Colorado General Assembly
Joint Budget Committee

JOINT BUDGET COMMITTEE STAFF FY 2017-18 BUDGET BRIEFING SUMMARY

Department of Health Care Policy and Financing

Executive Director's Office, Medical Services Premiums, Indigent Care Programs, and Other Medical Programs

The Department of Health Care Policy and Financing helps pay health and long-term care expenses for low-income and vulnerable populations. To assist with these costs the Department receives significant federal matching funds, but must adhere to federal rules regarding program eligibility, benefits, and other features, as a condition of accepting the federal money. The Department's FY 2016-17 appropriation represents approximately 33.6 percent of statewide operating appropriations and 26.6 percent of statewide General Fund appropriations.

FY 2016-17 APPROPRIATION AND FY 2017-18 REQUEST

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION:						
HB 16-1405 (Long Bill)	9,059,846,783	2,660,581,107	985,068,901	12,406,599	5,401,790,176	432.0
Other Legislation	57,034,095	(6,186,893)	27,416,620	0	35,804,368	3.8
TOTAL	**$9,116,880,878**	**$2,654,394,214**	**$1,012,485,521**	**$12,406,599**	**$5,437,594,544**	**435.8**
FY 2017-18 APPROPRIATION:						
FY 2016-17 Appropriation	$9,116,880,878	2,654,394,214	$1,012,485,521	$12,406,599	$5,437,594,544	435.8
R1 Medical Services Premiums	361,396,284	124,330,802	10,348,553	3,790,151	222,926,778	0.0
R2 Behavioral Health	20,962,544	(406,491)	11,420,458	0	9,948,577	0.0
R3 Children's Basic Health Plan	18,510,002	(1,878,825)	1,665,246	0	18,723,581	0.0
R4 Medicare Modernization Act	19,674,000	19,674,000	0	0	0	0.0
R5 Office of Community Living	9,869,672	(2,025,296)	8,427,248	0	3,467,720	0.0
R6 Delivery system and payment reform	3,213,375	(200,342)	(187,409)	0	3,601,126	0.0
R7 Oversight of state resources	1,486,941	(1,658,036)	100,685	0	3,044,292	13.2
R8 MMIS Operations	23,524,339	(566,430)	2,953,578	(275,978)	21,413,169	1.8
R9 Long-term care utilization management	1,030,568	257,644	(9,219)	0	782,143	0.0
R10 Regional Center task force	922,801	224,066	0	0	698,735	1.8
R11 Vendor transitions	2,598,458	929,629	369,600	0	1,299,229	0.0
R12 Local Public Health Agency partnerships	711,000	355,500	0	0	355,500	0.0
R13 Quality of care and performance improvement projects	639,237	280,869	0	0	358,368	0.0
R14 Federal match rate	0	253,832	574,855	6,020	(834,707)	0.0
Human Services programs	2,302,088	1,151,047	0	0	1,151,041	0.0
Centrally appropriated line items	1,348,670	487,423	102,151	22,581	736,515	0.0
Non-prioritized requests	861,753	403,591	28,663	0	429,499	0.0
Transfers to other state agencies	832,997	208,866	0	0	624,131	0.0
Indirect cost adjustment	215,804	0	32,729	111,491	71,584	0.0
Annualize prior year budget actions	(96,594,036)	1,014,674	(28,173,540)	8,281	(69,443,451)	0.3
TOTAL	**$9,490,387,375**	**$2,797,230,737**	**$1,020,139,119**	**$16,069,145**	**$5,656,948,374**	**452.9**
INCREASE/(DECREASE)	$373,506,497	$142,836,523	$7,653,598	$3,662,546	$219,353,830	17.1
Percentage Change	4.1%	5.4%	0.8%	29.5%	4.0%	3.9%

