

SB12-128

| Drafting Number: | LLS 12-0237 | Date: | February 10, 2012 |
|-------------------------|--------------|---------------------|----------------------------------|
| Prime Sponsor(s): | Sen. Roberts | Bill Status: | Senate Health and Human Services |
| | Rep. Summers | Fiscal Analyst: | Kerry White (303-866-3469) |

TITLE: CONCERNING ACHIEVING EFFICIENCIES IN THE MEDICAID LONG-TERM CARE PROGRAM THROUGH GREATER UTILIZATION OF ALTERNATIVE CARE FACILITIES.

| Fiscal Impact Summary | FY 2012-2013 | FY 2013-2014 | FY 2014-15 | FY 2015-16 | | |
|--|--|---|---|------------------------------------|--|--|
| State Revenue | | | | | | |
| State Expenditures General Fund Multiple Cash Funds Federal Funds | <u>\$31,692</u> 15,846 - 15,846 | <u>\$290,976</u> 138,630 6,875 145,472 | <u>\$329,732</u> 158,008 6,874 164,849 | (\$23,059) (11,528) (11,531) | | |
| FTE Position Change | | | 1.0 FTE | 1.0 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 Expenditures section.

Local Government Impact: None.

Summary of Legislation

This bill creates a three-year Alternative Care Facilities Pilot Program in the Department of Health Care Policy and Financing (DHCPF), subject to receiving federal authorization to implement it. The bill allows up to 1,000 Medicaid clients to shift from a nursing facility to an alternative care facility, subject to approval by a Single Entry Point agency. Under the program, the alternative care facility will receive an amount equal to \$3,000 per client, per month. The DHCPF is directed to provide reports to legislative committees of reference each September through 2015 and the program repeals on July 1, 2016.

Background

The DHCPF already transitions an average of 84 full-time equivalent clients per year from nursing facilities to alternative care facilities under an existing waiver. For these clients, the state pays \$1,295 and the client pays \$618 per month in the alternative care facility. The current waiver does not cap enrollment or specify reimbursement rates. Because this bill does specify reimbursement rates and limits enrollment, the fiscal note assumes a new waiver will have to be

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developed and approved. Based on similar projects, this analysis assumes the earliest federal approval could be received is May 2014. Due to programming backlogs associated with the Colorado Benefits Management System, as well as time needed to hire staff and develop the program, this analysis assumes that the program could only be in effect from October 1, 2015 through June 30, 2016. The DHCPF budgets for an average of 9,500 full-time equivalent clients in nursing facilities each year.

State Expenditures

This bill will increase expenditures in the DHCPF by \$31,692 in FY 2012-13, and at least \$25,000 in FY 2013-14. A portion of costs in FY 2013-14, as well as continuing costs and FTE are conditional upon the federal Centers for Medicare and Medicaid Services (CMS) approving a waiver to implement the program. Conditional costs are \$265,976 in FY 2013-14, \$329,732 in FY 2014-15 and a savings of \$23,059 in FY 2015-16. Table 1 and the discussion that follows address the cost components of the bill.

| Table 1. Expenditures Under SB12-128 | | | | | | |
|--|--|--|---|---|---|--|
| | Waiver Application | | Costs Conditional Upon Waiver Approval | | | |
| Cost Components | FY 2012- 2013 | FY 2013- 2014 | FY 2013- 2014 | FY 2014- 2015 | FY 2015- 2016 | |
| Personal Services | \$31,692 | \$25,000 | \$0 | \$58,103 | \$63,385 | |
| FTE | - | - | - | 1.0 | 1.0 | |
| Operating Expenses | - | - | - | 950 | 950 | |
| Capital Outlay | - | - | - | 4,703 | - | |
| MMIS (Computer) | - | - | 75,600 | 75,600 | - | |
| CBMS (Computer) | - | - | 190,376 | 190,376 | - | |
| Medical Services | - | - | - | - | (87,394) | |
| TOTAL General Fund Cash Funds Federal Funds | <u>\$31,692</u> 15,846 - 15,846 | <u>\$25,000</u> 12,500 - 12,500 | <u>\$265,976</u> 126,130 6,875 132,972 | <u>\$329,732</u> 158,008 6,874 164,849 | (\$23,059) (11,528) - (11,531) | |

Waiver application. The DHCPF is responsible for developing and submitting a waiver to the CMS. The fiscal note assumes that a contractor will be selected to develop the waiver and work with the CMS and the DHCPF to resolve any questions that arise during the review period. This analysis assumes it will take 5 months to complete the waiver request and an additional 18 months for the CMS to determine whether to approve the program. Without federal approval, the program does not go forward.

