

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

Drafting Number: LLS 15-0996 **Date:** March 24, 2015
Prime Sponsor(s): Sen. Steadman **Bill Status:** Senate Health & Human Services
 Rep. Rankin **Fiscal Analyst:** Kerry White (303-866-3469)

BILL TOPIC: MEDICAID PROVIDER RATE REVIEW

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
State Expenditures	\$592,770	\$576,113
General Fund	269,912	260,506
Federal Funds	269,911	260,505
Centrally Appropriated Costs**	52,947	55,102
FTE Position Change	4.0 FTE	4.0 FTE
Appropriation Required: \$539,823 - 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

Recommended by the Joint Budget Committee, this bill establishes a process for the Department of Health Care Policy and Financing to uniformly review Medicaid provider rates. It requires the department to set up a review cycle so that each provider rate is reviewed at least once every five years. More frequent reviews may be conducted at the request of the Joint Budget Committee (JBC) or the Medicaid Provider Rate Review Advisory Committee (advisory committee) established under the bill. The review schedule must be in place by September 1, 2015.

Advisory committee. A 24-member advisory committee is established to assist the department with reviewing Medicaid provider rates. It consists of various stakeholders, including specific providers and Medicaid recipients. Appointments are to be made by August 1, 2015, and each member will serve a four-year term. The advisory committee is required to meet at least once per quarter and continues until September 1, 2025. Prior to its repeal, the Department of Regulatory Agencies is required to conduct a sunset review of the advisory committee.

Reporting. On or before May 1 of each year, the department is required to provide a report to the JBC, advisory committee, and other stakeholders comparing Medicaid rates to available benchmarks, including Medicare rates and usual and customary rates paid by private parties. Following the report, a period of review and public meetings are required in order to solicit feedback and comments on the report.

Budget recommendations. The department and the Office of State Planning and Budgeting are required to examine the report and develop budget recommendations, which the department must submit to the JBC and advisory committee by November 1 of each year.

State Expenditures

This bill increases state expenditures by \$592,770 and 4.0 FTE for FY 2015-16. Beginning in FY 2016-17, the bill increases costs by \$576,113 and 4.0 FTE each year. Table 1 and the discussion that follows describe the costs of the bill.

Table 1. Expenditures Under SB15-228		
Cost Components	FY 2015-16	FY 2016-17
Personal Services	\$267,211	\$267,211
FTE	4.0 FTE	4.0 FTE
Operating Expenses and Capital Outlay Costs	22,612	3,800
Contract Services	200,000	200,000
Provider surveys and data sources	50,000	50,000
Centrally Appropriated Costs*	52,947	55,102
TOTAL	\$592,770	\$576,113

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

Department of Health Care Policy and Financing. Beginning in FY 2015-16, the department will require 4.0 FTE to manage stakeholder processes, analyze provider rate information, and analyze rates and develop budget recommendations. The fiscal note assumes that personnel will be hired in June 2015 and, due to the General Fund pay date shift, costs begin in July 2015. Standard operating costs of \$950 per FTE are provided each year, with one-time capital outlay costs of \$4,703 per FTE included in FY 2015-16. Annual costs of \$250,000 for contact services and provider surveys are required to obtain market data on provider rates.

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 SB15-228*		
Cost Components	FY 2015-16	FY 2016-17
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$32,236	\$32,236
Supplemental Employee Retirement Payments	20,711	22,866
TOTAL	\$52,947	\$55,102

*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

The bill includes an appropriation of \$517,176, including \$258,588 General Fund and \$258,588 federal funds and an allocation of 3.6 FTE for the Department of Health Care Policy and Financing for FY 2015-16. However, for FY 2015-16, the Department of Health Care Policy and Financing requires an appropriation of \$539,823, including \$269,912 General Fund and \$269,911 federal funds and an allocation of 4.0 FTE.

State and Local Government Contacts

Health Care Policy and Financing

Joint Budget Committee Staff