DESCRIPTION OF INCREMENTAL CHANGES

R1 Medical Services Premiums: The Department requests a net increase of $361.4 million total funds, including $124.3 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for the Medical Services Premiums line item. The projection includes an increase of $93.3 million total funds, including $22.2 million General Fund, for Hepatitis C treatments resulting from a change in prior authorization criteria that was implemented by the Department in October 2016. The projection for cash funds and federal funds reflects the Governor's proposed $195.0 million restriction on Hospital Provider Fee revenues, which reduces the General Fund obligation for a TABOR refund by $195.0 million from the Office of State Planning and Budgeting forecast. *See the issue brief "Forecast Trends" for more information.*

R2 Behavioral Health Programs: The Department requests a net increase of $21.0 million total funds, including a decrease of $0.4 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for behavioral health services. *See the 12/13/16 briefing on Behavioral Health Community Programs for more information.*

R3 Children's Basic Health Plan: The Department requests a net increase of $18.5 million total funds, including a decrease of $1.9 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for the Children's Basic Health Plan.

R4 Medicare Modernization Act: The Department requests an increase of $19.7 million General Fund for the projected state obligation pursuant to the federal Medicare Modernization Act to pay the federal government in lieu of the state covering prescription drugs for people dually eligible for Medicaid and Medicare.

R5 Office of Community Living: The Department requests a net increase of $9.9 million total funds, including a decrease of $2.0 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for services for people with intellectual and developmental disabilities. *See the 12/19/16 briefing on the Office of Community Living for more information.*

R6 DELIVERY SYSTEM AND PAYMENT REFORM: The Department requests a net increase of $3.2 million total funds, including a decrease of $200,342 General Fund, for a number of changes that the Department characterizes as delivery system and payment reforms.

The Department proposes taking a portion of the money currently paid to certain providers and transforming it into incentive payments based on health outcomes and performance:

- *Primary Care:* The Department requests General Fund for the state share of costs to continue an increase in primary care rates (referred to as the primary care rate bump) that was financed with one-time tobacco settlement moneys by H.B. 16-1408 and is set to expire at the end of FY 2016-17. The Department would negotiate with stakeholders over the course of the year so that beginning in FY 2018-19 an unspecified portion of the primary care rate bump would be paid based on performance metrics, which would be aligned with the performance metrics of the federal Medicare Access and CHIP Reauthorization Act of 2015 (MACRA).
- *Behavioral Health:* Behavioral health incentive payments would be financed using the savings from a federally required change in the way behavioral health capitation rates are set, although there would be a delay between when capitated rates are reduced and incentive payments are disbursed, resulting in a one-time savings in FY 2017-18.
- *Federally Qualified Health Centers (FQHCs):* An unspecified amount of performance incentives for FQHCs would be financed by reducing monthly base payments to the FQHCs.

In addition to implementing the new incentive payments described above, the Department requests funding to implement Phase II of the Accountable Care Collaborative, which features the coordination of physical and behavioral health and mandatory enrollment. Phase II is projected to result in net savings from avoided high cost care. The expenditures and savings associated with Phase II won't occur until FY 2018-19.

The Department also proposes adjusting Medicaid rates for vaccines annually to match private sector prices reported by the Centers for Disease Control. Annually updating vaccine rates will capture decreases in price that often occur when patents expire and generics are introduced, leading the Department to believe that the policy change will result in a net savings, even if the rates for some vaccines increase.

Finally, the request accounts for expected short-duration savings from a change in the timing of Medicaid payments for hospital outpatient services. This partially offsets the first year General Fund cost of continuing the primary care rate bump (the rest of the first year offset comes from the delay in funding behavioral health incentive payments and the change to vaccine stock rates). Although the Governor's official supplemental request is not due until January 2017, this request notes that the savings from changing the timing of payments for hospital outpatient services are projected to reduce FY 2016-17 expenditures by $15.4 million total funds, including a decrease of $7.7 million General Fund, in addition to the fiscal impact in FY 2017-18.

See the issue brief "Accountable Care Collaborative and Related Reforms (R6)" for more information.

