

# The Bridge to a **Healthy Kansas**

A Kansas health care coverage solution

## 2019-2020

### Who is eligible?

**150,000**  
eligible Kansans

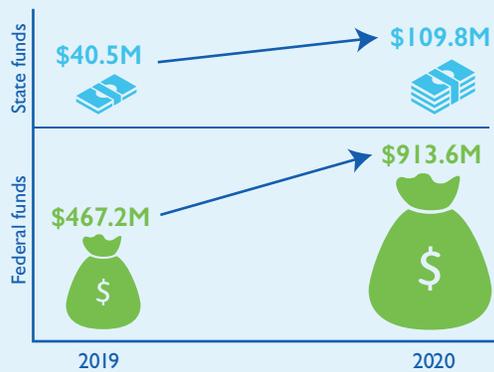


The Bridge to a Healthy Kansas is a unique Kansas solution that makes health care coverage affordable for approximately 150,000 hardworking, low-income Kansans.

The Bridge to a Healthy Kansas provides a path to health and personal responsibility.



### How is it funded?



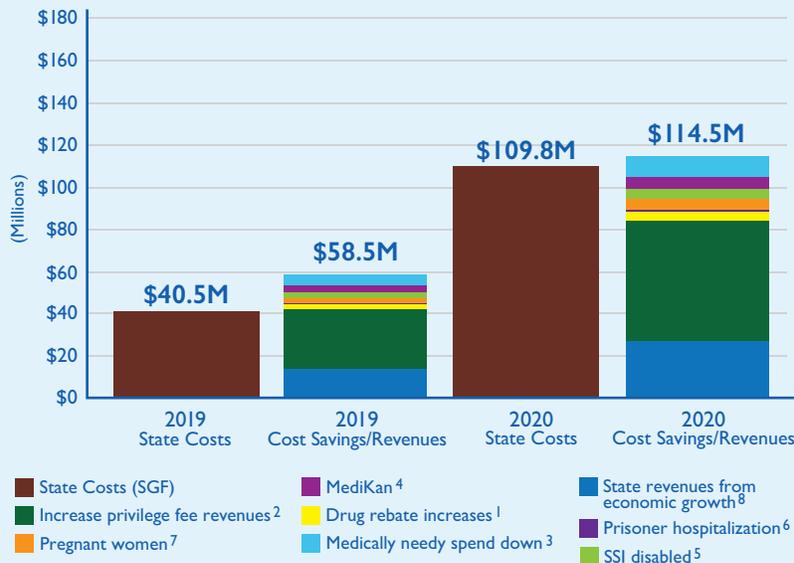
Federal matching funds for expanding health care coverage in Kansas will pay the majority of the costs. In 2019, Kansas will only pay 7% of the cost of care. The state's portion will cap at 10% by 2020.

The state portion is significantly less than what Kansas pays for current KanCare recipients and will be offset by savings and revenue gains described below. The Bridge to a Healthy Kansas is well beyond budget-neutral.



### How will it impact Kansas?

The Bridge to a Healthy Kansas will generate new revenues and savings for the state.



The Bridge to a Healthy Kansas is a program that is beyond budget-neutral and does not require use of State General Funds. Independent, third-party analyses show it will produce a significant net savings for Kansas.

The Bridge to a Healthy Kansas will generate new revenue and cost savings of \$58.5 million (in 2019) and \$114.5 million (in 2020). This is a net financial gain of more than \$18 million (in 2019) and \$4.7 million (in 2020).

This is the most comprehensive listing of estimated revenue and savings sources. A detailed description of each revenue and savings opportunity follows.



Sources: 1. Kansas Legislative Research Department; 2. Kansas Department of Health and Environment (KDHE) estimate of KanCare Expansion costs and Senate Sub. HB 2281; 3. KDHE; 4. KDHE Medical Assistance Report; 5. KDHE Medical Assistance Report; 6. Kansas Department of Corrections; 7. KDHE; 8. Health Affairs, March 2016.



