

MEMORANDUM

TO: Joint Budget Committee

FROM: Eric Kurtz, JBC Staff (303-866-4952)

SUBJECT: Staff Comebacks
Department of Health Care Policy and Financing

DATE: March 14, 2015

1. Statutory authority for JBC actions – The JBC made two motions for General Fund-only initiatives that both JBC and LLS staff agree would be better implemented through a statutory change. The arguments for why these initiatives would be better implemented through a statutory change are similar to those raised during debate on the hospice rates.
 - a. There is no specific statutory authority for the Department to implement the initiatives.
 - b. The Department's broad statutory authority relates to administering the Medicaid program and not to these General Fund-only programs.
 - c. A narrow interpretation of the Department's statutory authority preserves the most control for the General Assembly over expenditures, which is an especially important consideration given both the format of the Department's budget that concentrates the majority of funding in a single line item and the overexpenditure authority provided for the Medicaid program.

On the other hand, there is nothing in statute that specifically prohibits implementation of either initiative.

The first motion was by Rep. May (passed 4-1) to add \$5,000,000 General Fund for the Department's request to make incentive payments to dentists who accept new Medicaid clients. An option if the JBC doesn't want to run a bill would be to add both General Fund and federal funds and make the appropriation contingent on receiving the matching federal funds. This would establish the incentive payments as part of the Medicaid program that the Department is authorized to administer and remove any staff concerns about the statutory authority for the incentive payments. The Department believes there is some potential that matching federal funds would be approved. However, if federal approval for matching funds were not forthcoming, the Department would not be able to spend the General Fund and would need to ask for statutory authority next year. The Department's original request contemplated that if federal matching funds were available the incentive payments would be increased. Alternatively, if the JBC's target is a total of \$5,000,000 for incentive payments, then the General Fund could be reduced from Rep. May's original motion.

The second motion was by Sen. Steadman (passed 4-1) to add \$500,000 General Fund for grants to nonprofits and governmental entities to access the All-Payer Claims Database (APCD). The statute authorizing the APCD is Section 25.5-1-204, C.R.S. Paragraph (7) talks about the APCD being available to the public and state and private organizations and paragraph (9) calls for the Department to promulgate rules to carry out the provisions of the

section, but nothing authorizes the Department to make grants for access to the APCD. In (2) (b) (II) and (3) (a) (V) the statutes contemplate fees for custom reports from the APCD. An option if the JBC doesn't want to run a bill would be to add both General Fund and federal funds and make the appropriation contingent on receiving the matching federal funds, but the research supported would need to be related to Medicaid to qualify for the federal match. Also, the JBC would need to decide if the matching federal funds would be in addition to the General Fund or reduce the General Fund from Sen. Steadman's original motion.

2. Full dentures – A motion by Rep. May (passed 4-1) for a footnote to add coverage for full dentures cannot be implemented within the \$1,000 annual maximum established by the Department for the limited adult dental benefit authorized in Section 25.5-5-202 (1) (w), C.R.S. The Department received guidance from CMS that they would not allow it, because the estimated average cost for full dentures per utilizer is \$1,685. Whether or not the benefit was implemented within the cap, adding the benefit would cost additional money. The budget for the adult dental benefit is not based on \$1,000 per person, but rather the expected average expenditure per person operating within the \$1,000 cap. Adding a new benefit increases the projected average expenditure per person. Since the JBC expressly stated that adding the full denture benefit was not to change the \$1,000 annual limit, staff assumes that coverage for full dentures will be in addition to the \$1,000 annual limit. This method of implementation would provide the best outcomes for both clients who won't have to get work done in stages to stay within the cap and providers who will get paid as they provide services. Staff requests confirmation that this is consistent with the JBC's intent.

Assuming this is consistent with the JBC's intent the estimated cost of the full denture benefit is \$26,737,869 total funds in FY 2014-15, including \$5,926,144 from the Adult Dental Fund, \$87,874 from the Hospital Provider Fee, and \$20,723,851 federal funds. The source of revenue to the Adult Dental Fund is an annual transfer from the Unclaimed Property Trust Fund for the cost of the adult dental benefit.

3. Annualizing supplemental actions – No further action is necessary, but there were discrepancies between the federal funds figures in the narrative and the numbers pages for a few line items due to an error in the way supplemental actions were annualized, and staff wanted to clarify that the figures in the narrative were correct. The supplementals where there were errors in the annualization were for related to the enhanced match for eligibility determination services and showing the federal funds associated with enrolling people dually eligible for Medicaid and Medicare in the Accountable Care Collaborative. The table below summarizes the errors in the federal funds that appeared in the numbers pages.

