

MEMORANDUM

TO: Joint Budget Committee
FROM: Eric Kurtz
SUBJECT: Hospital Provider Fee options
DATE: March 19, 2015

This contrasts some options for dealing with the Hospital Provider Fee.

Option 1 **Win Win**

\$39.5 JBC adopts staff recommendation on Continuous Eligibility Financing
\$40.0 JBC adopts variation of staff recommendation on Limiting Hospital Provider Fee
\$79.5 TOTAL General Fund savings

\$215.4 Net benefit to hospitals
11.5% Percent

Option 2 **Current Status**

JBC rejects staff recommendation on both Continuous Eligibility Financing and
\$0.0 Limiting Hospital Provider Fee

\$120.3 Net benefit to hospitals
6.4% Percent

\$112.4 GF cost already built into overview

Option 3 **Hold Hospitals Harmless Relative to Current Status**

\$39.5 JBC adopts staff recommendation on Continuous Eligibility Financing
\$68.4 JBC adopts variation of staff recommendation on Limiting Hospital Provider Fee
\$107.9 TOTAL General Fund savings

\$120.3 Net benefit to hospitals
6.4% Percent

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Option 1 Win Win

	Limiting Hospital Provider Fee Revenue					HPF Obligation for Safety Net/Booster	Net Effect
	Expenditures	Inpatient	Outpatient	Safety Net	Booster		
FY 14-15 Estimate	\$2,153,044,483	\$685,188,429	\$571,763,766	\$311,296,186	\$584,796,102	(\$440,967,015)	\$1,712,077,468
Enrollment/utilization trend 10.5%	<u>193,950,628</u>	<u>72,155,748</u>	<u>60,211,236</u>	<u>0</u>	<u>61,583,644</u>	<u>(30,305,311)</u>	<u>163,645,317</u>
Subtotal FY 15-16 base	\$2,346,995,111	\$757,344,177	\$631,975,002	\$311,296,186	\$646,379,746	(\$471,272,326)	\$1,875,722,785
<u>Policy Changes</u>							
Provider rate increases	230,736,311	3,495,435	2,916,808	0	224,324,068	(110,389,874)	120,346,437
Continuous eligibility - FY 15-16	(42,715,698)	0	0	0	(42,715,698)	0	(42,715,698)
Continuous eligibility - retroactive	(37,467,299)	0	0	0	(37,467,299)	0	(37,467,299)
Limit HPF revenue by \$133.0 M	<u>(270,367,641)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(270,367,641)</u>	<u>133,047,916</u>	<u>(137,319,725)</u>
Subtotal policy changes	(\$119,814,327)	\$3,495,435	\$2,916,808	\$0	(\$126,226,570)	\$22,658,042	(\$97,156,285)
Percent change	-5.1%	0.5%	0.5%	0.0%	-19.5%	-4.8%	-5.2%
<u>Optional increase hospital rates</u>							
General Fund	93,047,916	50,722,180	42,325,736	0	0	0	93,047,916
Cash Funds	3,583,774	1,953,583	1,630,191	0	0	0	3,583,774
Federal Funds	<u>215,889,944</u>	<u>117,685,694</u>	<u>98,204,250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>215,889,944</u>
TOTAL	\$312,521,634	\$170,361,457	\$142,160,177	\$0	\$0	\$0	\$312,521,634
Policy changes with optional rate inc.	\$192,707,307	\$173,856,892	\$145,076,985	\$0	(\$126,226,570)	\$22,658,042	\$215,365,349
Percent change	8.2%	23.0%	23.0%	0.0%	-19.5%	-4.8%	11.5%

<u>Net General Fund benefit from limiting HPF revenue</u>	
TABOR Refund	(133,047,916)
Optional increase in hospital rates	<u>93,047,916</u>
TOTAL	(40,000,000)
<u>Net to hospitals from limiting HPF revenue</u>	
Reduced HPF obligation	133,047,916
Booster payments	(270,367,641)
Optional increase hospital rates	<u>312,521,634</u>
TOTAL	175,201,909

