

HEALTH CARE STABILIZATION FUND BOARD OF GOVERNORS

FY 2024 – FY 2026 BUDGET SUMMARY

FIG. 1 BUDGET SUMMARY, FY 2024 – FY 2026

	Actual FY 2024	Agency FY 2025	Legislative Budget Committee FY 2025	Agency FY 2026	Legislative Budget Committee FY 2026
EXPENDITURES:					
State Operations*	\$ 8,730,119	\$ 9,102,402	\$ 9,102,402	\$ 9,408,519	\$ 9,408,519
Salaries and Wages	1,985,849	2,185,380	2,185,380	2,262,310	2,262,310
Contractual Services	6,681,741	6,837,347	6,837,347	7,009,389	7,009,389
Commodities	12,061	31,905	31,905	27,950	27,950
Capital Outlay	50,468	47,770	47,770	108,870	108,870
State Aid and Assistance	\$ 33,032,232	\$ 40,000,000	\$ 40,000,000	\$ 38,343,008	\$ 38,343,008
Aid to Local Units	-	-	-	-	-
Other Assistance	33,032,232	40,000,000	40,000,000	38,343,008	38,343,008
Capital Budget and Debt	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Improvements	-	-	-	-	-
Debt Service Principal	-	-	-	-	-
Debt Service Interest	-	-	-	-	-
TOTAL	\$ 41,762,351	\$ 49,102,402	\$ 49,102,402	\$ 47,751,527	\$ 47,751,527
FINANCING:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Health Care Stabilization Fund	41,762,351	49,102,402	49,102,402	47,751,527	47,751,527
TOTAL	\$ 41,762,351	\$ 49,102,402	\$ 49,102,402	\$ 47,751,527	\$ 47,751,527
PERCENTAGE CHANGE:					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	(17.7) %	17.6 %	-- %	(2.8) %	-- %
FTE Positions	21.0	21.0	21.0	21.0	21.0

* Note: Expenditures for debt service interest are reflected under "Capital Budget and Debt."

AGENCY OVERVIEW

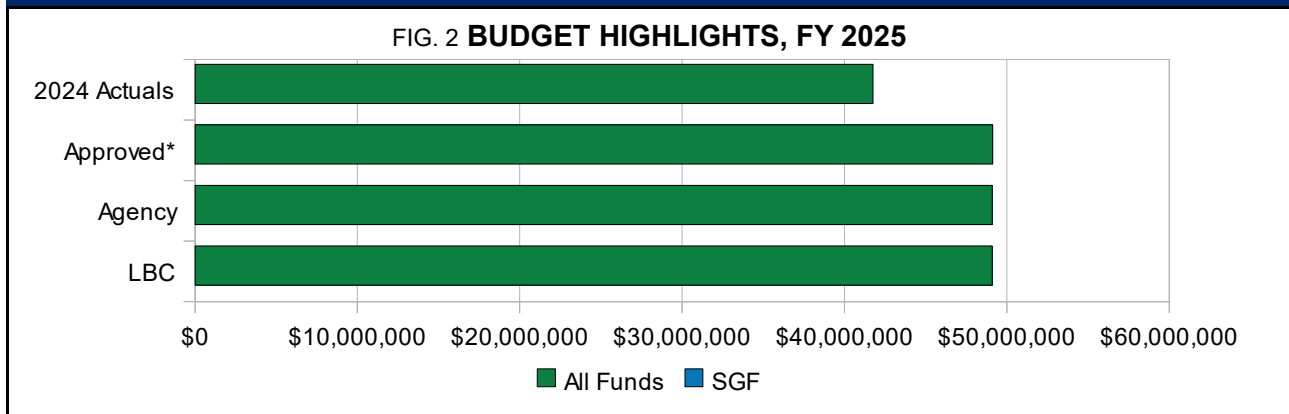
The mission of the Health Care Stabilization Fund Board of Governors (HCSF Board of Governors) is to administer the Health Care Provider Insurance Availability Act (Act) in accordance with the duties and responsibilities set out in the Act. The Act established the Health Care Stabilization Fund (Fund) in 1976 at the height of the medical malpractice crisis. To stabilize this, the Legislature implemented two key policies: a cap on non-economic damages to limit liability exposure, and establishment of the Fund with a policy that all physicians and defined health care providers participate in purchasing liability coverage as a condition of licensure.

