



**Colorado
Legislative
Council
Staff**

HB16-1321

**REVISED
FISCAL NOTE**

(replaces fiscal note dated March 10, 2016)

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0884
Prime Sponsor(s): Rep. Young

Date: April 6, 2016
Bill Status: House Finance
Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: MEDICAID BUY-IN CERTAIN MEDICAID WAIVERS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018	FY 2018-19
State Revenue	\$0	\$28,956	\$31,242
Cash Funds	0	28,956	31,242
State Expenditures	\$217,213	\$135,314	\$174,834
General Fund	0	(419,630)	(492,379)
Cash Funds	33,599	501,754	595,417
Federal Funds	183,614	53,190	71,796
TABOR Impact	\$0	\$28,956	Not estimated.
Appropriation Required: \$217,213 - Department of Health Care Policy and Financing (FY 2016-17).			
Future Year Impacts: Ongoing increase in state revenue and expenditures.			

Summary of Legislation

This bill directs the Department of Health Care Policy and Financing (HCPF) to seek federal authorization to implement a Medicaid buy-in program for adults who are eligible to receive home- and community-based services under the Supported Living Services (SLS) Medicaid waiver, the Brain Injury (BI) waiver, and the Spinal Cord Injury (SCI) waiver pilot program. HCPF must implement the Medicaid program no later than three months after receiving federal approval.

Background

Colorado Medicaid currently has a buy-in program for working adults with disabilities. The existing buy-in program allows adults with a qualifying disability who earn incomes of less than 450 percent of the Federal Poverty Level to obtain Medicaid coverage by paying a premium (i.e., to buying into Medicaid) based on a sliding payment scale. This bill extends the Medicaid buy-in program to adults that are eligible to receive home- and community-based services under the SLS waiver, the BI waiver, and the SCI waiver. The SLS waiver provides services and supports to adults with intellectual or developmental disabilities to allow them to remain in their homes and communities. The BI and SCI waiver provide services to persons with brain and spinal cord injuries, also with the goal of allowing clients to remain in their homes. To participate, adults must meet certain financial and program criteria.

Assumptions

Based on data for the existing Medicaid buy-in program, this fiscal note makes the following assumptions about the new Medicaid buy-in program for waivers under this bill:

- 38 clients will participate in the new Medicaid buy-in program in FY 2017-18 and 41 clients will participate in FY 2018-19;
- of the participating clients, 5 clients in FY 2017-18 and 6 clients in FY 2018-19 will be new clients, the remainder (33 in FY 2016-17 and 35 in FY 2017-18) will be existing waiver clients that transition from the regular waiver program to the buy-in program;
- the annual cost per client served on the SLS waiver will be \$26,724 in FY 2017-18 and \$26,955 in FY 2018-19;
- the annual cost per client served on the BI waiver will be \$40,720 in FY 2017-18 and \$41,215 in FY 2018-19;
- the annual cost per client served on the SCI waiver will be \$46,579 in FY 2017-18 and \$47,165 in FY 2018-19;
- the average annual premium paid by buy-in participants will be \$762;
- a 50.01 percent federal match will be available for waiver clients in FY 2017-18 and a 50.00 percent match in FY 2018-19;
- necessary federal approvals will be received by January 1, 2017, and computer system changes will occur by the end of FY 2016-17; and
- the SLS waiver Medicaid Buy-in Program will begin enrolling clients on July 1, 2017.

State Revenue

The bill increases cash fund revenue to HCPF by \$28,956 in FY 2017-18 and by \$31,242 in FY 2018-19. This revenue is generated from premiums paid by clients participating in the buy-in program based on the participation and premium assumptions listed above.

TABOR Impact

This bill increases state cash fund revenue from Medicaid premiums, which will increase the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Since the bill increases the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will decrease by an identical amount.

State Expenditures

The bill increases net costs in HCPF by **\$217,213 in FY 2016-17, \$135,314 in FY 2017-18, and \$174,834 in FY 2018-19**. First-year costs are for information technology system modifications. Future-year costs represent the costs of new clients that gain Medicaid coverage through the new Medicaid buy-in program. In addition, by shifting existing clients from the regular waiver programs to the Medicaid buy-in, General Fund costs for this population are reduced and replaced by Hospital Provider Fee Cash Fund and client premiums. These new costs are summarized in Table 1 and discussed below. Table 2 provides a further break down of the fund source changes that result from shifting Medicaid clients from the regular waiver programs to the Medicaid buy-in.

