

Department of Health Care Policy & Financing
 Summary of Additional Budget Reduction Proposals
 FY 2009-10
 August 24, 2009

Number	Yes or No	Enter One	Division	Title	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE	List
	Corresponding FY 2010-11 Impact -- Yes or No?	One Time or Base/Ongoing?									Other Department(s) Affected
ES-1	Yes	One Time	Various	Enhanced Federal Funding Adjustments	\$0	(\$52,469,404)	(\$1,735,344)	(\$48,186)	\$54,252,934	0.0	No
ES-2	Yes	Ongoing	Various	Medicaid Program Reductions	(\$38,590,574)	(\$17,020,348)	\$532,225	(\$7,002)	(\$22,095,449)	0.0	No
ES-3	Yes	Ongoing	Various	Department Administrative Reductions	(\$1,166,768)	(\$2,151,651)	\$1,736,356	\$0	(\$751,473)	0.0	No
ES-4	Yes	Ongoing	Various	Reduce Funding for Indigent Care Programs	(\$62,205,816)	(\$21,525,862)	(\$152,540)	(\$11,956,827)	(\$28,570,587)	(0.2)	No
ES-5	No	One Time	Various	Adjust Department Appropriations to Reflect Enhanced Federal Medicaid Assistance Percentages	\$0	(\$341,995,112)	(\$59,307,369)	(\$833,989)	\$402,136,470	0.0	No
NP-ES-1	Yes	Ongoing	DHS Medicaid	DHS - Information Technology Services - Personal Services FTE Reduction	(\$18,000)	(\$9,000)	\$0	\$0	(\$9,000)	0.0	DHS
NP-ES-2	NA	NA	NA	INTENTIONALLY LEFT BLANK	\$0	\$0	\$0	\$0	\$0	0.0	NA
NP-ES-3	No	Onetime	DHS Medicaid	DHS - Increase State Capacity to 120% at State Commitment Facilities	(\$166,246)	(\$63,855)	\$0	\$0	(\$102,391)	0.0	DHS
NP-ES-4	Yes	Ongoing	DHS Medicaid	Office of Operations and Personal Services and Operating Reduction	(\$39,922)	(\$19,960)	\$0	0	(\$19,962)	0.0	DHS
NP-ES-5	Yes	Ongoing	DHS Medicaid	DHS - Mental Health Institutes at Fort Logan	\$524,863	\$201,601	\$0	\$0	\$323,262	0.0	DHS
NP-ES-6	Yes	Ongoing	DHS Medicaid	DHS - Reclassification of Licensing Category of Ridgeview Youth Services Center for Medicaid Billing	\$412,083	\$158,282	\$0	\$0	\$253,801	0.0	DHS
NP-ES-7	Yes	Ongoing	DHS Medicaid	DHS - DDD Medicaid Waivers Provider Rate Retraction	(\$5,888,663)	(\$2,253,482)	(\$8,353)	\$0	(\$3,626,828)	0.0	DHS
NP-ES-8	Yes	Ongoing	DHS Medicaid	DHS - Closure of 32 Bed Nursing Facility at GJRC	(\$1,922,142)	(\$703,448)	\$24,435	(\$116,380)	(\$1,126,749)	0.0	DHS
NP-ES-9	Yes	Ongoing	DHS Medicaid	DHS - Reduction to the Child Welfare Services Block	(\$4,238,722)	(\$1,628,093)	\$0	\$0	(\$2,610,629)	0.0	DHS
NP-ES-10	Yes	Ongoing	Executive Director's Office	Risk Management Contract Review and Reduction	(\$515)	(\$258)	\$0	\$0	(\$257)	0.0	DPA
NP-ES-11	Yes	Ongoing	Executive Director's Office	Risk Management Reduction of Liability, Property and Workers' Compensation Volatility	(\$6,207)	(\$3,103)	\$0	\$0	(\$3,104)	0.0	DPA
NP-ES-12	Yes	Ongoing	Executive Director's Office	Building Maintenance Reductions	(\$5,408)	(\$2,704)	\$0	\$0	(\$2,704)	0.0	DPA
NP-ES-13	No	One Time	Executive Director's Office	FY 2009-10 OIT Management and Administration One-time Adjustment	(\$68,435)	(\$34,217)	\$0	\$0	(\$34,218)	0.0	DPA
NP-ES-14	Yes	Ongoing	Other Medical Services	Commission on Family Medicine General Fund Reduction	(\$193,206)	(\$96,603)	\$0	\$0	(\$96,603)	0.0	No
NP-ES-15	No	Onetime	DHS Medicaid	DHS - Aid to Needy Disabled - State Only Program Suspension	\$11,683	\$5,779	\$29	\$41	\$5,834	0.0	DHS
NP-ES-16	No	One Time	Medical Services Premiums	CDPHE- Cash Funding Refinance-Tobacco Education Program Fund 18M	\$0	(\$7,000,000)	\$7,000,000	\$0	\$0	0.0	CDPHE

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NP-ES-17	No	One Time	Medical Services Premiums	CDPHE- Cash Funding Refinance- Health Disparities Grant Program Fund 19F	\$0	(\$1,000,000)	\$0	\$1,000,000	\$0	0.0	CDPHE
NP-ES-18	No	One Time	Medical Services Premiums	CDPHE- Cash Funding Refinance- Prevention, Early Detection and Treatment Fund 18N	\$0	(\$7,000,000)	\$7,000,000	\$0	\$0	0.0	CDPHE
NP-ES-19	Yes	Ongoing	DHS Medicaid	DHS - Risk Management Reduction of Liability, Property and Workers' Compensation Volatility	(\$135,008)	(\$67,504)	\$0	\$0	(\$67,504)	0.0	DPA, DHS
NP-ES-20	Yes	Ongoing	DHS Medicaid	DHS - Risk Management Contract Review and Reduction	(\$42,710)	(\$21,355)	\$0	\$0	(\$21,355)	0.0	DPA, DHS
NP-ES-21	No	One Time	DHS Medicaid	DHS - FY 2009-10 OIT Management and Administration One-time Adjustment	(\$5,686)	(\$2,843)	\$0	\$0	(\$2,843)	0.0	DPA, DHS
NP-ES-22	No	One Time	DHS Medicaid	DHS - State Fleet Rebates - One-Time Refinance	(\$8,422)	(\$4,211)	\$0	\$0	(\$4,211)	0.0	DPA, DHS
Total - Reductions					(\$113,753,821)	(\$454,707,351)	(\$44,910,561)	(\$11,962,343)	\$397,826,434	(0.2)	

Department of Health Care Policy & Financing
 Summary of Additional Budget Reduction Proposals
 FY 2010-11
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Number	Yes or No	Enter One	Division	Title	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE	List
	Corresponding FY 2009-10 Impact -- Yes or No?	One Time or Base/Ongoing?									Other Department(s) Affected
ES-1	Yes	One Time	Various	Enhanced Federal Funding Adjustments	\$0	(\$20,707,550)	\$0	\$0	\$20,707,550	0.0	No
ES-2	Yes	Ongoing	Various	Medicaid Program Reductions	(\$62,045,567)	(\$28,961,557)	\$323,702	(\$10,427)	(\$33,397,285)	0.0	No
ES-3	Yes	Ongoing	Various	Department Administrative Reductions	(\$1,212,454)	(\$289,587)	(\$146,621)	\$0	(\$776,246)	0.0	No
ES-4	Yes	Ongoing	Various	Reduce Funding for Indigent Care Programs	(\$31,455,262)	(\$15,018,727)	(\$90,299)	\$6,414	(\$16,352,650)	(0.2)	No
NP-ES-1	Yes	Ongoing	DHS Medicaid	DHS - Information Technology Services - Personal Services FTE Reduction	(\$18,000)	(\$9,000)	\$0	\$0	(\$9,000)	0.0	DHS
NP-ES-4	Yes	Ongoing	DHS Medicaid	Office of Operations and Personal Services and Operating Reduction	(\$57,041)	(\$28,520)	\$0	\$0	(\$28,521)	0.0	DHS
NP-ES-5	No	Onetime	DHS Medicaid	DHS - Mental Health Institutes at Fort Logan	\$1,049,726	\$464,033	\$0	\$0	\$585,693	0.0	DHS
NP-ES-6	Yes	Ongoing	DHS Medicaid	DHS - Reclassification of Licensing Category of Ridgeview Youth Services Center for Medicaid Billing	\$989,000	\$437,187	\$0	\$0	\$551,813	0.0	DHS
NP-ES-7	Yes	Ongoing	DHS Medicaid	DHS - DDD Medicaid Waivers Provider Rate Retraction	(\$7,851,550)	(\$3,457,960)	(\$12,817)	\$0	(\$4,380,773)	0.0	DHS
NP-ES-8	No	Onetime	DHS Medicaid	DHS - Closure of 32 Bed Nursing Facility at GJRC	(\$8,831,874)	(\$1,872,063)	(\$160,364)	(\$2,383,510)	(\$4,415,937)	0.0	DHS
NP-ES-9	Yes	Ongoing	DHS Medicaid	DHS - Reduction to the Child Welfare Services Block	(\$4,238,722)	(\$1,873,727)	\$0	\$0	(\$2,364,995)	0.0	DHS
NP-ES-10	Yes	Ongoing	Executive Director's Office	Risk Management Contract Review and Reduction	(\$515)	(\$258)	\$0	\$0	(\$257)	0.0	DPA
NP-ES-11	Yes	Ongoing	Executive Director's Office	Risk Management Reduction of Liability, Property and Workers' Compensation Volatility	(\$6,207)	(\$3,103)	\$0	\$0	(\$3,104)	0.0	DPA
NP-ES-12	Yes	Ongoing	Executive Director's Office	Building Maintenance Reductions	(\$5,408)	(\$2,704)	\$0	\$0	(\$2,704)	0.0	DPA
NP-ES-14	Yes	Ongoing	Other Medical Services	Commission on Family Medicine General Fund Reduction	(\$193,206)	(\$96,603)	\$0	\$0	(\$96,603)	0.0	No
NP-ES-19	Yes	Ongoing	DHS Medicaid	DHS - Risk Management Reduction of Liability, Property and Workers' Compensation Volatility	(\$135,008)	(\$67,504)	\$0	\$0	(\$67,504)	0.0	DPA, DHS
NP-ES-20	Yes	Ongoing	DHS Medicaid	DHS - Risk Management Contract Review and Reduction	(\$42,710)	(\$21,355)	\$0	\$0	(\$21,355)	0.0	DPA, DHS
Total - Reductions					(\$114,054,798)	(\$71,508,998)	(\$86,399)	(\$2,387,523)	(\$40,071,878)	(0.2)	

STATE OF COLORADO FY 2010-11 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13 Change Request for FY 2010-11 Budget Request Cycle										
Decision Item FY 2010-11	Base Reduction Item FY 2010-11			Supplemental FY 2009-10			Budget Amendment FY 2010-11			
Request Title:	Enhanced Federal Funding Adjustments									
Department:	Health Care Policy and Financing			Dept. Approval by: <i>John Bartholomew</i> JEB			Date: August 24, 2008 <i>8/21/09</i>			
Priority Number:	ES-1			OSPFB Approval: <i>[Signature]</i>			Date: <i>8-24-09</i>			
	1	2	3	4	5	6	7	8	9	10
	Prior-Year Actual FY 2008-09	Appropriation FY 2009-10	Supplemental Request FY 2009-10	Total Revised Request FY 2009-10	Base Request FY 2010-11	Decision/ Base Reduction FY 2010-11	November 1 Request FY 2010-11	Budget Amendment FY 2010-11	Total Revised Request FY 2010-11	Change from Base (Column 5) FY 2011-12
Fund	FY 2008-09	FY 2009-10	FY 2009-10	FY 2009-10	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2011-12
Total of All Line Items	Total 2,526,991,443	6,473,499,370	0	6,473,499,370	0	0	0	0	0	0
	FTE 0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF 928,490,751	2,661,561,094	(52,469,404)	2,609,091,690	0	0	0	0	0	0
	GFE 39,251,792	504,000	0	504,000	0	0	0	0	0	0
	CF 109,633,539	589,840,213	(1,735,344)	588,104,869	0	0	0	0	0	0
	CFE/RF 2,631,068	26,496,333	(48,186)	26,448,147	0	0	0	0	0	0
	FF 1,446,984,293	3,195,097,730	54,252,934	3,249,350,664	0	0	0	0	0	0
(2) Medical Services Premiums	Total 2,526,991,443	2,572,042,638	0	2,572,042,638	0	0	0	0	0	0
	FTE 0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF 928,490,751	1,112,661,142	(41,415,100)	1,071,246,042	0	0	0	0	0	0
	GFE 39,251,792	0	0	0	0	0	0	0	0	0
	CF 109,633,539	167,097,000	41,415,100	208,512,100	0	0	0	0	0	0
	CFE/RF 2,631,068	2,746,329	0	2,746,329	0	0	0	0	0	0
	FF 1,446,984,293	1,289,538,167	0	1,289,538,167	0	0	0	0	0	0
(2) Medical Services Premiums; Long Bill Group Total	Total 0	2,572,042,638	0	2,572,042,638	0	0	0	0	0	0
	FTE 0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF 0	1,112,661,142	(8,705,285)	1,103,955,857	0	0	0	0	0	0
	GFE 0	0	0	0	0	0	0	0	0	0
	CF 0	167,097,000	(36,890,633)	130,206,367	0	0	0	0	0	0
	CFE/RF 0	2,746,329	(23,809)	2,722,520	0	0	0	0	0	0
	FF 0	1,289,538,167	45,619,727	1,335,157,894	0	0	0	0	0	0
(3) Medicaid Mental Health Community Programs; Long Bill Group Total	Total 0	215,104,388	0	215,104,388	0	0	0	0	0	0
	FTE 0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF 0	99,097,143	(747,069)	98,350,074	0	0	0	0	0	0
	GFE 0	0	0	0	0	0	0	0	0	0
	CF 0	8,434,054	(43,921)	8,390,133	0	0	0	0	0	0
	CFE/RF 0	9,208	(68)	9,140	0	0	0	0	0	0
	FF 0	107,563,983	791,058	108,355,041	0	0	0	0	0	0

STATE OF COLORADO FY 2010-11 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13											
Change Request for FY 2010-11 Budget Request Cycle											
Decision Item FY 2010-11		Base Reduction Item FY 2010-11			Supplemental FY 2009-10			Budget Amendment FY 2010-11			
Request Title:	Enhanced Federal Funding Adjustments										
Department:	Health Care Policy and Financing			Dept. Approval by: John Bartholomew			Date: August 24, 2009				
Priority Number:	ES-1			OSPB Approval:			Date:				
		1	2	3	4	5	6	7	8	9	10
		Prior-Year		Supplemental	Total		Decision/		Budget	Total	Change
	Fund	Actual	Appropriation	Request	Revised	Base	Base	November 1	Amendment	Revised	from Base
		FY 2008-09	FY 2009-10	FY 2009-10	FY 2009-10	FY 2010-11	Reduction	Request	FY 2010-11	FY 2010-11	(Column 5)
							FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2011-12
(4) Indigent Care Program; Long Bill Group Total	Total	0	556,535,683	0	556,535,683	0	0	0	0	0	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	37,147,669	(112,342)	37,035,317	0	0	0	0	0	0
	GFE	0	504,000	0	504,000	0	0	0	0	0	0
	CF	0	220,738,573	(6,052,562)	214,686,011	0	0	0	0	0	0
	CFE/RF	0	14,844,000	0	14,844,000	0	0	0	0	0	0
	FF	0	283,301,451	6,164,904	289,466,355	0	0	0	0	0	0
(5) Other Medical Services; Long Bill Group Total	Total	0	134,295,632	0	134,295,632	0	0	0	0	0	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	91,099,689	9,917	91,109,606	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	25,840,683	(158,276)	25,682,407	0	0	0	0	0	0
	CFE/RF	0	4,025,000	(12,928)	4,012,072	0	0	0	0	0	0
	FF	0	13,330,260	161,287	13,491,547	0	0	0	0	0	0
(6) Department of Human Services Medicaid-Funded Programs; Long Bill Group Total	Total	0	423,478,391	0	423,478,391	0	0	0	0	0	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	208,894,319	(1,499,525)	207,394,794	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	632,903	(5,052)	627,851	0	0	0	0	0	0
	CFE/RF	0	2,125,467	(11,381)	2,114,086	0	0	0	0	0	0
	FF	0	211,825,702	1,515,958	213,341,660	0	0	0	0	0	0
Non-Line Item Request:	None.										
Letternote Revised Text:	See Table 4 for cash funds and reappropriated funds totals										
Cash or Federal Fund Name and COFRS Fund Number:	FF: Title XIX; See Table 4 for source of cash funds and reappropriated funds.										
Reappropriated Funds Source, by Department and Line Item Name:	See Table 4 for reappropriated fund sources.										
Approval by OIT?	Yes: <input type="checkbox"/>	No: <input type="checkbox"/>	N/A: <input checked="" type="checkbox"/>								
Schedule 13s from Affected Departments:	None.										



DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Joan Henneberry
Executive Director

*Budget Reduction Proposal
August 24, 2009*

ES-1: Enhanced Federal Funding Adjustments

Proposal:

This request consists of two separate parts that are related to the increased federal funding made through the American Recovery and Reinvestment Act of 2009 (ARRA) resulting in a net zero total funds request that reduces General Fund by \$52.5 million in FY 2009-10. Part I of the request proposes to use the incremental savings to the Hospital Provider Fee Cash Fund due to the enhanced federal funds to offset General Fund costs for hospital expenditure in Medical Services Premiums resulting in a \$41.4 million General Fund reduction. Because the ARRA enhanced federal match will only continue through December 2010, this proposal annualizes to a \$20.7 million General Fund reduction in FY 2010-11. Part II of the request proposes to reduce certain appropriations to account for additional federal funding received in FY 2008-09 due to ARRA resulting in \$11.1 million General Fund savings in FY 2009-10. This portion of the request is a one-time savings only with no FY 2010-11 impact.

Summary of Request:

Part I - Hospital Provider Fee Adjustment

Applying the ARRA enhanced Federal Medicaid Assistance Percentage (FMAP) to the Hospital Provider Fee will free up \$41.4 million of Cash Funds that can be used to refinance existing General Fund in the Medical Services Premiums appropriation. This refinance saves \$41.4 million General Fund in FY 2009-10 and \$20.7 million General Fund in FY 2010-11. The Hospital Provider Fee is authorized under the Health Care Affordability Act of 2009 (House Bill 09-1293). Provider fees are a bona fide, legal funding source eligible for federal matching funds when used to reimburse Medicaid covered services. Such assessments and related payments are allowable under federal regulations pursuant to 42 CFR 433.68.

Distribution of provider fees and resulting federal funding back to providers under a Provider Fee Model may be made through increased Medicaid rates, supplemental Medicaid payments, Disproportionate Share Hospital (DSH) payments, a combination of methods, or other methodologies approved by the Centers for Medicare and Medicaid Services (CMS). All provider payments must be approved by CMS, which are submitted by the Department through a State Plan Amendment.

The Provider Fee Model is a balance between the provider fee revenue collected from hospitals, the payments to Medicaid providers and the funds needed to cover expansion populations. The hospital provider fee is constructed to pass federal regulations and generate a fixed amount of revenue needed for the fiscal year. The provider fee revenue must be enough to cover the increased Medicaid inpatient and outpatient hospital payments, the CICP payments, the supplemental Medicaid payments and the expected cost related to the expansion populations.

When House Bill 09-1293 was passed, the appropriation did not reflect any increased Medicaid federal funds made available through the American Recovery and Reinvestment Act of 2009 (ARRA). As such, the calculations, modeling, and appropriation of increased Medicaid payments to hospitals have been at the

base 50% FMAP. However, these increased Medicaid payments are eligible to receive an enhanced federal match since they are Medicaid payments for inpatient and outpatient hospital services.

Due to the enhanced FMAP in ARRA, the additional federal funds received would offset part of the estimated expenditure of Hospital Provider Fee Cash Fund in two Long Bill groups: (2) Medical Services Premiums and (4) Indigent Care Program, Safety Net Provider Payments. As a result, the Cash Fund state share amount needed from the Hospital Provider Fee Cash Fund would be less than what was estimated in House Bill 09-1293. The Department proposes to hold the amount of the Hospital Provider Fee at the original level, and to use the incremental savings to the Hospital Provider Fee Cash Fund generated by the enhanced federal match to offset General Fund costs for hospital expenditure in Medical Services Premiums.

Under House Bill 09-1293 the following payments are eligible to receive an enhanced federal match:

- Increasing Medicaid Inpatient Rates up to 100% of the Medicare Base Rate. Current payments are generally at 86% of the Medicare Base Rate.
- Increasing Medicaid Outpatient Rates up to 100% of Medicaid Cost. Currently, Medicaid reimburses 72% of cost.
- Increasing Colorado Indigent Care Program (CICP) Payments up to 100% of CICP costs. A majority of the CICP payments would be made as Supplemental Medicaid Inpatient Hospital payments, which will receive an enhanced Medicaid match under ARRA. The remaining CICP payments are made through the Disproportionate Share Hospital (DSH) allotment, which is not eligible to receive an enhanced federal match.

Conceptually, this request has two components: first, the Department will account for the additional federal funds and reduced hospital provider fee cash fund by adjusting Total Long Bill Group line items as illustrated in the Department's "*ES-5 Adjust Department Appropriations to Reflect Enhanced Federal Medicaid Assistance Percentages*"¹; second, the Department will offset General Fund in Medical Services Premiums with the amount of hospital provider fee that was saved due to ARRA.

This request is to use enhanced federal funding generated by the hospital provider fee to offset General Fund obligations for hospital expenditure. The intent of ARRA is to provide fiscal relief to states in a period of economic downturn and one goal is to protect and maintain State Medicaid programs by helping to avert cuts to provider reimbursement rates and cuts to benefits. Without using the additional \$41.4 million in State Cash Funds to offset General Fund expenditure for hospitals, the Department would have to make additional cuts to provider reimbursement and/or benefits. Shifting the enhanced federal funding to other General Fund obligations allows the Department to avoid additional cuts while still meeting the intent of House Bill 09-1293 by increasing reimbursement to hospitals as required by the bill. Utilizing this amount of State Cash Funds in the Medical Services Premiums line item will draw the enhanced federal match and ensure that aggregate hospital payments are held at the same level intended in House Bill 09-1293.

Part II - FY 2008-09 Enhanced Federal Funding Adjustment

As part of the proposal, the Department proposes to amend FY 2009-10 appropriations to include an \$11.1 million General Fund reduction to account for additional federal funding received in FY 2008-09 due to ARRA. This proposal only affects the General Fund that is subject to the (M) headnote which stipulates that any increase in federal funds automatically restricts the amount of available General Fund by a similar

¹ ES-5 did not include any adjustment for increased expenditure due to House Bill 09-1293 because of the conditional nature of the appropriations clauses in that bill.

amount. While the total funds impact of the enhanced FMAP is \$12.8 million, this proposal only includes an \$11.1 million General Fund offset. The remaining \$1.7 million is primarily Cash Funds, of which the expenditure offset will generate savings that will add to the Cash Fund balance.

On August 4, 2009, the Centers for Medicare and Medicaid Services published the final FMAP rates for the 3rd quarter of the federal fiscal year (April – June 2009) in the Federal Register (pages 38630-38633). Per the Federal Register, the state qualified for the highest tier of FMAP starting in April 2009, at 61.59%. Previously, CMS has informed the Department that it had qualified for a lower tier of FMAP, at 60.19%, and the Department received federal funding based on that amount. CMS made the incremental difference of \$12,837,834 in federal funds available to the Department in August 2009.

The increase in the federal funding affected numerous line items in the Department’s budget. However, this proposal does not adjust each line item. It utilizes the Long Bill Group adjustments in the Department’s “ES-5 Adjust Department Appropriations to Reflect Enhanced Federal Medicaid Assistance Percentages” early supplemental budget request.

Assumptions and Tables to Show Calculations:

Table 1: Calculation of Hospital Provider Fee Enhanced Federal Funding				
Fund Split at 50% FMAP	Item	Hospital Fee	Federal Funds	Total Hospital Fee Expenditures
	Hospital Payments	\$178,667,000	\$178,667,000	\$357,334,000
	Disproportionate Share Hospital Funds ¹	\$94,619,500	\$94,619,500	\$189,239,000
	Expansion Populations ^{1,2}	\$27,218,700	\$33,613,400	\$60,832,100
	Administration ^{1,2}	\$2,831,900	\$4,700,400	\$7,532,300
	Outpatient Upper Payment Limit Certified Public Expenditures ²	\$15,700,000	\$0	\$15,700,000
	Total	\$319,037,100	\$311,600,300	\$630,637,400
Fund Split at 61.59% Enhanced FMAP	Item	Hospital Fee	Federal Funds	Total Hospital Fee Expenditures
	Hospital Payments	\$137,251,900	\$220,082,100	\$357,334,000
	Disproportionate Share Hospital Funds ¹	\$94,619,500	\$94,619,500	\$189,239,000
	Expansion Populations ^{1,2}	\$27,218,700	\$33,613,400	\$60,832,100
	Administration ^{1,2}	\$2,831,900	\$4,700,400	\$7,532,300
	Outpatient Upper Payment Limit Certified Public Expenditures ²	\$15,700,000	\$0	\$15,700,000
	Total	\$277,622,000	\$353,015,400	\$630,637,400
Total Difference		Hospital Fee	Federal Funds	Total Hospital Fee Expenditures
		(\$41,415,100)	\$41,415,100	\$0

¹ Disproportionate Share Hospital Funds, expansion populations, and administrative costs are not eligible for an enhanced federal match.

² Not all Hospital Fee expenditures are eligible for the standard 50% FMAP.

Table 2: FY 2009-10 Hospital Provider Fee Enhanced Federal Funding				
FY 2009-10	Total Funds	General Fund	Cash Funds	Federal Funds
Total	\$0	(\$41,415,100)	\$0	\$41,415,100
(2) Medical Services Premiums	\$0	(\$41,415,100)	\$41,415,100	\$0
ARRA Adjustment - (2) Medical Services Premiums Long Bill Group	\$0	\$0	(\$35,864,700)	\$35,864,700
ARRA Adjustment - (4) Indigent Care Program Long Bill Group	\$0	\$0	(\$5,550,400)	\$5,550,400

Table 3: FY 2010-11 Hospital Provider Fee Enhanced Federal Funding				
FY 2010-11	Total Funds	General Fund	Cash Funds	Federal Funds
Total	\$0	(\$20,707,550)	\$0	\$20,707,550
(2) Medical Services Premiums	\$0	(\$20,707,550)	\$20,707,550	\$0
ARRA Adjustment - (2) Medical Services Premiums Long Bill Group	\$0	\$0	(\$17,932,350)	\$17,932,350
ARRA Adjustment - (4) Indigent Care Program Long Bill Group	\$0	\$0	(\$2,775,200)	\$2,775,200

Table 4: Account for Enhanced Federal Funding from FY 2008-09*					
FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
Total	\$0	(\$11,054,304)	(\$1,735,344)	(\$48,186)	\$12,837,834
(2) Medical Services Premiums; Long Bill Group Total	\$0	(\$8,705,285)	(\$1,025,933)	(\$23,809)	\$9,755,027
(3) Medicaid Mental Health Community Programs; Long Bill Group Total	\$0	(\$747,069)	(\$43,921)	(\$68)	\$791,058
(4) Indigent Care Program; Long Bill Group Total	\$0	(\$112,342)	(\$502,162)	\$0	\$614,504
(5) Other Medical Services; Long Bill Group Total	\$0	\$9,917	(\$158,276)	(\$12,928)	\$161,287
(6) Department of Human Services Medicaid-Funded Programs; Long Bill Group Total	\$0	(\$1,499,525)	(\$5,052)	(\$11,381)	\$1,515,958

*Detail for this table is included in Appendix A.

Table 5: Enhanced Federal Funding from FY 2008-09 by Fund Source			
	Cash Fund	Appropriation Type	Total
Grand Total			\$12,837,834
ARRA Adjustment - (2) Medical Services Premiums Long Bill Group	Total		\$9,755,027
	General Fund		\$8,705,285
	Health Care Expansion Fund	CF	\$651,490
	Supplemental Old Age Pension Health and Medical Care Fund	CF	\$28,137
	Colorado Autism Treatment Fund	CF	\$4,329
	Breast and Cervical Cancer Prevention and Treatment Fund	CF	\$17,315
	Nursing Facility Cash Fund	CF	\$151,509
	Certified Funds	CF	\$173,153
	Prevention, Early Detection, and Treatment Fund	RF (CDPHE)	\$23,809
ARRA Adjustment - (3) Medicaid Mental Health Community Programs Long Bill Group	Total		\$791,058
	General Fund		\$747,069
	Health Care Expansion Fund	CF	\$43,786
	Breast and Cervical Cancer Prevention and Treatment Fund	CF	\$135
	Prevention, Early Detection, and Treatment Fund	RF (CDPHE)	\$68
ARRA Adjustment - (4) Indigent Care Program Long Bill Group	Total		\$614,504
	General Fund		\$112,342
	Comprehensive Primary and Preventive Care Fund	CF	\$26,424
	Colorado Health Care Services Fund	CF	\$111,302
	Pediatric Specialty Hospital Fund	CF	\$12,096
	Certified Funds	CF	\$352,340
ARRA Adjustment - (5) Other Medical Services Long Bill Group	Total		\$161,287
	General Fund		(\$9,917)
	Certified Funds	CF	\$158,276
	Nurse Home Visitor Fund	RF (CDPHE)	\$12,928
ARRA Adjustment - (6) Department of Human Services Medicaid-Funded Programs Long Bill Group	Total		\$1,515,958
	General Fund		\$1,499,525
	Health Care Expansion Fund	CF	\$5,052
	Cost Sharing	RF (CDHS)	\$11,381

Current Statutory Authority or Needed Statutory Change:

Part I - Hospital Provider Fee Adjustment

This proposal would require a statute change to House Bill 09-1293 to allow for the use of hospital provider fee funds to offset General Fund obligations in the Medical Services Premiums and Safety Net

Provider Payments line items. Specifically, an additional subsection would need to be added to section 25.5-4-402.3(4)(b), C.R.S., which sets forth the authorized uses of the hospital provider fee. Sample language for the new provision is set forth below.

