



**Colorado
Legislative
Council
Staff**

Bill 4

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0162
Prime Sponsor(s):

Date: September 28, 2016
Bill Status: Interim Study Committee on
Communication between HCPF
and Medicaid Clients Bill Request
Fiscal Analyst: Ryan Long (303-866-2066)

BILL TOPIC: IMPROVE MEDICAID CLIENT CORRESPONDENCE

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue		
State Expenditures	\$2,366,704	\$818,364
General Fund	847,771	285,895
Cash Funds	326,215	110,546
Federal Funds	1,165,886	395,091
Centrally Appropriated Costs	26,832	26,832
FTE Position Change	2.0 FTE	2.0 FTE
Appropriation Required: \$2,339,872 - Multiple agencies (FY 2017-18).		
Future Year Impacts: Ongoing expenditure increase.		

Summary of Legislation

This bill, *requested by the 2016 Interim Study Committee on Communication between The Department of Health Care Policy and Financing (HCPF) and Medicaid Clients*, requires the HCPF to engage in an ongoing process to create, test, and improve Medicaid client communications. HCPF must ensure that communications with clients are accurate, readable, understandable, and consistent. Contact information for client questions, and, to the extent practicable, legal, privacy, and educational information must be provided separately from the main content of the correspondence. In all communications regarding denial, reduction, suspension, or termination of benefits, the following must be included:

- an understandable explanation of denial, reduction, suspension, or termination;
- detailed information on the client’s household composition and income sources; and
- a specific description of any information or documents needed from the client.

When modifying Medicaid communications, HCPF is required to test the changes and solicit feedback from clients and stakeholders. HCPF is also required to appropriately prioritize communications that only affect a small number of clients or vulnerable populations. HCPF is encouraged to promote client communications electronically and through mobile applications.

As a part of HCPF's annual presentation made to General Assembly, it must present information on its ongoing process to improve client communications.

Assumptions

This fiscal note is based on the following data and assumptions:

- 9,104 hours of computer programming is required at a rate of \$137 per hour to modify client communications in the Colorado Benefits-Management System (CBMS);
- all of the costs to modify CBMS will occur in the first year, with the assumption that ongoing maintenance in subsequent years will be 25 percent of the workload of the initial year of implementation;
- 850 hours of staff time is required at an average rate of \$130 per hour to modify 50 Medicaid Management Information System (MMIS) letters, with ongoing costs equaling 25 percent of the workload from the initial year of implementation;
- all costs in HCPF are eligible for 50 percent federal matching funds;
- 27.98% of state costs will be paid from the Hospital Provider Cash Fund; and
- the Governor will sign the bill by June 1, 2017, and costs will be incurred as of July 1, 2017.

State Expenditures

Based on the assumptions above, this bill increases costs primarily in HCPF by **\$2,366,704 and 2.0 FTE in FY 2017-18 and by \$818,364 and 2.0 FTE in FY 2018-19 and future years**. These costs are paid using General Fund, cash funds, and federal funds. Costs will also be incurred in the Office of Information Technology to conduct work on behalf of HCPF and in the Department of Personnel and Administration (DPA). The impacts of this bill are described below.

Table 1. Expenditures Under Bill 4		
Cost Components	FY 2017-18	FY 2018-19
Personal Services	\$134,054	\$134,054
FTE	2.0 FTE	2.0 FTE
Operating Expenses and Capital Outlay Costs	11,306	1,900
Information Technology	2,042,912	510,728
Client and Stakeholder Testing	125,000	125,000
Plain-Language Training	11,000	11,000
Promotion of Electronic Communications	7,500	7,500
Translation Services (DPA)	8,100	1,350
Centrally Appropriated Costs*	26,832	26,832
TOTAL	\$2,366,704	\$818,364

* Centrally appropriated costs are not included in the bill's appropriation.

Personal services. HCPF requires 2.0 FTE per year beginning in FY 2017-18 to identify the notices that need to be tested and updated, as well as manage the vendor conducting client testing for Medicaid notices. As shown in Table 1, costs for these staff include personal services costs (\$134,054 per year) and standard operating expenses and capital outlay costs (\$11,306 in the first year and \$1,900 in the second year). First-year costs assume a June 1, 2017, hire date, and reflect application of the General Fund pay date shift.

Information technology. Satisfying the reporting requirements of this bill will require changes to CMBS, MMIS, and the Program Eligibility and Application Kit (PEAK) mobile application. To update CBMS, HCPF will require \$1,247,248 in FY 2017-18 and \$311,912 per year in future years. These changes will be carried out by the Office of Information Technology (OIT). Changes to MMIS will require \$110,664 in funds for FY 2017-18, with ongoing costs of \$27,666 per year after the initial year. In order to modify the PEAK mobile application to deliver client correspondence, this fiscal note estimates that it will take 5,000 vendor hours and cost \$685,000 total funds in FY 2017-18, with \$171,250 in costs in subsequent years for ongoing maintenance and updates.

Client and stakeholder testing. HCPF is required to solicit feedback from clients and stakeholders to test modified Medicaid communications. A contract with a vendor is required to assist in the administration of client and stakeholder testing at an estimated cost of \$125,000 per year.

Plain-language training. This fiscal note assumes that staff will need to undergo plain-language training on an annual basis to satisfy the language requirements of the bill. This cost is estimated to be \$11,000 per year.

Promotion of electronic communications. As encouraged by the bill, HCPF will have costs of \$7,500 to promote receipt of client communications electronically and the use of the mobile application.

Translation services. The Office of Administrative Courts in the DPA will have costs of \$8,100 in FY 2017-18 and \$1,350 in FY 2018-19 and in future years for document translation services. This fiscal notes assumes that the notice of appeal and notice of hearing will be translated into the top five languages spoken in Colorado in the first year, with one additional language added per year.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Cost Components	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$14,820	\$14,820
Supplemental Employee Retirement Payments	12,012	12,012
TOTAL	\$26,832	\$26,832

Local Government Impact

This bill may decrease county workload, assuming the streamlined communications reduce the number of client inquiries concerning confusing notices.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, except that Section 2 of this bill only takes effect if LLS 17-0161 (Bill 3) becomes law.

State Appropriations

For FY 2017-18 this bill requires the following appropriations:

- \$2,339,872 to the Department of Health Care Policy and Financing, of which \$847,771 is from the General Fund, \$326,215 is from the Hospital Provider Fee Cash Fund, and \$1,165,886 is federal funds, as well as an allocation of 2.0 FTE;
- \$1,247,248 in reappropriated funds to the Office of Information Technology from the appropriation to HCPF above; and
- \$8,100 from the General Fund to the Department of Personnel and Administration.

State and Local Government Contacts

Counties	Health Care Policy and Financing
Human Services	Information Technology
Law	Legislative Council Staff
State Auditor	