



**Colorado
Legislative
Council
Staff**

HB16-1097

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0578 **Date:** February 2, 2016
Prime Sponsor(s): Rep. Coram; Moreno **Bill Status:** House Transportation and Energy
 Sen. Scott **Fiscal Analyst:** Bill Zepernick (303-866-4777)

BILL TOPIC: PUC PERMIT FOR MEDICAID TRANSPORTATION PROVIDERS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	<u>\$7,450</u>	<u>\$9,200</u>
Cash Funds	7,450	9,200
State Expenditures*	<u>(\$15,800)</u>	<u>(\$345,287)</u>
General Fund	3,527	(85,600)
Cash Funds	1,786	(8,515)
Federal Funds	(21,113)	(251,172)
TABOR Impact	\$5,725	\$7,475
FTE Position Change	0.2 FTE	0.1 FTE
Appropriation Required: Reduction of \$15,800 - Multiple agencies (FY 2016-17).		
Future Year Impacts: Ongoing net expenditure decrease and revenue increase.		

* Total expenditures excludes reappropriated funds spent by the PUC to avoid double counting.

Summary of Legislation

The bill allows providers of non-emergency transportation to Medicaid clients to operate under a limited regulation permit from the Public Utilities Commission (PUC). Under current law, such transportation providers must operate under a certificate of public convenience and necessity. To obtain a limited regulation permit under the bill, providers must submit an application, pay a fee, and show proof of an agreement with the Department of Health Care Policy and Financing (HCPF) regarding the provision of non-emergency transportation services. Permits for this class of provider are valid for one year.

Background

Under the Medicaid program, HCPF may reimburse transportation providers to take clients with no other means of transportation to medically necessary services. Currently, there are about 90 providers of non-emergency transportation under Medicaid that hold a certificate of public convenience and necessity. To obtain a certificate of public convenience and necessity, each application is evaluated at a hearing at the PUC at which public support for entry of the new provider is evaluated. In contrast, to receive a limited regulation permit, a qualifying applicant must only submit an application and pay a fee.

Assumptions and Data

Concerning the number of transportation providers, the fiscal note uses the following data and assumptions:

- there are currently about 20 applications per year for non-emergency transportation providers seeking a certificate of public convenience and necessity;
- after PUC rulemaking is complete, non-emergency transportation providers will be able to seek a limited regulation permit beginning on May 1, 2017;
- under the bill, the lower threshold for entry for a limited regulation permit will result in an additional 100 transportation providers seeking a permit each year;
- 50 percent of providers renew their license each year;
- after several years, the population of non-emergency Medicaid transportation providers will stabilize at about 350 to 400 providers.

In regards to Medicaid costs and savings, the fiscal note further assumes:

- under current law, there will be 560,000 instances of non-emergency transportation under Medicaid in FY 2016-17 and about 590,000 instances in FY 2017-18;
- the increase in available providers will increase usage of non-emergency transportation by 5 percent (i.e., 4,667 transports in the first year after prorating to reflect the implementation of the new permit type and 29,358 transports in the second year)
- each non-emergency transport costs an average of \$35;
- additional medical services will be provided following each transport, with the average cost of services at \$55.45; and
- based on prior studies, every \$1.00 spent on additional transportation and preventative medical services will result in future savings of \$1.17.

State Revenue

The bill increase state cash fund revenue by \$7,450 in FY 2016-17 and \$9,200 in FY 2017-18. This revenue is for permit fees paid to the PUC and background check fees paid to the Department of Public Safety (DPS). Revenue to the PUC is deposited into the PUC Motor Carrier Fund and revenue to the DPS is deposited into the Colorado Bureau of Investigation (CBI) Identification Unit Cash Fund. This fee revenue is summarized in Table 1.

Fee Impact on Individuals or Business. State law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 1 below identifies the fee impact of this bill.

Table 1. Fee Impact on Individuals or Business under HB 16-1097			
Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2016-17			
Limited Regulation Permit (PUC)	\$35.00	100	\$3,500
CBI/FBI Background Check (DPS)	\$39.50	100	\$3,950
FY 2016-17 TOTAL			\$7,450

Table 1. Fee Impact on Individuals or Business under HB 16-1097 (Cont.)			
Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2017-18			
Limited Regulation Permit (PUC)	\$35.00	100	\$3,500
Limited Regulation Permit Renewal (PUC)	\$35.00	50	\$1,750
CBI/FBI Background Check (DPS)	\$39.50	100	\$3,950
FY 2017-18 TOTAL			\$9,200

TABOR Impact

This bill increases state cash fund revenue from fees, which will increase the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Fee revenue passed through to the federal government for a FBI background check is not subject to TABOR.

State Expenditures

On net, the bill decreases costs by (\$15,800) in FY 2016-17 and by (\$345,287) in FY 2017-18. State FTE increase by 0.2 FTE in the first year and 0.1 FTE in the second year. Specifically, the bill will result in additional costs in the PUC to implement the new permit type (Table 2), savings in HCPF resulting from cost avoidance due to improved access to health care and reduced emergency services and transportation (Table 3), and additional costs in the DPS to provide background checks.

Public Utilities Commission. The PUC will have costs of \$53,328 and 0.1 FTE in FY 2016-17 and \$103,503 in FY 2017-18. Costs are paid using reappropriated Medicaid funds from HCPF. These funds are continuously appropriated to the PUC. The Department of Law will also require 0.1 FTE to provide legal services.

