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Michael Randol, Director

Department of Health & Environment

Sam Brownback, Governor

Date: 2-6-2017

Subject: Testimony on Senate Bill 94

Submitted By: Mike Randol, Kansas Department of Health and Environment – Director of the Division of Health Care Finance – State Medicaid Director

**Bill Description:** KDHE appreciates the opportunity to give neutral testimony on SB 94. This act concerns health maintenance organizations; relating to privilege fees; rate; disposition of moneys; and extending the medical assistance fee fund.

**Privilege Fee:** SB 94 would increase privilege fees effective January 1, 2017. Privilege fees are based on the premium revenue of managed care organizations for the calendar year and are paid in March of the following calendar year. As a result, additional revenue resulting from this bill will not be realized until FY 2018.

The bill states that moneys in the medical assistance fee fund shall be expended first to restore any reductions initiated during calendar year 2016 to provider reimbursement rates for state Medicaid services and then, if any moneys remain, for the purpose of Medicaid medical assistance payments. Because moneys from the increased privilege fee will not be deposited in the Medicaid medical assistance fee fund until late March of 2018, if full restoration of the 4% provider rate reduction is to be accomplished using only the privilege fee – the restoration cannot be accomplished until July of 2018.

The bill further provides that these revenues will be deposited in KDHE's Medical Assistance Fee Fund, instead of the State General Fund. The State General Fund Consensus Revenue Estimate made in November 2016 includes \$67.5 million from the privilege fee.

KanCare MCO's will be required to pay the assessed privilege fee. Payments to the MCO's must be actuarially sound. Therefore, the assessed fee amount will be included in the capitated rate paid to each of the MCO's.