

This document contains the figure setting packet that was presented to the Committee on March 11, 2008 and the staff comebacks that were presented to the Committee on March 13, 2008. The staff comeback memo is at the end of the packet.

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



Fiscal Year 2008-09 Figure Setting

Department of Health Care Policy and Financing

(All Divisions Except for the Department of Human Services Medicaid Programs)

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

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**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
FY 2008-09 FIGURE SETTING**

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Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
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For FY 2008-09 the JBC approved eliminating the cash funds exempt category of appropriations and replacing it with reappropriated funds. Reappropriated funds are those moneys that are appropriated for a second or more time in the same fiscal year. The JBC staff recommendation for FY 2008-09 is expressed in both the old format and the new format. Moneys that were previously categorized as cash funds exempt that are not reappropriated funds are characterized in the new appropriation format as cash funds, regardless of the TABOR status of the funds.

(1) Executive Director's Office

(Primary Functions: Provides all of the administrative, audit and oversight functions for the Department.)

Personal Services/1	<u>13,753,841</u>	<u>15,260,951</u>	<u>18,244,031</u>	<u>21,116,020</u>	<u>18,993,936</u>	<u>18,993,936</u>	DI #7, 9, 10
FTE	194.35	225.36	257.3	275.2	273.2	273.2	T #1, 2,3,4,5,6
General Fund	6,278,844	6,054,845	7,252,269	8,859,627	7,876,614	7,876,614	BA #1, 2, 3, 5, 9
General Fund Exempt	281	0	0	0	0	0	BA-A1A
Cash Funds	0	0	140,495	212,681	216,632	709,476	BA #12
RF / CFE	494,021	399,006	2,080,032	2,074,525	2,050,245	1,557,401	
Federal Funds	6,980,695	8,807,100	8,771,235	9,969,187	8,850,445	8,850,445	
Health, Life, and Dental	<u>520,256</u>	<u>748,309</u>	<u>963,987</u>	<u>1,214,361</u>	<u>1,278,471</u>	<u>1,278,471</u>	T #6, NP BA 12
General Fund	334,973	334,784	410,706	546,543	578,598	578,598	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	28,315	
RF / CFE	17,112	24,355	79,770	63,527	63,528	35,213	
Federal Funds	168,171	389,170	473,511	604,291	636,345	636,345	
Short-term Disability	<u>16,354</u>	<u>15,110</u>	<u>20,718</u>	<u>21,196</u>	<u>22,871</u>	<u>22,871</u>	T #6, NP BA 12
General Fund	7,305	6,286	8,382	9,478	9,538	9,538	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	250	818	
RF / CFE	525	401	2,058	1,143	2,363	1,795	
Federal Funds	8,524	8,423	10,278	10,575	10,720	10,720	
S.B. 04-257 Amortization Equalization							
Disbursement	<u>24,391</u>	<u>93,197</u>	<u>188,020</u>	<u>266,429</u>	<u>279,035</u>	<u>279,035</u>	T #6, NP BA 12
General Fund	10,889	41,256	75,400	119,426	114,941	114,941	BA #3, #9, #12
General Fund Exempt	0	0	0	0	0	0	
Cash Fund	0	0	0	0	3,074	10,057	
RF / CFE	855	2,092	17,631	14,069	29,079	22,096	
Federal Funds	12,647	49,849	94,989	132,934	131,941	131,941	

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
S.B. 06-235 Supplemental AED	0	0	37,047	86,766	128,887	128,887	T #6, NP BA 12
General Fund	0	0	13,495	38,963	51,968	51,968	BA #3, #9, #12
General Fund Exempt	0	0	0	0	0	0	
Cash Fund	0	0	0	0	1,441	4,714	
RF / CFE	0	0	3,771	4,511	13,631	10,358	
Federal Funds	0	0	19,781	43,292	61,847	61,847	
Salary Survey and							
Senior Executive Service	394,534	459,483	508,676	676,686	676,435	676,435	T #1, 6, NP BA 12
General Fund	172,506	198,893	214,146	302,000	304,849	304,849	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	2,989	10,395	
RF / CFE	8,260	11,087	48,984	37,611	28,893	21,487	
Federal Funds	213,768	249,503	245,546	337,075	339,704	339,704	
Performance-based Pay Awards	0	0	217,560	251,235	251,236	251,236	T #1, 6, NP BA 12
General Fund	0	0	91,529	112,340	112,340	112,340	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	1,270	4,417	
RF / CFE	0	0	19,930	13,547	12,278	9,131	
Federal Funds	0	0	106,101	125,348	125,348	125,348	
Worker's Compensation	39,404	25,760	25,363	32,432	pending	pending	NP DI #11
General Fund	19,702	12,880	12,682	16,216	pending	pending	T #6
General Fund Exempt	0	0	0	0	pending	pending	NP BA #9
Cash Funds	0	0	0	0	pending	pending	
RF / CFE	0	0	0	0	pending	pending	
Federal Funds	19,702	12,880	12,681	16,216	pending	pending	
Operating Expenses	927,475	1,196,014	1,006,969	1,410,737	1,500,990	1,500,990	DI #7, #8, #9, #10
General Fund	446,865	586,457	470,856	682,116	727,242	727,242	DI #11
General Fund Exempt	0	0	0	0	0	0	T #2, 3
Cash Funds	0	0	14,395	3,800	3,800	12,767	BA #2, #9, #12
RF / CFE	14,076	8,151	28,796	22,343	22,343	13,376	BA-A1A
Federal Funds	466,534	601,406	492,922	702,478	747,605	747,605	
Legal and Third Party Recovery							
Legal Services	749,877	763,821	913,629	933,044	pending	pending	BA #9
General Fund	311,609	318,913	370,501	380,209	pending	pending	
General Fund Exempt	0	0	0	0	pending	pending	
Cash Funds	62,912	62,998	76,924	76,924	pending	pending	
RF / CFE	306	0	6,319	6,319	pending	pending	
Federal Funds	375,050	381,910	459,885	469,592	pending	pending	

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
Administrative Law Judge Services	<u>505,921</u>	<u>380,930</u>	<u>438,975</u>	<u>462,838</u>	pending	pending	T #7, BA #9
General Fund	252,961	190,465	219,488	231,420	pending	pending	
General Fund Exempt	0	0	0	0	pending	pending	
Cash Funds	0	0	0	0	pending	pending	
RF / CFE	0	0	0	0	pending	pending	
Federal Funds	252,960	190,465	219,487	231,418	pending	pending	
Computer Systems Costs	<u>93,083</u>	<u>0</u>	<u>15,973</u>	<u>120,734</u>	pending	pending	T #7
General Fund	30,307	0	6,318	53,977	pending	pending	NP-BA #8
General Fund Exempt	0	0	0	0	pending	pending	
Cash Funds	0	0	0	0	pending	pending	
RF / CFE	16,235	0	3,337	3,337	pending	pending	
Federal Funds	46,541	0	6,318	63,420	pending	pending	
Payment to Risk Management and Property Funds	<u>21,976</u>	<u>101,810</u>	<u>60,484</u>	<u>74,656</u>	pending	pending	T #7
General Fund	10,988	50,905	30,242	37,328	pending	pending	NP BA #7
General Fund Exempt	0	0	0	0	pending	pending	
Cash Funds	0	0	0	0	pending	pending	
RF / CFE	0	0	0	0	pending	pending	
Federal Funds	10,988	50,905	30,242	37,328	pending	pending	
Commercial Leased Space	<u>33,228</u>	<u>166,899</u>	<u>262,771</u>	<u>394,236</u>	<u>394,236</u>	<u>394,236</u>	
General Fund	1,561	77,950	125,885	191,619	191,619	191,619	DI #10
General Fund Exempt	0	0	0	0	0	0	BA #2
Cash Funds	0	0	0	0	0	5,500	
RF / CFE	15,053	5,500	5,500	5,500	5,500	0	
Federal Funds	16,614	83,449	131,386	197,117	197,117	197,117	
Capitol Complex Leased Space	<u>332,915</u>	<u>344,022</u>	<u>397,238</u>	<u>394,610</u>	pending	pending	T #7
General Fund	166,458	172,011	198,620	197,305	pending	pending	NP-BA #6
General Fund Exempt	0	0	0	0	pending	pending	
Cash Funds	0	0	0	0	pending	pending	
RF / CFE	0	0	0	0	pending	pending	
Federal Funds	166,457	172,011	198,618	197,305	pending	pending	
General Professional Services and Special Projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,506,184</u>	<u>1,506,184</u>	Staff Issue &
General Fund	0	0	0	0	693,092	693,092	BA-A1A
General Fund Exempt	0	0	0	0	0	0	DI #9, BA 1, 5, 9
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	0	0	0	813,092	813,092	

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
Transfer to the Department of Human							
Services for Related Administration	<u>69,783</u>	<u>74,564</u>	<u>81,058</u>	<u>74,564</u>	<u>0</u>	<u>0</u>	
General Fund	34,892	37,282	40,326	37,282	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	388	0	0	0	
Federal Funds	34,891	37,282	40,344	37,282	0	0	
Medicaid Management Information							
System Contract	<u>21,737,076</u>	<u>26,018,831</u>	<u>22,306,209</u>	<u>23,226,949</u>	<u>23,180,959</u>	<u>23,180,959</u>	DI #5
General Fund	5,214,619	6,204,550	5,265,858	5,328,268	5,316,771	5,316,771	T #1, 3, 5
General Fund Exempt	0	0	0	0	0	0	BA #9
Cash Funds	0	0	368,971	1,303,749	1,303,749	1,817,517	BA-A1A
RF / CFE	435,293	596,657	706,330	614,096	614,096	100,328	
Federal Funds	16,087,164	19,217,624	15,965,050	15,980,836	15,946,343	15,946,343	
Medicaid Management Information System							
Reprocurement	<u>429,770</u>	<u>357,379</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	98,014	72,284	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	4,490	3,672	0	0	0	0	
Federal Funds	327,266	281,423	0	0	0	0	
CBMS Eligibility Audit-Transfer to State							
Auditor	<u>68,250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	34,125	0	0	0	0	0	
Federal Funds	34,125	0	0	0	0	0	
Medicare Modernization Act of 2003 CBMS							
Costs	<u>190,128</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	95,064	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	95,064	0	0	0	0	0	

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
HIPAA Web Portal Maintenance	<u>293,740</u>	<u>314,800</u>	<u>312,900</u>	<u>430,733</u>	<u>430,733</u>	<u>430,733</u>	DI #13
General Fund	74,307	78,700	78,225	107,683	107,683	107,683	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	219,433	236,100	234,675	323,050	323,050	323,050	
HIPAA National Provider Identifier Assessment and Implementation	<u>101,600</u>	<u>2,030,583</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	9,855	211,033	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	1,067	7,255	0	0	0	0	
Federal Funds	90,678	1,812,295	0	0	0	0	
Prepaid Inpatient Health Plan Feasibility Study	<u>0</u>	<u>0</u>	<u>75,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	T #1
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	37,500	0	0	0	
Federal Funds	0	0	37,500	0	0	0	
Medical Identification Cards	<u>103,263</u>	<u>92,592</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	
General Fund	40,837	35,314	48,444	48,444	48,444	48,444	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	10,759	
RF / CFE	11,550	11,716	12,352	12,352	12,352	1,593	
Federal Funds	50,876	45,562	59,204	59,204	59,204	59,204	
Department of Public Health and Environment Facility Survey and Certification	<u>3,816,393</u>	<u>4,006,727</u>	<u>4,539,038</u>	<u>4,932,027</u>	<u>4,932,027</u>	<u>4,932,027</u>	NP DI #4 T #1, 3
General Fund	1,016,971	1,015,448	1,346,102	1,300,605	1,300,605	1,300,605	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	2,799,422	2,991,279	3,192,936	3,631,422	3,631,422	3,631,422	
Acute Care Utilization Review	<u>1,139,989</u>	<u>1,375,906</u>	<u>1,375,906</u>	<u>1,375,906</u>	<u>1,378,906</u>	<u>1,378,906</u>	
General Fund	284,713	326,732	344,703	345,428	345,428	345,428	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	16,520	
RF / CFE	284	17,245	17,245	16,520	16,520	0	
Federal Funds	854,992	1,031,929	1,013,958	1,013,958	1,016,958	1,016,958	

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
Long-Term Care Utilization Review	<u>1,518,061</u>	<u>1,719,438</u>	<u>1,744,966</u>	<u>1,744,966</u>	<u>1,744,966</u>	<u>1,744,966</u>	
General Fund	379,553	423,647	598,813	598,813	598,813	598,813	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	38,429	
RF / CFE	38,429	38,429	38,429	38,429	38,429	0	
Federal Funds	1,100,079	1,257,362	1,107,724	1,107,724	1,107,724	1,107,724	
External Quality Review	<u>778,077</u>	<u>807,832</u>	<u>882,193</u>	<u>812,193</u>	<u>812,193</u>	<u>812,193</u>	T #3
General Fund	194,519	201,958	220,548	203,048	203,048	203,048	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	583,558	605,874	661,645	609,145	609,145	609,145	
Drug Utilization Review	<u>278,366</u>	<u>291,438</u>	<u>243,143</u>	<u>383,163</u>	<u>383,163</u>	<u>383,163</u>	BRI #2 BA #3
General Fund	69,591	72,859	121,572	126,827	126,827	126,827	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	208,775	218,579	121,571	256,336	256,336	256,336	
Mental Health External Quality Review	<u>322,700</u>	<u>352,654</u>	<u>352,807</u>	<u>352,807</u>	<u>352,807</u>	<u>352,807</u>	
General Fund	80,675	88,164	88,202	88,202	88,202	88,202	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	242,025	264,490	264,605	264,605	264,605	264,605	
CBMS & Program Contractor CO Cares							
RX Program	<u>0</u>	<u>0</u>	<u>1,656,566</u>	<u>2,278,378</u>	<u>0</u>	<u>0</u>	T 3
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	1,656,566	2,278,378	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	0	0	0	0	0	
Early and Periodic Screening, Diagnosis, and Treatment Program	<u>2,351,694</u>	<u>2,444,273</u>	<u>2,468,383</u>	<u>2,468,383</u>	<u>2,468,383</u>	<u>2,468,383</u>	
General Fund	1,175,847	1,222,137	1,234,192	1,234,192	1,234,192	1,234,192	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	1,175,847	1,222,136	1,234,191	1,234,191	1,234,191	1,234,191	

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
Nursing Facility Audits	<u>1,095,396</u>	<u>1,095,396</u>	<u>1,097,500</u>	<u>1,097,500</u>	<u>1,097,500</u>	<u>1,097,500</u>	
General Fund	547,698	547,698	548,750	548,750	548,750	548,750	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	547,698	547,698	548,750	548,750	548,750	548,750	
Hospital and Federally Qualified Health Clinic Audits	<u>350,000</u>	<u>367,850</u>	<u>499,200</u>	<u>499,200</u>	<u>499,200</u>	<u>499,200</u>	
General Fund	175,000	183,925	249,600	249,600	249,600	249,600	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	175,000	183,925	249,600	249,600	249,600	249,600	
Disability Determination Services	<u>1,163,662</u>	<u>1,173,662</u>	<u>1,173,662</u>	<u>1,173,662</u>	<u>1,173,662</u>	<u>1,173,662</u>	
General Fund	581,831	581,831	581,831	581,831	581,831	581,831	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	5,000	5,000	5,000	5,000	5,000	
Federal Funds	581,831	586,831	586,831	586,831	586,831	586,831	
Nursing Home Preadmission and Resident Assessments	<u>1,009,481</u>	<u>879,481</u>	<u>1,010,040</u>	<u>1,010,040</u>	<u>1,010,040</u>	<u>1,010,040</u>	
General Fund	252,370	219,870	252,510	252,510	252,510	252,510	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	757,111	659,611	757,530	757,530	757,530	757,530	
Nurse Aide Certification	<u>293,623</u>	<u>308,766</u>	<u>325,343</u>	<u>325,343</u>	<u>325,343</u>	<u>325,343</u>	
General Fund	0	0	148,020	148,020	148,020	148,020	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	146,812	154,383	14,652	14,652	14,652	14,652	
Federal Funds	146,811	154,383	162,671	162,671	162,671	162,671	
Nursing Facility Appraisals	<u>0</u>	<u>279,745</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	139,873	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	139,872	0	0	0	0	

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
Estate Recovery	<u>627,588</u>	<u>432,784</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	313,794	216,392	350,000	350,000	350,000	350,000	
RF / CFE	0	0	0	0	0	0	
Federal Funds	313,794	216,392	350,000	350,000	350,000	350,000	
Single Entry Point Administration	<u>50,084</u>	<u>46,060</u>	<u>53,000</u>	<u>53,000</u>	<u>53,000</u>	<u>53,000</u>	
General Fund	25,042	23,030	26,500	26,500	26,500	26,500	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	25,042	23,030	26,500	26,500	26,500	26,500	
Single Entry Point Audits	<u>29,950</u>	<u>62,468</u>	<u>112,000</u>	<u>112,000</u>	<u>112,000</u>	<u>112,000</u>	
General Fund	14,975	31,234	56,000	56,000	56,000	56,000	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	14,975	31,234	56,000	56,000	56,000	56,000	
S.B. 97-05 Enrollment Broker	<u>875,756</u>	<u>860,786</u>	<u>957,418</u>	<u>1,321,900</u>	<u>1,321,900</u>	<u>1,321,900</u>	DI #11
General Fund	437,878	411,485	445,195	627,436	627,436	627,436	BA-A1A
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	33,514	
RF / CFE	0	18,908	33,514	33,514	33,514	0	
Federal Funds	437,878	430,393	478,709	660,950	660,950	660,950	
Department of Regulatory Agency In-Home							
Support Review	<u>0</u>	<u>5,986</u>	<u>4,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	T #1
General Fund	0	2,993	2,000	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	2,993	2,000	0	0	0	
Primary Care Provider Rate Task Force & Study	<u>0</u>	<u>53,075</u>	<u>19,334</u>	<u>0</u>	<u>0</u>	<u>0</u>	T #1
General Fund	0	26,538	9,667	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	26,537	9,667	0	0	0	

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
County Administration	0	24,003,023	23,756,209	23,803,133	23,803,133	23,803,133	T #3
General Fund	0	7,216,315	7,248,943	7,248,943	7,248,943	7,248,943	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	73,526	120,450	120,450	4,752,981	
RF / CFE	0	4,881,494	4,632,531	4,632,531	4,632,531	0	
Federal Funds	0	11,905,214	11,801,209	11,801,209	11,801,209	11,801,209	
Administrative Case Management	0	2,861,494	1,617,528	2,917,528	2,917,528	2,917,528	DI #15
General Fund	0	1,430,747	808,764	1,458,764	1,458,764	1,458,764	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	1,430,747	808,764	1,458,764	1,458,764	1,458,764	
Non-Emergency Transportation Services	5,577,485	7,583,761	0	0	0	0	DI #14
General Fund	2,788,743	3,791,881	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	2,788,742	3,791,880	0	0	0	0	
PERM Contract	0	0	441,375	0	0	0	T #1
General Fund	0	0	110,348	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	77,240	0	0	0	
Federal Funds	0	0	253,787	0	0	0	
Public School Health Services Administration	0	200,000	391,696	396,561	396,561	396,561	T #1
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	200,000	391,696	396,561	396,561	396,561	
School District Eligibility Determination	0	0	227,292	227,292	227,292	227,292	
General Fund	0	0	79,269	79,269	79,269	79,269	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	25,854	25,854	25,854	25,854	
Federal Funds	0	0	122,169	122,169	122,169	122,169	

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
Enhanced Fraud Detection Contracting	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,250,000</u>	<u>1,250,000</u>	<u>1,250,000</u>	BA #9
General Fund	0	0	0	225,000	225,000	225,000	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	0	0	1,025,000	1,025,000	1,025,000	
CBMS Medical Assistance	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,100,000</u>	<u>250,000</u>	<u>250,000</u>	BA-A1A
General Fund	0	0	0	4,833,204	119,634	119,634	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	0	0	5,266,796	130,366	130,366	
Centralized Eligibility Vendor	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,260,800</u>	<u>153,600</u>	<u>153,600</u>	BA-A1A
General Fund	0	0	0	1,081,872	73,503	73,503	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	0	0	1,178,928	80,097	80,097	
Regional Health Information Organization	<u>0</u>	<u>0</u>	<u>0</u>	<u>500,000</u>	<u>300,000</u>	<u>300,000</u>	BA-A1A
General Fund	0	0	0	250,000	150,000	150,000	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	0	0	250,000	150,000	150,000	
			0				Rec vs. App.
SUBTOTAL -- Executive Director's Office							
Total Funds	<u>61,685,171</u>	<u>99,657,660</u>	<u>91,845,207</u>	<u>113,404,008</u>	<u>96,427,177</u>	<u>96,427,177</u>	<u>4.99%</u>
FTE	194.35	225.36	257.3	275.2	273.2	273.2	6.18%
General Fund	21,637,963	32,643,173	29,454,901	38,865,058	31,876,574	31,876,574	8.22%
General Fund Exempt	281	0	0	0	0	0	n/a
Cash Funds	376,706	279,390	2,680,877	4,345,982	2,003,655	7,806,179	191.18%
RF / CFE	1,238,493	6,185,351	7,897,163	7,639,380	7,620,808	1,818,284	-76.98%
Federal Funds	38,431,728	60,549,746	51,812,266	62,553,588	54,926,140	54,926,140	6.01%

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
(2) Medical Service Premiums							
(Provides acute care medical and long-term care services to individuals eligible for Medicaid)							
Services for Supplemental Security							
Income Adults 65 and Older (SSI 65+)	<u>\$677,636,284</u>	<u>\$681,708,325</u>	<u>\$730,927,996</u>	<u>\$746,243,872</u>	<u>\$744,766,341</u>	<u>\$744,766,341</u>	DI #1, T #1, 3
Medicaid Clients	36,219	35,977	36,703	36,278	36,028	36,028	
Cost per Client	\$18,709.41	\$18,948.45	\$19,914.67	\$20,570.15	\$20,671.88	\$20,671.88	
Services for Supplemental Security							
Income Adults 60 to 64 (SSI 60 - 64)	<u>\$87,089,547</u>	<u>\$89,709,160</u>	<u>\$99,820,380</u>	<u>\$100,534,453</u>	<u>\$101,182,501</u>	<u>\$101,182,501</u>	DI #1, T #1, 3
Medicaid Clients	6,048	6,042	6,252	6,216	6,201	6,201	
Cost per Client	\$14,399.73	\$14,847.59	\$15,966.15	\$16,173.50	\$16,317.13	\$16,317.13	
Services for Qualified Medicare							
Beneficiaries (QMBs) and Special Low-							
Income Medicare Beneficiaries (SLIMBs)	<u>\$13,456,846</u>	<u>\$17,132,545</u>	<u>\$16,999,249</u>	<u>\$21,085,702</u>	<u>\$21,985,168</u>	<u>\$21,985,168</u>	DI #1, T #1, 3
Medicaid Clients	11,012	12,818	13,294	15,068	15,055	15,055	
Cost per Client	\$1,222.02	\$1,336.60	\$1,278.72	\$1,399.37	\$1,460.32	\$1,460.32	
Services for Supplemental Security							
Income Disabled Individuals	<u>\$559,681,577</u>	<u>\$568,932,898</u>	<u>\$604,513,591</u>	<u>\$638,714,942</u>	<u>\$658,507,299</u>	<u>\$658,507,299</u>	DI #1, T #1, 3
Medicaid Clients	47,565	48,567	48,942	50,058	50,111	50,111	
Cost per Client	\$11,766.67	\$11,714.39	\$12,351.63	\$12,759.50	\$13,140.97	\$13,140.97	
Services for Categorically Eligible Low-							
Income Adults	<u>\$196,592,991</u>	<u>\$200,074,498</u>	<u>\$172,576,628</u>	<u>\$188,067,836</u>	<u>\$193,207,650</u>	<u>\$193,207,650</u>	DI #1, T #1, 3
Medicaid Clients	57,754	51,361	46,708	41,667	43,091	43,091	
Cost per Client	\$3,403.97	\$3,895.46	\$3,694.80	\$4,513.59	\$4,483.71	\$4,483.71	
Services for Expansion Low-							
Income Adults	<u>\$0</u>	<u>\$7,406,101</u>	<u>\$25,530,366</u>	<u>\$25,650,944</u>	<u>\$23,679,463</u>	<u>\$23,679,463</u>	DI #1, T #1, 3
Medicaid Clients	0	4,974	10,377	9,629	10,527	10,527	
Cost per Client	\$0.00	\$1,488.96	\$2,460.28	\$2,663.93	\$2,249.40	\$2,249.40	
Services for Baby Care Program Adults							
Income Adults	<u>\$39,671,364</u>	<u>\$47,989,940</u>	<u>\$47,267,283</u>	<u>\$57,407,298</u>	<u>\$59,895,806</u>	<u>\$59,895,806</u>	DI #1, T #1, 3
Medicaid Clients	5,050	5,123	5,264	5,649	6,510	6,510	
Cost per Client	\$7,855.72	\$9,367.55	\$8,979.35	\$10,162.38	\$9,200.58	\$9,200.58	
Services for Breast and Cervical Cancer							
Treatment Clients	<u>\$6,858,042</u>	<u>\$5,750,514</u>	<u>\$7,096,871</u>	<u>\$7,389,627</u>	<u>\$7,349,219</u>	<u>\$7,349,219</u>	DI #1, T #1, 3
Medicaid Clients	188	230	277	301	301	301	
Cost per Client	\$36,478.95	\$25,002.23	\$25,620.47	\$24,550.26	\$24,416.01	\$24,416.01	

Includes H.B.08-1285

FY 2008-09

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
Services for Categorically Eligible Children	<u>\$310,351,460</u>	<u>\$332,386,215</u>	<u>\$331,886,554</u>	<u>\$358,932,383</u>	<u>\$351,415,416</u>	<u>\$351,415,416</u>	DI #1, T #1, 3
Medicaid Clients	213,600	206,170	193,981	192,948	200,169	200,169	
Cost per Client	\$1,452.96	\$1,612.19	\$1,710.92	\$1,860.25	\$1,755.59	\$1,755.59	
Services for Categorically Eligible Foster Children	<u>\$49,223,938</u>	<u>\$53,963,402</u>	<u>\$64,272,970</u>	<u>\$67,816,292</u>	<u>\$66,062,982</u>	<u>\$66,062,982</u>	DI #1, T #1, 3
Medicaid Clients	16,311	16,601	17,295	18,657	18,351	18,351	
Cost per Client	\$3,017.84	\$3,250.61	\$3,716.27	\$3,634.90	\$3,599.97	\$3,599.97	
Services for Non-Citizens	<u>\$55,702,259</u>	<u>\$56,343,210</u>	<u>\$46,967,020</u>	<u>\$57,623,279</u>	<u>\$53,678,137</u>	<u>\$53,678,137</u>	DI #1, T #1, 3
Medicaid Clients	5,959	5,214	4,691	3,738	3,968	3,968	
Cost per Client	\$9,347.58	\$10,806.14	\$10,012.16	\$15,415.54	\$13,527.76	\$13,527.76	
Change Requests Total excluding DI #1 which is included in the caseload/ cost-per-client detail above	\$0	\$0	<u>\$7,447,284</u>	<u>\$60,002,402</u>	<u>\$38,272,103</u>	<u>\$38,272,103</u>	BRI #2, DI #3A, DI #6, DI #12, DI #14, BA #3, #4, #7 & #9, NP BA #5, BA-A1A
SUBTOTAL -- Medical Services							Request vs. Appropriation
Premiums	<u>1,996,264,308</u>	<u>2,061,396,808</u>	<u>2,155,306,192</u>	<u>2,329,469,030</u>	<u>2,320,002,085</u>	<u>2,320,002,085</u>	7.64%
General Fund	614,561,650	633,377,714	656,143,633	736,257,123	756,561,200	756,561,200	15.30%
General Fund Exempt	361,644,803	343,100,000	343,900,000	343,900,000	343,900,000	343,900,000	0.00%
Cash Funds	0	0	38,256	0	0	63,016,020	164621.93%
RF / CFE	23,713,210	48,860,206	76,001,368	83,798,797	65,852,704	2,836,684	-96.27%
Federal Funds	996,344,645	1,036,058,888	1,079,222,935	1,165,513,110	1,153,688,181	1,153,688,181	6.90%

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
(3) Medicaid Mental Health Community Programs							
(Primary Functions: Mental health programs for Medicaid eligible clients.)							
Mental Health Capitation for Medicaid							
Clients	<u>164,839,222</u>	<u>184,640,568</u>	<u>196,791,041</u>	<u>208,317,758</u>	<u>208,080,464</u>	<u>208,080,464</u>	DI #2, DI #3A, T #3
General Fund	82,328,858	89,832,730	91,803,036	97,550,384	96,571,837	96,571,837	BA-A1A, BA -A2
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	7,450,182	
RF / CFE	85,498	2,481,026	6,829,511	6,598,170	7,458,045	7,863	
Federal Funds	82,424,866	92,326,812	98,158,494	104,169,204	104,050,582	104,050,582	
Medicaid Mental Health Fee for Service							
Payments	<u>1,231,390</u>	<u>1,367,867</u>	<u>1,489,003</u>	<u>1,425,236</u>	<u>1,585,270</u>	<u>1,585,270</u>	DI #2
General Fund	615,695	683,934	744,502	712,618	792,635	792,635	BA-A1A, BA -A2
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	615,695	683,933	744,501	712,618	792,635	792,635	
Medicaid Anti-Psychotic Pharmaceuticals							
	<u>27,105,418</u>	<u>34,294,729</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	DI #2
General Fund	0	0	0	0	0	0	BA-A1A, BA -A2
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	27,105,418	34,294,729	0	0	0	0	
Federal Funds	0	0	0	0	0	0	
Request vs. Appropriation							
SUBTOTAL -- Medicaid Mental Health							
Community Programs	<u>193,176,030</u>	<u>220,303,164</u>	<u>198,280,044</u>	<u>209,742,994</u>	<u>209,665,734</u>	<u>209,665,734</u>	5.74%
General Fund	82,944,553	90,516,664	92,547,538	98,263,002	97,364,472	97,364,472	5.20%
General Fund Exempt	0	0	0	0	0	0	n/a
Cash Funds	0	0	0	0	0	7,450,182	n/a
RF / CFE	27,190,916	36,775,755	6,829,511	6,598,170	7,458,045	7,863	-99.88%
Federal Funds	83,040,561	93,010,745	98,902,995	104,881,822	104,843,217	104,843,217	6.01%

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
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(4) Indigent Care Program

(Primary functions: Provides assistance to hospitals and clinics serving a disproportionate share of uninsured or underinsured populations, provides health insurance to qualifying children and pregnant women ineligible for Medicaid, and provides grants to providers to improve access to primary and preventive care for the indigent population.

Safety Net Provider Payments	<u>287,296,074</u>	<u>279,933,040</u>	<u>296,188,630</u>	<u>296,188,630</u>	<u>296,188,630</u>	<u>296,188,630</u>	
General Fund	12,576,646	13,090,782	13,090,782	13,090,782	13,090,782	13,090,782	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	135,003,533	
RF / CFE	131,071,391	126,875,738	135,003,533	135,003,533	135,003,533	0	
Federal Funds	143,648,037	139,966,520	148,094,315	148,094,315	148,094,315	148,094,315	
Colorado Health Care Services Fund	<u>14,962,408</u>	<u>0</u>	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>	
General Fund	14,962,408	0	15,000,000	15,000,000	15,000,000	15,000,000	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	0	0	0	0	0	
The Children's Hospital, Clinic Based							
Indigent Care	<u>6,119,760</u>	<u>16,180,483</u>	<u>26,291,760</u>	<u>26,291,760</u>	<u>26,291,760</u>	<u>26,291,760</u>	BA #10
General Fund	3,059,880	3,059,880	3,059,880	3,059,880	3,059,880	3,059,880	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	10,060,723	10,086,000	10,086,000	10,086,000	10,086,000	
Federal Funds	3,059,880	3,059,880	13,145,880	13,145,880	13,145,880	13,145,880	
Health Services Fund Programs	<u>0</u>	<u>4,901,685</u>	<u>11,053,421</u>	<u>9,828,000</u>	<u>9,828,000</u>	<u>9,828,000</u>	BA #10
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	4,901,685	4,914,000	4,914,000	4,914,000	4,914,000	
Federal Funds	0	0	6,139,421	4,914,000	4,914,000	4,914,000	
Pediatric Speciality Hospital	<u>5,452,134</u>	<u>7,732,072</u>	<u>8,501,701</u>	<u>8,728,000</u>	<u>8,865,212</u>	<u>8,865,212</u>	T #3, #8
General Fund	2,726,067	3,350,000	3,551,000	3,551,000	3,551,000	3,551,000	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	386,606	
RF / CFE	0	516,036	686,701	913,000	881,606	495,000	
Federal Funds	2,726,067	3,866,036	4,264,000	4,264,000	4,432,606	4,432,606	

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
General Fund Appropriation to Pediatric							
Speciality Hospital	<u>0</u>	<u>516,036</u>	<u>513,000</u>	<u>486,600</u>	<u>495,000</u>	<u>495,000</u>	T #8
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	516,036	513,000	486,600	495,000	495,000	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	0	0	0	0	0	
Appropriation from Tobacco Tax Fund to							
General Fund	<u>0</u>	<u>1,032,072</u>	<u>513,000</u>	<u>486,600</u>	<u>495,000</u>	<u>495,000</u>	T #8
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	495,000	
RF / CFE	0	1,032,072	513,000	486,600	495,000	0	
Federal Funds	0	0	0	0	0	0	
Primary Care Fund	<u>44,041,879</u>	<u>31,980,929</u>	<u>32,365,298</u>	<u>30,818,000</u>	<u>31,294,657</u>	<u>31,294,657</u>	T #1, 8
FTE	1.0	0	0.0	0.0	0.0	0.0	
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	(163)	0	0	0	0	31,294,657	
RF / CFE	44,042,042	31,980,929	32,365,298	30,818,000	31,294,657	0	
Federal Funds	0	0	0	0	0	0	
S.B. 06-145 Inpatient Provider Fee	<u>0</u>	<u>0</u>	<u>4,225,858</u>	<u>2,154,322</u>	<u>2,154,322</u>	<u>2,154,322</u>	BA #11
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	1,077,161	
RF / CFE	0	0	2,112,929	1,077,161	1,077,161	0	
Federal Funds	0	0	2,112,929	1,077,161	1,077,161	1,077,161	
S.B. 06-145 Outpatient Provider Fee	<u>0</u>	<u>0</u>	<u>5,985,492</u>	<u>3,051,374</u>	<u>3,051,374</u>	<u>3,051,374</u>	BA #11
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	1,525,687	
RF / CFE	0	0	2,992,746	1,525,687	1,525,687	0	
Federal Funds	0	0	2,992,746	1,525,687	1,525,687	1,525,687	
Children's Basic Health Plan Trust	<u>29,431,057</u>	<u>11,475,351</u>	<u>256,475</u>	<u>6,578,274</u>	<u>349,248</u>	<u>349,248</u>	DI #3, DI #3A
General Fund	2,000,000	11,243,215	11,011	6,151,484	0	0	T #3
General Fund Exempt	0	0	0	0	0	0	BA-A1A, BA -A3
Cash Funds	191,726	232,136	245,464	426,790	349,248	349,248	
RF / CFE	27,239,331	0	0	0	0	0	
Federal Funds	0	0	0	0	0	0	

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
Children's Basic Health Plan							
Administration	<u>5,273,572</u>	<u>5,507,031</u>	<u>5,541,590</u>	<u>6,952,590</u>	<u>6,951,490</u>	<u>6,951,490</u>	DI #3A
General Fund	0	0	0	0	0	0	BA-A1A
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	3,015,871	
RF / CFE	747,996	2,459,420	2,474,735	3,016,221	3,015,871	0	T #3
Federal Funds	4,525,576	3,047,611	3,066,855	3,936,369	3,935,619	3,935,619	
Children's Basic Health Plan Premium							
Costs (Children & Pregnant Adults)	<u>65,919,891</u>	<u>89,657,433</u>	<u>86,426,598</u>	<u>161,992,339</u>	<u>148,842,315</u>	<u>148,842,315</u>	DI #3, DI #3A
General Fund	0	0	0	0	0	0	BA-A1A, BA -A3
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	1,479	0	0	52,336,927	T #3
RF / CFE	23,426,139	31,530,990	30,408,342	56,974,733	52,336,927	0	
Federal Funds	42,493,752	58,126,443	56,016,777	105,017,606	96,505,388	96,505,388	
Children's Basic Health Plan Dental							
Costs	<u>5,368,921</u>	<u>6,834,843</u>	<u>6,886,799</u>	<u>12,930,573</u>	<u>12,168,394</u>	<u>12,168,394</u>	DI #3, DI #3A
General Fund	0	0	0	0	0	0	BA-A1A, BA -A3
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	4,258,938	
RF / CFE	1,879,122	2,392,195	2,410,380	4,525,702	4,258,938	0	T #3
Federal Funds	3,489,799	4,442,648	4,476,419	8,404,871	7,909,456	7,909,456	
Comprehensive Primary and Preventive							
Care Fund	<u>2,604,927</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	2,604,927	0	0	0	0	0	
Federal Funds	0	0	0	0	0	0	
Comprehensive Primary and Preventive							
Care Grants	<u>2,604,927</u>	<u>2,310,510</u>	<u>4,138,070</u>	<u>5,997,000</u>	<u>6,481,261</u>	<u>6,481,261</u>	T #3
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	6,481,261	
RF / CFE	2,604,927	2,310,510	4,138,070	5,997,000	6,481,261	0	
Federal Funds	0	0	0	0	0	0	

Request vs.
Appropriation

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
SUBTOTAL -- Indigent Care Program	<u>469,075,550</u>	<u>458,061,485</u>	<u>503,887,692</u>	<u>587,484,062</u>	<u>568,456,663</u>	<u>568,456,663</u>	<u>12.81%</u>
FTE	1.0	0.0	0.0	0.0	0.0	0.0	
General Fund	35,325,001	30,743,877	34,712,673	40,853,146	34,701,662	34,701,662	-0.03%
General Fund Exempt	0	516,036	513,000	486,600	495,000	495,000	-3.51%
Cash Funds	191,563	232,136	246,943	426,790	349,248	236,224,889	95559.68%
RF / CFE	233,615,875	214,060,298	228,105,734	255,337,637	251,370,641	15,495,000	-93.21%
Federal Funds	199,943,111	212,509,138	240,309,342	290,379,889	281,540,112	281,540,112	17.16%

(5) Other Medical Services

(This division provides funding for state-only medical programs including Home Care Allowance, Adult Foster Care, and Old-Age Pension Medical Program. The division also funds Medicaid programs for school services and the primary care physician incentive).

Home Care Allowance	<u>9,967,297</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	9,492,664	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	474,633	0	0	0	0	0	
Federal Funds	0	0	0	0	0	0	
Adult Foster Care	<u>82,029</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	78,123	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	3,906	0	0	0	0	0	
Federal Funds	0	0	0	0	0	0	
Old Age Pension State Medical Program	<u>14,426,967</u>	<u>12,578,662</u>	<u>13,293,672</u>	<u>15,311,715</u>	<u>15,311,715</u>	<u>15,311,715</u>	T #1, 3 BA #8
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	15,311,715	
RF / CFE	14,426,967	12,578,662	13,293,672	15,311,715	15,311,715	0	
Federal Funds	0	0	0	0	0	0	
H.B. 05-1262 Transfer of Tobacco Tax Cash Fund into the Supplemental Old Age Pension State Medial Fund	<u>0</u>	<u>2,580,179</u>	<u>2,500,500</u>	<u>2,433,000</u>	<u>2,475,000</u>	<u>2,475,000</u>	T #8
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	2,475,000	
RF / CFE	0	2,580,179	2,500,500	2,433,000	2,475,000	0	
Federal Funds	0	0	0	0	0	0	

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
University of Colorado Family Medicine							
Commission on Family Medicine Residency							
Training Program	<u>1,576,502</u>	<u>1,703,558</u>	<u>1,903,558</u>	<u>2,173,558</u>	<u>2,173,558</u>	<u>2,173,558</u>	NPI #2
General Fund	788,251	851,779	951,779	1,086,779	1,086,779	1,086,779	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	788,251	851,779	951,779	1,086,779	1,086,779	1,086,779	
Enhanced Prenatal Care Training and Technical Assistance	<u>102,338</u>	<u>102,155</u>	<u>108,999</u>	<u>117,411</u>	<u>117,411</u>	<u>117,411</u>	T #1
General Fund	51,169	51,078	54,500	58,706	58,706	58,706	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	51,169	51,077	54,499	58,705	58,705	58,705	
Nurse Home Visitor Program	<u>2,419,685</u>	<u>2,621,943</u>	<u>3,010,000</u>	<u>3,010,000</u>	<u>3,010,000</u>	<u>3,010,000</u>	
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	1,209,843	1,310,972	1,505,000	1,505,000	1,505,000	1,505,000	
Federal Funds	1,209,842	1,310,971	1,505,000	1,505,000	1,505,000	1,505,000	
Public School Health Services	<u>18,646,352</u>	<u>21,049,585</u>	<u>41,808,014</u>	<u>31,322,948</u>	<u>27,512,720</u>	<u>27,512,720</u>	T #1 SR
General Fund	0	0	10,480,201	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	14,101,907	
RF / CFE	9,249,432	10,472,200	16,007,021	16,007,021	14,101,907	0	
Federal Funds	9,396,920	10,577,385	15,320,792	15,315,927	13,410,813	13,410,813	
Colorado Autism Treatment Fund	<u>32,093</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	32,093	0	0	0	0	0	
Federal Funds	0	0	0	0	0	0	
Medicare Modernization Act of 2003 Maintenance of Effort Payment	<u>31,461,626</u>	<u>72,494,301</u>	<u>69,546,453</u>	<u>81,155,195</u>	<u>81,155,195</u>	<u>81,155,195</u>	DI #4, T #3 BA-A4
General Fund	31,461,626	72,494,301	69,546,453	81,155,195	81,155,195	81,155,195	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	0	0	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	0	0	0	0	0	

Includes H.B.08-1285

FY 2008-09

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
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Colorado Cares RX Program

Contract Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,934,944</u>	<u>3,964,944</u>	T 3
General Fund	0	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	0	
Cash Funds	0	0	0	0	3,934,944	3,964,944	
RF / CFE	0	0	0	0	0	0	
Federal Funds	0	0	0	0	0	0	

Recommendation vs.
Appropriation

SUBTOTAL -- Other Medical Programs	<u>78,714,889</u>	<u>113,130,383</u>	<u>132,171,196</u>	<u>135,523,827</u>	<u>131,755,599</u>	<u>131,755,599</u>	<u>-0.31%</u>
FTE	0.00	0.00	0.00	0.00	0.00	0.00	n/a
General Fund	41,871,833	73,397,158	81,032,933	82,300,680	82,300,680	82,300,680	1.56%
General Fund Exempt	0	0	0	0	0	0	n/a
Cash Funds	0	0	0	0	0	31,888,622	n/a
RF / CFE	25,396,874	26,942,013	33,306,193	35,256,736	33,393,622	1,505,000	-95.48%
Federal Funds	11,446,182	12,791,212	17,832,070	17,966,411	16,061,297	16,061,297	-9.93%

(6) Department of Human Services Medicaid

(Primary functions: This division reflects the Medicaid funding utilized by the Department of Human Services. The Medicaid dollars appropriated to that Department are first appropriated in this division, then transferred as Cash Funds Exempt.). The line items in this division are discussed in other staff briefings. Therefore, only subtotal information is included.

Recommendation vs.
Appropriation

SUBTOTAL -- DHS Medicaid Programs	<u>429,305,626</u>	<u>333,128,748</u>	<u>401,789,115</u>	<u>416,909,693</u>	<u>pending</u>	<u>pending</u>	<u>3.76%</u>
General Fund	202,571,252	159,238,552	197,098,181	204,483,725	pending	pending	3.75%
General Fund Exempt	0	0	0	0	pending	pending	n/a
Cash Funds	0	0	0	374	pending	pending	n/a
RF / CFE	9,165,181	6,931,705	3,832,003	4,194,918	pending	pending	n/a
Federal Funds	217,569,193	166,958,491	200,858,931	208,230,676	pending	pending	3.67%

Department of Health Care Policy & Financing Executive Director: Joan Henneberry	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Appropriation	Department Request	Staff Rec. Old Format	Staff Rec. New Format	Change Req. #
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							Recommendation vs. Appropriation
TOTAL -- Department of Health Care Policy and Financing (with DHS programs)	<u>3,228,221,574</u>	<u>3,285,678,248</u>	<u>3,483,279,446</u>	<u>3,792,533,614</u>	pending	pending	8.88%
FTE	195.35	225.36	257.30	275.20			6.96%
General Fund	998,912,252	1,019,917,138	1,090,989,859	1,201,022,734	pending	pending	10.09%
General Fund Exempt	361,645,084	343,616,036	344,413,000	344,386,600	pending	pending	-0.01%
Cash Funds	568,269	511,526	2,966,076	4,773,146	pending	pending	60.92%
RF / CFE	320,320,549	339,755,328	355,971,972	392,825,638	pending	pending	10.35%
Federal Funds	1,546,775,420	1,581,878,220	1,688,938,539	1,849,525,496	pending	pending	9.51%

							Recommendation vs. Appropriation
TOTAL -- Department of Health Care Policy and Financing (w/o DHS divisions/pending)	<u>2,798,915,948</u>	<u>2,952,549,500</u>	<u>3,081,490,331</u>	<u>3,375,623,921</u>	<u>3,326,307,258</u>	<u>3,326,307,258</u>	7.94%
FTE	194.35	225.36	257.30	275.20	273.20	273.20	6.18%
General Fund	796,341,000	860,678,586	893,891,678	996,539,009	1,002,804,588	1,002,804,588	12.18%
General Fund Exempt	361,645,084	343,616,036	344,413,000	344,386,600	344,395,000	344,395,000	-0.01%
Cash Funds	568,269	511,526	2,966,076	4,772,772	2,352,903	346,385,892	11578.25%
RF / CFE	311,155,368	332,823,623	352,139,969	388,630,720	365,695,820	21,662,831	-93.85%
Federal Funds	1,329,206,227	1,414,919,729	1,488,079,608	1,641,294,820	1,611,058,947	1,611,058,947	8.26%

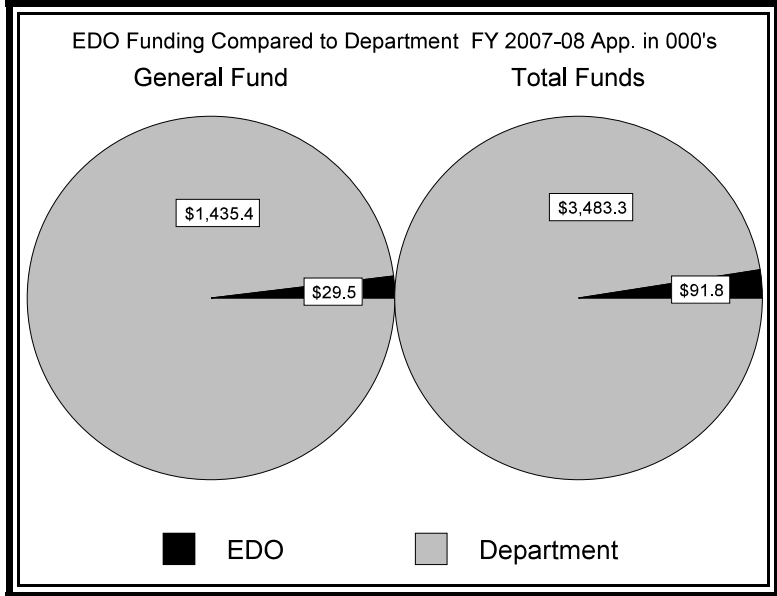
**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
FY 2008-09 FIGURE SETTING**

JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Executive Director's Office

Overview:

The Department of Health Care Policy and Financing's Executive Director's Office (EDO) Division contains the administrative funding for the Department. Beginning in FY 2003-04, the EDO Division and the Medical Program Administration Division were combined into one administrative division for the Department. Therefore, funding for all of the Department's administrative functions, including the personnel costs for the 257.3 FTE positions, are found in the EDO Division. The current approved FY 2007-08



appropriation (including H.B. 08-1285) for the EDO is \$91.8 million. Of this amount \$29.5 million is General Fund. The General Fund appropriation in the Division is 2.1 percent of the Department's total General Fund appropriation. The total fund appropriation for the EDO is 2.6 percent of the Department's total appropriation.

The FY 2007-08 Long Bill and Special Bills made appropriations to a total of 46 line items. Of these 46 different line items, 15 line items are related to personal services, operating and common policy issues (e.g. salary survey, administrative law judges, etc.) and 31 line items are for costs related to auditing providers, utilization review of medical services provided, eligibility determinations, information systems and other professional contract services.

Last year, the Joint Budget Committee requested that the Department submit recommendations on how to consolidate some of the line items in order to better describe the functions and programs that the line items are funding (Footnote #22 of SB 07-239). The Department submitted their recommendations to the Committee on November 9, 2007. Under the Department's proposal the number of line items in Long Bill would be reduced from 46 to 30 in the Executive Director's Office. However, since submitting this report, the Department has submitted budget amendments that further increase the number of line items in the Executive Director's Office. After reviewing the Department's budget request, staff recommends that the number of line items in the Executive Director's Office Division be reduced from 46 to 28 through consolidation and transferring some line items to different divisions. Staff also recommends that seven new subdivisions be created in the

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
FY 2008-09 FIGURE SETTING**

JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Long Bill to better describe the Department's administrative functions. Following is a description of the Department's and staff's recommendation.

