HB12-1281

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 12-0370	**Date:**	February 17, 2012
Prime Sponsor(s):	Rep. Young	**Bill Status:**	House Health and Environment
		Fiscal Analyst:	Kerry White (303-866-3469)

TITLE: CONCERNING A PILOT PROGRAM ESTABLISHING NEW PAYMENT METHODOLOGIES IN MEDICAID.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures General Fund Federal Funds	$213,079 106,540 106,539	Potential increase - See State Expenditures section.
FTE Position Change	0.8 FTE	
Effective Date: August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2012-2013: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

This bill creates the Medicaid Payment Reform and Innovation Pilot Program within the structure of the existing Accountable Care Collaborative (ACC) to foster the use of new payment projects. The Department of Health Care Policy and Financing (DHCPF) is directed to create a process for interested Regional Care Collaborative Organizations (RCCOs) to submit payment projects for consideration under the pilot program.

The DHCPF is to complete its review of payment projects for participation in the pilot program by April 1, 2013. The bill sets specific criteria the department should use to evaluate projects, including those proposed by managed care entities, and specifies that projects that propose a global payment methodology should be given preference. Projects included in the pilot program must be budget neutral and operate between two and five years. Between September 15, 2013, and the end of the pilot period, the department is to report annually to certain legislative committees on the status of the pilot program. The department is directed to report on or before January 1, 2013, to certain legislative committees on policy goals and recommendations for streamlining contracting for managed care.

State Expenditures

This bill will increase state expenditures under the DHCPF by $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.

Table 1. Expenditures Under HB12-1281	
Cost Components	**FY 2012-13**
Personal Services	$47,538
FTE	0.8
Operating Expenses and Capital Outlay	5,541
Actuary Services	60,000
Consultant Services	100,000
TOTAL	**$213,079**
General Fund	**106,540**
Federal Funds	**106,539**

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 April 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.

Table 2. Expenditures Not Included Under HB12-1281*

Cost Components	FY 2012-13
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$9,159
Supplemental Employee Retirement Payments	2,829
TOTAL	**$11,988**

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

Departmental Differences

The DHCPF believes it will require a total of $352,023 and 1.3 FTE in FY 2012-13 and $288,687 and 2.0 FTE in FY 2013-14. 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 in the fiscal note. These costs are based on an assumption that the department will receive between seven and ten proposals and that the workload will require them to continue work full-time into FY 2013-14.

The fiscal note does not include these costs for two reasons. First, the fiscal note assumes that because most of the burden is on the RCCOs to develop project ideas and there are only seven RCCOs, only four proposals will be received. Because the RCCOs can begin work on their proposals immediately, the analysis assumes that staff will be able to develop the program between September and December 2012, and analyze proposals between January and April 2013, thereby complying with the bill's timing requirements. Second, 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.

State Appropriations

For FY 2012-13, the DHCPF requires an appropriation of $213,079, including $106,540 General Fund and $106,539 federal funds and 0.8 FTE.

Departments Contacted

Health Care Policy and Financing