HB13-1175

Colorado Legislative Council Staff Fiscal Note

STATE
CONDITIONAL FISCAL IMPACT

Drafting Number:	LLS 13-0723	**Date:**	February 18, 2013
Prime Sponsor(s):	Rep. DelGrosso	**Bill Status:**	House Public Health Care and Human Services
		Fiscal Analyst:	Louis Pino (303-866-3556)

TITLE: CONCERNING LIMITING THE EXPANSION OF ELIGIBILITY IN THE MEDICAID PROGRAM UNTIL THE GENERAL FUND APPROPRIATION TO HIGHER EDUCATION IS AT LEAST SEVEN HUNDRED FORTY-SEVEN MILLION DOLLARS.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures	See State Expenditures section.	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2013-2014: See State Appropriation section.		
Local Government Impact: None.		

Summary of Legislation

This bill prohibits the state from participating in the Medicaid expansion program under the federal Affordable Care Act (ACA) until the General Fund appropriation to Higher Education is at least $747 million dollars (approximately the General Fund appropriation to the Department of Higher Education in FY 2007-08).

Background

In 2010, the federal government adopted the ACA, which sets forth a number of requirements that affect Medicaid. Among its many provisions and beginning in 2014, ACA increases the upper income limit or expands eligibility for Medicaid to 133 percent of the poverty level (FPL) or $14,856 for an individual and $30,657 for a family of four in 2013. For the first three years, the federal government will pay the cost of expanding eligibility. Starting in FY 2016-17, the federal government will reduce its share gradually until, in 2020, it covers 90 percent of expansion costs.

Colorado's Medicaid program has several eligibility groups, two of which already align with the upper income levels set in ACA (children and pregnant women). Expansions for other eligibility groups have occurred in recent years notably with the adoption of House Bill 09-1293. This bill authorized the state to collect hospital provider fees (cash funds) to, in part, the increase eligibility

for parents with dependent children from 60 to 100 percent of FPL and, to the extent money is available, provide coverage to adults without dependent children (AwDC) with incomes of up to 100 percent of FPL. Currently, the Department of Health Care Policy and Financing (DHCPF) has only partially implemented the expansion authorized in current law. As of January 1, 2013, DHCPF has expanded enrollment to 10 percent of FPL, and enrollment in the AwDC eligibility group is capped at 10,000 individuals.

In 2012, the United States Supreme Court ruled that states must be given the right to choose whether to participate in the Medicaid expansion under ACA. Governor Hickenlooper recently announced plans to expand Medicaid in accordance with ACA and pledged to pay the state's future costs without use of General Fund dollars, although this policy is expected to be decided jointly by the Governor and the legislature.

State Expenditures

In the absence of legislation that specifies how Colorado will expand Medicaid under ACA and pay for any future costs, this analysis assumes that the bill could affect the allocation of state moneys in the future. Two scenarios are considered below.

First scenario. If the General Fund appropriation to the Department of Higher Education is at least $747 million dollars, then the state will be allowed to participate in the expansion of Medicaid under ACA. If the state chooses to participate, expansion costs will likely be paid with cash funds. However, if cash funds are insufficient, the state could decide to use General Funds and in doing so, will reduce the amount of General Fund available for other purposes.

Second scenario. If the General Fund appropriation to the Department of Higher Education is less than $747 million dollars, then the state will be prohibited from participating in the Medicaid expansion program under ACA. This could result in costs for the state as the DHCPF's FY 2013-14 budget assumes the state will participate in the Medicaid expansion program, thus making the state eligible to receive 100 percent federal medical assistance percentage (FMAP) for AwDC up to 133 percent FPL.

Therefore, if the FY 2013-14 Long Bill passes before HB 13-1175, there would a reduction in DHCPF's federal funds by 50 percent, or $23,192,022. This reduction is from the total amount of federal funds that was assumed to cover AwDC up to100 percent FPL (current law). The legislature could choose to backfill these funds from either cash funds or the General Fund, if needed. This analysis assumes cash funds will be from the Hospital Provider Fee cash fund.

If HB 13-1175 passes before the FY 2013-14 Long Bill, this analysis assumes the decision for funding the expansion already authorized under law (up to 100 percent of FPL) will be made in the budget process, but that the state will not be permitted to increase eligibility beyond 100 percent of FPL.

State Appropriations

If HB 13-1175 is passed after the FY 2013-14 Long Bill and there is insufficient funding to the Department of Higher Education, the appropriations for medical service premiums should be reduced by $23,192,022 federal funds and increased by $23,192,022 cash funds from the Hospital Provider Fee.

Departmental Difference

DHCPF's interpretation of the bill assumes that any client that was not enrolled as of January 1, 2013, would not be able to receive services until the General Fund appropriation for Higher Education is at least $747,000,000. As a result, the department assumes there would be a decrease in the number of AwDC clients over time as clients who leave or become ineligible for the program are not replaced with individuals on the wait list.

Departments Contacted

Higher Education	Governors Office
Office of Information Technology	Health Care Policy and Financing