



**Colorado
Legislative
Council
Staff**

HB16-1321

**REVISED
FISCAL NOTE**

(replaces fiscal note dated April 6, 2016)

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

Drafting Number: LLS 16-0884 **Date:** May 3, 2016
Prime Sponsor(s): Rep. Young **Bill Status:** Senate Finance
 Sen. Merrifield; Tate **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	\$138,027	\$135,314	\$174,834
General Fund	0	(419,630)	(492,379)
Cash Funds	13,803	501,754	595,417
Federal Funds	124,224	53,190	71,796
TABOR Impact	\$0	\$28,956	Not estimated.
Appropriation Required: \$138,027 - Department of Health Care Policy and Financing (FY 2016-17).			
Future Year Impacts: Ongoing increase in state revenue and expenditures.			

Summary of Legislation

The **reengrossed** 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. No revenue is expected in FY 2016-17.

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 beginning in FY 2017-18. 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 **\$138,027 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
Medicaid Management Information System Modifications	\$138,027	\$0	\$0
New Waiver Client Costs	0	135,314	174,834
<u>TOTAL</u>	<u>\$138,027</u>	<u>\$135,314</u>	<u>\$174,834</u>
Hospital Provider Fee Cash Fund	13,803	65,739	85,131
Medicaid Buy-in Cash Fund	0	3,810	4,572
Federal Funds	124,224	65,765	85,131

Medicaid Management Information System. To implement the Medicaid buy-in, modifications to the Medicaid Management Information System (MMIS) are required at a one-time cost of \$138,027 in FY 2016-17. This work will be overseen by HCPF directly. A 90 percent federal match is assumed for MMIS changes, conditional upon advanced federal approval. The remainder is paid from the Hospital Provider Fee Cash Fund.

Colorado Benefits Management System. This bill also requires 578 hours of contract computer programming to make changes to the Colorado Benefits Management System (CBMS). For FY 2016-17, the Office of Information Technology has been appropriated funding for 117,276 programming hours for CBMS modifications (CBMS pool hours) in order to comply with federal requirements, make system enhancements, and implement new legislation. The fiscal note assumes the modifications required by this bill can be conducted within the existing appropriation for CBMS pool hours. If the total hours of computer programming for all planned CBMS modifications and modifications resulting from new legislation exceed this allocation, additional appropriations must be requested by HCPF through the annual budget process. If CBMS pool hours are not available, this bill is estimated to increase costs by up to \$79,186 in FY 2016-17, including \$19,797 General Fund and \$59,389 federal funds.

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 an appropriation of \$138,027 to the Department of Health Care Policy and Financing for MMIS system modifications, 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 and 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.

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit: www.colorado.gov/fiscalnotes.