



Colorado Legislative Council Staff Fiscal Note
**STATE and LOCAL
 FISCAL IMPACT**

Drafting Number: LLS 08-0088
Prime Sponsor(s): Sen. Hagedorn
 Rep. McGihon

Date: February 25, 2008
Bill Status: Senate Health and Human Services
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TITLE: CONCERNING IMPROVEMENTS TO HEALTH CARE FOR CHILDREN.

Fiscal Impact Summary	FY 2008-2009	FY 2009-2010
State Revenue		
Cash Funds		
Children's Basic Health Plan Trust - Enrollment Fees	\$ 31,163	\$ 94,219
State Expenditures		
Total	<u>\$ 5,378,923</u>	<u>\$ 64,703,612</u>
General Fund	814,973	33,460,206
General Fund Appropriation to the Children's Basic Health Plan Trust	1,210,355	0
Cash Funds		
Children's Basic Health Plan Trust	31,163	(695,175)
Old Age Pension Fund	53,957	3,190
Federal Funds	3,268,475	31,935,391
FTE Position Change	0.8 FTE	2.0 FTE
Effective Date: Upon signature of the Governor or upon becoming law without his signature.		
Appropriation Summary for FY 2008-2009: See State Appropriations section of the fiscal note.		
Local Government Impact: See Local Government Impact section of the fiscal note.		

Summary of Legislation

This bill makes the following changes to Medicaid for children and the Children's Basic Health Plan (CBHP):

- ▶ expands Medicaid eligibility for children ages 6 to 19 from 100 percent of the federal poverty level (FPL) to 133 percent;
- ▶ provides for 12-month continuous Medicaid eligibility for children, unless certain conditions occur;
- ▶ expands CBHP eligibility from 205 percent to 225 percent of FPL;
- ▶ allows CBHP eligibility to increase up to 250 percent of FPL subject to available appropriations; and
- ▶ requires the Department of Health Care Policy and Financing to recruit and allow organizations that do not provide medical services to presumptively determine eligibility for Medicaid and CBHP.

Background

Medicaid eligibility for children up to age 6 is currently set at 133 percent of FPL, whereas eligibility for children ages 6 to 18 is 100 percent. These are the federal minimum requirements. Medicaid is an entitlement program, and the state is required to provide services to all who qualify. Costs are split equally between state funds and federal funds.

CBHP is not an entitlement program; the state can cap enrollment and limit costs if necessary. CBHP is similar to private health insurance in that there is cost sharing and there are coverage limits. The current family income eligibility limit is 205 percent of FPL, and only those who are ineligible for Medicaid may participate in CBHP. After participant cost sharing, expenses are shared between state funds (35%) and federal funds (65%).

State Revenue

State revenue from CBHP fees is expected to increase by \$31,163 in FY 2008-09 and by \$94,219 in FY 2009-10.

Annual enrollment fees are collected from families with total income above 150 percent of FPL participating in CBHP. Increased enrollment in the program will result in increased fees.

State Expenditures

Total state expenditures are expected to increase by \$5,378,923 and 0.8 FTE in FY 2008-09 and by \$64,703,612 and 2.0 FTE in FY 2009-10. The Department of Health Care Policy and Financing has primary responsibility for administering Medicaid and CBHP and will incur expenses as described below and summarized in Table 5 on page 6.

Increased Medicaid Eligibility. The bill increases Medicaid eligibility for children ages 6 to 18 by increasing the family income limit from 100 percent to 133 percent of FPL. Since CBHP currently extends eligibility to children up to 205 percent of FPL, SB08-160 is expected to move children from CBHP to Medicaid beginning in FY 2009-10 once federal approval is received and computer programming is completed.

Medicaid is expected to have caseload growth of 5,367 children in FY 2009-10 and 11,132 in FY 2010-11 after a full-year of implementation. CBHP will experience decreased caseload in like numbers. Costs are included for medical premiums, computer programming, claims and enrollment processing, county administration, and personal services (1.0 FTE) to handle client and provider inquiries. Medicaid costs are split equally between the General Fund and federal funds, but the CBHP costs (savings) are split 35 percent from the CBHP Trust and 65 percent from federal funds. Net costs are shown in Table 1.

