

**STATE and LOCAL  
REVISED FISCAL IMPACT**

(replaces fiscal note dated April 11, 2011)

**Drafting Number:** LLS 11-0971

**Date:** April 14, 2011

**Prime Sponsor(s):** Sen. Hodge  
Rep. Gerou

**Bill Status:** Consideration of Amendments

**Fiscal Analyst:** Kerry White (303-866-3469)

**TITLE:** CONCERNING ENROLLEE COST-SHARING FOR CHILDREN ENROLLED IN THE CHILDREN'S BASIC HEALTH PLAN, AND MAKING AN APPROPRIATION THEREFOR.

<b>Fiscal Impact Summary</b>	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>
<b>State Revenue</b>		
Cash Funds		
CBHP Trust Fund	\$86,411	\$1,277,441
<b>State Expenditures</b>	<b><u>(\$1,061)</u></b>	<b><u>(\$5,937,552)</u></b>
General Fund	56,663	(1,206,930)
Cash Funds		
CBHP Trust Fund	86,411	1,277,441
Hospital Provider Fee Cash Fund	(139,597)	(2,146,252)
Federal Funds	(4,538)	(3,861,811)
<b>FTE Position Change</b>	0.2 FTE	1.0 FTE
<b>Effective Date:</b> July 1, 2011.		
<b>Appropriation Summary for FY 2011-2012:</b> See State Appropriations section.		
<b>Local Government Impact:</b> See Local Government Impact section.		

**Summary of Legislation**

**As amended by the House Appropriations Committee and based on updated revenue information,** this bill establishes a new monthly enrollment fee for families enrolling in the Children's Basic Health Plan (CBHP) with incomes of between 205 and 250 percent of the federal poverty level (FPL). The fee will be \$20 per month for the first child and \$10 per month for each additional child, up to a maximum of \$50 per month per family.

The Department of Health Care Policy and Financing (DHCPF), which administers CBHP, is authorized to share information with the Department of Revenue (DOR) for the purposes of collecting moneys from persons who fail to pay CBHP monthly enrollment fees. The DHCPF is required to establish a process to contest and appeal any determinations of debt and to notify affected persons of the state's intention to collect moneys from their state income tax refund.

**Background**

Under current law, the DHCPF collects an annual fee for participation in CBHP. Families pay a fee of \$25 for one child or \$35 for more than one child; however, this fee is waived for families with incomes less than 150 percent of FPL and pregnant women. Under SB11-213, the annual enrollment fee will only apply to families with incomes between 150 and 205 percent of FPL. Families with incomes greater than 205 percent of FPL will pay the new monthly enrollment fee instead of the existing annual enrollment fee. The FPL is currently \$10,830 for an individual and \$22,050 for a family of four.

**State Revenue**

**This bill will increase state cash fund revenue from CBHP monthly enrollment fees by \$86,411 in FY 2011-12 and \$1,277,441 in FY 2012-13.**

*Caseload.* Current projections for CBHP caseload are 9,731 for FY 2011-12 and 11,988 for FY 2012-13. This analysis assumes that 20 percent of clients will choose to leave the program as a result of the new fees. Caseload assumptions (rounded) and fees are shown in Table 1.

<b>Table 1. CBHP Monthly Enrollment Fees by Family Size</b>			
<b>Family Composition as a Percent of Total Caseload</b>	<b>Monthly Fee</b>	<b>Caseload FY 2011-12</b>	<b>Caseload FY 2012-13</b>
Only child (50 percent)	\$20	3,893	4,794
1st child (25 percent)	20	1,946	2,398
2nd - 4th child (20 percent)	10	1,557	1,918
5th child (5 percent)	0	389	480
<b>TOTAL</b>	<b>up to \$50</b>	<b>7,785</b>	<b>9,590</b>

*Revenue.* Required changes to the Colorado Benefits Management System (CBMS) are anticipated to be in place by April 2012, with revenue received beginning in June 2012. The fiscal note assumes a 20 percent non-compliance rate among clients. Table 2 shows revenue calculations.

<b>Table 2. CBHP Revenue Estimates Rounded to the Nearest Dollar</b>			
<b>Caseload Composition</b>	<b>Monthly Fee Per Child</b>	<b>Revenue FY 2011-12</b>	<b>Revenue FY 2012-13</b>
1st and only child families	\$20	\$116,770	\$1,726,272
2nd - 4th child families (below \$50 per month cap)	10	15,570	230,170
Less 20 percent non-compliance rate	N/A	(26,467)	(391,288)
Less current annual enrollment fee	N/A	(19,462)	(287,712)
<b>TOTAL</b>	<b>up to \$50</b>	<b>\$86,411</b>	<b>\$1,277,441</b>

**State Expenditures**

Overall, this bill will reduce state expenditures by \$1,061 in FY 2011-12 and \$5,937,552 in FY 2012-13. Table 3 and the discussion that follows address the cost components of the bill.

