



# JOINT BUDGET COMMITTEE STAFF FY 2019-20 BUDGET BRIEFING SUMMARY

Colorado General Assembly  
Joint Budget Committee

*Department of Healthcare 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 2019-20 appropriation represents approximately 32.9 percent of statewide operating appropriations and 25.8 percent of statewide General Fund appropriations.

## FY 2019-20 APPROPRIATION AND FY 2020-21 REQUEST

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
<b>FY 2019-20 APPROPRIATION:</b>						
SB 19-207 (Long Bill)	10,657,855,447	3,136,842,180	1,385,028,692	93,615,672	6,042,368,903	532.8
Other legislation	31,206,417	14,528,084	1,262,406	0	15,415,927	11.8
<b>TOTAL</b>	<b>\$10,689,061,864</b>	<b>\$3,151,370,264</b>	<b>\$1,386,291,098</b>	<b>\$93,615,672</b>	<b>\$6,057,784,830</b>	<b>544.6</b>
<b>FY 2020-21 REQUESTED APPROPRIATION:</b>						
FY 2019-20 Appropriation	\$10,689,061,864	3,151,370,264	\$1,386,291,098	\$93,615,672	\$6,057,784,830	544.6
R1 Medical Services Premiums	307,654,186	118,712,084	111,034,880	0	77,907,222	0.0
R2 Behavioral Health	41,588,549	13,337,312	7,561,171	0	20,690,066	0.0
R3 Child Health Plan Plus	8,856,952	25,551,305	1,690,167	0	(18,384,520)	0.0
R4 Medicare Modernization Act	17,929,806	17,929,806	0	0	0	0.0
R5 Office of Community Living	35,370,073	17,697,932	(489,128)	0	18,161,269	0.0
R6 Customer service	3,428,079	1,046,792	552,719	8	1,828,560	4.3
R7 Pharmacy pricing and technology	4,561,775	1,152,570	654,693	0	2,754,512	5.0
R8 Accountability and compliance resources	3,085,585	658,086	194,286	0	2,233,213	11.5
R9 Bundled payments	743,065	63,224	68,307	0	611,534	1.9
R10 Provider rates	2,090,599	538,753	266,277	0	1,285,569	0.0
R11 Substance use disorder patient placement and benefit implementation	(85,566,035)	(16,622,834)	(5,519,687)	0	(63,423,514)	0.0
R12 Work number verification	(22,577,733)	(3,791,252)	(1,436,052)	0	(17,350,429)	0.0
R13 Long-term care utilization management	1,746,531	431,632	5,002	0	1,309,897	0.0
R14 Enhanced care and condition management	433,636	143,099	73,715	0	216,822	1.0
R15 Medicaid recovery and third party liability	(12,301,943)	(3,468,482)	2,074,120	0	(10,907,581)	5.8
R16 Case management and state-only programs	402,372	(69,366)	0	0	471,738	3.8
R17 Program capacity for older adults	558,020	184,146	94,864	0	279,010	0.9
R18 Public school health services expansion	75,000	0	0	0	75,000	0.0
R19 Leased space	111,119	46,070	9,490	0	55,559	0.0

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING**

	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
R20 Safety net provider payments	0	0	0	0	0	0.0
Annualize HB 18-1136 Residential and inpatient SUD treatment	173,762,995	34,119,290	11,481,214	0	128,162,491	0.0
Annualize prior year budget actions	28,953,507	15,670,229	(798,578)	117,389	13,964,467	0.0
Public school health services forecast	11,599,440	(1)	5,799,719	0	5,799,722	0.0
Centrally appropriated items	2,523,227	1,277,178	229,341	(233,072)	1,249,780	0.0
Human Services programs	2,042,194	1,021,082	0	0	1,021,112	0.0
Transfers to other state agencies	572,194	243,792	0	0	328,402	0.0
NP Paid family leave	505,041	246,802	2,518	757	254,964	0.0
NP OIT Budget request package	116,209	53,696	5,774	0	56,739	0.0
Other	44,779	1,617	10,356	2	32,804	0.0
<b>TOTAL</b>	<b>\$11,217,371,086</b>	<b>\$3,377,544,826</b>	<b>\$1,519,856,266</b>	<b>\$93,500,756</b>	<b>\$6,226,469,238</b>	<b>578.8</b>
<b>INCREASE/(DECREASE)</b>	<b>\$528,309,222</b>	<b>\$226,174,562</b>	<b>\$133,565,168</b>	<b>(\$114,916)</b>	<b>\$168,684,408</b>	<b>34.2</b>
Percentage Change	4.9%	7.2%	9.6%	(0.1%)	2.8%	6.3%