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• *Personal services* — *Waiver application*. In FY 2012-13, personal services costs of \$31,692 will be incurred for a contractor to write the application. In FY 2013-14, costs of \$25,000 are needed for a contractor to resolve questions and provide additional information to the CMS during application review process.

Conditional costs for program. Conditional upon federal approval of the waiver request, program development will begin on July 1, 2014. It will take 1 year to develop the program, hire a contractor, and conduct outreach. However, it will take 18 months to make required computer systems modifications. For this reason, program implementation is not expected to occur until October 1, 2015. Total conditional expenditures are \$265,976 for FY 2013-14, \$329,732 FY 2014-15 and \$886,031 for FY 2015-16.

- *Personal services, operating costs, and capital outlay.* If the waiver is approved, staff will be needed to develop and manage the program. Total costs for 1.0 FTE are \$63,385 per year, beginning in FY 2013-14. These costs are pro-rated in FY 2013-14 to account for the pay date shift and include standard operating and capital outlay costs.
- *Medicaid Management Information Systems (MMIS)*. MMIS changes are required to track individual clients and ensure proper payments to providers. System modification costs are \$151,200, split over FY 2013-14 and FY 2014-15.
- *Colorado Benefits Management System (CBMS).* CBMS will be used to determine eligibility for the new alternative program. System modification costs are \$380,752, split over FY 2013-14 and FY 2014-15.
- *Caseload and medical services premiums.* This bill affects the existing 84 full-time equivalent clients that transition from nursing facilities to alternative care facilities by establishing a monthly reimbursement rate that is higher (\$3,000 total, including \$2,383 for the state and \$618 for the client) than the current rate (\$1,913 total, including \$1,295 for the state and \$618 for the client). This increases medical services premiums by \$821,696 in FY 2015-16. However, the fiscal note assumes that, due to increased staff support and outreach, an additional 42 full-time equivalent clients will transition from nursing facilities to alternative care facilities, saving \$2,405 per month per client. The net change is a savings of \$87,394 for FY 2015-16.
- *Evaluation Contract*. Costs for an evaluation are not included as the program will not be operational in time to meet the reporting deadlines. For informational purposes only, the estimated cost to conduct an independent evaluation of health outcomes is \$60,000 per year.

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 SB12-128* | | | | |
|--|------------|------------|--|--|
| Cost Components | FY 2014-15 | FY 2015-16 | | |
| Employee Insurance (Health, Life, Dental, and Short-term Disability) | \$6,151 | \$6,151 | | |
| Supplemental Employee Retirement Payments | 4,404 | 4,913 | | |
| TOTAL | \$10,553 | \$11,064 | | |

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

Departmental Differences

The DHCPF believes it will increase expenditures by \$58,394 and 0.8 FTE in FY 2012-13, \$186,775 and 1.0 FTE in FY 2013-14, \$233,614 and 1.0 FTE in FY 2014-15, and \$886,031 and 1.0 FTE in FY 2015-16. These differences are based on several different assumptions, discussed below.

First, the department believes it must hire a permanent, full-time FTE to develop the waiver application and begin outreach immediately. Consistent with previous waiver application requests in other bills, the fiscal note assumes that the waiver development and response process does not require a full-time staff member for two fiscal years. It also assumes that outreach is more appropriate after the waiver is approved. For this reason, the fiscal note includes resources to hire a contractor during FY 2012-13 and FY 2013-14 to complete the waiver application process.

Second, the department assumes no savings will be achieved in FY 2015-16 from additional clients moving from a nursing facility to an alternative care facility. However, the fiscal note assumes, due to the outreach activities conducted by the FTE included in FY 2014-15, that an additional 20 nursing facility clients will move from a nursing facility to an alternative care facility.

State Appropriations

For FY 2012-13, the Department of Health Care Policy and Financing requires an appropriation of \$31,692, including \$15,846 General Fund and \$15,846 federal funds.

Departments Contacted

Health Care Policy and Financing