Table 1. Costs for Increased Medicaid Eligibility					
Cost Components	FY 2008-09	FY 2009-10		FY 2010-11	
	Cost	Caseload	Cost	Caseload	Cost
Medicaid Premiums	\$ 0	5,367	\$11,399,561	11,132	\$25,112,901
Medicaid Administration	0		434,305		900,818
CBHP Costs (Savings)	0	(5,367)	(9,993,568)	(11,132)	(21,593,854)
Department Administration*	37,360		54,330		50,875
FTE	0.0		1.0		1.0
TOTAL	\$37,360	0	\$1,894,628	0	\$4,470,740
General Fund	11,182		5,877,050		12,893,228
CBHP Trust	974		(3,430,701)		(1,003,708)
Old Age Pension Fund	2,405		0		0
Federal Funds	22,799		(551,721)		(7,418,780)

* Department Administration includes personal services, operating, capital, and computer systems costs.

12-month Continuous Eligibility. The bill implements 12-month eligibility for Medicaid clients under the age of 19. This is expected to increase the average length of participation for most Medicaid children from 8.5 to 10.7 months, a 25.4 percent increase. The increase for foster care children is estimated at 23.7 percent. The fiscal note assumes that per capita medical costs will be 25 percent less for all children in the extended time period since any pent-up demand for services will already be met. Assuming an implementation date of July 1, 2009, Medicaid caseload is expected to increase by 26,248 children in FY 2009-10 and by 52,590 in FY 2010-11.

Since CBHP currently has 12-month eligibility, CBHP caseload is expected to decrease due to more children remaining in or returning to Medicaid. The length of participation in CBHP and Medicaid is expected to equalize at 10.7 months. Thus, the fiscal note assumes that CBHP participation will reduce from 11.3 to 10.7 months. Reduced caseloads of 1,613 in FY 2009-10, and 3,345 in FY 2010-11 are anticipated. Resulting net costs, including computer system changes, are shown in Table 2.

Table 2. Costs for 12-month Continuous Medicaid Eligibility					
Cost Components	FY 2008-09	FY 2009-10		FY 2010-11	
	Cost	Caseload	Cost	Caseload	Cost
Medicaid Premiums	\$ 0	26,248	\$53,010,435	52,590	\$112,814,616
CBHP Costs (Savings)	0	(1,613)	(3,003,470)	(3,345)	(6,488,631)
Department Administration*	513,478		61,616		61,616
FTE	0.8		1.0		1.0
TOTAL	\$513,478	24,635	\$50,068,581	49,245	\$106,387,602
General Fund	173,222		26,536,025		56,438,116
CBHP Trust	9,432		(1,051,215)		(2,271,021)
Old Age Pension Fund	36,339		0		0
Federal Funds	294,485		24,583,771		52,220,507

* Department Administration includes personal services, operating, capital, and computer systems costs.

CBHP Expansion to 225 percent FPL. The bill increases income eligibility for CBHP from 205 to 225 percent of FPL. Based on the number of uninsured children in Colorado and a gradual increase in program enrollment beginning March 2009, caseload increases of 1,750 in FY 2008-09, 5,333 in FY 2009-10, and 9,040 in FY 2010-11 are anticipated. Resulting costs including computer programming costs, are \$3.4 million in FY 2008-09 and \$9.9 million in FY 2009-10 as shown in Table 3.

Table 3. Costs for Increasing CBHP Eligibility to 225%						
Cost Components	FY 2008-09		FY 2009-10		FY 2010-11	
	Caseload	Cost	Caseload	Cost	Caseload	Cost
CBHP Medical and Dental	1,750	3,129,038	5,333	9,930,260	9,040	17,535,792
CBMS* Costs		86,982		19,199		32,544
MMIS** Programming		183,960		0		0
TOTAL	1,750	\$3,399,980	5,333	\$9,949,459	9,040	\$17,568,336
General Fund		92,186		6,136		10,401
CBHP Trust		1,116,683		3,536,063		6,240,033
Old Age Pension Fund		6,959		1,536		2,604
Federal Funds		2,184,152		6,405,724		11,315,298

* Colorado Benefits Management System (CBMS).

