



Colorado General Assembly
Joint Budget Committee

JOINT BUDGET COMMITTEE STAFF FY 2019-20 BUDGET BRIEFING SUMMARY

*Department of Healthcare Policy and Financing
Executive Director's Office, Medical Services Premiums, Indigent Care Programs,
and Other Medical Programs*

The Department of Health Care Policy and Financing helps pay health and long-term care expenses for low-income and vulnerable populations. To assist with these costs the Department receives significant federal matching funds, but must adhere to federal rules regarding program eligibility, benefits, and other features, as a condition of accepting the federal money. The Department's FY 2018-19 appropriation represents approximately 33.2 percent of statewide operating appropriations and 25.4 percent of statewide General Fund appropriations.

FY 2018-19 APPROPRIATION AND FY 2019-20 REQUEST

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2018-19 APPROPRIATION:						
HB 18-1322 (Long Bill)	10,130,526,763	2,891,689,537	1,290,827,504	84,557,891	5,863,451,831	491.4
Other legislation	26,009,872	12,889,465	1,195,195	0	11,925,212	14.9
TOTAL	\$10,156,536,635	\$2,904,579,002	\$1,292,022,699	\$84,557,891	\$5,875,377,043	506.3
FY 2019-20 REQUESTED APPROPRIATION:						
FY 2018-19 Appropriation	\$10,156,536,635	2,904,579,002	\$1,292,022,699	\$84,557,891	\$5,875,377,043	506.3
R1 Medical Services Premiums	354,643,647	166,725,932	79,381,786	74,999	108,460,930	0.0
R2 Behavioral Health	26,909,077	12,743,445	6,764,296	0	7,401,336	0.0
R3 Children's Basic Health Plan	27,968,602	0	22,506,477	0	5,462,125	0.0
R4 Medicare Modernization Act	1,520,436	1,520,436	0	0	0	0.0
R5 Office of Community Living	6,298,371	2,526,890	701,023	0	3,070,458	0.0
R6 Local administration transformation	3,266,842	2,090,396	202,724	3	973,719	2.5
R7 Primary care alternative payment	2,570,871	535,928	281,908	0	1,753,035	1.8
R8 Benefits and technology advisory committee	342,248	124,897	46,227	0	171,124	1.8
R9 Long-term home health and private duty nursing acuity tool	358,583	179,292	0	0	179,291	0.0
R10 Transform customer experience	2,215,752	753,356	354,520	0	1,107,876	1.8
R11 All-Payer Claims Database	2,619,731	2,811,464	0	0	(191,733)	0.0
R12 Medicaid enterprise operations	26,407,927	654,663	1,828,468	0	23,924,796	1.8
R13 Provider rate adjustments	61,064,820	26,768,039	1,750,713	0	32,546,068	0.0
R14 Office of Community Living governance	1,561,165	422,482	250,000	0	888,683	0.9
R15 Operational compliance and oversight	(780,722)	0	5,355	0	(786,077)	5.5
R16 Employment first initiatives and state programs for IDD	3,028,666	(800,000)	3,828,666	0	0	1.8
NP CBMS PEAK	20,350,847	4,090,801	2,084,566	(93,565)	14,269,045	0.0
NP Office of Electronic Health Information	1,759,468	981,831	0	0	777,637	0.0
NP Transfer home modification child welfare program	57,800	28,900	0	0	28,900	0.0
Centrally appropriated items	2,415,944	821,588	237,882	40,982	1,315,492	0.0

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
Transfers to other agencies	414,600	158,090	0	30,738	225,772	0.0
Annualize prior year budget actions	(80,384,983)	(20,323,711)	1,119,583	1,097	(61,181,952)	4.5
Human Services programs	(2,080,827)	(1,045,607)	5,171	0	(1,040,391)	0.0
Tobacco forecast	(43,369)	(43,369)	0	0	0	0.0
TOTAL	\$10,619,022,131	\$3,106,304,745	\$1,413,372,064	\$84,612,145	\$6,014,733,177	528.7
INCREASE/(DECREASE)	\$462,485,496	\$201,725,743	\$121,349,365	\$54,254	\$139,356,134	22.4
Percentage Change	4.6%	6.9%	9.4%	0.1%	2.4%	4.4%

R1 MEDICAL SERVICES PREMIUMS: The Department requests a net increase of \$354.6 million total funds, including \$166.7 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for the Medical Services Premiums line item. *See the issue brief “Forecast Trends” for more information.*

