

STATE OF COLORADO FY 2011-12 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13											
Change Request for FY 2011-12 Budget Request Cycle											
Decision Item FY 2011-12		Base Reduction Item FY 2011-12			Supplemental FY 2010-11			Budget Amendment FY 2011-12			
Request Title:		Managed Care Payment Delay for FY 2010-11			Dept. Approval by: <i>John Bartholomew JB</i>			Date: October 22, 2010 ^{10/15}			
Department:		Health Care Policy and Financing			OSPB Approval: <i>Smuz</i>			Date: 10-21-10			
Priority Number:		ES-3									
	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
Total of All Line Items	Total	3 305,749,492	3 614,839,872	(54,080,068)	3,560,759,804	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	850,355,177	802,083,363	(15,190,409)	786,892,954	0	0	0	0	0	0
	GFE	0	161,444,485	0	161,444,485	0	0	0	0	0	0
	CF	413,993,246	420,832,216	(8,148,486)	412,683,730	0	0	0	0	0	0
	CFE/RF	4,028,416	14,564,497	(1,004)	14,563,493	0	0	0	0	0	0
	FF	2,037,372,653	2,215,915,311	(30,740,169)	2,185,175,142	0	0	0	0	0	0
(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts	Total	22,767,387	34,553,769	126,000	34,679,769	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	5,348,546	6,134,303	31,500	6,165,803	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	642,364	2,433,429	0	2,433,429	0	0	0	0	0	0
	CFE/RF	100,328	100,328	0	100,328	0	0	0	0	0	0
	FF	16,676,149	25,885,709	94,500	25,980,209	0	0	0	0	0	0
(2) Medical Services Premiums	Total	2,877,822,564	3,106,858,127	(11,954,313)	3,094,903,814	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	762,936,068	700,606,422	(4,621,269)	695,985,153	0	0	0	0	0	0
	GFE	0	161,444,485	0	161,444,485	0	0	0	0	0	0
	CF	343,695,933	339,633,220	(533,431)	339,099,789	0	0	0	0	0	0
	CFE/RF	3,917,255	7,595,243	0	7,595,243	0	0	0	0	0	0
	FF	1,767,273,308	1,897,578,757	(6,799,613)	1,890,779,144	0	0	0	0	0	0
(3) Medicaid Mental Health Community Programs; (A) Mental Health Capitation Payments for Medicaid Eligible Clients	Total	223,368,053	247,616,458	(20,634,705)	226,981,753	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	79,359,784	85,931,156	(7,903,646)	78,027,510	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	6,393,602	9,555,600	(993,036)	8,562,565	0	0	0	0	0	0
	CFE/RF	10,833	12,046	(1,004)	11,042	0	0	0	0	0	0
	FF	137,603,834	152,117,656	(11,737,020)	140,380,636	0	0	0	0	0	0

STATE OF COLORADO FY 2011-12 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13 Change Request for FY 2011-12 Budget Request Cycle												
Decision Item FY 2011-12		Base Reduction Item FY 2011-12			Supplemental FY 2010-11			Budget Amendment FY 2011-12				
Request Title:		Managed Care Payment Delay for FY 2010-11			Dept. Approval by:			John Bartholomew		Date: October 22, 2010		
Department:		Health Care Policy and Financing			OSPB Approval:							
Priority Number:		ES-3										
	Fund	1 Prior-Year Actual FY 2009-10	2 Appropriation FY 2010-11	3 Supplemental Request FY 2010-11	4 Total Revised Request FY 2010-11	5 Base Request FY 2011-12	6 Decision/ Base Reduction FY 2011-12	7 November 1 Request FY 2011-12	8 Budget Amendment FY 2011-12	9 Total Revised Request FY 2011-12	10 Change from Base (Column 5) FY 2012-13	
(4) Indigent Care Program; H.B. 97-1304 Children's Basic Health Plan Trust	Total	3 296.467	9 411.482	(2.696.994)	6 714.488	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	2.710 779	9.411.482	(2.696.994)	6 714.488	0	0	0	0	0	0	
	GFE	0	0	0	0	0	0	0	0	0	0	
	CF	585 688	0	0	0	0	0	0	0	0	0	
	CFE/RF	0	0	0	0	0	0	0	0	0	0	
	FF	0	0	0	0	0	0	0	0	0	0	
(4) Indigent Care Program; Children's Basic Health Plan Premium Costs	Total	167,729.257	202,521,966	(17 624,416)	184,897,550	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	58 910,116	64,352,642	(6 168,546)	58 184,096	0	0	0	0	0	0	
	CFE/RF	0	6 856,880	0	6 856,880	0	0	0	0	0	0	
	FF	108 819.141	131.312.444	(11,456.870)	119,856.574	0	0	0	0	0	0	
(4) Indigent Care Program; Children's Basic Health Plan Dental Benefits Costs	Total	10,765.764	13,878,070	(1,295,640)	12,582,430	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	3,765.543	4,857,325	(453,474)	4,403,851	0	0	0	0	0	0	
	CFE/RF	0	0	0	0	0	0	0	0	0	0	
	FF	7,000.221	9,020,745	(842,166)	8,178,579	0	0	0	0	0	0	