**R1 MEDICAL SERVICES PREMIUMS:** The Department requests a net increase of \$307.7 million total funds, including \$118.7 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for the Medical Services Premiums line item. *See the issue brief "Forecast Trends" for more information.*

**R2 BEHAVIORAL HEALTH PROGRAMS:** The Department requests a net increase of \$41.6 million total funds, including an increase of \$13.3 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for behavioral health services. *See the 12/10/19 briefing on Behavioral Health Community Programs for more information.*

**R3 CHILD HEALTH PLAN PLUS:** The Department requests a net increase of \$8.9 million total funds, including \$25.6 million General Fund, for projected changes in caseload, per capita expenditures, and fund sources for the Children's Basic Health Plan. *See the issue brief "Forecast Trends" for more information.*

**R4 MEDICARE MODERNIZATION ACT:** The Department requests an increase of \$17.9 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. *See the issue brief "Forecast Trends" for more information.*

**R5 OFFICE OF COMMUNITY LIVING:** The Department requests a net increase of \$35.4 million total funds, including \$17.7 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 12/12/19 briefing on the Office of Community Living for more information.*

**R6 CUSTOMER SERVICE:** The Department requests \$3.4 million total funds, including \$1.0 million General Fund, and 4.3 FTE for additional technology, staff, and consulting services for the Member Contact Center that handles customer service calls and chats.

- Technology - \$3.0 million total funds, including \$906,003 General Fund, to increase the range of questions that artificial intelligence can answer in chat, reduce staff time spent querying external systems by integrating key member data (such as claims and prior authorization requests) with the Customer Relations Management software, enhance survey tools for collecting member feedback, and purchase workload management software that helps schedule staff based on demand.

- Staff - \$351,633 total funds, including \$116,039 General Fund, for 4.5 additional call center positions in FY 20-21 and FY 21-22, at which point the Department would reevaluate the progress of technology solutions and the need for ongoing staff.
- Consulting services - \$75,000 total funds, including \$24,750 General Fund, to study consolidating member contact points with the goal of a single phone number for all needs that would route calls to the appropriate party. The request is related to HCPF services, but with an eye toward potentially including other state public assistance programs in the future.

**R7 PHARMACY PRICING AND TECHNOLOGY:** The Department requests \$4.6 million total funds, including \$1.2 General Fund, and 5.0 FTE for initiatives to ensure appropriate utilization of drugs and to control pharmacy and physician administered drug expenditures.

