



**Colorado
Legislative
Council
Staff**

HB17-1080

FISCAL NOTE

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

Drafting Number: LLS 17-0709

Date: February 1, 2017

Prime Sponsor(s): Rep. Young
Sen. Sonnenberg

Bill Status: House Health, Insurance, and
Environment

Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: REQUIREMENTS DURABLE MEDICAL EQUIPMENT SUPPLIERS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	Up to \$10,500	Up to \$10,500
Cash Funds	Up to 10,500	Up to 10,500
State Expenditures	\$99,126	\$10,336
General Fund	30,357	0
Cash Funds	26,029	8,903
Federal Funds	41,307	0
Centrally Appropriated Costs	1,433	1,433
TABOR Impact	Up to \$10,500	Up to \$10,500
FTE Position Change	0.1 FTE	0.1 FTE
Appropriation Required: \$97,693 - Multiple agencies (FY 2017-18).		
Future Year Impacts: Ongoing increase in state revenue and expenditures.		

Summary of Legislation

The bill clarifies and modifies the licensing requirements for durable medical equipment (DME) suppliers in several areas. First, it requires DME suppliers who currently bill or plan to bill the Colorado Medicaid program in the current calendar year to be licensed by the Secretary of State's Office (SOS), and removes language from statute requiring licensure based on a supplier's intent to competitively bid to supply certain products. Second, it requires that each location of the DME supplier be located within 100 miles of a Medicare or Medicaid beneficiary to whom the supplier provides medical equipment, and that the license applicant attest that each location meets this requirement. Third, it clarifies that certain suppliers are not required to be licensed if they only provide services related to insulin infusion pumps or mail order diabetes testing supplies.

Background

House Bill 14-1369 required DME suppliers to be licensed by the SOS. Currently, there are around 515 suppliers licensed in the state, and the current license fee is \$350. The Secretary of State's Office currently has 0.1 FTE dedicated to DME licensing. The Colorado Medicaid Program

spent about \$167 million on DME services in FY 2015-16 for Medicaid clients and clients dually eligible for Medicaid and Medicare. DME suppliers are not currently required to be licensed to be paid through Colorado's Medicaid program. Under current state law and Medicaid regulations, a DME provider must be located within Colorado or 50 miles of the border, unless certain exceptions are met (an out-of-state supplier provides a unique DME product not available in the state, the DME supplies are for a foster child, Medicaid is paying a Medicare cross-over claim for a dually eligible client).

State Revenue

The bill will increase cash fund revenue to the SOS by up to \$10,500 per year beginning in FY 2017-18, which is deposited into the Department of State Cash Fund. This increase is based on up to 30 additional DME suppliers becoming licensed at an annual fee of \$350. This analysis assumes that most DME suppliers serve both Medicare and Medicaid clients and are already licensed. The bill also requires DME suppliers to license each location in the state. This provision may also increase fee revenue; however, data on current licensees suggests that some suppliers are already licensing each location separately, which may limit the potential revenue increase.

Fee impact on businesses. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fee calculations will be set administratively by the Department of State based on cash fund balance, estimated program costs, and the actual number of licenses issued. The table below identifies the fee impact of this bill. To the extent additional license revenue is received beyond the actual costs of the program, the fee amount may be reduced to prevent the accumulation of excess cash fund balance.

Type of Fee	Current Fee	Number Affected	Total Fee Impact
DME Supplier License	\$350	30	\$10,500
TOTAL			\$10,500

TABOR Impact

This bill increases state cash fund revenue from fees, which will increase the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. TABOR refund obligations are not expected for FY 2016-17. 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 state costs by **\$99,126 and 0.1 FTE in FY 2017-18 and \$10,336 and 0.1 FTE in FY 2018-19** and future years. These costs include one-time costs in the Department of Health Care Policy and Financing and initial and ongoing costs in the Department of State. These costs, which include General Fund, cash funds, and federal funds, are assumed to begin on July 1, 2017.

Medicaid Management Information System changes (HCPF). HCPF will have one-time costs of \$82,610 in FY 2017-18 to make system changes in the Medicaid Management Information System (MMIS) to track whether a provider is properly licensed with the SOS prior to making DME payments. These costs are based on 880 hours of contractor time at an average rate of \$84 per hour to conduct computer programming and system testing, as well as manual claims and provider record verification during the implementation period. This work will be performed by the current MMIS contractor, and costs will be split evenly between state and federal funds.

Personal services (SOS). It is estimated that an additional 0.1 FTE is required to respond to complaints and track license information under the bill. This additional work results from additional licensees and more stringent requirements about geographic location and information documentation. Personal services costs are estimated at \$6,703 per year.

Travel (SOS). In addition, staff will be required to travel to DME supplier sites on occasion to investigate complaints about specific facilities in Colorado and surrounding states. Assuming 20 travel days at a cost of \$110 per day, travel costs are estimated at \$2,200 per year.

Computer programming (SOS). The changes to the licensing requirements will require minor updates to the business licensing computer system used by the Secretary of State's Office. Assuming a rate of \$103 per hour and 60 hours of programming, these system changes will result in a one-time cost of \$6,180.

Cost Components	FY 2017-18	FY 2018-19
Department of Health Care Policy and Financing	\$82,610	\$0
Computer Programming / Manual Claims Verification	82,610	0
Secretary of State's Office	\$16,516	\$10,336
Personal Services	\$6,703	\$6,703
FTE	0.1 FTE	0.1 FTE
Computer Programming	6,180	0
Legal Services	2,200	2,200
Centrally Appropriated Costs*	1,433	1,433
TOTAL	\$99,126	\$10,336

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

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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 3.

Cost Components	FY 2017-18	FY 2018-19
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$832	\$832
Supplemental Employee Retirement Payments	601	601
TOTAL	\$1,433	\$1,433

Effective Date

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

State Appropriations

For FY 2017-18, the bill requires the following appropriations:

- \$82,610 to the Department of Health Care Policy and Financing, of which \$30,357 is General Fund, \$10,946 is from the Hospital Provider Fee Cash Fund, and \$41,307 is federal funds; and
- \$15,083 to the Department of State from the Department of State Cash Fund, and an allocation of 0.1 FTE.

State and Local Government Contacts

Health Care Policy and Financing
Law

Information Technology
State