R2 BEHAVIORAL HEALTH PROGRAMS: The Department requests a net increase of \$26.9 million total funds, including an increase of \$12.7 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for behavioral health services. *See the 12/11/18 briefing on Behavioral Health Community Programs for more information.*

R3 CHILDREN'S BASIC HEALTH PLAN: The Department requests a net increase of \$28.0 million total funds for projected changes in caseload, per capita expenditures, and fund sources for the Children's Basic Health Plan. *See the issue brief “Forecast Trends” for more information.*

R4 MEDICARE MODERNIZATION ACT: The Department requests an increase of \$1.5 million General Fund for the projected state obligation, pursuant to the federal Medicare Modernization Act, to pay the federal government in lieu of the state covering prescription drugs for people dually eligible for Medicaid and Medicare. *See the issue brief “Forecast Trends” for more information.*

R5 OFFICE OF COMMUNITY LIVING: The Department requests a net increase of \$6.3 million total funds, including \$2.5 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for services for people with intellectual and developmental disabilities. *See the 12/11/18 briefing on the Office of Community Living for more information.*

R6 LOCAL ADMINISTRATION TRANSFORMATION: The Department requests \$3.3 million, including \$2.1 million General Fund, and 2.5 FTE for three initiatives to improve county administration of public assistance:

- Consolidate returned mail processing to remove it from county responsibilities;
- Increase incentive funding for county performance; and
- Centralize administration of non-emergency medical transportation (NEMT).

The Department anticipates the consolidation of returned mail processing and the county incentive payments will help the Department identify people who have moved out of state more quickly, leading to savings in FY 2020-21 that partially offset costs. Centralizing the administration of non-emergency medical transportation is intended to improve consistency and customer service and reduce county workloads.

R6 Local Administration						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20						
Consolidate returned mail	\$876,996	\$273,849	\$74,351	\$0	\$528,796	0.9
<i>Administration</i>	180,231	58,316	20,803	0	101,112	0.9
<i>Development</i>	696,765	215,533	53,548	0	427,684	0.0
<i>Cost avoidance</i>	0	0	0	0	0	0.0
County incentive payments	1,586,624	1,529,452	13,859	0	43,313	0.9
<i>Administration</i>	86,624	29,452	13,859	0	43,313	0.9
<i>Incentive payments</i>	1,500,000	1,500,000	0	0	0	0.0
Centralize admin of NEMT	803,219	287,095	114,514	0	401,610	0.7
TOTAL- HCPF	\$3,266,839	\$2,090,396	\$202,724	\$0	\$973,719	2.5
Hunan Services share of mail	27,865	4,578	13,401	0	9,886	0.0
TOTAL - All Departments	\$3,294,704	\$2,094,974	\$216,125	\$0	\$983,605	2.5
FY 2020-21						
Consolidate returned mail	(\$5,107,840)	(\$1,594,822)	(\$212,326)	\$111,942	(\$3,412,634)	1.0
<i>Administration</i>	3,403,423	1,020,785	260,051	111,942	2,010,645	1.0
<i>Development</i>	0	0	0	0	0	0.0
<i>Cost avoidance</i>	(8,511,263)	(2,615,607)	(472,377)	0	(5,423,279)	0.0
County incentive payments	1,588,294	1,530,020	14,127	0	44,147	1.0
<i>Administration</i>	88,294	30,020	14,127	0	44,147	1.0
<i>Incentive payments</i>	1,500,000	1,500,000	0	0	0	0.0
Centralize admin of NEMT	2,084,957	748,221	294,257	0	1,042,479	1.0
TOTAL- HCPF	(\$1,434,589)	\$683,419	\$96,058	\$111,942	(\$2,326,008)	3.0
Hunan Services share of mail	112,608	18,502	54,157	0	39,949	0.0
TOTAL - All Departments	(\$1,321,981)	\$701,921	\$150,215	\$111,942	(\$2,286,059)	3.0

R7 PRIMARY CARE ALTERNATIVE PAYMENT: The Department requests \$2.6 million total funds, including \$535,928 General Fund, and 1.8 FTE for three initiatives to expand and improve performance payments for primary care.

