

Colorado Legislative Council Staff Fiscal Note
**STATE and LOCAL
 FISCAL IMPACT**

Note: This fiscal note is written pursuant to Joint Rule 22 (b)(2) and reflects strike below Amendment L.001

Drafting Number: LLS 11-0376	Date: February 7, 2011
Prime Sponsor(s): Sen. Boyd Rep. Gerou	Bill Status: Senate Health and Human Services
	Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING ALIGNING MEDICAID ELIGIBILITY FOR CHILDREN.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013	FY 2013-2014
State Revenue			
State Expenditures		(\$2,165,574)	(\$9,964,552)
Cash Funds (Multiple)		(707,648)	(3,316,601)
Federal Funds		(1,457,926)	(6,647,951)
FTE Position Change			
Effective Date: September 1, 2011, assuming no referendum petition is filed.			
Appropriation Summary for FY 2011-2012: None required.			
Local Government Impact: See Local Government Impact section.			

Summary of Legislation

With Amendment L.001, this bill specifies that the income eligibility criteria for Medicaid that applies to children aged 5 and under and pregnant women shall also apply to children between the ages of 6 and 19. On or after September 1, 2011, children under the age of 19 and pregnant women will be eligible for Medicaid if their family income is less than 133 percent of the federal poverty level (FPL). It also allows tobacco tax cash funds to be used to offset General Fund expenditures for persons who enroll in Medicaid as a result of the bill, and provided they were eligible for the Children's Basic Health Plan (CBHP) prior to September 1, 2011.

Background

The Department of Health Care Policy and Financing (DHCPF) provides health care services to children and their parents through two major programs: Medicaid and the Child Health Plan Plus (CHP+) program, which is known administratively as CBHP. Under current law, children between the ages of 6 and 19 are eligible for Medicaid if their family income is at or below 100 percent of the FPL. Children aged 5 and younger and pregnant women are eligible for Medicaid if their family income is at or below 133 percent of the FPL. The CBHP currently extends eligibility to children under age 19 and pregnant women with family incomes of up to 250 percent of the FPL.

For FY 2011-12, the estimated per capita cost for each child served in the Medicaid program is \$1,823.13. The estimated cost for each child served in the CBHP is \$2,331.82. Expenditures in the Medicaid program are generally paid for with General Fund and receive a 50 percent federal match, while costs for the CBHP program are cash funded and receive a 65 percent federal match. The FPL is currently \$10,830 for an individual, and \$22,050 for a family of 4. By raising the income eligibility limits to 133 percent and assuming the FPL does not change, the maximum family income allowable in order to qualify for Medicaid would be \$14,404 for an individual and \$29,327 for a family of 4.

State Expenditures

This bill will reduce state expenditures in the DHCPF by \$2.2 million in FY 2012-13, and by \$10 million in FY 2013-14.

No expenditures will be incurred or reduced between September 1, 2011, when the bill takes effect, and June 30, 2012, while waiting for completion of required computer system changes, rule making, and federal approval of an amendment to the State Medicaid plan. This analysis assumes that the bill's provisions will be implemented on January 1, 2013. Table 1 and the discussion that follows address the cost components of the bill.

Table 1. Expenditures Under SB11-008			
Cost Components	FY 2011-12	FY 2012-13	FY 2012-13
Computer Changes	\$0	\$76,370	\$0
Colorado Benefits Management	-	\$69,440	-
Medicaid Management Information System	-	6,930	-
Implementation Costs	\$0	(\$2,241,944)	(\$9,964,552)
Medicaid Program (Benefit Costs)	-	9,527,623	39,899,181
CBHP Program (Benefit Costs)	-	(12,051,607)	(50,189,768)
Early and Periodic Screening Program	-	28,976	117,883
County Administration	-	241,325	978,523
CBHP Administration	-	1,000	(813,914)
Broker Costs	-	10,739	43,543
TOTAL	\$0	(\$2,165,574)	(\$9,964,552)
Cash Funds		(707,648)	(3,316,601)
Federal Funds		(1,457,926)	(6,647,951)

Funding. By allowing the use of tobacco tax cash funds, this bill does not show the General Fund impact typically associated with Medicaid expenditures. If the costs under this bill were paid in the normal manner, General Fund expenditures would increase by \$3.5 million in FY 2012-13, and \$14.1 million in FY 2013-14. In addition, it should be noted that current appropriations from tobacco tax cash funds exceed their revenue and General Fund backfill is required each year. This bill increases the appropriation of tobacco tax cash funds, and will therefore have some General Fund impact. This amount has not been estimated.

