SB13-200

JBC STAFF FISCAL ANALYSIS
SENATE APPROPRIATIONS COMMITTEE

CONCERNING AN INCREASE IN THE INCOME ELIGIBILITY FOR CERTAIN OPTIONAL GROUPS IN THE MEDICAID PROGRAM TO ONE HUNDRED THIRTY-THREE PERCENT OF THE FEDERAL POVERTY LINE.

Prime Sponsors: Senator Aguilar
Representative Ferrandino

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Fiscal Impact of Bill as Amended to Date

The most recent Legislative Council Staff Revised Fiscal Note (attached) reflects the fiscal impact of the bill as of 03/14/13.

	No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
XXX	**Update:** Fiscal impact has changed due to *new information or technical issues*
	Update: Fiscal impact has changed due to *amendment adopted* after LCS Fiscal Note was prepared
XXX	**Non-Concurrence:** JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

Update

1. **County Administration** -- Since the attached Legislative Council Staff Revised Fiscal Note was prepared, errors were discovered in the Department of Health Care Policy (HCPF) and Financing's estimate of county administration costs. The Department had originally assumed that all eligibility for adults without dependent children would be handled by the Department's contract vendor. The revised estimate assumes the contract vendor will handle sixty-five percent of eligibility determiniations for this population and 10 percent of eligibility determinations for Parents from 101 percent through 133 percent of the federal poverty level (FPL), with the remainder handled by counties. In addition, the Department had not accounted for processing costs associated with denied applications in the original estimate. Legislative Council Staff concurs with the revised estimate. The revised figures are included in Table 1 of the Appendix.

2. **Employee benefits** -- A slight technical correction was made to the estimated cost of employee benefits by calculating benefits that are a portion of salaries using the FY 2013-14 salaries rather than the FY 2014-15 annualized salaries. Legislative Council Staff concurs with the revised estimate. The revised figures are included in Table 1 of the Appendix.

Non-Concurrence

1. **Continuous eligibility for children** -- This JBC Staff Fiscal Analysis includes costs associated with continuous eligibility for children where the Legislative Council Staff identified these as tangential to the bill and included them only in the "Departmental Differences" section. HCPF is authorized under current law to use financing from the

Hospital Provider Fee to provide continuous eligiblity to children for a year (as opposed to periodically redetermining eligibility, potentially as often as monthly, depending on the combination of federal assistance programs a child uses). However, the board responsibile for prioritizing the uses of the Hospital Provider Fee has made continuous eligibility a lower priority than other uses, and thus HCPF has not implemented this policy. Continuous eligibility would not be implemented without S.B. 13-200 and the enhanced federal match that it provides. Thus, continuous eligibility is arguably a direct result of S.B. 13-200, rather than tertiary.

While the Legislative Council Staff views continuous eligibility as not germaine to S.B. 13-200, both Legislative Council Staff and the JBC staff agree that the cost of providing continuous eligibility includes $4,252,966 in FY 2013-14, $14,947,224 in FY 2014-15, and $15,439,914 in FY 2015-16. The federal financial participation (FFP) for continuous eligibility is 50 percent, and the state share would be from the Hospital Provider Fee.

2. **Eligible but not enrolled --** This JBC Staff Fiscal Analysis assumes increased enrollment from among the currently eligible but not enrolled (EBNE) where the Legislative Council Staff identified this impact as ancillary to the bill and included the additional costs only in the "Departmental Differences" section. The caseload increase from the EBNE is expected as a result of outreach and promotion efforts increasing awareness and creating an impetous for people to apply Medicaid and the Children's Basic Health Plan. The EBNE effect is a commonly assumed phenomenon when forecasting the impact of Medicaid eligibility expansions. An argument could be made that in this instance the caseload increases from the EBNE are more properly attributable to provisions of the Affordable Care Act (ACA) independent of S.B. 13-200, including the individual mandate, screening by the Health Care Exchange, and national promotion efforts of the ACA. However, it could also be argued that the EBNE impact of the ACA would be minimal without the eligibility expansions contained in S.B. 13-200. HCPF did not request or receive funding for an EBNE impact in the FY 2013-14 Long Bill. The JBC staff believes there is enough of causal link between the eligibility expansions in S.B. 13-200 and the EBNE impact forecasted by HCPF that the JBC staff has included the caseload increase as part of the fiscal analysis.