- *Risk Sharing Option* - Request federal approval to offer providers an option to split current fee-for-service payments into a portion that is paid on a capitated basis and a remainder that is paid on a fee-for-service basis
- *Clinical Quality Measures* - Collect Electronic Clinical Quality Measure (eCQM) information from providers, which can be more useful for designing effective performance payments than claims data
- *Claims data common format* - Finance Medicaid's share of work by the Multi-Payer Collaborative to aggregate claims data in a common format, so that Medicaid can use the same performance measures, definitions, and data sources as other payers and not pull providers in multiple directions

The Department expects expanding and improving performance payments will result in better health outcomes and lower costs, and the Department projects savings, beginning in FY 2021-22, at least as great as the General Fund cost.

R8 BENEFITS AND TECHNOLOGY COMMITTEE: The Department requests \$342,248 total funds, including \$124,897 General Fund, and 1.8 FTE to create a standing benefits and technology advisory committee to evaluate new evidence-based research to inform decisions about the amount, scope, and duration of benefits. The Department currently invites interested parties to assist with benefit reviews through the Benefits Collaborative, but the lack of a standing membership has led to criticism of the process as biased toward those who choose to participate. The requested funding would pay for staff for the proposed committee, an annual budget of \$150,000 for outside research and expert consultation, and, beginning in FY 2020-21, \$250,000 for an annual external evaluation of the cost savings of each initiative implemented. The Department anticipates savings from otherwise projected expenditures of approximately \$5.0 million total funds (\$1.4 million General Fund) per year, beginning in FY 2020-21, from improved health outcomes when benefit policies are better aligned with evidence-based research.

R9 LONG-TERM HOME HEALTH AND PRIVATE DUTY NURSING ACUITY TOOL: The Department requests \$358,583 total funds, including \$179,292 General Fund, to develop a statistically-valid and clinically-based tool for assessing the needs of clients for long-term home health services and for private duty nursing services. According to the Department, current methods for assessing needs are inconsistent and/or rely on tools designed for other purposes or tools that are outdated and insufficiently validated. The Department projects improved needs assessments will result in a shift of utilization toward lower cost alternative Home- and Community-Based Services, resulting in savings beginning in FY 2020-21.

R9 Long-term Home Health and Private Duty Nursing Acuity Tool					
	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Stakeholder engagement	\$26,580	\$13,290	\$13,290	\$0	\$0
Tool development	332,003	195,373	0	0	0
Post-implementation evaluation	0	0	0	50,000	50,000
Shift in utilization	0	(704,982)	(7,837,543)	(13,485,585)	(14,707,037)
TOTAL	\$358,583	(\$496,319)	(\$7,824,253)	(\$13,435,585)	(\$14,657,037)
General Fund	179,292	(242,042)	(3,844,124)	(6,600,784)	(7,200,912)
Cash Funds	0	(3,573)	(39,722)	(68,347)	(74,538)
Federal Funds	179,291	(250,704)	(3,940,407)	(6,766,454)	(7,381,587)

R10 CUSTOMER EXPERIENCE: The Department requests \$2.2 million total funds, including \$753,356 General Fund, and 1.8 FTE for several initiatives to improve customer experience.

- Update, index, and expand the automated call center knowledge library
- Create a pool of call center temporary staff to address turnover and employee absences
- Contract for assistance ensuring that all communications to clients, including those produced by vendors, use plain language, consistent terminology, and proper translation
- Automate online chat assistance to use artificial intelligence for the most commonly asked questions
- Utilize one-time contract services and on-going in-house staff to improve and maintain training for call center staff and quality control for communications
- Provide funding to support volunteer clients who serve on the Member Experience Advisory Councils that provide recommendations on Department communications and procedures for Medicaid and the Children's Basic Health Plan

R10 Customer Experience					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
<u>FY 2019-20</u>					
Call center knowledge library	\$300,000	\$102,000	\$48,000	\$150,000	0.0
Call center temporary pool	499,200	169,728	79,872	249,600	0.0
Plain language contract	192,000	65,280	30,720	96,000	0.0
Automate on-line chat	920,000	312,800	147,200	460,000	0.0
Improve training and quality control	267,248	90,865	42,759	133,624	1.8
Member Experience Advisory Committees	37,304	12,683	5,969	18,652	0.0
Total	\$2,215,752	\$753,356	\$354,520	\$1,107,876	1.8
<u>FY 2020-21</u>					
Call center knowledge library	\$40,000	\$13,600	\$6,400	\$20,000	0.0
Call center temporary pool	499,200	169,728	79,872	249,600	0.0
Plain language contract	192,000	65,280	30,720	96,000	0.0
Automate on-line chat	184,000	62,560	29,440	92,000	0.0
Improve training and quality control	170,588	57,999	27,295	85,294	2.0
Member Experience Advisory Committees	37,304	12,683	5,969	18,652	0.0
Total	\$1,123,092	\$381,850	\$179,696	\$561,546	2.0