Table 1: New Long Bill Line Item Structure for Executive Director's Office (the following line items may not be in the exact same order as the FY 2007-08 Long Bill but reflects staff's recommended order for the FY 2008-09 Long Bill)				
Current Line Item #	New Line Item #	Function or New Subdivision / New Line Item Name	Department's Request	Staff Recommendation
1	1	<i>General Administration/</i> Personal Services	The Department keeps this line item but consolidates the following functions and line items into it: salaries, professional services, medical identification cards, single entry point administration, and public school health services administration	Staff recommends that this line item reflect only the salary costs and temporary services for the Department's state employee FTE positions. This line item would be bottom line financed with the rest of this subdivision.
2	2	<i>General Administration/</i> Health, Life, Dental	No Change	No change to line item name but bottom line finance this subdivision.
3	3	<i>General Administration/</i> Short-term Disability	No Change	No change to line item name but bottom line finance this subdivision.
4	4	<i>General Administration/</i> S.B. 04-257 Amortization Equalization Disbursement	No Change	No change to line item name but bottom line finance this subdivision
5	5	<i>General Administration/</i> S.B. 06-235 Supplemental Amortization Equalization Disbursement	No Change	No change to line item name but bottom line finance this subdivision.
6	6	<i>General Administration/</i> Salary Survey and Senior Executive Service	No Change	No change to line item name but bottom line finance this subdivision
7	7	<i>General Administration/</i> Performance-based Pay Awards	No Change	No change to line item name but bottom line finance this subdivision
8	8	<i>General Administration/</i> Worker's Compensation	No Change	No change to line item name but bottom line finance this subdivision

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Table 1: New Long Bill Line Item Structure for Executive Director's Office (the following line items may not be in the exact same order as the FY 2007-08 Long Bill but reflects staff's recommended order for the FY 2008-09 Long Bill)				
Current Line Item #	New Line Item #	Function or New Subdivision / New Line Item Name	Department's Request	Staff Recommendation
9, 10	9	<i>General Administration/</i> Operating Expenses	No Change	Staff recommends that a current line item named single entry point administration be combined into this line item.
11	10	<i>General Administration/</i> Legal and Third Party Recovery Legal Services	No Change	No change to line item name but bottom line finance this subdivision.
12	11	<i>General Administration/</i> Administrative Law Judge Services	No Change	No change to line item name but bottom line finance this subdivision.
13	12	<i>General Administration/</i> Purchase of Services from Computer Center	No Change	No change to line item name but bottom line finance this subdivision.
14	13	<i>General Administration/</i> Payment to Risk Management and Property Funds	No Change	No change to line item name but bottom line finance this subdivision.
15	14	<i>General Administration/</i> Leased Space	No Change	No change to line item name but bottom line finance this subdivision.
16	15	<i>General Administration/</i> Capitol Complex Leased Space	No Change	No change to line item name but bottom line finance this subdivision.
	16	<i>General Administration/</i> General Professional Services and Special Projects	Department did not address this issue	Staff recommends that all professional services be eliminated from the personal services line item and placed in this new line item. This line item would also be used for any special projects or studies that are funded.
17		<i>Transfer to Other Department Administration /</i> Transfer to Department of Human Services for Related Administration	No Change	Transfer this line item to DHS Division

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Current Line Item #	New Line Item #	Function or New Subdivision / New Line Item Name	Department's Request	Staff Recommendation
18	17	<i>Transfer to Other Department Administration</i> / Department of Public Health and Environment Facility Survey and Certification	No Change	No change to line item but new subdivision recommended.
19	18	<i>Transfer to Other Department Administration</i> / Department of Regulatory Agencies Nurse Aide Certification	No Change	No change to line item but new subdivision recommended.
20		<i>Transfer to Other Department Administration</i> / Department of Regulatory Agency In-Home Support Review	This line item no longer needs funding in FY 2008-09.	This line item no longer needs funding in FY 2008-09.
21	19	<i>Transfer to Other Department Administration</i> / Department of Education Public School Health Services Administration	Department recommends consolidating into personal services.	Staff recommends this funding remain in separate line item in a new subdivision.
22	19	<i>Information Technology Contracts</i> / IT Contracts	Combines the MMIS Contract and Web Portal contract into one line item	Staff recommends the Department's request to combine these two contract into one line item in a new subdivision.
23	20	<i>Information Technology Contracts</i> / IT Contracts	Combines MMIS Contract and Web Portal into one line item	Staff recommends the Department's request to combine these two contract into one line item in a new subdivision.
24, 25, 26,	21	<i>Eligibility Determination and Client Services</i> / Contracts for Eligibility Determination	The Department recommends combining the following line items: Disability Determination Services, Nursing Home Preadmission and Resident Assessments, School District Eligibility Determinations.	Staff recommends the Department's request

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Table 1: New Long Bill Line Item Structure for Executive Director's Office (the following line items may not be in the exact same order as the FY 2007-08 Long Bill but reflects staff's recommended order for the FY 2008-09 Long Bill)				
Current Line Item #	New Line Item #	Function or New Subdivision / New Line Item Name	Department's Request	Staff Recommendation
27	22	Eligibility Determination and Client Services / Medical Identification Cards	The Department recommends that this cost be included in Personal Services	Staff recommends that this cost be placed as a line item in the Eligibility Determinations and Client Services subdivision.
28	23	Eligibility Determination and Client Services / County Administration	No Change	Staff recommends this line item be placed in the Eligibility Determination and Client Services subdivision
29	24	Eligibility Determination and Client Services / Administrative Case Management	No Change	Staff recommends this line item be placed in the Eligibility Determination and Client Services subdivision
30, 31	25	Eligibility Determination and Client Services / Customer Outreach	The Department requests that EPSDT Program and Enrollment Broker line items be combined into one line item called Customer Outreach	Staff recommends the Department's request but places the line item in a new subdivision called Eligibility Determination and Client Services
32, 33, 34, 35, 36	26	Utilization Quality Review / Professional Services Contracts	The Department requests that the following line items be consolidated into one new line item: (1) Acute Care Utilization Review; (2) Long-term Care Utilization Review; (3) External Quality Review; (4) Drug Utilization Review; (5) Mental Health External Quality Review	Staff recommends the Department's request.

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Table 1: New Long Bill Line Item Structure for Executive Director's Office (the following line items may not be in the exact same order as the FY 2007-08 Long Bill but reflects staff's recommended order for the FY 2008-09 Long Bill)				
Current Line Item #	New Line Item #	Function or New Subdivision / New Line Item Name	Department's Request	Staff Recommendation
37, 38, 39, 40,	27	Provider Audits and Services / Professional Audit Contracts	The Department request that the following line items be consolidated into one line item: (1) Nursing Facility Audits; (2) Hospital/FQHC Audits; (3) Single Entry Point Audits; and (4) Payment Error Rate Measurement Project Contract	Staff recommends the Department's request
41	28	Recoveries and Recoupments/ Professional Contracts for Recoveries	The Department requests that the Estate Recovery line item remain as is.	Staff creates a new subdivision where all recoupment and recovery contracts can placed
42		Non-Emergency Transportation	The Department recommends that this cost be moved to the Medical Services Division	Staff recommends the Department's request.
43, 44		Colorado Care Rx Program	Department requests that two new lines item created in S.B. 07-001 be combined into one line item.	Staff recommends that the costs for the Colorado Care Rx Program be transferred to the Other Medical Services Division.
45		Primary Care Provider Rate Task Force and Study	This line item would be moved to a line item called studies	This specific line item is not needed in FY 2008-09. In the future these type of expenses would be funded in the new line item called General Professional Services and Special Projects

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Current Line Item #	New Line Item #	Function or New Subdivision / New Line Item Name	Department's Request	Staff Recommendation
46		Prepaid Inpatient Health Plan Feasibility Study	This line item would be moved to a line item called studies	This specific line item is not needed in FY 2008-09. In the future these type of expenses would be funded in the new line item called General Professional Services and Special Projects

Staff's recommended Long Bill Structure for the Executive Director's Office is summarized below.

(1) Executive Director's Office

(A) General Administration (bottom line financed)

- Personal Services
- Health, Life and Dental
- Short-term Disability
- S.B. 04-257 Amortization Equalization Disbursement
- S.B. 06-235 Supplemental Amortization Equalization Disbursement
- Salary Survey and Senior Executive Service
- Performance-Based Pay Awards
- Worker's Compensation
- Operating Expenses
- Legal and Third Party Recovery Legal Services
- Administrative Law Judge Services
- Purchase of Services from Computer Services
- Payment to Risk Management and Property Funds
- Leased Space
- Capitol Complex Leased Space
- General Professional Services and Special Projects

(B) Transfers to Other Departments

- Transfer to Department of Public Health and Environment Facility Survey and Certification
- Transfer to Department of Regulatory Agencies Nurse Aide Certification
- Transfer to Department of Education Public School Health Services Administration

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- (C) *Information Technology Contracts***
Information Technology Contracts

- (D) *Eligibility Determination and Client Services***
Medical Identification Cards
Contracts for Special Eligibility Determination
County Administration
Administrative Case Management
Customer Outreach

- (E) *Utilization Quality Review***
Professional Services Contracts

- (F) *Provider Audits and Services***
Professional Audit Contracts

- (G) *Recoveries and Recoupment Administrative Costs***
Professional Contracts for Recoveries

In the following write-up, staff discusses the funding for each line item as it currently appears in the Long Bill or staff number pages. At the end of the FY 2008-09 funding recommendation for the line item, staff will indicate the new division, subdivision and line item where staff recommends that the funding be placed in the FY 2008-09 Long Bill.

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General Administration, Personal Services

Line Item Description: This line item contains all of the funding for the Department's personal services costs for the 273.2 requested FTE in FY 2008-09. Currently, the line item funds salaries and wages for state employees, PERA contributions, Medicare taxes, professional services, temporary services, unemployment insurance, and other state employee costs.

Personal Services Detail						
	Department		Staff		Difference	
	Request	FTE	Recommendation	FTE	Staff-Dept	FTE
FY 2007-08 Original Appropriation	\$16,715,590	245.3	\$16,715,590	245.3	\$0	0.0
1331 Supplemental -- CBMS Gov's. Office Dissolved	\$1,312,941	12.0	\$1,312,941	12.0	\$0	0.0
Supplementals passed in H.B. 08-1285	215,500	0.0	215,500	0.0	0	0.0
FY 2007-08 Revised Appropriation	\$18,244,031	257.3	\$18,244,031	257.3	\$0	0.0
<i>Annualization & Technical Items</i>						
Annualize Prior Year Budget Actions	719,885	0.0	682,724	0.0	(37,161)	0.0
Annualize S.B. 07-001	72,612	1.5	72,612	1.5	0	0.0
Annualize S.B. 07-196	158,057	0.5	158,057	0.5	0	0.0
Annualize S.B. 07-211	14,655	0.2	14,655	0.2	0	0.0
Remove One-Time Funding for Internal Audit	(95,200)	0.0	(105,500)	0.0	(10,300)	0.0
Fund Split Issue -- BCCTP Fund Statutory Requirement	0	0.0	0	0.0	0	0.0
<i>Common Policy Adjustments</i>						
Indirect Cost Recovery	0	0.0	0	0.0	0	0.0
Base Reduction	(37,797)	0.0	(190,666)	0.0	(152,869)	0.0
FY 2008-09 Continuation Base	\$19,076,243	259.5	\$18,875,913	259.5	(\$200,330)	0.0
DI#7 Additional FTE for Productivity Gains	\$413,855	7.3	\$356,987	6.4	(\$56,868)	(0.9)
DI#9 -- Restore IT Funding	\$27,500	0.0	\$0	0.0	(\$27,500)	0.0
DI#10/BA #2 -- Funding for Additional Lease Space	\$0	0.0	\$0	0.0	\$0	0.0
BA #1 -- Medical Director Consortium (incom. Incr)	\$120,000	0.0	(\$80,000)	0.0	(\$200,000)	0.0
BA #3 -- Implement Preferred Drug List	\$35,114	1.0	\$34,434	0.9	(\$680)	(0.1)
BA #5 -- MH Audit Findings (incremental increase)	\$125,000	0.0	(\$125,000)	0.0	(\$250,000)	0.0
BA #9 -- Cost Avoidance & Provider Recoveries	\$377,611	5.5	\$370,744	5.5	(\$6,867)	0.0
BA #12 -- 340B Pharmaceutical Pricing	58,172	0.9	54,600	0.9	(3,572)	0.0
BA-A1A -- Building Blocks to Health Care Reform	882,525	1.0	0	0.0	(882,525)	(1.0)
Staff recommendation to transfer professional contracts	0	0.0	(493,742)	0.0	(493,742)	0.0
Total FY 2008-09 Recommendation	\$21,116,020	275.2	\$18,993,936	273.2	(\$2,122,084)	(2.0)
Increase from FY 2007-08 Revised Appropriation	\$2,871,989		\$749,905		(\$2,122,084)	
Percent Increase	15.74%		4.11%		-11.63%	
Amount GF Exempt from 6.0% Limit	\$0		\$0		\$0	

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Personal Services Detail - Fund Splits			
	Department Request	Staff Recommendation	Difference
			Staff-Dept
Fund Splits (With New Format Comparison)			
FTE			
General Fund	8,859,627	7,876,614	(983,013)
Cash Funds			
-- S.B. 07-001 Colorado PX Fund	212,681	216,632	3,951
-- Children's Basic Health Plan Trust Fund	218,081	220,617	2,536
-- Health Care Expansion Fund	139,200	137,112	(2,088)
-- Comprehensive Primary Care Grant Fund	0	712	712
-- Autism Treatment Fund	28,362	28,265	(97)
-- Primary Care Fund	52,105	48,950	(3,155)
-- Coordinated Care for People with Disabilities	28,712	27,395	(1,317)
-- Short-Term Innovative Health Program	31,150	29,793	(1,357)
Re-Appropriated Funds			
-- Transfer from DHS	1,576,915	1,557,401	(19,514)
Federal Funds	<u>9,969,187</u>	<u>8,850,445</u>	<u>(1,118,742)</u>
Total FY 2008-09 Recommendation	\$21,116,020	\$18,993,936	(\$2,122,084)

Explanation of FTE: Beginning in FY 2003-04, all of the Department's FTE were consolidated into one line item. In FY 2007-08, the Department has a total of 257.3 FTE to administer all of the Department's programs. The following table shows the Department's current allocation of FTE positions and their request for FY 2008-09.

Table 2: Department FTE Allocation			
Organization/Function	Current FY 2007-08 Appropriation w/ H.B. 08-1285	FY 2008-09 Department Request ¹	FY 2008-09 Staff Recommendation ²
<u>Executive Director's Office</u>			
-Executive Director (1.0)			
-Legislative Liaison (1.0)			
-Executive Project Coordinator (1.0)			
-Administrative Services Unit (4.0)	7.0	7.0	7.0

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Table 2: Department FTE Allocation			
Organization/Function	Current FY 2007-08 Appropriation w/ H.B. 08-1285	FY 2008-09 Department Request¹	FY 2008-09 Staff Recommendation²
Medical & CHP+ Program -Executive Management Team (2.0) -Rates Section (9.0) -Quality Improvement Section (9.1) -Long Term Care Benefits Management (3.0) -Community Based LTC (11.4) -Nursing Facilities Section (7.8) -CHP+ Division Management (2.0) -Program Evaluation (6.5) -Delivery Systems Section (4.0) -Benefits Division Management (3.0) -Managed Care Behavioral Health (7.8) -Acute Care Benefits Section (10.0) -Policy and Coding Unit (3.0)	78.6	78.8	78.8
Decision Item # 7 & BA #9	0.0	5.5	5.5
Budget Division Budget Division (7.0) Budget Finance Section (7.0)	14.0	14.0	14.0
Decision Item #7 & BA-A1A	0.0	2.0	1.0
Agency Administration & Operation Office -Executive Management Team (2.0) -Audits Section (8.0) -Legal Division Management (3.0) -Benefits Coordination Section (6.1) -Program Integrity Section (6.1) -Controller Division Management (2.0) -Accounting Section (10.0) -Contracts/ Purchasing (4.0) -Information Technology Management (3.0) -Security Unity (3.0) -Information Tech Support (4.7) -Eligibility Systems Section (16.3) -IT Contracts and Monitoring (7.7) -Claims System Unit (8.7)	84.6	85.6	85.6
Decision Item #7	0.0	1.0	1.0
Human Resources Section (6.0)	6.0	6.0	6.0

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Table 2: Department FTE Allocation			
Organization/Function	Current FY 2007-08 Appropriation w/ H.B. 08-1285	FY 2008-09 Department Request¹	FY 2008-09 Staff Recommendation²
Client & Community Relations			
-Executive Management Team (2.0)			
-State Board Coordinator (1.0)			
-Public Information Officer (1.0)			
-County Oversight Liaison (1.0)			
-Program Eligibility Management (5.0)			
-Eligibility Policy Unit (6.1)			
-Eligibility Operations Section (10.2)			
-Safety Net Program (7.2)			
-Business Analysis Section (10.5)			
-Client Services Management (2.0)			
-Customer Services Section (9.5)			
-Appeals (1.0)			
-Pharmacy Benefits Section (10.6)	67.1	68.1	68.1
Decision Item #7 & BA #3 & BA #12	0.0	7.2	6.2
TOTAL	257.3	275.2	273.2

/1 The Department's Request annualizes FTE that were approved in S.B. 07-001, S.B. 07-196, and S.B. 07-196. The Department requests 15.7 new FTE in FY 2008-09 which will annualize to 17.0 FTE in FY 2009-10.

/2 The Staff recommendation annualizes the FTE authorized in special legislation. Staff recommends a total of 13.7 FTE for all of the Department's decision item. These positions will annualize to 16.0 FTE in FY 2009-09. These recommendations are discussed in greater detail below.

Department Request and Staff Recommendation: For FY 2008-09 the Department requests a total appropriation of \$21,116,020 and 275.2 FTE and staff recommends \$18,993,936 and 273.2 FTE. The Department's request and staff's recommendation have the following components:

1. Common Policy Calculations – Continuation Base for FY 2008-09

Department Request: The Department calculates their FY 2008-09 base budget as \$19,076,243 and 259.5 FTE. This request reflects adjustments for last year's salary survey and performance-based pay awards and also annualizes legislation that was passed during the 2007 Session. The base budget also removes one-time funding that was provided in FY 2007-08 for internal audit and actuary services for the Denver Health Incentive Grant Program. The base budget request corrects fund splits for the indirect cost recovery and to reflect the elimination of the breast and cervical cancer treatment fund per statutory requirements. Adjustments for these two items increases the appropriations from the General Fund by \$232,493 and from cash funds by \$51,777 and reduces federal funds by \$284,270. After making all of these base adjustments, the Department applies the OSPB common policy base reduction of 0.2 percent.

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Staff Recommendation: Staff's recommended base budget for FY 2008-09 (before decision items) is \$18,875,913 and 259.5 FTE. The major differences between the staff recommendation and the Department request relates to the Committee's common policy action on January 30, 2008 to take a 1.0 percent base reduction. Other difference are related to which line item the Supplemental AED for PERA is shown. The Department requests \$34,950 in personal service line for last year's AED. However, per the Committee's common policy adopted last year, staff shows this amount in the S-AED line item. Staff's recommendation eliminates a one-time expenses funded in FY 2007-08 related to moving expenses that is not taken out of the Department's base request when compared to the current appropriation with H.B. 08-1285. Lastly, staff's recommendation differs slightly from the Department's request in adjusting for performance base pay.

2. Decision Item #7 -- Additional FTE for Productivity Gains

Department Request: The Department requests 7.3 FTE and \$413,855 to address workload and staff shortages within the Department in FY 2008-09. The FTE will annualize to 8.0 FTE in FY 2009-10.

Staff Recommendation: Staff recommends \$356,987 and 6.4 FTE to address workload and staff shortages within the Department in FY 2008-09. The FTE will annualize to 8.0 FTE in FY 2009-10. Table 3 below compares the Department's request and the staff recommendation.

Table 2b: Decision Item #7 Personal Services Costs						
Requested New Position	Department Request		Staff Recommendation		Difference	
Eligibility Determination Monitor (GP III): Position will address a shortage noted by CMS in the Department's Medicaid Eligibility Quality Control unit. This unit reviews eligibility determinations to ensure that state and federal laws are complied with. Currently this unit has 3.0 FTE.	\$46,796	0.9	\$44,933	0.9	(\$1,863)	0.0
Budget Analyst I: This positions is requested to assist with analysis and monitoring line items in the DHS Division.	\$45,454	0.9	\$43,643	0.9	(\$1,811)	0.0
Customer Services Interns: These positions will answer and respond to customer inquiries.	\$73,158	1.8	\$70,629	1.8	(\$2,529)	0.0

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Table 2b: Decision Item #7 Personal Services Costs						
Requested New Position	Department Request		Staff Recommendation		Difference	
Statistical Analyst I: This position is requested to address improve timeliness of data inquiries and reports.	\$56,159	1.0	\$59,916	1.0	\$3,757	0.0
Program Eligibility Training Unit: The Department requests 3.0 FTE (1.0 GP V and 2.0 GP IV) to create a training unit to help assist in training county personnel, medical assistance sites, providers, and community resource centers.	\$178,958	2.7	\$123,895	1.9	(\$55,063)	(0.8)
Website Administration: The Department requests an FTE to be a website administrator to coordinate changes to the Department's website based on customer and stakeholder input as well as post information on the site more timely.	\$60,000	0.9	\$57,612	0.9	(\$2,388)	0.0
Eliminate Accountant II OAP Pharmacy Rebate position: The Department requests to eliminate an FTE position that provided to research and implement a drug rebate program for OAP program. It has been determined that such a program is not feasible.	(\$46,670)	(0.9)	(\$43,641)	(1.0)	\$3,029	(0.1)
TOTAL	\$413,855	7.3	\$356,987	6.4	(\$56,868)	(0.9)

Staff Comment: The major difference between the staff's recommendation and the Department's request is that staff recommends that the 2.0 FTE training positions be funded for only one-half year (start-date January 2009). This will allow the supervisor position enough time to develop the training materials. Staff's request also does not address the SAED and AED expenses in the personal services line item. These expenses are added to those line items respectively.

Staff recommends the majority of the Department's request because staff agrees with the Department's assessment workloads at the Department exceed the current staff's ability to meet current requirements. It is staff's anticipation that these additional FTE will negate future requests from the Department for base building positions.

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3. **Decision Item #9 -- Restore IT Funding**

Department Request: The Department requests a total of \$27,500 in one-time contracting funding to redesign the Department's website.

Staff Recommendation: Staff does not recommend that this item be added to the Personal Services line item. However, staff does recommend the issue but addresses it in the new line item called General Professional Services and Special Projects. Please see that line item's description for more detail.

4. **Decision Item #10 & Budget Amendment #2 -- Additional Lease Space:**

Department Request: The Department original FY 2008-09 request included \$10,500 in the personal services line item for contract expenses related to moving into new lease space. This request was modified by budget amendment #2 to eliminate these expenses in FY 2008-09 if supplemental #7 for FY 2007-08 was approved. Therefore the net impact of DI #10 & BA #2 for the personal services line item in FY 2008-09 is \$0.0.

Staff Recommendation: Staff recommends that the one-time funding provided for this issue in H.B. 08-1285 be eliminated from the appropriation base in FY 2008-09.

5. **Budget Amendment #1 -- Medical Director Consortium**

Department Request: The Department requests an additional \$120,000 (above the \$80,000 in the FY 2007-08 base), for the medical director consortium contract that the Committee began funding in FY 2007-08 (supplemental #6).

Staff Recommendation: Staff does not recommend that this item be added to the Personal Services line item. Therefore, staff eliminates the base funding and does not recommend the additional funding in the personal services line item. However, staff does recommend the issue but addresses it in the new line item called General Professional Services and Special Projects. Please see that line item's description for more detail.

6. **Budget Amendment #3 -- Preferred Drug List**

Department Request: The Department requests an increase of 1.0 FTE and \$35,114 to assist in the implementation of the preferred drug list. This FTE position would replace services currently provided by the preferred drug list contractor related to planning and management of the Pharmacy and Therapeutics Committee meetings. The responsibilities for this position would include attending all committee meetings, planning meeting logistics, developing an agenda, compiling informational packets on clinical and Medicaid utilization data,

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distributing necessary materials, and drafting meeting minutes. In addition, this position would support the pharmacy section to provide clerical, administrative and office assistance.

Staff Recommendation: Staff recommends the Department's request with a technical change to exclude the AED and SAED from the personal services line item.

7. **Budget Amendment #5 -- Mental Health Audit Findings**

Department Request: The Department requests an additional \$125,000 (above \$125,000 in the base from FY 2007-08), to complete the encounter data manual and fee-schedule cost study that the Committee began funding in FY 2007-08 (supplemental #14).

Staff Recommendation: Staff addresses this issue in the new line item called General Professional Services and Special Projects.

8. **Budget Amendment #9 -- Cost Avoidances and Recoveries**

Department Request: The Department requests an additional 5.5 FTE positions and \$377,611 to strengthen the Medicaid provider re-enrollment process and to inspect high risk providers. Specifically, the FTE request is for 4.5 (annualizes to 5.0) FTE to conduct on-site provider reviews for new and re-enrolling Medicaid providers. The Department estimates that these FTE will be able to conduct a total of 280 on-site reviews a year. The Department also requests 1.0 FTE to assist the U.S. Attorney's office with investigations and case preparations against provider fraud. The Department anticipates that all additional administrative costs from these activities will be more than offset by savings in the Medical Services Premiums line item.

Staff Recommendation: Staff recommends the Department's request with a slight technical difference on calculating the salaries (staff FTE rounded to the nearest tenth and the Department rounded their FTE request to the nearest hundredth in calculating the salary request). In 2004, the U.S. Office of Inspector General published a report listing approaches used by states to maintain a qualified pool of providers and limit Medicaid fraud. Some of the best practices identified in the report was time-limited enrollment and re-enrollment procedures, on-site inspections for high-risk providers (i.e. providers not licensed by the state), and surety bonds. This recommendation will address the issues that the U.S. Office of Inspector General raised in their report. In addition, by September 2008, Colorado is anticipating receiving the results of our first Payment Error Rate Measurement (PERM) study. If this study shows Colorado needs to implement corrective action, this recommendation may aid with any future PERM corrective plan and hopefully negate the need for supplemental funding after the PERM report is released.

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9. **Budget Amendment #12 -- Pharmaceutical Expansion of 340 B Pricing**

Department Request: The Department requests 0.92 FTE and \$58,171 to implement a 340B pricing pilot to increase the number of pharmacy claims paid through this rate structure. In 1992, Congress passed the Veterans Health Care Act, Public Law 102-585, which included a provision giving health care providers that primarily served low-income patients or "safety-net" providers, access to significant discounts on pharmaceuticals. The 340B is a federally administered program that allows covered entities to provide low priced outpatient prescription drugs to their patients.

Currently, the Department only pays a small portion of pharmacy claims using 340B pricing. Many of the providers eligible to participate in 340B pricing do not fill prescriptions in-house. As a result, the clients take their prescriptions to retail pharmacies that are not 340B pharmacies and therefore, pay the higher non-discounted price. The Department through this budget amendment, seeks to implement a 340B pilot by coordinating with 340B qualified entities and utilizing a mail-order pharmacy vendor that would work with the Department and the 340B qualified entities. The requested FTE position would be responsible for management of the pilot program, internal auditing, coordinating with the 340 B qualified entities to contract with the mail-order pharmacy vendor, and educational outreach to assure that the program is performing as designed. Once the pilot program is established, the FTE would be responsible for combining the 340B program with the management of patients with high cost/complex conditions to achieve additional savings.

The total impact for this budget amendment is savings of \$11,297 total funds once savings in the Medical Services Premiums line item is added to the additional administrative costs for implementing the program.

Staff Recommendation: Staff recommends the Department's request with a slight technical difference on calculating the salaries (staff uses a base salary of \$54,360 for a GP IV instead of the Department's request of 56,796).

10. **BA-A1A -- Building Blocks to Health Care Reform**

Department Request: The Department requests \$818,852 in additional contract services in order to certify that all participating providers acting as medical homes provide the necessary services to qualifying as a medical home. In addition to these contract services, the Department requests, 1.0 FTE and \$63,373 for another budget analyst position to take a leadership role in pricing health care reform proposals, and to reduce the workloads of current staff.

Staff Recommendation: Staff does not recommend that the requested contract services be added to the Personal Services line item. Staff's recommendation for this issue is found in

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the new line item called General Professional Services and Special Projects. Staff does not recommend the additional 1.0 FTE. In Decision Item #7, staff recommended an additional 1.0 FTE to the budget division. Staff's recommendation in Decision Item #7 represents a 7.1 percent increase to the number of staff in the Department's budget division. At this time, staff does not recommend further increases to the budget division.

11. Staff Issue -- Recommended Transfer of Professional Services to New Line Item

Staff Recommendation: Staff recommends that a total of \$493,742 be transferred from the personal services line item to a new line item called General Professional Services and Special Projects. Staff's recommendation will reduce the funding in the personal services line item to only those costs associated with state employees -- i.e. salaries, PERA, Medicare, Retirement Buy-Outs, etc. Currently, a variety of professional contracts (but not all) for the Department are funded in the personal services line item. In addition, the line item also receives multiple adjustments each year for one-time funding for special projects (or there are new line items added to the EDO for these activities). As was noted in last year's figure setting, the Department's personal services line item has experienced sizeable reversions in last several years (ranging from 3.8 percent to 6.14 percent). Staff recommends transferring out all professional contracts in order to better monitor this line item to determine the reasons for the past reversions so that corrective action to the base funding can be adjusted if necessary in the future. The professional contracts that transferred related to this issue include the following:

Professional Contract	Amount
Unemployment Insurance Charge	\$30,000
Transcription Services	\$15,500
Actuarial Review and Calculations of HMO, PACE & MH rates	\$291,745
Over the phone translation services	\$3,000
Consultant Fees for the Executive Director	\$37,500
Advisory Committees	\$65,997
<u>Assignment of Rights and Eligibility Determinations</u>	<u>\$50,000</u>
Total Recommended Transfer	\$493,742

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General Administration, Health, Life and Dental

Line Item Description: This line item funds the state's share of the health, life, and dental benefits for state employees who participate in the state's benefit package. For FY 2008-09, the state contribution rates for health, life, and dental are as follows: (1) \$370.78 per month for employee only; (2) \$ 545.34 per month for employee plus child(ren); (3) \$606.88 per month per employee for employee and spouse; and (4) \$839.32 per employee who has elected family coverage.

Health, Life and Dental Detail			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$929,293	\$929,293	\$0
Supplementals	34,694	34,694	0
FY 2007-08 Revised Appropriation	\$963,987	\$963,987	\$0
<i>Common Policy Adjustments</i>			
Rate increase and utilization calculation (T #6/NP BA #12)	250,374	250,374	0
FY 2008-09 Continuation Base	\$1,214,361	\$1,214,361	\$0
Adjust for recommended FTE in decision items	\$0	\$64,110	\$64,110
Total FY 2008-09 Recommendation	\$1,214,361	\$1,278,471	\$64,110
Fund Splits			
General Fund	\$546,543	\$578,598	\$32,055
Cash Funds			
--Primary Care Fund	\$3,734	\$3,734	\$0
--CBHP Trust Fund	\$16,460	\$16,461	\$1
--Autism Treatment Fund	\$1,867	\$1,867	\$0
--Health Care Expansion	\$6,253	\$6,253	\$0
Reappropriated Fund			
--Transfer from DHS	\$35,213	\$35,213	\$0
Federal Funds	\$604,291	\$636,345	\$32,054
Increase from FY 2007-08 Revised Appropriation	\$250,374	\$314,484	\$64,110
Percent Increase	25.97%	32.62%	6.65%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request /Staff Recommendation: The Department's request and staff recommendation funds Health, Life, and Dental at 90 percent of prevailing market contributions based on updated enrollment data from January 23, 2008. This is consistent with the Committee's common policy action on January 30, 2008. Staff also recommends an increase \$64,110 for the 13.7 new FTE recommended in decision items at an average cost of \$4,679.92 per new FTE. Finally, staff recommends this line item be bottom line appropriated in a new subdivision named "General Administration."

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General Administration, Short-term Disability

Line Item Description: This line item funds the short-term disability benefit for any worker who becomes disabled and cannot perform his or her duties. For FY 2008-09, the short-term disability rate is 0.13 percent of base salaries for the Department.

Short Term Disability			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$19,548	\$19,548	\$0
Supplementals	1,170	1,170	0
FY 2007-08 Revised Appropriation	\$20,718	\$20,718	\$0
Technical Adjustments -- Common Policy	478	1,091	613
FY 2008-09 Continuation Base	\$21,196	\$21,809	\$613
Adjust for recommended FTE in decision items	\$0	\$1,062	\$1,062
Total FY 2008-09 Recommendation	\$21,196	\$22,871	\$1,675
Fund Splits			
General Fund	\$9,478	\$9,538	\$60
Cash Funds	\$0		\$0
-- Colorado Cares		\$250	\$250
-- Coordinate Care for People with Disabilities		\$32	\$32
-- Primary Care Fund		\$56	\$56
-- CBHP Trust Fund		\$254	\$254
-- Innovative Health Care Fund		\$34	\$34
-- Autism Treatment Fund		\$33	\$33
-- Health Care Expansion		\$159	\$159
Reappropriated Fund/Cash Funds Exempt	\$1,143		(\$1,143)
-- Transfer from DHS		\$1,795	\$1,795
Federal Funds	\$10,575	\$10,720	\$145
Increase from FY 2007-08 Revised Appropriation	\$478	\$2,153	\$1,675
Percent Increase	2.31%	10.39%	8.08%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

*Department did not provide detailed fund splits for their final request

Department Request/Staff Recommendation: The Department requests a total of \$21,196 for short term disability. Staff recommends a total of \$22,871 calculated consistent with the JBC Common Policy adopted on January 30, 2008. Of this amount, staff recommends a total of \$1,062 for the increased costs due to the 13.7 new FTE that staff recommends for the Department. Staff recommends that this line item be bottom line financed in a new subdivision named General Administration.

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General Administration, S.B. 04-257 Amortization Equalization Disbursement

Line Item Description: This line item reflects the increase to the effective PERA rate contributions that began on January 1, 2007.

S.B. 04-257 Amortization Equalization Disbursement			
	Department	Staff	Difference
	Request	Re commendation	Staff-Dept
FY 2007-08 Original Appropriation	\$178,339	\$178,339	\$0
Supplementals	9,681	9,681	0
FY 2007-08 Revised Appropriation	\$188,020	\$188,020	\$0
Technical Adjustments -- Common Policy	72,860	78,010	5,150
FY 2008-09 Continuation Base	\$260,880	\$266,030	\$5,150
Adjust for recommended FTE in decision items	\$5,549	\$13,005	\$7,456
Total FY 2008-09 Recommendation	\$266,429	\$279,035	\$12,606
Fund Splits			
General Fund	\$119,426	\$114,941	(\$4,485)
Cash Funds	\$0		\$0
-- Colorado Cares		\$3,074	\$3,074
-- Coordinate Care for People with Disabilities		\$389	\$389
--Primary Care Fund		\$695	\$695
--CBHP Trust Fund		\$3,130	\$3,130
--Innovative Health Care Fund		\$423	\$423
--Autism Treatment Fund		\$401	\$401
--Health Care Expansion		\$1,945	\$1,945
Reappropriated Fund/Cash Fund Exempt	\$14,069		(\$14,069)
-- Transfer from DHS		\$22,096	\$22,096
Federal Funds	\$132,934	\$131,941	(\$993)
Increase from FY 2007-08 Revised Appropriation	\$78,409	\$91,015	\$12,606
Percent Increase	41.70%	48.41%	6.70%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

*Department did not provide detailed fund splits for their final request

Department Request/Staff Recommendation: The Department requests a total of \$266,429. Staff recommends \$279,035. This amount reflects the Committee's common policy rate of 1.40 percent for calendar year 2008 and 1.80 percent for calendar year 2009. The Committee approved these rates on January 30, 2008. Staff's recommendation also adds \$13,005 for the 13.7 new FTE staff recommends (the Department's request does not include impacts from DI #7 and staff's does). Staff recommends the line item be bottom line financed in the new "General Administration" subdivision.

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General Administration,
S.B. 06-235 Supplemental Amortization Equalization Disbursement

Line Item Description: This line item reflects the increase to the effective PERA rate contributions that began on January 1, 2008 pursuant to S.B. 06-235.

S.B. 06-235 Supplemental Amortization Equalization Disbursement			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$34,950	\$34,950	\$0
Supplementals -- H.B. 08-1285	2,097	2,097	0
FY 2007-08 Revised Appropriation	\$37,047	\$37,047	\$0
Technical Adjustments -- Common Policy	46,555	85,861	39,306
FY 2008-09 Continuation Base	\$83,602	\$122,908	\$39,306
Adjust for recommended FTE in decision items	\$3,164	\$5,979	\$2,815
Total FY 2008-09 Recommendation	\$86,766	\$128,887	\$42,121
Fund Splits			
General Fund	\$38,963	\$51,968	\$13,005
Cash Funds	\$0		\$0
-- Colorado Cares		\$1,441	\$1,441
-- Coordinate Care for People with Disabilities		\$182	\$182
-- Primary Care Fund		\$326	\$326
-- CBHP Trust Fund		\$1,467	\$1,467
-- Innovative Health Care Fund		\$198	\$198
-- Autism Treatment Fund		\$188	\$188
-- Health Care Expansion		\$912	\$912
Reappropriated Fund/Cash Fund Exempt	\$4,511		(\$4,511)
-- Transfer from DHS		\$10,358	\$10,358
Federal Funds	\$43,292	\$61,847	\$18,555
Increase from FY 2007-08 Revised Appropriation	\$49,719	\$91,840	\$42,121
Percent Increase	134.21%	247.90%	113.70%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

*Department did not provide detailed fund splits for their final request

Department Request/Staff Recommendation: The Department request \$86,766 and staff recommends \$128,887 for Supplemental AED. Staff's recommendation is calculated in accordance to the common policy that was adopted by the Committee on January 30, 2008. Staff recommends that this line item be retained but be bottom line financed in a new subdivision "General Administration."

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General Administration, Salary Survey and Senior Executive Service

Line Item Description: This line item reflects the amounts appropriated to the Department to cover the cost of salary increases based on survey of job and wage classifications performed annually by the Department of Personnel and Administration.

Salary Survey and Senior Executive Service			
	Department	Staff	Difference
	Request	Recommendation	Staff-Dept
FY 2007-08 Original Appropriation	\$480,923	\$480,923	\$0
Supplementals -- H.B. 08-1285	27,753	27,753	0
FY 2007-08 Revised Appropriation	\$508,676	\$508,676	\$0
Transfer to Personal Services	(508,676)	(508,676)	0
Common Policy Recommendation for Salary Survey	676,686	676,435	(251)
FY 2008-09 Continuation Base	\$676,686	\$676,435	(\$251)
Policy Issues -- None	\$0	\$0	\$0
Total FY 2008-09 Recommendation	\$676,686	\$676,435	(\$251)
Fund Splits			
General Fund	\$302,000	\$304,849	\$2,849
Cash Funds	\$0		\$0
-- Colorado Cares		\$2,989	\$2,989
-- Coordinate Care for People with Disabilities		\$378	\$378
-- Primary Care Fund		\$675	\$675
-- CBHP Trust Fund		\$3,650	\$3,650
-- Innovative Health Care Fund		\$411	\$411
-- Autism Treatment Fund		\$390	\$390
-- Health Care Expansion		\$1,902	\$1,902
Reappropriated Fund/Cash Fund Exempt	\$37,611		(\$37,611)
-- Transfer from DHS		\$21,487	\$21,487
Federal Funds	\$337,075	\$339,704	\$2,629
Increase from FY 2007-08 Revised Appropriation	\$168,010	\$167,759	(\$251)
Percent Increase	33.03%	32.98%	-0.05%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

*Department did not provide detailed fund splits for their final request

Department Request/Staff Recommendation: The Department requests \$676,686 and staff recommends \$676,435 for salary survey. Staff's recommendation is calculated in accordance to the common policy that was adopted by the Committee on January 30, 2008. Staff recommends that this line item be retained but be bottom line financed in a new subdivision "General Administration."

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General Administration, Performance-based Pay Award

Line Item Description: This line item reflects the amounts appropriated for periodic salary increases for State employees based on demonstrated and documented ability for each employee to satisfy standards related to quantity and quality of work.

Performance-based Pay Awards			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$206,506	\$206,506	\$0
Supplementals -- H.B. 08-1285	11,054	11,054	0
FY 2007-08 Revised Appropriation	\$217,560	\$217,560	\$0
Eliminate Prior Year Award (80% was transferred to PS)	(217,560)	(217,560)	0
Common Policy Recommendation for Performance Pay	251,235	251,236	1
FY 2008-09 Continuation Base	\$251,235	\$251,236	\$1
Policy Issues -- None	\$0	\$0	\$0
Total FY 2008-09 Recommendation	\$251,235	\$251,236	\$1
Fund Splits			
General Fund	\$112,340	\$112,340	\$0
Cash Funds	\$0		\$0
-- Colorado Cares		\$1,270	\$1,270
-- Coordinate Care for People with Disabilities		\$161	\$161
-- Primary Care Fund		\$287	\$287
-- CBHP Trust Fund		\$1,550	\$1,550
-- Innovative Health Care Fund		\$175	\$175
-- Autism Treatment Fund		\$166	\$166
-- Health Care Expansion		\$808	\$808
Reappropriated Fund/Cash Fund Exempt	\$13,547		(\$13,547)
-- Transfer from DHS		\$9,131	\$9,131
Federal Funds	\$125,348	\$125,348	\$0
Increase from FY 2007-08 Revised Appropriation	\$33,675	\$33,676	\$1
Percent Increase	15.48%	15.48%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

*Department did not provide detailed fund splits for their final request

Department Request/Staff Recommendation: The Department requests \$676,686 and staff recommends \$676,435 for salary survey. Staff's recommendation reflects the common policy that was adopted by the Committee on January 30, 2008. Staff recommends that this line item be retained but be bottom line financed in a new subdivision "General Administration."

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General Administration, Worker's Compensation

Line Item Description: This line item is a statewide allocation to each Department based on historic usage. This line item provides funding for payments made to the Department of Personnel and Administration to support the State's self-insured program. The request and recommendation reflects the common policy adjustments that are adopted by the Governor and the Joint Budget Committee.

Department Request/Staff Recommendation: The Department's request is based on the OSPB calculation of common policy issues. Staff's recommendation is pending the Committee's common policy decision. Staff recommends that this line item be retained and bottom line financed in a new new subdivision named "General Administration."

General Administration, Operating Expenses

(Operating expenses and single entry point administration are combined in the proposed Long Bill structure)

Line Item Description: This line item contains all of the operating expenses for the Department. In FY 2003-04, all operating expenses were consolidated into one line item. These expenses include the following items: software/licenses, office supplies, office equipment, utilities, printing, and travel.

Operating Expenses Detail			
	Department	Staff	Difference
	Request	Recommendation	Staff-Dept
FY 2007-08 Original Appropriation	\$1,039,465	\$1,039,465	\$0
1331 Supplemental -- CBMS Gov's. Office Dissolved	\$11,400	\$11,400	\$0
Supplementals requested/passed in H.B. 08-1285	47,683	(43,896)	(91,579)
FY 2007-08 Revised Appropriation	\$1,098,548	\$1,006,969	(\$91,579)
<i>Annualization & Technical Items</i>			
Annualize Prior Year Bills (including H.B. 08-1285)	(172,456)	(80,877)	91,579
Fund Split Issue -- BCCTP Fund Statutory Requirement	0	0	0
FY 2008-09 Continuation Base	\$926,092	\$926,092	\$0
DI #7 Additional FTE for Productivity Gains	\$74,193	\$79,286	\$5,093
DI #8 -- Training for Department Staff	\$100,000	\$43,548	(\$56,452)
DI #9 -- Restore IT Funding	\$66,837	\$66,836	(\$1)
DI #10/BA #2 --Funding for Additional Lease Space	\$171,250	\$301,160	\$129,910
DI #11 -- Restore Enrollment Broker Contact	\$0	\$0	\$0
BA #3 -- Implement Preferred Drug List	\$4,365	\$6,486	\$2,121
BA #9 -- Cost Avoidance & Provider Recoveries	\$59,230	\$71,096	\$11,866
BA #12 -- 340B Pharmaceutical Pricing	4,365	6,486	\$2,121
BA-A1A -- Building Blocks to Health Care Reform	4,405	0	(\$4,405)
Total FY 2008-09 Recommendation	\$1,410,737	\$1,500,990	\$90,253
Increase from FY 2007-08 Revised Appropriation	\$312,189	\$494,021	\$181,832
Percent Increase	28.42%	49.06%	18.06%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

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Operating Expenses - Fund Splits			
	Department Request	Staff Recommendation	Difference Staff-Dept
Fund Splits (With New Format Comparison)			
FTE			
General Fund	682,116	727,242	45,126
Cash Funds			
-- S.B. 07-001 Colorado PX Fund	3,800	3,800	0
-- Children's Basic Health Plan Trust Fund	701	701	0
-- Health Care Expansion Fund	4,365	4,365	0
-- Autism Treatment Fund	2,370	2,370	0
-- Primary Care Fund	620	620	0
-- Coordinated Care for People with Disabilities	436	436	0
-- Short-Term Innovative Health Program	475	475	0
Re-Appropriated Funds			
-- Transfer from DHS	13,376	13,376	0
Federal Funds	<u>702,478</u>	<u>747,605</u>	<u>45,127</u>
Total FY 2008-09 Recommendation	\$1,410,737	\$1,500,990	\$90,253

Department Request and Staff Recommendation: For FY 2008-09 the Department requests a total appropriation of \$1,410,737 for operating expenses and staff recommends \$1,500,990. The Department's request and staff's recommendation have the following components:

- Continuation Base Calculations for FY 2008-09:** The FY 2008-09 base calculations for FY 2008-09 remove one-time funding from special legislation that was passed last session and in the FY 2007-08 supplemental bill. Once one-time funding from prior year legislation or requests have been removed, the staff and Department calculate that the continuation operating expenses base for FY 2008-09 is \$926,092.
- DI #7 -- Additional FTE for Productivity Gains:** This item represents the operating expenses associated with the FTE requested and recommended in Decision Item #7 in the personal services line item. Staff's recommendation is higher than the Department's because staff recommends that the office furniture approved for the new FTE be appropriated at \$4,400 instead of the Department's request of \$2,225. During the January supplementals, the Committee approved appropriating a higher amount for last year's FTE increase due to the need to build office cubes in the new lease space. Therefore, staff continues to recommend the higher amount to be consistent with the Committee's decision for January 2008 supplemental for additional lease space.

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3. **DI #8 -- Training for Department Staff:** The Department requests \$100,000 to increase the amount of funding available for staff training opportunities and travel. Staff recommends a total of \$43,548. Staff's recommendation is based on the following calculations.

Activity	Cost
Training for approximately 65.6 new FTE a year (includes turnover and estimated new employees) at an average \$202.50 for training course.	\$13,284
One training opportunity for other employees once every two years at an average cost of \$202.50 for training courses.	\$21,000
Additional travel funding to attend professional development conferences (Dept. Request)	<u>\$9,243</u>
Total	\$43,527

4. **DI #9 -- Restore IT Funding:** The Department requests \$66,837 in order to reinstate a computer life cycle replacement program to update computer hardware as necessary every four years and to maintain software licensing agreements. Currently the Department spends approximately \$127,649 on software licensing agreement and replacement computer equipment. The Department estimates that in order to reinstate a four-year replacement cycle (the Governor's Office of Information Technology recommend guidelines are for three-year replacement cycles for most end user equipment) and to maintain current licensing agreements, the Department needs a total of \$194,486 on an annual basis. Staff recommends the Department's request for the additional \$66,837 to increase their annual IT budget within the operating expenses line item to \$194,486 a year.

5. **DI #10/BA #2 -- Funding for Additional Lease Space:** The Department requests an additional \$171,250 in FY 2008-09 to finish building out their new office lease space to update cubicle space in their current capitol complex lease space. Staff recommends a total of \$301,160 for this item. The reason staff's recommendation is higher is because staff did not fund all of the Department's supplemental request in FY 2007-08 for this item. In January, staff recommended that costs related to new employee requests in FY 2008-09 be funded in FY 2008-09 rather than in FY 2007-08. Staff's recommendation for issue includes the following components.

- ✓ Three new cubes at the new lease space for a total cost \$13,200. Please note that an additional 16 cubes are funded as part of the office equipment costs for each of the new FTE that are being recommended. Therefore, the total number of cubes being funded for the office space (not previously funded in the supplemental) is 19 -- the Department's request.

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- ✓ Staff recommends 19 new office chairs at a total cost of \$7,961.
 - ✓ Staff recommends the Department's request for 50 new office cubes at the 1570 Grant Street location for a total cost of \$220,000.
 - ✓ Lastly, staff recommends the Department's request to convert five high-walled cubicles into five four walled offices at the 1570 Grant Street location for a total cost of \$60,000.
6. **DI #11 -- Restore Enrollment Broker Contract:** The Committee already approved this request in Supplemental #11 during January 2008. In Supplemental #11, the Committee approved transferring \$97,848 from the operating expenses line item to the enrollment broker contract line item in order to reflect the total costs of the contract in one line item. Because this action was already taken in FY 2007-08, no further action is needed in FY 2008-09 for this issue.
7. **BA #3 -- Implement Preferred Drug List:** This recommendation is for the operating costs associated with the 1.0 FTE requested and recommended in Budget Amendment #3 to implement the preferred drug list. Staff's recommendation is higher than the Department's because staff recommends that the office furniture approved for the new FTE be appropriated at \$4,400 instead of the Department's request of \$2,225.
8. **BA #9 -- Cost Avoidance and Provider Recoveries:** This recommendation is for the operating costs associated with the 5.5 FTE requested and recommended in Budget Amendment #9 to re-enroll Medicaid providers and to perform on-site inspections of high-risk providers. Staff's recommendation is higher than the Department's because staff recommends that the office furniture approved for the new FTE be appropriated at \$4,400 instead of the Department's request of \$2,225.
9. **BA #12 -- 340B Pharmacy Pilot Program:** This recommendation is for the operating costs associated with the 1.0 FTE requested and recommended in Budget Amendment #12 to help implement a 340B Pharmacy Pilot Program. Staff's recommendation is higher than the Department's because staff recommends that the office furniture approved for the new FTE be appropriated at \$4,400 instead of the Department's request of \$2,225.
10. **BA1A -- Building Blocks to Health Care Reform:** The Department requested \$4,405 in additional operating expenses associated with the 1.0 FTE requested for their Building Blocks to Health Care Reform issue. Staff did not recommend the 1.0 FTE and therefore, does not recommend the associated operating expenses.

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General Administration, Legal and Third Party Recovery Legal Services

Line Item Description: This line item represents the legal services provided to the Department of Health Care Policy and Financing by the Department of Law.

Department Request: The Department requests a total of 12,954 in legal hours (including Budget Amendment #9) at an average rate of \$72.03 for a total requested amount of \$933,044. The number of hours requested is 270 hours higher (2.1 percent) higher than the FY 2007-08 estimated hours due to the Department's request to re-enroll Medicaid providers (Budget Amendment #9). The Department estimates that the 25 percent of the 10 percent of Medicaid providers that will re-enroll each year will appeal the Department's decision regarding the provider's eligibility to participate in the program. The Department anticipates that these appeals will result in an additional 270 hours of legal services.