Specifically, the Act requires that all health care providers who have an active license to render professional services in Kansas (1) purchase basic professional liability insurance with limits not less than \$500,000 per claim subject to not less than \$1,500,000 annual aggregate coverage, and (2) participate in funding the Health Care Stabilization Fund (HCSF) via assessments, also referred to as premium surcharges.

The Commissioner of Insurance appoints the 11 members of the HCSF Board of Governors. The principal goals of the HCSF Board of Governors are to: (1) assure that Kansas health care providers have access to adequate professional liability coverage, (2) stabilize the medical professional liability insurance market for Kansas health care providers, and (3) assure that sufficient assets are reserved to adequately fund accrued HCSF liabilities. Each year, the HCSF Board of Governors evaluates the actuarial analysis of accrued liabilities to determine appropriate surcharges to ensure sufficient assets are available. The principle source of revenue for the agency is the premium surcharge assessed on each health care provider.

In addition to licensed providers and facilities outlined in the Act, the Fund covers the initial payment of professional liability claims brought against medical residents and physician faculty at the University of Kansas Medical Center. State and faculty foundations then reimburse the HCSF for claims paid on behalf of medical residents and physician faculty. Estimates for reimbursements are based on the most recent ten-year loss experience of the State self-insurance program.

FY 2025 ANALYSIS



* Note: Includes SGF reappropriations.

FIG. 3 BUDGET COMPARISON, FY 2025

Fund	2024 Actuals	2025 Approved*	2025 Agency	Agency Change from Previous-Year Actuals		Agency Change from Approved*	
SGF	\$ -	\$ -	\$ -	\$ -	-- %	\$ -	-- %
All Other Funds	41,762,351	49,132,949	49,102,402	7,340,051	17.6	(30,547)	(0.1)
TOTAL	\$ 41,762,351	\$ 49,132,949	\$ 49,102,402	\$ 7,340,051	17.6 %	\$ (30,547)	(0.1) %

* Note: Includes SGF reappropriations.

BUDGET ANALYSIS

FIG. 4 SUMMARY OF BUDGET REQUEST, FY 2025

	Agency			Legislative Budget Committee		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Approved, FY 2025	\$ -	\$ 49,132,949	21.0	\$ -	\$ 49,132,949	21.0
2024 SB 28 & HB 2551	-	49,132,949	21.0	-	49,132,949	21.0
1. SGF Reappropriation	-	-	-	-	-	-
Supplemental Requests	\$ -	\$ -	-	\$ -	\$ -	-
2. No Supplemental Requests	-	-	-	-	-	-
Other Changes	\$ -	\$ (30,547)	-	\$ -	\$ (30,547)	-
3. All Other Adjustments	-	(30,547)	-	-	(30,547)	-
TOTAL	\$ -	\$ 49,102,402	21.0	\$ -	\$ 49,102,402	21.0

1. SGF REAPPROPRIATION

The agency did not have any SGF funds reappropriated from FY 2024 into FY 2025.

