Colorado Legislative Council Staff

HB17-1353

FISCAL NOTE

FISCAL IMPACT: ☒ State ☐ Local ☐ Statutory Public Entity ☐ Conditional ☐ No Fiscal Impact

Drafting Number:	LLS 17-1077	**Date:**	April 25, 2017
Prime Sponsor(s):	Rep. Young Sen. Lundberg	**Bill Status:**	House Public Health Care and Human Services
		Fiscal Analyst:	Bill Zepernick (303-866-4777)

BILL TOPIC: IMPLEMENT MEDICAID DELIVERY & PAYMENT INITIATIVES

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019	FY 2019-20
State Revenue			
State Expenditures General Fund Cash Funds Federal Funds	Workload increase.	Potential costs and savings. See State Expenditures section.	
FTE Position Change		Potential increase.	
Appropriation Required: None.			
Future Year Impacts: Ongoing potential net decrease in state expenditures.			

Summary of Legislation

This bill, ***recommended by the Joint Budget Committee***, provides a statutory framework and sets forth requirements for the existing Accountable Care Collaborative (ACC) for the Medicaid program in the Department of Health Care Policy and Financing (HCPF) and authorizes performance payments to Medicaid providers. Specifically, the bill requires that the ACC:

- establish primary care medical homes for Medicaid clients within the ACC;
- provide regional care coordination and provider network support;
- provide data to regional entities and providers to help manage client care;
- integrate the delivery of behavioral health and physical health services;
- connect primary care with specialty care and nonhealth community supports;
- promote client choice and engagement;
- utilize innovative care models and provider payment models as part of the care delivery system, including capitated managed care models;
- receive feedback from stakeholder groups;
- establish a flexible structure for the ACC that allows for efficient operations and future expansion to include long-term care and supports; and
- establish a care delivery system and provider payment platform that can adapt to changes in federal funding models or funding levels.

In addition, the bill requires HCPF to report to the Joint Budget Committee and the Health and Human Services Committees of the General Assembly by December 1, 2017, and each December 1 thereafter, about the ACC, including the number of clients served, performance results and health impacts, administrative fees and program costs, fiscal performance, activities in rural and frontier counties, waste reduction, and various other aspects of the ACC. The first report must also list additional statutory changes needed to align the statewide managed care system with federal regulations on managed care.

Concerning performance payments, HCPF is authorized to provide performance payments to primary care providers, federally qualified health clinics, providers of long-term services and supports, and behavioral health service providers. Prior to implementing performance payments, HCPF must submit one of the following to the Joint Budget Committee:

- evidence that performance-based payments are designed to achieve budget savings; or
- a budget request for the costs associated with performance payments.

In addition, HCPF must submit other information about performance-based payments and the stakeholder feedback process. The submission must be provided by November 1 for performance payments that will take effect in the following fiscal year. On an ongoing basis, HCPF must submit a description of the performance payments and their goals and objectives, among other information by each November 1 starting in 2017.

Background

The ACC is an existing Medicaid initiative designed to improve health outcomes, coordinate care, and contain costs through the use of patient-centered medical homes, care coordination agencies, and data sharing and analysis. There are currently seven regional care collaborative organizations (RCCOs) that are contracted with HCPF to serve as the care coordination agency for different geographic areas of the state. Enrollment in the ACC is currently voluntary for Medicaid clients. When a client enrolls in the ACC, he or she select a primary care medical home and is assigned to the local RCCO. HCPF uses a statewide data and analytics contractor to examine claims data to identify trends and assist HCPF, RCCOs, and primary care medical homes to serve clients effectively. HCPF is currently planning to rebid the RCCO vendors and implement "phase II" of the ACC in FY 2018-19. Generally, this bill codifies the planned changes for phase II of the ACC.

State Expenditures

The bill will increase workload in HCPF in FY 2017-18 to manage changes to the ACC, design performance payments, and report to the General Assembly. Based on its planned changes to the ACC, codified under this bill, HCPF is expected to have a net increase in costs in FY 2018-19 and net savings in FY 2019-20, which the fiscal note assumes will be requested through the annual budget process (as described in the Departmental Difference section, HCPF estimates net costs of $20.8 million in FY 2018-19 and net savings of $83.3 million in FY 2019-20 under the bill).

Planning and reporting requirements. HCPF will have additional workload starting in FY 2017-18 to report information to the General Assembly about the ACC and performance payments. In addition, the bill directs HCPF to submit a budget request prior to implementing performance payments, which will also increase work, presumably in FY 2017-18 if payments are to be implemented in FY 2018-19. It is assumed this workload can be accomplished with existing appropriations to HCPF.

Future costs and savings. Depending on future budget requests and information submitted to the JBC by HCPF and funding decisions by the General Assembly, HCPF will have future costs and savings related to the ACC and performance payments. Additional Medicaid clients enrolling in the ACC will increase costs, and the improved care coordination will generate savings. Likewise, performance payments will increase costs for HCPF if the department submits a budget request for funding or evidence of budget savings prior to implementing performance payments, as specified in the bill, and approval for the performance payments is given.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

Departmental Difference

HCPF estimates an increase of $20.8 million in net costs and 4.6 FTE in FY 2018-19 and net savings of $83.3 million and an increase of 5.0 FTE in FY 2019-20. The fiscal note does not include these costs for two main reasons. First, HCPF's estimates for the ACC are driven by existing planned changes to the ACC that are being conducted under HCPF's current authority under state and federal law. As such, fiscal note policy requires that funding adjustments for these changes be requested through the annual budget process, rather than included in a bill that does not directly cause the changes in question. Second, the bill specifically directs HCPF to submit evidence of budget savings or a budget request by November 1 in order to provide performance payments in the following fiscal year. As such, the future costs will depend on decisions by the General Assembly based on the HCPF request submitted, and are not included in the fiscal note.

HCPF's estimates of costs and savings under the bill are summarized in Table 1 below. These costs and savings are based on an additional 5.0 FTE managing the implementation of phase II of the ACC, mandatory enrollment of all Medicaid clients into a primary care medical home under the ACC, and the projected savings from care coordination for additional ACC enrollees and the coordination of physical and behavioral health, as well as the start of performance payments for primary care and behavioral health providers in FY 2018-19.

Table 1. HCPF Estimate of Costs and Savings Under HB 17-1353			
Cost Components	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**
Accountable Care Collaborative		**($63,942,593)**	**($170,638,627)**
ACC Administrative Costs		335,054	339,885
FTE		4.6 FTE	5.0 FTE
Per Member Per Month Enrollee Payments		44,270,462	41,549,043
Savings from Additional ACC Enrollment		(50,830,650)	(95,391,901)
Behavioral-Physical Health Coordination Savings		(57,785,147)	(117,205,890)
Centrally Appropriated Costs		67,688	70,236
Performance Payments		**$84,779,220**	**$87,336,134**
Contractor Costs		0	150,000
Primary Care Incentives		58,062,151	59,055,014
Behavioral Health Incentives		26,717,069	28,131,120
TOTAL		**$20,836,627**	**($83,302,493)**
General Fund		**7,591,223**	**(28,177,190)**
Cash Funds		**201,768**	**(3,640,587)**
Federal Funds		**13,043,636**	**(51,484,716)**

State and Local Government Contacts

Health Care Policy and Financing Information Technology