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*Nonpartisan Services for Colorado's Legislature*

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# Final Fiscal Note

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**Drafting Number:** LLS 22-1042 **Date:** January 18, 2023  
**Prime Sponsors:** Sen. Hansen; Rankin **Bill Status:** Signed into Law  
Rep. McCluskie; Ransom **Fiscal Analyst:** Erin Reynolds | 303-866-4146  
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**Bill Topic:** **REVIEW OF MEDICAID PROVIDER RATES**

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

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**Appropriation Summary:** No appropriation is required.

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**Fiscal Note Status:** The fiscal note reflects the enacted bill, which was recommended by the Joint Budget Committee. The final fiscal note has been updated to account for an omitted amendment.

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**Table 1**  
**State Fiscal Impacts Under SB 22-236**

		<b>Budget Year FY 2022-23</b>	<b>Out Year FY 2023-24</b>
<b>Revenue</b>		-	-
<b>Expenditures</b>	General Fund	-	\$118,840
	Federal Funds	-	\$118,839
	Centrally Appropriated	-	\$47,343
	<b>Total Expenditures</b>	-	<b>\$285,023</b>
	<b>Total FTE</b>	-	<b>2.8 FTE</b>
<b>Transfers</b>		-	-
<b>Other Budget Impacts</b>	General Fund Reserve	-	\$17,826

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## **Summary of Legislation**

Current law requires the Department of Health Care Policy and Financing (HCPF) to establish a schedule for a review of provider rates paid under Medicaid so that each provider rate is reviewed at least every five years and to provide the schedule to the Joint Budget Committee (JBC). Beginning July 1, 2023, the bill requires HCPF to establish a schedule so that each provider rate is reviewed at least every three years and to provide the schedule to the Medicaid Provider Rate Review Advisory Committee (MPRRAC) in addition to the JBC.

Current law authorizes MPRRAC or the JBC, by a majority vote, to direct HCPF to conduct a review of a provider rate that is not scheduled for review during that year. Effective July 1, 2023, if HCPF determines the request for an out-of-cycle review cannot be conducted, the bill requires HCPF to provide written notification to MPRRAC and the JBC within 30 days after the request is made stating the reasons the out-of-cycle request cannot be conducted.

Effective July 1, 2023, the bill requires HCPF to conduct a public meeting at least quarterly to inform HCPF's review of provider rates.

Current law requires MPRRAC to consist of 24 members. Effective December 1, 2022, the bill decreases the advisory committee to 7 members and requires the members to have proven expertise related to Medicaid in one or more specific areas. The MPRRAC is currently scheduled to sunset September 1, 2025; the bill moves the sunset to September 1, 2036.

On or before December 1, 2023, and each December 1 thereafter, the bill requires the MPRRAC to 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.

## **Background**

The MPRRAC 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 \$290,000 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	FY 2024-25
<b>Department of Health Care Policy and Financing</b>			
Personal Services	-	\$215,030	\$234,579
Operating Expenses	-	\$4,050	\$4,050
Capital Outlay Costs	-	\$18,600	-
Centrally Appropriated Costs <sup>1</sup>	-	\$47,343	\$51,100
<b>Total Cost</b>	-	<b>\$285,023</b>	<b>\$289,729</b>
<b>Total FTE</b>	-	<b>2.8 FTE</b>	<b>3.0 FTE</b>

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

**Health Care Policy and Financing.** 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. FY 2023-24 staffing costs are prorated for the General Fund pay date shift.

**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.

## Technical Note

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.

## **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.

## **State and Local Government Contacts**

Health Care Policy and Financing

Law