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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 246 by Senator Hensley, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning SB 246 is respectfully submitted to your committee.

SB 246 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 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 133.0 percent of the federal poverty level (FPL) and to the extent allowed under the federal Social Security Act.

The bill would require a $25 monthly fee 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. KDHE would be authorized to establish a health insurance coverage premium assistance program for individuals at 133.0 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 annual income.

The bill would require KDHE to 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, including, but not limited to, the KansasWorks program administered by the Department of Commerce or the Generating Opportunities to Attain Lifelong Success (GOALS) program administered by the Department for Children and Families. Full-time postsecondary education institution or technical school students would be exempt and parents with minor children in the home could be exempted at the discretion of KDHE.

If at any point the Federal Medical Assistance Percentage (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 KanCare Bridge to a Healthy Kansas Program Drug Rebate Fund and the KanCare Bridge to a Healthy Kansas Program Privilege Fee Fund in the state treasury. Drug rebates and privilege fees resulting from bridge program beneficiaries would be deposited in the new funds and could only be spent on assistance payments for bridge program beneficiaries.

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; the Community Care Network of Kansas; 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 consumers from Alliance for a Healthy Kansas. The group would meet at least twice per year, and report to the Legislature annually on March 15. 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.

The bill would require the following reports to the Legislature on the KanCare Bridge to a Healthy Kansas Program:

1. Beginning 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 reports on the cost savings from movement of beneficiaries from KanCare to the KanCare Bridge to a Healthy Kansas Program and on expenditures and revenues of the KanCare Bridge to a Healthy Kansas Program Drug Rebate Fund and the KanCare Bridge to a Healthy Kansas Program Privilege Fee Fund.

2. 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 cost savings and expenditures and revenues of the funds above.

3. Beginning on or before January 10, 2022, and on or before the first day of the regular session of the Legislature annually thereafter, the Department of Corrections must submit a report on the cost savings from the use of the KanCare Bridge to a Healthy Kansas Program to cover inmate inpatient hospitalization.

Capitation

KDHE estimates that an additional 150,000 individuals would be eligible for Medicaid coverage in FY 2021. 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 the bill would enact a 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. Of this amount, 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 $1,125.0 million, with a federal share of about $1,012.5 million and a state share of $112.5 million before offsets.

Revenue Offsets

KDHE estimates additional revenue of $2.2 million in FY 2021 and about $4.3 million in FY 2022 from increased drug rebates which would be deposited into the KanCare Bridge to a Healthy Kansas Program Drug Rebate Fund. KDHE also estimates additional revenue of $32.5 million in FY 2020 and approximately $64.9 million in FY 2022 from the 5.77 percent privilege fee, which would be deposited into the KanCare Bridge to a Healthy Kansas Program Privilege Fee Fund. Additional revenues from both the drug rebates and the privilege fee 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 $10.6 million in FY 2021 and approximately $21.2 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 246 would require KDHE to assess a monthly fee of $25 for each eligible member under the bridge program. 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 $4.9 million in FY 2021 and $9.8 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 $500,000 in FY 2021 and $1.0 million in FY 2022.

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 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 expenditures for the monthly fee program would be negligible in 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 approximately $7.5 million for FY 2021 and $15.0 million for FY 2022.

Inmate Health Care

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 able to 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 the Medicaid pricing and 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 determine eligibility and process claims, 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 approximately $370,000 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.

Workforce Training Program Referrals

The Department for Children and Families (DCF) states that the GOALS Program was funded through a U.S. Department of Agriculture grant which ended in March 2019. The program provided intensive case management services and focused on developing and using short-term training programs in high demand occupations for food assistance recipients only. Beginning in March 2019, DCF implemented a new work program for Supplemental Nutrition Assistance Program (SNAP) participants with minor children. The program is funded using the Temporary Assistance for Needy Families (TANF) block grant. Individuals must meet TANF requirements in order to participate in the work program. The Medicaid expansion population will primarily include parents and childless adults. SB 246 excludes parents with minor children from the work referral requirements. Therefore, only childless adults would be part of the workforce referral program. Childless adults would not meet the eligibility requirements for DCF's current work program for SNAP participants with minor children or other federal programs such as TANF. As a result, DCF would need to create a new workforce training program funded entirely from the State General Fund to meet the requirements of the bill.

