

Colorado Legislative Council Staff Fiscal Note

STATE

REVISED FISCAL IMPACT

(Replaces fiscal note dated April 26, 2007)

Drafting Number: LLS 07-0061

Date: May 2, 2007

Prime Sponsor(s): Sen. Shaffer
Rep. Todd

Bill Status: House Second Reading

Fiscal Analyst: David Porter (303-866-4375)

TITLE: CONCERNING A COORDINATED SYSTEM OF PAYMENT FOR EARLY INTERVENTION SERVICES FOR CHILDREN ELIGIBLE FOR BENEFITS UNDER PART C OF THE FEDERAL "INDIVIDUALS WITH DISABILITIES EDUCATION ACT", AND, IN CONNECTION THEREWITH, REQUIRING THE DEPARTMENT OF HUMAN SERVICES TO DEVELOP A COORDINATED PAYMENT SYSTEM, REQUIRING COVERAGE OF EARLY INTERVENTION SERVICES BY PUBLIC MEDICAL ASSISTANCE AND PRIVATE HEALTH INSURANCE, AND MAKING AN APPROPRIATION.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
State Revenue		
Cash Funds - Early Intervention Services Trust Fund	\$ 2,862,500	\$ 2,862,500
Transfers and Diversions		
General Fund Diversion to Division of Insurance Cash Fund	(\$6,188)	(\$6,188)
State Expenditures		
<u>Total</u>	<u>\$ 2,995,268</u>	<u>\$ 3,012,585</u>
Cash Funds		
Early Intervention Services Trust Fund (Administrative)	53,920	49,415
Division of Insurance Cash Fund	6,188	6,188
Cash Funds Exempt		
Early Intervention Services Trust Fund (Custodial Funds)	2,808,580	2,813,085
Short-term Innovative Health Program Grant Fund	31,423	29,784
Supplemental Tobacco Litigation Settlement Account in CBHP Trust	22,307	29,515
Federal Funds	72,850	84,598
FTE Position Change	2.0 FTE	2.0 FTE
Effective Date: July 1, 2007, with changes to insurance coverage effective January 1, 2008.		
Appropriation Summary for FY 2007-2008: See the State Appropriations section.		
Local Government Impact: None.		

This revised fiscal note reflects amendments adopted by the House Health and Human Services and the House Appropriations Committees. Compared to the previous fiscal note, dated April 26, 2007, this fiscal note removes durable medical equipment costs.

Summary of Legislation

This **reengrossed** bill, recommended by the Early Childhood and School Readiness Commission, requires the Department of Human Services (DHS) to develop and implement a coordinated system of payment for developmentally disabled children or children with conditions that may result in developmental delays. Children are eligible for this program from birth until their third birthday. DHS is to work with the Department of Education, Department of Health Care Policy and Financing, Department of Public Health and Environment, and the Department of Regulatory Agencies (Division of Insurance) in developing this new system of payment.

The DHS is responsible for developing and implementing a plan that accomplishes the following:

- establishes a statewide, comprehensive system of early intervention services coordinated between the aforementioned departments and private insurers;
- certifies community centered boards (CCBs) to be early intervention service brokers; and
- ensures costs are appropriately allocated between federal, state, local, and private medical insurance providers.

CCBs that are certified to be early intervention service brokers must establish lists of qualified early intervention providers in the area they serve, process early intervention claims, negotiate service rates, and ensure payment at negotiated rates. The DHS will establish a fee schedule for CCBs acting as early intervention service brokers. Use of an early intervention service broker is voluntary.

Private health insurance carriers and the DHS must negotiate methods of payment for required early intervention services. Coverage required of insurance carriers for early intervention services is \$5,725 per calendar or policy year. Insurance carriers may choose to make payments for a child's benefits to the DHS. The DHS will hold these moneys in the newly created Early Intervention Services Trust Fund. As custodial funds, these moneys are not subject to appropriation by the General Assembly.

The department is responsible for providing the General Assembly and several specified committees with an annual report including the system's funding sources, costs, number of children served, and other relevant information.

Finally, although the bill becomes effective on July 1, 2007, mandatory coverage specifications apply to services delivered and health care policies issued on or after January 1, 2008.

