SB13-200

Colorado Legislative Council Staff Fiscal Note

FINAL FISCAL NOTE

Drafting Number:	LLS 13-0038	**Date:**	July 18, 2013
Prime Sponsor(s):	Sen. Aguilar Rep. Ferrandino	**Bill Status:**	Signed into Law
		Fiscal Analyst:	Kerry White (303-866-3469)

TITLE: CONCERNING AN INCREASE IN THE INCOME ELIGIBILITY FOR CERTAIN OPTIONAL GROUPS IN THE MEDICAID PROGRAM TO ONE HUNDRED THIRTY-THREE PERCENT OF THE FEDERAL POVERTY LINE, AND, IN CONNECTION THEREWITH, MAKING AND REDUCING AN APPROPRIATION.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015	FY 2015-2016
State Revenue Cash Funds Hospital Provider Fee Cash Fund	See State Revenue section.		
State Expenditures	$304,162,508	$887,790,129	$1,048,633,523
General Fund	(4,639,252)	(13,482,148)	(12,704,774)
Cash Funds			
Hospital Provider Fee Cash Fund	(76,851,197)	(154,689,344)	(153,563,504)
Federal Funds	385,652,957	1,055,961,621	1,214,901,801
FTE Position Change	19.4 FTE	20.0 FTE	20.0 FTE

Effective Date: The bill was signed into law by the Governor and took effect on May 13, 2013.

Appropriation Summary for FY 2013-2014: The appropriations clause for this bill includes items that are not included in the fiscal note. See the State Appropriations section for more information.

Local Government Impact: See Local Government Impact section.

Summary of Legislation

This bill expands Medicaid eligibility from 100 percent of the federal poverty level (FPL) to 133 percent for parents and caretaker relatives with dependent children (parents) and adults without dependent children (AWDC). It also allows the state's share of costs for these eligibility groups, up to 133 percent of FPL, to be paid with Hospital Provider Fee Cash Fund moneys.

The bill also repeals provisions of current law that allow the state to reduce, by rule, eligibility or benefits for optional groups in the Medicaid or Children's Health Plan Plus (CHP+) programs if there are insufficient hospital provider fee cash funds and matching federal funds. Under current law, for parents, reductions are permitted for those with incomes of between 61 percent and 100 percent of FPL, and for AWDC, the state may reduce or eliminate the eligibility group entirely.

Background

In 2010, the federal government adopted the Patient Protection and Affordable Care Act (ACA), which sets forth a number of requirements that affect Medicaid. Among its many provisions and beginning in 2014, ACA requires states to increase the upper income limit or expand eligibility for Medicaid to 133 percent of FPL or $14,856 for an individual and $30,657 for a family of four in 2013. For the first three years, the federal government will pay the cost of expanding eligibility. Beginning in FY 2016-17, the federal government will reduce its share gradually until, in 2020, it covers 90 percent of expansion costs. Colorado's Medicaid program has several eligibility groups; the children and pregnant women groups already use the 133 percent of FPL limit.

Hospital provider fee expansions. House Bill 09-1293 authorized the state to collect hospital provider fees (cash funds), in part, to increase Medicaid eligibility for certain "optional groups." This includes expanding coverage for parents from the existing 60 percent to 100 percent of FPL and, to the extent money is available, providing coverage to AWDC with incomes of up to 100 percent of FPL. Hospital provider fee revenue is also currently used to:

- provide expanded eligibility in the children's health plan plus (CHP+) program from 205 percent of FPL to 250 percent of FPL;
- provide a Medicaid buy-in program for disabled adults and children from families with incomes of up to 450 percent of FPL, which is in the process of being implemented;
- provide reimbursements to hospitals as provider payments and quality incentive payments;
- increase safety-net provider payments under the Colorado Indigent Care Program (CICP) to 100 percent of costs; and
- pay administrative costs.

