

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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November 4, 2011

To: Legislative Budget Committee and Governor Sam Brownback
From: Kansas Legislative Research Department and Kansas Division of the Budget
Re: Fall Human Services Consensus Caseload Estimates for FY 2012 and FY 2013

The Division of the Budget, Department of Social and Rehabilitation Services, Department of Health and Environment, Department on Aging, Juvenile Justice Authority, and the Legislative Research Department met on November 2, 2011, to revise the estimates on human services caseload expenditures for FY 2012 and to make initial estimates for FY 2013. The caseload estimates include expenditures for Nursing Facilities, Regular Medical Assistance, Temporary Assistance to Families, the Reintegration/Foster Care Contracts, Psychiatric Residential Treatment Facilities, and Out of Home Placements. A chart summarizing the estimates for FY 2012 and FY 2013 is included at the end of this memorandum. The estimate for FY 2012 is increased by \$58.7 million from all funding sources and \$17.6 million from the State General Fund as compared to the budget approved by the 2011 Legislature. The new estimate for FY 2013 then increases by \$115.0 million from all funding sources and \$54.5 million from the State General Fund as compared to the revised 2012 estimate. **The combined increase for FY 2012 and FY 2013 is an all funds increase of \$173.6 million and a State General Fund increase of \$72.1 million.**

Responsibility for most health care services for persons who qualify for Medicaid, MediKan, and other state health insurance programs were transferred to the Department of Health and Environment, Division of Health Care Finance (KDHE), on July 1, 2011, as directed in Executive Reorganization Order No. 38. Certain mental health services, addiction treatment services, and services for persons with disabilities that are a part of the Regular Medical Assistance Program remain in the budget of the Department of Social and Rehabilitation Services (SRS).

FY 2012

For FY 2012, the estimate is an all funds increase of \$58.7 million and a State General Fund increase of \$17.6 million as compared to the budget approved by the 2011 Legislature. The State General Fund increase is attributable to caseload growth above the approved amount for FY 2012. The all funds increase is due largely to increased estimates for regular medical expenditures and nursing facilities expenditures, partially offset by a decrease in Temporary Assistance to Families, Foster Care and Psychiatric Residential Treatment Facilities.

Expenditures for the regular medical program have increased by \$71.8 million from all funding sources, including \$25.6 million from the State General Fund. The increase includes higher than previously anticipated caseloads and a decrease in the anticipated amount of special revenue funds available.

Nursing Facility expenditures were increased by \$5.0 million, including \$4.0 million from the State General Fund, partially to correct a match rate calculation, and to continue the ongoing expenditures for provider assessment including the 10.0 percent provider reduction payback. The estimates include total payments of \$22.9 million from all funding sources to account for funds generated by the nursing facility provider assessment and disbursed to nursing facilities as well as nursing facilities for mental health in SRS.

The estimate for Temporary Assistance to Families is a decrease of \$12.5 million, including \$7.6 million from the State General Fund. The estimate includes a reduction to adjust for policy changes implemented by SRS including benefit penalties for those individuals who choose not to cooperate in work programs and child support enforcement, co-habitation inclusion in eligibility determination, and a reduction in life time benefits from 60 months to 48 months. In addition, the estimate includes a decrease of \$7.6 from the State General Fund to recognize that the portion of required state maintenance of effort for the federal Temporary Assistance for Needy Families (TANF) funding attributed to this particular program have decreased. This calculation is impacted by Kansas anticipating a caseload reduction credit and an increased work participation percentage which decrease the required maintenance of effort.

The SRS Mental Health funding reflects the contract renegotiation with Kansas Health Solutions (KHS) for the Prepaid Ambulatory Health Plan (PAHP) to move from a no risk managed care option to a shared risk managed care contract. This contract was implemented July 1, 2011, but is still awaiting final approval by the federal Centers for Medicare and Medicaid Services (CMS). In addition to restructuring the PAHP, the contract requires that Community Mental Health Centers continue to certify need for placement in Psychiatric Residential Treatment Facilities. The contract provides for incentives for controlling the use of residential mental health treatment, including Psychiatric Residential Treatment Facilities and Nursing Facilities for Mental Health as well as a corresponding penalty for not controlling the usage. Further, the caseload estimate now includes the administrative payments for this contract, as the payments are contained in the per member per month payment, which were previously budgeted separately.

The estimate for Addiction and Prevention Services is a decrease of \$2.6 million, including \$0.9 million from the State General Fund. This includes the replacement of \$1.5 million from the State General Fund with monies from the Problem Gambling and Addiction Grant Fund.

FY 2013

The FY 2013 initial estimate is \$2.6 billion, including \$1.0 billion from the State General Fund. The estimate is an all funds increase of \$115.0 million and a State General Fund increase of \$54.5 million as compared to the revised FY 2012 estimate. The base Medicaid matching rate for federal contribution, increased the state share by 0.83 percent between FY 2012 and FY 2013. The estimated impact of this adjustment in FY 2013 is \$19.7 million in additional State General Funds for caseload expenditures.

Regular Medical expenses for KDHE were increased by \$45.0 million from the State General Fund and \$110.7 million from all funds due to estimated increases in caseloads and higher per person expenditures. This estimate includes a decrease in fee fund expenditures for the state match and a corresponding increase of State General Fund expenditures attributable to decreased fee fund revenue projections for KDHE for FY 2013.

