

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2010-11 STAFF FIGURE SETTING

**DEPARTMENT OF HEALTH CARE POLICY AND
FINANCING**

(Does not include Department of Human Services Medicaid Funded Programs)

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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**FY 2010-11 Joint Budget Committee Staff Figure Setting
Department of Health Care Policy and Financing**

	FY 2008-09 Actual	FY 2009-10 Revised App.	FY 2009-10 Staff Rec. LB Supplementals	FY 2010-11 Dept. Request	FY 2010-11 JBC Staff Rec.	Change Req. #
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**Department of Health Care Policy and Financing
Executive Director: Joan Henneberry**

(Primary Functions: Administration of Medicaid, the Colorado Indigent Care Program, S.B. 00-71 Comprehensive Primary and Preventative Care Grant Program, Old Age Pension Health and Medical Fund Services, and the Children's Basic Health Plan).

(1) Executive Director's Office/1

(Primary Functions: Provides all of the administrative, audit and oversight functions for the Department. This Division contains 7 Subdivisions.)

Administration

(Primary Functions: Contains all of the personal services costs, operating costs, and centrally appropriated costs for the Department)

Personal Services/1	<u>19,502,741</u>	<u>19,417,118</u>	<u>19,417,118</u>	<u>20,163,107</u>	<u>19,802,401</u>	BRI #2
FTE	266.1	274.8	274.8	294.7	284.8	NP #2
General Fund	8,010,994	7,954,896	7,954,896	7,098,546	7,389,398	BA #5
Cash Funds	604,469	560,254	560,254	1,867,494	1,546,992	NP-BA #1
Reappropriated Funds	1,501,807	1,585,892	1,585,892	521,150	524,403	NP-BA #2
Federal Funds	9,385,471	9,316,076	9,316,076	10,675,917	10,341,608	
Health, Life, and Dental	<u>1,278,471</u>	<u>1,414,226</u>	<u>1,414,226</u>	<u>1,679,869</u>	<u>pending</u>	NP #2
General Fund	578,598	640,247	640,247	602,120	pending	NP BA #9
Cash Funds	28,315	30,867	30,867	202,333	pending	
Reappropriated Funds	35,213	38,965	38,965	16,042	pending	
Federal Funds	636,345	704,147	704,147	859,374	pending	
Short-term Disability	<u>22,621</u>	<u>22,734</u>	<u>22,734</u>	<u>29,653</u>	<u>26,138</u>	NP #2
General Fund	9,538	9,267	9,267	10,842	9,539	NP BA #9
Cash Funds	568	679	679	3,164	2,174	
Reappropriated Funds	1,795	1,885	1,885	532	737	
Federal Funds	10,720	10,903	10,903	15,115	13,688	

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Equalization						
Disbursement/2	<u>275,961</u>	<u>306,879</u>	<u>306,879</u>	<u>459,166</u>	<u>402,667</u>	NP #2
General Fund	114,941	123,846	123,846	167,897	145,650	NP BA #9
Cash Fund	6,983	9,215	9,215	48,994	33,664	
Reappropriated Funds	22,096	25,615	25,615	8,241	11,411	
Federal Funds	131,941	148,203	148,203	234,034	211,942	
S.B. 06-235 Supplemental						
AED	<u>127,446</u>	<u>190,438</u>	<u>190,438</u>	<u>334,809</u>	<u>292,544</u>	NP #2
General Fund	51,968	76,042	76,042	122,425	105,135	NP BA #9
Cash Fund	3,273	5,760	5,760	35,725	24,547	
Reappropriated Funds	10,358	16,009	16,009	6,009	8,321	
Federal Funds	61,847	92,627	92,627	170,650	154,541	
Salary Survey and						
Senior Executive Service	<u>673,446</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	304,849	0	0	0	0	
Cash Funds	7,406	0	0	0	0	
Reappropriated Funds	21,487	0	0	0	0	
Federal Funds	339,704	0	0	0	0	
Performance-based Pay Awards						
General Fund	<u>249,966</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	112,340	0	0	0	0	
Cash Funds	3,147	0	0	0	0	
Reappropriated Funds	9,131	0	0	0	0	
Federal Funds	125,348	0	0	0	0	
Worker's Compensation						
General Fund	<u>32,346</u>	<u>34,252</u>	<u>34,252</u>	<u>37,873</u>	<u>pending</u>	
General Fund	16,173	17,126	17,126	18,937	pending	
Federal Funds	16,173	17,126	17,126	18,936	pending	
Operating Expenses						
General Fund	<u>1,148,096</u>	<u>1,461,976</u>	<u>1,461,976</u>	<u>1,597,745</u>	<u>1,566,297</u>	BRI # 2
General Fund	557,186	702,685	702,685	659,798	660,958	NP-BA #6, BA #17
Cash Funds	13,014	15,800	15,800	126,899	109,723	
Reappropriated Funds	12,337	13,461	13,461	12,877	13,461	
Federal Funds	565,559	730,030	730,030	798,171	782,155	

**FY 2010-11 Joint Budget Committee Staff Figure Setting
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	FY 2008-09 Actual	FY 2009-10 Revised App.	FY 2009-10 Staff Rec. LB Supplementals	FY 2010-11 Dept. Request	FY 2010-11 JBC Staff Rec.	Change Req. #
Legal and Third Party Recovery						
Legal Services	<u>900,342</u>	<u>836,650</u>	<u>836,650</u>	<u>896,514</u>	pending	
General Fund	378,142	346,629	346,629	346,629	pending	
Cash Funds	72,026	69,189	69,189	99,121	pending	
Reappropriated Funds	0	0	0	0	pending	
Federal Funds	450,174	420,832	420,832	450,764	pending	
Administrative Law Judge Services	<u>430,640</u>	<u>456,922</u>	<u>456,922</u>	<u>448,326</u>	pending	
General Fund	215,320	228,461	228,461	209,858	pending	
Cash Funds	0	0	0	14,305	pending	
Federal Funds	215,320	228,461	228,461	224,163	pending	
Computer Systems Costs	<u>135,103</u>	<u>129,163</u>	<u>129,163</u>	<u>307,397</u>	pending	NP #2
General Fund	64,215	62,913	62,913	152,030	pending	
Reappropriated Funds	3,337	3,337	3,337	3,337	pending	
Federal Funds	67,551	62,913	62,913	152,030	pending	
Management & Administration of OIT	<u>459,984</u>	<u>414,321</u>	<u>414,321</u>	<u>623,517</u>	pending	NP #2
General Fund	229,992	207,161	207,161	311,759	pending	
Federal Funds	229,992	207,160	207,160	311,758	pending	
OIT - MNT of OIT	<u>0</u>	<u>0</u>	<u>0</u>	<u>203,580</u>	pending	NP #2
General Fund	0	0	0	101,790	pending	
Federal Funds	0	0	0	101,790	pending	
OIT - CBMS Program Costs of OIT	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,273,735</u>	<u>0</u>	NP #2
Reappropriated Funds	0	0	0	1,273,735	0	
Payment to Risk Management and Property Funds	<u>71,989</u>	<u>78,487</u>	<u>78,487</u>	<u>39,200</u>	pending	
General Fund	35,994	39,244	39,244	19,600	pending	
Federal Funds	35,995	39,243	39,243	19,600	pending	

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Leased Space	<u>381,780</u>	<u>394,236</u>	<u>394,236</u>	<u>696,564</u>	<u>696,564</u>	
General Fund	185,390	191,619	191,619	191,619	191,619	
Cash Funds	5,500	5,500	5,500	156,664	156,664	
Federal Funds	190,890	197,117	197,117	348,281	348,281	
Capitol Complex Leased Space	<u>395,208</u>	<u>395,460</u>	<u>395,460</u>	<u>388,227</u>	<u>pending</u>	
General Fund	197,604	197,730	197,730	194,114	pending	
Federal Funds	197,604	197,730	197,730	194,113	pending	
General Professional Services and Special Projects	<u>1,298,595</u>	<u>3,305,800</u>	<u>3,455,800</u>	<u>4,317,800</u>	<u>4,316,995</u>	
General Fund	771,478	1,278,254	1,278,254	1,523,900	1,480,361	BRI #2
Cash Funds	0	300,000	375,000	562,500	572,500	BA #5
Federal Funds	527,117	1,727,546	1,802,546	2,231,400	2,264,134	BA #13
Bills Appropriated at Division Level	<u>0</u>	<u>5,463,430</u>	<u>5,463,430</u>	<u>0</u>	<u>0</u>	
FTE	0.0	12.8	12.8	0.0	0.0	
General Fund	0	1,804,064	1,804,064	0	0	
Cash Funds	0	264,649	264,649	0	0	
Federal Funds	0	3,394,717	3,394,717	0	0	
SUBTOTAL -- Executive Director's Office, General Administration						
Total Funds	<u>27,384,735</u>	<u>34,322,092</u>	<u>34,472,092</u>	<u>33,497,082</u>	<u>27,103,606</u>	-21.38%
FTE	266.1	287.6	287.6	294.7	284.8	-0.97%
General Fund	11,834,722	13,880,184	13,880,184	11,731,864	9,982,660	-28.08%
Cash Funds	744,701	1,261,913	1,336,913	3,117,199	2,446,264	82.98%
Reappropriated Funds	1,617,561	1,685,164	1,685,164	1,841,923	558,333	-66.87%
Federal Funds	13,187,751	17,494,831	17,569,831	16,806,096	14,116,349	-19.66%

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(B) Transfers to Other Departments						
(Primary Functions: Contains administrative costs that are transferred to other Departments that administer programs eligible for Medicaid funding).						
Transfer to the Department of Public Health and Environment for Facility Survey and Certification						
	<u>4,546,609</u>	<u>5,011,213</u>	<u>5,011,213</u>	<u>4,880,581</u>	<u>4,880,581</u>	NP #8
General Fund	1,660,998	1,505,903	1,505,903	1,457,882	1,457,882	NP BA #3, #11
Federal Funds	2,885,611	3,505,310	3,505,310	3,422,699	3,422,699	
Transfer to the Department of Regulatory Agencies for Nurse Aide Certification						
	<u>325,343</u>	<u>325,343</u>	<u>325,343</u>	<u>325,343</u>	<u>325,343</u>	
General Fund	148,020	148,020	148,020	148,020	148,020	
Reappropriated Funds	14,652	14,652	14,652	14,652	14,652	
Federal Funds	162,671	162,671	162,671	162,671	162,671	
Transfer to the Department of Regulatory Agencies for Reviews						
	<u>0</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	
General Fund	0	6,500	6,500	6,500	6,500	
Cash Funds	0	500	500	500	500	
Federal Funds	0	7,000	7,000	7,000	7,000	
Transfer to the Department of Education for Public School Health Services Administration						
	<u>337,833</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,388</u>	BA #7
Federal Funds	337,833	150,000	150,000	150,000	150,388	
SUBTOTAL -- Executive Director's Office, Transfers to Other Departments						
						% Change From Final Prior Year Recommendation
Total Funds	<u>5,209,785</u>	<u>5,500,556</u>	<u>5,500,556</u>	<u>5,369,924</u>	<u>5,370,312</u>	-2.37%
General Fund	1,809,018	1,660,423	1,660,423	1,612,402	1,612,402	-2.89%
Cash Funds	0	500	500	500	500	0.00%
CFE/Reappropriated Funds	14,652	14,652	14,652	14,652	14,652	0.00%
Federal Funds	3,386,115	3,824,981	3,824,981	3,742,370	3,742,758	-2.15%

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(C) Information Technology Contracts and Projects						
(Primary Functions: Contains funding the Medicaid Management Information System, Web Portal, and special IT projects).						
Information Technology						
Contracts	<u>22,200,548</u>	<u>24,346,147</u>	<u>24,346,147</u>	<u>33,987,466</u>	<u>33,911,866</u>	BRI # 1, 2, 3
General Fund	5,299,911	5,868,517	5,868,517	5,973,827	5,973,827	DI #5
Cash Funds	540,118	538,643	538,643	2,452,329	2,433,429	BA #5, BA #12,
Reappropriated Funds	100,328	100,328	100,328	100,328	100,328	BA #15
Federal Funds	16,260,191	17,838,659	17,838,659	25,460,982	25,404,282	
Fraud Detection Software						
Contract	<u>774,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	
General Fund	127,323	62,500	62,500	62,500	62,500	
Federal Funds	646,677	187,500	187,500	187,500	187,500	
Colorado Benefits Management						
System Medical Assistance Project	<u>98,825</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	BA #9
General Fund	42,122	0	0	0	0	
Federal Funds	56,703	0	0	0	0	
Centralized Eligibility Vendor						
Contract Project	<u>52,878</u>	<u>100,000</u>	<u>100,000</u>	<u>760,000</u>	<u>760,000</u>	
General Fund	25,304	47,850	47,850	0	0	
Cash Funds	0	0	0	366,320	366,320	
Federal Funds	27,574	52,150	52,150	393,680	393,680	
SUBTOTAL -- Executive Director's Office, Information Technology Contracts and Projects						
						% Change From Final Prior Year Recommendation
Total Funds	<u>23,126,251</u>	<u>24,696,147</u>	<u>24,696,147</u>	<u>34,997,466</u>	<u>34,921,866</u>	41.41%
General Fund	5,494,660	5,978,867	5,978,867	6,036,327	6,036,327	0.96%
General Fund Exempt	0	0	0	0	0	n/a
Cash Funds	540,118	538,643	538,643	2,818,649	2,799,749	419.78%
CFE/Reappropriated Funds	100,328	100,328	100,328	100,328	100,328	0.00%
Federal Funds	16,991,145	18,078,309	18,078,309	26,042,162	25,985,462	43.74%

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(D) Eligibility Determinations and Client Services						
(Primary Functions: Contains funding to determine client eligibility and to provide information services to clients about their health benefits).						
Medical						
Identification Cards	<u>110,184</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	
General Fund	43,591	48,444	48,444	48,444	48,444	
Cash Funds	10,759	10,759	10,759	10,759	10,759	
Reappropriated Funds	1,484	1,593	1,593	1,593	1,593	
Federal Funds	54,350	59,204	59,204	59,204	59,204	
Contracts for Special Eligibility						
Determinations	<u>2,291,185</u>	<u>2,332,042</u>	<u>2,332,042</u>	<u>5,233,102</u>	<u>5,233,102</u>	
General Fund	883,296	888,544	888,544	828,091	828,091	
Cash Funds	30,478	24,717	24,717	1,542,200	1,542,200	
Federal Funds	1,377,411	1,418,781	1,418,781	2,862,811	2,862,811	
County Administration	<u>34,616,961</u>	<u>30,986,377</u>	<u>30,986,377</u>	<u>32,858,207</u>	<u>32,858,207</u>	
General Fund	11,176,396	9,794,550	9,794,550	9,794,550	9,794,550	
Cash Funds	6,172,217	5,738,771	5,738,771	6,674,686	6,674,686	
Federal Funds	17,268,348	15,453,056	15,453,056	16,388,971	16,388,971	
Administrative Case Management	<u>869,755</u>	<u>539,744</u>	<u>869,744</u>	<u>539,744</u>	<u>869,744</u>	
General Fund	434,877	269,872	434,872	269,872	434,872	
Federal Funds	434,878	269,872	434,872	269,872	434,872	
Customer Outreach	<u>3,312,379</u>	<u>3,573,001</u>	<u>3,573,001</u>	<u>4,219,648</u>	<u>3,872,011</u>	BA #5
General Fund	1,625,469	1,752,987	1,752,987	2,036,058	1,862,240	
Cash Funds	30,721	33,514	33,514	73,766	73,766	
Federal Funds	1,656,189	1,786,500	1,786,500	2,109,824	1,936,005	
SUBTOTAL -- Executive Director's Office, Eligibility Determinations and Client Services						
Total Funds	<u>41,200,464</u>	<u>37,551,164</u>	<u>37,881,164</u>	<u>42,970,701</u>	<u>42,953,064</u>	<u>13.39%</u>
General Fund	14,163,629	12,754,397	12,919,397	12,977,015	12,968,197	0.38%
Cash Funds	6,244,175	5,807,761	5,807,761	8,301,411	8,301,411	42.94%
CFE/Reappropriated Funds	1,484	1,593	1,593	1,593	1,593	0.00%
Federal Funds	20,791,176	18,987,413	19,152,413	21,690,682	21,681,863	13.21%

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(E) Utilization and Quality Review Contracts

(Primary Functions: Contains contract funding to review the utilization and quality of services provided in the acute, mental health, and long-term care programs.)

Professional Service Contracts	<u>4,586,288</u>	<u>4,661,755</u>	<u>4,661,755</u>	<u>6,640,371</u>	<u>6,285,371</u>	BRI #1
General Fund	1,142,390	1,362,527	1,362,527	1,660,174	1,722,619	BA #5, #8, #12
Cash Funds	54,949	54,949	54,949	86,596	86,596	
Federal Funds	3,388,949	3,244,279	3,244,279	4,893,601	4,476,156	

SUBTOTAL -- Executive Director's Office, Utilization and Quality Review Contracts						
						% Change From Final Prior Year Recommendation
Total Funds	<u>4,586,288</u>	<u>4,661,755</u>	<u>4,661,755</u>	<u>6,640,371</u>	<u>6,285,371</u>	<u>34.83%</u>
General Fund	1,142,390	1,362,527	1,362,527	1,660,174	1,722,619	26.43%
Cash Funds	54,949	54,949	54,949	86,596	86,596	57.59%
Federal Funds	3,388,949	3,244,279	3,244,279	4,893,601	4,476,156	37.97%

(F) Provider Audits and Services

(Primary Functions: Contains contract funding to audit nursing homes, federally-qualified health centers, hospitals, and other providers).

Professional Audit Contracts	<u>1,817,491</u>	<u>1,838,566</u>	<u>1,838,566</u>	<u>3,306,813</u>	<u>3,306,813</u>	DI #6
General Fund	836,446	919,283	919,283	1,256,281	1,256,281	BA #7
Cash Funds	72,300	0	0	352,988	352,988	
Federal Funds	908,745	919,283	919,283	1,697,544	1,697,544	

SUBTOTAL -- Executive Director's Office, Provider Audits and Services						
						% Change From Final Prior Year Recommendation
Total Funds	<u>1,817,491</u>	<u>1,838,566</u>	<u>1,838,566</u>	<u>3,306,813</u>	<u>3,306,813</u>	<u>79.86%</u>
General Fund	836,446	919,283	919,283	1,256,281	1,256,281	36.66%
Cash Funds	72,300	0	0	352,988	352,988	n/a
Federal Funds	908,745	919,283	919,283	1,697,544	1,697,544	84.66%

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(G) Recoveries and Recoupment Contract Costs						
(Primary Functions: Contains contract costs associated with recovery eligible Medicaid expenses.)						
Estate Recovery	<u>394,534</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	
Cash Funds	197,267	350,000	350,000	350,000	350,000	
Federal Funds	197,267	350,000	350,000	350,000	350,000	
SUBTOTAL -- Executive Director's Office, Recoveries and Recoupment Contract Costs						
Total Funds	<u>394,534</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	% Change From Final Prior Year Recommendation <u>0.00%</u>
Cash Funds	197,267	350,000	350,000	350,000	350,000	0.00%
Federal Funds	197,267	350,000	350,000	350,000	350,000	0.00%
SUBTOTAL -- Executive Director's Office						
Total Funds	<u>103,719,548</u>	<u>109,270,280</u>	<u>109,750,280</u>	<u>127,482,357</u>	<u>120,641,032</u>	% Change From Final Prior Year Recommendation <u>9.92%</u>
FTE	266.1	287.6	287.6	294.7	284.8	-0.97%
General Fund	35,280,865	36,555,681	36,720,681	35,274,063	33,578,486	-8.56%
Cash Funds	7,853,510	8,013,766	8,088,766	15,027,343	14,337,508	77.25%
Reappropriated Funds	1,734,025	1,801,737	1,801,737	1,958,496	674,906	-62.54%
Federal Funds	58,851,148	62,899,096	63,139,096	75,222,455	72,050,132	14.11%

The Revised Appropriation shows the impact of all supplemental package bills.

**FY 2010-11 Joint Budget Committee Staff Figure Setting
Department of Health Care Policy and Financing**

	FY 2008-09 Actual	FY 2009-10 Revised App.	FY 2009-10 Staff Rec. LB Supplementals	FY 2010-11 Dept. Request	FY 2010-11 JBC Staff Rec.	Change Req. #
(2) Medical Service Premiums						
(Provides acute care medical and long-term care services to individuals eligible for Medicaid).						
Services for Supplemental Security						
Income Adults 65 and Older (SSI 65+)	<u>\$777,967,697</u>	<u>\$797,374,930</u>	<u>\$796,560,302</u>	<u>\$866,180,111</u>	<u>\$856,480,319</u>	DI #1, BA #1
Medicaid Clients	37,619	38,444	38,449	39,030	38,978	
Cost per Client	\$20,680.18	\$20,741.21	\$20,717.32	\$22,192.68	\$21,973.43	
Services for Supplemental Security						
Income Adults 60 to 64 (SSI 60 - 64)	<u>\$114,169,211</u>	<u>\$118,337,143</u>	<u>\$117,404,423</u>	<u>\$142,071,262</u>	<u>\$135,973,776</u>	DI #1, BA #1
Medicaid Clients	6,447	6,991	7,002	7,424	7,171	
Cost per Client	\$17,708.89	\$16,927.07	\$16,767.27	\$19,136.75	\$18,961.62	
Services for Qualified Medicare						
Beneficiaries (QMBs) and Special Low-						
Income Medicare Beneficiaries (SLIMBs)	<u>\$18,918,298</u>	<u>\$20,376,165</u>	<u>\$20,644,936</u>	<u>\$24,780,596</u>	<u>\$24,880,095</u>	DI #1, BA #1
Medicaid Clients	15,075	15,940	15,928	17,119	17,270	
Cost per Client	\$1,254.95	\$1,278.30	\$1,296.14	\$1,447.55	\$1,440.65	
Services for Supplemental Security						
Income Disabled Individuals	<u>\$730,958,471</u>	<u>\$739,393,625</u>	<u>\$734,230,217</u>	<u>\$884,041,694</u>	<u>\$875,824,537</u>	DI #1, BA #1
Medicaid Clients	51,355	53,014	53,023	54,344	54,103	
Cost per Client	\$14,233.44	\$13,947.14	\$13,847.39	\$16,267.51	\$16,188.10	
Services for Categorically Eligible Low-						
Income Adults	<u>\$208,581,897</u>	<u>\$223,420,719</u>	<u>\$223,320,059</u>	<u>\$287,822,499</u>	<u>\$295,614,441</u>	DI #1, BA #1
Medicaid Clients	49,147	58,991	58,830	66,076	66,766	
Cost per Client	\$4,244.04	\$3,787.37	\$3,796.02	\$4,355.93	\$4,427.62	
Services for Expansion Low-						
Income Adults	<u>\$31,678,022</u>	<u>\$40,597,302</u>	<u>\$41,441,427</u>	<u>\$94,761,430</u>	<u>\$91,084,358</u>	DI #1, BA #1
Medicaid Clients	12,727	16,922	16,986	31,632	32,597	
Cost per Client	\$2,489.04	\$2,399.08	\$2,439.74	\$2,995.75	\$2,794.26	
Services for Baby Care Program Adults						
	<u>\$60,370,299</u>	<u>\$61,963,107</u>	<u>\$60,816,863</u>	<u>\$74,693,047</u>	<u>\$75,564,104</u>	DI #1, BA #1
Medicaid Clients	6,976	7,131	7,130	7,047	7,256	
Cost per Client	\$8,654.00	\$8,689.26	\$8,529.71	\$10,599.27	\$10,414.02	

**FY 2010-11 Joint Budget Committee Staff Figure Setting
Department of Health Care Policy and Financing**

	FY 2008-09 Actual	FY 2009-10 Revised App.	FY 2009-10 Staff Rec. LB Supplementals	FY 2010-11 Dept. Request	FY 2010-11 JBC Staff Rec.	Change Req. #
Services for Breast and Cervical Cancer						
Treatment Clients	<u>\$7,056,855</u>	<u>\$8,434,483</u>	<u>\$8,722,142</u>	<u>\$11,058,060</u>	<u>\$11,662,125</u>	DI #1, BA #1
Medicaid Clients	317	416	416	471	473	
Cost per Client	\$22,261.37	\$20,275.20	\$20,966.69	\$23,477.83	\$24,655.66	
Services for Categorically Eligible Children						
Children	<u>\$432,023,182</u>	<u>\$465,129,379</u>	<u>\$467,038,788</u>	<u>\$620,267,229</u>	<u>\$606,655,901</u>	DI #1, BA #1
Medicaid Clients	235,129	276,647	277,560	307,278	306,488	
Cost per Client	\$1,837.39	\$1,681.31	\$1,682.66	\$2,018.59	\$1,979.38	
Services for Categorically Eligible Foster Children						
Foster Children	<u>\$67,574,818</u>	<u>\$68,981,498</u>	<u>\$67,623,368</u>	<u>\$85,026,210</u>	<u>\$83,152,928</u>	DI #1, BA #1
Medicaid Clients	18,033	18,373	18,365	18,753	18,890	
Cost per Client	\$3,747.29	\$3,754.50	\$3,682.19	\$4,534.01	\$4,401.95	
Services for Non-Citizens						
Non-Citizens	<u>\$59,238,905</u>	<u>\$58,789,618</u>	<u>\$56,767,768</u>	<u>\$71,645,276</u>	<u>\$67,276,677</u>	DI #1, BA #1
Medicaid Clients	3,987	3,616	3,624	3,571	3,415	
Cost per Client	\$14,858.01	\$16,258.19	\$15,664.40	\$20,063.08	\$19,700.34	
Bottom Line Financing, Payment Delays & Decision Items*						
	\$18,453,788	<u>(\$41,729,489)</u>	<u>(\$40,303,084)</u>	<u>\$28,067,218</u>	<u>\$50,296,691</u>	BRI #1, 2, 3,4,5,6,8 & NPI #3, 4 & EB A #1
Conditional HB 09-1293 Appropriation.						
		<u>\$315,576,642</u>	<u>\$314,160,549</u>	<u>\$0</u>	<u>\$0</u>	Included above
Medicaid Clients		2,369	750	12,125	12,125	
ARRA Appropriation						
		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
IMPACTS						
				<u>(\$110,855,229)</u>	<u>(\$49,355,924)</u>	

**FY 2010-11 Joint Budget Committee Staff Figure Setting
Department of Health Care Policy and Financing**

	FY 2008-09 Actual	FY 2009-10 Revised App.	FY 2009-10 Staff Rec. LB Supplementals	FY 2010-11 Dept. Request	FY 2010-11 JBC Staff Rec.	Change Req. #
SUBTOTAL -- Medical Services						
Premiums/3	<u>2,526,991,443</u>	<u>2,876,645,122</u>	<u>2,554,267,209</u>	<u>3,079,559,403</u>	<u>3,125,110,028</u>	<u>22.35%</u>
General Fund	919,709,958	1,041,614,534	772,270,455	833,790,100	873,191,557	13.07%
General Fund Exempt	39,251,792	0	0	0	0	n/a
Cash Funds	109,633,539	354,916,550	209,858,716	317,627,287	339,638,104	-10.51%
CFE/Reappropriated Funds	2,631,068	2,874,450	3,889,389	3,136,521	3,117,500	9.12%
Federal Funds	1,455,765,086	1,477,239,588	1,568,248,649	1,925,005,495	1,909,162,867	30.31%

*In the Long Bill the Bottom Line Financing, Payment Delays & Decision Items will be spread amongst the aid categories. However, to show the estimated cost of serving these clients, this information is not spread amongst the aid categories in these number pages beginning in FY 2008-09.

(3) Medicaid Mental Health Community Programs

(Primary Functions: Mental health programs for Medicaid eligible clients.)

**Mental Health Capitation
for Medicaid Clients**

	<u>215,860,937</u>	<u>208,839,115</u>	<u>204,600,843</u>	<u>242,183,892</u>	<u>247,616,459</u>	DI #2, BRI #5 & #6, NPI #3
General Fund	86,769,471	95,768,654	93,826,994	110,553,372	111,860,395	
General Fund Exempt	0	0	0	0	0	
Cash Funds	5,219,083	8,626,040	8,449,340	10,568,984	11,916,407	
CFE/Reappropriated Funds	7,330	10,248	9,928	13,319	12,046	
Federal Funds	123,865,053	104,434,173	102,314,581	121,048,217	123,827,611	

**Mental Health Capitation
HB 09-1293**

	<u>0</u>	<u>614,306</u>	<u>174,358</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	
Cash Funds	0	307,153	87,179	0	0	
CFE/Reappropriated Funds	0	0	0	0	0	
Federal Funds	0	307,153	87,179	0	0	

**Medicaid Mental Health
Fee for Service Payments**

	<u>1,776,253</u>	<u>2,537,069</u>	<u>2,607,068</u>	<u>2,954,323</u>	<u>2,965,758</u>	DI #2, BRI #5 BA #2, #22
General Fund	730,829	1,268,535	1,303,534	1,477,161	1,482,879	
General Fund Exempt	0	0	0	0	0	
Cash Funds	0	0	0	0	0	
CFE/Reappropriated Funds	0	0	0	0	0	
Federal Funds	1,045,424	1,268,534	1,303,534	1,477,162	1,482,879	

**FY 2010-11 Joint Budget Committee Staff Figure Setting
Department of Health Care Policy and Financing**

	FY 2008-09 Actual	FY 2009-10 Revised App.	FY 2009-10 Staff Rec. LB Supplementals	FY 2010-11 Dept. Request	FY 2010-11 JBC Staff Rec.	Change Req. #
ARRA Adjustment*	0	0	0	0	0	
General Fund	0	0	(22,051,257)	(28,588,561)	(26,272,969)	BRI #5, 6, 8
General Fund Exempt	0	0	0	0	0	
Cash Funds	0	0	(1,953,199)	(2,292,250)	(2,360,807)	
CFE/Reappropriated Funds	0	0	0	0	0	
Federal Funds	0	0	24,004,456	30,880,811	28,633,776	
SUBTOTAL -- Medicaid Mental Health						
Community Programs	<u>217,637,190</u>	<u>211,990,490</u>	<u>207,382,269</u>	<u>245,138,215</u>	<u>250,582,217</u>	<u>20.83%</u>
General Fund	87,500,300	97,037,189	73,079,271	83,441,972	87,070,305	19.15%
Cash Funds	5,219,083	8,933,193	6,583,320	8,276,734	9,555,600	45.15%
CFE/Reappropriated Funds	7,330	10,248	9,928	13,319	12,046	21.33%
Federal Funds	124,910,477	106,009,860	127,709,750	153,406,190	153,944,266	20.54%

(4) Indigent Care Program

(Primary functions: Provides assistance to hospitals and clinics serving a disproportionate share of uninsured or underinsured populations, provides health insurance to qualifying children and pregnant women who are ineligible for Medicaid, and provides grants to providers to improve access to primary and preventive care for the indigent population.)

Safety Net Provider Payments	<u>296,092,630</u>	<u>295,081,102</u>	<u>284,533,858</u>	<u>343,745,446</u>	<u>287,741,200</u>
General Fund	(3,802,995)	5,273,622	0	0	0
Cash Funds	139,087,821	142,266,929	142,266,929	171,872,723	143,870,600
Reappropriated Funds	0	0	0	0	0
Federal Funds	160,807,804	147,540,551	142,266,929	171,872,723	143,870,600
Safety Net Conditional HB 09-1293	0	<u>3,207,341</u>	<u>3,207,342</u>	0	0
Cash Funds	0	(12,448,157)	(9,812,737)	0	0
Federal Funds	0	15,655,498	13,020,079	0	0
Colorado Health Care Services Fund	<u>12,918,750</u>	<u>10,390,000</u>	<u>10,390,000</u>	0	0
General Fund	12,918,750	10,390,000	10,390,000	0	0

**FY 2010-11 Joint Budget Committee Staff Figure Setting
Department of Health Care Policy and Financing**

	FY 2008-09 Actual	FY 2009-10 Revised App.	FY 2009-10 Staff Rec. LB Supplementals	FY 2010-11 Dept. Request	FY 2010-11 JBC Staff Rec.	Change Req. #
The Children's Hospital, Clinic Based						
Indigent Care	<u>27,029,760</u>	<u>27,759,958</u>	<u>27,759,958</u>	<u>6,119,760</u>	<u>6,119,760</u>	
General Fund	2,508,784	3,059,880	3,059,880	3,059,880	3,059,880	
Reappropriated Funds	9,004,369	8,312,000	8,312,000	0	0	
Federal Funds	15,516,607	16,388,078	16,388,078	3,059,880	3,059,880	
Primary Care Grant Program						
Special Distribution	<u>0</u>	<u>2,005,000</u>	<u>2,005,000</u>	<u>0</u>	<u>0</u>	
Cash Funds	0	2,005,000	2,005,000	0	0	
Health Care Services Fund Programs						
General Fund	<u>9,090,000</u>	<u>5,410,049</u>	<u>5,410,049</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	0	0	0	
General Fund Exempt	0	0	0	0	0	
Cash Funds	0	0	0	0	0	
Reappropriated Funds	3,913,941	2,078,000	2,078,000	0	0	
Federal Funds	5,176,059	3,332,049	3,332,049	0	0	
Pediatric Specialty Hospital						
General Fund	<u>12,829,721</u>	<u>15,027,353</u>	<u>14,913,994</u>	<u>15,009,285</u>	<u>13,313,994</u>	
General Fund	4,740,633	6,540,170	6,552,687	6,612,411	5,902,997	
General Fund Exempt	0	116,827	104,310	44,586	0	
Cash Funds	317,000	267,628	350,000	310,730	307,000	
Reappropriated Funds	427,000	387,173	345,690	450,000	447,000	
Federal Funds	7,345,088	7,715,555	7,561,307	7,591,558	6,656,997	
General Fund						
Appropriation to Pediatric Specialty Hospital						
General Fund Exempt	<u>427,000</u>	<u>387,173</u>	<u>345,690</u>	<u>450,000</u>	<u>447,000</u>	
General Fund Exempt	427,000	387,173	345,690	450,000	447,000	
Appropriation from Tobacco Tax Fund to General Fund						
Cash Funds	<u>427,000</u>	<u>504,000</u>	<u>450,000</u>	<u>504,000</u>	<u>447,000</u>	
Cash Funds	427,000	504,000	450,000	504,000	447,000	
Primary Care Fund						
Cash Funds	<u>30,273,568</u>	<u>12,125,000</u>	<u>12,125,000</u>	<u>31,920,000</u>	<u>28,310,000</u>	
Cash Funds	30,273,568	12,125,000	12,125,000	31,920,000	28,310,000	

**FY 2010-11 Joint Budget Committee Staff Figure Setting
Department of Health Care Policy and Financing**

	FY 2008-09 Actual	FY 2009-10 Revised App.	FY 2009-10 Staff Rec. LB Supplementals	FY 2010-11 Dept. Request	FY 2010-11 JBC Staff Rec.	Change Req. #
Children's Basic Health Plan Trust	<u>513,604</u>	<u>2,502,919</u>	<u>2,502,919</u>	<u>9,484,887</u>	<u>6,856,880</u>	DI #3, BA #3
General Fund	4,525,182	2,502,919	2,502,919	9,484,887	6,856,880	BA #6
Cash Funds	(4,011,578)	0	0	0	0	BA #9
Children's Basic Health Plan Administration	<u>6,182,289</u>	<u>5,401,117</u>	<u>5,401,117</u>	<u>4,889,503</u>	<u>4,889,503</u>	BA #6, BA #19
Cash Funds	2,708,692	2,417,022	2,417,022	2,219,230	2,219,230	
Federal Funds	3,473,597	2,984,095	2,984,095	2,670,273	2,670,273	
Children's Basic Health Plan Premium Costs (Children & Pregnant Adults)	<u>120,809,604</u>	<u>133,438,868</u>	<u>140,932,077</u>	<u>199,778,504</u>	<u>202,521,966</u>	DI #3, BA #3
Cash Funds	42,659,047	44,417,482	47,072,664	60,809,322	64,352,642	BA #19
Reappropriated Funds	0	2,500,000	2,500,000	9,435,683	6,856,880	
Federal Funds	78,150,557	86,521,386	91,359,413	129,533,499	131,312,444	
Children's Basic Health Plan Dental Costs	<u>9,876,754</u>	<u>10,062,349</u>	<u>10,354,751</u>	<u>13,695,250</u>	<u>13,878,070</u>	DI #3, BA #3
Cash Funds	3,456,864	3,521,822	3,624,163	4,793,338	4,857,325	
Federal Funds	6,419,890	6,540,527	6,730,588	8,901,912	9,020,745	
Comprehensive Primary and Preventive Care Grants	<u>3,082,680</u>	<u>127,816</u>	<u>127,816</u>	<u>2,326,677</u>	<u>0</u>	
Cash Funds	3,082,680	127,816	127,816	2,326,677	0	
CPP Rural & Public Hospital Grant Program	<u>5,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Cash Funds	2,164,398	0	0	0	0	
Federal Funds	2,835,602	0	0	0	0	
ARRA Adjustment*	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	
General Fund	(89,203)	0	(2,333,502)	(2,259,994)	(2,252,372)	BRI #8
General Fund Exempt	0	0	(0)	(10,457)	0	
Cash Funds	0	0	(8,780,988)	(23,453,146)	(11,416,408)	
Reappropriated Funds	0	0	(0)	(105,533)	0	
Federal Funds	89,203	0	11,114,491	25,829,130	13,668,780	

**FY 2010-11 Joint Budget Committee Staff Figure Setting
Department of Health Care Policy and Financing**

	FY 2008-09 Actual	FY 2009-10 Revised App.	FY 2009-10 Staff Rec. LB Supplementals	FY 2010-11 Dept. Request	FY 2010-11 JBC Staff Rec.	Change Req. #
SUBTOTAL -- Indigent Care Program	<u>534,553,360</u>	<u>523,430,045</u>	<u>520,459,572</u>	<u>627,923,312</u>	<u>564,525,373</u>	<u>8.47%</u>
General Fund	20,801,151	27,766,591	20,171,984	16,897,184	13,567,385	-32.74%
General Fund Exempt	427,000	504,000	450,000	484,129	447,000	-0.67%
Cash Funds	220,165,492	195,204,542	191,844,869	251,302,874	232,947,389	21.42%
CFE/Reappropriated Funds	13,345,310	13,277,173	13,235,690	9,780,150	7,303,880	-44.82%
Federal Funds	279,814,407	286,677,739	294,757,029	349,458,975	310,259,719	5.26%

(5) Other Medical Services

(This division provides funding for state-only medical programs including the Old-Age Pension Medical Program, MMA State Contribution, Colorado Cares Contract Costs. The division also funds 6 special purposes Medicaid programs.)

Old Age Pension State Medical	<u>10,785,075</u>	<u>15,368,483</u>	<u>15,098,483</u>	<u>15,368,483</u>	<u>15,083,483</u>
Cash Funds	9,998,483	12,848,483	12,848,483	12,848,483	12,848,483
CFE/Reappropriated Funds	786,592	2,520,000	2,250,000	2,520,000	2,235,000
Tobacco Tax Cash Fund Transfer to the Supplemental OAP Medical Fund	<u>3,786,592</u>	<u>2,520,000</u>	<u>2,250,000</u>	<u>2,520,000</u>	<u>2,235,000</u>
General Fund	646,573	0	0	0	0
Cash Funds	3,140,019	2,520,000	2,250,000	2,520,000	2,235,000
Commission on Family Medicine Residency Training Programs	<u>1,932,052</u>	<u>1,738,846</u>	<u>1,738,846</u>	<u>1,738,846</u>	<u>1,738,846</u>
General Fund	825,226	869,423	869,423	869,423	869,423
Federal Funds	1,106,826	869,423	869,423	869,423	869,423
Enhanced Prenatal Care Training and Technical Assistance	<u>108,998</u>	<u>119,006</u>	<u>119,006</u>	<u>119,006</u>	<u>119,006</u>
General Fund	54,499	58,752	58,752	58,752	58,752
Federal Funds	54,499	60,254	60,254	60,254	60,254
Nurse Home Visitor Program	<u>2,924,123</u>	<u>3,010,000</u>	<u>3,010,000</u>	<u>3,010,000</u>	<u>3,010,000</u>
CFE/Reappropriated Funds	2,394,708	1,505,000	1,505,000	1,505,000	1,505,000
Federal Funds	529,415	1,505,000	1,505,000	1,505,000	1,505,000

**FY 2010-11 Joint Budget Committee Staff Figure Setting
Department of Health Care Policy and Financing**

	FY 2008-09	FY 2009-10	FY 2009-10	FY 2010-11	FY 2010-11	Change
	Actual	Revised App.	Staff Rec. LB Supplementals	Dept. Request	JBC Staff Rec.	Req. #
Public School Health Services	<u>18,918,568</u>	<u>20,004,856</u>	<u>20,004,856</u>	<u>23,787,492</u>	<u>23,787,104</u>	BA #7
General Fund	(1,580,054)	0	0	0	0	
Cash Funds	10,249,311	10,472,200	10,472,200	12,515,862	12,515,862	
Federal Funds	10,249,311	9,532,656	9,532,656	11,271,630	11,271,242	
Public School Health Services						
Administration	<u>0</u>	<u>525,200</u>	<u>525,200</u>	<u>799,700</u>	<u>799,700</u>	BA #7
Federal Funds	0	525,200	525,200	799,700	799,700	
Medicare Modernization Act						
State Contribution Payment	<u>73,720,837</u>	<u>86,570,177</u>	<u>66,587,400</u>	<u>70,700,172</u>	<u>70,700,172</u>	BRI #2
General Fund	73,720,837	86,570,177	66,587,400	70,700,172	70,700,172	D1 #4, BA #4
State University Teaching Hospitals						
Denver Health and Hospital Authority	<u>1,829,008</u>	<u>1,831,714</u>	<u>1,831,714</u>	<u>1,831,714</u>	<u>1,831,714</u>	
General Fund	705,070	915,857	915,857	915,857	915,857	
Federal Funds	1,123,938	915,857	915,857	915,857	915,857	
State University Teaching Hospitals						
University of Colorado Hospital Authority	<u>697,838</u>	<u>676,785</u>	<u>676,785</u>	<u>652,633</u>	<u>676,785</u>	
General Fund	282,779	338,393	338,393	326,317	338,393	
Federal Funds	415,059	338,392	338,392	326,316	338,392	
ARRA Adjustment*	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
General Fund	0	0	(492,268)	(522,335)	(492,268)	BRI #8
General Fund Exempt	0	0	0	0	0	
Cash Funds	0	0	0	(2,110,546)	0	
CFE/Reappropriated Funds	0	0	(348,859)	(348,859)	(348,859)	
Federal Funds	0	0	841,127	2,981,740	841,127	

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	FY 2008-09 Actual	FY 2009-10 Revised App.	FY 2009-10 Staff Rec. LB Supplementals	FY 2010-11 Dept. Request	FY 2010-11 JBC Staff Rec.	Change Req. #
						% Change From Final Prior Year Recommendation
SUBTOTAL -- Other Medical Programs	<u>114,703,091</u>	<u>132,365,067</u>	<u>111,842,290</u>	<u>120,528,046</u>	<u>119,981,810</u>	7.28%
General Fund	74,654,930	88,752,602	68,277,557	72,348,186	72,390,329	6.02%
Cash Funds	23,387,813	25,840,683	25,570,683	25,773,799	27,599,345	7.93%
Reappropriated Funds	3,181,300	4,025,000	3,406,141	3,676,141	3,391,141	-0.44%
Federal Funds	13,479,048	13,746,782	14,587,909	18,729,920	16,600,995	13.80%

*ARRA adjustments will be included in line items in the Long Bill -- Just shown here separately in order to illustrate full impact of ARRA.

TOTAL -- Department of Health Care Policy and Financing (w/o DHS Division)	<u>3,497,604,632</u>	<u>3,853,701,004</u>	<u>3,503,701,620</u>	<u>4,200,631,333</u>	<u>4,180,840,460</u>	19.33%
FTE	266.1	287.6	287.6	294.7	284.80	-0.97%
General Fund	1,137,947,204	1,291,726,597	970,519,948	1,041,751,505	1,079,798,061	11.26%
General Fund Exempt	39,678,792	504,000	450,000	484,129	447,000	-0.67%
Cash Funds	366,259,437	592,908,734	441,946,354	618,008,037	624,077,946	41.21%
Reappropriated Funds	20,899,033	21,988,608	22,342,885	18,564,627	14,499,473	-35.10%
Federal Funds	1,932,820,166	1,946,573,065	2,068,442,433	2,521,823,035	2,462,017,980	19.03%

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(1) Executive Director's Office

The Executive Director's Office division contains the administrative funding for the Department. Specifically, this funding supports the Department's personnel and operating expenses. In addition, this division contains contract funding for provider audits, eligibility determinations, client and provider services, utilization and quality reviews, and information technology contracts. Major funding sources for this division include the General Fund, federal funds received for the Medicaid and Children's Basic Health Plan programs, the Health Care Expansion Fund, the Children's Basic Health Plan Trust Fund, and various other cash funds.