R11 ALL-PAYER CLAIMS DATABASE: The Department requests a net increase of \$2.6 million total funds, including \$2.8 million General Fund, to finance the All-Payer Claims Database (APCD). House Bill 18-1327, sponsored by the JBC, allowed General Fund to support the APCD and appropriated funding based on Medicaid's share of the costs. However, the federal government approved a different method to estimate Medicaid's share of costs than assumed in last year's bill, resulting in a funding shortfall that the Department proposes closing with General Fund. Also, the Department proposes increasing funding in FY 2019-20 and providing inflationary increases in out years to allow the APCD staff to focus on data quality, rather than fundraising, and to stabilize support for the APCD.

R11 All-Payer Claims Database			
	TOTAL FUNDS	GENERAL FUND	FEDERAL FUNDS
Close funding gap	\$0	\$191,733	(\$191,733)
Increase funding	2,619,731	2,619,731	0
TOTAL	\$2,619,731	\$2,811,464	(\$191,733)

R12 MEDICAID ENTERPRISE OPERATIONS: The Department requests \$26.4 million total funds, including \$654,663 General Fund, and 1.8 FTE to address operating and compliance issues with a collection of information technology systems and processes related to eligibility, benefits authorization, and claims processing. The federal government refers to these information technology systems and processes as the Medicaid Enterprise System. The request is not related to the provider fee on hospitals that is designated as an enterprise under TABOR. In addition to the request for the Department of Health Care Policy and Financing, there are components of the request that affect the Governor's Office of Information Technology.

The Legislative Requirements for System Functionality component of the request includes resources for the time-intensive federal process of certifying that recently reprocurd components of the Medicaid Enterprise System are operating as intended. Federal certification is necessary to continue qualifying for an enhanced federal match. Also, it includes funds for a new care and case management tool to replace systems that are outdated and do not communicate with each other or the Department's billing system. It makes adjustments to estimated costs for implementing S.B. 16-192 regarding a single assessment tool and S.B. 18-266, which authorized claims editing software to improve the accuracy of claims edits. Finally, it includes funds for federally required information technology architecture self-assessments and independent verification and validations.

The components for Improvements to Member/Provider Support and Planning for Future of Medicaid Enterprise are about improving and maintaining responsiveness and strategic planning.

R12 Medicaid Enterprise Operations					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
FY 2018-19					
Legislative requirements on system functionality	\$5,569,423	(\$3,682)	\$171,545	\$5,401,560	0.0
Improvements to member/provider experience	3,907,866	437,106	262,168	3,208,592	0.0
Planning for future of Medicaid Enterprise	0	0	0	0	0.0
TOTAL	\$9,477,289	\$433,424	\$433,713	\$8,610,152	0.0
FY 2019-20					
Legislative requirements on system functionality	5,999,604	(1,510,423)	334,721	7,175,306	0.0
Improvements to member/provider experience	13,312,176	1,528,602	938,745	10,844,829	0.9
Planning for future of Medicaid Enterprise	8,096,148	910,285	605,702	6,580,161	0.9
TOTAL	\$27,407,928	\$928,464	\$1,879,168	\$24,600,296	1.8
FY 2020-21					
Legislative requirements on system functionality	4,912,672	(398,221)	228,423	5,082,470	0.0
Improvements to member/provider experience	12,663,985	1,493,294	891,804	10,278,887	1.0
Planning for future of Medicaid Enterprise	15,396,283	1,959,443	1,222,265	12,214,575	1.0
TOTAL	\$32,972,940	\$3,054,516	\$2,342,492	\$27,575,932	2.0

R13 PROVIDER RATES: The Department requests a net increase of \$61.1 million total funds, including \$56.8 million General Fund, for changes to provider rates.