- Prescription drug rate setting – \$124,813 total funds, including \$41,191 General Fund, and 1.0 FTE, for a different methodology for pricing new drugs when the Average Acquisition Cost is not known. Beginning in FY 2021-22 the Department would need an additional \$250,000 total funds, including \$82,500 General Fund, for contractor costs for the initiative.
- Physician administered drug rate setting – \$138,000 total funds, including \$20,752 General Fund, for a different methodology for pricing physician administered drugs. The amount required increases to \$300,000 total funds and \$99,000 General Fund in FY 2021-22,
- Prescription Drug Monitoring Program – \$907,142 total funds, including \$89,866 General Fund, to integrate data from the Prescription Drug Monitoring Program into the Department's pharmacy claims processing system. ***This requires a statutory change to allow the Department access to the statutorily restricted Prescription Drug Monitoring Program.***
- Prescriber tool true-up – \$2.9 million total funds, including \$833,910 General Fund, primarily for higher than expected costs for a prescriber tool required by S.B. 18-266 (Controlling Medicaid Costs, sponsored by the JBC) that will help providers identify the most cost effective medications based on diagnosis information, but including \$406,800 total funds and \$24,258 General Fund to expand the scope of the prescriber tool to integrate enrollment and eligibility information for other public benefits that may improve health outcomes for the patient. An associated supplemental will be submitted in January for \$7.1 million total funds, including \$1.4 million General Fund, in FY 2019-20. The supplemental includes \$1.8 million federal funds for additional development costs and \$5.3 million total funds and \$1.4 million General Fund for delays in achieving the projected savings from implementing the prescriber tool.
- Administration – \$506,150 total funds, including \$167,031 General Fund, and 4.0 FTE to address pharmacy appeals claims and expand the capacity of the Department to study and pursue pharmacy cost containment initiatives.

**R8 ACCOUNTABILITY AND COMPLIANCE RESOURCES:** The Department requests \$3.1 total funds, including \$658,086 General Fund, and 11.5 FTE to address operational compliance and oversight deficiencies, ensure quality, and improve benefit management. The request crosses multiple programs.

R8 Accountability and Compliance Resources					
	FTE	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS
<b>Operational Compliance</b>					
Long-Term Services and Supports					
Single Entry Point financial monitoring	1.0	\$97,177	\$48,587	\$0	\$48,590
Case Management Agency program monitoring	1.0	82,506	41,250	0	41,256
Provider enrollment processing and claims research	1.0	90,927	45,462	0	45,465
Wage pass-through monitoring	1.0	116,081	58,039	0	58,042

R8 Accountability and Compliance Resources					
	FTE	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS
<b>Cost Allocation and Reporting</b>					
Cost allocation by match rate and funding source	1.0	102,436	34,829	16,389	51,218
Documenting ACC/similar costs per fed requirements	1.0	102,435	34,828	16,389	51,218
State plan amendments, rule drafting, regulatory research	<u>1.0</u>	<u>109,831</u>	<u>37,342</u>	<u>17,573</u>	<u>54,916</u>
<i>Subtotal - Operational Compliance</i>	<i>7.0</i>	<i>701,393</i>	<i>300,337</i>	<i>50,351</i>	<i>350,705</i>
<b>Quality Assurance</b>					
County scorecard and performance	1.0	166,081	56,467	26,573	83,041
<b>MPRRAC</b>					
Rate review support	1.0	97,177	33,040	15,548	48,589
Contract surveys and analysis	0.0	250,000	125,000	0	125,000
Negotiating and forecasting prices for contract services	1.0	85,670	29,128	13,707	42,835
Configuring (defining and coordinating) MMIS changes	<u>0.0</u>	<u>1,785,264</u>	<u>114,114</u>	<u>88,107</u>	<u>1,583,043</u>
<i>Subtotal - Quality Assurance</i>	<i>3.0</i>	<i>2,384,192</i>	<i>357,749</i>	<i>143,935</i>	<i>1,882,508</i>
<b>Benefit Management</b>					
<b>Children's Basic Health Plan (CHP+)</b>					
Benefit redesign	1.0	90,930	0	29,206	61,724
Improving health outcomes and performance measures	1.0	90,929		29,206	61,723
Offset to CHP+ Administration	<u>0.0</u>	<u>(181,859)</u>	<u>0</u>	<u>(58,412)</u>	<u>(123,447)</u>
<i>Subtotal - Benefit Management</i>	<i>2.0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>TOTAL</b>	<b>12.0</b>	<b>\$3,085,585</b>	<b>\$658,086</b>	<b>\$194,286</b>	<b>\$2,233,213</b>

**R9 BUNDLED PAYMENTS:** The Department requests \$743,065 total funds, including \$63,224 General Fund, and 1.9 FTE for administrative costs to implement bundled payments for episodes of care. Initially, the Department plans to target maternity care, but the funding would allow the Department to explore bundled payments for other episodes of care in future years.

