


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 11-0419
Prime Sponsor(s): Sen. Lundberg

Date: January 31, 2011
Bill Status: Senate Health and Human Services
Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING THE DEVELOPMENT OF AN ALTERNATIVE MEDICAL ASSISTANCE PROGRAM FOR THE ELDERLY.

Fiscal Impact Summary	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
State Revenue				See State Revenue section	
State Expenditures	<u>\$31,692</u>	<u>\$25,000</u>	<u>\$999,049</u>	<u>\$1,206,492</u>	<u>\$1,252,059</u>
General Fund	15,846	12,500	391,482	586,646	626,030
Multiple Cash Funds			31,978	-	-
Federal Funds	15,846	12,500	575,589	619,846	626,029
FTE Position Change			1.3 FTE	3.0 FTE	3.0 FTE
Effective Date: August 10, 2011, assuming the General Assembly adjourns May 11, 2011, as scheduled and no referendum petition is filed.					
Appropriation Summary for FY 2011-2012: See State Appropriations section.					
Local Government Impact: None.					

Summary of Legislation

This bill creates the Alternative Medical Assistance Program for the Elderly in the Department of Health Care Policy and Financing (DHCPF), subject to receiving federal authorization to implement it. The program allows a Medicaid eligible person, age 55 or older, to accept an amount equivalent to 70 percent of the medical assistance benefits the person would have received in the traditional Medicaid program. Enrolled clients will be issued a debit card to be used to purchase medical services from any provider in the state and funded each month with a portion of the allotted annual benefit.

The DHCPF is directed to review benefit eligibility and amounts for each client on an annual basis, although the department may provide this review earlier if the client's health condition substantially changes. Participation in the program is voluntary, and a client may withdraw by providing 30 days written notice to the DHCPF.

State Revenue

The crossover population of persons who leave Medicaid for the alternative program is expected to have an adverse effect on estate recoveries. Assets will not be recoverable by the Estate Recovery Program for benefits paid to clients while on the alternative program. This impact will affect recoveries in the long-term. In FY 2007-08, the DHCPF was able to recover nearly 47 percent of the costs associated with medical care for Medicaid clients with assets. As it is unknown how many clients would enroll in the alternative program, what their assets would be, and when costs would be recoverable, the amount of potential lost revenue has not been estimated.

State Expenditures

This bill will increase expenditures in the DHCPF by \$31,692 in FY 2011-12, and \$25,000 in FY 2012-13. Beginning in FY 2013-14, administrative costs and FTE are conditional upon the Centers for Medicare and Medicaid Services (CMS) approving a waiver to implement the program. This analysis assumes the program will become effective on July 1, 2014, and costs for medical services will begin in FY 2014-15. Table 1 and the discussion that follows address the cost components of the bill.

Table 1. Expenditures Under SB11-006					
	Waiver Application	Costs Conditional Upon Waiver Approval			
Cost Components	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Personal Services	\$31,692	\$25,000	\$72,628	\$178,931	\$178,931
FTE	-		1.3	3.0	3.0
Operating Expenses	-		1,235	2,850	2,850
Capital Outlay	-		6,114	7,995	-
Legal Services	-		5,880	-	-
MMIS (Computer)	-		243,432	-	-
CBMS (Computer)	-		669,760	-	-
Medical Services	-		-	543,116	580,278
Assessments	-		-	353,600	370,000
Debit Card Contracting	-		-	120,000	120,000
TOTAL	<u>\$31,692</u>	<u>\$25,000</u>	<u>\$999,049</u>	<u>\$1,206,492</u>	<u>\$1,252,059</u>
General Fund	15,846	12,500	391,482	586,646	626,030
Cash Funds	-	-	31,978	-	-
Federal Funds	15,846	12,500	575,589	619,846	626,029

Waiver application. The DHCPF is responsible for developing and submitting a waiver to the CMS. The fiscal note assumes that a contractor will be selected to develop the waiver and work with the CMS and the DHCPF to resolve any questions that arise during the review period. This analysis assumes it will take 5 months to complete the waiver request and an additional 15 months for the CMS to determine whether to approve the program. Without federal approval, the program does not go forward.

- *Personal services — Waiver application.* In FY 2011-12, personal services costs of \$31,692 will be incurred for a contractor to write the application. In FY 2012-13, costs of \$25,000 are needed to resolve questions and provide additional information to the CMS during application review process.