2. SUPPLEMENTAL REQUESTS

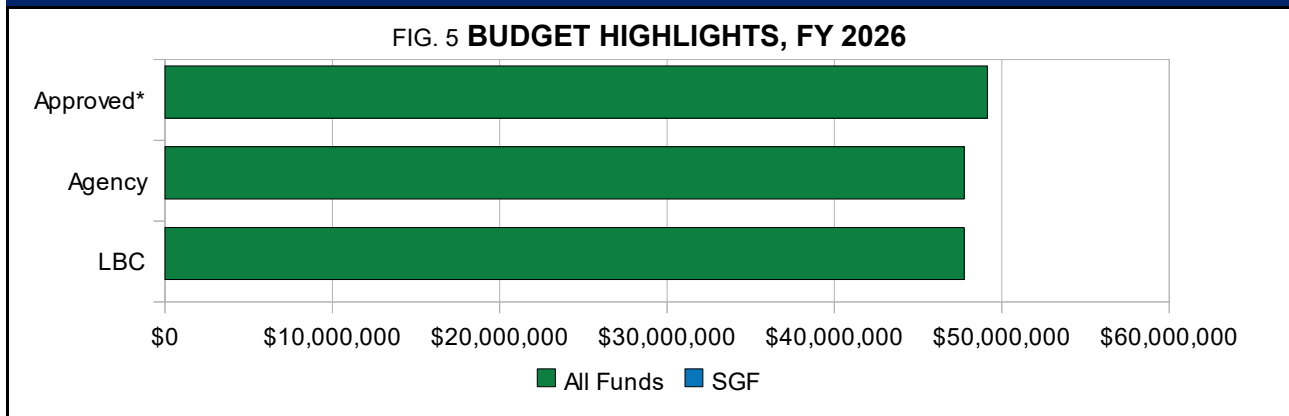
The agency's revised request did not include any supplemental requests in FY 2025.

3. ALL OTHER ADJUSTMENTS

The agency's revised request includes a decrease of \$30,547, all from special revenue funds, for a variety of other adjustments in FY 2025. The majority of this decrease is due to the agency budgeting less for salaries and wages (\$23,547), largely due to a vacant position at the time of submitting the Board's budget. The agency has also budgeted less spending on food than what was approved by the 2024 Legislature.

- **Agency:** Delete \$30,547, all from special revenue funds, in FY 2025.
- **LBC:** No changes.

FY 2026 ANALYSIS



* Note: Reflects legislative-approved expenditures for FY 2025, excluding reappropriations.

FIG. 6 BUDGET HIGHLIGHT CHANGES, FY 2026

Fund	2025 Agency	2025 Approved*	2026 Agency	Agency Change from Previous-Year Agency	Agency Change from Approved*
SGF	\$ -	\$ -	\$ -	\$ -	\$ -
All Other Funds	49,102,402	49,132,949	47,751,527	(1,350,875)	(1,381,422)
TOTAL	\$ 49,102,402	\$ 49,132,949	\$ 47,751,527	\$ (1,350,875)	\$ (1,381,422)

* Note: Reflects legislative-approved expenditures for FY 2025, excluding reappropriations.

BUDGET ANALYSIS

FIG. 7 SUMMARY OF BUDGET REQUEST, FY 2026

	SGF	Agency All Funds	FTE	Legislative Budget Committee SGF	Legislative Budget Committee All Funds	Legislative Budget Committee FTE
Approved, FY 2025	\$ -	\$ 49,132,949	21.0	\$ -	\$ 49,132,949	21.0
2024 SB 28 & HB 2551	-	49,132,949	21.0	-	49,132,949	21.0
Enhancement Requests	\$ -	\$ -	-	\$ -	\$ -	-
1. No Enhancement Requests	-	-	-	-	-	-
Other Changes	\$ -	\$ (1,381,422)	-	\$ -	\$ (1,381,422)	-
2. Medical Malpractice Claims	-	(1,656,992)	-	-	(1,656,992)	-
3. All Other Adjustments	-	275,570	-	-	275,570	-
TOTAL	\$ -	\$ 47,751,527	21.0	\$ -	\$ 47,751,527	21.0

1. NO ENHANCEMENT REQUESTS

The agency's request did not include any enhancement requests for FY 2026.

2. MEDICAL MALPRACTICE CLAIMS

As part of its statutory duties, the agency makes payments on medical malpractice claims resulting from court-approved settlement agreements or jury awards. The 2024 Legislature approved \$40.0 million for such payments in FY 2025. The agency's request for FY 2026 adjusts that amount to \$38.3 million, a decrease of \$1.7 million, all from the Health Care Stabilization Fund. The agency states this estimate is based on actual claims expenses in previous years and includes attorney fees, expert witness fees, deposition costs, and other claim-related expenses.