R7 OVERSIGHT OF STATE RESOURCES: The Department requests a net increase of $1.5 million total funds, including a decrease of $1.7 million General Fund, and an increase of 13.2 FTE for a number of initiatives the Department characterizes as related to the oversight of state resources, including:

1. Implementing electronic verification of assets for enrollment, as required by federal regulation
2. Evaluating consumer directed care in response to recommendations from the State Auditor
3. Developing a new audit database to track audit findings and mitigation efforts
4. Renewing expiring funds for project management staff and making the staff available for other initiatives
5. Performing audits of annual cost reports from Community Mental Health Centers for rate setting
6. Hiring additional staff to investigate fraud and abuse, resulting in projected savings
7. Better coordinating services to Native Americans to qualify for an increased federal match
8. Increasing administrative resources for the annual Hospital Provider Fee model and associated incentive payments, including a proposed new demonstration waiver for performance payments *[see the issue brief "Hospital Payments (R1 and R7)" for more information]*
9. Updating pricing for office-administered drugs on a periodic basis to encourage more providers in cost-effective settings to offer services, as recommended by the Medicaid Provider Rate Review Advisory Committee, resulting in projected savings [*see the issue brief "Medicaid Provider Rate Review (R7)" for more information*]

The net General Fund savings is primarily due to an increase in the federal match for coordinating services to Native Americans (item 7) and the change to pricing for office-administered drugs (item 9).

Although the Governor's official supplemental request is not due until January 2017, this request assumes expenditures for the electronic verification of assets and the hospital provider fee resources (1 and 8) would begin in FY 2016-17 at a cost of $200,000 total funds, including $50,000 General Fund.

R8 MMIS Operations: The Department requests $23.5 million total funds, including a reduction of $0.6 million General Fund, and an increase of 1.8 FTE for updated estimates of the costs and federal match rates associated with the new Medicare Management Information System (MMIS). Some of the changes include adjustments related to: a delay in the projected launch date from October 31, 2016, to March 1, 2017; revised estimates of available federal funds and cash funds based on the type of work being done and the populations served; a newly identified technology requirement to comply with a federal limit on client copayments; and revised estimates of ongoing maintenance needs. The Governor's official supplemental request is not due until January 2017, but this request assumes a net increase in expenditures for the MMIS in FY 2016-17 of $1.5 million total funds, including a decrease of $1.2 million General Fund.

R9 Long-term care utilization management: The Department requests an increase of $1.0 million total funds, including $257,644 General Fund to contract with a quality improvement organization and thereby qualify for an enhanced federal match for services. Except as noted, the functions of the quality improvement organization identified below are either being shifted from Department staff to the contractor, thereby freeing up the Department staff to focus on policy and strategic issues, or the functions are new. The quality improvement organization would:

1. Perform acuity assessments for brain injury services, removing a conflict of interest when providers currently perform this function
2. Monitor critical incident reports, including validating what occurred, elevating high priority events that require immediate follow-up, and tracking outcomes
3. Conduct over cost containment reviews that examine treatment plans above pre-determined cost thresholds to: ensure authorized services are appropriate and would stand up to appeal; prevent duplication of services; and, document that the average annual cost of waiver services are less than care in an institutional setting
4. Score applications for performance funding from the nursing facility provider fee in place of the current contractor who performs this function
5. Review claimed deductions to nursing home client income for incurred medical expenses for appropriateness and to ensure clients are not charged for benefits covered by Medicaid
6. Sample a statistically valid subset of Home- and Community-Based Service payments to ensure services were rendered appropriately and in a manner consistent with the bill and service plan
7. Recommend standard criteria on service limits to improve consistency across waivers and between case management agencies, and to periodically review utilization trends to ensure compliance with the service limits
8. Review under- and over-utilization of services and ensure that service plans are being updated appropriately when client circumstances change
9. Audit case management activities of Community Centered Boards and Single Entry Point agencies
10. Review applications for the Children's Extensive Support waiver

R10 Regional Center task force: The Department requests $922,801 total funds, including $224,066 General Fund, and 1.8 FTE to: (1) provide intensive case management to people with intellectual and developmental disabilities who are transitioning from an Intermediate Care Facility or Regional Center to the community, and continue that service for one year after their transition; and (2) provide staff for the Department to continue working on implementation of the recommendations of the Regional Center Task Force. *See the 12/19/16 briefing on the Office of Community Living for more information.*

R11 Vendor transitions: The Department requests $2.6 million total funds, including $929,629 General Fund, in one-time funding to allow overlap between outgoing and new vendors, in order to minimize service disruptions. Vendor services being reprocured in FY 2017-18 include the Accountable Care Collaborative, the enrollment broker that provides information to newly eligible Medicaid clients regarding their plan choices, and the Medicaid managed care ombudsman that assists members with complaints.