R13 Provider Rates				
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS
Personal care/Homemaker	\$20,534,428	\$10,267,214	\$0	\$10,267,214
Home- & Community-Based Services	10,167,918	5,083,959	0	5,083,959
Transportation	6,828,678	1,825,047	526,754	4,476,877
Dental	4,451,570	803,064	739,851	2,908,655
Maternity	4,373,298	1,966,672	0	2,406,626
Other	211,190	62,517	10,164	138,509
Primary care/Radiology/PT&OT	0	0	0	0
Laboratory/Pathology	(9,262,666)	(2,301,773)	(470,544)	(6,490,349)
Anesthesia	(8,519,153)	(2,514,854)	(412,327)	(5,591,972)
Diabetes test strips	(2,301,070)	(873,026)	(70,414)	(1,357,630)
Subtotal - Targeted Changes	\$26,484,193	\$14,318,820	\$323,484	\$11,841,889
Across-the-board 0.75 percent	34,580,627	12,449,219	1,427,229	20,704,179
Total	\$61,064,820	\$26,768,039	\$1,750,713	\$32,546,068

See the issue brief "Provider Rates" for more information.

R14 OFFICE OF COMMUNITY LIVING GOVERNANCE: The Department requests \$1.6 million total funds, including \$422,482 General Fund, and 0.9 FTE for five initiatives to improve the Office of Community Living:

- Contract with a case management broker to assist clients in selecting a case management agency, in order to comply with conflict-free case management requirements
- Address inadequate funding for the federally-mandated Preadmission Screening and Resident Review (PASRR) that identifies mental health or intellectual and developmental disability needs before people enter a nursing home, and separate responsibility for administering the PASRR from entities that provide services, in order to remove a potential conflict of interest

- Continue funding for staff associated with the Behavioral Health Crisis Pilot, in order to coordinate behavioral health services for people with intellectual and developmental disabilities
- Increase a statutory limit on the amount of nursing home civil penalty revenues that can be used for nursing home innovation grants, in order to spend down the fund balance and improve nursing care
- Increase oversight of Individual Residential Support Services for people with intellectual and developmental disabilities by giving the Medical Services Board rule-making authority in statute and providing funding for the Department of Local Affairs to conduct housing quality inspections

The last two initiatives would require legislation.

R15 OPERATIONAL COMPLIANCE AND OVERSIGHT: The Department requests a net decrease of \$780,722 total funds and an increase of 5.5 FTE for seven compliance and oversight initiatives:

- *Eligibility system audits* – Contract for services and hire internal staff to audit eligibility determinations, which the Department projects will lead to faster corrections and savings
- *PACE oversight* – Hire staff to increase oversight of billing, quality and adequacy of care, and enrollment for the fast-growing Program for All-Inclusive Care for the Elderly (PACE), which serves elderly people who meet nursing level of care and within a flat rate tries to manage care and provide community supports to allow clients to live as independently as possible
- *Managed care financial reviews* – Increase contracts to perform financial reviews of managed care organizations and their subcontracts to ensure accurate rates
- *Hospital back-up data validation* – Contract for services to validate data used in rate setting for the hospital back-up program, which provides nursing services for high-acuity patients and allows them to discharge from a hospital setting
- *Single Entry Point oversight* - Hire staff to meet federal oversight standards for the Single Entry Points, which provide case management, care planning, and referrals for long-term services and supports
- *Audit management* – Hire staff to manage an announced increase in federal audits and ensure federal auditors receive the information needed in a timely and coordinated fashion
- *Claims review for intellectual and developmental disability services* – Hire staff to investigate and recover erroneously paid claims for services for people with intellectual and developmental disabilities in response to referrals from the Department of Public Health and Environment, internal staff, case management agencies, etc.