Under current law, hospital provider fee revenue may also be used to provide 12 months of continuous eligibility for children in Medicaid, which has not yet been implemented. The Department of Health Care Policy and Financing (HCPF) has only partially implemented the expansion of Medicaid authorized in current law under HB09-1293. Parents are currently funded at 100 percent FPL. For AWDC, as of January 1, 2013, HCPF has expanded enrollment to10 percent of FPL, and enrollment is capped at 10,000 individuals. Beginning in April 2013, HCPF plans to enroll 3,000 persons from the AWDC waitlist and, as funding permits, enroll 1,250 persons each subsequent month through September 2013.

Relationship between hospital provider fee expansions and ACA. In 2012, the United States Supreme Court ruled that states must be able to choose whether to participate in the Medicaid expansion under ACA. The federal Centers for Medicare and Medicaid Services (CMS) has provided guidance to states that newly eligible groups enrolled after March 2010, when ACA became law, are also eligible for the enhanced federal matching funds. However, to take advantage of these funds for these existing groups, states must agree to fully implement expansion of Medicaid eligibility to 133 percent of FPL. This ruling allows the state to finish implementing Medicaid expansions for AWDC to 100 percent of FPL with federal funding if it chooses to expand eligibility for both parents and AWDC from between 101 percent and 133 percent of FPL. If this occurs, the

state will be able to refinance costs for parents with incomes between 61 percent and 100 percent of FPL and all of the currently enrolled AWDC clients because these groups are considered to be "newly eligible" and were enrolled after ACA took effect.

State Revenue

State revenue from hospital provider fees could change by allowing almost $160 million in expenditures currently paid with those funds to be refinanced with federal funds. The fee may be reduced accordingly or the revenue may be appropriated for a different, authorized purpose, such as implementing continuous eligibility.

State Expenditures

Overall, this bill increases state expenditures by $304.2 million and 19.4 FTE in FY 2013-14, $887.8 million and 20.0 FTE in FY 2014-15, and $1.0 billion and 20.0 FTE in FY 2015-16.

Refinancing of Existing Clients

Beginning in FY 2013-14, this bill will shift $159.6 million in state expenditures per year from the Hospital Provider Fee Cash Fund to federal funds. This amount is prorated in the first year based on the assumption that the increased federal match will not be available until January 1, 2014. By implementing SB13-200, the state is authorized to refinance the newly eligible groups enrolled following the enactment of ACA. These costs are currently shared equally between the Hospital Provider Fee Cash Fund and federal funds, and will be refinanced to be paid entirely with federal funds. Costs are described in Table 1 and the discussion that follows.

Table 1. Refinancing of Expenditures Under SB13-200

Cost Components	FY 2013-14	FY 2014-15	FY 2015-16
Parents - 60% - 100% of FPL	$126,587,703	$126,587,703	$126,587,703
AWDC - 0% to 10% of FPL, 10,000 cap	192,682,212	192,682,212	192,682,212
TOTAL CURRENT LAW	**$319,269,915**	**$319,269,915**	**$319,269,915**
Hospital Provider Fee Cash Funds	**159,634,958**	**159,634,958**	**159,634,958**
Federal Funds	**159,634,957**	**159,634,957**	**159,634,957**
TOTAL UNDER SB13-200	**$319,269,915**	**$319,269,915**	**$319,269,915**
Hospital Provider Fee Cash Funds	**79,817,479**	**0**	**0**
Federal Funds	**239,452,436**	**319,269,915**	**319,269,915**

Parents. For FY 2013-14, HCPF has requested funding as shown in Table 1 to support an estimated 45,195 clients. This includes medical services premiums in the amount of $113.3 million and $13.3 million in mental health programs. Assuming the request would have been fully funded, Senate Bill 13-200 would reduce hospital provider fee cash funds for this group by $63,293,852.

AWDC. For FY 2013-14, HCPF has requested funding as shown in Table 1 to support an estimated 18,938 clients. This includes medical services premiums in the amount of $167 million and $25.7 million in mental health programs. Assuming the request would have been fully funded, Senate Bill 13-200 would reduce hospital provider fee cash funds for this group by $96,341,106.

