

February 19, 2019

The Honorable Gene Suellentrop, Chairperson  
Senate Committee on Public Health and Welfare  
Statehouse, Room 441-E  
Topeka, Kansas 66612

Dear Senator Suellentrop:

**SUBJECT:** Fiscal Note for SB 122 by Senate Committee on Public Health and Welfare

In accordance with KSA 75-3715a, the following fiscal note concerning SB 122 is respectfully submitted to your committee.

SB 122 would require the Kansas Department of Health and Environment (KDHE) to contract with one non-profit Managed Care Organization (MCO) to provide Medicaid services to any child under the age of 18 that is in the custody of the Department for Children and Families (DCF). The provisions of the bill would also apply to persons between the ages of 18 and 26 who are in the custody of DCF on the day before their 18th birthday, as well as any child under the age of 18 that was in DCF custody and was subsequently adopted. The bill would also require the State Board of Education to provide for persons in these identified three populations who are attending school in grades nine through 12 with an internet-based delivery system for academic instruction and support. These educational services would be implemented for school year 2020-2021 in Topeka USD 501, school year 2021-2022 in Wichita USD 259, and school year 2022-2023 in Kansas City USD 500.

The Department of Education indicates that SB 122 would have a fiscal effect on state aid expenditures. The Department assumes that the bill would be implemented for the same amount of state aid as for a virtual student. Current law provides that an eligible full-time virtual student costs \$5,000 per student in state aid. The Department estimates that there would be 100 students in Topeka USD 501, 300 students in Wichita USD 259 and 150 students in Kansas City USD 500 for a total of 550 students. The total cost for student aid would be \$2,750,000 (550 students x \$5,000 = \$2,750,000). The bill would reduce virtual state aid for these school districts and would instead appropriate the funding to the Department.

KDHE indicates that there would be one-time costs to go through the request for proposal process but is unable to estimate a precise fiscal effect. Once awarded, the agency would need to work with the agency's current enrollment broker to reassign all children in DCF custody from the student's current MCO to the new MCO. The enrollment broker would be required to make system changes that would change the auto assignment logic built into the system to assign all new children in DCF custody to the new MCO. KDHE would be required to work with the Centers for Medicare and Medicaid Services (CMS) to amend the agency's current 1115 Waiver for the provisions of the bill to be implemented. This process takes a minimum of six months, including a minimum of four months for CMS to review and approve any changes. The primary change would be waiving the federal regulation that requires Medicaid beneficiaries to have a choice between at least two MCOs. The current populations that are exempt from managed care requirements would continue to receive services as part of the 1115 Waiver. The agency also indicates that there would be additional cost offset by having this population managed by non-profit MCO. Currently, the agency builds in a 1.0 percent profit contingency into the capitation rates paid to the MCOs for all populations. The calendar year 2019 projections for profit associated with this population is \$1.3 million from all funding sources, including \$500,000 from the State General Fund. The agency assumes this would be removed from the capitation payments moving forward if SB 122 were enacted. KDHE also states that the agency is currently staffed to have oversight of three MCOs and would need additional staff and funding to monitor a fourth. The agency indicates that a total fiscal effect cannot be determined. Any fiscal effect associated with SB 122 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell  
Director of the Budget

cc: Jackie Aubert, Children & Families  
Dan Thimmesch, Health & Environment