



Legislative  
Council Staff

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**FISCAL NOTE**

<b>Drafting Number:</b> LLS 20-1196	<b>Date:</b> May 26, 2020
<b>Prime Sponsors:</b> Rep. McCluskie	<b>Bill Status:</b> House Appropriations
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**Bill Topic:** USE FEES FOR MED ASSISTANCE PROG GEN FUND OFFSET

**Summary of Fiscal Impact:**

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

**Budget package bill.** The bill authorizes the use of hospital fee revenue to offset General Fund expenditures for Colorado's Medicaid program, and makes appropriations for that purpose.

**Appropriation Summary:** For FY 2020-21, the bill both increases and decreases appropriations in the Department of Health Care Policy and Financing by \$161.0 million.

**Fiscal Note Status:** The fiscal note reflects the introduced bill, which is recommended by the Joint Budget Committee as part of its FY 2020-21 budget balancing package.

**Table 1**  
**State Fiscal Impacts Under HB 20-1386**

		FY 2020-21	FY 2021-22
<b>Revenue</b>		-	-
<b>Expenditures</b>	General Fund	(\$161.0 million)	-
	Cash Funds	\$161.0 million	-
	<b>Total</b>	<b>\$0</b>	-
<b>Transfers</b>		-	-
<b>TABOR Refund</b>		-	-

## Summary of Legislation

The bill expands the purposes for which funds in the Healthcare Affordability and Sustainability Cash Fund can be used to include offsetting General Fund expenditures on the state's Medicaid program for FY 2020-21 only, and appropriates \$161.0 million for that purpose. The General Fund appropriation for Medicaid in the 2020 Long Bill is reduced by an equivalent amount.

In addition, the bill establishes that if the amount of Healthcare Affordability and Sustainability (HAS) Fee revenue collected exceeds federal limits, any required repayments of excess federal matching money and associated penalties must be paid by hospitals.

## Background

The Colorado Healthcare Affordability and Sustainability Enterprise in the Department of Health Care Policy and Financing collects the HAS fee from hospitals for the purpose of obtaining federal matching money to support the state's Medicaid and Indigent Care Programs. The amount of the fee is recommended by the enterprise board and established by the Medical Services Board. Federal regulation limits the amount of the fee to 6.0 percent of net patient revenues. If the state collects and spends revenue in excess of that limit, federal funds obtained to match the excess HAS fee amount must be repaid to the federal government.

## State Revenue

The bill may indirectly increase state cash fund revenue to the extent that requiring hospitals, rather than the state, to pay the costs of reimbursing the federal government for any excess federal matching money and associated penalties allows the Colorado Healthcare Affordability and Sustainability Enterprise to increase fees closer to the maximum amount allowed under federal law. Because the enterprise already has the authority to adjust its fee, the fiscal note does not attribute any additional revenue to this bill directly. For informational purposes, raising the fee from the current 5.75 percent to the maximum amount of 6.0 percent will increase HAS fee revenue by approximately \$74 million in FY 2020-21.

## State Expenditures

For FY 2020-21, cash fund expenditures in the Department of Health Care Policy and Financing will increase by \$161.0 million, and General Fund expenditures will decrease by the same amount. The bill results in no net change in state expenditures. Shifting these expenditures will decrease funds in the Healthcare Affordability and Sustainability Cash Fund that would otherwise be available to spend on other purposes.

## Effective Date

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

**State Appropriations**

For FY 2020-21, the bill includes an appropriations of \$161.0 million from the HAS Cash Fund to the Department of Health Care Policy and Financing. The department's General Fund appropriation in the 2020 Long Bill is reduced by the same amount.

**State and Local Government Contacts**

JBC Staff