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Final Fiscal Note

Drafting Number:	LLS 21-0870	Date:	June 22, 2021
Prime Sponsors:	Sen. Moreno Rep. McCluskie	Bill Status:	Signed into Law
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Bill Topic: USE OF INCREASED MEDICAID MATCH

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 continues the state's use of a temporary increase in federal funds related to Medicaid from the Families First Coronavirus Response Act to reduce General Fund obligations rather than having the benefit accrue to cash funds.

Appropriation Summary: For FY 2021-22, the bill increases and decreases appropriations in multiple state agencies. See the State Appropriations section.

Fiscal Note Status: The fiscal note reflects the enacted bill.

**Table 1
State Fiscal Impacts Under SB 21-213**

		Budget Year FY 2021-22	Out Year FY 2022-23
Revenue	General Fund	\$7,396,818	\$4,814,340
	Total Revenue	\$7,396,818	\$4,814,340
Expenditures	General Fund	(\$67,561,519)	(\$5,115,592)
	Cash Funds	\$57,330,334	-
	Federal Funds	(\$13,127,686)	(\$6,563,843)
	Total Expenditures	(\$23,358,871)	(\$11,679,435)
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

Last year, House Bill 20-1385 allowed the state to use a temporary increase in federal funds related to Medicaid from the Family First Coronavirus Response Act to reduce General Fund obligations rather than having the benefit accrue to cash funds, for FY 2019-20 and FY 2020-21. This bill continues these provisions for any fiscal year in which the increased reimbursements are available.

Specifically, the amount of federal matching funds received in excess of 50.0 percent federal financial participation generated by increased reimbursements pursuant to the Families First Coronavirus Response Act are transferred to or otherwise accrue to the General Fund, for the following medical service payment types:

- provider fee on hospitals (Healthcare Affordability and Sustainability Fee Cash Fund);
- provider fee on nursing facilities (Medicaid Nursing Facility Cash Fund);
- University of Colorado Health Sciences Center; and
- expenditures reimbursed through certifications of public expenditures for services rendered to medically indigent individuals.

Background

On March 18, 2020, the Families First Coronavirus Response Act was signed into federal law. The act provides a temporary 6.2 percentage point increase to the federal match rate for each state's Medicaid spending effective beginning January 1, 2020, and extending through the last day of the calendar quarter in which the public health emergency declared by the Secretary of Health and Human Services for COVID-19.

Assumptions

The duration of the declared public health emergency is unknown; the fiscal note is based on the Joint Budget Committee's decision to assume for budgeting purposes that the increased federal match will be in effect through December 31, 2021.

Federal payments can lag the services they reimburse by as much as a year. Therefore, some fiscal impacts are expected to accrue in FY 2022-23 for services provided in FY 2021-22.

State Revenue

State General Fund revenue to the Department of Health Care Policy and Financing (HCPF) will increase by an expected \$7,396,818 in FY 2020-21 and \$4,814,340 in FY 2021-22. Revenue comes from excess federal matching funds for providers of services for medically indigent individuals, and is not subject to TABOR.

State Expenditures

Overall, the bill decreases state expenditures by \$23.4 million in FY 2021-22, which includes reductions of \$67.6 million from the General Fund and \$13.1 million in federal funds, and an increase of \$57.3 million in cash funds. For FY 2022-23, General Fund and federal fund expenditures decrease by \$11.7 million. These impacts are shown in Table 2 and discussed below.

Provider fee offsets. For FY 2021-22, the bill decreases General Fund expenditures by \$57.3 million in HCPF and increases cash fund expenditures from provider fees by the same total, resulting in no net change in state expenditures. The increased federal match rate on hospital and nursing facility provider fee expenditures offsets cash fund expenditures in these areas; the bill shifts these savings to the General Fund, keeping cash fund spending at the level it would be in the absence of the increased federal match.

CU Health Sciences Center. Care provided by faculty members at the University of Colorado medical campus can be eligible for payment through Medicaid, which is reappropriated to the Department of Higher Education from HCPF. The increased federal match rate for these expenditures reduces the General Fund obligation for these medical services. On net, for FY 2021-22, the bill decreases state spending in HCPF and the Department of Higher Education by about \$23.4 million, of which \$10.2 million is General Fund and \$13.1 million are federal funds, as well as reducing associated reappropriations of funds. In FY 2022-23, the bill decreases state spending in the Department of Higher Education by \$11.7 million, including \$5.1 million from the General Fund and \$6.6 million in federal funds.

**Table 2
Expenditures Under SB 21-213**

	FY 2021-22	FY 2022-23
HCPF – Provider Fees		
Healthcare Affordability and Sustainability Fee Cash Fund	\$53,694,293	-
Medicaid Nursing Facility Cash Fund	\$3,636,041	-
General Fund	(\$57,330,334)	-
Subtotal: provider fees	\$0	-
HCPF – University of Colorado		
CU Health Sciences Center (General Fund)	(\$10,231,185)	(\$5,115,592)
CU Health Sciences Center (Federal Funds)	(\$13,127,686)	(\$6,563,843)
Subtotal: HCPF – University of Colorado	(\$23,358,871)	(\$11,679,435)
Total	(\$23,358,871)	(\$11,679,435)

Effective Date

This bill was signed into law by the Governor and took effect on May 4, 2021.

State Appropriations

For FY 2021-22, the bill includes the following changes to appropriations for HCPF:

- decreases General Fund appropriations for Medicaid by \$57,330,334;
- increases cash fund Medicaid appropriations by the same amount, of which \$53,694,293 is from the Healthcare Affordability and Sustainability Fee Cash Fund and \$3,636,041 is from the Medicaid Nursing Facility Cash Fund; and
- decreases federal funds anticipated for Medicaid by \$13,127,686.

For FY 2021-22, the bill reduces General Fund appropriations to the Department of Higher Education by \$10,231,185, along with the corresponding reappropriation of funds to HCPF and the University of Colorado Board of Regents.

State and Local Government Contacts

Joint Budget Committee