HB14-1115

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number: LLS 14-0644
Prime Sponsor(s): Rep. Stephens

Date: February 14, 2014
Bill Status: House Public Health Care and Human Services
Fiscal Analyst: Bill Zepernick (303-866-4777)

SHORT TITLE: MEDICAID EXPANSION PRIVATE INSURANCE PILOT PROGRAM

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
State Revenue					
Cash Funds	Potential hospital provider fee increase.				
State Expenditures	**$54,045**	**$71,012**	**$446,491**	**$1,945,751**	**$5,814,855**
Cash Funds	22,964	29,536	123,286	193,115	446,355
Federal Funds	23,910	30,754	312,004	1,734143	5,345,620
Centrally Appropriated Costs**	7,171	10,722	11,201	18,492	22,880
FTE Position Change	0.7 FTE	1.0 FTE	1.0 FTE	1.7 FTE	2.0 FTE

Appropriation Required: $46,874 - Department of Health Care Policy and Financing (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 establishes the Medicaid Expansion Premium Assistance Pilot Program in the Department of Health Care Policy and Financing (HCPF). The pilot program allows at least 2,000 adults with incomes between 100 percent and 133 percent of the federal poverty level to enroll in a private health care plan through the state health benefit exchange, with premiums paid by HCPF in lieu of receiving health care coverage through the state Medicaid program.

The bill specifies the requirements of the program, including cost sharing; health plan options; information sharing between HCPF and health insurers on client access and use of care; and the rulemaking authority of HCPF. The Office of the State Auditor is required to conduct a full fiscal and performance audit of the pilot program two years after its implementation. The Joint Budget Committee (JBC) is required to consider the use of any savings under the program to reduce waiting lists for services for persons with intellectual and developmental disabilities.

Background

In 2013, Senate Bill 13-200 was enacted, which expanded Medicaid coverage to all adults with incomes between 100 percent and 133 percent of the federal poverty level, among other things, as called for by the federal Patient Protection and Affordable Care Act (PPACA). PPACA has provisions allowing states to receive waivers to pursue alternate means of offering health

coverage, so long as the state provides coverage that is at least as comprehensive and affordable as coverage offered through the state health insurance exchange; the alternate coverage will not increase the federal deficit; and the state covers at least as many residents as would be covered under PPACA.

State Revenue

As discussed in the State Expenditure section below, the bill increases costs paid from the Hospital Provider Fee Cash Fund. This spending may require an increase in the provider fees paid by hospitals in order to ensure sufficient revenue to the fund. The fee increase will require approval by the Hospital Provider Fee Oversight and Advisory Board. At this time, the exact timing or amount of any provider fee increase cannot be estimated.

State Expenditures

In total, the bill increases costs in HCPF to develop and implement the pilot program by the following amounts:

- $54,045 and 0.7 FTE in FY 2014-15;
- $71,012 and 1.0 FTE in FY 2015-16;
- $446,491 and 1.0 FTE in FY 2016-17;
- $1,945,751 and 1.7 FTE in FY 2017-18; and
- $5,814,855 and 2.0 FTE in FY 2018-19.

These costs are paid with moneys from the Hospital Provider Fee Cash Fund and federal funds. Because of the anticipated time frame to design, receive federal approval for, and implement the pilot program, the fiscal note provides a five-year estimate of costs under the bill. **Most costs in FY 2016-17 and all costs in FY 2017-18 and beyond are conditional upon federal approval of the pilot program.** Costs in FY 2018-19 represent the costs of the pilot program at full implementation. The costs of the bill are summarized in Table 1 and the discussion below.

Timeline and caseload assumptions. The fiscal note assumes the following timeline for implementation of the pilot program:

- the process to seek a federal waiver will begin in November 2014 and be approved by November 2016;
- computer system changes will begin after waiver approval is received and be completed by November 2017; and
- clients will be able to sign up for coverage under the pilot program in January 2018 and enrollment will ramp-up over the next six months to the full caseload of 2,000 clients by July 2018, resulting in an average caseload of 1,167 in FY 2017-18 and 2,000 in FY 2018-19.

Cost assumptions. Costs in the fiscal note are based on the following assumptions:

- pilot program enrollees will sign up for health plans with an average costs of $432 per month in FY 2017-18 and $440 per month in FY 2018-19;

- required Medicaid benefits not typically offered by private health plans (dental benefits, etc) will be provided by HCPF as Medicaid wrap-around services at a cost of $76 per month in FY 2017-18 and $78 in FY 2018-19;
- a $28 per month fee will be charged for each pilot program enrollee for the program's administrative costs managed by a contracted vendor;
- savings from pilot program participants not being enrolled in regular Medicaid are estimated at $306 per month in FY 2017-18 and $311 per month in FY 2018-19; and
- costs for coverage under Medicaid and private health insurance grow at an annual rate of 1.77 percent.