**R10 PROVIDER RATES:** The Department requests \$2.1 million total funds, including \$538,753 General Fund, for changes to provider rates. *The proposed modification to nursing home rates would require a statutory change.*

R10 Provider Rate Adjustments					
Rate	Proposed Change	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS
Personal Care and Homemaker	2.75% inflation	\$4,534,519	\$2,267,259	\$0	\$2,267,260
Alternative care facility	6.4%	3,693,258	1,846,629	0	1,846,629
Adult day programs	19.0%	3,444,422	1,722,211	0	1,722,211
Behavioral health fee-for-service (mostly impacts RCCFs)	Rebalance to within 80-100% benchmark	1,586,971	875,964	(20,264)	731,271
Habilitation in Residential Child Care Facilities	Differentiate rates based on support need	532,362	266,181	0	266,181
Family planning	Pay evaluation and management consistent with other family planning	97,092	9,709	0	87,383
Ambulatory surgical centers	Add services otherwise paid at hospital	0	0	0	0
Nursing home	Bill to remove statutory 3% increase and for FY 20-21 instead provide 0.29%	(18,967,828)	(9,483,914)	0	(9,483,914)
Anesthesia	Reduce to Medicare	(5,977,532)	(1,789,672)	(320,397)	(3,867,463)
In-home dialysis	Align reimbursable units with Medicare	(929,537)	(292,415)	(34,471)	(602,651)
Durable medical equipment	Rebalance to within 80-100% Medicare	(49,244)	(17,432)	(3,733)	(28,079)
<b>Subtotal - Targeted Adjustments</b>		<b>(12,035,517)</b>	<b>(4,595,480)</b>	<b>(378,865)</b>	<b>(7,061,172)</b>
Across-the-board adjustment	0.29%	14,126,117	5,134,233	645,142	8,346,742
<b>TOTAL</b>		<b>\$2,090,600</b>	<b>\$538,753</b>	<b>\$266,277</b>	<b>\$1,285,570</b>

**R11 SUBSTANCE USE DISORDER PATIENT PLACEMENT AND BENEFIT IMPLEMENTATION:** The Department requests a decrease of \$85.6 million total funds, including a reduction of \$16.6 million General Fund, to account for slower development of provider capacity to offer the benefit than originally projected. An associated supplemental will be submitted in January 2020 for \$80,000 total funds, including \$26,400 General Fund, to contract for a patient placement referral tool to ensure clients are able to access the benefit in an appropriate setting. See the *12/10/19 briefing for Behavioral Health* for more information.

**R12 WORK NUMBER VERIFICATION:** The Department requests a net reduction of \$22.6 million total funds, including a decrease of \$3.8 million General Fund, for implementing a system that allows for automated income verification at enrollment for a portion of applications where data is available. The Department projects this will reduce the number of people initially determined eligible for Medicaid and CHP+ who are later determined ineligible, as well as county administrative time to verify income. The request assumes system implementation January 1, 2021, and the projected net savings approximately doubles in FY 2021-22 to \$46.2 million total funds, including \$7.7 million General Fund.

**R13 LONG-TERM CARE UTILIZATION AND MANAGEMENT:** The Department requests \$1.7 million total funds, including \$431,632 General Fund, to expand a contract for utilization management to include reviews of in-home skilled care authorizations within the participant directed programs (In-Home Support Services and Consumer Directed Attendant Support Services).

**R14 HIGH COST CONDITION MANAGEMENT:** The Department requests \$433,636 total funds, including \$143,099 General Fund, and 1.0 FTE for coordinating care for people with a high cost diagnosis of chronic pain, anxiety, or depression and to deploy interactive web and mobile software designed to help people manage these conditions.