Table 1. Expenditures Under HB 16-1321			
Cost Components	FY 2016-17	FY 2017-18	FY 2018-19
Information Technology Costs	\$217,213	\$0	\$0
New Waiver Client Costs	0	135,314	174,834
TOTAL	\$217,213	\$135,314	\$174,834
Hospital Provider Fee Cash Fund	33,599	65,739	85,131
Medicaid Buy-in Cash Fund	0	3,810	4,572
Federal Funds	183,614	65,765	85,131

Information technology system modifications. To implement the Medicaid buy-in, modifications to the Colorado Benefits Management System (CBMS) and the Medicaid Management Information System (MMIS) are required at a total one-time cost of \$217,213 in FY 2016-17. For CBMS changes, 578 hours of contract programming is required at a cost of \$137 per hour, resulting in a cost of \$79,186. This work will be managed and paid for through the reappropriation of funds to the Office of Information Technology. For the MMIS, costs are estimated at \$138,027, and this work will be overseen by HCPF directly. For the CBMS changes, a 75 percent federal match is assumed; for the MMIS changes, a 90 percent federal match is assumed, conditional upon advanced federal approval. The remainder is paid from the Hospital Provider Fee Cash Fund.

New waiver clients using buy-in. Based on the assumptions listed above, HCPF will have cost of \$135,314 in FY 2017-18 and \$174,834 in FY 2018-19 to serve new clients that enroll in Medicaid once the new buy-in option is available to waiver clients. These costs are paid from the Hospital Provider Fee Cash Fund, the Medicaid Buy-in Cash Fund, and federal funds. Costs are prorated in the first year by one month to reflect the lag in new claims being processed and paid.

Existing waiver clients using buy-in. While the total costs of serving existing clients under the various waivers will not change if they opt to participate in the buy-in, the funding source for serving these clients will shift. Specifically, General Fund costs are instead paid with Hospital Provider Fee Cash Funds and client premiums. Costs in FY 2017-18 are prorated by one-month to reflect the lag in shifting of payment of claims from the regular waivers to the new Medicaid buy-in. This shift in fund sources is outlined in Table 2. It is assumed these funding sources will be adjusted through the annual budget process as clients begin participating in the buy-in.

Table 2. Funding Source for Existing Waiver Clients Participating in the Medicaid Buy-in under HB 16-1321					
	General Fund	Hospital Provider Fee Cash Fund	Medicaid Buy-in Cash Fund	Federal Funds	TOTAL FUNDS
FY 2017-18 - Net Change	(\$419,630)	\$407,060	\$25,146	(\$12,576)	\$0
Current Waiver Costs	(419,630)	0	0	(419,798)	(839,428)
Costs under Waiver Buy-in	0	407,060	25,146	407,222	839,428
FY 2018-19 - Net Change	(\$492,379)	\$479,044	\$26,670	(\$13,335)	\$0
Current Waiver Costs	(\$492,379)	\$0	\$0	(\$492,379)	(\$984,758)
Costs under Waiver Buy-in	0	479,044	26,670	479,044	984,758

Other workload. HCPF staff will have an increase in workload to seek any necessary federal authorization to implement the Medicaid Buy-in for additional waiver clients, to make amendments to the waivers and the Medicaid state plan, and draft program rules. Given that there is a similar, approved buy-in program already in operation, it is assumed this work can be accomplished within existing appropriations.

Effective Date

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

State Appropriations

For FY 2016-17, the bill requires appropriations of \$217,213 to the Department of Health Care Policy and Financing, as follows:

- \$79,186 for CBMS modification, of which \$19,797 is from the Hospital Provider Fee Cash Fund and \$59,389 is federal funds. This whole amount is reappropriated to the Office of Information Technology.
- \$138,027 for MMIS modification, of which \$13,803 is from the Hospital Provider Fee Cash Fund and \$124,224 is federal funds.

State and Local Government Contacts

Health Care Policy Financing
Information Technology

Human Services
Law

Research Note Available

An LCS Research Note for HB 16-1321 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.