STATE OF COLORADO FY 2011-12 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13 Change Request for FY 2011-12 Budget Request Cycle											
Decision Item FY 2011-12		Base Reduction Item FY 2011-12			Supplemental FY 2010-11			Budget Amendment FY 2011-12			
Request Title: Managed Care Payment Delay for FY 2010-11		Department: Health Care Policy and Financing			Dept. Approval by: John Bartholomew			Date: October 22, 2010			
Priority Number: ES-3					OSPb Approval:			Date:			
	Fund	1 Prior-Year Actual FY 2009-10	2 Appropriation FY 2010-11	3 Supplemental Request FY 2010-11	4 Total Revised Request FY 2010-11	5 Base Request FY 2011-12	6 Decision/ Base Reduction FY 2011-12	7 November 1 Request FY 2011-12	8 Budget Amendment FY 2011-12	9 Total Revised Request FY 2011-12	10 Change from Base (Column 5) FY 2012-13
Non-Line Item Request: None											
Leternote Revised Text:		<p>LBG 2. (b) Of this amount, \$439,893,393 \$139,807,769(H) shall be from the Hospital Provider Fee Cash Fund created in Section 25.5-4-402.3 (4), C.R.S., \$69,942,964 \$69,495,147(H) shall be from the Health Care Expansion Fund created in Section 24-22-117 (2) (a) (I), C.R.S., \$24,012,014 (H) shall be from the Medicaid Nursing Facility Cash Fund created in Section 25.5-6-203 (2) (a), C.R.S., \$13,348,299 represents public funds certified as expenditures incurred by public hospitals and agencies that are eligible for federal financial participation under the Medicaid program, \$2,543,207 shall be from the Breast and Cervical Cancer Prevention and Treatment Fund created in Section 25.5-5-308 (8) (a) (I), C.R.S., \$645,147(H) shall be from the Colorado Autism Treatment Fund created in Section 25.5-6-305 (1), C.R.S. and \$237,500 shall be from the Coordinated Care for People with Disabilities Fund created in Section 25.5-6-111 (4), C.R.S.</p> <p>LBG 3. (a) Of this amount, \$7,923,364 \$6,975,141(H) shall be from the Health Care Expansion Fund created in Section 24-22-117 (2) (a) (I), C.R.S., \$4,598,562 \$1,557,015(H) shall be from the Hospital Provider Fee Cash Fund created in Section 25.5-4-402.3 (4), C.R.S., and \$33,474 \$30,409 shall be from the Breast and Cervical Cancer Prevention and Treatment Fund created in Section 25.5-5-308 (8) (a) (I), C.R.S.</p> <p>LBG 4. (h) Of this amount, \$30,000,242 \$27,460,194 shall be from the Health Care Expansion Fund created in Section 24-22-117 (2) (a) (I), C.R.S., \$25,592,448 \$23,115,928 shall be from the Children's Basic Health Plan Trust created in Section 25.5-8-105 (1), C.R.S., \$8,297,682 \$7,146,274 shall be from the Hospital Provider Fee Cash Fund created in Section 25.5-4-402.3 (4), C.R.S., and \$461,700 shall be from the Colorado Immunization Fund created in Section 25-4-2391 C.R.S.</p> <p>LBG 4: (i) \$6,655,890 \$4,380,360 is from General Fund that is appropriated into the Children's Basic Health Plan Trust created in Section 25.5-8-105 (1) C.R.S.</p> <p>LBG 4: (j) Of this amount, \$2,647,883 \$2,297,409 shall be from the Children's Basic Health Plan Trust created in Section 25.5-8-105 (1), C.R.S., \$1,946,470 \$1,766,553 shall be from the Health Care Expansion Fund created in Section 24-22-117 (2) (a) (I), C.R.S., and \$392,972 \$339,889 shall be from 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: Health Care Expansion Fund (18K), Breast and Cervical Cancer Prevention and Treatment Fund (15D); Hospital Provider Fee Cash Fund (24A), Children's Basic Health Plan Trust (11G), FF, Title XIX.									
Reappropriated Funds Source, by Department and Line Item Name:		Transfer from the Department of Public Health and Environment, (9) Prevention Services Division, (A) Prevention Programs, (3) Chronic Disease and Cancer Prevention Grants Program									
Approval by OIT? Yes: <input type="checkbox"/> No: <input type="checkbox"/> N/A: <input checked="" type="checkbox"/>											
Schedule 13s from Affected Departments:											



DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Joan Henneberry
Executive Director

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*FY 2010-11 Budget Reduction Proposal
October 22, 2010*

Managed Care Payment Delay for FY 2010-11

Proposal:

The Department of Health Care Policy and Financing (HCPF) proposes to reduce its appropriations by \$15,190,409 General Fund in FY 2010-11. The Department will achieve these savings by delaying payments to Medicaid managed care providers for one month in FY 2010-11.

Summary of Request:

The Department estimates that a one month payment delay beginning at the end of FY 2010-11 will reduce expenditures by \$54,080,068 Total Funds, including \$15,190,409 General Fund, in FY 2010-11. The Department proposes to delay payments for managed care providers starting in June 2011, shifting from its current practice of paying during the month in which service occurs to making payments after the month in which service occurs. The payment delay would affect Medicaid Medical Services Premiums, Medicaid Mental Health, and Children's Basic Health Plan managed care providers. Implementing this proposal requires that enabling legislation be passed in the 2011 Session.

- Beginning in June 2011, the Department will make managed care payments on a retrospective basis. Managed care providers will be paid the month following the month of service.
- In order to address their unique cash flow issues, the Department will temporarily exempt from the delay relatively new providers that fall into two provider classes: the Program for All-Inclusive Care for the Elderly and Regional Care Collaborative Organizations in the Accountable Care Collaborative. The Department's request has accounted for this phased-in approach by anticipating that 65% of Medical Services Premiums for managed care providers would be included in the first year's payment methodology change (see Table 1). In all cases, the Department anticipates that all providers will transition to retrospective payments by the end of FY 2011-12.

Provider Class	Estimated Total		Total Amount Exempted From Delay
	Expenditure By Provider Class	Total Amount Subject to Delay	
Acute Care	\$ 136,173,710	\$ 136,173,710	\$ -
PACE	\$ 76,306,138	\$ -	\$ 76,306,138
PIHP	\$ 8,215,166	\$ 7,297,256	\$ 917,910
Total	\$ 220,695,014	\$ 143,470,966	\$ 77,224,048
Percentage		65%	35%

- The Department also requests \$126,000 total funds, including \$31,500 General Fund in FY 2010-11, for system changes to allow the Department to automate the new retrospective payment methodology through the Medicaid Management Information System (MMIS). Due to the impact of SB 09-265, federally mandated changes, and other required system changes taking place throughout FY 2010-11, the Department indicates that it cannot absorb further system changes and also implement the payment delays on time. Additional systems costs will be submitted for the Managed Care Payment Delay as part of a FY 2011-12 change request.
- The Department anticipates that system changes will begin in FY 2010-11 but not be completed until FY 2011-12. This is due, in part, to the fact that the Department cannot implement permanent system changes until the delay is fully phased-in. The June 2011 delay would be incorporated using a series of manual processes that would be phased-out as system capability is enhanced. During this interim period, the Department's fiscal agent will incur costs associated with manually delaying and reporting on the payment delay.
- The Department estimated the proportion of delayed expenditure from the Children's Basic Health Plan Trust according to estimated caseload, as specific CHP+ eligibility categories are paid from specific funds. The Department's caseload estimates come from the February 2010 caseload forecast.

