

Colorado Legislative Council Staff Fiscal Note



STATE FISCAL IMPACT

Drafting Number: LLS 14-0952
Prime Sponsor(s): Sen. Kefalas
Rep. Swalm

Date: April 21, 2014
Bill Status: Senate Health & Human Services
Fiscal Analyst: Bill Zepernick (303-866-4777)

SHORT TITLE: TRANSFER SENIOR DENTAL PROGRAM TO DHCPF

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	\$0	
State transfers		
General Fund	(<5,000)	
Cash Fund	5,000	
State Expenditures	\$3,645	No net change.
Centrally Appropriated Costs**	3,645	
FTE Position Change	0.8 FTE	
Appropriation Required: Offsetting appropriations of \$3,022,800 - DPHE and HCPF (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

The bill transfers the Dental Assistance Program for Seniors, also known as the Old Age Pension (OAP) Dental Program, from the Department of Public Health and Environment (DPHE) to the Department of Health Care Policy and Financing (HCPF). In HCPF, the program is renamed as the Colorado Dental Health Care Program for Low-Income Seniors. The eligibility criteria of the dental program are modified to align with other dental benefits for seniors and to target services to economically disadvantaged seniors who have limited English proficiency, have great social or economic need, or are frail, homebound or disabled.

Under the redesigned program, HCPF provides funds to qualified grantees, including area agencies on aging or certain community organizations or health care organizations designated by an area agency on agency for their geographic area, to serve eligible seniors. HCPF is required to award grants to qualified grantees on or after September 1, 2014, and establish rates for dental services under the program. Grantees are required to provide outreach, identify eligible seniors and dental care providers, and pay claims for services to eligible seniors. The bill limits the administrative costs of HCPF to 3 percent of appropriated funds and of grantees to 7 percent of grant amounts.

The bill creates the Senior Dental Program Cash Fund in HCPF for the program, which consists of moneys annually appropriated by the General Assembly. The Senior Dental Advisory Committee, consisting of 11 members, is created to advise HCPF on program operations, covered services, and fees.

Background

Under current law, the Dental Assistance Program for Seniors in the DPHE serves seniors who are (1) eligible for OAP or (2) eligible for Medicaid, but not receiving long-term care services. The program provides grants to dental providers, who in turn provide services to eligible seniors and charge fees according to a schedule established by the DPHE and the Dental Advisory Committee. The program was dormant for several years due to lack of funding. With the passage of House Bill 12-1326, funds were once again provided for the program and the program became active beginning in FY 2012-13. The program is appropriated \$3.0 million for FY 2014-15.

State Revenue

State transfers. Out of the existing appropriation to the Dental Assistance Program for Seniors for FY 2013-14, any unexpended and unencumbered funds remaining on June 30, 2014, are to be transferred to the Senior Dental Program Cash Fund in HCPF. This amount is expected to be minimal with less than \$5,000 expected to be transferred.

State Expenditures

In FY 2014-15, the bill increases costs in HCPF for the senior dental program by \$3,036,689 General Fund and 1.8 FTE and decreases costs in the DPHE for the program by \$3,033,044 General Fund and 1.0 FTE, resulting in a **net increase of \$3,645 General Fund and 0.8 FTE to HCPF in the first year**. In FY 2015-16 and beyond, the reduction in DPHE and increase in HCPF are estimated to be an offsetting \$3,033,522 General Fund and 1.0 FTE, resulting in **no net change in costs or staffing in future years**. The costs are summarized in Table 1 and the discussion below.

