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Fiscal Note

Drafting Number:	LLS 23-0175	Date:	February 14, 2023
Prime Sponsors:	Sen. Mullica; Simpson Rep. McCluskie; Bradfield	Bill Status:	Senate Health & Human Services
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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 an appropriation of \$264,012 to multiple state agencies.

Fiscal Note Status: The fiscal note reflects the introduced 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	\$149,772	\$490,305	\$19,499,932	\$28,306,011
	Federal Funds	\$114,240	\$558,647	\$43,164,641	\$64,589,681
	Central. Approp.	\$51,664	\$88,802	\$103,936	\$106,187
	Total Expenditures	\$315,676	\$1,137,754	\$62,768,509	\$93,001,879
	Total FTE	2.7 FTE	4.4 FTE	5.4 FTE	5.5 FTE
Transfers		-	-	-	-
Other Budget Impacts	GF Reserve	\$22,466	\$73,546	\$2,924,990	\$4,245,902

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 preventative services, screening, and assessments, and health coaching and advocacy.

Through the stakeholder and federal approval process, HCPF must determine the qualifications for an individual to qualify as a community health worker, covered and non-covered services, and ways that community health workers can provide and bill for services through various types of organizations and in different settings. 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 September 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 161 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.

Workforce data. Bureau of Labor Statistics data indicate that there are around 12,000 health and social services workers in Colorado employed in fields related to the new community health worker classification and who may be induced by the assumed payment rate to provide services to Medicaid clients. Participation from this pool of potential community health workers may be limited by a number of factors, including worker awareness and interest in participating, credentialing requirements, and the capacity of organizations to hire, train, and utilize these workers.

Assumed participation. Based on the number of community health workers certified and participating in Medicaid programs in Nevada and South Dakota, the fiscal note assumes that 1,000 community health workers will be certified in FY 2025-26 and 1,500 will be certified in FY 2026-27. Enrollment in future years may increase further as awareness of the program grows.

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 75 percent of their time on services billable to Medicaid (1,560 hours per worker per year).

State Expenditures

The bill increases state expenditures by about \$316,000 in FY 2023-24 and \$1.1 million 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 \$62.8 million in FY 2025-26 and \$93.0 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	\$205,094	\$391,893	\$301,072	\$301,072
Operating Expenses	\$3,375	\$5,400	\$4,050	\$4,050
Capital Outlay Costs	\$20,010	-	-	-
IT System Costs	-	\$400,000	\$180,000	\$180,000
Service Costs	-	-	\$61,214,400	\$91,821,600
Centrally Appropriated Costs ¹	\$44,554	\$79,690	\$61,264	\$61,264
FTE – Personal Services	2.3 FTE	3.9 FTE	3.0 FTE	3.0 FTE
HCPF Subtotal	\$273,033	\$876,983	\$61,760,786	\$92,367,986
Department of Public Health and Environment				
Personal Services	\$28,863	\$38,484	\$173,336	\$185,595
Operating Expenses	-	\$675	\$3,375	\$3,375
Capital Outlay Costs	\$6,670	-	\$13,340	-
IT System Costs	-	\$112,500	\$125,000	\$25,000
Reporting and Evaluation	-	\$100,000	\$100,000	\$100,000
Credentialing and Assessment	-	-	\$550,000	\$275,000
Centrally Appropriated Costs ¹	\$7,110	\$9,112	\$42,672	\$44,923
FTE – Personal Services	0.4 FTE	0.5 FTE	2.4 FTE	2.5 FTE
CDPHE Subtotal	\$42,643	\$260,771	\$1,007,723	\$633,893
Total Expenditures	\$315,676	\$1,137,754	\$62,768,509	\$93,001,879
Total FTE	2.7 FTE	4.4 FTE	5.4 FTE	5.5 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 \$273,033 in FY 2023-24 and \$876,983 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 \$61.8 million in FY 2025-26 and \$92.4 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. HCPF requires 3.0 FTE starting in FY 2023-24 to oversee the implementation of the bill and seek necessary federal approval. In FY 2024-25 only, an additional temporary 1.0 FTE is required to handle additional tasks as program implementation ramps up after federal approval is received. 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. In addition to seeking federal approval, overseeing the stakeholder process, and other duties, these staff will be required to establish rates, enroll eligible community health workers, oversee IT system changes, conduct outreach to community and other organizations, and oversee operations of the program.

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 (interchange), 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 estimate to be \$61.2 million in FY 2025-26 and \$91.8 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. Holding all other assumptions constant, if 3,000 community health workers bill for Medicaid, service costs would approach \$185 million per year. 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)

The bill increases expenditures in CDPHE by about \$43,000 in FY 2023-24 and \$261,000 in FY 2024-25 to participate in HCPF's stakeholder process, as well as to begin scaling up the existing Health Navigator program. Costs will increase by around \$1.0 million in FY 2025-26 and \$0.6 million per year starting in FY 2026-27 once community health workers begin receiving assessments and being credentialed to participate in Medicaid.

Staffing. In the first two years, CDPHE will be responsible for participating in the stakeholder engagement process and preparing to credential the new provider type. The fiscal note includes 0.5 FTE for this work. Staffing costs are prorated in the first year for a September 2023 start date and the General Fund pay date shift. Starting in FY 2025-26, CDPHE requires 2.5 FTE to manage credentialing and assessment of community health workers. CDPHE will be responsible for credentialing community health worker training programs, assessing individuals who have completed the programs, and registering individuals who have passed assessments as community health workers so that they may begin receiving reimbursement through Medicaid. Standard operating and capital outlay costs are included for these new staff.

IT system changes. Currently, the Health Navigator registry is maintained manually in Excel and hosts information on about 160 navigators. To accommodate the larger number of community health workers, track additional information for Medicaid and enhance privacy protections, the CDPHE will have costs of \$213,000, split across FY 2024-25 and FY 2025-26, to procure a new registry system. Ongoing maintenance and licensing costs are estimated at \$25,000 per year starting midway through FY 2024-25.

Reporting and evaluation costs. Beginning in FY 2024-25, the CDPHE will have costs of about \$100,000 per year for reporting, data analysis, and evaluation of the impact of community health workers credentialed through the department. It is assumed that this information is needed to ensure that established credentials and assessments are meeting program objectives, as well as to evaluate and report on the public health impacts of the program.

Credentialing and assessment costs. Based on the estimated number of new community health workers participating in Medicaid, the CDPHE will have costs of \$550,000 in FY 2025-26 and \$275,000 in FY 2026-27. This estimate assumes an average cost of \$550 per assessment, based on current costs of the health navigator program. This estimate assumes that only new community health workers will have the full assessment costs, and that persons renewing their credential will not result in significant new costs to CDPHE.

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 takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

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

- \$228,479 to the Department of Health Care Policy and Financing, split evenly between General Fund and federal funds, and 2.3 FTE; and
- \$35,533 to the Colorado Department of Public Health and Environment from the General Fund, and 0.4 FTE.

State and Local Government Contacts

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