

February 18, 2019

The Honorable Brenda Landwehr, Chairperson
House Committee on Health and Human Services
Statehouse, Room 352-S
Topeka, Kansas 66612

Dear Representative Landwehr:

SUBJECT: Fiscal Note for HB 2030 by Representative Ward

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2030 is respectfully submitted to your committee.

HB 2030 would expand Medicaid coverage to Kansas adults under 65 years of age, who are not pregnant and whose income does not exceed 138.0 percent of the federal poverty level, to the extent permitted under the provisions of the Patient Protection and Affordable Care Act. Under the bill no requirements that exceed or differ from requirements imposed by federal statute or regulation could be imposed on newly eligible medical assistance recipients.

| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|----------------|----------------------|
| | FY 2019 SGF | FY 2019 All Funds | FY 2020 SGF | FY 2020 All Funds |
| Revenue | -- | -- | -- | \$503,177,300 |
| Expenditure | -- | -- | \$12,267,855 | \$515,445,155 |
| FTE Pos. | -- | -- | -- | 129.00 |

The Kansas Department of Health and Environment (KDHE) states that because of the system changes required to implement Medicaid expansion the earliest date to begin enrolling the newly eligible would be January 1, 2020. As a result, the fiscal effect estimates in this note are for one half of FY 2020. KDHE indicates that passage of the bill would assume costs and offsets associated with an additional 150,000 individuals becoming eligible for Medicaid coverage. KDHE estimates that the cost of care for the newly eligible beneficiaries would be \$501.8 million for half of FY 2020. The state share at 10.0 percent would be \$50.2 million. The cost of care for

the newly eligible beneficiaries for the full year in FY 2021 is estimated to be in a range from \$1,083.7 million to \$1,170.0 million. The estimated state share for FY 2021 at 10.0 percent would be in a range from \$108.4 million to \$117.0 million.

KDHE estimates additional revenue of \$2.1 million in FY 2020 and between \$4.3 and \$4.4 million in FY 2021 from increased drug rebates. This additional revenue would be used to meet state share requirements. KDHE estimates additional revenue of \$29.0 million in FY 2020 and between \$62.5 and \$67.5 million in FY 2021 from the 5.77 percent Privilege Fee. This additional revenue would also be used to meet state share requirements. Healthcare cost savings that would be realized for certain populations are also included in the estimate. These savings total \$11.1 million in FY 2020 and between \$22.2 million and \$23.1 million in FY 2021.

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. 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. Total additional administrative costs are estimated at \$13.0 million in FY 2020 and \$25.6 million in FY 2021. The state share of those administration expenditures is approximately \$6.5 million for FY 2020 and \$12.8 million for FY 2021.

The Department of Corrections (DOC) states that when an inmate is hospitalized for longer than 24 hours the Medicaid inmate exclusion rule does not apply. Therefore, some of these inmates could be Medicaid eligible on a fee-for-service basis. DOC currently estimates approximately \$3.0 million in State General Fund expenditures for these hospitalizations in FY 2020. If most of those inmates were Medicaid eligible under the provisions of HB 2030, DOC would realize savings of approximately \$2.8 million from the State General Fund in FY 2020. This estimate equates to \$1.0 million in savings resulting from lower Medicaid fee rates plus \$1.8 million from the federal match that could be drawn down. 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. The current estimate for increased administration is \$610,000 from the State General Fund and 9.00 additional FTE positions.

The Department for Children and Families (DCF) states that HB 2030 would not result in additional expenditures by the agency. However, the Secretary of DCF states that expanding Medicaid could reduce the agency's future foster care expenditures if parents and children can access additional mental health services and other community-based health services that may allow children to avoid out-of-home placement. It is not possible to estimate the amount by which expenditures could be reduced.

The total estimated State General Fund fiscal effect for KDHE and DOC resulting from enactment of HB 2030 would be increased expenditures of \$512.6 million, including \$12.3 million

from the State General Fund in FY 2020. For FY 2021, total expenditures would be increased by \$1.1 billion, including \$28.9 million from the State General Fund. *The FY 2020 Governor's Budget Report* reflects additional expenditures of \$509.2 million, including \$14.2 million from the State General Fund, for KDHE for Medicaid expansion. *The FY 2020 Governor's Budget Report* does not reflect DOC's estimated savings from Medicaid expansion.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Larry L. Campbell
Director of the Budget

cc: Dan Thimmesch, Health & Environment
Cody Gwaltney, Aging & Disability Services
Jackie Aubert, Children & Families
Linda Kelly, Corrections