newly eligible residents, it is estimated that the savings generated by the bill for inpatient hospitalizations would be $1.3 million annually. Additionally, the 90.0 percent federal cost share would generate annual State General Fund savings of $2.2 million, for an overall State General Fund savings of $3.5 million annually. Because the bill would take effect on January 1, 2024, the State General Fund savings in FY 2024 would be approximately $1.8 million. KDOC would have increased administrative costs that would reduce the net State General Fund savings. The agency currently has 1.00 Coordinator FTE position which works with KDHE to enroll hospitalized residents in Medicaid and process Medicaid payments. Increasing the number of eligible residents would require an additional 1.00 Coordinator FTE position at a cost of $39,600 in FY 2024 and $79,200 annually in FY 2025 and beyond. KDHE did take into account savings from the eligible inmate population totaling $1.4 million in FY 2024 in their estimates described above. The expansion of Medicaid is reflected within the FY 2024 KDHE budget in The FY 2024 Governor’s Budget Report.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Amy Penrod, Department of Health & Environment
Randy Bowman, Department of Corrections