



Legislative Council Staff
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Final Fiscal Note

Drafting Number: LLS 23-0175 **Date:** July 31, 2023
Prime Sponsors: Sen. Mullica; Simpson **Bill Status:** Signed into Law
Rep. McCluskie; Bradfield **Fiscal Analyst:** Kristine McLaughlin | 303-866-4776
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Bill Topic: **MEDICAID REIMBURSEMENT FOR COMMUNITY HEALTH SERVICES**

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 Department of Health Care Policy and Financing to seek federal approval for Medicaid to pay for services provided by community health workers and to implement the new coverage once federal approval is granted. The bill increases state expenditures on an ongoing basis starting in FY 2023-24.

Appropriation Summary: For FY 2023-24, the bill requires and includes an appropriation of \$251,407 to multiple state agencies.

Fiscal Note Status: The fiscal note reflects the enacted bill.

Table 1
State Fiscal Impacts Under SB 23-002

		Budget Year FY 2023-24	Out Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27
Revenue		-	-	-	-
Expenditures	General Fund	\$210,690	\$277,236	\$3,690,437	\$4,278,096
	Federal Funds	\$40,717	\$430,604	\$8,210,480	\$9,581,682
	Central. Approp.	\$52,168	\$64,917	\$56,674	\$56,674
	Total Expenditures	\$303,575	\$772,757	\$11,957,591	\$13,916,452
	Total FTE	2.8 FTE	3.4 FTE	3.0 FTE	3.0 FTE
Transfers		-	-	-	-
Other Budget Impacts	GF Reserve	\$31,604	\$41,585	\$555,567	\$641,714

Summary of Legislation

The bill requires the Department of Health Care Policy and Financing (HCPF) to seek federal approval to pay for services provided by community health workers under Medicaid by July 1, 2024, and to begin implementing this coverage once approval is received. Prior to implementing the new benefit, HCPF must hold four public stakeholder meetings on community health work. Stakeholders include the community health workers, Colorado Department of Public Health and Environment (CDPHE), health care providers, and schools and school-based health clinics.

The bill defines “community health worker” as a frontline public health worker who serves as a liaison between health care or social service providers and community members to facilitate access to physical, mental, or dental health-related services, or services to combat social determinants of health. Services provided by community health workers must, at a minimum, include preventive services, screening, and assessments, and individual support and health advocacy.

Through the stakeholder and federal approval process, HCPF must determine the qualifications for an individual to qualify for state reimbursement for community health worker services. The requirements will include completion of a state-approved training program and clinical supervision. HCPF must report to the General Assembly on implementation of community health worker services under Medicaid by January 31, 2026.

Background

Community health workers are currently covered under Medicaid in 15 states. Each state has a unique definition for these workers and system for credentialing these workers to receive payment through Medicaid. Covered work ranges from preventative care to chronic disease management. Services are typically provided in a community setting, such as a school, community center, or in the client’s home. Communities with large health disparities are prioritized.

The Colorado Department of Public Health and Environment (CDPHE) currently maintains a voluntary registry of health navigators. The current registry program is supported by term-limited federal grant funding, which is scheduled to end in June 2023. Health navigators are sub-medical professionals who connect patients to care and would be considered community health workers under most definitions. Training programs in Colorado can submit an application to offer a health navigator curriculum. There are currently four recognized training programs in Colorado. After an individual has completed an approved curriculum they are eligible to sit for an assessment, conducted through CDPHE, and, if they pass, be placed on the department’s public registry. There are currently about 170 registered health navigators.

Data and Assumptions

The number of community health workers who seek Medicaid reimbursement under the bill will depend on a variety of factors, including the exact qualifications and eligible services specified by HCPF. It is assumed that demand for services will exceed available capacity (i.e., number of available community health workers), so the fiscal note uses participation in the program by community health workers to estimate program service costs.

Assumed participation. An estimated 280 workers will enroll in FY 2025-26 and 328 will enroll in FY 2026-27. This is based on the following assumptions:

- the current number of eligible workers is 160, based on the current Health Navigator Registry;
- the number of eligible workers will grow by 60 workers annually, based on the capacity of the currently approved training programs; and
- 80 percent of eligible workers will participate.

Enrollment in future years may increase further as awareness of the program grows and CDPHE approves additional training programs.

Start date and payment assumptions. It is assumed that necessary federal approval and implementation requirements will be completed in order for community health workers to participate in Medicaid beginning July 1, 2025 (FY 2025-26). Medicaid is assumed to pay community health workers an estimated rate is \$39.34 an hour, based on the rates in Nevada and South Dakota. Lastly, it is assumed that community health workers, on average, will use 50 percent of their time on services billable to Medicaid (1,040 hours per worker per year).

State Expenditures

The bill increases state expenditures by about \$304,000 in FY 2023-24 and \$773,000 in FY 2024-25 to seek federal approval and take steps to implement the program. Conditional upon federal approval, costs are estimated to increase by \$12 million in FY 2025-26 and \$14 million in FY 2026-27 once community health workers begin providing services to Medicaid clients. These costs, which are in both HCPF and the CDPHE, are summarized in Table 2 and discussed below. Costs are split between General Fund and federal funds.

