



**Colorado
Legislative
Council
Staff**

SB16-170

**REVISED
FISCAL NOTE**

(replaces fiscal note dated March 24, 2016)

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

Drafting Number: LLS 16-1100
Prime Sponsor(s): Sen. Tate

Date: March 29, 2016
Bill Status: Senate Health & Human Services
Fiscal Analyst: Clare Pramuk (303-866-2677)

BILL TOPIC: HEALTH BENEFIT EXCHANGE FOR MEDICAID ELIGIBLE

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue		
State Expenditures	<u>\$2,033,608</u>	<u>\$1,085,864</u>
General Fund	997,787	252,467
Federal Funds	997,786	789,732
Centrally Appropriated Costs	38,035	43,665
FTE Position Change	2.3 FTE	3.0 FTE
Appropriation Required: \$1,995,573 - Department of Health Care Policy and Finance (FY 2016-17).		
Future Year Impacts: Ongoing expenditure increase.		

The fiscal note is revised to include information received after publication of the original fiscal note.

Summary of Legislation

This bill authorizes the Department of Health Care Policy and Financing (HCPF) to purchase individual insurance on the Colorado health benefit exchange (Connect for Health Colorado) for an individual who is eligible for Medicaid but who chooses not to receive Medicaid, if the individual's enrollment in private health insurance will save the state money.

The bill requires HCPF to work with a stakeholder group to develop waivers and to apply to the federal Department of Health and Human Services for all waivers necessary to receive federal funds to subsidize the insurance premiums, co-deductibles, co-insurance, and co-pays for Medicaid-eligible individuals choosing to receive private insurance via the exchange. The stakeholder group will include Connect for Health Colorado, Medicaid recipients and advocates for recipients, counties, and providers.

The waivers must be submitted to the federal Department of Health and Human Services by January 1, 2017. If the waivers are approved, HCPF is required to offer individual insurance in cases where costs savings can be realized. If the waivers are not approved, the bill will not be implemented.

Finally, the bill requires Connect for Health Colorado to provide information to the public about the process created by the bill.

Background

Connect for Health Colorado is the state's health insurance exchange established in response to federal health care reform under the Affordable Care Act (ACA). Through Connect for Health Colorado, consumers can shop for health insurance and determine eligibility for federal tax subsidies for the purchase of health insurance or other public health programs. Under the ACA, states may establish state-based health insurance exchanges or participate in a federally operated health exchange.

Medicaid is a joint state-federal program that provides health coverage primarily to low-income individuals and persons with disabilities. Currently, individuals eligible for Medicaid cannot purchase subsidized health insurance via Connect for Health Colorado.

Assumptions

The fiscal note is based on the following assumptions:

- HCPF will need to apply for a 1115 demonstration and 1332 state innovation waiver;
- a 50 percent federal match is available for the contractor and staff costs;
- a 90 percent enhanced federal match is available for computer system changes;
- the earliest waiver applications can be submitted is July 1, 2017;
- the earliest waiver approval can be received is March 1, 2018; and
- computer system changes will begin upon waiver approval.

State Expenditures

This bill is expected to increase expenditures for HCPF by \$2,033,608 and 2.3 FTE in FY 2016-17 and \$1,085,864 and 3.0 FTE in FY 2017-18. Costs are detailed in Table 1 and explained below.

Table 1. Expenditures Under SB16-170		
Cost Components	FY 2016-17	FY 2017-18
Personal Services	\$163,326	\$217,767
FTE	2.3 FTE	3.0 FTE
Operating Expenses and Capital Outlay Costs	16,247	2,850
Information Technology Modifications	0	671,582
Actuarial and Economic Analysis	1,666,000	0
Policy Analysis and Stakeholder Engagement	150,000	150,000
Centrally Appropriated Costs*	38,035	43,665
TOTAL	\$2,033,608	\$1,085,864

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

Personal services. HCPF requires 3.0 FTE beginning in FY 2016-17. The FTE are prorated for the first year to account for the General Fund paydate shift and the August effective date. The new FTE include an operations specialist, a unit manager and policy specialist, and a financial analyst and contract manager. These FTE will administer the waiver development, research and analyze policy issues, and lead cost effectiveness calculations.

Information technology system modifications. To implement the option to purchase insurance on Connect for Health Colorado, modifications to the Colorado Benefits Management System (CBMS), Program Eligibility Application Kit (PEAK), and the Medicaid Management Information System (MMIS) are required at a total one-time cost of \$671,582 in FY 2017-18. For CBMS changes, 1,926 hours of contract programming are required at a cost of \$137 per hour, resulting in a cost of \$263,862. This work will be managed and paid for through the reappropriation of funds to the Office of Information Technology. For the MMIS, costs are estimated at \$407,720, and this work will be overseen by HCPF directly.

Actuarial certification and financial analysis. HCPF will competitively bid for a contractor to conduct the actuarial certification and financial analysis required to prepare the waiver applications. This work will include:

- data identification for model design;
- integrating multiple payer data sets
- participating in stakeholder sessions;
- providing stakeholder analytics;
- providing risk-sharing design and modeling actuarial analysis;
- economic analysis of a 10-year budget plan;
- statewide health insurance coverage impact; and
- developing an actuarial and economic 10-year projection model.

Policy analysis and stakeholder engagement. HCPF will hire a contractor for ongoing policy analysis, waiver development, reporting, and stakeholder engagement. This contractor will have expertise in the Affordable Care Act and will assist HCPF in implementing the changes required by the bill.

Statutory Public Entity Impact

This bill will increase costs for Connect for Health Colorado to work with HCPF on waiver development and system updates for the shared eligibility system. It will need to update its marketplace system and to develop procedures for enrolling Medicaid-eligible individuals. It will also need to update its promotional materials regarding Medicaid-eligible individuals purchasing a health benefit plan via the exchange and provide training to its assistance network, brokers, and service center.

The total costs for FY 2016-17 and FY 2017-18 are estimated at \$1,279,171 with 2.0 FTE. The fiscal note assumes these costs will be paid using existing revenue sources to Connect for Health Colorado, including fees charged to health insurers, donations through the premium tax credit deduction, grants, and other sources.

Technical Note

Because the bill is not effective until August 10, 2016, and the waivers must be submitted to the federal Department of Health and Human Services by January 1, 2017, HCPF will not have sufficient time to prepare the waivers by the deadline specified in the bill. HCPF is expected to have the waiver applications ready for submission by July 1, 2017.

State Appropriations

For FY 2016-17, the Department of Health Care Policy and Financing requires an appropriation of \$1,995,573, of which \$997,787 is from the General Fund and \$997,876 is from federal funds.

Effective Date

The bill takes effect August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Colorado Health Benefit Exchange
Health Care Policy and Financing
Law

Counties
Information Technology
Regulatory Agencies