R12 Local Public Health Agency partnerships: The Department requests $711,000 total funds, including $355,500 General Fund, to improve coordination between the Accountable Care Collaborative and Local Public Health Agencies. There is a corresponding request in the Department of Public Health and Environment for a decrease in General Fund to offset the increase in the Department of Health Care Policy and Financing. The net effect of both requests is to increase federal financing for Local Public Health Agencies by $355,500 with no change in statewide General Fund. *See the 11/28/16 briefing for the Department of Public Health and Environment for more information.*

R13 Quality of care and performance improvement projects: The Department requests $639,237 total funds, including $280,869 General Fund, to conduct member satisfaction surveys aimed at improving quality of care, and to validate performance improvement projects by managed care organizations. The Department currently conducts a Consumer Assessment of Healthcare Providers and Systems (CAHPS) survey that looks at member satisfaction with treatment, but the survey is done at a regional level and funding is only sufficient to survey adults or children, but not both, each year. The Department would like to extend the annual survey to collect data at a provider level and to cover both adults and children. In addition to the CAHPS survey, the Department conducts surveys of the elderly, people with disabilities, and people with intellectual and developmental disabilities who are receiving long-term services and supports, but federal funding to pilot and test the components of the survey related to the elderly and people with disabilities is expiring, and for the component focused on people with intellectual and developmental disabilities the available funding limits the scope of the survey to one snap shot per year. The Department would like to continue surveying adults and people with disabilities and expand the frequency and depth of the survey of people with intellectual and developmental disabilities. Finally, pursuant to federal regulation the Department requires managed care organizations to engage in performance improvement projects that collect data to identify weaknesses in service delivery and implement improvements, but funding for the Department to validate the performance improvement projects is limited. The Department requests additional funding for validations to ensure compliance with federal regulations, and to hold Regional Care Collaborative Organizations to the same standards as managed care organizations.

R14 Federal match rate: The Department requests an increase in General Fund and cash funds and a corresponding decrease in federal funds based on a projected decrease in the federal match rate for Medicaid. The Department expects per capita income in Colorado will grow faster than the national average, leading to a formula decrease in the Federal Medical Assistance Percentage (FMAP) for Medicaid. This request is just for the line items where the Department did not submit a forecast adjustment. For Medical Services Premiums, Behavioral Health, the Children's Basic Health Plan, and the Office of Community Living the effect of the change in the FMAP is included in the requested forecast adjustments (R1 through R5).

Human Services programs: The Department's request reflects adjustments for several programs that are financed with Medicaid funds, but operated by the Department of Human Services. *See the briefings for the Department of Human Services for more information.*

Centrally appropriated line items: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; salary

survey; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; Capitol complex leased space; payments to the Governor's Office of Information Technology (OIT); and CORE operations.

Non-prioritized requests: The Department requests $861,997 total funds, including $403,591 General Fund, to reflect the impact on the Department of Health Care Policy and Financing from requests submitted by other departments. These include requests from: the Department of Public Health And Environment for staffing related to services for people with intellectual and developmental disabilities, and for resources for health surveys; the Governor's Office of Information Technology for Deskside and for Secure Colorado resources; and the Department of Personnel and Administration for administrative courts.

Transfers to other state agencies: The Department requests $832,997 total funds, including $208,866 General Fund, for transfers to programs administered by other departments. All of the requested changes are related to centrally appropriated line items and indirect cost recoveries in the Department of Public Health and Environment for the Facility Survey and Certification program.

Indirect cost adjustment: The appropriation includes a net increase in the Department's indirect cost assessment.