Staff Recommendation: The Department's request indicates that approximately 1,250 providers will appeal the Department's decision regarding re-enrollment or the provider's eligibility to participate in the Medicaid program (25% of the 5,000 estimated to have to go through the enrollment process).

Staff estimates that the appeal or adverse impact to providers will be much smaller than 25 percent of all providers. Staff estimates that 5 percent of providers each year will appeal the re-enrollment or Department's decision regarding their eligibility to participate in the Medicaid program. This is 250 providers. Nevertheless, staff recommends the Department's request to increase their legal hours from 12,684 to 12,954. This will provide on average 65 minutes of legal time per potential appeal instead of the estimated 15 minutes from the Department's estimate.

Staff's funding estimate for legal services is pending the Committee's common policy decision on the statewide blended legal rate. Staff recommends that this line item be retained and bottom line financed in a new subdivision named "General Administration."

General Administration, Administrative Law Judge Services

Line Item Description: This line item includes funding for services typically provided by administrative law judges and paralegals from Office of Administrative Courts.

Department Request/Staff Recommendation: The Department requests a total \$462,838 for administrative law judge services. This amount includes an increase of \$9,631 related in additional costs for re-enrolling providers as requested in Budget Amendment #9. Staff's recommendation on this line item is pending the Committee's common policy decision on administrative law judge services. However, staff recommends the Department's request for an additional \$9,631 for appeals related to re-enrollment of providers in addition to any common policy amount. Staff recommends that this line item be retained and bottom line financed in a new subdivision named "General Administration."

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General Administration, Computer Systems Costs

Line Item Description: This line item represents the portion of the Department's data center services system charges that are billed directly to the Department from the Department of Personnel and Administration. The Department of Personnel and Administration operates a computer center as a service to other state departments. This computer center has the Medicaid Management Information System computer and printing costs and Long-term Care computer and printing costs.

Department Request/Staff Recommendation: The Department's request reflects the common policy adopted by OSPB as revised on January 23, 2008. Staff recommendation on this line item is pending the Committee's common policy decision on computer system costs. Staff recommends that this line item be retained and bottom line financed in a new subdivision named "General Administration."

General Administration, Payment to Risk Management and Property Funds

Line Item Description: This line item represents the allocation appropriated to each department based on a shared statewide risk formula for two programs, the Liability Program and the Property Program.

Department Request/Staff Recommendation: The Department's request reflects the common policy adopted by OSPB as revised on January 23, 2008. Staff recommendation on this line item is pending the Committee's common policy decision on risk management and property funds. Staff recommends that this line item be retained and bottom line financed in a new subdivision named "General Administration."

General Administration, Capitol Complex Leased Space

Line Item Description: This line item is based on the amount of square footage used by each department from buildings owned by the state. Currently, the Department of Health Care Policy and Financing leases 31,512 square feet at 1570 Grant Street.

Department Request/Staff Recommendation: The Department's request reflects the common policy adopted by OSPB as revised on January 23, 2008. Staff's recommendation is pending the Committee's common policy decision for capital complex leased space. Staff recommends that this line item be retained and bottom line financed in a new subdivision named "General Administration."

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General Administration, Leased Space

Line Item Description: This line item contains the lease costs for any office space that the Department leases that are not part of the capitol complex.

Commercial Leased Space			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$272,318	\$272,318	\$0
Supplementals	(9,547)	(9,547)	0
FY 2007-08 Revised Appropriation	\$262,771	\$262,771	\$0
Technical Corrections -- None	0	0	0
FY 2008-09 Continuation Base	\$262,771	\$262,771	\$0
DI #10/BA #2 -- Funding for Additional Lease Space	\$131,465	\$131,465	\$0
Total FY 2008-09 Recommendation	\$394,236	\$394,236	\$0
Fund Splits			
General Fund	\$191,619	\$191,619	\$0
Cash Funds			
--Health Care Expansion	\$5,500	\$5,500	\$0
Federal Funds	\$197,117	\$197,117	\$0
Increase from FY 2007-08 Revised Appropriation	\$131,465	\$131,465	\$0
Percent Increase	50.03%	50.03%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: The Department requests and staff recommends a total of \$394,236 for commercial leased space in FY 2008-09. In January 2008, the JBC approved supplemental #7 to allow the Department to enter into a new lease agreement for an additional 8,347 square feet of commercial lease space beginning in April 2008. This supplemental resulted in additional costs in FY 2007-08 of \$43,822. However, a technical error in the original FY 2007-08 appropriation had inadvertently left \$53,369 of unnecessary expenditure authority in the line item. The net effect of correcting the technical error and adding the increase for the additional lease space was a negative adjustment of \$9,547. However, in FY 2008-09, the \$43,822 in additional lease space costs will annualize to \$175,288. In order to meet this obligation, the Department will need an additional appropriation of \$131,465.

Staff anticipates that the additional lease space should be sufficient to meet the Department's needs through at least FY 2008-09 and does not anticipate any additional supplementals for this issue.

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General Administration, General Professional Services and Special Projects
(proposed new line item for Long Bill)

Line Item Description: This is a new line item that staff recommends for FY 2008-09. This line item will contain any special projects or temporary projects that the Committee or General Assembly funds each year as well as other on-going professional contracts that the Department has that were previously funded in the Department's personal services line item.

General Professional Services and Special Projects			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$0	\$0	\$0
Supplementals	0	0	0
FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Technical Corrections -- None	0	0	0
FY 2008-09 Continuation Base	\$0	\$0	\$0
Staff Recommendation to Move Items from PS line item	\$0	\$1,506,184	\$1,506,184
Total FY 2008-09 Recommendation	\$0	\$1,506,184	\$1,506,184
Fund Splits			
General Fund	\$0	\$693,092	\$693,092
Federal Funds	\$0	\$813,092	\$813,092
Increase from FY 2007-08 Revised Appropriation	\$0	\$1,506,184	\$1,506,184
Percent Increase	n/a	n/a	n/a
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request: The Department does not request this line item but does request several of the items transferred to this line item as described in the staff recommendation below.

Staff Recommendation: Staff recommends that general professional services and special project contracts be moved the Department's personal services line item to this new line item in the FY 2008-09 Long Bill. Funding in this line item supports the following contracts:

1. \$493,742 for Base Professional Service Contracts:

Staff recommends that a total of \$493,742 be transferred from the base funding in Department's personal services line item. This will allow the personal services line item to contain only those costs associated with Department temporary and permanent employee and costs and will allow for greater monitoring of the Department's professional service

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contracts. The professional contracts transferred by this recommendation are shown in the table below:

Professional Contract	Amount
Unemployment Insurance Charge	\$30,000
Transcription Services	\$15,500
Actuarial Review and Calculations of HMO, PACE & MH rates	\$291,745
Over the phone translation services	\$3,000
Consultant Fees for the Executive Director	\$37,500
Advisory Committees	\$65,997
<u>Assignment of Rights and Eligibility Determinations</u>	<u>\$50,000</u>
Total Recommended Transfer	\$493,742

2. **\$27,500 for Web Design (D.I. #9):** Staff recommends the Department's request for professional services to aid in the redesign of the Department's web site to make it more user friendly to their clients and stakeholders. This is one-time funding is should be eliminated in the FY 2009-10 budget request.

3. **\$200,000 for the Medical Director Consortium (BA #1):** In January 2008, the Committee approved supplemental #6 which added \$80,000 to the Department's budget for a contract with University Physicians Incorporated to provide clinical and policy assistance to the Department on medical issues. This contract annualizes to \$200,000 in FY 2008-09. Staff recommends that this funding be appropriated in this line item rather than in the Department's personal services line item. This issue will be a continuing professional contract.

4. **\$250,000 to Complete a Rate Study for Mental Health:** In January 2008, the Committee approved supplemental #14 which added \$125,000 in FY 2007-08 to create an encounter data manual and a cost-study for current mental health rates. The Department anticipates needing an additional \$250,000 in FY 2008-09 to complete the study. Staff recommends that this funding be appropriated in this line item. This is one-time funding that should be eliminated in FY 2009-10.

5. **\$64,950 for Medical Home Recruiter (BA-A1A Building Blocks to Health Care Reform):** The Department requests and staff recommends \$64,950 to recruit medical providers to be "Medical Home Providers" to Medicaid and CBHP children pursuant to the provisions in S.B. 07-130. The Department anticipates that they will be able to hire the contractor by October 2008. The contractor will provide outreach and information to the

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provider community regarding the incentives and advantageous of being a Medical Home Provider for Medicaid and CBHP children. The contractor will also educate the providers about the requirements of becoming such a provider (including the requirement for certification).

6. **\$244,992 for Medical Home Provider Certification (BA-A1A Building Blocks to Health Care Reform):** Staff recommends a total of \$244,992 to certify providers as Medical Home providers. The Department's request is for a total of \$603,902. The cost estimate is based on the costs of providing outreach services in the EPSDT program. Staff's recommendation is lower than the Department's request because staff does not believe a significant number of providers will sign up (and need to be certified) to be a Medical Home Provider during the first year of implementation. Staff anticipates that this cost will annualize to the Department's request of \$603,902 in FY 2009-10.
7. **\$75,000 for Medical Home Evaluation Criteria (BA-A1A Building Blocks to Health Care Reform):** Staff recommends the Department's request for \$75,000 to hire a contractor to design specific performance measures and research criteria for the Medical Home Program. The contractor will help to develop client surveys to measure client satisfaction in the program and will develop other criteria for how to determine the quality and fiscal impacts of providing Medical Homes to children.
8. **\$150,000 for a Study of the Adequacy of PACE Rates:** Staff recommends a total \$150,000 for the Department to hire a contractor to conduct an independent study of the adequacy of PACE rates based on the frailty of the clients served in the program. Staff recommends the following footnote be included in the Long Bill.

N **Executive Director's Office, General Professional Services and Special Projects**
-- The assumptions for which the appropriations are based include a total of \$150,000 to conduct a study of the adequacy of the rates paid to the Program for All Inclusive Care to the Elderly (PACE). The Department is requested to work with the Centers of Medicare and Medicaid and the provider community in developing the criteria for assessing the frailty of PACE clients compared to the frailty of other Long-Term Care clients being served in the traditional nursing home and home-and-community based programs. The Department is requested to submit the results of the study to the Joint Budget Committee no later than September 30, 2009.

Staff recommends this line item be added to a new subdivision named "General Administration." Staff recommends that the line items in the General Administration subdivision be bottom-line financed.

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***Transfer to Other Department,
Transfer to the Department of Human Services for Related Administration***

Line Item Description: The Department of Health Care Policy and Financing has an Interagency Agreement with the Department of Human Services to support 1.0 FTE to staff the Information Technology Help Desk for the Baby Care/Kids Care Program.

Table 1: Transfer to DHS for Related Administration			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$74,564	\$74,564	\$0
Supplementals	0	6,494	6,494
FY 2007-08 Revised Appropriation	\$74,564	\$81,058	\$6,494
<i>Common Policy Adjustments</i>			
None	0	0	0
FY 2008-09 Continuation Base	\$74,564	\$81,058	\$6,494
Transfer to DHS-Medicaid Division	0	(\$81,058)	(\$81,058)
Total FY 2008-09 Recommendation	\$74,564	\$0	(\$74,564)
<u>Fund Splits for FY2008-09</u>			
General Fund	\$37,282	\$0	(\$37,282)
Reappropriated Funds			
Transfer from DHS	\$0	\$0	\$0
Federal Funds	37,282	\$0	(\$37,282)
Increase from FY 2007-08 Revised Appropriation	\$0	(\$81,058)	(\$81,058)
Percent Increase	0.00%	-100.00%	-100.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request: The Department requests continuation funding in FY 2008-09.

Staff Recommendation: Staff recommends that this line item be transferred from the Executive Director's Office Division to the DHS-Medicaid Division. This recommendation will consolidate all funding that is transferred to the Department of Human Services into one Long Bill division. Staff recommends continuation funding for this line item adjusted by H.B. 08-1285 (HCPF Supplemental Bill).

Table 2 shows staff recommendation for funding for this line item in the DHS-Medicaid Division.

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Table 2: DHS - Medicaid Division, EDO Transfer to DHS for Related Administration

	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$0	\$0	\$0
Supplementals	0	0	0
FY 2007-08 Revised Appropriation	\$0	\$0	\$0
<i>Common Policy Adjustments</i>			
None	0	0	0
FY 2008-09 Continuation Base	\$0	\$0	\$0
Transfer to DHS-Medicaid Division	\$0	\$81,058	\$81,058
Total FY 2008-09 Recommendation	\$0	\$81,058	\$81,058
Fund Splits for FY 2008-09			
General Fund	\$0	\$0	\$0
Reappropriated Funds			
Transfer from DHS	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$81,058	\$81,058
Percent Increase	n/a	n/a	n/a
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Information Technology Contracts, Medicaid Management Information System Contract
(this line item will be combined with the Web Portal line item into a new line item called "information technology contracts")

Line Item Description: The Medicaid Management Information System is an automated claim, capitation processing and reporting system. In Colorado, the MMIS processes or adjudicates claims and capitations based on edits that determine payment or payment denial. Warrants are produced by the State based on the information electronically transmitted from the MMIS. This line item contains the appropriation for the costs associated with running claims through the process system and for certain administrative functions contained in the contract with Affiliated Computer Services.

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Medicaid Management Information System Contract			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$22,306,209	\$22,306,209	\$0
Late Supplemental Request -- Building Blocks	263,718	79,558	(184,160)
FY 2007-08 Revised Appropriation	\$22,569,927	\$22,385,767	(\$184,160)
Annualize Prior Year One-Time Adjustments	247,622	431,782	184,160
Fund Split Issue for Breast Cervical Cancer Treatment	0	0	0
DI #5 -- Adjustment to MMIS Contract Costs	313,010	313,010	0
FY 2008-09 Continuation Base	\$23,130,559	\$23,130,559	\$0
BA #9 Cost Avoidances & Provider Fraud	\$50,400	\$50,400	\$100,800
BA-A1A--Building Blocks to Health Care Reform	\$45,990	\$0	(\$45,990)
Total FY 2008-09 Recommendation	\$23,226,949	\$23,180,959	(\$45,990)
Fund Splits			
General Fund	\$5,328,268	\$5,316,771	(\$11,497)
Cash Funds			
-- Colorado Cares	\$1,303,749	\$1,303,749	\$0
--CBHP Trust Fund	\$226,984	\$226,984	\$0
--Autism Treatment Fund	\$1,885	\$1,885	\$0
--Health Care Expansion	\$284,899	\$284,899	\$0
Reappropriated Fund/Cash Fund Exempt			
--Transfer from DPHE -- Nurse Home Visitor	\$2,347	\$2,347	\$0
--Transfer from DHS -- OAP Fund	\$97,981	\$97,981	\$0
Federal Funds	\$15,980,836	\$15,946,343	(\$34,493)
Increase from FY 2007-08 Revised Appropriation	\$657,022	\$795,192	\$138,170
Percent Increase	2.91%	3.55%	0.62%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

FY 2007-08 Late Supplemental Request:

Department Request: The Department requests a late supplemental adjustment for the Medicaid Management Information System for two programming changes:

1. \$79,758 total funds for system changes related to enrolling children with a Medical Home provider. In S.B. 07-130, the Department was appropriated \$56,400 for system changes to enable reporting of medical home provider claims and to add a medical home flag to track participation. In the course of designing the program, the Department has determined that the original appropriation was insufficient to make all the system modifications necessary to properly enroll clients in a medical home. Therefore, the Department requests an

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additional \$79,758 to complete the system modifications necessary to implement the Medical Home pilot program in FY 2007-08 and the full program in FY 2008-09.

2. \$183,960 for the system changes necessary to expand CBHP the Children's Basic Health Plan eligibility to 225 percent of the poverty level. Required modifications to the MMIS include updating the enrollment data file transferred from the CBMS to allow capitations to be paid for the newly eligible population; adding a new income rating code to the MMIS to allow the new clients to be tracked separately for budgeting purposes; adding new category of service, sub-category of service, and general ledger codes; and updating the Managed Care R4300 report for the new income rating code.

Staff Recommendation: Staff recommends the Department's request for \$79,558 to complete system changes necessary to implement the Medical Home program. This recommendation is consistent with staff's recommendation to provide expenditure authority in FY 2007-08 for the pilot program's incentive program in the Medical Services Premiums line item.

Staff does not recommend the \$183,960 for MMIS system changes for the expanding CBHP to 225 percent of the poverty level. This provision requires a statutory change and must be made in special legislation. Any special legislation that expands the CBHP program's eligibility will contain the necessary cost estimates in the fiscal note.

***Please Note:** Similarly, staff does not recommend the Department's FY 2007-08 request for \$6,248 for the CBMS modifications to expand the CBHP eligibility to 225 percent of the FPL. This is cost is requested in the DHS-Medicaid Funded Program (B) Office of Information Technology - Medicaid funded Colorado Benefits Management System. This line item is not part of the Divisions presented in this packet. Therefore, staff takes this opportunity to make the recommendation against funding this issue in the Long Bill. Again, any costs associated with expending the CBHP program will require special legislation and the costs should be included in the appropriation clause for that bill rather than in the Long Bill.*

FY 2008-09 Budget Request

Department Request/Staff Recommendation: For FY 2008-09, the Department requests a total fund appropriation of \$23,226,949 and staff recommends a total fund appropriation of \$23,180,959. The Department's request and staff's recommendation have the following components:

1. **Adjustments for Prior Year Budget Actions and Special Legislation:** The Department's request includes a total fund increase of \$247,622 to adjust for prior year legislation and budget actions. Staff's recommendation includes a total fund increase of \$431,782 for this issue. The difference between the Department's request and staff recommendation relates to the one-time funding that the Department requests as FY 2007-08 supplemental to expand the CBHP eligibility. Because staff does not recommend this request, staff does not deduct this one-time funding from the FY 2007-08 appropriation base.

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Issues Annualized	Department	Staff	Difference
S.B. 07-001	\$934,778	\$934,778	\$0
S.B. 07-097	(\$91,980)	(\$91,980)	\$0
S.B. 07-130	(\$56,400)	(\$56,400)	\$0
S.B. 07-196	(\$94,500)	(\$94,500)	\$0
CBHP Premium Assistance Program Budget Action	(\$180,558)	(\$180,558)	\$0
Remove One-Time funding for late supplemental	<u>(\$263,718)</u>	<u>(\$79,558)</u>	<u>\$184,160</u>
Total Annualization Adjustments	\$247,622	\$431,782	\$184,160

2. **Decision Item #5 – Changes to the Base MMIS Contract:** Staff recommends the Department’s request for a total fund increase of \$313,010 for an increased the fixed price contract for the MMIS system. Per negotiations for the FY 2008-09 fixed price amount, the Department agreed to \$21,107,511 for all services now covered under the fixed price. This amount is an increase of \$313,010 over the FY 2007-08 fixed price amount. Staff would note that the only items that remain outside of the fixed price contract include development costs for changes to implement programs that may evolve from unknown future legislation and postage cost increases.

3. **BA #5 – Cost Avoidance & Provider Fraud:** Staff recommends the Department’s request for an additional \$50,400 total funds for changes to the MMIS system to allow the results of background checks to be added to the existing database of provider information.

4. **BA-A1A–Increase Eligibility to 225% for CBHP Program:** Staff does not recommend the Department’s request of an additional \$45,990 for system changes related to increasing eligibility in the CBHP program to 225%. While the majority of the costs related to this change were requested as a late supplemental, the Department assumes that an additional 25 percent of the original programming time will be required in FY 2008-09 to activate the changes to the adult prenatal program and to perform testing. For the same reasons that staff did not recommend the late supplemental on this issue, staff does not recommend this issue.

Please Note: Similarly, staff does not recommend the Department’s FY 2008-09 request for \$6,248 for the CBMS modifications to expand the CBHP eligibility to 225 percent of the FPL. This is cost is requested in the DHS-Medicaid Funded Program (B) Office of Information Technology - Medicaid funded Colorado Benefits Management System. This line item is not part of the Divisions presented in this packet. Therefore, staff takes this opportunity to make the recommendation against funding this issue in the Long Bill. Again, any costs associated with expending the CBHP program will require special legislation and the costs should be included in the appropriation clause for that bill rather than in the Long Bill.

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Information Technology Contracts, HIPAA Web Portal Maintenance
(this line item will be combined with the Web Portal line item into a new line item called "information technology contracts")

Line Item Description: The web portal is used to insure privacy and electronic security, as required by HIPAA, for transmission of data to and from the Medicaid Management Information System, the Colorado Benefits Management System, the Business Utilization System (BUS), medical providers, and the Centers for Medicare and Medicaid Services. The largest amount of transmission activity is to the MMIS generated by the Department's contracted medical providers. The Department also uses this portal for medical assistance site workers who require access to other Department systems. This line item funds the contract with CGI Information Systems and Management Consultants to administer the web portal.

HIPAA Web Portal Maintenance			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$312,900	\$312,900	\$0
Supplementals -- None	0	0	0
FY 2007-08 Revised Appropriation	\$312,900	\$312,900	\$0
DI #13 -- Web Portal Adjustment	\$117,833	\$117,833	\$0
Total FY 2008-09 Recommendation	\$430,733	\$430,733	\$0
Fund Splits			
General Fund	\$107,683	\$107,683	\$0
Federal Funds	\$323,050	\$323,050	\$0
Increase from FY 2007-08 Revised Appropriation	\$117,833	\$117,833	\$0
Percent Increase	37.66%	37.66%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request: The Department's request is for a total fund increase of \$117,833 to fund additional capacity and maintenance issues regarding the Department's internet-based secured web portal services. The Department's web portal was initiated as part of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) requirement to implement the federal Transaction and Code Set Rule. The web portal is used to insure privacy and electronic security for transmission of data to and from the MMIS, CBMS and Business Utilization System, medical providers, and CMS. When the web portal was initially created, it was anticipated that 5,000 total users would access the web environment concurrently. However, because of provider acceptance and use of the system, the number of concurrent users is beginning to exceed the system's original capacity design. Additionally, the current contract for the web portal supports approximately 260 hours of change

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modifications each year. For the past two year, an average of six change management requests per year have been carried over from the prior year because the number of contracted modifications are not enough to complete all of the requests.

Staff Recommendation: Staff recommends the Department request for an additional \$117,833 for the web portal. The Department’s request should address the current shortfalls in the web portal for both change management and increased user volume. The funding will go to support increasing the capacity from the current 500 concurrent users to 700 concurrent users. The request will also increase the number of hours allocated annual for change modifications from the current 260 hours to a total of 710 hours.

Prepaid Inpatient Health Plan Feasibility Study

Line Item Description: This line item contains one-time funding for a feasibility study to investigate the administrative issues surrounding increasing the number of prepaid inpatient health plans as required by H.B. 07-1346.

Prepaid Inpatient Health Plan Feasibility Study			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$75,000	\$75,000	\$0
Supplementals	0	0	0
FY 2007-08 Revised Appropriation	\$75,000	\$75,000	\$0
<i>Technical/Common Policy Adjustments</i>			
Eliminate One-Time Funding	(75,000)	(75,000)	0
FY 2008-09 Continuation Base	\$0	\$0	\$0
None	0	0	0
Total FY 2008-09 Recommendation	\$0	\$0	\$0
Increase from FY 2007-08 Revised Appropriation	(\$75,000)	(\$75,000)	\$0
Percent Increase	-100.00%	-100.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: Both the Department's request and staff's recommendation eliminates funding for this line item in FY 2008-09. The feasibility study will be completed in FY 2007-08 and therefore, continuation funding is unnecessary.

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
FY 2008-09 FIGURE SETTING**

JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Eligibility Determination and Client Services, Medical Identification Cards

Line Item Description: This line item funds the costs of producing and distributing medical identification cards to clients on the Medicaid and Old Age Pension Medical programs. The current appropriation provides funding for approximately 133,333 new or replacement cards at an average cost of \$0.90 per card.

Table 1: Medical Identification Cards			
	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$120,000	\$120,000	\$0
Supplementals	0	0	0
FY 2007-08 Revised Appropriation	\$120,000	\$120,000	\$0
<i>Technical/Common Policy Adjustments - none</i>	0	0	0
FY 2008-09 Continuation Base	\$120,000	\$120,000	\$0
<i>Policy Initiatives -- none</i>	0	0	0
Total FY 2008-09 Recommendation	\$120,000	\$120,000	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$48,444	\$48,444	\$0
Cash Fund			
-- Health Care Expansion Fund	\$10,759	\$10,759	\$0
Re-appropriated Funds			
-- Transfer from DHS -- OAP Medical Fund	\$1,593	\$1,593	\$0
Federal Funds	\$59,204	\$59,204	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and staff recommends continuation funding for this line item in FY 2008-09. Staff recommends that this line item become part of a new subdivision called Eligibility Determination and Client Services. This subdivision will consolidate all of the current line items that specifically fund eligibility and client services into one subdivision.

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FY 2008-09 FIGURE SETTING**

JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Transfers to Other Departments, Transfer to Department of Public Health and Environment Facility Survey and Certification

Line Item Description: This line item funds the survey and certification of nursing facilities, hospices, home health agencies, and Home and Community-Based Services agencies, and pays the Medicaid share to maintain and operate the Minimum Data Set system used for nursing facility case mix reimbursement methodology. The Department contracts with the Department of Public Health and Environment through an interagency agreement for these functions. Federal financial participation is broken up into two categories: those qualifying for a 75 percent federal match for skilled professionals and expenditures related to long-term care facilities, and those qualifying for the State's normal 50 percent federal match.

DPHE Facility Survey and Certification			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$4,539,038	\$4,539,038	\$0
Supplementals -- None	0	0	0
FY 2007-08 Revised Appropriation	\$4,539,038	\$4,539,038	\$0
Technical Corrections -- Annualize S.B. 07-196	37,700	37,700	0
Technical Corrections -- Annualize Pots	264,889	264,889	0
FY 2008-09 Continuation Base	\$4,841,627	\$4,841,627	\$0
NP DI #4 -- DHS Regional centers ICF/MR Conversion	\$90,400	\$90,400	\$0
Total FY 2008-09 Recommendation	\$4,932,027	\$4,932,027	\$0
<u>Fund Splits</u>			
General Fund	\$1,300,605	\$1,300,605	\$0
Federal Funds	\$3,631,422	\$3,631,422	\$0
Increase from FY 2007-08 Revised Appropriation	\$392,989	\$392,989	\$0
Percent Increase	n/a	n/a	n/a
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: The Department requests and staff recommends \$4,932,027 for the amount of funding that is transferred to the Department of Public Health and Environment to conduct inspections and licensing for nursing homes. Staff's recommendation is consistent with the Committee's action for the Department of Public Health Environment figure setting from February 19, 2008. Specific detail about this program can found in the Department of Public Health and Environment. Staff recommends that this line item be moved to a new subdivision named Transfers to Other Departments.

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FY 2008-09 FIGURE SETTING**

JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Utilization Quality Review, Acute Care Utilization Review
(this line item will be combined into a line item called "professional services contracts")

Line Item Description: This line item includes the contract costs for performing prior authorization and post payment reviews for specified services to determine medical necessity and appropriateness for these services.

Table 1: Acute Care Utilization Review			
	Department	Staff	Difference
	Request	Recommendation	Staff-Dept
FY 2007-08 Original Appropriation	\$1,375,906	\$1,375,906	\$0
Supplementals	0	0	0
FY 2007-08 Revised Appropriation	\$1,375,906	\$1,375,906	\$0
<i>Fund Split Adjustment for BCCTP</i>	0	0	0
FY 2008-09 Continuation Base	\$1,375,906	\$1,375,906	\$0
<i>Policy Initiatives – none</i>	0	0	0
Total FY 2008-09 Recommendation	\$1,375,906	\$1,375,906	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$345,428	\$345,428	\$0
Cash Fund			
-- Health Care Expansion Fund	\$16,520	\$16,520	\$0
Federal Funds	\$1,013,958	\$1,013,958	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and the staff recommends continuation funding for this line item. However, the fund splits for this line item have been adjusted to reflect that all of the administrative funding for the breast and cervical cancer treatment program will be funded by the General Fund in FY 2008-09 pursuant to current law (Section 25.5-5.308, C.R.S.). This results in an increase of \$725 to the General Fund and a decrease of \$725 from cash funds from the FY 2007-08 appropriation.

Staff recommends that this line item be consolidated into one line item named "professional services contracts" in a new subdivision called "Utilization Quality Review". This new line item will contain the funding from the following current line items: (1) Acute Care Utilization Review, (2) Long-Term Care Utilization Review; (3) External Quality Review; (4) Drug Utilization Review; and (5) Mental Health External Quality Review.

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JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Utilization Quality Review, Long Term Care Utilization Review
(this line item will be combined into a line item called "professional services contracts")

Line Item Description: This line item funds prior authorization reviews for certain long-term care services to determine medical necessity, level of care, and target population determinations as well as periodic reviews of continued appropriateness of these services.

Table 1: Long Term Care Utilization Review			
	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$1,744,966	\$1,744,966	\$0
Fund Source Correction	0	0	0
FY 2007-08 Revised Appropriation	\$1,744,966	\$1,744,966	\$0
<i>Common Policy/Technical Adjustments – none</i>	0	0	0
FY 2008-09 Continuation Base	\$1,744,966	\$1,744,966	\$0
<i>Policy Initiatives – none</i>	0	0	0
Total FY 2008-09 Recommendation	\$1,744,966	\$1,744,966	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$598,813	\$598,813	\$0
Cash Fund			
-- Autism Fund	\$38,429	\$0	(\$38,429)
-- Health Care Expansion Fund	\$0	\$38,429	\$38,429
Federal Funds	\$1,107,724	\$1,107,724	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and the staff recommends continuation funding for this line item. Staff's recommendation reflects the supplemental technical correction that was made to the cash funding source from the Autism Fund to the Health Care Expansion Fund.

Staff recommends that this line item be consolidated into one line item named "professional services contracts" in a new subdivision called "Utilization Quality Review". This new line item will contain the funding from the following current line items: (1) Acute Care Utilization Review, (2) Long-Term Care Utilization Review; (3) External Quality Review; (4) Drug Utilization Review; and (5) Mental Health External Quality Review.

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JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Utilization Quality Review, External Quality Review
(this line item will be combined into a line item called "professional services contracts")

Line Item Description: This line item funds contract services to validate performance improvement projects and performance measures for managed care organizations, collects performance measures for fee-for-service physicians. This line item receives an enhanced federal match of 75 percent.

External Quality Review			
	Department	Staff	Difference
	Request	Recommendation	Staff-Dept
FY 2007-08 Original Appropriation	\$882,193	\$882,193	\$0
None	0	0	0
FY 2007-08 Revised Appropriation	\$882,193	\$882,193	\$0
<i>Remove One-time funding from S.B. 07-211</i>	(70,000)	(70,000)	0
FY 2008-09 Continuation Base	\$812,193	\$812,193	\$0
<i>Policy Initiatives – none</i>	0	0	0
Total FY 2008-09 Recommendation	\$812,193	\$812,193	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$203,048	\$203,048	\$0
Federal Funds	\$609,145	\$609,145	\$0
Increase from FY 2007-08 Revised Appropriation	(\$70,000)	(\$70,000)	\$0
Percent Increase	-7.93%	-7.93%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and the staff recommends continuation funding for this program with one technical adjustment. The technical adjustment removes one-time funding in FY 2007-08 of \$70,000 provided in S.B. 07-211 to develop clinical standards and methods of collecting, analyzing, and disclosing clinical performance information to assess children's health outcomes. This work will be completed by the end of FY 2007-08.

Staff recommends that this line item be consolidated into one line item named "professional services contracts" in a new subdivision called "Utilization Quality Review". This new line item will contain the funding from the following current line items: (1) Acute Care Utilization Review, (2) Long-Term Care Utilization Review; (3) External Quality Review; (4) Drug Utilization Review; and (5) Mental Health External Quality Review.

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STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Utilization Quality Review, Drug Utilization Review
(this line item will be combined into a line item called "professional services contracts")

Line Item Description: This line item funds contract services to improve the quality of pharmaceutical care by ensuring that prescriptions are appropriate and medically necessary. The contract reviews both prospective and retrospective drug use reviews.

Drug Utilization Review			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$304,143	\$304,143	\$0
Supplementals -- H.B. 08-1285	(61,000)	(61,000)	0
FY 2007-08 Revised Appropriation	\$243,143	\$243,143	\$0
BRI #2 & BA #3 -- Implement Preferred Drug List	\$140,020	\$140,020	\$0
Total FY 2008-09 Recommendation	\$383,163	\$383,163	\$0
<u>Fund Splits</u>			
General Fund	\$126,827	\$126,827	\$0
Federal Funds	\$256,336	\$256,336	\$0
Increase from FY 2007-08 Revised Appropriation	\$140,020	\$140,020	\$0
Percent Increase	57.59%	57.59%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: Staff recommends the Department's request for an additional \$140,020 for the drug utilization review contract. This recommendation will allow the Department to purchase clinical data from the Drug Effectiveness Review Project and correct the fund splits for all the contracts in the DUR line item. Participating in the Drug Effectiveness Review Project will allow the Department to obtain a 75 percent federal match for those services and would replace the preferred drug list contractor services obtained in FY 2007-08 that only received a 50 percent match. The total General Fund impact of this request is an increase of only \$5,255 over the revised FY 2007-08 appropriation. All of the increased costs from this issue are offset by anticipated decreases in the Medical Services Premiums line item.

Staff also recommends that this line item be consolidated into one line item named "professional services contracts" in a new subdivision called "Utilization Quality Review". This new line item will contain the funding from the following current line items: (1) Acute Care Utilization Review, (2) Long-Term Care Utilization Review; (3) External Quality Review; (4) Drug Utilization Review; and (5) Mental Health External Quality Review.

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STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Utilization Quality Review, Mental Health External Quality Review
(this line item will be combined into a line item called "professional services contracts")

Line Item Description: This line item funds contract services to validate performance improvement projects, performance measures, and regulation compliance for managed care organizations who contract to provide mental health services. This line item receives an enhanced federal match of 75 percent.

Mental Health External Quality Review			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$352,807	\$352,807	\$0
None	0	0	0
FY 2007-08 Revised Appropriation	\$352,807	\$352,807	\$0
<i>Common Policy/Technical Adjustments -- none</i>	0	0	0
FY 2008-09 Continuation Base	\$352,807	\$352,807	\$0
<i>Policy Initiatives -- none</i>	0	0	0
Total FY 2008-09 Recommendation	\$352,807	\$352,807	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$88,202	\$88,202	\$0
Federal Funds	\$264,605	\$264,605	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and staff recommends continuation funding for this program. Staff recommends that this line item be consolidated into one line item named "professional services contracts" in a new subdivision called "Utilization Quality Review". This new line item will contain the funding from the following current line items: (1) Acute Care Utilization Review, (2) Long-Term Care Utilization Review; (3) External Quality Review; (4) Drug Utilization Review; and (5) Mental Health External Quality Review.

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CBMS & Program Contractor for Colorado Cares RX Program

Line Item Description: During the 2007 legislative session, the General Assembly passed S.B. 07-001, which created the Colorado Cares Rx Program. The program is intended to provide prescription drug coverage to citizens of Colorado who are not eligible for Medicaid, the Children's Basic Health Plan, or Medicaid Part D Drug Plan, and who have income under 300 percent of the federal poverty level. This line item funds the contract costs for the third party vendor to process applications and for CBMS to perform eligibility. Additional internal Department administrative expenses associated with this program are contained in other operating line items (i.e. personal services, operating expenses, MMIS, etc.).

Table 1: Colorado Cares Rx Program Contract Cost			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$1,656,566	\$1,656,566	\$0
<i>Supplemental adjustments -- none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$1,656,566	\$1,656,566	\$0
<i>Annualize Impacts from S.B. 07-001</i>	\$2,278,378	\$2,278,378	\$0
FY 2008-09 Continuation Base	\$3,934,944	\$3,934,944	\$0
<i>Transfer appropriation from EDO to OMS Division</i>	0	(3,934,944)	(3,934,944)
Total FY 2008-09 Recommendation	\$3,934,944	\$0	(\$3,934,944)
<u>FY 2008-09 Fund Split</u>			
Cash Funds			
<i>--Colorado Cares Rx Program</i>	\$3,934,944	\$0	(\$3,934,944)
Change from FY 2007-08 Revised Appropriation	\$2,278,378	(\$1,656,566)	(\$3,934,944)
Percent Increase	137.54%	-100.00%	n/a
<i>Amount GF Exempt from 6.0% Limit</i>	\$0	\$0	\$0

Department Request: For FY 2008-09, the Department requested a total of \$3,934,944 for this program. This amount reflects the annualized impact that was anticipated in the S.B. 07-001 Revised Legislative Council Staff Fiscal Note dated May 15, 2007.

Staff recommendation: Staff recommends that the funding for this program be appropriated from the Other Medical Services Division. Please see the other Medical Services Division for discussion on this program.

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***Eligibility Determination and Client Services,
Early and Periodic Screening, Diagnosis, and Treatment Program***
(this line item will be combined into a new line item named "customer outreach")

Line Item Description: This line item funds outreach and case management services for the Early, Periodic Screening, Diagnosis and Treatment Program. These outreach and case management services are aimed at the promotion of health, the prevention of disease, and improved access to health care services.

	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$2,468,383	\$2,468,383	\$0
<i>Supplementals – none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$2,468,383	\$2,468,383	\$0
<i>Common Policy/Technical Adjustments – none</i>	0	0	0
FY 2008-09 Continuation Base	\$2,468,383	\$2,468,383	\$0
<i>Policy Initiatives – none</i>	0	0	0
Total FY 2008-09 Recommendation	\$2,468,383	\$2,468,383	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$1,234,192	\$1,234,192	\$0
Federal Funds	\$1,234,191	\$1,234,191	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and staff recommends continuation funding for this program in FY 2008-09. Staff recommends that this line item be consolidated with the enrollment broker contract into a new line item named "customer outreach" in a new subdivision named eligibility determination and client services.

Provider Audit and Services, Nursing Facility Audits
(this line item will be combined into a new line item called "professional audit contracts")

Line Item Description: This line item funds a contract with an independent accounting firm to conduct audits of nursing facility cost reports. These audited cost reports are the basis for setting nursing facility rates to cover the reasonable and necessary cost of providing care to Medicaid clients

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in these facilities in accordance with State and federal statutes. The audit services contract is competitively bid every five years.

Table 1: Nursing Facility Audits			
	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$1,097,500	\$1,097,500	\$0
<i>Supplementals – none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$1,097,500	\$1,097,500	\$0
<i>Common Policy/Technical Adjustments – none</i>	0	0	0
FY 2008-09 Continuation Base	\$1,097,500	\$1,097,500	\$0
<i>Policy Initiatives – none</i>	0	0	0
Total FY 2008-09 Recommendation	\$1,097,500	\$1,097,500	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$548,750	\$548,750	\$0
Federal Funds	\$548,750	\$548,750	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and staff recommends continuation funding for this program in FY 2008-09. Staff recommends that this line item be placed in a new subdivision named "provider audits and services" and be consolidated into a line item called "professional audit contracts". This new line item would contain funding found in the following current line items: (1) nursing facility audits, (2) hospital and federally qualified health clinic audits, and (3) single entry point agency audits.

Provider Audit and Services, Hospital and Federally Qualified Health Clinic Audits
(this line item will be combined into a new line item called "professional audit contracts")

Line Item Description: The Department contracts with an independent certified public accounting firm to audit cost and rate data for hospitals, federally qualified health centers and rural health centers that participate in the Medicaid program, and to establish reimbursement for extraordinary out-of-state services. Auditing these facilities is federally required.

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JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Table 1: Hospital and Federally Qualified Health Clinic Audits			
	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$499,200	\$499,200	\$0
<i>Supplementals – none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$499,200	\$499,200	\$0
<i>Common Policy/Technical Adjustments – none</i>	0	0	0
FY 2008-09 Continuation Base	\$499,200	\$499,200	\$0
<i>Policy Initiatives – none</i>	0	0	0
Total FY 2008-09 Recommendation	\$499,200	\$499,200	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$249,600	\$249,600	\$0
Federal Funds	\$249,600	\$249,600	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and staff recommends continuation funding for this program in FY 2008-09. Staff recommends that this line item be placed in a new subdivision named "provider audits and services" and be consolidated into a line item called "professional audit contracts". This new line item would contain funding found in the following current line items: (1) nursing facility audits, (2) hospital and federally qualified health clinic audits, and (3) single entry point agency audits.

Eligibility Determination and Client Services, Disability Determination Services
(this line item will be combined into a line item named "contracts for special eligibility determination)

Line Item Description: This line item funds contract services to determine eligibility for Medicaid due to a disability. Federal law mandates that disability determinations be conducted for clients who are eligible for Medicaid due to a disability. Prior to July 2004, the Department contracted with the Department of Human Services to conduct disability determinations for individuals waiting for eligibility determination of Supplemental Security Income or eligibility for Medicaid. In July 2004, administration of disability determinations for Medicaid eligible persons was transferred from the Department of Human Services to the Department of Health Care Policy and Financing and a private contractor the disability determinations.

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STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Disability Determination Services			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$1,173,662	\$1,173,662	\$0
<i>Supplementals -- none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$1,173,662	\$1,173,662	\$0
<i>Common Policy/Technical Adjustments -- none</i>	0	0	0
FY 2008-09 Continuation Base	\$1,173,662	\$1,173,662	\$0
<i>Policy Initiatives -- none</i>	0	0	0
Total FY 2008-09 Recommendation	\$1,173,662	\$1,173,662	\$0
FY 2008-09 Fund Split			
General Fund	\$581,831	\$581,831	\$0
Cash Funds			
-- Autism Treatment Fund	\$5,000	\$5,000	
Federal Funds	\$249,600	\$249,600	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and staff recommends continuation funding for this program in FY 2008-09. Staff recommends that this line item be placed in a new subdivision named "eligibility determination and client services" and be consolidated into a line item called "contracts for special eligibility determination". This new line item would contain funding found in the following current line items: (1) disability determination services, (2) nursing home preadmission and resident assessments, and (3) school district determinations.

***Eligibility Determination and Client Services,
Nursing Home Preadmission and Resident Assessments***
(this line item will be combined into a new line item called "contracts for special eligibility determination)

Line Item Description: This line item funds screenings and reviews required by the federal Omnibus Budget Reconciliation Act of 1987 to determine the appropriateness of nursing home placements for individuals with major mental illness or developmental disabilities. The federal financial participation for this line item is 75 percent.

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Nursing Home Preadmission and Resident Assessments			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$1,010,040	\$1,010,040	\$0
<i>Supplementals – none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$1,010,040	\$1,010,040	\$0
<i>Common Policy/Technical Adjustments – none</i>	0	0	0
FY 2008-09 Continuation Base	\$1,010,040	\$1,010,040	\$0
<i>Policy Initiatives -- none</i>	0	0	0
Total FY 2008-09 Recommendation	\$1,010,040	\$1,010,040	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$252,510	\$252,510	\$0
Federal Funds	\$757,530	\$757,530	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and staff recommends continuation funding for this program in FY 2008-09. Staff recommends that this line item be placed in a new subdivision named "eligibility determination and client services" and be consolidated into a line item called "contracts for special eligibility determination". This new line item would contain funding found in the following current line items: (1) disability determination services, (2) nursing home preadmission and resident assessments, and (3) school district determinations.

***Transfers to Other Departments,
Transfer to Department of Regulatory Agencies Nurse Aide Certification***

Line Item Description: Federal regulation requires certification of nurse aides working in any medical facility with Medicaid or Medicare patients. The Department of Regulatory Agencies administers this program under an interagency agreement with the Department and the Department of Public Health and Environment. The program is funded from both Medicaid and Medicare dollars. This line item represents the amount of funding that comes from the Medicaid program for this activity.

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
FY 2008-09 FIGURE SETTING**

JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Nurse Aide Certification			
	Department Request	Staff Re commendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$325,343	\$325,343	\$0
<i>Supplementals -- none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$325,343	\$325,343	\$0
<i>Common Policy/Technical Adjustments -- none</i>	0	0	0
FY 2008-09 Continuation Base	\$325,343	\$325,343	\$0
<i>Policy Initiatives -- none</i>	0	0	0
Total FY 2008-09 Recommendation	\$325,343	\$325,343	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$148,020	\$148,020	\$0
Re-appropriated Funds			
-- Transfer from DORA	\$14,652	\$14,652	
Federal Funds	\$162,671	\$162,671	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and staff recommends continuation funding for this program in FY 2008-09. Staff recommends that this line item be placed in a new subdivision named "transfers to other departments".

Recoveries and Recoupment Administrative Costs, Estate Recovery
(this line item will be combined into a line item named professional contracts for recoveries)

Line Item Description: This line item funds the contingency based contract for estate recoveries. The program recovers funds from estates and places liens on real property held by Medicaid clients in nursing home facilities or client's who are over the age of 55. The contractor's contingency rate is 10.9 percent, with the remaining recoveries acting to offset costs in the Medical Services Premiums line item.

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
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JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Estate Recovery			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$700,000	\$700,000	\$0
Supplementals -- None	0	0	0
FY 2007-08 Revised Appropriation	\$700,000	\$700,000	\$0
Technical Corrections -- None	0	0	0
FY 2008-09 Continuation Base	\$700,000	\$700,000	\$0
Policy Issues -- None	\$0	\$0	\$0
Total FY 2008-09 Recommendation	\$700,000	\$700,000	\$0
Fund Splits			
Cash Funds			
--Recovery Revenue	\$350,000	\$350,000	
Federal Funds	\$350,000	\$350,000	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	n/a
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and staff recommends continuation funding for this program in FY 2008-09. However, staff recommends that this line item be combined with the funding in the line item for enhanced fraud detection contracting in FY 2008-09 Long Bill.

General Administration, Single Entry Point Administration
(this line item will be combined with operating expenses)

Line Item Description: This line item funds the Department's internal administrative costs for training, resource materials, data and financial reporting, and staff travel to provide technical assistance and monitoring of Single Entry Point Agencies.

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JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Table 1: Single Entry Point Administration			
	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$53,000	\$53,000	\$0
<i>Supplementals – none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$53,000	\$53,000	\$0
<i>Common Policy/Technical Adjustments – none</i>	0	0	0
FY 2008-09 Continuation Base	\$53,000	\$53,000	\$0
<i>Policy Initiative – none</i>	0	0	0
Total FY 2008-09 Recommendation	\$53,000	\$53,000	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$26,500	\$26,500	\$0
Federal Funds	\$26,500	\$26,500	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request / Staff Recommendation: The Department requests and staff recommends continuation funding for this program in FY 2008-09. However, staff recommends that this line item be eliminated in the FY 2008-09 Long Bill and that the funding for this line item be combined in the operating expenses line item in the new subdivision call "general administration." The expenses from this line item are consistent with expenses that are funded from the operating expenses line item.

Provider Audits and Services, Single Entry Point Audits
(this line item will be combined into a line item named "professional audit contracts")

Line Item Description: This line item funds contract services for annual audits of Single Entry Point agencies.

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STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Table 1: Single Entry Point Audits			
	Department	Staff	Difference
	Request	Recommendation	Staff-Dept
FY 2007-08 Original Appropriation	\$112,000	\$112,000	\$0
<i>Supplementals – none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$112,000	\$112,000	\$0
<i>Common Policy/Technical Adjustments – none</i>	0	0	0
FY 2008-09 Continuation Base	\$112,000	\$112,000	\$0
<i>Policy Initiative – none</i>	0	0	0
Total FY 2008-09 Recommendation	\$112,000	\$112,000	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$56,000	\$56,000	\$0
Federal Funds	\$56,000	\$56,000	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request / Staff Recommendation: The Department requests and staff recommends continuation funding for this program in FY 2008-09. Staff recommends that this line item be placed in a new subdivision named "provider audits and services" and be consolidated into a line item called "professional audit contracts". This new line item would contain funding found in the following current line items: (1) nursing facility audits, (2) hospital and federally qualified health clinic audits, and (3) single entry point agency audits.

***Eligibility Determination and
Client Services, S.B. 97-05 Enrollment Broker***
(this line item will be combined into a line item named "customer outreach")

Line Item Description: This line item funds the contract with Department's enrollment broker to provide information on basic Medicaid benefits offered through managed care health plans and how the plans compare with the fee-for-service and primary physician program.

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
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JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Enrollment Broker Contract			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$700,000	\$700,000	\$0
Supplementals -- H.B. 08-1285	257,418	257,418	0
Late Supplemental -- BA-A1A Medical Homes	2,200	2,200	
FY 2007-08 Revised Appropriation	\$957,418	\$957,418	\$0
BA-A1A -- Medical Homes	\$364,482	\$364,482	\$0
Total FY 2008-09 Recommendation	\$1,321,900	\$1,321,900	\$0
Fund Splits			
General Fund	\$627,436	\$627,436	\$0
Cash Fund			
--Health Care Expansion Fund	\$33,514	\$33,514	
Federal Funds	\$660,950	\$660,950	\$0
Increase from FY 2007-08 Revised Appropriation	\$364,482	\$364,482	\$0
Percent Increase	38.07%	38.07%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

FY 2007-08 Late Supplemental Request:

The Department requests and staff recommends a late supplemental of \$2,200 total funds (\$1,100 General Fund) for enrollment broker costs associated with implementing the Medical Home Pilot program in FY 2007-08.

FY 2008-09 – Request

Department Request: The Department submitted a late budget request to increase the enrollment broker’s contract by \$362,282 in order to implement the S.B. 07-130 Medical Home program. The primary reason for the increase in costs is because all clients will need to be notified of the new medical home option; therefore, the Department’s request is for additional printing and postage costs associated with notifying all eligible children (and their families) about enrolling with a Medical Home provider. The request also funds additional staff for the contractor to hand customer service calls and for data entry.

Staff Recommendation: Staff recommends the Department’s request. After the medical home program is fully implemented, staff anticipates that service calls will decrease and that the additional funding can be reduced.

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JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Department of Regulatory Agencies In-Home Support Review
(this line item is eliminated in FY 2008-09)

Line Item Description: This line item funded the Department of Regulatory Agencies' review of the in-home support profession pursuant to Section 24-34-104.1, C.R.S. (2007).

