

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 10-0159

**Date:** January 29, 2010

**Prime Sponsor(s):** Rep. Massey  
Sen. Foster

**Bill Status:** House Health and Human Services

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

**TITLE:** CONCERNING HOME HEALTH CARE THROUGH TELEMEDICINE PURSUANT TO THE "COLORADO MEDICAL ASSISTANCE ACT".

<b>Fiscal Impact Summary</b>	<b>FY 2010-2011</b>	<b>FY 2011-2012</b>
<b>State Revenue</b>		
<b>State Expenditures</b>		
Total Funding	\$ 123,270	\$ 312,576
General Fund	61,635	156,288
Federal Funds	61,635	156,288
<b>FTE Position Change</b>		
<b>Effective Date:</b> August 11, 2010, assuming the General Assembly adjourns May 12, 2010, as scheduled and no referendum petition is filed.		
<b>Appropriation Summary for FY 2010-2011:</b> See State Appropriations section.		
<b>Local Government Impact:</b> None.		

## Summary of Legislation

SB07-196 established the Health Information Technology Advisory Committee and expanded the use of telemedicine. This bill, recommended by the Health Care Task Force, makes the following changes to the provision of home health telemedicine services established in SB07-196:

- ▶ telemedicine services are now eligible for Medicaid reimbursement;
- ▶ reimbursement rates are no longer required to be budget-neutral;
- ▶ reductions in travel costs by home health care and home- and community-based service providers are no longer required to be considered when setting reimbursement rates; and
- ▶ incorrect references to the way reimbursement payments are made are removed.

## Background

SB07-196 established that home health care or home- and community-based service providers are no longer required to have in-person contact when providing Medicaid services. It anticipated that less-expensive telemedicine services would substitute for in-person services, and

ultimately save the state money. However, the federal Centers for Medicaid and Medicare Services (CMS) requires that telemedicine services be provided along with face-to-face nursing visits, not as a substitute for them. As a result, telemedicine services must be in addition to a client's current utilization. Since the bill required that telemedicine services be budget-neutral or save the state money, a process for reimbursing telemedicine services was only partially implemented.

### **State Expenditures**

Provision of telemedicine services is anticipated to cost **\$123,270 in FY 2010-11 and \$312,576 in FY 2011-12**. Costs are in the Department of Health Care Policy and Financing (HCPF) and are split equally between the General Fund and federal funds. Costs are shown in Table 1 and are based on the following assumptions:

- ▶ 150 clients will use telemedicine services in FY 2010-11, 160 in FY 2011-12;
- ▶ the average monthly cost of services is \$232 per client;
- ▶ telemedicine client hospital visits will decrease by approximately 10 percent;
- ▶ total emergency department visits by telemedicine clients will decrease by 75 visits in FY 2010-11 and 80 visits in FY 2011-12;
- ▶ first year costs are pro-rated as the program is not fully established until January 2011; and
- ▶ any reduction in unscheduled face-to-face visits due to telemedicine use cannot be quantified but will be addressed in the annual budget process.

<b>Table 1. Expenditures Under HB10-1005</b>		
<b>Cost Components</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
Telemedicine Costs	\$34,800	\$37,120
Reduction in Hospital Savings	(8,253)	(8,779)
Emergency Department Savings	(1,893)	(2,293)
Monthly Subtotal	\$24,654	\$26,048
Number of Months	5	12
<b>TOTAL</b>	<b><u>\$123,270</u></b>	<b><u>\$312,576</u></b>
<b>General Fund (50%)</b>	<b>\$61,635</b>	<b>\$156,288</b>
<b>Federal Funds (50%)</b>	<b>\$61,635</b>	<b>\$156,288</b>

Some workload associated with establishing the program will be accomplished within the existing program established by SB07-196. Specifically, these activities include: submitting a state plan amendment, submitting rules to the Medical Services Board, and monitoring the program. If federal approval is granted, clients are expected to begin receiving telemedicine services in January 2011.

**State Appropriations**

For FY 2010-11, this bill requires an appropriation of \$123,270 to the Department of Health Care Policy and Financing, of which, \$61,635 is General Fund and \$61,635 is federal funds.

**Departments Contacted**

Health Care Policy and Financing  
Human Services

Public Health and Environment