



**State Expenditures**

This bill will increase state expenditures under the DHCPF by at least \$213,079, including \$106,540 General Fund and \$106,539 federal funds, and 0.8 FTE in FY 2012-13 as described in Table 1 and the discussion that follows.

<b>Cost Components</b>	<b>FY 2012-13</b>
Personal Services	\$47,538
FTE	0.8
Operating Expenses and Capital Outlay	5,541
Actuary Services	60,000
Consultant Services	100,000
<b>TOTAL</b>	<b><u>at least \$213,079</u></b>
<b>General Fund</b>	<b>106,540</b>
<b>Federal Funds</b>	<b>106,539</b>

The following costs are based on the assumption that the DHCPF will craft its request for proposals for the pilot program in a manner that encourages projects that can be implemented without computer system changes or extensive development. Costs are shown based on the assumption that the DHCPF will fully evaluate a total of four payment projects. It should be noted that the department could receive additional requests, and should these projects appear viable or require additional analysis, costs could increase in FY 2012-13.

***Personal services, operating expenses and capital outlay.*** The DHCPF requires 0.5 FTE at the General Professional IV level to develop and oversee the program and conduct reporting and 0.5 FTE at the Rate/Financial Analyst II level to conduct actuarial analysis on proposals received. The analysis assumes that personnel will be hired and begin work as of September 1, 2012, and therefore these amounts are adjusted to 0.8 FTE and total \$53,079 for FY 2012-13.

***Actuary services.*** An actuary is required to validate and certify the staff analyses done on proposals received. The fiscal note assumes that a total of four proposals will be received and analyzed between January and June 2013. The total cost of \$60,000 is estimated as 60 hours per proposal at \$250 per hour.

***Consultant services.*** The department is directed to contract with a consultant to review managed care contracts. Based on similar projects, this cost is estimated at \$100,000, shared equally between the General Fund and federal funds.

***Conditional costs.*** If the department identifies projects that are suitable to include in the pilot program, costs will increase beginning in FY 2013-14. Conditional upon this occurring, costs will, at a minimum, include staff, actuary services, and computer changes. Because the bill specifies that

projects selected must be cost neutral, this analysis assumes projects will generate enough savings to offset the increase in costs. Because these costs and savings depend on the number and type of projects selected, this analysis assumes the department will request any necessary resources through the annual budget process.

### **Expenditures Not Included**

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

<b>Table 2. Expenditures Not Included Under HB12-1281*</b>	
<b>Cost Components</b>	<b>FY 2012-13</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$9,159
Supplemental Employee Retirement Payments	2,829
<b>TOTAL</b>	<b>\$11,988</b>

*\*More information is available at: <http://colorado.gov/fiscalnotes>*

### **Departmental Differences**

The DHCPF believes it will require a total of \$383,033 and 1.7 FTE in FY 2012-13 and \$1,187,432 and 4.0 FTE in FY 2013-14. In the first year, the department's analysis is based on each of the two positions working full time, with one of the positions being a General Professional V rather than the General Professional IV shown in the fiscal note. The department's analysis also includes actuary services costs of \$250,000 in the first year and \$150,000 in the second year, compared to \$60,000 for FY 2012-13 only as shown in the fiscal note. The department assumes all positions will work full-time in the second year, and that two additional staff would be required to manage the projects. These costs are based on the assumption that the legislation requires them to implement four projects on July 1, 2013.

The fiscal note does not include these costs for two reasons. First, the fiscal note assumes that because the department will have staff resources to conduct actuarial analyses of proposals, the amount of time needed by the actuary to verify and certify the proposals is reduced. The fiscal note specifies that if more than four proposals are received, actuary costs could go up by an indeterminate amount. However, the DHCPF does have the ability to craft its request for proposals in such a manner as to limit the number of and complexity of proposals, and the department has already acknowledged it will request projects that do not require computer system changes. Second, costs for out-years are not shown because the legislation does not specify an implementation date. Rather, the legislation requires that projects be operational for at least two years, ending by June 30, 2016. Therefore, this analysis assumes there is sufficient time to request resources through the annual budget process in FY 2013-14 in accordance with actual needs and assumes implementation at the end of FY 2013-14.

**State Appropriations**

For FY 2012-13, the DHCPF is appropriated \$213,079, including \$106,540 General Fund and \$106,539 federal funds and 0.8 FTE.

**Departments Contacted**

Health Care Policy and Financing

Joint Budget Committee Staff