FMAP Concerns

- The Department is currently receiving an enhanced federal medical assistance percentage (FMAP).
 - At the end of FY 2010-11, the Department will receive a 56.88% federal match on claims (through June 30, 2011).
 - In FY 2011-12 and beyond, the Department would only receive a 50.00% federal match on claims (effective July 1, 2011).
- As part of this request, the Department will lose the enhanced federal match on claims which are delayed in June 2011 and paid in July 2011. This is only applicable to claims for Medical Services Premiums and Medicaid Community Mental Health Programs.
- Although the payment delay will save \$12,524,915 General Fund against FY 2010-11 expenditure, the Department will expend \$14,523,324 General Fund in FY 2011-12 to pay the delayed claims.
- Payment of the FY 2010-11 claims will be reflected in the Department's FY 2011-12 budget request. However, the budget request will also reflect ongoing payment delays so that there are 11 months of payments in FY 2010-11 and 12 months of payments in FY 2011-12 and beyond. Reversing the delay would require 13 months of payments appropriated for one fiscal year.
- As long as the payment delay continues, the impact to the budget remains delayed. However, if the timing of payments ultimately returns to a situation in which there is no delay, then the Department would pay at least \$2.0 million General Fund more than the savings achieved as a result of imposing the delay. This cost is attributable the difference in the federal reimbursement rates for FY 2010-11 and FY 2011-12.
 - The actual cost could be higher since this amount grows as the Medicaid program grows.

Assumptions and Tables to Show Calculations:

- Managed care payments will be made in May 2011 and in July 2011. No payment will be made in June, 2011.
- The Department assumes a Federal Matching Percentage of 56.88% in FY 2010-11 and 50.00% in FY 2011-12 for those programs not subject to the ARRA enhanced FMAP extension.

- The Department applied fund splits based on the historical expenditure patterns across funds or used specific caseloads where applicable (e.g. Health Care Expansion Fund, Hospital Provider Fee).
- The Children's Basic Health Plan Trust must cover CHP+ service expenditures for certain eligibility categories. When the Trust is insolvent, General Fund is appropriated to the Trust, which is then appropriated as cash funds for CHP+ Premiums and Dental costs. As a result, a decrease in Premiums and Dental costs results in a General Fund savings to the Trust Fund. The Department would realize \$2,696,994 of this request's \$15,190,409 total General Fund savings in FY 2010-11 from reducing the General Fund transfer to the Children's Basic Health Plan Trust (CHP+). This reduced transfer results in a double counting of savings in Total Funds on the Schedule 13 as the Schedule shows the appropriate decrease of Cash Funds in both CHP+ Premiums and the associated General Fund appropriation into the CHP+ Trust.
- Table 1 (below) shows the impact of the request by Long Bill line item. Further detail, showing how each line item total was derived, is included in the Appendices. These request amounts will be updated as appropriate and necessary to account for November 1 caseload and rate changes in a supplemental to be submitted on January 3, 2011.

Table 1: Summary of Request FY 2010-11 (Matches Schedule 13)

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
Total Request	(\$54,080,068)	(\$15,190,409)	(\$8,148,486)	(\$1,004)	(\$30,740,169)
(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts	\$126,000	\$31,500	\$0	\$0	\$94,500
(2) Medical Services Premiums	(\$11,954,313)	(\$4,621,269)	(\$533,431)	\$0	(\$6,799,613)
(3) Medicaid Mental Health Programs; (A) Mental Health Capitation Payments	(\$20,634,705)	(\$7,903,646)	(\$993,035)	(\$1,004)	(\$11,737,020)
(4) Indigent Care Program; HB 97-1304, Children's Basic Health Plan Trust	(\$2,696,994)	(\$2,696,994)	\$0	\$0	\$0
(4) Indigent Care Program; Children's Basic Health Plan Premium Costs	(\$17,624,416)	\$0	(\$6,168,546)	\$0	(\$11,455,870)
(4) Indigent Care Program; Children's Basic Health Plan Dental Benefits Costs	(\$1,295,640)	\$0	(\$453,474)	\$0	(\$842,166)

Current Statutory Authority or Needed Statutory Change:

Pursuant to SB 09-265, the Department was granted statutory authority to delay managed care payments. While this authorization was repealed in HB 10-1382, similar statutory authorization would be required to implement this request during the 2011 Session.

In order to implement this request, the following statutes would need to be revised to authorize a delay:

- **25.5-5-407.5, C.R.S.** regarding Prepaid Inpatient Health Plan (PIHP) payment requirements;
- **25.5-5-408, C.R.S.** regarding Managed Care Entity capitation (MCE) payment requirements;
- **25.5-5-411, C.R.S.** regarding behavioral health organization (BHO) capitation payment requirements;
- **25.5-5-412, C.R.S.** regarding Program of All-Inclusive Care for the Elderly (PACE) payment requirements; and
- **25.5-8-110, C.R.S.** regarding Children's Basic Health Plan payment requirements.