Table 1: DORA In-Home Support Review			
	Department	Staff	Difference
	Request	Recommendation	Staff-Dept
FY 2007-08 Original Appropriation	\$4,000	\$4,000	\$0
<i>Supplementals #11 – restore contract funding</i>	0	0	0
FY 2007-08 Revised Appropriation	\$4,000	\$4,000	\$0
<i>Eliminate One-time funding</i>	(4,000)	(4,000)	0
FY 2008-09 Continuation Base	\$0	\$0	\$0
<i>Decision Item #11 - restore contract funding</i>	0	0	0
Total FY 2008-09 Recommendation	\$0	\$0	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Increase from FY 2007-08 Revised Appropriation	(\$4,000)	(\$4,000)	\$0
Percent Increase	-100.00%	-100.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: The Department request and the staff recommendation eliminates funding for this line item in FY 2008-09. The Department of Regulatory Agencies should complete the study of the in-home support program by June 2008. The Department will submit the sunset report to the General Assembly in October 2008.

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Primary Care Provider Rate Task Force & Study
(this line item is eliminated in FY 2008-09)

Line Item Description: In H.B. 06-1385 the General Assembly appropriated \$58,000 in FY 2006-07 to fund the expenses of a primary care provider rate task force and study. The General Assembly appropriated an additional \$19,334 for FY 2007-08 in S.B. 07-139 in order to complete the study. The study was completed on November 1, 2007 and the Department submitted the results of the study to the Joint Budget Committee in the Footnote 22 report.

Table 1: Primary Care Provider Rate Task Force & Study			
	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$19,334	\$19,334	\$0
<i>Supplementals #11 – restore contract funding</i>	0	0	0
FY 2007-08 Revised Appropriation	\$19,334	\$19,334	\$0
<i>Eliminate One-time funding</i>	(19,334)	(19,334)	0
FY 2008-09 Continuation Base	\$0	\$0	\$0
<i>Decision Item #11 - restore contract funding</i>	0	0	0
Total FY 2008-09 Recommendation	\$0	\$0	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0
Increase from FY 2007-08 Revised Appropriation	(\$19,334)	(\$19,334)	\$0
Percent Increase	-100.00%	-100.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: The Department request and the staff recommendation eliminates funding for this line item in FY 2008-09. The report was completed by November 1, 2007 and continuation funding is no longer necessary for this line item.

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STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

*Eligibility Determinations and Client Services,
County Administration*

Line Item Description: Finding in this line item provides for partial reimbursement to local county departments of social/human services for costs associated with performing Medicaid, Children's Basic Health Plan, and Old Age Pension State Medical eligibility determinations. Prior to July 1, 2006, this funding was included in the Department of Human Services budget. However, with the passage of S.B. 06-219, oversight and funding for the Medicaid portion of county administration was transferred to HCPF beginning in FY 2006-07.

County Administration			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$23,756,209	\$23,756,209	\$0
Supplementals -- none	0	0	0
FY 2007-08 Revised Appropriation	\$23,756,209	\$23,756,209	\$0
Annualization of S.B. 07-001	\$46,924	\$46,924	\$0
Total FY 2008-09 Recommendation	\$23,803,133	\$23,803,133	\$0
Fund Splits			
General Fund	\$7,248,943	\$7,248,943	\$0
Cash Fund			
--Colorado Cares Rx Fund	\$120,450	\$120,450	
--Certification of Funds from Local Governments	\$4,632,531	\$4,632,531	
Federal Funds	\$11,801,209	\$11,801,209	\$0
Increase from FY 2007-08 Revised Appropriation	\$46,924	\$46,924	\$0
Percent Increase	0.20%	0.20%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: The Department requests and staff recommends continuation funding for this line item in FY 2008-09 with one technical adjustment to annualize the impact of S.B. 07-001 (Colorado Care Rx Program).

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FY 2008-09 FIGURE SETTING**

JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

*Eligibility Determinations and Client Services,
Administrative Case Management*

Line Item Description: With the passage of S.B. 06-219, the oversight of administrative case management was transferred from the Department of Human Services to HCPF. This line item contains funding to reimburse for the staff and operating costs associated with State supervision and county administration of programs that protect and care for children, including out-of-home placement, subsidized adoptions, child care, and burial reimbursement. This line item represents the amount of these costs that qualify to receive Medicaid funding.

Administrative Case Management			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$1,617,528	\$1,617,528	\$0
Supplementals -- none	0	0	0
FY 2007-08 Revised Appropriation	\$1,617,528	\$1,617,528	\$0
DI # 15 -- Accuracy in Budgeting	\$1,300,000	\$1,300,000	\$0
Total FY 2008-09 Recommendation	\$2,917,528	\$2,917,528	\$0
Fund Splits			
General Fund	\$1,458,764	\$1,458,764	\$0
Federal Funds	\$1,458,764	\$1,458,764	\$0
Increase from FY 2007-08 Revised Appropriation	\$1,300,000	\$1,300,000	\$0
Percent Increase	80.37%	80.37%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: The Department requests and staff recommends an increase of \$1,300,000 million for this line item. This increase will be offset by a corresponding decrease in the Department of Human Services and therefore the recommendation does not result in any overall General Fund impact to the state.

Administrative Case Management was approved by CMS for 50 percent financial participation in August 2005. Prior to the passage of SB 06-219, the Department of Human Services, through the county departments of social services, had the responsibility for locating, coordinating, evaluating, and monitoring necessary and appropriate services for recipients of Medicaid benefits in the Child Welfare and Family and Children’s Programs. With the passage of SB 06-219, funding for Administrative Case Management was transferred to the Department of Health Care Policy and Financing.

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To determine what portion of county expenditures are for Medicaid related programs, the departments use the federally-approved random moment sampling. This allows the departments to allocate funding across all programs in each department in which counties incur expenditures that require State reimbursement. In order maximize federal funds when possible, Section 24-75-106 (1) C.R.S. (2007) provides the departments with the authority to transfer General Fund between the two departments. During FY 2006-07, the Department received a transfer of \$650,000 General Fund, which resulted in the Department being able to draw down an additional \$650,000 in federal funds.

The Department requests and staff recommends that the funding that was transferred during FY 2006-07 be permanently appropriated. This will provide more accuracy in the budget process in identifying expenditures that are eligible for Medicaid funding.

Non-Emergency Transportation Services

The funding for this line item was transferred to the Medical Services Premiums Division during the FY 2007-08 supplemental process in H.B. 08-1285.

Payment Error Rate Measure (PERM) Contract

Line Item Description: This line item was established to pay the contract costs associated with complying with the federal rule for Improper Payments Information Act of 2002. With this funding the contractor created and populated a database to review and verify the accuracy of provider billing documentation.

Department Request/ Staff Recommendation: The Department request and the staff recommendation eliminates funding for this line item in FY 2008-09. The PERM pilot program will be completed at the end of FY 2007-08 and no additional funding for the pilot program is necessary in FY 2008-09.

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STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

***General Administration & Transfers to Other Departments
Public School Health Services Administration***

Line Item Description: This line item funds the administrative costs for the public school health services program's administration. The administrative costs for the state are funded from the federal match that is drawn down from the Medicaid services provided by school districts. After the administrative costs, all other federal matching funds received are distributed to the school districts. Specifically, this line item contains \$200,000 for the contract with Public Consulting Group to assist the school districts with time studies to support the rate-setting methodology and \$196,451 for administrative costs performed by the Department of Education.

Table 1: Public School Health Services Administration			
	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$391,696	\$391,696	\$0
<i>Supplementals-- None</i>	0	0	0
FY 2007-08 Revised Appropriation	\$391,696	\$391,696	\$0
<i>Pots Adjustments in Dept. of Education</i>	4,865	16,051	11,186
FY 2008-09 Continuation Base	\$396,561	\$407,747	\$11,186
<i>Policy Initiatives -- None</i>	0	0	0
Total FY 2008-09 Recommendation	\$396,561	\$407,747	\$11,186
<u>FY 2008-09 Fund Split</u>			
Federal Funds	\$396,561	\$407,747	\$11,186
Increase from FY 2007-08 Revised Appropriation	\$4,865	\$16,051	\$11,186
Percent Increase	1.24%	4.10%	2.86%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request: The Department requests continuation funding with a technical adjustment of \$4,864 to reflect additional POTS funding and indirect costs assessments from the Department of Education (DOE).

Staff Recommendation: Staff recommends continuation funding with a technical adjustment of \$16,051 to reflect POTS funding and indirect costs assessments from the DOE. Staff recommendation matches the Committee's action from March 4, 2008. Staff also recommends that the funding for this line item be split into two line items: (1) \$200,000 contract with PCG be moved to General Administration, General Professional Services and Special Projects; and (2) \$196,561 to Transfer to Other Departments, Transfer to Department of Education Public School Health Services Administration.

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STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Eligibility Determination and Client Services
School District Eligibility Determination

Line Item Description: House Bill 06-1270 created a demonstration project to authorize school district personnel to make eligibility determinations for medical benefits under the Medicaid or the Children's Basic Health Plan. This line item contains the contract funding with the school districts to perform eligibility determinations.

Table 1: School District Eligibility Determination			
	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$227,292	\$227,292	\$0
<i>Supplementals-- None</i>	0	0	0
FY 2007-08 Revised Appropriation	\$227,292	\$227,292	\$0
<i>Technical/Common Policy Adjustments</i>	0	0	0
FY 2008-09 Continuation Base	\$227,292	\$227,292	\$0
<i>Policy Initiatives -- None</i>	0	0	0
Total FY 2008-09 Recommendation	\$227,292	\$227,292	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$79,269	\$79,269	\$0
Cash Funds			
--Health Care Expansion Fund	\$25,854	\$25,854	\$0
Federal Funds	\$122,169	\$396,561	\$274,392
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and staff recommends continuation funding for this line item in FY 2008-09. Staff recommends that this line item be moved to a new subdivision and line item named Eligibility Determination and Client Services.

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Enhanced Fraud Detection Contracting

Line Item Description: For FY 2008-09, the Department proposes a new line item to contain the funding for additional recovery and recoupment activities. Specifically, the Department anticipates that \$1,000,000 of this line item will be used to purchase fraud detection technology and that \$250,000 will be used for operating costs associated with re-enrolling providers, including background checks, printing, and mailing costs.

Enhanced Fraud Detection Contracting			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$0	\$0	\$0
Supplementals -- none	0	0	0
FY 2007-08 Revised Appropriation	\$0	\$0	\$0
BA #9 -- Enhanced Recoveries & Reoupment Contracts	\$1,250,000	\$1,250,000	\$0
Total FY 2008-09 Recommendation	\$1,250,000	\$1,250,000	\$0
Fund Splits			
General Fund	\$225,000	\$225,000	\$0
Federal Funds	\$1,025,000	\$1,025,000	\$0
Increase from FY 2007-08 Revised Appropriation	\$1,250,000	\$1,250,000	\$0
Percent Increase	n/a	n/a	n/a
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: The Department requests and staff recommends that a total of \$1,250,000 be added to the Department’s budget to enhance the Department’s recovery and recoupment efforts for fraud detection and payment errors. Specifically, the funding will be used for the following purposes:

1. An appropriation of \$1,000,000 to purchase fraud detection software. The Department anticipates that this item will receive a 90 percent match from the federal government. Therefore, the General Fund impact from this recommendation is estimated at only \$100,000 for FY 2008-09.
2. An appropriation of \$250,000 to perform background checks for other operating costs associated with re-enrolling Medicaid providers on a 10-year cycle. Specifically the Department anticipates spending \$169,450 on background checks on 3,389 Medicaid providers re-enrolling each year. The Department also anticipates spending \$80,550 in additional mailing and printing costs to inform providers about the re-enrollment process and

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application. These costs receive a 50 percent state match. Therefore, the General Fund impact of this recommendation is \$125,000.

These costs are offset in the staff recommendation for Medical Services Premiums program for anticipated savings resulting from increased recoupment and recovery efforts.

Staff does not recommend a new line item be added to the budget for these costs. Staff recommends that the \$250,000 in operating costs be added to the operating expenses line item and that the \$1,000,000 for the fraud software be added to the new line item staff proposes for information technology contracts.

CBMS Medical Assistance

Line Item Description: The Department requests a new line item to contain the appropriations for changes to the Colorado Benefits Management System to implement an alternative state-based system for processing Medical assistance applications and eligibility.

CBMS Medical Assistance			
	Department Request	Staff Re commendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$0	\$0	\$0
Late Supplemental Submitted In February	250,000	0	(250,000)
FY 2007-08 Revised Appropriation	\$250,000	\$0	(\$250,000)
BA-A1A -- Building Blocks to Health Care Reform	\$9,850,000	\$250,000	(\$9,600,000)
Total FY 2008-09 Recommendation	\$10,100,000	\$250,000	(\$9,850,000)
Fund Splits			
General Fund	\$4,833,204	\$119,634	(\$4,713,570)
Federal Funds	\$5,266,796	\$130,366	(\$5,136,430)
Increase from FY 2007-08 Revised Appropriation	\$9,850,000	\$250,000	(\$9,600,000)
Percent Increase	n/a	n/a	n/a
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

FY 2007-08 Supplemental

Department Request: The Department requests a late supplemental of \$250,000 to develop a plan and initial design to separate the functions of CBMS into two distinct systems that would be ready for operations by July 1, 2009.

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Staff Recommendation: Staff does not recommend the Department's FY 2007-08 supplemental request for money to plan and redesign the CBMS system so that it can be divided into two separate but compatible systems. The Department's request changes the policy of the state for the last ten years to develop a coordinated eligibility system for all public benefits. A major policy direction change, such as the one being proposed by the Department, should have time to be vetted by all interested parties, including the counties, clients and the General Assembly. Submitting a late supplemental and budget amendment with a very aggressive time frame does not serve the public process well. In addition, IT projects of this magnitude should first be approved by the Governor's Office of Information Technology before being submitted to the Joint Budget Committee.

FY 2008-09 Request

Department Request: The Department requests \$10,000,000 for changes to the CBMS system in order to separate the functions of the system out so that Medical eligibility determinations can be done in a more timely and easy manner (i.e. without having to go through all of the public assistance screens). The Department's request is part of a larger initiative to move eligibility determinations away from the counties sites (for most Medical eligibility, but not all) to a centralized eligibility vendor. The centralized eligibility vendor would provide a single entry point for customers seeking information about the Department's health care programs and to assist with eligibility determinations and enrollment. The Department believes such a system would help to encourage more of the other uninsured to apply for the public medical benefits that they are eligible for and would thus eventually help lower the number of uninsured.

In addition to the \$10.0 million for system development changes, the Department requests \$100,000 for a contractor to audit and monitor the system as it is being developed.

Staff Recommendation: Staff does not recommend the Department's request. As stated earlier, the Department's request is a major departure in the policies that were behind developing the CBMS system over the last 10 years. The time lines and appropriations that the Department has submitted are very aggressive without sufficient time to evaluate if the policy directions is the proper direction for the State and for health care reform.

Staff does recommend the \$250,000 that the Department requested in FY 2007-08 to plan and design new interfaces to the CBMS system that will make the system easier to use for medical assistance sites, school districts, and the counties when processing applications where it is clear the individual could only qualify for Medical Assistance (most likely CBHP – because initial incomes are too high for the other public assistance programs).

After the initial design is complete and the project has been reviewed by the Governor's Office of Information Technology, the Department can resubmit the proposal to General Assembly if the project still seems feasible. While this recommendation slows down the Department's desire to have the system operation by July 1, 2009, staff believes that a major investment in infrastructure should be fully investigated and planned before starting the project.

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Final note: While most of the Department's proposals in the Building Block to Health Care reform are doable in this year, their costs may not be sustainable in the future. Staff recommends caution in expanding both the services and populations served by public benefit program before a secure and growing revenue source has been identified to pay the future costs of the proposals.

Centralized Eligibility Vendor

Line Item Description: The Department requests a new line item in FY 2007-08 and FY 2008-09 to contain appropriations for a centralized eligibility vendor contract for the CBHP program and eventually the Medicaid population.

Centralized Eligibility Vendor			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$0	\$0	\$0
Late Supplemental Submitted In February	153,600	0	(153,600)
FY 2007-08 Revised Appropriation	\$153,600	\$0	(\$153,600)
BA-A1A -- Building Blocks to Health Care Reform	\$2,260,800	\$153,600	(\$2,107,200)
Total FY 2008-09 Recommendation	\$2,414,400	\$153,600	(\$2,260,800)
Fund Splits			
General Fund	\$1,081,872	\$73,503	(\$1,008,369)
Federal Funds	\$1,178,928	\$80,097	(\$1,098,831)
Increase from FY 2007-08 Revised Appropriation	\$2,260,800	\$153,600	(\$2,107,200)
Percent Increase	n/a	n/a	n/a
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

FY 2007-08 Supplemental

Department Request: The Department requests a late FY 2007-08 supplemental of \$153,600 total funds to fund a RFP Vendor to provide technical assistance for a redesign of the Department's eligibility and enrollment processes. Of the amount requested, \$73,503 is General Fund and \$80,097 is from federal funds. As stated in the Department's request, the goal of the redesign of the eligibility and enrollment process to evaluate health care eligibility and enrolment administration on a statewide level and to recommend business process changes ranging from technology support to changing staffing levels for eligibility determination. The RFP Vendor would examine other state models and establish best practices. The RFP Vendor would then aid the Department in writing their RFP for a Centralized Eligibility Vendor.

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The requested amount assumes that the vendor would need a total of 3,840 hours of work at \$160/hour for a cost of \$614,400 total funds. The Department assumes that the vendor will complete 960 hours of the work in FY 2007-08 at a cost of \$153,600. The remainder of the costs, \$460,800, would be incurred in FY 2008-09.

Staff Recommendation: Staff does not recommend the Department's request. The request does not meet supplemental criteria.

FY 2008-09 Request

Department Request: The Department requests \$2,414,400 total funds in FY 2008-09 in order to develop the infrastructure for the eventual move to a centralized eligibility contract. The Department's request has the following components:

1. A total of \$460,800 to complete the contract with the RFP Vendor. The cost is for 2,880 hours of consulting time billed at \$160/hour.
2. A total of \$900,000 for programming costs to create a Virtual Application Gateway in order to streamline the application process for CBHP and Medicaid. The Gateway would primarily be used by hospitals, community health centers and other health care providers to submit completed applications electronically.

Under the current process, providers who facilitate enrollment and presumptive eligibility must submit a hard copy of the Medicaid/CBHP application to the county for final approval. According to the Department's request, this process can require multiple mailings and phone calls to verify that the application is complete and that county has begun processing the application. Under the Department's proposal, providers would have the ability to enter applicant data, check for prior eligibility, obtain applicant signatures on all necessary forms, and forward the data to the Centralized Eligibility Vendor for any client seeking medical services at their site.

The Department bases the costs of this proposal the costs based on the costs of implementing presumptive eligibility for children and pregnant women in the CMBS.

3. A total of \$900,000 to build interfaces with the Department of Revenue and the Department of Public Health and Environment for verification of citizenship and identity. Under federal law, applicants for Medicaid must provide proof of citizenship (or lawful presence if a legal immigrant) and identity as a condition of receiving Medicaid eligibility. In order to ensure that this requirement is met, the Department proposes establishing an interface with the Department of Revenue and would allow the central Eligibility Vendor to electronically view Colorado issued driver licenses and another interface with the Department of Public Health and Environment to view birth certificates.

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Staff Recommendation: Staff recommends \$153,600 total funds in FY 2008-09 for the Department to perform a study regarding the best practices used by other states in determining eligibility. As part of the scope of the study, the Department should survey states to determine how many states use a centralized eligibility center, how many states employees perform eligibility, and how many states have counties perform eligibility. The survey should also include the additional costs that states have incurred from streamlining eligibility and the revenue sources that those states have for paying for the additional costs of adding clients quicker onto the Medicaid/CBHP roles. The study should also identify how much each states uninsured population is eligible for Medicaid and CBHP and is not enrolled and if streamlining applications has reduced this number.

Staff Concerns with Centralized Eligibility

Staff has the following concerns about centralized eligibility:

- 1) If all 80,000 children estimated to be eligible for Medicaid or CBHP were enrolled, it would cost the state over \$160,000,000 in additional funds. If this is the end goal of making eligibility processes faster and easier in order to eliminate the barriers that exist to enrolling these children, then State must first find a sustainable and growing revenue source to pay for this new initiative. In staff's opinion, the Department's request puts "the cart before the horse". The state must first identify the "horse" -- i.e. revenue source, before the State can even begin building the foundation/infrastructure for Health Care Reform.
- 2) Centralized eligibility may be a good idea for higher income families that do not qualify for other benefit programs but may make it more difficult for the lower income families to receive all of the public assistance that they are eligible for. The whole idea behind CBMS was to have a complete eligibility system that could identify all public programs that an applicant is eligible for. Addressing health care concerns is difficult for people who also have nutrition, housing, child care, welfare, and other needs. The county social services departments have been aiding clients for years to find the necessary services that they need. The Department's request seems to divide out this function of the counties.
- 3) The Department's proposal will cost more administratively in the long run. The counties will still need to perform Medicaid eligibility for clients that apply for Food Stamps and TANF. The Centralized Vendor Contractor will also be performing Medicaid/CBHP eligibility. There will be some duplication of effort and this is most likely to cost more.
- 4) If eligibility is performed fast and the person is presumed eligible but later not found out to be eligible, the state will be liable for the full costs of care that person received in error. The results of the PERM study on this issue will not be available until later this fall. Staff would like time to review what the PERM study found about erroneous eligibility determinations in the current system before approve moving to a new system for eligibility determinations.

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Regional Health Information Organization

Line Item Description: The Department requests a new line item in FY 2008-09 for appropriations associated the Colorado Regional Health Information Organization.

Colorado Regional Health Information Organization			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$0	\$0	\$0
Late Supplemental Submitted In February	0	0	0
FY 2007-08 Revised Appropriation	\$0	\$0	\$0
BA-A1A -- Building Blocks to Health Care Reform	\$500,000	\$300,000	(\$200,000)
Total FY 2008-09 Recommendation	\$500,000	\$300,000	(\$200,000)
Fund Splits			
General Fund	\$250,000	\$150,000	(\$100,000)
Federal Funds	\$250,000	\$150,000	(\$100,000)
Increase from FY 2007-08 Revised Appropriation	\$500,000	\$300,000	(\$200,000)
Percent Increase	n/a	n/a	n/a
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request: In 2005, the Secretary of Health and Human Services formed the American Health Information Community to recommend ways to advance health information technology so that most Americans will have access to secure electronic health records by 2014. The Colorado Regional Health Information Organization (CRHIO) is part of a nationwide effort to oversee operations for a virtual national health information network and to develop a statewide electronic health information exchange.

The Department requests \$500,000 in FY 2008-09 to provide seed money to the CRHIO and to allow the Department to participate in developing appropriate policy and procedures for data exchanges between the Department other health care providers participating in the CRHIO. The Department will require that all funds that they provide be matched by private sector health plans, hospitals, and physician groups.

Staff Recommendation: Staff recommends \$300,000 of the Department's request. Staff agrees with the Department's request that the Department should have policy making role in developing the health information technology and information exchange policies for the state. Staff's recommendation is less than the Department's request because the Department has not fully identified all of the cost components that have gone into their request for the \$500,000.

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Lay-Out Of Medical Service Premiums

This section of the figure setting packet contains the Department's request and staff recommendations for the Medical Services Premium line item. This section is divided into the following subsections:

- 1) Medicaid Caseload Forecast for both FY 2007-08 and FY 2008-09
- 2) Detail for Medicaid Supplemental Recommendations for FY 2007-08
- 3) Detail for Medicaid Funding Allocation Plan for FY 2007-08
- 4) Detail for Medicaid Base Recommendation for FY 2008-09 (Decision Item #1)
- 5) Detail For Medicaid Funding Allocation Plan for FY 2008-09
- 6) Staff Recommendations on decision items and change requests.

JBC Staff Recommended Medicaid Caseload for FY 2006-07 and FY 2007-08

The first step in estimating expenditures for the Medical Services Premiums line item is to forecast the eligible caseload for the Medicaid program. This subsection of staff's recommendation contains a revised forecast for FY 2007-08 as well the base forecast for FY 2008-09. Please note that any caseload changes that result from decision items are discussed as part of the decision item and are not added into the base caseload forecast. The base caseload forecast is based solely on current trends based on current law and practice. This subsection of staff's recommendation is organized as follows:

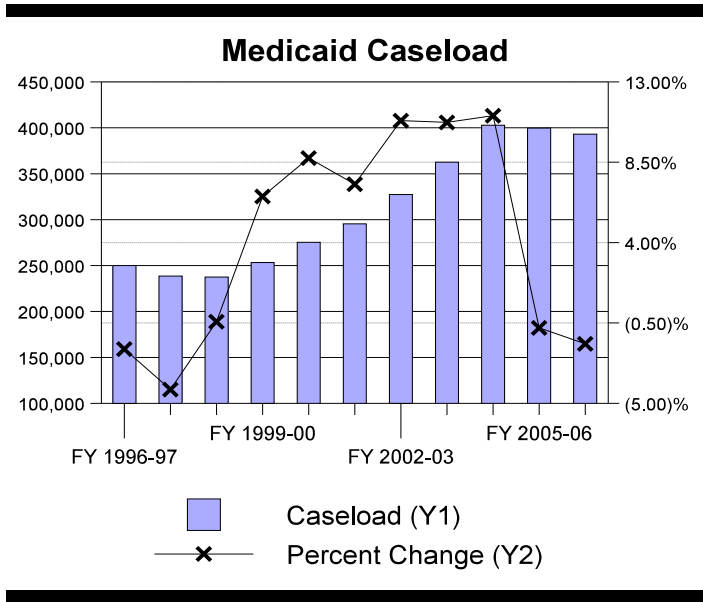
- ✓ A brief description of the past Medicaid caseload and last year's forecast;
- ✓ FY 2007-08 and FY 2008-09 Traditional and Expansion Medicaid Caseload Recommendation; and
- ✓ A brief discussion of the assumptions for the forecast.

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Past Medicaid Caseload

During the last ten years there has been significant growth in the Medicaid caseload. In FY 1996-97, the overall Medicaid caseload was 250,098. During the next two years (FY 1997-98 and FY 1998-99) the Medicaid caseload actually declined to a low of 237,598. This decline in the Medicaid caseload was due mainly to a robust economy and the impact of the Federal Welfare Reform legislation passed by Congress in 1996. However, beginning in FY 1999-00 the Medicaid caseload began to increase again with healthy growth rates of 6.59%, 8.74% and 7.27% for FY 1999-00, FY 2000-01, and FY 2001-02, respectively. After the 9/11 terrorist attacks and the economic downturn that followed, the Medicaid caseload grew at unprecedented rates of 10.8%, 10.7%, and 11.1% for FY 2002-03, FY 2003-04, and FY 2004-05, respectively. However, in FY 2005-06 and FY 2006-07, the economic recovery finally began affecting the average monthly Medicaid caseload causing an overall caseload decline of 0.8% and 1.66, respectively.¹



For the most part, the Medicaid caseload growth or decline is largely driven by the caseload growth or decline in the economic driven caseloads for low-income adults and children. During calendar year 2003, the unemployment rate hit its peak at 6.3%. According to information released by the Department of Labor in January 2007, preliminary results for calendar year 2007 show that the average unemployment rate was 3.8 percent (down from the 4.3 percent recorded in 2006). However, while calendar year 2007 showed positive employment data, the most recent months suggest somewhat of a turn in the trend. In December 2007, Colorado's seasonally adjusted

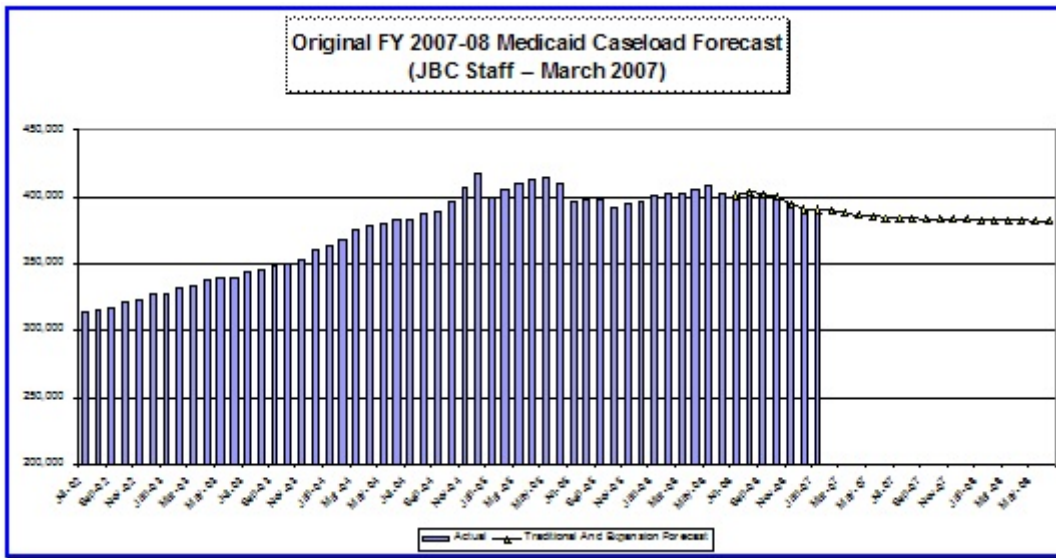
¹Please note, the average monthly growth rate in FY 2004-05 may have been overstated due to the benefit flag freeze that was in place during the CBMS implementation. Therefore, caseload growth in FY 2005-06 may actually have been positive. When the July 2006 caseload is compared to July 2007 caseload, there was actually positive growth of 1.39 percent.

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unemployment for the month jumped to 4.5 percent (in December 2006 the unemployment rate was 4.0 percent). The number of unemployed residents increased 10,600 during December 2007 to 121,500. The number of unemployed residents in December 2006 was 106,500. While one or two months of data does not make a trend, the data is beginning to suggest that the softening of the national economy is having some labor impacts in Colorado.²

In March 2007, staff forecasted that the final average monthly caseload for the Medicaid program in FY 2006-07 would be 393,180. The actual FY 2006-07 average monthly caseload was 393,077 (0.03 percent lower than the final forecast). The original FY 2007-08 average monthly caseload forecast was 385,010 (includes the caseload estimate for S.B. 07-002). The original FY 2007-08 forecast represented a forecasted decrease of 2.1 percent from the FY 2006-07 caseload forecast. Nationally, the average rate of Medicaid caseload for FY 2007-08 was estimated to increase by 2.2 percent.³ Staff's original FY 2007-08 forecast assumed that the Medicaid caseload would stabilize during FY 2007-08. However, the average monthly caseload in FY 2007-08 would be lower than the FY 2006-07 average monthly caseload because the base would start a lower point than it did in FY 2006-07. The original FY 2007-08 forecast is shown below.



²January 18, 2008 Press Release from the Department of Labor.

³The Kaiser Commission on Medicaid and the Uninsured, "As Tough Times Wane, States Act to Improve Medicaid Coverage and Quality: Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2007 and 2008", October 2007.

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As is done every year, staff updates the FY 2007-08 caseload forecast to reflect as many months of actual data as possible and to forecast the remainder of the fiscal year. This forecast also becomes the base to build the FY 2008-09 forecast. Thus far, the average monthly FY 2007-08 caseload actuals have been fairly consistent with the original FY 2007-08 forecast. However, staff has adjusted the forecast to reflect the following new information.

- ✓ First, the impact for S.B. 07-002 has not been as high as originally anticipated in the fiscal note. Senate Bill 07-002 expands Medicaid eligibility to young adults, who are under 21 years of age and who were in the foster care system immediately prior to their 18th birthday or emancipation. Before the passage of S.B. 07-002, most foster children lose Medicaid eligibility on their 18th birthday. The fiscal note for S.B. 07-002 anticipated that 1,226 clients would become eligible due to this law change. However, actual experience for the program has been less than anticipated. The Department has revised their FY 2007-08 caseload estimate for this population downward to 368 clients. Staff recommends the Department's revised caseload estimate for S.B. 07-002. This caseload is funded with Health Care Expansion moneys.

- ✓ Second, while the overall average monthly caseload has been fairly consistent with the original FY 2007-08 forecast, there are forecast errors within each of the individual caseload aid categories that need to be corrected. Because different aid categories (i.e. SSI 65+, SSI disable, children, etc.) have different per capita cost estimates, it is necessary to update each individual aid categories forecast in order to estimate the final costs for the Medicaid program. Staff's revised forecast each year corrects for these forecast errors based on the most current trend data available.

FY 2007-08 Traditional and Expansion Medicaid Caseload Recommendation

Staff Recommendation #1: Staff recommends a total FY 2007-08 Medicaid caseload of 383,655. Staff's caseload recommendation is a decrease of 0.35 percent from the current FY 2007-08 appropriated caseload and is 1,222 clients higher than the Department's February 15 request for FY 2007-08 Medicaid caseload.

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Discussion: Staff's FY 2007-08 caseload recommendation of 383,655 clients is a decrease of 1,355 clients or 0.35 percent from the original FY 2007-08 caseload recommendation. However, while staff's updated forecast is close to the original forecast, there are significant difference within different aid categories that will impact costs. Significant changes that will change costs estimates include: (1) re-forecasting the case mix of clients (i.e. how many are elderly or children); and (2) updating the estimated caseload that is eligible to be funded from the Health Care Expansion Fund. Staff's caseload estimate is also 1,222 (or 0.32 percent) higher than the Department's final FY 2007-08 estimate.

Table 1: FY 2007-08 Revised Caseload Forecast -- Department Request Compared to Staff Recommendation

	Current FY 2007-08 Appropriation	Department February 15 Request	Staff Rec. Rec.	Staff Rec. minus Current App.	Staff Rec. minus Dept. Req.
SSI 65+	36,703	35,858	35,790	(913)	(68)
SSI 60-64	6,252	6,127	6,098	(154)	(29)
QMB/SLIMB	13,294	14,131	14,086	792	(45)
SSI Disabled	48,942	49,626	49,565	623	(61)
Low-Income Adults	46,708	43,878	43,972	(2,736)	94
Expansion Low- Income Adults	10,377	8,151	8,567	(1,810)	416
Baby-Care Adults	5,264	5,678	5,895	631	217
Breast & Cervical Cancer Program	277	274	271	(6)	(3)
Eligible Children	193,981	197,535	198,500	4,519	965
Foster Care Children	18,521	17,333	16,940	(1,581)	(393)
<u>Non-Citizens</u>	<u>4,691</u>	<u>3,842</u>	<u>3,972</u>	<u>(719)</u>	<u>130</u>
Total	385,010	382,433	383,656	(1,354)	1,223
Percent Different				(0.35)%	0.32%

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Staff forecasts that 347,596 clients will be traditional clients (i.e. state match primarily from the General Fund), 3,512 will be legal immigrants (eligible for partial funding from the Health Care Expansion Fund) and 32,547 will be expansion clients (eligible for funding through the Health Care Expansion Fund). Table 2 compares staff's original and revised forecasts based on traditional and expansion population estimates.

Table 2: FY 2007-08			
Changes in Medicaid Caseload Broken Out by Traditional and Expansion Populations			
	Original Forecast	Staff Revised Forecast	Difference
Traditional Medicaid	346,283	347,596	1,313
Legal Immigrants	3,512	3,512	0
Expansion Medicaid	<u>35,215</u>	<u>32,547</u>	<u>(2,668)</u>
Total	385,010	383,655	(1,355)

*Information by Aid Category can be found in Appendix A of this packet.

FY 2008-09 Traditional and Expansion Medicaid Caseload Recommendation

Staff Recommendation #2: Staff recommends a total FY 2008-09 Medicaid caseload of 390,311. Staff's caseload recommendation is an increase of 1.7 percent from staff's revised FY 2007-08 forecast and is 9,723 clients higher (2.56 percent) than the Department's FY 2008-09 caseload forecast.

Discussion: Staff's FY 2008-09 caseload recommendation of 390,311 clients is an increase of 6,656 clients from staff's estimated FY 2007-08 forecast. The increase in staff's forecasts results from modest growth for the elderly and disabled populations (similar to normal population trends) and modest increases in the low-income aid categories. Overall, staff's recommended FY 2008-09 caseload forecast represents an increase of only 1.73 percent over staff's final FY 2007-08 forecast. Unlike the Department, staff does not anticipate that their will be continued decreases in the base forecast. Staff believes that the caseload has "bottomed-out" in FY 2007-08 and will now begin to

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grow once again from the lowered base. Table 3 below compares the Department's and staff's FY 2008-09 Medicaid forecast by aid category.

Table 3: FY 2008-09 Caseload Forecast -- Department Request Compared to Staff Recommendation					
	Staff FY 2007-08 Final Rec.	Department FY 2008-09 Request	Staff FY 2008-09 Rec.	Staff Rec. minus Prior Year Est.	Staff Rec. minus Dept. Req.
SSI 65+	35,790	36,278	36,028	238	(250)
SSI 60-64	6,098	6,216	6,201	103	(15)
QMB/SLIMB	14,086	15,068	15,055	969	(13)
SSI Disabled	49,565	50,058	50,111	546	53
Low-Income Adults	43,972	41,667	43,091	(881)	1,424
Expansion Low-Income Adults	8,567	9,629	10,527	1,960	898
Baby-Care Adults	5,895	6,028	6,510	615	482
Breast & Cervical Cancer Program	271	301	301	30	0
Eligible Children	198,500	192,948	200,169	1,669	7,221
Foster Care Children	16,940	18,657	18,351	1,411	(306)
<u>Non-Citizens</u>	<u>3,972</u>	<u>3,738</u>	<u>3,968</u>	<u>(4)</u>	<u>230</u>
Total	383,656	380,588	390,312	6,656	9,724
Percent Different				1.73%	2.56%

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Of the 390,312 clients staff forecasts for FY 2008-09, staff estimates 351,387 clients will be traditional clients (i.e. state match primarily from the General Fund), 3,512 will be legal immigrants (eligible for partial funding from the Health Care Expansion Fund) and 35,413 will be expansion clients (eligible for funding through the Health Care Expansion Fund). Table 4 compares staff's revised FY 2007-08 forecasts to the staff's FY 2008-09 forecast based on traditional and expansion population estimates.

Table 4: FY 2008-09 Staff Recommended Forecast				
Changes in Medicaid Caseload Broken Out by Traditional and Expansion Populations				
	FY 2007-08 Forecast	FY 2008-09 Forecast	Difference	
Traditional Medicaid	347,596	351,387	3,791	
Legal Immigrants	3,512	3,512	0	
Expansion Medicaid	<u>32,547</u>	<u>35,413</u>	<u>2,866</u>	
Total	383,655	390,312	6,657	

Brief Description of Major Forecast Assumptions

For the traditional Medicaid caseload, staff's recommendation is based on a 60 month regression forecast for each aid category using actual caseload data through February 2008. Staff makes some modifications to the actual data to avoid over inflating caseload during the implementation of CBMS in FY 2004-05. This modeling works well for the caseloads with fairly steady growth patterns (i.e. SSI 65+, SSI 60-64, Disabled, QMB/SLMB, Foster Care). For the caseloads most impacted by economic conditions (Low-Income Children and Low-Income Adults), staff considered the historical trend from July 1998 through June 2001 as well as a 60 month regression. During this former time period, the Medicaid caseload was beginning to increase again after a period of decline. Staff anticipates that the Medicaid caseload has "bottomed-out" and will once again begin to show normal population trend increases. Overall, staff's Medicaid recommendation is modest growth at only 1.7 percent.

For the expansion Medicaid caseload, staff's recommendation contains the following assumptions:

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- 1) Legal Immigrants: Staff recommends a caseload of 3,512 clients for both FY 2007-08 and FY 2007-08. This is the same caseload that was assumed when S.B. 03-176 passed (this bill eliminated Medicaid coverage for optional legal immigrants). Currently, the CBMS system does not have the capability to discern who is a mandatory legal immigrant and who is an optional legal immigrant. Until the system changes are complete, staff recommends no change to the caseload assumptions for this population. Staff spreads this population across the aid categories using the same assumptions that staff used when H.B. 05-1086 passed (this bill reinstated Medicaid coverage for optional legal immigrants).

- 2) Children's Home and Community-Based Services and Children's Extensive Support Waiver Program Expansions: Staff estimates that all 676 Children's Home and Community Based Services waiver slots will be filled in both FY 2007-08 and FY 2008-09. Staff also estimates that all 59 Children's Extensive Support Waiver slots will be filled in FY 2007-08 and FY 2008-09. Staff's estimates are based on the Department's request.

- 3) Breast and Cervical Cancer Program Expansion: Similar to the last two year's of recommendations, staff recommends that one third (approximately 33 percent) of the estimated caseload for the Breast and Cervical Cancer Program Expansion be funded from the Prevention, Early Detection, and Treatment Fund transfer from the Department of Public Health and Environment.

- 4) Removal of the Asset Test: Staff recommends that a caseload estimate of 4,946 adults and 17,848 children in both FY 2007-08 and FY 2008-09 for removal of the asset test. Staff's estimate is based somewhat on the original estimates for this population. Once the asset test was eliminated, the Department no longer collects data from clients on assets for Medicaid eligibility. Therefore, this population can not be distinctively tracked in the CBMS system. Because of difficulties in verifying and testing the actual caseload, staff recommends no change to original estimates that were made last year.

- 5) Presumptive Eligibility: Staff does not separate this caseload from the Traditional caseload in her caseload estimates. However, the impact of the presumptive eligibility program is discussed in the Medical Services Premiums expenditure section of this document.

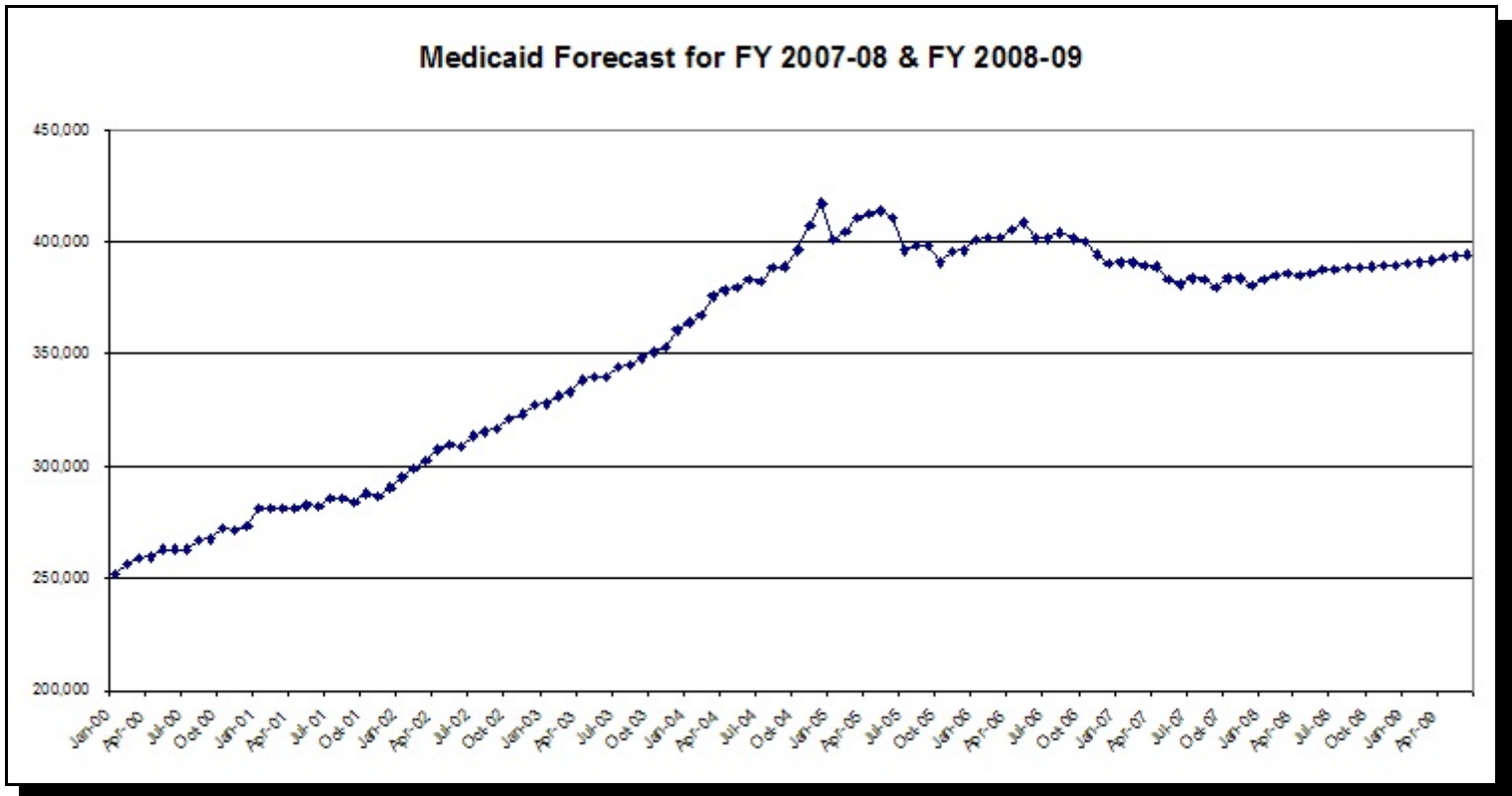
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- 6) Expansion Low-Income Adults: Because the population can be tracked separately and distinctively in caseload reports, staff uses the same regression and trending methodology for this population estimate as for traditional low-income adults. Because this a fairly new population and is still in the "ramp-up" phase, staff recommends a fairly healthy increase in FY 2008-09 over the final FY 2007-08 estimate. After FY 2008-09, staff anticipates that growth in this aid category will slow.

Summary

In summary, staff's recommended Medicaid caseload for both FY 2006-07 and FY 2007-08 forecasts an overall declining trend. Chart 1 below graphically displays the impact of staff's recommendation.



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The original FY 2007-08 total fund appropriation for the MSP line item was \$2,147,858,908 and was based on a total Medicaid caseload of 385,010 clients.. Of this amount, \$2,133,318,108 was appropriated to provide actual medical services to Medicaid clients. This is the total amount appropriated for all acute care, community long-term care, institutional long-term care, some administrative services and disease management for both the Traditional and Expansion caseloads. The remaining \$14,540,800 represented the amount for bottom of the line refinancing and other costs not directly related to client services. The bottom of the line refinancing are mechanisms the State uses to save General Fund appropriations. For the most part, these mechanism relate to the Upper Payment Limit (UPL) financings and also include stationing costs at Denver Health. Table 1 below shows the estimated costs included in the original FY 2007-08 appropriation.

Table 1: Current Appropriation for Medical Services within the Medical Services Premiums Line Item				
	Traditional Medicaid*	Legal Immigrants	Amendment 35 Expansion Populations	Total
Acute Care Services	\$1,112,105,594	\$9,138,411	\$106,984,726	\$1,228,228,731
Community Care Services	223,677,478	544,484	0	224,221,962
Long-Term Care Services	561,666,444	1,913,622	0	563,580,066
Insurance Premiums	89,164,779	0	0	89,164,779
Administrative Services*	28,122,570	0	0	28,122,570
Bottom Line Financing	14,540,800	0	0	14,540,800
Total	\$2,029,277,665	\$11,596,517	\$106,984,726	\$2,147,858,908
General Fund & GFE	\$996,321,500	\$0	\$0	\$996,321,500
Cash Funds - ICMR Provider Fees	38,256	0	0	38,256
Cash Funds -- Certified Funds	14,191,008	0	0	14,191,008
BCCTP Fund	429,838	0	0	429,838
Transfer from DPHE for BCCTP	0	0	735,600	735,600
Health Care Expansion Fund	0	6,216,752	53,801,420	60,018,172
Autism Fund	626,750	0	0	626,750
Federal Funds	1,017,670,313	5,379,765	52,447,706	1,075,497,784
TOTAL FUNDS	\$2,029,277,664	\$11,596,517	\$106,984,726	\$2,147,858,908

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*Includes the estimate for presumptive eligibility which was added as an expansion population/service in H.B. 05-1262 and for the purpose of this table, all of the disease management funding is included for in the traditional population. Some totals are off by \$1 due to rounding issues.

Department Request and Staff Recommendation: While overall caseload estimates have been fairly close to the actual caseload through February 2008, expenditures have been higher than originally forecasted. Based on current expenditure and caseload trends, the Department requests a ***total*** FY 2007-08 supplemental of \$43,213,466. Staff recommends a total FY 2007-08 supplemental of \$51,571,332. The Department's request and staff's recommendation have the following components:

1. Supplemental #1 & #12: Base Costs Increases Due to Forecast Error and Higher Rates for Denver Health

Department Request: The Department requests a total of \$40,080,197 for higher than anticipated costs for the Medicaid program in FY 2007-08. Of this amount, the Department estimates \$3,372,648 is for moving HMO rates from 95% to 99% of fee-for-service pursuant to the provisions in H.B. 08-1246 and \$36,707,549 is related to adjusting the forecast based on more current information.

Staff Recommendation: **Staff recommends a total of \$41,762,968 for this issue.** Staff does not break-out the costs for increasing the HMO rates separately from the base forecast since the higher rates have been included in the trend data since July 2008. However, if the rates had not been increased, staff anticipates that her recommended base costs would have been approximately \$3.4 million lower than is recommended (similar to the Department's request).

Discussion: Staff's recommendation is a function of re-forecasting the caseload as well as re-estimating the expected expenditures from each category for the remainder of the year. As stated earlier, the original appropriation assumed that the cost for medical services for the Medicaid program would be \$2,133,318,108 (this excludes bottom of the line financing). The original appropriation also assumed a per capita cost of \$5,540.94 for medical services. The Department's revised estimate for FY 2007-08 (including Supplemental #12), assumes medical costs of \$2,176,185,710. Based on the Department's revised caseload estimates, the per capita cost would be \$5,690.37. Staff's revised estimate for FY 2007-08, assumes medical costs of \$2,177,868,480. Based on staff's revised caseload estimate, the average per capita cost is \$5,676.63. Table 2 summarizes this information.

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Table 2: Overall Per Capita Costs for FY 2007-08						
	FY 2007-08 Current	FY 2007-08 Dept. Est.	% Change	FY 2007-08 Staff Est.	% Change to Current	% Change to Dept. Req.
Caseload	385,010	382,433	-0.67%	383,655	-0.35%	0.32%
Medical Cost Estimate/1	\$2,133,318,108	\$2,176,185,710	2.01%	\$2,177,868,480	2.09%	0.08%
Overall Average Per Capita Cost	\$5,540.94	\$5,690.37	2.70%	\$5,676.63	2.45%	-0.24%

/1 Does not include bottom of the line financing. Does include the FY 2006-07 roll forward for disease management.