**R15 MEDICAID RECOVERY AND THIRD PARTY LIABILITY:** The Department requests a net decrease of \$12.3 million total funds, including \$3.5 million General Fund, and an increase of 5.8 FTE for initiatives to increase tort and casualty recoveries, avoid claims when a third party is liable, and use artificial intelligence to identify and recover improper payments.

**R16 CASE MANAGEMENT AND STATE-ONLY PROGRAMS:** The Department requests a net increase of \$402,372 total funds, including a reduction of \$69,366 General Fund, and 3.8 FTE for case management and state-only programs for people with intellectual and developmental disabilities. See the *12/12/19 briefing on the Office of Community Living for more information*.

**R17 PROGRAM CAPACITY FOR OLDER ADULTS:** The Department requests \$558,020 total funds, including \$184,146 General Fund, and 0.9 FTE for oversight of both the Program of All-Inclusive Care for the Elderly (PACE) and nursing homes. Of the total, \$294,820 total funds and \$97,291 General Fund and the 0.9 FTE are to compensate for a decrease in federal oversight audits of PACE facilities, to contract for a satisfaction survey, and to create performance measures for PACE. The remaining \$263,200 total funds and \$86,856 General Fund is for contract resources to study potential performance-based reimbursement options for nursing homes to replace the current statutory cost-based reimbursement. Finally, *the Department proposes legislation to make budget-neutral technical changes to the nursing home rate statutes.*

**R18 PUBLIC SCHOOL HEALTH SERVICES EXPANSION:** The Department requests \$75,000 federal funds for administrative costs to expand the school health services that are allowed to claim a federal match through Medicaid beyond those included within an Individualized Education Program (IEP) or Individualized Family Service Plan (IFSP) to include the Medicaid portion of services to the whole school population, such as health screenings.

**R19 LEASED SPACE:** The Department requests \$111,119 total funds, including \$46,070 General Fund, for leased space costs at 303 E. 17<sup>th</sup> Ave. An associated supplemental will be submitted in January for \$72,035 total funds, including \$29,865 General Fund for higher costs in FY 2019-20. The payment includes a negotiated fixed rate plus a variable amount for the Department's share of operating costs. The request is for inflationary costs with no change in the square footage occupied by the Department.

**R20 SAFETY NET PROVIDER PAYMENTS:** The Department requests a net \$0 change to move money between line items to better reflect money spent for the Colorado Indigent Care Program.

**ANNUALIZE HB 18-1136 RESIDENTIAL AND INPATIENT SUD TREATMENT:** The request includes \$173.8 million total funds, including \$34.1 million General Fund, to expand Medicaid benefits to include inpatient and residential substance use disorder treatment and medical detoxification services as required by H.B. 18-1136 (Pettersen/Priola & Jahn). See the *12/10/19 briefing for Behavioral Health* for more information.

**ANNUALIZE PRIOR YEAR BUDGET ACTIONS:** The request includes adjustments for out-year impacts of prior year legislation and budget actions, summarized in the table below. The titles of the annualizations begin with either a bill number or the relevant fiscal year. For budget decisions made in the Long Bill, the title includes a reference to the priority number the Department used in that year for the initiative, if relevant. If there is no reference to a bill number or priority number, then the change was initiated by an action other than a bill or request from the Department.

The largest increases are for previously approved provider rate increases that either started after the first of the fiscal year and/or had lagging costs due to delays between when services are billed and paid (includes FY 19-20 R13 Provider rates, SB 19-238 Wages and accountability home care, FY 19-20 Participant directed personal care and homemaker rates, and SB 19-209 PACE Program funding methodology). The next largest changes are for ongoing information technology projects involving systems related to eligibility, enrollment, benefits authorization, and claims processing (includes FY 19-20 R12 Medicaid enterprise operations, SB 16-192/FY 18-19 R17 Single assessment tool, and FY 19-20 NP OeHI operating).