Current statutory authority includes:

25.5-4-401 (1), C.R.S. (2010). Providers - payments - rules - repeal.

(c) The state department shall exercise its overexpenditure authority under section 24-75-109, C.R.S., and shall not intentionally interrupt the normal provider payment schedule unless notified jointly by the director of the office of state planning and budgeting and the state controller that there is the possibility that adequate cash will not be available to make payments to providers and for other state expenses. If it is determined that adequate cash is not available and the state department does interrupt the normal payment cycle, the state department shall notify the joint budget committee of the general assembly and any affected providers in writing of its decision to interrupt the normal payment schedule. Nothing in this paragraph (c) shall be interpreted to establish a right for any provider to be paid during any specific billing cycle.

**Delay Managed Care Payments
Appendix**

Table A.1: Delayed Payment Incremental Savings Calculation for Medical Services Managed Care Expenditure

Row	Description	FY 2010-11	Source
A	Estimated Medicaid Physical Health Managed Care Expenditure	\$220,695,015	FY 2010-11 Appropriations Report ⁽¹⁾
B	Implementation Percentage	65.00%	The Department anticipates phasing-in the managed care delay in order to mitigate the cash-flow impact to specific providers as noted in
C	Estimated Effected Managed Care Expenditure	\$143,451,760	Row A * Row B
D	Payment Months	12	Months in the fiscal year
E	Expenditure Per Month	\$11,954,313	Row C / Row D
F	Months Delayed	1	Department's Request; moving to retrospective payment.
G	Shifted Payment	(\$11,954,313)	-(Row E * Row F)

⁽¹⁾ The Department has determined the amount of the appropriation attributable to these services from documentation provided by the Joint Budget Committee.

**Delay Managed Care Payments
Appendix**

Table A.2: Delayed Payment Incremental Savings Calculation for Medicaid Mental Health Capitation Expenditure

Row	Description	FY 2010-11	Source
A	Estimated Incurred Capitation Expenditure	\$247,616,458	FY 2010-11 Appropriations Report ⁽¹⁾
B	Payment Months	12	Months in the Fiscal Year
C	Expenditure per Month	\$20,634,705	Row A / Row B
D	Months Delayed	1	Department's Request; moving to retrospective payment.
E	Shifted Payment	(\$20,634,705)	-(Row D * Row E)

⁽¹⁾ The Department has determined the amount of the appropriation attributable to these services from documentation provided by the Joint Budget Committee.

**Delay Managed Care Payments
Appendix**

Table B.1: Delayed Payment Incremental Savings Calculation for Indigent Care Programs, CHP+ Premiums Expenditure

Row	Description	FY 2010-11	Source
A	Estimated CHP+ Child Premiums Caseload for June (by year)	89,975	Department's Caseload Forecast
B	Estimated CHP+ Premiums Blended Capitation Child Rate	\$155.37	FY 2010-11: Actuarially set rates, blended at 65% HMO and 35% state program
C	Subtotal: 1 Month of CHP+ Premiums Child Savings	(\$13,979,416)	-(Row A * Row B)
D	Estimated CHP+ Prenatal Premiums Caseload for June (by year)	2,899	Department's S-3 Request and Caseload Forecast, February 2010
E	Estimated CHP+ Premiums Blended Capitation	\$1,257.33	FY 2010-11: Actuarially set rate
F	Subtotal: 1 Month of CHP+ Premiums Prenatal Savings	(\$3,645,000)	-(Row D * Row E)
G	Estimated CHP+ Premiums Savings per Month	(\$17,624,416)	Row C + Row F
H	Months Delayed	1	Department's Request; moving to retrospective payment.
I	Estimated Savings	(\$17,624,416)	Row G * Row H

Table B.2: Delayed Payment Incremental Savings Calculation for Indigent Care Programs, CHP+ Dental Expenditure

Row	Description	FY 2010-11	Source
A	Estimated CHP+ Premiums Child Caseload for June (by year)	89,975	Department's Caseload Forecast
B	Estimated CHP+ Premiums Blended Capitation	\$14.40	FY 2010-11: Actuarially set rate
C	Subtotal: 1 Month of CHP+ Premiums Child Savings	(\$1,295,640)	-(Row A * Row B)
D	Months Delayed	1	Department's Request; moving to retrospective payment.
E	Estimated Savings	(\$1,295,640)	Row C * Row D