# The Bridge to a **Healthy Kansas**

## Generating new savings and revenue opportunities

If the state supports The Bridge to a Healthy Kansas, there are increased state Medicaid costs, but those are offset by new state revenue and reductions in other health care spending (described below). The result is a net savings of more than \$4.7 million in 2020.

### Revenue Opportunities

With The Bridge to a Healthy Kansas program, Kansas has the opportunity to bring in revenue from greater managed care company fees, more drug rebates and state tax revenues. These items together have the potential to exceed \$44 million in the first year alone.

- **Drug Rebates<sup>1</sup>** – The state currently benefits from prescription drug rebates. When KanCare beneficiaries are prescribed drugs, the state is often able to benefit from discounts after the fact. Because these rebates are based on utilization, with greater utilization by a larger number of beneficiaries under expansion, the state will see more revenue in the form of drug rebates.
- **Increased Managed Care Company Fees<sup>2</sup>** – The three managed care organizations that currently provide KanCare coverage pay ‘privilege fees’ to provide these services. The fees are based on the number of enrollees, so with more enrollees under expansion, the state will see more revenue generated from these fees. In addition, maintaining these fees at 5.77 percent going forward will provide stable funding for the program.
- **State Revenues From Economic Growth<sup>8</sup>** – This conservative estimate reflects tax revenues generated by the additional expansion expenditures of 5.0 percent of the total cost, based on the assumption that the dollars will initially be paid to the KanCare MCOs and be spent on taxable salary and infrastructure by the organization, with the pursuant economic ripple effect of those expenditures. This is a conservative estimate, given that states with a similar aggregate state tax rate generally see 13-18 percent in tax revenue from federal dollars.

### Savings Opportunities

**Utilizing Federal Funds to Replace State General Funds (SGF).** Currently, Kansas uses SGF to support health care services for uninsured Kansans. Many of those in this category would gain coverage through The Bridge to a Healthy Kansas program, allowing the state to use federal dollars and freeing up SGF dollars.

- **Potential Savings with Prisoner Inpatient Care<sup>6</sup>** – Kansas spent nearly \$47 million on prisoner health care in 2011, of which 20 percent was estimated to be spent on inpatient care.\* Medicaid will cover inpatient prisoner costs, if the prisoner is eligible for Medicaid. A majority of inmates would be eligible, allowing the state to substitute federal funds for SGF. \*Pew Charitable Trusts and the MacArthur Foundation, State Prison Health Care Spending, July 2014.
- **Potential MediKan Savings<sup>4</sup>** – General assistance is provided to Kansans who are eligible and the program is funded by SGF (The program serves the disabled who do not qualify for other state or federal programs. It is a short-term public assistance program, and at most someone can receive assistance for up to 24 months.) With The Bridge to a Healthy Kansas, these patients would be eligible and the state appropriation would no longer be needed, creating SGF savings.

**Accessing Enhanced Federal Matching Funds.** As Medicaid populations move from the targeted eligibility category, which has a federal matching rate of 55 percent, and become newly eligible under The Bridge to a Healthy Kansas program, the state will be able to draw down the higher enhanced match (minimum of 90 percent). Areas for potential savings include:

- **Disabled Population (Blind and Disabled Supplemental Security Income (SSI) population)<sup>5</sup>** – The Bridge to a Healthy Kansas would allow some low-income individuals who would have previously sought a disability determination to qualify for Medicaid to enroll in a new adult group based on income alone. See Manatt Analysis for savings example in Oregon.
- **Medically Needy Spend Down<sup>3</sup>** – Certain Kansans are eligible for KanCare only after they spend down their resources to a level of \$495 per month and \$2,000 in assets for a single person. By eliminating spend down eligibility for persons 19-64 who are not otherwise eligible through Home and Community Based Services, Working Healthy, etc., the budget can be reduced to reflect the shift of those persons from the current KanCare program to the newly eligible group.
- **Pregnant Women<sup>7</sup>** – Women who become pregnant while enrolled in the newly eligible group (first-time parents and parents with income above 33 percent of the federal poverty level) would remain in this group until renewal. This would allow the state to claim an enhanced federal match whereas previously this group would have been covered in the state’s pregnant women category and the state would receive a lower match rate.