Background. Currently, Part C of the federal "Individuals with Disabilities Act", 20 U.S.C. Sec. 1400 et seq., requires that all children needing early intervention services be covered. In Colorado, early intervention services are provided to children from birth to age three from a variety of funding sources including private insurance, state, and federal monies. Since the 1960s,

the state has provided services through CCBs. CCBs are private, non-profit organizations responsible for coordinating developmental disability client intake, eligibility determination, service plan development, arrangement for services, delivery of services (either directly and/or through purchase), monitoring, and many other functions.

Transfers or Diversions

Department of Regulatory Agencies - Division of Insurance, diversion of General Fund revenue by \$6,188 in FY 2007-08 and thereafter. The Division of Insurance expects expenditures of \$6,188 in FY 2007-08 and thereafter. These costs will be funded by a diversion from premium tax revenue that would otherwise be credited to the General Fund. As a result, General Fund revenues are anticipated to decrease by \$6,188 in FY 2007-08 and thereafter. These monies will instead be credited to the Division of Insurance Cash Fund.

General Fund for Highways and Capital Construction. Based on the December 2006 Legislative Council Staff revenue forecast, money is available to be transferred to the Highway Users Tax Fund (HUTF) and Capital Construction Fund through the mechanism passed in HB 02-1310 each year through at least FY 2010-11. This bill reduces General Fund revenue by \$6,188, thereby reducing the amount available for these transfers by \$4,125 for the HUTF and \$2,063 for the Capital Construction Fund.

State Revenue

Total revenue resulting from this bill is \$2,862,500 in FY 2007-08 and FY 2008-09. Revenue to the DHS is from the private health insurance carriers using the department to make payments for benefits. The insurance carriers will provide the DHS with moneys to place in the Early Intervention Services Trust Fund for eligible children. It is estimated that 500 children with private insurance will participate at \$5,725 each child.

State Expenditures

Total expenditures resulting from this bill are \$2,995,268 and 2.0 FTE in FY 2007-08 and \$3,012,585 and 2.0 FTE in FY 2008-09. Costs are incurred in the Department of Health Care Policy and Financing, the Department of Human Services, and the Department of Regulatory Agencies. Table 1 on page 4 shows the total funding for each agency.

Table 1: Total Cost

Department	Cost	
	FY 2007-08	FY 2008-09
Department of Human Services	\$2,862,500	\$2,862,500
Department of Regulatory Agencies	6,188	6,188
Department of Health Care Policy and Financing	126,580	143,897
Total Cost	\$2,995,268	\$3,012,585
State Share	\$2,922,418	\$2,927,987
Federal Funds	\$72,850	\$84,598

A discussion of the impact of the bill on the different departments follows.

Department of Human Services - \$2,862,500 and 1.0 FTE in FY 2007-08 and FY 2008-09. DHS is responsible for coordinating, developing, and implementing a system of payment for early intervention services. The department must provide an informational report about the program to the General Assembly each year. Currently, the department receives \$6.9 million from the federal Part C funds and an additional \$11.6 million from the General Fund to coordinate and provide for the payment of the early childhood intervention services addressed by this bill.

Additionally, the department is responsible for oversight of the Early Intervention Services Trust Fund. The bill provides authorization to use trust fund moneys to pay for the direct and indirect costs associated with the fund. The remaining moneys are to reimburse CCBs for the costs of services. An accountant at 1.0 FTE will be responsible for receiving and dispersing moneys, reconciling accounts, and other record keeping. Department of Human Services costs are shown in table 2.

Table 2: Bill Impact to the Department of Human Services

Cost Components	FY 2007-08	FY 2008-09
Personal Services (1.0 FTE)	\$ 48,479	\$ 48,479
Operating Expenses	5,441	936
Disbursements to CCBs for Services	<u>2,808,580</u>	<u>2,813,085</u>
Total	\$2,862,500	\$2,862,500

Department of Health Care Policy and Financing - \$126,580 and 1.0 FTE in FY 2007-08 and \$143,897 and 1.0 FTE in FY 2008-09. Medicaid covers the cost of early intervention services for eligible children. Children in the CBHP program, however, are not covered for all of the same treatments and services. This bill requires that CBHP coverage meet Part C requirements - bringing it into alignment with Medicaid. To accomplish this, the 30 session cap on physical, occupational, and speech therapies is removed. The cost of this change are shared between state and federal funds. The state share is paid out of tobacco settlement moneys. Table 3 on page 5 summarizes the required changes to the plan, the cost of the changes, and the funding splits.