- **Agency:** Delete \$1.7 million, all from the Health Care Stabilization Fund, for decreased medical malpractice claims payments for FY 2026.
- **LBC:** No changes.

3. ALL OTHER ADJUSTMENTS

The agency's request for FY 2026 includes an increase of \$275,570, all from special revenue funds, for a variety of adjustments. This is primarily due to expenditures related to filling the FY 2025 vacant position and budgeting more for legal fees.

- **Agency:** Add \$275,570, all from special revenue funds, for all other adjustments for FY 2026.
- **LBC:** No changes.

REFERENCE TABLES

FIG. 8 10-YEAR EXPENDITURE HISTORY, FY 2017 – FY 2026

Fiscal Year	SGF	Change	All Funds	Change	FTE	CPI-U Change**
FY 2017	\$	-	\$ 30,466,644	(8.0) %	20.0	0.0 %
FY 2018		-	33,794,654	10.9	20.0	0.2
FY 2019		-	36,561,381	8.2	21.0	0.0
FY 2020		-	34,819,674	(4.8)	21.0	0.8
FY 2021		-	27,781,418	(20.2)	21.0	2.4
FY 2022		-	38,038,279	36.9	21.0	9.2
FY 2023		-	50,722,815	33.3	21.0	5.8
FY 2024		-	41,762,351	(17.7)	21.0	3.0
FY 2025 Agency		-	49,102,402	17.6	21.0	2.5
FY 2026 Agency		-	47,751,527	(2.8)	21.0	2.4
10-Yr. Chg. (FY 2017– 2026)	\$	-	\$ 17,284,883	56.7 %	1.0	33.4 %
3-Yr. Avg. (FY 2022– 2024)*			43,507,815		21.0	

* Note: Reflects three most recent years of actuals data.

** Note: Consumer Price Index – All Urban Consumers estimate for FY 2025 and FY 2026 is from the Consensus Revenue Estimating Group.

FIG. 9 EXPENDITURES BY PROGRAM, FY 2024 – FY 2026

Program	Actual FY 2024	Agency FY 2025	LBC FY 2025	Agency FY 2026	LBC FY 2026
Medical Professional Liability Coverage Program	\$ 2,296,881	\$ 2,744,402	\$ 2,744,402	\$ 2,919,037	\$ 2,919,037
Medical Professional Liability Adjudication Program	39,465,470	46,358,000	46,358,000	44,832,490	44,832,490
TOTAL	\$ 41,762,351	\$ 49,102,402	\$ 49,102,402	\$ 47,751,527	\$ 47,751,527

FIG. 10 FTE POSITIONS BY PROGRAM, FY 2024 – FY 2026

Program	Actual FY 2024	Agency FY 2025	LBC FY 2025	Agency FY 2026	LBC FY 2026
Medical Professional Liability Coverage Program	21.0	21.0	21.0	21.0	21.0
Medical Professional Liability Adjudication Program	-	-	-	-	-
TOTAL	21.0	21.0	21.0	21.0	21.0

MEDICAL PROFESSIONAL LIABILITY COVERAGE PROGRAM

The Medical Professional Liability Coverage Program provides instructions to insurers and health care providers for compliance with the statutory requirement, reviews documentation submitted by insurers and health care providers to ensure accuracy and correct payment, and assists insurers and health care providers who need help or have unusual circumstances. For budgeting purposes, all administrative support costs for the HCSF Board of Governors are allocated to this program. This includes the activities of the Board of Governors, the executive staff, and the administrative support staff.

MEDICAL PROFESSIONAL LIABILITY ADJUDICATION PROGRAM

The Medical Professional Liability Adjudication program is a function of the statutory liabilities of the HCSF. Expenditures in support of this program include court-approved payment settlements and jury awards, attorneys fees, deposition costs, expert witness fees, and other similar costs.

