SB12-085

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL FISCAL IMPACT

Drafting Number: LLS 12-0585
Prime Sponsor(s): Sen. Mitchell

Date: February 6, 2012
Bill Status: Senate Health and Human Services
Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING REDUCTIONS IN GENERAL FUND EXPENDITURES.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014	FY 2014-2015
State Revenue			
Cash Funds			
Hospital Provider Fee Cash Fund			($115 million)
State Expenditures	**($7,961,661)**	**($24,866,203)**	**($156,487,427)**
General Fund	(187,804)	2,778,519	5,837,783
Multiple Cash Funds	(3,925,530)	(15,744,527)	(81,092,753)
Reappropriated Funds	-	30,670	-
Federal Funds	(3,848,327)	(11,930,865)	(81,232,457)
FTE Position Change	(5.0 FTE)	(5.0 FTE)	(10.0 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.			

Summary of Legislation

This bill repeals funding and eligibility levels for Medicaid and the Children's Health Plan (CHP+) programs to 2006 levels. Among other things, the bill reduces the income eligibility limit for CHP+ from 250 percent to 205 percent of the federal poverty level (FPL). The changes to Medicaid are discussed below.

Medicaid services. The bill eliminates Medicaid coverage for a number of services including over-the-counter medication; outpatient substance abuse screening, referrals, and treatment; and cervical cancer immunizations for females under the age of 20. The Department of Health Care Policy and Financing (DHCPF) is no longer authorized to establish a pilot program serving persons with spinal cord injuries. Advanced practice nurse services are no longer covered, and are replaced with nurse-midwife services.

Medicaid eligibility. The bill removes presumptive eligibility and 12 months of continuous eligibility for Medicaid children and the ability of DHCPF to seek presumptive eligibility for long-term care services in Medicaid. Medicaid eligibility is eliminated for the following groups:

- certain groups of children for whom subsidized adoption assistance or foster care maintenance payments are made;
- adults without dependent children up with incomes of up to 100 percent of FPL;
- adults with dependent children with incomes between 60 and 100 percent of FPL;
- persons with disabilities in the Medicaid buy-in program; and
- optional legal permanent residents with fewer than five years of residency.

Background

By reducing the number of persons eligible for Medicaid and CHP+, several funding sources will no longer be collected and/or used to fund administrative and medical services premium costs. These include hospital provider fee and Health Care Expansion Fund moneys, which funded expansions in eligibility for both programs, as well as medical marijuana sales and use taxes, which fund the substance abuse-related Screening, Brief Intervention, and Referral to Treatment (SBIRT) program in Medicaid.

House Bill 09-1293. This bill authorized the DHCPF to collect hospital provider fees for the purpose of obtaining federal financial participation for the state's medical assistance programs. On March 31, 2010, the Centers for Medicare and Medicaid Services (CMS) approved the hospital provider fee and for payments to be retroactively effective July 1, 2009. Fees are set annually by the State Medical Services Board based on federal regulations. In FY 2009-10, the state retained $302.9 million in hospital provider fees. With federal matching funds, a total of $637.8 million in expenditures were made. House Bill 09-1293 directed hospital provider fees to be used to increase reimbursements to hospitals, to expand medical assistance programs and to pay administrative costs related to the fee and program expansions.

Under HB09-1293, eligibility for CHP+ was increased from 205 percent of the FPL to 250 percent. Children in Medicaid were provided 12 months of continuous eligibility, and the income eligibility limit for parents was increased from 60 to 100 percent of the FPL. The bill also created a new Medicaid buy-in program for disabled persons with incomes of up to 450 percent of the FPL, and allowed Medicaid to cover adults without dependent children with incomes of up to 100 percent of the FPL. As discussed in the State Revenue section, the fiscal note assumes revenue from the hospital provider fee will be reduced by $115 million in FY 2014-15.

House Bill 10-1033. This bill authorized Medicaid to add screening, brief intervention, and referral to treatment (SBIRT) for substance abuse to the list of optional services covered by Medicaid, contingent upon sufficient sales and use taxes generated by medical marijuana regulations. The fiscal note assumes this revenue will not change, but that it will be allocated differently.