As Table 2 shows, staff's per capita estimate for medical services is 0.24 percent lower than the Department's request. However, the overall difference between the total costs estimated by the Department and staff is only a 0.08 percent difference. Table 2 also shows that although both the staff and Department forecast that caseload will drop from the original estimate, the per capita cost is anticipated to increase by over two percent (in both the staff and Department's request). Therefore, an overall increase to the Medical Services Premiums line item is forecasted despite the fact that caseload is anticipated to be lower than originally forecasted.

What is driving the positive supplemental

Table 3 shows staff's estimate of how much of the overall supplemental is being driven by caseload decreases and how much is being driven by cost for service changes.

Table 3: Analysis of Factors Driving the Medicaid Budget (Medical Service Costs ONLY)						
	FY 2007-08 Current Appropriation	FY 2007-08 Department's Request	FY 2007-08 Staff Rec.	FY 2007-08 Department Compared to Current App.	FY 2007-08 Staff Rec. Compared to Current App.	FY 2007-08 Staff Rec. compared to Dept. Request
Total Cost Estimated	\$2,133,318,108	\$2,176,185,710	\$2,177,868,480	\$42,867,602	\$44,550,372	\$1,682,770
Caseload	385,010	382,433	383,655	(2,577)	(1,355)	1,222
\$/Client*	\$5,540.94	\$5,690.37	\$5,676.63	\$149.43	\$135.69	(\$13.74)
Impact Associated with Caseload Change				(\$14,279,008)	(\$7,507,977)	\$6,953,634

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Table 3: Analysis of Factors Driving the Medicaid Budget (Medical Service Costs ONLY)						
	FY 2007-08 Current Appropriation	FY 2007-08 Department's Request	FY 2007-08 Staff Rec.	FY 2007-08 Department Compared to Current App.	FY 2007-08 Staff Rec. Compared to Current App.	FY 2007-08 Staff Rec. compared to Dept. Request
Impact Associated with Cost per Client Changes (includes compounding effect)				\$57,146,610	\$52,058,349	(\$5,270,864)
Subtotal Medical Services Supplemental for base forecasting				\$42,867,602	\$44,550,372	\$1,682,770
Deduct Roll forward appropriation authority for disease management				(\$1,970,388)	(\$1,970,388)	\$0
Change in Bottom Line Financing				(\$817,017)	(\$817,017)	\$0
Total Supplemental Appropriation Needed				\$40,080,197	\$41,762,967	\$1,682,770

As part of the base forecast, the Department requests and staff recommends a decrease of \$817,017 in the amount of funds certified under the Medicare Upper Payment Limit. The current appropriation assumed a total of \$14,540,800 in bottom-of-the-line refinancing (including the ICMR provider fee and Denver out stationing costs). Based on current expenditure trends, the Department now estimates that the amount of funding that will be able to be certified at public hospitals and home health agencies is \$13,100,710. The assumption for the amount of the out stationing costs at Denver Health remains \$623,073. Lastly, the Department requests and staff recommends eliminating the appropriation for the ICFMR fee. This fee has never been charged and the appropriation has reverted each year that it has been appropriated.

After deducting the FY 2006-07 roll forward authority for disease management and the changes to the bottom-of-the-line financing, staff estimates that the total base supplemental need for FY 2007-08 is \$41,762,967. Staff's recommendation is \$1,682,770 total funds higher than the Department's request.

Table 4 shows the difference between staff's and the Department's assumptions for medical service costs for both the traditional and expansion populations broken out by service category.

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Table 4: Comparison of Department's Request to Staff's Recommendation -- FY 2007-08 Base Expenditures			
	Department's Estimate*	Staff's New Expenditure Estimate	Difference (Staff Est. - Current App.)
Acute Care Services	\$1,279,778,177	\$1,276,797,414	(\$2,980,763)
Community Care Services	235,489,491	236,641,584	1,152,093
Long-Term Care Services	539,780,128	545,598,134	5,818,006
Insurance Premiums	89,364,964	87,058,398	(2,306,566)
Administrative Services*	31,772,950	31,772,950	0
Bottom-Line Financing	\$13,723,783	\$13,723,783	\$0
Total	\$2,189,909,493	\$2,191,592,263	\$1,682,770
General Fund	\$1,014,683,088	\$1,021,986,035	\$7,302,947
Cash Funds Exempt - Certified Funds	13,412,247	13,412,247	0
BCCTP Fund	409,240	410,975	1,735
FY 2006-07 Roll Forward Authority	1,970,388	1,970,388	0
Transfer from DPHE for BCCTP	699,118	725,764	26,646
Health Care Expansion Fund	62,483,220	55,525,077	(6,958,143)
Autism Fund	233,043	233,043	0
Federal Funds*	1,096,019,149	1,097,328,734	1,309,585
Total	\$2,189,909,493	\$2,191,592,263	\$1,682,770

* Includes Supplemental #12

2. Supplemental #9: Revised Savings Estimates for the Preferred Drug List

Department Request: The Department request an additional \$483,556 to reduce the savings estimates for the preferred drug list. Last year during figure setting, JBC staff recommended a six month savings of \$670,376 for implementing the preferred drug list. This savings estimate was based on the fiscal note estimates for S.B. 05-022 (the Department did not submit any cost savings when the Executive Order establishing the preferred drug list was issued). Now that the Department has implemented the preferred drug list, the Department estimates that savings in FY 2007-08 will only be \$186,820. This is \$483,556 less than the amount deducted in the current appropriation.

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Staff Recommendation: Staff recommends the Department's request. The Department has taken a phased approach to implementing the preferred drug list. Therefore, future savings for the preferred drug list will be higher than the annualized estimate for FY 2007-08. Because the savings were only calculated for six months, the impact of the preferred drug list is not yet captured in the trend data. Therefore, this supplemental is appropriately requested and recommended as an add-on to the base recommendation.

3. Supplemental #10 -- Non-Emergency Transportation:

The Committee took action on this supplemental in January 2008 and included this supplemental in H.B. 08-1285. Staff reflects this supplemental in this write-up only to give a total picture of the supplementals requested and recommended for the Medical Services Premiums line item in FY 2007-08.

4. Supplemental #13 -- Adjust Premiums to Reflect Cash Flow of More Clients in Managed Care

Department Request: The Department requested \$2,392,954 in total funds in FY 2007-08 to account for cash flow issues involved in contracting with additional Managed Care Organizations. Since the passage of HB 07-1346, the Department has received numerous inquiries from managed care organizations seeking to join the Medicaid program. The Department is currently in the process of negotiating with an MCO to enter into a pilot managed care arrangement to serve the disabled community. The Department anticipates that the negotiations will be completed by June 2008 (original supplemental assumed April 2008) and that MCO will begin serving clients at that time. Because the Medical Services Premiums line item uses cash accounting, when a client transitions from the fee-for-service program to managed care, the Department will be required to pay for both the fee-for-service claims that were incurred prior to the client's enrollment in managed care the capitation to the managed care organization at the same time. Because of the bill lag in cash-based fee-for-service, the Department will temporarily pay for prior months and the current month concurrently during the transition period. The Department's original supplemental request estimated that this "cost" (it's only a cost because of finite accounting periods) would be \$2,392,954.

Staff Recommendation: Staff recommends \$1,684,784 for this issue. Staff's recommendation is based on a start-date for the managed care pilot program of June 2008 instead of April 2008 based on more recent information from the Department. The Department submitted the revised calculations for the later start date at staff's request and agrees with the reduction to requested amount.

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5. Non-Prioritized Supplemental #8: SAVE costs

The Committee took action on this supplemental in January 2008 and included this supplemental in H.B. 08-1285. Staff reflects this supplemental in this write-up only to give a total picture of the supplementals requested and recommended for the Medical Services Premiums line item in FY 2007-08.

6. BA1A -- Building Blocks to Health Care Reform:

Department Request: The Department submitted a late FY 2007-08 supplemental related to their Building Blocks to Health Care Reform proposal. In FY 2007-08, the Department has received a grant to begin implementing their Medical Homes pilot program. The grant funding will be used to provide incentive payments to providers serving as a Medical Home to Medicaid and CBHP children. In order to draw down the federal match, the Department needs appropriation authority for grant.

Staff Recommendation: Staff recommends the Department's request. Staff discusses the Building Block to Health Care Reform proposal in greater detail in the FY 2008-09 request section of the Medical Services Premiums write-up.

Summary:

Staff's FY 2007-08 total supplemental recommendation for Medical Services Premiums is \$51,571,332 total funds. However, of this amount \$7,444,265 is a transfer of funding from the Executive Director's Office Division to the Medical Services Premium line item. Therefore, the total "new" dollar impact for staff's recommendation is \$44,127,067. Of this amount, \$26,718,206 is General Fund. Staff's final March estimate is \$10,329,809 higher than the General Fund placeholder staff recommended in January.

Options for Committee for Balancing:

1. Reject staff's recommendation for the cash flow issue realizing this will push the implementation of the managed care pilot program into FY 2008-09. This option saves \$842,392 General Fund.
2. Refinance \$1,232,925 in General Fund for the Traditional Breast and Cervical Cancer Treatment program to the Breast and Cervical Cancer Treatment Fund (this would make the program 100% financed from the BCCT Fund in FY 2007-08 -- currently it is 25% financed from this fund). The Committee has already voted to carry a bill to do this but was waiting for figure setting to know the impact of the bill. This bill has not yet been introduced but has been drafted (with blanks).

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FY 2008-09 Medical Services Premiums Base Request and Recommendation

After the FY 2007-08 supplemental is calculated, the FY 2007-08 base appropriation for the Medical Services Premiums line item is calculated. The base appropriation annualizes special legislation, caseload growth, and cost-per-client cost changes. The FY 2007-08 base appropriation calculations do not include any new policy changes. Policy changes are requested as a separate decision or base reduction item and are discussed in a separate section. This subsection provides the detail for the FY 2008-09 Department and staff recommendation for the base Medical Services Premiums costs.

FY 2008-09 Medical Services Premiums -- Base Only			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$2,147,858,908	\$2,147,858,908	0
Total Supplemental Requested/Recommended	\$43,213,466	\$51,571,332	8,357,866
FY 2007-08 Revised Appropriation	\$2,191,072,374	\$2,199,430,240	8,357,866
DI # 1 Base Request (includes technical adjustments)	\$75,188,391	\$82,299,742	7,111,351
DI # 14 Transfer Non-Emergency Transportation	\$7,299,302	\$0	(7,299,302)
FY 2008-09 Continuation Base	\$2,273,560,067	\$2,281,729,982	8,169,915
Fund Splits for Continuation Base (New Format)			
General Fund	709,396,389	738,621,235	29,224,846
General Fund Exempt	343,900,000	343,900,000	0
Cash Funds			0
-- Certified Funds	13,842,626	311,537	(13,531,089)
-- Health Care Expansion Fund	67,862,979	61,078,397	(6,784,582)
-- Gifts, Grants, Donations	0	0	0
-- Breast and Cervical Cancer Treatment Fund	0	0	0
-- Autism Treatment Fund	233,043	430,000	196,957
Previously Appropriated Funds			0
-- Transfer from DPHE	767,998	2,836,684	2,068,686
Federal Funds	1,137,557,032	1,134,552,129	(3,004,903)
Total FY 2007-08 Funds	\$2,273,560,067	\$2,281,729,982	\$8,169,915
Increase from FY 2007-08 Revised Appropriation	\$82,487,693	\$82,299,742	(\$187,951)
Percent Increase	3.84%	3.83%	-0.01%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

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Department Request and Staff Recommendation:

The Department requests a total of \$2,273,560,067 to fund the forecasted Medicaid caseload and costs before policy changes. Staff recommends a total of \$2,281,729,982 for the base Medical Services Premiums calculation. Staff's recommendation is \$8,169,915 (0.36 percent) total funds higher than the Department's request. However, staff's recommendation does not include any bottom-of-the-line impact for certifying public expenditures up to the Medicare Upper Payment limit. If staff included the Department's estimated impact for this issue, staff's recommendation would be \$21,701,004 total funds higher than the Department's request. However, staff's General Fund difference from the Department would be reduced from the current \$29,224,846 to only \$15,693,757.

Discussion:

Both the Department request and staff recommendation are functions of multiple complicated calculations that go into forecasting both the caseload and cost-per-client for the next fiscal year. Based on the outputs of the different forecasts, the Department anticipates a total FY 2008-09 base Medicaid caseload of 380,588 with an average per-capita-cost of \$5,936.62 (excludes the \$14,154,162 in bottom-of-the-line financing). Staff forecasts a total FY 2008-09 base Medicaid caseload of 390,312 with an average per-capita-cost of \$5,844.32 (excludes the \$623,073 in out-stationing costs for Denver Health). Table 1 below summarizes this information.

Table 1: Overall Per Capita Costs for FY 2008-09						
	FY 2007-08 Staff Recommended Supplemental	FY 2008-09 Dept. Est.	% Change	FY 2008-09 Staff Est.	% Change to FY 2007-08	% Change to Dept. Req.
Caseload	383,655	380,588	-0.80%	390,312	1.74%	2.56%
Medical Cost Estimate/1	\$2,177,868,480	\$2,259,405,905	3.74%	\$2,281,106,909	4.74%	0.96%
Overall Average Per Capita Cost	\$5,676.63	\$5,936.62	4.58%	\$5,844.32	2.95%	-1.55%

/1 Does not include bottom of the line financing.

As Table 1 shows, staff's per capita estimate for medical services is 1.55 percent lower than the Department's request. However, staff's caseload estimate is 2.56 percent higher than the Department's request. This results in staff's overall recommendation being 0.96% higher than the Department's base request for medical services costs (excludes bottom of the line impacts). Staff would note that Table 1 also shows that staff's overall caseload increase is only 1.74% higher than staff's estimated FY 2007-

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08 and that staff's per capita cost estimate is only 2.94% higher than staff's estimated FY 2007-08 overall per capita costs. Overall, staff is anticipating the base Medical Services Premiums costs will increase by only 4.58 percent over staff's final expenditure estimates for FY 2007-08.

What is driving the increase in the base costs for the Medical Services Premiums

Table 2 shows staff's estimate of how much of the overall supplemental is being driven by caseload decreases and how much is being driven by cost for service changes.

Table 2: Analysis of Factors Driving the Medicaid Budget (Medical Service Costs ONLY)						
	FY 2007-08 Staff Recommended Appropriation	FY 2008-09 Department's Request	FY 2008-09 Staff Rec.	FY 2008-09 Department Compared to Suppl. App.	FY 2008-09 Staff Rec. Compared to Suppl App.	FY 2008-09 Staff Rec. compared to Dept. Request
Total Cost Estimated	\$2,177,868,480	\$2,259,405,905	\$2,281,106,909	\$81,537,425	\$103,238,429	\$21,701,004
Caseload	383,655	380,588	390,312	(3,067)	6,657	9,724
\$/Client*	\$5,676.63	\$5,936.62	\$5,844.32	\$259.99	\$167.68	(\$92.30)
Impact Associated with Caseload Change				(\$17,410,232)	\$37,789,343	\$57,727,682
Impact Associated with Cost per Client Changes (includes compounding effect)				\$98,947,657	\$65,449,086	(\$36,026,678)
Subtotal Medical Services Supplemental for base forecasting				\$81,537,425	\$103,238,429	\$21,701,004

/1 Medical Cost only – does not include the reduction to bottom of the line financing.

Discussion on Bottom-of-the-Line Financing

As part of the base forecast, the Department requests \$13,219,552 in total fund impacts for Medicare UPL refinancing. In addition, the Department requests \$623,073 to reimburse Denver Health as a medical assistance site. Both of these estimates could be impacted by the CMS rule, "Medicaid Program; Cost Limit for Providers Operated by Units of Government and Provisions to Ensure the Integrity of Federal-state Financial Partnership".

Since FY 2002-03, the Department has certified public expenditures at public hospitals and home health agencies in order to draw down additional federal funds. This is the one area in the Department's budget where the additional federal funds drawn down are used to offset the General Fund and

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therefore, are not passed onto the hospitals (only a small piece of this comes from home health agencies). If the CMS rule become effective in May 2008, the state will lose the ability to certify these public expenditures. In such an event, the General Fund offset in the Medical Services Premiums would need to be eliminated and this would have a positive General Fund supplemental impact of approximately \$13.2 million. In addition, Denver Health would lose \$311,537 in federal funds for their out-stationing costs without a state appropriation to make up for the loss of certified funds.

Staff's recommendation eliminates the General Fund offset but continues to recommend the Denver Health out stationing cost estimate. The Long Bill must be calculated according to current law. Currently, the CMS rule is scheduled to become effective at the end of May 2008. If the rule does become effective, this is the one area of the Department's budget with a *direct* impact to the state. The other impacts of the rule affect the state only if the General Assembly chooses to back fill the lost federal revenue. (Staff discusses these impacts in greater detail in the Indigent Care Program section of this packet). Because staff does not recommend this General Fund offset, staff's base budget calculation for the Department is \$13.2 million higher than the Department's request for this issue alone. If a legislative solution is found for this problem, the fiscal note for the bill could include the MSP General Fund offset in the fiscal impact statement. If no legislative solution is introduced and the bill does go into effect, the General Assembly will have properly planned for this contingency and will not scrambling to fund a \$13.2 million emergency supplemental in June 2008. If the Committee accepts this staff recommendation and the CMS rule does not go into effect because of Congressional moratorium or lawsuit, then during the January 2009 supplemental, the JBC could reinstate the General Fund offset (this would provide the JBC with \$13.1 million in General Fund that could be "saved" and used for other supplementals if necessary or spent on new initiatives after the state was ensured that this potential liability would not occur in FY 2008-09).

Detail on Base Request by Service Area

Table 3 shows the difference between staff's and the Department's assumptions for medical service costs for both the traditional and expansion populations broken out by service category.

Table 3: Comparison of Department's Request to Staff's Recommendation -- FY 2008-09 Base Expenditures			
	Department's Estimate*	Staff's Expenditure Estimate	Difference (Staff Est. - Current App.)
Acute Care Services	\$1,314,241,262	\$1,332,905,282	\$18,664,020
Non-Emergency Transportation	7,299,302	7,447,284	147,982
Community Care Services	245,294,174	245,204,826	(89,348)

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Table 3: Comparison of Department's Request to Staff's Recommendation -- FY 2008-09 Base Expenditures			
	Department's Estimate*	Staff's Expenditure Estimate	Difference (Staff Est. - Current App.)
Nursing Homes	507,967,504	508,559,307	591,803
PACE	59,563,633	58,282,360	(1,281,273)
Specialized Medicare Insurance Benefit	94,501,821	94,169,641	(332,180)
Health Insurance Buy-In	990,151	990,151	0
ASO Administration	4,600,166	4,600,166	0
Disease Management	1,008,706	5,008,706	4,000,000
Single-Entry Point Administration	23,939,186	23,939,186	0
Bottom-Line Financing	\$14,154,162	\$623,073	(\$13,531,089)
Total	\$2,273,560,067	\$2,281,729,982	\$8,169,915

1. Acute Care Services: The difference between the Department's request and staff recommendation is based mainly on the caseload forecast (with staff having higher caseload estimates in the low-income adult and children categories -- the majority of these aid categories costs are in the acute care services). Staff's calculation also developed different trend data for the increase in per capita costs. Finally, staff's recommendation includes a decrease of \$1,684,784 in one-time expenses in FY 2007-08 related to the cash flow issue of moving fee-for-service clients into HMO coverage (for addition of 1 HMO in FY 2007-08). However, this decrease is offset by increase in FY 2008-09 of \$1,031,784 for the remainder of the one-time costs associated with this first plan re-entering the Medicaid market. The Department's request does not address eliminating the one-time costs but does addresses the additional \$1,031,784 in a decision item discussed below. Staff added this issue to her base forecast because of the prior year impact.
2. Non-emergency Transportation: Staff recommendation includes the impact of supplemental #10 that the Committee approved in January 2008. The Department's request does not reflect this increase.
3. Community Care Services: The Department's and staff's calculations only reflect a small difference for the community care services forecast.
4. Nursing Homes: Staff recommendation reflects a slightly higher forecast for nursing home costs based on staff's higher recommendation for FY 2007-08 being carried forwarded in FY 2008-09.

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Staff assumes that nursing home costs will increase by \$11.6 over staff's estimated FY 2007-08 costs.

5. *PACE*: Staff estimates an average caseload of 1,394 clients at an average capitation rate of \$3,484.12 per month. The Department's estimate reflects an average caseload of 1,438 at an average capitation rate of \$3,451.76.
6. *Specialized Medicare Insurance Benefit*: There is only a slight difference between the Department's request and staff's recommendation due mainly to caseload forecast difference.
7. *Health Insurance Buy-In*: Staff recommends the Department's estimates for this program.
8. *ASO Administration*: This service is based on a contract amount. Staff recommends the Department's estimate for this service category.
9. *Disease Management*: Staff's recommendation reflects the appropriation clause contained in the JBC Bill 08-118 to allow for a transfer of \$2.0 million from the DPHE to the Department and \$2.0 million in federal funds to continue the disease management programs that the Department began in FY 2007-08. This funding will not be part of the Long Bill but is part of the overall spending package that the JBC has proposed for this program. Staff has include the calculations in her presentation in order to reflect the total base costs for the MSP line item.
10. *Single-Entry Point Administration*: Staff recommends the Department's forecasted expenditures for this service cost.
11. *Bottom Line Financing*: As discussed earlier, staff does not recommend that the Long Bill include the General Fund offset for certifying public hospital expenditures (staff also doesn't recommend the offset for home health agencies either) until the state has more certainty that Congress will pass a moratorium on the rule or that the General Assembly has passed a legislative solution to the problem.

More information on the calculations for the base FY 2008-09 Medical Services Premiums line item can be found in Appendix A of this packet.

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FY 2008-09 Medical Services Premiums Decision Items

Following is a discussion of the decision items and policy changes that the Department has requested for the Medical Services Premiums line item.

FY 2008-09 Medical Services Premiums -- Decision Item Impacts			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$2,147,858,908	\$2,147,858,908	0
Total Supplemental Requested/Recommended	\$43,213,466	\$51,571,332	8,357,866
FY 2007-08 Revised Appropriation (from prior table)	\$2,191,072,374	\$2,199,430,240	8,357,866
Base Adjustments	\$82,487,693	\$82,299,742	(187,951)
FY 2008-09 Continuation Base (from prior table)	\$2,273,560,067	\$2,281,729,982	8,169,915
Implement Preferred Drug List	(\$962,456)	(\$962,456)	0
DI #3A -- CBHP Marketing Impact	\$7,063,080	\$927,258	(6,135,822)
BA#4/BA1A Adjust Cash Flow for New HMO	\$3,928,032	\$2,572,634	(1,355,398)
BA #7 -- Regional Center ICF/MR	(\$31,024)	(\$31,024)	0
BA #9 -- Cost Avoidance/Provider Fraud	(\$3,875,000)	(\$1,795,268)	2,079,732
BA #12 -- 340B Pharmacy Pilot Program	(\$74,308)	(\$74,308)	0
NP BA #12-- Save	\$3,194	\$0	(3,194)
BA1A -- Building Blocks -- Eligible But Not Enrolled	\$6,946,539	\$0	(6,946,539)
DI #6, BA1A, & JBC Action -- Provider Rate Increases	\$42,910,906	\$37,635,267	(5,275,639)
FY 2008-09 Total Request/ Recommendation	\$2,329,469,030	\$2,320,002,085	(9,466,945)
Fund Splits for Continuation Base (New Format)			
General Fund	736,257,123	756,561,200	20,304,077
General Fund Exempt	343,900,000	343,900,000	0
Cash Funds			0
-- Certified Funds	13,842,626	311,537	(13,531,089)
-- Health Care Expansion Fund	68,955,130	62,274,483	(6,680,647)
-- Gifts, Grants, Donations	0	0	0
-- Breast and Cervical Cancer Treatment Fund	0	0	0
-- Autism Treatment Fund	233,043	430,000	196,957
Previously Appropriated Funds			0
-- Transfer from DPHE	767,998	2,836,684	2,068,686
Federal Funds	1,165,513,110	1,153,688,180	(11,824,930)
Total FY 2007-08 Funds	\$2,329,469,030	\$2,320,002,084	(\$9,466,946)
Increase from FY 2007-08 Revised Appropriation	\$138,396,656	\$120,571,844	(\$17,824,812)
Percent Increase	6.44%	5.61%	-0.81%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

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Department Request and Staff Recommendation:

After all of the base adjustments and decision items are included, the Department's FY 2008-09 total fund request for the Medical Services Premiums program is \$2,329,469,030. This is an increase of \$138,396,656 or 6.44 percent over the Department's FY 2007-08 revised appropriation. Staff recommends a FY 2008-09 total fund appropriation of \$2,320,002,084. This is a total increase of \$120,571,844 or 5.61 percent from staff's recommended FY 2007-08 supplemental. Staff's total recommendation is \$9,466,946 lower than the Department's total FY 2008-09 request. However, if staff were to include the Medicare UPL bottom-line-financing in her recommendation, then staff's recommendation would actually be \$4,064,143 million (0.17 percent) higher than the Department's request. Including the General Fund offset would also reduce staff's General Fund increase from the Department's request from the current \$20,304,077 to \$6,772,988 million. The Department's request and staff's recommendation contain the following decision items:

1. **BRI #2 & BA #3 Additional Savings Anticipated from Implementing the Preferred Drug List:** Staff recommends the Department's request to include an *additional* decrease of \$962,456 total funds for savings resulting from implementing a preferred drug list. Including the savings \$186,820 carried forward from the FY 2007-08 base (see supplemental #9), the total savings estimated in FY 2008-09 from the preferred drug list in the Medical Services Premiums line item is \$1,149,276. The savings estimate is based the Department's calculations that the total number of drug classes that included in on the preferred drug list will be 12 in FY 2008-09. These savings are partially offset by approximately \$313,663 in increased administrative costs in the Executive Director's Office.

2. **DI #3A -- CBHP Marketing Impact on Medicaid:** The Department requests \$1.4 million in funding to perform additional outreach and marketing for the CBHP program (this request is discussed in the Indigent Care Program section of this packet). Because all CBHP children must be screened for eligibility in the Medicaid program per federal regulation, additional outreach and enrollment of children in the CBHP program is anticipated to have additional caseload impacts in the Medicaid program. The Department estimated that increased caseload impact would be 2,000 additional children at an additional cost of \$7,063,080 total funds. Staff estimates the additional caseload impact from this decision item will be 536 children in the Medicaid program at a cost of \$927,258 total funds.

Staff anticipates that the Medicaid children's caseload will be increasing slightly during FY 2008-09 due to the slowing of the economy. Because caseloads are already forecasted to increase, determining how much will be due to increased marketing in the CBHP program and how is due to other causes will be difficult to determine. While staff's estimate for the impact of the increased

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marketing effort is lower than the Department's request of 2,000, staff's overall caseload increase when compared to the Department's request if very similar as shown in the table below.

Table 1: Decision Caseload Load Impacts on Medicaid Children			
	Department Request	Staff Rec.	Difference
Base Medicaid Children's Forecast	192,948	200,169	7,221
Decision Item 3A Estimated Caseload Impact	2,000	536	(1,464)
BA1A -- Eligible but Not Enrolled (Centralized Eligibility and Medical Home Caseload Impact)	<u>3,934</u>	<u>0</u>	<u>(3,934)</u>
Total Estimated Children's Caseload	198,882	200,705	1,823

Page S.1A-B1 indicates that the Department's base forecast for children 196,717 while Page EB-1 indicates that the base forecast for children is 192,948 which is what their base Medical Services Premiums request is calculated on.

Even with staff not recommending all of the "add-on" impacts that the Department anticipates from additional marketing and other incentive issues, staff's total children's forecast remains higher than the Department's request. At this time, staff does not recommend any changes to the adult caseload forecasts for this issue.

- BA#4/BA1A Adjust Cash Flow for New HMO:** Because the Medical Services Premiums line item uses cash accounting, when a client transitions from the fee-for-service program to managed care, the Department will be required to pay for both the fee-for-service claims that were incurred prior to the client's enrollment in managed care the capitation to the managed care organization at the same time. Because of the bill lag in cash-based fee-for-service, the Department will temporarily pay for prior months and the current month concurrently during the transition period. The Department requests \$3,928,032 for the accounting impact of adding another 20,000 clients into MHO coverage in FY 2008-09. Staff recommendation is for this issue is for \$2,572,634 in additional funds over staff's FY 2008-09 base budget. The \$2,572,634 recommended is staff's estimate on the cash flow impacts of adding an additional HMO plan in FY 2008-09 (i.e. 20,000 clients onto HMO coverage). Staff would note that her base budget recommendation includes another \$1,031,784 for impacts associated in FY 2008-09 with the plan that was added in FY 2007-08. Therefore, staff's total estimate for cash flow issues related to more clients moving to managed care is \$3,604,418. This amount is only \$323,614 lower than the Department's request (on how they reported it on their budget schedules; however, the Department's budget narrative indicates that they only need \$3,604,417 for this issue in FY 2008-09).

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4. **NP BA #7 -- Regional Center ICF/MR:** Staff recommends the Department's request for a \$31,024 total fund decrease based on savings that will occur in the Medical Services Premium line item FY 2008-09 when 20 of the Regional Centers' 40 Home and Community-Based Services Developmentally Disabled group homes convert to ICF/MR certification. The savings in the Medical Services Premiums line item only partially offset the increased funding anticipated in Developmental Disabled program line items from the conversion to ICF/MR certification. For more information on the total impact to the DD program, see Amanda Bickel's figure setting packet dated March 6, 2008.

5. **BA #9 Cost Avoidance/Provider Fraud:** The Department anticipates that re-enrolling Medicaid providers every ten years and using enhanced fraud detection technology will result in \$3,875,000 in medical savings in FY 2008-09 (see Executive Director's Office for an explanation of the administrative associated with this request). By enhancing the Department's fraud detection activities, the Department anticipates an increase in the amount in amount of avoided or recovered payments that were made in error.

Public Works, the contractor for the Governor's Office Gem Study, estimates that five percent of all Medicaid payments are made in error (this is a similar estimate as the initial studies from the PERM project). Of the five percent of payments made in error, Public Works estimates that twenty percent are recoverable or avoidable. This translates to approximately \$24,800,000 in possible recoveries. The Department's savings estimate assumes that they will be able to recover \$3,875,000 in the first year that they implement their enhanced fraud activities.

Staff recommends that only \$1,795,268 in savings be assumed in the first year of operation. The amount of savings staff estimates is equal to the amount of additional administrative costs for the re-enrollment initiative and the new fraud detection software. Therefore, the net impact of staff's recommendation between the Executive Director's Office and the Medical Services Premium line item is \$0. Staff recommends a cautionary approach of deducting savings from the Medical Services Premiums line item until actual data can be collected from the project. If saving estimates exceed staff's recommendation, then the Committee could adjust the FY 2008-09 budget during the January 2009 supplementals to reflect additional savings.

6. **BA #12 -- 340B Pharmacy Pilot Program:** Staff recommends the Department's request for a FY 2008-09 total fund reduction of \$74,308 to the Medical Services Premiums line item due to the implementation of a 340B pilot program. Based on the implementation plan for the pilot program, the Department anticipates receiving two months savings for a total of \$86,213. These savings in the Medical Services Premiums line item are offset by two incentive payments to facilitate the participation of providers and clients. These incentives include increasing the dispensing fee for 340B pharmacies from \$1.89 to \$8.00 for a total estimated cost of \$10,130. The second incentive

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is to waive the co-pay requirement for clients who receive maintenance drugs through this program. Waiving the co-pay is anticipated to cost \$1,775. Therefore, the total estimated savings in the Medical Services Premiums line item is the \$74,308 mentioned above (\$86,213 - \$10,130 - \$1,775 = \$74,308). However, these savings are further offset by additional administrative costs in the Executive Director's Office of \$63,011. Thus, the final savings in FY 2008-09 from this budget amendment is only \$11,297.

7. **NP - BA Amendment #12 -- SAVE costs:** The Department requests a federal fund increase of \$3,194 in order to reflect the total costs for verifying citizenship through the SAVE system. Staff's base budget carries forward the \$3,019 from the FY 2007-08 appropriation that Committee approved in January 2008.
8. **BA1A -- Building Blocks to Health Care Reform/Eligible But Not Enrolled:** The Department anticipates that implementing centralized eligibility and enrolling children in medical homes will have positive impacts to Medicaid caseload. Therefore, the Department requests an additional \$6,946,539 in funding for 3,934 Medicaid children who would gain eligibility in FY 2008-09. The Department anticipates this growth to be in addition to their baseline growth.

Staff does not recommend this impact. As stated in the Department's request, because of the large number of variables involved, there is no direct way to measure the effect of changes of the Medicaid caseload related to streamlining an application process or from implementing a Medical Homes program. Staff does not fully endorse the Department's request to centralize eligibility nor does staff believe that even if it were recommended that it would fully operational in FY 2008-09. In addition, while staff believes that there could be some impact from physicians more actively encouraging their clients to apply for Medicaid if they are uninsured, staff does not know if the "Medical Home Initiative" alone will create that much more of an impact than what is already occurring and captured in the baseline data trends. Therefore, at this time, staff does not add this impact to her baseline forecast for FY 2008-09. However as staff stated in item number two above, even without recommending this issue, staff's baseline forecast is still higher than the Department's forecast for children.

9. **Provider Rate Increases:** The Department requests a total of \$42,910,906 in provider rate increase issues for FY 2008-09. Staff's recommendation is for \$37,635,267 for provider rates increases. Table 2 below compares the Department's request with staff's recommendation.

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Table 2: FY 2008-09 Provider Rate Increase Plan			
	Department Request	Staff Recommendation	Difference
DI #6/BA1A E&M Codes	\$11,858,258	\$3,264,747	(\$8,593,511)
DI #6/BA1A Dental Rates	\$11,880,289	\$11,880,289	\$0
DI #6 Substance Abuse Rates	\$750,000	\$750,000	\$0
DI #6 Increase for Radiology	\$2,250,000	\$2,250,000	\$0
DI #6 Increase for Vision Benefits	\$500,000	\$500,000	\$0
DI #6 Increase for Prenatal Plus	\$500,000	\$500,000	\$0
DI #6 Increase for Hospitals	\$4,679,688	\$4,679,688	\$0
BA1A -- Building Blocks -- Medical Home	\$4,694,490	\$3,305,400	(\$1,389,090)
DI #6 -- HMO Impact to Rates	\$1,425,185	\$1,425,185	\$0
DI #12 -- HMO Rates to 100%	\$4,372,996	\$843,162	(\$3,529,834)
JBC Action -- PACE to 100%*	\$0	\$2,914,018	\$2,914,018
JBC Action 1.5% Rate Increase for HCBS & HH	\$0	\$5,322,778	\$5,322,778
JBC Staff--Pharmacy DF to \$5.60 in April 2009	\$0	\$1,000,000	\$1,000,000
<u>JBC Staff -- DRA Estimated Savings April 2009</u>	<u>\$0</u>	<u>(\$1,000,000)</u>	<u>(\$1,000,000)</u>
TOTAL RATE PLAN	\$42,910,906	\$37,635,267	(\$5,275,639)

*This rate increase will not be found in the Long Bill. This is the estimated staff impact for the bill the JBC voted to carry on March 6, 2008 to increase PACE rates to 100% of fee-for-service. Staff reflects this cost in this table to give a total picture of the rate increases that are being proposed for FY 2008-09 and the total costs to the Medical Services Premiums line item.

A. Increase to evaluation and management codes: The Department requests \$11,858,258 in order to raise **all** evaluation and management physician codes to 90 percent of the equivalent Medicare rate. This is an updated request from the Department's November 1, 2007 budget submission on this issue. Evaluation and management codes are used by physicians for general preventative and routine primary care. Some of these codes are currently reimbursed at between 36.5 percent 58.5 percent of Medicare rates while other are closer to the 90 percent level (based on prior budget actions in this area). Overall, the Department's request reflects an approximate 24.25 percent rate increase for each code on average (it varies for the different rate codes).

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Staff recommends the Department's original request for \$3,264,747 for E&M codes as submitted in their November 1, 2007 budget request. This recommendation includes \$1,514,747 to raise 12 age specific preventive E&M codes to 90 percent of the equivalent Medicare rate. Most of these rates are currently reimbursed at between 36.5 percent and 58.5 percent of Medicare as stated earlier. Staff's recommendation also includes \$1,750,000 to raise over 75 additional E&M codes to 83.4 percent of the equivalent Medicare rate (this results in an approximate 17.65 percent rate increase on average). Staff recommends that these rates be increased to 90 percent of the Medicare rate but over a two year period instead of all at once in FY 2008-09.

- B. Increase to dental rates:** The Department requests \$11,880,289 in order to increase Medicaid dental rates to raise all rates paid for Dental services to 52 percent of average commercial rates, as published by the American Dental Association. This is an updated request from the Department's November 1, 2007 budget submission on this issue. In the November 1, 2007, budget, the Department requested \$3,500,000 in increase dental rates by 7.38 percent. The Department's current request will result in approximately a 25 percent increase to current dental rates.

Staff recommends the Department's request. Current dental rates at between 33 percent to 50 percent of average commercial rates are too low to adequately reimburse dentists for the costs of providing services to Medicaid clients.

- C. Substance abuse rates:** Staff recommends the Department's request to increase the hourly reimbursement rates for substance abuse group sessions by 23 percent and for individual session by 63 percent. The total estimated fiscal impact of this recommendation is \$750,000 (which includes both the cost of the increase to rates and utilization of services).

During the 2005 legislative session, the General Assembly passed HB 05-1015 to add the outpatient substance abuse treatment service to the Medicaid state plan. Prior to the passage of this bill, Medicaid did not pay for outpatient substance abuse treatment and Medicaid clients receive such care through the Department of Human Services Drug and Alcohol Abuse Treatment program. At the time this bill passed, the fiscal not estimated that approximately 4,500 Medicaid clients would use these services with an average cost of \$1,500. However, as of November 2007, the average number of clients using this program has been 203 clients. The main reason for the low participation rate in the program has been that the Medicaid rates are set too low to encourage private providers to accept the Medicaid clients. Therefore, the Medicaid clients continue to go to the DHS Drug and Alcohol Abuse Treatment program.

The recommendation seeks to increase the Medicaid rates so that the Medicaid clients will be able to find providers willing to serve their needs. This recommendation should also allow the DHS

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Drug and Alcohol Abuse Treatment program to serve more indigent clients that do not qualify for Medicaid.

- D. Radiology services:** Staff recommends the Department's request of \$2,250,000 to increase radiology rates. In FY 2002-03, radiology services received a 5.0 percent rate cut in order to help balance the state's budget. These rate cuts have never been restored. Currently, the Department is reimbursing at approximately 23 percent of the Medicare rate for these services on average. The Department is requesting an increase of 17.7 percent in order to help bring these rates back up.
- E. Vision benefits:** Staff recommends the Department's request of \$500,000 to increase rates for vision benefits. Currently, the state Medicaid program pays for eyeglasses for children and for adult clients following eye surgery. The majority of the rates were set in 1987. The Department requests would increase reimbursement rates for these services by 33.45 on average in order to rebase the rates.
- F. Prenatal Plus:** Staff recommends the Department's request of \$500,000 to increase rates paid to Prenatal Plus providers. The Prenatal Plus program is a program administered in partnership with the Department of Public Health Environment to identify and provide services to women at high risk of pre-term (low-birth weight) births. The program enhances prenatal programs to assist women with nutritional and social services assistance, including discouraging the use of tobacco, alcohol and illicit drugs.

Based on a study by the two Departments, an analysis showed that on average providers were being reimbursed at 45 percent of the cost of the program. Overall the average cost per client in 2005 was \$1,054 and Medicaid reimbursed at an average rate of \$479 per client. The low Medicaid reimbursement creates more pressure on the Maternal Child Health (MCH) Block Grant and local funds and limits the number of women who can be served. In addition, according to the Department's request, since 2004 five Prenatal Plus programs have been discontinued due to the financial hardship by the agency providing the program. The Department's request would bring rates up to covering approximately 69 percent of the provider costs.

- G. Inpatient hospital:** Staff recommends the Department's request for \$4,679,688 for a 1.5 percent increase for inpatient hospital rates. During the last several years, the JBC has improved rate increases for inpatient hospital in order to maintain the Medicaid rate at or above 90 percent of the Medicare rate (usually it has been between 90 to 92 percent of Medicare rates for the last three years). In August 2007, Medicare published new rate methodologies for inpatient rates. Because the Department's rate methodology is based on the old Medicare rates, they will no longer be directly comparable. For FY 2008-09, the Department merely requests applying a 1.5 percent

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increase to all inpatient hospital rates rather than trying to maintain a target of at least 90 percent of the Medicare rate. Staff recommends the Department's request.

- H. Medical Home incentive reimbursements:** The Department requests \$4,694,490 to increase reimbursements for providers acting as a Medical Home provider to children in the Medicaid program. Staff recommends \$3,305,400 for this issue based on a lower assumption of the number of children who will be enrolled in a Medical Home during the first full year implementation of the program. Staff anticipates that future costs for this program will increase to the amounts indicated in the Department's request once the ramp-up phase for the program has been completed.

Last year, the General Assembly passed S.B 07-130, which requires the Department to maximize the number of children in the Medicaid program who have a Medical Home. In attempting to implement this bill, the Department is proposing increasing reimbursement for well-child visits to provide an incentive for providers to accept Medicaid clients and coordinate their care. Under this program, providers will be paid an additional \$10.00 per annual well child visit for children 0-4 and an additional \$40.00 for annual well child visits for children ages 5 to 20. The Department will evaluate the cost effectiveness of the program and any cost-savings that result from children having an assigned Medical Home. Staff estimates that 94,440 Medicaid children (49.5 percent of the estimated caseload) will be enrolled in a Medical Home in FY 2008-09. Of this amount, 23,610 will be children under 2 years old with an average cost of \$50.00 for five well-child visits, 23,610 will be 2 to 4 years old with an average cost of \$10.00 for their annual well child visit, and 47,220 children will be between ages 5 to 20 at an average cost of \$40.00 per annual well child visit.

- I. Rate increases impacts to HMO rates:** When rates are adjusted in the fee-for-service program there is a corresponding increase to HMO rates. Staff recommends the Department's request of \$1,425,185 to account for impact to HMO rates.
- J. HMO rates to 100 percent:** The Department requests \$4,372,996 to increase HMO rates to 100 percent of fee-for-service rates in FY 2008-09. Staff's recommendation of \$843,162 represents the incremental cost of increasing rates from 99 percent as was approved in FY 2007-08 to 100 percent in FY 2008-09. Staff's base funding recommendation for FY 2008-09 already includes an estimated impact of \$3.4 million for the higher HMO rates.
- K. JBC Action -- Legislation to increase PACE provider rates to 100% of fee-for-service:** On March 6, 2008, the JBC voted to carry legislation to increase the PACE rates up to 100 percent of fee-for-services (current statutes state that the rates have to be at 95 percent of fee -for-service). Staff's estimated impact for this bill is \$2,914,018 total funds. While this impact will not appear in the Long Bill, staff has included it in the figure setting packet in order to give a total picture of

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the rates increases that are being recommended. Staff's estimated costs are based on average capitation increase of \$174.20 per client per month. Staff estimates that there will be 1,394 clients served by the PACE program in FY 2008-09.

- L. JBC Common policy action for a 1.5 percent provider rate increase for home and community based services and home health:** In January 2008, the JBC voted to provide a 1.5 percent common policy provider rate increase. The Medicaid providers impacted by this rate increase include Home and Community-Based Service providers and Home Health providers. Staff recommends a total fund increase of \$5,322,778 in compliance with the JBC Common Policy. Staff's calculation is based on apply a 1.5 percent rate increase on staff's estimated base for these services (a base of \$245,204,826 for HCBS and \$109,647,00 for HH)
- M. JBC Staff recommendation to increase pharmacy dispensing fees:** Staff recommends that the pharmacy dispensing fee for retail pharmacists be increased from \$4.00 to \$5.60 in April 2009. This represents a 40 percent increase to the currently paid dispensing fee. Staff recommends that this rate increase not be implemented until April 2009. Staff recommends the delayed implementation in order reduce the costs in FY 2008-09 to \$1,000,000 (although the rate increase will annualize to \$4,000,000 in FY 2009-10). The delayed implementation will also allow the Department to determine if there will be any savings that result from the Deficit Reductions Act (DRA) requirement that pharmaceuticals be reimbursed at average manufacture price. If savings are insufficient to pay for this rate increase, then the Joint Budget Committee can take action at next year's figure setting to delay or suspend this recommended increase.

In FY 2002-03, retail pharmacy dispensing fees were cut from \$4.08 to \$4.00 in order to help balance the state budget. These fee decreases were never reinstated. A national study by Grant Thornton LLC indicates that the actual costs for pharmacists to dispense prescription drugs is \$12.53. The Department of Public Health and Human Services in Montana estimated that the average costs for Montanan retail pharmacists to dispense drugs was \$10.74 based on a survey conducted for proposed rule to increase dispensing fees. Staff's recommendation would increase Colorado's dispensing fee to 52.1 percent of the costs indicated in the Montana survey. Staff estimates that for every penny that the dispensing fee is increased, there is a corresponding increase in costs of \$25,000.

- N. JBC staff estimated savings resulting from DRA in FY 2008-09:** Staff recommends a reduction of \$1,000,000 in anticipated savings from the implementation of the DRA in FY 2008-09. According Estimated total Medicaid drug costs for FY 2008-09 are \$135 million, with about 25 percent subject to the new federal upper limit (\$33 million) under the DRA. According to a Government Accountability Office Report issued in December 2006, reimbursements are expected to decrease 36 percent for those drugs subject to the new limit. This would result in \$12 million

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in savings for Colorado. However, CMS has a court injunction from implementing the rule that was ordered by the D.C. District Court for D.C. on December 19, 2007. The Centers for Medicare and Medicaid Services did not file an appeal to lift the injunction so the case is going forward the injunction in place.

Staff includes a conservative savings amount of \$1,000,000 for the impacts of the DRA in her budget recommendations. This savings amount is based on the assumption that the rule will not go into place until April 2009. In addition, staff assumes only one third of the savings that would be identified in the Government Accountability Office Report based on changes that were made to the rule since the 2006 report. Thus, the assumptions for staff savings estimate are: \$12 million identified from the GAO Report reduced to \$4 million based on rule changes since the report was issued and uncertainty surrounding the implementation of the rule and then further reduced to \$1.0 million based on staff's assumption that the soonest the rule could be implemented is April 2009. Assuming the April 2009 implementation date would also allow the Committee to make modifications to this savings during next year's supplemental process in case the rule is never implemented.

Budget Balancing Options:

1. Refinance \$1,734,272 in General Fund for the Traditional Breast and Cervical Cancer Treatment program to the Breast and Cervical Cancer Treatment Fund (this would make the program 100% financed from the BCCT Fund in FY 2007-08 -- currently it is 0.0% financed from this fund in FY 2008-09). The Committee has already voted to carry a bill to do this but was waiting for figure setting to know the impact of the bill. This bill has not yet been introduced but has been drafted (with blanks).
2. Reject staff's recommendation to exclude the General Fund offset in the Medical Services Premium line item for certification of public hospital expenditures until a legislative solution is found for this problem. If the Committee takes this option, the Committee risks incurring a \$13.5 million emergency FY 2008-09 supplemental after Session as ended.

Recommended footnotes or reports:

- N **Department of Health Care Policy and Financing, Medical Services Premiums** -- The Department is requested to submit a report to the Joint Budget Committee by February 15, 2009 regarding the implementation of the Medical Home program. The Department is requested to report how many children have been assigned to a Medical Home, the number of providers participating in the program, and an estimate of the costs for the incentive payments.

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- N **Department of Health Care Policy and Financing, Medical Services Premiums--** The calculations for this line item include \$5,322,778 total funds for a 1.5 percent reimbursement rate increase for home and community based long term care providers, home health, and private duty nursing beginning July 1, 2008. It is the intent of the General Assembly that the Medical Services Board adopt rules to increase reimbursement rates for these provider codes consistent with this footnote. The Joint Budget Committee requests that the Department provide a report to the Joint Budget Committee by August 1, 2007, on the status of the rules adopted by the Medical Services Board regarding this reimbursement rate increase.
- N **Department of Health Care Policy and Financing, Medical Services Premiums--** The calculations for this line item include \$4,679,688 total funds for a 1.5 percent reimbursement rate increase for inpatient hospital rates beginning July 1, 2008. It is the intent of the General Assembly that the Medical Services Board adopt rules to increase reimbursement rates for these provider codes consistent with this footnote. The Joint Budget Committee requests that the Department provide a report to the Joint Budget Committee by August 1, 2007, on the status of the rules adopted by the Medical Services Board regarding this reimbursement rate increase.
- N **Department of Health Care Policy and Financing, Medical Services Premiums--** The calculations for this line item include \$1,000,000 total funds to increase pharmacy dispensing fees to \$5.60 beginning April 1, 2009. It is the intent of the General Assembly that the Medical Services Board adopt rules to increase reimbursement rates for these provider codes consistent with this footnote. The Joint Budget Committee requests that the Department provide a report to the Joint Budget Committee by May 1, 2009, on the status of the rules adopted by the Medical Services Board regarding this reimbursement rate increase.
- N **Department of Health Care Policy and Financing, Medical Services Premiums--** The Department is requested to submit a report to the Joint Budget Committee on January 2, 2009 regarding potential savings to the Medical Services Premiums line item based on implementing the Deficit Reduction Act of 2005 average manufacture price upper payment limits for pharmacy reimbursement.
- N **Department of Health Care Policy and Financing, Medical Services Premiums--** The calculations for this line item include \$24,718,783 total funds rate increases for acute care providers as outlined in the Joint Budget Committee staff figure setting document dated March 11, 2008. It is the intent of the General Assembly that the Medical Services Board adopt rules to increase reimbursement rates for these provider codes consistent with this footnote. The Joint Budget Committee requests that the Department provide a report to the Joint Budget Committee by August 1, 2007, on the status of the rules adopted by the Medical Services Board regarding this reimbursement rate increase.

