



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated April 25, 2023)

Drafting Number: LLS 23-0975 **Date:** April 29, 2023
Prime Sponsors: Rep. Bird; Bockenfeld **Bill Status:** House Second Reading
 Sen. Zenzinger; Kirkmeyer **Fiscal Analyst:** Kristine McLaughlin | 303-866-4776
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Bill Topic: **AUDITS OF DHCPF PAYMENTS TO PROVIDERS**

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 the Office of the State Auditor to conduct a review of the Department of Health Care Policy and Financing's Recovery Audit Contractor Program. The department is also required to disclose audit information, perform stakeholder outreach, and offer provider trainings quarterly. The bill increases state expenditures on an ongoing basis .

Appropriation Summary: For FY 2023-24, the bill includes an appropriation of \$928,573 to multiple state agencies.

Fiscal Note Status: The revised fiscal note reflects the introduced bill, as amended by the House Appropriations Committee.

**Table 1
State Fiscal Impacts Under HB 23-1295**

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-
Expenditures	General Fund	\$889,287	\$39,158
	Federal Funds	\$39,286	\$39,158
	Centrally Appropriated	\$16,524	\$18,225
	Total Expenditures	\$945,097	\$96,541
	Total FTE	0.9 FTE	1.0 FTE
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$133,393	\$5,874

Summary of Legislation

The bill requires the Office of the State Auditor (OSA) to conduct an independent review of the Department of Health Care Policy and Financing's (HCPF) Recovery Audit Contractor Program during FY 2023-24. The review must include policy recommendations on several specified concerns. Additionally, the OSA must hire a contractor to help pursue policy recommendations available under federal law.

On a quarterly basis, the bill requires HCPF to report audit information on its website, conduct trainings for providers, and hold stakeholder meetings regarding audits and reviews. HCPF must also publish contracts with auditors online. Finally, HCPF is required to create a Provider Advisory Group for recovery audits, consisting of membership outlined in the bill, that meets at least quarterly.

Background

As required by state and federal law, HCPF currently contracts with a recovery audit contractor to review provider claims. These post-payment reviews of provider-submitted claims paid by Medicaid determine whether services were actually provided, medically necessary, coded correctly, and properly paid or denied, as well as whether another party should be responsible for payment. Providers who submit claims to Medicaid are required to maintain adequate documentations and records of the services provided, and to provide documentation to HCPF, its contractor, or the federal government upon request. Under current law, claims may be reviewed up to seven years after the date services were provided. If it is determined that the amount paid to the provider was too high, was not medically necessary, should have been paid by another party, or something similar, HCPF will seek to recover the overpayment from the provider. Over the last several years, recoveries have increased rapidly. In FY 2021-22, HCPF received about \$34 million in recovery payments. Through March of the current fiscal year, HCPF has collected about \$50 million in recoveries, expected to reach \$75 million by the end of the year.

State Expenditures

The bill increases state expenditures in HCPF by \$95,097 in FY 2023-24 and \$96,541 in FY 2024-25 and ongoing, split evenly between the General Fund and federal funds. The bill increases state expenditures in OSA by \$850,000 in FY 2023-24 only, paid from the General Fund. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 23-1295

	FY 2023-24	FY 2024-25
Department of Health Care Policy and Financing		
Personal Services	\$70,553	\$76,966
Operating Expenses	\$1,350	\$1,350
Capital Outlay Costs	\$6,670	-
Centrally Appropriated Costs ¹	\$16,524	\$18,225
FTE – Personal Services	0.9 FTE	1.0 FTE
HCPF Subtotal	\$95,097	\$96,541
Office of the State Auditor		
Audit Review	\$850,000	-
OSA Subtotal	\$850,000	-
Total	\$945,097	\$96,541
Total FTE	0.9 FTE	1.0 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Health Care Policy and Financing. The bill appropriates 1.0 FTE to HCPF to comply with the disclosure, stakeholder outreach, and education requirements. Standard operating and capital outlay costs are included, and first-year costs are prorated to account for the General Fund pay date shift

Legislative Department. The bill appropriates \$850,000 to the OSA in the Legislative Department to conduct the audit review. This includes contractor funds for the federal law investigation.

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.

Effective Date

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

State Appropriations

For FY 2023-24, the bill includes the following appropriations:

- \$78,573 to the Department of Health Care Policy and Financing, split evenly between General Fund and federal funds, and 0.9 FTE; and
- \$850,000 to the Legislative Department from the General Fund.

State and Local Government Contacts

Health Care Policy and Financing
Human Services
State Auditor

Personnel and Administration
Law