

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-0799	Date: February 20, 2015
Prime Sponsor(s): Rep. Young Sen. Sonnenberg	Bill Status: House Health, Insurance, and Environment
	Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: LICENSE REQMNTS FOR DURABLE MED EQUIP SUPPLIERS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue	Potential increase or decrease.	
Cash Funds	See State Revenue section.	
State Expenditures	<u>\$63,728</u>	<u>\$64,717</u>
General Fund	26,360	26,148
Federal Funds	26,360	26,148
Centrally Appropriated Costs**	11,008	12,421
TABOR Set Aside	Potential increase or decrease.	
FTE Position Change	0.9 FTE	1.0 FTE
Appropriation Required: \$52,720 - Department of Health Care Policy and Financing (FY 2015-16)		

* 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 makes several changes to the licensing of durable medical equipment (DME) suppliers. Specifically, the bill modifies the definition of "DME supplier" to cover persons and entities who bill or plan to bill the federal Medicare program for certain products listed by the Center for Medicare and Medicaid Services (CMS) in competitive bidding categories for the DME, prosthetics, orthotics, and supplies. It also exempts from the definition of DME supplier persons and entities who:

- provide products through the Medicare national mail order program;
- are Colorado pharmacies with a current pharmacy accreditation exemption to supply DME through Medicare; and
- are a medical practitioner providing DME to his or her own patients as part of the practitioner's own services.

The bill also removes the physical location requirement for DME suppliers to be licensed in Colorado. Instead, an applicant may be licenced if they attest that they are capable of selling or servicing all products that the supplier sells in the state on a 24 hour per day, 7 day per week basis.

Background

House Bill 14-1369 required all suppliers providing DME through Medicare to be licensed by the Secretary of State. Currently, to be licensed, supplier must be located in Colorado or within 50 miles of the state border. DME suppliers must pay a license or renewal fee of \$350. There are approximately 1,000 DME suppliers in Colorado.

DME is a covered Colorado Medicaid benefit. DME must serve a medical purpose and be able to withstand repeated use. Some examples of DME include oxygen equipment, wheelchairs, walkers, and bathroom/bedroom safety equipment.

State Revenue

To the extent the bill impacts the number of DME suppliers in Colorado, the bill may increase or decrease fee revenue to the Department of State Cash Fund by a minimal amount. The bill removes the physical presence requirement, which will increase the potential number of licensees, but it also creates several exemptions to the license requirement, which will decrease the number of licensees. The net impact of these changes is not know at this time, but overall, it is assumed to be minimal.

TABOR Impact

This bill potentially increases or reduces state revenue from fees, which will increase or reduce the amount required to be refunded under TABOR, respectively. TABOR refunds are paid from the General Fund.

State Expenditures

The bill increases costs in the Department of Health Care Policy and Financing (HCPF) for staff to monitor the licensure of, and payments to, DME suppliers under Medicaid. These costs are shown in Table 1 and discussed below.

Table 1. Expenditures Under HB 15-1211		
Cost Components	FY 2015-16	FY 2016-17
Personal Services	\$47,067	\$51,346
FTE	0.9 FTE	1.0 FTE
Operating Expenses and Capital Outlay Costs	5,653	950
Centrally Appropriated Costs*	11,008	12,421
TOTAL	\$63,728	\$64,717

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

Staffing costs — HCPF. HCPF will require an additional 1.0 FTE to monitor DME licensure and payments to ensure that only properly licensed DME suppliers receive payment. Because the bill creates exemptions for certain types of DME suppliers and makes licensure depend on the types of products sold, the bill increases the complexity and workload to accomplish this oversight

of DME suppliers compared with current law. Table 1 shows the costs for this staff, including standard operating and capital outlay expenses. It is assumed the new staff will begin work on July 1, 2015. Staffing costs are prorated in the first year to reflect the General Fund payday shift.

Potential information technology costs. The fiscal note assumes that additional staff is the most efficient way to accomplish the required work generated by the bill. However, once the new Medicaid Management Information System (MMIS) is operational in November 2016, it may be possible to automate some aspects of the work required under the bill. This would result in a one-time costs for information technology system changes, and would reduce the staffing needs associated with DME payments on an ongoing basis. Based on projects of similar scope, such system changes may cost approximately \$150,000. It is assumed that funding for IT system changes and a corresponding reduction in staff will be addressed through the annual budget process.

Department of State workload. The Department of State will have a minimal increase in workload to update information on its website and respond to additional inquiries regarding DME supplier licensing. This workload is assumed to be minimal and no change in appropriations is required.

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 HB 15-1211*		
Cost Components	FY 2015-16	FY 2016-17
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$7,360	\$8,028
Supplemental Employee Retirement Payments	3,648	4,393
TOTAL	\$11,008	\$12,421

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

Effective Date

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

State Appropriations

For FY 2015-16, the bill requires an appropriation of \$52,720 to the Department of Health Care Policy and Financing, split evenly between General Fund and federal funds, and an allocation of 0.9 FTE.

State and Local Government Contacts

Health Care Policy and Financing

State