Since this budget action cannot be implemented without a statutory change, the Department has assumed that there will be legislation during the 2010 session to achieve the purpose of this proposal. Because all savings are dependent upon federal approval of the waiver and are retroactive to the July 1, 2009, it is not necessary to prorate the savings in FY 2009-10. The proposed legislation and all use of the Hospital Provider Fee Cash Fund will be one-time only and specific to the time period for which there is an enhanced FMAP under American Recovery and Reinvestment Act (ARRA). Currently the enhanced FMAP is in federal law through December 31, 2010. After that time, the Hospital Provider Fee Cash Fund will be utilized as set forth in House Bill 09-1293.

The intent of the legislation is to temporarily modify how moneys in the hospital provider fee cash fund can be appropriated, such that the State will retain an equivalent amount to the additional federal funds from the ARRA enhanced FMAP. This is consistent with the intent of the federal legislation for enhanced FMAP to be used to maintain state Medicaid programs and to provide state fiscal relief. It is also consistent with how the enhanced FMAP has been applied to all other Department programs.

Suggested statutory change, add the following text:

25.5-4-402.3 (4)(b)(VIII) To offset General Fund expenditures in Medicaid programs in an equivalent amount that would have been in excess of fifty percent of the federal fund expenditures generated by increased reimbursements and payments appropriated for uses in 25.5-4-402.3 (4)(b)(I) through 25.5-4-402.3 (4)(b)(III) due to the federal "American Recovery and Reinvestment Act of 2009", Pub.L. 111-5, or any amendments thereto. Such provider fees in the fund shall be transferred to the appropriations for Medicaid programs. This subparagraph (VIII) is repealed effective July 1, 2011.

Part II - FY 2008-09 Enhanced Federal Funding Adjustment

This proposal does not require an Executive Order or statutory change. There is no statutory mandate pertaining to the use of the enhanced FMAP. Furthermore, the purpose clause of the section of ARRA pertaining to the enhanced FMAP states that the funds are to be utilized to sustain Medicaid programs and to provide state fiscal relief. This proposal is consistent with that directive and with House Bill 09-1293.

The Executive Director has the authority to administer the appropriation as described in the statutes below. Therefore, this proposal can be accomplished by applying a restriction on the appropriation. A budget action is requested to revise the appropriation so the restriction can be removed.

24-1-107, C.R.S. (2008). Internal organization of department - allocation and reallocation of powers, duties, and functions - limitations. *In order to promote economic and efficient administration and operation of a principal department and notwithstanding any other provisions of law, except as provided in section 24-1-105, the head of a principal department, with the approval of the governor, may establish, combine, or abolish divisions, sections, and units other than those specifically created by law and may allocate and reallocate powers, duties, and functions to divisions, sections, and units under the principal department, but no substantive function vested by law in any officer, department, institution, or other agency within the principal department shall be removed from the jurisdiction of such officer, department, institution, or other agency under the provisions of this section.*

25.5-1-104 (2) (4), C.R.S. (2008). Department of health care policy and financing created - executive director - powers, duties, and functions...(2) *The department of health care policy and financing shall*

consist of an executive director of the department of health care policy and financing, the medical services board, and such divisions, sections, and other units as shall be established by the executive director ... (4) The department of health care policy and financing shall be responsible for the administration of the functions and programs as set forth in part 2 of this article.

Calculating the New Federal Match for the Quarter Ending 6/30/2009						
Long Bill Group	Appropriation		Total	Federal Portion with ARRA at:		Difference
			Expenditures	60.19%	61.59%	
(2) MSP	Medical Services Premiums	275	\$704,725,628	\$426,134,307	\$435,889,334	\$9,755,027
(3) MHP	(A) Mental Health Capitation Payments	281	\$55,795,125	\$33,584,115	\$34,364,947	\$780,832
(3) MHP	Medicaid Mental Health Fee for Services Payments	288	\$730,409	\$439,633	\$449,859	\$10,226
(4) Indigent	Safety Net Provider Payments	300	\$82,240,847	\$43,773,950	\$44,138,517	\$364,567
(4) Indigent	The Children's Hospital, Clinic Based Indigent Care	310	\$7,310,940	\$4,400,455	\$4,502,808	\$102,353
(4) Indigent	Health Care Services Fund Programs	312	\$2,282,652	\$1,373,928	\$1,405,885	\$31,957
(4) Indigent	Pediatric Specialty Hospital	315	\$6,371,620	\$3,835,078	\$3,924,281	\$89,203
(4) Indigent	Comprehensive Primary and Preventive Care Grants Program	370	(\$3,112,596)	(\$1,873,472)	(\$1,917,048)	(\$43,576)
(4) Indigent	Comprehensive Primary and Preventive Care Rural and Public Hospital Grant Program	372	\$5,000,000	\$3,009,500	\$3,079,500	\$70,000
(5) Other Medical	Commission on Family Medicine Residency Treatment Programs	440	\$483,052	\$290,749	\$297,512	\$6,763
(5) Other Medical	Nurse Home Visitor Program	460	\$842,622	\$507,174	\$518,971	\$11,797
(5) Other Medical	Public School Health Services	470	\$9,563,066	\$5,756,009	\$5,889,892	\$133,883
(5) Other Medical	State University Teaching Hospitals, Denver Health and Hospital Authority	475	\$457,252	\$275,220	\$281,622	\$6,402
(5) Other Medical	State University Teaching Hospitals, University of Colorado Hospital Authority	476	\$174,464	\$105,010	\$107,452	\$2,442
(6) DHS	(A) Executive Director's Office - Medicaid Funding	500	\$324,988	\$195,610	\$200,160	\$4,550
(6) DHS	(B) Office of Information Technology Services - Medicaid Funding, Other Office of Information Technology Services line items	510	\$134,522	\$80,969	\$82,852	\$1,883
(6) DHS	(C) Office of Operations - Medicaid Funding	515	\$1,910,486	\$1,149,922	\$1,176,668	\$26,746
(6) DHS	(D) Division of Child Welfare - Medicaid Funding, Child Welfare Services	525	\$3,922,856	\$2,361,167	\$2,416,087	\$54,920
(6) DHS	(E) Mental Health and Alcohol and Drug Abuse Services - Medicaid Funding, Mental Health Institutes	555	\$1,185,781	\$713,722	\$730,323	\$16,601
(6) DHS	(E) Mental Health and Alcohol and Drug Abuse Services - Medicaid Funding, Alcohol and Drug Abuse Division, High Risk Pregnant Women Program	560	\$474,291	\$285,476	\$292,116	\$6,640
(6) DHS	(F) Services for People with Disabilities - Medicaid Funding, Community Services for People with Developmental Disabilities, Program Costs	565	\$79,271,207	\$47,713,339	\$48,823,136	\$1,109,797
(6) DHS	(F) Services for People with Disabilities - Medicaid Funding, Regional Centers	570	\$20,639,174	\$12,422,719	\$12,711,667	\$288,948
(6) DHS	(H) Division of Youth Corrections - Medicaid Funding	585	\$410,976	\$247,366	\$253,120	\$5,754
(6) DHS	(E) Mental Health and Alcohol and Drug Abuse Services - Medicaid Funding, Residential Treatment for Youth (H.B. 99-1116)	590	\$8,480	\$5,104	\$5,223	\$119
	Grants Drawing Federal Funds (Not Appropriated)	723	\$36,126	\$32,513	\$32,513	\$0
	Grants Drawing Federal Funds (Not Appropriated)	724	\$44,712	\$40,241	\$40,241	\$0
Grand Total			\$981,228,680	\$586,859,804	\$599,697,638	\$12,837,834
Adjustments Increasing Claims for Prior Quarters				\$2,714,863	\$2,714,863	\$0
Other Expenditures				(\$17,618)	(\$17,618)	\$0
Collections: Third Party Liability				(\$1,604,112)	(\$1,604,112)	\$0
Collections: Probate				(\$591,583)	(\$591,583)	\$0
Collections: Identified Through Fraud and Abuse Effort				(\$32,691)	(\$32,691)	\$0
				\$587,328,663	\$600,166,497	\$12,837,834

STATE OF COLORADO FY 2010-11 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13											
Change Request for FY 2010-11 Budget Request Cycle											
Decision Item FY 2010-11		Base Reduction Item FY 2010-11			Supplemental FY 2009-10		Budget Amendment FY 2010-11				
Request Title:	Medicaid Program Reductions										
Department:	Health Care Policy and Financing				Dept. Approval by:	John Bartholomew JB		Date:	August 24, 2009 8/25/09		
Priority Number:	ES-2				OSPB Approval:	<i>[Signature]</i>		Date:	8/25/09		
		1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 2008-09	Appropriation FY 2009-10	Supplemental Request FY 2009-10	Total Revised Request FY 2009-10	Base Request FY 2010-11	Decision/ Base Reduction FY 2010-11	November 1 Request FY 2010-11	Budget Amendment FY 2010-11	Total Revised Request FY 2010-11	Change from Base (Column 5) FY 2011-12
Total of All Line Items	Total	2,766,351,523	5,804,108,417	(38,590,574)	5,565,517,843	0	0	0	0	0	0
	FTE	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	1,022,112,444	2,430,815,275	(17,020,348)	2,413,794,927	0	0	0	0	0	0
	GFE	39,251,792	0	0	0	0	0	0	0	0	0
	CF	115,392,740	351,927,001	532,225	352,459,226	0	0	0	0	0	0
	CFE/RF	2,738,726	5,611,402	(7,002)	5,604,400	0	0	0	0	0	0
	FF	1,586,855,821	2,815,754,739	(22,095,449)	2,793,659,290	0	0	0	0	0	0
(1) Executive Director's Office;	Total	1,298,595	3,711,605	20,000	3,731,605	0	0	0	0	0	0
(A) General Administration,	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Professional Services	GF	771,478	1,455,543	10,000	1,465,543	0	0	0	0	0	0
and Special Projects	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	326,250	0	326,250	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	527,117	1,929,812	10,000	1,939,812	0	0	0	0	0	0
(1) Executive Director's Office;	Total	22,200,548	27,834,289	126,900	27,961,189	0	0	0	0	0	0
(C) Information Technology	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contracts, Information	GF	5,299,911	6,708,927	63,450	6,772,377	0	0	0	0	0	0
Technology Contracts	GFE	0	0	0	0	0	0	0	0	0	0
	CF	540,118	538,643	0	538,643	0	0	0	0	0	0
	CFE/RF	100,328	100,328	0	100,328	0	0	0	0	0	0
	FF	16,260,191	20,486,391	63,450	20,549,841	0	0	0	0	0	0

STATE OF COLORADO FY 2010-11 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13											
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Request Title:	Medicaid Program Reductions										
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		1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 2008-09	Appropriation FY 2009-10	Supplemental Request FY 2009-10	Total Revised Request FY 2009-10	Base Request FY 2010-11	Decision/ Base Reduction FY 2010-11	November 1 Request FY 2010-11	Budget Amendment FY 2010-11	Total Revised Request FY 2010-11	Change from Base (Column 5) FY 2011-12
Fund											
(2) Medical Services Premiums	Total	2,526,981,443	2,572,042,638	(30,217,206)	2,541,825,432	0	0	0	0	0	0
	FTE	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	928,490,751	1,112,661,142	(16,752,293)	1,095,908,849	0	0	0	0	0	0
	GFE	39,251,792	0	0	0	0	0	0	0	0	0
	CF	109,633,539	167,097,000	516,393	167,613,393	0	0	0	0	0	0
	CFE/RF	2,631,068	2,746,329	(6,810)	2,739,519	0	0	0	0	0	0
	FF	1,446,984,293	1,289,538,167	(13,974,496)	1,275,563,671	0	0	0	0	0	0
(2) Medical Services Premiums; Long Bill Group Total	Total	0	2,572,042,638	0	2,572,042,638	0	0	0	0	0	0
	FTE	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	1,112,661,142	3,403,274	1,116,064,416	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	167,097,000	15,832	167,112,832	0	0	0	0	0	0
	CFE/RF	0	2,746,329	0	2,746,329	0	0	0	0	0	0
	FF	0	1,289,538,167	(3,419,106)	1,286,119,061	0	0	0	0	0	0
(3) Medicaid Mental Health Community Programs; (A) Mental Health Capitation Payments	Total	215,860,937	213,372,859	(8,520,268)	204,852,591	0	0	0	0	0	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	87,550,304	98,231,378	(4,259,696)	93,971,682	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	5,219,083	8,434,054	0	8,434,054	0	0	0	0	0	0
	CFE/RF	7,330	9,208	(192)	9,016	0	0	0	0	0	0
	FF	123,084,220	106,698,219	(4,260,380)	102,437,839	0	0	0	0	0	0

STATE OF COLORADO FY 2010-11 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13 Change Request for FY 2010-11 Budget Request Cycle											
Decision Item FY 2010-11	Base Reduction Item FY 2010-11				Supplemental FY 2009-10			Budget Amendment FY 2010-11			
Request Title:	Medicaid Program Reductions				Dept. Approval by: John Bartholomew			Date: August 24, 2009			
Department:	Health Care Policy and Financing				OSPB Approval:			Date:			
Priority Number:	ES-2										
		1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual	Appropriation	Supplemental Request	Total Revised Request	Base Request	Decision/ Base Reduction	November 1 Request	Budget Amendment	Total Revised Request	Change from Base (Column 5)
	Fund	FY 2008-09	FY 2009-10	FY 2009-10	FY 2009-10	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2011-12
(3) Medicaid Mental Health Community Programs; Long Bill Group Total	Total	0	215,104,368	0	215,104,368	0	0	0	0	0	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	99,097,143	514,917	99,612,060	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	8,434,054	0	8,434,054	0	0	0	0	0	0
	CFE/RF	0	9,208	0	9,208	0	0	0	0	0	0
	FF	0	107,563,963	(514,917)	107,049,066	0	0	0	0	0	0
Non-Line Item Request:	None.										
Letternote Revised Text:	See Appendix A, Tables 4.1 - 4.4										
Cash or Federal Fund Name and COFRS Fund Number:	CF: Breast and Cervical Cancer Prevention and Treatment Fund 15D, Certified Public Expenditures; Health Care Expansion Fund 18K. FF: Title XIX										
Reappropriated Funds Source, by Department and Line Item Name:	Transfer from the Department of Public Health and Environment, Prevention, Early Detection, and Treatment Fund										
Approval by OIT?	Yes: <input type="checkbox"/>	No: <input type="checkbox"/>	N/A: <input checked="" type="checkbox"/>								
Schedule 13s from Affected Departments:	None.										



DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Joan Henneberry
Executive Director

*Budget Reduction Proposal
August 24, 2009*

ES-2: Medicaid Program Reductions

Proposal:

To meet budget balancing goals, the Department proposes to reduce Medicaid expenditure through a series of initiatives. These initiatives will provide a combination of rate reductions, service restrictions, elimination of certain programs, increased cost-sharing, and financial efficiencies to reduce Medicaid program expenditures by \$38.6 million total funds and \$17.0 million General Fund in FY 2009-10. This proposal annualizes to a reduction of \$62.0 million total funds and \$29.0 million General Fund in FY 2010-11.

The Department is limited in the scope of Medicaid program reductions that can be implemented by the American Recovery and Reinvestment Act of 2009 (ARRA); specifically, section 5001 (f)(1)(A) requires that, for a state to receive the enhanced federal Medicaid assistance percentage (FMAP), "...eligibility standards, methodologies, or procedures under its State plan... (including any waiver...) are [no] more restrictive than the eligibility standards, methodologies, or procedures, respectively, under such plan (or waiver) as in effect on July 1, 2008." Accordingly, the Department must abide by this provision, particularly in the development of this proposal, in order to ensure that the State receives the enhanced FMAP rate of 61.59% instead of the standard FMAP of 50%. Because the ARRA enhanced FMAP will save the state approximately \$422.8 million in General Fund and Cash Funds in FY 2009-10, the Department and State must remain vigilant of this provision when examining Medicaid program reductions.

Summary of Request:

Most of the following reductions are affected by adjusted fund splits due to the ARRA enhanced FMAP. In Appendix B, where the Department has calculated each reduction, the fund splits remain at their current appropriation percentages. In Appendix A, the Department adjusts the fund splits from the calculations to account for the ARRA enhanced FMAP as shown on Appendix A, page ES-2.A-4. The net impact is shown on the Schedule 13 and matches the summary of the request from Appendix A, page ES-2.A-1. Except where otherwise noted, the Department proposes the following reductions, to be effective September 1, 2009:

- **Provider Rate Cuts:** As part of this proposal, the following providers and services would be subject to a 1.5% rate reduction target: Physician services & EPSDT, emergency transportation, non-emergency medical transportation, dental services, inpatient hospitals, outpatient hospitals, lab & X-ray, durable medical equipment, home health, HCBS waiver services, class I nursing facilities, private duty nursing, single entry points, and PIHP administration. The Department anticipates that hospice rates for room and board would be affected by reducing nursing facility rates. Rates paid to managed care organizations, including PACE, would also include corresponding decreases totaling approximately 1.2%, as the Department pays rates based on fee-for-service expenditure. However, any managed care rates which fall outside the current actuarially sound rate ranges may require additional actuarial certification.

In order to achieve savings related to physical health managed care, the Department will need to have the managed care rates certified by a qualified actuary, as required by Section 25.5-5-408 (1) (b), C.R.S. (2009) and federal regulations. The Department estimates that it will require \$20,000 total funds, including \$10,000 General Fund, to procure an actuary to perform the appropriate certifications. There are two exceptions to the September 1, 2009 implementation date. First, the reduction to physical health managed care organizations will occur on October 1, 2009, due to the need for actuarial certification of the capitation rates. Second, the reduction to class I nursing facility and hospice rates are estimated to occur on March 1, 2010, due to the need for a statute change.

Due to cash accounting, savings estimates are calculated under the assumption that there will be a constant one month lag between the time the cuts are implemented and the time savings are achieved. This gap incorporates the approximate time between a claim is incurred and the time that the claim is paid by the Department.

The Department estimates that the proposed rate reductions will reduce expenditures by approximately \$19.6 million total funds, \$7.0 million General Fund, and \$623,460 Cash Funds from the Health Care Expansion Fund in FY 2009-10. The rate reductions annualize to savings of \$34.9 million total funds and \$14.2 million General Fund in FY 2010-11. The Department's calculations are shown in Tables A.1 and A.2 (Appendix B to this Fact Sheet).

- Reduce Federally Qualified Health Care Center Rates: Currently, the Department pays federally qualified health care centers (FQHC) above the minimum rate required under federal law, set in the Benefits Improvement and Protection Act of 2000 (BIPA). The Department estimates that the statewide average reimbursement for FQHCs is 113% of BIPA. As part of this proposal, the Department would reduce rates paid to FQHCs by 50% of the difference between each provider's current rate and the minimum rate required under BIPA, or an average of approximately 106% of BIPA. The Department estimates that the proposed rate reductions will reduce expenditures by approximately \$3.9 million total funds and \$1.5 million General Fund in FY 2009-10. This rate reduction annualizes to a savings of \$5.6 million total funds and \$2.3 million General Fund in FY 2010-11. The Department's calculations are shown in Appendix B, Table B.
- Reduction to Home and Community Based Services (HCBS) Waiver Transportation Benefit: As part of this proposal, the Department would impose a cap on the amount of non-medical transportation a client enrolled in a home and community based services waiver program can receive per week. Clients would be limited to 2 roundtrips per week. Trips to adult day programs will not be subject to the cap. The Department estimates that the proposed restrictions will reduce expenditure by approximately \$482,000 total funds and \$185,000 General Fund in FY 2009-10. This reduction annualizes to a savings of approximately \$750,000 total funds and \$332,000 General Fund in FY 2010-11. The Department's calculations are shown in Appendix B, Table C.
- Limit to Personal Care and Homemaker Services in HCBS Waivers: As part of this proposal, the Department would impose a cap on the amount of personal care and homemaker services a client enrolled in a home and community based services waiver program can receive each day. The Department would limit personal care expenditure to \$72.05 per day, which is 150% of the daily rate for a client living in an alternative care facility. The Department estimates that the proposed restrictions will reduce expenditure by approximately \$1.1 million total funds and net \$425,000 General Fund in

FY 2009-10. This reduction annualizes to a savings of \$3.1 million total funds and \$1.4 million General Fund in FY 2010-11. The Department's calculations are shown in Appendix B, Table D.

- Grant Full Eligibility to Prenatal State-Only Clients: As part of this proposal, the Department is accounting for savings related to granting full eligibility to clients enrolled in its prenatal state-only program. Pursuant to 25.5-5-201 (4), C.R.S. (2009), the Department provided eligibility to pregnant legal immigrants who met all eligibility requirements other than citizen status. Prior to FY 2009-10, federal financial participation (FFP) has not been available for these services. However, in section 214 of the Children's Health Insurance Program Reauthorization Act of 2009 (Public Law 111-3), the federal government permitted a state to receive FFP for this population.

Under this proposal, no new clients would be covered, nor would any current clients receive additional benefits. However, the Department will be able to offset current General Fund expenditure with federal funds. The Department will file a state plan amendment with the Centers for Medicare and Medicaid Services (CMS) by September 30, 2009, to ensure that FFP will be available retroactive to the beginning of the fiscal year. The Department assumes that expenditure for this population will not receive the enhanced FMAP provided by ARRA. Section 5001(e)(5) of ARRA states that the enhanced FMAP will not apply to "expenditure for medical assistance provided to individuals made eligible under a State plan... because of income standards (expressed as a percentage of the poverty line)... that are higher than the income standards (as so expressed) for such eligibility as in effect on July 1, 2008." The Department estimates that this proposal will reduce General Fund expenditure by approximately \$1.1 million in FY 2009-10, with a corresponding increase in federal funds. This proposal annualizes to a savings of \$1.2 million General Fund in FY 2010-11. The Department's calculations are shown in Appendix B, Table E.

- Eliminate Telehealth Disease Management Program: As part of this proposal, the Department proposes to end its current telehealth disease management contract. The total cost of the program exceeded the estimated program savings in its first year, implying that if the program does achieve cost savings, those savings will be in the long-term. The Department believes that the most effective way to manage clients is from a local point of contact, the client's caregiver. This model of disease management is the one that the Department will be implementing as part of the Accountable Care Collaborative. The Department estimates that the proposed restrictions will reduce expenditure by approximately \$317,000 total funds and \$159,000 General Fund in FY 2009-10. The estimated savings is the prorated price of the total contract, or 10 months savings of an approximately \$380,000 contract. This proposal annualizes to a savings of \$381,000 total funds and \$191,000 General Fund in FY 2010-11.
- Reduce Pharmacy Reimbursement Rates: As part of this proposal, the Department proposes to reduce rates paid to pharmacies to average wholesale price (AWP) minus 14.5% for brand-name medications and AWP minus 45% for generic medication. Claims which pay based on other pharmacy pricing methodologies would be unaffected. The Department estimates that the proposed restrictions will reduce expenditure by approximately \$3.5 million total funds and \$1.3 million net General Fund in FY 2009-10. This proposal annualizes to a savings of \$5.0 million total funds and \$2.2 million General Fund in FY 2010-11. The Department's calculations are shown in Appendix B, Table F.
- Expand the Preferred Drug List: As part of this proposal, the Department proposes to expand its preferred drug list (PDL) by subjecting approximately \$40,000,000 of gross pharmacy expenditure to new or additional restrictions under its PDL. The Department has not yet identified the drugs which will be subject to these new requirements, but, based on its prior experience, and the experience of

other states, the Department assumes that it will receive an additional 12% in supplemental rebates back from manufacturers. To implement the additional restrictions, the Department would require additional funding for prior authorization requests. Because this proposal requires negotiations with pharmaceutical manufacturers, the Department estimates that it will implement the new restrictions by March 1, 2010. The Department estimates that the proposed restrictions will reduce expenditure by approximately \$1.3 million total funds and \$496,000 General Fund in FY 2009-10. This proposal annualizes to a savings of \$5.6 million total funds and \$2.5 million General Fund in FY 2010-11. The Department's calculations are shown in Appendix B, Table G.1 and G.2.

- Eliminate Certain General Fund-Only Outstationing Payments: As part of this proposal, the Department proposes to eliminate General Fund-only outstationing payments made to providers who are public entities. Outstationing, as defined in federal regulations at 42 CFR § 435.904(d), is the receipt and initial processing of Medicaid applications from the designated eligibility groups, but does not include the evaluation of the information contained in the application. Outstationing is a federal requirement for low-income pregnant women, infants, and children under age 19.

Because the Department will only reduce funding from entities that are public, the Department will be able to certify the expenditure that these providers are currently spending for outstationing and continue to draw down federal funds. This will enable the Department to remain in compliance with federal regulations regarding outstationing. At present, the only public entity that receives this funding is Denver Health Medical Center. The proposed reduction will reduce expenditures by \$600,000 General Fund in FY 2009-10 from the outpatient hospital expenditures in Medical Services Premiums. The funding reduction is equal to all of the General Fund that is appropriated for outstationing to providers who are public entities. This reduction requires a corresponding increase in cash funds spending authority to account for the certification of public expenditure. This is a permanent reduction which will also save \$600,000 General Fund in FY 2010-11.

- Reduce Mental Health Capitation Program Rates: As part of this proposal, the Department proposes to reduce rates paid to behavioral health organizations by 2.5%. Currently, rates are paid at the midpoint of an actuarially-sound rate range developed during the rate-setting process. This reduction would place rates halfway between the minimum level required to maintain an actuarially sound rate, and the midpoint of the actuarially-sound rate range. The Department estimates that the proposed restrictions will reduce expenditure by approximately \$4.4 million total funds and \$1.6 million net General Fund in FY 2009-10. This proposal annualizes to a savings of \$6.0 million total funds and \$2.4 million General Fund in FY 2010-11. The Department's calculations are shown in Appendix B, Table H.
- Account for Behavioral Health Organization Reconciliation Payments: As part of this proposal, the Department proposes to account for the expected reconciliation and recoupment of capitation payments paid to behavioral health organizations (BHO) between FY 2004-05 and FY 2006-07. For a number of reasons, the Department has been unable to recoup capitation payments for ineligible clients for several years. Recently, the Department has proposed a methodology to the Centers for Medicare and Medicaid Services (CMS) to enable recoupments for this period. Based on the Department's preliminary calculations, the Department estimates that, for each of the three years in question, the Department will recoup approximately \$1.6 million from the BHOs, for a total of \$4.8 million total funds and \$2.4 million General Fund. This amount will be offset by the amount that the Department's budget currently contains for such recoupments, \$725,000 total funds (see the Department's February 16, 2009 Budget Request, S-2, Request for Medicaid Mental Health Community Programs). Further, because the Department will be recouping capitations payments from periods before the passage of the

American Recovery and Reinvestment Act of 2009 (ARRA), the Department believes that it will retain funding at a 50% federal Medicaid assistance percentage (FMAP) rate based on when the capitations were paid, not the current, enhanced FMAP rate. The Department estimates that the recoupments will offset total expenditure by approximately \$4.1 million total funds and \$2.0 million General Fund in FY 2009-10. This proposal annualizes to a savings of \$875,000 total funds and approximately \$377,000 General Fund in FY 2010-11.

Assumptions and Tables to Show Calculations:

Summary information, including fund splits, for the Department’s request is contained in Appendix A. Where necessary, the calculations for individual proposals are shown in the following tables in Appendix B:

Proposal	Table
Provider Rate Cuts	Table A
Reduce Federally Qualified Health Care Center Rates	Table B
Limit Transportation in HCBS Waivers	Table C
Limit Personal Care and Homemaker Services in HCBS Waivers	Table D
Grant Full Eligibility to Prenatal State-Only Clients	Table E
Reduce Pharmacy Reimbursement Rates	Table F
Expand the Preferred Drug List	Table G
Reduce Mental Health Capitation Program Rates	Table H

Each table contains the relevant assumptions for each calculation.

The Department assumes that any savings achieved for programs funded through the Health Care Expansion Fund will be used to offset the overall budget deficit, via declaration of a fiscal emergency for FY 2010-11 by the General Assembly. This is reflected in the Department’s summary tables on pages A-3 and A-4 as the “Cash Fund Adjustment.”

The estimates for this request are presented in a manner consistent with the Department’s proposed request ES-5, “Reduce Appropriation for Enhanced Federal Funds,” in that it assumes the existence of new line items in each Long Bill group that account for the enhanced FMAP received as a result of ARRA.

Current Statutory Authority or Needed Statutory Change:

Except where noted below, the Executive Director has the authority to limit the amount, scope, and duration of services and can implement reductions and programmatic efficiencies via rule change, per 25.5-4-401 (1) (a), C.R.S. (2009).

25.5-4-401 (1) (a), C.R.S. (2009)
The state department shall establish rules for the payment of providers under this article and articles 5 and 6 of this title. Within the limits of available funds, such rules shall provide reasonable compensation to such providers, but no provider shall, by this section or any other provision of this article or article 5 or 6 of this title, be deemed to have any vested right to act as a provider under this article and articles 5 and 6

of this title or to receive any payment in addition to or different from that which is currently payable on behalf of a recipient at the time the medical benefits are provided by said provider.

Under this statute, the proposed reductions can be achieved through a budget action by applying a restriction to the appropriation without an executive order or statutory change.

The following proposals cannot be achieved administratively as described below:

- 1) **Provider Rates** - The Governor will limit the funds available for all initiatives related to provider rate reductions through an Executive Order since statutes require rates to be set within the limits of available funds. Initiatives within this proposal that will fall in this category include the 1.5% reduction to all providers and the rates for federally qualified health centers (FQHCs), behavioral health organizations (BHOs), and pharmacy reimbursement.

Changes to nursing facility reimbursement, including provider rate reductions, require changes to 25.5-6-202 and 25.5-6-204, C.R.S. (2009).