Table 2. Expenditures in the PUC under HB 16-1097*		
Cost Components	FY 2016-17	FY 2017-18
Personal Services	\$6,921	\$0
FTE (PUC)	0.1 FTE	0.0 FTE
FTE (Dept. of Law for legal services)	0.1 FTE	0.1 FTE
Vehicle Inspection Contractor	12,500	75,000
Legal Services	23,753	28,503
Computer Programming	8,755	0
Centrally Appropriated Costs	1,399	0
TOTAL	\$53,328	\$103,503

* These costs are covered with reappropriated Medicaid funds that are continuously appropriated to the PUC.

Personal services. In the first year, additional hearing time to conduct rulemaking at the PUC will require staff time of an administrative law judge (ALJ) and hearing officer (\$6,921 and 0.1 FTE). In addition, by shifting to a limited regulation permit, rather than a certificate of public convenience and necessity, the bill will reduce ALJ staff time to hold hearings regarding applications. However, this workload savings will be offset by an approximately equal increase in workload from hearings arising from complaints and disciplinary actions due to assumed expansion in the population of transportation providers.

Vehicle inspection contractor. To regularly inspect the vehicles of all new permit seekers under the bill, the PUC will contract with a vehicle inspection provider at a costs of \$75,000 per year. Costs in the first year are prorated to reflect the assumed start date of the new permit.

Legal services. To conduct rulemaking in the first year, \$23,753 is required for 250 hours of legal services provided by the Department of Law (which, as noted above, requires an additional 0.1 FTE for this purpose). In future years, 300 hours of ongoing legal services will be required at a cost of \$28,503 to adjudicate complaints and disciplinary action concerning providers licensed under the bill.

Computer programming. The PUC will have programming costs of \$8,755 in the first year to make changes to its permitting and licensing system. These costs are based on 85 hours of programming at a rate of \$103 per hour. This work will be performed by the Office of Information Technology (OIT).

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 are anticipated to total \$1,399, including \$807 for employee insurance and \$592 for supplemental employee retirement payments.

Medicaid costs and savings. In FY 2016-17, Medicaid will have net savings of \$18,436 in FY 2016-17 and \$347,923 in FY 2017-18. While the bill is expected to increase payments for medical services and transportation, these costs will be offset by savings that result from improving access to medical care and reducing emergency transportation. HCPF is also assumed to transfer funding to the PUC to pay for the cost of regulating the new type of Medicaid transportation provider, as authorized by the bill. Costs and savings under Medicaid are paid using General Fund, Hospital Provider Fee Cash Fund, and federal funds.

Table 3. Medicaid Savings under HB 16-1097		
Cost Components	FY 2016-17	FY 2017-18
Transportation Costs	\$163,350	\$1,027,537
Medical Costs	258,793	1,627,912
Medical Savings	(493,907)	(3,106,875)
Transfer to PUC	53,328	103,503
TOTAL	(\$18,436)	(\$347,923)
General Fund	3,527	(85,600)
Hospital Provider Fee Cash Fund	(850)	(11,151)
Federal Funds	(21,113)	(251,172)

Increased transportation and medical costs. Based on the assumptions above, HCPF will have costs of \$163,350 in the first year and \$1.0 million in the second year to pay for increased non-emergency transportation under the bill. Medical costs are assumed to increase by \$258,793 in the first year and \$1.6 million in the second year.

Cost avoidance and savings. Based on the assumption that each dollar spent on increased access to transportation and medical care will result in \$1.17 in savings, the Medicaid program will have savings of \$493,908 in the first year and \$3.1 million in the second year. To the extent actual savings differ from this projection, it is assumed that adjustments in appropriations to HCPF will occur as part of the annual budget process.

Transfers to PUC. The bill authorizes HCPF to transfer Medicaid funds to the PUC to cover the costs of regulating non-emergency Medicaid transportation providers. Based on the projected costs in the PUC, it is assumed \$53,328 will be transferred in the first year and \$103,503 in the second year.

Department of Public Safety. Assuming 100 new background checks occur each year, the DPS will have costs of \$2,636 per year beginning in FY 2016-17. Of this amount, \$1,725 is passed through to the federal government to conduct an FBI background check. The remaining \$911 in costs is for printing, postage, data access, and other miscellaneous costs. The fiscal note assumes that applicants will pay the fee for background checks directly to the DPS and the results will be forwarded to the PUC.

Effective Date

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

State Appropriations

The bill requires several appropriations, as described below.

Department of Health Care Policy and Financing. HCPF requires the following appropriations for FY 2016-17:

- a reduction to Medical Service Premiums of (\$71,764), including (\$23,137) General Fund, (\$850) from the Hospital Provider Fee Cash Fund, and (\$47,777) from federal funds; and
- an increase of \$53,328, split evenly between General Fund and federal funds, for transfer to the PUC for the regulation of non-emergency Medicaid transportation providers.

Department of Public Safety. For FY 2016-17, the DPS requires an appropriation of \$2,636 from the CBI Identification Unit Fund, of which \$1,725 is passed through to the federal government to conduct FBI background checks.

Public Utilities Commission. The PUC requires an allocation of 0.1 FTE for FY 2016-17. The fiscal note assumes that no additional appropriations to the PUC are required, given that transferred Medicaid funds are continuously appropriated to the PUC. For informational purpose, the Long Bill should note the transfer of \$53,328 in Medicaid funds to the PUC.

Department of Law. The Department of Law requires an appropriation of \$23,753 in reappropriated funds from the PUC and an allocation of 0.1 FTE.

Office of Information Technology. The OIT requires an appropriation of \$8,755 in reappropriated funds from the PUC.

State and Local Government Contacts

Health Care Policy Financing
Office Of Information Technology
Regulatory Agencies

Law
Public Safety