This division is divided into seven subdivisions. The table below provides a funding history for subdivisions contained in this division, including the Department's request and the staff recommendation.

TOTAL FUNDS	FY 2008-09 Actual	FY 2010-11 Appropriation	FY 2010-11 Dept Request	FY 2010-11 Staff Rec.
General Administration	\$27,384,735	\$34,322,092	\$33,497,082	\$27,103,606
Transfers to Other Departments	5,209,785	5,500,556	5,369,924	5,370,312
Information Technology Contracts and Projects	23,126,251	24,696,147	34,997,466	34,921,866
Eligibility Determinations and Client Services	41,200,464	37,551,164	42,970,701	42,953,064
Utilization and Quality Review Contracts	4,586,288	4,661,755	6,640,371	6,285,371
Provider Audits and Services	1,817,491	1,838,566	3,306,813	3,306,813
Recoveries and Recoupment Contracts	394,534	700,000	700,000	700,000
Total Funds	\$103,719,548	\$109,270,280	\$127,482,357	\$120,641,032
General Fund	35,280,865	36,555,681	35,274,063	33,578,486
Other Funds	9,587,535	9,815,503	16,985,839	15,012,414
Federal Funds	58,851,148	62,899,096	75,222,455	72,050,132

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(A) General Administration

This subdivision contains the appropriations for the Department's FTE, personnel services, employee-related expenses and benefits, and operating expenses. This subdivision also contains funding for all of the centrally appropriated line items in the Department. For the most part, the appropriations in this subdivision are calculated by annualizing past budget actions from the previous budget year and then applying the Committee's common policy decisions. After the common policy funding is determined, any other decision items or base reduction items are included. Following is a summary budget table for this subdivision. After the summary budget table, are the descriptions and budget builds for each line item in the subdivision.

Table 1: -- Subdivision Funding Summary (Long Bill Appropriation Recommendation)				
	FY 2008-09 Actual	FY 2009-10 Appropriation*	FY 2010-11 Dept Request	FY 2010-11 Staff Rec.**
Personal Services	19,502,741	19,417,118	20,163,107	19,802,401
Health, Life, Dental	1,278,471	1,414,226	1,679,869	pending
Short-term Disability	22,621	22,734	29,653	26,138
SB 04-257 AED	275,961	306,879	459,166	402,667
SB 06-235 SAED	127,446	190,438	334,809	292,544
Salary Survey	673,446	0	0	0
Performance-based Pay Awards	249,966	0	0	0
Worker's Compensation	32,346	34,252	37,873	pending
Operating Expenses	1,148,096	1,461,976	1,597,745	1,566,297
Legal Services	900,342	836,650	896,514	pending
Administrative Law Judge Services	430,640	456,922	448,326	pending
Computer Systems Costs	135,103	129,163	307,397	pending
Management & Administration of OIT	459,984	414,321	623,517	pending
OIT - MNT	0	0	203,580	pending

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Table 1: -- Subdivision Funding Summary (Long Bill Appropriation Recommendation)				
	FY 2008-09 Actual	FY 2009-10 Appropriation*	FY 2010-11 Dept Request	FY 2010-11 Staff Rec.**
OIT - CBMS Program Costs	0	0	1,273,735	0
Payment of Risk Management and Property Funds	71,989	78,487	39,200	pending
Leased Space	381,780	394,236	696,564	696,564
Capitol Complex Lease Space	395,208	395,460	388,227	pending
General Professional Services and Special Projects	1,298,595	3,305,800	4,317,800	4,316,995
Total (W/O ARRA)	<u>\$27,384,735</u>	<u>\$28,858,662</u>	<u>\$33,497,082</u>	<u>\$27,103,606</u>
FTE	266.1	287.6	292.9	283.2
General Fund	11,834,722	13,880,184	11,731,864	9,982,660
Cash Funds	744,701	1,261,913	3,117,199	2,446,264
Reappropriated Funds	1,617,561	1,685,164	1,841,923	558,333
Federal Funds	13,187,751	17,494,831	16,806,096	14,116,349

* Current Appropriation including supplemental bills signed by the Governor..

** Represents the Long Bill Recommendation (current law requirements). Does not include pending items in total, although these items will be added after the JBC acts on common policy decisions in the Department of Personnel and Administration.

Comparison of Items Recommended Excluding "Pending" Items.

Table 2 below compares the Department request and staff recommendation excluding any line items with a "pending" recommendation -- in order to provide a more accurate comparison.

Table 2: FY 2010-11 Budget Request -- Excluding Pending Items				
FY 2010-11 Budget Request	Department Request	Staff Recommendation	Difference	% Difference
General Fund	\$10,053,765	\$9,982,660	(\$71,105)	(0.71)%
Cash Fund	2,801,440	2,446,264	(355,176)	(12.68)%
Reappropriated Funds	1,823,127	558,333	(1,264,794)	(69.38)%
Federal Funds	<u>14,473,569</u>	<u>14,116,349</u>	<u>(357,220)</u>	<u>(2.47)%</u>
Total Funds	\$29,151,901	\$27,103,606	(\$2,048,295)	(7.03)%

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FY 2009-10 Late Supplementals -- Long Bill Add-Ons

The following table summarizes the supplemental appropriations contained in this subdivision that staff recommends be included as Long Bill Supplemental Add-Ons.

Table 3: FY 2009-10 Late Supplementals Recommended for this Subdivision			
FY 2009-10 Supplementals	FY 2009-10 Appropriation*	FY 2009-10 Staff Recommendation	Difference
General Professional Services and Special Projects	3,305,800	3,455,800	150,000
Total	<u>\$3,305,800</u>	<u>\$3,455,800</u>	<u>\$150,000</u>
General Fund	1,278,254	1,278,254	0
Cash Fund	300,000	375,000	75,000
Federal Funds	1,727,546	1,802,546	75,000

* Current Appropriation -- includes supplemental bills already passed.

Staff also recommends a corresponding decrease in the Medical Services Premiums line item of \$150,000 for this supplemental issue, so the net impact is zero. Please see the line item detail for more information.

Line Item Detail

Personal Services

Line Item Description: This line item contains all of the personal services for the Department's employees, including employee salaries, PERA contribution, unemployment insurance, and Medicare tax. The line item also includes funding for temporary employees, employee buy-outs, and some contract services. However, most of the Department's professional contract service costs are contained in separate line items.

This line item is not impacted by ARRA.

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TABLE 1: Personnel Services Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$8,069,513	\$19,679,334	\$8,069,513	\$19,679,334	\$0
H.B. 10- 1300	<u>(114,617)</u>	<u>(262,216)</u>	<u>(114,617)</u>	<u>(262,216)</u>	<u>0</u>
FY 2009-10 Revised Appropriation	\$7,954,896	\$19,417,118	\$7,954,896	\$19,417,118	\$0
Annualize HB 09-1293	0	2,506,012	0	1,972,956	0
Annualize HB 09-1047	0	63,384	0	0	0
Annualize SB 09-262	(11,659)	0	(11,659)	0	0
Annualize Prior Year Budget Actions	272,964	622,098	272,964	622,098	0
Indirect Cost Recovery (includes NP BA #1)	<u>(711,160)</u>	<u>(278,738)</u>	<u>(432,422)</u>	<u>0</u>	<u>278,738</u>
FY 2010-11 BASE Funding	\$7,505,041	\$22,329,874	\$7,783,779	\$22,012,172	\$278,738
BRI #2: Coordinated Payment & Payment Reform	24,350	48,699	24,350	48,699	0
NP #2: Statewide Information Technology Staff Consolidation	(244,686)	(1,781,568)	(238,569)	(1,737,029)	6,117
BA #5: Accountable Care Collaborative	4,200	8,400	0	0	(4,200)
NP-BA #2: PERA Adjustment	<u>(190,359)</u>	<u>(442,298)</u>	<u>(180,162)</u>	<u>(521,441)</u>	<u>10,197</u>
FY 2010-11 Request/Recommendation	\$7,098,546	\$20,163,107	\$7,389,398	\$19,802,401	\$290,852

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Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
FTE	292.9	284.8	(9.7)	(3.31)%
General Fund	7,098,546	7,389,398	290,852	4.10%
CF - Autism Treatment Fund	29,069	28,630	(439)	(1.51)%
CF - CBHP Trust Fund	223,396	220,022	(3,374)	(1.51)%
CF - Health Care Expansion Fund	141,002	138,879	(2,123)	(1.51)%
CF - Primary Care Fund	50,341	49,583	(758)	(1.51)%
CF - Short-term Innovative Health Program Grant Fund	30,643	30,179	(464)	(1.51)%
CF - Comprehensive Primary and Preventative Grant Fund	9,188	9,045	(143)	(1.56)%
CF - Coordinated Care for People with Disabilities Fund	28,174	27,749	(425)	(1.51)%
CF - Nursing Facility Cash Fund	52,699	51,905	(794)	n/a
CF - HCPF Cash Fund (Gifts, Grants, Donations)	31,592	0	(31,592)	0.00%
CF - Breast and Cervical Cancer Treatment Fund	22,331	22,174	(157)	99.30%
CF - Hospital Provider Fee	1,249,058	968,826	(280,232)	77.56%
RF - Transfer from Department of Human Services	521,150	524,403	3,253	0.62%
Federal Funds	10,675,918	10,341,608	(334,310)	(3.13)%
TOTAL FUNDS	\$20,163,107	\$19,802,401	(\$360,706)	(1.79)%

FTE Detail

Since FY 2003-04, all of the Department's FTE have been consolidated into one line item. In FY 2009-10, the Department was appropriated a total of 274.8 FTE for internal administration of the Department's programs and activities, prior to legislative changes. The number of FTE added in

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special bills in FY 2009-10 was 12.8 FTE (12.0 FTE for HB 09-1293 and 0.8 FTE for HB 09-1047). The following table shows the Department's current allocation of FTE positions (including those provided in bills other than the Long Bill) and their request for FY 2010-11.

Department FTE Allocation			
Organization/Function	Current FY 2009-10 Appropriation -- All Legislation	FY 2010-11 Department Request	FY 2010-11 Staff Recommendation
<u>Executive Director's Office</u> Staff associated with general governance, financial accountability, and communications for the Department	7.0	7.0	7.0
<u>Medical & CHP+ Program Administration Office</u> Staff associated with administering the acute care, long-term care benefits and services for clients.	94.3	94.3	94.3
<u>Budget and Finance Office</u> The budget unit includes budget staff to prepare and monitor state appropriations, including preparation of fiscal note analysis and special projects. The finance unit oversees the Colorado Indigent Care programs	25.0	25.0	25.0
<u>Agency Administration & Operation Office</u> This unit includes the legal, controller, information technology and audits support teams for the Department.	101.2	101.2	101.2
Deduct FTE for NP#2 - Statewide Information Technology Staff Consolidation	0.0	(25.0)	(25.0)
<u>Project Management Director</u> This unit is responsible for tracking the Department's implementation of legislation and Department initiatives. The office also supports health care reform efforts.	1.5	1.5	1.5
<u>Client & Community Relations</u> This unit provides policy development and training to counties regarding eligibility and client issues. The unit also contains the Department's customer service section and the administration of the Early and Periodic Screening, Diagnosis, and Treatment unit.	52.6	52.6	52.6

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Department FTE Allocation			
Organization/Function	Current FY 2009-10 Appropriation -- All Legislation	FY 2010-11 Department Request	FY 2010-11 Staff Recommendation
<u>Human Resources Section</u>			
This unit provides the human resource services for the Department including: training, testing and recruitment activities.	6.0	6.0	6.0
Annualize HB 09-1293/1	0.0	29.0	20.3
Annualize HB 09-1047/1	0.0	0.2	(1.0)
Annualize Prior Year Budget Actions	0.0	2.0	2.0
BRI #2 "Coordinated Payment/ Payment Reform"	0.0	0.9	0.9
TOTAL	287.6	294.7	284.8

1/ The 12.8 FTE in HB 09-1293 and HB 09-1047 provided in FY 2009-10 are distributed to the administrative sections above. The FTE represented in these rows are the incremental FTE needed to annualize prior budget actions or legislation.

Issue Detail

FY 2010-11 Base Issues

Annualize HB 09-1293: The Department requests a total of 41.0 FTE and \$2.5 million total funds (no General Fund) to implement HB 09-1293. Of this amount, 12.0 FTE and \$1.2 million total funds are already in the base from FY 2009-10 (the legal basis of the appropriation was at the division level and not the line item level so the number pages reflect this funding at the bottom of the EDO-A subdivision). The remaining 29.0 FTE and \$1.3 million requested is the amount to annualize partially funded FTE in FY 2009-10 and new FTE positions that the Department requested in the original fiscal note for HB 09-1293.

Staff recommends a total of 32.3 FTE and \$1.97 million total funds (no General Fund) to implement HB 09-1293. The table on the following page compares staff's recommendation with the original fiscal note estimate for HB 09-1293.

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Position	Original Fiscal Note Assumption		Staff's Recommendation	
	FTE	Salary	FTE	Salary
<i>Funded or Partially Funded in FY 2009-10 and fully annualized in FY 2010-11</i>				
General Professional IV (various positions)	11.0	\$624,756	8.0	\$454,368
General Professional III	1.0	\$46,740	1.0	\$46,740
Stats Analyst II	1.0	\$55,116	1.0	\$55,116
Account II	2.0	\$93,168	2.0	\$93,168
Account III	1.0	\$57,852	1.0	\$57,852
Rate/Financial Analyst III	2.0	\$131,112	2.0	\$131,112
Budget Analyst II	<u>2.0</u>	<u>\$105,000</u>	<u>2.0</u>	<u>\$105,000</u>
Total FY 2009-10 Positions Fully Annualized	20.0	\$1,113,744	17.0	\$943,356
<i>New Positions for FY 2010-11</i>				
Deputy Director	0.5	\$39,972	0.0	\$0
General Professional IV (various positions)	11.8	\$670,193	7.5	\$441,666
GP III	0.8	\$37,392	0.8	\$37,392
Auditor IV	1.0	\$68,808	1.0	\$68,808
Auditor V	1.0	\$77,580	1.0	\$77,580
Customer Support Intern	2.0	\$73,008	1.0	\$36,504
Statistical Analyst	1.0	\$55,116	1.0	\$55,116
Program Assistant	4.0	\$143,280	3.0	\$107,460
Subtotal New FY 2010-11 Positions	22.1	\$1,165,349	15.3	\$824,526
TOTAL Recommended PS	42.1	\$2,279,093	32.3	\$1,767,882

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Position	Original Fiscal Note Assumption		Staff's Recommendation	
	FTE	Salary	FTE	Salary
PERA (before reduction)		\$231,328		\$179,440
Medicare		\$33,047		\$25,634
TOTAL Employee Costs	42.1	\$2,543,468	32.3	\$1,972,956
Department Actual Request	41.1	\$2,506,012		

Staff recommends reducing the amount of FTE annualized in FY 2010-11 due to lower caseload estimates (see MSP and CBHP programs) than originally assumed. Also, after reviewing the original fiscal note, staff did not believe some of the positions were justified solely from the provisions in HB 09-1293 and in addition to consulting services that staff recommends in the General Professional Services and Special Project line item. Specific positions that staff did not recommend from the original fiscal note are as follows:

- (1) In the original fiscal note, the Department requested 6.0 GP IV for business analysts for IT changes related to adding childless adults, disabled buy-in program, and managed care changes. Staff recommends only 3.0 GF IV IT analysts for these activities.
- (2) Staff did not recommend 2.0 GP IV positions to reevaluate benefits under the Children's Basic Health Plan. The original bill that tried to expand CBHP to 250 percent (SB 08-160) which was later repealed due to the budget situation, did not identify these FTE positions.
- (3) Staff did not recommend a Deputy Director position.
- (4) Staff reduced the customer support intern positions requested from 2.0 FTE requested to 1.0 FTE recommended due to lower anticipated caseload than originally assumed. However, staff assumes that this position may be needed by FY 2011-12.
- (5) Staff reduced the administrative support positions from 4.0 FTE requested to 3.0 FTE recommended.

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- (6) Staff reduced the Long Term Care Managers from the requested 2.0 FTE to 0.5 FTE in FY 2010-11. Staff assumes that this position will be annualized to 1.0 FTE in FY 2011-12.
- (7) Staff reduced the GP IV requested to monitor managed care contracts from 1.5 FTE requested to 1.0 FTE recommended.
- (8) Staff reduced a 0.8 GP IV FTE requested for claims review to 0.5 FTE. Staff assumes that this position will be annualized to 1.0 FTE in FY 2011-12.

Lastly, at the time staff made this recommendation, the hospital provider fee waiver had not yet been approved by the Centers for Medicare and Medicaid Services (CMS). If approval is not received prior to July 1, 2010, staff recommends postponing any new hires for this issue. Furthermore, staff requests that the Department provide the Committee with a new time line for implementing HB 09-1293 and the amount of General Fund that would need to be expended on existing staff. Staff recommends that this request be added to the request for information (on any line items that have hospital provider fee as the state match). This request for information is only applicable if the Hospital Provider Waiver is not approved prior to July 1, 2010 (i.e. if it approved before the Long Bill is complete, then this request for information recommendation will be rescinded).

Annualize HB 09-1047: House Bill 09-1047 contained an appropriation clause at the division level. In FY 2010-11, the Department requests that 1.0 FTE and \$63,384 total funds be appropriated to the personal services line item to implement this bill. Staff does not recommend this request. House Bill 09-1047 established a pilot program allowing Medicaid clients with spinal cord injuries who are eligible for Home- and Community-based Services (HCBS) to receive complementary or alternative therapies. The state match for this program was from gifts, grants, and donations. At the time staff wrote this figure setting recommendation, no gifts, grants, and donations have been received for this purpose. Therefore, staff does not recommend expenditure authority for funding that has not been received. If the Department actually receives the gifts, grants, and donations to pursue the federal authorization from CMS, then staff would recommend the expenditure authority be provided through a supplemental action.

Annualize SB 09-262: This bill allows the Breast and Cervical Cancer Treatment Fund to pay 100 percent of the state program costs from FY 2009-10 through FY 2011-12. Beginning in FY 2012-13, the fund will pay only 50 percent of the state program costs. In FY 2009-10, the impacts from this bill were appropriated at the division level instead of at the line item level. The Department requests and

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staff recommends that this appropriation clause be distributed to the appropriate line items in FY 2010-11. This refinances \$11,659 in General Fund expenses to cash fund expenses from the Breast and Cervical Cancer and Treatment Fund.

Annualize Prior Year Budget Actions: The Department requests and staff recommends the following analysis of prior year budget actions.

- (a) An increase of \$607,514 total funds (\$261,465 General Fund) to restore the budget reduction related to the furloughs imposed in FY 2009-10.
- (b) An increase of \$14,584 total funds (\$11,499 General Fund) and 0.2 FTE to annualize budget actions approved in FY 2009-10 where FTE or personal cuts were partially funded or reduced.

Indirect Cost Recovery: The Department requests a reduction of \$278,738 total funds (\$711,160 General Fund) to apply statewide indirect cost recoveries. The statewide indirect adjustment allocates the unbilled costs of central service costs to individual grant programs in order to reduce state General Fund expenditures. In this Department, the full indirect cost recovery is applied to the personal services line item. Staff recommends a zero total fund impact for this issue (including a \$432,422 General Fund reduction offset by other funding sources) to apply statewide indirect cost recoveries. The staff recommendation corrects an error in the Executive request. The Executive applied indirect cost assessments to the American Recovery and Reinvestment Act (ARRA) funding received by this Department (as if this ARRA funding was a special grant program instead an increase in federal medical assistance percentage -- FMAP). The ARRA funding already reduces General Fund appropriations whenever the enhanced FMAP is claimed. Furthermore, ARRA prohibited the enhanced FMAP from being used to administrative costs (other ARRA money can be used for some administrative costs but not the increase to FMAP). To assess another 0.5 percent of General Fund saving due to the FMAP increase overstates the ARRA funding available (since it would taken in full against the program line and then again in this administrative line). Therefore, staff recommends correcting this error in the Executive request.

FY 2010-11 Policy Issues

BRI #2 - Coordinated Payment and Payment Reform: The Department requests and staff recommends \$48,699 total funds (\$24,350 General Fund) and 0.9 FTE to provide administrative support for the Department's proposal to implement four payment coordination and reform measures

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in FY 2010-11. These administrative costs are offset by anticipated savings in the Medical Services Premiums line item. Please see the Medical Services Premiums line item for more detail regarding this issue.

NP #2 - Statewide Information Technology Staff Consolidation: The Department request a reduction of \$1.8 million total funds (\$244,686 General Fund) and 25.0 FTE to consolidate these positions into the Governor's Office of Information Technology. Staff recommends a reduction of \$1.7 million total funds (\$238,569 General Fund) and 25.0 FTE to reflect the amount of IT personnel transferred to the Governor's OIT. The difference between staff's recommendation and the Department's request is that staff has consolidated all impacts related to PERA in the issue below. Staff's recommendation reflects the amount that the Department will be billed for these employees salaries, PERA, and Medicare expenses.

BA #5- Accountable Care Collaborative: The Department requests \$8,400 total funds (\$4,200 General Fund) for additional ombudsman services to ensure that clients have fair access and representation. Staff does not recommend this funding in FY 2010-11. Staff is recommending that enrollment in the pilot program be delayed until April 2011. Because of the delay in enrollment recommended, staff believes that any ombudsman services needed for the clients enrolled in the ACO pilot in FY 2010-11 can be absorbed within existing resources. However, additional resources will be needed in FY 2010-11 once the program is fully operational.

NP-BA #2 - PERA Adjustment: The Department requests a reduction of \$442,298 total funds (\$190,359 General Fund) to apply a 2.5 percent reduction to the employer contribution for PERA. Under this proposal, the state employee contribution for PERA is increased by 2.5 percent. The Committee voted a common policy to accept the Department's calculated reduction for this issue. However, staff asks permission to deviate from the Committee's common policy decision. Staff has enough information to estimate the PERA reduction. In addition, because of staff's correction to the indirect cost assessment and not approving some of the FTE analyzation, the fund splits for the PERA reduction would be calculated differently from the Department's request. Based on staff's calculations for this issue, staff recommends a reduction of \$521,441 total funds (\$180,162 General Fund).

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Health, Life, and Dental

Line Item Description: This line item contains the funding for Department's employees health, life, and dental benefits.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: The Department's request is based on common policy decisions from OSPB. Staff's recommendation for this line item is pending a common policy decision from the Committee. After the Committee votes on a common policy, staff will apply that policy to this line item. However, for calculations of fund balances that impact recommendations elsewhere in this figure setting presentation, staff is assuming the Department's fund sources as shown in the table below.

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request	Staff FY 2010-11 Pending Rec.*	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	602,120	602,120	0	0.00%
CF - Autism Treatment Fund	2,434	2,434	0	0.00%
CF - CBHP Trust Fund	21,468	21,468	0	0.00%
CF - Health Care Expansion Fund	8,155	8,155	0	0.00%
CF - Primary Care Fund	4,870	4,870	0	0.00%
CF - Hospital Provider Fee	165,406	165,406	0	n/a
RF - Transfer from Department of Human Services	16,042	16,042	0	0.00%
Federal Funds	859,374	859,374	0	0.00%
TOTAL FUNDS	\$1,679,869	\$1,679,869	\$0	0.00%

*Used in calculation of fund balances elsewhere in this presentation. Staff's recommendation will be updated to reflect the Committee's decision on common policy.

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Short-term Disability

Line Item Description: This line item funds the short-term disability benefit for any worker who becomes disabled and cannot perform his or her duties. For FY 2009-10, the short-term disability rate is 0.155 percent of base salaries for the Department. Staff has included impacts related to HB 09-1293 analyzation and the transfer of FTE to OIT. Staff also based the calculation on her calculated base salaries for FY 2010-11. Using the FY 2008-09 base would include an over expenditure that is not being added to the base and would therefore, overstate the STD calculation on salaries. The table below shows the fund sources for this line item as calculated by staff.

This line item is not impacted by ARRA.

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	10,842	9,539	(1,303)	(12.02)%
CF - Autism Treatment Fund	157	40	(117)	(74.52)%
CF - CBHP Trust Fund	1,217	309	(908)	(74.61)%
CF - Health Care Expansion Fund	758	195	(563)	(74.27)%
CF - Primary Care Fund	270	70	(200)	(74.07)%
CF - Short-term Innovative Health Program Grant Fund	167	42	(125)	(74.85)%
CF - Comprehensive Primary and Preventative Grant Fund	46	13	(33)	(71.74)%
CF - Coordinated Care for People with Disabilities Fund	153	39	(114)	(74.51)%
CF - Nursing Facility Cash Fund	228	73	(155)	(67.98)%
CF - Breast and Cervical Cancer Treatment Fund	114	31	(83)	(72.81)%
CF - Hospital Provider Fee	54	1,362	1,308	2422.22%

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Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
RF - Transfer from Department of Human Services	532	737	205	38.53%
Federal Funds	15,115	13,688	(1,427)	(9.44)%
TOTAL FUNDS	\$29,653	\$26,138	(\$3,515)	(11.85)%

Note: The Department's calculation appears to be based on salaries plus PERA and Medicare. Per common policy, the staff calculation is based on salary expenditures only and does not include PERA or Medicare expenses in the base.

S.B. 04-257 Amortization Equalization Disbursement

Line Item Description: This line item reflects the increase to the effective PERA rate contributions that began on January 1, 2007. For calendar year 2010, the AED rate is 2.20 percent. For calendar year 2010, the AED rate is 2.60 percent. Staff has calculated this line item pursuant to common policy. However, staff has included impacts related to HB 09-1293 analysis and the transfer of FTE to OIT. Staff also based the calculation on her calculated base salaries for FY 2010-11. Using the FY 2008-09 base would include an over expenditure that is not being added to the base and would therefore, overstate the AED calculation on salaries. The following table shows the fund sources for the staff recommendation.

This line item is not impacted by ARRA.

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	167,897	145,650	(22,247)	(13.25)%
CF - Autism Treatment Fund	577	623	46	7.97%
CF - CBHP Trust Fund	4,490	4,788	298	6.64%
CF - Health Care Expansion Fund	2,799	3,022	223	7.97%
CF - Primary Care Fund	1,000	1,079	79	7.90%

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Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF - Short-term Innovative Health Program Grant Fund	608	657	49	8.06%
CF - Comprehensive Primary and Preventative Grant Fund	177	197	20	11.30%
CF - Coordinated Care for People with Disabilities Fund	560	604	44	7.86%
CF - Nursing Facility Cash Fund	1,046	1,129	83	7.94%
CF - Breast and Cervical Cancer Treatment Fund	412	483	71	17.23%
CF - Hospital Provider Fee	37,325	21,082	(16,243)	(43.52)%
RF - Transfer from Department of Human Services	8,241	11,411	3,170	38.47%
FF - Federal Funds	234,034	211,942	(22,092)	(9.44)%
TOTAL FUNDS	\$459,166	\$402,667	(\$56,499)	(12.30)%

Note: The Department's calculation appears to be based on salaries plus PERA and Medicare. Per common policy, the staff calculation is based on salary expenditures only and does not include PERA or Medicare expenses in the base.

S.B. 06-235 Supplemental Amortization Equalization Disbursement

Line Item Description: This line item reflects the increase to the effective PERA rate contributions that began on January 1, 2007. For calendar year 2010, the SAED rate is 1.5 percent. For calendar year 2011, the SAED rate is 2.0 percent. Staff has calculated this line item pursuant to common policy. However, staff has included impacts related to HB 09-1293 analyzation and the transfer of FTE to OIT. Staff also based the calculation on her calculated base salaries for FY 2010-11. Using the FY 2008-09 base would include an over expenditure that is not being added to the base and would therefore, overstate the SAED calculation on salaries. The following table shows the fund sources for the staff recommendation.

This line item is not impacted by ARRA.

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Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	122,425	105,135	(17,290)	(14.12)%
CF - Autism Treatment Fund	496	454	(42)	(8.47)%
CF - CBHP Trust Fund	3,862	3,491	(371)	(9.61)%
CF - Health Care Expansion Fund	2,408	2,204	(204)	(8.47)%
CF - Primary Care Fund	859	787	(72)	(8.38)%
CF - Short-term Innovative Health Program Grant Fund	523	479	(44)	(8.41)%
CF - Comprehensive Primary and Preventative Grant Fund	154	144	(10)	(6.49)%
CF - Coordinated Care for People with Disabilities Fund	482	440	(42)	(8.71)%
CF - Nursing Facility Cash Fund	899	824	(75)	(8.34)%
CF - Breast and Cervical Cancer Treatment Fund	355	352	(3)	(0.85)%
CF - Hospital Provider Fee	25,687	15,372	(10,315)	(40.16)%
RF - Transfer from Department of Human Services	6,009	8,321	2,312	38.48%
FF - Federal Funds	170,650	154,541	(16,109)	(9.44)%
TOTAL FUNDS	\$334,809	\$292,544	(\$42,265)	(12.62)%

*Note: The Department's calculation appears to be based on salaries plus PERA and Medicare. Per common policy, the staff calculation is based on salary expenditures only and does not include PERA or Medicare expenses in the base.

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Salary Survey and Senior Executive Service

Line Item Description: This line item contains the appropriation for the Department's annual salary increases based on the job and wage classification survey performed annually by the Department of Personnel and Administration.

Department Request and Staff Recommendation: The Committee voted on January 28, 2010 not to fund salary survey as requested by the Executive. Staff's recommendation reflects the Committee's common policy action.

Performance-based Pay Awards

Line Item Description: This line item reflects the amount appropriated to the Department for periodic salary increases for State employees based on demonstrated and documented performance that meet or exceed expectations.

Department Request and Staff Recommendation: The Committee voted on January 28, 2010 not to fund performance-based pay awards as requested by the Executive. Staff's recommendation reflects the Committee's common policy action.

Worker's Compensation

Line Item Description: This line item is a statewide allocation to each Department based on historic claims for worker's compensation. This line item provides funding for payments made to the Department of Personnel and Administration to support the State's self-insured program. The request and recommendation reflect the common policy adjustments that are adopted by the Governor and Joint Budget Committee.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: The Department's request is based on the OSPB calculation of common policy issues. Staff's recommendation is pending the Committee's common policy decision. After the Committee votes on a common policy, staff will apply that policy to that

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line item. The funding sources for this line item are General Fund and matching federal funds as shown in the number pages.

Operating Expenses

Line Item Description: This line item contains all of the operating expenses for the Department. Beginning in FY 2003-04, all operating expenses were consolidated into one line item. These expenses include the following items: software/licenses, office supplies, office equipment, utilities, printing, and travel.

This line item is not impacted by ARRA.

TABLE 1: Operating Expenses Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$727,406	\$1,511,489	\$727,406	\$1,511,489	\$0
H.B 10-1300 (HCPF Supplemental)	(24,721)	(49,513)	(24,721)	(49,513)	0
FY 2009-10 Revised Appropriation	\$702,685	\$1,461,976	\$702,685	\$1,461,976	\$0
Annualize HB 09-1293	0	224,562	0	187,704	0
Annualize HB 09-1047	0	950	0	0	0
Annualize Prior Year Budget Actions	(19,002)	(41,389)	(17,842)	(35,613)	1,160
FY 2010-11 BASE Funding	\$683,683	\$1,646,099	\$684,843	\$1,614,067	\$1,160
BRI #2 -- Coordinated Payment & Payment Reform	2,810	5,620	2,810	5,620	0
BA #6 -- Mail Equipment Upgrade	7,875	15,750	7,875	15,750	0
BA #17 -- Operating Expenses Reduction	(34,570)	(69,140)	(34,570)	(69,140)	0
DHS Reduction	0	(584)	0	0	0
FY 2010-11 Request/Recommendation	\$659,798	\$1,598,329	\$660,958	\$1,566,297	\$1,160

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Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	659,798	660,958	1,160	0.18%
CF - Autism Treatment Fund	2,405	2,405	0	0.00%
CF - CBHP Trust Fund	768	768	0	0.00%
CF - Health Care Expansion Fund	4,430	4,428	(2)	(0.05)%
CF - Primary Care Fund	629	629	0	0.00%
CF - Short-term Innovative Health Program Grant Fund	480	481	1	0.21%
CF - Coordinated Care for People with Disabilities Fund	442	442	0	0.00%
CF - Nursing Facility Cash Fund	2,718	2,718	0	0.00%
CF - Breast and Cervical Cancer Treatment Fund	166	167	1	0.60%
CF - Health Care Policy and Financing Cash Fund (gifts, grants, donations)	4,308	3,833	(475)	(11.03)%
CF - Hospital Provider Fee	110,553	93,852	(16,701)	(15.11)%
RF - Transfer from Department of Human Services	13,461	13,461	0	0.00%
FF - Federal Funds	798,171	782,155	(16,016)	(2.01)%
TOTAL FUNDS	\$1,598,329	\$1,566,297	(\$32,032)	(2.00)%

Issue Detail

FY 2010-11 Base Issues

Annualize HB 09-1293: The Department requests an increase of \$224,562 total funds (no General Fund) to implement HB 09-1293. Staff recommends an increase of \$178,704 total funds (no General Fund) to implement HB 09-1293. The major difference between the Department request and the staff

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recommendation is that staff did not recommend all of the FTE requested by the Department. Therefore, staff does not recommend funding for the associated operating expenses when new FTE are added (such as computers, desks, etc.). Staff's recommendation is based on the following items.

	Cash Funds	Federal Funds	Total Funds
Transfer Funding from Division Level Appropriation to Line Item	\$49,663	\$49,663	\$99,326
Remove One-Time FY 2009-10 Funding	(38,737)	(38,737)	(77,474)
Add Operating Expenses Associated with New FTE	54,296	54,296	108,592
Travel Expenses	12,800	12,800	25,600
Other Operating Expenses (including phone base)	11,330	11,330	22,660
<u>Board Expenses</u>	<u>4,500</u>	<u>4,500</u>	<u>9,000</u>
Total	\$93,852	\$93,852	\$187,704

Annualize HB 09-1047: The Department's request reflects a total of \$950 in continuing funding for 1.0 FTE provided in House Bill 09-1047. Staff does not recommend this FTE and therefore, does not recommend the associated operating expenses. As of this time, the Department has not received the

Annualize Prior Year Budget Actions: The Department requests a reduction of \$41,389 total funds (\$19,002 General Fund) to eliminate one-time funding provided for FTE or other budget actions in FY 2009-10. Staff recommends a reduction of \$35,613 total funds (\$17,842 General Fund) for this issue. Staff does not include a reduction of \$5,456 total funds (\$1,000 General Fund) for two technical adjustments related to one-time costs in HB 08-1114 and SB 09-209. Staff believes that the base was already adjusted in 2009 to eliminate these costs.

FY 2010-11 Policy Issues

BRI #2 - Coordinated Payment and Payment Reform: The Department requests and staff recommends an increase of \$5,620 (\$2,810 General Fund) for the operating expenses associated with adding 0.9 FTE to administer the coordinated payment and payment reform project discussed in the Medical Services Premiums line item. This administrative cost will be totally offset by the projected savings from this project.

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NP-BA #6 - Mail Equipment Upgrade: The Department requests and staff recommends an increase of \$15,750 total funds (\$7,875 General Fund) for mail equipment upgrades. This issues was originally funded in FY 2009-10 but was delayed for one year due to the budget situation.

BA #17 -- Operating Expenses Reduction: The Department requests and staff recommends a decrease of \$69,140 total funds (\$34,570 General Fund) in order to implement the Executive's budget balancing proposals to reduce all operating expense line items by five percent. The Department will implement this reduction by reducing travel expenses, replacing fewer computers, and saving on printing and publication materials.

DHS Reduction: The Department's request reflects a small decrease due to the operating expense reduction for the Department of Human Services. Staff does not recommend this adjustment.

Legal and Third Party Recovery Legal Services

Line Item Description: This line item represent the legal services provided to the Department of Health Care Policy and Financing by the Department of Law.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: Staff recommends the Department's request for 11,893 legal hours. Staff's funding estimate for legal services is pending the Committee's common policy decision on the statewide blended legal rate. Once the Committee has made a common policy decision, staff will apply it to this line item. However, in order to calculate other line items in this presentation, staff is estimating the fund sources for this line item as shown in the table below.

Fund Source (estimate -- pending common policy decision)

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	346,629	346,629	0	0.00%
CF - CBHP Trust Fund	6,633	6,633	0	0.00%

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Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF - Estate Recovery	62,556	62,556	0	0.00%
CF - Hospital Provider Fee	29,932	29,932	0	0.00%
Federal Funds	450,764	450,764	0	0.00%
TOTAL FUNDS	\$896,514	\$896,514	\$0	0.00%

Administrative Law Judge Services

Line Item Description: This line item includes funding for services typically provided by administrative law judges and paralegals from the Office of Administrative Courts.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: The Department's request is based on the OSPB calculation of common policy issues. Staff's recommendation is pending the Committee's common policy decision. Staff will note that additional costs of \$28,610 total funds (\$14,305 from the Hospital Provider Fee Cash Fund) are anticipated due to the implementation of HB 09-1293. If the common policy does not reflect this analyzation, staff recommends that it be included to more accurately reflect anticipated costs in FY 2010-11.

Computer Systems Costs

Line Item Description: This line item represents the portion of the Department's data center services system charges that are billed directly to the Department from the Department of Personnel and Administration. The Department of Personnel and Administration operates a computer center as a services to other State departments. This computer center has the Medicaid Management Information System computer and printing costs and Long-Term Care computer and printing costs.

This line item is not impacted by ARRA.

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Department Request and Staff Recommendation: The Department's request is based on the OSPB calculation of common policy issues. Staff's recommendation is pending the Committee's decision on common policy actions. Once the common policy decisions have been made, staff will apply them to this line item. The following table shows the Committee's decision for the Governor's Office of OIT, prior to any adjustments that may be made for other common policy items. This table is informational only and is subject to change.

Fund Source (estimate -- pending common policy decision)

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	152,030	147,308	(4,722)	(3.11)%
RF - OAP Fund transfer from DHS	3,337	3,337	0	0.00%
Federal Funds	152,030	147,308	(4,722)	(3.11)%
TOTAL FUNDS	\$307,397	\$297,953	(\$9,444)	(3.07)%

Management and Administration of OIT

Line Item Description: This line item contains the Department's funding for the Governor's Office of Information Technology (OIT). The OIT was created in S.B. 08-155 in order to secure and protect the State's IT assets, optimize expenditures for IT projects, and to effectively manage IT project costs and service delivery.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: The Department's request is based on the OSPB calculation of common policy issues. Staff's recommendation is pending the Committee's common policy actions. Once the common policy decisions have been made, staff will apply them to this line item. The following table shows the Committee's decision for the Governor's Office of OIT, prior to any adjustments that may be made for other common policy items. This table is informational only and is subject to change.

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Fund Source (estimate -- pending common policy decision)

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	311,759	310,016	(1,743)	(0.56)%
Federal Funds	311,758	310,016	(1,742)	(0.56)%
TOTAL FUNDS	\$623,517	\$620,032	(\$3,485)	(0.56)%

OIT-- MNT of OIT:

Line Item Description: This is a new line item in FY 2010-11 to show the Department's contribution to the statewide multi-use network.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: The Department's request is based on the OSPB calculation of common policy issues. Staff's recommendation is pending the Committee's common policy actions. Once the common policy decisions have been made, staff will apply them to this line item. The following table shows the Committee's decision for the Governor's Office of OIT, prior to any adjustments that may be made for other common policy items. This table is informational only and is subject to change.

Fund Source (estimate -- pending common policy decision)

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	101,790	99,720	(2,070)	(2.03)%
Federal Funds	101,790	99,719	(2,071)	(2.03)%
TOTAL FUNDS	\$203,580	\$199,439	(\$4,141)	(2.03)%

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OIT - Colorado Benefit Management System Program Costs

Line Item Description: The Department requests this new line item in FY 2010-11 to represent the amount of funding transferred from the Department to the Governor's Office of OIT for CBMS related costs.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: The Department's request reflects common policy adopted by OSPB. Staff does not recommend this line item in the Executive Director's Office. Staff recommends that all of the CBMS costs be consolidated in Division 6 -- Department of Human Services - Medicaid Funded programs. See the Department of Human Services, CBMS discussion for additional detail (separate DHS figure setting packet).

Payment to Risk Management and Property Funds

Line Item Description: This line item represents the allocation appropriated to each department based on a statewide risk formula for two programs, the Liability Program and the Property Program.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: The Department's request reflects common policy adopted by OSPB. Staff's recommendation is pending the Committee's common policy decision on risk management and property funds. The source of funding for this line item is General Fund and matching federal funds as shown in the number pages.

Leased Space

Line Item Description: This line item provides the funding for the Department's leased space outside of the Capitol Complex.

This line item is not impacted by ARRA.

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TABLE 1: Leased Space Budget Build					
Incremental Budget Change Issue	Department Request		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation*	\$191,619	\$394,236	\$191,619	\$394,236	\$0
No Supplementals Approved	0	0	0	0	0
FY 2009-10 Revised Appropriation	\$191,619	\$394,236	\$191,619	\$394,236	\$0
Annualize HB 09-1293	0	302,328	0	302,328	0
FY 2010-11 BASE Funding	191,619	696,564	191,619	696,564	0
Policy Issues -- None	0	0	0	0	0
FY 2010-11 Request/Recommendation	\$191,619	\$696,564	\$191,619	\$696,564	\$0

*DOES NOT INCLUDE HB 09-1293. The appropriation clause for HB 09-1293 was at the division level. In FY 2009-10, the Department estimates allocating \$302,328 total funds from HB 09-1293 for leased space.

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	\$191,619	\$191,619	\$0	0.00%
CF - Health Care Expansion Fund	5,500	5,500	0	0.00%
CF - Hospital Provider Fee Cash Fund	151,164	151,164	0	0.00%
FF - Federal Funds	348,281	348,281	0	0.00%
TOTAL FUNDS	\$696,564	\$696,564	\$0	0.00%

Issue Detail

FY 2009-10: House Bill 09-1293 appropriated administrative funds at the division level in order to give the Department maximum flexibility during the first year of implementation. The Department's FY 2010-11 budget request indicated that \$302,328 from the total administrative appropriation in FY

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2009-10 would be used for lease space. Of this amount, \$151,164 is General Fund and \$151,164 is federal funds. However, if the Centers of Medicare and Medicaid Services approve the hospital provider fee waiver prior to April 1, 2010, then the state match will be from the hospital provider fee instead of from the General Fund. At this time, because this appropriation was appropriated at the division level and has a conditional appropriation, staff does not reflect these costs in the budget build table.

FY 2010-11 -- Department and Staff Recommendation: The Department's request in FY 2010-11 annualizes HB 09-1293 and provides continuation funding from the FY 2009-10 appropriation. Staff recommends the Department's request.

Capitol Complex Leased Space

Line Item Description: This line item is based on the amount of square footage used by each department from building owned by the State. Currently, the Department of Health Care Policy and Financing leases 31,512 square feet at 1570 Grant Street.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: The Department's request reflects the common policy adopted by OSPB. Staff's recommendation is pending the Committee's common policy decision for capital complex leased space. The funding source for this line item is General Fund and matching federal funds as shown in the number pages.

General Professional Services and Special Projects

Line Item Description: This line item contains funding for any special or temporary projects that the General Assembly chooses to fund each year.

This line item is not impacted by ARRA.

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TABLE 1: General Professional Services and Special Projects Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$1,318,043	\$3,384,105	\$1,318,043	\$3,384,105	\$0
H.B. 10-1300 Supplementals	(39,789)	(78,305)	(39,789)	(78,305)	0
Long Bill Supplemental Recommended	0	0	0	150,000	0
FY 2009-10 Revised Appropriation	\$1,278,254	\$3,305,800	\$1,278,254	\$3,455,800	\$0
Annualize HB 09-1293	0	525,000	0	525,000	0
Annualize HB 09-1196	0	85,000	0	85,000	0
Annualize Prior Year Budget Actions	(20,354)	(45,000)	(7,643)	(168,305)	12,711
FY 2010-11 BASE Funding	\$1,257,900	\$3,870,800	\$1,270,611	\$3,897,495	\$12,711
BRI #2 & BA #13 - Coordinated Payment Reform	266,000	532,000	209,750	419,500	(56,250)
FY 2010-11 Request/Recommendation	\$1,523,900	\$4,402,800	\$1,480,361	\$4,316,995	(\$43,539)

*DOES NOT INCLUDE HB 09-1293, HB 09-1073, or HB 09-1196. These appropriation clauses were appropriated at the division level in order to provide maximum flexibility to the Department during first year of implementation. For FY 2010-11, the costs for these bills have transferred to appropriate line items.