Health Care Expansion Fund. The fiscal note assumes that revenue in the Health Care Expansion Fund will not change as a result of this bill, but will be allocated differently.

Federal health care law. The Patient Protection and Affordable Care Act (PPACA) sets forth new federal requirements that impact Medicaid beginning in 2014, and interact with the changes proposed under this bill. Key provisions of PPACA:

- **prohibit a state from reducing Medicaid eligibility levels below those in place when PPACA became law on March 23, 2010, in order to continue to receive an estimated $2.7 billion in federal funds for public health programs**;
- expand Medicaid to serve persons with incomes of up to 133 percent of the FPL and former foster care children through the age 26;
- require states to reimburse Medicaid providers 100 percent of Medicare rates for federal fiscal years 2012-13 and 2013-14; and
- gradually reduce federal moneys available for Disproportionate Share Hospital (DSH) payments, which are used to offset hospitals' costs for providing uncompensated care.

The following groups were eligible for Medicaid prior to the adoption of PPACA and are therefore subject to its requirements: optional legal permanent residents and certain groups of children for whom subsidized adoption assistance or foster care maintenance payments are made. In addition, presumptive eligibility for Medicaid children took effect in January 2008, and therefore cannot be eliminated without a risk of losing federal funds.

Advanced practice nurses. This bill replaces advanced practice nurse services with those provided by nurse-midwives. However, under federal law, Medicaid is required to provide coverage for pediatric nurse and family nurse practitioner services.

Cervical cancer immunization. Coverage of cervical cancer immunization is a federally mandated benefit as of June 29, 2006, and therefore cannot be eliminated.

State Revenue

Beginning in FY 2014-15, revenue credited to the Hospital Provider Fee Cash Fund will be reduced by $115 million. By eliminating the Medicaid buy-in program for persons with disabilities and reducing the ability of the hospital provider fee to pay the state share of service for certain groups of Medicaid clients, the state will decrease the amount of revenue collected from hospitals for these purposes. While the bill eliminates these coverages immediately and as discussed in the State Expenditures section, the fiscal note assumes that the change will not take effect until July 1, 2014.

State Expenditures

Overall, this bill reduces state expenditures by $8 million and 5.0 FTE in FY 2012-13, $24.9 million and 5.0 FTE in FY 2013-14, and $156.5 million and 10.0 FTE in FY 2014-15. These calculations are based on the assumptions listed below and addressed in Table 1 and the discussion that follows.

- Changes to the eligibility systems will not be made before January 1, 2014, and will not take effect until July 1, 2014.
- Eligibility for certain groups cannot be repealed without violating federal law or risk federal funding. These groups include: presumptive eligibility for Medicaid children, optional legal permanent residents, and certain groups of children for whom subsidized adoption assistance or foster care maintenance payments are made.
- Because the DHCPF has not implemented the 12 months of continuous eligibility for Medicaid children or presumptive eligibility for long-term care services, no savings will be achieved.
- Because substance abuse treatment is cost neutral, no savings will be achieved.
- Medicaid will continue to cover services by pediatric and family nurse practitioners and cervical cancer immunizations for females under 20 in order to comply with federal law.
- Beginning on January 1, 2014, persons with incomes of up to 133 percent of FPL become eligible for Medicaid under federal law. For the first three years, the federal government is paying the entire cost of expanding eligibility for these individuals. Starting in 2017, the federal government will reduce its share gradually until, as of 2020, it only covers 90 percent of expansion costs. The fiscal note assumes Colorado will fund its share with General Fund rather than hospital provider fee revenue. Costs past FY 2014-15 are not shown, but because of this change, certain administrative costs will be refinanced with General Fund as of FY 2013-14.