Expansion Populations

This bill will increase state expenditures by $304.2 million and 19.4 FTE for FY 2013-14, $887.8 million and 20.0 FTE for FY 2014-15, and $1.0 billion and 20.0 FTE for FY 2015-16. Costs are described in Table 2 and the discussion that follows.

Table 2. Expenditures Under SB13-200 for Expansion Populations

Cost Components	FY 2013-14	FY 2014-15	FY 2015-16
HCPF			
Personal Services - Salary	$1,206,379	$1,206,379	$1,206,379
FTE	19.0	19.0	19.0
Personal Services - Benefits	201,957	211,686	221,415
Operating Expenses and Capital Outlay	107,407	18,050	18,050
Training	25,000	0	0
Leased Space	78,101	78,101	78,101
Legal Services	37,032	93,487	106,859
Professional Services	13,783	0	0
Program Administration	4,262,903	8,283,523	10,512,103
Medical Services Costs	301,353,572	886,744,988	1,045,336,701
Subtotal	$307,286,134	$896,636,214	$1,057,479,608
Department of Corrections (DOC)			
Personal Services	$23,546	$64,214	$64,214
FTE	0.4	1.0	1.0
Operating Expenses and Capital Outlay	4,703	950	950
Medical Services Costs	(2,500,000)	(5,000,000)	(5,000,000)
Subtotal DOC	($2,471,751)	($4,934,836)	($4,934,836)
Department of Human Services (DHS)			
Mental Health Costs for Indigent	($651,875)	($3,911,249)	($3,911,249)
TOTAL*	**$304,162,508**	**$887,790,129**	**$1,048,633,523**

** This does not include costs or savings for the Department of Public Health and Environment, which are not available as of this writing.*

HCPF. Overall, expansion populations will increase costs for HCPF by $307.3 million and 19.0 FTE in FY 2013-14, $896.6 million and 19.0 FTE in FY 2014-15, and $1.1 billion and 19.0 FTE in FY 2015-16.

HCPF administrative costs. Administrative costs are required to manage the expansion populations under SB13-200, as described in Table 3 and the discussion that follows.

Table 3. HCPF Administrative Costs Under SB13-200 (break out of Table 2)

Cost Components	FY 2013-14	FY 2014-15	FY 2015-16
Personal Services - Salary	$1,206,379	$1,206,379	$1,206,379
FTE	19.0	19.0	19.0
Personal Services - Benefits	201,957	211,686	221,415
Operating Expenses and Capital Outlay	107,407	18,050	18,050
Leased Space	78,101	78,101	78,101
Legal Services	37,032	93,487	106,859
Training	25,000	0	0
Professional Services	13,783	0	0
TOTAL	**$1,669,659**	**$1,607,703**	**$1,630,804**

Personal services, operating, capital outlay, and benefits costs are included for 19.0 FTE, which are only required to fund the expansion of AWDC from 101 percent to 133 percent of FPL and parents from 101 percent to 133 percent of FPL. Costs for expanding AWDC to 100 percent FPL are already included in the budget for HCPF. These FTE include personnel to provide outreach, customer service, enrollment, contract management, financial analysis and accounting, and quality/compliance activities. A full listing of the positions and functions is available through Legislative Council Staff. Because of the large number of additional FTE required, leased space costs of $78,101 per year are included, as well as training costs of $25,000 in the first year.

Legal services costs include the purchase of legal services from the Department of Law and administrative law judge services from the Department of Personnel and Administration. These costs are based on an assumption that provider and client appeals will increase by 2.4 percent per year. Professional services costs include one-time costs of $13,783 in FY 2013-14 to install furniture and fixtures in the new leased space.

Caseload assumptions for program administration and medical services premiums. Costs in the fiscal note are based on the following assumptions:

- caseload increases begin on January 1, 2014;
- caseload for expansion programs includes parents from 101 percent to 133 percent of FPL and AWDC from the current fiscal year's level of 10 percent of FPL with a caseload of 18,938 to 133 percent of FPL;

- of those eligible for the expansion, a total of 75 percent will be enrolled, which will occur over a three-year phase-in period;
- caseload for expansion programs will increase by 61,394 in FY 2013-14; 161,525 in FY 2014-15; and 186,777 in FY 2015-16;
- all new clients (caseload) will be enrolled in the accountable care collaborative (managed care) program within Medicaid;
- eligibility determinations and enrollment for about 90 percent of parents and 35 percent of AWDC will occur at the county level; and
- eligibility determinations and enrollment for about 65 percent of AWDC and 10 percent of parents will be performed by the centralized eligibility vendor.

