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Final Fiscal Note

Drafting Number: LLS 22-1042 Date: September 12, 2022
Prime Sponsors: Sen. Hansen; Rankin Bill Status: Signed into Law
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Bill Topic: REVIEW OF MEDICAID PROVIDER RATES

- Summary of Fiscal Impact:
State Revenue (checkbox)
State Expenditure (checked)
State Transfer (checkbox)
TABOR Refund (checkbox)
Local Government (checkbox)
Statutory Public Entity (checkbox)

The bill modifies the Medicaid provider rate review process. It will increase state expenditures on an ongoing basis beginning in FY 2023-24.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the enacted bill, which was recommended by the Joint Budget Committee.

Table 1
State Fiscal Impacts Under SB 22-236

Table with 3 columns: Category, Budget Year FY 2022-23, and Out Year FY 2023-24. Rows include Revenue, Expenditures (General Fund, Federal Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

## **Summary of Legislation**

The bill implements the following provisions related to the Department of Health Care Policy and Financing's (HCPF) Medicaid rate reviews to take effect by September 1, 2023:

- HCPF must modify its existing five-year Medicaid provider rate review schedule to a three-year schedule and provide the schedule to the Medicaid Provider Rate Review Advisory Committee (MMPRAC) in addition to the Joint Budget Committee (JBC).
- If HCPF determines a request from the MMPRAC or the JBC for an out-of-cycle review cannot be conducted, HCPF must provide the requestor with written notification within 30 days after the request is made stating its reasons.
- HCPF must utilize information regarding the prior authorization review process and provider rate billing structure if such information is relevant to the rate review in order to minimize rate disparities for services in professional classifications that are eligible for reimbursement under Medicaid.
- HCPF must conduct a public meeting at least quarterly to inform its review of provider rates and submit a description and the department's response as part of its reporting.

On December 1, 2022, the number of MMPRAC members is reduced from 24 to 7 members who are required to have proven expertise related to Medicaid in one or more specific areas. Initial appointments to the committee are required no later than January 1, 2023, with the first committee meeting held on or after March 1, 2023. The MMPRAC's current sunset date of September 1, 2025, is moved to September 1, 2036.

On or before December 1, 2023, and each December 1 thereafter, the MMPRAC must present to the JBC an overview of the provider rate review process, a summary of the provider rates that were reviewed, and the strategies for responding to the findings of the provider rate review.

On or before November 1, 2025, and each November 1 thereafter, HCPF must submit a written report to the JBC and the MMPRAC on its rate analysis, a description of the information discussed during the quarterly meeting, and its recommendations.

## **Background**

The MMPRAC was formed by Senate Bill 15-228 to assist HCPF in the review of Medicaid provider rate reimbursements. The committee currently contributes review and adjustments to HCPF's proposed five-year review cycles, takes public comment from stakeholders on whether rates should be reviewed out-of-cycle, reviews rate increase proposals that are sent to HCPF, takes public comment on produced reports, and recommends process improvements to the JBC.

**State Expenditures**

Beginning in FY 2023-24, expenditures will increase by approximately \$640,000 per year in HCPF, paid equally from the General Fund and federal funds. Expenditures are shown in Table 2 and detailed below.

**Table 2  
Expenditures Under SB 22-236**

	FY 2022-23	FY 2023-24
<b>Department of Health Care Policy and Financing</b>		
Personal Services	-	\$299,417
Operating Expenses	-	\$5,400
Capital Outlay Costs	-	\$18,600
Actuarial Contractor	-	\$250,000
Centrally Appropriated Costs <sup>1</sup>	-	\$63,933
<b>Total Cost</b>	-	<b>\$637,350</b>
<b>Total FTE</b>	-	<b>3.7 FTE</b>

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

**Health Care Policy and Financing.** Beginning in FY 2023-24, HCPF requires a total of 4.0 FTE and actuarial contractor support to implement the bill.

- **Three-year review cycle with prior authorization reviews.** To review provider rates within an expedited timeframe, HCPF requires 3.0 FTE Rate and Financial Analysts to perform data analysis on existing provider rates, participate in the stakeholder engagement process, and develop reports. Additionally, HCPF requires 1.0 FTE to coordinate prior authorization data analysis. FY 2023-24 staffing costs are prorated for the General Fund pay date shift.
- **Actuarial contractor.** The department also requires additional actuarial contractor support on an ongoing basis to assist with the increase in workload and the prior authorization data analysis.

**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, reducing the amount of General Fund available for other purposes.

## **Effective Date**

The bill was signed into law by the Governor on June 7, 2022. Section 25.5-4-401.5 (3) in Section 1 of the bill takes effect December 1, 2022, Section 25.5-4-401.5 (2)(d) in Section 1 of the bill takes effect May 1, 2025, and the remainder of the bill takes effect July 1, 2023, assuming no referendum petition is filed.

## **Departmental Difference**

HCPF estimates 3.0 FTE Rate and Financial Analyst at a cost of \$285,035 are required in FY 2022-23 to implement the change to a three-year review cycle, prior to bill's effective date of July 1, 2023. This is based on the assumption that HCPF will not meet the bill's deadlines without these resources. The bill's effective date does not permit these resources. Further, the fiscal note assumes that HCPF can meet the bill's reporting deadlines.

## **State and Local Government Contacts**

Health Care Policy and Financing

Law