Nursing Facility expenditures were decreased by \$6.7 million from all funding sources and increased by \$770,000 from the State General Fund. The estimate includes the continuation of the provider assessment payments, with the exception of the repayment of the 10.0 percent provider reduction which will be completed in FY 2012. The estimates include total payments of \$22.7 million from all funding sources to account for funds generated by the nursing facility provider assessment and disbursed to nursing facilities and nursing facilities for mental health, a decrease of \$0.2 million from all funding sources below the amount estimated to be distributed in FY 2012.

Caseloads for Temporary Assistance for Families have decreased by \$6.9 million, from all funding sources, and decreased by \$9.9 million from the State General Fund revised FY 2012 estimate. The all funds decrease is due to the continuation of recent changes in policies. In addition, the estimate includes a decrease of \$9.9 from the State General Fund to recognize that the portion of required state maintenance of effort for the federal Temporary Assistance for Needy Families (TANF) funding attributed to this particular program have decreased. The overall maintenance of efforts requirements have remained the same, but are accomplished through other programs utilizing TANF as a funding source.

The SRS Mental Health increase of \$16.6 million in all funds and the \$10.2 million State General Fund increase in FY 2013 generally is tied to estimated increases in beneficiaries and the mix of services anticipated to be required by individuals from the Prepaid Ambulatory Health Plan (PAHP). The revised PAHP contract for FY 2012 is a one year extension of the existing contract, which will be renegotiated for FY 2013 by SRS. Once this contract is executed, adjustments may be required in future caseload estimates to reflect the negotiation outcome.

The estimate for the foster care contract is estimated to increase by \$3.2 million from all funding sources, and increase by \$9.9 million from the State General Fund, due to an estimated increase in the number of children receiving services and an increased cost per child. The increase in State General Fund monies is partially attributable to a decrease in the amount of special revenue funds available to fund this program.

The FY 2013 estimate for Addiction and Prevention Services contains the continued use of \$1.5 million from the Problem Gambling and Addiction Grant Fund as a portion of the state match required for this program.

**Human Services
November 2, 2011
Consensus Caseloads Estimates**

Program		FY 2012 Approved	November Revised FY 2012	Difference from Approved	November Estimates FY 2013	Diff. From FY 2012 Estimate
Nursing Facilities	SGF	\$ 166,000,000	\$ 170,000,000	\$ 4,000,000	\$ 170,770,096	\$ 770,096
	AF	437,900,247	442,904,135	5,003,888	436,206,720	(6,697,415)
Targeted Case Management (Aging)	SGF	\$ 2,200,000	\$ 2,200,000	\$ 0	\$ 2,304,962	\$ 104,962
	AF	5,169,173	5,169,173	0	5,312,196	143,023
Psychiatric Residential Treatment Facilities (PRTFs) (JJA)	SGF	\$ 2,979,200	\$ 2,553,600	\$ (425,600)	\$ 2,712,567	\$ 158,967
	AF	7,000,000	6,000,000	(1,000,000)	6,251,595	251,595
Out of Home Placements (JJA)	SGF	\$ 19,000,000	\$ 20,296,140	\$ 1,296,140	\$ 19,892,159	\$ (403,981)
	AF	22,000,000	23,296,140	1,296,140	23,140,017	(156,123)
Nursing Facilities for Mental Health (NFMH)	SGF	\$ 14,500,000	\$ 14,500,000	\$ 0	\$ 14,520,418	\$ 20,418
	AF	18,742,269	18,742,269	0	18,742,269	0
Temporary Assistance for Families	SGF	\$ 29,821,028	\$ 22,265,477	\$ (7,555,551)	\$ 12,336,290	\$ (9,929,187)
	AF	57,500,000	45,000,000	(12,500,000)	38,061,952	(6,938,048)
Reintegration/Foster Care	SGF	\$ 77,452,342	\$ 72,895,882	\$ (4,556,460)	\$ 81,991,673	\$ 9,095,791
	AF	141,252,312	138,606,455	(2,645,857)	141,805,151	3,198,696
Regular Medical (KDHE)*	SGF	\$ 539,392,132	\$ 565,035,546	\$ 25,643,414	\$ 610,000,000	\$ 44,964,454
	AF	1,394,022,557	1,465,850,000	71,827,443	1,576,503,826	110,653,826
Mental Health (SRS)**	SGF	\$ 100,317,963	\$ 101,767,349	\$ 1,449,386	\$ 111,967,123	\$ 10,199,774
	AF	247,557,963	246,155,819	(1,402,144)	262,802,436	16,646,617
Community Supports and Services (SRS)	SGF	\$ 14,600,000	\$ 14,044,859	\$ (555,141)	\$ 14,504,624	\$ 459,765
	AF	34,304,511	33,000,139	(1,304,372)	33,428,496	428,357
AAPS/PHIP (SRS)***	SGF	\$ 9,000,000	\$ 7,288,482	\$ (1,711,518)	\$ 6,351,574	\$ (936,908)
	AF	21,146,617	20,532,147	(614,470)	17,980,120	(2,552,027)
TOTAL	SGF	\$ 975,262,665	\$ 992,847,335	\$ 17,584,670	\$ 1,047,351,486	\$ 54,504,151
	AF	2,386,595,649	2,445,256,277	58,660,628	2,560,234,778	114,978,501

SGF-State General Fund

AF-All Funds

* The approved amount for regular medical in FY 2012 does not account for the \$3.1 million State General Fund shift in spending authority from FY 2011 into FY 2012.

**The approved amount for mental health services in FY 2012 did not include administrative payment to the provider, however the November revised estimate includes \$12.8 million, including \$6.5 million from the State General Fund, for this purpose as a result of the revised contract. The FY 2013 estimate includes the continuation of administrative costs.

***Addiction and Prevention Services (AAPS)/Prepaid Inpatient Health Plan (PIHP)