Table 1. Expenditures Under HB 14-1115*

Cost Components	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Personal Services	$41,538	$59,340	$59,340	$90,444	$118,680
FTE	0.7 FTE	1.0 FTE	1.0 FTE	1.7 FTE	2.0 FTE
Operating Expenses and Capital Outlay Costs	5,336	950	950	6,318	1,900
Information Technology Costs	0	0	375,000	200,000	0
Pilot Program Costs	0	0	0	3,757,273	13,094,400
Medicaid Savings	0	0	0	(2,140,651)	(7,466,880)
Ombudsman Costs	0	0	0	0	30,000
Enrollment Broker	0	0	0	13,875	13,875
Centrally Appropriated Costs**	7,171	10,722	11,201	18,492	22,880
TOTAL	**$54,045**	**$71,012**	**$446,491**	**$1,945,751**	**$5,814,855**

** Parenthesis indicate a decrease in costs.*
*** Centrally appropriated costs are not included in the bill's appropriation.*

Waiver development and approval (Nov. 2014 - Nov. 2016). Waiver development and approval costs in HCPF are estimated at $54,045 in FY 2014-15 and $71,012 in FY 2015-16. These costs are for 0.7 FTE in FY 2014-15 and 1.0 FTE in FY 2015-16 to develop the required federal waiver request to implement the pilot program and respond to federal government inquiries during the approval process. First-year costs are prorated for an assumed November 2014 start date for this staff, and include personal services ($41,538), operating and capital outlay costs ($5,336) for these staff, and centrally appropriated costs ($7,171). Full-year costs beginning in the second year include personal services ($59,340), operating costs ($950), and centrally appropriated costs ($10,722). These costs are paid with 51 percent federal funds and 49 percent cash funds.

Conditional Computer system changes (Nov. 2016 - Nov. 2017). Upon federal waiver approval, HCPF must modify both the Medicaid Management Information System (MMIS), its payment system, and the Colorado Benefit Management System (CBMS), the state eligibility determination and benefit management system. Approximately 2,300 programming hours are required for each system. At a rate of $125 per hour, these changes will cost a total of $575,000, paid with 75 percent federal funds and 25 percent cash funds. The fiscal note assumes that $375,000 will be spent in FY 2016-17 and $200,000 in FY 2017-18. The 1.0 FTE discussed above will also continue program development efforts during this period.

Conditional pilot program costs (Beginning Jan. 2018). The pilot program is expected to have costs of $3.8 million in FY 2017-18 to serve an average of 1,167 clients for six months of operations during the program's ramp-up period. Costs increase to $13.1 million in FY 2018-19 to serve 2,000 clients at full program implementation. In the first year for each client, these costs include private health insurance premiums for health plans bought on the health benefit exchange ($432 per month), administrative fees ($28 per month), and Medicaid wrap-around services ($76 per month). Monthly premiums increase slightly in the second year. Based on the federal reimbursement rate for expansion populations under PPACA, these costs are paid for with 94.5 percent federal funds in FY 2017-18 and 93.5 percent federal funds in FY 2018-19, with cash funds making up the remainder of these costs.

Conditional Medicaid savings (Beginning Jan. 2018). HCPF will have savings of $2.1 million in FY 2017-18 and $7.5 million in FY 2018-19 from clients enrolling in the health coverage through the pilot program rather than regular Medicaid. Because the costs of private health care on the exchange and Medicaid wrap-around services are higher than the costs of regular Medicaid, savings from the pilot program are only expected to partially offset the costs of the pilot. These savings consist of 94.5 percent federal funds in FY 2017-18 and 93.5 percent federal funds in FY 2018-19, with cash funds making up the remainder of the savings.

Other conditional costs (Beginning Jan. 2018). Other costs associated with the pilot program include $13,875 per year beginning in FY 2017-18 for an enrollment broker to identify and send information to prospective enrollees and $30,000 per year beginning in FY 2018-19 for ombudsman services to address complaints and disputes concerning the pilot program. Personal services costs will increase by an additional 0.7 FTE in FY 2017-18 and 1.0 FTE in FY 2018-19 for staff in HCPF to assist in management of the pilot. These costs are paid for with 51 percent federal funds and 49 percent cash funds.

Conditional pilot evaluation costs. The bill increases workload in the Office of the State Auditor and the JBC to conduct follow-up evaluation and reviews of the pilot program. It is assumed that this workload will be managed within the existing appropriations to these agencies.

Centrally appropriated costs. Pursuant to a JBC 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 HB 14-1115*

Cost Components	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$4,286	$6,123	$6,123	$10,388	$12,246
Supplemental Employee Retirement Payments	2,885	4,599	5,078	8,104	10,634
TOTAL	**$7,171**	**$10,722**	**$11,201**	**$18,492**	**$22,880**

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

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State Appropriations

The bill requires an FY 2014-15 appropriation of $46,874 to HCPF, including $22,964 from the Hospital Provider Fee Cash Fund and $23,910 from federal funds, and an allocation of 0.7 FTE.

State and Local Government Contacts

Health Care Policy and Financing	Joint Budget Committee	Law
Regulatory Agencies	State Auditor	Counties