While the JBC staff included an EBNE impact in the fiscal analysis, the expected impact differs from HCPF's forecast and the amounts in the "Departmental Differences" section of the attached Legislative Council Staff Fiscal Note. HCPF used the U.S. Census Bureau's 2011 American Community Survey to estimate the uninsured and privately insured EBNE. The Department then assumed 50 percent of the EBNE in the following eligibility ranges would ultimately enroll: parents through 60 percent of the FPL; children through 133 percent of the FPL; and Children's Basic Health Plan (CHP+) through 250 percent of the FPL. HCPF then applied a phase-in rate to account for a gradually increasing enrollment impact and assumed a discounted per capita expenditure, since this population is likely healthier than people currently enrolled. The JBC staff used the same assumptions as HCPF except that

the JBC staff assumed an ultimate enrollment level of 25 percent (rather than 50 percent) for parents through 60 percent of the FPL and children through 133 percent of the FPL.

According to HCPF staff, when the eligibility increases financed with the Health Care Expansion Fund were implemented the EBNE impact was "negligible." When the eligibility expansions financed with the Hospital Provider Fee were implemented no EBNE impact was assumed and it is difficult to determine if an EBNE impact occurred, since there were other significant co-occurring changes that might have impacted enrollment, including changes in the economy. The JBC staff believes the impact of the S.B. 13-200 expansions on the EBNE are likely to be larger than the impact on the EBNE of previous expansions, due to the co-occurring ACA implementation. However, the JBC staff believes HCPF's estimate was too high for lower income populations that are unlikely to have enough tax liability to be concerned about the tax penalties associated with the individual mandate.

The JBC staff estimate of the EBNE impact, along with administration costs, adds $3,452,157 in FY 2013-14, $22,432,302 in FY 2014-15, and $52,396,335 in FY 2015-16 to the amounts identified in the attached Legislative Council Staff Fiscal Note. The FFP for EBNE is 50 percent for Medicaid and 65 percent for CHP+ and the source for the state match would be General Fund.

3. **County Training Costs --** This JBC Staff Analysis includes $150,000 for FY 2013-14 for county training costs that were considered by the Legislative Council Staff as attributable to the ACA implementation, rather than the provisions of S.B. 13-200 (costs were included only in the "Departmental Differences" section). While the county training may include discussion of the ACA implementation, the JBC Staff Analysis views training for eligibility workers as a reasonable and necessary component of the S.B. 13-200 expansions.

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
J.001	Staff-prepared appropriation amendment

Current Appropriations Clause in Bill

The bill requires but does not contain an appropriation clause.

Description of Amendments in This Packet

J.001 Staff has prepared amendment **J.001** (attached) to add a provision appropriating a total of $345.3 million and 17.8 FTE, including a reduction of $3.2 million General Fund. The appropriations by line item are summarized in **Table 1 of the Appendix** of this analysis.

Newly eligible populations

The bill specifically authorizes two eligibility expansions from current practice:

- Adults without dependent children from 11 percent through 133 percent of the FPL;
- Parents from 101 percent through 133 percent of the FPL.

The assumed enrollment changes, per capita rates, and service costs by fiscal year are summarized in **Table 2 of the Appendix**.

The Department is authorized to provide eligibility to adults without dependent children to 100 percent of the FPL under current law, but has only actually expanded to 10 percent of the FPL. The expansion from 11 percent of the FPL through 100 percent and from 101 percent through 133 percent are forecasted separately in part because of this distinction and in part because different per capita cost assumptions are used for higher income populations.

From these eligibility expansions flow secondary impacts on the number of people eligible for emergency services and for the Old Age Pension State Medical Program. Also, the JBC Staff Analysis assumes that the enhanced federal match rate provided for meeting ACA expansion criteria will save money from the Hospital Provider Fee that will allow the Department to implement continuous eligibility for children.

Eligible but not enrolled

As discussed above, the JBC Staff Fiscal Analysis assumes increased enrollment from among the currently eligible but not enrolled. The assumed enrollment changes, per capita rates, and service costs by fiscal year are summarized in **Table 3 of the Appendix**.