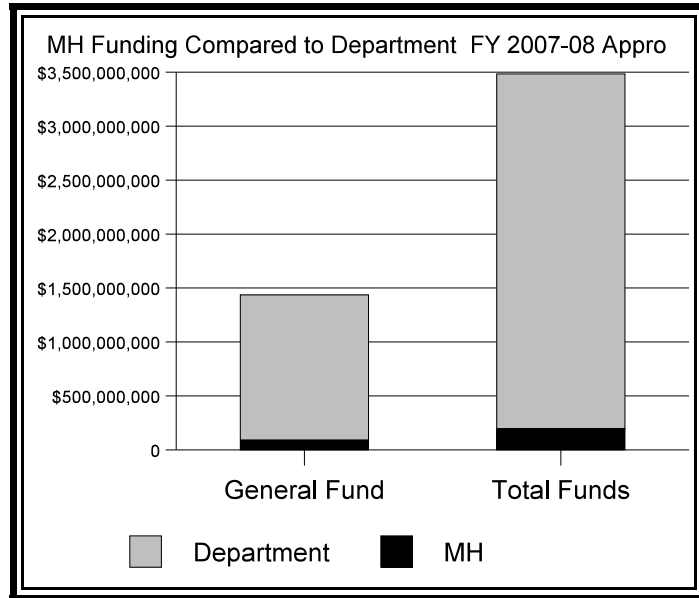
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Medicaid Mental Health Community Programs

Overview:

Medicaid Mental Health Community Programs division provides mental health services eligible Medicaid clients. Mental health community services throughout Colorado are delivered through a managed care or "capitated" program. Under capitation, the State pays a regional entity - a Behavioral Health Organization (BHO) - a contracted amount (per member per month) for each *Medicaid client eligible for mental health services in the entity's geographic area (currently around 267,025)*. The BHO is then required to provide appropriate mental health services to all Medicaid-eligible persons needing such services. Thus, the BHO bears the risk for the costs of services. Additionally, only a portion of these eligibles will actually need/seek mental health services. This percent of eligibles receiving services are referred to as the "penetration rate," *i.e.*, the ratio of clients served to total clients in the respective catchment areas.



The rate paid to each BHO for each class of Medicaid client eligible for mental health services (*e.g.*, children in foster care, low-income children, elderly, disabled) in each geographic region are established annually through contract and certified as actuarially sound. In FY 2008-09, the Department will begin the RFP process to select new BHO contractors for the program.

The current FY 2007-08 appropriation for Medicaid Mental Health Community Programs, including H.B. 08-1285, is \$198,280,044. The appropriation for this division represents 5.7 percent of the Department's total fund appropriation. The General Fund appropriation for this division represents 6.4 percent of the Department's total General Fund appropriation.

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**Medicaid Mental Health Community Programs
(A) Mental Health Capitation Payments**

Line Item Description: The Mental Health Capitation Payments line item contains all of the capitated payments paid to the five Behavioral Health Organizations on behalf the eligible Medicaid clients.

Mental Health Capitation Payments			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$196,303,651	\$196,303,651	0
January 2008 Supplemental (H.B. 08-1285)	\$487,390	\$487,390	\$0
February Late Supplemental Request	(\$1,508,459)	(\$2,559,928)	(\$1,051,469)
FY 2007-08 Revised Appropriation	\$195,282,582	\$194,231,113	(1,051,469)
D.I. #2/BA-A2 Base Appropriation Needs	\$11,576,841	\$13,745,807	2,168,966
FY 2008-09 Continuation Base	\$206,859,423	\$207,976,920	1,117,497
DI #3A -- CBHP Marketing Impact	\$735,240	\$103,544	(631,696)
BA1A -- Building Blocks -- Eligible But Not Enrolled	\$723,095	\$0	(723,095)
FY 2008-09 Total Request/ Recommendation	\$208,317,758	\$208,080,464	(237,294)
Fund Splits (New Format)			
General Fund	97,550,384	96,571,837	(978,547)
Cash Funds			0
-- Health Care Expansion Fund	6,590,965	7,450,182	859,217
Previously Appropriated Funds			0
-- Transfer from DPHE	7,205	7,863	658
Federal Funds	104,169,204	104,050,582	(118,622)
Total FY 2007-08 Funds	\$208,317,758	\$208,080,464	(\$237,294)
Increase from FY 2007-08 Revised Appropriation	\$13,035,176	\$13,849,351	\$814,175
Percent Increase	6.64%	7.06%	0.42%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

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FY 2007-08 Mental Health Capitation Payment Supplemental

Similar to the practice for the Medical Services Premiums line item, the Department submits a February 15th supplemental request in order to reflect the most current Medicaid caseload and cost information for this program.

Department Request/Staff Recommendation:

The Department requests a total fund negative supplemental of \$1,508,459 for the Mental Health Capitation Payment line item. The Department's request is based on their February 15, 2008 caseload forecast as well as updated per capita costs estimated for the program. Staff recommends a total fund negative supplemental of \$2,559,928 based on her March 2008 caseload forecast and the Department's estimated blended per capita costs for each aid category.

Table 1 below compares staff's recommendation with the current appropriation (minus the federal disallowance issues that was funded in H.B. 08-1285).

Table 1: FY 2007-08 Appropriation Compared to Staff's FY 2007-08 Expenditure Estimate							
Eligible MH Medicaid Caseload	Original Caseload Projection	Est. Capitation Rate for Aid Category	Cost Estimate	New Caseload Projection	Est. Capitation Rate for Aid Category	New Cost Estimate	Cost Difference
SSI 65+	36,703	\$167.98	\$6,165,370	35,790	\$160.50	\$5,744,295	(\$421,075)
SSI 60-64	6,252	\$1,387.23	\$8,672,962	6,098	\$1,487.13	\$9,068,519	\$395,557
SSI Disabled	48,942	\$1,387.23	\$67,893,811	49,565	\$1,487.13	\$73,709,598	\$5,815,788
LI Adults	46,708	\$210.39	\$9,826,896	43,972	\$249.39	\$10,966,177	\$1,139,281
Ex LI Adults	10,377	\$210.39	\$2,183,217	8,567	\$249.39	\$2,136,524	(\$46,693)
BC Adults	5,264	\$210.39	\$1,107,493	5,895	\$249.39	\$1,470,154	\$362,661
BCCTP	277	\$160.32	\$44,409	271	\$221.05	\$59,905	\$15,496
Children	193,981	\$172.33	\$33,428,746	198,500	\$186.29	\$36,978,565	\$3,549,819
Foster Children	<u>17,295</u>	<u>\$3,602.19</u>	<u>\$62,299,876</u>	<u>16,572</u>	<u>\$3,223.73</u>	<u>\$53,423,654</u>	<u>(\$8,876,222)</u>
Subtotal	365,799	n/a	\$191,622,780	365,230	n/a	\$193,557,391	\$1,934,610

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Table 1: FY 2007-08 Appropriation Compared to Staff's FY 2007-08 Expenditure Estimate							
Eligible MH Medicaid Caseload	Original Caseload Projection	Est. Capitation Rate for Aid Category	Cost Estimate	New Caseload Projection	Est. Capitation Rate for Aid Category	New Cost Estimate	Cost Difference
Recoupment Adjustment	n/a	n/a	\$300,000	n/a	n/a	(\$1,000,000)	(\$1,300,000)
S.B. 07-02 Adj not included above	<u>1,226</u>	<u>\$3,573.30</u>	<u>4,380,871</u>	<u>368</u>	<u>\$3,223.73</u>	<u>\$1,186,333</u>	<u>(\$3,194,538)</u>
Total	367,025	n/a	\$196,303,651	365,598	n/a	\$193,743,723	(\$2,559,927)

As Table 1 shows, staff currently forecasts a decrease of 1,427 clients (0.4 percent) in the overall Medicaid caseload eligible for mental health services. Based on the caseload and per-capita cost estimates, staff forecasts a \$2.6 million decrease to the capitation payments from what is currently appropriated. However, the majority of the reduction is due to a lower than estimated caseload impact from S.B. 07-002 (which expanded Medicaid eligibility to emancipated children leaving the foster care system). Table 2 shows the fund splits estimates based on staff's placeholder recommendation.

Table 2b: FY 2007-08 Fund Splits for Mental Health Capitation Program (Excludes H.B. 08-1285)						
	Original FY 2007-08 Appropriation	Depart. Request	Staff Revised FY 2007-08 Estimate	Difference Staff - App.	Difference (Staff - Dept)	
General Fund	\$91,315,646	\$92,570,865	\$91,349,026	\$33,380	(\$1,221,839)	
CFE -- HCF	\$6,822,128	\$4,808,193	\$5,503,792	(\$1,318,336)	\$695,599	
CFE -- BCCTP Fund	\$0	\$3,864	\$3,636	\$3,636	(\$228)	
CFE -- DPHE Transfer	\$7,383	\$5,637	\$6,422	(\$961)	\$785	
<u>Federal Funds</u>	<u>\$98,158,494</u>	<u>\$97,406,633</u>	<u>\$96,880,847</u>	<u>(\$1,277,647)</u>	<u>(\$525,786)</u>	
Total Funds	\$196,303,651	\$194,795,192	\$193,743,723	(\$2,559,928)	(\$1,051,469)	

Through February 2008, the Department has paid \$129.3 million in MH capitation payments. This is an average of \$16.17 million per month. The remaining current appropriation of \$66.97 million would support average monthly expenditures of \$16.7 million for the remaining four months of

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FY 2007-08. Staff's supplemental placeholder recommendation would leave \$64.4 million in the appropriation. At this appropriation level, monthly expenditures for the last six months of FY 2007-08 would need to average approximately \$16.1 million per month.

FY 2008-09 Mental Health Capitation Payment Request and Recommendation

Department Request:

The FY 2008-09 Department request and staff recommendation consists of the following items:

- 1) Base Caseload and Cost Growth. The Department requests a total of \$206,859,423 to fund the program's caseload and cost in FY 2008-09. This amount is an increase of \$11,576,841 over the Department's total FY 2007-08 revised request and \$12,628,310 over staff's recommended FY 2007-08 estimate. Of the total increase requested, \$3,022,517 represents an increase associated with the new caseload from S.B. 07-002 maturing in FY 2008-09 (i.e. caseload is increasing from 368 in FY 2007-08 to 1,259 in FY 2008-09 for this population). The remaining increase of \$8,554,324 results from the increase in per capita costs due to increases in the contractual capitation rates as well as caseload adjustments. The \$8,554,324 represents a 4.4 percent increase to the Department's revised FY 2007-08 estimate.

Staff recommends \$207,976,920 in order to fund the program's base costs in FY 2008-09. This amount is \$1,117,497 (0.5 percent) higher than the Department's request. The main difference between the Department and staff recommendation is staff forecasts a higher overall Medicaid caseload in FY 2008-09 than does the Department as discussed earlier in this document. Staff recommends the Department's per capita estimates for the different aid categories. Table 3 below compares the Department and staff's costs estimates for the program.

Table 3: FY 2008-09 Department and Staff Cost Comparisons							
Eligible MH Medicaid Caseload	Department Est.	Est. Capitation Rate for Aid Category	Cost Estimate	Est. Capitation Rate for Aid Category		New Cost Estimate	Cost Difference
				Staff Est.			
SSI 65+	36,278	\$166.44	\$6,038,110	36,028	\$166.44	\$5,996,500	(\$41,610)
SSI 60-64	6,216	\$1,542.15	\$9,586,004	6,201	\$1,542.15	\$9,562,872	(\$23,132)
SSI Disabled	50,058	\$1,542.15	\$77,196,945	50,111	\$1,542.15	\$77,278,679	\$81,734
LI Adults	41,667	\$258.62	\$10,775,920	43,091	\$258.62	\$11,144,194	\$368,275

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Table 3: FY 2008-09 Department and Staff Cost Comparisons

Eligible MH Medicaid Caseload	Department Est.	Est. Capitation Rate for Aid Category	Cost Estimate	Est. Capitation Rate for Aid Category		New Cost Estimate	Cost Difference
				Staff Est.			
Ex LI Adults	9,629	\$258.62	\$2,490,252	10,527	\$258.62	\$2,722,493	\$232,241
BC Adults	6,028	\$258.62	\$1,558,961	6,510	\$258.62	\$1,683,616	\$124,655
BCCTP	301	\$229.23	\$68,998	301	\$229.23	\$68,998	\$0
Children	192,948	\$193.18	\$37,273,695	200,169	\$193.18	\$38,668,647	\$1,394,953
Foster Children	<u>18,657</u>	<u>\$3,343.01</u>	<u>\$62,370,538</u>	<u>18,352</u>	<u>\$3,343.01</u>	<u>\$61,350,920</u>	<u>(\$1,019,618)</u>
Subtotal	361,782	n/a	\$207,359,424	371,290	n/a	\$208,476,920	\$1,117,496
Recoupment Adjustment	<u>0</u>	<u>0</u>	<u>(\$500,000)</u>	<u>0</u>	<u>0</u>	<u>(\$500,000)</u>	<u>\$0</u>
Total	361,782		\$206,859,424	371,290		\$207,976,920	\$1,117,496

2. Increased Marketing of the CBHP Program: The Department requests \$735,240 for an estimated increase of 2,000 Medicaid children due to increased marketing efforts in the CBHP program. As discussed in the Medical Services Premiums section of this document, all CBHP children must be screened for Medicaid eligibility. Therefore, increased marketing efforts to CBHP program is anticipated to increase Medicaid caseload and will result in additional mental health capitation payments being made. Staff recommends the Department's request but estimates that the marketing increase will result in only 536 new children being added to the Medicaid caseload than would have otherwise applied. Because staff uses a lower caseload, an increase of only \$103,544 is recommended for this issue.

- 3) Increased Caseload Impact Due to Centralized Eligibility and Medical Homes: The Department anticipates that implementing centralized eligibility and enrolling children in medical homes will have positive impacts to Medicaid caseload. Therefore, the Department requests an additional \$723,095 in funding for 3,934 Medicaid children who the Department's would believe would become eligible in FY 2008-09 due to these activities.

Staff does not recommend this impact. As stated in the Department's request, because of the large number of variables involved, there is no direct way to measure the effect of changes of the Medicaid caseload related to streamlining an application process or from implementing a Medical

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Homes program. Staff does not fully endorse the Department's request to centralize eligibility nor does staff believe that even if it were recommended that it would be fully operational in by July 1, 2009. In addition, while staff believes that there could be some impact from physicians more actively encouraging their clients to apply for Medicaid, staff does not know if the "Medical Home Initiative" alone will create that much more of an impact than what is already occurring and captured in the baseline data trends. Therefore, at this time, staff does not add this impact to her baseline forecast for FY 2008-09. However as staff stated in item number two above, even without recommending this issue, staff's baseline forecast remains higher than the Department's forecast for children.

Footnote Request:

- N. **Department of Health Care Policy and Financing, Medicaid Mental Health Community Programs, Mental Health Capitation Payments** -- The Department is requested to provide recommendations to the Joint Budget Committee by November 1, 2008 on whether greater budget accuracy would be achieved if caseload and capitation payments were estimated and tracked for each Regional Behavioral Center. In developing their recommendations, the Department will note any additional administrative costs associated with changing systems to track caseload data in this manner and to compile and report on the data.

**Medicaid Mental Health Community Programs
(B) Other Medicaid Mental Health Payments --
Medicaid Mental Health Fee-for-Service Payments**

Line Item Description: This line item contains all of the other Medicaid mental health payments that are not made as part of the capitation payments. This line item pays for the mental health services for Medicaid clients who are not enrolled in behavioral health organization or for mental health services that are not covered by a behavioral health organization according to their contract with the Department. In addition, Medicare crossover claims are included in the costs paid from this line item. These are BHO covered costs for clients who are eligible for both Medicaid and Medicare.

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Mental Health Fee-for-Service			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$1,489,003	\$1,489,003	0
February Late Supplemental Request	(\$53,217)	\$96,267	\$149,484
FY 2007-08 Revised Appropriation	\$1,435,786	\$1,585,270	149,484
D.I. #2/BA-A2 Base Appropriation Needs	(\$10,550)	\$0	10,550
FY 2008-09 Continuation Base	\$1,425,236	\$1,585,270	160,034
Policy Changes -- None	\$0	\$0	0
FY 2008-09 Total Request/ Recommendation	\$1,425,236	\$1,585,270	160,034
Fund Splits (New Format)			
General Fund	712,618	792,635	80,017
Federal Funds	712,618	792,635	80,017
Total FY 2007-08 Funds	\$1,425,236	\$1,585,270	\$160,034
Increase from FY 2007-08 Revised Appropriation	(\$10,550)	\$0	\$10,550
Percent Increase	-0.71%	0.00%	0.67%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

FY 2007-08 Supplemental

Department Request/Staff Recommendation: The Department requests a negative FY 2007-08 supplemental of \$53,217 total funds. Of this amount, \$26,608 is General Fund and \$26,609 are federal funds. The Department's request is based on actual expenditures for the program through December 2007. Staff recommends a positive FY 2007-08 supplemental of \$96,267 total funds. Of this amount, \$48,134 is General Fund and \$48,133 are federal funds. Staff's recommendation is based on actual expenditure data through February 2008. The average monthly expenditures through February have equaled \$132,106 per month. Staff anticipates that this expenditure pattern will hold through the remainder of the fiscal year. Therefore, staff forecasts that the final expenditures for this program will be \$1,585,272. Based on this estimate the current appropriation is under-funded by \$96,267.

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FY 2008-09

Department Request: In FY 2008-09 the Department requests \$1,425,236 for this program. The Department's FY 2008-09 request is based on trending the Department's FY 2007-08 request forward by the change in the mental health caseload forecasted for FY 2008-09. Because the Department forecasts a decrease in mental health caseload in FY 2008-09, the Department's request for this line item decreases by \$10,550 from their FY 2007-08 estimate.

Staff Recommendation: Staff recommends continuation funding for this program from the revised FY 2007-08 estimate.

**Medicaid Mental Health Community Programs
(B) Other Medicaid Mental Health Payments --
Medicaid Anti-Psychotic Pharmaceuticals**

This line item was an informational only appropriation that was eliminated by the Committee during the January supplementals (H.B. 08-1285). Therefore, no recommendation is made for FY 2007-08 or FY 2008-09 on this line item.

Footnote Recommendation:

N **Department of Health Care Policy and Financing, Medicaid Mental Health Community Programs --** The Department is requested to report in their annual budget submission the amount of expenditures for each year for anti-psychotic pharmaceuticals.

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Safety Net Provider Payments

Line Item Description: This line item contains the funding for hospital providers who participate in the Colorado Indigent Care Program (CICP). The CICP served 172,510 clients in FY 2006-07 with incomes below 250 percent of the federal poverty level who did not have insurance or were underinsured. Payments to the providers are made through four distribution calculations to determine the amount of funding available for reimbursement of uncompensated costs associated with treating indigent clients. The federal match for this program comes from the Federal Disproportionate Share Hospital (DHS) payments or through the Upper Payment Limit (UPL) financing mechanisms. The state match for the federal funds comes either from funds certified at public hospitals or through the General Fund.

Table 1: Safety Net Provider Payments			
	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$296,188,630	\$296,188,630	\$0
<i>Supplementals-- None</i>	0	0	0
FY 2007-08 Revised Appropriation	\$296,188,630	\$296,188,630	\$0
<i>Technical/Common Policy Adjustments</i>	0	0	0
FY 2008-09 Continuation Base	\$296,188,630	\$296,188,630	\$0
<i>Policy Initiatives -- None</i>	0	0	0
Total FY 2008-09 Recommendation	\$296,188,630	\$296,188,630	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$13,090,782	\$13,090,782	\$0
Cash Funds			
-- Certification of Public Expenditures	\$135,003,533	\$135,003,533	\$0
Federal Funds	\$148,094,315	\$148,094,315	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: The Department requests and staff recommends continuation funding for this line item in FY 2008-09.

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Background Information:

In February 2002, the State Auditor released a performance audit on the CICIP program recommending that the methodology for payments to providers be changed in order to improve their accuracy. The audit found that there was not a direct relationship between payments to providers and utilization by individuals, because of the variations in reimbursement rates and the fact that not all payments were linked to CICIP charges and costs. This relationship was complicated by other factors as well. Payments to providers were (and continue to be) affected by budgetary conditions and the availability of state general funds and federal funds.

Based on the 2002 audit report, the Joint Budget Committee approved a new methodology for distributing CICIP payments beginning in FY 2003-04. All funding for hospitals participating in the CICIP program was consolidated into one line item (Safety Net Provider Payments) in the Long Bill. However, there are four separate calculations or payments that are still made from this line item:

Distribution of DSH Funding

- (1) *Low-Income Payments:* The Low-Income payments are made to distribute available funds under the federal Disproportionate Share Hospital (DSH) allotment. Payments to public owned providers are partially funded using certification of public expenditures under the DSH Allotment for inpatient and outpatient services as the match to federal funds. Payments to private-owned providers require General Fund to earn the federal match. This payment is distributed to the providers based on the percentage of the facility's weighted medically indigent costs relative to the sum of all weighted medically indigent costs. This calculations is separate for public and private owned providers, since the two groups have unique pools of money. This payment distributed \$86,970,538 in FY 2006-07.
- (2) *Bad Debt Payment:* This payment is made only if there any funds remain in under the DSH Allotment after all other payments covered under the allotment have been made. The payments are restricted to hospitals that participate in the CICIP program and are based on the hospital's bad debt costs. The total amount distributed in FY 2006-07 statewide was \$193,172 from this payment.
- (3) *Medicaid Shortfall Payments:* The Medicaid Shortfall payment is a simplified payment to providers who qualify for a Disproportionate Share Hospital payment under the federal guidelines but do not participate in the CICIP program. To qualify the hospitals have to have Medicaid inpatient utilization rates at least one standard deviation above the mean and have at least 2 obstetricians with staff privileges that see Medicaid patients. These payments are

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funded with General Fund and federal DSH funding and only 2 hospitals receive this payment for a total distribution in FY 2006-07 of \$189,588.

Medicare Upper Payment Limit Payments:

- (4) *High Volume Payment:* This payment is an allocation of the available upper payment limit remaining for certification of public expenditure. Under current Centers for Medicare and Medicaid Services regulations, Medicaid is allowed to reimburse hospital providers for inpatient Medicaid services up to an estimated limit and still receive a federal match. This calculated limit is what Medicare would have reimbursed hospital providers for Medicaid inpatient services. Medicaid reimburses providers below this limit, which provides an opportunity for the State to use certification of public expenditures and send more federal funds to providers. The difference between the upper payment limit and what Medicaid reimbursed providers is available for certification and the State receives the federal match rate on this amount.

Certification of public expenditures is not available for privately owned facilities and General Fund must be used as the state match for the private hospitals receiving this payment.

There are three allotments of the upper payment limit: State Owned Providers, Local Owned Providers, and Private Owned Providers. The amount of available federal funds is distributed by the facility specific Weighted Medically Indigent Costs relative to the sum of all the Weighted Medically Indigent Costs. This calculation is separate for state owned, local owned, and private owned providers, since the three groups have unique pools of money. The general calculation process is virtually the same as the low-income payment. A total of \$65,704,004 was distributed from this funding source in FY 2006-07.

Continued Area of Concern

As stated earlier, the federal match for this program comes mainly through two sources: (1) the Disproportionate Share Hospital (DSH) payments under Title XIX of the Social Security Act and (2) the Medicare Upper Payment Limit (UPL). Colorado's federal DSH allotment is currently \$87.1 million and should remain at this level through at least FY 2009-10. It is possible that additional federal legislation could be implemented to change current or future allotments. Currently, the state match for the federal DSH dollars is mainly from certified public expenditures at public hospitals and some General Fund (\$13.1 million).

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The Medicare Upper Payment Limit (UPL) is the maximum amount Medicaid can reimburse a provider and still receive federal matching funds. Currently, the state reimburses providers below the UPL. However, publicly-owned providers certify public expenditures up to the UPL, which allows the state to generate a federal match without a state fund expenditure for the difference.

On January 18, 2007, CMS published a proposed rule, "Medicaid Program; Cost Limit for Providers Operated by Units of Government and Provisions to Ensure the Integrity of Federal-state Financial Partnership" that redefined "a unit of government" to those local governmental entities that have "generally applicable taxing authority." Under this proposed rule, the ability for public hospitals in Colorado to certify public expenditures would have been eliminated. Originally, this rule was to be effective on September 1, 2007. However, on May 25, 2007, H.B. 2206 ("U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007) was enacted which imposed a one-year moratorium on the CMS proposed rule. However, despite the moratorium, CMS published the final rule in May 2007. The final rule had some changes from the original rule, including: (1) allowing providers that do not have taxing authority, but have direct access to tax revenue, to be defined as "units of government"; and (2) state teaching hospitals with direct appropriations from the state are recognized as a "unit of government." Without action from Congress, this CMS rule will be implemented in May 2008. If the rule goes into effect, the public hospitals in Colorado could lose up to \$142.0 million in federal revenues without intervening action from the General Assembly.

Staff Recommendations and Options for the Committee:

1. Staff recommends that the Joint Budget Committee resubmit a resolution to Congress requesting they oppose another moratorium or to require CMS to permanently withdraw the rule.
2. It is staff's understanding that the National Hospital Association plans to file suit against the rule's implementation. If such a suit is filed, staff urges that the State of Colorado issue an amicus curiae brief to the court. The Committee should seek legal guidance on this staff recommendation from Legal Services.

The following legislative solutions could also be possibilities.

1. Provide Denver Health and University Hospital with taxing authority. This is one of the options that Denver Health and University Hospital is pursuing. Staff has asked Legal Services to answer the following questions regarding this option:

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- a) Both University and Denver Health are already created as hospital authorities and are political subdivision of the state. Can the General Assembly grant taxing authority to an authority or would Denver Health and University Hospital have to be reorganized a special hospital district?
- b) In order to give Denver Health and University Hospital taxing authority, does there have to be vote of the people? Who are the impacted voters (i.e. the state or the boundaries of specific district)? Or is a vote of the people only required to authorize the imposition of a tax after the General Assembly establishes a district or authority?

If a vote of the people is required for this issue, then there will be a timing issues for the hospitals related to their revenue flows and the General Assembly may need to consider contingency appropriations until after the vote.

- 2. Define University and Denver Hospital as a state university (i.e. teaching hospitals) and provide for direct appropriations from the state to the hospitals of all GME funding available. This option would not help the other public hospitals currently receiving DSH funding (approximately \$15 million dollars). If this option works, approximately \$72 million of the current DSH allotment could still be drawn down. However, the other \$15 million could still be at risk. To hold all hospitals harmless, the state would need to have approximately \$7.5 million in new state dollars allocated to the Safety Net Provider Line Item (this \$7.5 million would draw down \$7.5 million in federal funds and allow the Department to distribute back \$15 million to the hospitals -- however, the state would lose \$7.5 million in federal dollars by not maximizing the full DSH payment).
- 3. Consider the possibility of imposing a provider fee on all hospitals in the state in order to generate the state match for the federal funds. This option will meet with a lot of opposition from any hospitals that do not participate in the CICP program because they would pay into the fund but not receive anything back.
- 4. Use the OAP state expenditures (approximately \$15 million) as the state match to draw down part of the DSH funding. Clients in the OAP state program are eligible for the CICP program. Redefine the program to primarily an inpatient benefit and all funding could be used to draw down federal match.
- 5. Look at redefining the uses of the Colorado Health Services Fund in order to maximize the fund for hospitals (this could eliminate some of the FQHC funding?). Look at way for maximizing the amount of funds Denver Health and University receive from the Primary Care Fund program to determine if they can be matched by DSH funding.

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6. Consider paying hospitals rates at 100% of the Medicare Rate for FY 2008-09. This option would be in place of any of the other rate plans proposed or recommended by the Department of staff in the Medical Services Premiums section of this figure setting packet. Staff's rough estimate of the costs of this proposal would be approximately \$30 to \$35 million in additional state funds. Because this revenue would draw down \$30 to \$35 million in federal fund the total amount distributed to the hospitals would be approximately \$60 to \$70 million. This option would hold the hospitals harmless in regards to losing the amount of federal funds that is received by certifying public expenditures up to the Medicare UPL limit in order to draw down additional federal funds. If the JBC is interested in this option, then JBC could add a footnote to the Long Bill that stated if the proposed CMS rule goes into effect in May, then all funding that was added to the FY 2008-09 Long Bill for rate increases in the Medical Services Premiums line item should be redirected to increasing hospital rates by at least \$30 to \$35 million. If the proposed rule does not go into effect, then rate increases as approved by the JBC for the other providers would go into effect. This option would solve the UPL problem for the hospitals in FY 2007-08 and could buy time until a more permanent solution is found (i.e. creating new taxing hospital districts, etc.).

Providers who would lose funding under this proposals includes primary care providers (all of the rate increases for medical homes, dentists, primary code, eye glasses, etc.), and home and community based providers. Providers who not have an adverse impact from this option is PACE, Nursing Homes, and HMOs since their rates are set in statute or by contract.

Staff would emphasize to the Committee, that while the state could lose up to \$142.0 million in federal funds, the amount of state appropriations that would be necessary to hold the hospitals harmless would only be approximately \$70.0 million. If the state appropriates \$70.0 million (or finds a way to redirect some of the state-only appropriations as match for DSH), then the state would be able to draw down \$70.0 million in federal funds. The total amount of funding that then could be distributed to the Hospitals would again be \$142.0 million.

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Colorado Health Care Services Fund

Line Item Description: Senate Bill 06-044 created the Health Care Services Fund to provide funding for indigent adult primary care. Senate Bill 06-044 appropriated \$14.9 million to the Health Care Services Fund in FY 2005-06 to be used in FY 2006-07. Senate Bill 06-044 also required that \$15.0 million be appropriated to this fund for FY 2007-08, FY 2008-09 and FY 2009-10 from the Referendum C moneys.

Table 1: Health Care Services Fund

	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$15,000,000	\$15,000,000	\$0
<i>Supplementals- None</i>	0	0	0
FY 2007-08 Revised Appropriation	\$15,000,000	\$15,000,000	\$0
<i>Technical/Common Policy Adjustments</i>	0	0	0
FY 2008-09 Continuation Base	\$15,000,000	\$15,000,000	\$0
<i>Policy Initiatives - None</i>	0	0	0
Total FY 2008-09 Recommendation	\$15,000,000	\$15,000,000	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$15,000,000	\$15,000,000	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: The Department requests and staff recommends continuation funding for FY 2008-09. The amount that staff recommends is required under Section 25.5-3-112 (1) (b), C.R.S. (2007). If the Committee decided to change the amount of funding available for this program, the Committee would have to change the statutory requirements for the program. At this time, staff does **not** recommend a statutory change. Staff would note for the Committee that this is one of the appropriations that gets double-counted in the Long Bill. This line item is a General Fund appropriation into another fund (i.e. Health Care Services Fund). The moneys in the Health Care Services Fund appropriation then are re-appropriated in two different program line items: (1) The Children's Hospital, Clinic Based Indigent Care, and (2) Health Services Fund Programs.

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The Children's Hospital, Clinic Based Indigent Care

Line Item Description: This line item is comprised of General Fund and Colorado Health Care Services Funds that are appropriated to help draw down federal funds under the Children Hospital's Medicare Upper Payment Limit (UPL). From this appropriation, Children's Hospital distributes all but \$60,000 to clinics that participate in the Colorado Indigent Care Program (CICP). Under federal regulations, clinics do not qualify for Disproportionate Share (DSH) or UPL financing. It is only through this contractual relationship with Children's Hospital that clinics receive additional reimbursement from the CICP program for treating indigent and uninsured clients.

Table 1: The Children's Hospital, Clinic Based Indigent Care			
	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$16,205,760	\$16,205,760	\$0
<i>Supplementals--Increase Federal Funding</i>	<u>10,086,000</u>	<u>10,086,000</u>	<u>0</u>
FY 2007-08 Revised Appropriation	\$26,291,760	\$26,291,760	\$0
<i>Technical/Common Policy Adjustments</i>	0	0	0
FY 2008-09 Continuation Base	\$26,291,760	\$26,291,760	\$0
<i>Budget Amendment #10 -- Increase Federal Funding</i>	<u>0</u>	<u>0</u>	<u>0</u>
Total FY 2008-09 Recommendation	\$26,291,760	\$26,291,760	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$3,059,880	\$3,059,880	\$0
Reappropriated Funds			
-- Colorado Health Care Services Fund	\$10,086,000	\$10,086,000	\$0
Federal Funds	\$13,145,880	\$13,145,880	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: On January 2, 2008, the Department submitted supplemental #16 for FY 2007-08 and Budget Amendment #10 for FY 2008-09, to increase the federal funds appropriation for this line item to match the amount of funding appropriated from the Colorado Health Care Services Fund. During figure setting last year (March 8, 2007), it was unclear if the Department would be able to draw down additional federal funds under the Medicare UPL for

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Children's Hospital to match the Colorado Health Care Services Fund appropriation for the CICP clinics. However, H.B. 07-1258 and Footnote #31 in S.B. 07-239 directed the Department to pursue federal match if possible. In response to Footnote #31, the Department submitted the requested report and stated:

"Effective July 1, 2007, the Department of Health Care Policy and Financing (the Department) is drawing down federal matching funds for the \$10,086,000 in funding for community health centers from the Health Care Services Fund pursuant to the requirements in S.B. 06-044. The State share and federal match are being distributed to community health centers that participate in the Colorado Indigent Care Program through The Children's Hospital. The Department's ability to draw this federal match was made possible by an existing State Plan Amendment (TN 04-012) which was approved by the Centers for Medicare and Medicaid Services (CMS) on December 15, 2004. The Department added the funding for community health centers from the Health Care Services Fund to the existing Colorado Indigent Care Program payment without additional federal approval or modification to the existing relationship with Children's Hospital."

Based on the Department's ability to draw down the additional federal funds, the Committee approved a FY 2007-08 supplemental to increase the federal appropriation for this line item by \$10,086,000 (the amount of the Colorado Health Care Services Fund) on January 23, 2008. This supplemental adjustment is contained in H.B. 08-1285.

In FY 2008-09, the Department anticipates that Children's Hospital will continue to have enough room available under the UPL to continue to draw the additional \$10,086,000 in federal funds. Therefore, staff recommends continuation funding for FY 2008-09.

Health Care Services Fund Programs

Line Item Description: Senate Bill 06-044 required three different payments for the Colorado Health Care Services Fund: (1) 18 percent to Denver Health; (2) 14.76 percent to clinics operated by hospitals; and (3) 67.24 percent to federally qualified health centers (FQHCs). The appropriation for the FQHCs is found in the Children's Hospital, Clinic Based Indigent Care line above. The other two appropriations (for Denver Health and hospital clinics) are contained in this line item. The total amount of Colorado Health Care Services Fund distributed in this line item is \$4,914,000. This is the required amount for FY 2007-08, FY 2008-09 and FY 2009-10 pursuant to Section 25.5-3-112, C.R.S. (2007).

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Table 1: Health Care Services Fund Programs			
	Department Request	Staff Recommendation	Difference
			Staff-Dept
FY 2007-08 Original Appropriation	\$4,914,000	\$4,914,000	\$0
<i>Supplementals—Increase Federal Funding</i>	6,139,421	6,139,421	0
FY 2007-08 Revised Appropriation	\$11,053,421	\$11,053,421	\$0
<i>Technical/Common Policy Adjustments</i>	(1,225,421)	(1,225,421)	0
FY 2008-09 Continuation Base	\$9,828,000	\$9,828,000	\$0
<i>Budget Amendment #10 – Increase Federal Funding</i>	0	0	0
Total FY 2008-09 Recommendation	\$9,828,000	\$9,828,000	\$0
<u>FY 2008-09 Fund Split</u>			
Reappropriated Funds			
--Colorado Health Care Services Fund	\$4,914,000	\$4,914,000	\$0
Federal Funds	\$4,914,000	\$4,914,000	\$0
Increase from FY 2007-08 Revised Appropriation	(\$1,225,421)	(\$1,225,421)	\$0
Percent Increase	-11.09%	-11.09%	0.00%
<i>Amount GF Exempt from 6.0% Limit</i>	\$0	\$0	\$0

Department Request and Staff Recommendation: On January 2, 2008, the Department submitted supplemental #16 for FY 2007-08 and Budget Amendment #10 for FY 2008-09, to increase the federal funds appropriation for this line item. During figure setting last year (March 8, 2007), it was unclear if the Department would be able to draw down additional federal funds under the Medicare UPL for Denver Health and Hospital clinics. However, H.B. 07-1258 and Footnote #32 in S.B. 07-239 directed the Department to pursue federal match if possible. In response to Footnote #32, the Department submitted the requested report and stated:

"As authorized through S.B. 06-044, the Department of Health Care Policy and Financing (the Department) submitted a State Plan Amendment to the Centers for Medicare and Medicaid Services (CMS) on June 28, 2007. The purpose of this State Plan Amendment was to obtain a federal match on funding available, from the Health Care Services Fund, to primary care clinics operated by a licensed or certified health care facility ... CMS has until March 7, 2008 to either approve or deny this State Plan Amendment. The Department is confident that CMS will approve the State Plan Amendment and authorize the federal matching funds, which will be retroactive to April 1, 2007."

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Based on the potential that the Department will be able to draw down the additional federal funds, the Committee approved a FY 2007-08 supplemental to increase the federal appropriation for this line item by \$6,139,421 on January 23, 2008. This supplemental adjustment is contained in H.B. 08-1285. This supplemental amount for FY 2007-08 includes \$1,225,421 in retroactive payments for FY 2006-07. Under federal rules, CMS will pay their federal match for the fiscal quarter in which a state plan amendment was submitted (even if it takes them up to 9 months to review and approve the state plan amendment).

In FY 2008-09, the Department anticipate that they will continue to receive federal match for the state funding available. Per Section 25.5-3-112, C.R.S. (2007) this line item is required to receive an appropriation of \$4,914,000 from the Colorado Health Care Services Fund. Therefore, the federal matching funds available will be \$4,914,000. This is \$1,225,421 less than the amount available in FY 2007-08 due to the one-time funding for retroactive payments anticipated to be received in FY 2007-08.

Amendment 35 Tobacco Tax Funded Programs and Tobacco Master Settlement

(not a line item -- these revenue sources impact appropriations for multiple following line items)

The next several line items have programs that are funded or partially funded with Amendment 35 tobacco taxes, the Tobacco Master Settlement, or both. Following is a description of the amount of revenue forecasted from these two fund sources and how they are distributed. For more information on the Tobacco Master Settlement, see Steve Allen's figure setting presentation presented on February 19, 2008.

Amendment 35 Tobacco Tax

Article X, Section 21, of the Colorado State Constitution requires that all revenues received from the new tobacco taxes be annually appropriated by the General Assembly. On February 14, 2006, the Joint Budget Committee adopted a standard practice for making sure that all revenues were annually appropriated: (1) The December Legislative Council revenue forecast (or OSPB forecast if the Committee chooses) is used during figure setting as an estimate. After the March forecast is received, staff will prepare a staff comeback updating the figure setting amounts if different from the December forecast. If the March forecast increases the current year's revenue estimate over the amount used for the current year appropriation, then the "estimated" excess revenues in the current year will be added to the next year's revenue estimate available for appropriation. This policy eliminated the need to make supplemental adjustments every time the revenue forecast changed, but still ensured that all available revenue is appropriated. The following table shows the amount of revenue anticipated for both FY 2007-08 and FY 2008-09.

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Amendment #35 Tobacco Tax Funds Available for Appropriation in FY 2008-09							
	General Fund 20%	3% Allocation Old Age Pension Medical Fund 50%	Department of Revenue 30%	46% Allocation Health Care Expansion Fund	19% Allocation Primary Care Expansion Fund	16% Allocation Tobacco Education Programs Fund	16% Allocation Prevention Detection Treatment Fund
FY 2006-07 Actual Revenue Distributions	\$1,032,072	\$2,522,529	\$1,548,108	\$77,357,550	\$31,952,031	\$26,908,974	\$26,908,974
Amount Distributed from Prior Year Collection	(\$23,060)	\$0	(\$34,591)	\$0	\$0	\$0	\$0
Total New Revenue Collection FROM FY 2006-07	\$1,009,012	\$2,522,529	\$1,513,517	\$77,357,550	\$31,952,031	\$26,908,974	\$26,908,974
Revenue Estimate for FY 2006-07 Appropriation (H.B. 08-1385)	\$1,032,072	\$2,580,180	\$1,548,108	\$79,125,520	\$32,682,280	\$27,521,920	\$27,521,920
FY 2006-07 Revenues Never Appropriated (negative number -- means no issue)	\$0	(\$57,651)	\$0	(\$1,767,970)	(\$730,249)	(\$614,946)	(\$614,946)
FY 2007-08 Revenue Estimate (December 2007 new forecast)	\$998,400	\$2,496,000	\$1,497,600	\$76,500,000	\$31,600,000	\$26,600,000	\$26,600,000
FY 2007-08 Revenue Estimate used for Appropriation (S.B. 07-239)/FS	\$1,026,000	\$2,500,500	\$1,439,168	\$78,660,000	\$32,490,000	\$27,360,000	\$27,360,000
FY 2007-08 Revenue That Will Not Be Used or Will Need to Come From Fund Balance in FY 2007-08 Due to Forecast Error (Up to analyst to determine if FY 2007-08 should be adjusted)	(\$27,600)	(\$62,151)	\$58,432	(\$2,160,000)	(\$890,000)	(\$1,374,946)	(\$1,374,946)
FY 2008-09 Revenue Forecast December 2007	\$990,000	\$2,475,000	\$1,485,000	\$75,900,000	\$31,350,000	\$26,400,000	\$26,400,000
Total Revenue Available for Appropriation in FY 2008-09 Based on December 2007 Forecast and the estimated unallocated revenue from prior fiscal year.	\$990,000	\$2,475,000	\$1,543,432	\$75,900,000	\$31,350,000	\$26,400,000	\$26,400,000
Appropriation to General Fund HCPF for FY 2008-09	\$495,000						
Appropriation to General Fund DHPHE	\$495,000						
Analyst can also appropriate any fund balance available.							

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As the table on the previous page shows, the December 2007 revenue estimates for FY 2007-08 are lower than the estimates that were used to set the FY 2007-08 appropriations. This is mainly due to the fact that the "excess revenue" carry forward for FY 2006-07 did not occur. Programs impacted by the forecasted decrease in revenue for FY 2007-08 may need to have supplemental adjustments if there are insufficient fund balances to make up for this shortfall. Any FY 2007-08 supplemental adjustments will be addressed in the respective line items. For FY 2008-09, the total revenue forecasted is \$165.0 million. This is a decrease of \$1.4 million from the FY 2007-08 revised forecast, or 0.84 percent.

Staff requests permission to recalculate the appropriations for the programs funded with Amendment 35 Tobacco Taxes after the March 20, 2008 Legislative Council Staff revenue forecast is completed. Staff does not anticipate that there will be substantial differences.

Tobacco Master Settlement Agreement

On February 19, 2008, Steve Allen (JBC Staff), presented the revenue estimates and program distributions for the Tobacco Master Settlement Agreement. The following tables shows the revenue estimates that Committee approved on February 19, 2008 for programs administered by HCPF.

Master Tobacco Tax Settlement Allocations			
	Tier One Distributions	Tier Two Distributions	Notes
Comprehensive Primary and Preventative Care Grants Program	\$3,195,106	\$3,286,155	Tier Two Distribution will changed slightly from the February 14, 2008 estimate based on updated Autism Fund estimates.
Children's Basic Health Plan Trust	\$25,560,851	\$1,933,032	Tier Two Distribution will changed slightly from the February 14, 2008 estimate based on updated Autism Fund estimates.
Autism Fund			Updated estimate from February 14, 2008. See page for details
Children's Hospital	\$0	\$386,606	Tier Two Distribution will changed slightly from the February 14, 2008 estimate based on updated Autism Fund estimates.

Staff requests permission to update appropriations for the programs funded with Tobacco Master Settlement monies based on any updated analysis Steve Allen may prepare.

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Pediatric Speciality Hospital

Line Item Description: This line item was first added during FY 2005-06. The line item provides funding Children's Hospital in an effort to help offset the costs of providing care to large numbers of Medicaid and indigent care clients. The line item is funded with General Fund, Cash Funds (Pediatric Specialty Fund -- which receives revenue from a General Fund transfer of Amendment 35 Tobacco Taxes and Master Tobacco Settlement monies), and federal funds. The matching federal funds result from using the Medicare UPL available to Children's Hospital.

Table 1: Pediatric Speciality Hospital			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$8,499,289	\$8,499,289	\$0
<i>Supplementals--H.B. 08-1285 – TMS Forecast</i>	0	2,412	2,412
<i>Supplemental – Adjustment to Revise FF match</i>	0	(26,299)	(26,299)
<i>Supplemental – Revised Tobacco Tax Estimate</i>	0	(27,600)	(27,600)
FY 2007-08 Revised Appropriation	\$8,499,289	\$8,447,802	(\$51,487)
<i>Forecast Adjustment for Tobacco Tax Revenue</i>	0	(8,400)	(8,400)
<i>Forecast Adjustment for TMS Forecast</i>	228,711	425,810	197,099
FY 2008-09 Continuation Base	\$8,728,000	\$8,865,212	\$137,212
<i>Policy Issues -- None</i>	0	0	0
Total FY 2008-09 Recommendation	\$8,728,000	\$8,865,212	\$137,212
<u>FY 2008-09 Fund Split</u>			
General Fund	\$3,551,000	\$3,551,000	\$0
Cash Fund			
-- Master Settlement Supplemental Account for Pediatric Speciality Hospital Fund	\$400,000	\$386,606	(\$13,394)
Reappropriated Funds			
--Pediatric Specialty Hospital Fund	\$513,000	\$495,000	(\$18,000)
Federal Funds	\$4,264,000	\$4,432,606	\$168,606
Increase from FY 2007-08 Revised Appropriation	\$228,711	\$417,410	\$137,212
Percent Increase	2.69%	4.94%	1.62%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

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Staff Recommended FY 2007-08 Supplemental: Staff recommends additional FY 2007-08 supplementals to this line item to correct appropriation errors that were not included in H.B. 08-1285 (HCPF's supplemental bill). These adjustments are as follows:

- 1) House Bill 08-1285 increased the amount of Tobacco Master Settlement Funds available for this program by \$2,412 but did not adjust the federal match by a like amount. Staff recommends an additional \$2,412 in federal funds to reflect the increase provided in H.B. 08-1285.
- 2) Senate Bill 07-097 appropriated \$200,000 from the Tobacco Master Settlement Fund. Senate Bill 07-239 (Long Bill) appropriated \$200,000 in federal funds to match these funds. House Bill 07-1359 decreased the amount of Tobacco Master Settlement Funds that were appropriated from H.B. 07-097 by \$28,711 but did not decrease the federal funds appropriation in S.B. 07-239 by a like amount. Staff recommends a negative supplemental of \$28,711 federal funds to correct this error. The net impact of item #1 above and this adjustment is a decrease of \$26,299 federal funds.
- 3) Staff recommends a negative supplemental of \$27,600 (\$13,800 CFE and \$13,800 FF) to reflect new revenue estimates for the Tobacco Tax. The original appropriation assumed that \$513,000 in Amendment 35 Tobacco Tax revenues would be available. Current revenue forecasts (December 2007) indicate that only \$499,200 will be available. This is a decrease of \$13,800 to the Pediatric Speciality Hospital Fund which does not have sufficient fund balances to absorb this decrease in forecasted revenue. Another \$13,800 in federal funds is lost because of the decrease in state matching funds. Staff requests the ability to adjust this estimate once the March 2008 revenue forecast is completed by Legislative Council staff.

FY 2008-09 Department Request and Staff Recommendation: The Department requests an increase of \$228,711 from the Master Settlement Supplemental Account for the Pediatric Speciality Hospital Fund to annualize the impacts of S.B. 07-097. This increase is to the original FY 2007-08 appropriation before any supplementals. Staff recommends a total fund increase of \$417,410 to the revised FY 2007-08 appropriation after all supplemental adjustments. This increase reflects the following adjustments: (1) an increase of \$212,905 from the Master Settlement Supplemental Account for the Pediatric Speciality Hospital Fund to annualize the impacts of S.B. 07-097; (2) a decrease of \$4,200 Pediatric Speciality Hospital Fund to reflect current estimates of Amendment 35 tobacco tax revenues; and (3) a net increase of \$208,705 in matching federal funds. Staff requests the ability to adjust this appropriation based on updated analysis from Steve Allen on the Master Tobacco Settlement and from Legislative Council Staff on revenue estimates.

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**H.B. 05-1262 Appropriation from the General Fund
to Pediatric Speciality Hospital Fund**

Line Item Description: Section 24-22-117 (1) (c) (I) (A), C.R.S. (2007) that requires that 0.6 percent all tobacco tax revenues appropriated into the Tobacco Tax Cash Fund be appropriated to the General Fund. Section 24-22-117 (1) (c) (I) (B) requires that 50 percent of those revenues appropriated to the General Fund be appropriated to the Pediatric Speciality Hospital Fund. This line item fulfills this statutory requirement.

Table 1: General Fund Appropriation to Pediatric Speciality Hospital Fund

	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$513,000	\$513,000	\$0
<i>Supplemental – Revised Tobacco Tax Estimate</i>	0	(13,800)	(13,800)
FY 2007-08 Revised Appropriation	\$513,000	\$499,200	(\$13,800)
<i>Forecast Adjustment for Tobacco Tax Revenue</i>	(26,400)	(4,200)	22,200
FY 2008-09 Continuation Base	\$486,600	\$495,000	\$8,400
<i>Policy Issues – None</i>	0	0	0
Total FY 2008-09 Recommendation	\$486,600	\$495,000	\$8,400
FY 2008-09 Fund Split			
General Fund Exempt	\$486,600	\$495,000	\$8,400
Increase from FY 2007-08 Revised Appropriation	(\$26,400)	(\$4,200)	\$8,400
Percent Increase	-5.15%	-0.84%	1.68%
Amount GF Exempt from 6.0% Limit	\$486,600	\$495,000	\$8,400

FY 2007-08 Staff Supplemental Recommendation: Staff recommends a decrease of \$13,800 GFE in FY 2007-08 to reflect the December 2007 Legislative Council staff revenue forecast. Staff asks permission to update this recommendation based on the March 20, 2008 revenue forecast.

FY 2008-09 Department Request/Staff Recommendation: The Department requests \$486,600 GFE based on the September 2007 Legislative Council staff revenue forecast. Staff recommends \$495,000 GFE based on the December 2007 Legislative Council staff revenue forecast. Staff asks for permission to update this recommendation based on the March 2008 revenue forecast once it becomes available.

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H.B. 05-1262 Appropriation from the Tobacco Tax Cash Fund to the General Fund

Line Item Description: Section 24-22-117 (1) (c) (I) (A), C.R.S. (2007) that requires that 0.6 percent all tobacco tax revenues appropriated into the Tobacco Tax Cash Fund be appropriated to the General Fund. This line item reflects one-half the amount required to be appropriated to the General Fund. The other half of the amount required to be appropriated is found in the Department of Public Health and Environment.