Conditional costs for program development. Conditional upon federal approval of the waiver request, program development will begin on July 1, 2013. It will take one year to develop the program, prepare legal rules, select a contractor to manage the debit card program, and make required computer systems modifications. Total expenditures for FY 2013-14 are \$999,049.

- *Personal services, Operating costs, and Capital outlay.* If the waiver is approved, staff will be needed to develop the program. Total costs for 1.3 FTE are \$79,977.
- *Legal Services.* The DHCPF will need to promulgate rules defining the services available under the alternative program. The cost to prepare these rules is \$5,880.
- *Medicaid Management Information System (MMIS).* Systems changes will be required upon federal approval of the new alternative program. Modifications will include establishing a new eligibility type, new general ledger codes, and new client eligibility verification. Expenditures of \$243,432 will be incurred.
- *Colorado Benefits Management System (CBMS).* CBMS will be used to determine eligibility for the new alternative program. Modifications will include the addition of a participation field, changes to two existing windows, and interfaces with MMIS. The system will also be used to generate correspondence with current Medicaid clients about the new program. System modification costs are \$509,760. In addition to programming, the DHCPF will need to send an eligibility letter to clients through CBMS, for a cost of \$160,000. The total project cost is \$669,760.

Conditional costs for program implementation. The fiscal note assumes the program will be implemented and accept client enrollment on July 1, 2014. Total expenditures are anticipated to be \$1,206,492 in FY 2014-15 and \$1,252,059 in FY 2015-16.

- *Caseload and medical services premiums.* Annual costs for Medical Services Premiums are expected to increase by \$543,116 in FY 2014-15 and \$580,278 in FY 2015-16. Calculations are based on the following assumptions:
 - ▶ 1 percent of clients currently enrolled in Medicaid will transfer to the new program and 5 percent of new clients will participate (1,768 clients) in FY 2014-15;

- ▶ of the new clients, 50 percent would have enrolled in Medicaid regardless (563 clients), but 50 percent would have forgone Medicaid benefits due to its estate recovery requirements (563 clients);
 - ▶ caseload growth will be just over 2 percent per year;
 - ▶ the state will experience cost savings of 30 percent (saving an estimated \$4,998 per client in FY 2014-15 and \$5,120 per client in FY 2015-16);
 - ▶ alternative program clients will receive benefits on average of \$11,662 per year in FY 2014-15 and \$11,947 per year in FY 2015-16; and
 - ▶ the large majority of clients eligible for Medicaid will not have the income or resources necessary to participate in the alternative program.
- *Personal services, Operating costs, and Capital outlay.* Upon the delivery of medical services, staffing needs increase to 3.0 FTE. Staff are required for determining annual eligibility and benefits amounts, ongoing monitoring and reporting, assuring compliance with the federal Deficit Reduction Act, overseeing increased accounting responsibilities, and fulfilling federal reporting requirements. Total staffing costs are \$189,776 in FY 2014-15 and \$181,781 in FY 2015-16.
 - *Assessments.* Single Entry Point (SEP) agencies will determine the level and cost of care that clients need in coordination with the client and their physician. The fiscal note assumes that each participant will require an initial assessment and annual reassessment. Based on the caseload estimates, SEP assessments will cost \$353,600 in FY 2014-15 and \$370,000 in FY 2015-16.
 - *Debit card contracting.* The fiscal note assumes that the monthly benefit payments required to be paid to clients through a debit card will be managed by a contractor. Based on similar programs within the DHCPF, this cost is estimated to be \$120,000 per year beginning in FY 2014-15.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Expenditures Not Included Under SB11-006*			
No Costs for FY 2011-12 or FY 2012-13			
Cost Components	FY 2013-14	FY 2014-15	FY 2015-16
Employee Insurance	\$8,875	\$21,300	\$21,300
Supplemental Employee Retirement	4,863	12,426	13,869
TOTAL	\$13,738	\$33,726	\$35,169

*More information is available at: <http://colorado.gov/fiscalnotes>

State Appropriations

The Department of Health Care Policy and Financing requires an appropriation of \$31,692 including \$15,846 General Fund and \$15,846 federal funds in FY 2011-12.

Departments Contacted

Governor's Office
Human Services

Health Care Policy & Financing
Law