

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
REVISED FISCAL IMPACT**

(replaces fiscal note dated April 7, 2008)

Drafting Number: LLS 08-0088	Date: April 19, 2008
Prime Sponsor(s): Sen. Hagedorn Rep. McGihon	Bill Status: House Health and Human Services Fiscal Analyst: Amy Larsen (303-866-3488)

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 Enrollment Fees	\$ 30,328	\$ 92,421
State Expenditures		
Total	<u>\$ 6,401,773</u>	<u>\$ 20,127,361</u>
Cash Funds		
Children's Basic Health Plan Trust	1,809,778	6,111,041
Health Care Expansion Fund	457,035	997,140
Federal Funds	4,134,960	13,019,180
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: Upon signature of the Governor or upon becoming law without his signature. Specific sections are effective as noted in the Summary of Legislation section.		
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

The *reengrossed* bill makes the following changes to the Children's Basic Health Plan (CBHP):

- ▶ expands eligibility from 205 percent to 225 percent of FPL for both children (beginning March 2009) and pregnant women (beginning October 2009);
- ▶ allows eligibility to increase up to 250 percent of FPL subject to available appropriations;
- ▶ increases the mental health benefits to be as comprehensive as those provided in Medicaid; and
- ▶ allows money in the CBHP Trust to pay the state's portion of any computer system changes necessary to expand CHBP eligibility.

Background

CBHP. 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%).

Health Care Expansion Fund. The fund receives money from the increase in tobacco taxes that was approved by the voters in November 2004 as Amendment 35. It receives 46 percent of the additional tobacco tax revenue that is collected, and the State Constitution specifies that these moneys can only be used to expand eligibility for Medicaid or CBHP. The fund has a sufficient balance to cover the costs identified in SB08-160.

State Revenue

State revenue from CBHP fees is expected to increase by \$30,328 in FY 2008-09 and by \$92,421 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 \$6,466,251 in FY 2008-09 and by \$20,127,361 in FY 2009-10. The Department of Health Care Policy and Financing has primary responsibility for administering CBHP and will incur expenses as described below and summarized in Table 4 on page 5.

CBHP Expansion to 225 percent FPL - Children. The bill increases income eligibility for CBHP from 205 to 225 percent of FPL for children. 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 1.

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		91,806		0		0
MMIS** Programming		183,960		0		0
TOTAL	1,750	\$3,404,804	5,333	\$9,930,260	9,040	\$17,535,792
CBHP Trust		1,217,873		3,535,665		6,239,358
Federal Funds		2,186,931		6,394,595		11,296,434

* Colorado Benefits Management System (CBMS).

** Medicaid Management Information System (MMIS).

CBHP Expansion to 225 percent FPL - Pregnant Women. The bill increases income eligibility for CBHP from 205 to 225 percent of FPL for pregnant women. Based on the number of uninsured in Colorado and a gradual increase in program enrollment beginning October 1, 2009, caseload increases of 254 in FY 2009-10, and 601 in FY 2010-11 are anticipated. Resulting costs, including computer programming costs, are \$3.5 million in FY 2009-10 and \$8.7 million in FY 2010-11. Full implementation is expected by FY 2011-12 as shown in Table 2.

Cost Components	FY 2009-10/a		FY 2010-11		FY 2011-12	
	Caseload	Cost	Caseload	Cost	Caseload	Cost
CBHP Medical	254	\$3,446,637	601	\$8,692,588	869	\$13,400,875
CBMS/b Costs		50,173		0		0
MMIS/c Programming		45,990		0		0
TOTAL	254	\$3,542,800	601	\$8,692,588	869	\$13,400,875
CBHP Trust		1,243,511		3,042,406		4,690,306
Federal Funds		2,299,289		5,650,182		8,710,569

/a This section of the bill is effective October 1, 2008. Thus, no expenses are incurred in FY 2008-09.

/b Colorado Benefits Management System (CBMS).

/c Medicaid Management Information System (MMIS).

Further CBHP Expansion. The bill also allows the department to increase eligibility for CBHP up to 250 percent of FPL for both children and pregnant women, subject to available appropriations. Additional costs to increase CBHP from 225 FPL (beyond what's shown in Tables 1 and 2) to 250 FPL are not estimated at this time.

Increasing Mental Health Benefits in CBHP. The bill increases mental health benefits in CHBP to be as comprehensive as services provided to Medicaid clients. Currently, per capita costs in CBHP for mental health services are approximately \$70.57. The per capita costs for Medicaid children are about \$185.30. Since CBHP children generally tend to require fewer services than Medicaid children, the fiscal note assumes that CBHP clients will require 80 percent of the Medicaid average. Total estimated costs to increase CBHP mental health benefits is \$3.1 million in FY 2008-09 increasing to \$6.7 million in FY 2009-10 for a full year of implementation. Calculations and cost sharing are shown in Table 3.

Table 3. Increasing Mental Health Benefits in CBHP Implementation Date: January 1, 2009		
	FY 2008-09	FY 2009-10
Estimated CBHP Mental Health Per Capita Annual Cost with Expanded Benefits	\$148.26	\$154.15
Less Estimated CBHP Mental Health Per Capita Annual Cost with Current Benefits	(\$70.57)	(\$73.39)
Increase Per Capita (6 months only in FY 08-09)	\$38.85	\$80.76
Estimated Caseload including Expansion to 225%	77,152	82,396
TOTAL*	\$2,996,969	\$6,654,301
CBHP Trust	591,905	1,331,865
Health Care Expansion Fund	457,035	997,140
Federal Funds	1,948,029	4,325,296

* Does not sum due to rounding.

Colorado Benefits Management System (CBMS). CBHP expansions described above include 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. The bill allows for all state costs to be paid by the CBHP Trust, but the Department of Human Services requires spending authority.

Table 4. Total Expenditures Under SB08-160			
Cost Components	FY 2008-09	FY 2009-10	FY 2010-11
CBHP Expansion to 225% FPL - Children	\$3,404,804	\$9,930,260	\$17,535,792
CBHP Expansion to 225% FPL - Pregnant Women	0	3,542,800	8,692,588
Increase Mental Health Benefits	2,996,969	6,654,301	7,220,598
Total	\$6,401,773	\$20,127,361	\$33,448,978
CBHP Trust	1,809,778	6,111,041	10,773,558
Health Care Expansion Fund	457,035	997,140	1,035,415
Federal Funds	4,134,960	13,019,180	21,640,005

Local Government Impact

Local county departments of social services are expected to process and manage additional caseload as a result of this bill.

State Appropriations

For FY 2008-09, the fiscal note indicates that the CBHP Trust should receive a cash funds appropriation of \$30,328 from fees. In addition, following appropriations should be made to the appropriate departments:

Department of Health Care Policy and Financing

\$6,341,833 Total
 1,788,002 CBHP Trust (of the total, \$30,328 is reappropriated funds from fees)
 457,035 Health Care Expansion Fund
 4,096,796 Federal Funds

Department of Human Services

\$91,806 Total
 31,866 Reappropriated Funds from the Dept. of Health Care Policy and Financing
 21,776 CBHP Trust (for CBMS costs)
 38,164 Federal Funds

Departments Contacted

Health Care Policy and Financing Human Services