Table 1: Tobacco Tax Cash Fund Appropriation to General Fund			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$513,000	\$513,000	\$0
<i>Supplemental -- Revised Tobacco Tax Estimate</i>	0	(13,800)	(13,800)
FY 2007-08 Revised Appropriation	\$513,000	\$499,200	(\$13,800)
<i>Forecast Adjustment for Tobacco Tax Revenue</i>	(26,400)	(4,200)	22,200
FY 2008-09 Continuation Base	\$486,600	\$495,000	\$8,400
<i>Policy Issues -- None</i>	0	0	0
Total FY 2008-09 Recommendation	\$486,600	\$495,000	\$8,400
<u>FY 2008-09 Fund Split</u>			
Cash Fund	\$486,600	\$495,000	\$8,400
Increase from FY 2007-08 Revised Appropriation	(\$26,400)	(\$4,200)	\$8,400
Percent Increase	-5.15%	-0.84%	1.68%
Amount GF Exempt from 6.0% Limit	\$486,600	\$495,000	\$8,400

FY 2007-08 Staff Supplemental Recommendation: Staff recommends a decrease of \$13,800 GFE in FY 2007-08 to reflect the December 2007 Legislative Council staff revenue forecast. Staff asks permission to update this recommendation based on the March 20, 2008 revenue forecast.

FY 2008-09 Department Request/Staff Recommendation: The Department requests \$486,600 GFE based on the September 2007 Legislative Council staff revenue forecast. Staff recommends \$495,000 GFE based on the December 2007 Legislative Council staff revenue forecast. Staff asks for permission to update this recommendation based on the March 2008 revenue forecast once it becomes available.

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Primary Care Fund Program

Line Item Description: This program provides payments from the Amendment 35 Tobacco Tax revenues to providers serving indigent care clients. The appropriation is distributed to qualified providers based on the portion of medically indigent or uninsured patients they served relative to the total amount of medically indigent or uninsured clients served by all qualified providers.

Primary Care Fund Program			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$32,365,298	\$32,365,298	\$0
<i>Supplemental – none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$32,365,298	\$32,365,298	\$0
<i>Transfer funding from EDO to Program</i>	\$75,200	\$75,200	\$0
<i>New Revenue Forecast</i>	(1,622,498)	(1,090,498)	532,000
FY 2008-09 Continuation Base	\$30,818,000	\$31,350,000	\$532,000
<i>Deduct EDO Appropriations</i>	0	(55,343)	(55,343)
Total FY 2008-09 Recommendation for PCF Program	\$30,818,000	\$31,294,657	\$476,657
<u>FY 2008-09 Fund Split</u>			
Cash Fund -- Primary Care Fund	\$30,818,000	\$31,294,657	\$476,657
Increase from FY 2007-08 Revised Appropriation	(\$1,547,298)	(\$1,070,641)	\$476,657
Percent Increase	-4.78%	-3.31%	1.47%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

FY 2008-09 Department Request/Staff Recommendation: The Department requests \$30,818,000 based on the September 2007 Legislative Council staff revenue forecast. Staff recommends \$31,294,657 for the Primary Care Fund Program based on the December 2007 Legislative Council staff revenue forecast. Staff asks for permission to update this recommendation based on the March 2008 revenue forecast once it becomes available. Staff's recommendation reflects the total amount of funding available to be distributed to qualifying providers. Another \$55,343 is appropriated in various line items in the Executive Director's Office for administration of this program.

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S.B. 06-145 Inpatient Provider Fee

Line Item Description: This line item was added in the FY 2007-08 supplemental bill (H.B. 08-1285) to reflect and record the matching federal funds for local government inpatient hospital payments that were made possible from the passage of S.B. 06-145. Because the Department is the single state agency to receive all Medicaid funding, the federal funds for these local funds must be appropriated to the Department for later disbursement to the local governments. The local government match is also reflected in appropriation.

Table 1: S.B. 06-145 Inpatient Provider Fee			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$0	\$0	\$0
<i>H.B. 08-1285 Supplemental</i>	4,225,858	4,225,858	0
FY 2007-08 Revised Appropriation	\$4,225,858	\$4,225,858	\$0
<i>Remove retroactive estimate for FY 2006-07</i>	(2,071,536)	(2,071,536)	0
FY 2008-09 Continuation Base	\$2,154,322	\$2,154,322	\$0
<i>Policy Issues -- None</i>	0	0	0
Total FY 2008-09 Recommendation	\$2,154,322	\$2,154,322	\$0
<u>FY 2008-09 Fund Split</u>			
Cash Fund			
-- Local Government Expenditures	\$1,077,161	\$1,077,161	\$0
Federal Funds	\$1,077,161	\$1,077,161	\$0
Increase from FY 2007-08 Revised Appropriation	(\$2,071,536)	(\$2,071,536)	\$0
Percent Increase	-49.02%	-49.02%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: During the 2006 Legislative Session, the General Assembly passed S.B. 06-145, which allowed local governments to impose a fee on private hospital providers within their jurisdictions that provide inpatient or outpatient services for the purpose of obtaining federal financial participation for un-reimbursed Medicaid costs. Since the passage of S.B. 06-145, the Department has developed a reimbursement methodology to maximize the federal UPL limits for any hospitals that receive the local match from the additional fees. This rate reimbursement methodology was submitted to the Centers for Medicare and Medicaid Services (CMS) as state plan

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amendment TN 06-013 for inpatient services. At this time, CMS is still reviewing the state plan amendment. However, because the state plan amendments were submitted during the first quarter of FY 2006-07, the federal match can be collected retroactively back to FY 2006-07.

Currently, the City of Brighton has informed the Department of their imposition of a provider fee on inpatient hospital revenue on their sole private hospital provider, Platte Valley Medical Center. The Committee approved a FY 2007-08 total fund supplemental of \$4,225,858 (\$2,112,929 local funds and \$2,112,929 federal funds) to recognize that the City of Brighton was proceeding with implementing S.B. 06-145. Of this amount, \$2,071,536 was anticipated as retroactive payments for FY 2006-07 (includes both the local fees and federal reimbursement) and \$2,154,322 was anticipated as payments for FY 2007-08 (includes both the local fees and federal reimbursement).

For FY 2008-09, the Department requests and staff recommends continuation funding of the FY 2007-08 appropriation minus \$2,071,536 for the one-time prior year retroactive reimbursement. This assumes that the City of Brighton will maintain fees at approximately the same rate as submitted for FY 2007-08 and that the hospital's audited Medicare/Medicaid cost report(s) will indicate a similar amount of UPL financing that is available under the state plan amendment.

Please note, this appropriation assumes that only the City of Brighton implements S.B. 06-145. It is possible that other municipalities and hospitals will seek to implement S.B. 06-145. Staff assumes that if anymore agreements are reached that the Department will seek supplemental funding at a later date.

S.B. 06-145 Outpatient Provider Fee

Line Item Description: This line item was added in the FY 2007-08 supplemental bill (H.B. 08-1285) to reflect and record the matching federal funds for local government *outpatient* hospital payments that were made possible from the passage of S.B. 06-145. Because the Department is the single state agency to receive all Medicaid funding, the federal funds for these local funds must be appropriated to the Department for later disbursement to the local governments. The local government match is also reflected in appropriation.

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Table 1: S.B. 06-145 Outpatient Provider Fee			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$0	\$0	\$0
<i>H.B. 08-1285 Supplemental</i>	5,985,492	5,985,492	0
FY 2007-08 Revised Appropriation	\$5,985,492	\$5,985,492	\$0
<i>Removed one-time retroactive payments</i>	(2,934,118)	(2,934,118)	0
FY 2008-09 Continuation Base	\$3,051,374	\$3,051,374	\$0
<i>Policy Issues -- None</i>	0	0	0
Total FY 2008-09 Recommendation	\$3,051,374	\$3,051,374	\$0
<u>FY 2008-09 Fund Split</u>			
Cash Fund			
--Local Government Expenditures	\$1,525,687	\$1,525,687	\$0
Federal Funds	\$1,525,687	\$1,525,687	
Increase from FY 2007-08 Revised Appropriation	(\$2,934,118)	(\$2,934,118)	\$0
Percent Increase	-49.02%	-49.02%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: Under S.B. 06-145, local governments may also impose a fee for outpatient services. The Department has submitted to the Centers of Medicare and Medicaid Services (CMS) state plan amendment TN 06-014 which describes the methodology for reimbursing hospitals for outpatient services under the provisions of S.B. 06-145. At this time, CMS is still reviewing the state plan amendment. However, because the state plan amendments were submitted during the first quarter of FY 2006-07, the federal match can be collected retroactively back to FY 2006-07.

Currently, the City of Brighton has informed the Department of their imposition of a provider fee on inpatient hospital revenue on their sole private hospital provider, Platte Valley Medical Center. The Committee approved a FY 2007-08 total fund supplemental of \$5,985,492 (\$2,992,746 local funds and \$2,992,746 federal funds) to recognize that the City of Brighton was proceeding with implementing S.B. 06-145. Of this amount, \$2,934,118 was anticipated as retroactive payments for FY 2006-07 (includes both the local fees and federal reimbursement) and \$3,051,374 was anticipated as payments for FY 2007-08 (includes both the local fees and federal reimbursement).

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For FY 2008-09, the Department requests and staff recommends continuation funding of the FY 2007-08 appropriation minus \$2,934,118 for the one-time prior year retroactive reimbursement. This assumes that the City of Brighton will maintain fees at approximately the same rate as submitted for FY 2007-08 and that the hospital's audited Medicare/Medicaid cost report(s) will indicate a similar amount of UPL financing that is available under the state plan amendment.

Please note, this appropriation assumes that only the City of Brighton implements S.B. 06-145. It is possible that other municipalities and hospitals will seek to implement S.B. 06-145. Staff assumes that if anymore agreements are reached that the Department will seek supplemental funding at a later date.

Children's Basic Health Plan -- All Long Bill Line Items

The Children's Basic Health Plan (CBHP) consists of four Long Bill line items: (1) the CBHP Trust Fund, (2) CHBP Administration, (3) CBHP Premiums and (4) CBHP Dental. This section of the figure setting packet will discuss the CBHP program in its entirety. This section is organized as follows:

1. Summary of FY 2007-08 Supplemental and Decision Item Requests and Recommendations
2. Line Item Request and Recommendation detail tables and fund splits for each line item.
3. CBHP Premium Costs Forecast for FY 2007-08 and FY 2008-09
 - Late Supplemental Discussed
 - FY 2008-09 Request Discussed
4. CBHP Dental Costs Forecasts for FY 2007-08 and FY 2008-09
 - Late Supplemental Discussed
 - Detailed Costs for Dental Program
5. External Administration Costs for FY 2008-09
6. Trust Fund Balance Analysis
 - Late Supplemental Discussed
 - FY 2008-09 recommendations

Summary of FY 2007-08 Supplemental

In the past, it has not been the Committee's practice to receive late supplementals for the CBHP program. However, last year the Committee allowed the Department to submit a February 15th supplemental because of the interwoven caseload impacts between the Medicaid and CBHP program from removing the Medicaid asset test. This year, the Department asked for special permission to

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submit a late supplemental so that the Department could use six months of actual data before submitting their final estimates for the year. The JBC staff agreed to this request on an experimental basis to see if data submitted in February would result in better estimates. After FY 2007-08, the Department and staff will both have experience on tracking expenditures under cash accounting and forecasting year-end costs based on year-to-date information. In the future, staff does not support a continued practice of routinely submitting late supplementals for this program after the statutory required date for supplementals of January 1. Late supplementals for this program should only be submitted based on extraordinary circumstances or miscalculations.

FY 2007-08 Late Supplemental Summary		
Total Incremental Change to All CBHP Program Lines		
	Request	Recommendation
Total	<u>\$27,082,657</u>	<u>\$24,580,950</u>
General Fund	350	0
Cash Funds	43,631	44,990
Cash Funds Exempt	9,492,858	8,615,870
Federal Funds	17,545,818	15,920,090

*Staff also recommends a \$4.96 million appropriation from the Health Care Supplemental Appropriations and Overexpenditures Account in the Tobacco Account in the Tobacco Litigation Settlement Cash Fund into the CBHP Trust Fund to partially offset the additional funding needed for this supplemental.

Department Request: The Department requests FY 2007-08 supplemental of \$27.1 million total funds for the CBHP program. The Department's request is based on a final average children's caseload estimate of 58,868 for children and 1,534 for adult pregnant women. The per capita medical cost are estimated at \$1,581.01 for children and \$11,933.24 for adult pregnant women. The per capita costs for the children's dental program is estimated at \$152.36. The Department also requests a total of \$1,350 in the CBHP Trust and Administration line item in order to expand the CBHP program to 225 percent of FPL.

Staff Recommendation: Staff recommends a FY 2007-08 supplemental of \$24.6 million total funds for the CBHP program. Staff's recommendation is based on a final average children's caseload estimate of 58,915 for children and 1,560 for adult pregnant women. Staff recommends a per capita medical cost estimate of \$1,532.04 for children and \$11,933.24 for adult pregnant women. The per capita cost estimate for the children's dental program is estimated at \$152.36. Staff does not recommend the \$1,350 supplemental to expand the CBHP program to 225 percent of FPL. Because a statutory change is necessary for this issue, this item can not be included in a supplemental bill.

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Staff's recommendation supports final estimated expenditures of \$108.9 million for the total medical premium costs of the program (including both children and adult pregnant women). This estimate is \$22.4 million higher than the current appropriation of \$86.4 million. The current appropriation of \$86.4 million supports average monthly expenditures of \$7.2 million. However, through February 2008, average monthly expenditures for the program have average \$8.1 million. Staff's recommendation forecasts that actual average monthly expenditures for the program will be approximately \$9.1 million for the fiscal year. This is based on current caseload and expenditure growth trends. Please note that staff anticipates that expenditure will grow faster in the second half of the fiscal year than they did in the first half of the fiscal year due to higher caseload and the delayed impacts of new legislation.

Staff's recommendation supports final expenditures of \$9.0 million for the CBHP dental line. This estimate is \$2.1 million higher than current appropriation of \$6.9 million. The current appropriation of \$6.9 million supports average monthly expenditures of \$573,900. Through February 2008, average monthly expenditures have averaged \$704,857. Staff's recommendation forecasts that actual average monthly expenditures for the program will be approximately \$746,100.

Lastly, staff's FY 2007-08 supplemental recommendation increases the appropriation for enrollment fees in the CBHP Trust Fund by \$44,990 over the current appropriation.

Please note, of the \$8,615,870 in Cash Funds Exempt, staff recommends that \$4,960,871 be from the Health Care Supplemental Appropriations and Overexpenditures Account in the Tobacco Account in the Tobacco Litigation Settlement Cash Fund created in Section 24-22-115 (4) (a), C.R.S. (This funding is actually appropriated into the CBHP Trust Fund and then appropriated into the line items from the CBHP Trust Fund). This Account was created in H.B. 07-1359 to allow up to \$6.2 million from the Tobacco Litigation Settlement Cash Fund to be used to fund CBHP Supplementals in FY 2006-07 and FY 2007-08. Of the \$6.2 million, \$1,239,129 was appropriated in H.B. 08-1285 to fund a part of the FY 2006-07 supplemental. This left \$4,960,871 that is available to fund the FY 2007-08 supplemental.

Additional information about staff's supplemental recommendation is contained in the detail descriptions for each affected line item.

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Summary of FY 2008-09 Decision Items Requests and Recommendations

The Department's requested decision items for the CBHP program addresses four main policy issues:

- 1) Base Caseload and Cost Growth
- 2) Increasing Outreach Efforts to Increase Enrollment for Already Eligible Children
- 3) Enhancing the Quality of Medical Care Provided to Clients Through Medical Homes.
- 4) Increasing Eligibility Thresholds from 205% to 225% of FPL.

The table below briefly summarizes the Department's request and Staff's recommendations for these line items. Greater detail is discussed in each of the line item detail sections below.

Table 1: Department's FY 2008-09 Policy Issues for the CBHP Program -- Incremental Increase from FY 2007-08 (All Affected Line Items and Funding Sources)				
Issue	Department Request	Staff Rec.	Difference (Staff-Dept)	Description
General Caseload and Cost Growth from FY 2007-08	\$23,343,152	\$31,866,214	\$8,523,062	This is impact from DI #3/BA-A3 for forecasted caseload and cost growth for the CBHP program. This decision item does not contain any policy changes. The Department's request is based on the following: (1) children caseload of 67,653 with per capita medical costs of \$1,626.07 and dental costs of \$161.38; and (2) adult pregnant women caseload of 1,986 at a per capita cost of \$12,723.22. Staff's recommendation reflects the projected growth from staff's supplemental recommendation. Staff's recommendation is based on the following: (1) children caseload of 69,350 with per capita medical costs of \$1,626.07 and dental costs of \$161.38; and (2) adult pregnant women caseload of 2,021 at a per capita cost of \$12,723.22.

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Table 1: Department's FY 2008-09 Policy Issues for the CBHP Program -- Incremental Increase from FY 2007-08 (All Affected Line Items and Funding Sources)				
Issue	Department Request	Staff Rec.	Difference (Staff-Dept)	Description
Enhance Marketing	\$16,135,175	\$11,003,626	(\$5,131,549)	The Department's request increases marketing by \$1.4 million to expand outreach efforts to find and enroll existing eligible but uninsured clients. The Department's request also results in additional costs to the Medicaid program. Staff's recommends the Department's request for the increased marketing fund but calculates different caseload impacts.
Quality of Care through Medical Homes	\$615,300	\$513,842	(\$101,458)	The Department requests an additional \$10 for each code identified as a medical home procedure code to encourage medical home providers in the CBHP program. Staff recommends the Department's request but using staff's caseload figures, including the caseload from decision item 3a, to calculate the amount.
Caseload Impact to Quality	\$2,499,127	\$1,245,264	(\$1,253,863)	The Department request an additional \$2.5 million for additional caseload impacts associated with creating Medical Homes and Centralized Eligibility. Staff's recommendation includes some CBHP caseload impacts for this issue in the CBHP program only (staff does not recommend any impacts to the Medicaid caseload for this issue).
CBHP Mental Health Rates	\$6,959,323	\$0	(\$6,959,323)	The Department requests approximately \$7.0 million to enhance the Mental Health benefit under the Children's Basic Health Plan to the same benefit levels that are provided to Children in the Medicaid Program. Staff does not recommend this request. Staff has consulted with Legal Services and believes that a statutory change to Section 25.5-8-107 (1) (a) (I) would be necessary in order to fund this impact.

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Table 1: Department's FY 2008-09 Policy Issues for the CBHP Program -- Incremental Increase from FY 2007-08 (All Affected Line Items and Funding Sources)				
Issue	Department Request	Staff Rec.	Difference (Staff-Dept)	Description
Increase Eligibility to 225%	\$7,780,450	\$0	(\$7,780,450)	The Department requests \$7.8 million total funds in the CBHP program line items to increase eligibility in the CBHP program to 225 percent FPL (another \$45,990 is requested in the MMIS line item). Staff does not recommend this funding for the Long Bill. Section 25.5-8-103 (4) (a) & (b) defines an eligible person for the CBHP program as having family income at or below 205 percent of poverty. The Department's request requires a statutory change and those must be funded through an appropriation clause in a special bill.
Total Decision Items	\$57,332,527	\$44,628,946	(\$12,703,581)	

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Children's Basic Health Plan -- Premium Line Item

Line Item Description: This line item funds the costs of medical services provided to eligible children and adult pregnant women who are enrolled in the Children's Basic Health Plan.

Children's Basic Health Plan Premiums			
	Department		Difference
	Request	Staff Recommendation	Staff-Dept
FY 2007-08 Original Appropriation	\$86,426,598	\$86,426,598	\$0
<i>February Supplementals--Caseload/Cost Update</i>	24,953,867	22,446,373	(2,507,494)
FY 2007-08 Revised Appropriation	\$111,380,465	\$108,872,971	(\$2,507,494)
Annualize Prior Year Legislation	\$4,673,599	\$4,673,599	\$0
DI #3/BA-A3 -- Fund Base Caseload & Cost	\$19,222,763	\$24,936,154	\$5,713,391
FY 2008-09 Continuation Base	\$135,276,827	\$138,482,724	\$3,205,897
DI #3A-- Additional CBHP Outreach	\$12,888,400	\$8,712,483	(\$4,175,917)
BA-A1A -- Building Blocks to Health Care Reform	13,827,112	1,647,108	(12,180,004)
Total FY 2008-09 Recommendation	\$161,992,339	\$148,842,315	(\$13,150,024)
FY 2008-09 Fund Split			
General Fund	\$0	\$0	\$0
Cash Funds			
-- CBHP Trust Fund	\$26,918,887	\$24,460,781	(\$2,458,106)
-- Health Care Expansion Fund	\$28,790,878	\$27,484,999	(\$1,305,879)
-- CBHP Supplemental Account	\$808,439	\$219,896	(\$588,543)
-- Immunization Fund	\$456,529	\$171,251	(\$285,278)
Reappropriated Funds			
-- CBHP Trust Fund Amount from GF			\$0
Federal Funds	\$105,017,606	\$96,505,388	(\$8,512,218)
Increase from FY 2007-08 Revised Appropriation	\$50,611,874	\$39,969,344	(\$10,642,530)
Percent Increase	45.44%	36.71%	-9.78%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

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FY 2007-08 Supplemental Request

Department Request: The Department requests a FY 2007-08 supplemental of \$24,953,867 total funds for the CBHP premium line item. This supplemental request is based on the Department's final caseload and per capita estimates for the program. As stated earlier, the Department forecasts a final average children's caseload estimate of 58,868 for children and 1,534 for adult pregnant women. The per capita medical cost are estimated at \$1,581.01 for children and \$11,933.24 for adult pregnant women.

Staff Recommendation: Staff recommends a FY 2007-08 supplemental of \$22,446,373 total funds for the CBHP premium line item. As stated earlier, staff's recommendation is based on a final average children's caseload estimate of 58,915 for children and 1,560 for adult pregnant women. However, staff recommends a per capita medical cost estimate of \$1,532.04 for children and \$11,933.24 for adult pregnant women.

Discussion:

Staff's recommendation has the following components:

1. An increase of \$4.1 million total funds (\$1.5 million cash funds and \$2.7 million federal funds) to adjust the FY 2007-08 appropriation based on the higher than anticipated expenditures that occurred in FY 2006-07 for this program. As the Committee is aware last year the Committee approved a 1331 supplemental due to higher than anticipated costs and caseloads in the CBHP. Because the original FY 2007-08 appropriation had not been built from the higher caseloads that occurred in FY 2006-07, the appropriation was insufficient from the very beginning of the fiscal year.
2. An increase of \$18.3 million total funds (\$6.3 million cash funds and \$11.9 million federal funds) to reflect the staff's forecasted higher than anticipated caseload and cost projections above the impact of the FY 2006-07 supplemental.

Reasons why the original appropriation was forecast for FY 2007-08 was so far off the mark include:

- 1) The original caseload forecasts did not estimate correctly the impact that the Deficit Reduction Act of 2005, the removal of the asset test, or the impact of increased marketing of the program that began after the new administration. Because prior to this year, caseload numbers were adjusted for up-to-six months for retroactivity, it was difficult to understand

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what the final caseload numbers were in time to update the March 2007 forecast to more completely understand these estimates.

2. The costs for the program were under estimated because an assumption that most of the lower income children would move to Medicaid with the removal of the asset test. The lower income children tend to be younger and have more medical costs. Therefore, when the Deficit Reduction Act caused some of these children to remain with the CBHP program instead of move to the Medicaid program, the costs for the program were understated. In addition, the Department estimates that three of the bills passed last year had higher cost impacts than were assumed in the fiscal note. The impacts from the understated costs for new legislation are shown in the table below:

	Estimated Impact to Capitation Rate from Fiscal Note	Revised Impact to Capitation Rate from Fiscal Note	Actual Rate Impact
S.B. 07-004 Early Intervention Services	.10	2.5	2.4
S.B. 07-036 Mental Health Disorders	.08	.16	0.08
H.B. 07-1301 Cervical Cancer Immunizations	1.99	3.98	1.99

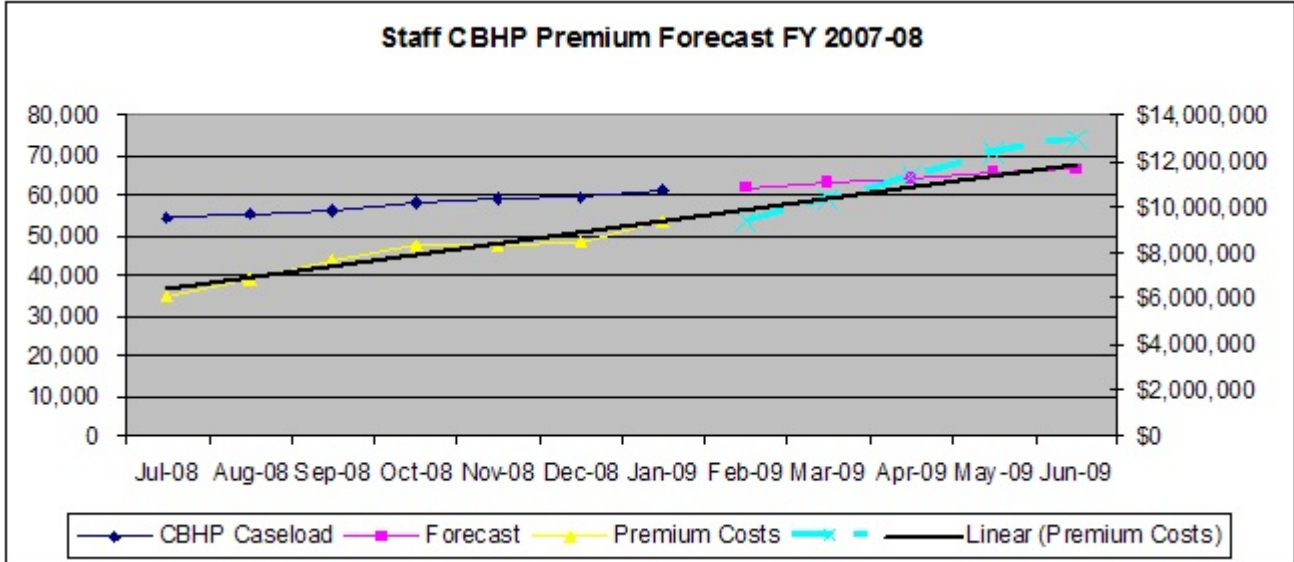
Staff estimates that these increase costs account for approximately \$3.2 million of the needed supplemental.

Staff anticipates that the with cash accounting, the accuracy of the final supplemental forecasts for the Children's Basic Health Plan will improve.

Lastly, staff recommends a lower supplemental than the Department (even though caseload is slightly higher) based on actual expenditure data through February. In order for the CBHP program to grow to the Department's requested supplemental amount, the next four months of the fiscal year will have to have substantial higher expenditures than in the first half of the year. At this time, staff doesn't believe this will happen to magnitude that the Department has forecasted. Therefore, staff has adjusted the forecast slightly downward by predicting a slightly lower per capita estimate for the children's population. Staff will continue to monitor the expenditures through March and will let the Committee know if any adjustments should be made during the Conference Committee on the Long Bill in April. Because the CBHP fund has sufficient revenues, there is no General Fund impact in FY 2007-08 for the supplemental or potential revision if necessary.

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FY 2008-09 Request

Department Request/Staff Recommendation: The Department requests \$161,992,339 total funds for the Children's Basic Health Plan medical premium costs in FY 2008-09. Staff recommends a total appropriation of \$148,842,315 total funds in FY 2008-09. The Department's request and staff recommendation have the following components:

- 1. Annualize prior year legislation/DI #3/BA-A3 -- Fund Normal Caseload and Costs Without Capping the Program:** The Department requests \$135,276,827 total funds for the base costs of the CBHP program. Staff recommends \$138,482,724 total funds in FY 2008-09 for normal caseload growth and costs for the program. Staff's recommendation is \$3,205,897 total funds higher than the Department's request.

Discussion:

The CBHP program is not an entitlement program per federal law or state law. The CBHP program can be capped based on the amount of funding the General Assembly appropriates (however, S.B. 08-022 tries to restrict the General Assembly's power to do this by stating that the Department and not the General Assembly has the ability to make decisions about capping or not capping the program). Therefore, the Committee could make a decision to not fund the natural caseload and costs forecasted (this was done in FY 2003-04). However, based on the

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current state budget situation, staff recommends that the program be allowed to grow as forecasted.

Table 1 below shows the differences between the Department's and staff's recommendation for the base caseload and costs.

Table 1: Base Caseload Assumptions for Dept and Staff Forecasts			
	Department Request	Staff Recommendation	Difference
Children's Caseload	67,653	69,350	1,697
Children's Per Capita Costs	<u>\$1,626.07</u>	<u>\$1,626.07</u>	\$0.00
Total Costs for Children	\$110,008,514	\$112,767,955	\$2,759,441
			0
Adult Caseload	1,986	2,021	35
Adult Per Capita Costs	<u>\$12,723.22</u>	<u>\$12,723.22</u>	\$0.00
Total Costs for Adults	\$25,268,315	\$25,713,628	\$445,313
			\$0
Total Premiums	\$135,276,829	\$138,481,582	\$3,204,753

* Slight rounding errors from the official recommendation table due to rounding errors in the caseload forecast that includes partial people.

Table 2 below shows what is driving the costs for the children's population.

Table 2: Analysis of Factors Driving the Children's Premium Costs						
	FY 2007-08 Staff Recommended Appropriation	FY 2008-09 Department's Request	FY 2008-09 Staff Rec.	FY 2008-09 Department Compared to Suppl. App.	FY 2008-09 Staff Rec. Compared to Suppl App.	FY 2008-09 Staff Rec. compared to Dept. Request
Total Cost Estimated	\$91,907,400	\$110,008,514	\$112,767,955	\$18,101,114	\$20,860,555	\$2,759,441
Caseload	58,915	67,653	69,350	8,738	10,435	1,697
\$/Client*	\$1,560.00	\$1,626.07	\$1,626.07	\$66.07	\$66.07	\$0.00

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Table 2: Analysis of Factors Driving the Children's Premium Costs						
	FY 2007-08 Staff Recommended Appropriation	FY 2008-09 Department's Request	FY 2008-09 Staff Rec.	FY 2008-09 Department Compared to Suppl. App.	FY 2008-09 Staff Rec. Compared to Suppl App.	FY 2008-09 Staff Rec. compared to Dept. Request
Impact Associated with Caseload Change				\$13,631,280	\$16,278,600	\$2,759,441
Impact Associated with Cost per Client Changes (includes compounding effect)				\$4,469,834	\$4,581,955	\$0
Subtotal Medical Services Supplemental for base forecasting				\$18,101,114	\$20,860,555	\$2,759,441

Table 3 below shows what is driving the costs for the children's population.

Table 3: Analysis of Factors Driving the Adult Pregnant Premium Costs						
	FY 2007-08 Staff Recommended Appropriation	FY 2008-09 Department's Request	FY 2008-09 Staff Rec.	FY 2008-09 Department Compared to Suppl. App.	FY 2008-09 Staff Rec. Compared to Suppl App.	FY 2008-09 Staff Rec. compared to Dept. Request
Total Cost Estimated	\$18,615,854	\$25,268,315	\$25,713,628	\$6,652,461	\$7,097,774	\$445,313
Caseload	1,560	1,986	2,021	426	461	35
\$/Client*	\$11,933.24	\$12,723.22	\$12,723.22	\$789.98	\$789.98	\$0.00
Impact Associated with Caseload Change				\$5,083,560	\$5,501,224	\$445,313
Impact Associated with Cost per Client Changes (includes compounding effect)				\$1,568,901	\$1,596,550	\$0
Subtotal Medical Services Supplemental for base forecasting				\$6,652,461	\$7,097,774	\$445,313

- DI #31 -- Additional CBHP Outreach:** The Department requests \$12,888,400 total funds in FY 2008-09 for additional 8,000 children that the Department anticipates serving due to increased marketing of the program. This is part of the Governor's health care initiative to find and enroll children who are already eligible for public health care programs. Staff recommends the Department's request for the additional outreach/marketing activities. However, staff forecasts a lower caseload impact from these activities. Staff's forecasted increase to the children's caseload is 5,358 children. At this level of children, the Department

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would maintain the high monthly growth rate that experienced in FY 2006-07 and FY 2007-08. Both the staff's and Department's base caseload forecasts assumed that this growth rate was not sustainable into the future due to program beginning to get closer to its saturation point.

3. **BA-A1A -- Building Blocks to Health Care Reform:** The Department requests an additional \$13,827,112 total funds in FY 2008-09 for initiatives in the Governor's Building Blocks for Health Care Reform. Staff recommends \$1,647,108 for the initiatives in the Governor's building blocks to Health Care Reform.
 - A. **Medical Homes:** The Department requests a total increase of \$494,460 for incentive payments for medical homes. Staff recommends \$513,842 for incentive payments for medical homes. Staff's recommendation is slightly higher than the Department's request because staff's slightly higher caseload estimate.
 - B. **Eligible But Not Enrolled Improvements:** The Department requests an increase of \$2,271,581 total funds for additional caseload impacts from centralizing eligibility (although this won't occur until July 1, 2009) and from Medical Homes encouraging more children to enroll. The Department's estimated caseload impact from this activity is 1,410 children. Staff's recommendation is for an increase of \$1,133,266 total funds for an estimated 694 children. Staff estimates only a 1.0 percent impact to caseload from this issue. Staff would note that staff does not assume any caseload impacts for the Medicaid children for this issue -- staff assumes only higher income children who are not enrolled but still seeking doctor care as private payers would be encouraged to enroll.
 - C. **Enhanced Mental Health Benefit for CBHP children:** The Department requests an increase of \$5,823,099 total funds to increase the CBHP mental health benefit to be on par with the benefit received by Medicaid children. Staff does not recommend this issue. This issue needs a statutory change in order to be implemented. Staff calculates that if the Committee ran a bill on this issue the cost would be \$5,857,990.
 - D. **Increase Eligibility to 225 Percent:** The Department requests an increase of \$5,237,972 total funds to expand CBHP program eligibility to 225 percent of the federal poverty level. Staff does not recommend this issue. This issue needs a statutory change in order to be implemented.

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Children's Basic Health Plan -- Dental Line Item

Line Item Description: This line item funds the dental services provided to eligible children who are enrolled in the Children's Basic Health Plan.

Children's Basic Health Plan Dental Costs			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$6,886,799	\$6,886,799	\$0
<i>February Supplementals--Caseload/Cost Update</i>	<u>2,082,330</u>	<u>2,089,586</u>	<u>7,256</u>
FY 2007-08 Revised Appropriation	\$8,969,129	\$8,976,385	\$7,256
Annualize Prior Year Legislation	\$250,798	\$250,798	\$0
DI #3/BA-A3 -- Fund Base Caseload & Cost	\$1,697,914	\$1,964,539	\$266,625
FY 2008-09 Continuation Base	\$10,917,841	\$11,191,722	\$273,881
DI #3A-- Additional CBHP Outreach	\$1,291,040	\$864,674	(\$426,366)
BA-A1A -- Building Blocks to Health Care Reform	721,692	111,998	(609,694)
Total FY 2008-09 Recommendation	\$12,930,573	\$12,168,394	(\$762,179)
<u>FY 2008-09 Fund Split</u>			
General Fund	\$0	\$0	\$0
Cash Funds			
-- CBHP Trust Fund	\$2,533,151	\$2,360,199	(\$172,952)
-- Health Care Expansion Fund	\$1,979,278	\$1,885,332	(\$93,946)
-- CBHP Supplemental Account	\$13,273	\$13,407	\$134
Reappropriated Funds	\$0	\$0	\$0
Federal Funds	\$8,404,871	\$7,909,456	(\$495,415)
Increase from FY 2007-08 Revised Appropriation	\$3,961,444	\$3,192,009	(\$769,435)
Percent Increase	44.17%	35.56%	-8.57%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

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FY 2007-08 Supplemental Request

Department Request: The Department requests a FY 2007-08 supplemental of \$2,082,330 total funds for the CBHP dental line item. This supplemental request is based on the Department's final caseload and per capita estimates for the program. As stated earlier, the Department forecasts a final average children's caseload estimate of 58,868 for children. Dental costs are estimated at \$152.36.

Staff Recommendation: Staff recommends a FY 2007-08 supplemental of \$2089,586 total funds for the CBHP dental line item. As stated earlier, staff's recommendation is based on a final average children's caseload estimate of 58,915 for children and dental costs of \$152.36.

FY 2008-09 Request

Department Request/Staff Recommendation: The Department requests \$12,930,573 total funds for the Children's Basic Health Plan dental costs in FY 2008-09. Staff recommends a total appropriation of \$12,168,394 total funds in FY 2008-09. The Department's request and staff recommendation have the following components:

1. **Annualize prior year legislation/DI #3/BA-A3 -- Fund Normal Caseload and Costs Without Capping the Program:** The Department requests \$10,917,841 total funds for the base costs of the CBHP program. Staff recommends \$11,191,722 total funds in FY 2008-09 for normal caseload growth and costs for the program. Staff's recommendation is \$273,881 total funds higher than the Department's request. The reason staff recommendation is higher is due staff's higher baseline children's population forecast (as was discussed in the Premiums section). Staff recommends the Department's estimates for the per capita costs of the dental program.
2. **DI #3a -- Additional CBHP Outreach:** The Department requests \$1,291,040 total funds in FY 2008-09 for the dental costs for the additional 8,000 children the Department anticipates serving due to increased marketing of the program. Staff recommends \$864,674 for this issue. Staff's forecasted increase to the children's caseload due to increased marketing activities is only 5,358 additional children.
3. **BA-A1A -- Building Blocks to Health Care Reform (Eligible But Not Enrolled Improvements):** The Department requests an increase of \$721,692 total funds for additional caseload impacts from centralizing eligibility (although this won't occur until July 1, 2009) and from Medical Homes encouraging more children to enroll. The Department's estimated caseload impact from this activity is 1,410 children. Staff's recommendation is for an increase

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of \$111,998 total funds for an estimated 694 children. Staff estimates only a 1.0 percent impact to caseload from this issue.

Children's Basic Health Plan -- External Administration

Line Item Description: This line item provides fund for the private contracts for administrative services associated with the Children's Basic Health Plan. Internal administrative costs are funded in their respective line items in the Executive Director's Office division (i.e. personal services, operating expenses, MMIS, etc.).

Children's Basic Health Plan External Administration Costs			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$5,541,590	\$5,541,590	\$0
<i>February Supplementals--Caseload/Cost Update</i>	1,000	0	(1,000)
FY 2007-08 Revised Appropriation	\$5,542,590	\$5,541,590	(\$1,000)
Annualize Prior Year Legislation	(\$5,000)	(\$5,000)	\$0
FY 2008-09 Continuation Base	\$5,537,590	\$5,536,590	(\$1,000)
DI #3A-- Additional CBHP Outreach	\$1,400,000	\$1,400,000	\$0
BA-A1A -- Building Blocks to Health Care Reform	15,000	15,000	0
Total FY 2008-09 Recommendation	\$6,952,590	\$6,951,590	(\$1,000)
<u>FY 2008-09 Fund Split</u>			
General Fund	\$0	\$0	\$0
Cash Funds			
-- CBHP Trust Fund	\$2,475,871	\$2,475,871	\$0
-- Health Care Expansion Fund	\$540,350	\$540,000	(\$350)
Reappropriated Funds			\$0
Federal Funds	\$3,936,369	\$3,935,619	(\$750)
Increase from FY 2007-08 Revised Appropriation	\$1,410,000	\$1,410,000	\$0
Percent Increase	25.44%	25.44%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

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FY 2007-08 Supplemental Request

Department Request: The Department requests a FY 2008-09 supplemental of \$1,000 total funds for additional actuary services associated with increasing the eligibility for the program to 225 percent in FY 2008-09.

Staff Recommendation: Staff does not recommend the Department's request. As staff has stated earlier, increasing the eligibility to 225 percent requires special legislation and can not be done in the Long Bill.

FY 2008-09 Request

Department Request/Staff Recommendation: The Department requests \$6,952,590 total funds for the Children's Basic Health Plan external administration in FY 2008-09. Staff recommends a total appropriation of \$6,951,590 total funds in FY 2008-09. The Department's request and staff recommendation have the following components:

1. **Continuation costs:** The Department requests \$5,538,590 total funds for the base costs of the CBHP external administration program. Staff recommends \$5,536,590 total funds in FY 2008-09 for base continuation costs. The difference is the \$1,000 in continuing actuary services that staff does not recommend in FY 2007-08 and therefore, does not recommend in FY 2008-09.
2. **DI 3A -- Additional Marking/Outreach Activities:** The Department requests \$1,400,000 total funds to increase marketing and outreach activities in order to enroll an additional 8,000 uninsured children who are eligible for the program. Staff recommends the Department's request. The Department's plan for the additional funding is to provide more concentrated outreach efforts that involve face-to-face community involvement (rather than just purchasing media and advertisement).
3. **BA-A1A -- Building Blocks to Health Care Reform (Medical Homes):** The Department requests an increase of \$15,000 in additional administrative costs associated with implementing the Medical Home program. Staff recommends the Department's request.

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percent of poverty. Staff recommends a FY 2008-09 supplemental of \$44,990 based on higher enrollment fees due to increased caseloads.

FY 2008-09 Request

Department Request/Staff Recommendation: The Department requests \$6,578,274 total funds for the Children's Basic Health Plan Trust Fund in FY 2008-09. Of this amount, \$6,151,484 is General Fund and \$426,790 is cash funds from enrollment fees. Staff recommends a total appropriation of \$349,248 cash funds in FY 2008-09.

Discussion:

Both the Department's and staff recommendation adjusts the appropriation for any anticipated increases in enrollment fees due to higher caseload estimates. The Department also requests a General Fund appropriation into the Trust for any state costs associated with changes to the caseload or costs for the caseload eligible to be funded from the Trust. Staff does not recommend any General Fund appropriations into the CBHP Trust Fund because the fund should be solvent through FY 2008-09 with staff's recommendations. The Committee could still choose to appropriate the General Fund moneys, but they are for the program in FY 2008-09 as shown in the Table below.

Table 1: Staff Recommendation -- CBHP Trust Fund Anticipated Revenues and Expenditure Needs Based On Total Expenditures for the Program -- WITHOUT DECISION ITEMS				
	FY 2005-06 Actual	FY 2006-07 Actual/1	FY 2007-08 Staff Rec	FY 2008-09 Staff Rec
Beginning Balance	\$9,025,270	\$4,411,882	\$9,015,252	\$8,552,766
General Fund Appropriation	2,000,000	11,243,215	11,011	0
Transfer by State Controller	900,000	0	0	0
Tobacco Settlement Fund & 07-097 Acct.	20,927,529	19,214,822	21,906,406	27,493,883
07-1359 Supplemental App Acct.	0	1,239,129	4,960,871	0
Other Trust Revenues	990,140	610,607	809,464	852,325
Other State Revenues for CBHP Program	5,108,706	9,557,980	16,768,779	30,081,582
Total Estimated Federal Match Earnings	<u>50,509,127</u>	<u>65,616,702</u>	<u>79,480,141</u>	<u>100,132,562</u>
SUBTOTAL REVENUE	\$89,460,772	\$111,894,337	\$132,951,924	\$167,113,118

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Table 1: Staff Recommendation -- CBHP Trust Fund Anticipated Revenues and Expenditure Needs Based On Total Expenditures for the Program -- WITHOUT DECISION ITEMS				
	FY 2005-06 Actual	FY 2006-07 Actual/1	FY 2007-08 Staff Rec	FY 2008-09 Staff Rec
State Match for Caseload	\$26,053,257	\$36,384,330	\$43,910,805	\$55,083,474
Federal Match for Caseload	50,509,127	65,616,702	79,480,141	100,132,562
Other Trust Fund Expenditures	386,506	878,053	1,008,212	903,904
SB 05-211 Transfer	<u>8,100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
SUBTOTAL EXPENDITURES	\$85,048,890	\$102,879,085	\$124,399,158	\$156,119,940
REMAINING BALANCE	\$4,411,882	\$9,015,252	\$8,552,766	\$10,993,178

/1 Balance is higher than the Department's estimate on Exhibit C.1 because of the Health Care Supplemental Appropriations and Overexpenditure Account in the Tobacco Litigation Settlement Cash Fund FY 2006-07 appropriation in H.B. 08-1285.

The table above shows that the ending balance in FY 2008-09 should be approximately \$11.0 million before staff's decision item issues (this is just for the base funding). Staff's decision items would only add another \$100,591 in CBHP expenditures (due to the Medical Home initiative -- other decision items impact the Health Care Expansion Fund).

Because the caseloads that are eligible to be funded from the CBHP Trust Fund are at their upper limits, the increased costs from the CBHP Trust Fund in the future will only be from increased medical and dental costs.

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Comprehensive Primary and Preventive Care Grants Program

Line Item Description: This program awards grants to health care providers in order to expand primary, preventative health care services to low income, uninsured residents of Colorado. Over the years, the majority of the grant money has been spent on expanding clinics or expanding the availability of primary care services for uninsured or medically indigent by hiring additional staff and purchasing equipment and supplies. This program is funded from the Tobacco Master Settlement Agreement.

Table 1: Comprehensive Primary and Preventative Care Grant Program			
	Department Request	Staff Re commendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$4,138,070	\$4,138,070	\$0
<i>Supplemental – none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$4,138,070	\$4,138,070	\$0
<i>Annualize S.B. 07-097 & Tobacco Settlement Forecast</i>	1,858,930	2,343,191	484,261
FY 2008-09 Continuation Base	\$5,997,000	\$6,481,261	\$484,261
<i>Policy Issues – None</i>	0	0	0
Total FY 2008-09 Recommendation	\$5,997,000	\$6,481,261	\$484,261
<u>FY 2008-09 Fund Split</u>			
Cash Fund			
--Primary and Preventative Care Grant Fund	\$5,997,000	\$6,481,261	\$484,261
Increase from FY 2007-08 Revised Appropriation	\$1,858,930	\$2,343,191	\$0
Percent Increase	44.92%	56.63%	0.00%
<i>Amount GF Exempt from 6.0% Limit</i>	\$0	\$0	\$0

Department Request: The Department's request annualizes the impacts of S.B. 07-097 and H.B. 07-1359 and adjusts the appropriation to reflect Legislative Council Staff's June 2007 revenue predictions for the Tobacco Master Settlement Agreement.

Staff Recommendation: Staff's recommendation reflects the forecasted amount of Tobacco Master Settlement Agreement funds that are available to this program as presented to the Committee on February 14, 2008. Staff asks for permission to update this appropriation if changes are made to this forecast.

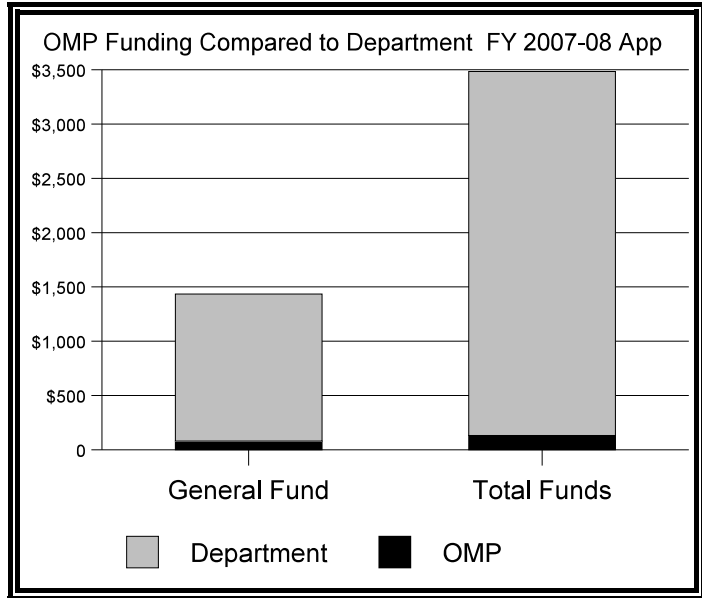
**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
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Other Medical Services Division

Overview:

The Department of Health Care Policy and Financing's Other Medical Programs Division contains the funding for seven current line items. A new line item for the Colorado Cares Rx Program is being added to this division beginning in FY 2008-09. The eight lines in this division for FY 2008-09 include: (1) The Old Age Pension State Medical Program; (2) The Tobacco Tax Transfer from General Fund to the Old Age Pension State Medical Program; (3) the Family Medicine Residency Training Program; (4) the Enhanced Prenatal Care Training and Technical Assistance; (5) the Nurse Home Visitor Program Medicaid Funding; (6) Public School Health Services; (7) the Medicare Modernization Act State



Contribution Payment; and (8) Colorado Cares Rx Program Administrative Costs . Of these eight programs, four qualify for federal Medicaid matching funds, two are state-only health programs, one is a payment to the federal government for prescription drug coverage for dual eligibles, and one is a technical appropriation from one fund into another fund. The current FY 2007-08 General Fund appropriation for the Division represents 5.6 percent of the Department's total General Fund appropriation. The Division's FY 2007-08 total fund appropriation represents 3.8 percent of the Department's total fund appropriation.

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Old Age Pension State Medical Program

Line Item Description: The Old Age Pension (OAP) Health and Medical program was established through Article XXIV of the Colorado Constitution and by Section 25.5-2-101, C.R.S. (2007) to provide health care services to persons who qualify to receive old age pensions but who are ineligible for Medicaid or Medicare. In FY 2007-08, the current year appropriation serves an estimated 5,283 clients at a per capita cost of \$2,645.17.

Table 1: OAP State Medical Program			
	Department	Staff	Difference
	Request	Recommendation	Staff-Dept
FY 2007-08 Original Appropriation	\$13,293,672	\$13,293,672	\$0
<i>Supplemental -- none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$13,293,672	\$13,293,672	\$0
<i>Remove One-time Funding from OAP Sup. Fund Balance</i>	(\$725,468)	(\$725,468)	\$0
<i>Revised estimate of revenue from the Tobacco Tax Cash Fund</i>	(\$67,500)	(\$25,500)	\$42,000
<i>Annualize S.B. 07-133</i>	680,779	680,779	0
FY 2008-09 Continuation Base	\$13,181,483	\$13,223,483	\$42,000
<i>Budget Amendment #8 -- Spend OAP Sup. Fund Balance</i>	2,130,232	2,088,232	(42,000)
Total FY 2008-09 Recommendation	\$15,311,715	\$15,311,715	\$0
<u>FY 2008-09 Fund Split</u>			
Cash Fund			
--Old Age Pension Health and Medical Care Fund	\$9,998,483	\$9,998,483	\$0
--Supplemental Old Age Pension Health and Medical Care Fund	\$5,313,232	\$5,313,232	\$0
Increase from FY 2007-08 Revised Appropriation	\$2,018,043	\$2,018,043	\$0
Percent Increase	15.18%	15.18%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and staff recommends a total fund appropriation of \$15,311,715 for FY 2008-09. The recommended appropriation reflects the program's forecasted FY 2008-09 costs based on maintaining the same reimbursement rates as a percent of the Medicaid rate that have been in effective since July 1, 2007.