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Option 2 Current Status

	Limiting Hospital Provider Fee Revenue					HPF Obligation for Safety Net/ Booster	Net Effect
	Expenditures	Inpatient	Outpatient	Safety Net	Booster		
FY 14-15 Estimate	\$2,153,044,483	\$685,188,429	\$571,763,766	\$311,296,186	\$584,796,102	(\$440,967,015)	\$1,712,077,468
Enrollment/utilization trend 10.5%	<u>193,950,628</u>	<u>72,155,748</u>	<u>60,211,236</u>	<u>0</u>	<u>61,583,644</u>	<u>(30,305,311)</u>	<u>163,645,317</u>
Subtotal FY 15-16 base	\$2,346,995,111	\$757,344,177	\$631,975,002	\$311,296,186	\$646,379,746	(\$471,272,326)	\$1,875,722,785
<u>Policy Changes</u>							
Provider rate increases	230,736,311	3,495,435	2,916,808	0	224,324,068	(110,389,874)	120,346,437
Continuous eligibility - FY 15-16	0	0	0	0	0	0	0
Continuous eligibility - retroactive	0	0	0	0	0	0	0
Limit HPF revenue by \$133.0 M	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal policy changes	\$230,736,311	\$3,495,435	\$2,916,808	\$0	\$224,324,068	(\$110,389,874)	\$120,346,437
Percent change	9.8%	0.5%	0.5%	0.0%	34.7%	23.4%	6.4%
<u>Optional increase hospital rates</u>							
General Fund	0	0	0	0	0	0	0
Cash Funds	0	0	0	0	0	0	0
Federal Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Policy changes with optional rate inc.	\$230,736,311	\$3,495,435	\$2,916,808	\$0	\$224,324,068	(\$110,389,874)	\$120,346,437
Percent change	9.8%	0.5%	0.5%	0.0%	34.7%	23.4%	6.4%

<u>Net General Fund benefit from limiting HPF revenue</u>	
TABOR Refund	0
Optional increase in hospital rates	<u>0</u>
TOTAL	0
<u>Net to hospitals from limiting HPF revenue</u>	
Reduced HPF obligation	0
Booster payments	0
Optional increase hospital rates	<u>0</u>
TOTAL	0

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Option 3 Hold Harmless Relative to Current Status

	Limiting Hospital Provider Fee Revenue					HPF Obligation for Safety Net/ Booster	Net Effect
	Expenditures	Inpatient	Outpatient	Safety Net	Booster		
FY 14-15 Estimate	\$2,153,044,483	\$685,188,429	\$571,763,766	\$311,296,186	\$584,796,102	(\$440,967,015)	\$1,712,077,468
Enrollment/utilization trend 10.5%	<u>193,950,628</u>	<u>72,155,748</u>	<u>60,211,236</u>	<u>0</u>	<u>61,583,644</u>	<u>(30,305,311)</u>	<u>163,645,317</u>
Subtotal FY 15-16 base	\$2,346,995,111	\$757,344,177	\$631,975,002	\$311,296,186	\$646,379,746	(\$471,272,326)	\$1,875,722,785
<u>Policy Changes</u>							
Provider rate increases	230,736,311	3,495,435	2,916,808	0	224,324,068	(110,389,874)	120,346,437
Continuous eligibility - FY 15-16	(42,715,698)	0	0	0	(42,715,698)	0	(42,715,698)
Continuous eligibility - retroactive	(37,467,299)	0	0	0	(37,467,299)	0	(37,467,299)
Limit HPF revenue by \$133.0 M	<u>(270,367,641)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(270,367,641)</u>	<u>133,047,916</u>	<u>(137,319,725)</u>
Subtotal policy changes	(\$119,814,327)	\$3,495,435	\$2,916,808	\$0	(\$126,226,570)	\$22,658,042	(\$97,156,285)
Percent change	-5.1%	0.5%	0.5%	0.0%	-19.5%	-4.8%	-5.2%
<u>Optional increase hospital rates</u>							
General Fund	64,668,304	35,251,916	29,416,388	0	0	0	64,668,304
Cash Funds	2,490,722	1,357,740	1,132,982	0	0	0	2,490,722
Federal Funds	<u>150,043,517</u>	<u>81,791,561</u>	<u>68,251,956</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,043,517</u>
TOTAL	\$217,202,543	\$118,401,217	\$98,801,326	\$0	\$0	\$0	\$217,202,543
Policy changes with optional rate inc.	\$97,388,216	\$121,896,652	\$101,718,134	\$0	(\$126,226,570)	\$22,658,042	\$120,046,258
Percent change	4.1%	16.1%	16.1%	0.0%	-19.5%	-4.8%	6.4%

<u>Net General Fund benefit from limiting HPF revenue</u>	
TABOR Refund	(133,047,916)
Optional increase in hospital rates	<u>64,668,304</u>
TOTAL	(68,379,612)
<u>Net to hospitals from limiting HPF revenue</u>	
Reduced HPF obligation	133,047,916
Booster payments	(270,367,641)
Optional increase hospital rates	<u>217,202,543</u>
TOTAL	79,882,818