SPECIAL REVENUE FUND OVERVIEW

The HCSF was created by KSA 40-3403 as part of the 1976 Health Care Provider Insurance Availability Act, which stipulates that the HCSF shall be held in trust in the State Treasury. The principal source of revenue is the premium surcharge assessed on each health care provider licensed to render professional services in Kansas. Premium surcharge rates are determined by the HCSF Board of Governors. The HCSF Board of Governors employs a conservative, laddered investment strategy. Reserves are invested by the Pooled Money Investment Board on behalf of the Board of Governors. The investment earnings are a significant source of supplemental income to the HCSF. Maturities occur throughout the year as a result of these investments. If a maturity occurs near the end of the month, there will be a higher ending balance at the conclusion of that month.

FIG. 11 HEALTH CARE STABILIZATION FUND RESOURCE ESTIMATE, FY 2023 – FY 2027					
	Actual FY 2023	Actual FY 2024	Agency FY 2025	Agency FY 2026	Agency FY 2027
Beginning Balance	\$ 2,040,039	\$ 15,007,743	\$ 17,044,283	\$ 9,707,381	\$ 6,621,354
Revenue	59,023,778	52,972,009	64,550,500	67,450,500	-
Transfers In	4,047,423	2,394,726	3,900,000	3,900,000	-
Funds Available	\$ 65,111,240	\$ 70,374,478	\$ 85,494,783	\$ 81,057,881	\$ 6,621,354
Expenditures	\$ 50,309,139	\$ 53,330,195	\$ 75,787,402	\$ 74,436,527	-
Expenditures–Off-Budget	-	-	-	-	-
Transfers Out	-	-	-	-	-
Ending Balance	\$ 14,802,101	\$ 17,044,283	\$ 9,707,381	\$ 6,621,354	\$ 6,621,354

*Note: The FY 2023 ending balance may not match the FY 2024 beginning balance due to timing with encumbrances.

**Note: This agency does not submit a budget for FY 2027.

**FIG. 12 HEALTH CARE STABILIZATION FUND BOARD OF GOVERNORS
SURCHARGE RATES, FY 2025**

	CY '25 Current Fee	Statutory Limit*	CY '24 Fee
Class 1, Physicians, No surgery, includes dermatology, pathology, psychiatry	\$ 404	-	\$ 396
Class 2, Physicians, No surgery	788	-	808
Class 3, Physicians, Minor surgery	1,261	-	1,168
Class 4, Physicians, Family Practitioners, including minor surgery and OB	1,336	-	1,310
Class 5, Physicians, Surgery specialty, including urology, colon/rectal, GP with major	1,610	-	1,505
Class 6, Physicians, Surgery specialty, including ER (no major), ENT	1,701	-	1,701
Class 7, Physicians, Anesthesiology	1,337	-	1,337
Class 8, Physicians, Surgery specialty, including general, plastic, ER with major	3,248	-	3,123
Class 9, Physicians, Surgery specialty, including cardiovascular, orthopedic, traumatic	3,571	-	3,434
Class 10, Physicians, Surgery specialty, including OB/GYN	4,637	-	4,459
Class 11, Physicians, Surgery specialty, including neurosurgery	10,606	-	10,006
Class 12, Chiropractors	222	-	218
Class 13, Registered Nurse Anesthetists	373	-	373
Class 14, Podiatrists	907	-	872
Class 15, Availability Plan Insured	21.9 %	-	20.5 %
Class 16, Business entities, including professional corporations and partnerships	14.0	-	14.0
Class 17, Medical Care Facilities	19.3	-	17.5
Class 18, Mental Health Centers	15.0	-	15.0
Class 19, Psychiatric Hospital	15.0	-	15.0
Class 20, Residents in Training	15.0	-	15.0
Class 21, Physician Assistants	15.5	-	15.0
Class 22, Nurse-Midwives	18.5	-	18.0
Class 23, Assisted Living and Residential Health Care Facilities	15.3	-	15.0
Class 24, Nursing Facilities	13.7	-	14.0

* Note: The authority for these fees is found in KSA 40-3404

** Note: Rates are subject to change with each calendar year.