Table 1. Expenditures Under SB 14-180		
Cost Components	FY 2014-15	FY 2015-16
Dept. of Health Care Policy and Financing	<u>\$3,036,689</u>	<u>\$3,033,522</u>
Personal Services	110,379	59,340
FTE	1.8 FTE	1.0 FTE
Operating Expenses and Capital Outlay Costs	6,413	950
Grants to Area Agencies on Agencies/Designees	2,906,008	2,962,510
Centrally Appropriated Costs*	13,889	10,722
Dept. of Public Health and Environment	<u>(\$3,033,044)</u>	<u>(\$3,033,522)</u>
Personal Services	(\$59,340)	(\$59,340)
FTE	(1.0 FTE)	(1.0 FTE)
Operating Expenses and Capital Outlay Costs	(950)	(950)
Grants to Dental Providers	(2,962,510)	(2,962,510)
Centrally Appropriated Costs*	(10,244)	(10,722)
TOTAL	\$3,645	\$0

* Centrally appropriated costs are not included in the bill's appropriation.

Assumptions. The fiscal note makes the following assumptions:

- the program authority is transferred to HCPF on July 1, 2014, but the program will continue operating in its present form in the DPHE through an interagency agreement until HCPF has completed the required redesign of the program;
- the redesigned program will begin operating in HCPF in March 2015;
- the existing staff person or an equivalent vacancy (1.0 FTE) from DPHE will transfer to HCPF in July 2014 and manage the existing program for 9 months, and then shift to the redesigned program in March 2015;
- a temporary staff person (0.8 FTE) will be needed for nine months in FY 2014-15 to assist in the program redesign through March 2015; and
- a portion of program expenditures (\$26,915) and centrally appropriated costs (\$13,889) in HCPF are paid from the General Fund, rather than through the Senior Dental Program Cash Fund, due to the limit on administrative expenses that may be paid from the cash fund.

Department of Health Care Policy and Financing. The fiscal note assumes that the existing program appropriations of \$3,022,800 for senior dental services are transferred from DPHE to HCPF in FY 2014-15. Including temporary staff, HCPF requires 1.8 FTE in FY 2014-15, and 1.0 FTE in future years. While the total appropriation to the program does not change, the additional staffing costs in the first year will reduce the amount of funding available for grants in this year. Of the total program costs, \$2,995,885 is from the Senior Dental Program Cash Fund and \$26,915 is General Fund. Of the cash fund expenditures, \$2,906,008 (97 percent) is for grants and \$89,877 (3 percent) is for administrative expenses. A separate General Fund appropriation of \$26,915 is also required for administrative expenses because of the 3 percent limit on administrative expenses from the cash fund. The breakdown of program expenditures is shown in Table 1.

Department of Public Health and Environment. As shown in Table 1, the bill decreases costs in the DPHE by \$3,022,800 General Fund and 1.0 FTE by transferring the senior dental program to HCPF beginning in FY 2014-15.

Centrally appropriated costs. 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 estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under SB 14-180*		
Cost Components	FY 2014-15	FY 2015-16
Department of Health Care Policy and Financing	<u>\$13,889</u>	<u>\$10,722</u>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$6,224	\$6,123
Supplemental Employee Retirement Payments	7,665	4,599
Department of Public Health	<u>(\$10,244)</u>	<u>(\$10,722)</u>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	(6,123)	(6,123)
Supplemental Employee Retirement Payments	(4,121)	(4,599)
TOTAL	<u>\$3,645</u>	<u>\$0</u>

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

Technical or Mechanical Defect

The bill sets a 3 percent limit on administrative costs on funds paid from the Senior Dental Program Cash Fund in HCPF. However, in the first year, administrative costs, including personal services, operating, capital, and centrally appropriated costs are expected to be about 4.3% of total costs due to one-time costs associated with the program transfer. This will require some appropriations to the program to come directly from the General Fund rather than the program's cash fund. This does not affect the total costs of the program, assuming the appropriation is structured to avoid this cap.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

The bill requires the following appropriations in FY 2014-15:

- \$2,995,885 General Fund to the Senior Dental Program Cash Fund in HCPF;
- \$3,022,800, including \$2,995,885 from the Senior Dental Program Cash Fund and \$26,915 General Fund, and 1.8 FTE to HCPF; and
- a reduction of \$3,022,800 General Fund and 1.0 FTE from the DPHE.

State and Local Government Contacts

Health Care Policy and Financing

Public Health and Environment