R15 Operational compliance and oversight					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
<u>FY 2019-20</u>					
Eligibility system audits	(\$1,528,973)	(\$335,896)	(\$27,139)	(\$1,165,938)	0.9
<i>Staff</i>	91,744	26,946	15,962	48,836	0.9
<i>Contract services</i>	111,499	45,375	31,889	34,235	0.0
<i>Eligibility corrections</i>	(1,732,216)	(408,217)	(74,990)	(1,249,009)	0.0
PACE oversight	231,744	115,872	0	115,872	0.9
<i>Staff</i>	91,744	45,872	0	45,872	0.9
<i>Contract services</i>	140,000	70,000	0	70,000	0.0
Managed care financial reviews	85,794	23,594	16,531	45,669	0.0
Hospital back-up data validation	64,000	32,000	0	32,000	0.0
Single Entry Point oversight	183,225	91,613	0	91,612	1.8
Audit management	91,744	26,945	15,963	48,836	0.9
Claims review for IDD	91,744	45,872	0	45,872	0.9
TOTAL	(\$780,722)	\$0	\$5,355	(\$786,077)	5.4
<u>FY 2020-21</u>					
Eligibility system audits	(\$2,670,274)	(\$596,279)	\$10,128	(\$2,084,123)	1.0
<i>Staff</i>	94,154	27,653	16,377	50,124	1.0
<i>Contract services</i>	700,000	192,500	143,732	363,768	0.0
<i>Eligibility corrections</i>	(3,464,428)	(816,432)	(149,981)	(2,498,015)	0.0
PACE oversight	94,154	47,076	0	47,078	1.0
<i>Staff</i>	94,154	47,076	0	47,078	1.0
<i>Contract services</i>	0	0	0	0	0.0
Managed care financial reviews	85,794	23,594	16,531	45,669	0.0
Hospital back-up data validation	64,000	32,000	0	32,000	0.0
Single Entry Point oversight	188,076	94,039	0	94,037	2.0
Audit management	94,154	27,654	16,377	50,123	1.0
Claims review for IDD	94,154	47,077	0	47,077	1.0
TOTAL	(\$2,049,942)	(\$324,839)	\$43,036	(\$1,768,139)	6.0

R16 EMPLOYMENT FIRST INITIATIVES AND STATE PROGRAMS FOR PEOPLE WITH IDD: The Department requests a net increase of \$3.0 million total funds, including a decrease of \$800,000 General Fund, and 1.8 FTE to: 1) conduct a supported employment pilot program for individuals with intellectual and developmental disabilities; 2) eliminate the current waitlist for the State-only Supported Living Services Program; and 3) enroll 272 waitlist members onto the Family Support Services Program.

CENTRALLY APPROPRIATED ITEMS: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; salary survey; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; Capitol complex leased space; payments to the Governor's Office of Information Technology (OIT); and CORE operations.

TRANSFERS TO OTHER STATE AGENCIES: The Department requests \$414,600 total funds, including \$158,090 General Fund, for transfers to programs administered by other departments, primarily for the Facility Survey and Certification program in the Department of Public Health and Environment.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS: The request includes adjustments for out-year impacts of prior year legislation and budget actions, summarized in the table below. The titles of the annualizations begin with either a bill

number or the relevant fiscal year. For budget decisions made in the Long Bill, the title includes a reference to the priority number the Department used in that year for the initiative, if relevant.

The largest increase is for H.B. 18-1407, which expanded eligibility and increased provider rates for certain services for people with intellectual and developmental disabilities. The largest decrease is for H.B. 17-1353, which projected savings as a result of changes to the Accountable Care Collaborative and performance-based payments for primary care and behavioral health services. The second largest decrease is for S.B. 18-266, which (1) authorized cost and quality technology to help the Regional Accountable Entities identify the most effective providers and medications and steer clients to these resources, (2) implemented a hospital admission review program, (3) authorized billing system safeguards, and (4) created an administrative unit dedicated to resource control.