- 2) **Eliminate Telehealth Disease Management Programs** - Because this service is required under 25.5-5-320, C.R.S. (2009), the Governor will limit the funds for this program through an Executive Order. The Department will pursue legislation so that the statutory requirements related to the elimination of these services is consistent with the proposal.

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix A**

**Table 1.1
Summary of Request
FY 2009-10**

FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
Total Request	(\$38,590,574)	(\$17,020,348)	\$532,225	(\$7,002)	(\$22,095,449)
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$20,000	\$10,000	\$0	\$0	\$10,000
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$126,900	\$63,450	\$0	\$0	\$63,450
(2) Medical Services Premiums	(\$30,217,206)	(\$16,752,293)	\$516,393	(\$6,810)	(\$13,974,496)
(2) Medical Services Premiums; Long Bill Group Total	\$0	\$3,403,274	\$15,832	\$0	(\$3,419,106)
(3) Medicaid Mental Health Community Programs; (A) Mental Health Capitation Payments	(\$8,520,268)	(\$4,259,696)	\$0	(\$192)	(\$4,260,380)
(3) Medicaid Mental Health Community Programs; Long Bill Group Total	\$0	\$514,917	\$0	\$0	(\$514,917)

**Table 1.2
Summary of Request
FY 2010-11**

FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
Total Request	(\$62,045,567)	(\$28,961,557)	\$323,702	(\$10,427)	(\$33,397,285)
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$0	\$0	\$0	\$0	\$0
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$126,900	\$63,450	\$0	\$0	\$63,450
(2) Medical Services Premiums	(\$55,312,674)	(\$29,121,285)	\$290,723	(\$10,169)	(\$26,471,943)
(2) Medical Services Premiums; Long Bill Group Total	\$0	\$3,118,424	\$32,979	\$0	(\$3,151,403)
(3) Medicaid Mental Health Community Programs; (A) Mental Health Capitation Payments	(\$6,859,793)	(\$3,368,935)	\$0	(\$258)	(\$3,490,600)
(3) Medicaid Mental Health Community Programs; Long Bill Group Total	\$0	\$346,789	\$0	\$0	(\$346,789)

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix A**

**Table 2.1
Impact by Component: Base Fund Split
FY 2009-10**

FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Source
Total Request	(\$38,590,574)	(\$20,938,539)	\$516,393	(\$7,002)	(\$18,161,426)	
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$20,000	\$10,000	\$0	\$0	\$10,000	Narrative
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$126,900	\$63,450	\$0	\$0	\$63,450	Table G
(2) Medical Services Premiums	(\$30,217,206)	(\$16,752,293)	\$516,393	(\$6,810)	(\$13,974,496)	
Provider Rate Cuts	(\$19,615,642)	(\$8,990,233)	(\$806,482)	(\$6,810)	(\$9,812,117)	Table A
Reduce FQHC rates	(\$3,915,491)	(\$1,957,745)	\$0	\$0	(\$1,957,746)	Table B
Limit Transportation in HCBS Waivers	(\$482,219)	(\$241,109)	\$0	\$0	(\$241,110)	Table C
Limit Personal Care Services in HCBS Waivers	(\$1,105,854)	(\$552,927)	\$0	\$0	(\$552,927)	Table D
Grant Full Eligibility to Prenatal State-Only Clients	\$0	(\$1,138,404)	\$0	\$0	\$1,138,404	Table E
Eliminate Telehealth Disease Management Program	(\$317,500)	(\$158,750)	\$0	\$0	(\$158,750)	Narrative
Reduce Pharmacy Reimbursement Rates	(\$3,489,218)	(\$1,744,609)	\$0	\$0	(\$1,744,609)	Table F
Expand the Preferred Drug List	(\$1,291,282)	(\$645,641)	\$0	\$0	(\$645,641)	Table G
Eliminate General Fund Outstationing Payments	\$0	(\$600,000)	\$600,000	\$0	\$0	Narrative
Cash Fund Adjustment	\$0	(\$722,875)	\$722,875	\$0	\$0	Narrative
(3) Medicaid Mental Health Community Programs; (A) Mental Health Capitation Payments	(\$8,520,268)	(\$4,259,696)	\$0	(\$192)	(\$4,260,380)	
Reduce Mental Health Capitation Program Rates	(\$4,445,268)	(\$2,046,487)	(\$175,709)	(\$192)	(\$2,222,880)	Table H
Account for BHO Reconciliation	(\$4,075,000)	(\$2,037,500)	\$0	\$0	(\$2,037,500)	Narrative
Cash Fund Adjustment	\$0	(\$175,709)	\$175,709	\$0	\$0	Narrative

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix A**

**Table 2.2
Impact by Component: Base Fund Split
FY 2010-11**

FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Source
Total Request	(\$62,045,567)	(\$32,426,770)	\$290,723	(\$10,427)	(\$29,899,093)	
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$0	\$0	\$0	\$0	\$0	Narrative
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$126,900	\$63,450	\$0	\$0	\$63,450	Table G
(2) Medical Services Premiums	(\$55,312,674)	(\$29,121,285)	\$290,723	(\$10,169)	(\$26,471,943)	
Provider Rate Cuts	(\$34,941,179)	(\$16,057,283)	(\$1,395,852)	(\$10,169)	(\$17,477,875)	Table A
Reduce FQHC rates	(\$5,574,059)	(\$2,787,029)	\$0	\$0	(\$2,787,030)	Table B
Limit Transportation in HCBS Waivers	(\$751,233)	(\$375,616)	\$0	\$0	(\$375,617)	Table C
Limit Personal Care Services in HCBS Waivers	(\$3,100,992)	(\$1,550,496)	\$0	\$0	(\$1,550,496)	Table D
Grant Full Eligibility to Prenatal State-Only Clients	\$0	(\$1,191,681)	\$0	\$0	\$1,191,681	Table E
Eliminate Telehealth Disease Management Program	(\$381,000)	(\$190,500)	\$0	\$0	(\$190,500)	Narrative
Reduce Pharmacy Reimbursement Rates	(\$5,006,181)	(\$2,503,090)	\$0	\$0	(\$2,503,091)	Table F
Expand the Preferred Drug List	(\$5,558,030)	(\$2,779,015)	\$0	\$0	(\$2,779,015)	Table G
Eliminate General Fund Outstationing Payments	\$0	(\$600,000)	\$600,000	\$0	\$0	Narrative
Cash Fund Adjustment	\$0	(\$1,086,575)	\$1,086,575	\$0	\$0	Narrative
(3) Medicaid Mental Health Community Programs; (A) Mental Health Capitation Payments	(\$6,859,793)	(\$3,368,935)	\$0	(\$258)	(\$3,490,600)	
Reduce Mental Health Capitation Program Rates	(\$5,984,793)	(\$2,755,549)	(\$236,589)	(\$258)	(\$2,992,397)	Table H
Account for BHO Reconciliation	(\$875,000)	(\$376,797)	\$0	\$0	(\$498,203)	Narrative
Cash Fund Adjustment	\$0	(\$236,589)	\$236,589	\$0	\$0	Narrative

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix A**

**Table 3.1
Impact by Component: American Recovery and Reinvestment Act Adjustment
FY 2009-10**

FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Source
Total Request	\$0	\$3,918,191	\$15,832	\$0	(\$3,934,023)	
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$0	\$0	\$0	\$0	\$0	Narrative
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$0	\$0	\$0	\$0	\$0	Table G
(2) Medical Services Premiums; Long Bill Group Total	\$0	\$3,403,274	\$15,832	\$0	(\$3,419,106)	
Provider Rate Cuts	\$0	\$2,044,162	\$183,022	\$0	(\$2,227,184)	Table A
Reduce FQHC rates	\$0	\$453,805	\$0	\$0	(\$453,805)	Table B
Limit Transportation in HCBS Waivers	\$0	\$55,889	\$0	\$0	(\$55,889)	Table C
Limit Personal Care Services in HCBS Waivers	\$0	\$128,168	\$0	\$0	(\$128,168)	Table D
Grant Full Eligibility to Prenatal State-Only Clients	\$0	\$0	\$0	\$0	\$0	Table E
Eliminate Telehealth Disease Management Program	\$0	\$0	\$0	\$0	\$0	Narrative
Reduce Pharmacy Reimbursement Rates	\$0	\$404,400	\$0	\$0	(\$404,400)	Table F
Expand the Preferred Drug List	\$0	\$149,660	\$0	\$0	(\$149,660)	Table G
Eliminate General Fund Outstationing Payments	\$0	\$0	\$0	\$0	\$0	Narrative
Cash Fund Adjustment	\$0	\$167,190	(\$167,190)	\$0	\$0	Narrative
(3) Medicaid Mental Health Community Programs; Long Bill Group Total	\$0	\$514,917	\$0	\$0	(\$514,917)	
Reduce Mental Health Capitation Program Rates	\$0	\$474,202	\$40,715	\$0	(\$514,917)	Table H
Account for BHO Reconciliation	\$0	\$0	\$0	\$0	\$0	Narrative
Cash Fund Adjustment	\$0	\$40,715	(\$40,715)	\$0	\$0	Narrative

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix A**

**Table 3.2
Impact by Component: American Recovery and Reinvestment Act Adjustment
FY 2010-11**

FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Source
Total Request	\$0	\$3,465,213	\$32,979	\$0	(\$3,498,192)	
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$0	\$0	\$0	\$0	\$0	Narrative
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$0	\$0	\$0	\$0	\$0	Table G
(2) Medical Services Premiums; Long Bill Group Total	\$0	\$3,118,424	\$32,979	\$0	(\$3,151,403)	
Provider Rate Cuts	\$0	\$1,834,668	\$158,286	\$0	(\$1,992,954)	Table A
Reduce FQHC rates	\$0	\$323,017	\$0	\$0	(\$323,017)	Table B
Limit Transportation in HCBS Waivers	\$0	\$43,534	\$0	\$0	(\$43,534)	Table C
Limit Personal Care Services in HCBS Waivers	\$0	\$179,702	\$0	\$0	(\$179,702)	Table D
Grant Full Eligibility to Prenatal State-Only Clients	\$0	\$0	\$0	\$0	\$0	Table E
Eliminate Telehealth Disease Management Program	\$0	\$0	\$0	\$0	\$0	Narrative
Reduce Pharmacy Reimbursement Rates	\$0	\$290,108	\$0	\$0	(\$290,108)	Table F
Expand the Preferred Drug List	\$0	\$322,088	\$0	\$0	(\$322,088)	Table G
Eliminate General Fund Outstationing Payments	\$0	\$0	\$0	\$0	\$0	Narrative
Cash Fund Adjustment	\$0	\$125,307	(\$125,307)	\$0	\$0	Narrative
(3) Medicaid Mental Health Community Programs; Long Bill Group Total	\$0	\$346,789	\$0	\$0	(\$346,789)	
Reduce Mental Health Capitation Program Rates	\$0	\$319,368	\$27,421	\$0	(\$346,789)	Table H
Account for BHO Reconciliation	\$0	\$0	\$0	\$0	\$0	Narrative
Cash Fund Adjustment	\$0	\$27,421	(\$27,421)	\$0	\$0	Narrative

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix**

Table 4.1 Cash Fund Splits FY 2009-10								
FY 2009-10	Total Funds	General Fund	Certified Funds	Breast and Cervical Cancer Prevention and Treatment Fund	Health Care Expansion Fund	Nursing Facility Cash Fund	Reappropriated Funds	Federal Funds
Total Request	(\$38,590,574)	(\$20,938,539)	\$600,000	(\$15,890)	\$0	(\$67,717)	(\$7,002)	(\$18,161,426)
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$20,000	\$10,000	\$0	\$0	\$0	\$0	\$0	\$10,000
(1) Executive Director's Office; (C) Information Technology Contracts, Information Technology Contracts	\$126,900	\$63,450	\$0	\$0	\$0	\$0	\$0	\$63,450
(2) Medical Services Premiums	(\$30,217,206)	(\$16,752,293)	\$600,000	(\$15,890)	\$0	(\$67,717)	(\$6,810)	(\$13,974,496)
(3) Medicaid Mental Health Community Programs	(\$8,520,268)	(\$4,259,696)	\$0	\$0	\$0	\$0	(\$192)	(\$4,260,380)

Notes:

- General Fund and cash fund sources are shown at the base FMAP level (50%).
- Health Care Expansion Fund is assumed to be transferred into the General Fund.

Table 4.2 Cash Fund Splits FY 2010-11								
FY 2010-11	Total Funds	General Fund	Certified Funds	Breast and Cervical Cancer Prevention and Treatment Fund	Health Care Expansion Fund	Nursing Facility Cash Fund	Reappropriated Funds	Federal Funds
Total Request	(\$62,045,567)	(\$32,426,770)	\$600,000	(\$23,727)	\$0	(\$285,550)	(\$10,427)	(\$29,899,093)
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(1) Executive Director's Office; (C) Information Technology Contracts, Information Technology Contracts	\$126,900	\$63,450	\$0	\$0	\$0	\$0	\$0	\$63,450
(2) Medical Services Premiums	(\$55,312,674)	(\$29,121,285)	\$600,000	(\$23,727)	\$0	(\$285,550)	(\$10,169)	(\$26,471,943)
(3) Medicaid Mental Health Community Programs	(\$6,859,793)	(\$3,368,935)	\$0	\$0	\$0	\$0	(\$258)	(\$3,490,600)

Notes:

- General Fund and cash fund sources are shown at the base FMAP level (50%).
- Health Care Expansion Fund is assumed to be transferred into the General Fund.

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix**

**Table 4.3
Cash Fund Splits: American Recovery and Reinvestment Act Adjustment
FY 2009-10**

FY 2009-10	Total Funds	General Fund	Certified Funds	Breast and Cervical Cancer Prevention and Treatment Fund	Health Care Expansion Fund	Nursing Facility Cash Fund	Reappropriated Funds	Federal Funds
Total Request	\$0	\$3,918,191	\$0	\$0	\$0	\$15,832	\$0	(\$3,934,023)
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(1) Executive Director's Office; (C) Information Technology Contracts, Information Technology Contracts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2) Medical Services Premiums	\$0	\$3,403,274	\$0	\$0	\$0	\$15,832	\$0	(\$3,419,106)
(3) Medicaid Mental Health Community Programs	\$0	\$514,917	\$0	\$0	\$0	\$0	\$0	(\$514,917)

Notes:

- General Fund and cash fund sources have been adjusted to account for the enhanced federal financial participation received as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The federal medical assistance percentage (FMAP) for FY 2009-10 is 61.59%.
- Health Care Expansion Fund is assumed to be transferred into the General Fund.

