



COLORADO DEPARTMENT OF HEALTH CARE POLICY & FINANCING

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Bill Ritter, Jr., Governor • Joan Henneberry, Executive Director

August 1, 2007

The Honorable Abel Tapia, Chairman
Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, CO 80203

Dear Senator Tapia:

This letter is in response to footnote 29 of Senate Bill 07-239, which states:

Department of Health Care Policy and Financing, Medical Services Premiums -- The calculations for this line item include \$15,987,854 total funds for rate increases for acute care services. Included in this calculation is \$4,446,001 for a 1.5 percent increase to inpatient hospital rates. The remaining \$11,541,853 is for rate increases for other acute care services approved by the Joint Budget Committee based on the rate plan that the Department submitted to the Joint Budget Committee on November 1, 2006. The Joint Budget Committee requests that the Department provide a report to the Joint Budget Committee by August 1, 2007, on the status of the rules adopted by the Medical Services Board regarding these rate increases.

As you are aware, footnote 29 of Senate Bill 07-239 was vetoed by the Governor because it violates the separation of powers in Article III of the Colorado Constitution by attempting to administer the appropriation and may constitute substantive legislation that cannot be included in the general appropriations bill. The Governor did instruct the Department to comply to the extent feasible.

The Department has applied the additional \$4,446,001 specified in footnote 29 to inpatient hospital rates effective on July 1, 2007. In order to use the full \$4,446,001, the FY 07-08 rates were increased until the difference between forecasted FY 07-08 expenditures exceeded budget neutrality expenditures by exactly \$4,446,001. The Department increased each hospital's rate over what their rate would have been under the current definition of budget neutrality; this equates to the Medicaid rates being set at approximately 91 percent of their Medicare rate. Setting the rates in this manner does not require rule changes but does require a State Plan Amendment.

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The remaining \$11,541,853 authorized in footnote 29 for rate increases to other acute care services has been applied as follows:

<i>Provider Class</i>	<i>Rate Increase</i>	<i>Estimated Funding</i>
<i>Single Entry Points</i>	<i>20.5%</i>	<i>\$3,852,887</i>
<i>Emergency Transportation</i>	<i>5%</i>	<i>\$300,000</i>
<i>Anesthesia</i>	<i>50%</i>	<i>\$3,150,000</i>
<i>Surgical Procedures</i>	<i>3.45%</i>	<i>\$1,650,000</i>
<i>Physical, Occupational & Speech Therapy</i>	<i>9.05%</i>	<i>\$1,000,000</i>
<i>Adult Immunizations</i>	<i>35.5%</i>	<i>\$600,000</i>
<i>DME Repairs</i>	<i>131%</i>	<i>\$500,000</i>
<i>Intrauterine Device</i>	<i>32%</i>	<i>\$90,000</i>

Providers were notified of the rate increase in the Medical Assistance Program Bulletin issued July 1, 2007. Implementation of these rate increases does not require rules to be adopted by the Medical Services Board and does not require approval through a State Plan Amendment.

The Department will apply the remaining \$398,966 to the Health Maintenance Organizations (HMO) rates in an actuarially sound manner. This step is to correspond to the rate increase applied to fee-for-service providers. This implementation does not require rules to be adopted by the Medical Services Board and does not require approval through a State Plan Amendment.

Questions regarding hospital rate increases can be addressed to Jessica McKeen, Hospital and HMO Rates Analyst, Jessica.McKeen@state.co.us. Her telephone number is 303-866-3858. Questions regarding acute care services rate increases can be addressed to Margaret Mohan, Manager, Acute Care Benefits Section, Margaret.Mohan@state.co.us. Her telephone number is 303-866-5620.

Sincerely,

Joan Henneberry
Executive Director

JH/mrm

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Cc: Representative Bernie Buescher, Vice-Chairman, Joint Budget Committee
Senator Moe Keller, Joint Budget Committee
Senator Steve Johnson, Joint Budget Committee
Representative Jack Pommer, Joint Budget Committee
Representative Al White, Joint Budget Committee
Senator Joan Fitz-Gerald, President of the Senate
Senator Ken Gordon, Senate Majority Leader
Senator Andy McElhany, Senate Minority Leader
Representative Andrew Romanoff, Speaker of the House
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