Annualize prior year budget decisions: The request includes adjustments for out-year impacts of prior year legislation and budget actions. All of the annualizations included in the Department's request are summarized in the table below. The titles of the annualizations begin with either a bill number or the fiscal year when a budget decision was made in the Long Bill. For budget decisions made in the Long Bill, a reference to the priority numbering the Department used in that year for the initiative is provided, if relevant.

The largest annualization is for H.B. 16-1408 (Tobacco/Marijuana allocations). The bill provided one-time funding from tobacco settlement moneys in the Children's Basic Health Plan Trust to support one more year of higher primary care reimbursement rates, referred to as the primary care rate bump. The bill also spent down a fund balance of tobacco settlement moneys in the Autism Treatment Fund to provide a one-year offset to the cost of behavioral therapy services for children with autism, which must be backfilled with General Fund in FY 2017-18 to continue the federally mandated behavioral therapy services.

The second largest annualization is for FY 13-14 R5 MMIS Reprocurement, which was an action in the FY 13-14 Long Bill to fund the Department's fifth budget priority for resources related to the replacement and modernization of the Medicaid Management Information System (MMIS) that processes provider claims. The largely federally-funded development stage of that project is winding down and the new MMIS is scheduled to begin operation March 1, 2017.

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 16-17 BA14 Public School Health Services	$1,933,578	$0	$1,193,993	$0	$739,585	0.0
SB 16-192 Needs assessment for LTSS	1,671,363	916,388	(137,837)	0	892,812	0.2
FY 16-17 NP CBMS-PEAK	1,601,147	573,206	221,852	6,460	799,629	0.0
FY 15-16 R7 Participant directed programs	1,011,619	505,683	0	0	505,936	0.0
SB 16-120 Medicaid explanation of benefits	659,921	231,219	80,498	0	348,204	0.5
FY 16-17 BA10 Medicaid-Medicare grant true-up	633,403	282,959	0	0	350,444	0.0
SB 16-077 Employment for people with disabilities	228,838	23,298	0	0	205,540	0.0
FY 16-17 NP CO Benefits Management System	59,843	21,423	8,339	242	29,839	0.0
SB 16-038 Community-centered Board transparency	6,249	0	3,125	0	3,124	0.0
FY 16-17 BA7 Fed reg for managed care	3,092	1,546	0	0	1,546	0.0

ANNUALIZE PRIOR YEAR BUDGET ACTIONS						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 16-17 BA9 Provider enrollment fee	2,663	0	2,663	0	0	0.0
HUM - SB 14-130 Personal needs allowance	2,001	1,001	0	0	1,000	0.0
FY 16-17 BA6 Fed reg for assuring access	1,591	796	0	0	795	0.0
Prior year salary survey	1,579	0	0	1,579	0	0.0
HB 16-1408 Tobacco/Marijuana allocations	(55,694,236)	6,451,471	(27,008,330)	0	(35,137,377)	0.0
FY 13-14 R5 MMIS Reprocurement	(23,991,872)	(2,180,270)	(439,445)	0	(21,372,157)	0.0
FY 14-15 BA7 MMIS Adjustments final test	(9,410,459)	(1,105,267)	(497,477)	0	(7,807,715)	0.0
FY 14-15 BA10 Primary care rate bump	(7,748,597)	(3,169,176)	0	0	(4,579,421)	0.0
FY 14-15 R5 Medicaid health info technology	(2,235,000)	(223,500)	0	0	(2,011,500)	0.0
SB 16-027 Mail delivery pharmacy	(1,737,180)	(528,579)	(43,239)	0	(1,165,362)	0.0
HB 15-1368 Cross-system response	(1,690,000)	0	(1,690,000)	0	0	0.0
FY 07-08 S5 Fed reg for payment error	(588,501)	(147,125)	(102,988)	0	(338,388)	0.0
FY 15-16 R9 Personal health records	(315,000)	68,500	0	0	(383,500)	0.0
SB 16-199 PACE Rate methodology	(225,000)	0	(225,000)	0	0	0.0
HB 16-1097 PUC permit Medicaid transportation	(209,317)	(61,016)	(8,561)	0	(139,740)	0.0
FY 15-16 R16 Comprehensive Primary Care	(194,760)	(97,380)	0	0	(97,380)	0.0
FY 14-15 BA10 Enhanced FMAP	(150,000)	(75,000)	0	0	(75,000)	0.0
FY 15-16 R13 ACC Reprocurement	(100,000)	(50,000)	0	0	(50,000)	0.0
SB 11-177 Teen pregnancy/dropout prevention	(40,562)	1,970	0	0	(42,532)	(0.4)
FY 16-17 Cervical cancer eligibility	(38,771)	0	(19,084)	0	(19,687)	0.0
HB 16-1277 Medicaid appeals process	(25,000)	(2,500)	0	0	(22,500)	0.0
FY 15-16 BA8 HCBS Settings	(13,955)	(5,343)	0	0	(8,612)	0.0
HB 16-1321 Medicaid buy-in eligibility	(2,713)	(419,630)	487,951	0	(71,034)	0.0
TOTAL	**($96,594,036)**	**1,014,674**	**($28,173,540)**	**$8,281**	**($69,443,451)**	**0.3**

