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REVISED FISCAL NOTE

(replaces fiscal note dated February 25, 2020)

Drafting Number: LLS 20-0562 Date: May 28, 2020
Prime Sponsors: Sen. Tate; Fields Rep. Lontine Bill Status: House Finance
Fiscal Analyst: Max Nardo | 303-866-4776 Max.Nardo@state.co.us

Bill Topic: ALLOW MEDICAID BUY-IN PROGRAM AFTER AGE 65

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

The bill establishes a Medicaid buy-in program for working adults with disabilities who are 65 or older. It increases state revenue and expenditures on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The revised fiscal note reflects the reengrossed bill, as amended by the House Public Health Committee.

Table 1 State Fiscal Impacts Under SB 20-033

Table with 4 columns: Category, Sub-category, FY 2020-21, FY 2021-22, FY 2022-23. Rows include Revenue (Cash Funds, Total), Expenditures (General Fund, Cash Funds, Federal Funds, Total), Transfers, and TABOR Refund.

## **Summary of Legislation**

The Department of Health Care Policy and Financing (HCPF) administers a Medicaid buy-in program for working adults with disabilities up to age 64 that would not otherwise qualify for Medicaid due to income or assets. HCPF is directed to seek federal authorization to expand the program to include individuals in the "work incentives eligibility group", which is defined to match federal eligibility criteria for individuals who are age 65 or older with a disability who, except for assets or income, would be eligible for the supplemental security income program. However, HCPF cannot seek federal approval to expand the program unless sufficient funds are available for the administrative expenses to prepare and submit the application in the Healthcare Affordability and Sustainability Fee Cash Fund or from donations. The expanded buy-in must be implemented by July 1, 2022.

## **Background**

The existing Medicaid buy-in program for working adults with disabilities has eligibility criteria that differs from other Medicaid eligibility categories in that the income limit is higher and there is no asset limit. Clients in the buy-in program pay a monthly premium that is calculated on a sliding scale based on income, averaging about \$34 per month. The program has other cost recovery mechanisms such as estate recovery, which obtains assets from clients who die. Participation allows access to standard Medicaid benefits as well as certain home- and community-based waiver services depending on other eligibility criteria. The existing buy-in program is jointly funded with state and federal funds, though under this program, the state cannot draw a federal match for individuals over the age of 64. The program currently has 493 enrollees who are 64 years old.

## **Assumptions**

The fiscal note assumes that administrative work to establish the program and obtain federal approval will take place in FY 2021-22 and the expanded enrollment will begin in FY 2022-23.

## **State Revenue**

The bill increases state cash fund revenue by an estimated \$255,518 in FY 2022-23 and future years in premiums collected from clients buying in to the program. This assumes 622 participants paying premiums of about \$34 per month, which is based on the existing sliding scale for the buy-in program. The Medical Services Board is authorized to institute a different sliding scale for this program. This revenue is subject to state spending limits established in TABOR.

## **State Expenditures**

The bill increases state expenditures in HCPF by \$0.1 million in FY 2021-22, and \$3.0 million in FY 2022-23 and future years. These costs are paid from cash and federal funds. These costs, which include administrative expenses and medical services premiums, are shown in Table 2 and described below.

**Table 2  
 Expenditures Under SB 20-033**

	FY 2020-21	FY 2021-22	FY 2022-23
<b>Department of Health Care Policy and Financing</b>			
<b>Administrative Costs</b>			
Actuarial Analysis of Premium Structure	-	\$100,000	\$100,000
Caseload-based Administrative Costs	-	-	\$51,333
<b>Administrative Costs Subtotal</b>		<b>\$100,000</b>	<b>\$151,333</b>
<b>Medical Services</b>			
Medical Services Premiums	-	-	\$3,325,511
Caseload Shift from Current Medicaid	-	-	(\$497,223)
<b>Medical Services Subtotal</b>	-	-	<b>\$2,828,288</b>
<b>Total Cost</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$2,979,621</b>
<b>Total FTE</b>	-	-	-

**Administrative costs.** To prepare the application, HCPF will have an actuarial contractor reevaluate premium structures under new federal authority for the expanded population. Beginning in FY 2022-23, caseload-based costs include \$44,532 for counties and eligibility vendors to make Medicaid eligibility determinations; \$6,459 for a utilization management vendor, which is paid for each prior authorization request; and \$342 for medical identification cards. Changes to the Colorado Benefits Management System (CBMS) and Medicaid Management Information System (MMIS) can be accomplished within HCPF's existing appropriations.

**Medical services.** The bill will increase Medicaid caseload by an estimated 622 people in FY 2022-23. Medical services are estimated to cost \$5,346 per enrollee, based on the average cost for current buy-in members with Medicare coverage. Costs are split evenly between federal funds and the Healthcare Affordability and Sustainability Fee (HAS Fee) Cash Fund.

This enrollment estimate includes 93 individuals that transfer from another Medicaid enrollment category to this program, which shifts the state share from General Fund to HAS Fee cash fund. These individuals have an incentive to enroll in order to allow them to continue working and maintaining assets while accessing Medicaid benefits.

Specific eligibility criteria and a cost structure have not yet been defined in rule; therefore, HCPF will use the annual budget process to request changes in appropriations as needed.

**Effective Date**

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

**State and Local Government Contacts**

Health Care Policy and Financing  
Information Technology

Personnel  
Regulatory Agencies

Law