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Line Item	Federal Funds Errors in the Figure Setting Numbers Pages		Difference
	Numbers Pages	Correct Amount	
Operating Expenses	\$1,670,674	\$1,681,676	\$11,002
General Professional Services	3,085,293	3,191,493	106,200
Hospital Provider Fee County Administration	7,246,303	6,515,431	(730,872)
Customer Outreach	3,345,470	3,727,034	381,564
Utilization and Quality Review	8,184,474	8,234,474	50,000
Medical Service Premiums	3,491,332,685	3,491,500,185	<u>167,500</u>
TOTAL			(\$14,606)

4. Provider Rate Increases and Other Initiatives -- No further action is necessary, but staff wanted to document the estimated impact of several JBC-initiated actions, especially with regard to provider rates. To implement the JBC's decisions the JBC staff revised the estimated cost of the 3 percent across-the-board increase provider rate increase by removing items from the base that are receiving targeted rate increases. In doing so, staff updated the projected services eligible for the rate increase and the estimated fund sources to match the Department's February 7, 2014 forecast, to ensure that all calculations were made using the same core assumptions. Also, staff corrected an error in the original estimate associated with the application of the enhanced FMAP. The table below summarizes the revised forecast of the 3.0 percent across-the-board increase.

Changes to the Estimated Cost of the Provider Rate Increase			
	Original	Revised	Difference
Provider Rate Increase	<u>99,784,832</u>	<u>96,481,726</u>	<u>(3,303,106)</u>
General Fund	33,372,602	31,936,994	(1,435,608)
Hospital Provider Fee	395,878	768,647	372,769
Adult Dental Fund	617,116	509,527	(107,589)
Federal Funds	65,399,236	63,266,558	(2,132,678)

The next table provides a summary of the estimated cost of various JBC actions that were not previously detailed in the JBC staff figure setting document. This includes all the JBC's actions on provider rates as well as some other initiatives. This is NOT a list of differences between the JBC staff recommendation and the JBC action, nor a list of differences between the JBC action and the Department's request. Rather, this is intended as a record of the dollars added to the budget for various JBC-initiated actions for which figures were not previously publicly distributed. In some cases these figures differ slightly from materials provided to JBC members by the Department or lobbyists, as a result of the JBC staff standardizing assumptions, primarily related to the fund sources.

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Estimated Cost of JBC Actions Not Previously Detailed in the JBC Staff Figure Setting Document					
	TOTAL	GF	HPF	Dental	FF
Department Requested Targeted Rate Increases					
Pediatric Hospice Services 20% rate increase	246,878	120,639	434	0	125,805
Extended Hours/After Hours Care 10% rate increase	641,597	197,389	5,970	0	438,238
Transitional Living Program for Brain Injury Clients 191% rate increase	876,000	412,050	19,380	0	444,570
Pediatric/Developmental Assessment 50% rate increase	64,000	30,969	0	0	33,031
Single Entry Point Case Management 10% rate increase	1,229,790	600,951	2,160	0	626,679
Incentives to Use Ambulatory Surgery Centers	500,000	153,826	4,653	0	341,521
High-Value Specialist Services to 80% of Medicare	11,312,435	3,480,304	105,263	0	7,726,868
Mammography Reimbursement to 80% of Medicare	94,841	29,178	883	0	64,780
Assistive Technology Reimbursement Rate to 80% of Medicare	<u>22,037</u>	<u>6,780</u>	<u>205</u>	<u>0</u>	<u>15,052</u>
	14,987,578	5,032,086	138,948	0	9,816,544
Additional JBC-initiated targeted rate increases					
Increase Federally Qualified Health Center rates to APM	7,261,751	2,187,006	67,571	47,093	4,960,081
Family Planning Increases	1,817,275	286,696			1,530,579
Matching incentives to Ambulatory Surgery Centers	<u>500,000</u>	<u>153,826</u>	<u>4,653</u>	<u>0</u>	<u>341,521</u>
	9,579,026	2,627,528	72,224	47,093	6,832,181
Remove the 5-year bar for legal immigrant children and pregnant women					
Medical Service Premiums	2,699,242	1,329,174	0	0	1,370,068
Behavioral Health	368,683	181,549	0	0	187,134
CHP+	<u>2,352,554</u>	<u>810,867</u>	<u>0</u>	<u>0</u>	<u>1,541,687</u>
	5,420,479	2,321,590	0	0	3,098,889
Increase home modifications lifetime cap	1,015,384	500,000	0	0	515,384
Replace Denver Health Certified Public Expenditures with General Fund	0	2,160,000	0	0	(2,160,000)
Full denture benefit	26,737,869	0	87,874	5,926,144	20,723,851
Pediatric specialty hospitals	1,655,074	815,000	0	0	840,074
Denver Health teaching hospital	973,000	479,130	0	0	493,870