Program administration. Program administration includes costs for eligibility determination and enrollment, and utilization review. Within the eligibility determination and enrollment category are costs for Medicaid identification cards, the Medicaid enrollment broker, county administration (enrollment of clients in the parents group) and hospital outstationing (enrollment of clients from a hospital setting). One-time systems changes are also required for the Medicaid Management Information System (MMIS). Utilization review includes the utilization review contract, statewide data analytics contractor, and actuarial contracts. Costs are summarized in Table 4.

Table 4. HCPF Program Administration Costs Under SB13-200 (Breakout of Table 2)

Cost Components	FY 2013-14	FY 2014-15	FY 2015-16
Actuarial Contract	$200,000	$250,000	$250,000
IT System Costs	201,600	0	0
Centralized Eligibility Vendor	595,214	1,001,197	2,983,667
Medicaid ID cards	10,624	26,674	30,298
Medicaid Enrollment Broker	198,954	499,520	567,387
Statewide Data Analytics Contractor	250,000	250,000	0
County Administration	873,453	2,187,841	2,477,427
Hospital Outstationing	1,537,200	3,074,400	3,074,400
Utilization Review Contract	395,858	993,891	1,128,924
TOTAL	**$4,262,903**	**$8,283,523**	**$10,512,103**

Medical services costs. Medical services costs include medical services premiums, mental health costs, emergency medical services, and savings in the Old Age Pension (OAP) program. Costs are described by group in Table 5 and the discussion that follows.

Table 5. HCPF Medical Services Costs Under SB13-200 (Breakout of Table 2)			
Cost Components	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
AWDC up to 100% of FPL	$245,493,140	$722,897,136	$850,477,002
AWDC 101%-133% of FPL	40,770,601	119,728,834	140,859,061
Parents 101%-133% of FPL	16,375,445	47,896,117	56,348,538
Emergency Medical Services	460,025	1,717,928	3,021,579
OAP Program Savings	(1,745,639)	(5,495,027)	(5,369,479)
TOTAL	**$301,353,572**	**$886,744,988**	**$1,045,336,701**

- ***AWDC up to 100 percent of FPL***. For FY 2013-14, caseload is anticipated to be 43,930, with per capita medical services premiums of $4,980.29 and mental health costs of $607.99. Caseload is 115,560 in FY 2014-15, with per capita medical services premiums of $5,545.18 and mental health costs of $710.42. Caseload is 133,589 in FY 2015-16, with per capita medical services premiums of $5,643.38 and mental health costs of $722.99.

- ***AWDC 101 percent to 133 percent of FPL.*** For FY 2013-14, caseload is anticipated to be 10,904, with per capita medical services premiums of $3,337.78 and mental health costs of $401.27. Caseload is 28,684 in FY 2014-15, with per capita medical services premiums of $3,706.27 and mental health costs of $467.79. Caseload is 33,159 in FY 2015-16, with per capita medical services premiums of $3,771.91 and mental health costs of $476.08.

- ***Parents 101 percent to 133 percent of FPL.*** For FY 2013-14, caseload is anticipated to be 6,534, with per capita medical services premiums of $2,242.74 and mental health costs of $263.45. Caseload is 17,189 in FY 2014-15, with per capita medical services premiums of $2,480.39 and mental health costs of $306.05. Caseload is 19,870 for FY 2015-16, with per capita medical services premiums of $2,524.38 and mental health costs of $311.48.