<b>Table 3. Expenditures Under SB11-213</b>		
<b>Cost Components</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
<b>Department of Health Care Policy and Financing</b>	<u>(\$6,981)</u>	<u>(\$5,941,248)</u>
Personal Services	4,821	57,856
FTE	0.2	1.0
CBHP Administration	11,087	133,046
CBHP Premiums	(398,849)	(6,132,150)
CBMS Computer Changes	375,960	0
<b>Department of Revenue</b>	<u>\$5,920</u>	<u>\$3,696</u>
Personal Services	0	3,696
CITA Computer Changes	5,920	0
<b>TOTAL</b>	<b><u>(\$1,061)</u></b>	<b><u>(\$5,937,552)</u></b>
<b>General Fund</b>	<b>56,663</b>	<b>(1,206,930)</b>
<b>Cash Funds</b>	<b>(53,186)</b>	<b>(868,811)</b>
<b>Federal Funds</b>	<b>(4,538)</b>	<b>(3,861,811)</b>

**Department of Health Care Policy and Financing.** Overall, the DHCPF will decrease expenditures by \$6,981, but add 0.2 FTE in FY 2011-12. The DHCPF will add 1.0 FTE, but decrease expenditures by \$5,941,248 in FY 2012-13. The costs and savings identified in Table 3 above are based on the following assumptions:

- Personal services and operating expenses for 1.0 FTE (pro-rated in the first year) are required to administer the new fee;
- CBHP administrative costs include monthly client invoicing and a contractor to process receipt of monthly enrollment premiums;
- CBHP medical and dental premium expenditures will decrease as a result of the 20 percent of clients that will leave the program due to the new fee; and
- CBMS changes are required to determine and track clients that are required to pay the new monthly fee.

**Department of Revenue.** General Fund expenditures will increase by \$5,920 in FY 2011-12 and \$3,696 in FY 2012-13. First year costs are to make the required changes to the CITA (taxpayer) computer system. Second year costs are for personal services to provide taxpayer assistance to persons who did not pay the required CBHP monthly enrollment fees and became obligated to the state.

**Expenditures Not Included**

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 summarized in Table 4.

<b>Table 4. Expenditures Not Included Under SB11-213*</b>		
<b>Cost Components</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$1,420	\$7,100
Supplemental Employee Retirement Payments	239	3,386
<b>TOTAL</b>	<b>\$1,659</b>	<b>\$10,486</b>

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

**Local Government Impact**

Under the bill, 20 percent of children currently enrolled in CBHP are expected to leave the program in the first year as a result of the new fees. In future years, some portion of the children who are non-compliant with the payment of fees will also leave the program. The fiscal note assumes that some, but not all, of these children will become uninsured. To the extent that this occurs, uncompensated care costs for hospitals will increase. This amount has not been estimated.

**State Appropriations**

The bill requires the following adjustment in appropriations to the Department of Health Care Policy and Financing for FY 2011-12:

- The Executive Director's Office appropriation for general administration is increased by 0.2 FTE and \$4,821, including \$1,687 General Fund and \$3,134 federal funds.
- The Indigent Care Program appropriation for CBHP administration is increased by \$11,088, including \$3,881 General Fund and \$7,207 federal funds.
- The Indigent Care Program appropriation for CBHP medical and dental costs is decreased by \$398,849, including \$139,597 from the Hospital Provider Fee Cash Fund and \$259,252 federal funds.
- The Department of Human Services Medicaid-funded Programs, Office of Information Technology Services, Medicaid Funding for CBMS appropriation is increased by \$375,960, including \$45,175 General Fund, \$86,411 from the Children's Basic Health Plan Trust, and \$244,374 federal funds.
- The full CBMS cost of \$375,960 is reappropriated from the DHCPF to the Department of Human Services (DHS), and reappropriated from the DHS to the Governor's Office of Information Technology.

The FY 2011-12 appropriation to the Department of Revenue (DOR), Information Technology Division, for system support is increased by \$5,920 General Fund, and reappropriated from the DOR to the Governor's Office of Information Technology for computer services.

### **Departmental Difference**

As presented to the House Appropriations Committee, the DHCPF identified the following impacts under the bill:

- No net change in FY 2011-12;
- an increase of \$461,441 and 1.0 FTE for FY 2012-13, including \$261,969 cash funds and \$199,472 federal funds; and
- a reduction of \$6,611,826 and increase of 1.0 FTE for FY 2013-14, including an increase of \$1,422,982 General Fund, a decrease of \$3,086,801 cash funds, and a decrease of \$4,948,007 federal funds.

While many of the assumptions used by the DHCPF in its analysis are similar to those used in the analysis by staff of the Legislative Council and the Joint Budget Committee, there are two key differences. First, the DHCPF assumes that CBMS changes will take an additional 12 months to complete. Second, the DHCPF assumes that 15 percent of clients will move to lower income groups and therefore shift the state's share of premium costs from cash funds to the General Fund.

The costs and timing identified by the DHCPF were not used as a basis for the fiscal note for several reasons. Staff in the Governor's Office of Information Technology was consulted and indicated that the required CBMS changes could be prioritized to take effect by May 2011, which aligns with the timing shown in the fiscal note. Second, the fiscal note assumes that most individuals near the 205 percent of FPL threshold will not voluntarily reduce their income or otherwise alter their economic behavior in order to avoid paying the monthly enrollment fee for CBHP. This assumption is based on the idea that the loss of income would outweigh the benefits of avoiding payment of the fee. In addition, while some individuals may naturally move between eligibility groups, this analysis assumes movement will be in both directions so that any individuals who fall below 205 percent of FPL may be partially or fully offset by individuals moving up from below 205 percent of FPL. For this reason, the fiscal note assumes that the premium costs for these clients will not shift from cash funds to the General Fund.

### **Departments Contacted**

Governor's Office of Information Technology  
Human Services  
Revenue

Health Care Policy and Financing  
Joint Budget Committee