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**FINAL
FISCAL NOTE**

Drafting Number:	LLS 18-1243	Date:	August 3, 2018
Prime Sponsors:	Sen. Lundberg Rep. Young	Bill Status:	Signed into Law
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Bill Topic: CONTROLLING MEDICAID COSTS

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

This bill requires HCPF to implement new initiatives intended to control Medicaid expenditures. Beginning in FY 2018-19, it will decrease net state General Fund expenditures on an ongoing basis.

Appropriation Summary: In FY 2018-19, the bill requires and includes a reduction in appropriation of \$2,061,973 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 SB 18-266**

		FY 2018-19	FY 2019-20
Revenue		-	-
Expenditures	General Fund	(\$730,316)	(\$11,348,119)
	Cash Funds	\$222,613	(\$1,780,782)
	Federal Funds	(\$1,554,270)	(\$27,214,578)
	Centrally Appropriated	\$100,373	\$113,707
	Total	(\$1,961,600)	(\$40,229,772)
	Total FTE	6.7 FTE	8.0 FTE
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

Under this bill, the Department of Health Care Policy and Financing (HCPF) must provide information to providers participating in the Accountable Care Collaborative regarding the cost and quality of medical services provided by hospitals and medicaid providers, as well as the cost and quality of available pharmaceuticals prescribed by Medicaid providers.

Additionally, this bill authorizes HCPF to pursue cost-control strategies, value-based payments, and other approaches to reduce the rate of expenditure growth in the Medicaid program. HCPF is required to provide or allow all recipients, providers, and other stakeholders an opportunity to comment and make recommendations on changes, and it must report to the JBC on stakeholder feedback, timelines for implementation, and the expected impact of any cost control measures by November 1, 2018. HCPF is required to contract for an independent evaluation of any measures, and it must provide a report on the results of the independent evaluation on November 1, 2019, and November 1, 2020.

Subject to federal approval, HCPF must design and implement an evidence-based hospital review program to ensure that the utilization of hospital services is based on a recipient's need for care. HCPF is required to provide or allow all recipients, providers, and other stakeholders an opportunity to comment on changes, and it must report to the JBC on the status of the implementation of the hospital review program by November 1, 2018. Additionally, HCPF must report on the status of the hospital review program implementation in its SMART Act hearings until 2020.

HCPF must automatically review claims to identify and correct improper coding prior to payment. HCPF is authorized to procure commercial technology to implement this requirement.

State Expenditures

This bill will decrease net General Fund expenditures by \$2.0 million in FY 2018-19 and \$40.2 million in FY 2019-20 and in future years. These expenditures are shown in Table 2 and described below.

**Table 2
Expenditures Under SB 18-266**

	FY 2018-19	FY 2019-20
Department of Health Care Policy and Financing		
Personal Services	\$667,803	\$765,876
Operating Expenses and Capital Outlay Costs	\$45,224	\$17,006
Resource Control Unit Contract Services	\$500,000	\$500,000
Cost and Quality Technology	(\$7,000,000)	(\$24,336,522)
Hospital Admission Review	\$2,075,000	(\$10,792,204)
Billing System Safeguards	\$1,650,000	(\$6,497,635)
Centrally Appropriated Costs*	\$100,373	\$113,707
FTE – Personal Services	6.7 FTE	8.0 FTE
Total Cost	(\$1,961,600)	(\$40,229,772)
Total FTE	6.7 FTE	8.0 FTE

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

Personal services. This bill will increase staff by 6.7 FTE in 2018-19 and 8.0 FTE in FY 2019-20 and ongoing. These impacts are described below. Personal services costs are prorated to account for the General Fund pay date shift.

Resource control unit. HCPF will require 5.4 FTE in FY 2018-19 and 6.0 FTE in FY 2019-20 and future years to create a resource control unit. This unit would work with various stakeholders to implement cost control initiatives for Medicaid and the Child Health Plan Plus.

Hospital admission review program. This bill will increase staff by 1.4 FTE in FY 2018-19 and 2.0 FTE in FY 2019-20 and future years to conduct a review of hospital admissions, including pre-admission certification, continued stay reviews, discharge planning, patient coordination, and retrospective claims reviews.

Contracting Services. In addition to the personal services identified above for the resource control unit, this bill will increase expenditures by \$500,000 in FY 2018-19 and ongoing for contract services for initiatives that need outside analysis.

Cost and quality technology. This bill will increase expenditures in HCPF by \$3.0 million in FY 2018-19 and \$1.0 million in FY 2019-20 to make data tools available to the Regional Accountable Entities and providers to help guide referrals and prescriptions to the most cost effective providers and practices. It is estimated that directing Medicaid clients to the most cost effective providers and practices will reduce Accountable Care Collaborative expenditures by \$10.0 million in FY 2018-19 and \$25.3 million in FY 2019-20.

Hospital admission review. This bill will increase HCPF expenditures by \$2.1 million in FY 2018-19 and \$3.2 million in FY 2019-20 to conduct hospital reviews. This will allow HCPF to monitor in real time when a client is admitted or discharged from the hospital. This will allow Regional Accountable Entities to better manage care, and it estimated that this will decrease hospital utilization and result in savings of \$13.9 million in FY 2019-20.

Billing system safeguards. This bill will increase expenditures by \$1.7 million in FY 2018-19 and \$2.7 million in FY 2019-20 in HCPF to subscribe to commercial technology that will periodically update billing system safeguards that identify and reject inappropriate claims. It is estimated that state expenditures would also decrease by \$9.2 million beginning in FY 2019-20 from denying inappropriate claims.

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 estimated to be \$100,373 in FY 2018-19 and \$113,707 in FY 2019-20.

Effective Date

The bill was signed into law by the Governor and took effect May 29, 2018.

State Appropriations

For FY 2018-19, the bill requires and includes an appropriation of \$7,938,027 to the Department of Health Care Policy and Financing, and an allocation of 6.7 FTE, for use by the Executive Director's Office. Of this appropriation, \$2,007,911 is from the General Fund, \$729,853 is from the Healthcare Affordability and Sustainability Fee, and \$5,200,263 is federal funds.

For FY 2018-19, the bill also requires and includes a decrease in appropriations of \$10,000,000 to the Department of Health Care Policy and Financing. Of this appropriation, \$2,738,227 is General Fund, \$507,240 is from the Healthcare Affordability and Sustainability Fee, and \$6,754,533 is federal funds.

State and Local Government Contacts

Health Care Policy and Financing