**Table 4.4
Cash Fund Splits: American Recovery and Reinvestment Act Adjustment
FY 2010-11**

FY 2009-10	Total Funds	General Fund	Certified Funds	Breast and Cervical Cancer Prevention and Treatment Fund	Health Care Expansion Fund	Nursing Facility Cash Fund	Reappropriated Funds	Federal Funds
Total Request	\$0	\$3,465,213	\$0	\$0	\$0	\$32,979	\$0	(\$3,498,192)
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(1) Executive Director's Office; (C) Information Technology Contracts, Information Technology Contracts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(2) Medical Services Premiums	\$0	\$3,118,424	\$0	\$0	\$0	\$32,979	\$0	(\$3,151,403)
(3) Medicaid Mental Health Community Programs	\$0	\$346,789	\$0	\$0	\$0	\$0	\$0	(\$346,789)

Notes:

- General Fund and cash fund sources have been adjusted to account for the enhanced federal financial participation received as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The weighted federal medical assistance percentage (FMAP) for FY 2010-11 is estimated to be 55.975%.
- Health Care Expansion Fund is assumed to be transferred into the General Fund.

Budget Reduction Proposal ES-2: Medicaid Program Reductions

Appendix B

Table A.1

Provider Rate Reductions (FY 2009-10)

Service Category	FY 2009-10 Appropriation (1), (2)	FY 2009-10 Appropriation Available for Rate Cut (3),(4)	Cut Level	FY 2009-10 Total Funds Reduction	FY 2009-10 Estimated GF Reduction	FY 2009-10 Estimated CF/RF Reduction	FY 2009-10 Estimated FF Reduction
ACUTE CARE							
Physician Services & EPSDT	\$241,542,694	\$163,111,200	1.50%	(\$2,446,668)	(\$1,103,937)	(\$119,397)	(\$1,223,334)
Emergency Transportation	\$5,116,597	\$3,744,965	1.50%	(\$56,174)	(\$25,346)	(\$2,741)	(\$28,087)
Non-emergency Medical Transportation	\$9,010,430	\$6,625,180	1.50%	(\$99,378)	(\$44,839)	(\$4,850)	(\$49,689)
Dental Services	\$79,284,596	\$58,645,605	1.50%	(\$879,684)	(\$396,913)	(\$42,929)	(\$439,842)
Family Planning	\$331,240	\$248,430	0.00%	\$0	\$0	\$0	\$0
Health Maintenance Organizations	\$134,920,077	\$93,406,927	1.18%	(\$1,106,132)	(\$499,087)	(\$53,979)	(\$553,066)
Inpatient Hospitals	\$369,904,150	\$267,210,308	1.50%	(\$4,008,155)	(\$1,808,479)	(\$195,598)	(\$2,004,078)
Outpatient Hospitals	\$159,700,875	\$116,137,838	1.50%	(\$1,742,068)	(\$786,021)	(\$85,013)	(\$871,034)
Lab & X-Ray	\$29,489,757	\$21,654,463	1.50%	(\$324,817)	(\$146,557)	(\$15,851)	(\$162,409)
Durable Medical Equipment	\$79,860,532	\$58,354,545	1.50%	(\$875,318)	(\$394,943)	(\$42,716)	(\$437,659)
Prescription Drugs	\$241,992,379	\$176,968,537	0.00%	\$0	\$0	\$0	\$0
Drug Rebate	(\$87,967,751)	(\$65,975,814)	0.00%	\$0	\$0	\$0	\$0
Rural Health Centers	\$7,734,378	\$5,800,784	0.00%	\$0	\$0	\$0	\$0
Federally Qualified Health Centers	\$75,792,623	\$56,844,467	0.00%	\$0	\$0	\$0	\$0
Co-Insurance (Title XVIII-Medicare)	\$29,137,767	\$21,853,325	1.50%	(\$327,800)	(\$147,903)	(\$15,997)	(\$163,900)
Breast and Cervical Cancer Treatment Program	\$7,302,519	\$5,476,889	1.18%	(\$64,858)	\$0	(\$22,700)	(\$42,158)
Prepaid Inpatient Health Plan Services	\$37,320,459	\$27,990,344	1.18%	(\$331,464)	(\$149,557)	(\$16,175)	(\$165,732)
Other Medical Services	\$47,578	\$35,683	0.00%	\$0	\$0	\$0	\$0
Home Health	\$152,774,108	\$111,980,881	1.50%	(\$1,679,713)	(\$757,886)	(\$81,970)	(\$839,857)
Presumptive Eligibility	\$0	\$0	1.18%	\$0	\$0	\$0	\$0
Subtotal of Acute Care	\$1,573,295,006	\$1,130,114,557		(\$13,942,229)	(\$6,261,468)	(\$699,916)	(\$6,980,845)
COMMUNITY BASED LONG TERM CARE							
HCBS - Elderly, Blind, and Disabled	\$183,459,041	\$129,642,376	1.50%	(\$1,944,636)	(\$940,426)	(\$31,892)	(\$972,318)
HCBS - Mental Illness	\$23,866,566	\$16,867,711	1.50%	(\$253,016)	(\$122,359)	(\$4,149)	(\$126,508)
HCBS - Disabled Children	\$1,816,779	\$1,339,936	1.50%	(\$20,099)	(\$9,719)	(\$330)	(\$10,050)
HCBS - Persons Living with AIDS	\$616,178	\$452,173	1.50%	(\$6,783)	(\$3,280)	(\$111)	(\$3,392)
HCBS - Consumer Directed Attendant Support	\$4,289,097	\$2,980,782	1.50%	(\$44,712)	(\$21,623)	(\$733)	(\$22,356)
HCBS - Brain Injury	\$12,503,784	\$9,197,407	1.50%	(\$137,961)	(\$66,717)	(\$2,263)	(\$68,981)
HCBS - Children with Autism	\$1,345,089	\$1,008,817	1.50%	(\$15,132)	(\$7,318)	(\$248)	(\$7,566)
HCBS - Pediatric Hospice	\$30,470	\$22,853	1.50%	(\$343)	(\$165)	(\$6)	(\$172)
Private Duty Nursing	\$22,195,556	\$16,316,286	1.50%	(\$244,744)	(\$118,358)	(\$4,014)	(\$122,372)
Hospice	\$41,480,470	\$7,777,588	1.50%	(\$116,664)	(\$56,419)	(\$1,913)	(\$58,332)
Subtotal of Community Based Long Term Care	\$291,603,032	\$185,605,928		(\$2,784,090)	(\$1,346,384)	(\$45,659)	(\$1,392,047)
LONG TERM CARE and INSURANCE							
Class I Nursing Facilities	\$527,894,766	\$127,168,510	1.50%	(\$1,907,528)	(\$886,047)	(\$67,717)	(\$953,764)
Class II Nursing Facilities	\$2,231,349	\$1,673,511	0.00%	\$0	\$0	\$0	\$0
Program for All-Inclusive Care for the Elderly	\$72,544,812	\$54,408,609	1.19%	(\$647,462)	(\$323,731)	\$0	(\$323,731)
Subtotal Long Term Care	\$602,670,927	\$183,250,630		(\$2,554,990)	(\$1,209,778)	(\$67,717)	(\$1,277,495)
Supplemental Medicare Insurance Benefit	\$100,335,218	\$75,251,413	0.00%	\$0	\$0	\$0	\$0
Health Insurance Buy-In Program	\$1,280,915	\$960,686	0.00%	\$0	\$0	\$0	\$0
Subtotal Insurance	\$101,616,133	\$76,212,100		\$0	\$0	\$0	\$0
Subtotal of Long Term Care and Insurance	\$704,287,060	\$259,462,730		(\$2,554,990)	(\$1,209,778)	(\$67,717)	(\$1,277,495)
SERVICE MANAGEMENT							
Single Entry Points	\$24,163,499	\$18,122,624	1.50%	(\$271,839)	(\$141,356)	\$0	(\$130,483)
Disease Management	\$5,008,706	\$3,756,530	0.00%	\$0	\$0	\$0	\$0
Prepaid Inpatient Health Plan Administration	\$5,555,014	\$4,166,261	1.50%	(\$62,494)	(\$31,247)	\$0	(\$31,247)
Subtotal Service Management	\$34,727,219	\$26,045,414		(\$334,333)	(\$172,603)	\$0	(\$161,730)
Total	\$2,603,912,317	\$1,601,228,630		(\$19,615,642)	(\$8,990,233)	(\$813,292)	(\$9,812,117)

(1) Does NOT include any expenditure related to HB 09-1293

(2) Appropriation by service category is estimated using preliminary FY 2008-09 expenditure patterns.

(3) Estimated implementation date: September 1, 2009. Only 9 months of savings are assumed in FY 2009-10 to account for cash accounting.

(4) This amount has also been reduced for other reductions in this proposal. If additional reductions are required, the figures in this calculation will change.

Budget Reduction Proposal ES-2: Medicaid Program Reductions

Appendix B

Table A.2							
Provider Rate Reductions (FY 2010-11 Annualizations)							
Service Category	FY 2009-10 Total Fund Reduction	Effective Months in FY 2009-10	Estimated Trend⁽¹⁾	FY 2010-11 Total Funds Reduction	FY 2010-11 Estimated GF Reduction	FY 2010-11 Estimated CF/RF Reduction	FY 2010-11 Estimated FF Reduction
ACUTE CARE							
Physician Services & EPSDT	(\$2,446,668)	9.00	11.99%	(\$3,653,365)	(\$1,648,398)	(\$178,284)	(\$1,826,683)
Emergency Transportation	(\$56,174)	9.00	11.99%	(\$83,879)	(\$37,846)	(\$4,093)	(\$41,940)
Non-emergency Medical Transportation	(\$99,378)	9.00	11.99%	(\$148,391)	(\$66,954)	(\$7,241)	(\$74,196)
Dental Services	(\$879,684)	9.00	11.99%	(\$1,313,544)	(\$592,671)	(\$64,101)	(\$656,772)
Family Planning	\$0	9.00	11.99%	\$0	\$0	\$0	\$0
Health Maintenance Organizations	(\$1,106,132)	9.00	11.99%	(\$1,651,676)	(\$745,236)	(\$80,602)	(\$825,838)
Inpatient Hospitals	(\$4,008,155)	9.00	11.99%	(\$5,984,977)	(\$2,700,421)	(\$292,067)	(\$2,992,489)
Outpatient Hospitals	(\$1,742,068)	9.00	11.99%	(\$2,601,256)	(\$1,173,687)	(\$126,941)	(\$1,300,628)
Lab & X-Ray	(\$324,817)	9.00	11.99%	(\$485,017)	(\$218,839)	(\$23,669)	(\$242,509)
Durable Medical Equipment	(\$875,318)	9.00	11.99%	(\$1,307,025)	(\$589,729)	(\$63,783)	(\$653,513)
Prescription Drugs	\$0	9.00	11.99%	\$0	\$0	\$0	\$0
Drug Rebate	\$0	9.00	11.99%	\$0	\$0	\$0	\$0
Rural Health Centers	\$0	9.00	11.99%	\$0	\$0	\$0	\$0
Federally Qualified Health Centers	\$0	9.00	11.99%	\$0	\$0	\$0	\$0
Co-Insurance (Title XVIII-Medicare)	(\$327,800)	9.00	11.99%	(\$489,471)	(\$220,849)	(\$23,886)	(\$244,736)
Breast and Cervical Cancer Treatment Program	(\$64,858)	9.00	11.99%	(\$96,846)	\$0	(\$33,896)	(\$62,950)
Prepaid Inpatient Health Plan Services	(\$331,464)	9.00	11.99%	(\$494,942)	(\$223,318)	(\$24,153)	(\$247,471)
Other Medical Services	\$0	9.00	11.99%	\$0	\$0	\$0	\$0
Home Health	(\$1,679,713)	9.00	11.99%	(\$2,508,147)	(\$1,131,675)	(\$122,398)	(\$1,254,074)
Presumptive Eligibility	\$0	9.00	11.99%	\$0	\$0	\$0	\$0
Subtotal of Acute Care	(\$13,942,229)		11.99%	(\$20,818,536)	(\$9,349,623)	(\$1,045,114)	(\$10,423,799)
COMMUNITY BASED LONG TERM CARE							
HCBS - Elderly, Blind, and Disabled	(\$1,944,636)	9.00	14.21%	(\$2,961,292)	(\$1,432,081)	(\$48,565)	(\$1,480,646)
HCBS - Mental Illness	(\$253,016)	9.00	14.21%	(\$385,293)	(\$186,327)	(\$6,319)	(\$192,647)
HCBS - Disabled Children	(\$20,099)	9.00	14.21%	(\$30,607)	(\$14,801)	(\$502)	(\$15,304)
HCBS - Persons Living with AIDS	(\$6,783)	9.00	14.21%	(\$10,329)	(\$4,995)	(\$169)	(\$5,165)
HCBS - Consumer Directed Attendant Support	(\$44,712)	9.00	14.21%	(\$68,087)	(\$32,926)	(\$1,117)	(\$34,044)
HCBS - Brain Injury	(\$137,961)	9.00	14.21%	(\$210,087)	(\$101,598)	(\$3,445)	(\$105,044)
HCBS - Children with Autism	(\$15,132)	9.00	14.21%	(\$23,043)	(\$11,143)	(\$378)	(\$11,522)
HCBS - Pediatric Hospice	(\$343)	9.00	14.21%	(\$522)	(\$252)	(\$9)	(\$261)
Private Duty Nursing	(\$244,744)	9.00	14.21%	(\$372,696)	(\$180,236)	(\$6,112)	(\$186,348)
Hospice	(\$116,664)	3.00	14.21%	(\$532,968)	(\$257,743)	(\$8,741)	(\$266,484)
Subtotal of Community Based Long Term Care	(\$2,784,090)		14.21%	(\$4,594,924)	(\$2,222,102)	(\$75,357)	(\$2,297,465)
LONG TERM CARE and INSURANCE							
Class I Nursing Facilities	(\$1,907,528)	3.00	5.42%	(\$8,043,664)	(\$3,736,282)	(\$285,550)	(\$4,021,832)
Class II Nursing Facilities	\$0	9.00	0.05%	\$0	\$0	\$0	\$0
Program for All-Inclusive Care for the Elderly	(\$647,462)	9.00	19.40%	(\$1,030,760)	(\$515,380)	\$0	(\$515,380)
Subtotal Long Term Care	(\$2,554,990)			(\$9,074,424)	(\$4,251,662)	(\$285,550)	(\$4,537,212)
Supplemental Medicare Insurance Benefit	\$0	9.00	6.69%	\$0	\$0	\$0	\$0
Health Insurance Buy-In Program	\$0	9.00	13.01%	\$0	\$0	\$0	\$0
Subtotal Insurance	\$0			\$0	\$0	\$0	\$0
Subtotal of Long Term Care and Insurance	(\$2,554,990)			(\$9,074,424)	(\$4,251,662)	(\$285,550)	(\$4,537,212)
SERVICE MANAGEMENT							
Single Entry Points	(\$271,839)	9.00	0.00%	(\$362,452)	(\$188,475)	\$0	(\$173,977)
Disease Management	\$0	9.00	0.00%	\$0	\$0	\$0	\$0
Prepaid Inpatient Health Plan Administration	(\$62,494)	9.00	9.02%	(\$90,843)	(\$45,421)	\$0	(\$45,422)
Subtotal Service Management	(\$334,333)			(\$453,295)	(\$233,896)	\$0	(\$219,399)
Total	(\$19,615,642)			(\$34,941,179)	(\$16,057,283)	(\$1,406,021)	(\$17,477,875)

(1) Trend is based on average annual percent increase from FY 2006-07 to FY 2008-09. Aggregate trends for Acute Care and Community Based Long Term Care are used.