Table 1. Expenditures Under SB12-085

Cost Components	FY 2012-13	FY 2013-14	FY 2014-15
Personal Services Medicaid Buy-in	($297,401)	($297,401)	($585,302)
Refinance Administration and FTE to GF	-	-*	(53,040)
Professional Services Contracts	(547,586)	(765,109)	(4,031,132)
Medical Services Premiums	(6,874,919)	(23,482,824)	(110,442,468)
Refinance County Admin. and Outreach to GF	-	-*	(377,306)
CHP+ Administration and Premium Costs	-	-	(38,978,985)
IT Projects	(241,755)	(403,973)	(2,019,194)
One-Time Computer System Changes	-	83,104	-
TOTAL	**($7,961,661)**	**($24,866,203)**	**($156,487,427)**
General Fund	**(187,804)**	**2,778,519**	**5,837,783**
Cash Funds	**(3,925,530)**	**(15,744,527)**	**(81,092,753)**
Reappropriated Funds	**-**	**30,670**	**-**
Federal Funds	**(3,848,327)**	**(11,930,865)**	**(81,232,457)**

**No net change in spending, but a chance in funding source has occurred, which is reflected in the totals.*

Personal services for Medicaid buy-in program. A total of 10.0 FTE currently support this program which when fully implemented will serve three different populations. The portion of the program that will cover disabled working adults takes effect March 1, 2012. As a result, the fiscal note assumes that these individuals will not be removed until July 1, 2014, and half of the program

staff will remain to support these individuals. The reduction of $297,401 per year includes salary and operating costs. Beginning in FY 2014-15 and after the required systems changes take effect, all 10.0 FTE will be eliminated, resulting in a savings of $585,302 for salary and operating costs. These costs are funded with hospital provider fee revenues and federal funds.

Refinance Administration and FTE to the General Fund. A total of 29.0 FTE support populations and services that cannot be eliminated under this bill. The fiscal note assumes these costs will be required to be refinanced from hospital provider fee revenue and paid with General Fund moneys.

Professional services contracts. Contracts supporting centralized vendor, eligibility determination, and quality review will be reduced for certain groups of individuals. Because these items are currently financed with hospital provider fee revenue, the fiscal note assumes these will be required to be refinanced and paid with General Fund moneys.

Medical services premiums. Medical services premiums include reductions in medical and mental health costs for groups that can be eliminated or reduced without violating federal law. These amounts also include an increase in costs for over-the-counter (OTC) medication. OTC was added as an optional service to Medicaid under Senate Bill 10-117. The fiscal note for that bill assumed that the costs for providing OTC would be offset by decreased costs for physician visits and other forms of medication. This amount was estimated to be $184,281 per year. By eliminating OTC, this savings will be eliminated.

Refinance County Administration and Outreach. As these activities are currently funded with hospital provider fee revenue, the fiscal note assumes these costs will be shifted to the General Fund beginning in FY 2013-14.

CHP+ Administration and Premium Costs. This bill reduces income eligibility for CHP+ from 250 percent to 205 percent of FPL for children and pregnant women. Based on current caseload projections and assuming computer system changes cannot be completed until July 1, 2014, this would remove an estimated 11,300 children and 540 women and save $39 million.

IT projects. A number of planned systems changes will not occur, reflecting savings in each year beginning in FY 2012-13.

One-time computer system changes. One-time costs are needed to make eligibility changes in the Colorado Benefits Management System. These costs are estimated as $83,104, which includes $31,564 General Fund, $2,879 cash funds, $30,670 reappropriated funds, and $17,993 federal funds.

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. Reduction in Expenditures Not Included Under SB12-085*			
Cost Components	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
Employee Insurance	($35,500)	($35,500)	($71,000)
Supplemental Employee Retirement Payments	(17,130)	(19,721)	(44,625)
TOTAL	**($52,630)**	**($55,221)**	**($115,625)**

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

Departmental Differences

Based on the premise that the Medicaid buy-in program for disabled working adults will take effect on March 1, 2012, the DHCPF believes that it will require 10.0 FTE until July 1, 2014. This would eliminate the savings of $297,401 shown in the fiscal note for FY 2012-13 and FY 2013-14. However, the fiscal note shows a reduction of 5.0 FTE or half of the 10.0 FTE for these years because this analysis assumes that with a limited caseload of one-third the intended population of the Medicaid buy-in program, 5.0 FTE is sufficient.

State Appropriations

For FY 2012-13, the appropriation to DHCPF should be reduced by $7,961,661, including $187,804 General Fund, $3,925,530 cash funds, and $3,848,327 federal funds, and 5.0 FTE.

Departments Contacted

Health Care Policy and Financing Human Services