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Final Fiscal Note

Drafting Number: LLS 22-0839
Prime Sponsors: Rep. Titone; Ortiz
Sen. Zenzinger

Date: August 1, 2022
Bill Status: Signed into Law
Fiscal Analyst: Erin Reynolds | 303-866-4146
Erin.Reynolds@state.co.us

Bill Topic: **CHANGES TO MEDICAID FOR WHEELCHAIR REPAIRS**

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input checked="" 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 prohibits the Department of Health Care Policy and Financing from requiring prior authorization for any repair of complex rehabilitation technology, and increases the rural reimbursement rate for complex rehabilitation technology repairs. It will increase state expenditures beginning in FY 2022-23 and increase state revenue beginning in FY 2026-27.

Appropriation Summary: For FY 2022-23, the bill requires and includes an appropriation of \$225,335 to the Department of Health Care Policy and Financing

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

Table 1
State Fiscal Impacts Under HB 22-1290

		Budget Year FY 2022-23	Out Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-	-
Expenditures	General Fund	\$112,668	\$112,633	\$132,874
	Federal Funds	\$112,668	\$112,633	\$132,874
	Centrally Appropriated	\$16,067	\$16,618	\$16,618
	Total Expenditures	\$241,403	\$241,884	\$282,366
	Total FTE	1.0 FTE	1.0 FTE	1.0 FTE
Transfers		-	-	-
Other Budget Impacts	General Fund Reserve	\$16,900	\$16,895	\$19,931

Summary of Legislation

The bill prohibits the Department of Health Care Policy and Financing (HCPF) from requiring prior authorization for any repair of complex rehabilitation technology (CRT). By October 1, 2023, the Medical Services Board is required to engage in a stakeholder process and promulgate rules establishing repair metrics for all CRT suppliers and professionals. HCPF is required to report on these metrics during its annual SMART Act hearing beginning in January 2024.

Beginning December 1, 2024, HCPF is required to reimburse labor costs for CRT repairs at a rate that is 25 percent higher for clients residing in rural areas than urban areas. In addition, HCPF may assess fines on suppliers for violations of repair metric rules beginning October 1, 2026.

Background and Assumptions

This analysis assumes that CRT is adaptive equipment for people with disabilities that is medically necessary and individually configured, including manual and power wheelchair systems, adaptive seating systems, alternative positioning systems, and other mobility devices that require evaluation, fitting, configuration, adjustment, or programming. CRT is not assumed to include “out-of-the-box” hospital wheelchairs.

CRT is a subset of durable medical equipment (DME) and a Medicaid benefit provided to clients when there is a medical need from an illness or physical condition. CRT claims are currently subject to Prior Authorization Requirements (PARs), which ensure the items and services requested meet medical necessity guidelines.

State Revenue

The bill permits HCPF to assess fines beginning in October of FY 2026-27. These amounts have not been estimated, and are subject to TABOR.

State Expenditures

The bill increases state expenditures in HCPF by \$241,403 in FY 2022-23, \$241,883 in FY 2023-24, and \$282,366 in FY 2024-25 equally from the General Fund and federal funds. Expenditures are shown in Table 2 and detailed below.

**Table 2
Expenditures Under HB 22-1290**

	FY 2022-23	FY 2023-24	FY 2024-25
Department of Health Care Policy and Financing			
Personal Services	\$67,440	\$73,570	\$73,570
Operating Expenses	\$1,350	\$1,350	\$1,350
Capital Outlay Costs	\$6,200	-	-
Service Costs	\$150,346	\$150,346	\$190,828
Centrally Appropriated Costs ¹	\$16,067	\$16,618	\$16,618
Total Cost	\$241,403	\$241,884	\$282,366
Total FTE	1.0 FTE	1.0 FTE	1.0 FTE

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

Health Care Policy and Financing. Expenditures in HCPF include staff and increased service costs beginning in FY 2022-23, as described below.

- **Staff.** HCPF requires a total of 1.0 FTE, including 0.5 FTE Administrator to oversee the stakeholder process for access concerns, policy development, and rule promulgation assuming an extensive and ongoing process, and 0.5 FTE Compliance Specialist to develop repair metrics and provide analytics and reporting. In future fiscal years, this FTE will also assess violations, issue fines, and monitor appeals.
- **Service costs.** There are two service cost drivers under the bill. First, the removal of the prior authorization requirement for CRT claims is expected to increase costs by approximately 7 percent, which represents the number of CRT claims that are currently rejected through the PAR process. Total CRT expenditures for CY 2021 were \$2.1 million, therefore, a 7 percent increase in costs equates to \$150,346 per year. Second, the increased rural rate will increase service costs in HCPF beginning in December of FY 2024-25. Total CRT expenditures in rural areas for CY 2021 were \$205,628; therefore, a 25 percent increase in costs equates to about \$70,000 in the first full implementation year.
- **Legal services.** Legal services costs for HCPF may increase during CY 2026 when the penalty phase is implemented. Additional resources will be addressed through the annual budget process if needed.

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.

Other Budget Impacts

TABOR refunds. The bill may increase the amount of state revenue required to be refunded to taxpayers beginning in FY 2026-27 in years when the state is above the Referendum C revenue limit. These potential amounts have not been estimated.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Effective Date

The bill was signed into law by the Governor and took effect on June 2, 2022.

State Appropriations

For FY 2022-23, the bill requires and includes an appropriation of \$225,336 to Department of Health Care Policy and Financing, which includes \$112,668 General Fund and \$112,668 federal funds, and 1.0 FTE.

State and Local Government Contacts

Health Care Policy and Financing

Information Technology

Law