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	\$1,523,900	\$1,480,361	(\$43,539)	(2.86)%
CF - Coordinated Care for People with Disabilities Fund	300,000	150,000	(150,000)	(50.00)%
CF - Nursing Facility Cash Fund	0	75,000	75,000	n/a
CF - Nursing Facility Penalty Cash Fund	85,000	85,000	0	0.00%

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Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF - Hospital Provider Fee	262,500	262,500	0	0.00%
Federal Funds	<u>2,231,400</u>	<u>2,264,134</u>	<u>32,734</u>	<u>1.47%</u>
TOTAL FUNDS	\$4,402,800	\$4,316,995	(\$85,805)	(1.95)%

Issue Detail

FY 2009-10: During the 2009 Session, three bills were passed that appropriated funding at the division level. According to the Department's budget request, the Department has allocated the following amounts to this line item: (1) \$52,500 total funds from HB 09-1073; (2) \$200,000 from HB 09-1196; and (3) \$275,000 from HB 09-1293. These amounts are not reflected in the budget build above because the legal basis for the appropriation was to the division and not a line item. However, in FY 2010-11 these bills have been annualized to the appropriate line items.

LONG BILL SUPPLEMENTAL: Staff recommends a total fund supplemental of \$150,000 (\$75,000 Nursing Facility Cash fund) to fund the administrative costs associated with evaluating and validating pay-for-performance applications for nursing facilities. This funding was first provided in HB 08-1114 as one-time funding. However, these evaluation will need to be done on an annual basis. Currently, the Department is paying this expense out of the Medical Services Premiums line item. However, because this is an administrative expense, it would appropriate to transfer this expenditure from the MSP line item into this line item. Staff became aware of this issue after discussions with the Department staff regarding the nursing facility provider fee and the Department agrees with supplemental change. If appropriated in FY 2009-10, this funding will continue in the base for FY 2010-11.

FY 2010-11 Base Adjustments

Annualize HB 09-1293: The Department requests \$425,000 total funds (\$217,500 cash funds from the hospital provider fee) to annualize the costs identified in HB 09-1293 for consulting services. In addition, to the original fiscal note costs, the Department also requests \$100,000 (\$50,000 cash funds from the hospital provider fee) for consulting services on National Health Care Reform and how it may impact the implementation of the HB 09-1293. Staff recommends the Department's request, including the National Health Care Reform consulting contract. This funding provides for the following services:

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- (a) \$60,000 -- consulting fees for safety net fee design;
- (b) \$100,000 -- consulting fees on hospital rate reform design;
- (c) \$45,000 -- consulting fees on Hospital DRG changes;
- (d) \$100,000 -- actuary services on the disabled buy-in program;
- (e) \$120,000 -- IT project manager; and
- (f) \$100,000 -- consulting fees on National Health Care Reform.

Annualize HB 09-1196: The Department requests and staff recommends \$85,000 cash funds to annualize the impacts of HB 09-1196. This bill allows the use of moneys in the Nursing Home Penalty Cash Fund to improve the quality of life for residents in nursing facilities. In FY 2009-10, the bill appropriated \$200,000 to the Department at the division level. In FY 2010-11, the funding needed for the program is \$85,000 and this funding is transferred into this line item.

Annualize Prior Year Budget Actions: The Department requests a reduction of \$45,000 total funds (\$20,354 General Fund) to remove one-time funding from prior year budget actions. Staff recommends a reduction of \$168,305 total funds (\$7,643 General Fund) to reduce one-time funding from prior budget actions. The majority of the difference between the Department request and the staff recommendation relates to reducing the start-up funding for the Coordinated Care for People with Disability pilot program. In FY 2009-10, the pilot program was provided with \$300,000 in start-funding to fund the overhead costs of the program until the medical cost savings offset the administrative costs of the program. The Department's request neglected to remove this cost. However, staff is recommending that \$150,000 remain in this line item for some of the overhead cost. If the program is going to be able to demonstrate cost-effectiveness, it needs to remain operational for at least another year. Therefore, staff recommends covering some of the overhead costs at this time. If at the end of FY 2010-11, the program can not demonstrate that it can cover its overhead, then staff believes the Department will need to evaluate if the program should be retained. There is sufficient funding in the fund to pay for this expense in FY 2010-11.

FY 2010-11 Policy Adjustments

BRI 2 & BA #13 - Coordinated Payment Reform: The Department requests \$532,000 total funds (\$266,000 General Fund) in consulting services in order to implement Medicaid payment reform initiatives. Staff recommends the Department's request but delays the start time for two of the consulting contracts until January 2011. These administrative costs are anticipated to be offset by savings in the Medical Services Premiums line item. The table below shows the services funded by the staff recommendation.

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	General Fund	Federal Funds	Total Funds	Contract Start Date
Increase enrollment of Medicare-eligible clients into Medicare	\$61,000	\$61,000	\$122,000	July 2010
Pilot audit of Community Mental Health Center	17,500	17,500	35,000	July 2010
Integrated Care of Dual Eligibles	75,000	75,000	150,000	July 2010
Physician Payment Reform	25,000	25,000	50,000	January 2011
<u>Waiver Rate Reform</u>	<u>31,250</u>	<u>31,250</u>	<u>62,500</u>	<u>January 2011</u>
Total	\$209,750	\$209,750	\$419,500	

Bills Appropriated at Subdivision Level

Line Item Description: This is a temporary line item that appears in staff's number pages only. Appropriation clauses can appropriate funding at either the line item or division level. If the funding is appropriated at the division level, then the Department has the ability to transfer the funds between line items during the first year of implementation. During the second year of implementation, the impacted line items are appropriated the funding. Therefore, the FY 2009-10 funding has been transferred to the impacted line items as in this division's line item detail. The following table shows the bills appropriated at the division level in FY 2009-10.

Bill	General Fund	Cash Fund	Federal Funds	Total Funds
HB 09-262	(\$11,659)	\$11,659	\$0	\$0
HB 09-1047	26,740	0	26,740	53,480
HB 09-1073	0	26,250	26,250	52,500
HB 09-1196	0	200,000	0	200,000
HB 09-1293*	1,815,723	0	3,341,727	5,157,450
TOTAL FUNDS	\$1,830,804	\$237,909	\$3,394,717	\$5,463,430

*The General Fund from this bill is refinanced to cash funds if CMS approves a hospital provider fee waiver by April 1, 2010.

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(B) Transfers to Other Departments

This subdivision contains the appropriations to the Department that is then transferred to other Departments, excluding the Department of Human Services. The Department of Health Care Policy and Financing is the state agency to receive all Medicaid funding for the state. Therefore, any state programs that are eligible for federal Medicaid funding must first be appropriated in this Department and then transferred to the other Departments.

For the most part, the requested and recommended FY 2010-11 appropriations in this subdivision are continuation funding of the FY 2009-10 appropriation. The exception is the funding transferred to the Department of Public Health and Environment for Facility Survey and Certification. Following is summary budget table for this division. After the summary budget table, are the descriptions and budget builds for each line item in the subdivision. The line items in this subdivision are not impacted by ARRA.

Table 1: -- Subdivision Funding Summary (Long Bill Appropriation Recommendation)				
	FY 2008-09 Actual	FY 2009-10 Appropriation*	FY 2010-11 Dept Request	FY 2010-11 Staff Rec.**
Transfer to DPHE for Facility Survey and Certification	4,546,609	5,011,213	4,880,581	4,880,581
Transfer to DORA for Nurse Aide Certification	325,343	325,343	325,343	325,343
Transfer to DORA for Reviews	0	14,000	14,000	14,000
Transfer to DOE for Public School Health Services Administration	337,833	150,000	150,000	150,388
Total (W/O ARRA)	<u>\$5,209,785</u>	<u>\$5,500,556</u>	<u>\$5,369,924</u>	<u>\$5,370,312</u>
General Fund	1,809,018	1,660,423	1,612,402	1,612,402
Cash Funds	0	500	500	500
Reappropriated Funds	14,652	14,652	14,652	14,652
Federal Funds	3,386,115	3,824,981	3,742,370	3,742,758

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Line Item Detail

Transfer to the Department of Public Health and Environment for Facility Survey and Certification:

Line Item Description: This line item funds the survey and certification of nursing facilities, hospices, home health agencies, and Home and Community-Based Services agencies (including Alternative Care Facilities), and pays the Medicaid share to maintain and operate the Minimum Data Set system used for nursing facility case mix reimbursement methodology. The Department contracts with the Department of Public Health and Environment to perform these functions.

This line is not impacted by ARRA.

TABLE 1: Transfer to the Department of Public Health and Environment for Facility Survey and Certification Budget Build

Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$1,502,513	\$5,001,243	\$1,502,513	\$5,001,243	\$0
H.B. 10-1300 (HCPF Supplemental Bill)	3,390	9,970	3,390	9,970	0
FY 2009-10 Revised Appropriation	\$1,505,903	\$5,011,213	\$1,505,903	\$5,011,213	\$0
Restore FY 2009-10 PS Reduction	20,220	59,471	20,220	59,471	0
FY 2010-11 BASE Funding	\$1,526,123	\$5,070,684	\$1,526,123	\$5,070,684	\$0
NP #8 -- Statewide Information Technology Staff Consolidation	(4,758)	(14,378)	(4,758)	(14,378)	0
NP BA #3 -- DPHE - Statewide PERA Adjustment	(26,915)	(79,162)	(26,915)	(79,162)	0
NP BA #11 -- DPHE Total Compensation Update	(36,568)	(96,563)	(36,568)	(96,563)	0
FY 2010-11 Request/Recommendation	\$1,457,882	\$4,880,581	\$1,457,882	\$4,880,581	\$0

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Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	1,457,882	1,457,882	0	0.00%
Federal Funds	3,422,699	3,422,699	0	0.00%
TOTAL FUNDS	\$4,880,581	\$4,880,581	\$0	0.00%

Issue Detail

Department Request and Staff Recommendation: Staff recommends the Department's request for this line item. However, this line item is set during the Figure Setting Presentation for the Department of Public Health and Environment. Therefore, staff asks permission to change the staff recommendation to reflect the Committee's decision for the Department of Public Health and Environment if it is different from the staff recommendation reflected above.

Transfer to the Department of Regulatory Agencies for Nurse Aide Certification

Line Item Description: This line item provides the necessary funding to certify nurse aides working in any medical facility serving Medicaid or Medicare patients as required by federal statute (42 C.F.R. Section 483.150 (b)). The Department provides the Medicaid funding for this program and the Department of Public Health and Environment provides the Medicare funding. The Department of Regulatory Agencies then oversees and provides the certification for the nurse aid.

Department Request and Staff Recommendation: The Department request and staff recommends continuation funding for this line item in FY 2010-11. The following table shows the fund sources for the recommendation.

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	\$148,020	\$148,020	\$0	0.00%

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Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
RF - Transfer from Department of Regulatory Agencies	14,652	14,652	0	0.00%
Federal Funds	<u>162,671</u>	<u>162,671</u>	<u>0</u>	<u>0.00%</u>
TOTAL FUNDS	\$325,343	\$325,343	\$0	0.00%

Transfer to DORA for Reviews

Line Item Description: This line item contains the funding transferred to the Department of Regulatory Agencies to conduct sunset reviews. In FY 2010-11, the following programs are scheduled for review: (1) Teen Pregnancy and Dropout Prevention program; and (2) In-Home Support Services program.

Department Request and Staff Recommendation: The Department request and staff recommends continuation funding for this line item in FY 2010-11. The following table shows the fund sources for the recommendation.

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	\$6,500	\$6,500	\$0	0.00%
CF - Local Funds	500	500	0	0.00%
Federal Funds	<u>7,000</u>	<u>7,000</u>	<u>0</u>	<u>0.00%</u>
TOTAL FUNDS	\$14,000	\$14,000	\$0	0.00%

Transfer to the Department of Education for Public Health Services

Line Item Description: This line item funds a portion of the administrative expenses of the Public School Health Services program. Specifically, the line item funds the administrative costs for this program in the Colorado Department of Education. The Department of Education receives and

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reviews all local plans, conducts on-site reviews, submits annual reports, and provides technical assistance to medical staff at participating school districts.

Department Request and Staff Recommendation: The Department request and staff recommends continuation funding for this line item in FY 2010-11. However, staff's recommendation reflects the amount calculated pursuant to common policies in the Department of Education. The following tables shows the fund source for the recommendation.

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
FF - Federal Funds	<u>150,000</u>	<u>150,388</u>	<u>388</u>	<u>0.26%</u>
TOTAL FUNDS	\$150,000	\$150,388	\$388	0.26%

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(C) Information Technology Contracts and Projects

This subdivision contains funding for the contract costs associated with operating the Medicaid Management Information System (MMIS) and Web Portal. Prior to FY 2008-09, this subdivision also contained funding for the CBMS user interface project. However, all other CBMS costs are now funded in the DHS Medicaid-Funding Division (not included in this figure setting packet). There are three active line items in this subdivision as reflected in the summary table below.

Historical Summary:

Table 1: Subdivision Funding Summary (Long Bill Appropriation Recommendation)				
By Line Item TOTAL FUNDS	FY 2008-09 Actual	FY 2009-10 App.	FY 2010-11 Dept. Req.	FY 2010-11 Staff Rec.
Information Technology Contracts	\$22,200,548	\$24,346,147	\$33,987,466	\$33,911,866
Fraud Detection Software Contract	774,000	250,000	250,000	250,000
Colorado Benefits Management System Medical Assistance Project*	98,825	0	0	0
Centralized Eligibility Vendor Contract Project	52,878	100,000	760,000	760,000
Total	\$23,126,251	\$24,696,147	\$34,997,466	\$34,921,866
General Fund	5,494,660	5,978,867	6,036,327	6,036,327
Cash Funds	540,118	538,643	2,818,649	2,799,749
Reappropriated Funds	110,328	100,328	100,328	100,328
Federal Funds	16,991,145	18,078,309	26,042,162	25,985,462

*In June 2009, this line item and its funding were transferred to the Department of Human Services, with related Medicaid costs appearing in the DHS-Medicaid Funded Programs division in this Department, which is not part of this figure setting packet.

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Information Technology Contracts

Line Item Description: This line item contains the funding for the Medicaid Management Information System and Web Portal IT contracts. The MMIS processes claims and capitation payments, performs electronic prior authorization reviews for certain medical services, and transmits data so that State warrants (checks) can be issued to providers. The web portal provides a web application front-end for providers and medical assistance sites to access certain functions of the MMIS, CBMS, and Benefits Utilization System.

TABLE 1: Information Technology Contracts Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept General Fund Only
	GF	Total Funds	GF	Total Funds	
FY 2009-10 Original Appropriation	\$6,070,726	\$25,281,883	\$6,070,726	\$25,281,883	\$0
H.B. 10-1300 (HCPF Supplemental)	(202,209)	(935,736)	(202,209)	(935,736)	0
FY 2009-10 Revised Appropriation	\$5,868,517	\$24,346,147	\$5,868,517	\$24,346,147	\$0
Annualize HB 09-1293	0	7,451,992	0	7,451,992	0
Annualize HB 09-1047	0	75,600	0	0	0
Annualize Prior Year Budget Actions as modified by BA #15	(23,571)	1,174,694	(23,571)	1,174,694	0
FY 2010-11 BASE Funding	\$5,844,946	\$33,048,433	\$5,844,946	\$32,972,833	\$0
BRI #1/BA #12: Utilization Review Changes	(55,554)	(70,284)	(55,554)	(70,284)	0
BRI #2: Coordinated Payment and Payment Reform	11,466	45,864	11,466	45,864	0
BRI #3: Expansion of State Maximum Allowable Cost Pharmacy Rate Methodology	24,192	96,768	24,192	96,768	0
DI #5: MMIS System Cost Adjustments	65,361	269,528	65,361	269,528	0
BA #5: Accountable Care Collaborative	39,501	158,004	39,501	158,004	0
BA #15: MMIS Reprocurement Consultant	43,915	439,153	43,915	439,153	0

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TABLE 1: Information Technology Contracts Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2010-11 Request/Recommendation	\$5,973,827	\$33,987,466	\$5,973,827	\$33,911,866	\$0

*In FY 2009-10, the administrative costs for HB 09-1293 were appropriated as a lump sum to the Executive Director's Office Division. The Department has maximum flexibility to assign costs to line items in FY 2009-10. In FY 2009-10, the Department anticipates spending \$2,552,406 for MMIS costs associated with HB 09-1293. Of this amount, \$638,201 is from General Fund and \$1,914,205 is federal funds. However, H.B. 09-1293 has a contingent appropriation clause that if CMS approves the hospital provider waiver prior to April 1, 2010, then the administrative costs are refinanced with the State match coming from the Hospital Provider Fee instead of the General Fund. The budget build table does not reflect the HB 09-1293 appropriation clause at this time.

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	5,973,827	5,973,827	0	0.00%
CF - Autism Treatment Fund	1,885	1,885	0	0.00%
CF - CBHP Trust Fund	246,755	246,755	0	0.00%
CF - Health Care Expansion Fund	287,100	287,100	0	0.00%
CF - HCPF Cash Fund	18,900	0	(18,900)	(100.00)%
CF - Hospital Provider Fee Cash Fund	1,897,689	1,897,689	0	0.00%
RF - Transfer from DHS for OAP Program	97,981	97,981	0	0.00%
RF - Transfer from DPHE for BCCTP Program	2,347	2,347	0	0.00%
Federal Funds	25,460,982	25,404,282	(56,700)	(0.22)%
TOTAL FUNDS	\$33,987,466	\$33,911,866	(\$75,600)	(0.22)%

Issue Detail

For the most part, staff recommends the Department's request for this line item (with the exception of the annualizing HB 09-1047) as described below.

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FY 2010-11 Base Changes

Annualize HB 09-1293: The Department requests and staff recommends a total of \$7.4 million for MMIS costs associated with implementing HB 09-1293. Of this amount, \$6.0 million is for one-time developmental costs and \$1.4 million is for ongoing costs associated to claims processing and prior authorization reviews. The table below provides a breakdown of the costs for HB 09-1293 MMIS costs in FY 2010-11.

FY 2010-11 Costs Only	Hours	Hourly Rate	Percent Developed in Fiscal Year	Cost
Outpatient Hospital Payment Reform	8,060	\$126.00	100.0%	\$1,015,560
Reimbursement Reporting	15,655	\$126.00	50.0%	986,265
Continuous 12 Month Eligibility for Children	1,374	\$126.00	50.0%	86,562
Disabled Adult Buy-In	9,591	\$126.00	90.0%	1,087,619
Childless Adults to 100% FPL	24,821	\$126.00	75.0%	2,345,585
Estimated FY 2009-10 costs from original fiscal note assumed to be paid in FY 2010-11				\$500,000
Total Development Costs in FY 2010-11				\$6,021,591
Total On Going Maintenance Costs for Eligibility Added in FY 2009-10 (CBHP to 250%, Medicaid Parents to 100%)				\$1,430,401
Total MMIS Costs for HB 09-1293 in FY 2010-11				\$7,451,992

Annualize HB 09-1047: This bill established a pilot program allowing Medicaid clients with spinal cord injuries who are eligible for Home- and Community-based Services (HCBS) to receive complementary or alternative therapies. Alternative therapies are limited to chiropractic care, massage, and acupuncture performed by licensed or certified providers. The program's funding was based on the receipt of gifts, grants, and donations. As of February 2010, staff is unaware of any gifts, grants, or donations that have been received to support this program. The original fiscal note assumed that MMIS system changes would be necessary beginning January 2011 assuming that a federal waiver had been received. Because the Department has not received the gifts, grants, and donations necessary to apply for the waiver, staff is assuming that a federal waiver would not be received prior to June 2011. Therefore, staff does not recommend funding for this item in FY 2010-11. If the gifts, grants and donation are received and the federal waiver is applied for and received prior to the end of FY 2010-11, then the Department can submit a supplemental request at that time for the spending authority.

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Annualize Prior Year Budget Actions: Staff recommends the Department's request for the annualizing prior budget items, as modified by BA # 15, including the following items:

- (a) A decrease of \$505,764 total funds (\$126,441 General Fund) for the system changes that were made in FY 2009-10 in order to implement the Accountable Care Collaborative in FY 2010-11. In FY 2009-10, \$189,630 was appropriated to develop information sharing capabilities for the ACOs and \$316,134 was appropriated to develop passive enrollment enhancements for the pilot program. These are one-time development costs and are removed from the appropriation base in FY 2010-11.
- (b) A decrease of \$504,000 total funds (\$126,000 General Fund) for system changes that were made in FY 2009-10 in order to implement budget reduction items, including provider rate reductions.
- (c) A decrease of \$16,380 total funds (\$4,095 General Fund) for system changes needed to enact pharmacy pricing changes approved in FY 2009-10.
- (d) A net increase of \$2,200,838 total funds (\$232,965 General Fund) for the system costs associated with implementing two new HIPAA (Health Insurance Portability and Accounting Act) rules. The first rule modified the uniform diagnosis coding for disease classification. The second rule changes standards related to HIPAA compliant electronic transactions. In FY 2009-10, the Committee approved \$546,020 total funds for this project. The Department's original FY 2010-11 request for this item was \$6,035,412 total funds (\$593,922 General Fund). However, based on new implementation date requirements from the Centers of Medicare and Medicaid Services (CMS), the Department has reevaluated the timing and cost of the project. The Department now anticipates spending \$2.7 million in FY 2010-11 and \$1.6 million in FY 2011-12 in order to complete the system changes by January 2012.

FY 2010-11 Long Bill Policy Changes

BRI #1/BA #12: Utilization Review Changes: This request and recommendation contains two components:

- (a) A reduction of \$384,276 total funds (\$134,052 General Fund) to transfer this funding to the Acute Utilization Review Contract where additional matching federal funds of \$151,932 can be obtained. Currently, some of the PAR reviews conducted through the MMIS contractor receive a 50 percent federal match and some receive a 75 percent

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match. By consolidating the PAR reviews with a Quality Improvement Organization (QIO), the Department will receive a 75 percent match on these activities.

- (b) An increase of \$313,992 (\$78,498 General Fund) for MMIS development costs associated with implementing prospective utilization reviews of hospital claims and a web-based PAR system to allow providers to submit prior authorization requests through a web portal in order to receive more timely and/or automated responses. These administrative costs are anticipated to be offset by savings in the Medical Services Premiums line item. Please see the MSP line item for more detail on this budget item.

BRI #2: Coordinated Payment and Payment Reform: Staff recommends the Department's request for an increase of \$45,864 total funds (\$11,466) for system changes related to payment coordination for federally qualified health centers and behavior health organizations. These costs are partially offset by anticipated savings in the Medical Services Premiums line item (see MSP for more detail). This funding will allow for an automated edit to check both the diagnosis and procedure codes for claims submitted by FQHCs. In FY 2008-09, the Department estimates that FQHC were reimbursed \$586,376 for claims with a BHO covered diagnosis code (i.e. the BHO capitation contract should have covered these services). The Department anticipates that after the system changes are made, the volume of claims should be reduced annually by approximately 5.0 percent or greater.

BRI #3: Expansion of State Maximum Allowable Cost Pharmacy Rate Methodology: The Department requests and staff recommends an increase of \$96,768 total funds (\$24,192 General Fund) to make the necessary system changes to expand the number of drugs reimbursed under the State Maximum Allowable Cost methodology. These costs are anticipated to be totally offset by savings in the Medical Services Premiums line item (see MSP for more detail).

DI #5 / MMIS System Cost Adjustments: The Department requests and staff recommends an increase of \$269,528 total funds (\$65,361 General Fund) for the annual cost adjustment and increase to the MMIS contract. The increase is a 1.24 percent increase to the current fixed price portion of the contract. Staff would note that claims volume for the MMIS system in FY 2008-09 increased by approximately 30 percent from the prior year and is anticipated to remain at or above this level through FY 2010-11.

BA #15: MMIS Reprourement Consultant: The Department requests and staff recommends an increase of \$439,153 total funds (\$43,915 General Fund) to secure the services of a consultant to assist the Department in identifying the areas of the MMIS system that must be upgraded prior to the reprourement of the system. Based on federal regulation, the current system must be rebid by July 2015. Because of the complexity and time needed to rebid the contract and the age of the existing technology (some of the original framework for the system will be 42 years old by 2015), the

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Department plans to hire a consultant during FY 2010-11 and FY 2011-12 to help identify areas where the system must be upgraded using modern architecture and computer programming and to develop the request for proposal (RFP). By beginning in FY 2010-11, the analysis of the current system and requirements will be completed by July 2012. This would then give the Department 36 months to issue and evaluate the RFPs and for the new contractor to design and develop the required system prior to July 2015. This amount of time is similar to last reprourement that occurred during FY 2004-05 through 2006-07. Based on the age of the current system and the amount of time it would take to receive CMS approval for an upgraded system, staff recommends this request.

Fraud Detection Software

Line Item Description: This line item provides funding to the Department to maintain software to enable the Department to detect fraud, abuse, or waste in the Medicaid program. Specifically, the software supports such functions as compliance monitoring, provider referrals, and utilization reviews.

Department Request and Staff Recommendation: For FY 2010-11 the Department requests and staff recommends continuation funding of the FY 2009-10 appropriation. The table below shows the fund sources for the staff recommendation.

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	62,500	62,500	0	0.00%
Federal Funds	<u>187,500</u>	<u>187,500</u>	<u>0</u>	<u>0.00%</u>
TOTAL FUNDS	\$250,000	\$250,000	\$0	0.00%

*Total by fund type matches Department's request but total by fund source may not due to the Department not providing detail for some of their decision items regarding the fund source.

Colorado Benefits Management System Medical Assistance Project

Line Item Description: This line item funds a CBMS project to make the user interface easier to navigate in order to streamline the eligibility process for the Department's medical programs. In H.B. 10-1300 (HCPF supplemental bill) this project was moved to the Department of Human Services.

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Please see the Department of Human Services figure setting for funding information regarding this project.

Centralized Eligibility Vendor Contract Project

Line Item Description: This line item was created in FY 2008-09 to implement and administer a centralized eligibility vendor model. Due to budget constraints, this project has been moved to the Children's Basic Health Plan clients.

Department Request and Staff Recommendation: During FY 2009-10, the Department was provided with \$100,000 to study the feasibility of the centralized eligibility vendor model. The Department anticipates that during FY 2010-11, a pilot for the Children's Basic Health Plan will be implemented at a cost of \$760,000. House Bill 09-1293, authorizes the Children's Basic Health Plan to expand from 205 percent of the federal poverty level to 250 percent of the federal poverty level. The Department believes that this contract is a legitimate administrative use of the Hospital Provider Fee Cash Fund. Therefore, the Department request and staff recommends that the state share of this contract be funded through the Hospital Provider Fee Cash Fund at a cost of \$366,320 to the cash fund. The total contract cost for the fiscal year is estimated at \$760,000 as detailed in the table below.

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF - Hospital Provider Fee Cash Fund	366,320	366,320	0	0.00%
Federal Funds	393,680	393,680	0	0.00%
TOTAL FUNDS	\$760,000	\$760,000	\$0	0.00%

*Total by fund type matches Department's request but total by fund source may not due to the Department not providing detail for some of their decision items regarding the fund source.

Staff also recommends that this line item be moved from the Technology Contracts and Projects subdivision to the Eligibility Determinations and Client Services subdivision. This will allow most of the administrative costs associated with determining eligibility to be in the same subdivision (with the exception of the CBMS costs which are located in the Department of Human Services - Medicaid Funded Programs subdivision).

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(D) Eligibility Determinations and Client Services

This subdivision contains funding for the administrative costs associated with determining eligibility for the Department's medical programs and for client services. This subdivision has five active line items.

Historical Summary:

By Line Item TOTAL FUNDS	FY 2008-09 Actual	FY 2009-10 App.	FY 2010-11 Dept. Req.	FY 2010-11 Staff Rec.
Medical Identification Cards	\$110,184	\$120,000	\$120,000	\$120,000
Contracts for Special Eligibility Determinations	2,291,185	2,332,042	5,233,102	5,233,102
County Administration	34,616,961	30,986,377	32,858,207	32,858,207
Administrative Case Management	869,755	539,744	539,744	869,744
Customer Outreach	3,312,379	3,573,001	4,219,648	3,872,011
Total	\$41,200,464	\$37,551,164	\$42,970,701	\$42,953,064
General Fund	14,163,629	12,754,397	12,977,015	12,968,197
Cash Funds	6,244,175	5,807,761	8,301,411	8,301,411
Reappropriated Funds	1,484	1,593	1,593	1,593
Federal Funds	20,791,176	18,987,413	21,690,682	21,681,863

FY 2009-10 Late Supplementals -- Long Bill Add-Ons

The following table summarizes the supplemental appropriations contained in this division that staff recommends be included as Long Bill Supplemental Add-Ons.

Table 2: FY 2009-10 Late Supplementals Recommended for this Division			
FY 2009-10 Supplementals	FY 2009-10 Appropriation*	FY 2009-10 Staff Recommendation	Difference
Administrative Case Management	539,744	869,744	330,000
Total	\$539,744	\$869,744	\$330,000

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Table 2: FY 2009-10 Late Supplementals Recommended for this Division			
FY 2009-10 Supplementals	FY 2009-10 Appropriation*	FY 2009-10 Staff Recommendation	Difference
General Fund	269,872	434,872	165,000
Reappropriated Funds	269,872	434,872	165,000

* Current Appropriation -- includes supplemental bills already passed.

Staff also recommends a corresponding decrease of \$165,000 General Fund in the Department of Human Services for Child Welfare Services.

Line Item Detail

Medical Identification Cards

Line Item Description: This line item provides funding for the Department to provide clients with plastic medical identification cards to show proof of Medicaid or Old Age Pension Medical Program eligibility.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: The Department requests and staff recommends continuation funding for this line item in FY 2010-11. The table below shows staff's recommended funding sources.

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	48,444	48,444	0	0.00%
CF - Health Care Expansion Fund	10,759	10,759	0	0.00%
RF - OAP Fund Transferred from the Department of Human Services	1,593	1,593	0	0.00%
FF - Federal Funds	59,204	59,204	0	0.00%
TOTAL FUNDS	\$120,000	\$120,000	\$0	0.00%

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Contracts for Special Eligibility Determinations

Line Item Description: This line item funds services provided through four Department programs: Disability Determination Services, Nursing Home Preadmission and Resident Assessments, School District Eligibility Determinations, and out stationing costs.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: Staff recommends the Department's request for FY 2010-11. The table below shows the funding changes from the FY 2009-10 appropriation to the FY 2010-11 request and recommendation.

By Contract TOTAL FUNDS	FY 2009-10 Appropriation*	FY 2010-11 Dept. Req.	FY 2010-11 Staff Rec.
Disability Determination Services	\$1,173,662	\$1,173,662	\$1,173,662
Nursing Home Preadmission and Resident Assessments	985,040	985,040	985,040
School District Eligibility Determinations	173,340	0	0
Hospital Out stationing	0	3,074,400	3,074,400
Total	\$2,332,042	\$5,233,102	\$5,233,102
General Fund	888,544	828,091	828,091
CF - Autism Fund	5,000	5,000	5,000
CF - Health Care Expansion Fund	19,717	0	0
CF - Hospital Provider Fee Cash Fund	0	1,537,200	1,537,200
Federal Funds	1,418,781	2,862,811	2,862,811

Disability Determinations: Federal law mandates that disability determinations be performed for clients who are eligible for Medicaid due to a disability. Since FY 2005-06, the contract for disability determinations has been \$1,173,662. For FY 2010-11, the Department requests and staff recommends continuation funding of \$1,173,662 for this contract. Of this amount, \$581,831 is General Fund, \$5,000 is from the Autism Treatment Fund, and \$586,831 is federal funds.

Nursing Home Preadmission and Resident Assessments: This contract funds screenings and reviews mandated by the federal Omnibus Budget Reconciliation Act of 1987 to determine the appropriateness of nursing facility placements for people with major mental illness or developmental

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disabilities. All admissions to nursing facilities with Medicaid certified beds, irregardless of payer source, are subject to preadmission and annual reviews. For several fiscal years, this contract was funded at \$1,010,040. However, due to the state budget situation, in FY 2009-10, funding was permanently reduced by \$25,000 total funds for the administrative costs associated with training community mental health centers regarding the preadmission screenings. For FY 2010-11, the Department requests and staff recommends continuation funding of \$985,040 total funds. Of this amount, \$246,260 is General Fund and \$738,780 is federal funds.

School District Eligibility Determinations: Pursuant to H.B. 06-1270, the Department was required to establish a pilot program for school districts to determine Medicaid and Children Basic Health Plan eligibility. This pilot program expires on July 1, 2010. Due to the budget situation, the Department stopped payment on the contracts for the pilot program beginning December 2009 and thus, saved \$86,670 total funds in FY 2009-10 in H.B. 10-1300 (HCPF supplemental bill). Of this amount, \$30,226 was from the General Fund, \$9,859 was Health Care Expansion Fund, and \$46,585 is from federal funds. Both the Department's request and the staff recommendation is to discontinue funding in FY 2010-11 since the statutory requirement for this program is repealed (Section 25.5-4-205 (a.5) (VIII), C.R.S.).

Hospital Out stationing Costs: Pursuant to H.B. 09-1293, the Department anticipates that 84 hospitals will contract with the Department to provide eligibility services based on new indigent clients being eligible for the expanded Medicaid and Children's Basic Health Plan programs. The original fiscal note for H.B. 09-1293 estimated that the FY 2010-11 costs for this service would be \$3,074,400 or \$36,600 per participating hospital. The Department requests and staff recommends \$3,074,400 for this activity. Of this amount, \$1,537,200 is from the Hospital Provider Fee Cash Fund and \$1,537,200 is from federal funds. If the number of hospital participation is lower than the original estimate, then the extra fee revenue will remain in the Hospital Provider Fee Cash Fund for use in future fiscal years (Section 25.5-4-402.3 (4) (c), C.R.S.).

County Administration

Line Item Description: This line item provides partial reimbursement to local county departments of social/human services for costs associated with performing Medicaid, Children's Basic Health Plan, and Old Age Pension State Medical Program eligibility determinations.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: Staff recommends the Department's request for

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FY 2010-11. The recommendation continues the FY 2009-10 appropriation level and annualizes the impact of H.B. 09-1293. The table below shows the funding detail for the recommendation.

TOTAL FUNDS	FY 2009-10 Appropriation*	FY 2010-11 Dept. Req.	FY 2010-11 Staff Rec.
County Administration	30,986,377	32,858,207	32,858,207
Total	\$30,986,377	\$32,858,207	\$32,858,207
General Fund	9,794,550	9,794,550	9,794,550
CF - Local Share	5,332,531	5,332,531	5,332,531
CF - Health Care Expansion Fund	406,240	406,240	406,240
CF - Hospital Provider Fee Cash Fund	0	935,915	935,915
Federal Funds	15,453,056	16,388,971	16,388,971

Administrative Case Management

Line Item Description: This line item provides Medicaid reimbursement for qualifying administrative case management costs associated with State supervision and county administration for child welfare programs. Based on recent federal rule changes, the primary activity that is reimbursed through this line item is related to the costs associated with completing or assisting a child or family in the child welfare system with Medicaid eligibility.

This line item is not impacted by ARRA.

TABLE 1: Administrative Case Management Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$269,872	\$539,744	\$269,872	\$539,744	\$0
Anticipated Expenditure Level	0	0	165,000	330,000	165,000
FY 2009-10 Revised Appropriation	\$269,872	\$539,744	\$434,872	\$869,744	\$165,000
Technical Adjustment	0	0	(165,000)	(330,000)	(165,000)
FY 2010-11 BASE Funding	\$269,872	\$539,744	\$269,872	\$539,744	\$0

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TABLE 1: Administrative Case Management Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
Anticipated Expenditure Level	0	0	165,000	330,000	165,000
FY 2010-11 Request/Recommendation LONG BILL	\$269,872	\$539,744	\$434,872	\$869,744	\$165,000

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	269,872	434,872	165,000	61.14%
Federal Funds	269,872	434,872	165,000	61.14%
TOTAL FUNDS -- LONG BILL	539,744	869,744	330,000	61.14%

Issue Detail

FY 2009-10

LONG BILL SUPPLEMENTAL: Staff recommends a total fund supplemental of \$330,00 (\$165,000 General Fund) to more accurately align the appropriation with the actual expenditures for the program. In order to maximize federal funding available to the counties for case management activities, the Department of Human Services has agreed to transfer additional General Fund spending authority, if necessary, from the non-Medicaid case management line item. In FY 2008-09, the final appropriation for this line item was \$539,743. However, at the end of FY 2008-09, a greater proportion of Administrative Case Management activities were eligible for Medicaid reimbursement than anticipated in the appropriation. In order to maximize the federal funds and county reimbursement, the Department of Human Services transferred \$165,005 General Fund into this line item. This transfer allowed the Department to draw an additional \$165,006 in federal funds for a final total expenditure of \$869,755.

If the Committee does not approve this supplemental recommendation, the Department of Human Services and Department of Health Care Policy and Financing can still manage this appropriation by

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transferring funds at the end of the fiscal year in order to maximize federal funds and county reimbursement. However, staff anticipates that expenditures in FY 2009-10 will be similar to those in FY 2008-09. Therefore, staff recommends "truing-up" the appropriation to reflect the actual anticipated expenditures for this line item. If the Committee approves this request, then a deduction in the Department of Human Services for administrative case management activities of \$165,000 General Fund would also be made. The net General Fund impact to staff's recommendation is zero between the two Departments but there is an increase of \$165,000 in federal funds that would not otherwise be reflected in the budget.

FY 2010-11 Technical Adjustments

Technical Adjustment: This item is purely technical. It reverses the staff recommended supplemental in the event the Committee does not approve the supplemental in order to adjust the appropriation back to the original FY 2010-11 base.

FY 2010-11 Long Bill Policy Adjustments

Anticipated Expenditure Level: The Department requests continuation funding for this program at the original FY 2008-09 level. Staff recommends that the appropriation be adjusted to reflect the actual FY 2008-09 expenditures level as explained in the FY 2009-10 supplemental section for this line item. If the Committee approves staff's recommendation, there will be a corresponding decrease in General Fund expenditures in the Department of Human Services. Therefore, the net General Fund impact is zero, but an additional \$165,000 in federal funds are reflected in the budget.

Customer Outreach

Line Item Description: This line item provides funding for the Early and Periodic Screening, Diagnosis, and Treatment Program (EPSDT Program) and for the Enrollment Broker Program. The EPSDT Program provides outreach and case management services to promote access to health care services for children. The enrollment broker program provides information to newly eligible Medicaid clients regarding their Medicaid Health Care Plan choices. Both of these programs are required by federal law and regulations.

This line item is not impacted by ARRA.

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TABLE 1: Customer Outreach Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$1,752,987	\$3,573,001	\$1,752,987	\$3,573,001	\$0
Supplementals -- None	0	0	0	0	0
FY 2009-10 Revised Appropriation	\$1,752,987	\$3,573,001	\$1,752,987	\$3,573,001	\$0
Annualize HB 09-1293	0	80,504	0	80,504	0
Annualize Prior Year Budget Adjustments	(1,100)	(2,200)	(1,100)	(2,200)	0
FY 2010-11 BASE Funding	\$1,751,887	\$3,651,305	\$1,751,887	\$3,651,305	\$0
BA #5 - Accountable Care Collaborative (Includes Budget Amendment and Base Request)	284,171	568,343	110,353	220,706	(173,818)
FY 2010-11 Request/Recommendation LONG BILL	\$2,036,058	\$4,219,648	\$1,862,240	\$3,872,011	(\$173,818)

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	2,036,058	1,862,240	(173,818)	(8.54)%
CF - Health Care Expansion Fund	33,514	33,514	0	0.00%
CF - Hospital Provider Fee	40,252	40,252	0	0.00%
Federal Funds	2,109,824	1,936,005	(173,819)	(8.24)%
TOTAL FUNDS -- LONG BILL	4,219,648	3,872,011	(347,637)	(8.24)%

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Issue Detail

FY 2010-11 Technical Adjustments

Annualize HB 09-1293: The Department requests and staff recommends \$80,504 total funds (\$40,252 cash funds from the Hospital Provider Fee) for increased enrollment broker costs that result from the increase in Medicaid eligibility under HB 10-1293. In FY 2010-11, eligibility for Medicaid parents will be increased from 60 percent FPL to 100 percent FPL. This increase in caseload increase mailing and customer service costs for the enrollment broker contract. The estimated costs for these activities is \$80,504 in FY 2010-11.

Annualize Prior Budget Action: The Department requests and staff recommends a reduction of \$2,200 total funds (\$1,100) to remove one-time funding for the building blocks for Health Care Reform initiative that was originally funded in FY 2008-09.

FY 2010-11 Policy Issues

BA #5 -- Accountable Care Collaborative: The Department requests \$563,343 total funds and staff recommends \$220,706 total funds for contract changes to the enrollment broker contract and EPSDT impacts due to the Accountable Care Collaborative. The Department's request is based on the ACC contract becoming operational November 2010. Staff's recommendation is based on the contract becoming operational April 2011. Staff's recommendation on this issue is discussed in more detail in the Medical Services Premiums line item. The table below shows the cost components for the request and recommendation.

	Department	Staff	Difference
Design Member Handbook Information	\$20,000	\$20,000	\$0
Costs to Distribute Handbook	480,000	180,000	(300,000)
Cost to Distribute Quality Report Card	34,849	7,760	(27,089)
Enrollment Broker Staff (customer service)	25,333	4,785	(20,548)
Additional Costs to EPSDT Enrollment for Passive Enrollment of Children	<u>8,161</u>	<u>8,161</u>	<u>0</u>
TOTAL Estimate	\$568,343	\$220,706	(\$347,637)

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(E) Utilization and Quality Review Contracts

This subdivision in the Executive Director's Office Division contains only one active line item, Professional Services Contracts. This line item contains the professional contracts related to reviewing acute care utilization, long-term care utilization, external quality review, drug utilization review, and mental health quality review. These contracts ensure that the benefits and services provided to Medicaid clients are medically necessary and appropriate. In addition, this line item contains funding to perform prior authorization reviews for certain Medicaid services.

Historical Summary:

By Line Item TOTAL FUNDS	FY 2008-09 Actual	FY 2009-10 App.	FY 2010-11 Dept. Req.	FY 2010-11 Staff Rec.
Professional Service Contracts	4,586,288	4,661,755	6,640,371	6,285,371
Total	\$4,586,288	\$4,661,755	\$6,640,371	\$6,285,371
General Fund	1,142,390	1,362,527	1,660,174	1,722,619
Cash Funds	54,949	54,949	86,596	86,596
Federal Funds	3,388,949	3,244,279	4,893,601	4,476,156

FY 2009-10 Late Supplementals -- Long Bill Add-Ons

None.

Line Item Detail

Professional Services Contracts

Line Item Description: Contains the contract costs for utilization control and review for Medicaid services as explained in subdivision detail above.

This line item is not impacted by ARRA.

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TABLE 1: Professional Services Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$1,359,148	\$4,576,355	\$1,359,148	\$4,576,355	\$0
HB 10-1300 (HCPF Supplemental)	3,379	85,400	3,379	85,400	0
FY 2009-10 Revised Appropriation	\$1,362,527	\$4,661,755	\$1,362,527	\$4,661,755	\$0
Annualize HB 09-1293	0	103,248	0	103,248	0
Annualize Medicaid Program Efficiencies	(40,000)	(80,000)	(40,000)	(80,000)	0
FY 2010-11 BASE Funding	\$1,322,527	\$4,685,003	\$1,322,527	\$4,685,003	\$0
BRI #1/BA #12: Evidence Guided Utilization Review	384,052	1,536,208	384,052	1,536,208	0
BA #5: Accountable Care Collaborative	(62,445)	355,000	0	0	62,445
BA #8: Acute Care Utilization Review Adjustment	16,040	64,160	16,040	64,160	0
FY 2010-11 Request/Recommendation LONG BILL	\$1,660,174	\$6,640,371	\$1,722,619	\$6,285,371	\$62,445

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	1,660,174	1,722,619	62,445	3.76%
CF - Health Care Expansion Fund	54,949	54,949	0	0.00%
CF - Hospital Provide Fee Cash Fund	31,647	31,647	0	0.00%
Federal Funds	4,893,601	4,476,156	(417,445)	(8.53)%
TOTAL FUNDS -- LONG BILL	6,640,371	6,285,371	(355,000)	(5.35)%

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Issue Detail

FY 2010-11 Technical Adjustments

Annualize HB 09-1293: The Department requests and staff recommends \$103,248 total funds (\$31,647 cash funds from the Hospital Provider Fee) for increased costs associated with utilization and quality reviews due to increased eligibility for Medicaid parents pursuant to HB 09-1293. Of this amount, \$49,463 is an increase to the Medicaid External Quality Review Contract, \$30,450 is an increase to the Acute Care Utilization Review Contract, and \$23,335 is for the Estimated Drug Utilization Review Contract.

Annualize Medicaid Program Efficiencies: In FY 2009-10, this line item received \$80,000 in one-time funding to develop a web-based application for the Hospital Back-Up program and for training materials and training costs regarding the Hospital Back-Up program. The FY 2010-11 request and recommendations eliminates this funding.

