



Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 07-0137
Prime Sponsor(s): Sen. Hagedorn
 Rep. McGihon

Date: March 17, 2007
Bill Status: Senate Health and Human Services
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TITLE: CONCERNING IMPROVEMENTS TO HEALTH CARE FOR CHILDREN.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
State Revenue		
Cash Funds - Children's Basic Health Plan Fees	(\$ 261,423)	\$ 1,796
State Expenditures		
<u>Total</u>	<u>\$13,177,435</u>	<u>\$61,485,120</u>
General Fund	5,836,386	43,184,807
Cash Funds		
Children's Basic Health Plan Fees	(261,423)	1,796
Old Age Pension Fund	53,896	1,440
Cash Funds Exempt		
Children's Basic Health Plan Trust	120,331	(9,257,777)
Health Care Expansion Fund	500,000	625,000
Federal Funds	6,928,245	26,929,854
FTE Position Change	3.0 FTE	4.5 FTE
Effective Date: July 1, 2007.		
Appropriation Summary for FY 2007-2008: See State Appropriation section of the fiscal note.		
Local Government Impact: None.		

Summary of Legislation

This bill makes certain changes to Medicaid for children and the Children's Basic Health Plan (CBHP). It establishes the 15-member Advisory Committee on Covering All Children in Colorado to develop a plan to provide health coverage for all low-income children by 2010. It also allows the executive director of the Department of Health Care Policy and Financing (DHCPF) to hire a chief medical officer who is licensed to practice medicine and has experience in primary care and health care administration. In addition, a review of the Colorado Benefits Management System (CBMS) is required by January 1, 2008.

Medicaid. The bill expands Medicaid eligibility for children ages 6 to 19 from 100 percent of the federal poverty level to 133 percent. In addition, proof of family income is no longer required, but is to be verified through the Department of Labor and Employment. Children whose family income does not exceed the income level are presumptively eligible for Medicaid and shall remain eligible for 12 months unless certain conditions occur.

Children's Basic Health Plan. As in the Medicaid provisions, proof of family income is no longer required, but is to be verified through the Department of Labor and Employment. Children whose family income does not exceed the income level are presumptively eligible for the CBHP. For FY 2007-08 only, the DHCPF cannot charge or collect an enrollment fee. In addition, the bill increases funding for the CBHP marketing activities from \$540,000 to \$1,040,000. It also expands CBHP eligibility from 200 percent of the federal poverty level to 300 percent effective July 1, 2009.

Application Assistance Sites. The bill requires the DHCPF to authorize application assistance sites to help families in completing applications for Medicaid and/or the CBHP. A grant program is established to provide up to \$50,000 funding each year to community-based organizations that operate eligibility sites.

Reports and Clinical Standards. The bill requires the DHCPF to annually report information on access to and quality of health care for children eligible for Medicaid and the CBHP to the General Assembly. The DHCPF must also develop clinical standards and methods for collecting, analyzing, and disclosing information regarding clinical performance, and it must make recommendations annually to the General Assembly.

State Revenue

State revenue from the CBHP fees is expected to decrease by \$261,423 in FY 2007-08 and increase by \$1,796 in FY 2008-09.

Annual enrollment fees are currently collected from families participating in the CBHP with total income above 150 percent of the federal poverty level. The bill eliminates this fee for FY 2007-08. For FY 2008-09, increased enrollment in the CBHP due to application assistance is expected to result in increased fees of \$1,796.

State Expenditures

Total state expenditures for SB07-211 of \$13,177,435 and 3.0 FTE in FY 2007-08, \$61,485,119 and 4.5 FTE in FY 2008-09, and \$89,268,235 and 4.5 FTE in FY 2009-10 are expected. Expenditures are incurred in the DHCPF, the Department of Human Services, and the Department of Labor and Employment, as summarized in Table 1 and described below.

Table 1. Expenditures by Department Under SB07-211			
Department	FY 2007-08	FY 2008-09	FY 2009-10
Health Care Policy and Financing	\$12,680,988	\$61,473,367	\$89,268,235
FTE	3.0	4.5	4.5
Human Services	438,487	11,752	
Labor and Employment	57,960		
TOTAL	\$13,177,435	\$61,485,119	\$89,268,235

Department of Health Care Policy and Financing. The DHCPF has the primary responsibility for implementing SB07-211. Total expenditures for FY 2007-08 to FY 2009-10 are shown in Table 2 and discussed below.