Prior Year Budget Actions						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
HB 18-1407 Access to disability services	\$42,809,549	\$21,512,521	\$0	\$0	\$21,297,028	0.3
FY 18-19 BA12 Public school health	12,223,893	0	6,111,946	0	6,111,947	0.0
FY 18-19 R17 Single assessment tool	6,521,399	3,260,700	0	0	3,260,699	0.0
FY 18-19 R9 Provider rate adjustments	6,125,482	2,392,249	175,341	0	3,557,892	0.0
SB 16-192 IDD Assessment tool	2,934,860	1,467,430	0	0	1,467,430	0.0
FY 18-19 Twelve-month contraceptive supply	1,160,668	28,016	102,189	0	1,030,463	0.0
FY 07-08 S5 Revised federal rule for PERM program	588,501	147,125	102,988	0	338,388	0.0
FY 18-19 R6 Electronic visit verification	581,196	350,707	0	0	230,489	0.3
FY 18-19 NP CBMS-PEAK annual adjustment	542,909	118,673	69,443	1,743	353,050	0.0
HB 18-1328 Redesign children health waiver	339,835	169,917	0	0	169,918	0.2
SB 18-145 Employment first recommendations	303,525	303,525	0	0	0	0.1
SB 17-091 Home health services in community	148,050	69,867	4,032	0	74,151	0.0
SB 18-200 PERA	129,062	47,659	9,258	2,635	69,510	0.0
FY 17-18 R10 RCTF recommendation	13,217	6,609	0	0	6,608	0.0
FY 18-19 R18 Vendor consolidation	7,328	2,401	1,263	0	3,664	0.0
FY 18-19 CHASE admin costs	3,932	0	1,965	0	1,967	1.1
HB 18-1327 All-payer Health Claims	3,141	1,571	0	0	1,570	0.1
FY 17-18 R8 MMIS operations	0	(15,266)	32,717	22	(17,473)	0.0
FY 17-18 R16 CU School of Medicine sup payment	0	0	0	1	(1)	0.0
HB 17-1353 Medicaid delivery and payment initiatives	(104,141,668)	(35,769,688)	(3,842,355)	0	(64,529,625)	0.4
SB 18-266 Controlling Medicaid costs	(38,281,506)	(10,617,803)	(2,003,395)	0	(25,660,308)	1.2
FY 18-19 R8 Medicaid savings initiatives	(3,200,085)	(2,201,319)	2,447,255	(3,304)	(3,442,717)	1.1
HB 18-1326 Transition from institutional setting	(3,159,236)	(1,444,618)	0	0	(1,714,618)	0.0
FY 18-19 R11 Admin contracts	(1,246,191)	(1,275,237)	0	0	29,046	0.0
HB 15-1368 Cross-system Response Pilot	(916,217)	0	(916,217)	0	0	(1.0)
FY 18-19 R14 Safety net program adjustments	(611,367)	0	(611,367)	0	0	0.0
FY 18-19 R10 Drug cost containment	(505,885)	(38,124)	(13,307)	0	(454,454)	0.0
SB 17-267 Sustainability of rural CO	(436,536)	(76,809)	(15,560)	0	(344,167)	0.0
FY 17-18 R6 Delivery system and payment reform	(431,184)	2,010,359	(273,520)	0	(2,168,023)	0.0
FY 18-19 IDD Waiver consolidation	(301,500)	(150,750)	0	0	(150,750)	0.0
FY 06-07 R8 Nursing facility appraisals	(279,746)	(139,873)	0	0	(139,873)	0.0
FY 17-18 BA9 Pueblo regional center corrective action	(267,864)	(133,932)	0	0	(133,932)	0.0
FY 18-19 BA14 Business utilization system	(230,040)	(115,020)	0	0	(115,020)	0.0
HB 18-1321 Non-emergency medical transportation	(212,863)	(101,559)	9,748	0	(121,052)	0.2
HB 18-1003 Opioid misuse prevention	(175,000)	0	(175,000)	0	0	0.0
HB 17-1343 Conflict-free case management	(150,000)	0	(75,000)	0	(75,000)	0.0
SB 18-231 Transition to community services	(109,500)	(109,500)	0	0	0	0.0
FY 15-16 R9 Public health record and online health ed	(95,070)	(9,507)	0	0	(85,563)	0.0
HB 18-1136 Substance use disorder treatment	(49,681)	(16,278)	(8,562)	0	(24,841)	0.5
CDPHE Prior year salary survey	(11,003)	(4,401)	0	0	(6,602)	0.0
HB 15-1368 Cross-system Response Pilot impact on cost allocation	(5,882)	8,397	(14,279)	0	0	0.0
CDPHE FY 17-18 R3 Health survey	(3,506)	(1,753)	0	0	(1,753)	0.0
TOTAL	(\$80,384,983)	(\$20,323,711)	\$1,119,583	\$1,097	(\$61,181,952)	4.5

HUMAN SERVICES PROGRAMS: The Department's request reflects adjustments for several programs that are financed with Medicaid funds, but operated by the Department of Human Services. *See the briefings for the Department of Human Services for more information.*

TOBACCO FORECAST: The Department requests a decrease of \$43,369 General Fund based on a new forecast of tobacco tax revenues available to finance the Children's Basic Health Plan.

OTHER ISSUES IN THE GOVERNOR’S REQUEST

SET ASIDE FOR SUPPLEMENTALS: The Governor’s budget letter includes a set aside in FY 2018-19 of \$20.1 million General Fund for potential supplementals for the Department of Health Care Policy and Financing, including \$19.6 million for the most recent forecast of enrollment and expenditures and \$433,424 for the FY 2018-19 impact of a discretionary request. Although the Governor’s official supplemental request is not due until January 2019, the budget request for the Department includes projected FY 2018-19 impacts associated with the following requests.