FY 2010-12 Long Bill Policy Adjustments

BRI #1/BA #12: Evidence Guided Utilization Review: The Department requests and staff recommends an increase of \$1.5 million (\$384,052 General Fund) to the acute care utilization review contract. The recommendation has two components as shown in the table below:

	General Fund	Federal Funds	Total Funds
Transfer MMIS PARS to QIO Review	134,052	402,156	536,208
Increase to Utilization Review Contract	<u>250,000</u>	<u>750,000</u>	<u>1,000,000</u>
Total Funding	384,052	1,152,156	1,536,208

MMIS PARS to QIO Reviews: Staff recommends the Department's request to transfer \$384,276 total funds (\$134,052 General Fund) from the current MMIS contract for prior authorization reviews (PAR) to the acute care utilization review contract. Currently, certain PAR activities in the MMIS contract receive a 50 percent federal match and certain activities receive a 75 percent federal match. By consolidating the PAR reviews into the "Quality Improvement Organization (QIO)" contract, the Department will receive a 75 percent match for all of the state funding. This will increase the total funding available for this activity by \$151,932 federal funds. The Department believes that this additional funding will result in the more claims being

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reviewed and thereby will generate additional savings across the Medicaid program. See the MMIS and Medical Services Premiums line item for more detail on this issue.

Utilization Review Contract: In addition to the refinancing of the MMIS PARs, the Department requests and staff recommends the Department's request to increase the Utilization Review Contract by \$1.0 million (\$250,000 General Fund). The total increase to the General Fund is offset by anticipated savings in the Medical Services Premiums line item. The increase in the contract funding will be used for the following purposes:

- (1) Review Outlier Days -- under this proposal the contractor would review outlier days for (a) maternity claims without complication; (b) low-birth weight neonatal clients; and (c) other hospital claims without complications. In FY 2008-09, the Department estimates that they spent \$3.6 million on these claims. While in some cases these claims were necessary and appropriate, the Department anticipates that a number of these claims could be reduced through appropriate utilization review, discharge planning, and case management.
- (2) Frequent Emergency Department Utilization Review -- under this proposal the contractor would develop a classification system for avoidable emergency room usage, and perform case management through client and provider outreach.
- (3) Future Evidence Guided Utilization Review -- the Department also assumes that under the new QIO contract, the contractor will work to help develop and define appropriate limitations in the amount, duration, quantity, and scope of benefits, for future initiatives.

BA #5: Accountable Care Collaborative: The Department requests an increase of \$355,000 for the QIO contracts to evaluate the effectiveness of the Accountable Care Collaborative contracts. Staff does not recommend the Department's request for this item. Staff anticipates that enrollment in the program will not occur until April 2011. Because the program will not have full enrollment or enough data to evaluate, staff does not recommend funding for this activity in FY 2010-11. Staff does not recommend the Department's request for General Fund savings as shown in the budget build table because staff believes this amount is an error. Once staff does not recommend the issue, there are not additional General Fund savings that can result.

BA #8: Acute Care Utilization Review Adjustment: The Department requests and staff recommends an increase of \$64,160 total funds (\$16,040 General Fund) for the acute care utilization review contract. This recommendation annualizes the Committee's FY 2009-10 supplemental decision to increase this contract. Due to the increase in Medicaid caseload, the contractor has experienced an increase in the number of prior authorizations that must be performed.

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(F) Provider Audits and Services

This subdivision in the Executive Director's Office Division contains only one active line item. This line item is for contract costs related to auditing providers for rate setting and compliance purposes. Currently, this line item contains the funding for contracts to audit nursing facilities, hospitals, federal qualifying health clinics (FQHCs), and single entry point audits. These audits are required in order to comply with State and federal law. In FY 2010-11 the line item will also contain funding for the nursing facility appraisals that must be conducted once every four years pursuant to Section 25.5-6-201.

Historical Summary:

By Line Item TOTAL FUNDS	FY 2008-09 Actual	FY 2009-10 App.	FY 2010-11 Dept. Req.	FY 2010-11 Staff Rec.
Professional Audit Contracts	1,817,491	1,838,566	3,306,813	3,306,813
Total	\$1,817,491	\$1,838,566	\$3,306,813	\$3,306,813
General Fund	836,446	919,283	1,256,281	1,256,281
Cash Funds	72,300	0	352,988	352,988
Federal Funds	908,745	919,283	1,697,544	1,697,544

FY 2009-10 Late Supplementals -- Long Bill Add-Ons

None.

Line Item Detail

Professional Audit Contracts

Line Item Description: Contains the audit and appraisal contract costs Medicaid providers to ensure the state only pays for necessary and eligible services and to comply with the rate setting process for nursing facilities.

This line item is not impacted by ARRA.

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TABLE 1: Professional Audit Contracts Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$919,283	\$2,272,266	\$919,283	\$2,272,266	\$0
HB 10-1300 (HCPF Supplemental)	0	(433,700)	0	(433,700)	0
FY 2009-10 Revised Appropriation	\$919,283	\$1,838,566	\$919,283	\$1,838,566	\$0
Annualize HB 09-1293	0	500,000	0	500,000	0
Payment Error Rate Measurement Project	147,125	588,501	147,125	588,501	0
Nursing Facility Appraisals	139,873	279,746	139,873	279,746	0
FY 2010-11 BASE Funding	\$1,206,281	\$3,206,813	\$1,206,281	\$3,206,813	\$0
DI #6: Disproportionate Share Hospital Audits	50,000	100,000	50,000	100,000	0
FY 2010-11 Request/Recommendation LONG BILL	\$1,256,281	\$3,306,813	\$1,256,281	\$3,306,813	\$0

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	1,256,281	1,256,281	0	0.00%
CF - CBHP Trust Fund	102,988	102,988	0	0.00%
CF - Hospital Provider Fee	250,000	250,000	0	0.00%
Federal Funds	1,697,544	1,697,544	0	0.00%
TOTAL FUNDS -- LONG BILL	3,306,813	3,306,813	0	0.00%

Issue Detail

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FY 2010-11 Technical Issues

Annualize HB 09-1293: The Department requests and staff recommends an increase of \$500,000 (\$250,000 from the Hospital Provider Fee Cash Fund) for audit activities associated with the new reimbursement and eligibility requirements under HB 09-1293.

Payment Error Rate Measurement Project: The Department requests and staff recommends an increase of \$588,501 total funds to conduct the Payment Error Rate Measurement Project (PERM). Of this amount, \$147,125 is from the General Fund, \$102,988 is from the CBHP Trust Fund, and \$338,388 is from federal funds. Pursuant to the Improper Payments Information Act of 2002, the Department is required to conduct a study every three years regarding the amount of claims paid in error. The last time the Department conducted the study was in FY 2007-08. Therefore, the Department must conduct the study again in FY 2010-11.

Nursing Facility Appraisals: The Department requests and staff recommends an increase of \$279,746 total funds for the nursing facility appraisals. Of this amount, \$139,873 is from the General Fund and \$139,873 is federal funds. Pursuant to Section 25.5-6-201, C.R.S., the Department must conduct nursing facility appraisals every four years. The appraisal results are used in developing rates for nursing homes. The appraisals must be done once again in FY 2010-11.

FY 2010-11 Long Bill Policy Adjustments

Disproportionate Share Hospital Audits: The Department requests and staff recommends an increase of \$100,000 total funds for an annual audit of the Disproportionate Share Hospital expenditures. Section 1923 (j) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 requires states to report additional information regarding their Disproportionate Share programs. The Centers of Medicare and Medicaid Services (CMS) released a rule in 2009 (CMS - 2198 - F) outlining the information and timing for this information to be submitted. Based on the requirements of the federal law, the Department will need an independent auditor to audit certain DSH payments and results.

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(G) Estate Recovery

This subdivision in the Executive Director's Office Division contains only one active line item. The current line item is for the Estate Recovery Program's contract costs. This program recovers funds from estates and places liens on real property held by Medicaid clients in nursing facilities or client's who are over the age of 55. The contractor pursues recoveries on a contingency fee basis. Since FY 2003-04, the contingency fee rate has been 10.9 percent with the remainder of recoveries acting as an offset to the Medical Services Premiums line item.

Using the current contingency fee rate of 10.9 percent, the maximum allowable amount of estate recoveries is \$6.4 million per fiscal year. If the contractor does not bring in that amount of recoveries, then the expenditure authority in this line item reverts.

Historical Summary:

By Line Item TOTAL FUNDS	FY 2008-09 Actual	FY 2009-10 App.	FY 2010-11 Dept. Req.	FY 2010-11 Staff Rec.
Estate Recovery	394,534	700,000	700,000	700,000
Total	\$394,534	\$700,000	\$700,000	\$700,000
Cash Funds -- Estate Recoveries	197,267	350,000	350,000	350,000
Federal Funds	197,267	350,000	350,000	350,000

Issue Detail

The Department requests and staff recommends continuation funding for the Estate Recovery contract in FY 2010-11.

Additional Information Regarding this Line Item

In FY 2008-09 the Department recovered \$3.2 million in net estate recoveries and liens, which was slightly higher by an amount of \$184,400 as compared to the amount collected in FY 2007-08. The Department primarily recovers residential real estate and sells the property, but it has been difficult to sell these properties and convert them into cash recoveries due to the value of the state's residential real estate market. The Department anticipates to continue to face challenges in selling the properties until the real estate market more fully recovers.

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(2) Medical Services Premiums Division

Division Overview: This division provides funding for the health care services of individuals qualifying for the Medicaid program. Health care services include both acute care services (such as physician visits, prescription drugs, and hospital visits) and long-term care services (provided within nursing facilities and community settings). The Department contracts with health care providers through fee-for-service and managed care organizations (MCOs) arrangements in order to provide these services to eligible clients. Total costs for the programs are driven by the number of clients, the costs of providing health care services, and utilization of health care services. This division only has one line item -- Medical Services Premiums. However, the Long Bill shows the estimated cost per eligible client group for information purposes only.

Historical Summary:

By Line Item TOTAL FUNDS	FY 2008-09 Actual	FY 2009-10 App.*	FY 2010-11 Dept. Req.	FY 2010-11 Staff Rec.
Medical Services Premiums Line Item	2,526,991,443	2,876,645,122	3,079,559,403	3,125,110,028
Total	\$2,526,991,443	\$2,876,645,122	\$3,079,559,403	\$3,125,110,028
General Fund	919,709,958	1,041,614,534	833,790,100	873,191,557
General Fund Exempt	39,251,792	0	0	0
Cash Funds	109,633,539	354,916,550	317,627,287	339,638,104
CFE/Reappropriated Funds	2,631,068	2,874,450	3,136,521	3,117,500
Federal Funds	1,455,765,086	1,477,239,588	1,925,005,495	1,909,162,867

*Includes the supplemental bills, HB 10-1300, HB 10-1320, HB 10-1321, HB 10-1322, and HB 10-1324. Does not include supplemental recommendations that are part of this figure setting packet. Also includes HB 09-1293.

FY 2009-10 Late Supplementals (Excluding ARRA issue) -- Long Bill Add-Ons

The following table summarizes the supplemental appropriations contained in this division that staff recommends be included as Long Bill Supplemental Add-Ons.

Table 2: FY 2009-10 Late Supplementals Recommended for this Division			
FY 2009-10 Supplementals*	FY 2009-10 Appropriation**	FY 2009-10 Staff Recommendation	Difference
Medical Services Premiums Final FY 2009-10 Adjustments -- W/O HB 09-1293	2,561,068,480	2,554,267,209	(6,801,271)

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Table 2: FY 2009-10 Late Supplementals Recommended for this Division			
FY 2009-10 Supplementals*	FY 2009-10 Appropriation**	FY 2009-10 Staff Recommendation	Difference
Medicals Services Premiums HB 09-1293	315,576,642	314,160,549	(1,416,093)
Total	<u>\$2,876,645,122</u>	<u>\$2,868,427,758</u>	<u>(\$8,217,364)</u>
General Fund	1,041,614,534	1,033,406,546	(8,207,988)
Cash Funds	354,916,550	391,137,562	36,221,012
Reappropriated Funds	2,874,450	3,889,389	1,014,939
Federal Funds	1,477,239,588	1,439,994,261	(37,245,327)

**The current FY 2009-10 HB 09-1293 was adjusted for ARRA. However, in order to keep all ARRA impacts in one place, the staff recommendation above does not show any ARRA impacts. Please see the ARRA tables and line item descriptions for ARRA impacts.*

Summary of Special Legislation Recommended for this Division

Table 3 below shows the impact of legislation recommended by JBC staff impacting line items in this division. Because these budget changes can not be made without a change to current law, these impacts are not included in the number pages or in the Division Summary Table. See line item detail for explanations.

Table 3: Legislation Recommended that Impacts Line Items in this Division				
FY 2010-11 Legislation Recommended*	General Fund	Cash Funds	Federal Funds	Total Funds
JBC Bill Recommended #1: Transfer Amendment 35 moneys to offset General Fund expenditures	(\$27,691,418)	\$27,691,418	\$0	\$0
JBC Bill Recommended #2: Nursing Facility Bill	(8,211,333)	5,806,343	(3,829,699)	(6,234,689)
JBC Bill Recommended #3: Transfer Primary Care Fund to Maximize General Fund savings and Federal Funds	<u>(14,000,000)</u>	<u>14,000,000</u>	<u>0</u>	<u>0</u>
TOTAL	(\$49,902,751)	\$47,497,761	(\$3,829,699)	(\$6,234,689)

Additionally, staff recommends that the Committee sponsor legislation to eliminate the one-week payment delay in FY 2009-10 (not included above because this is a FY 2009-10 impact bill). Please see the supplemental discussion for more detail.

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American Recovery and Reinvestment Act (ARRA) Impacts

This division's line item receives enhanced federal match under the American Recovery and Reinvestment Act (ARRA) of 2009 for most of its expenditures. Some expenditures such as the Breast and Cervical Cancer Treatment Program and Medicare Premiums are exempt from the enhanced ARRA match. Table 4 below shows the total estimated ARRA impact for this division.

Table 4: ARRA Appropriations Impacts for Supplemental and Long Bill		
MSP Division ARRA Impacts*	FY 2009-10** ARRA Appropriation Savings	FY 2010-11 ARRA Appropriation Savings
Total	\$0	\$0
General Fund	(261,136,091)	(288,379,542)
Cash Funds	(56,011,073)	(61,082,919)
Federal Funds	317,147,164	349,462,461

*Includes only the ARRA impacts that will be appropriated in the Long Bill. Recommended legislation for FY 2010-11 will include the ARRA impacts.

**Includes supplemental appropriations recommended in this figure setting packet.

FY 2009-10 Supplemental Discussion for Medical Services Premiums Division

Description: This portion of the figure setting packet explains staff's final FY 2009-10 appropriation recommendation for the Medical Services Premiums line item. The General Assembly has already taken action on supplementals for this Department. However, it has been the practice of the JBC staff to update the Committee on any changes to the forecast during the March figure setting. Typically, OSPB submits an updated caseload and cost estimate by February 15th each year for the current and request year. This year, OSPB did not submit a complete Department request until after March 5th. Following is a discussion of staff's final recommendation for FY 2009-10.

This section of the write-up is organized as follows:

- (1) Discussion of the Long Bill Supplemental
 - (a) Table 1: Budget Build
 - (b) Table 2 & 3: Fund Sources without and with ARRA impacts
 - (c) Brief description or discussion about the incremental changes (Tables 4-8)
- (2) Discussion of HB 09-1293 Impacts

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TABLE 1: FY 2009-10 MEDICAL SERVICES PREMIUMS -- Budget Build

Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$1,112,661,142	\$2,572,042,638	\$1,112,661,142	\$2,572,042,638	\$0
HB 10-1300 (HCPF Supplemental)	(14,873,150)	(10,656,658)	(14,873,150)	(10,656,658)	0
HB 10-1320 (HCPF Supplemental)	(43,693,900)	0	(43,693,900)	0	0
HB 10-1321 (HCPF Supplemental)	(10,390,000)	0	(10,390,000)	0	0
HB 10-1322 (HCPF Supplemental)	(158,750)	(317,500)	(158,750)	(317,500)	0
HB 10-1324 (HCPF Supplemental)	(1,930,808)	0	(1,930,808)	0	0
FY 2009-10 Revised Current Law Appropriation	\$1,041,614,534	\$2,561,068,480	\$1,041,614,534	\$2,561,068,480	\$0
Final Caseload and Cost Estimate	15,351,506	46,930,104	(8,207,989)	(6,801,271)	(23,559,495)
Additional 1 week payment delay	<u>(20,659,032)</u>	<u>(43,525,388)</u>	<u>0</u>	<u>0</u>	<u>20,659,032</u>
FY 2009-10 FINAL Pre-ARRA Request/Recommendation	\$1,036,307,008	\$2,564,473,196	\$1,033,406,545	\$2,554,267,209	(\$2,900,463)
ARRA Adjustment	<u>(261,001,530)</u>	<u>0</u>	<u>(261,136,090)</u>	<u>0</u>	<u>(134,560)</u>
FY 2009-10 FINAL Request / LONG BILL Recommendation with ARRA Impact	\$775,305,478	\$2,564,473,196	\$772,270,455	\$2,554,267,209	(\$3,035,023)
CONDITIONAL FINAL APPROPRIATION REQUEST/ RECOMMENDATION FOR HB 09-1293	<u>0</u>	<u>311,739,155</u>	<u>0</u>	<u>314,160,549</u>	<u>0</u>
TOTAL MEDICAL SERVICES PREMIUMS IF HB 09-1293 IS IMPLEMENTED	\$775,305,478	\$2,876,212,351	\$772,270,455	\$2,868,427,758	(\$3,035,023)
JBC Staff Recommended Bill to Eliminate One-Week Delay (includes ARRA impact)	<u>0</u>	<u>0</u>	<u>14,670,869</u>	<u>43,121,235</u>	<u>14,670,869</u>
FY 2009-10 FINAL REQUEST/ RECOMMENDATION With Legislation Recommended	\$775,305,478	\$2,876,212,351	\$786,941,324	\$2,911,548,993	\$11,635,846

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Table 2: Fund Source Detail -- BEFORE ARRA ADJUSTMENT (without HB 09-1293 or Legislation)

Line Item Fund Split Detail By Fund Source	Current Appropriation (excluding HB 09-1293)	Department FY 2009-10 Request -- W/O ARRA Adj	Staff FY 2009-10 Rec. W/O ARRA Adj.	Difference Staff-Cur. App W/O ARRA Adj.	Difference Staff - Dept W/O ARRA Adj.	% Difference (Staff - Dept)
GF - General Fund	\$1,041,614,534	\$1,036,307,008	\$1,033,406,545	(\$8,207,989)	(2,900,463)	(0.28)%
CF - Certified Funds	22,229,571	26,304,060	26,304,060	4,074,489	0	0.00%
CF - Health Care Expansion Fund	123,365,161	87,085,300	123,041,025	(324,136)	35,955,725	41.29%
CF - Nursing Provider Fee	21,272,022	24,593,755	23,806,693	2,534,671	(787,062)	(3.20)%
CF - BCCT Program Fund	2,018,911	2,057,557	2,070,622	51,711	13,065	0.64%
CF - Autism Fund	697,198	768,996	784,875	87,677	15,879	2.06%
CF - Coordinated Care Fund	250,000	250,000	250,000	0	0	0.00%
CF - Pediatric Hospital Fund	10,013	10,013	10,013	0	0	0.00%
CF -- Various CF Offset to GF	57,790,000	50,038,017	57,790,000	0	7,751,983	15.49%
CF -- Hospital Fee Offset to GF	0	45,225,217	0	0	(45,225,217)	(100.00)%
RF - Transfer from DPHE BCCTP	874,450	875,997	889,389	14,939	13,392	1.53%
RF - Transfer from DPHE to offset General Fund	3,000,000	3,000,000	3,000,000	0	0	0.00%
FF - Federal Funds	<u>1,287,946,620</u>	<u>1,287,957,276</u>	<u>1,282,913,987</u>	<u>(5,032,633)</u>	<u>(5,043,289)</u>	<u>(0.39)%</u>
TOTAL FUNDS	\$2,561,068,480	\$2,564,473,196	\$2,554,267,209	(\$6,801,271)	(\$10,205,987)	(0.40)%

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Table 3: Fund Source Detail -- AFTER ARRA ADJUSTMENT (without HB 09-1293 or Legislation)						
Line Item Fund Split Detail By Fund Source	Current Appropriation (excluding HB 09-1293)	Department FY 2009-10 Request -- With ARRA Adj	Staff FY 2009-10 Rec. With ARRA Adj.	Difference Staff-Cur. App With ARRA Adj.	Difference Staff - Dept With ARRA Adj.	% Difference (Staff - Dept)
GF - General Fund	\$1,041,614,534	\$775,305,478	\$772,270,455	(\$269,344,079)	(3,035,023)	(0.39)%
CF - Certified Funds	22,229,571	26,304,060	26,304,060	4,074,489	0	0.00%
CF - Health Care Expansion Fund	123,365,161	66,920,453	104,542,778	(18,822,383)	37,622,325	56.22%
CF - Nursing Provider Fee	21,272,022	18,833,391	18,288,302	(2,983,720)	(545,089)	(2.89)%
CF - BCCT Program Fund	2,018,911	2,067,430	2,070,622	51,711	3,192	0.15%
CF - Autism Fund	697,198	590,625	602,941	(94,257)	12,316	2.09%
CF - Coordinated Care Fund	250,000	250,000	250,000	0	0	0.00%
CF - Pediatric Hospital Fund	10,013	10,013	10,013	0	0	0.00%
CF -- Various CF Offset to GF	57,790,000	44,038,017	57,790,000	0	13,751,983	31.23%
CF -- Hospital Fee Offset to GF	0	13,794,341	0	0	(13,794,341)	(100.00)%
RF - Transfer from DPHE BCCTP	874,450	875,997	889,389	14,939	13,392	1.53%
RF - Transfer from DPHE to offset GF	3,000,000	3,000,000	3,000,000	0	0	0.00%
FF - Federal Funds	1,287,946,620	<u>1,606,483,391</u>	<u>1,568,248,649</u>	<u>280,302,029</u>	<u>(38,234,742)</u>	<u>(2.38)%</u>
TOTAL FUNDS	\$2,561,068,480	\$2,558,473,196	\$2,554,267,209	(\$6,801,271)	(\$4,205,987)	(0.16)%

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FY 2009-10 Supplemental Issues

Final Caseload and Cost Estimates: The Department requests an additional \$46.9 million total funds (\$15.4 million General Fund) above the *current* appropriation, including all supplemental bills passed by the General Assembly. Staff recommends a reduction of \$6.8 million total funds (\$8.2 million General Fund) from the current appropriation. Table 4 below compares the Department's request to the staff recommendation.

Table 4: Department and Staff Final Cost Estimates Comparison (Does Not Include HB 09-1293) CURRENT LAW REQUIREMENTS						
Medicaid	Caseload			Costs		
Eligibility Category	Department	Staff	Difference	Department	Staff	Difference
SSI 65+	38,496	38,449	(47)	\$801,823,311	\$796,560,302	(\$5,263,009)
SSI 60-64	7,036	7,002	(34)	121,870,964	117,404,423	(4,466,541)
SSI < 64*	53,096	53,023	(73)	750,195,523	734,230,217	(15,965,306)
LI Adults	58,981	58,830	(151)	226,302,830	223,320,059	(2,982,771)
E-LI Adults	17,556	17,736	180	43,821,668	41,441,427	(2,380,241)
Baby Care Adults	7,067	7,130	63	62,023,618	60,816,863	(1,206,755)
BCCTP Adults	418	416	(2)	8,687,865	8,722,142	34,277
Children	277,828	277,560	(268)	485,050,221	467,038,788	(18,011,433)
Foster Children	18,365	18,365	0	70,236,803	67,623,368	(2,613,435)
Partial Eligibles	15,919	15,928	9	20,496,417	20,644,936	148,519
Non-Citizens	<u>3,662</u>	<u>3,624</u>	<u>(38)</u>	<u>58,196,632</u>	<u>56,767,767</u>	<u>(1,428,865)</u>
Total	498,424	498,063	(361)	\$2,648,705,852	\$2,594,570,292	(\$54,135,560)
Bottom Line Financing				20,505,317	20,505,317	0
Impact of SB 09-269 (MCO Delay & 1 Week Payment Delay)				<u>(61,212,585)</u>	<u>(60,808,400)</u>	<u>404,185</u>
Total Projection for FY 2009-10 (Before New Policy Changes)				\$2,607,998,584	\$2,554,267,209	(\$53,731,375)
Current Appropriation for Medical Services Premiums				<u>2,561,068,480</u>	<u>2,561,068,480</u>	<u>0</u>
Caseload / Cost Request / Recommendation Supplemental				\$46,930,104	(\$6,801,271)	(\$53,731,375)

*Includes estimate for Fort Logan and Grand Junction placement reductions.

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Table 5 below compares the Department request with the staff recommendation for service categories.

Table 5: Comparison of Current FY 2009-10 Appropriation with Staff's March FY 2009-10 Forecast					
	Current Appropriation Estimate	Department February Forecast	Staff's March Forecast	Staff Minus Department	Staff Minus Current Appropriation
Acute Care Services	\$1,562,954,381	\$1,595,844,487	\$1,551,260,606	(\$44,583,881)	(\$11,693,775)
Community Care Services	300,649,233	305,136,721	299,861,663	(5,275,058)	(787,570)
Long-Term Care Services	612,253,290	612,585,183	609,250,608	(3,334,575)	(3,002,682)
Insurance Premiums	98,069,811	104,853,621	104,062,091	(791,530)	5,992,280
Administrative Services	28,878,302	30,285,840	30,135,325	(150,515)	1,257,023
Bottom-Line Financing	20,505,317	20,505,317	20,505,317	0	0
Subtotal	\$2,623,310,334	\$2,669,211,169	\$2,615,075,610	(\$54,135,559)	(\$8,234,724)
Impact of S.B. 09-265	(62,241,852)	(61,212,585)	(60,808,401)	404,184	1,433,451
Total	\$2,561,068,482	\$2,607,998,584	\$2,554,267,209	(\$53,731,375)	(\$6,801,273)
Difference between Staff's recommendation and Department / Current Appropriation				(2.06)%	(0.27)%

The difference between the Department's request and the staff's recommendation (2.06 percent) is mainly due to different methodologies used to forecast the Medical Services Premiums supplemental and a very slight caseload differences. The Department uses a per capita trend methodology of past expenditure patterns from prior fiscal years for each aid category by service area (similar to what is used to forecast the next year by both Department and staff). However, for the supplemental, staff attempts to incorporate as much actual data into her per capita model (eight months in this case). Staff then uses this data to forecast the remaining four months based on past cash flow patterns and expenditure trends. The past cash flow expenditure patterns can have variances based on the caseload growth in the later part of the year and expenditures outside the normal cash flow trend -- and therefore, these variance can weaken the accuracy of staff's model. However, staff believes that caseload growth and expenditures trends in the second half of this year will be somewhat offset by rate reductions that were not fully implemented until later in the fiscal year. Therefore, staff does not anticipate that this year's cash flow patterns will be remarkably different than cash flow patterns for previous years.

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Simple Reasonableness Test for Staff's Recommendation

Table 6 below provides a simple reasonable test for the staff recommendation.

Table 6 -- Reasonableness for staff's FY 2009-10 Supplemental Recommendation						
	YTD Expenditures Through February	Total Staff Recommended Appropriation	Remaining Expenditure Authority with Staff Rec.	Remaining Weekly Average Expenditures	YTD Actual Average Weekly Expenditures	% Growth on Average Weekly Cost
Acute Care Services	\$1,010,226,411	\$1,551,260,606	\$541,034,195	\$30,057,455	\$29,712,542	1.16%
Community Care Services	194,358,218	300,618,527	106,260,309	5,903,351	5,716,418	3.27%
Long-Term Care Services*	399,951,298	609,250,607	209,299,309	11,627,739	11,763,273	(1.15)%
Insurance Premiums	66,767,266	104,062,091	37,294,825	2,071,935	1,963,743	5.51%
Administrative Services	18,523,859	29,378,461	\$10,854,602	603,033	544,819	10.69%
Bottom-Line Financing	<u>2,166,191</u>	<u>20,505,317</u>	<u>18,339,126</u>	<u>1,018,840</u>	<u>63,712</u>	<u>1499.15%</u>
TOTAL	\$1,691,993,243	\$2,615,075,609	\$923,082,366	\$51,282,354	\$49,764,507	3.05%
Reduce Expenditure Authority for SB 09-265		<u>(60,808,401)</u>	<u>(60,808,401)</u>			
Current Law with proposed staff supplemental recommendation		\$2,554,267,208	\$862,273,965	\$50,721,998	\$49,764,507	1.92%

*This category is mainly influenced by nursing facility costs. House Bill 10-1324 reduced nursing facility rates by 1.5 percent beginning in March 2010. Therefore, expenditures for the remaining of the fiscal year should be lower.

As Table 6 above shows, during the first 34 weeks of the fiscal year, the average weekly expenditures for the Medical Services Premiums line item have been \$49.8 million. With staff's recommendation, average weekly expenditures can average \$51.3 million for the remaining 18 weeks. After the impact of SB 09-265 (payment delays that will occur in June), staff's weekly expenditures for the remaining 17 weeks can average \$50.7 million. Therefore, staff's model allows for weekly expenditures to be on average 1.92 percent higher during the last four months of the fiscal year than they were during the first eight months. Staff believes that this a reasonable forecast.

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Additional One Week Payment Delay: The Department requests a reduction of \$43.5 million total funds (\$20.66 General Fund) for savings that would result if one more week of Medicaid payments are delayed until FY 2010-11. Under the Department's proposal, a total of two weeks of Medicaid payments would be delayed (there is already a one week delay in SB 09-265 as well one full month of delay for managed care capitation payments). The Department's request would require a Committee bill.

Staff does *not* recommend this request for the following reasons:

- (1) Staff's caseload and cost forecast is \$23.56 million General Fund lower than the Department's request (pre-ARRA). The Department estimates that this proposal will save \$20.67 million General Fund. Staff's caseload and cost estimates indicate that delaying another week of MMIS payments may not be necessary to balance the state budget (*staff will re-evaluate this issue if other cost increases or revenue declines occur prior to the Long Bill being introduced*). If the Committee accepts the Department's request (for both the caseload and the payment delay), it may be hard to explain to providers why payments were delayed and the MSP line item reverted money (according to staff's forecast).
- (2) A two week delay could disrupt payroll cycles for providers. This could be particularly true for any provider serving mainly Medicaid clients (e.g. a small independent nursing homes may have to delay their bi-monthly payroll).
- (3) Payment delays could impact clients. Eventually, Medicaid providers will try to minimize the impact of a scheduled payment delay by: (1) either trying to bill earlier to avoid the "black-out" period, or (2) delay scheduling preventative or routine appointments for Medicaid clients prior to a black-out payment period (e.g. a pediatricians office may schedule Medicaid clients either before or after the black-out period in order to managed their cash flow to meet their business needs).
- (4) A permanent 2 week payment delay (as is the Department's request), will create an unnecessary expense in FY 2011-12 when the enhanced federal match expires. See the FY 2010-11 discussion for more detail.

ARRA Adjustment: The Department requests that ARRA impacts be appropriated in FY 2009-10 and FY 2010-11 (previously the General Assembly showed the ARRA estimate on the General Fund overview but did officially change appropriations in order to preserve the 6.0 percent limit base -- this is no longer a concern). The Department's request will lower the calculation for the amount of funding needed for the statutory reserve.

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Staff recommends the Department's request. Appropriating funds to match anticipated expenditures by fund source is sound budgeting practice. However, staff leaves the decision regarding lowering the statutory reserve amount to the Committee.

FY 2009-10 Legislation

JBC Staff Recommended Legislation to Eliminate One-Week Delay: Staff recommends the Committee introduce legislation to eliminate the one-week delay in S.B. 09-265. Under staff's recommendation, the MCO payment delay would remain. The MCO payment delay is based on a methodology change of not paying capitation until the succeeding month after a client is enrolled. However, the one-week delay is simply shifting the last week of FY 2009-10 payments into FY 2010-11.

Staff's recommendation is conditional on whether the Committee can balance FY 2009-10 based on any outstanding expenditure or revenue issues. However, if the Committee can balance without the one week delay in FY 2009-10, it may help the Committee with balancing in FY 2010-11 and FY 2011-12 (see FY 2010-11 discussion). Staff recommends that the Committee at least instruct staff to include the impact of eliminating the one week delay back into the budget number to see what happens after everything is added up (including other negative supplementals that staff is recommending in this Department). Staff's recommendation can always be reversed if the budget can not be balanced without it (i.e. the Committee does not have to introduce the bill).

Table 7 shows staff's calculations for the impact of this potential Legislation.

Table 7: Calculation for Restoring One Week of Payment Delay in FY 2009-10	
	Costs
Staff's recommended expenditures before payment delay	\$2,615,075,609
Impact for delaying MCO payments in June 2010	<u>(17,687,167)</u>
Anticipated Expenditures	\$2,597,388,442
Deduct expenditures not impacted by the one week delay (supplementals, etc.)	<u>(355,084,301)</u>
Estimated Base to calculate the impact of a one week payment delay	\$2,242,304,141
Average weekly payments (amount staff included in her recommendation for payment delay)	\$43,121,235

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The impact for delaying payments by one week in FY 2009-10 is \$43.1 million total funds. However, after ARRA is included, the amount of General Fund savings from this issue is \$14.5 million as shown in Table 8.

Table 8: Fund Split Savings for One Week Payment Delay in FY 2009-10					
	Before ARRA	Deduct Non-ARRA Eligible Programs	ARRA BASE	ARRA Impact	Total Funds After ARRA Adjustment Eliminating the One Week Delay
General Fund	\$18,900,514	\$0	\$18,900,514	(\$4,381,140)	\$14,519,374
Health Care Expansion Fund	2,577,343	0	2,577,343	(597,428)	1,979,915
BCCTP Fund & DPHE Transfer	57,933	(57,933)	0	0	57,933
Federal Funds	<u>21,585,445</u>	<u>(107,589)</u>	<u>21,477,856</u>	<u>4,870,978</u>	<u>26,456,423</u>
Total Funds	\$43,121,235	(\$165,522)	\$42,955,713	(\$107,590)	\$43,013,645

Proposed Statutory Change

Section 25.5-4-401 (2) (d) (I): ~~Notwithstanding the provisions of paragraph (c) of this subsection (1), for the fiscal year commencing July 1, 2009, the state department shall delay the last normal provider payment cycle of the fiscal year until after July 1, 2010.~~

Please note that the current law provision in Section 25.5-4-401 (2) (c) would remain. This section allows the payment cycles to be disrupted based on state revenues being insufficient to make the payments (this is a safety valve if state revenues fall below the March forecast when the General Assembly is out of Session and can not adjust to the situation).

FY 2009-10 -- HB 09-1293 Impacts (Medical Services Premiums only)

Description: House Bill 09-1293 created a new hospital provider fee in order to increase reimbursement to hospitals participating in the Medicaid and Indigent Care Programs and to increase eligibility for the Medicaid and Children's Basic Health Plan programs. In FY 2009-10, the appropriation clauses for the bill were conditional on receiving approval for the waiver by the

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Centers of Medicare and Medicaid Services (CMS) by March 31, 2010. Because approval has not yet been received, the appropriation for the Medical Services Premiums is currently not in effect.

Department Request and Staff Recommendation: The Department estimates that the FY 2009-10 fiscal impact for implementing HB 09-1293 is \$311.7 million total funds. The Department's estimate is based on their revised caseload forecast (only 750 low income adults are anticipated to enroll in FY 2009-10) and cost estimates for the increase in hospital reimbursements.

Staff recommends \$314.2 million total funds for HB 09-1293, which is an increase of \$40.9 million total funds over the current appropriation for this line item. Staff's recommendation includes the following:

- (1) Staff recommends the Department's caseload estimate of 750 adults. This is a decrease of 1,619 adults and \$4.06 million total funds from the estimate staff provided the Committee in January 2010.
- (2) Staff recommends an increase of \$2.6 million total funds based on the newest estimates for the model presented to the Hospital Fee Advisory Committee.

Table 9: History of HB 09-1293 Appropriation for Medical Service Premiums Line Item			
	Hospital Provider Fee	Federal Funds	Total Funds
HB 09-1293 Appropriation	\$163,585,730	\$163,585,730	\$327,171,460
HB 10-1300 Change	<u>(37,302,056)</u>	<u>25,707,238</u>	<u>(11,594,818)</u>
Current Appropriation (includes ARRA impact)	\$126,283,674	\$189,292,968	\$315,576,642
Revised Caseload Impact	(2,032,980)	(2,032,581)	(4,065,561)
Revised Hospital Reimbursements	<u>1,017,079</u>	<u>1,632,389</u>	<u>2,649,468</u>
Total Recommendation (includes ARRA impact)	\$125,267,773	\$188,892,776	\$314,160,549

Staff also recommends that the effective date in HB 09-1293 be changed from receiving approval from CMS by March 31, 2010 to receiving approval from CMS by May 5, 2010. Since this is a change to Session Law, this action can be done as a "LONG-BILL ADD-ON" (no separate bill is necessary for this action -- the Committee did a similar action last year for HB 08-1114). As of

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March 14, 2010, the Department has not received approval for the waiver. It is staff's understanding that the waiver is in its final review stages at CMS, but that this may take a few more weeks. While the waiver may still be approved prior to April 1, 2010, staff recommends moving the effective date back as a precautionary measure. Staff recommends May 5 for two reasons:

- (1) Staff anticipates the approval coming before April 15, 2010 but in case it doesn't, the Committee could still complete the Long Bill Conference Committee, assuming it will be approved.
- (2) If the waiver approval is not received prior to May 5, 2010, it is unlikely that the Department could implement the bill and achieve the full year impacts as currently anticipated. If this becomes the case, then the \$41.4 million repayment of Health Care Expansion Fund required under SB 10-169 may not fully occur in FY 2009-10 but could spill over to FY 2010-11. This would reduce the FY 2010-11 ARRA savings anticipated to offset General Fund in FY 2010-11 (because the first obligation of these funds is to repay the Health Care Expansion Fund no matter what fiscal year they are received in). If the Committee plans to acknowledge the fiscal impacts in SB 10-169 when balancing the budget and the impacts become different because CMS approval is delayed, then the Committee would need time in the Legislative Session to introduce another budget balancing bill.

If CMS approval is received within the next 30 days, staff anticipates that SB 10-169 will have the following impacts:

- (a) FY 2009-10: \$41.4 million transfer from the Hospital Provider Fee Cash Fund to the Health Care Expansion Fund.
- (b) FY 2009-10: \$4.9 million transfer from the Hospital Provider Fee Cash Fund to offset General Fund expenditures (The total ARRA adjustment on the hospital provider fee estimated in this figure setting presentation is \$46.3 million. Senate Bill 10-169 requires that the \$41.4 million be used to repay the Health Care Expansion Fund for the HB 10-1320 transfer. Any funds in excess of that amount can be used to offset General Fund. This is an update to the fiscal note for SB 10-169 based on the recommendation contained in this presentation).
- (c) FY 2010-11: \$46.3 million offset to General Fund from the Hospital Provider Fee Cash Fund. (This is an update to the SB 10-169 fiscal note based on the US Senate passing an extension of ARRA to June 2011 and updated information contained in this presentation). Please note, this ARRA impact is from two line items (\$31.8

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million from the Medical Services Premiums line item and \$14.5 million from the Safety Net Provider Payment line item in the Indigent Care Division).

In conclusion, Table 10 shows staff's estimated impacts for HB 09-1293.

Table 10: FY 2009-10 Impact for HB 09-1293 if CMS approves waiver by at least May 5, 2010					
	Before ARRA	Deduct Non- ARRA Eligible Programs	ARRA BASE	ARRA Impact	Total Funds With ARRA Adjustment
Expansion of Parents from 60% FPL to 100% FPL (estimated caseload of 750)					
Hospital Provider Fee	\$846,000	(\$846,000)	\$0	\$0	\$846,000
Federal Funds	<u>845,999</u>	<u>(845,999)</u>	<u>0</u>	<u>0</u>	<u>845,999</u>
Total Funds	\$1,691,999	(\$1,691,999)	\$0	\$0	\$1,691,999
Hospital Reimbursement Increases (Medicaid Services Premiums Impact Only)					
Hospital Provider Fee	\$156,234,275	(\$18,993,114)	\$137,241,161	(\$31,812,501)	\$124,421,774
Federal Funds	<u>156,234,275</u>	<u>(18,993,114)</u>	<u>137,241,161</u>	<u>31,812,501</u>	<u>188,046,776</u>
Total Funds	\$312,468,550	(\$37,986,228)	\$274,482,322	\$0	\$312,468,550

FY 2010-11 -- Medical Services Premiums Division

Description: This portion of the figure setting packet explains staff's FY 2010-11 recommendation for the Medical Services Premiums line item.

This section of the write-up is organized as follows:

- (1) Table 1: Summary Budget Build Table for the Line Item
- (2) Table 2 & 3: Fund Source Recommendations with and without ARRA impacts
- (3) Discussion of Base Issues
- (4) Discussion of Caseload and Cost Estimates
- (5) Discussion of Policy Decisions (i.e. Base Reduction or Decision Items)
- (6) Discussion of Legislative Impacts

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TABLE 1: FY 2010-11 MEDICAL SERVICES PREMIUMS -- Budget Build

Incremental Budget Change Issue	Department Request		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 FINAL Request / LONG BILL Recommendation with ARRA Impact	\$775,305,478	\$2,564,473,196	\$772,270,455	\$2,554,267,209	(\$3,035,023)
Restore FY 2009-10 ARRA Adj.	261,001,530	0	261,136,092	0	134,562
Restore FY 2009-10 Payment Delay	47,596,547	100,973,406	26,673,825	60,808,400	(20,922,722)
Restore One-Time Fund Adj.	96,273,247	0	101,493,913	0	5,220,666
HB 09-1293 Anticipated Impacts	<u>0</u>	<u>343,000,769</u>	<u>0</u>	<u>343,411,768</u>	<u>\$0</u>
FY 2010-11 Base	\$1,180,176,802	\$3,008,447,371	\$1,161,574,285	\$2,958,487,377	(\$18,602,517)
Final Caseload and Cost Estimate	83,903,316	195,013,768	119,523,317	239,744,402	35,620,001
FY 2010-11 Base & Caseload Adj.	\$1,264,080,118	\$3,203,461,139	\$1,281,097,602	\$3,198,231,779	\$17,017,484
Evidence Guided Utilization Review	(463,274)	(1,064,912)	(463,274)	(1,064,912)	0
Coordinated Payment and Payment Reform	(1,558,547)	(3,582,587)	(1,558,547)	(3,582,587)	0
State Maximum Allowable Cost Rate Methodology	(528,725)	(1,057,450)	(528,725)	(1,057,450)	0
Medicaid Program Efficiencies	(5,048,579)	(10,097,162)	0	0	5,048,579
Medicaid Program Reductions	(11,491,334)	(22,417,560)	(8,730,023)	(19,608,027)	2,761,311
Enforcing Sponsorship Commitment	(128,775)	(257,550)	0	0	128,775
Accountable Care Collaborative	(1,293,178)	(2,634,565)	(178,175)	(356,349)	1,115,003
Implement Family Planning Waiver	<u>0</u>	<u>1,903,500</u>	<u>0</u>	<u>1,903,500</u>	<u>0</u>
FY 2010-11 FINAL Pre-ARRA Long Bill Request/Recommendation	\$1,243,567,706	\$3,164,252,853	\$1,269,638,858	\$3,174,465,954	\$26,071,152
ARRA Adjustment	<u>(293,988,127)</u>	<u>0</u>	<u>(288,379,542)</u>	<u>0</u>	<u>5,608,585</u>
FY 2010-11 FINAL LONG BILL with ARRA Adjustment	\$949,579,579	\$3,164,252,853	\$981,259,316	\$3,174,465,954	\$31,679,737

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TABLE 1: FY 2010-11 MEDICAL SERVICES PREMIUMS -- Budget Build

Incremental Budget Change Issue	Department Request		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
JBC Bill #1 -- Transfer Amendment 35 moneys to offset GF expenditures	(25,691,418)	0	(27,691,418)	0	(2,000,000)
JBC Bill #2: Nursing Facility Reimbursement Reduction	(12,981,822)	7,311,353	(8,211,333)	(6,234,689)	4,770,489
JBC Bill #3: Transfer Primary Care Fund to Maximize General Fund savings and Federal Funds	0	0	(14,000,000)	0	(14,000,000)
JBC Bill #4: Bill that would eliminate the one week payment shift in FY 2009-10 and thus, eliminate the need to annualize it in FY 2010-11	0	0	(14,679,220)	(43,121,235)	(14,679,220)
Bill Proposal to Permanently Delay 2 Weeks of Medicaid Payments Each Year	(33,630,451)	(92,004,803)	0	0	33,630,451
S.B. 09-169: Hospital Fee Cash Fund to Offset General Fund	(43,485,788)	0	(43,485,788)	0	0
FY 2009-10 FINAL REQUEST/ RECOMMENDATION With Legislation Recommended	\$833,790,100	\$3,079,559,403	\$873,191,557	\$3,125,110,030	\$39,401,457
			(\$33,630,451)	(\$92,004,803)	(\$33,630,451)
Contingency Plan -- Payment Delay Bill			\$839,561,106	\$3,033,105,227	\$5,771,006

Please note that all of the legislation in the above table have been adjusted for ARRA impacts.

The following table compares the Department's ARRA funding sources with the staff funding sources.