Table 2. Expenditures for the DHCPF Under SB07-211.			
Cost Components	FY 2007-08	FY 2008-09	FY 2009-10
Medicaid Services	\$10,917,343	\$56,561,308	\$74,343,553
FTE	0.0	1.0	1.0
CBHP Services	1,425,903	1,349,741	11,074,413
FTE	0.0	0.0	0.0
Application Assistance Sites	75,517	3,481,432	3,769,383
FTE	1.5	2.0	2.0
CBMS Review	121,485		
Reports & Standards	140,740	80,886	80,886
FTE	1.5	1.5	1.5
TOTAL	<u>\$12,680,988</u>	<u>\$61,473,367</u>	<u>\$89,268,235</u>
General Fund	5,673,019	43,181,981	70,249,051
CBHP Fees	(261,423)	1,796	1,913
CBHP Trust	120,331	(9,257,777)	(18,445,590)
Health Care Expansion Fund	500,000	625,000	625,000
Federal Funds	6,649,061	26,922,367	36,837,861
FTE	3.0	4.5	4.5

Medicaid Services. The bill increases Medicaid eligibility for children ages 6 to 19 by increasing the family income limit from 100 percent of the federal poverty level to 133 percent. Since the CBHP currently extends eligibility to children up to 200 percent of the federal poverty level, SB07-211 is expected to move children from the CBHP to Medicaid beginning in FY 2008-09. Medicaid is expected to have caseload growth of 17,130 in FY 2008-09 and 38,431 in FY 2009-10 after a full-year of implementation. The 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.

In addition to the caseload shift, the bill implements 12-month guaranteed eligibility for Medicaid clients under the age of 19. This is expected to increase the average length of participation for this Medicaid group from 7 to 9 months, a 28.4 percent increase. Assuming an implementation date of January 1, 2008, Medicaid caseload is expected to increase by 15,697 children in FY 2007-08, 35,675 in FY 2008-09, and 41,151 in FY 2009-10. Resulting costs are \$10,899,735 in FY 2007-08, \$50,740,820 in FY 2008-90, and \$60,841,342 in FY 2009-10. These costs are split equally between the General Fund and federal funds.

Table 3 shows these caseload changes and related costs.

Table 3. Costs related to Medicaid Services						
	FY 2007-08		FY 2008-09		FY 2009-10	
	Caseload	Cost	Caseload	Cost	Caseload	Cost
Medicaid Premiums - Income Limit Increase			17,130	\$32,485,503	38,431	\$75,759,799
CBHP - Shift to Medicaid			(17,130)	(27,150,939)	(38,431)	(63,258,260)
Medicaid Admin.		\$33,436		193,018		341,633
County Admin. Costs				292,906		659,039
12-month Eligibility	15,697	10,883,907	35,675	50,740,820	41,151	60,841,342
TOTAL	15,697	\$10,917,343	35,675	\$56,561,308	41,151	\$74,343,553
General Fund		5,448,661		41,797,542		68,669,099
CBHP Trust		16,460		(9,468,721)		(22,063,582)
Federal Funds		5,452,222		24,232,487		27,738,036

CBHP Services. The bill eliminates the enrollment fee for the CBHP for FY 2007-08 requiring additional funding from both the CBHP Trust (\$91,498) and federal funds (\$169,925) to offset the reduced revenue. In addition, a CBMS programming cost of \$8,331 is anticipated.

The bill also eliminates the need for families to provide verification of their income for both Medicaid and the CBHP. Instead, the DHCPF is required to verify income through the Department of Labor and Employment (DOLE). CBMS requires programming updates to implement a real-time interface with DOLE and to implement presumptive eligibility costing \$76,917. Since the programming is expected to take 6 months, temporary personal services are required to manually perform income verifications between July 1, 2007, and January 1, 2008, (\$38,742 in FY 2007-08 only).

Beginning July 1, 2009, income eligibility for the CBHP is increased from 200 percent of the federal poverty level to 300 percent. In FY 2008-09, CBMS and MMIS modifications are required totaling \$47,828. Based on the number of uninsured children in Colorado and experience with previous expansions of the CBHP, caseload increases of 5,495 in FY 2009-10 and 12,979 in FY 2010-11 are anticipated. Resulting costs are \$9,772,500 in FY 2009-10 and \$23,897,063 in FY 2010-11. These costs are shared between the CBHP Trust (35%) and federal funds (65%).

The bill increases funding for marketing activities by \$500,000 from the Health Care Expansion Fund. After adding federal matching funds, marketing activities are expected to increase by \$1,301,913. The fiscal note assumes that any changes to caseload resulting from marketing activities will be addressed through the annual budget process.

Table 4 shows the impacts of these provisions.

Table 4. Costs related to the CBHP				
	FY 2007-08	FY 2008-09	FY 2009-10	
	Cost	Cost	Caseload	Cost
No Enrollment Fee	\$8,331			
DOLE Verification of Income	115,659			
Marketing Activities	1,301,913	1,301,913		\$1,301,913
Income Eligibility to 300%		47,828	5,495	9,772,500
TOTAL	\$1,425,903	\$1,349,741	5,495	\$11,074,413
General Fund	59,318	2,927		82,380
Cash Funds from Fees	(261,423)	0		0
CBHP Trust	96,604	14,927		3,402,474
Health Care Expansion Fund	500,000	500,000		500,000
Federal Funds	1,031,404	831,887		7,089,559

In addition, a net effect of SB07-211 is to reduce the CBHP caseload by 16,793 in FY 2008-09, 32,577 in FY 2009-10 and 25,160 in FY 2010-11 when all provisions of the bill are considered.