- ***Emergency medical services.*** These hospital-based costs are eligible for a 50 percent federal match and are for clients who are determined not to be eligible for Medicaid. Caseload is anticipated to be 26 in FY 2013-14, with a per capita cost of $17,693.26. In FY 2014-15, caseload is 92, with per capita costs of $18,673.13. In FY 2015-16, caseload is 159, with per capita costs of $19,003.64.

- ***OAP Program savings.*** By increasing the income limit for Medicaid, certain OAP clients will now become eligible for Medicaid faster than they would have otherwise. As OAP costs are currently paid with General Fund, the fiscal note shows this change as a savings.

Department of Corrections (DOC). Under Medicaid rules, offenders with qualifying incomes may be considered an AWDC following a hospital admission exceeding 24 hours. These offenders are generally considered to have incomes of below 10 percent of FPL, but have been unable to enroll in Medicaid because of the existing enrollment cap and waiting list. By expanding the AWDC to 133 percent of FPL, HCPF will be able to remove the enrollment cap and many of these offenders would become eligible for Medicaid for the duration of their hospital stay. This allows DOC to shift a portion of its General Fund costs to Medicaid. Savings shown in Table 2, above, are based on an assumption that half of the department's $10 million annual costs will be refinanced with federal moneys, after an initial phase-in period. The DOC's current $10 million in medical costs for hospital stays is based on an average of 400 offenders per year. Personal services, operating and capital outlay costs are included for 1.0 FTE to assist in the completion of applications for these offenders. Costs are prorated in the first year to allow for a phase-in period.

Department of Human Services (DHS). Under SB13-200, certain DHS clients in the Indigent Mental Health Care program will become eligible for Medicaid. Savings are based on the assumption that half of the clients in the 101 percent to 133 percent of FPL income category will become eligible for Medicaid, reducing DHS expenditures for services and medication. First year savings are based on an assumed implementation rate of 8.3 percent, due to the phase-in period.

Department of Public Health and Environment (DHPE). DPHE anticipates that the bill could affect clients in its programs, some of whom may transition to Medicaid following the expansion. These programs include the Ryan White Care and Treatment Program, Refugee Program, Immunization Program, Family Planning, and Breast and Cervical Cancer Screening Program. As of this writing, an analysis of the department's costs has not been completed. Information will be provided in a revised fiscal note as it becomes available.

Local Government Impact

Counties will incur costs of $873,453 in FY 2013-14, $2,187,841 in FY 2014-15, and $2,477,427 in FY 2015-16 to enroll newly eligible clients in Medicaid. These costs assume that counties will enroll 90 percent of clients in the parent eligibility group and 35 percent of AWDC clients. As discussed above, the centralized eligibility vendor will enroll the remaining clients.

It should be noted that implementation of ACA is likely to cause an increase in county contact with persons already eligible but not enrolled (EBNE) in Medicaid. These persons may also be determined eligible for other public assistance programs based on their incomes. These costs are excluded from the fiscal note because they are assumed to be a result of current state law and federal health care law, not SB13-200. This analysis assumes that any increase in costs for counties for EBNE should be addressed through the annual budget process as they are incurred.

Departmental Differences

The Department of Health Care Policy and Financing identified total costs of $314,254,310 in FY 2013-14, $940,293,993 in FY 2014-15, and $1,147,092,900 in FY 2015-16. The department included items that are already part of current law, a result of other bills or policy decisions, or

related to implementing ACA rather than SB13-200. For this reason, they have been excluded from the fiscal note. Minor adjustments were also made to calculations to conform to common policy amounts for benefits and supplemental retirement payments. The substantive differences between the fiscal note, HCPF's analysis, and the bill's appropriations clause are as follows:

- County administration costs for foster children were included in HCPF's estimate, but are not included in this fiscal note because these costs are related to the implementation of federal health care law. The fiscal note assumes these costs should be addressed through the budget process. HCPF's estimate included costs of $3,501 for FY 2013-14, $24,262 for FY 2014-15, and $47,987 for FY 2015-16.