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Table 2: Fund Source Detail -- AFTER ARRA ADJUSTMENT (includes Legislation adjustments)						
Line Item Fund Split Detail By Fund Source	Current Appropriation (excluding HB 09-1293)	Department FY 2010-11 Request -- With ARRA Adj	Staff FY 2010-11 Rec. With ARRA Adj.	Difference Staff-Cur. App With ARRA Adj.	Difference Staff - Dept With ARRA Adj.	% Difference (Staff - Dept)
GF - General Fund	\$772,270,455	\$833,790,100	\$873,191,557	\$100,921,102	39,401,457	4.73%
CF - Certified Funds	26,304,060	13,348,299	12,637,553	(13,666,507)	(710,746)	(5.32)%
CF - Health Care Expansion Fund	104,542,778	74,694,597	68,693,319	(35,849,459)	(6,001,278)	(8.03)%
CF - Nursing Provider Fee	18,288,302	29,629,028	29,818,357	11,530,055	189,329	0.64%
CF - BCCT Program Fund	2,070,622	2,210,253	2,532,741	462,119	322,488	14.59%
CF - Autism Fund	602,941	574,355	645,147	42,206	70,792	12.33%
CF - Coordinated Care Fund	250,000	237,492	240,398	(9,602)	2,906	1.22%
CF - Pediatric Hospital Fund	10,013	0	0	(10,013)	0	??
CF -- Various CF Offset to GF	57,790,000	28,724,487	41,691,418	(16,098,582)	12,966,931	45.14%
CF -- Hospital Provider Fee	125,267,773	168,208,775	183,379,171	58,111,398	15,170,396	9.02%
RF - Transfer from DPHE BCCTP	889,389	1,136,521	1,117,500	228,111	(19,021)	(1.67)%
RF - Transfer from DPHE to offset GF	3,000,000	2,000,000	2,000,000	(1,000,000)	0	0.00%
FF - Federal Funds	1,757,141,424	<u>1,925,005,496</u>	<u>1,909,162,867</u>	<u>152,021,443</u>	<u>(15,842,629)</u>	<u>(0.82)%</u>
TOTAL FUNDS	\$2,868,427,757	\$3,079,559,403	\$3,125,110,028	\$256,682,271	\$45,550,625	1.48%

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FY 2010-11 Base Issues

Restore Prior Year ARRA Adjustment: This item is a technical adjustment. Staff is treating ARRA adjustments as one-time savings that must be restored in the next fiscal year's base. This allows the Committee to see the total impact of the enhanced federal match under ARRA in each fiscal year rather than the incremental change to ARRA adjustments.

Restore FY 2009-10 Payment Delay: The Department requests a base increase of \$101.0 million total funds (\$47.6 million General Fund) in order to pay the two weeks of payments in FY 2009-10 that were delayed until FY 2010-11 and to annualize the impact of delaying managed care organization (MCO) payments by one month in FY 2009-10. Please note, that only one week and the MCO payment delay is current law (S.B. 09-265). However, because the Department's FY 2009-10 request assumes two weeks of payment delays, their request annualizes the full impact that was requested in FY 2009-10. Please note that this increase would be offset by the Department's request to make the FY 2009-10 two week payment delay permanent. Therefore, in FY 2010-11 the last two weeks of payments would also be delayed. This issues is discussed in the policy adjustments.

Staff's recommendation includes an increase of \$60.8 million total funds (\$26.7 million General Fund) to annualize the current law requirements contained in S.B. 09-265. However, please note that staff recommends that the FY 2009-10 one week payment delay be eliminated (because this takes legislation it is not assumed in staff's base calculations for FY 2010-11). If the Committee accepts the staff recommendation to eliminate the one-week payment delay in FY 2009-10, then the cost to annualize S.B. 09-265 is decreased to only the MCO impact. Based on information in the Department's request, staff calculates the MCO impact as \$17.7 million total funds (\$7.8 million General Fund) to the Medical Services Premiums line item. The MCO impact is annualized because MCOs will only receive 11 payments in FY 2009-10 but will need to receive 12 payments in FY 2010-11.

Restore One-Time Funding Adjustments: The Department's request reflects an increase of \$96.3 million General Fund to restore funding that was offset by the one-time use of cash funds.

Staff recommends an increase of \$100.2 million General Fund based on the current actions that the General Assembly approved in the supplemental bills. Table 3 compares the Department's request and staff recommendation.

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Table 3: Restore General Fund for One-Time Cash Fund Offsets in FY 2009-10			
Funding Source	Department Request	Staff Recommendation	Comment
OAP Supplemental Medical Fund Offset	\$6,000,000	\$6,000,000	This transfer spent down most of the fund balance in this fund.
Amendment 35 revenues offset pursuant to SB 09-271, HB 10-1300, HB 10-1320, HB 10-1321, and HB 10-1323	42,410,013	95,493,913	These funds require an annual fiscal emergency declaration in order to offset General Fund.
Hospital Provider Fee Cash Fund Offset	45,225,217	0	The Committee voted to use \$41.4 million Health Care Expansion Fund (included above) to balance rather than this issue. However, if S.B. 10-169 is enacted, based on the Department's estimate, the Health Care the General Fund would receive an additional \$3.8 million in revenue in FY 2009-10 (if HB 09-1293's waiver is approved). Currently this impact is not included in budget balancing.
Primary and Preventative Care Fund Offsets	<u>2,638,017</u>	<u>0</u>	The Department's recommendation shows an offset to General Fund expenditures from the Primary and Preventative Care Fund. However, HB 10-1323 transferred this funding to the General Fund (rather use it to offset expenditures). Budget balancing already accounts for \$2.6 million from this fund in FY 2009-10.
Total	\$96,273,247	\$101,493,913	

HB 09-1293 Anticipated Impacts: The Department requests \$343.0 million total funds (\$171.5 million from the Hospital Provider Fee) for HB 09-1293 in FY 2010-11.

Staff recommends \$343.4 million total funds (\$171.7 million from the Hospital Provider Fee). Table 4 shows staff's estimated impacts for HB 09-1293.

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Table 4: FY 2010-11 Impact for HB 09-1293					
	Before ARRA	Deduct Non- ARRA Eligible Programs	ARRA BASE	ARRA Impact	Total Funds With ARRA Adjustment
Expansion of Parents from 60% FPL to 100% FPL (estimated caseload of 12,125)					
Hospital Provider Fee	\$15,471,609		\$15,471,609	\$0	\$15,471,609
Federal Funds	<u>15,471,609</u>		<u>15,471,609</u>	<u>0</u>	<u>15,471,609</u>
Total Funds	\$30,943,218	\$0	\$30,943,218	\$0	\$30,943,218
Hospital Reimbursement Increases (Medicaid Services Premiums Impact Only)					
Hospital Provider Fee	\$156,234,275	(\$18,993,114)	\$137,241,161	(\$31,812,501)	\$124,421,774
Federal Funds	<u>156,234,275</u>	<u>(18,993,114)</u>	<u>137,241,161</u>	<u>31,812,501</u>	<u>188,046,776</u>
Total Funds	\$312,468,550	(\$37,986,228)	\$274,482,322	\$0	\$312,468,550

FY 2010-11 Caseload Issues

Final Caseload and Cost Estimates: After the base is adjusted to annualize legislation and funding issues, the Department requests an increase of \$237.2 million total funds (\$121.95 million General Fund) for the Medicaid caseload and cost estimates before policy adjustments. With this increase, the Department is forecasting that the Medicaid program needs \$3.25 billion total funds (\$1.3 billion General Fund) in order to fund the programs projected caseload and cost growth.

Staff recommends a caseload base increase of \$239.7 million total funds (\$119 General fund) for the Medicaid caseload and cost estimates. With the staff recommendation, the Medicaid program is anticipated to need \$3.2 billion total funds (\$1.28 billion General Fund) before any policy adjustments. Table 5 compares the Department's request with the staff recommendation.

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Table 5: Department and Staff Final Cost Estimates Comparison FY 2010-11 CURRENT LAW REQUIREMENTS						
Medicaid Eligibility Category	Caseload			Costs		
	Department	Staff	Difference	Department	Staff	Difference
SSI 65+	39,162	38,978	(184)	\$866,180,111	\$856,480,319	(\$9,699,792)
SSI 60-64	7,424	7,171	(253)	142,071,262	135,973,776	(6,097,486)
SSI < 64*	54,344	54,103	(241)	884,041,694	875,824,537	(8,217,157)
LI Adults	66,076	66,766	690	287,822,499	295,614,441	7,791,942
E-LI Adults	31,632	32,597	965	94,761,430	91,084,358	(3,677,072)
Baby Care Adults	7,047	7,256	209	74,693,047	75,564,104	871,057
BCCTP Adults	471	473	2	11,058,060	11,662,125	604,065
Children	307,278	306,488	(790)	620,267,229	606,655,901	(13,611,328)
Foster Children	18,753	18,890	137	85,026,210	83,152,928	(1,873,282)
Non-Citizens	3,571	3,415	(156)	71,645,276	67,276,677	(4,368,599)
Partial Eligibles	<u>17,119</u>	<u>17,270</u>	<u>151</u>	<u>24,780,596</u>	<u>24,880,095</u>	<u>99,499</u>
Total	552,877	553,407	530	\$3,162,347,414	\$3,124,169,261	(\$38,178,153)
Bottom Line Financing				13,254,117	13,254,117	0
Add back in funding for the payment delay				100,973,406	60,808,401	(40,165,005)
Adjustment for policy issues that the Department included in their base funding but that staff moved to the policy adjustment section				<u>(73,113,798)</u>	<u>0</u>	<u>73,113,798</u>
Total Projection for FY 2010-11				\$3,203,461,139	\$3,198,231,779	(\$5,229,360)
Staff's Final FY 2009-10 Recommendation (excludes legislation but includes the conditional HB 09-1293 appropriation)				<u>2,868,427,758</u>	<u>2,868,427,758</u>	<u>0</u>
Caseload / Cost Request / Recommendation Supplemental				\$335,033,381	\$329,804,021	(\$5,229,360)
Percent Increase				11.68%	11.50%	

*Includes estimate for Fort Logan and Grand Junction placement reductions.

Table 6 below compares the Department request with the staff recommendation for service categories.

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Table 6: Comparison of Staff's March FY 2009-10 Forecast with the Department and Staff FY 2010-11 Forecasts					
	Current Appropriation Estimate	Department February Forecast	Staff's March Forecast	Staff Minus Department	Staff Minus FY 2009-10 Rec.
Acute Care Services	\$1,551,260,606	\$1,678,355,195	\$1,669,229,507	(\$9,125,688)	\$117,968,901
Community Care Services	299,861,663	322,262,890	320,134,741	(2,128,149)	20,273,078
Long-Term Care Services	609,250,608	650,828,020	643,789,281	(7,038,739)	34,538,673
Insurance Premiums	104,062,091	119,159,548	114,705,505	(4,454,043)	10,643,414
Administrative Services	30,135,325	48,740,991	32,898,460	(15,842,531)	2,763,135
Bottom-Line Financing	20,505,317	13,254,117	13,254,117	0	(7,251,200)
HB 09-1293	\$314,160,549	\$343,000,769	\$343,411,768	\$410,999	\$29,251,219
Subtotal	\$2,929,236,159	\$3,175,601,530	\$3,137,423,379	(\$38,178,151)	\$208,187,220
Payment Shift/Other	(60,808,401)	27,859,609	60,808,400	32,948,791	121,616,801
Total	\$2,868,427,758	\$3,203,461,139	\$3,198,231,779	(\$5,229,360)	\$329,804,021
Difference between Staff's recommendation and Department / Current Appropriation				(0.16)%	11.50%

Overall, the Department's request and the staff recommendation are very similar -- only a 0.16 percent difference total funds on a \$3.2 billion base. However, staff's recommendation is \$35.6 million General Fund higher than the Department's request.

Please note that in the table above, the Department's administrative service line item is significantly larger than the staff recommendation. There are two main reasons this occurs:

- (1) In order to tie to the Department's budget schedules, Table 6 shows the service costs as presented in the Department's request. However, in Table 1 (Budget Build Table for FY 2010-11) staff moved some expenditures from the Department's base request to the policy section or legislation section (such as the Accountable Care Collaborative issue). These issues are adjusted for in the "Payment Shift/Other" line above in order to tie to Table 1.
- (2) The Department's request indicates an expenditure of \$4.0 million for disease management. In FY 2009-10, the disease management programs were eliminated and

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the \$2.0 million transfer from the Department of Public Health and Environment is used to offset General Fund. Because staff viewed this as a permanent action, staff eliminates the disease management program from her base funding. The Department's request includes a fund offset adjustment for this action in their policy adjustments.

In conclusion, staff's FY 2010-11 recommendation is \$329.8 million or 11.5 percent higher than the FY 2009-10 final recommendation. However, if the impacts of HB 09-1293 and SB 09-265 are excluded, staff's recommendation is \$178.9 million (6.24 percent) higher than the FY 2009-10 recommendation.

FY 2010-11 Policy Adjustments

Evidence Guided Utilization Review: The Department requests a reduction of \$1.1 million total funds (\$463,274 General Fund) due to projected savings from enhancing the utilization review contracts. These savings are partially offset by increased administrative costs in the Executive Director's Division. Table 7 shows the full impact anticipated from this policy adjustment.

Table 7: Total Evidence Guided Utilization Review Costs				
	General Fund	Cash Funds	Federal Funds	Total Funds
Medical Services Premiums	(\$463,274)	(\$69,183)	(\$532,455)	(\$1,064,912)
EDO, Utilization and Quality Review Contracts	250,000	0	750,000	1,000,000
EDO, Information Technology Contracts	<u>78,498</u>	<u>0</u>	<u>235,494</u>	<u>313,992</u>
Total Pre-ARRA Adjustment Impact	(\$134,776)	(\$69,183)	\$453,039	\$249,080

Staff recommends the Department's request. Following is a discussion of the cost savings anticipated in the Medical Services Premiums line item. The administrative costs are discussed in the Executive Director Office section.

The savings result from the Department's request that the new contract for utilization review focus immediately on two cost drivers to target unnecessary claims: (1) "outlier" days, and (2) frequent utilizers of emergency departments.

- (1) *Outlier Days:* The Department currently pays hospitals based on diagnosis related groups (DRGs) that are calculated based on the average costs and length of state for a particular diagnosis. If a patient exceeds the average length of state, then the Department begins to pay

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on "outlier" days. Under this proposal the Department would review outlier expenditures for the following categories: (1) maternity claims without complications, claims for low-birth weight neonatal clients; and, claims for other hospital claims without complication. These claims cost the Department \$3.6 million in FY 2008-09. The Department believes that with proper discharge planning and case management, the cost for these claims could be reduced by \$360,300 total funds.

- (2) *Frequent Emergency Department Utilization Review:* The Department has identified that clients who visit the emergency department (ED) 6 or more times a year are only 3.3 percent of the total clients seeking ED care, but account for 18.6 percent of the Department's total ED expenditures. The Department would use their increased utilization review contract to reduce unnecessary ED visits by performing case management and client and provider outreach to ensure that clients with underlying chronic medical conditions are seen in more appropriate primary care settings. The Department estimates that this increased focus on avoidable ED visits could generate savings of \$671,039 in FY 2010-11.

Coordinated Payment and Payment Reform: The Department requests a reduction of \$3.6 million total funds (\$1.6 million General Fund) that would result from implementing several payment reform initiatives. These savings are partially offset by increased administrative costs in the Executive Director's Division. Table 8 below shows the full impact anticipated from this policy adjustment.

Table 8: Total Coordinated Payment and Payment Reform Initiatives				
	General Fund	Cash Funds	Federal Funds	Total Funds
Medical Services Premiums	(\$1,558,547)	(\$232,747)	(\$1,791,293)	(\$3,582,587)
EDO, Personal Services (0.9 FTE)	24,350	0	24,349	48,699
EDO, Operating Expenses	2,810	0	2,810	5,620
EDO, Professional Services and Special Projects	78,500	0	78,500	157,000
EDO, Information Technology Contracts	11,466	0	34,398	45,864
OMS, MMA State Contribution Payment	<u>792,720</u>	<u>0</u>	<u>0</u>	<u>792,720</u>
Total Pre-ARRA Adjustment Impact	(\$648,701)	(\$232,747)	(\$1,651,236)	(\$2,532,684)

Staff recommends the Department's request. Following is a discussion of the cost savings anticipated in the Medical Services Premiums line item. The administrative costs and impact to the MMA State Contribution Payment are discussed in the Executive Director Office section.

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The savings to the Medical Services Premiums line item from this initiative result from the following:

- (1) *Consolidation of Payment and Billing processes (FQHCs and BHOs):* The Department anticipates saving \$16,711 total funds (\$7,270 General Fund) by streamlining the process of making payments for mental health services provided by Federally Qualified Health Centers (FQHCs). Federally Qualified Health Centers receive reimbursement for clients with a mental health diagnosis code that is covered under the Behavioral Health Organization. The Department is seeking system changes in order to reduce the volume of claims for BHO covered diagnosis that are billed by the FQHCs. In FY 2008-09, the Department reimbursed \$586,376 for these claims. With the system changes, the Department anticipates reducing the amount of claims by 5.0 percent annually.
- (2) *Auditor for Nursing Facilities Section:* The Department anticipates saving \$360,000 total funds (\$156,612 General Fund) by hiring one more FTE in the Nursing Facilities Section for in-house audit activities. The Department anticipates that this auditor will be able to perform 12 audits annually at an average cost savings of \$30,000 per audit.
- (3) *Increased enrollment of Medicare-eligible clients into Medicare:* The Department anticipates saving \$3.2 million total funds (\$1.4 million General Fund) by hiring a contractor to review all clients who are 65 and older but are not enrolled in Medicare or are not accurately categorized as Medicare clients in the system.

Expansion of State Maximum Allowable Cost Pharmacy Rate Methodology: The Department requests a reduction of \$1.1 million total funds (\$528,725 General Fund) that would result from increasing the number of drugs included in the State Maximum Allowable Cost (State MAC) pharmacy reimbursement schedule. These savings are partially offset by increased administrative costs in the Executive Director's Division. Table 9 below shows the full impact anticipated from this policy adjustment.

Table 9: Total State Maximum Allowable Cost Pharmacy Rate Methodology			
	General Fund	Federal Funds	Total Funds
Medical Services Premiums	(\$528,725)	(\$528,725)	(\$1,057,450)
EDO, Information Technology Contracts	<u>24,192</u>	<u>72,576</u>	<u>96,768</u>
Total Pre-ARRA Adjustment Impact	(\$504,533)	(\$456,149)	(\$960,682)

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Staff recommends the Department's request. Last year the Committee approved the use of a State MAC reimbursement methodology. The Department's request merely expands the existing program approved last year.

Under the State MAC program, pharmacy reimbursement is determined as the average acquisition cost plus 18 percent. The markup serves to ensure that pharmacies are not reimbursed below acquisition costs and to create incentives for greater pharmacy participation in the Medicaid program. When implementing the State MAC, the Department identified 502 drugs that had the potential of lowering reimbursements if included in the State MAC program. However, not all of the drugs are suitable for the State MAC program (due to a number of factors that could include availability of manufacturers, cost of the drug to retailers, volume of Medicaid client utilization, etc.). After taking these factors into consideration, the Department estimated that 60 percent of these drugs were suitable for inclusion in the State MAC program. Because some of these drugs were included in the cost savings for last year's decision item, the Department deducted those savings from the estimated savings that would occur if the program was expanded (last year's program assumed only 97 drugs would be included). After excluding these drugs, 243 drugs may be suitable for the State MAC program. The total estimated savings for expanding the program is estimated at \$1.1 million total funds in FY 2010-11 in the Medical Services Premiums line item. These savings are partially offset by first year system changes costs of \$96,768.

Medicaid Program Efficiencies: The Department requests a reduction of \$10.1 million total funds (\$5.0 million General Fund) that would result from changing current billing practices for home health providers to one half hour increments. Under the Department's proposed rule, the Department would require providers to only bill for the time spent rendering service to a client. Table 10 below shows the full impact anticipated from this policy adjustment.

Table 10: Medicaid Program Efficiencies			
	General Fund	Federal Funds	Total Funds
Medical Services Premiums	(\$5,048,579)	(\$5,048,579)	(\$10,097,158)

Staff DOES NOT recommend the Department's request. In FY 2008-09, the total expenditures on home health were \$147.3 million. By FY 2010-11, home health services rate cuts will have been reduced by 5.5 percent compared to their FY 2008-09 rates (similar to most other Medicaid providers). The Department's proposal would further reduce reimbursement to skilled services (nursing, physical therapy, occupational therapy, speech and language, and nursing visit for

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assessment and teaching) by an estimated 20 percent. Staff does not believe this reduction could be absorbed by the home health agencies.

In FY 2011-12, further budget reductions will be necessary. The Department has a legitimate concern regarding whether the services the State is billed for are actually provided to the client. While staff does not recommend this reduction for FY 2010-11, staff believes it is appropriate for the Department to consider other ways to reform billing practices. Therefore, staff encourages the Department to work with the industry to develop a billing reform proposal to present to the Committee in November 2010.

Medicaid Program Reductions: The Department requests a reduction of \$31.1 million total funds (\$28.1 million General Fund) for various Medicaid program reductions, including another 1.0 percent provider rate reduction beginning in July 2010.

Staff recommends a reduction of \$19.6 million total funds (\$8.7 million General Fund) for these reductions. The table below compares the Department's request with the staff recommendation.

Table 11: Medicaid Program Reductions	Department Request	Staff Recommendation	Difference (staff-dept)
Provider Rate Reductions	(\$16,666,852)	(\$17,274,357)	(\$607,505)
Reduction to Mid-Level practitioner Rates	(1,417,613)	0	1,417,613
Restrictions to Durable Medical Equipment	(2,333,095)	(2,333,095)	0
Eliminate the Disease Management Program and refinance the General Fund with the DM funding	<u>(2,000,000)</u>	<u>0</u>	<u>2,000,000</u>
Total Funds	(\$22,417,560)	(\$19,607,452)	\$2,810,108
General Fund	(11,491,334)	(8,730,023)	2,761,311
Cash Funds	(712,847)	(1,049,278)	(336,431)
Reappropriated Funds	0	(9,518)	(9,518)
Federal Funds	<u>(10,213,379)</u>	<u>(9,819,207)</u>	<u>394,172</u>
Total Funds	(\$22,417,560)	(\$19,608,026)	\$2,809,534

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Provider Rate Reductions: The Department requests and staff recommends a 1.0 percent provider rate reduction. The difference between the Department's calculation and the staff is related to the slightly different base for applying the reduction.

Reduction to Mid-Level Practitioner Rates: The Department requests that mid-level practitioner's be reimbursed at lower rates than physicians when providing the same service. Staff does not recommend this request.

Restrictions to Durable Medical Equipment: The Department requests restrictions on certain optional durable medical equipment. In particular, the Department requests a 210-unit limit on incontinence products (down from the current limit of 240), and eliminate coverage of oral nutritional products for adults 21 years and older, with some exceptions. Staff recommends the Department's request.

Eliminate the Disease Management Program and refinance the General Fund with the DM funding: This action was taken in FY 2009-10. As explained earlier, staff did not restore this reduction but left it in the base as a permanent reduction.

Enforcing Sponsorship Commitment: The Department requests a reduction of \$257,550 total funds (\$128,775 General Fund) for savings associated with 108 clients losing Medicaid eligibility if sponsor income is considered when determining eligibility for the Old Age Pension Program.

Staff DOES NOT recommend this request. House Bill 10-1353 (a JBC Bill) delays the enforcement of the sponsorship income requirement if the American Recovery and Reinvestment Act (ARRA) enhanced federal match is extended to June 30, 2010. Staff anticipates that this extension will be enacted into law (the US Senate passed the extension on March 10, 2010 and the House should take up the bill shortly).

Accountable Care Collaborative: The Department requests a reduction of \$2.6 million total funds (\$1.3 million General Fund) to begin the Accountable Care Collaborative pilot program beginning in November 2010. This is a delay from the original start date of July 2010 that was anticipated during last year's budget deliberations. Under the Department's proposal, 60,000 clients would be enrolled in a managed care pilot program. Under this program, the Department would contract with five Regional Care Collaboration Organization (RCCOs) in order to provide enhanced Primary Care Case Management services (ePCCM) for non-dual eligible (non-Medicare) clients.

The Department anticipates paying \$3.3 million total funds in administrative costs associated with case management activities and incentive payments. The Department anticipates that these administrative payments will be offset by an 8.0 percent per capita savings. Based on a phased in enrollment period, the Department anticipates savings of \$6.0 million total funds in FY 2010-11.

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Therefore, the net savings for the Medical Services Premiums line item is anticipated to be \$2.6 million total funds in FY 2010-11. These savings are further offset by other internal administrative costs to the Department in FY 2010-11. Table 12 below shows the full impact anticipated from this policy adjustment.

Table 12: Accountable Care Collaborative -- Department's Total Request				
	General Fund	Cash Funds	Federal Funds	Total Funds
Medical Services Premiums, Administrative Costs (case management PMPMs)	\$1,670,566	\$0	\$1,670,566	\$3,341,132
Medical Services Premiums, per capita cost savings	<u>(2,963,744)</u>	<u>(24,104)</u>	<u>(2,987,849)</u>	<u>(5,975,697)</u>
Subtotal MSP line item	(\$1,293,178)	(\$24,104)	(\$1,317,283)	(\$2,634,565)
EDO various line items	<u>416,622</u>	<u>0</u>	<u>673,125</u>	<u>1,089,747</u>
Total Pre-ARRA Adjustment Impact	(\$876,556)	(\$24,104)	(\$644,158)	(\$1,544,818)

Staff recommends a modified schedule from the Department's request. Staff is aware of concern in the provider community on how this pilot program would interact with other managed care programs including: (1) the medical home initiative, (2) the Colorado Regional Integrated Care Collaborative (CRICC), (3) Coordinated Care for People with Disabilities, and (4) existing at risk-capitation managed care contracts. Staff is also concerned about the saving anticipated. The Department believes that case management will save 8.0 percent on the per capita costs for each client enrolled in the program. Staff believes that this cost savings estimate is optimistic for the entire enrollment (while some clients may have their individual costs reduced, the aggregate savings on the entire population may be smaller). Staff is also concerned on how these savings would interact with other cost saving initiatives in the budget -- i.e. increasing the acute care utilization contract may already achieve some of the cost savings anticipated for the ACO pilot program by reducing avoidable emergency room visits.

Because there is potential that cost savings could occur with the right program design, staff recommends the concept but with a delayed start date of March 2011. This will give the new Administration and Committee time to reevaluate the pilot to ensure that the cost saving projections are realistic and achievable. If this can be demonstrated, the contracts could begin in enough time to ensure that there are some cost savings from the pilot beginning in FY 2011-12 (when savings are

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going to be needed). Table 13 below shows staff's recommended impact for this decision item (based on the Department's estimates with a delayed scheduled).

Table 13: Accountable Care Collaborative -- Staff's Recommendation for Medical Service Premiums				
	Caseload	Administrative Payments	Estimated Savings	Total Impact
March 2011	2,000	\$33,900	(\$52,501)	(\$18,601)
April 2011	5,880	99,667	(154,480)	(54,813)
May 2011	11,527	195,383	(302,798)	(107,415)
June 2011	<u>18,835</u>	<u>319,253</u>	<u>(494,773)</u>	<u>(175,520)</u>
Average / Total	9,561	\$648,203	(\$1,004,552)	(\$356,349)
General Fund				(\$178,175)
Federal Funds				(\$178,176)

Implement Family Planning Waiver: The Department requests an increase of \$1.9 million total funds (\$190,350 in reappropriated funds from a transfer of General Fund from the Department of Public Health and Environment) in order to implement a family planning waiver for individual up to 200 percent of the federal poverty level. By transferring the \$190,350 in General Fund from a state-only family planning program in the Department of Public Health and Environment to the Department of Health Care Policy and Financing, the state can draw down a 90 percent federal match for these dollars. The Department's request implements SB 08-003.

Staff recommends the Department's request. Currently, the Department of Public Health and Environment serves about 50,000 clients in its Family Planning Programs with a \$1.2 General Fund appropriation. By transferring \$190,350 of this funding to the Department of Health Care Policy and Financing, an additional \$1.7 million in federal funds can be leveraged for family planning services for individuals up to 200 percent FPL. According to the original fiscal note for SB 08-003, the type of services funded include: patient counseling and education, examination and treatment by medical professionals, laboratory tests, contraception, and infertility services.

Legislation Recommended:

JBC Bill #1: Transfer Amendment 35 moneys to offset General Fund expenditures in the Medical Services Premium line item: The Department requests that \$25.7 million in Amendment 35 tobacco taxes be used to offset General Fund expenditures in the Medical Services Premiums line item. This

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request is conditional on the General Assembly passing SJR 10-010, declaring a fiscal emergency in FY 2010-11.

Staff recommends a transfer of \$27.7 million from Amendment 35 tobacco taxes for this legislation (staff also recommends additional funds in a separate bill below). Table 14 below shows the funds that would be used to offset General Fund expenditures.

Table 14: Tobacco Taxes used to offset General Fund in FY 2010-11			
Funding Source	Department Request	Staff Recommendation	Comment
OAP Supplemental Medical Fund Offset	\$0	\$2,000,000	See OAP Medical program for explanation.
Tobacco Education Programs	15,521,625	15,521,625	See DPHE figure setting for explanation.
Prevention, Early Detection, and Treatment Fund	5,679,358	5,679,358	See DPHE figure setting for explanation.
Health Disparities Grant Program	4,490,435	<u>4,490,435</u>	See DPHE figure setting for explanation.
Total	\$25,691,418	\$27,691,418	

JBC Bill #2: Nursing Facility Reimbursement Reduction: The Department requests a reduction of \$7.3 million total funds (\$13.0 million General Fund) by reducing nursing facility rates or reimbursement. The Department's request has two components:

- (1) \$5.7 million total funds (\$2.2 million General Fund) to implement a 1.0 percent provider fee reduction.
- (2) \$0.0 million total funds (\$10.8 million General Fund) to implement a zero percent cap on General Fund growth for the nursing facility expenditures.

Staff recommends the 1.0 percent nursing facility per diem rate reduction in FY 2010-11. Also recommends that the General Fund growth be capped at 1.9 percent in FY 2010-11. Staff's 1.9 percent General Fund growth assumes that the nursing facility provider fee is not used to back fill the total 2.5 percent provider rate cut taken in FY 2010-11 (this includes the 1.5 rate reduction enacted in HB 10-1324). By not backing filling the per diem cuts, staff estimates that the overall provider fee

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will not exceed the statutory cap of \$7.50. The following tables show staff's estimated impact for this legislation.

Table 15 -- Impact of Per Diem Rate Reduction (does not include 1.5 percent already approved and in the base).				
	General Fund	Cash Funds	Federal Funds	Total Funds
Class 1 Nursing Facilities	(\$2,099,507)	\$0	(\$3,366,535)	(\$5,466,042)
Class 2 Nursing Facilities	(\$8,809)	\$0	(\$14,125)	(\$22,934)
PACE	<u>(\$296,674)</u>	<u>\$0</u>	<u>(\$449,039)</u>	<u>(\$745,713)</u>
Total	(\$2,404,990)	\$0	(\$3,829,699)	(\$6,234,689)

Table 16 -- Impact of General Fund Cap Reduction (assuming no back fill of rate reductions with the provider fee)			
	Current Law	Proposal	
General Fund Cap	5.00%	1.90%	
Change in Provider Fee	\$5.27	\$7.50	\$7.50 is the statutory cap on the fee
Savings to the General Fund (ARRA adj)	(\$10,797,383)	(\$16,603,726)	(\$5,806,343)
Cost to the Nursing Facility Cash Fund	<u>\$10,797,383</u>	<u>\$16,603,726</u>	<u>\$5,806,343</u>
	\$0	\$0	\$0

Table 17 -- Total Impact to Staff Recommendation				
	General Fund	Cash Funds	Federal Funds	Total Funds
Class 1 Nursing Facilities	(\$7,905,850)	\$5,806,343	(\$3,366,535)	(\$5,466,042)
Class 2 Nursing Facilities	(\$8,809)	\$0	(\$14,125)	(\$22,934)
PACE	<u>(\$296,674)</u>	<u>\$0</u>	<u>(\$449,039)</u>	<u>(\$745,713)</u>
Total	(\$8,211,333)	\$5,806,343	(\$3,829,699)	(\$6,234,689)

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JBC Bill #3: *Transfer Primary Care Fund to Maximize General Fund Savings and Federal Funds:* Staff recommends that the Committee sponsor a bill that would authorize the following uses of the Primary Care Fund (another Amendment 35 Tobacco Tax fund) in FY 2010-11:

- (1) Would appropriate \$11.3 million to the Colorado Health Care Services Fund. Because this fund expires in FY 2010-11, the bill would reauthorize the fund.
- (2) Specify the distribution of funds from the Colorado Health Care Services Fund in order to mitigate the loss of the Primary Care Fund and to maximize the draw down of federal funds.
- (3) Transfer \$3.0 million to the Primary Care Special Distribution Fund to mitigate losses for clinics that don't participate in the Health Care Services Fund distribution but normally receive a distribution from the Primary Care Fund.
- (4) Use \$14.0 million to offset General Fund expenditures in the Medical Services Premiums line item.

JBC Bill #4: *Bill to eliminate the one week payment shift in FY 2009-10 in S.B. 09-265:* Staff recommends eliminating the FY 2009-10 one week payment delay in SB 09-265 if the Committee can balance FY 2009-10 without it. By doing this, the Committee would avoid making payments for the prior year expenditures of \$43.1 million total funds (\$18.9 million General Fund) in FY 2010-11.

Bill Proposal to Permanently Delay Two Weeks of Medicaid Payments Each Year: The Department requests the Committee sponsor a bill to delay two weeks of Medicaid payments every year for cost savings of \$118.2 million total funds (\$43.3 million General Fund after ARRA impacts are included).

Staff does not recommend this bill if it can be avoided.

If these payments are pushed from June 2010 to July 2010, then the General Fund will pay \$13.0 million more in FY 2011-12 for these claims than if they were paid in FY 2010-11. FY 2011-12 is going to be a very difficult budget year. If payment delays are necessary, it may be better to do them in FY 2011-12 when the impacts of ARRA and other one-time funding has been exhausted (rather than multiple one-time funding issues in one year).

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(3) Medicaid Mental Health Community Programs

This division provides mental health services to eligible Medicaid clients through contracts with five regional behavioral health organizations (BHOs). The BHO contracts are based on a capitated, risk-based model. The division also contains funding for Medicaid mental health fee-for-service programs for those mental health services not covered within the capitation contracts and rates.

Historical Summary

By Line Item TOTAL FUNDS	FY 2008-09 Actual	FY 2009-10 App.	FY 2010-11 Dept. Req.	FY 2010-11 Staff Rec. Long Bill
Mental Health Capitation for Eligible Medicaid Clients	\$215,860,937	\$208,839,115	\$242,183,892	\$247,616,459
Mental Health Capitation HB 09-1293	0	614,306	0	0
Mental Health Fee for Service Payments	1,776,253	2,537,069	2,954,323	2,965,758
Total	\$217,637,190	\$211,990,490	\$245,138,215	\$250,582,217
General Fund	87,500,300	97,037,189	83,441,972	87,070,305
Cash Funds	5,219,083	8,933,193	8,276,734	9,555,600
CFE/Reappropriated Funds	7,330	10,248	13,319	12,046
Federal Funds	124,910,477	106,009,860	153,406,190	153,944,266

FY 2009-10 Late Supplementals (Excluding ARRA issue) -- Long Bill Add-Ons

The following table summarizes the supplemental appropriations contained in this division that staff recommends be included as Long Bill Supplemental Add-Ons.

Table 2: FY 2009-10 Late Supplementals Recommended for this Division			
FY 2009-10 Supplementals*	FY 2009-10 Appropriation**	FY 2009-10 Staff Recommendation	Difference
Mental Health Capitation	208,839,115	204,600,843	(4,238,272)
HB 09-1293 Mental Health Capitation	614,306	174,358	(439,948)
Medicaid Mental Health Fee for Service	2,537,069	2,607,068	69,999

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Table 2: FY 2009-10 Late Supplementals Recommended for this Division			
FY 2009-10 Supplementals*	FY 2009-10 Appropriation**	FY 2009-10 Staff Recommendation	Difference
Total	<u>\$211,990,490</u>	<u>\$207,382,269</u>	<u>(\$4,608,221)</u>
General Fund	97,037,189	73,079,271	(23,957,918)
Cash Funds	8,933,193	6,853,320	(2,079,873)
Reappropriated Funds	10,248	9,928	(320)
Federal Funds	106,009,860	127,709,750	21,699,890

Summary of Special Legislation Recommended for this Division

None.

American Recovery and Reinvestment Act (ARRA) Impacts

This subdivision has line items that will receive enhanced federal match under the American Recovery and Reinvestment Act (ARRA) of 2009. Table 3 below shows the total estimated ARRA impact for this division. See the line item detail for specific ARRA calculations for each line item.

Table 3: ARRA Appropriations Impacts for Supplemental and Long Bill		
ICP Division ARRA Impacts*	FY 2009-10** ARRA Appropriation Savings	FY 2010-11 ARRA Appropriation Savings
Total	<u>\$0</u>	<u>\$0</u>
General Fund	(22,051,257)	(26,272,969)
Cash Funds	(1,953,199)	(2,360,807)
Federal Funds	24,004,456	28,633,776

*Includes only the ARRA impacts that will be appropriated in the Long Bill. Recommended legislation for FY 2010-11 will include the ARRA impacts. **Assumes current law -- only six months of ARRA in FY 2010-11.**

**Includes supplemental appropriations recommended in this figure setting packet.

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Line Item Detail

Mental Health Capitation Payments:

Line Item Description: The Mental Health Capitation Payments line item contains all of the capitated payments paid to the five Behavioral Health Organizations on behalf of the eligible Medicaid clients. The behavioral health organizations are responsible for providing or arranging all medically necessary mental health services to Medicaid-eligible clients within a specific geographic locations for a contracted capitation rate. Per federal regulation and state law, capitation rates paid to BHOs must be actuarially sound. Capitation rates vary across behavioral health organizations based on cost and utilization, as well as eligibility categories.

This line item is partially impacted by ARRA. Payments made on behalf of Breast and Cervical Cancer Treatment Patients do not receive the enhanced ARRA match (this program is already at an enhanced federal match of 65 percent).

TABLE 1: Mental Health Capitation Budget Build

Incremental Budget Change Issue	Department Request		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$98,231,378	\$213,372,859	\$98,231,378	\$213,372,859	\$0
HB 10-1300 (HCPF Supplemental)	(2,462,724)	(4,533,744)	(2,462,724)	(4,533,744)	0
Caseload Adjustments	(556,727)	(3,734,050)	(1,941,660)	(4,238,272)	(1,384,933)
ARRA Adjustment	<u>(22,070,125)</u>	<u>0</u>	<u>(21,749,098)</u>	<u>0</u>	<u>321,027</u>
FY 2009-10 Revised Appropriation*	\$73,141,802	\$205,105,065	\$72,077,896	\$204,600,843	\$0
Restore One-Time ARRA Adjustment	22,070,125	0	21,749,098	0	(321,027)
Annualize HB 09-1293	0	3,348,416	0	3,416,164	0
Annualize SB 09-265	8,670,916	18,599,134	8,715,936	18,976,806	45,020
Annualize Fort Logan Placements	<u>291,210</u>	<u>582,419</u>	<u>291,210</u>	<u>582,419</u>	<u>0</u>
FY 2010-11 BASE Funding	\$104,174,053	\$227,635,034	\$102,834,140	\$227,576,232	(\$1,339,913)
Caseload and Cost Adjustments (DI #2/BA #2 adjusted by BRI #5, BA #22)	8,235,620	18,679,657	10,020,297	22,210,582	1,784,677

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TABLE 1: Mental Health Capitation Budget Build					
Incremental Budget Change Issue	Department Request		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2010-11 BASE + Caseload Changes	\$112,409,673	\$246,314,691	\$112,854,437	\$249,786,814	\$444,764
Medicaid Program Reductions (BRI #6)	(1,852,307)	(4,122,811)	0	0	1,852,307
Benefit Changes	0	0	(994,042)	(2,170,355)	(994,042)
Enforcing Sponsorship Commitment (NP #3)	<u>(3,994)</u>	<u>(7,988)</u>	<u>0</u>	<u>0</u>	<u>3,994</u>
FY 2010-11 Request/Recommendation LONG BILL	\$110,553,372	\$242,183,892	\$111,860,395	\$247,616,459	\$1,307,023

*Does not include conditional appropriation.

Fund Source

Table 2: Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	110,553,372	111,860,395	1,307,023	1.18%
CF - Breast and Cervical Cancer Treatment Fund	31,356	33,174	1,818	5.80%
CF - Health Care Expansion Fund	9,066,461	10,184,671	1,118,210	12.33%
CF - Hospital Provider Fee	1,471,167	1,698,562	227,395	15.46%
RF - DPHE Transfer for BCCT Program	13,319	12,046	(1,273)	(9.56)%
Federal Funds	121,048,217	123,827,611	2,779,394	2.30%
TOTAL FUNDS -- Pre-ARRA	242,183,892	247,616,459	5,432,567	2.24%
General Fund	84,927,100	85,931,156	1,004,056	1.18%
CF - Breast and Cervical Cancer Treatment Fund	31,356	33,174	1,818	5.80%
CF - Health Care Expansion Fund	7,481,630	7,823,864	342,234	4.57%
CF - Hospital Provider Fee	1,471,167	1,698,562	227,395	15.46%

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Table 2: Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
RF - DPHE Transfer for BCCT Program	13,319	12,046	(1,273)	(9.56)%
Federal Funds	148,259,320	152,117,656	3,858,336	2.60%
ARRA Adjusted TOTAL FUNDS	\$242,183,892	\$247,616,458	\$5,432,566	2.24%

Issue Detail

FY 2009-10

LONG BILL SUPPLEMENTAL:

Caseload Adjustments: The Department requests a reduction of \$3.7 million total funds (\$556,727 General Fund) for modifications to the caseload and cost estimates contained in HB 10-1300 (HCPF Supplemental Bill). Staff recommends a reduction of \$4.5 million total funds (\$1.9 million General Fund) for this issue. The updated cost estimates include the rate adjustments that were applied to three BHOs in January 2010. Staff's January 2010 estimate did not reflect this updated information. Staff's recommendation also has a slightly higher reduction than the Department's final estimate because of a slightly lower caseload forecast (see Medical Services Premiums line item for explanation of Medicaid Caseload).

Please note that the budget summary table does not include the FY 2009-10 impacts for HB 09-1293. These impacts are conditional on the Centers of Medicare and Medicaid Services (CMS) approving the hospital provider fee waiver by April 1, 2010. If the waiver is approved, staff recommends the Department's estimate that 750 newly eligible adults receive mental health funding. Before the payment shift (S.B. 09-265), the funding needed for this population is \$190,209 (\$95,104 from the hospital provider fee). After the payment shift, the funding needed for this population is \$174,358 (\$87,179 hospital provider fee). Staff recommends that the appropriation clause for HB 09-1293 be adjusted to reflect this lower cost estimate. Please note that this population does not receive the enhanced ARRA federal match because ARRA excludes any eligibility expansions that occurred after July 1, 2008 from the enhanced match.

ARRA Adjustment: The Department requests that ARRA be appropriated in the Long Bill. Staff recommends this request. Table 3 compares the FY 2009-10 ARRA adjustments for the Department's total request and staff recommendation.

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Table 4: Line Item Fund Split Detail By Fund Source	Department FY 2009-10 Request*	Staff FY 2009-10 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	95,211,927	93,826,994	(1,384,933)	(1.45)%
CF - Health Care Expansion Fund	7,293,794	8,426,227	1,132,433	15.53%
CF - Breast and Cervical Cancer Treatment Fund	22,538	23,113	575	2.55%
RF - DPHE BCCT Program Funding	10,232	9,928	(304)	(2.97)%
Federal Funds	102,566,574	102,314,581	(251,993)	(0.25)%
TOTAL FUNDS -- Pre-ARRA	205,105,065	204,600,843	(504,222)	(0.25)%
General Fund	73,141,802	72,077,896	(1,063,906)	(1.45)%
CF - Health Care Expansion Fund	5,603,090	6,473,028	869,938	15.53%
CF - Breast and Cervical Cancer Treatment Fund	22,538	23,113	575	2.55%
RF - DPHE BCCT Program Funding	10,232	9,928	(304)	(2.97)%
Federal Funds	126,327,403	126,016,878	(310,525)	(0.25)%
ARRA Adjusted TOTAL FUNDS	\$205,105,065	\$204,600,843	(\$504,222)	(0.25)%

FY 2010-11 Base Adjustments

Annualize ARRA: This purely a technical adjustment. Staff treats ARRA as a one-time funding issue in each year. Therefore, the previous year's ARRA adjustment is added back into the base for the next year. This allows the General Assembly to see the full impact of the ARRA adjustments rather than just the incremental change.

