

SRS Deferrals, Potential Audit Penalties, and Related Financing & Budget Issues

As of January 2005

	Period	Estimated Amount	Anticipated Reimb.	Shortfall After Reimb.	Expected FY Affected
<u>Known Issues with Estimated Amounts</u>					
1 CW Managed Care Deferral	6/03 - 12/04 (6 qtrs)	38,634,911	9,756,920	28,877,991	2005
2 State Hospital Medicaid Deferral	1994 - 1999	11,100,000	0	11,100,000	2005
3 OIG Audit Finding for DDS expenditures	7/1/98 - 3/31/2002	4,923,606	0	4,923,606	2005
<u>Financing Issues</u>					
4 CW Contracts Funding Shift for FY06	7/1/05 - 6/30/06	9,733,175	0	9,733,175	2006
5 TANF/CCDF Shortage	7/1/05 - 6/30/06	31,989,326	0	31,989,326	2007
<u>At Risk Issues</u>					
6 OIG Review of Child Welfare Rehab.	7/1/01 - 6/30/2003	20,000,000	0	20,000,000	2007
7 OIG Audit of LEA Funding	4/1/97-6/30/2	40,000,000	0	40,000,000	2006
8 Synar Penalty	10/1/03 - 9/30/04	2,263,746	0	2,263,746	2005
9 SACWIS Penalty	2/1993 - 5/1996	924,787	0	924,787	2005

NOTES:

All amounts are estimates and subject to change. Even the first category listed are estimates and may change through continued negotiations, appeals, and settlements.

- 1 This amount covers the six quarters from when the Federal Balanced Budget Act required CW contractors to be managed care providers until January 1, 2005, when CMS agreed SRS had met the managed care requirements. No further deferrals are expected for this issue. CMS has said that they will pay the capitated rates for the last two quarters of SFY 2005. It is estimated that these last 2 quarters will be \$9 million XIX, equal to the budget amount.

The first two quarterly deferrals totaling \$13.3 million were adjusted in FY 2004. The expenditures were JVED out of Fund 3314 (SRS Title XIX) into other SRS funds. This is not reflected in the total above. In addition, \$9,467,785 of fee fund has been set aside for this.

- 2 This money has been paid to the hospitals but was taken from the SRS XIX fund by CMS. Thus, the shortage is in the SRS fund and not in the hospitals.

- 3 SRS believes that costs were allocated to DDS under an approved cost allocation plan. The original appeal was lost but a second appeal is in progress. Fee fund has been set aside to cover this penalty.

- 4 This amount is not a deferral or penalty but rather a budget shift related to Medicaid in the child welfare contracts. Through the consensus caseload process, the title XIX funds have remained budgeted at the same level. Under the new CW contracts which are fee-for-service, we believe several Medicaid encounters claimed in the past will be unallowable for Medicaid funding and have to be covered with state dollars.

These include targeted case management, therapy, and other services not currently allowable under Medicaid. If the historic amount of level V and level VI services are not claimable for Medicaid, this amount could be \$6 million more.

- 5 Because of a TANF shortage, SRS removed TANF from Foster Care and Early Head Start and asked for SGF FY 2006. In the DoB Recommendations, the shortage was funded with one time funds in FY 2006 (IGT, Fee Funds, and all remaining TANF). Since one time funds were used, this TANF problem was shifted to FY 2007. The shortage represents the FC and Head Start funding only. An additional shortage will be present for any caseload growth not covered by SGF during the consensus process and the budget

- 6 Two other states with similar OIG audits have experienced findings of about \$20 million. This audit is still in progress and the amount of possible audit findings are unknown at this time.

- 7 We have not received a report from OIG. This amount is an estimate of the unallowable amounts related to rate setting, payment methodology, bundled rates, and administrative claiming issues OIG has raised. Total payments reviewed were approximately \$120 million during this period so the unallowable estimate is one third of the payments.

- 8 An 80% compliance rate is mandated. For FFY 2004, compliance was only 62%. The statutory penalty for noncompliance is 40% of the Substance Abuse Prevention and Treatment Block Grant. This would amount to \$5 million. An alternative option being offered by SAMHSA is that Kansas can obligate state funds to address youth access to tobacco. This alternative requires Kansas to spend SGF equal to 1% of the block grant amount for each point Kansas was out of compliance. This amount is reflected above.

- 9 We have not received formal notice of payment or a reduction of our IV-E grant. The estimated penalty is the difference between the enhanced IV-E funding percentage we claimed during this period and the normal IV-E funding allowed for these types of services. The normal rate should have been claimed since SRS did not develop an integrated child welfare system that meets the federal government's requirements.

Fee fund revenue has been set aside to cover this penalty.