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix B**

Table B				
Estimated Savings from Change in FQHC Payment Methodology				
Row	Item	FY 2009-10	FY 2010-11	Description
A	FY 2008-09 Reimbursement for Federally Qualified Health Care Centers (FQHC)	\$73,089,013	\$78,036,678	FY 2009-10: Actual claims paid in FY 2008-09 FY 2010-11: Row C
B	Estimated Trend Factor	6.8%	6.8%	Average annual growth rate between FY 2005-06 and FY 2008-09
C	Estimated FQHC Expenditure	\$78,036,678	\$83,319,269	Row A * (1 + Row B)
D	Estimated Maximum Decrease Allowable Under Federal Law	-13.37%	-13.37%	Weighted average percentage difference between current rate and BIPA rate, based on actual claims and rates paid in FY 2008-09 compared with current BIPA rates.
E	Estimated Percent Decrease to be Applied to FQHC Rates	-6.69%	-6.69%	Row D * 50%
F	Estimated difference in FY 2008-09 between rate paid and BIPA rate	(\$5,220,654)	(\$5,574,059)	Row C * Row E
G	Savings Adjustment for Implementation Date	75%	100%	Estimated implementation date: September 1, 2009. Only 9 months of savings are assumed in FY 2009-10 to account for cash accounting.
H	Total Estimated Savings	(\$3,915,491)	(\$5,574,059)	Row F * Row G

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix B**

Table C				
Reduction to HCBS Waiver Transportation Benefit				
		FY 2009-10	FY 2010-11	
A	Estimated FY 2008-09 Reimbursement for HCBS Transportation	\$5,186,836	-	Based on MMIS claims data for claims incurred in calendar year 2008. ⁽¹⁾
B	Estimated FY 2008-09 Reimbursement for HCBS Transportation in Excess of Proposed Limit	\$550,290	\$642,959	The proposed limits are described in the narrative. FY 2009-10: Based on MMIS claims data for claims incurred in calendar year 2008. ⁽¹⁾ FY 2010-11: Row D
C	Estimated Trend	16.84%	16.84%	Average annual growth rate between FY 2005-06 and FY 2008-09 in HCBS - Elderly, Blind, and Disabled and HCBS - Mental Illness waivers.
D	Estimated Reimbursement for HCBS Transportation in Excess of Proposed Limit	\$642,959	\$751,233	Row B * (1 + Row C)
E	Reduction to Expenditure Above the Proposed Limit	-100.00%	-100.00%	The Department proposes not to pay for services above the limit.
F	Estimated Full Year Reduction to Expenditure	(\$642,959)	(\$751,233)	Row D * Row E
G	Savings Adjustment for Implementation Date	75%	100%	Estimated implementation date: September 1, 2009. Only 9 months of savings are assumed in FY 2009-10 to account for cash accounting.
H	Total Estimated Savings	(\$482,219)	(\$751,233)	Row F * Row G

(1) Incurred data is used as opposed to paid data in this case because the analysis requires an examination of services received per week. The Department assumes that the claims incurred in 2008 will be roughly equivalent to its expenditure in FY 2008-09.

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix B**

Table D				
Reduction to HCBS Waiver Personal Care Benefit				
		FY 2009-10	FY 2010-11	
A	Estimated FY 2008-09 Reimbursement for Personal Care	\$89,716,520	-	Based on MMIS claims data for claims incurred in calendar year 2008. ⁽¹⁾
B	Estimated FY 2008-09 Reimbursement for Personal Care in Excess of Proposed Limit	\$2,271,525	\$2,654,050	The proposed limits are described in the narrative. FY 2009-10: Based on MMIS claims data for claims incurred in calendar year 2008. ⁽¹⁾ FY 2010-11: Row D
C	Estimated Trend	16.84%	16.84%	Average annual growth rate between FY 2005-06 and FY 2008-09 in HCBS - Elderly, Blind, and Disabled and HCBS - Mental Illness waivers.
D	Estimated Reimbursement for HCBS Personal Care in Excess of Proposed Limit	\$2,654,050	\$3,100,992	Row B * (1 + Row C)
E	Reduction to Expenditure Above the Proposed Limit	-100.00%	-100.00%	The Department proposes not to pay for services above the limit.
F	Estimated Full Year Reduction to Expenditure	(\$2,654,050)	(\$3,100,992)	Row D * Row E
G	Savings Adjustment for Implementation Date	41.67%	100%	Estimated implementation date: January 1, 2010. Only 5 months of savings are assumed in FY 2009-10 to account for cash accounting.
H	Total Estimated Savings	(\$1,105,854)	(\$3,100,992)	Row F * Row G

(1) Incurred data is used as opposed to paid data in this case because the analysis requires an examination of services received per date of service. The Department assumes that the claims incurred in 2008 will be roughly equivalent to its expenditure in FY 2008-09

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix B**

Table E				
Granting Full Eligibility to Clients Enrolled in the Prenatal State-Only Program				
		FY 2009-10	FY 2010-11	
A	Estimated FY 2008-09 Program Expenditure	\$5,054,918	-	February 16, 2009 Budget Request, S-1, Request for Medical Services Premiums, Exhibit F, Page EF-8.
B	Estimated Reimbursement for Services Not Previously Authorized under Federal Medicaid Law	\$2,175,016	\$2,276,807	FY 2009-10: February 16, 2009 Budget Request, S-1, Request for Medical Services Premiums, Exhibit F, Page EF-8. FY 2010-11: Row D
C	Estimated Trend	4.68%	4.68%	Average annual growth rate between FY 2005-06 and FY 2008-09 in HCBS - Elderly, Blind, and Disabled and HCBS - Mental Illness waivers.
D	Estimated Reimbursement for Prenatal State-Only Program	\$2,276,807	\$2,383,362	Row B * (1 + Row C)
E	Increase in Federal Financial Participation	50.00%	50.00%	See narrative. Expenditure for this population will not qualify for the enhanced federal financial participation due to ARRA.
F	Estimated Reduction to General Fund	(\$1,138,404)	(\$1,191,681)	Row D * Row E * -1

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix B**

Table F Reduction to Pharmacy Reimbursements					
		Brand	Generic	Total	
A	Estimated FY 2008-09 Pharmacy Claims	\$70,008,186	\$163,352,432	\$233,360,618	FY 2008-09 expenditure data. Brands are assumed to represent 30% of the total, while generics are assumed to represent 70% of the total.
B	Estimated FY 2008-09 Pharmacy Claims Paid Using AWP Pricing Methodology	\$23,336,062	\$54,450,811	\$77,786,873	Row A / 3. Based on historical experience, the Department assumes approximately 1/3rd of claims are priced using the average wholesale price.
C	FY 2008-09 AWP Discount	86.50%	65.00%	-	
D	AWP Discount Effective July 1, 2009	86.00%	60.00%	-	
E	Estimated Percent Change to Reimbursement	-0.578%	-7.69%	-	Row D / Row C - 1
F	Estimated FY 2008-09 Pharmacy Expenditure at FY 2009-10 Reimbursement	\$23,201,171	\$50,262,287	\$73,463,458	Row B * (1 + Row E)
G	Proposed Discount Rate	85.50%	55.00%	-	
H	Estimated Percent Change to Reimbursement	-0.581%	-8.33%	-	Row H / Row E - 1
I	Estimated FY 2008-09 Pharmacy Expenditure at Proposed Reimbursement	\$23,066,280	\$46,073,763	\$69,140,043	Row F * (1 + Row H)
J	Estimated Savings at FY 2008-09 Level	(\$134,891)	(\$4,188,524)	(\$4,323,415)	Row I - Row F
K	Estimated Trend Factor to FY 2009-10	7.6%	7.6%	-	Gross pharmacy expenditure growth from FY 2007-08 to FY 2008-09
L	Estimated Savings at FY 2009-10 Level	(\$145,152)	(\$4,507,138)	(\$4,652,290)	Row J * (1 + Row K)
M	Savings Adjustment for Implementation Date	75%	75%	-	Estimated implementation date: September 1, 2009. Only 9 months of savings are assumed in FY 2009-10 to account for cash accounting.
N	Estimated FY 2009-10 Savings	(\$108,864)	(\$3,380,354)	(\$3,489,218)	Row L * Row N
O	Estimated Trend Factor to FY 2010-11	7.6%	7.6%	-	Row K
P	Estimated FY 2010-11 Savings	(\$156,193)	(\$4,849,988)	(\$5,006,181)	Row L * (1 + Row O)

* AWP: Average wholesale price

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix B**

Table G.1 Expansion of Preferred Drug List				
		FY 2009-10	FY 2010-11	
A	Estimated FY 2008-09 Expenditure Subject to New PDL Requirements	\$40,000,000	\$43,042,731	FY 2009-10: Assumed, see narrative. FY 2010-11: Row C
B	Estimated Trend Factor	7.6%	7.6%	Gross pharmacy expenditure growth from FY 2007-08 to FY 2008-09
C	Estimated Expenditure Subject to New PDL Requirements	\$43,042,731	\$46,316,918	Row A * (1 + Row B)
D	Estimate of Enhanced Rebates	-12.00%	-12.00%	Shown as a negative, as increases in drug rebates offset Department expenditure
E	Savings Adjustment for Implementation Date	25%	100%	Estimated implementation date: March 1, 2010. Only 3 months of savings are assumed in FY 2009-10 to account for cash accounting.
F	Total Estimated Savings	(\$1,291,282)	(\$5,558,030)	Row C * Row D * Row E

Table G.2 Additional Prior Authorization Requests				
		FY 2009-10	FY 2010-11	
A	Estimated Additional Prior Authorization Requests (PAR)	10,000	10,000	See narrative
B	Cost per PAR	\$12.69	\$12.69	Gross pharmacy expenditure growth from FY 2007-08 to FY 2008-09
C	Estimated Additional PAR Expenditure	\$126,900	\$126,900	Row A * Row B

**Budget Reduction Proposal ES-2: Medicaid Program Reductions
Appendix B**

Table H				
Reduce Behavioral Health Organization Capitation Rates				
		FY 2009-10	FY 2010-11	
A	Estimated Base BHO Expenditure	\$213,372,859	\$239,391,701	FY 2009-10: Long Bill and Special Bills appropriation FY 2010-11: Expenditure based on caseload and per capita growth estimated in the February 16, 2009 Budget Request, S-2, Request for Medicaid Mental Health Capitation Program
B	Proposed Reduction to Capitation Rates	-2.50%	-2.50%	See narrative
C	Estimated Reduction to Expenditure	(\$5,334,321)	(\$5,984,793)	Row A * Row B
D	Savings Adjustment for Implementation Date	83.33%	100%	Estimated implementation date: September 1, 2009. Because capitations are paid concurrently, there is no delay for cash accounting.
E	Total Estimated Savings	(\$4,445,268)	(\$5,984,793)	Row C * Row D

STATE OF COLORADO FY 2010-11 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13											
Change Request for FY 2010-11 Budget Request Cycle											
Decision Item FY 2010-11	Base Reduction Item FY 2010-11				Supplemental FY 2009-10			Budget Amendment FY 2010-11			
Request Title:	Department Administrative Reductions				Dept. Approval by: John Bartholomew JB			Date: August 24, 2009 8/20/09			
Department:	Health Care Policy and Financing				OSPB Approval: <i>[Signature]</i>			Date: 8-21-09			
Priority Number:	ES-3										
		1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 2008-09	Appropriation FY 2009-10	Supplemental Request FY 2009-10	Total Revised Request FY 2009-10	Base Request FY 2010-11	Decision/ Base Reduction FY 2010-11	November 1 Request FY 2010-11	Budget Amendment FY 2010-11	Total Revised Request FY 2010-11	Change from Base (Column 5) FY 2011-12
Fund											
Total of All Line Items	Total	65,662,126	75,212,616	(1,166,769)	74,045,848	0	0	0	0	0	0
	FTE	266.1	287.8	0.0	287.8	0.0	0.0	0.0	0.0	0.0	0.0
	GF	20,724,713	24,836,660	(2,151,651)	22,685,009	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	5,121,992	4,177,658	1,736,356	5,914,014	0	0	0	0	0	0
	CFE/RF	1,748,702	1,806,631	0	1,806,631	0	0	0	0	0	0
	FF	38,066,719	44,391,467	(751,473)	43,639,994	0	0	0	0	0	0
(I) Executive Director's Office;	Total	19,502,741	20,901,734	(6,093)	20,895,641	0	0	0	0	0	0
(A) General Administration,	FTE	266.1	287.8	0.0	287.8	0.0	0.0	0.0	0.0	0.0	0.0
Personal Services^a	GF	8,010,994	8,645,285	(587,431)	8,057,854	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	604,469	618,917	585,299	1,204,216	0	0	0	0	0	0
	CFE/RF	1,501,807	1,579,589	0	1,579,589	0	0	0	0	0	0
	FF	9,385,471	10,057,943	(3,961)	10,053,982	0	0	0	0	0	0
(I) Executive Director's Office;	Total	1,278,471	1,496,843	0	1,496,843	0	0	0	0	0	0
(A) General Administration,	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health, Life, and Dental^b	GF	578,598	681,323	(41,076)	640,247	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	28,315	31,332	41,076	72,408	0	0	0	0	0	0
	CFE/RF	35,213	38,965	0	38,965	0	0	0	0	0	0
	FF	636,345	745,223	0	745,223	0	0	0	0	0	0
(I) Executive Director's Office;	Total	275,961	332,946	0	332,946	0	0	0	0	0	0
(A) General Administration,	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
S.B. 04-257 Amortization	GF	114,941	136,054	(7,522)	128,532	0	0	0	0	0	0
Equalization Disbursement^c	GFE	0	0	0	0	0	0	0	0	0	0
	CF	6,983	9,778	7,522	17,300	0	0	0	0	0	0
	CFE/RF	22,096	26,026	0	26,026	0	0	0	0	0	0
	FF	131,941	161,088	0	161,088	0	0	0	0	0	0

