SB 22-236

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number:	LLS 22-1042	**Date:**	April 30, 2022
Prime Sponsors:	Sen. Hansen; Rankin Rep. McCluskie; Ransom	**Bill Status:**	Senate Appropriations
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Bill Topic: **REVIEW OF MEDICAID PROVIDER RATES**

Summary of Fiscal Impact:

☐ State Revenue
☒ State Expenditure
☐ State Transfer
☐ TABOR Refund
☐ Local Government
☐ Statutory Public Entity

The bill modifies the Medicaid provider rate review process. It will increase state expenditures on an ongoing basis beginning in FY 2023-24.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee.

Table 1
State Fiscal Impacts Under SB 22-236

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	-	$272,897
	Federal Funds	-	$272,897
	Centrally Appropriated	-	$57,485
	Total Expenditures	**-**	**$603,279**
	Total FTE	**-**	**3.3 FTE**
Transfers		-	-
Other Budget Impacts	General Fund Reserve	-	$40,935

Summary of Legislation

The bill implements the following provisions related to the Department of Health Care Policy and Financing's (HCPF) Medicaid rate reviews to take effect by September 1, 2023:

- HCPF must modify its existing five-year Medicaid provider rate review schedule to a three-year schedule and provide the schedule to the Medicaid Provider Rate Review Advisory Committee (MMPRAC) in addition to the Joint Budget Committee (JBC).

- If HCPF determines a request from the MMPRAC or the JBC for an out-of-cycle review cannot be conducted, HCPF must provide the requestor with written notification within 30 days after the request is made stating its reasons.

- HCPF must utilize information regarding the prior authorization review process and provider rate billing structure if such information is relevant to the rate review in order to minimize rate disparities for services in professional classifications that are eligible for reimbursement under Medicaid.

- HCPF must conduct a public meeting at least quarterly to inform its review of provider rates and submit a description and the department's response as part of its reporting.

On August 1, 2023, the number of MMPRAC is reduced from 24 to 7 members who are required to have proven expertise related to Medicaid in one or more specific areas. The MMPRAC's current sunset date of September 1, 2025, is moved to September 1, 2036.

On or before December 1, 2024, and each December 1 thereafter, the MMPRAC must present to the JBC an overview of the provider rate review process, a summary of the provider rates that were reviewed, and the strategies for responding to the findings of the provider rate review.

Background

The MMPRAC was formed by Senate Bill 15-228 to assist HCPF in the review of Medicaid provider rate reimbursements. The committee currently contributes review and adjustments to HCPF's proposed five-year review cycles, takes public comment from stakeholders on whether rates should be reviewed out-of-cycle, reviews rate increase proposals that are sent to HCPF, takes public comment on produced reports, and recommends process improvements to the JBC.

State Expenditures

Beginning in FY 2023-24, expenditures will increase by approximately $600,000 per year in HCPF, paid equally from the General Fund and federal funds. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under SB 22-236

	FY 2022-23	FY 2023-24
Department of Health Care Policy and Financing		
Personal Services	-	$272,199
Operating Expenses	-	$4,995
Capital Outlay Costs	-	$18,600
Actuarial Contractor	-	$250,000
Centrally Appropriated Costs[1]	-	$57,485
Total Cost	**-**	**$603,279**
Total FTE	**-**	**3.3 FTE**

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

Health Care Policy and Financing. Beginning August 2023, HCPF requires a total of 4.0 FTE and actuarial contractor support to implement the bill.

- **Three-year review cycle with prior authorization reviews.** To review provider rates within an expedited timeframe, HCPF requires 3.0 FTE Rate and Financial Analysts to perform data analysis on existing provider rates, participate in the stakeholder engagement process, and develop reports. Additionally, HCPF requires 1.0 FTE to coordinate prior authorization data analysis. FY 2023-24 staffing costs are prorated for an August effective date and the General Fund pay date shift.

- **Actuarial contractor.** The department also requires additional actuarial contractor support on an ongoing basis to assist with the increase in workload and the prior authorization data analysis.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, reducing the amount of General Fund available for other purposes.

Effective Date

The bill takes effect August 1, 2023, assuming no referendum petition is filed.

Departmental Difference

HCPF estimates that it will require $1,185,525 and 8.0 FTE in FY 2022-23 and $1,135,925 and 8.0 FTE in FY 2023-24 to implement this bill. The HCPF estimate differs from the fiscal note in two areas—staffing for analysis of prior authorization review and the need for FY 2022-23 staffing—as described below.

Prior authorization reviews. HCPF estimates that it will require an additional 4.0 FTE for the bill's prior authorization related requirements. This includes 2.0 FTE in the Office of Community Living to manage the stakeholder engagement specific to home- and community-based services and clients, provide data and analysis, design new data collection and analysis reporting, and incorporate any resulting changes, as well as 2.0 FTE to coordinate prior authorization data from the utilization management program, non-emergency medical transportation, dental services, regional accountability capitation, pharmacy point-of-sale and physician administered drugs, and managed care contracts. The fiscal note assumes that the provisions related to incorporating prior authorization review data into the rate review can be accomplished with an additional 1.0 FTE and actuarial contract support based on the assumption that the data are currently available and will be considered within the extensive analysis prepared for MMPRAC.

FY 2022-23 staffing. HCPF requests resources in FY 2022-23 to implement the bill, prior to its effective date of August 1, 2023, assuming that it may not be able to meet the bill's timelines. However, the fiscal note assumes that HCPF can implement the bill starting in FY 2023-24 under following timelines: hire and train staff (August 2023 to January 2024), establish the new rate review schedule (September 2023), carry out the required analysis (September 2023 to April 2024), produce the MMPRAC report (August 2024), manage the required public meetings with the newly appointed MPPRAC (August 2024), consider the recommendations of the MPRRAC (September to October 2024), and present to the Joint Budget Committee by November 1, 2024.

State and Local Government Contacts

Health Care Policy and Financing   Law