FY 2018-19 Set-Aside for Supplementals					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
R1 Medical Services Premiums	235,732,421	39,232,431	121,025,050	106,282	75,368,658
R2 Behavioral Health	(16,862,088)	(208,296)	(1,526,548)	0	(15,127,244)
R3 Children's Basic Health Plan	7,306,529	0	513,646	0	6,792,883
R4 Medicare Modernization Act	(4,453,533)	(4,453,533)	0	0	0
R5 Office of Community Living	(29,039,991)	(14,929,804)	414,411	0	(14,524,598)
R12 Medicaid enterprise operations	9,477,289	433,424	433,713	0	8,610,152
Total	\$202,160,627	\$20,074,222	\$120,860,272	\$106,282	\$61,119,851

POTENTIAL LEGISLATION

- In *R14 Office of Community Living governance*, the Department proposes increasing a statutory limit on annual expenditures from nursing home civil penalty revenues and giving the Medical Services Board rule-making authority for the Individual Residential Support Services, both of which would require legislation.
- In *R1 Medical Services Premiums*, the Department's forecast assumes the legislative authority for the Breast and Cervical Cancer Prevention and Treatment Program will be renewed, but this would require a bill. The Breast and Cervical Cancer Prevention and Treatment Program provides diagnostic and screening services to low-income uninsured and underinsured people who do not qualify for Medicaid, using cash funds revenue from specialty license plate fees.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

MEDICAID'S ROLE IN COLORADO: This issue brief provides context for where Medicaid fits in the health coverage landscape in Colorado, which might be useful as background for potential proposals aimed at universal health care. Governor-elect Polis expressed support for universal health care when on the campaign trail. Medicaid currently covers 23 percent of the population statewide, but the importance of Medicaid varies by region and service type. Public insurance, including Medicare, covers 38.1 percent of the statewide population, but in 21 counties more than 50 percent of the population is on public insurance. An estimated 350,000 people remain uninsured in Colorado with 25 percent lacking documentation. In addition to the long-term goal of universal health coverage, Governor-elect

Polis provided on the campaign trail a "100-Day Roadmap" that may provide clues about health proposals to expect in the legislative session.

FORECAST TRENDS: Requests R1 through R5 are based on the Department's most recent forecasts of enrollment and expenditures under current law and policy and account for over 90 percent of the new funding proposed. These requests explain what drives the budget, but they are non-discretionary, as they represent the expected obligations under current law and policy. It would take a change to current law or policy to change the trends.

HOSPITALS: Hospital care represents roughly 31 percent of the Department's expenditures for Medicaid services. However, 48 percent of the expenditures are attributable to supplemental payments financed with a provider fee on hospitals. In addition, the Medicaid client mix served by hospitals includes expansion populations financed with the provider fee on hospitals and a 90 percent federal match. As a result, hospital expenditures represent 14 percentage of the Department's General Fund budget. Hospital expenditures per adjusted discharge are higher and rising faster than national averages. Within Colorado, hospital expenditure patterns vary widely. The Department is meeting with hospitals to understand the variations and inform policies and payment methods to encourage efficient operation and reduce the cost shift from Medicaid to private insurance.

LONG-TERM SERVICES AND SUPPORTS: Long-term services and supports represent 28 percent of Medicaid total funds expenditures, but 45 percent of General Fund expenditures. Expenditures for home health, private duty nursing, the Home- and Community-Based Services waivers, and the Program for All-Inclusive Care for the Elderly are growing more rapidly than enrollment of the elderly and people with disabilities. For Home- and Community-Based Services waivers this is a function of provider rate increases, especially for personal care and homemaker services, and an increase in units per utilizer. For the other services, it is largely a function of increases in the number of utilizers.

PROVIDER RATES: Through *R13 Provider rates* the Department requests a net increase of \$61.1 million total funds, including \$26.8 million General Fund, for both positive and negative changes to provider rates. Of the increase, \$26.5 million total funds, including \$14.3 million General Fund, is for targeted rate increases, primarily for rates identified by the Medicaid Provider Rate Review Advisory Committee as needing adjustment. The remaining \$34.6 million total funds, including \$12.4 million General Fund, is for an across-the-board 0.75 percent increase.

FOR MORE INFORMATION

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TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2019-20_hcpbrf1.pdf