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Discussion: The Old Age Pension (OAP) State Medical Program is 100 percent State-funded and is not an entitlement program. Total payments to providers for medical services to eligible OAP clients are limited to the funds appropriated for any given fiscal year and the Department must manage to the appropriation. Because eligibility for the program is defined in the by the State Constitution and State Statute, the only way the Department can manage to the appropriation is to increase or reduce reimbursement rates for medical providers.

Funding for the OAP State Medical Program comes from three sources: (1) a \$10,000,000 constitutionally required transfer to the Old Age Pension Health and Medical Care Fund; (2) a \$750,000 transfer to the Supplemental Old Age Pension Health and Medical Care Fund pursuant to Section 39-26-123, C.R.S. (2007); and (3) a transfer of 1.5 percent of the revenues collected each year from the Amendment 35 tobacco taxes. None of the revenue sources are anticipated to grow since they are either capped by the Constitution or Statute or are from stable to declining excise taxes (i.e. the Tobacco Tax).

During the last five years, caseload growth for the program has averaged 6.3 percent. In order to manage to the appropriation, the Department has enacted several rate decreases as shown in the table below.

Table 2: Percent of Medicaid Reimbursement Paid by the OAP Medical Program									
	Inpatient	Outpatient	Physician	E-Dental	Lab & X-ray	Supplies	Home Health	E-Trans.	Pharmacy
7/1/2002	68.00%	82.00%	82.00%	82.00%	82.00%	82.00%	82.00%	82.00%	100.00%
1/1/2004	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	100.00%
10/15/2004	10.00%	50.00%	82.00%	50.00%	50.00%	50.00%	82.00%	82.00%	100.00%
7/15/2005	10.00%	62.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
5/1/2006	10.00%	53.00%	70.00%	53.00%	53.00%	53.00%	53.00%	53.00%	100.00%
7/1/2006	10.00%	62.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
9/1/2006	10.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	100.00%
11/1/2006	10.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	70.00%
5/1/2007	50.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
7/1/2007	10.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	70.00%

The Department estimates that to maintain the current reimbursement rates in effect as of July 1, 2007 for FY 2008-09, the program will need a total appropriation of \$15,311,715. This estimate is based on keeping the current rates at the same percentage of Medicaid rates that they are now and also adjusts for anticipated caseload and utilization increases. In order to maintain the OAP rates at the same percentage as Medicaid rates, any Medicaid rate increase would also increase the OAP rates (i.e. if hospitals receive a 1.5 percent Medicaid rate increase the OAP rates would also increase in order to maintain the rate at the same percentage as Medicaid).

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Currently, the three funding sources for this program support the following appropriation level:

- 1) \$9,998,483 Constitutional transfer (\$1,517 is used for Medical ID cards in the EDO);
 - 2) 750,000 pursuant to Section 39-26-123, C.R.S.; and
 - 3) 2,475,000 in Tobacco Tax
- \$13,223,783

As stated earlier, the Department requests and staff recommends \$15,311,715 in order to maintain reimbursement rates at the same percentage of Medicaid rates as currently set. This results in an additional \$2,088,232 being needed for the program over the existing revenue sources.

In FY 2007-08, there was a beginning fund balance in the Supplemental OAP Medical Fund of \$2,542,498. Therefore, the Department requests and staff recommends that the additional \$2,088,232 in needed funding for FY 2008-09 be appropriated from the existing fund balance in the Supplemental OAP Medical Fund.

Staff's recommendation does not solve the OAP Medical Program's problem. However, the recommendation will accomplish the following objectives:

- 1) Stabilize the OAP Medical Program's reimbursement rates for FY 2008-09.
- 2) Increase the amount of funding available for medical providers that serve underinsured and uninsured individuals. As the Department testified at their December hearing:

"Clients enrolled in Old Age Pension Medical Program can receive care from hospitals (through their Medicaid contract) and Federally Qualified Health Centers that participate in Medicaid. Further, a significant number of these hospitals and all Federally Qualified Health Centers participate in the Colorado Indigent Care Program. This network provides an Old Age Pension Medical Program client with a similar level of access to care as a Colorado Indigent Care Program client."

However, because the recommendation uses fund balance, the funding is one-time in nature and is not anticipated to continue at the same amount in the future. Please note, the Department anticipates that the ending FY 2008-09 fund balance in the Supplemental OAP Medical Fund will be approximately \$2.3 million (with their current request). It is possible that some of this fund balance could be used in FY 2009-10 to reduce anticipated rate decreases in FY 2009-10. However, by FY 2010-11 all fund balance would be exhausted and additional rate decreases would be necessary.

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Estimated Costs of OAP Medical Program If Funded at 100% of Medicaid Rates

Staff estimates that if the OAP Medical Program was funded at 100 percent of Medicaid Rates in FY 2008-09, the total need for the program would be \$35,700,700. ***This amount is \$20,388,985 higher than staff's recommended FY 2008-09 appropriation.***

Staff's estimated caseload for FY 2008-09 is 5,389. At an appropriation of \$35,700,700, the per capita cost for the program would be \$6,624.73 per client or \$552.06 per client per month. To put this amount into perspective, the current estimated annual per capita acute care costs for SSI Medicaid clients ages 60 to 64 is \$7,772.37 (\$647.70 per client per month). Also a web-based quote from Kaiser Health Insurance for an individual between the ages of 60 to 64 for a non-deductible plan without prescription drug coverage has an annual premium cost of \$8,536.44 (or \$711.37 per month).

Senate Bill 131 -- Increase to Supplemental Old Age Pension Fund

In January, the Committee voted to introduce S.B. 08-131 to increase the amount of funding for the OAP Medical program beginning in FY 2008-09. As introduced the bill did not specify the amount of the funding to be transferred to the Supplemental OAP Medical Fund (i.e. the bill is drafted with blanks). On February 21, the JBC Committee voted to amend the bill to be effective July 1, 2009 (this means the increase to the transfer would not occur until FY 2009-10). With this amendment, an appropriation clause would not be necessary for the bill. This amendment recognizes the fact that there is enough fund balance in FY 2008-09 to maintain current reimbursement rates without a transfer increase. The JBC Committee also voted to increase the transfer from \$750,000 to \$2,850,000 beginning in FY 2009-10.

Testimony on the S.B. 08-131 was heard in the Senate Health and Human Services Committee on February 27, 2008. The bill has late bill status and is waiting a final vote in the Senate HHS Committee.

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**H.B. 05-1262 Transfer of Tobacco Tax Cash Fund
into Supplemental Old Age Pension State Medical Fund**

Line Item Description: Amendment 35 to the Colorado Constitution provided that three percent of the revenues from the new tobacco taxes be distributed to the General Fund, the Old Age Pension Medical Program, and to the counties and cities. House Bill 05-1262 requires that the General Assembly annually appropriate 50 percent of the 3 percent (1.5 percent) of the Tobacco Revenues to the Supplemental Old Age Pension State Medical Fund. This line item contains the annual appropriation required under H.B. 05-1262.

Table 1: H.B. 05-1262 Tobacco Tax Cash Fund Transfer into the Supplemental Old Age Pension State Medical Fund			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$2,500,500	\$2,500,500	\$0
<i>Supplemental – none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$2,500,500	\$2,500,500	\$0
<i>Revised estimate of revenue from the Tobacco Tax Cash Fund</i>	(\$67,500)	(\$25,500)	\$42,000
FY 2008-09 Continuation Base	\$2,433,000	\$2,475,000	\$42,000
<i>Policy Adjustments -- None</i>	0	0	0
Total FY 2008-09 Recommendation	\$2,433,000	\$2,475,000	\$42,000
<u>FY 2008-09 Fund Split</u>			
Cash Fund			
--Tobacco Tax Cash Fund	\$2,433,000	\$2,475,000	\$42,000
Increase from FY 2007-08 Revised Appropriation	(\$67,500)	(\$25,500)	\$0
Percent Increase	-2.70%	-1.02%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: The Department request reflects the June 2007 Legislative Council Staff revenue forecast. The staff recommendation reflects the December 2007 Legislative Council Staff revenue forecast. Staff asks for permission to update this appropriation once the March 2008 revenue forecast is released.

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Commission on Family Medicine Residency Programs

Line Item Description: This line item provides payments to nine hospitals to help offset their costs for providing residency programs for family medicine physicians. Prior to FY 2004-05, the Department of Higher Education, University of Colorado, Health Sciences Center provided some of the administrative costs for the Commission on Family Medicine. However, since FY 2004-05, all administrative costs for the Commission have been paid by the Colorado Association of Family Medicine Residencies. All of the funding in this line item goes directly the residency programs. Federal regulations allow Medicaid financial participation for the payments to the hospitals enrolled in the program.

Table: Commission on Family Medicine Residency Training Programs

	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$1,903,558	\$1,903,558	\$0
<i>Supplemental – none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$1,903,558	\$1,903,558	\$0
<i>Technical Adjustments – none</i>	\$0	\$0	\$0
FY 2008-09 Continuation Base	\$1,903,558	\$1,903,558	\$0
<i>NPI #2 -- Increase Funding for Commission</i>	270,000	270,000	0
Total FY 2008-09 Recommendation	\$2,173,558	\$2,173,558	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$1,086,779	\$1,086,779	\$0
Federal Funds	\$1,086,779	\$1,086,779	\$0
Increase from FY 2007-08 Revised Appropriation	\$270,000	\$270,000	\$0
Percent Increase	14.18%	14.18%	0.00%
<i>Amount GF Exempt from 6.0% Limit</i>	\$0	\$0	\$0

Department Request and Staff Recommendation: The Department requests and staff recommends a total fund increase of \$270,000 in FY 2008-09 over the Commission's FY 2007-08 appropriation. The Department's request reflects the funding level that was requested by the Commission on Family Medicine.

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Staff also recommends that the double-counted cash funds exempt appropriation in the Department of Higher Education for the Commission on Family Medicine be eliminated. Since FY 2003-04, the Department of Higher Education has had no administrative oversight for the Commission and therefore, the transfer of the appropriation is unnecessary and confusing. All of the state funding for the Commission currently resides in the Department of Health Care Policy and Financing. In addition, staff recommends that the appropriation line item name in the Department of Health Care Policy and Financing be changed from University of Colorado Family Medicine Residency Training Program to the Commission on Family Medicine Residency Training Programs.

Background Information: In FY 2001-02, the Commission had a total funds budget of \$2,364,545. During the budget reduction years, the Commission's budget was reduced by approximately 33.3 percent to a funding low in FY 2004-05 of \$1,576,501. The appropriation remained flat for FY 2005-06 but increased in FY 2006-07 by a total fund amount of \$127,056 (8.0 percent over the prior year) and increased again in FY 2007-08 by \$200,000 (11.7 percent over the prior year). For FY 2008-09, the Commission requested a total fund increase of \$270,000 (14.2 percent increase) for a total appropriation of \$2,173,558. Even with this increase, the Commission appropriation will remain slightly lower than the appropriation in FY 2001-02.

The Commission's FY 2007-08 appropriation provides funding for nine family medicine residency programs. These residency programs provide primary care training for medical students entering family medicine practices. Many of the residency programs provide rural rotations and thus, help to provide health care in rural Colorado. In addition, these residency programs tend to be part of the safety net of providers who will see Medicare, Medicaid and uninsured patients. All nine residency program are connected to hospitals and are eligible to receive Medicaid funding for some of their training activities. While the majority of funding for the residency programs comes from the Medical Education program funded by the federal government, this state funding helps to mitigate some of the operating losses that many of the residency programs have been experiencing. The following table shows the total state funding history for each residency program.

Residency Program (connected to hospitals and therefore, eligible for Medicaid)	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08 App.	FY 2008-09 Rec.
Ft. Collins	161,049	175,167	189,284	211,506	241,506
North Colorado	161,049	175,167	189,284	211,506	241,506
Rose	161,049	175,167	189,284	211,506	241,506
St. Anthony	161,049	175,167	189,284	211,506	241,506

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Residency Program (connected to hospitals and therefore, eligible for Medicaid)	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08 App.	FY 2008-09 Rec.
St. Joseph	161,049	175,167	189,284	211,506	241,506
St. Mary	161,049	175,167	189,284	211,506	241,506
Southern Colorado	161,050	175,167	189,284	211,506	241,506
Swedish	161,050	175,167	189,284	211,506	241,506
<u>University/AF Williams</u>	<u>161,050</u>	<u>175,167</u>	<u>189,284</u>	<u>211,506</u>	<u>241,506</u>
TOTAL Medicaid Funded Residency Programs (HCPF Budget and Commission Budget Medicaid Funds Request)	\$1,449,444	\$1,576,502	\$1,703,558	\$1,903,558	\$2,173,558
Colorado Springs (non-Medicaid funded -- Commission Budget Only)	<u>127,057</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL Residency Program Line Item (Commission Budget Request)	\$1,576,501	\$1,576,502	\$1,703,558	\$1,903,558	\$2,173,558

In FY 2001-02, prior to the budget reductions, each of the nine residency programs above received an annual allocation of \$235,282 (in FY 2001-02 the state appropriation also allocated \$156,859 in General Fund the residency program in Colorado Springs and \$85,234 for administrative expenses for a total appropriation of \$2,364,545.). With the recommended increase in FY 2008-09, the allocation to each residency program will finally exceed the amount that was allocated in FY 2001-02 (by a total fund amount of \$6,225 per residency program).

Please note, that the CMS rule 2279-9 on eliminating GME payments for Medicaid would eliminate the ability of the state to receive federal match for this line item.

Please note, staff has not prepared a separate figure setting packet for the Commission on Family Medicine because their entire appropriation resides in this line item in the Department of Health Care Policy and Financing. Rather than duplicating the same information twice, staff recommends that all future figure setting for the Commission be addressed when discussing the recommendation for this line item in the Department of Health Care Policy and Financing.

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Transfer to DPHE, Enhanced Prenatal Care Training and Technical Assistance

Line Item Description: This line was established in FY 1995-96 to provide training to provider in order to coordinate and evaluate services to at-risk pregnant women, with the goal of reducing low-weight births. The Department of Public Health and Environment is responsible for the administration of this program.

Table 1: Enhanced Prenatal Care Training and Technical Assistance

	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$108,999	\$108,999	\$0
<i>Supplemental – none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$108,999	\$108,999	\$0
<i>Technical Adjustments -- pots allocation in DPHE</i>	\$8,412	\$8,412	\$0
FY 2008-09 Continuation Base	\$117,411	\$117,411	\$0
<i>Policy Issues -- None</i>	0	0	0
Total FY 2008-09 Recommendation	\$117,411	\$117,411	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$58,706	\$58,706	\$0
Federal Funds	\$58,705	\$58,705	\$0
Increase from FY 2007-08 Revised Appropriation	\$8,412	\$8,412	\$0
Percent Increase	7.72%	7.72%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: The Department requests and staff recommends continuation funding in FY 2008-09 adjusted for allocation of potted items in the Department of Public Health and Environment (DPHE). Staff's recommendation is consistent with the JBC staff recommendation that was presented to the Committee on February 19, 2008 for the DPHE. Staff recommends that the Long Bill line item name for this program be changed to reflect that the funding is ultimately transferred to DPHE to administer the program's funding.

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Transfer to DPHE, Nurse Home Visitor Program

Line Item Description: This line item was established in FY 2003-04 to receive federal matching Medicaid funding for those nurse home visiting program activities provided to eligible Medicaid clients. The Department of Public Health and Environment (DPHE) is responsible for administering this program and this funding is transferred to DPHE.

Table 1: Transfer to DPHE for the Nurse Home Visitor Program			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$3,010,000	\$3,010,000	\$0
<i>Supplemental -- none</i>	0	0	0
FY 2007-08 Revised Appropriation	\$3,010,000	\$3,010,000	\$0
<i>Technical Adjustments -- none</i>	\$0	\$0	\$0
FY 2008-09 Continuation Base	\$3,010,000	\$3,010,000	\$0
<i>Policy Issues -- none</i>	0	0	0
Total FY 2008-09 Recommendation	\$3,010,000	\$3,010,000	\$0
<u>FY 2008-09 Fund Split</u>			
Reappropriated Funds			
-- Transfer from Department of Public Health and Env.	\$1,505,000	\$1,505,000	\$0
Federal Funds	\$1,505,000	\$1,505,000	\$0
Increase from FY 2007-08 Revised Appropriation	\$0	\$0	\$0
Percent Increase	0.00%	0.00%	0.00%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

Department Request/Staff Recommendation: The Department requests and staff recommends continuation funding for this line item in FY 2008-09. Staff's recommendation is consistent with the Committee's action on the Department of Public Health and Environment's figure setting presentation on February 19, 2008.

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Public School Health Services

Line Item Description: The Public School Health Services Program began in 1997 with the passage of S.B. 97-101. Under this program, school districts are able to bill Medicaid for health care services that the districts provide to Medicaid eligible children. The expenditures incurred by the district for these services are the state match for the federal financial participation. The Department then allocates the federal financial participation back to the school districts, minus the administrative costs to the state for the program. The additional federal funds that the school districts receive are then used to support local school health services, increase access to primary and preventative care programs to low-income, under or uninsured children, and to improve the coordination of care between schools and health care providers.

Table 1: Public School Health Services			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$31,327,813	\$31,327,813	\$0
<i>H.B. 08-1285 – federal disallowance Pay-back</i>	10,438,941	10,480,201	41,260
FY 2007-08 Revised Appropriation	\$41,766,754	\$41,808,014	\$41,260
<i>Remove one-time funding for federal disallowance pay-back</i>	(\$10,438,941)	(\$10,480,201)	(\$41,260)
<i>Remove additional administrative costs from allocation</i>	(\$4,865)	(\$16,051)	(\$11,186)
FY 2008-09 Continuation Base	\$31,322,948	\$31,311,762	\$0
<i>Adjust appropriation to more accurately reflect expenditures</i>	0	(3,810,228)	(3,810,228)
Total FY 2008-09 Recommendation	\$31,322,948	\$27,501,534	(\$3,821,414)
<u>FY 2008-09 Fund Split</u>			
Cash Funds			
-- Certification of School District Expenses	\$16,007,021	\$14,101,907	(\$1,905,114)
Federal Funds			
	\$15,315,927	\$13,399,627	(\$1,916,300)
Change from FY 2007-08 Revised Appropriation	(\$10,443,806)	(\$14,306,480)	(\$3,862,674)
Percent Increase	-25.01%	-34.22%	-9.24%
Amount GF Exempt from 6.0% Limit	\$0	\$0	\$0

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Department Request: The Department requests a total fund appropriation of \$31,322,948 in FY 2008-09. This recommendation reflects continuation funding for the line item with two technical adjustments:

- 1) The request eliminates a one-time FY 2007-08 General Fund appropriation of \$10,438,941 to pay back a federal disallowance for retroactive federal funds claimed in FY 2002-03 and FY 2003-04 due to a change in allowable rates and charges. The Committee approved this funding in H.B. 08-1285 (HCPF's 1st round supplemental bill).
- 2) The request also reduces the federal funds appropriation by \$4,865 to reflect the indirect cost assessments from the Department of Education to this program.

Staff Recommendation: Staff recommends a total fund appropriation of \$27,512,720 in FY 2008-09. Staff's recommendation is based on the following adjustments:

- 1) Eliminates \$10,438,941 General Fund for the one-time pay back of the federal disallowance and also Eliminates \$41,260 General Fund for the one-time contingency fee contract payment to PCG based on 7.0 percent of the \$589,427 in federal revenue that the state was allowed to keep for retroactive payments claimed for FY 2002-03 and FY 2003-04.
- 2) A decrease of \$16,061 to reflect indirect cost assessments from DOE. This matches the Committee action on the Department of Education on March 4, 2008.
- 3) A total fund decrease of \$3,810,228 to realign the appropriation based on actual expenditure history. Staff's recommendation is based on actual federal funds received in FY 2006-07 trended forward by 12.6 percent each year (the annual rate of growth for actual expenditures in FY 2006-07 over the prior year). In the past, the appropriation for this line item was generous in order to allow expenditure room if more school districts began to participate in the program and in order to maximize federal funds under new rate methodologies. However, during the last few years, even with new school districts participating and using the new rate methodology, expenditures have never reached the appropriation level. Therefore, staff recommends that the appropriation be reduced to more accurately reflect anticipated expenditures from the program. In addition, new regulations from the Centers of Medicare and Medicaid Services may impact the amount of federal funds received under this program. As noted in the Department's November 1, 2007, Footnote 36 Report:

"The Department is currently amending the coverage and reimbursement sections of the State Plan covering the School Health Services Program, based on recent guidance from the federal Centers for Medicare and Medicaid Services (CMS). Mandated changes, through

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guidance provided by CMS, to the State Plan will potentially reduce total services reimbursed through the program. In accordance with CMS' guidance, all SHS Program reimbursed services must be prescribed in a client's Individualized Plan. Currently, SHS Program providers are allowed to claim for some Medicaid services provided to Medicaid-eligible clients not having an Individualized Plan."

The fund split detail for staff's recommendation is as follows:

	Cash Funds	Federal Funds	Total Funds
Base Appropriation	\$14,101,907	\$14,101,907	\$28,203,814
Subtract PCG Contract	0	(200,000)	(200,000)
Subtract HCPF Internal Administration	0	(294,533)	(294,533)
Subtract Department of Education Administration	<u>0</u>	<u>(207,747)</u>	<u>(207,747)</u>
Recommended Appropriation	\$14,101,907	\$13,399,627	\$27,501,534

Additional Information on New CMS Regulations for School Based Medicaid Services

In December 2007, the Centers for Medicare & Medicaid Services (CMS) adopted a final rule (CMS-2287-F) regarding Medicaid reimbursement for school-based administration and transportation. However, the Medicare, Medicaid and SCHIP Extension Act of 2007, imposed a six-month moratorium until June 28, 2008 on this rule. Under the new rule, effective in FY 2008-09, Medicaid reimbursement for the costs of certain administrative and transportation services will be eliminated. Specifically, federal Medicaid payments will no longer be available for administrative activities performed by school employees or contractors, or anyone under the control of a public or private education institution, and transportation from home to school and back for school-aged children. The final rule will not affect the treatment of expenditures for direct medical services that are included in the approved State Medicaid plan and provided in schools, nor does it affect transportation of school-aged children from school or home to a non-school-based direct medical service provider that bills under the Medicaid program, or from the non-school-based provider to school or home.

Staff recommends that the Department submit a report to the Committee on November 1, 2008 regarding the impact that this rule has had on the ability to claim federal reimbursement for Medicaid services provided by School Districts.

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Medicare Modernization Act of 2008 Maintenance of Effort Payment

Line Item Description: On January 1, 2006, the Centers for Medicare and Medicaid Services (CMS) implemented the Part D prescription drug benefit for Medicare clients. Clients who were eligible for both Medicaid and Medicare were required to switch their prescription drug benefit from Medicaid to Medicare. However, the Medicare Modernization Act of 2008 required that the states still retain some responsibility for paying for the prescription drug coverage for Medicaid clients. For calendar year 2006, states had to pay 90 percent of the federal Medicaid portion of their average dual eligible drug benefit from calendar 2003, inflated to 2006 using the National Healthcare Expenditure average growth rate. As each calendar year passes, the 90 percent factor is reduced by 1.67 percent each year, until it reaches 75 percent, where it will remain at 2015 on a go-forward basis.

Late FY 2007-08 Supplemental Requested:

Medicare Modernization Act State Contribution Payment			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$69,546,453	\$69,546,453	\$0
<i>Late Supplemental Request</i>	2,548,557	2,548,557	0
FY 2007-08 Revised Appropriation	\$72,095,010	\$72,095,010	\$0
<i>Annualize S.B. 07-133 (Cash Accounting)</i>	4,624,811	4,624,811	0
FY 2008-09 Continuation Base	\$76,719,821	\$76,719,821	\$0
<i>D.I. #4 Increase for caseload and cost</i>	4,435,374	4,435,374	0
Total FY 2008-09 Recommendation	\$81,155,195	\$81,155,195	\$0
<u>FY 2008-09 Fund Split</u>			
General Fund	\$81,155,195	\$81,155,195	\$0
Increase from FY 2007-08 Revised Appropriation	\$9,060,185	\$9,060,185	\$0
Percent Increase	12.57%	12.57%	0.00%
<i>Amount GF Exempt from 6.0% Limit</i>	\$0	\$0	\$0

The Department has asked permission to submit any supplemental requests for this program with the February 15, 2008 supplementals for the Medicaid program. Because the caseload for this program is a Medicaid caseload, staff supports the Department to continue to submit the final cost estimates for this program when they submit their final cost estimates for the Medicaid program in February of each year. Staff would note that this program is General Fund funded and does not have over-

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expenditure authority even though it is based on the Medicaid caseload (technically this is a Medicare program and not a Medicaid program and therefore, does not qualify under the statute for over-expenditure authority). Therefore, a late supplemental on this line item may help improve the final forecast's accuracy.

FY 2007-08 Department Request and Staff Recommendation: The Department requests and staff recommends a FY 2007-08 General Fund supplemental of \$2,548,557 for this line item. Current estimates for the "clawback" payment for FY 2007-08 are \$72,095,010, which is \$2,548,557 higher than the current appropriation.

Discussion: The FY 2007-08 supplemental results from a technical error between the data matches in the CBMS system and the Social Security Administration's system for clients who are dual eligible for the Medicare and Medicaid program. The SSA's system uses all caps for clients names while the CBMS system uses mixed case. This difference resulted in some clients not be matched between the two systems as dual eligibles. Once the error was corrected in the data match, the result was there being a greater number of dual eligibles who qualify for Medicare Part A or B than were previously reported. This resulted in a one-time spike in dual caseload in October 2007 due to additional clients being added retroactively. The total cost of this one-time spike was \$1,743,731 to make payments for past eligible clients that were not previously reported to the Federal Government. The on-going cost for correcting the clients counts is anticipated to cost another \$804,826 above the previous forecasted cost for this program.

Please note staff's final FY 2007-08 supplemental recommendation is \$148,557 General Fund higher than the placeholder estimate that staff provided to the Committee in the January 2008.

FY 2008-09 Request

Department Request and Staff Recommendation: The Department requests and staff recommends a total of \$81,155,195 General Fund in FY 2008-09 for the Medicare Modernization Act State Contribution Payment.

Discussion: The increase of \$9,060,185 in FY 2008-09 over the FY 2007-08 amount results from annualizing the impact of S.B. 07-133 which moved the program to cash accounting and from the forecasted caseload and payment cost for the program. The state contribution payment is calculated each year as follows:

Base Amount: The MMA law requires that the net weighted average monthly per capita expenditure for the dual eligible's in 2003 will be the state's base maintenance effort amount.

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Yearly Obligation: The base amount will be increased by a health expenditure factor (e.g. the per capita expenditure will be adjusted annually for national prescription care cost growth). This per capita cost will then be multiplied by the number of dual eligibles for the month (e.g. caseload x cost). The maintenance of effort will then be multiplied by the clawback percentage. Initially, states will be responsible for 90 percent of the costs. This percentage will phase-down to 75 percent of the costs by 2015. For FY 2008-09, the phase-down factor is 86.67 percent from July to December 2008 and 85.00 percent from January to June 2009. Table 1 below shows the calculations for the Department's request and staff's recommendation.

Table 1: Calculation Assumptions for MMA State Contribution Payment for FY 2008-09	
	Estimated Cost
Payments from July 2008 through December 2008	
Monthly Per Capita Cost multiplied by the Phasedown	\$120.03
Average Monthly Enrollment (1 st Six Months of FY) for Dual Eligibles	55,091
Total payments for the first six months of FY 2008-09	\$39,674,750
Payments from January 2009 through June 2009	
Per Capita Cost multiplied by the Phasedown	\$125.16
Average Monthly Enrollment (2 nd Six Months of FY) for Dual Eligibles	55,237
Total payments for the second six months of FY 2008-09	\$41,480,446
TOTAL MMA State Contribution Payment Estimate for FY 2008-09	\$81,155,196

*\$1 difference due to rounding

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Colorado Cares Rx Program Contract Costs

Line Item Description: During the 2007 legislative session, the General Assembly passed S.B. 07-001, which created the Colorado Cares Rx Program. The program is intended to provide prescription drug coverage to citizens of Colorado who are not eligible for Medicaid, the Children's Basic Health Plan, or Medicaid Part D Drug Plan, and who have income under 300 percent of the federal poverty level. This line item funds the contract costs for the third party vendor to process applications and for CBMS to perform eligibility. Additional internal Department administrative expenses associated with this program are contained in the Executive Director's Office operating line items (i.e. personal services, operating expenses, MMIS, etc.).

Table 1: Colorado Cares Rx Program Contract Cost			
	Department Request	Staff Recommendation	Difference Staff-Dept
FY 2007-08 Original Appropriation	\$0	\$0	\$0
<i>Supplemental adjustments</i>	0	0	0
FY 2007-08 Revised Appropriation	\$0	\$0	\$0
<i>Transfer appropriation from EDO to OMS Division</i>	\$0	\$1,656,566	\$1,656,566
<i>Annualize Impacts from S.B. 07-001</i>	\$0	\$2,278,378	\$2,278,378
FY 2008-09 Continuation Base	\$0	\$3,934,944	\$3,934,944
<i>Policy Adjustments -- None</i>	0	0	0
Total FY 2008-09 Recommendation	\$0	\$3,934,944	\$3,934,944
FY 2008-09 Fund Split			
Cash Funds			
<i>--Colorado Cares Rx Program</i>	\$0	\$3,934,944	\$3,934,944
Change from FY 2007-08 Revised Appropriation	\$0	\$3,934,944	\$3,934,944
Percent Increase	n/a	n/a	n/a
<i>Amount GF Exempt from 6.0% Limit</i>	\$0	\$0	\$0

Department's Request: The Department's request for this line item is found in the Executive Director's Office. For FY 2008-09, the Department requested a total of \$3,934,944 for this issue. This amount reflects the annualized impact that was anticipated in the S.B. 07-001 Revised Legislative Council Staff Fiscal Note dated May 15, 2007.

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Staff Recommendation: Staff recommends the Department's request but transfers this expenditure line item from the Executive Director's Office to the Other Medical Services division. As with the Department's request, staff recommendation is consistent with the Legislative Council Staff Revised Fiscal Note dated May 15, 2007. Staff's recommendation includes \$323,146 for CBMS maintenance costs and \$1,896,085 to pay the contract costs for a third party vendor to accept and process applications, collect fees, determine eligibility and produce program identification cards for the program. All program administrative costs are paid from the application fee paid by individuals applying for the program.

Staff also recommends that the Committee request that the Department submit a report to the Joint Budget Committee on November 1, 2008 providing information on the number of clients that have signed up for this program and updated costs for the program based on actual experience.

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Staff Recommended Footnotes and Reports
(in addition to those discussed in the body of the report)

Staff recommends the **addition** of the following footnotes to an FY 2008-09 Long Bill:

- N1 **Executive Director's Office, General Professional Services and Special Projects** -- The assumptions from which the appropriations are based include a total of \$150,000 to conduct a study of the adequacy of the rates paid to the Program for All Inclusive Care to the Elderly (PACE). The Department is requested to work with the Centers of Medicare and Medicaid and the provider community in developing the criteria for assessing the frailty of PACE clients compared to the frailty of other Long-Term Care clients being served in the traditional nursing home and home-and-community based programs. The Department is requested to submit the results of the study to the Joint Budget Committee no later than September 30, 2009.

Staff recommends that the following footnotes be **continued**:

- 26 **Department of Health Care Policy and Financing, Medical Services Premiums** -- It is the intent of the General Assembly that expenditures for these services should be recorded only against the bill group total for Medical Services Premiums.

Comment: This footnote reflects the legislative intent for the Division of Medical Service Premiums to have flexibility in spending the Medical Services Premium line. The detail by population is provided for tracking and policy making purposes only.

- 33 **Department of Health Care Policy and Financing, Indigent Care Program, Children's Basic Health Plan Premium Costs** -- This appropriation assumes the following ~~caseload and cost estimates: (1) Traditional children's caseload of 46,694 70,044 at an average PER-CAPITA cost of \$112.68 per month \$1,626.07; (2) expansion of the children's caseload of 7,022 at an average cost of \$112.68 per month; (3) traditional AND adult prenatal CASELOAD member months of 1,428 OF 2,021 at an average PER-CAPITA cost of \$865.10 per month \$12,723.22; and (4) expansion of the adult prenatal member months by 18,447 at an average cost of \$865.10 per month. Traditional caseload is funded from the Children's Basic Health Plan. Expansion caseload is funded from the Health Care Expansion Fund.~~

Comment: This footnote is provided for informational purposes only. The footnote contains the caseload estimates and average cost per clients that were used in setting the appropriation

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estimate for the CBHP medical services premiums line item. If supplementals are requested or approved for the CBHP program, then this footnote would be updated to reflect whatever the most recent per capita costs and caseload estimates are for the program.

- 34 **Department of Health Care Policy and Financing, Indigent Care Program, Children's Basic Health Plan Dental Benefit Costs** -- This appropriation assumes an average cost of \$13.97 per month \$161.38 per child. ~~The caseload is estimated at 79 percent of the caseload of the premiums line item to reflect that children are not eligible for services until one month after they enroll in the plan.~~

Comment: This footnote is provided for informational purposes only. The footnote contains the caseload estimates and average cost per clients that were used in setting the appropriation estimate for the CBHP dental line item. If supplementals are requested or approved for the CBHP program, then this footnote would be updated to reflect whatever the most recent per capita costs and caseload estimates are for the dental program.

- 37 **Department of Health Care Policy and Financing, Department of Human Services Medicaid-Funded Programs, Executive Director's Office - Medicaid Funding** -- The appropriation in this Health Care Policy and Financing line item corresponds to the Medicaid funding in the Department of Human Services, Executive Director's Office, General Administration. As such, the appropriation contains amounts that correspond to centralized appropriation amounts in the Department of Human Services. Consistent with the head notes to the Long Bill, the Department of Human Services is authorized to transfer the centralized appropriation to other line item appropriations to the Department of Human Services. In order to aid budget reconciliation between the Department of Health Care Policy and Financing and the Department of Human Services, the Department of Health Care Policy and Financing is hereby authorized to make line item transfers out of this appropriation to other Department of Human Services Medicaid-funded programs appropriations in this section (5) in amounts equal to the centralized appropriation transfers made by the Department of Human Services for Medicaid -funded programs in the Department of Human Services.

Comment: This footnote was included in the last two Long Bills at the request of the Department of Health Care Policy and Financing. This footnote provides legislative intent to allow some flexibility in the transfer of funds in the Department of Human Services Medicaid -funded programs in order to reconcile to centralized appropriation transfers made in the Department of Human Services.

Staff recommends that the following footnotes be **eliminated and replaced** with written requests

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for information.

- 21 **Department of Health Care Policy and Financing, Executive Director's Office** -- The Department is requested to submit monthly Medicaid expenditure and caseload reports on the Medical Services Premiums AND MENTAL HEALTH CAPITATION LINE ITEMS ~~budget~~ to the Joint Budget Committee, by the ~~third Monday~~ FIFTEENTH OR FIRST BUSINESS FOLLOWING THE FIFTEENTH of each month. The Department is requested to include in the report the managed care organization caseload by aid category. The Department is also requested to provide caseload and expenditure data for the Children's Basic Health Plan within the monthly report.

Comment: A version of this footnote was first included in H.B.02-1420 (footnote #39) and has been included in every Long Bill since. Staff needs this report in order to forecast and monitor expenditures.

- 25 **Department of Health Care Policy and Financing, Medical Services Premiums** -- The Department is requested to submit a report on the managed care organizations' capitation rates for each population and the estimated blended rate for each aid category in effect for ~~FY 2007-08~~ FY 2008-09 to the Joint Budget Committee by ~~July 25, 2007~~. July 25, 2008. The Department is requested to include in the report a copy of each managed care organization's certification that the reimbursement rates are sufficient to assure the financial stability of the managed care organization with respect to delivery of services to the Medicaid recipients covered in their contract pursuant to Section 25.5-5-403 (1) (l), C.R.S.

Comment: Staff uses this report to monitor changes in capitation rates paid to Managed Care Organization and Behavioral Health Organizations. Staff recommends that the Department continue to submit this information to the Joint Budget Committee on an annual basis.

- 30 **Department of Health Care Policy and Financing, Indigent Care Program, Safety Net Provider Payments** -- The Department is requested to submit a report by February 1, 2008, to the Joint Budget Committee, estimating the disbursement to each hospital from the Safety Net Provider Payment line item for FY 2007-08.

Comment: Staff uses this report to monitor anticipated payments to hospital and clinic providers in the safety net provider program and recommends that the report be continued.

- 36 **Department of Health Care Policy and Financing, Other Medical Services, S.B. 97-101 Public School Health Services** -- The Department is requested to submit a report by November 1 of each year to the Joint Budget Committee on the services that receive

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reimbursement from the federal government under S.B. 97-101 public school health service program. The report should include information on the type of services, how those services meet the definition of medical necessity, and the total amount of federal dollars that was distributed to each school under the program. The report should also include information on how many children were served by the program.

Comment: Staff uses this report to monitor the growth and changes to this program and recommends that the report be requested on an annual basis.

Staff recommends the following footnotes be **eliminated**:

- 22 **Department of Health Care Policy and Financing, Executive Director's Office** – The Department is requested to submit a plan to the Joint Budget Committee on or before October 1, 2007, on how to restructure the Executive Director's Office Division's line item appropriations into a more programmatic format than the current Long Bill structure.

Comment: This footnote is no longer relevant and should be deleted.

- 23 **Department of Health Care Policy and Financing, Executive Director's Office** -- The Department is requested to provide a report to the Joint Budget Committee by November 1, 2007 regarding the amount spent on pharmaceuticals by each managed care organization (MCO) that contracts with the Department in the Medicaid program. Included in the report should be information on the prices that each MCO pays for each prescription drug provided on its formulary. The report should compare the prices that each MCO pays compared to the prices the Department pays in the fee-for-service program for the same drug. In making such comparison, the Department should include in its pricing the amount of rebates that the Department receives from drug manufacturers for each drug. The report should also provide information on which drugs are covered on each MCO's formulary compared to the list of drugs available in the fee-for-service program.

Comment: This report is not necessary to reproduce on an annual basis.

- 24 **Department of Health Care Policy and Financing, Executive Director's Office, Primary Care Provider Rate Task Force and Study** -- The Department is requested to work with the provider community to examine any issues of rate disparity and rate shortfalls for physician and acute care providers. The Department is requested to report on its final analysis by November 1, 2007. The Department's appropriation contains \$19,334 total funds for the expenses of any task force that the Department may assemble and for temporary staffing costs for conducting such a study.

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Comment: This study has been completed and this footnote is no longer relevant.

- 27 **Department of Health Care Policy and Financing, Medical Services Premiums** -- The General Assembly has determined that the average appropriated rates provide sufficient funds to pay reasonable and adequate compensation to efficient and economical providers. It is the intent of the General Assembly that the Department take actions to ensure that the average appropriated rates are not exceeded.

Comment: The purpose of this footnote is to direct the Department that provider rates shall not be increased above the average appropriated rates in the Long Bill appropriation to help reduce possible supplementals related to Department actions.

While staff believes that this footnote has been useful in stating the General Assemblies intent regarding provider rates, the footnote is not essential and could be deleted from future Long Bills. In staff's opinion, this footnote is the closest to any footnote in HCPF's Long Bill that attempts to administer the appropriation.

- 28 **Department of Health Care Policy and Financing, Medical Services Premiums** -- The calculations for this line item include \$5,081,736 total funds for a 1.5 percent reimbursement rate increase for home and community-based long-term care providers, home health, and private-duty nursing beginning in July 1, 2007. It is the intent of the General Assembly that the Medical Services Board adopt rules to increase reimbursement rates for these provider codes consistent with this footnote. The Joint Budget Committee requests that the Department provide a report to the Joint Budget Committee by August 1, 2007, on the status of the rules adopted by the Medical Services Board regarding this reimbursement rate increase.

Comment: This footnote is specific to the FY 2007-08 Long Bill only and should be eliminated from future Long Bills.

- 29 **Department of Health Care Policy and Financing, Medical Services Premiums** -- The calculations for this line item include \$15,987,854 total funds for rate increases for acute care services. Included in this calculation is \$4,446,001 for a 1.5 percent increase to inpatient hospital rates. The remaining \$11,541,853 is for rate increases for other acute care services approved by the Joint Budget Committee based on the rate plan that the Department submitted to the Joint Budget Committee on November 1, 2006. The Joint Budget Committee requests

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that the Department provide a report to the Joint Budget Committee by August 1, 2007, on the status of the rules adopted by the Medical Services Board regarding these rate increases.

Comment: This footnote is specific to the FY 2007-08 Long Bill only and should be eliminated from future Long Bills.

- 31 **Department of Health Care Policy and Financing, Indigent Care Program, The Children's Hospital, Clinic Based Indigent Care** -- This line item includes \$10,086,000 for funding for community health centers from the Health Care Services Fund pursuant to the requirements in S.B. 06-044. The Joint Budget Committee is aware that the Department may be able to enter into contracts with eligible hospitals to draw down matching federal funds for this funding. The Joint Budget Committee requests that the Department submit a report by February 1, 2008 to the Joint Budget Committee describing any federal financial participation received.

Comment: This footnote is specific to the FY 2007-08 Long Bill only and should be eliminated from future Long Bills.

- 32 **Department of Health Care Policy and Financing, Indigent Care Program, Health Care Services Fund Programs** -- Senate Bill 06-044 required the Department to submit a state plan amendment for federal financial participation for moneys appropriated to primary care clinic operated by a licensed or certified health care facility. Senate Bill 06-044 authorizes the Department to receive and expend all available federal moneys without a corresponding reduction in cash funds exempt spending authority from the fund if the state plan amendment is approved. The Joint Budget Committee requests that the Department submit a report by February 1, 2008 to the Joint Budget Committee on the status of the state plan amendment and on whether or not any additional federal match is available for distribution.

Comment: This footnote is specific to the FY 2007-08 Long Bill only and should be eliminated from future Long Bills.

- 35 **Department of Health Care Policy and Financing, Other Medical Services, Services for Old Age Pension State Medical Program clients** -- The Department is requested to submit a report by November 1, 2007 recommending changes to the benefit structure or eligibility criteria for the Old Age Pension State Medical Program in order to stay within the current statutory appropriation limits for the program. The report should include the most recent five-year expenditure history for the different medical services categories used by this population. In addition, the report should include a five-year forecast for the caseload and cost of this program if benefits are not reduced.

MEMORANDUM

TO: Joint Budget Committee
FROM: Melodie Beck, JBC Staff
SUBJECT: Staff Comebacks on HCPF
DATE: March 13, 2008

Staff has the following comeback issues for the Committee's consideration.

1. ***Base Reduction Item #1:*** The Department's request contained a budget reduction item to refinance a portion of the CBMS line item (which is contained in the DHS Division of HCPF's budget and therefore, was not part of Tuesday's presentation). Specifically, the Department's request seeks to refinance \$417,996 in General Fund and \$149,195 Cash Funds Exempt from the CBHP Trust Fund with Health Care Expansion money in the Colorado Benefits Management System line.

	FY 2008-09 Base DHS-Medicaid Division CBMS Request	Base Reduction Item #1	FY 2008-09 Adjusted Base
General Fund	\$3,677,330	(\$417,996)	\$3,259,334
CFE -- CBHP Trust Fund	\$491,670	(\$149,195)	\$342,475
CFE -- OAP Transfer	\$40,877	\$0	\$40,877
CFE -- Health Care Expansion Fund	\$0	\$567,191	\$567,191
<u>Federal Funds</u>	<u>\$3,765,591</u>	<u>\$0</u>	<u>\$3,765,591</u>
Total Funds	\$7,975,468	\$0	\$7,975,468

Staff recommends the Department's request with the caveat that the request will result in spending down the fund balance in the Health Care Expansion Fund (HCEF) faster than otherwise would occur.

2. ***Increase Caseload for Medicaid and CBHP programs based on Eligible But Not Enrolled:*** When the Committee approved the Department's request for Centralized Eligibility (which funds the RFP to develop the Centralized Eligibility contract, the gateway interface and the interfaces with DOR and DPHE in FY 2008-09), staff estimates that there will be additional

caseload impacts to the Medicaid and CBHP programs. The table below shows staff's estimated impacts based on approving the Centralized Eligibility request.

	Medicaid Premiums/1	Medicaid MH	CBHP Premiums/2	CBHP Dental	Total
Caseload Impact	2,002		694		2,696
General Fund	\$1,558,860	\$174,036	\$0	\$0	\$1,732,896
CFE -- CBHP Trust Fund	\$0	\$0	\$3,428	\$0	\$3,428
CFE -- CBHP Trust Acct.	\$0	\$0	\$1,340	\$133	\$1,473
CFE -- Health Care Expansion Fund	\$173,206	\$19,337	\$394,103	\$39,066	\$625,712
<u>Federal Funds</u>	<u>\$1,732,066</u>	<u>\$193,373</u>	<u>\$734,394</u>	<u>\$72,799</u>	<u>\$2,732,632</u>
Total Funds	\$3,464,132	\$386,746	\$1,133,265	\$111,998	\$5,096,141

/1 Per capita costs are based on acute care costs only (assumes community-based children are not impacted by these changes). Staff assumes a 1.0% change in caseload due to the Gateway and DOR and DPHE changes.

/2 Staff's original request assumed a 1.0% change to CBHP because of increased enrollment from Medical Homes. Staff's revised request now assumes a 2.0% change to CBHP caseload due to Medical Homes and the Gateway and DOR/DPHE interface changes.

What is the Virtual Application Gateway -- The virtual application gateway is an effort to streamline the application process and provide alternate locations for clients to apply for Medicaid and CBHP. Similar to presumptive eligibility determination, the gateway would be primarily used by hospitals community health centers to process applications. Even though this process would still go through the counties in FY 2008-09, staff anticipates that having the electronic process in place will speed up enrollment and therefore, will have a caseload impact.

3. **Technical Fund Split for Original CBHP impact for Eligible But Not Enrolled:** Staff's original 1.0 percent impact this issue had a fund split error in the CBHP Dental. Staff requests permission to correct the Fund Split error that assigned \$21,925 of the increased costs to the CBHP Trust Fund when this cost should have been assigned to the Health Care Expansion Fund.
4. **Fund Splits for the Health Care Expansion for the Medicaid Asset Test:** The Department's estimate for the state match for eliminating Medicaid Asset Test is \$31,673,491 in FY 2007-

08 and \$31,916,414 in FY 2008-09. Staff's estimate is \$25,755,953 in FY 2007-08 and \$26,475,199 in FY 2008-09. If the Committee wants to accept the Department's estimate, this would reduce the staff's General Fund estimate by \$5,917,538 in FY 2007-08 and by \$5,441,215 in FY 2008-09. The overall staff recommendation on caseload does not need to change but in accepting the Department's estimate the Committee would be assigning a more caseload costs to the expansion population from the traditional population. Because there is no real data to back up either the Department's or staff's recommendation, the Committee could choose to fund split the costs the way the Department has recommended or the way staff recommends. The Department believes that prior estimates have under reported the number of Medicaid clients who now qualify because of the removal of the asset test and has adjusted their methodology on trying to estimate this population. The Department's request does state that they are still researching this issue, and anticipate that more comprehensive and permanent framework will be available in the future.

For FY 2007-08, staff recommended the same caseload estimates that were used when setting the original appropriation last year (which were based somewhat on the original fiscal note assumptions) and updated them for the cost for clients. As was stated during the figure setting presentation, original caseload assumptions are holding up fairly well and did not believe it was appropriate to assign more costs onto the Health Care Expansion Fund. For FY 2008-09, staff used the same caseload and multiplied it by the new per capita cost estimates. Staff recommended this approach because there isn't any finalized data to support moving away from it (the Department's request states they are still researching and refining the methodology that they are now proposing). The Constitution has strict non-supplant language. Staff recommended a more conservative approach.

Finally, in FY 2007-08, expenditures from the Health Care Expansion will begin exceeding revenues into the fund. The Department estimates that the General Fund will not need to start subsidizing the Health Care Expansion Fund until FY 2012-13 because of the fund balance. However, the more costs we assign to the Fund now will result in General Fund subsidies earlier.

5. ***The Committee Did Not Officially Vote on What to Do with the \$13.2 million in General Fund Offset in the Premiums Line Item Based on Certification of Public Expenditures at Public Hospitals.*** Does the Committee want staff to eliminate the General Fund (pessimistic view) or do the Department's request which retains the General Fund offset for certification of public expenditures. Staff continues to recommend eliminating the offset for the following reasons:

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- (1) The offset will can be reinstated in the fiscal impact of any bill that is introduced to solve the problem. This forces the General Assembly and Governor's Office to come up with a solution for if the rule becomes effective.
 - (2) If the General Assembly doesn't plan for this and the rule does go into effect, then there will be a \$13.2 million emergency supplemental before the Committee in June 2008 with no way to pay for it.
 - (3) If the General Assembly plans for it, but doesn't pass a bill, and the rule doesn't go into effect, the offset can be taken in January 2009. This would free up other money for supplementals in January 2009.
6. ***Carry a Resolution to Congress:*** The Committee did not vote on whether they want to do this again or not.
 7. ***Technical Corrections to Number Pages:*** Public School Health Services Administration line item reflected \$396,561 in federal funds, when it should have reflected \$407,747 in federal funds to be consistent with the staff recommendation write-up. In addition, the federal funds in the Acute Care Utilization line item reflected \$1,106,958 when the actual number should be \$1,103,958.
 8. ***Technical FY 2007-08 Error:*** Staff recommended an additional FY 2007-08 supplemental \$2,200 for the enrollment broker contract due to the Medical Homes (of this amount \$1,100 is General Fund). This recommendation was not calculated into the final total amount. Staff requests to permission to accurately reflect that enrollment broker contract amount for FY 2007-08 should be \$959,618 instead of the \$957,418 that was reflected in staff's table.

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
FY 2008-09 FIGURE SETTING**

JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Comment: This footnote (or similar footnote) has been included in the last several Long Bills in order to keep attention on the problem that expenditures and caseloads for this program have been growing faster than available revenues. The Department is now routinely reporting this information in the assumption and calculation requests for this line item in their budget request and a separate report is not necessary.