STATE OF COLORADO FY 2010-11 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13 Change Request for FY 2010-11 Budget Request Cycle										
Decision Item FY 2010-11	Base Reduction Item FY 2010-11			Supplemental FY 2009-10			Budget Amendment FY 2010-11			
Request Title:	Department Administrative Reductions									
Department:	Health Care Policy and Financing			Dept. Approval by: John Bartholomew			Date: August 24, 2009			
Priority Number:	ES-3			OSPB Approval:			Date:			
	1	2	3	4	5	6	7	8	9	10
	Prior Year Actual FY 2008-09	Appropriation FY 2009-10	Supplemental Request FY 2009-10	Total Revised Request FY 2009-10	Base Request FY 2010-11	Decision/ Base Reduction FY 2010-11	November 1 Request FY 2010-11	Budget Amendment FY 2010-11	Total Revised Request FY 2010-11	Change from Base (Column 5) FY 2011-12
Fund	FY 2008-09	FY 2009-10	FY 2009-10	FY 2009-10	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2011-12
(I) Executive Director's Office;										
(A) General Administration, S.B. 06-235 Supplemental Amortization Equalization Disbursement^a										
Total	127,446	204,850	0	204,850	0	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GF	51,968	82,732	(3,761)	78,971	0	0	0	0	0	0
GFE	0	0	0	0	0	0	0	0	0	0
CF	3,273	6,111	3,761	9,872	0	0	0	0	0	0
CFE/RF	10,358	16,267	0	16,267	0	0	0	0	0	0
FF	61,847	99,740	0	99,740	0	0	0	0	0	0
(I) Executive Director's Office;										
(A) General Administration, Operating Expenses^a										
Total	1,148,096	2,010,111	(34,000)	1,976,111	0	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GF	557,186	975,474	(266,068)	709,406	0	0	0	0	0	0
GFE	0	0	0	0	0	0	0	0	0	0
CF	13,014	17,114	249,068	266,182	0	0	0	0	0	0
CFE/RF	12,337	13,461	0	13,461	0	0	0	0	0	0
FF	565,559	1,004,062	(17,000)	987,062	0	0	0	0	0	0
(I) Executive Director's Office;										
(A) General Administration, Legal Services and Third Party Recovery Legal Services^a										
Total	900,342	986,650	(150,000)	836,650	0	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GF	378,142	400,877	(54,248)	346,629	0	0	0	0	0	0
GFE	0	0	0	0	0	0	0	0	0	0
CF	72,026	87,378	(18,189)	69,189	0	0	0	0	0	0
CFE/RF	0	0	0	0	0	0	0	0	0	0
FF	450,174	498,395	(77,563)	420,832	0	0	0	0	0	0
(I) Executive Director's Office;										
(A) General Administration, Leased Space^a										
Total	394,236	696,564	0	696,564	0	0	0	0	0	0
FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GF	191,619	342,783	(151,164)	191,619	0	0	0	0	0	0
GFE	0	0	0	0	0	0	0	0	0	0
CF	5,500	5,500	151,164	156,664	0	0	0	0	0	0
CFE/RF	0	0	0	0	0	0	0	0	0	0
FF	197,117	348,281	0	348,281	0	0	0	0	0	0

STATE OF COLORADO FY 2010-11 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13											
Change Request for FY 2010-11 Budget Request Cycle											
Decision Item FY 2010-11		Base Reduction Item FY 2010-11			Supplemental FY 2009-10			Budget Amendment FY 2010-11			
Request Title:	Department Administrative Reductions										
Department:	Health Care Policy and Financing			Dept. Approval by: John Bartholomew			Date: August 24, 2008				
Priority Number:	ES-3			OSPB Approval:			Date:				
		1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 2008-09	Appropriation FY 2009-10	Supplemental Request FY 2009-10	Total Revised Request FY 2009-10	Base Request FY 2010-11	Decision: Base Reduction FY 2010-11	November 1 Request FY 2010-11	Budget Amendment FY 2010-11	Total Revised Request FY 2010-11	Change from Base (Column 5)
Fund		FY 2008-09	FY 2009-10	FY 2009-10	FY 2009-10	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2011-12
(1) Executive Director's Office; (A) General Administration, General Professional Services and Special Projects ^a	Total	1,298,595	3,711,605	0	3,711,605	0	0	0	0	0	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	771,478	1,455,543	(137,500)	1,318,043	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	326,250	137,500	463,750	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	527,117	1,929,812	0	1,929,812	0	0	0	0	0	0
(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts ^b	Total	22,200,548	27,834,289	(510,000)	27,324,289	0	0	0	0	0	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	5,299,911	6,708,927	(765,701)	5,943,226	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	540,118	538,643	638,201	1,176,844	0	0	0	0	0	0
	CFE/RF	100,328	100,328	0	100,328	0	0	0	0	0	0
	FF	16,260,191	20,486,391	(382,500)	20,103,891	0	0	0	0	0	0
(1) Executive Director's Office; (D) Eligibility Determinations and Client Services, Contracts for Special Eligibility Determinations ^c	Total	2,291,185	2,418,712	(216,675)	2,202,037	0	0	0	0	0	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	883,296	918,770	(75,566)	843,204	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	30,478	34,576	(24,647)	9,929	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	1,377,411	1,465,366	(116,462)	1,348,904	0	0	0	0	0	0
(4) Indigent Care Program; Children's Basic Health Plan Administration ^d	Total	6,182,289	5,537,590	(250,000)	5,287,590	0	0	0	0	0	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	2,708,692	2,473,301	(96,013)	2,377,288	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	3,473,597	3,064,289	(153,987)	2,910,302	0	0	0	0	0	0

STATE OF COLORADO FY 2010-11 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13											
Change Request for FY 2010-11 Budget Request Cycle											
Decision Item FY 2010-11		Base Reduction Item FY 2010-11			Supplemental FY 2009-10			Budget Amendment FY 2010-11			
Request Title:		Department Administrative Reductions									
Department:		Health Care Policy and Financing			Dept. Approval by:		John Bartholomew		Date:		August 24, 2009
Priority Number:		ES-3			OSPB Approval:				Date:		
		1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual	Appropriation	Supplemental Request	Total Revised Request	Base Request	Decision Base Reduction	November 1 Request	Budget Amendment	Total Revised Request	Change from Base (Column 5)
	Fund	FY 2008-09	FY 2009-10	FY 2009-10	FY 2009-10	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2011-12
(6) Department of Human Services Medicaid-Funded Programs; (B) Office of Information Technology Services - Medicaid Funding, Colorado Benefits Management System*		Total	10,062,216	9,080,722	0	9,080,722	0	0	0	0	0
		FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		GF	3,886,560	4,489,092	(61,614)	4,427,478	0	0	0	0	0
		GFE	0	0	0	0	0	0	0	0	0
		CF	1,109,124	28,758	61,614	90,372	0	0	0	0	0
		CFE/RF	66,563	31,995	0	31,995	0	0	0	0	0
		FF	4,999,949	4,530,677	0	4,530,677	0	0	0	0	0
Non-Line Item Request:		None.									
Letternote Revised Text:		<p>^a Of this amount, \$254,605 \$252,473 shall be from the Children's Basic Health Plan Trust created in Section 25.5-8-105 (1), C.R.S., \$159,572 shall be from the Health Care Expansion Fund created in Section 24-22-117 (2) (a) (I), C.R.S., \$80,745 \$62,556 shall be from estate recoveries, \$56,060 shall be from the Nursing Facility Cash Fund created in Section 25.5-6-203 (2) (a), C.R.S., \$55,716 shall be from the Primary Care Fund created in Section 24-22-117 (2) (b) (I), C.R.S., \$33,895 shall be from the Autism Treatment Fund created in Section 25.5-6-805, C.R.S., \$31,497 shall be from the Short-term Innovative Health Program Grant Fund created in Section 25-36-101 (1), C.R.S., \$328,960 shall be from the Coordinated Care for People with Disabilities Fund created in Section 25.5-6-111 (4), C.R.S., \$24,019 shall be from the Comprehensive Primary and Preventive Care Fund created in Section 25.5-3-207 (1), C.R.S., \$11,280 shall be from the Breast and Cervical Cancer Treatment and Prevention Fund created in Section 25.5-5-308 (8) (a), C.R.S., \$3,833 shall be from the Department of Health Care Policy and Financing Cash Fund created in Section 25.5-1-109, C.R.S., and \$1,177,522 shall be from the Hospital Provider Fee Cash Fund created in Section 25.5-4-402.3 (4), C.R.S.</p> <p>^b Of this amount, \$264,899 shall be from the Health Care Expansion Fund created in Section 24-22-117 (2) (a) (I), C.R.S., \$251,859 shall be from the Children's Basic Health Plan Trust created in Section 25.5-8-105 (1), C.R.S., \$1,886 shall be from the Autism Treatment Fund created in Section 25.5-6-805, C.R.S., and \$638,201 shall be from the Hospital Provider Fee Cash Fund created in Section 25.5-4-402.3 (4), C.R.S.</p> <p>^c Of this amount, \$29,576 \$4,929 shall be from the Health Care Expansion Fund created in Section 24-22-117 (2) (a) (I), C.R.S., and \$5,000 shall be from the Colorado Autism Treatment Fund created in Section 25.5-6-805, C.R.S.</p> <p>^d Of this amount, \$1,933,301 shall be from the Children's Basic Health Plan Trust created in Section 25.5-8-105 (1), C.R.S., and \$540,000 \$443,967 shall be from the Health Care Expansion Fund created in Section 24-22-117 (2) (a) (I), C.R.S.</p> <p>^e Of this amount, \$28,758 shall be from the Children's Basic Health Plan Trust created in Section 25.5-8-105 (1), C.R.S. and \$61,614 shall be from the Hospital Provider Fee Cash Fund created in Section 25.5-4-402.3 (4), C.R.S.</p>									
Cash or Federal Fund Name and COFRS Fund Number:		CF: Estate Recoveries, Children's Basic Health Plan Trust Fund 11G, Health Care Expansion Fund 18K, Hospital Provider Fee Cash Fund; FF: Title XIX, Title XXI									
Reappropriated Funds Source, by Department and Line Item Name:		None.									
Approval by OIT?		Yes: <input type="checkbox"/> No: <input type="checkbox"/>		N/A: <input checked="" type="checkbox"/>							
Schedule 13s from Affected Departments:		Law - The Department of Law did not provide a corresponding Schedule 13 to OSPB.									



DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Joan Henneberry
Executive Director

*Budget Reduction Proposal
August 24, 2009*

ES-3 Department Administrative Reductions

Proposal:

The Department proposes implementing a variety of administrative efficiencies and reductions. These would result in a total FY 2009-10 reduction of \$1,166,768 total funds and \$2,151,651 General Fund. In FY 2009-10 the Department would also realize a reduction of \$2,132 in its appropriation from the Children's Basic Health Plan Trust Fund. A statutory change would be necessary to utilize the Children's Basic Health Plan Trust Fund reductions in this proposal as General Fund offset in FY 2009-10. In FY 2010-11 these reductions would annualize to a reduction of \$1,212,454 total funds and \$289,587 General Fund. In FY 2010-11 and beyond the Department would realize a reduction of \$2,843 in its appropriation from the Children's Basic Health Plan Trust Fund. Because the CBHP Trust Fund is projected to be insolvent by FY 2010-11, reductions to appropriations from the Trust Fund translate to General Fund savings in FY 2010-11. The proposal includes reducing the Department's legal services appropriation, administrative efficiencies in the Children's Health Plan Plus (CHP+) Division, implementing reductions and efficiencies in the Department's operating expenses, reducing the Department's Medicaid Management Information System (MMIS) contract, eliminating the school-based medical assistance site pilot project, refinancing interim HB 09-1293 General Fund with the Health Care Expansion Fund, and reducing CHP+ outreach funding.

Summary of Request:

- **Reduce Legal Services and Third Party Recovery line:** The Department has hired an interim legal director. With this position now filled, the Department has a reduced need for legal fees for outside legal counsel by both addressing legal issues that arise internally and through reduced risk related to litigation expenses through prior legal review of Departmental policies and actions. As a result, the Department estimates that it can reduce its Legal Services and Third Party Recovery need by \$150,000 total funds, \$54,248 General Fund in FY 2009-10 forward. The reduction will also include savings of \$18,189 from the Children's Basic Health Plan Trust Fund. Because the CBHP Trust Fund is projected to be insolvent by FY 2010-11, reductions to appropriations from the Trust Fund translate to General Fund savings in FY 2010-11. A fiscal emergency would need to be declared in order to utilize the Children's Basic Health Plan Trust Fund reductions in this proposal as General Fund offset in FY 2009-10.
- **Implementation of Efficiencies in the Department's Operating Expenses line:** The Department proposes restricting its operating expenditures to only the most essential expenditures. The Department will eliminate second telephone lines in the offices of two Senior Directors. Additionally, it will further reduce its telephone costs by actively managing phone connects and disconnects associated with employee turnover. The Department will eliminate one of its two state-paid parking spaces for meetings at its 1570 Grant location. By implementing these changes by September 1, 2009, these two reductions will result in savings of \$1,600 total funds in FY 2009-10 and \$1,920 total funds in FY 2010-11. The Department will also scrutinize both in-state and out-of-state travel, limiting all travel to purely essential activities. The Department will further reduce in-state travel costs by limiting the use

of personal vehicles and the associated mileage reimbursements by utilizing the State fleet when performing mandatory reviews and other required oversight activities that require travel. Official functions, employee awards, meetings, conferences, and the cost of office supplies will also be examined to insure these expenses are limited to the absolute minimum necessary. With this additional oversight the Department believes it will realize \$34,000 total fund savings in FY 2009-10 and beyond.

- **Reductions to the MMIS Contract:** The Department proposes several changes in the MMIS contract. These changes include the elimination of regional provider education in Denver or through Webex, a reduction in Provider Call Center Hours, a reduction of customer service request enhancement hours, and converting to more electronic communications thereby reducing printing and postage costs. These changes will result in reductions totaling \$510,000 total funds and \$127,500 of General Fund in FY 2009-10 and in future years. For FY 2009-10 the fixed price portion of the MMIS contract is \$21,736,119 total funds.
- **Elimination of the School-Based Medical Assistance Sites Pilot Project:** The Department proposes eliminating the school-based medical assistance sites pilot project authorized by HB 06-1270 effective September 1, 2009. Elimination of the pilot program would result in a total fund reduction of \$216,675 and a General Fund reduction of \$75,566 in FY 2009-10. The reductions would annualize to a total fund reduction of \$260,010 and a General Fund reduction of \$90,679 in FY 2010-11. Elimination of this pilot program would require a statutory change. Conversion of Health Care Expansion fund would require a declaration of fiscal emergency.
- **Refinancing Interim HB 09-1293 General Fund with Hospital Provider Fee Cash Funds:** The Department proposes refinancing the General Fund appropriation from HB 09-1293 "The Colorado Health Care Affordability Act". The bill appropriated \$1,877,337 General Fund to the Department in the event that the Department does not receive federal approval prior to April 1, 2010. The Department proposes that the appropriation from HB 09-1293 "The Colorado Health Care Affordability Act" be cash funded. Per the language in the appropriation clause the \$1,877,337 will now be funded with Hospital Provider Fee. Consistent with the other assumptions in the Department's proposals, it is assumed that the hospital fee model will be approved by CMS prior to April 1, 2010 allowing these funds to be cash funds. This would result in a General Fund savings of \$1,877,337 in FY 2009-10. There would be no General Fund impact in FY 2010-11 under the assumption that federal approval is received prior to April 1, 2010.
- **Reduce CHP+ Outreach Funding:** The Department proposes the elimination of currently uncommitted outreach funding from the Children's Basic Health Plan Administration line item. Tobacco Tax funding for marketing and outreach of CHP+ was provided through HB 05-1262. The Department's FY 2009-10 appropriation for outreach is \$1,300,000, of which \$250,000 total funds is uncommitted. The Department would eliminate \$250,000 total funds in FY 2009-10 forward. Of the reduced amount, \$96,013 would be from the Health Care Expansion Fund. A fiscal emergency would need to be declared in order to utilize the Health Care Expansion Fund reductions in this proposal as General Fund offset in FY 2009-10.