Annualize Prior Year Budget Actions						
	Total	GF	CF	RF	FF	FTE
FY 19-20 R13 Provider rates	\$7,647,178	\$3,248,157	\$148,624	\$0	\$4,250,397	0.0
SB 19-238 Wages and accountability home care	7,178,000	3,620,249	0	0	3,557,751	0.0
FY 19-20 R12 Medicaid enterprise operations	6,563,485	2,399,407	513,326	0	3,650,752	0.2
FY 19-20 Participant directed personal care and homemaker rates	6,454,701	3,227,351	0	0	3,227,350	0.0
FY 19-20 NP OeHI operating	4,507,691	2,411,350	0	0	2,096,341	0.3
FY 19-20 R6 Local administration transformation	3,806,273	1,207,420	365,141	111,939	2,121,773	0.5
SB 19-209 PACE Program funding methodology	1,339,954	669,977	0	0	669,977	0.0
SB 19-005 Import prescription drugs from Canada	985,162	985,162	0	0	0	0.9
FY 19-20 NP CBMS-PEAK	364,321	59,446	294,318	669	9,888	0.0
FY 19-20 R15 Operational compliance and oversight	355,986	56,240	106,506	0	193,240	0.5
FY 19-20 Breast and cervical cancer cash fund	350,530	0	118,775	0	231,755	0.0
SB 15-011/SB 19-197 Pilot spinal cord alternate medicine	324,817	164,025	0	0	160,792	0.0
HB 19-1210 Local government minimum wage	297,875	148,938	0	0	148,937	0.9
SB 18-200 PERA	561,287	248,084	18,117	5,441	289,645	0.0
FY 19-20 R11 APCD True up	135,422	135,422	0	0	0	0.0
FY 18-19 12 Month contraceptive supply	118,809	2,868	42,729	0	73,212	0.0
SB 19-195 Child and youth behavioral health system	98,676	58,008	0	0	40,668	1.1
FY 19-20 NP Transfer home modification child waiver	14,231	7,116	0	0	7,115	0.0
FY 18-19 R18 Cost allocation vendor consolidation	7,475	2,449	1,288	0	3,738	0.0
HB 19-1287 Treatment opioids and substance use disorder	7,064	2,403	1,129	0	3,532	0.2
FY 19-20 R8 Benefits and tech advisory committee	2,276	842	296	0	1,138	0.2

### Annualize Prior Year Budget Actions

	Total	GF	CF	RF	FF	FTE
FY 19-20 R16 Employment first initiatives	2,079	(289,618)	291,697	0	0	0.2
FY 19-20 NP Salesforce	1,037	518	0	0	519	0.0
SB 16-192/FY 18-19 R17 Single assessment tool	(3,199,999)	(1,600,000)	0	0	(1,599,999)	0.0
HB 18-1326 Transition from institutional setting	(2,881,664)	(1,440,829)	0	0	(1,440,835)	0.0
FY 19-20 Comprehensive waiver enrollments	(1,770,579)	2,114,711	(3,000,000)	0	(885,290)	0.0
FY 19-20 R10 Customer experience	(993,724)	(321,867)	(174,995)	0	(496,862)	0.2
FY 19-20 NP CO Choice Transitions	(443,850)	(221,925)	0	0	(221,925)	0.0
FY 19-20 R7 Payment reform hospitals	(400,150)	21,643	11,382	0	(433,175)	0.2
HB 19-1302 Cancer treatment license plate surcharge	(350,530)	0	(118,775)	0	(231,755)	0.0
FY 19-20 R14 Office of Community Living governance	(349,011)	(93,679)	0	0	(255,332)	0.1
FY 18-19 R8 Medicaid savings initiatives	(238,891)	(393,731)	666,416	(660)	(510,916)	0.0
FY 19-20 State Innovation Model	(202,434)	(202,434)	0	0	0	(1.5)
HB 19-1269 Mental health parity insurance	(188,109)	(63,957)	(30,097)	0	(94,055)	(1.0)
FY 18-19 R19 IDD Waiver consolidation	(177,000)	(88,500)	0	0	(88,500)	0.0
FY 17-18 R10/BA9 Pueblo Regional Center corrective action	(235,361)	(117,680)	0	0	(117,681)	(3.0)
HB 19-1004 Affordable health coverage option	(150,000)	(150,000)	0	0	0	0.0
SB 19-222 Individuals at risk of institutionalization	(150,000)	(51,000)	(24,000)	0	(75,000)	0.0
FY 19-20 R7 Adult LTHH/PDN clinical assessment tool	(149,920)	(74,960)	0	0	(74,960)	0.0
HB 19-1038 Dental services for pregnant women on CHP+	(149,786)	44,883	(18,806)	0	(175,863)	0.0
FY 18-19 R10 Drug cost containment	(71,710)	(22,206)	(11,649)	0	(37,855)	0.0
FY 19-20 CDPHE Technical correction to reconcile	(35,477)	(17,740)	0	0	(17,737)	0.0
HB 18-1328 Redesign residential child health care waiver	(29,500)	(14,750)	0	0	(14,750)	0.0
FY 19-20 Leap year	(2,754)	(1,377)	0	0	(1,377)	0.0
Prior year salary survey	(373)	(187)	0	0	(186)	0.0
<b>TOTAL</b>	<b>\$28,953,507</b>	<b>\$15,670,229</b>	<b>(\$798,578)</b>	<b>\$117,389</b>	<b>\$13,964,467</b>	<b>0.0</b>

