



**Colorado
Legislative
Council
Staff**

SB17-121

FISCAL NOTE

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

Drafting Number: LLS 17-0162	Date: February 13, 2017
Prime Sponsor(s): Sen. Crowder; Lundberg Rep. Danielson; Landgraf	Bill Status: Senate Health and Human Services
	Fiscal Analyst: Ryan Long (303-866-2066)

BILL TOPIC: IMPROVE MEDICAID CLIENT CORRESPONDENCE

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue		
State Expenditures	<u>\$1,668,805</u>	<u>\$1,706,129</u>
General Fund	595,710	603,740
Cash Funds	231,585	237,726
Federal Funds	817,157	837,831
Centrally Appropriated Costs	24,353	26,832
FTE Position Change	1.8 FTE	2.0 FTE
Appropriation Required: \$1,508,822 - Multiple agencies (FY 2017-18).		
Future Year Impacts: Ongoing state expenditure increase.		

Summary of Legislation

This bill, *recommended by the Interim Study Committee on Communication between the Department of Health Care Policy and Financing (HCPF) and Medicaid Clients*, requires HCPF to engage in an ongoing process to create, test, and improve Medicaid client communications. HCPF must ensure that communications with clients are accurate, readable, understandable, and consistent. Contact information for client questions must be listed, and, to the extent practicable, legal, privacy, and educational information must be provided separately from the main content of the correspondence. In all communications regarding a denial, reduction, suspension, or termination of benefits, the following must be included:

- an understandable explanation of denial, reduction, suspension, or termination;
- detailed information on the client’s household composition and income sources; and
- a specific description of any information or documents needed from the client.

When modifying Medicaid communications, HCPF is required to test the changes and solicit feedback from clients and stakeholders. HCPF is also required to appropriately prioritize communications that only affect a small number of clients or vulnerable populations. HCPF is encouraged to promote client communications electronically and through mobile applications. As a part of HCPF’s annual presentation to General Assembly, it must present information on its ongoing process to improve client communications.

State Expenditures

This bill increases costs by about \$1.7 million per year, primarily in HCPF. These costs are paid using, General Fund, cash funds, and federal funds. Costs will be incurred in the Office of Information Technology to conduct work on behalf of HCPF. Additionally, costs will be incurred in the Office of Administrative Courts (OAC) in the Department of Personnel and Administration (DPA) for translation services. The impacts of this bill are described below and summarized in Table 1.

Table 1. Expenditures Under SB 17-121		
Cost Components	FY 2017-18	FY 2018-19
Personal Services	\$122,882	\$134,054
FTE	1.8 FTE	2.0 FTE
Operating Expenses and Capital Outlay Costs	11,306	1,900
CBMS System Changes	932,285	135,630
MMIS System Changes	110,664	0
Printing and Mailing Costs	315,715	1,262,863
Client Correspondence Testing	125,000	125,000
Training	11,000	11,000
Outreach	7,500	7,500
Translation Services	8,100	1,350
Centrally Appropriated Costs*	24,353	26,832
Expenditures TOTAL	\$1,668,805	\$1,706,129

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

Personal services. HCPF requires 1.8 FTE in FY 2017-18 and 2.0 FTE in FY 2018-19 to identify the notices that need to be tested and updated, as well as manage the vendor conducting client testing for Medicaid notices. The personal services, operating, and capital outlay costs for these are broken out in Table 1. The fiscal note assumes that new employees will be hired after July 1, 2017.

Computer system changes. Satisfying the reporting requirements of this bill will require changes to the Colorado Benefits Management System (CBMS) and the Medicaid Management Information System (MMIS) at a cost of up to \$1,042,949 in FY 2017-18. These costs will be paid through General Fund, the Hospital Provider Fee Cash Fund, the Old Age Pension Fund, and federal funds.

