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Fiscal Note

Drafting Number: LLS 21-1010 Date: May 26, 2021
Prime Sponsors: Sen. Moreno; Rankin Bill Status: Senate Appropriations
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Bill Topic: DISTRIBUTE FEDERAL FUNDS HOME- & COMMUNITY-BASED SERVICES

- Summary of Fiscal Impact:
State Revenue (checkbox)
State Expenditure (checkbox)
State Transfer (checkbox)
TABOR Refund (checkbox)
Local Government (checkbox)
Statutory Public Entity (checkbox)

The bill allocates state funds and increased federal matching funds for Medicaid home- and community-based services, and creates a two-phased approval process for spending these funds. It transfers funds in the current FY 2020-21, increases state expenditures in FY 2021-22 and FY 2022-23, and possibly future years.

Appropriation Summary: The bill includes appropriations of \$261.5 million to the Department of Health Care Policy and Financing.

Fiscal Note Status: The fiscal note reflects the introduced bill, recommended by the Joint Budget Committee, with the inclusion of Amendment L.001.

Table 1
State Fiscal Impacts Under SB 21-286

Table with 4 columns: Category, Current Year FY 2020-21, Budget Year FY 2021-22, Out Year FY 2022-23. Rows include Revenue, Expenditures (HCBS Improvement Fund, Cash Funds, Federal Funds, Total Expenditures, Total FTE), Transfers (General Fund, HAS Fee Cash Fund, HCBS Improvement Fund, ARPA HCBS Account, Net Transfer), and TABOR Refund.

Summary of Legislation

The federal American Rescue Plan provides Colorado with a temporary 10 percentage point increase in the federal medical assistance percentage (FMAP) for certain Medicaid expenditures for home- and community-based services (HCBS). The increased match is available for a period of one year beginning April 1, 2021. Increased federal funds must supplement, not supplant, existing state funds. States must use the funds equivalent to increased FMAP to expand or strengthen HCBS.

This bill implements the increased spending on HCBS as follows:

- first, it transfers state funds equivalent to the increased federal match into two separate funds—one for General Fund and one for cash funds;
- second, it directs the Department of Health Care Policy and Financing (HCPF) to develop a spending plan for these funds;
- third, it appropriates the set aside General Fund money for HCBS strengthening purposes, though the department can only spend that money following approval of the spending plan by the Joint Budget Committee (JBC); and
- fourth, it directs the JBC to introduce a supplemental appropriation bill in the 2022 legislative session—this bill will supersede the spending plan approval previously approved by the JBC.

The specific services that can be financed are specified in the bill and further detailed in guidance issued by the federal Department of Health and Human Services. HCPF is required to submit quarterly spending reports to the General Assembly.

The current law budgets for FY 2020-21 and FY 2021-22 reflect the enhanced FMAP for most Medicaid programs. The bill makes a further adjustment to the Long Bills for these years to reflect an additional \$54.8 million in enhanced match for behavioral health capitation payments over the two years.

Lastly, the bill appropriates money for HCPF to develop a spending plan.

State Transfers

Upon the bill's effective date, the bill makes the following transfers:

- \$260,730,099 from the General Fund to the newly created HCBS Improvement Fund; and
- \$19,830,918 from the Health Care Affordability and Sustainability Fee Cash Fund to the newly created ARPA HCBS Account within the fund.

These transfers are meant to be equivalent to the savings to these funds attributable to the enhanced FMAP. If the savings to either fund vary from these amounts, the updated savings amounts will be transferred.

State Expenditures

The bill increases expenditures by an estimated \$280.6 million in state funds and up to an additional \$715.2 million in federal funds. Expenditures will begin in FY 2021-22 and may take place over multiple fiscal years. These costs are shown in Table 2 and discussed below.

**Table 2
Expenditures Under SB 21-286**

Cost Components in HCPF	FY 2021-22	FY 2022-23
Administrative Costs		
Personal Services	\$345,536	\$376,948
Operating Expenses	\$37,750	\$6,750
Consultant	\$374,400	\$374,400
Centrally Appropriated Costs ¹	\$107,625	\$117,106
Administrative Cost Subtotal	\$865,311	\$875,204
Total FTE	4.6 FTE	5.0 FTE
HCBS Expenditures²		
HCBS Expenditures	\$994.8 million	-
HCBS Services Subtotal	\$994.8 million	-
Total	\$995.7 million	\$0.9 million
Total FTE	4.6 FTE	5.0 FTE

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

² HCBS Expenditures are shown taking place in FY 2021-22; expenditures may extend into future fiscal years

HCBS expenditures. The specific activities will be proposed by HCPF and approved by the JBC, and then by the General Assembly through a 2022 supplemental spending bill. The total amount of available funds is shown in FY 2021-22 in this fiscal note, but may take place over multiple fiscal years.

Federal match. In addition to the 10 percent temporary FMAP increase already taking place, the spending of \$280.6 million in state funds is eligible for further federal match. The match rate will vary depending on the nature of the activities financed and when the expenditures occur, with spending taking place during a declared public health emergency or within the one-year American Rescue Plan enhanced match window receiving a larger federal match. It is estimated that \$715.2 million is the maximum potential federal match.

Administrative costs. HCPF requires 5 staff members to develop and maintain a spending plan and administer the additional funds. In addition, a consultant will be hired for an estimated 1,440 hours at a rate of \$260 per hour assist in developing the spending plan.

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 \$107,625 FY 2021-22 and \$117,204 in FY 2022-23.

Effective Date

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

State Appropriations

For FY 2021-22, the bill makes the appropriations totaling approximately \$261.5 million to HCPF, as follows:

- \$378,843 from the HCBS Improvement Fund and 4.6 FTE;
- \$378,843 in federal funds; and
- all money in the HCBS Improvement Fund, which is estimated to be \$260.7 million, and may be spent following JBC approval of the spending plan.

State and Local Government Contacts

Health Care Policy and Financing

Joint Budget Committee Staff