



## Legislative Council Staff

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# Fiscal Note

**Drafting Number:** LLS 22-0608  
**Prime Sponsors:** Rep. Holtorf; Amabile  
**Date:** March 7, 2022  
**Bill Status:** House HHS  
**Fiscal Analyst:** Erin Reynolds | 303-866-4146  
 Erin.Reynolds@state.co.us

**Bill Topic:** **MEDICAID MENTAL HEALTH REIMBURSEMENT RATES REPORT**

**Summary of Fiscal Impact:**

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires reporting on Medicaid reimbursement rates for community mental health centers and independent mental health and substance use treatment providers, including an independent audit, an annual report on payment methodology changes, and a transparency report. It increases state expenditures on an ongoing basis beginning in FY 2022-23.

**Appropriation Summary:** For FY 2022-23, the bill requires an appropriation of \$382,425 to the Department of Health Care Policy and Financing.

**Fiscal Note Status:** The fiscal note reflects the introduced bill.

**Table 1**  
**State Fiscal Impacts Under HB 22-1268**

		<b>Budget Year FY 2022-23</b>	<b>Out Year FY 2023-24</b>
<b>Revenue</b>		-	-
<b>Expenditures</b>	General Fund	\$191,213	\$195,434
	Federal Funds	\$191,212	\$195,434
	Centrally Appropriated	\$33,181	\$36,562
	<b>Total Expenditures</b>	<b>\$415,606</b>	<b>\$427,430</b>
	<b>Total FTE</b>	<b>1.8 FTE</b>	<b>2.0 FTE</b>
<b>Transfers</b>		-	-
<b>Other Budget Impacts</b>	General Fund Reserve	\$28,682	\$29,315

## Summary of Legislation

By August 15, 2022, the bill requires the Department of Health Care Policy and Financing (HCPF) to submit a report to the legislature regarding Medicaid reimbursement rates for community mental health centers and independent mental health and substance use treatment providers. HCPF must contract with an independent auditor to prepare the report and make recommendations. The report must use FY 2020-21 data and include a determination of and recommendations on the adequacy of reimbursement rates paid to Medicaid mental health providers.

In coordination with the independent report, HCPF is required to develop recommendations on creating equitable payment models between providers of community mental health centers and independent mental health and substance use treatment providers providing comparable behavioral health services to minimize inappropriate payment variation between the two provider types. HCPF is required to present an action plan to implement payment methodology changes to the Joint Budget Committee by November 15, 2022, as well as provide an annual report at its SMART Government Act hearing through 2025.

HCPF is required to publish cost reports for community mental health centers and clinics no later than March 15 of each year following a stakeholder engagement process. To facilitate cost reporting, HCPF is required to establish a cost reporting template and schedule to assist providers in collecting the required information. From this information, HCPF must establish a transparency report that translates the cost report data into meaningful and actionable information to ensure equity in provider compensation and adequate access to care for Medicaid members.

## Background

HCPF is currently responsible for publishing information on rate equity and health access, including through the Access Monitoring Review Plan, the Medicaid Provider Rate Review Analysis and Recommendation Reports, and the Managed Care Network Adequacy and Quality Report. Additionally, HCPF funds and informs the Colorado Health Access Survey. Typically the process for these publications, specifically the Medicaid Provider Rate Review Analysis and Recommendation Reports, includes data collection and analysis, soliciting a wide range of stakeholder feedback, evaluating the scope and depth of feedback, and developing study designs and actionable recommendations. This work also includes reviewing regulatory requirements and preparing state plan amendments and rule changes as necessary. This process typically takes three to five years per published report.

## State Expenditures

The bill increases state expenditures in HCPF by \$415,606 in FY 2022-23 and \$427,430 in FY 2023-24 from the General Fund and federal funds. Expenditures are shown in Table 2 and detailed below.

**Table 2  
 Expenditures Under HB 22-1268**

	FY 2022-23	FY 2023-24
<b>Department of Health Care Policy and Financing</b>		
Personal Services	\$168,775	\$184,118
Operating Expenses	\$2,700	\$2,700
Capital Outlay Costs	\$12,400	-
Contractor Services	\$198,550	\$204,050
Centrally Appropriated Costs <sup>1</sup>	\$33,181	\$36,562
<b>Total Cost</b>	<b>\$415,606</b>	<b>\$427,430</b>
<b>Total FTE</b>	<b>1.8 FTE</b>	<b>2.0 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Department of Health Care Policy and Financing.** HCPF requires 2.0 FTE Policy Analyst to conduct the accompanying work associated with the reports in the bill, as outlined in the Background section. Standard operating and capital outlay costs are included for these FTE and first-year costs are prorated for the General Fund pay date shift. All HCPF costs will be paid equally from the General Fund and federal funds

- **Behavioral health rate comparison report and action plan.** HCPF has already procured and paid an independent contractor for actuarial and analyst services for a behavioral health rate review using FY 2020-21 data to identify discrepancies between rates for the two provider types and the causes, and this independent review can meet the bill's deadline of August 15, 2022. The fiscal note assumes that this review meets the bill's requirement that HCPF contract for a behavioral health rate review and has not included resources for this requirement based on that assumption. HCPF will use this review and its recommendations to present an action plan to the Joint Budget Committee by November 15, 2022.
- **Annual SMART Act report.** HCPF is required to produce an annual report to present at its SMART Government Act hearing through 2025. HCPF requires 200 hours of contract services to produce this report at the hourly rate of \$361, adjusted for inflation in the out years. This cost will occur through FY 2024-25.
- **Cost and transparency reporting.** While HCPF can create the cost report and cost submission forms within existing resources, the associated transparency report requires 350 hours of contract services to produce at the hourly rate of \$361, adjusted for inflation in the out years. This cost is ongoing.

**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. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

## Other Budget Impacts

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, which decreases the amount of General Fund available for other purposes.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## State Appropriations

For FY 2022-23, the bill requires an appropriation of \$191,213 General Fund and \$191,212 federal funds to the Department of Health Care Policy and Financing and 1.8 FTE.

## Departmental Difference

HCPF assumes that the bill requires it to enter into a new contract for an independent review of behavioral health rates at an estimated cost of \$210,880 in FY 2022-23, which includes 560 contractor hours. The fiscal note assumes that the report that HCPF is currently under contract for meets the bill's criteria; therefore, this cost is not included in the fiscal note.

## State and Local Government Contacts

Health Care Policy and Financing

Information Technology