**PUBLIC SCHOOL HEALTH SERVICES FORECAST:** The request includes \$11,599,440 total funds for projected changes in certified public expenditures by local school districts and boards of cooperative education services (BOCES) for services to Medicaid children with an Individualized Education Program (IEP) or Individualized Family Service Plan (IFSP) that are eligible for federal matching funds.

**CENTRALLY APPROPRIATED 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.

**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.*

**TRANSFERS TO OTHER STATE AGENCIES:** The Department requests \$572,194 total funds, including \$243,792 General Fund, for transfers to programs administered by other departments, primarily for the Facility Survey and Certification program in the Department of Public Health and Environment.

**NP PAID FAMILY LEAVE:** The Department requests \$505,041 total funds, including \$246,802 General Fund, for the Department's share of the statewide paid family leave proposal. *See the 12/2/19 briefing for Compensation Common Policies for more information.*

**NP OIT BUDGET REQUEST PACKAGE:** The Department requests \$116,209 total funds, including \$53,696 for the Department's share of the statewide OIT budget request package. *See the 12/17/19 briefing for the Office of Information Technology for more information.*

**OTHER:** The Department requests \$44,779 total funds, including \$1,617 General Fund for a new forecast of tobacco tax revenues available to finance the Children's Basic Health Plan and changes to the cost allocation for the Colorado Benefits Management System.

## SUPPLEMENTALS

**SET ASIDE FOR SUPPLEMENTALS:** The Governor's budget letter includes a set aside in FY 2019-20 of \$43.8 million General Fund for potential supplementals for the Department of Health Care Policy and Financing, including \$42.3 million for the most recent forecast of enrollment and expenditures and \$1.5 million for the FY 2019-20 impact of discretionary requests. Although the Governor's official supplemental request is not due until January 2020, the budget request for the Department includes projected FY 2019-20 impacts associated with the following requests.