Table 3: Bill Impact to CBHP and the Department of Health Care Policy and Financing

Cost Components	FY 2007-08	FY 2008-09
Children's Basic Health Plan Expenses		
CBHP Administrative Costs (Network Changes and Actuarial Costs)	\$4,000	\$0
Full Coverage of Therapies (Physical, Occupational, and Speech)	<u>59,734</u>	<u>84,330</u>
Sub-total	<u>\$63,734</u>	<u>\$84,330</u>
Supplemental Tobacco Litigation Account of CBHP Trust*	22,307	29,515
Federal Funds	41,427	54,815
Administrative Expenses		
Personnel and Operating Expenses (1.0 FTE) - Sub-total	<u>\$62,846</u>	<u>\$59,567</u>
Short-term Innovative Health Program Grant Fund	31,423	29,784
Federal Funds	31,423	29,783
Grand Total	<u>\$126,580</u>	<u>\$143,897</u>
Tobacco Litigation Settlement Funds*	\$53,730	\$59,299
Federal Funds	\$72,850	\$84,598

* *The Supplemental Tobacco Litigation Account of the Children's Basic Health Plan Trust and the Short-term Innovative Health Program Grant Fund were both created by SB07-097 and derive their money from tobacco litigation settlement payments.*

Full coverage of therapies is expected to result in 735 new therapy sessions for 35 children.

In addition to health care services costs, the department requires the addition of 1.0 FTE. This position, a General Professional IV, is responsible for the following:

- working with the DHS to develop the new payment system;
- developing and managing the department's portion of the interagency agreement;
- reviewing funding practices for compliance with Medicaid and CBHP regulations; and
- coordinating the certification process of new providers to ensure eligibility for CBHP reimbursement.

Department of Regulatory Agencies, Division of Insurance - \$6,188 CF in FY 2007-08 and FY 2008-09. The division requires 250 hours of contract work at the equivalent of a Rate II Financial Analyst to handle consumer complaints and inquiries. Contract labor will be used to answer an estimated 80 complaints per year and 100 telephone and e-mail inquiries.

Department of Education - no fiscal impact. The Department of Education does not anticipate any costs associated with participating in the interagency agreement. Should the implementation require a greater degree of participation from the department, additional resources may be necessary.

Department of Personnel and Administration - no fiscal impact. The Department of Personnel and Administration is responsible for administering the health care benefits of state employees. This bill affects the state's health care plans and the department is required to provide information and direction to the state's health care plan providers, revise plan documents, and provide training. It is expected that these tasks can be accomplished within existing resources.

The bill applies to some of the health insurance plans provided to state employees under the state's employee benefit program. Any cost increases resulting from the inclusion of early intervention services in employee health insurance plans is borne by state employees and does not increase the state's contribution to those plans. Any adjustments to the state's contribution requires separate legislation. However, this bill may influence the General Assembly to increase the state's contribution to the employee benefit program in order to meet the statutory requirement of providing employee benefits comparable to the private sector. Cost estimates from the state's health insurance plan providers indicate a total cost of \$200,000 per year. Employee plan costs would increase by \$0.14 to \$11.16 per month, depending on the employee's family status and the plan chosen.

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

State Appropriations

The fiscal note indicates the following appropriations for FY 2007-08:

Department of Human Services \$ 53,920 Total and 1.0 FTE
53,920 Early Intervention Services Trust Fund
(CF)

Department of Health Care
Policy and Financing \$ 126,580 Total and 1.0 FTE
31,423 Short-term Innovative Health Program
Grant Fund (CFE)
22,307 Supplemental Tobacco Litigation
Settlement Account in CBHP Trust
(CFE)
72,850 Federal Funds

Department of Regulatory Agencies \$ 6,188 Total
6,188 Division of Insurance Cash Fund (CF)

Departments Contacted

Education	Health Care Policy and Financing
Human Services	Public Health and Environment
Regulatory Agencies	Personnel and Administration