Annualize HB 09-1293: The Department requests an increase of \$3.3 million total funds and staff recommends \$3.4 million total funds to pay the increased costs for expanding Medicaid eligibility from 60 percent of FPL to 100 percent FPL for parents of eligible children. Staff's estimate is slightly higher than the Department's request due to slightly higher per capita estimates. Staff recommends the Department's caseload estimate of 12,255 new eligibles.

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Table 5: HB 09-1293 Costs	Department FY 2009-10 Request*	Staff FY 2009-10 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF - Hospital Provider Fee	1,674,208	1,708,082	33,874	2.02%
Federal Funds	<u>1,674,208</u>	<u>1,708,082</u>	<u>33,874</u>	<u>2.02%</u>
Total Funds	3,348,416	3,416,164	67,748	4.05%

Annualize SB 09-265: The Department requests an increase of \$18.6 million total funds (\$8.7 million General Fund) to restore the one-time funding reduction due to moving capitation payments to the 1st of the month after the client has enrolled in the program. Staff's recommendation is \$18.9 million total funds (\$8.7 million General Fund). Unlike fee-for-service Medicaid providers, managed care providers are paid a capitated amount for each enrollee in their plan. The capitation payments are made monthly, not weekly. Pursuant to SB 09-265, the BHOs will only receive 11 monthly payments in FY 2009-10 as the June 2010 payment will be delayed until July 2010 due to the payment methodology shift. However, in FY 2010-11 the BHOs will once again receive 12 monthly payments.

Annualize Fort Logan Placements: In HB 10-1300 (HCPF Supplemental Bill) the Committee approved an increase of \$582,419 total funds (\$291,210 General Fund) for additional costs to the BHOs due to serving clients in the community that were previously served at Fort Logan. This issue annualizes the impact from a six month impact in FY 2009-10 to a full year impact in FY 2010-11.

FY 2010-11 Caseload Adjustments

The Department requests an increase of \$18.7 million total funds (\$8.2 million General Fund) to fund the program's forecasted caseload and costs in FY 2010-11 after all annualization of prior year legislation and budget actions are included.

Staff recommends an increase of \$23.0 million total funds (\$10.4 million General Fund) for caseload and cost estimates above those needed to annualize prior year budget actions or legislation. Table 6 compares the Department's request with the staff recommendation.

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Table 6: FY 2010-11 Comparison of Department Request and Staff Recommendation

Eligible MH Medicaid Caseload	Department Est.	Estimated Per Capita Costs	Cost Estimate	Staff Est.	Estimated Per Capita Cost	New Cost Estimate	Cost Difference
SSI 65+	39,162	\$157.26	\$6,158,524	38,932	\$157.49	\$6,131,438	(\$27,086)
Disabled Younger than 65+	61,768	\$1,731.14	\$106,929,271	61,175	\$1,783.81	\$109,124,817	\$2,195,546
Adults	104,755	\$273.34	\$28,634,030	105,732	\$278.71	\$29,468,060	\$834,030
Children	307,278	\$190.96	\$58,677,965	304,980	\$192.51	\$58,713,170	\$35,205
Foster Children	18,753	\$2,540.71	\$47,645,968	18,848	\$2,544.08	\$47,950,781	\$304,813
BCCTP Adults	<u>471</u>	<u>\$275.72</u>	<u>\$129,864</u>	<u>468</u>	<u>\$278.58</u>	<u>\$130,376</u>	<u>\$512</u>
Total	532,187	\$466.33	\$248,175,622	530,135	\$474.44	\$251,518,642	\$3,343,020
Less Recoupments			(\$1,860,931)			(\$1,731,828)	\$129,103
Less Annualization of Prior Year Budget Actions			<u>(\$22,529,969)</u>			<u>(\$22,975,389)</u>	(\$445,420)
Total Funding Requested / Recommended For Caseload Issues Only			\$223,784,722			\$226,811,425	\$3,026,703
Less FY 2009-10 Final Request / Recommendation			<u>(\$205,105,065)</u>			<u>(\$204,600,843)</u>	\$504,222
Total Fund Increase			\$18,679,657			\$22,210,582	\$3,530,925

Staff's recommendation includes the following:

- (1) The caseload forecast for the mental health program is adjusted slightly from the FY 2010-11 forecast shown in the Medical Services Premiums line item to account for the fact that the June 2010 caseload is actually paid in July 2010 due to the payment delay. Therefore, the caseload presented in Table 6 above represents staff's estimate of caseload funded in FY 2010-11, not the average monthly FY 2010-11 caseload eligible for mental health services.
- (2) Staff's capitation estimate is based on the monthly capitation rates as requested by the Department for June 2010 through May 2011. Staff's method for calculating the impact of the payment delay was slightly different the Department's methodology. However, overall the Department's request and staff recommendation for the base caseload adjustment is fairly close at a 1.3 percent difference.

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FY 2010-11 Policy Adjustments

Medicaid Program Reductions: In order to balance the state budget, the Governor submitted several Medicaid program reductions to reduce expenditures. As part of this larger proposal, the Department requested that BHO rates be reduced by another 2.0 percent beginning July 1, 2010. Currently, rates are paid at 2.5 percent below the midpoint of an actuarially-sound rate range developed during the rate-setting process. Since the budget downturn, the Committee has approved the following rate reductions for BHOs:

- (1) Beginning July 1, 2009, the rates were moved to the mid-point of the actuarially sound rate range. From January 2009 to June 2009, the BHO rates were set at approximately 3.0 percent above the mid-point of the range because inconsistencies in coding and accounting practices caused some difficulties to encounter pricing methodology (i.e. the rate setting methodology was occasionally estimating service expenditures at an amount less than expected costs when compared to the BHO's audited financial statements).
- (2) Beginning in September 2009, the rates were set at 2.5 percent below the actuarially sound mid-range.

BHOs rates are rebased every January. Rates are set using a combination of historical rate experience and encounter data. Under the direction of the Centers of Medicare and Medicaid Services (CMS), the Department has gradually been putting more weight on encounter data costs. Due to this change, some aid categories rates have been reduced or have seen slower rates of growth during the rebase period. Based on the new rate ranges established in January 2010 by the Department's actuary, plus the policy of setting rates at 2.5 percent below the mid-point of the range, two BHOs (Colorado Health Partnerships and Northeast Behavioral Health Partnerships) would not certify the January 2010 rates as being actuarially sound. For the rest of FY 2009-10 (June 2010), these two BHOs are operating under the rates that were in place prior to January 2010 rebase.

Beginning in July 2010, the Department's request would reduce rates for all BHO aid categories to 4.5 percent below the mid-range point (the 2.5 percent enacted in September 2009 plus the 2.0 percent requested for July 2010). According to the Department's request, this would place rates at approximately 95.5 percent of the midpoint for the rate range. The minimum level required to maintain an actuarially sound rate is 95 percent of the midpoint range.

Staff does NOT recommend the Department's request for an additional 2.0 percent rate reduction. (However, please note that staff's base caseload and cost recommendation uses the 2.5 percent below the midpoint range for all BHOs rates beginning July 2010). In staff's opinion, it is very likely that the BHOs would not certify the rates as being actuarially sound and therefore, would not sign new contracts

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for FY 2010-11. This would lead the Department and BHOs to enter into negotiations to change services and benefits under the existing contracts. In February, staff asked the Department to provide her with options on what type of benefits or services would need to be reduced in order to achieve the targeted 2.0 percent savings. In their March request, the Department submitted the following options to staff:

Reduce BHO Administrative Responsibilities

- (1) Limit 23 total performance measures in the current contract to 18 total performance measures;
- (2) Reduce or eliminate the reporting requirements of the evidence-based and promising practices initiatives;
- (3) Modify service access standards (such as reducing emergency time response standards and scheduling of routine appointment standards);
- (4) Close low volume treatment sites.

Reduce Services

- (1) Reduce the annual adult inpatient hospital days per client;
- (2) Reduce clubhouse allowable costs;
- (3) Cap the allowable number of encounters per adult client for case management;
- (4) Reduce annual number of adult outpatient individual therapy sessions per client.

The Department was still exploring the costs savings or range of cost savings for these benefits or service changes and therefore, did not submit an official estimate or plan for service reductions. All of these service or benefit changes would directly impact the quality or amount of care provided to clients needing mental health services. Some of these services, if reduced, could also create other state or local budget costs (e.g. reducing inpatient days could result in emergency room care, county jail, etc.). Because staff does not believe that the BHOs can simply "absorb" the Department's proposed rate reduction (the BHOs serve mainly Medicaid clients and can not easily cost shift), staff does not recommend this Department's proposed rate reduction.

Alternative to Staff Recommendation: *If the Committee decides to enact a 2.0 percent provider rate reduction, staff calculates that the impact on her base caseload forecast would be \$4.6 million total funds (approximately \$2.1 million General Fund). The table below shows staff's calculations for this alternative recommendation.*

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Table 7: 2.0% Rate Reduction		Base Estimate		
Total Base Estimate - Staff		249,786,814		
Add Back in Recoupments		<u>1,731,828</u>		
Total BHO Expenditure Base		251,518,642		
Subtract estimated prior year claims paid in Fiscal Year.		<u>(19,813,529)</u>		
Base for 2.0 percent rate reduction		231,705,113		
2.0 percent reduction		(4,634,102)		
	Base Estimate (excludes recoupments)	Rate Reduction Impact	Recoupments	Total
General Fund	113,720,351	(2,095,239)	(865,914)	110,759,198
CF - Health Care Expansion Fund	10,265,700	(189,140)	0	10,076,560
CF - BCCTP Fund	33,476	(617)	0	32,859
CF - Hospital Provider Fee	1,708,082	(31,471)	0	1,676,611
RF - DPHE BCCTP Fund	12,156	(224)	0	11,932
Federal Funds	<u>125,778,877</u>	<u>(2,317,411)</u>	<u>(865,914)</u>	<u>122,595,552</u>
Total Funds	251,518,642	(4,634,102)	(1,731,828)	245,152,712

Benefit Service Reduction: Staff recommends that a 2.0 percent benefit or service reduction plan be implemented January 2011. The will provide the Department and the BHOs with more time to develop a reduction plan with the goal of minimizing the potential to harm clients or cost-shift to other State or county programs. As part of this recommendation, the Department would report to the Committee the cost estimates and specific service reduction that they recommend in order to achieve the 2.0 percent benefit reduction beginning in January 2011. This would also give the BHOs and advocacy groups time to provide input on the impact of these reductions.

Staff recommends the January 2011 date for the following reasons:

- (1) Each year rates are renegotiated for implement in January. Therefore, the benefit changes would coincide with the new rate schedule. The Department could receive input from the BHOs if rates could be certified at 4.5 percent mid range in lieu of the benefit changes or if it is possible

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to certify at least some of the rate codes at 4.5 percent below mid range as well as implement some benefit changes (perhaps a mixture would be possible). These are issues that could be looked at by the actuaries during the rate setting process in the fall.

- (2) The Committee will be given the opportunity to review a complete plan with cost estimates for each component; rather than a list of possible options. The Committee will also be able to make an informed decision regarding if the benefit reductions are necessary to balance the budget in FY 2010-11 and the extent that they are necessary to balance the budget in FY 2011-12 before implementation.
- (3) The Department will be able to solicit and receive input from client advocacy groups before finalizing plans.

Given the current budget situation in both FY 2010-11 and FY 2011-12, reductions to most state programs will need to occur. Therefore, staff recommends that the budget contain at least a placeholder reduction for BHOs. However, staff's recommendation will allow more time to analyze the potential impacts of the benefit reductions.

Table 8: 2.0 Benefit Reduction beginning January 2011	Base Estimate (excludes recoupments)	Benefit and Service Reduction	Recoupments	Total
General Fund	113,720,351	(981,293)	(865,914)	111,873,144
CF - Health Care Expansion Fund	10,265,700	(88,583)	0	10,177,117
CF - BCCTP Fund	33,476	(289)	0	33,187
CF - Hospital Provider Fee	1,708,082	(14,739)	0	1,693,343
RF - DPHE BCCTP Fund	12,156	(105)	0	12,051
Federal Funds	<u>125,778,877</u>	<u>(1,085,346)</u>	<u>(865,914)</u>	<u>123,827,617</u>
Total Funds	251,518,642	(2,170,355)	(1,731,828)	247,616,459

Enforcing Sponsorship Commitment (NP #3): The Department requests a reduction of \$7,988 total funds (\$3,994 General Fund) related to enforcing sponsorship requirements for the Old Age Pension program. There is a slight Medicaid caseload impact of 108 clients projected when the sponsor's income and resources are considered in determining eligibility for the Old Age Pension program. However, if ARRA is extended then this portion of HB 10-1353 will be delayed.

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Staff does not recommend this request. Staff does not recommend this request. With the extension of ARRA to June 30, 2011, there can be no change in Medicaid eligibility without putting the enhanced match rate at risk.

Request for Information

Department of Health Care Policy and Financing, Medicaid Mental Health Community Programs, Mental Health Capitation Payments -- The Department is requested to provide a report to the Joint Budget Committee by December 1, 2010 recommending benefit or service reductions to Medicaid Mental Health programs in order to achieve a \$2,170,355 total fund savings between January 2011 and June 2011. In the report the Department is requested to provide the following information:

- (1) cost estimates for each of the benefit or service changes recommended;
- (2) input from the behavioral health organizations on how such benefit and service reductions will be implemented;
- (3) a description of any involvement that mental health advocacy groups had in providing input on the benefit or service changes recommended; and
- (4) an analysis of whether additional rate reductions could be enacted within the actuary sound range in lieu of benefit or service reductions recommended or in combination therewith.

Mental Health Capitation Payments:

Line Item Description: This is temporary line item shown in the number pages to reflect the supplemental adjustments that were made in HB 10-1300 (HCPF supplemental bill) to the conditional appropriation clause in HB 09-1293 for mental health capitation payments. Staff recommends a further supplemental adjustment to the HB 09-1293 appropriation clause as explained in the Mental Health Capitation program write-up. In FY 2010-11, the impacts from HB 09-1293 will be shown in regular Long Bill appropriation.

Mental Health Fee-For-Service Payments

Line Item Description: This line item contains all Medicaid mental health payments that are not made as part of the capitation payments. This line item pays for the mental health services for Medicaid clients who are not enrolled in behavioral health organization or for mental health services that are not covered by a behavioral health organization according to their contract with the Department. In

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addition, Medicare crossover claims are included in the costs paid from this line item. These are BHO covered costs for clients who are eligible for both Medicaid and Medicare.

This line item is impacted by ARRA.

TABLE 1: Mental Health Fee for Service Budget Build					
Incremental Budget Change Issue	Department Request		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$865,765	\$1,731,529	\$865,765	\$1,731,529	\$0
HB 10-1300 (HCPF Supplemental)	402,770	805,540	402,770	805,540	0
Caseload and Cost Adjustment	40,048	80,097	35,000	70,000	(5,048)
Additional Payment Delay (ES #7 & S #17)	(25,658)	(51,317)	0	0	25,658
ARRA Adjustment	(297,382)	0	(302,159)	0	(4,777)
FY 2009-10 Revised Appropriation*	\$985,543	\$2,565,849	\$1,001,376	\$2,607,069	\$15,833
Restore One-Time ARRA Adjustment	297,382	0	302,159	0	4,777
FY 2010-11 BASE Funding	\$1,282,925	\$2,565,849	\$1,303,535	\$2,607,069	\$20,610
Caseload and Cost Adjustments (DI #2/ BA #2)	199,955	399,909	179,344	358,689	(20,611)
FY 2010-11 BASE + Caseload Changes	\$1,482,880	\$2,965,758	\$1,482,879	\$2,965,758	(\$1)
Payment Delay (BRI #5/BA #22)	(5,718)	(11,433)	0	0	5,718
FY 2010-11 Request/Recommendation LONG BILL	\$1,477,162	\$2,954,325	\$1,482,879	\$2,965,758	\$5,717

*Does not include conditional appropriation.

Fund Source

Table 2: Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	1,477,162	1,482,879	5,717	0.39%

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Table 2: Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
Federal Funds	1,477,163	1,482,879	5,716	0.39%
TOTAL FUNDS -- Pre-ARRA	2,954,325	1,482,879	11,433	0.39%
General Fund	1,134,756	1,311,013	176,257	15.53%
Federal Funds	1,819,569	1,654,745	(164,824)	(9.06)%
ARRA Adjusted TOTAL FUNDS	\$2,954,325	\$2,965,758	\$11,433	0.39%

Please note that if Congress passes the extension of ARRA until June 30, 2011, then staff's ARRA calculation would be as follows:

Table 3: Line Item Fund Split Detail By Fund Source	Department ARRA June 2011	Staff Estimate ARRA June 2011	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	1,134,756	1,139,148	4,392	0.39%
Federal Funds	1,819,569	1,826,610	7,041	0.39%
TOTAL FUNDS -- Pre-ARRA	2,954,325	2,965,758	11,433	0.39%

Issue Detail

FY 2009-10

LONG BILL SUPPLEMENTAL:

Caseload and Cost Adjustment: The Department requests an additional \$80,097 total funds (\$40,048 General Fund) for caseload and cost adjustments above the supplemental that was provided in HB 10-1300 (HCPF Supplemental Bill). Staff recommends \$70,000 total funds (\$35,000 General Fund) for this issue. The current appropriation for this line is \$2,537,069. Expenditures through January 2010 were \$1,499,197. Therefore, \$1,037,872 was remaining in the appropriation at the end of January, which equates to weekly payments of \$47,176 for the last 22 weeks. However, the weekly payments for the first 30 weeks of the fiscal year were averaging \$49,973. Thus, the appropriation appears to be at least \$2,800 too low on a weekly basis. This equates to the appropriation being at least \$61,500 under appropriated. However, recent months have had higher expenditures than earlier months and staff

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expects this trend to continue. Thus, staff increases her estimated supplemental need to \$70,000 total funds (\$35,000 General Fund).

Additional Payment Delay: The Department request a reduction of \$51,317 total funds (\$25,658 General Fund) to delay Medicaid payments by one additional week in FY 2009-10. Currently, S.B. 09-265 allows for a one week Medicaid payment delay. The Department's request would modify S.B. 09-265 to allow for two weeks of Medicaid payment delays in FY 2010-11. *Staff does not recommend the additional one-week payment delay.* It is also important to note that the current appropriation (with staff's recommendation above) supports a full 52 weeks of anticipated payments. The original appropriation clause for SB 09-265 did not impact this line item.

ARRA Adjustment: The Department requests that ARRA be appropriated in the Long Bill. Staff recommends this request. Table 3 compares the FY 2009-10 ARRA adjustments for the Department total request and staff recommendation.

Table 3: Line Item Fund Split Detail By Fund Source	Department FY 2009-10 Request*	Staff FY 2009-10 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	1,282,925	1,303,535	20,610	1.61%
Federal Funds	1,282,924	1,303,534	20,610	1.61%
TOTAL FUNDS -- Pre-ARRA	2,565,849	2,607,069	41,220	1.61%
General Fund	985,543	1,001,375	15,832	1.61%
Federal Funds	1,580,306	1,605,693	25,387	1.61%
ARRA Adjusted TOTAL FUNDS	\$2,565,849	\$2,607,068	\$41,219	1.61%

FY 2010-11 Base Adjustments

Restore One-Time ARRA Reduction: This adjustment is purely technical. Staff is treating ARRA adjustments as one-time savings that must be restored in the next fiscal year's base. This allows the Committee to see the total impact of ARRA in the each fiscal year (rather than the incremental change in ARRA adjustments).

Please note that staff does not restore the payment shift for this line item. The original appropriation clause for SB 09-265 did not adjust this line item for the payment shift. The current appropriated FY 2009-10 appropriation does not include any impact from delaying a payment. Therefore, there is no funding that needs to be restored for that issue.

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FY 2010-11 Caseload Adjustments

Caseload and Cost Adjustment: The Department requests an increase of \$399,908 total funds (\$199,955 General Fund) for caseload and cost increases for this line item. This equates to 15.6 percent growth for this line item. Staff recommends the Department's appropriation level for this line item as it relates to anticipated caseload and cost increases. The current FY 2009-10 estimate is based on the first seven months of actual expenditure data trended forward. The FY 2010-11 estimate is based on projected caseload increases.

FY 2010-11 Policy Adjustments

Payment Delay: The Department requests a two week payment delay in FY 2010-11. Staff does not recommend this request. If the Committee wishes to choose this option, the Committee will need to introduce legislation. See the discussion in the Medical Services Premiums line item regarding staff's recommendation on the payment delay.

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(4) Indigent Care Program

This division contains funding for the following programs: (1) Colorado Indigent Care Program (CICP) which partially reimburses providers for medical services to uninsured individuals with incomes up to 250 percent of the federal poverty level (3 line items); (2) Children's Basic Health Plan (4 line items); (3) special distributions to providers to offset losses due to high Medicaid volume or to improve access to care for under insured and uninsured individuals (5 line items); and (4) specific fund appropriations required by law (3 line items).

Historical Summary:

By Line Item TOTAL FUNDS	FY 2008-09 Actual	FY 2009-10 App.*	FY 2010-11 Dept. Req.	FY 2010-11 Staff Rec. Long Bill
Safety Net Provider Payments	\$296,092,630	\$295,081,102	\$343,745,446	\$287,741,200
Safety Net Conditional HB 09-1293	0	3,207,341	0	0
Colorado Health Care Services Fund	12,918,750	10,390,000	0	0
TCH - Clinic Based Indigent Care	27,029,760	27,759,958	6,119,760	6,119,760
Primary Care Grant Program Special Distribution	0	2,005,000	0	0
Health Care Services Fund Programs	9,090,000	5,410,049	0	0
Pediatric Speciality Hospital	12,829,721	15,027,353	15,009,285	13,313,994
General Fund Appropriation to Pediatric Speciality Hospital Fund	427,000	387,173	450,000	447,000
Appropriation from Tobacco Tax Cash Fund to General Fund	427,000	504,000	504,000	447,000
Primary Care Fund	30,273,568	12,125,000	31,920,000	28,310,000
Children's Basic Health Plan Trust Fund	513,604	2,502,919	9,484,887	6,856,880
Children's Basic Health Plan Administration	6,182,289	5,401,117	4,889,503	4,889,503
Children's Basic Health Plan Premiums	120,809,604	133,438,868	199,778,504	202,521,966
Children's Basic Health Plan Dental	9,876,754	10,062,349	13,695,250	13,878,070
Comprehensive Primary and Preventative Care (CPPC) Grants Program	3,082,680	127,816	2,326,677	0

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By Line Item TOTAL FUNDS	FY 2008-09 Actual	FY 2009-10 App.*	FY 2010-11 Dept. Req.	FY 2010-11 Staff Rec. Long Bill
CPPC Rural and Public Hospitals Payments	5,000,000	0	0	0
Total	\$534,553,360	\$523,430,045	\$627,923,312	\$564,525,373
General Fund	20,801,151	27,766,591	16,897,184	13,567,385
General Fund Exempt	427,000	504,000	484,129	447,000
Cash Funds	220,165,492	195,204,542	251,302,874	232,947,389
CFE/Reappropriated Funds	13,345,310	13,277,173	9,780,150	7,303,880
Federal Funds	279,814,407	286,677,739	349,458,975	310,259,719
AMOUNT EXEMPT FROM THE 6.0 PERCENT LIMIT ON GENERAL FUND				447,000

FY 2009-10 Late Supplementals (Excluding ARRA issue) -- Long Bill Add-Ons

The following table summarizes the supplemental appropriations contained in this division that staff recommends be included in a Long Bill Supplemental Add-Ons.

Table 2: FY 2009-10 Late Supplementals Recommended for this Division			
FY 2009-10 Supplementals*	FY 2009-10 Appropriation**	FY 2009-10 Staff Recommendation	Difference
Safety Net Provider Payments (including conditional appropriation)	298,288,443	287,741,200	(10,547,243)
Pediatric Specialty Hospital	15,027,353	14,913,994	(113,359)
GF Appropriation to Pediatric Specialty Hospital Fund	387,173	345,690	(41,483)
Tobacco Tax Appropriation to General Fund	504,000	450,000	(54,000)
Children's Basic Health Plan Premium Costs	133,438,868	140,932,077	7,493,209
Children's Basic Health Plan Dental Costs	10,062,349	10,354,751	292,402
Total	<u>\$457,708,186</u>	<u>\$454,737,712</u>	<u>(\$2,970,474)</u>
General Fund	11,813,792	6,552,687	(5,261,105)
General Fund Exempt	504,000	450,000	(54,000)

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Table 2: FY 2009-10 Late Supplementals Recommended for this Division			
FY 2009-10 Supplementals*	FY 2009-10 Appropriation**	FY 2009-10 Staff Recommendation	Difference
Cash Funds	178,529,704	183,951,019	5,421,315
Reappropriated Funds	2,887,173	2,845,690	(41,483)
Federal Funds	263,973,517	260,938,316	(3,035,201)

Summary of Special Legislation Recommended for this Division

Table 3 below shows the impact of legislation recommended by JBC staff impacting line items in this division. Because these budget changes can not be made without a change to current law, these impacts are not included in the number pages or in the division summary table. See line item detail for explanations.

Table 3: Legislation Recommended that Impacts Line Items in this Division					
FY 2010-11 Legislation Recommended*	GF	CF	RF	FF	TF
JBC Bill Recommended #1: Transfer Amendment 35 moneys to offset General Fund Appropriations	(211,000)	211,000	0	0	0
JBC Bill Recommended #3: Transfer Primary Care Fund to Maximize General Fund savings and Federal Funds*	<u>0</u>	<u>(14,000,000)</u>	<u>14,300,000</u>	<u>17,614,740</u>	<u>17,914,740</u>
TOTAL	(\$211,000)	(\$13,789,000)	\$14,300,000	\$17,614,740	\$17,914,740

*JBC Bill Recommended #3: This bill proposal will save \$14.0 million General Fund in the Medical Services Premiums line item and will increase Cash Funds by \$14.0 million. This table only shows the impacts to this division.

American Recovery and Reinvestment Act (ARRA) Impacts

This subdivision has line items that will receive enhanced federal match under the American Recovery and Reinvestment Act (ARRA) of 2009. Table 4 below shows the total estimated ARRA impact for this division. See the line item detail for specific ARRA calculations for each line item.

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Table 4: ARRA Appropriations Impacts for Supplemental and Long Bill (Staff Recommendation)		
ICP Division ARRA Impacts*	FY 2009-10** ARRA Appropriation Savings	FY 2010-11 ARRA Appropriation Savings
Total	<u>\$1</u>	<u>\$0</u>
General Fund	(2,333,502)	(2,252,372)
Cash Funds	(8,780,988)	(11,416,408)
Federal Funds	11,114,491	13,668,780

*Includes only the ARRA impacts that will be appropriated in the Long Bill. Recommended legislation for FY 2010-11 will include the ARRA impacts.

**Includes supplemental appropriations recommended in this figure setting packet.

Line Item Detail

Safety Net Provider Payments:

Line Item Description: This line item contains the funding for hospital providers who participate in the Colorado Indigent Care Program (CICP). The CICP served 197,597 uninsured or under insured clients in FY 2008-09 with incomes below 250 percent of the federal poverty level. This was a 1.5 percent increase in the number of clients served over the prior fiscal year. Payments to the providers are made through four distribution calculations to determine the funding available to reimburse uncompensated care associated with treating indigent clients. The federal match for this program comes from the Federal Disproportionate Share Hospital (DHS) payments or through the Upper Payment Limit (UPL) financing mechanisms. House Bill 09-1293 will substantially change the funding for this program by providing higher reimbursements to the hospitals who participate in the Medicaid and Indigent Care Program.

This line item is partially impacted by ARRA. Payments made through the Disproportionate Share Payment methodology are not eligible for the enhanced ARRA federal match. Payments made through the Upper Payment Limit are eligible for the enhanced ARRA federal match.

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JBC WORKING DOCUMENT -- DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE ACTION

TABLE 1: Safety Net Provider Payment Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$13,090,782	\$310,715,422	\$13,090,782	\$310,715,422	\$0
HB 10-1300 (HCPF Supplemental)	(7,817,160)	(15,634,320)	(7,817,160)	(15,634,320)	0
Eliminate Remaining General Fund	0	0	(5,273,622)	(10,547,244)	(5,273,622)
FY 2009-10 Revised Appropriation	\$5,273,622	\$295,081,102	\$0	\$284,533,858	\$0
Annualize HB 09-1293	0	59,211,588	0	3,207,342	0
Annualize HB 10-1300	(5,273,622)	(10,547,244)	0	0	5,273,622
FY 2010-11 BASE Funding	\$0	\$343,745,446	\$0	\$287,741,200	\$0
Policy Adjustment - None	0	0	0	0	0
FY 2010-11 Request/Recommendation LONG BILL	\$0	\$343,745,446	\$0	\$287,741,200	\$0

Fund Source

Table 2: Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
Cash Funds - Public Certified Funds	142,266,929	7,263,396	(135,003,533)	(94.89)%
Cash Funds - Hospital Provider Fee	29,605,794	125,190,796	95,585,002	322.86%
Federal Funds	171,872,723	155,287,008	(16,585,715)	(9.65)%
TOTAL FUNDS -- Pre-ARRA	343,745,446	287,741,200	(56,004,246)	(16.29)%
Cash Funds - Public Certified Funds	140,952,372	7,263,396	(133,688,976)	(94.85)%
Cash Funds - Hospital Provider Fee	22,743,171	125,190,796	102,447,625	450.45%
Federal Funds	180,049,903	155,287,008	(24,762,895)	(13.75)%
ARRA Adjusted TOTAL FUNDS	\$343,745,446	\$287,741,200	(\$56,004,246)	(16.29)%

*Matches the Department's reconciliation sheet -- which didn't include the contingent HB 09-1293 appropriation clause to eliminate certified funds as far as staff can determine.

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JBC WORKING DOCUMENT -- DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE ACTION

Issue Detail

FY 2009-10

LONG BILL SUPPLEMENTAL:

Eliminate Remaining General Fund: Staff recommends a reduction of \$10.5 million total funds (\$5.3 million General Fund) to eliminate all of the General Fund in this line item. In HB 10-1300 (HCPF Supplemental Bill) the General Assembly approved a supplemental to reduce all uncommitted General Fund from this line item. However, in conversations with the Department, the Department has not expended any of the General Fund to date. Therefore, the Committee could eliminate the entire General Fund appropriation in FY 2009-10. The Department requests this action for FY 2010-11, so staff's recommendation would just eliminate the funding a year sooner. By eliminating the General Fund, the Committee would be eliminating almost all of the CICP payments to private hospitals in FY 2009-10. However, if the Hospital Provider Fee Waiver is approved, most of this funding would be backfilled through the higher Medicaid reimbursements or CICP payments.

Additionally, staff requests permission to correct a technical error in HB 10-1300. The adjustments to the SB 09-259 and HB 09-1293 appropriations result in a total appropriation of \$287,741,200 - which is staff's recommendation. However, the fund splits (including ARRA adjustments) are incorrect. Staff's corrected recommendation is that between the two appropriations, the total cash fund appropriation should be \$132,454,192 and the total federal fund appropriation should be \$155,287,008.

FY 2010-11 Base Adjustments

Annualize HB 09-1293: The Department requests \$59.2 million in FY 2010-11 to reflect the impacts of HB 09-1293. Staff recommends a net increase of \$3.2 million in FY 2010-11 -- which is a continuation of the funding contained in HB 10-1300 (HCPF Supplemental Bill).

As the Committee is aware, the FY 2009-10 appropriation for HB 09-1293 is contingent on the Hospital Provider Fee Wavier being approved by the Centers of Medicare and Medicaid Services (CMS) by April 1, 2010. Originally, HB 09-1293 contained an appropriation of \$322.2 million total funds for increased reimbursement for the CICP program. This appropriation was offset by a decrease of \$270.0 million total funds from lost public certification (i.e. public certification is used as the match for the federal DSH payment and is also used to certify the expenses occurred by the providers for Medicaid rates that are lower than the Medicare rate. Once the rates are closer to the Medicare rate there is less certification available -- essentially the hospital provider rate becomes the state match for the DHS and UPL financing).

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In HB 10-1300 the Committee approved reducing the original HB 09-1293 appropriation by \$49.0 million total funds based on updated information. For the most part, the reduction was the result of transferring funding to the Medical Services Premiums line item because the Department had determined that these payments were actually Medicaid supplemental payments and not CICIP payments. The Committee's action was based on information staff received from the Department (however, the Department's official request does not reflect this information). Thus, the pre-ARRA final appropriation recommended for HB 09-1293 in FY 2009-10 is shown in the table below.

Table 3: HB 09-1293 Appropriation	CF - Certified Funds	CF - Provider Fee	Federal Funds	Total Funds
Original Appropriation Clause	(\$135,003,533)	\$161,100,000	\$26,096,467	\$52,192,934
HB 10-1300 Change	<u>0</u>	<u>(24,492,796)</u>	<u>(24,492,796)</u>	<u>(48,985,592)</u>
Total Appropriation (Pre - ARRA)	(\$135,003,533)	\$136,607,204	\$1,603,671	\$3,207,342

Table 4 shows the total appropriation as recommended by staff and adjusted for ARRA impacts.

Table 4: Total Safety Net Provider Payment Appropriation	General Fund	CF - Certified Funds	CF - Provider Fee	Federal Funds	Total Funds
Total FY 2009-10 Appropriation (SB 09-269 adjusted by HB 10-1300 and staff recommended Long Bill Supplemental)	\$0	\$142,266,929	\$0	\$142,266,929	\$284,533,858
HB 09-1293 Appropriation (as adjusted by HB 10-1300 excluding ARRA adjustments)	<u>0</u>	<u>(135,003,533)</u>	<u>136,607,204</u>	<u>1,603,671</u>	<u>3,207,342</u>
TOTAL Appropriation Pre-ARRA	\$0	\$7,263,396	\$136,607,204	\$143,870,600	\$287,741,200
Deduct DSH (ineligible for ARRA)	<u>0</u>	<u>(7,263,396)</u>	<u>(87,356,089)</u>	<u>(94,619,485)</u>	<u>(189,238,970)</u>
ARRA Eligible Funding	\$0	\$0	\$49,251,115	\$49,251,115	\$98,502,230
Apply FY 2009-10 ARRA Match Rate Impact	<u>0</u>	<u>0</u>	<u>(11,416,408)</u>	<u>11,416,408</u>	<u>0</u>
ARRA Funding Portion of Line Item	\$0	\$0	\$37,834,707	\$60,667,523	\$98,502,230
Add Back in DSH	<u>\$0</u>	<u>\$7,263,396</u>	<u>\$87,356,089</u>	<u>\$94,619,485</u>	<u>\$189,238,970</u>
TOTAL FY 2009-10 Appropriation Recommended	\$0	\$7,263,396	\$125,190,796	\$155,287,008	\$287,741,200

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JBC WORKING DOCUMENT -- DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE ACTION

Annualize HB 10-1300: The Department requests a reduction of \$10.5 million total funds (\$5.3 million General Fund) to eliminate all General Fund from this line item in FY 2010-11. Staff recommends that this action be taken in FY 2009-10 and then carry forwarded into FY 2010-11.

FY 2010-11 Policy Adjustments

None. After base adjustments are made, staff recommends continuation funding for this line item in FY 2010-11.

Safety Net Conditional HB 09-1293 Appropriation

Line Item Description: This line item is a temporary line item shown in the number pages to reflect the supplemental adjustments that were made in HB 10-1300 (HCPF supplemental bill) to the safety net provider payment. Because this bill has a conditional appropriation clause that is not effective until after CMS approves the hospital provider fee waiver, HB 10-1300 included a provision that already appropriated the ARRA funding in FY 2009-10 and adjusted the line item by new program estimates. This line item is shown separately from the Safety Net Provider Payments line item to keep the conditional appropriation adjustments separate from the actual appropriation. As explained in the line item above, staff recommends a technical adjustment to this appropriation to correct a fund split error in HB 10-1300.

Colorado Health Care Services Fund

Line Item Description: Senate Bill 06-044 created the Health Care Services Fund to provide funding for indigent adult primary care. Senate Bill 06-044 appropriated \$14.9 million to the Health Care Services Fund in FY 2005-06 to be used in FY 2006-07. Senate Bill 06-044 also required that \$15.0 million be appropriated to this fund for FY 2007-08, FY 2008-09 and FY 2009-10 from the Referendum C General Fund moneys. In the 2009 Session, the General Assembly passed SB 09-264 which reduced the statutory required funding amount due to additional federal funds being available through ARRA. In the 2010 Session, the General Assembly passed HB 10-1321 which changed the distribution and funding for this program in order to achieve the saving anticipated by the Governor in August 2009 but maintain federal funding for the health clinics when possible. In FY 2010-11, the statutory requirement for this fund expires.

This line item is not impacted by ARRA but the programs it funds are -- therefore, the General Fund transfer into this program were reduced in FY 2008-09 and FY 2009-10 to reflect ARRA impacts.

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
FY 2010-11 FIGURE SETTING**

JBC WORKING DOCUMENT -- DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE ACTION

TABLE 1: Colorado Health Care Services Fund Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$11,943,000	\$0	\$11,943,000	\$0	\$0
HB 10-1321 (Health Care Clinic Bill)	(1,553,000)	0	(1,553,000)	0	0
FY 2009-10 Revised Appropriation	\$10,390,000	\$0	\$10,390,000	\$0	\$0
Expiration of Statutory Funding	(10,390,000)	0	(10,390,000)	0	0
FY 2010-11 BASE Funding	\$0	\$0	\$0	\$0	\$0
Policy Adjustments - none	0	0	0	0	0
FY 2010-11 Request/Recommendation LONG BILL	\$0	\$0	\$0	\$0	\$0
JBC Bill #3: Transfer Primary Care Fund to Maximize General Fund savings and Federal Funds	0	0	0	9,000,000	0
FY 2010-11 TOTAL impact recommended	\$0	\$0	\$0	\$9,000,000	\$0

Fund Source

Table 2: Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF - Transfer of Primary Care Fund to Health Care Services Fund	0	9,000,000	0	n/a

Issue Detail

FY 2010-11 Base Issue

Expiration of Statutory Funding: Pursuant to Section 25.5-3-112 (1) (b), C.R.S. (2009), the statutory authority and transfer of funding into this fund expires at the end of FY 2009-10. Therefore, this technical adjustment removes all funding from the program for FY 2010-11.

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JBC WORKING DOCUMENT -- DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE ACTION

FY 2010-11 Policy Adjustments

None: There is no statutory authority for this line item in FY 2010-11. Therefore, the appropriation in the Long Bill, based on current law, must be zero.

FY 2010-11 JBC Bill Recommended

Staff recommends that the JBC sponsor a bill to do the following:

- (1) Eliminate the \$28.3 million Primary Care Program funding in FY 2010-11. This recommendation is contingent on the General Assembly passing SJR 10-010 (fiscal emergency that allows the use of Tobacco Tax moneys for any health related purpose).
- (2) Extend the Health Care Services Fund through FY 2010-11. Transfer \$10.74 million from the Primary Care Program to the Health Care Services Fund. Draw down the federal match on these funds for a total of \$27.9 million. Staff recommends the funding be distributed in a similar manner as HB 10-1321 (20% to Denver Health and 80% to Health Clinics).
- (3) Transfer \$3.5 million from the Primary Care Program to the Special Distribution of the Primary Care Program to minimize the loss of the Primary Care Program for those clinics that don't receive a distribution from the Health Care Services Fund.
- (4) Use \$14.0 million from the Primary Care Program to offset General Fund expenditures in the Medical Services Premiums line item.

The Children's Hospital, Clinic Based Indigent Care:

Line Item Description: This line item is comprised of General Fund and Colorado Health Care Services Funds that are appropriated to help draw down federal funds under the Children Hospital's Medicare Upper Payment Limit (UPL). From this appropriation, The Children's Hospital distributes all but \$60,000 to clinics that participate in the Colorado Indigent Care Program (CICP). Under federal regulations, clinics do not qualify for Disproportionate Share (DSH) or UPL financing. It is only through this contractual relationship with The Children's Hospital that clinics receive additional reimbursement from the CICP program for treating indigent and uninsured clients.

This line item is impacted by ARRA.

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FY 2010-11 FIGURE SETTING**

JBC WORKING DOCUMENT -- DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE ACTION

TABLE 1: The Children's Hospital, Clinic Based Indigent Care Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$3,059,880	\$27,767,760	\$3,059,880	\$27,767,760	\$0
HB 10-1321 (Health Care Clinic Bill)		(7,802)	0	(7,802)	0
FY 2009-10 Revised Appropriation	\$3,059,880	\$27,759,958	\$3,059,880	\$27,759,958	\$0
Expiration of Statutory Funding	0	(21,640,198)	0	(21,640,198)	0
FY 2010-11 BASE Funding	\$3,059,880	\$6,119,760	\$3,059,880	\$6,119,760	\$0
ARRA Recognition (Staff Calculation)	(709,280)	0	(354,640)	0	354,640
FY 2010-11 Request/Recommendation LONG BILL	\$2,350,600	\$6,119,760	\$2,705,240	\$6,119,760	\$354,640
JBC Bill #3: Transfer Primary Care Fund to Maximize General Fund savings and Federal Funds	0	0	0	16,287,750	0
FY 2010-11 TOTAL impact recommended	\$2,350,600	\$6,119,760	\$2,705,240	\$22,407,510	\$354,640

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	3,059,880	3,059,880	0	0.00%
Federal Funds	3,059,880	3,059,880	0	0.00%
TOTAL FUNDS -- Pre-ARRA	6,119,760	6,119,760	0	0.00%
General Fund	2,350,600	2,705,240	354,640	15.09%
Federal Funds	3,769,160	3,414,520	(354,640)	(9.41)%
ARRA Adjusted TOTAL FUNDS	\$12,239,520	\$12,239,520	\$0	0.00%

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
FY 2010-11 FIGURE SETTING**

JBC WORKING DOCUMENT -- DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE ACTION

Issue Detail

FY 2010-11 Base Adjustments

Expiration of Statutory Funding: Pursuant to Section 25.5-3-112 (1) (b), C.R.S. (2009), the statutory authority for the Health Care Services (HCS) Fund expires at the end of FY 2009-10. Prior to FY 2010-11, a portion of the HCS Fund was appropriated as reappropriated funds to this line item for distribution to the health clinics. However, because there is no statutory authority for the HCS Fund in FY 2010-11, the Department requests and staff recommends a total fund reduction \$21.6 million to this line item. Of this amount, \$8.3 million are reappropriated funds and \$13.3 million are matching federal funds.

FY 2010-11 Long Bill Policy Adjustments

After eliminating the HCS Funding and matching federal funds, the Department requests and staff recommends continuation funding in FY 2010-11 for the remaining General Fund and matching federal funds. At this time, staff does not recommend any further adjustments to this line item other than the ARRA adjustment described below.

ARRA Recognition: The Department's request assumes ARRA adjustments for the entire fiscal year rather than expiring on December 31, 2010 as current law provides. Staff sets the Long Bill to current law. At the time staff wrote this section of the figure setting packet, Congress had not passed an ARRA extension. If Congress passes and the President signs an ARRA extension prior to introduction of the Long Bill, staff requests permission from the Committee to include such adjustments in the Long Bill without an additional vote from the Committee to do so.

FY 2010-11 JBC Bill Recommended

This line item would be impacted by the recommended bill staff describes in Health Care Services Fund line item. The table below shows the additional funding to this line item that would be provided under staff's recommendation.

With ARRA being extended to June 2010	
RF - Health Care Services Fund	\$9,000,000
Federal Funds	<u>\$14,431,398</u>
Total Funds	\$23,431,398

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STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE ACTION

Primary Care Grant Program Special Distribution:

Line Item Description: This line item was created in HB 10-1321 in order to minimize the adverse impact to certain providers from reducing the Primary Care Fund appropriations. This fund had two distributions in FY 2009-10: (1) \$1.6 million will be distributed to health clinics that qualify payments from the Primary Care Fund but that do not participate in the Indigent Care Program; and (2) \$405,000 shall be distributed to health clinics that participate in the Colorado Indigent Care Program that experience a reduction in funding due to transfers from the Primary Care Fund to the General Fund in FY 2009-10.

This line item is NOT impacted by ARRA.

TABLE 1: Primary Care Program Special Distribution Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$0	\$0	\$0	\$0	\$0
HB 10-1321 (Health Care Clinic Bill)	0	2,005,000	0	2,005,000	0
FY 2009-10 Revised Appropriation	\$0	\$2,005,000	\$0	\$2,005,000	\$0
Expiration of Statutory Funding	0	(2,005,000)	0	(2,005,000)	0
FY 2010-11 BASE Funding	\$0	\$0	\$0	\$0	\$0
No Policy Adjustments	0	0	0	0	0
FY 2010-11 Request/Recommendation LONG BILL	\$0	\$0	\$0	\$0	\$0
JBC Bill #3: Transfer Primary Care Fund to Maximize General Fund savings and Federal Funds	0	0	0	3,560,000	0
FY 2010-11 TOTAL impact recommended	\$0	\$0	\$0	\$3,560,000	\$0

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JBC WORKING DOCUMENT -- DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE ACTION

Fund Source

The fund source for this line item is the Primary Care Fund.