Application Assistance Sites. The DHCPF is expected to award \$50,000 grants to 5 community-based organizations to establish application assistance sites beginning in FY 2008-09. Total funding of \$250,000 is split between the Health Care Expansion Fund and federal funds (\$125,000 each).

Beginning in FY 2007-08, personal services are required to manage the grant process, create and conduct trainings on the application process for Medicaid and the CBHP, provide technical assistance, and ensure compliance with state and federal regulations. In FY 2007-08, expenditures of \$75,517 and 1.5 FTE are required increasing to \$81,512 and 2.0 in subsequent years.

The application assistance sites are expected to increase caseloads in both Medicaid and the CBHP beginning in FY 2008-09. Caseload increases and resulting costs are shown in table 5.

Table 5. Costs related to Application Assistance Sites					
	FY 2007-08	FY 2008-09		FY 2009-10	
	Cost	Caseload	Cost	Caseload	Cost
Medicaid Medical and Mental Health - Children		501	\$929,766	492	\$949,127
Medicaid Medical and Mental Health - Adults		493	1,591,396	550	1,803,405
CBHP - Medical and Dental		337	520,003	359	575,833
Grants			250,000		250,000
Personal Services & Operating	\$75,517		108,755		108,755
Other Administrative Costs			81,512		82,263
TOTAL	\$75,517	1,331	\$3,481,432	1,401	\$3,769,383
General Fund	37,758		1,341,069		1,457,129
Cash Funds from Fees	0		1,796		1,913
CBHP Trust	0		321,018		340,517
Federal Funds	37,759		1,817,549		1,969,824

Colorado Benefits Management System Review. The bill requires a review of the CMBS by January 1, 2008. A broad review of the system including identification of ongoing problems and costs to remedy them is expected to cost \$350,000. Using the federally-approved cost allocation model, the DHCPF portion of the cost is \$121,485. The Department of Human Service is responsible for the remaining portion of \$228,515. In order to meet the January 1, 2008, deadline, the procurement process for the review must be expedited. In addition, if the review requires a complete system audit, the cost may be as much as \$800,000.

Reports and Standards. Anticipated costs for the reports and standards specified in the bill are \$140,740 and 1.5 FTE in FY 2007-08 and \$80,866 and 1.5 FTE in subsequent years.

The DHCPF is required to provide annual reports to the General Assembly on the access to and quality of health care for children receiving Medicaid and the CBHP. Personal services (0.5 FTE) are required to identify and produce reports on services and participating providers, and to track, summarize, and report on trends over time.

In addition, the DHCPF must develop clinical standards and methods for collecting, analyzing, and disclosing health information. The fiscal note assumes that a contractor will facilitate the development of standards in FY 2007-08 (\$70,000). In FY 2007-08 and subsequent years, staff (1.0 FTE) will develop, organize, manage the processes to measure performance on health standards, and prepare annual reports.

Other Provisions. No costs are included for the following provisions of the bill:

Advisory Committee - The committee members are expected to serve without compensation and may be reimbursed for expenses only if gifts, grants, and donations are received. At this time, no revenue or expenses are anticipated. In addition, the DHCPF is expected to provide minimal administrative support, limited by available resources.

Chief Medical Officer - Since the bill is permissive, it is unknown whether a Chief Medical Office will be appointed, and costs are not included at this time.

Verification of Lawful Presence - The bill exempts Medicaid and CBHP clients age 18 to 19 from verification of state lawful presence requirements. However, federal regulations continue to require proof of identity. Thus, no costs or savings are expected.

Department of Human Services. The department is expected to incur costs of \$671,600 in FY 2007-08 and \$18,000 in FY 2008-09. Of the FY 2007-08 total, \$105,407 is General Fund, \$53,896 is Old Age Pension Fund, \$233,113 is a cash funds exempt transfer from the DHCPF, and \$279,184 is federal funds. These costs are for CBMS programming, and are determined using the federally-approved cost allocation tool.

Department of Labor and Employment. In FY 2007-08, the department is expected to incur one-time costs of \$57,960 for computer programming to create a real-time interface between CBMS and the department's computer systems (828 hours X \$70/hour). This is a General Fund expenditure.

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

For FY 2007-08, the fiscal note indicates that the following appropriations are required:

Department of Health Care Policy and Financing - Total: \$12,680,988 and 3.0 FTE

\$ 5,673,019 General Fund;
(\$ 261,423) cash funds from CBHP fees;
\$ 120,331 CBHP Trust (cash funds exempt);
\$ 500,000 Health Care Expansion Fund (cash funds exempt); and
\$ 6,649,061 federal funds.

Department of Human Services - Total: \$671,600

\$ 105,407 General Fund;
\$ 53,896 Old Age Pension Fund;
\$ 233,113 cash funds exempt from the DHCPF; and
\$ 279,184 federal funds.

Department of Labor and Employment - \$57,960 General Fund

Departments Contacted

Health Care Policy and Financing
Labor and Employment

Human Services