DCF estimates that a total of $2.1 million from the State General Fund and 37.00 new FTE positions would be needed in FY 2021 to implement SB 246. The estimate includes $964,440 for assistance costs for the new participants; $1,175,344 for half a fiscal year of salaries and wages and other operating costs associated with 37.00 new FTE positions. DCF estimates 3,572 individuals would be eligible to receive DCF work program services. The additional positions would be for new caseworkers to handle the increased caseload. The assistance costs estimate is based on individuals receiving services for six months at an average cost per person of $45 per

month (3,572 participants X 45.00 average cost per person per month X 6 months). For FY 2022, DCF estimates total costs of $4.3 million from the State General Fund, which includes assistance costs of $2.0 million and ongoing costs of $2.3 million for the 37.00 FTE positions.

For referrals to the KansasWorks program, the Department of Commerce estimates it would require $200,680 from the State General Fund and 8.00 FTE positions in FY 2021 to handle the additional demand on program services. Beginning in FY 2022, ongoing costs for the positions would total $401,360 from the State General Fund.

Medicaid Oversight

SB 246 would affect two oversight programs with the Office of the Attorney General. The Office of Medicaid Inspector General was transferred to the Office of the Attorney General 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.

Working Group

Kansas Legislative Services estimates that legislative compensation, subsistence and travel costs would total $15,707 from the State General Fund for FY 2021 for the legislative working group. This figure assumes the working group or a subcommittee of the working group meets four times during calendar year 2020. It is estimated that a similar cost would be incurred for FY 2022.

Summary

Total Medicaid expansion population costs for SB 246 would be $17.5 million from the State General Fund and $568.0 million from all funds in FY 2021. For FY 2022, it is estimated that primary Medicaid expansion costs would be approximately $35.0 million from the State General Fund and $1,139.6 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 SB 246 would be $570.7 million from all funds in FY 2021, including $19.9 million from the State General Fund. For FY 2022, expenditures are estimated to be approximately $1,145.0 million, including $39.7 million from the State General Fund. The total number of positions needed would be 186.00 FTE positions.

The FY 2021 Governor's Budget Report includes additional expenditures of $562.5 million from all funds, including $17.5 million from the State General Fund, in KDHE for Medicaid expansion. *The FY 2021 Governor's Budget Report* does not reflect additional expenditures for DCF, 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 SB 246 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 as offsets to state share of expenditures.

In millions

	FY 2021	FY 2022
Total Capitation	$562.50	$1,125.00
Federal Share	$506.25	$ 1,012.5
State Share	$ 56.25	$ 112.50
Drug Rebate Offset	(2.16)	(4.32)
Privilege Fee Offset	(32.46)	(64.91)
Population Movement Savings (excluding KDOC)	(10.60)	(21.20)
Incremental Administrative	7.50	15.01
Net State Share—SGF	$ 18.53	$ 37.08
Inmate Health Care (KDOC)—SGF	($ 1.04)	($ 2.18)
Medicaid Expansion Population Costs—SGF	**$ 17.49**	**$ 34.90**
KGOAL—SGF	$ 2.10	$ 4.30
KansasWorks—SGF	0.20	0.40
Medicaid Oversight—SGF	0.05	0.10
Working Group—SGF	0.02	0.02
Total Medicaid Expansion Costs—SGF	**$ 19.86**	**$ 39.72**

Sincerely,

Larry L. Campbell
Director of the Budget

cc: Dan Thimmesch, Health & Environment
Connie Hubbell, Aging & Disability Services
Randy Bowman, Corrections
Kim Holter, Children & Families
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