**Table 2
Expenditures Under SB 23-002**

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Department of Health Care Policy and Financing				
Personal Services	\$73,684	\$139,182	\$98,246	\$98,246
Operating Expenses	\$1,080	\$2,025	\$1,350	\$1,350
Capital Outlay Costs	\$6,670	-	-	-
IT System Costs	-	\$400,000	\$180,000	\$180,000
Service Costs	-	-	\$11,426,688	\$13,385,549
Centrally Appropriated Costs ¹	\$15,717	\$28,466	\$20,223	\$20,223
FTE – Personal Services	0.8 FTE	1.4 FTE	1.0 FTE	1.0 FTE
HCPF Subtotal	\$97,151	\$569,673	\$11,726,507	\$13,685,368

**Table 2
Expenditures Under SB 23-002 (Cont.)**

Department of Public Health and Environment				
Personal Services	\$153,933	\$153,933	\$153,933	\$153,933
Operating Expenses	\$2,700	\$2,700	\$2,700	\$2,700
Capital Outlay Costs	\$13,340	-	-	-
IT System Costs	-	\$10,000	\$5,000	\$5,000
Credentialing and Assessment	-	-	\$33,000	\$33,000
Centrally Appropriated Costs ¹	\$36,451	\$36,451	\$36,451	\$36,451
FTE – Personal Services	2.0 FTE	2.0 FTE	2.0 FTE	2.0 FTE
CDPHE Subtotal	\$206,424	\$203,084	\$231,084	\$231,084
Total Expenditures	\$303,575	\$772,757	\$11,957,591	\$13,916,452
Total FTE	2.8 FTE	3.4 FTE	3.0 FTE	3.0 FTE

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

Department of Health Care Policy and Financing

The bill increases costs in HCPF by \$97,000 in FY 2023-24 and \$570,000 in FY 2024-25 to seek federal approval, conduct the required stakeholder process, update IT systems, and complete other tasks needed to begin implementing the program. Once federal approval is received, costs in HCPF will increase by at least \$12 million in FY 2025-26 and \$14 million in FY 2026-27 to reimburse for community health worker services and manage the program. Additional detail on HCPF costs is provided below.

Staffing. In FY 2023-24 and FY 2024-25 HCPF requires 1.0 temporary FTE to oversee the implementation of the bill, with duties that include engaging in the stakeholder process, establishing rates, and seeking necessary federal approval. Beginning January 1, 2025 (6 months before the anticipated implementation date), HCPF requires 1.0 permanent FTE to oversee the program, with duties that include enrolling eligible community health workers, overseeing IT system changes, and conducting outreach to community and other organizations. First-year staffing costs are prorated for a September 2023 start date and the General Fund pay date shift. Standard operating and capital outlay expenses are included for these new staff.

IT system costs. HCPF will have costs of \$400,000 in FY 2024-25 to make IT system enhancements to configure billing codes, provider types, eligible services, and other information necessary to process billing and payments for community health worker services. In FY 2025-26 and future years, HCPF will have costs of \$180,000 per year for licensing and ongoing maintenance. These costs are based on projects of similar scope and a contractor estimate. Affected systems include the Medicaid Management Information System, the Medicaid care and case management system, and the electronic visit verification system, to allow for general billing, multi-provider care coordination, and home visits respectively

Community health worker services. Based on the assumptions listed above, costs to reimburse community health workers for eligible services are estimated to be \$11.4 million in FY 2025-26 and \$13.4 million in FY 2026-27. These costs may vary significantly from these estimates based on actual community health worker participation and services provided, as well as the exact parameters set on the program by HCPF following the stakeholder and federal approval processes. It is assumed that HCPF will request necessary funding through the annual budget process once additional detail on program services and costs are known.

Other Medicaid costs and savings. The use of community health workers may increase utilization of some services by Medicaid members, including preventative health care, health screenings, and similar types of care. Costs for these services, as well as for payments to community health workers, may be offset, at least partially, by longer term savings that result from earlier interventions, improved access to care, and better outcomes for patients in underserved communities. This fiscal note only looks at the direct costs to implement the bill, as potential savings will depend on numerous factors and data/information are not available to provide such an estimate. It is assumed that any savings realized will be reflected in future budget requests for the Medicaid program based on actual program costs and utilization.

Department of Public Health and Environment (CDPHE)

CDPHE requires funding for IT system changes to meet the new requirements of the bill. Additionally, funding for the current Health Navigator Registry is set to expire and must be extended to enact the bill.

Staffing, credentialing, and assessment costs. The Health Navigator Registry is currently operated by the equivalent of 2.0 FTE, including one employee who is exclusively dedicated to the project and five employees who dedicate partial time to the project, and a contractor that performs the assessments, funding for which is set to expire at the end of FY 2022-23. Because the bill is continuing funding for current FTE no pay day shift was applied.

IT system changes. Currently, the Health Navigator registry is maintained manually in Excel and hosts information on about 160 navigators. To accommodate the data necessary for Medicaid reimbursement and ensure compliance with the requirements agreed upon through the stakeholder process CDPHE will have costs of \$10,000 in FY 2024-25 to procure a new registry system. Ongoing maintenance and licensing costs are estimated at \$5,000 per year starting in FY 2025-26.

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 for HCPF and CDPHE, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Effective Date

The bill was signed into law by the Governor on May 10, 2023, and takes effect on August 7, 2023, assuming no referendum petition is filed.

State Appropriations

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

- \$81,434 to the Department of Health Care Policy and Financing, split evenly between General Fund and federal funds, and 0.8 FTE; and
- \$169,973 to the Colorado Department of Public Health and Environment from the General Fund, and 2.0 FTE.

State and Local Government Contacts

Counties	Health Care Policy and Financing
Human Services	Public Health and Environment