** Medicaid Management Information System (MMIS).

The bill also allows the department to increase eligibility for CBHP up to 250 percent of FPL, subject to available appropriations. Additional costs to increase CBHP from 225 FPL (beyond what's shown in Table 3) to 250 FPL are estimated at \$3.9 million in the first year, \$12.4 in the second, and \$21.9 in the third once full implementation is achieved. Federal financial participation of 65 percent would be expected. At this time, these costs are not included in the fiscal impact of the bill.

Presumptive Eligibility Sites. The department is required to actively seek the participation of community-based organizations to presumptively determine Medicaid eligibility. The fiscal note assumes that 64 new eligibility sites will be established (1 in each county) and that enrollment in Medicaid and CBHP will increase by 1 percent from the clients found and enrolled by the new sites, clients who would not otherwise have participated in the programs. A gradual increase in program enrollment is expected beginning in FY 2008-09. Costs are included for increased caseload, administrative functions, and user licenses for CBMS as shown in Table 4.

Table 4. Costs for Presumptive Eligibility Sites						
Cost Components	FY 2008-09		FY 2009-10		FY 2010-11	
	Caseload	Cost	Caseload	Cost	Caseload	Cost
Medicaid Premiums	482	\$ 983,921	949	\$2,015,686	1,424	\$3,212,430
Medicaid Administration		38,925		76,795		115,233
CBHP Costs	169	302,079	364	677,783	565	1,095,987
CBMS Programming		103,180		20,680		20,680
TOTAL	651	\$1,428,105	1,313	\$2,790,944	1,989	\$4,444,330
General Fund		538,383		1,040,995		1,652,652
CBHP Trust		114,430		250,677		403,628
Old Age Pension Fund		8,254		1,654		1,654
Federal Funds		767,038		1,497,618		2,386,396

Colorado Benefits Management System (CBMS). Each section described above includes programing costs for CBMS. Cost sharing among programs in both the Department of Health Care Policy and Financing and the Department of Human Services is required and is determined using the federally-approved cost allocation tool. This is the reason for expenses to the Old Age Pension Fund.

Table 5. Total Expenditures Under SB08-160			
Cost Components	FY 2008-09	FY 2009-10	FY 2010-11
Increased Medicaid Eligibility	\$37,360	\$1,894,628	\$4,470,740
12-month Medicaid Eligibility	513,478	50,068,581	106,387,602
CBHP Expansion to 225% FPL	3,399,980	9,949,459	17,568,336
Presumptive Eligibility Sites	1,428,105	2,790,944	4,444,330
Total	\$5,378,923	\$64,703,612	\$132,871,008
General Fund	814,973	33,460,206	70,994,398
CBHP Trust	1,241,518	(695,175)	(3,046,140)
Old Age Pension Fund	53,957	3,190	4,258
Federal Funds	3,268,475	31,935,391	64,918,492

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, funding for the items noted below will not be included in fiscal note expenditure estimates.

- group health, life and dental insurance
- inflation indices
- amortization equalization disbursements
- supplemental amortization equalization disbursements
- short-term disability
- leased space
- indirect costs

Local Government Impact

Local county departments of social services are expected to process and manage additional caseload as a result of this bill. Additional state payments to counties of \$30,000 are expected in FY 2008-09, increasing to \$394,519 in FY 2009-10.

State Appropriations

For FY 2008-09, the fiscal note indicates that the CBHP Trust should receive a General Fund appropriation of \$1,210,355. In addition, the following appropriations should be made:

Department of Health Care Policy and Financing

<u>\$4,938,565</u>	<u>Total and 0.8 FTE</u>
709,083	General Fund
1,241,518	CBHP Trust (reappropriated funds)
2,987,964	Federal Funds

Department of Human Services

<u>\$674,462</u>	<u>Total</u>
105,891	General Fund
53,957	Old Age Pension Fund (cash funds)
234,104	Reappropriated Funds from the Dept. of Health Care Policy and Financing
280,510	Federal Funds

Departments Contacted

Health Care Policy and Financing

Human Services