FY 2019-20 Set-Aside for Supplementals					
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS
R1 Medical Services Premiums	64,206,386	36,885,502	42,906,264	0	(15,585,380)
R2 Behavioral Health	(15,654,741)	(2,733,519)	(985,814)	0	(11,935,408)
R3 Children's Basic Health Plan	(3,536,486)	0	(737,600)	0	(2,798,886)
R4 Medicare Modernization Act	9,321,829	9,321,829	0	0	0
R5 Office of Community Living	(2,658,717)	(1,133,637)	(579,579)	0	(945,501)
R7 Pharmacy pricing and technology	7,135,879	1,408,842	325,528	0	5,401,509
R11 Substance use disorder patient placement and benefit implementation	80,000	26,400	13,600	0	40,000
R19 Leased space	72,035	29,865	6,152	0	36,018
<b>Total</b>	<b>\$58,966,185</b>	<b>\$43,805,282</b>	<b>\$40,948,551</b>	<b>\$0</b>	<b>(\$25,787,648)</b>

Due to timing issues there were some discrepancies between the set aside identified in the Governor's letter and the supplemental needs identified in the Department's request. This mostly impacted the total funds; the difference in General Fund was nominal. According to OSPB, the amounts identified in the Department's request and reflected in the table above are what the Governor intended to propose.

## POTENTIAL LEGISLATION

- In *R7 Pharmacy pricing and technology* the Department proposes allowing the Department to access restricted data in the Prescription Drug Monitoring Program (PDMP) to help the Department better understand the full impact of pharmacy policies, coordinate care, and enforce compliance with federal requirements that providers check the PDMP before prescribing a controlled substance.
- In *R10 Provider rates* the Department proposes eliminating a statutory formula that annually increases nursing home rates by the lesser of actual costs or 3 percent above the prior year General Fund.
- In *R17 Program capacity for older adults* the Department proposes legislation to make budget-neutral technical changes to the nursing home rate statutes.

## SUMMARY OF ISSUES PRESENTED TO THE JOINT BUDGET COMMITTEE

**FORECAST TRENDS:** Requests R1 through R5 are based on the Department's most recent forecasts of enrollment and expenditures under current law and policy and account for over 77 percent of the new total funds and over 85 percent of the new General Fund proposed. These requests explain what drives the budget, but they are non-discretionary, as they represent the expected obligations under current law and policy. It would take a change to current law or policy to change the trends.

**LONG-RANGE FINANCIAL PLAN:** The Department submitted a long-range financial plan that identifies risk factors for the budget, potential changes in Colorado's healthcare landscape, and emerging trends that could impact expenditures and needed investments. The plan also projects that an economic shock similar to FY 2002-03 could increase expenditures \$678.6 million total funds, including \$174.9 million General Fund, in one year with elevated expenditures persisting for several years thereafter.

**LONG-TERM SERVICES AND SUPPORTS:** Long-term services and supports represent 47 percent of Department General Fund expenditures and 27 percent of total fund expenditures. To control costs the Department proposes centralized reviews of service authorizations for skilled home care in participant directed services and studying alternative payment methods for nursing home rates.

**COMMUNITY FIRST CHOICE:** The Community First Choice option in federal law provides an additional 6 percent federal match for certain long-term services and supports that a state provides as benefits for all Medicaid clients demonstrating need. Implementing Community First Choice in Colorado could increase utilization, particularly of high cost participant directed services, and there is uncertainty about the net fiscal impact.

**PROVIDER RATES:** This issue brief discusses proposed changes in provider rates. Through *R10 Provider rates* the Department requests a net increase of \$2.1 million total funds, including \$538,753 General Fund, for both positive and negative changes to provider rates. Through *R8 Accountability and compliance resources* the Department proposes resources to ensure rate increases are passed through to wages and to support the S.B. 15-228 rate review process. Through *R9 Bundled payments* the Department proposes bundled payments for maternity services.

**PHARMACY:** The Department initiatives to contain pharmaceutical costs through changes to rate setting, prescription drug monitoring, technology that directs providers and clients to the most efficacious and cost effective options, additional administrative staff, and importing prescription drugs pursuant to S.B. 19-005.

## FOR MORE INFORMATION

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**TO READ THE ENTIRE BRIEFING:** [http://leg.colorado.gov/sites/default/files/fy2020-21\\_hcpbrf1.pdf](http://leg.colorado.gov/sites/default/files/fy2020-21_hcpbrf1.pdf)