Issue Detail

FY 2010-11 Base Adjustments

Expiration of Statutory Funding: This program can only exist if there is a fiscal emergency that allows the Primary Care Fund to be used for health care purposes other than those outlined in Amendment 35 to the Colorado Constitution. Therefore, the funding expires in FY 2010-11 unless SJR 10-010 is passed and another bill is passed extending the program in FY 2010-11.

FY 2010-11 Long Bill Policy Adjustments

None.

FY 2010-11 JBC Bill Recommended

This line item would be impacted by the recommended bill staff describes in Health Care Services Fund line item. Specifically, staff recommends that \$3.5 million from the Primary Care Fund be transferred to the Primary Care Special Distribution Fund in order to mitigate impacts to certain clinics that receives distributions from the Primary Care Fund but not from the Health Care Services Fund. This recommendation is similar to the action that Committee sponsored in HB 10-1321.

Health Care Services Fund Programs:

Line Item Description: This line item contains the appropriation to Denver Health that was first required under S.B. 06-044 and then from HB 10-1321. Originally, S.B. 06-044 required three different payments from the Colorado Health Care Services (HCS) Fund: (1) 18 percent to Denver Health; (2) an allocation to clinics operated by hospitals based on prior client utilization data as specified by Department rule; and (3) an allocation to federally qualified health centers (FQHCs) based on prior client utilization data as specified by Department rule. The appropriation for the FQHCs is found in the Children's Hospital, Clinic Based Indigent Care line item discussed above. The other two appropriations (for Denver Health and hospital clinics) are contained in this line item. However, HB 10-1321 modified the HCS Fund allocation to allow 20 percent to be distributed to Denver Health and 80 percent to be distributed to health clinics. Hospital clinics no longer receive a distribution.

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JBC WORKING DOCUMENT -- DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE ACTION

This line item is impacted by ARRA.

TABLE 1: Health Care Services Fund Programs Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$0	\$8,352,000	\$0	\$8,352,000	\$0
HB 10-1321 (Health Care Clinic Bill)	0	(2,941,951)	0	(2,941,951)	0
FY 2009-10 Revised Appropriation	\$0	\$5,410,049	\$0	\$5,410,049	\$0
Expiration of Statutory Funding	0	(5,410,049)	0	(5,410,049)	0
FY 2010-11 BASE Funding	\$0	\$0	\$0	\$0	\$0
No LB Policy Changes	0	0	0	0	0
FY 2010-11 Request/Recommendation LONG BILL	\$0	\$0	\$0	\$0	\$0
JBC Bill #3: Transfer Primary Care Fund to Maximize General Fund savings and Federal Funds	0	0	0	2,796,147	0
FY 2010-11 TOTAL Recommended	\$0	\$0	\$0	\$2,796,147	\$0

Issue Detail

FY 2010-11 Base Adjustments

Expiration of Statutory Funding: Pursuant to Section 25.5-3-112 (1) (b), C.R.S. (2009), the statutory authority for the Health Care Services (HCS) Fund expires in FY 2010-11. Prior to FY 2010-11, a portion of the HCS Fund was appropriated as reappropriated funds to this line item for distribution to Denver Health. However, because there is no statutory authority for the HCS Fund in FY 2010-11, the Department requests and staff recommends a total fund reduction \$5.4 million to this line item. Of this amount, \$2.1 million are reappropriated funds and \$3.3 million are matching federal funds.

FY 2010-11 Long Bill Policy Adjustments

None -- this program has no statutory authority in FY 2010-11.

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FY 2010-11 FIGURE SETTING**

JBC WORKING DOCUMENT -- DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE ACTION

FY 2010-11 JBC Bill Recommended

This line item would be impacted by the recommended bill staff describes in Health Care Services Fund line item. The table below shows the additional funding to this line item that would be provided under staff's recommendation.

Scenario 1 -- JBC Staff Proposal		Assume ARRA is extended through June 2011
RF - Health Care Services Fund		\$1,074,000
Federal Funds		<u>\$1,722,147</u>
Total Funds		\$2,796,147

Pediatric Speciality Hospital:

Line Item Description: This line item was first added in FY 2005-06. The line item provides funding for The Children's Hospital in an effort to help offset the costs of providing care to large numbers of Medicaid and indigent care clients. The line item is funded with General Fund, Cash Funds (Pediatric Specialty Fund -- which receives revenue from a General Fund transfer of Amendment 35 Tobacco Taxes and Master Tobacco Settlement monies), and federal funds. The matching federal funds result from using the Medicare UPL available to Children's Hospital.

This line item is impacted by ARRA.

TABLE 1: Pediatric Speciality Hospital Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF/GFE	Total Funds	GF/GFE	Total Funds	General Fund & GFE Only
FY 2009-10 Original Appropriation	\$6,656,997	\$15,026,796	\$6,656,997	\$15,026,796	\$0
HB 10-1300 (HCPF Supplemental)	0	557	0	557	0
Revenue and Technical Adjustments	0	0	0	(113,359)	0
ARRA Adjustment*	(1,624,222)	0	(1,624,222)	0	0

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FY 2010-11 FIGURE SETTING**

JBC WORKING DOCUMENT -- DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE ACTION

TABLE 1: Pediatric Specialty Hospital Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF/GFE	Total Funds	GF/GFE	Total Funds	General Fund & GFE Only
FY 2009-10 Revised Appropriation	\$5,032,775	\$15,027,353	\$5,032,775	\$14,913,994	\$0
Restore One-Time ARRA Adjustment	1,624,222	0	1,624,222	0	0
Revenue Adjustments	0	(18,068)	0	(92,000)	0
FY 2010-11 BASE Funding	\$6,656,997	\$15,009,285	\$6,656,997	\$14,821,994	\$0
Reduction to General Fund for Budget Balancing	0	0	(754,000)	(1,508,000)	(754,000)
ARRA Adjustment*	(1,652,661)	0	(771,546)	0	881,115
FY 2010-11 Request/Recommendation LONG BILL	\$5,004,336	\$15,009,285	\$5,131,451	\$13,313,994	\$127,115

* Reflects staff calculation of the Department's request.

Fund Source

Table 2: Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund / General Fund Exempt	6,656,997	5,902,997	(754,000)	(11.33)%
CF - Pediatric Speciality Hospital Fund	310,730	307,000	(3,730)	(1.20)%
RF - Pediatric Specialty Hospital Fund	450,000	447,000	(3,000)	(0.67)%
Federal Funds	<u>7,591,558</u>	<u>6,656,997</u>	<u>(934,561)</u>	<u>(12.31)%</u>
TOTAL FUNDS -- Pre-ARRA	15,009,285	13,313,994	(1,695,291)	(11.29)%
General Fund / General Fund Exempt	5,004,336	5,131,451	127,115	2.54%
CF - Pediatric Speciality Hospital Fund	310,730	307,000	(3,730)	(1.20)%
RF - Pediatric Specialty Hospital Fund	450,000	447,000	(3,000)	(0.67)%
Federal Funds	<u>9,244,219</u>	<u>7,428,543</u>	<u>(1,815,676)</u>	<u>(19.64)%</u>
ARRA Adjusted TOTAL FUNDS	\$15,009,285	\$13,313,994	(\$1,695,291)	(11.29)%

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*The Department assumes 12 months of ARRA adjustment in FY 2010-11. Staff recommendation only reflects 6 months of ARRA adjustment until Congress passes an extension.

Issue Detail

FY 2009-10 LONG BILL SUPPLEMENTAL

Revenue and Technical Adjustment: Staff recommends a negative total fund supplemental of \$113,359 to adjust the appropriation for updated revenue information and to make a technical adjustment to the appropriation. Of this amount, \$108,000 is related to lower Amendment 35 revenue for the Pediatric Hospital Fund. The original estimate assumed that \$504,000 in Tobacco Taxes would ultimately be distributed to the Pediatric Hospital Fund. However, staff has lowered this estimate to \$450,000. Because of the requirements of SB 09-264, staff only appropriates \$345,690 in FY 2009-10 for expenditure. The remaining amount is transferred to the General Fund. Staff also recommends a reduction of \$5,359 federal funds to reflect the matching federal funds that should have been reduced in SB 09-269 when the amount of the funding from the Master Tobacco Settlement available for transfer to the Pediatric Hospital Fund was changed.

Note: SB 09-264 established amounts of tobacco tax and Master Settlement moneys to be transferred into the Pediatric Speciality Hospital Fund. However, with the drop in the tobacco taxes, revenues will be insufficient for the amounts listed in statute. Therefore, staff believes that it is within the intent of the statute for the appropriation to match actual revenues. Thus, staff does not believe a statutory change is necessary in order to reflect an appropriation that is lower than the amount listed in statute.

ARRA Adjustment: Staff recommends the Department's request to appropriate ARRA impacts for both FY 2009-10 and FY 2010-11. Staff's calculations are based on the current ARRA match rate and the final appropriation staff recommends.

The following table summarizes staff's final recommended appropriation for this line item in FY 2009-10.

FY 2009-10	SB 09-259	SB 09-269	Change in Revenue	Appropriation Before SB 264 & HB 1300 impacts	Readjust App. in LB to Show requirements of SB 264	FY 2009-10 With ARRA Adjustment
General Fund	6,656,997	0	0	6,656,997	6,552,687	4,928,465
GFE	0	0	0	0	104,310	104,310
Cash Funds	355,359	(5,359)	0	350,000	350,000	350,000

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FY 2009-10	SB 09-259	SB 09-269	Change in Revenue	Appropriation Before SB 264 & HB 1300 impacts	Readjust App. in LB to Show requirements of SB 264	FY 2009-10 With ARRA Adjustment
Reappropriated Funds	504,000	0	(54,000)	450,000	345,690	345,690
Federal Funds	<u>7,516,356</u>	<u>(5,359)</u>	<u>(54,000)</u>	<u>7,456,997</u>	<u>7,561,307</u>	<u>9,185,529</u>
TOTAL FUNDS	15,032,712	(10,718)	(108,000)	14,913,994	14,913,994	14,913,994

Note: Staff does not recommends an (M) note for the General Fund Exempt amount or an (H) note for the Master Settlement of Pediatric Fund amounts. By excluding these notation, the appropriations from these funds must be applied before the General Fund is expended. This allows the General Fund appropriation to receive the full ARRA savings amount of \$1.6 million, including the \$24,179 from the GFE appropriation and \$81,130 from the Tobacco Tax appropriation.

FY 2010-11 Technical Adjustments

Restore One-Time ARRA Reduction: This adjustment is purely technical. Staff is treating ARRA adjustments as one-time savings that must be restored in the next fiscal year's base. This allows the Committee to see the total impact of ARRA in the each fiscal year (rather than the incremental change in ARRA adjustments).

Revenue Adjustments: The Department requests a total fund reduction of \$18,068 and staff recommends a total fund reduction of \$92,000 to reflect updated revenue estimates for the Pediatric Hospital Fund in FY 2010-11.

FY 2010-11 Long Bill Policy Adjustments

Reduction to General Fund for Budget Balancing: Staff recommends a total fund reduction of \$1.5 million (\$754,000 General Fund), or approximately 11.3 percent in FY 2010-11. This line item's original intent was to mitigate the losses The Children's Hospital experiences as a high Medicaid and CICP provider. House Bill 09-1293 will increase Medicaid and ICP reimbursement rates closer to the Medicare reimbursement rates. Thus far, this line item has not received any budget reductions since the economic downturn (although the Children's Hospital is impacted by reductions to the private hospital funding in the Safety Net Provider Payment line item and rate reductions). Staff recommends a 11.3 percent reduction to the General Fund appropriation for this line item. This amount is equivalent to the discretionary Master Tobacco Settlement and Tobacco Taxes provided to this line item.

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Note: Staff believes that it could be possible to reduce this line item even further than the staff recommendation. Staff will keep additional budget reductions to this line item as an option for the Committee to consider during balancing. The only part of this appropriation that staff would not recommend reducing is the funding for the Kids Street and Medical Day Treatment programs. Last year, the Committee approved a transfer of \$2.2 million total funds (\$1.1 General Fund) from the Medical Services Premiums line item into this line item based on advice for the Centers of Medicare and Medicaid Services (CMS) for these programs.

ARRA Recognition: The Department's request assumes ARRA adjustments for the entire fiscal year rather than expiring on December 31, 2010 as current law provides. Staff sets the Long Bill to current law. At the time staff wrote this section of the figure setting packet, Congress had not passed an ARRA extension. If Congress passes and the President signs an ARRA extension prior to introduction of the Long Bill, staff requests permission from the Committee to include such adjustments in the Long Bill without an additional vote from the Committee to do so. The table below shows staff calculations for ARRA expiring in December 2010 and being extended through June 2011.

FY 2010-11	Staff Rec. Before ARRA	Apply ARRA (6 Months ONLY)	Apply ARRA 12 months
General Fund	5,902,997	5,131,451	4,359,905
GFE	0	0	0
Cash Funds	307,000	307,000	307,000
Reappropriated Funds	447,000	447,000	447,000
Federal Funds	<u>6,656,997</u>	<u>7,428,543</u>	<u>8,200,089</u>
TOTAL FUNDS	13,313,994	13,313,994	13,313,994

General Fund Appropriation to Pediatric Speciality Hospital Fund:

Line Item Description: Section 24-22-117 (B) requires that 50 percent of those revenues appropriate to the General Fund be appropriated to the Pediatric Hospital Fund. This line item fulfills this statutory requirement.

This line item is not impacted by ARRA.

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Department Request and Staff Recommendation: The Department requests \$450,000 General Fund Exempt for this line item. Staff's recommendation is \$447,000 based on the amount of revenue available according to the December 2009 Legislative Council Staff Revenue Forecast.

Tobacco Tax Fund Appropriation to the General Fund

Line Item Description: Section 24-22-11(7)(c)(I)(A) C.R.S. that requires that 6 percent of all tobacco tax revenues appropriated to the Tobacco Tax Cash Fund be appropriated to the General Fund. This line item reflects one-half the amount required to be appropriated. The other half of the amount required be appropriated to the Department of Public Health and Environment.

This line item is not impacted by ARRA.

Department Request and Staff Recommendation: The Department requests continuation funding from FY 2009-10. Staff's recommendation is \$447,000 based on the amount of revenue available according to the December 2009 Legislative Council Staff Revenue Forecast.

Primary Care Fund

Line Item Description: This program provides payments from the Amendment 35 Tobacco Tax revenues to providers serving indigent care clients. The appropriation is distributed to qualified providers based on the portion of medically indigent or uninsured patients served relative to the total amount of medically indigent or uninsured clients served by all qualified providers.

This line item is not impacted by ARRA.

TABLE 1: Primary Care Fund Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation		\$24,520,000	\$0	\$24,520,000	\$0
HB 10-1321 (Health Care Clinic Bill)		(12,395,000)	0	(12,395,000)	0
FY 2009-10 Revised Appropriation	\$0	\$12,125,000	\$0	\$12,125,000	\$0

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TABLE 1: Primary Care Fund Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
Expiration of Statutory Authority to Transfer funds to offset General Fund	0	19,795,000	0	19,795,000	0
Change in Revenue Forecast	0	0	0	(3,610,000)	
FY 2010-11 BASE Funding	\$0	\$31,920,000	\$0	\$28,310,000	\$0
Policy Adjustments - None	0	0	0	0	0
FY 2010-11 Request/Recommendation LONG BILL	\$0	\$31,920,000	\$0	\$28,310,000	\$0
JBC Bill #3: Transfer Primary Care Fund to Maximize General Fund savings and Federal Funds	0	0	0	(28,310,000)	0
FY 2010-11 TOTAL impact recommended	\$0	\$31,920,000	\$0	\$0	\$0

Fund Source

The fund source for this line item is the Primary Care Fund.

Issue Detail

FY 2010-11 Base Adjustments

Expiration of Statutory Authority to Transfer funds to offset General Fund: In the 2009 Legislative Session, the General Assembly passed S.J.R. 09-035 which declared a state fiscal emergency. This allowed \$19.8 million from the Primary Care Fund to be transferred to fund other health care services than those specifically authorized in the Colorado Constitution. However, the fiscal emergency resolution is only applicable for one fiscal year. Because a declared state fiscal emergency only lasts for one year, in FY 2010-11 the Primary Care Fund allocations are restored to their former distribution from the Amendment 35 Tobacco Taxes.

Change in Revenue Forecast: Staff recommends a decrease of \$3.6 million based on the Legislative Council Staff December 2009 Revenue forecast for the Amendment 35 tobacco taxes. The total revenue forecast for this fund in FY 2010-11 is \$28.3 million.

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FY 2010-11 Long Bill Policy Adjustments

None.

FY 2010-11 JBC Bill Recommended

JBC Bill #3 --Transfer Primary Care Fund to Maximize General Fund savings and Federal Funds: Staff recommends that the JBC sponsor a bill that would temporarily eliminate this program in FY 2010-11. Under staff's proposal, the clinics would receive between \$20.4 to \$23.4 million under the Health Care Services Fund. Another \$3.0 million would be distributed to clinics through the Primary Care Fund Special Distribution Grant Program (created in HB 10-1321 to mitigate impacts to certain providers who receive funding through the Primary Fund but not from the Health Care Services Fund). Finally, the proposal would also offset \$16.3 million in General Fund expenditures. See the Health Care Services Fund for additional detail about this proposal.

Children's Basic Health Plan

The next four line items are related to the Children's Basic Health Plan (CBHP). The narrative discussion is in a different order than the number pages. The first line item that will be discussed is the CBHP Premium Costs, including the caseload forecast for FY 2010-11. The next line item is the CBHP Dental Costs, followed by the CBHP external administrative costs, and then the CBHP Trust Fund.

These line items already receive an enhanced federal match of 65 percent. The American Recovery and Reinvestment Act (ARRA) of 2009 did not impact the CBHP program. Therefore, the ARRA restrictions related to changing eligibility do not apply to the CBHP program (i.e. the State could reduce eligibility for this program and not lose the enhanced federal match in the Medicaid program). However, before the children's population could be reduced, all adults on the program would need to be eliminated. Thus, to reduce eligibility for this program means capping enrollment or eliminating pregnant women from health insurance coverage. At this time, staff does not recommend this option. Nevertheless, reducing the CBHP caseload is an option available to the Committee. Legislation would be necessary to do so. Staff would note that this option may need to be considered for FY 2011-12 if the budget situation does not improve (i.e. FY 2011-12 will be a very challenging budget year based on the loss of one-time ARRA funding in the Medicaid program, the pay back or partial pay back of the Medicaid payment shift (if the Committee elects to do this), the loss of fiscal emergency moneys, and the looming deficit in the Health Care Expansion Fund).

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Children's Basic Health Plan Premium Costs

Line Item Description: This line item contains the medical costs associated with serving the eligible children and adult pregnant women on the CBHP program. Children are served by both managed care organizations and the Department's self-insured network. The adult pregnant women on the program are served in the self-insured network.

This line item is not impacted by ARRA.

TABLE 1: Children's Basic Health Plan Premiums Costs Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$0	\$133,438,868	\$0	\$133,438,868	\$0
LONG BILL SUPPLEMENTAL		6,972,366	0	7,493,209	0
FY 2009-10 Revised Appropriation	\$0	\$140,411,234	\$0	\$140,932,077	\$0
Annualize SB 09-265 (payment shift)	0	12,225,344	0	12,225,344	0
FY 2010-11 BASE Funding	\$0	\$152,636,578	\$0	\$153,157,421	\$0
DI #3 & BA #3 - Caseload and Cost Adjustment*	0	47,650,997	0	49,899,740	0
BA #19 - Administrative Adjustment	0	(509,071)	0	(535,195)	0
FY 2010-11 Long Bill Recommendation	\$0	\$199,778,504	\$0	\$202,521,966	\$0

*All caseload increases are included in this decision item, including the annualizing the impacts of HB 09-1293. See explanation below for the costs associated with annualizing HB 09-1293.

Fund Source

TABLE 2: Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF - Children's Basic Health Plan Trust Fund	23,190,320	25,592,448	2,402,128	10.36%
CF - Immunization Fund	498,280	461,700	(36,580)	(7.34)%
CF - Health Care Expansion Fund	28,835,292	30,000,812	1,165,520	4.04%

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TABLE 2: Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF - Hospital Provider Fee	8,285,430	8,297,682	12,252	0.15%
RF - CBHP Trust Fund General Fund Appropriation	9,435,683	6,856,880	(2,578,803)	(27.33)%
Federal Funds	<u>129,533,499</u>	<u>131,312,444</u>	<u>1,778,945</u>	<u>1.37%</u>
TOTAL FUNDS	199,778,504	202,521,966	2,743,462	1.37%

Issue Detail

FY 2009-10 LONG BILL SUPPLEMENTAL

Caseload Adjustment: The Department requests an increase of \$6,972,366 total funds (no additional General Fund impact) to fund increased caseload and cost estimates. Staff recommends an increase of \$7,493,706 total funds (no additional General Fund impact in FY 2009-10) for this issue. The table below compares the Department's FY 2009-10 final request with the staff FY 2009-10 recommendation for this line item.

Table 3: Final Caseload and Cost Assumptions for Department and Staff FY 2009-10 Forecasts			
	Department Request	Staff Recommendation	Difference
Children's Caseload	70,102	70,340	238
Children's Per Capita Costs	\$1,780.14	<u>\$1,780.14</u>	<u>\$0.00</u>
Total Costs for Children	\$124,791,374	\$125,215,048	\$423,673
Adult Caseload	1,607	1,617	10
Adult Per Capita Costs	<u>\$9,719.87</u>	<u>\$9,719.87</u>	\$0.00
Total Costs for Adults	\$15,619,860	\$15,717,030	\$97,170

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Table 3: Final Caseload and Cost Assumptions for Department and Staff FY 2009-10 Forecasts			
	Department Request	Staff Recommendation	Difference
Total Premiums	\$140,411,234	\$140,932,077	\$520,843
CF - Children's Basic Health Plan Trust Fund	\$25,024,171	\$25,025,938	\$1,767
CF - Immunization Fund	\$443,456	\$461,700	\$18,244
CF - Health Care Expansion Fund	\$20,979,913	\$21,143,042	\$163,129
CF - Hospital Provider Fee	\$441,984	\$441,984	\$0
RF - CBHP Trust Fund General Fund Appropriation	\$2,500,000	\$2,500,000	\$0
Federal Funds	<u>\$91,021,681</u>	<u>\$91,359,413</u>	<u>\$337,732</u>
Total Funds	\$140,411,205	\$140,932,077	\$520,872

Staff's children and adult prenatal caseload forecast is only slightly higher than the Department's request. Staff recommends the Department's estimated per capita costs.

FY 2010-11 Base Issues

Annualize SB 09-265: The General Assembly passed SB 09-265 last year which had a one-time savings to the CBHP Premium Cost line item of \$12.2 million total funds by changing the capitation payments from the month preceding enrollment of the client (i.e. this delayed the June 2010 payment until July 2010 -- after the start of the next fiscal year). The Department requests and staff recommends an increase of \$12.2 million total funds to restore this funding.

Budget balancing option: The savings from SB 09-265 were as follows: (a) \$2.55 million to the CBHP Trust Fund, \$1.7 million to the Health Care Expansion Fund, and \$7.9 million to federal funds. With the passage of HB 10-1321, the Health Care Expansion Fund can be used to offset other health related purposes. Therefore, the FY 2009-10 appropriation clause for SB 09-265 can be rewritten to allow all of the state match savings to come from the Children's Basic Health Plan Trust Fund. This would increase the fund balance in the CBHP Trust Fund and thereby allow the General Assembly to reduce the General Fund subsidy to the CBHP Trust Fund by \$1.7 million in either FY 2009-10 or FY 2011-12 (the Committee could choose either year but not both -- depending on which year the Committee needs to balance). This impact is an option and is not reflected in the funding presented above.

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FY 2010-11 Policy Issue

Caseload and Cost Adjustment: The Department requests an increase of \$47.65 million total funds for forecasted increases to the CBHP program's caseload and medical costs. The Department's recommendation is based on serving 83,676 children at a per capita cost of \$2,070.79 and 2,426 women in the prenatal program at a per capita cost of \$11,134.44. Staff recommends an increase of \$49.9 million total funds for this issue. Staff's recommendation is based on serving 84,793 children at a per capita cost of \$2,070.79 and 2,467 women at a per capita cost of \$11,134.44. Please note the caseload estimates include the costs associated with implementing HB 09-1293 which expands eligibility to 250 percent FPL for children and pregnant women beginning in May 2010.

Administrative Rate Reduction: The Department requests a reduction of \$509,071 total funds and staff recommends a reduction of \$535,195 total funds related to reducing the FY 2010-11 administrative rate paid to the third party administrator (TPA) to help manage the State's self funded network. Normally, this contract receives a COLA adjustment. The Department's proposal and staff recommendation is to suspend this COLA in FY 2009-10 at an estimated savings of \$1.21 per member per month. The reason that staff's recommended reduction is slightly higher than the Department's request is related to staff's slightly higher caseload assumption.

Additional Information

Table 4 below shows the differences between the Department's and staff's recommendation for the base caseload and costs in FY 2010-11.

Table 4: BASE Caseload Assumptions for Department and Staff Forecasts for FY 2010-11			
	Department Request	Staff Recommendation	Difference
Children's Caseload	83,676	84,793	1,117
Children's Per Capita Costs	<u>\$2,070.79</u>	<u>\$2,070.79</u>	<u>\$0.00</u>
Total Costs for Children	\$173,275,424	\$175,588,496	\$2,313,072
Adult Caseload	2,426	2,467	41
Adult Per Capita Costs	<u>\$11,134.44</u>	<u>\$11,134.44</u>	<u>\$0.00</u>

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Table 4: BASE Caseload Assumptions for Department and Staff Forecasts for FY 2010-11			
	Department Request	Staff Recommendation	Difference
Total Costs for Adults	\$27,012,151	\$27,468,663	\$456,512
Total Premiums	\$200,287,575	\$203,057,160	\$2,769,584

**Fund break-out is shown in table 2.*

Staff's children caseload is 1,117 clients (1.3 percent) higher than the Department's forecast. Staff's forecast is the outcome of staff's trend analysis for the four different children populations (up to 185% FPL, from 185% to 200% FPL, from 200% to 205% FPL, and from 205% to 250% FPL). Staff's children's caseload forecast is an increase of 20.5 percent over staff's final FY 2009-10 caseload estimate of 70,340. Staff believes that healthy caseload growth will occur in FY 2010-11 for the following reasons:

- (1) State unemployment will continue to be higher than usual throughout FY 2010-11 causing clients to enter and stay on the program longer, and
- (2) The increase in eligibility to 250 percent FPL will add 6,860 clients in FY 2010-11 (staff recommends the Department's estimate for this expansion population). Staff would note that this estimate has been revised down from the original fiscal note estimate that assumed 14,700 children would be added in FY 2010-11. This is partly because the program is not anticipating to enroll new children until May 2010 and because of updated uninsured estimates that were lower than prior estimates.

Staff's adult prenatal caseload forecast is 41 clients (1.7 percent) higher than the Department's forecast. Both the Department and staff forecast a slowing of the growth trend for already eligible populations in FY 2010-11 based on similar patterns for the Baby Care Adult Medicaid program. However, the expansion population to 250 percent FPL will add 858 more pregnant (staff recommends the Department's estimate for the expansion population). Including the expansion population, Staff's children's caseload forecast is an increase of 52.57 percent over staff's final FY 2009-10 caseload estimate of 1,617.

For both FY 2009-10 and FY 2010-11, staff recommends the Department's per capita estimates. The FY 2009-10 children's per capita estimate changed from the current appropriation estimate of \$1,917.89 to \$1,780.14 (a decrease of \$137.75 or 7.0 percent from the original estimate). The new estimate is

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based on the actuarially developed rates for the program. The Department trended the new FY 2009-10 rates by 7.36 percent which is based on the blending of the historical growth rates for both the self-funded and HMO networks. The result is a per capita estimate of \$2,070.79 for children in FY 2010-11.

The FY 2009-10 adult prenatal per capita estimate changed from the current appropriation estimate of \$10,859.07 to \$9,719.87 (a decrease of \$1,139.20 or 10.5 percent from the original estimate). The new estimate is based on the actuarially developed rates for the program. The Department trended the new FY 2009-10 rates by 5.53 percent which is based on the three year average growth rate for the program. The result is a per capita estimate of \$11,134.44 for children in FY 2010-11.

Table 5 below shows what is driving the costs for the children's population.

Table 5: Analysis of Factors Driving the Children's Premium Costs -- BASE ISSUES ONLY						
	FY 2009-10 Staff Recommended Appropriation	FY 2010-11 Department's Request	FY 2010-11 Staff Rec.	FY 2010-11 Department Compared to Suppl. App.	FY 2010-11 Staff Rec. Compared to Suppl App.	FY 2010-11 Staff Rec. compared to Dept. Request
Total Cost Estimated	\$125,215,048	\$173,275,424	\$175,588,497	\$48,060,376	\$50,373,449	\$2,313,073
Caseload	70,340	83,676	84,793	13,336	14,453	1,117
\$/Client*	\$1,780.14	\$2,070.79	\$2,070.79	\$290.65	\$290.65	\$0.00
Impact Associated with Caseload Change				\$23,739,947	\$25,728,364	\$2,313,072
Impact Associated with Cost per Client Changes (includes compounding effect)				\$24,320,429	\$24,645,085	\$1
Subtotal CBHP base forecasting				\$48,060,376	\$50,373,449	\$2,313,073

As table 5 above shows, approximately half of the increase to the children's medical program is the result of higher per capita costs (i.e. the increasing costs of health care). The financing for this program mainly comes from Master Tobacco Settlement funds and from the Health Care Expansion Fund (and now the Hospital Provider Fee for the new expansion population) and associated matching federal funds. As the Committee is aware, these revenues are stable to declining sources. Therefore, the General Fund has had to backfill a portion of the CBHP costs. In FY 2009-10, the Department attempted two initiatives to reduce costs: (1) receive children's vaccinations through the Vaccines for Children program; and (2) increasing reinsurance recoupments. However, these cost saving initiatives

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have not saved the amount of funding originally assumes -- the VFC program has not been implemented due to complications involved with working with this federal program and the recoupments have only brought in \$975,000 of the originally estimated \$2,000,000.

Table 6 below shows what is driving the costs for the adult prenatal population.

Table 6: Analysis of Factors Driving the Adult Pregnant Premium Costs -- Base Issues ONLY						
	FY 2000-10 Staff Recommended Appropriation	FY 2010-11 Department's Request	FY 2010-11 Staff Rec.	FY 2009-10 Department Compared to Suppl. App.	FY 2009-10 Staff Rec. Compared to Suppl App.	FY 2009-10 Staff Rec. compared to Dept. Request
Total Cost Estimated	\$15,717,030	\$27,012,151	\$27,468,663	\$11,295,121	\$11,751,633	\$456,512
Caseload	1,617	2,426	2,467	809	850	41
\$/Client*	\$9,719.87	\$11,134.44	\$11,134.44	\$1,414.57	\$1,414.57	\$0.00
Impact Associated with Caseload Change				\$7,863,375	\$8,261,890	\$456,512
Impact Associated with Cost per Client Changes (includes compounding effect)				\$3,431,746	\$3,489,743	\$0
Subtotal Adult Prenatal Program for base forecasting				\$11,295,121	\$11,751,633	\$456,512

As Table 6 above shows, the majority of the new funding is for the new caseload eligibility (mainly due to HB 09-1293 and paid from the Hospital Provider Fee). However, the per capita cost increase does result in the need for \$3.5 million in new total funds in FY 2010-11.

Budget Balancing Option: In the Medicaid program, provider rates have been reduced -- including corresponding decreases to the capitation rates paid to HMO providers. As a budget balancing option, staff recommends the Committee consider reducing the per capita costs by 2.0 percent (please note that 2.0 percent per capita cost reduction could result in higher provider rate reductions for some providers and that the state does not control the rates the HMOs pay their provider).

Table 7 shows staff's estimate for this budget balancing option.

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Table 7: FY 2010-11 budget change is a 2.0 percent reduction to per capita costs are included			
	Staff Rec. -- Adjusted for Administrative Reduction Already Recommended	Option -- 2.0 percent reduction to per capita costs	Difference
Children's Caseload	84,793	84,793	0
Children's Per Capita Costs	<u>\$2,064.90</u>	<u>\$2,023.60</u>	<u>(\$41.30)</u>
Total Costs for Children	\$175,089,122	\$171,587,284	(\$3,501,838)
Adult Caseload	2,467	2,467	0
Adult Per Capita Costs	<u>\$11,119.92</u>	<u>\$10,897.52</u>	<u>(\$222.40)</u>
Total Costs for Adults	\$27,432,844	\$26,884,186	(\$548,658)
Total Premiums	\$202,521,966	\$198,471,470	(\$4,050,496)
CF - Children's Basic Health Plan Trust Fund	\$32,449,328	\$31,890,657	(\$558,671)
CF - Immunization Fund	\$461,700	\$461,700	\$0
CF - Health Care Expansion Fund	\$30,000,812	\$29,473,757	(\$527,055)
CF - Hospital Provider Fee	\$8,297,682	\$8,149,326	(\$148,356)
RF - CBHP Trust Fund General Fund Appropriation			\$0
Federal Funds	<u>\$131,312,444</u>	<u>\$129,020,577</u>	<u>(\$2,291,867)</u>
Total Funds	\$202,521,966	\$198,996,017	(\$3,525,949)

This budget option would reduce General Fund expenditures by \$558,671 and would also reduce the Health Care Expansion Fund costs by \$527,055 (which helps in out years when revenues in this fund will be insufficient to pay the costs of the current programs it supports).

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Children's Basic Health Plan Dental Costs

Line Item Description: This line item funds the dental services provided to eligible children enrolled in the Children's Basic Health Plan. The Department currently has a \$600 yearly maximum benefit per client, and a statewide network with several hundred participating dentists.

This line item is not impacted by ARRA.

TABLE 1: Children's Basic Health Plan Dental Costs Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$0	\$10,062,349	\$0	\$10,062,349	\$0
LONG BILL SUPPLEMENTAL		257,366	0	292,402	0
FY 2009-10 Revised Appropriation	\$0	\$10,319,715	\$0	\$10,354,751	\$0
Annualize SB 09-265 (payment shift)	0	886,113	0	886,113	0
FY 2010-11 BASE Funding	\$0	\$11,205,828	\$0	\$11,240,864	\$0
Caseload and Cost Adjustment*	0	2,489,423	0	2,637,206	0
FY 2010-11 Request/Recommendation LONG BILL	\$0	\$13,695,251	\$0	\$13,878,070	\$0

*All caseload increases are included in this decision item, including the annualizing the impacts of HB 09-1293. See explanation below for the costs associated with annualizing HB 09-1293.

Fund Source

TABLE 2: Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF - Children's Basic Health Plan Trust Fund	\$2,502,072	\$2,517,883	\$15,811	0.63%
CF - Health Care Expansion Fund	1,898,294	1,946,470	48,176	2.54%
CF - Hospital Provider Fee	392,972	392,972	0	0.00%

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TABLE 2: Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
Federal Funds	<u>8,901,913</u>	<u>9,020,745</u>	<u>118,832</u>	<u>1.33%</u>
TOTAL FUNDS	\$13,695,251	\$13,878,070	\$182,819	1.33%

Issue Detail

FY 2009-10 LONG BILL SUPPLEMENTAL

Caseload Adjustment: The Department requests an increase of \$257,366 total funds (no additional General Fund impact) to fund increased caseload and cost estimates. Staff recommends an increase of \$292,402 total funds (no additional General Fund impact in FY 2009-10) for this issue. The table below compares the FY 2009-10 Department final request with staff's recommendation for this line item.

Table 3: Final Caseload and Cost Assumptions for Department and Staff FY 2009-10 Forecasts			
	Department Request	Staff Recommendation	Difference
Children's Caseload	70,102	70,340	238
Children's Dental Per Capita Costs	<u>\$147.21</u>	<u>\$147.21</u>	<u>\$0.00</u>
Total Costs for Children	\$10,319,715	\$10,354,751	\$35,036
CF - Children's Basic Health Plan Trust Fund	\$2,240,448	\$2,244,003	\$3,555
CF - Health Care Expansion Fund	\$1,349,813	\$1,358,520	\$8,707
CF - Hospital Provider Fee	\$21,640	\$21,640	\$0
Federal Funds	<u>\$6,707,815</u>	<u>\$6,730,588</u>	<u>\$22,773</u>
Total Funds	\$10,319,716	\$10,354,751	\$35,035

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FY 2010-11 Base Issues

Annualize SB 09-265: The General Assembly passed SB 09-265 last year which had a one-time savings to the CBHP Dental Cost line item of \$886,113 total funds by changing the capitation payments from the month proceeding enrollment of the client (i.e. this delayed the June 2010 payment until July 2010 -- after the start of the next fiscal year). The Department requests and staff recommends an increase of \$886,113 total funds to restore this funding.

Budget balancing option: *The savings from SB 09-265 were as follows: (a) \$207,860 to the CBHP Trust Fund, \$102,280 to the Health Care Expansion Fund, and \$575,973 to federal funds. With the passage of HB 10-1321, the Health Care Expansion Fund can be used to offset other health related purposes. Therefore, the FY 2009-10 appropriation clause for SB 09-265 can be rewritten to allow all of the state match savings to come from the Children's Basic Health Plan Trust Fund. This would increase the fund balance in the CBHP Trust Fund and thereby allow the General Assembly to reduce the General Fund subsidy to the CBHP Trust Fund by \$102,280 in either FY 2009-10 or FY 2011-12 (the Committee could choose either year but not both -- depending on which year the Committee needs to balance). This impact is an option and is not reflected in the funding presented above.*

FY 2010-11 Policy Issue

Caseload and Cost Adjustment: The Department requests an increase of \$2.5 million total funds for forecasted increases to the CBHP program's caseload and medical costs. The Department's recommendation is based on serving 83,676 children at a per capita cost of \$163.67. Staff recommends an increase of \$2.6 million total funds for this issue. Staff's recommendation is based on serving 84,793 children at a per capita cost of \$163.67. Please note the caseload estimates include the costs associated with implementing HB 09-1293 which expands eligibility to 250 percent FPL for children and pregnant women beginning in May 2010. Staff recommendation is for the Department's per capita estimate which is based on historical growth trends.

Children's Basic Health Plan External Administration Costs

Line Item Description: This line item provides funding for the private contracts for administrative services associated with the Children's Basic Health Plan. Internal administrative costs are funded in their respective line items in the Executive Director's Office division (i.e. personal services, operating expenses, MMIS, etc.).

This line item is not impacted by ARRA.

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TABLE 1: Children's Basic Health Plan Administrative Costs Budget Build					
Incremental Budget Change Issue	Department Request		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation*	\$0	\$5,537,590	\$0	\$5,537,590	\$0
HB 10-1300 (HCPF Supplemental)	0	(136,473)	0	(136,473)	0
FY 2009-10 Revised Appropriation	\$0	\$5,401,117	\$0	\$5,401,117	\$0
Annualize Prior Year Legislation	0	18,926	0	18,926	0
Annualize Prior Year Budget Actions	0	19,460	0	19,460	0
FY 2010-11 BASE Funding	\$0	\$5,439,503	\$0	\$5,439,503	\$0
BA #19 - Administrative Funding	0	(550,000)	0	(550,000)	0
FY 2010-11 Request/Recommendation LONG BILL	\$0	\$4,889,503	\$0	\$4,889,503	\$0

*Does not include the HB 09-1293 appropriation. However the FY 2009-10 costs are fully annualized in the base recommendation for FY 2010-11.

Fund Source

TABLE 2: Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF - Children's Basic Health Plan Trust Fund	\$1,883,483	\$1,939,762	\$56,279	2.99%
CF - Health Care Expansion Fund	328,773	272,494	(56,279)	(17.12)%
CF - Hospital Provider Fee	6,974	6,974	0	0.00%
Federal Funds	<u>2,670,273</u>	<u>2,670,273</u>	<u>0</u>	<u>0.00%</u>
TOTAL FUNDS	\$4,889,503	\$4,889,503	\$0	0.00%

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Issue Detail

FY 2010-11 Base Issues

Annualize Prior Year Legislation: Staff recommends the Department's increase of \$18,926 total funds to annualize the impacts of prior year legislation. Specifically, this request includes a total of \$19,926 (\$6,974 from the Hospital Provider Fee and \$12,952 federal funds) for the administrative costs associated with CBHP expansion to 250 percent FPL. Additionally, the request removes \$1,000 total funds (\$350 CBHP Trust fund and \$650 federal funds) to remove one-time funding associated with SB 08-160 (expansion of CBHP) that erroneously was not excluded from the base last year.

Annualize Prior Budget Actions: Staff recommends the Department's increase of \$19,460 total funds. In FY 2009-10, the Committee approved a supplemental action to increase funding for the Department's external quality review contract in order to meet new guidelines under the Children's Health Insurance Program Reauthorization Act (CHIPR). This request annualizes the funding already approved to a full-year impact.

FY 2010-11 Policy Issue

BA #19 - Administrative Funding: Staff recommends the Department's request to reduce marketing and outreach activities by another \$550,000 total funds (\$211,227 Health Care Expansion Fund). House Bill 05-1262 originally appropriated \$1.3 million for this activity. In FY 2009-10, \$250,000 of this funding was reduced. This request would be an additional \$550,000 reduction, leaving only \$500,000 in the contract. If SJR 10-010 is passed, then the Health Care Expansion Fund savings could be used to offset General Fund expenditures elsewhere in the budget. The table below shows the activities that the recommended appropriation will fund.

Total Administrative Funding	Cost
Primary Administration and Customer Service (includes HB 09-1293 impacts)	\$3,939,516
Actuary Services	170,000
Quality Assurance (includes CHIPR impacts)	217,597
Claims Audit	62,390
Marketing and Outreach	<u>500,000</u>
Total External Administration Contracts	\$4,889,503

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Children's Basic Health Plan Trust Fund

Line Item Description: This line item contains any General Fund appropriations that need to be made to the Children's Basic Health Plan Trust Fund due to program expenditures exceeding the amount of revenue sources available to fund the program.

This line item is not impacted by ARRA.

TABLE 1: Children's Basic Health Plan Trust Fund Budget Build					
Incremental Budget Change Issue	Department Request		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation*	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$0
None	2,919	2,919	2,919	2,919	0
FY 2009-10 Revised Appropriation	\$2,502,919	\$2,502,919	\$2,502,919	\$2,502,919	\$0
Remove One-Time CBMS costs	(2,919)	(2,919)	(2,919)	(2,919)	0
FY 2010-11 BASE Funding	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$0
DI #3/BA #3, BA #6, and BA #9-- All Program Changes Impact on CBHP Trust Fund	6,984,887	6,984,887	4,356,880	4,356,880	(2,628,007)
FY 2010-11 Request/Recommendation LONG BILL	\$9,484,887	\$9,484,887	\$6,856,880	\$6,856,880	(\$2,628,007)

*Does not include the HB 09-1293 appropriation. However the FY 2009-10 costs are fully annualized in the base recommendation for FY 2010-11.

Fund Source

The fund source is General Fund only. All other revenue sources into the CBHP Trust Fund are deposited into the fund per statutory requirements and therefore, are not appropriated.

Issue Detail

Remove One-Time CBMS Costs: The Department requests and staff recommends a decrease of \$2,919 General Fund for one-time CBMS costs associated with supplemental requests approved in FY 2009-10.

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DI #3/BA #3, BA #6, and BA #9-- All Program Changes Impact on CBHP Trust: Based on the Department's caseload and cost estimates for the CBHP program, the Department requests \$9.5 million General Fund be deposited into the CBHP Trust Fund to ensure sufficient funding is available for the program. This is an increase of \$7.0 million over the current FY 2009-10 appropriation of \$2.5 million. Staff recommends \$6.86 million General Fund be appropriated to the CBHP Trust Fund, an increase of \$4.36 million over the base funding of \$2.5 million. Staff's estimate is based on JBC's action on the Master Tobacco Tax Settlement Account, the passage of HB 10-1323, and staff's calculated expenditures from the CBHP Trust Fund. The table below compares staff's estimates with the Department's estimates.

CBHP Trust Fund	Department Request		Staff Recommendation	
	FY 2009-10*	FY 2010-11	FY 2009-10	FY 2010-11
Beginning Balance	\$6,608,063	\$817,042	\$6,608,063	\$2,694,570
General Fund Appropriation	2,500,000	0	2,500,000	0
Tobacco Master Settlement Revenue (Prior to HB 10-1323)	25,705,183	26,293,535	24,955,183	24,680,764
HB 10-1323 Revenue	0	0	0	2,245,000
Annual Enrollment Fees	429,347	548,909	379,133	502,822
Interest Earnings	<u>428,231</u>	<u>317,583</u>	<u>516,636</u>	<u>451,847</u>
Total Revenue	\$35,670,824	\$27,977,069	\$34,959,015	\$30,575,003
CBHP EDO Expenditures	504,332	677,457	532,272	607,222
CBHP ICP Expenditures*	34,320,519	36,875,118	31,703,242	36,906,973
CBHP CBMS Expenditures	<u>28,931</u>	<u>30,158</u>	<u>28,931</u>	<u>22,108</u>
Total Expenditures	34,853,782	37,582,733	32,264,445	37,536,303
Estimated Balance	817,042	(9,605,664)	2,694,570	(6,961,300)
General Fund Need	n/a	9,605,664	n/a	6,961,300
Interest Earnings on General Fund Appropriation	n/a	(120,777)	n/a	(104,419)
TOTAL APPROPRIATION RECOMMENDED	n/a	\$9,484,887	n/a	\$6,856,880
Base General Fund in current app.	\$0	(\$2,500,000)	\$0	(\$2,500,000)
Incremental GF needed**	\$0	\$6,984,887	\$0	\$4,356,880

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*Matches the Department's exhibit C.1 but not necessarily expenditures staff calculates as the Department's request.