OTHER ISSUES IN THE GOVERNOR'S REQUEST

Restrict Hospital Provider Fee revenue: The Governor proposes restricting Hospital Provider Fee revenues by $195.0 million from projected maximum collections for FY 2017-18. This reduces projected cash fund and federal fund expenditures in the Department of Health Care Policy and Financing by $195.0 million each, and that effect is included in R1 Medical Services Premiums. However, the main purpose of the proposed restriction is to reduce TABOR revenues and thereby reduce the projected General Fund obligation for a TABOR refund by $195.0 million. The General Fund obligation for the TABOR refund is not appropriated in the Long Bill, so the only place to see the effect of the Hospital Provider Fee restriction on the TABOR refund is the General Fund overview. *See the issue brief Hospital Payments (R1 and R7) for more information.*

Set aside for supplementals: The Governor's budget letter includes a set aside in FY 2016-17 of $23.95 million General Fund for potential supplementals for the Department of Health Care Policy and Financing. Although the Governor's official supplemental request is not due until January 2017, the budget request for the Department includes projected FY 2016-17 impacts associated with several requests, adding to $10.8 million. This leaves $13.2 million of the requested $23.95 million mentioned in the Governor's budget letter unallocated. When asked about the unallocated set aside, OSPB staff explained that those funds are a contingency above the needs explicitly identified by the Department in order to be conservative.

FY 2016-17 Fiscal Impact Associated with Health Care Policy and Financing Requests					
	Total	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
R1 Medical Services Premiums	$141,694,902	$32,217,993	$1,650,193	$3,861,816	103,964,900
R2 Behavioral Health	(56,448,298)	(6,379,746)	569,523	0	(50,638,075)
R3 Children's Basic Health Plan	15,610,893	1,515	3,681,198	0	11,928,180
R4 Medicare Modernization Act	1,369,323	1,369,323	0	0	0

FY 2016-17 Fiscal Impact Associated with Health Care Policy and Financing Requests					
	Total	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
R5 Office of Community Living	(18,626,814)	(8,707,629)	0	0	(9,919,185)
R6 Delivery system and payment reform	(15,440,295)	(7,720,148)	0	0	(7,720,147)
R7 Oversight of state resources	200,000	50,000	50,000	0	100,000
R8 MMIS Operations	(1,495,480)	(32,549)	(537,805)	(269,394)	(655,732)
TOTAL	**$66,864,231**	**$10,798,759**	**$5,413,109**	**$3,592,422**	**47,059,941**
Set-aside in Governor's Budget Letter		$23,950,000			
Unallocated set-aside		$13,151,241			

Repayment of CHIPRA bonuses: The Governor's request includes a $19.0 million General Fund set aside for a potential repayment to the federal government of bonuses the Department received through the federal Children's Health Insurance Program Reauthorization Act (CHIPRA). The bonuses were paid for meeting performance goals related to the enrollment and retention of children in Medicaid and CHP+. A September federal audit found that Colorado incorrectly included blind and disabled children when calculating its eligibility for the bonus payments. The audit identified overpayments of $38,373,386 from federal fiscal year 2010 through 2013. The Department believes it followed the letter of the federal regulation and disputes the audit finding. Because of uncertainties about whether the Department will need to repay the funds, how much might be due after negotiations with the federal government, and when any repayment would be required, the Governor's requested set aside is for roughly half of the total disputed funds.