CBMS. Including relevant information on client notices will require 5,815 hours of programming time at a cost of \$796,655 in FY 2017-18. Given the size of this IT project, the fiscal note assumes that the costs to include client-specific information in notices for FY 2017-18 cannot be absorbed in the existing annual appropriation for CBMS modifications (CBMS pool hours). If CBMS pool hours become available for some portion of this project, it is assumed these changes will be requested by HCPF through the annual budget process. Additional CBMS modifications will be required to update five letters per year after they will go through the client testing process. These changes are estimated to take 990 hours billed at \$137 per hour, for a total of \$135,630 in

FY 2017-18 and thereafter until updates to client letters are complete. It is assumed that the costs for testing letters will be absorbed in the pool hours in FY 2017-18 and thereafter, and no appropriation is required for this purpose.

MMIS. Modifications to MMIS are required to make changes to client correspondence. It will take 850 hours of computer programming and cost \$110,664 in FY 2017-18 to complete this work.

Printing and mailing costs. The addition of pages to Medicaid communications will generate increased costs for printing and mailing, as described below. This fiscal note assumes that changes to CBMS will result in four additional pages in each mailing, at a cost of \$.05 per page. Assuming two mailings are sent each year to the current number of Medicaid clients (1,332,134), additional charges for printing are expected to be \$570,153. Additionally, this fiscal note assumes that postage will increase \$0.26 per mailing and the number of letters sent annually will be 2,664,268. The total cost of additional postage costs is expected to be \$692,710. Costs in FY 2017-18 are prorated to reflect CBMS changes being implemented by March 30, 2018.

Client correspondence testing. HCPF will use a contractor to test correspondence with clients prior to making CBMS modifications. This contractor will examine and gather feedback on written communication and plain language with stakeholders to ensure any modifications to communications satisfy the requirements of the bill. Assuming the testing process for each letter costs \$25,000, this work would be \$125,000 each year to process five letters.

Training. It is assumed that HCPF staff will be required to undergo plain language training on an annual basis, as encouraged in the bill. The training costs are \$5,500 for a three day session, and it is assumed that HCPF will hold two sessions per year.

Outreach. It is assumed that HCPF will engage in additional outreach to promote electronic communications. This includes both printed and electronic materials such as posters, flyers, and email communications directed toward existing and potential Medicaid clients. This is expected to cost \$7,500 per year.

Translation services. The OAC in DPA will have costs of \$8,100 in FY 2017-18 and \$1,350 in FY 2018-19 and in future years for document translation services. The fiscal note assumes that the notice of appeal and notice of hearing will be translated into the top five languages spoken in Colorado in the first year, with one additional language added per year. Funds for FY 2017-18 will come from the General Fund, and every year thereafter funds will be reappropriated from HCPF.

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 SB 17-121		
Cost Components	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$13,342	\$14,820
Supplemental Employee Retirement Payments	11,011	12,012
TOTAL	\$24,353	\$26,832

Local Government Impact

This bill may decrease county workload, assuming the streamlined communications reduce the number of client inquiries concerning confusing notices.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017 as scheduled, and no referendum petition is filed, except that Section 2 of this bill only takes effect if House Bill 17-1143 becomes law, in which case this act takes effect on the effective date of this bill or House bill 17-1143, whichever is later.

State Appropriations

For FY 2017-18, the Department of Health Care Policy and Financing requires the following appropriations, and an allocation of 1.8 FTE:

- \$277,688 for personal services, operating expenses and special projects, of which \$99,995 is General Fund, \$38,849 is from the Hospital Provider Fee Cash Fee Fund, and \$138,844 is federal funds;
- \$110,664 for MMIS, of which \$39,850 is General Fund, \$15,482 is from the Hospital Provider Fee Cash Fund, and \$55,332 is Federal Funds;
- \$1,112,370 for CBMS system modifications, of which \$399,102 is General Fund, \$155,198 is from the Hospital Provider Fee Cash Fund, and \$2,793 is from the Old Age Pension Fund, and \$555,277 is Federal Funds.

For FY 2017-18, the Office of Information Technology requires \$1,112,370 in reappropriated funds from the Department of Health Care and Policy Financing

For FY 2017-18, the Department of Personnel and Administration requires a General Fund appropriation of \$8,100.

State and Local Government Contacts

Counties	Health Care Policy And Financing
Human Services	Information Technology
Law	Legislative Council Staff
Personnel and Administration	State Auditor