Refinancing current populations

If S.B. 13-200 is adopted Colorado will be eligible for an enhanced federal match for some populations that are already authorized in statute and appropriated funding in the Long Bill. Specifically, J.001 includes a reduction of $159.6 million from the Hospital Provider Fee and an increase of a like amount from federal funds due to the enhanced federal match for adults without dependent children through 10 percent of the FPL and parents from 61 percent through 100 percent of the FPL. The refinance amounts are included in **Table 1 of the Appendix**.

Administrative costs

Summaries of the internal and external administrative costs and the refinancing of existing Hospital Provider Fee appropriations with federal funds from the enhanced match are contained in the attached Legislative Council Staff Fiscal Note. There are small changes in the JBC Staff Analysis attributable to the items enumerated in the "Update" and "Non-concurrence" sections above. The new figures are all contained in **Table 1 of the Appendix**. Detail of the specific changes are available from the JBC staff on request.

Points to Consider

Departmental Differences

1. The JBC Staff Analysis incorporates some of the "Departmental Differences" identified in the attached Legislative Council Staff Fiscal Note, but there are several items that the JBC staff and Legislative Council Staff agree should not be part of the fiscal impact of the bill. Of these remaining "Departmental Differences", two merit further explanation of the rationale:

   a. **County administration for foster children** -- The expansion of Medicaid eligibility to former foster care children through the age of 26 is an impact of the ACA and not S.B. 13-200. This expansion was not made optional for states as part of the Supreme Court ruling in *NFIB v. Sebelius*, and thus funding to implement the requirement was included in the FY 2013-14 Long Bill. An adjustment was not made to county administration, but that is consistent with the General Assembly's practice of adjusting county administration only periodically, rather than annually, for changes in enrollment. For example, no increase was provided for the much larger revised enrollment forecast. The negligible amounts of additional county administration associated with former foster children of $3,501 for FY 2013-14, $24,262 for FY 2014-15, and $47,987 for FY 2015-16 will be incorporated the next time the General Assembly makes a periodic adjustment to county administration, and no separate adjustment for the impact of the eligibility expansion should be included in S.B. 13-200.

   b. **CHP+ program savings under S.B. 11-250 --** With the fiscal note for S.B. 13-200 HCPF provided a revised estimate of the savings associated with S.B. 11-250, which caused pregnant women from 134 percent through 185 percent FPL to gain eligibility for Medicaid and consequently lose eligibility for CHP+. The reimbursement rates for services provided to pregnant women under Medicaid are lower than under CHP+ such that there is a savings even after accounting for the higher FFP under CHP+. The revised forecast of the savings from S.B. 11-250 has no relation to the eligibility expansions contained in S.B. 13-200. If the Appropriations Committee would like to capture these savings, it would best be done through an amendment to the FY 2013-14 Long Bill, or through a supplemental bill.

      At any given point in time after the Long Bill is introduced there will be new information about enrollment trends that could be used to adjust the forecast. The General Assembly typically waits to allow a large amount of new information about enrollment trends to accumulate before addressing the new information through the supplemental process. In the Department's analysis the savings from the revised estimate of the fiscal impact of S.B. 11-250 offsets the cost of implementing S.B. 13-

200, but the fiscal impact is not included in this JBC Staff Analysis, because the savings from S.B. 11-250 are not related to the provisions of S.B. 13-200.

Future Fiscal Impact

2. For calendar years 2014 through 2016 Colorado is eligible for an enhanced federal match rate of 100 percent for services to adults without dependent children through 133 percent of the FPL and for parents from 61 percent through 133 percent of the FPL. As detailed in the following table, beginning in calendar year 2017 the enhanced federal match rate decreases until it reaches 90 percent in calendar year 2020. Beginning in 2017 there will be an increase in expenditures from the Hospital Provider Fee for these expansion populations.

Years	Enhanced Federal Match Rate for Newly Eligible Populations
2014-2016	100.0%
2017	95.0%
2018	94.0%
2019	93.0%
2020+	90.0%

Key Assumptions

3. The per capita projections summarized in Tables 2 and 3 of the appendix and the projected administrative expenses assume the expansion adults without dependent children through 133 percent of the FPL and parents from 101 percent through 133 percent of the FPL will be enrolled in the Accountable Care Collaborative.