

May 30, 2017

The Honorable Daniel Hawkins, Chairperson
House Committee on Health and Human Services
Statehouse, Room 521-E
Topeka, Kansas 66612

Dear Representative Hawkins:

SUBJECT: Fiscal Note for HB 2154 by Representative Ward

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2154 is respectfully submitted to your committee.

HB 2154 would expand Medicaid eligibility to adults, who are not pregnant, who are under age 65 and whose income does not exceed 138.0 percent of the federal poverty level.

The Kansas Department of Health and Environment (KDHE) estimates that HB 2154 would add 181,000 new beneficiaries to KanCare. KDHE indicates that passage of the bill would assume costs and offsets associated with a 40.0 percent expansion from current Medicaid member counts, and that count would grow annually. Any savings to the state would be realized through a higher Federal match rate for certain populations within Medicaid. The Department indicates that additional revenues would not fully offset the Medicaid expansion costs. KDHE estimates that the cost of care for the newly eligible beneficiaries would be \$1,035.4 million in FY 2018 and FY 2019. The state share at 6.0 percent would be \$62.1 million in FY 2018. For FY 2019 the state share would increase to 7.0 percent, or \$67.2 million. If the Affordable Care Act enhanced federal match for Medicaid expansion was not available and Kansas' regular state share of approximately 45.0 percent was required for these new beneficiaries, the additional cost to the State General Fund would be \$465.4 million.

KDHE estimates additional revenue of \$5.4 million beginning in FY 2018 from increased drug rebates. This additional revenue would be used to meet state share requirements. The KDHE estimate does not include any additional revenue from privilege fees because under current law those fees collected for calendar year 2018 will be deposited in the State General Fund instead of the KDHE fee fund. Healthcare cost savings that would be realized for certain populations are also included in the estimate. These savings total \$29.3 million.

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The bill would also result in increased administrative costs. KDHE would require the addition of 115.0 FTE positions, the majority of which would be eligibility staff and support staff. This estimate is based on the current staff to beneficiary ratio and assumes a 25.0 percent increase. Salary and other operating expenditures for the added positions are estimated at \$2.0 million. The cost of the three Medicaid support contracts, which include Hewlett Packard Enterprises, Accenture and Maximus, and required systems changes to the eligibility system (KEES) and the Medicaid Management Information System (MMIS), would also increase expenditures by approximately \$32.9 million per year. Total additional administrative costs are estimated at \$34.9 million. The state share of those administration expenditures is approximately \$10.6 million.

The Department of Corrections 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 \$2.0 million in State General Fund expenditures for these hospitalizations in FY 2018. If half of those inmates were Medicaid eligible under the provisions of HB 2154, DOC would realize savings of approximately \$940,000 from the State General Fund in FY 2018 and \$930,000 in FY 2019. This estimate equates to the enhanced federal match that could be drawn down. These savings would be reduced over time as the enhanced federal match is reduced. DOC would, however, have increased administrative costs that would reduce the savings. DOC would need additional FTE positions to determine eligibility and process claims. The current estimate for increased administration is \$300,000, which will include \$150,000 from the State General Fund and 3.00 additional FTE positions. Any fiscal effect associated with HB 2154 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

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