- CHP+ refinancing savings of $33,239,340 in FY 2015-16 were included in HCPF's estimate, but are not included in this fiscal note because this is an appropriations decision for a future budget year for a line item not addressed in SB13-200. Of the $33.2 million, the department assumes a reduction of $22,268,823 General Fund and $10,970,517 cash funds from the Hospital Provider Fee Cash Fund.

- CHP+ program savings under Senate Bill 11-250 (which transitioned pregnant women with incomes of up to 185 percent of FPL from CHP+ to Medicaid) were included in HCPF's estimate, but are not included in this fiscal note because CHP+ is not discussed in SB13-200 and these costs are part of current law. HCPF's estimate shows a reduction of $1,567,410 for FY 2013-14, $1,816,572 for FY 2014-15, and $1,935,559 for FY 2015-16.

- The refinancing of existing newly eligible groups (parents 61 percent to100 percent of FPL and AWDC to 10 percent of FPL within funding limits) shown in the fiscal note (Table 1) was not included in HCPF's estimate. HCPF accounts for these funds, but assumes moneys will be appropriated to fund costs for EBNE, county training, county administration for foster children, and continuous eligibility for Medicaid children under this bill and that any remaining funds will be accounted for through an adjustment in the hospital provider fee. The bill's appropriations clause assumes these moneys will be expended for EBNE, county training, and continuous eligibility for Medicaid children, but not for county administration for foster children. See the State Appropriations section below for more detail.

State Appropriations

For FY 2013-14, the bill provides the following adjustments in appropriations:

- The Department of Health Care Policy and Financing is appropriated $353,663,144, including a reduction of $123,209 General Fund, a reduction of $116,100,413 from the Hospital Provider Fee Cash Fund, an increase of $20,942 local funds, an increase of $22,938 from the Children's Basic Health Plan Trust, and an increase of $469,842,886 federal funds and an allocation of 19.0 FTE;

- The Department of Law is appropriated $24,910 reappropriated funds from the Department of Health Care Policy and Financing;
- The Department of Personnel and Administration is appropriated $12,122 reappropriated funds from the Department of Health Care Policy and Financing;
- The Department of Corrections' appropriation is reduced by $2,471,751 General Fund and an allocation of 0.4 FTE; and
- The Department of Human Services' appropriation is reduced by $651,875 General Fund.

Differences between the appropriations clause and the fiscal note. The bill includes the following appropriations that are excluded from the fiscal note. These differences are discussed below.

- Eligible but not enrolled (EBNE) caseload costs were included in HCPF's estimate and in the bill's appropriations clause. The fiscal note does not include these costs because these individuals are eligible under current law. The fiscal note does not believe that EBNE will choose to enroll because of this bill, but rather because they become sick and seek medical treatment or because they choose to use the health benefit exchange once it is operational (under Senate Bill 11-200). The fiscal note assumes any increase in caseload resulting from current law should be addressed through the annual budget process. The bill provided an appropriation of $3,452,157 to fund EBNE in FY 2013-14, which differed from HCPF's estimate of $4,896,502. Using the methodology adopted to calculate FY 2013-14 costs, it is assumed these costs will be $22,432,302 in FY 2014-15 and $52,396,355 in FY 2015-16.

- Continuous eligibility costs were included in HCPF's estimate and the bill's appropriations clause, but are not included in the fiscal note. The fiscal note assumes that the department could use hospital provider fee moneys for this purpose in accordance with current law, but notes this action is not a requirement under SB13-200 or state law. In addition, the department is not charging the full hospital provider fee and could implement continuous eligibility without SB13-200 or it could decide to lower the hospital provider fee as a result of the changes included in SB13-200. The bill appropriates $4,252,966 in FY 2013-14 to implement continuous eligibility. All parties agree with this estimate and assume that, if implemented, costs will be $14,947,224 in FY 2014-15 and $15,439,914 in FY 2015-16.

- One-time county training costs of $150,000 for FY 2013-14 were included in HCPF's estimate, but are not included in this fiscal note because they are related to the implementation of federal health care law. The bill's appropriations clause includes these costs.

Departments Contacted

Corrections
Health Care Policy and Financing
Local Affairs
Counties
Human Services
Public Health and Environment