Computer Changes. The Colorado Benefits Management System (CBMS) and Medicaid Management Information System (MMIS) need to be modified to match the change in eligibility and ensure payment of claims. Due to an existing programming backlog, as well as required system changes needed to implement federal mandates, programming work cannot begin until July 1, 2012. **It will take 6 months to modify the systems at a total one-time cost of \$76,370 in FY 2012-13, which includes \$69,440 for CBMS and \$6,930 for MMIS.**

Implementation Costs. The fiscal note assumes that eligibility changes will take effect on January 1, 2013. **The net implementation costs reduce state expenditures in FY 2012-13 by \$2.2 million and in FY 2013-14 by \$10 million.**

Caseload. The fiscal note assumes that the net effect of this bill will be to move children served in CBHP to the Medicaid program. This is because under current law, CBHP serves children ineligible for Medicaid with family incomes of up to 250 percent of the FPL. This analysis is based on the following assumptions:

- 27 percent of CBHP clients fall between the ages of 6 and 19 and have family incomes of between 100 and 133 percent of the FPL;
- 95 percent of CBHP clients that meet the new income guidelines, or approximately 19,703 persons in FY 2012-13, and 20,028 persons in FY 2013-14, are otherwise eligible for Medicaid and will choose to enroll; and
- children in CBHP would transition from CBHP to Medicaid over a 12-month period, with 4,926 children transferring from CBHP to Medicaid in FY 2012-13, and 20,028 transferring in FY 2013-14.

Medicaid program. By transitioning children from the CBHP program, Medicaid expenses will increase by \$9.5 million in FY 2012-13, and \$40 million in FY 2013-14. Medicaid program costs include medical services premiums and Medicaid mental health services, and are based on the following assumptions:

- the per capita costs for medical services premiums and mental health services will be \$1,934 in FY 2012-13, and \$1,992 in FY 2013-14;
- based on the caseload assumptions detailed above, medical services premiums will increase by \$8.5 million in FY 2012-13, and \$35.8 million in FY 2013-14;
- based on caseload assumptions detailed above, Medicaid mental health services will increase by \$1 million in FY 2012-13, and \$4.1 million in FY 2013-14; and
- children transitioning from CBHP will retain their enhanced federal match of 65 percent of program costs.

CBHP program. This analysis assumes that CBHP program costs will decrease over 2 fiscal years as eligible children transition to the Medicaid program. Expenses will be reduced by \$12.1 million in FY 2012-13, and \$50.2 million in FY 2013-14. These costs are funded by 35 percent cash funds and 65 percent federal funds, and therefore have no General Fund impact. CBHP expenses include program administration, premium costs, and dental benefits, and are based on the following assumptions:

- program administration costs will increase by \$1,000 in FY 2012-13, and **decrease by \$813,914** in FY 2013-14;
- premium costs will decrease by \$11.2 million in FY 2012-13, and \$46.7 million in FY 2013-14; and
- dental benefit costs will decrease by \$0.8 million in FY 2012-13, and \$3.5 million in FY 2013-14.

Early and periodic screening, diagnosis, and treatment program. By enrolling children into Medicaid, administrative and outreach costs are increased in proportion to the increase in caseload, or \$28,976 in FY 2012-13, and \$117,883 in FY 2013-14.

County administration. The fiscal note assumes that counties would process and maintain the records of children transitioning from CBHP to Medicaid. Assuming that costs increase in proportion to the increase in caseload, county administration costs will increase by \$241,325 in FY 2012-13 and \$978,523 in FY 2013-14.

Broker costs. By moving clients from the CBHP program to Medicaid, the existing Medicaid broker, which processes enrollments, will increase its costs by \$10,739 in FY 2012-13, and \$43,543 in FY 2013-14.

Conditional staff, costs not included. By shifting clients from one program with one set of funding requirements to another with a separate set of funding requirements, this bill could increase administrative costs under the DHCPF by up to 1.0 FTE and \$63,384 cash funds. The fiscal note assumes that any required increase in staff will be addressed through the annual budget process.

Local Government Impact

County Medicaid offices are anticipated to increase their workload under the bill. Counties will increase the amount received from the DHCPF for this purpose by \$241,325 in FY 2012-13 and \$978,523 in FY 2013-14.

Departments Contacted

Governor's Office of Information Technology
Human Services

Health Care Policy and Financing