



Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 12-0048

Date: January 18, 2012

Prime Sponsor(s): Sen. Brophy

Bill Status: Senate Health and Human Services

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TITLE: CONCERNING REFORMS TO STATE-ADMINISTERED HEALTH CARE ASSISTANCE PROGRAMS BY SEEKING FEDERAL AUTHORIZATION TO ALLOW THE STATE GREATER FLEXIBILITY IN THE MANAGEMENT OF THE PROGRAMS.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014	FY 2014-15
State Revenue			
State Expenditures	<u>\$179,122</u>	<u>at least \$203,669*</u>	See State Expenditures section.*
General Fund	89,562	101,835	
Federal Funds	89,560	101,834	
FTE Position Change	1.6 FTE	2.0 FTE	
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.			
Appropriation Summary for FY 2012-2013: See State Appropriations section.			
Local Government Impact: None.			

* If the waiver is approved, General Fund costs will increase by \$49 million in FY 2013-14 and \$2.9 million in FY 2014-15. These costs will result from the state losing eligibility to receive federal bonuses used to offset medical services premiums costs. However, beginning in FY 2014-15, the state could reduce overall costs for public health programs, depending on the changes approved under the waiver. See the State Expenditures Section for detail.

Summary of Legislation

This bill requires the Department of Health Care Policy and Financing (DHCPF) to seek a federal waiver for the Medicaid and Children's Health Plan Plus (CHP+) programs on or before September 1, 2012. Among other things, the waiver would request federal permission for the state to determine program eligibility criteria, including eligibility categories and income levels, and establish an asset test for eligibility. The DHCPF is:

- authorized to negotiate a cap on federal reimbursements to the state with provisions for adjustments based on population growth and inflation;
- directed to report to health-related committees of the General Assembly concerning federal authorization received; and
- subject to federal approval, required to identify any changes to state law necessary to implement changes to the Medicaid and CHP+ programs.

Background

In the last several years, a number of changes at the state and federal level have occurred that directly impact Medicaid and CHP+, including:

- ***Amendment 35 and House Bill 05-1262.*** Amendment 35, approved by Colorado voters in 2004, increased tobacco taxes to fund a variety of health care programs. Specifically, the amendment required that 46 percent of new revenues be appropriated to increase enrollment in CHP+ and expand eligibility for both Medicaid and CHP+. In 2005, House Bill 05-1262 was adopted to implement these changes. Among its many provisions, the bill also removed the asset test for Medicaid.
- ***House Bill 09-1293.*** Adopted in 2009 and approved by the federal government in 2010, this bill established a hospital provider fee to increase provider reimbursement rates and expand eligibility for Medicaid and CHP+. As a result of this bill, many people in Colorado with incomes of up to 100 percent of the federal poverty level (FPL) now qualify for Medicaid. The upper income limit for determining eligibility for CHP+ was also increased from 205 percent to its current level of 250 percent.
- ***Senate Bill 10-167.*** This bill established the Colorado False Claims Act in Medicaid and also permits the DHCPF to purchase group health insurance for up to 2,000 Medicaid clients per year if so doing is more cost-effective for the state.
- ***Federal Patient Protection and Affordable Care Act.*** In 2010, the federal government adopted the Patient Protection and Affordable Care Act (ACA), which sets forth a number of requirements that directly affect Medicaid. Among its many provisions, ACA prohibits the use of asset or resource tests to determine eligibility and, beginning in 2014, increases the upper income limit for determining eligibility to 133 percent of FPL. In 2012, the FPL is \$10,890 for an individual, and \$22,350 for a family of four.
- ***Budget request for FY 2012-13.*** While not yet adopted, the DHCPF budget request calls for increasing co-payments for medical assistance programs to the maximums allowed under federal law and to raise enrollment fees for certain CHP+ clients.

State Expenditures

This bill will increase state expenditures by \$179,122 and 1.6 FTE in FY 2012-13 and at least \$203,669 and 2.0 FTE in FY 2013-14. If the waiver is approved, the state is anticipated to increase its share of General Fund used to pay medical services premiums by \$49 million in FY 2013-14 and \$2.9 million in FY 2014-15. These amounts could be offset by any savings achieved as a result of restructuring Medicaid and CHP+. These costs are shown in Table 1 and discussed below.

Table 1. Expenditures Under SB 12-032			
Cost Components	FY 2012-13	FY 2013-14	FY 2014-15
Personal Services	\$95,077	\$126,769	
FTE	1.6	2.0	
Operating Expenses and Capital Outlay	9,045	1,900	
Contractor	75,000	75,000	
Computer System Changes*		not included	
Medical Services Premiums*		not included	not included
TOTAL	\$179,122	\$203,669	
General Fund	89,562	101,835	
Federal Funds	89,560	101,834	

* See discussion below.

Waiver application. The DHCPF is responsible for developing and submitting a waiver to the CMS. The fiscal note assumes that a "Section 1115 Demonstration Waiver" will be required, and 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 application and an additional 19 months for the CMS to determine whether to approve the program. Without federal approval, the program does not go forward. The costs discussed below to develop the waiver application will be shared between the General Fund and federal funds.

- *Contractor — Waiver application.* In FY 2012-13, personal services costs of \$75,000 will be incurred for a contractor to write the application. In FY 2013-14, costs of \$75,000 are needed to resolve questions and provide additional information to the CMS during application review process.
- *Personal Services — Waiver development.* Based on the type of waiver required and federal rules regarding outreach and multiple periods of public review and comment, an additional 2.0 FTE will be required to assist the contractor in completing these activities. Personal services, operating, and capital costs have been pro-rated for the first year, and will total \$104,122 for FY 2012-13 and \$128,669 for FY 2013-14.

Conditional computer system changes. As the changes required are conditional upon on the actual eligibility requirements ultimately approved by the federal government through the waiver process, no costs have been estimated. Due to programming backlogs, this analysis assumes no system changes to the Colorado Benefits Management System or Medicaid Management Information Systems could take effect until at least January 2014.

Conditional changes to medical services premiums. Under current law, the state receives federal Children's Health Insurance Program Reauthorization Act (CHIPRA) bonus payments for meeting certain child enrollment efforts, including the removal of asset or resource tests. These

federal bonus payments are used to offset medical services premiums costs and are estimated to be \$49 million in FY 2013-14 and \$2.9 million in FY 2014-15. If the state is successful in gaining federal approval for a waiver that permits an asset test, this analysis assumes those moneys would be not be provided and replaced with General Fund moneys. However, overall costs for Medicaid and CHP+ could be reduced depending on the changes to the approved under the waiver. As these changes are currently unknown, no estimate has been provided.

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 SB 12-032*		
Cost Components	FY 2012-13	FY 2013-14
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$9,848	\$12,301
Supplemental Employee Retirement Payments	5,069	7,781
TOTAL	\$14,917	\$20,082

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

State Appropriations

For FY 2012-13, the Department of Health Care Policy and Financing requires an appropriation of \$179,122 including \$89,562 General Fund and \$89,560 federal funds, and 1.6 FTE.

Departments Contacted

Health Care Policy and Financing