

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 11-0958  
**Prime Sponsor(s):** Sen. Hodge

**Date:** April 4, 2011  
**Bill Status:** Senate Appropriations  
**Fiscal Analyst:** Bill Zepernick (303-866-4777)

**TITLE:** CONCERNING THE ELIMINATION OF THE SUPPLEMENTAL OLD AGE PENSION HEALTH AND MEDICAL CARE PROGRAM, AND, IN CONNECTION THEREWITH, PROVIDING FOR THE TRANSFER OF THE FUND BALANCE OF THE SUPPLEMENTAL OLD AGE PENSION HEALTH AND MEDICAL CARE FUND TO THE GENERAL FUND, AUTHORIZING THE USE OF MONEYS IN THE TOBACCO TAX CASH FUND TO PROVIDE SERVICES UNDER MEDICAID FOR THE MEDICAL CARE OF OLD AGE PENSIONERS, AND MAKING AN APPROPRIATION.

<b>Fiscal Impact Summary</b>	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>
<b>State Revenue</b>		
<b>State Transfers or Diversions</b>		
Eliminate transfer from the General Fund to the Supplemental OAP Health and Medical Care Fund	\$0	\$2,850,000
Transfer from the Supplemental OAP Health and Medical Care Fund to the General Fund	(736,087)	0
<b>State Expenditures</b>		
General Fund	(\$2,230,500)	(\$2,230,500)
Cash Fund Tobacco Tax Cash Fund	See State Expenditure section	
<b>FTE Position Change</b>		
<b>Effective Date:</b> Sections 1, 4, 11, and 13 take effect on July 1, 2011; section 3 takes effect July 1, 2012; and section 2 and sections 5 - 10 take effect on July 15, 2012.		
<b>Appropriation Summary for FY 2011-2012:</b> See State Appropriations section.		
<b>Local Government Impact:</b> None.		

**Summary of Legislation**

The bill phases out and repeals the Supplemental Old Age Pension (OAP) Health and Medical Care Program as of July 15, 2012. As described in the State Transfers or Diversion section, the bill transfers the remaining fund balance in the Supplemental Old Age Health and Medical Care Fund at the end of FY 2011-12 to the General Fund and abolishes the fund. The bill also eliminates the ongoing transfer of tobacco tax revenue to the fund. The tobacco tax revenue to the Supplemental OAP Medical Program is used to offset the General Fund costs of OAP recipients served through Medicaid.

## **Background**

The OAP Health and Medical Program was created to provide health care services to persons who qualify to receive OAP payments but who are ineligible for Medicare or Medicaid. The program is operated by the Department of Health Care Policy and Financing (DHCPF) and as of FY 2011-12, the program is anticipated to serve 3,200 clients. However, beginning in February 2012, the majority of clients will become eligible for Medicaid under House Bill 09-1293 (the hospital provider fee bill), which expanded Medicaid eligibility to adults without dependent children with incomes at or below 100 percent of the federal poverty level. Because the clients in the OAP Medical Program will receive health care services through the Medicaid program, it is possible to phase out the OAP Medical Program. The OAP Medical Program has three dedicated revenue sources set in the constitution and statute that are deposited into two funds (the OAP Health and Medical Care Fund and the Supplemental OAP Health and Medical Care Fund) that include the following:

- 1) \$10.0 million annually transferred to the OAP Health and Medical Care Fund pursuant to the Colorado State Constitution;
- 2) \$2.85 million in sales tax revenues transferred by statute to the Supplemental OAP Health and Medical Care Fund; and
- 3) \$2.2 million (1.5 percent) of tobacco tax revenues collected pursuant the State Constitution and statute that is transferred to the Supplemental OAP Health and Medical Care Fund.

Currently, the program expends approximately \$10 million but receives revenue allocations of \$15 million. As described below, this bill deals with \$5 million of this revenue (eliminating the transfer of \$2.8 million from General Fund to the program and redirecting \$2.2 million in tobacco tax revenue to the Medicaid program to pay OAP recipient medical costs). Once all of the OAP clients have become Medicaid eligible, the remaining \$10.0 million in revenues for this program could be addressed. This item is not addressed in this bill because of the constitutional requirements that \$10.0 million be transferred to the OAP Medical and Health Care Fund.

## **State Transfers or Diversions**

The bill makes the following transfers of state funds:

- transfers the fund balance in the Supplemental OAP Health and Medical Care Fund on June 30, 2011, to the General Fund, which is estimated to be \$736,087; and
- eliminates the ongoing transfer of \$2,850,000 from the General Fund to the Supplemental OAP Health and Medical Care Fund beginning in FY 2012-13.

**State Expenditures**

The bill decreases General Fund appropriations to the DHCPF for Medicaid medical service premiums by \$2,230,500 each year beginning in FY 2011-12 and increases appropriations from the Tobacco Tax Cash Fund for this purpose by the same amount. The moneys from the Tobacco Tax Cash Fund are made available by eliminating the appropriation of \$2,230,500 to the Supplemental OAP Health and Medical Care Fund. Total spending of tobacco tax revenue for persons in the OAP program does not change; instead this funding is relocated from the OAP Health and Medical Care Program to the Medicaid program.

<b>Table 1. Appropriation Changes under SB 11-210</b>			
<b>Cost Components</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Net Change</b>
Medicaid	(\$2,230,500)	\$2,230,500	\$0
Supplemental OAP Health and Medical Care Program	\$0	(\$2,230,500)	(\$2,230,500)
<b>TOTAL</b>	<b>(\$2,230,500)</b>	<b>\$0</b>	<b>(\$2,230,500)</b>

**State Appropriations**

The bill requires the following appropriations to the DHCPF in FY 2011-12, which are included in the introduced bill:

- a reduction in General Fund of (\$2,230,500) for medical service premiums;
- an increase of \$2,230,500 from the Tobacco Tax Cash Fund for medical service premiums; and
- a reduction of \$2,230,500 from the Tobacco Tax Cash Fund for the transfer of funds into the Supplemental OAP Health and Medical Care Fund for other medical services.

**Departments Contacted**

Health Care Policy and Financing

Human Services

JBC