**Due to recent volatility in for tobacco revenues, staff does not recommend a decrease in funding but that the funding stay constant.

The table below summarizes all the line items where CBHP Trust Fund expenditures occur.

Line Item	Staff Recommendation (CBHP Expenditures)	
	FY 2009-10	FY 2010-11
EDO (A) - General Administration	\$247,373	\$257,479
EDO (C) - Information Technology Contracts	284,899	246,755
EDO (F) - Provider Audits and Services	0	102,988
ICP - CBHP Premium Costs	27,525,938	32,449,328
ICP - CBHP Dental Costs	2,244,003	2,517,883
ICP - CBHP External Administration	1,933,301	1,939,762
DHS - CBMS and CBMS Audit Costs	<u>28,931</u>	<u>22,108</u>
Total CBHP Expenditures	\$32,264,445	\$37,536,303

Comprehensive Primary Care and Preventative Care Grants Program

Line Item Description: This program awards grants to health care providers in order to expand primary, preventative health care services to low income, uninsured residents of Colorado. Over the years, the majority of the grant money has been spent on expanding clinics or expanding the availability of primary care services for uninsured or medically indigent by hiring additional staff and purchasing equipment and supplies. This program is funded from the Tobacco Master Settlement Agreement. This program was temporarily eliminated in FY 2010-11 in HB 10-1323.

Department Request and Staff Recommendation: The Department's request reflects the funding that would have been available for this program prior to the passage of HB 10-1323. The staff recommendation reflects that funding for this program was eliminated in FY 2010-11 pursuant to HB 10-1323. House Bill 10-1323, transfers the funding for this program into the General Fund in FY 2010-11.

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Comprehensive Primary Care and Preventative Care Rural and Public Hospitals Payment

Line Item Description: This program provides funding to public and rural hospitals who participate in the Colorado Indigent Care Program (CICP). The state funding comes from a distribution of "TIER II" Tobacco Master Settlement moneys. This funding was eligible for a federal match through the Medicaid program. This program was eliminated in HB 10-1323. The distribution that formerly went to this program is not distributed to the Children's Basic Health Plan Trust Fund.

Department Request and Staff Recommendation: Both the Department request and staff recommendation reflects that funding is not available for this program in FY 2010-11. House Bill 10-1323 eliminated this program and permanently allowed this revenue stream to be placed in the Children's Basic Health Plan Trust Fund beginning in FY 2010-11.

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(5) Other Medical Services

This division contains funding for programs not administered by the Department through the Medicaid or Indigent Care Programs. Seven of the line items receive Medicaid funding but are administered by other Departments, Commissions, or hospitals. Two of the line items relate to the Old Age Pension State-Only Medical Program and one line item relates to the State Contribution Payment for the Medicare Part D Benefit.

Table 1: -- Division Funding Summary (Long Bill Appropriation Recommendation)				
	FY 2008-09 Actual	FY 2009-10 Appropriation*	FY 2010-11 Dept Request	FY 2010-11 Staff Rec.**
Services for Old Age Pension State Medical Program clients	10,785,075	15,368,483	15,368,483	15,083,483
Tobacco Tax Transfer from General Fund to the Old Age Pension State Medical Program	3,786,592	2,520,000	2,520,000	2,235,000
Commission on Family Medicine Residency Training Programs	1,932,052	1,738,846	1,738,846	1,738,846
Enhanced Prenatal Care Training and Technical Assistance	108,998	119,006	119,006	119,006
Nurse Home Visitor Program	2,924,123	3,010,000	3,010,000	3,010,000
Public School Health Services	18,918,568	20,004,856	23,787,492	23,787,104
Public School Health Services Administration	0	525,200	799,700	799,700
Medicare Modernization Act State Contribution Payment	73,720,837	86,570,177	70,700,172	70,700,172
State University Teaching Hospitals Denver Health and Hospital Authority	1,829,008	1,831,714	1,831,714	1,831,714
State University Teaching Hospitals - University of Colorado Hospital Authority	697,838	676,785	652,633	676,785
Total (W/O ARRA)	<u>\$114,703,091</u>	<u>\$132,365,067</u>	<u>\$120,528,046</u>	<u>\$119,981,810</u>

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Table 1: -- Division Funding Summary (Long Bill Appropriation Recommendation)				
	FY 2008-09 Actual	FY 2009-10 Appropriation*	FY 2010-11 Dept Request	FY 2010-11 Staff Rec.**
General Fund	74,654,930	88,752,602	72,348,186	72,390,329
Cash Funds	23,387,813	25,840,683	25,773,799	27,599,345
Reappropriated Funds	3,181,300	4,025,000	3,676,141	3,391,141
Federal Funds	13,479,048	13,746,782	18,729,920	16,600,995

* Current Appropriation -- does not include supplemental recommendations made in this packet. See line item detail.

** Represents the Long Bill Recommendation (current law requirements). Impacts from recommended legislation are shown in separate tables in this packet.

FY 2009-10 Late Supplementals (Excluding ARRA issue) -- Long Bill Add-Ons

The following table summarizes the supplemental appropriations contained in this division that staff recommends be included as Long Bill Supplemental Add-Ons.

Table 2: FY 2009-10 Late Supplementals Recommended for this Division			
FY 2009-10 Supplementals*	FY 2009-10 Appropriation**	FY 2009-10 Staff Recommendation	Difference
Services for Old Age Pension State Medical Program clients	15,368,483	15,098,483	(270,000)
Tobacco Tax Transfer from General Fund to the Old Age Pension State Medical Program	2,520,000	2,250,000	(270,000)
Medicare Modernization Act State Contribution Payment	86,570,177	66,587,400	(19,982,777)
Total	<u>\$104,458,660</u>	<u>\$83,935,883</u>	<u>(\$20,522,777)</u>
General Fund	86,570,177	66,587,400	(19,982,777)
Cash Funds	15,368,483	15,098,483	(270,000)
Reappropriated Funds	2,520,000	2,250,000	(270,000)

*See ARRA impact for ARRA recommended supplemental.

** Current Appropriation -- includes supplemental bills already passed.

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Summary of Special Legislation Recommended for this Division

Table 3 below shows the impact of legislation recommended by JBC staff impacting line items in this division. Because these budget changes can not be made without a change to current law, these impacts are not included in the number pages or in the Division Summary Table. See line item detail for explanations.

Table 3: Impacts from Legislation Recommended Impacting Line Items in this Division			
FY 2010-11 Legislation Recommended*	CF	RF	TF
HB 10-1353: OAP Pension Eligibility Change**	(\$2,850,000)	\$0	(\$2,850,000)
JBC Bill Recommended #1: Transfer of Amendment 35 moneys to augment the loss of General Fund	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(4,000,000)</u>
TOTAL	(\$4,850,000)	(\$2,000,000)	(\$6,850,000)

*There is no ARRA impact for these issues. Reflects only the appropriation impacts in this division (not entire fiscal impact of bill).

** This bill has already been introduced. If this bill passes before the Long Bill is introduced, then staff will include the fiscal impact for this bill in the Long Bill. Otherwise, the impact shown in this table will be added as an appropriation clause to the bill.

American Recovery and Reinvestment Act (ARRA) Impacts

This subdivision has line items that will receive enhanced federal match under the American Recovery and Reinvestment Act (ARRA) of 2009. Table 4 below shows the total estimated ARRA impact for this division. See the line item detail for specific ARRA calculations for each line item.

Table 4: ARRA Appropriations Impacts for Supplemental and Long Bill		
OMS Division ARRA Impacts*	FY 2009-10** ARRA Appropriation Savings	FY 2010-11 ARRA Appropriation Savings
Total (W/O ARRA)	\$0	\$0
General Fund	(492,268)	(492,268)
Reappropriated Funds	(348,859)	(348,859)
Federal Funds	841,127	841,127

*Includes only the ARRA impacts that will be appropriated in the Long Bill. Recommended legislation for FY 2010-11 will include the ARRA impacts.

**Includes supplemental appropriations recommended in this figure setting packet.

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Line Item Detail

Services for Old Age Pension State Medical Program clients:

Line Item Description: The Old Age Pension (OAP) Health and Medical program was established through Article XXIV of the Colorado Constitution and by Section 25.5-2-101, C.R.S. to provide health care services to persons who qualify to receive old age pensions but who are ineligible for Medicare or Medicaid. Under current law, staff estimates that approximately 4,500 clients will be served by this program in FY 2009-10 and FY 2010-11, before recommended law changes.

This line item is not impacted by ARRA.

TABLE 1: Old Age Pension State Medical Program Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$0	\$15,368,483	\$0	\$15,368,483	\$0
Revenue Adjustment to Amendment 35 Funding -- LONG BILL ADD-ON Supplemental	0	0	0	(270,000)	0
FY 2009-10 Revised Appropriation	\$0	\$15,368,483	\$0	\$15,098,483	\$0
Revenue Adjustment to Amendment 35 Funding	0	0	0	(15,000)	0
FY 2010-11 BASE Funding	\$0	\$15,368,483	\$0	\$15,083,483	\$0
Current Law Policy Adjustments	0	0	0	0	0
FY 2010-11 Request/Recommendation LONG BILL	\$0	\$15,368,483	\$0	\$15,083,483	\$0
H.B. 10-1053 OAP Eligibility Change	0	0	0	(2,850,000)	0
JBC Recommended Bill #1 -- Transfer Amendment 35 Moneys	0	0	0	(2,000,000)	0
FY 2010-11 TOTAL Request/Recommendation	\$0	\$15,368,483	\$0	\$10,233,483	\$0

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Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF - Old Age Pension Health and Medical Fund (Constitutional Distribution)	9,998,483	9,998,483	0	0.00%
CF - Old Age Pension Supplemental Health and Medical Fund (Statutory Distribution Requirement)	2,850,000	2,850,000	0	0.00%
RF - Old Age Pension Supplemental Health and Medical Fund (Constitutional Distribution)	2,520,000	2,235,000	(285,000)	(11.31)%
TOTAL FUNDS -- LONG BILL	15,368,483	15,083,483	(285,000)	(1.85)%
H.B. 10-1053: Change OAP Eligibility				
CF - Old Age Pension Supplemental Health and Medical Fund (Eliminate Statutory Distribution Requirement)	0	(2,850,000)	(2,850,000)	N/A
Recommended JBC Bill #1: Transfer Amendment 35 Moneys				
RF - Old Age Pension Supplemental Health and Medical Fund (Constitutional Distribution)	0	(2,000,000)	(2,000,000)	N/A
TOTAL PROGRAM FUNDING RECOMMENDED	\$15,368,483	\$10,233,483	(\$5,135,000)	(33.41)%
Total General Fund Impact Recommended	\$0	\$5,135,000	\$5,135,000	N/A

*Total by fund type matches Department's request but total by fund source may not due to the Department not providing detail for some of their decision items regarding the fund source.

Issue Detail

FY 2009-10

LONG BILL SUPPLEMENTAL: Staff recommends a negative supplemental of \$270,000 reappropriated funds to reflect the lower amount of Amendment 35 tobacco tax revenue anticipated in FY 2009-10 over the original projection. This amount includes \$2,220,000 in anticipated revenues in FY 2009-10 and \$30,000 in carry forward revenues from the prior year.

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FY 2010-11 Technical Adjustments

Revenue Adjustment to Amendment 35 Moneys: Based on the Legislative Council Staff Revenue Forecast in December 2009, the Old Age Pension Supplemental Health and Medical Care Fund will receive \$2,235,000 in distributions from the Amendment 35 Tobacco Taxes. This amount is \$15,000 lower than the final amount staff recommends for FY 2009-10.

FY 2010-11 Long Bill Policy Adjustments

None.

FY 2010-11 Special Legislation

H.B. 10-1053- OAP Eligibility Changes: This bill eliminates the statutory distribution from the General Fund into the OAP Supplemental Health and Medical Fund. The Committee voted to include this recommendation in this bill on February 18, 2010. Based on information from the Department, staff estimates that approximately 1,953 clients will lose eligibility for the Medical program: (1) 1,367 from enforcing the five year ban on public assistance eligibility for legal immigrants, and (2) 586 clients due to enforcing the sponsorship affidavit of support requirements. Therefore, staff estimates 43.4 percent of the caseload will lose eligibility during FY 2010-11 if ARRA is not extended or 30.0 percent of the caseload will lose eligibility if ARRA is extended (the 5 year ban does not impact Medicaid eligibility rules and therefore, can go into effect even during the ARRA time frame that bars changes in Medicaid eligibility).

JBC Recommended Bill #1 - Transfers of Amendment 35 Moneys: Staff recommends the following change to statute be added to the Amendment 35 moneys transfer bill (if it fits under the title -- separate bill if this won't fit under the title):

Section 25.5-2-101 (3) (c): FOR FISCAL YEAR 2010-11, UP TO TWO MILLION OF THE FUNDING DISTRIBUTED TO THE SUPPLEMENTAL OLD AGE PENSION HEALTH AND MEDICAL CARE FUND PURSUANT TO SECTION 24-22-117 (1) (c) (II) SHALL BE USED TO PROVIDE MEDICAL ASSISTANCE UNDER THE COLORADO MEDICAL ASSISTANCE ACT (TITLE 25.5, ARTICLE 4 THROUGH 6) TO PERSONS WHO QUALIFY TO RECEIVE OLD AGE PENSIONS.

(d) FOR FISCAL YEAR 2011-12 AND EACH FISCAL YEAR THEREAFTER, FUNDING DISTRIBUTED TO THE SUPPLEMENTAL OLD AGE PENSION HEALTH AND MEDICAL CARE FUND PURSUANT TO SECTION 24-22-117 (1) (c) (II) SHALL BE USED TO PROVIDE MEDICAL ASSISTANCE UNDER THE COLORADO MEDICAL ASSISTANCE ACT (TITLE 25.5, ARTICLE 4 THROUGH 6) TO PERSONS WHO QUALIFY TO RECEIVE OLD AGE PENSIONS.

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Section 24-22-117 (1) (c) (II): Fifty percent of the moneys specified in this paragraph (c) to the supplemental old age pension health and medical care fund to provide services under the supplemental health and medical care program, section 25-5-20-101 (3), C.R.S. OR UNDER THE COLORADO MEDICAL ASSISTANCE ACT, for persons who qualify to receive old age pensions.

Discussion: Staff's recommendation would permanently allow 1.5 percent of the annual funding available under the Amendment 35 Tobacco Taxes to be used to fund the state Medicaid costs for those persons eligible for Medicaid and the OAP pension program. In FY 2010-11, staff's recommendation would result in a \$2.0 million General Fund offset in the Medical Services Premiums line item by refinancing costs for OAP eligibility Medicaid clients from the General Fund to the OAP Supplemental Health and Medical Fund (similar to the JBC Bill 09-261 from last year). However, unlike last year, staff's recommendation is for a permanent refinance.

The JBC bill, H.B. 10-1053, will permanently eliminate about 40 percent of this program's caseload. In addition, H.B. 09-1293 will provide Medicaid eligibility for all adults under 100 percent of FPL beginning in January 2012. These two bills will effectively eliminate the caseload for the OAP Medical Program and Supplemental Medical Program.¹ Therefore, staff recommends a statutory change to allow Medicaid costs for the individuals moved from OAP medical eligibility to Medicaid eligibility to be partially paid from the OAP Supplemental Health and Medical Fund. In FY 2010-11, staff estimates that the OAP program, at the current reimbursement rates, simply won't need this funding. Therefore, this funding can directly offset General Fund in the Medicaid program. In FY 2011-12 and thereafter, the funding will be used to pay for the OAP clients moving from the OAP program into the Medicaid program.²

Is there a supplant issue? No. This funding is not covered by the supplant language in Article X, Section 21, (6) of the State Constitution.

The following table shows staff's estimated costs for this program for FY 2009-10 and FY 2010-11.

¹Please note that individuals who lose eligibility for the OAP pension program will lose medical benefits and will be uninsured with no assistance. However, also please note that for those individuals moved to the Medicaid program, the medical benefits under the Medicaid program are much better than those available under the OAP medical program.

²Staff also believes that the OAP Medical Fund (the \$10.0 million provided in the Constitution for the original OAP Medical Program) can also be used to pay for the Medicaid costs of persons eligible for OAP pensions. However, this issue can be addressed in FY 2011-12 when the vast majority of these clients begin to move to the Medicaid program.

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OAP Medical Program	FY 2009-10	FY 2010-11* Before Rec.	FY 2010-11* After Rec.
Beginning Balance	\$3,222,744	\$1,122,744	\$1,122,744
Revenues			
-- Constitutionally Required	\$10,000,000	\$10,000,000	\$10,000,000
-- Constitutionally Required	\$2,520,000	\$2,235,000	\$350,000
-- Statutorily Required	\$2,850,000	\$2,850,000	\$0
Change to Amendment 35 forecast	(\$270,000)	\$0	\$0
Total Revenue	\$18,322,744	\$16,207,744	\$11,472,744
Transfer to Offset General Fund			
Expenditures in Medical Services Premiums (S.B. 09-261)	(\$6,000,000)	\$0	\$0
Estimated Expenditures for Program*	<u>(\$11,200,000)</u>	<u>(\$11,200,000)</u>	<u>(\$11,200,000)</u>
Ending Balance	\$1,122,744	\$5,007,744	\$272,744

* Expenditures before the impacts to caseload from Committee bill to reduce OAP eligibility and assuming no change to rates currently paid to providers.

Lastly, staff anticipates that due to the decrease in caseload served by this program, the Department will be able to increase some provider reimbursement rates in order to spend the recommended appropriation for FY 2010-11. However, staff *strongly encourages* the Department to not increase any provider reimbursement rates until after the impact of HB 10-1053 can be determined (probably January 2011 at the earliest). Therefore, staff recommends the following footnote be added to the Long Bill.

Claim Type	FY09-10 Rates
Capitation	100.00%
Pharmacy	75.00%
Inpatient	10.00%
Outpatient	65.00%
Practitioner/Physician	65.00%
Dental	65.00%
Independent Laboratory	65.00%
Medical Supply	65.00%
Home Health	65.00%
Transportation	65.00%
Mcare Part A Crossover	100.00%
Mcare Part B Crossover	100.00%
Mcare UB92 Part B Crossover	100.00%

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Other Medical Services, Services for OAP State Medical Program Clients: The Department is requested to inform the Joint Budget Committee of any planned reimbursement increases for the program prior to presentation to the Medical Services Board.

Transfer of Tobacco Tax Cash Fund into the Supplemental Old Age Pension Health and Medical Care Fund:

Line Item Description: Amendment 35 to the Colorado Constitution provided that three percent of the revenues from the new tobacco taxes be distributed to the General Fund, the Old Age pension Medical Program (OAP), and to counties and cities. House Bill 05-1262 requires that the General Assembly annually appropriate 50 percent of the 3 percent (1.5 percent) of the Tobacco Revenues to the Supplemental Old Age Pension State Medical Fund. This line item contains the annual appropriation required under H.B. 05-1262.

This line item is not impacted by ARRA.

TABLE 1: Transfer of Tobacco Tax Cash Fund to OAP Health and Medical Care Fund Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$0	\$2,520,000	\$0	\$2,520,000	\$0
Revenue Adjustment to Amendment 35 Funding -- LONG BILL ADD-ON Supplemental	0	0	0	(270,000)	0
FY 2009-10 Revised Appropriation	\$0	\$2,520,000	\$0	\$2,250,000	\$0
Revenue Adjustment to Amendment 35 Funding	0	0	0	(15,000)	0
FY 2010-11 BASE Funding	\$0	\$2,520,000	\$0	\$2,235,000	\$0
Current Law Policy Adjustments	0	0	0	0	0
FY 2010-11 Request/Recommendation LONG BILL	\$0	\$2,520,000	\$0	\$2,235,000	\$0

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Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF - Transfer from Tobacco Tax Cash Fund to OAP Supplemental Health and Medical Care Fund (Constitutional Distribution)	2,520,000	2,235,000	(285,000)	(11.31)%

Issue Detail

FY 2009-10

LONG BILL SUPPLEMENTAL: Staff recommends a negative supplemental of \$270,000 cash funds to reflect the lower amount of Amendment 35 tobacco tax revenue anticipated in FY 2009-10 over the original projection. This amount includes \$2,220,000 in anticipated revenues in FY 2009-10 and \$30,000 in carry forward revenues from the prior year.

FY 2010-11 Technical Adjustments

Revenue Adjustment to Amendment 35 Moneys: Based on the Legislative Council Staff Revenue Forecast in December 2009, the Old Age Pension Supplemental Health and Medical Care Fund will receive \$2,235,000 in distributions from the Amendment 35 Tobacco Taxes. This amount is \$15,000 lower than the final amount staff recommends for FY 2009-10.

FY 2010-11 Long Bill Policy Adjustments

None.

Commission on Family Medicine Residency Training Programs:

Line Item Description: This line item provides payments to eight hospitals to help offset their costs for providing residency programs for family medicine physicians (University Hospital's payments are in a separate line item). All of the funding in this line item goes directly to the residency programs. Federal regulations allow Medicaid financial participation for the payments to the hospitals enrolled in the program.

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This line item is impacted by ARRA.

TABLE 1: Commission on Family Medicine Residency Training Programs Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$966,026	\$1,932,052	\$966,026	\$1,932,052	\$0
HB 10-1300 - HCPF Supplemental	(96,603)	(193,206)	(96,603)	(193,206)	0
ARRA Recognition	(201,532)	0	(201,532)	0	0
FY 2009-10 Revised Appropriation	\$667,891	\$1,738,846	\$667,891	\$1,738,846	\$0
Restore One-Time ARRA Adjustment	201,532	0	201,532	0	0
FY 2010-11 BASE Funding	\$869,423	\$1,738,846	\$869,423	\$1,738,846	\$0
ARRA Recognition	(201,532)	0	(201,532)	0	0
FY 2010-11 Request/Recommendation LONG BILL	\$667,891	\$1,738,846	\$667,891	\$1,738,846	\$0

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	869,423	869,423	0	0.00%
Federal Funds	869,423	869,423	0	0.00%
TOTAL FUNDS -- Pre-ARRA	1,738,846	1,738,846	0	0.00%
General Fund	667,891	667,891	0	0.00%
Federal Funds	1,070,955	1,070,955	0	0.00%
ARRA Adjusted TOTAL FUNDS	\$3,477,692	\$3,477,692	\$0	0.00%

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Issue Detail

FY 2009-10

LONG BILL SUPPLEMENTAL: Staff recommends the Department's request to appropriate the ARRA impacts in the Long Bill Add-On. In FY 2009-10, this reduces the General Fund appropriation by \$201,532 and increases the federal appropriation by \$201,532.

FY 2010-11 Technical Adjustments

Restore One-Time ARRA Reduction: This adjustment is purely technical. Staff is treating ARRA adjustments as one-time savings that must be restored in the next fiscal year's base. This allows the Committee to see the total impact of ARRA in the each fiscal year (rather than the incremental change in ARRA adjustments).

FY 2010-11 Long Bill Policy Adjustments

The Department request and Staff recommends continuation funding in FY 2010-11 at the FY 2009-10 level. House Bill 10-1300 reduced this program by 10 percent. At this time, staff does not recommend any further adjustments to this line item other than the ARRA adjustment described below.

ARRA Recognition: This is the ARRA impact assuming Congress extends ARRA to June 30, 2011.

Enhanced Prenatal Care Training and Technical Assistance:

Line Item Description: This line item was established in FY 1995-96 to provide training to providers in order to coordinate and evaluate services to at-risk pregnant women, with the goal of reducing low-weight births. The Department of Public Health and Environment is responsible for administration of this program.

This line item is NOT impacted by ARRA.

Issue Detail

Department Request and Staff Recommendation: The Department requests and staff recommends continuation funding for this line item. Staff requests permission to adjust this line item to reflect the

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Committee's decisions in the Department of Public Health and Environment related to common policy decisions. Lastly, staff recommends moving this line item to the EDO, Transfer to Other Departments subdivision. This will more accurately reflect that this line item is transferred to the Department of Public Health and Environment for administrative costs.

Nurse Home Visitor Program:

Line Item Description: This line item was established in FY 2003-04 to receive federal matching Medicaid funding for those nurse home visiting program activities provided to Medicaid eligible clients. The Department of Public Health and Environment (DPHE) is responsible for administering this program and this funding is transferred to DPHE.

This line item is impacted by ARRA.

TABLE 1: Nurse Home Visitor Program Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$0	\$3,010,000	\$0	\$3,010,000	\$0
ARRA Recognition	0	0	0	0	0
FY 2009-10 Revised Appropriation	\$0	\$3,010,000	\$0	\$3,010,000	\$0
Restore One-Time ARRA Adjustment	0	0	0	0	0
FY 2010-11 BASE Funding	\$0	\$3,010,000	\$0	\$3,010,000	\$0
ARRA Recognition	0	0	0	0	0
FY 2010-11 Request/Recommendation LONG BILL	\$0	\$3,010,000	\$0	\$3,010,000	\$0

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Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
Reappropriated Funds -- Transfer from Department of Public Health and Environment	1,505,000	1,505,000	0	0.00%
Federal Funds	1,505,000	1,505,000	0	0.00%
TOTAL FUNDS -- Pre-ARRA	3,010,000	3,010,000	0	0.00%
Reappropriated Funds	1,156,141	1,156,141	0	0.00%
Federal Funds	1,853,859	1,853,859	0	0.00%
ARRA Adjusted TOTAL FUNDS	\$3,010,000	\$3,010,000	\$0	0.00%

Issue Detail

FY 2009-10

LONG BILL SUPPLEMENTAL: Staff recommends the Department's request to appropriate the ARRA impacts in the Long Bill Add-On. In FY 2009-10, this reduces the reappropriated fund appropriation by \$348,859 and increases the federal appropriation by \$348,859.

FY 2010-11 Technical Adjustments

Restore One-Time ARRA Reduction: This adjustment is purely technical. Staff is treating ARRA adjustments as one-time savings that must be restored in the next fiscal year's base. This allows the Committee to see the total impact of ARRA in the each fiscal year (rather than the incremental change in ARRA adjustments).

FY 2010-11 Long Bill Policy Adjustments

The Department request and Staff recommends continuation funding in FY 2010-11 at the FY 2009-10 level. At this time, staff does not recommend any further adjustments to this line item other than the ARRA adjustment described below.

ARRA Recognition: This recommendation assumes that ARRA is extended to June 30, 2010. See the Fund Source Table for the impact of this issue.

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Public School Health Services:

Line Item Description: The Public School Health Services Program began in 1997 with the passage of S.B. 97-101. Under this program, school districts are able to bill Medicaid for health care services that the districts provide to Medicaid eligible children. The expenditures incurred by the district for these services are the State match for the federal financial participation. The Department then allocates the federal financial participation back to the school districts, minus the administrative costs to the State for the program. The additional federal funds that the school districts receive are then used to support local school health services, increase access to primary and preventative care programs to low-income, under, or uninsured children, and to improve the coordination of care between schools and health care providers.

This line item is impacted by ARRA. However S.B. 09-264 provides that the State shall retain any additional federal revenues received by this program rather than distribute this funding to the school districts. Therefore, the appropriation amount for this line item will not show an ARRA impact. Rather, the additional ARRA will be an increase to General Fund revenues shown on the General Fund overview. Staff estimates that the additional revenue to the State as approximately \$2.4 million in FY 2009-10 and \$2.4 million in FY 2010-11.

TABLE 1: Public School Health Services Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$0	\$20,004,856	\$0	\$20,004,856	\$0
HB 10-1300 -- HCPF Supplemental	0	499,780	0	499,780	0
FY 2009-10 Revised Appropriation	\$0	\$20,504,636	\$0	\$20,504,636	\$0
Technical Adjustments - Adjust for DOE Costs	0	0	0	(388)	0
FY 2010-11 BASE Funding	\$0	\$20,504,636	\$0	\$20,504,248	\$0
BA #7: Public School Health Services Administrative Claiming	0	3,282,856	0	3,282,856	0
FY 2010-11 Request/Recommendation LONG BILL	\$0	\$23,787,492	\$0	\$23,787,104	\$0

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Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
CF -- Certification of Expenditures at Public School Districts	12,515,862	12,515,862	0	0.00%
Federal Funds	11,271,630	11,271,242	(388)	0.00%
TOTAL FUNDS -- Pre-ARRA	23,787,492	23,787,104	(388)	0.00%

Issue Detail

FY 2010-11 Long Bill Policy Adjustments

BA #7 -- Public School Health Services Administrative Claiming: Staff recommends the Department's request to increase funding in this line item by approximately \$3.3 million total funds for administrative claiming. In HB 10-1300 (HCPF Supplemental Bill), the Committee approved additional funding in FY 2009-10 for the Medicaid Administrative Claiming (MAC) program. The Department's request and staff's recommendation annualizes the funding approved in FY 2009-10.

Discussion: The Public School Health Services program provides reimbursement for eligible medical services provided by school districts to eligible Medicaid clients. The federal reimbursement from this program is then used to provide additional medical services to eligible Medicaid, uninsured or under insured children. On June 30, 2009, the Centers for Medicare and Medicaid Services (CMS) rescinded a federal school-based services rule that prohibited states from receiving federal financial participation on administrative costs incurred by public schools. Because this rule no longer applies, school districts can now be reimbursed for administrative activities that directly support efforts to identify and enroll potentially eligible children and their families into Medicaid. The Department estimates that school districts will be able to claim approximately \$4.1 million in administrative costs related to these activities. Of this amount, \$2.04 million will be certified public expenditures at the school districts and \$2.04 million in federal match. The State retains a portion of the federal reimbursement in order to pay the State's administrative costs (including auditing and training activities). Therefore, the Department and staff estimate that an additional \$1.7 million in federal revenue will be made available and distributed to the school districts for the Public School Health Services program.

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Additional FY 2010-11 Information Regarding this Line Item

Calculation of ARRA Revenue Impact to State Pursuant to S.B. 09-264 -- The table below shows staff's calculations of how much revenue the State will retain pursuant to SB 09-264 in FY 2009-10 and FY 2010-11 from this program.

Public School Health Services	FY 2009-10	FY 2010-11* Current Law.	FY 2010-11* If ARRA is Extended
Estimated Claims	\$20,944,400	\$25,031,724	\$25,031,724
Deduct Administrative Claims	<u>(\$529,968)</u>	<u>(\$4,087,324)</u>	<u>(\$4,087,324)</u>
Eligible Claims	\$20,414,432	\$20,944,400	\$20,944,400
Federal Match at ARRA Rate	\$12,573,249	\$11,685,928	\$12,899,656
Minus State Administrative Costs	<u>(\$939,544)</u>	<u>(\$1,244,232)</u>	<u>(\$1,244,232)</u>
Total Federal Fund Available for Distribution to School Districts With ARRA Included	\$11,633,705	\$10,441,696	\$11,655,424
Total federal funds that would have been distributed to the schools prior to ARRA passage at forecasted claim amount	<u>(\$9,267,672)</u>	<u>(\$9,227,968)</u>	<u>(\$9,227,968)</u>
Difference -- Schools receive the same amount of funding they would have received prior to ARRA and the State retains the excess as additional revenue to the State	\$2,366,033	\$1,213,728	\$2,427,456

State Administrative Funding for this Program -- The table below shows staff's calculations for the administrative funding for this program. Staff requests permission to adjust this line item if the administrative costs in the Department of Education are change due to common policy decisions.

FY 2010-11 Public School Health Services	Cash Funds	Federal Funds	Total Funds
Base Appropriation	\$12,515,862	\$12,515,862	\$25,031,724
Deduct Audit Costs	0	(799,700)	(799,700)
Deduct HCPF Internal Administration	0	(294,532)	(294,532)
Deduct Department of Education Administration	<u>0</u>	<u>(150,388)</u>	<u>(150,388)</u>

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FY 2010-11 Public School Health Services	Cash Funds	Federal Funds	Total Funds
Recommended Appropriation	\$12,515,862	\$11,271,242	\$23,787,104
Amount of Federal Funds Used for Administration*			9.94%

*Federal law prohibits using more than 10 percent of the federal funds for administration.

Public School Health Services Contract Administration:

Line Item Description: This line item was added to this division in HB 10-1300 in order to consolidate all of the auditing costs for the Public School Health Services Contract. This line item includes \$433,700 for base audit costs and \$366,000 related to the audit costs associated with Medicaid Administrative Claiming (MAC) program described above. The funding for this program is entirely federal funds.

This line item is not impacted by ARRA.

Issue Detail

FY 2010-11 Long Bill Policy Adjustments

BA #7 -- Public School Health Services Administrative Claiming: Staff recommends the Department's request to increase funding in this line item by \$274,500 federal fund over the current FY 2009-10 appropriation. The increase is due solely to annualizing the Committee's decision to fund the audit contract for the MAC program in HB 10-1300.

Medicare Modernization Act State Contribution Payment: On January 1, 2006, the Centers for Medicare and Medicaid Services (CMS) implemented the Part D prescription drug benefit for Medicare clients. Clients who were eligible for both Medicaid and Medicare were required to switch their prescription drug benefit from Medicaid to Medicare. However, the Medicare Modernization Act of 2003 required that the states still retain some responsibility for paying for the prescription drug coverage for Medicaid clients. For calendar year 2006, states had to pay 90 percent of the federal Medicaid portion of their average dual eligible drug benefit from calendar 2003, inflated to 2006 estimated costs based on the National Healthcare Expenditure average growth rate. As each calendar year passes, the 90 percent factor is reduced by 1.67 percent until it reaches 75 percent in 2015.

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JBC WORKING DOCUMENT -- DECISIONS SUBJECT TO CHANGE
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This line item is impacted by ARRA. This line item is a "Medicare" program line item and reflects only the State funding for the "clawback" payment. However, on February 25, 2010, the Centers for Medicare and Medicaid Services (CMS) ruled that this payment is eligible to receive the enhanced federal match available to States under ARRA and will reduce the required payments accordingly back to October 2008 through December 2010. For FY 2009-10, the CMS decision will lower the current appropriation by \$20.0 million General Fund and in FY 2010-11, the payment will be lower by \$21.2 million).

TABLE 1: Medicare Modernization Act State Contribution Payment Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$88,808,586	\$88,808,586	\$88,808,586	\$88,808,586	\$0
HB 10-1300 (HCPF Supplemental)	(2,238,409)	(2,238,409)	(2,238,409)	(2,238,409)	0
S#4 -- Updated Caseload Information	61,285	61,285	61,285	61,285	0
ARRA Adjustment - Per CMS Letter	(29,108,257)	(29,108,257)	(29,108,257)	(29,108,257)	0
FY 2009-10 Revised Appropriation	\$57,523,205	\$57,523,205	\$57,523,205	\$57,523,205	\$0
Reverse ARRA Adjustment	29,108,257	29,108,257	29,108,257	29,108,257	0
FY 2010-11 BASE Funding	\$86,631,462	\$86,631,462	\$86,631,462	\$86,631,462	\$0
BA #4: Caseload Adjustment	4,501,720	4,501,720	4,501,720	4,501,720	0
Caseload Adjustment for enrolling more clients into Medicare	792,720	792,720	792,720	792,720	0
ARRA Adjustment - Per CMS Letter	(21,225,730)	(21,225,730)	(21,225,730)	(21,225,730)	0
FY 2010-11 Request/Recommendation LONG BILL	\$70,700,172	\$70,700,172	\$70,700,172	\$70,700,172	\$0

Fund Source

This line item is completely General Fund.

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Issue Detail

FY 2009-10

LONG BILL SUPPLEMENTAL: Based on anticipated payment information through March 2010, staff recommends the Department's request for a \$61,285 adjustment to the supplemental approved in HB 10-1300.

The Department and staff both request that the appropriation be adjusted to reflect the ARRA payments back to October 2008. This saves the state \$29.1 million in FY 2009-10.

FY 2010-11 Technical Adjustments

Restore One-Time ARRA Reduction: This adjustment is purely technical. Staff is treating ARRA adjustments as one-time savings that must be restored in the next fiscal year's base. This allows the Committee to see the total impact of ARRA in the each fiscal year (rather than the incremental change in ARRA adjustments).

FY 2010-11 Long Bill Policy Adjustments

DI #4/BA #4 Caseload Growth: The Department request an increase of \$4.5 million for caseload growth and cost increases for this program. Staff recommends the Department's request.

Caseload Adjustment for enrolling more clients into Medicare: Staff recommends the Department's adjustment of \$792,720 General Fund based on the budget reduction action in the Medical Services Premiums line item to enroll Medicaid clients eligible for Medicare into the Medicare program.

ARRA Adjustment: Staff also recommends of \$21.2 million to reflect the increased ARRA match anticipated in FY 2010-11.

Discussion: For FY 2009-10, staff recommends the Department's estimated caseload of 55,645 clients at an average monthly cost of \$129.81. For FY 2010-11, staff recommends the Department's estimated caseload of 56,908, an increase of 2.3 percent from the prior year. The average monthly cost in FY 2010-11 is estimated at \$134.09, an increase of 3.3 percent. Table 1 below shows the estimated costs in FY 2010-11 before the ARRA change.

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Table 1: Calculation Assumptions for MMA State Contribution Payment for FY 2010-11	
	Estimated Cost
May 2010 through December 2010 (Paid July through February)	
Weighted Monthly Per Capita Cost multiplied by the Phase down	\$132.73
Average Monthly Enrollment (1 st Eight Months of FY) for Dual Eligibles	56,679
Total payments for the first eight months of FY 2010-11	\$60,185,476
January 2010 through April 2010 (Paid March through June)	
Weighted Monthly Per Capita Cost multiplied by the Phase down	\$138.32
Average Monthly Enrollment (Last Four Months of FY) for Dual Eligibles	57,367
Total payments for the last four months of FY 2010-11	\$31,740,426
TOTAL MMA State Contribution Payment Estimate for FY 2010-11	\$91,925,902
Impact of ARRA	<u>(\$21,225,730)</u>
TOTAL Recommendation	\$70,700,172

State University Teaching Hospitals Denver Health and Hospital Authority:

Line Item Description: This line item was created in S.B. 08-230 in order to clarify the status of Denver Health and Hospital Authority as a "Unit of Government" in its role as a provider of Graduate Medical Education (GME). Prior to S.B. 08-230, the costs incurred by Denver Health and Hospital Authority for GME were appropriated in the Medical Services Premiums line item (as part of the calculation for fee-for-service and manage care organization payments). This line item was created for two reasons: (1) to help the Department better identify the funding designated for GME, and (2) to ensure Denver Health and Hospital Authority fit under the CMS rules defining which hospitals qualify to certify public expenditures. These CMS rules were vacated by the United State District Court for the District of Columbia summary judgement for "*Alameda County Medical Center, the National Association of Public Hospitals and Systems, the American Hospital Association, and the Association of Medical Colleges vs. Michael Leavitt*".

This line item is impacted by ARRA.

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TABLE 1: State University Teaching Hospitals -- Denver Health Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$915,857	\$1,831,714	\$915,857	\$1,831,714	\$0
ARRA Recognition	(212,296)	0	(212,296)	0	0
FY 2009-10 Revised Appropriation	\$703,561	\$1,831,714	\$703,561	\$1,831,714	\$0
Restore One-Time ARRA Adjustment	212,296	0	212,296	0	0
FY 2010-11 BASE Funding	\$915,857	\$1,831,714	\$915,857	\$1,831,714	\$0
ARRA Recognition	(212,296)	0	(106,148)	0	106,148
FY 2010-11 Request/Recommendation LONG BILL	\$703,561	\$1,831,714	\$809,709	\$1,831,714	\$106,148

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	915,857	915,857	0	0.00%
Federal Funds	915,857	915,857	0	0.00%
TOTAL FUNDS -- Pre-ARRA	1,831,714	1,831,714	0	0.00%
General Fund	703,561	703,561	0	0.00%
Federal Funds	1,128,153	1,128,153	0	0.00%
ARRA Adjusted TOTAL FUNDS	\$1,831,714	\$1,831,714	\$0	0.00%

FY 2009-10

LONG BILL SUPPLEMENTAL: Staff recommends the Department's request to appropriate the ARRA impacts in the Long Bill Add-On. In FY 2009-10, this reduces the General Fund appropriation by \$212,296 and increases the federal appropriation by \$212,296.

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FY 2010-11 Technical Adjustments

Restore One-Time ARRA Reduction: This adjustment is purely technical. Staff is treating ARRA adjustments as one-time savings that must be restored in the next fiscal year's base. This allows the Committee to see the total impact of ARRA in the each fiscal year (rather than the incremental change in ARRA adjustments).

FY 2010-11 Long Bill Policy Adjustments

The Department request and Staff recommends continuation funding in FY 2010-11 at the FY 2009-10 level. At this time, staff does not recommend any further adjustments to this line item other than the ARRA adjustment described below.

ARRA Recognition: This is the ARRA impact with it being extended to June 30, 2011.

State University Teaching Hospitals University of Colorado Hospital Authority :

Line Item Description: This line item was created in S.B. 08-230 in order to clarify the status of Denver Health and Hospital Authority as a "Unit of Government" in its role as a provider of Graduate Medical Education (GME). Prior to S.B. 08-230, the costs incurred by University Hospital for GME were appropriated in the Medical Services Premiums and Commission on Family Medicine Residency Program line items. This line item was created for two reasons: (1) to help the Department better identify the funding designated for GME, and (2) to ensure Denver Health and Hospital Authority fit under the CMS rules defining which hospitals qualify to certify public expenditures. These CMS rules were vacated by the United State District Court for the District of Columbia summary judgement for "Alameda County Medical Center, the National Association of Public Hospitals and Systems, the American Hospital Association, and the Association of Medical Colleges vs. Michael Leavitt".

This line item is impacted by ARRA.

TABLE 1: State University Teaching Hospitals -- Denver Health Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
FY 2009-10 Original Appropriation	\$350,468	\$700,935	\$350,468	\$700,935	\$0
HB 10-1300 (HCPF Supplemental)	(12,075)	(24,150)	(12,075)	(24,150)	0

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TABLE 1: State University Teaching Hospitals -- Denver Health Budget Build					
Incremental Budget Change Issue	Department Request*		Staff Recommendation		Staff-Dept
	GF	Total Funds	GF	Total Funds	General Fund Only
Supplemental Request Not Funded	(12,075)	(24,151)	0	0	12,075
ARRA Recognition	(75,641)	0	(78,440)		(2,799)
FY 2009-10 Revised Appropriation	\$250,677	\$652,634	\$259,953	\$676,785	\$9,276
Restore One-Time ARRA Adjustment	75,641	0	78,440	0	2,799
FY 2010-11 BASE Funding	\$326,318	\$652,634	\$338,393	\$676,785	\$12,075
ARRA Recognition	(75,641)	0	(39,220)	0	36,421
FY 2010-11 Request/Recommendation LONG BILL	\$250,677	\$652,634	\$299,173	\$676,785	\$48,496

Fund Source

Line Item Fund Split Detail By Fund Source	Department FY 2010-11 Request*	Staff FY 2010-11 Recommendation	\$ Difference (Staff - Dept)	% Difference (Staff - Dept)
General Fund	326,317	338,393	12,076	3.70%
Federal Funds	326,316	338,392	12,076	3.70%
TOTAL FUNDS -- Pre-ARRA	652,633	676,785	24,152	3.70%
General Fund	250,676	259,954	9,278	3.70%
Federal Funds	401,957	416,831	14,874	3.70%
ARRA Adjusted TOTAL FUNDS	\$652,633	\$676,785	\$24,152	3.70%

Issue Detail

FY 2009-10

LONG BILL SUPPLEMENTAL: Staff recommends the Department's request to appropriate the ARRA impacts in the Long Bill Add-On. In FY 2009-10, this reduces the General Fund appropriation

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by \$78,440 and increases the federal appropriation by \$78,440. Please note that Department's original supplemental request of this line item double counted the reduction for the Commission on Family Medicine residency program in this line item. House Bill 10-1300 corrected this error. However, the Department's request still reflect the impact.

FY 2010-11 Technical Adjustments

Restore One-Time ARRA Reduction: This adjustment is purely technical. Staff is treating ARRA adjustments as one-time savings that must be restored in the next fiscal year's base. This allows the Committee to see the total impact of ARRA in the each fiscal year (rather than the incremental change in ARRA adjustments).

FY 2010-11 Long Bill Policy Adjustments

The Department request and staff recommends continuation funding in FY 2010-11 at the FY 2009-10 level. At this time, staff does not recommend any further adjustments to this line item other than the ARRA adjustment described below.

ARRA Recognition: This is the impact with ARRA being extended to June 30, 2010.