Information on eliminating the wait list for Adult Comprehensive Services: As part of the Department's response to H.B. 14-1051 that requires a comprehensive strategic plan to eliminate wait lists by July 1, 2020, for services for people with developmental disabilities, the Department included an estimate of the cost to eliminate the wait list for Adult Comprehensive Services. This was provided for informational purposes only and is not part of the Governor's request. A separate response specifically addressing the requirements of H.B. 14-1051 will be submitted to the committees of reference. The Department estimates it would need the following to eliminate the enrollment cap by July 1, 2020:

Eliminate the Wait List for Adult Comprehensive Services for People with Intellectual and Developmental Disabilities				
	Total Funds	General Fund	Federal Funds	FTE
FY 2017-18	$29,301,994	$14,648,078	$14,653,916	0.9
FY 2018-19	$93,407,513	$46,703,760	$46,703,753	1.0
FY 2019-20	$160,697,025	$80,348,515	$80,348,510	1.0
FY 2020-21	$190,383,350	$95,191,678	$95,191,672	1.0

See the 12/19/16 briefing on the Office of Community Living for more information.

Information on making a supplemental payment to the University of Colorado School of Medicine: In response to a statutory change in H.B. 16-1408, sponsored by the JBC, that allows Medicaid funding for the University of Colorado School of Medicine, the Department included an estimate of how funding would change. This was provided for informational purposes only and is not part of the Governor's request. However, OSPB staff explained that the information was provided, "to demonstrate the commitment to increasing the cash fund allocations for [the University of Colorado School of Medicine] while waiting approval from [the Centers for Medicare and Medicaid Services]. The departments will continue to work together to complete an acceptable interagency agreement." This explanation suggests that a formal request might be forthcoming at a later date. The Department's estimate assumes there would be a reappropriated funds transfer from the Department of Higher

Education of $61.9 million that would be matched with federal Medicaid funds. The resulting $123.8 million would be used to pay for administrative costs of $824,863 and 6.0 FTE at the Department of Health Care Policy and Financing, for two new residency placements through the family medicine residency training program at a cost of $300,000, and for a supplemental payment to the University of Colorado School of Medicine of $122.7 million. The additional federal funds through Medicaid would nearly double the government support for the Colorado School of Medicine.

Supplemental Payment to the University of Colorado School of Medicine Pursuant to H.B. 16-1408				
	Total Funds	Reappropriated Funds	Federal Funds	FTE
HCPF Administrative Costs	$824,863	$412,432	$412,431	6.0
Family Medicine Residency Training	$300,000	$150,000	$150,000	0.0
CU School of Medicine Supplemental Payment	$122,675,137	$61,337,568	$61,337,569	0.0
TOTAL	**$123,800,000**	**$61,900,000**	**$61,900,000**	**6.0**

See the 12/13/16 briefing on the Department of Higher Education for more information.

SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

FORECAST TRENDS: This issue brief discusses the forecast trends that are driving the majority of the projected increase in expenditures for the Department.

Accountable Care Collaborative and Related Payment Reforms (R6): This issue brief discusses the Department's plans and expected costs and savings for Phase II of the Accountable Care Collaborative as well as related payment reforms.

Hospital Payments (R1 and R7): This issue brief explores hospital payments, cost shifting, and the impact of the Governor's proposed provider rate reduction.

Provider Rate Review (R7): This issue brief discusses the findings from the first cycle of rate reviews that were required by S.B. 15-228 and the ramifications of Amendment 70 to increase Colorado's minimum wage.

FOR MORE INFORMATION

JBC STAFF ANALYST: Eric Kurtz
(303) 866-4952
eric.kurtz@state.co.us

TO READ THE ENTIRE BRIEFING: http://leg.colorado.gov/sites/default/files/fy2017-18_hcpbrf1.pdf