



Colorado  
Legislative  
Council  
Staff

HB16-1277

REVISED  
FISCAL NOTE

(replaces fiscal note dated March 9, 2016)

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 16-0546  
**Prime Sponsor(s):** Rep. Lontine; Landgraf  
Sen. Kefalas; Roberts

**Date:** March 21, 2016  
**Bill Status:** House Appropriations  
**Fiscal Analyst:** Bill Zepernick (303-866-4777)

**BILL TOPIC:** APPEAL PROCESS FOR CHANGES TO MEDICAID BENEFITS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
<b>State Revenue</b>		
<b>State Expenditures</b>	<b>\$36,783</b>	<b>Potential increase.</b>
General Fund	5,446	
Federal Funds	31,337	
<b>Appropriation Required:</b>	\$36,783 - Department of Health Care Policy and Financing (FY 2016-17).	
<b>Future Year Impacts:</b>	Potential ongoing cost and workload increase.	

### Summary of Legislation

The bill, **as amended by the House Public Health Care and Environment Committee**, requires the Department of Health Care Policy and Financing (HCPF) to give Medicaid clients at least 10 days advanced notice prior to suspending, terminating, or modifying a client's medical assistance benefits (intended action). The bill also extends the deadline to appeal for a client to appeal the intended action to 60 days after the date of notice, up from 30 days under current law. For clients filing an appeal prior to the date of the intended action, medical benefits must be provided until the appeal is complete. For clients filing an appeal after the date of intended action, HCPF may make an exception and continue to provide medical benefits. HCPF must promulgate rules for these continuing benefits that are consistent with federal law, which permits continuing medical coverage following late appeals in limited circumstances.

Under current law, dispute resolution through a county department of human services or a Medicaid service agency is only available to clients prior to filing an appeal with HCPF. The bill allows clients to request county dispute or service agency resolution both before and after an appeal has been filed with HCPF at the state level. The bill outlines deadlines and procedures concerning the expansion of access to the dispute resolution process.

### Background

Under current law, Medicaid clients are given a 10-day advanced notice prior to HCPF taking action to suspend, terminate, or modify a client's medical assistance benefits. Medical coverage will continue until the last day of the month following the intended action to allow a client

to seek alternate coverage and prevent gaps in coverage. HCPF may set the date of an intended action to end or modify a client's medical benefits upon receipt of information indicating that a client no longer meets the requirements for the current type of coverage. This information may include, among other things, self-reported changes in income or household status given to county departments of human services and periodic reports on client income to HCPF from the Colorado Department of Labor and Employment. Actions to end or modify a client's medical benefits occur throughout the month as information is received.

### **State Expenditures**

The bill increases one-time costs in HCPF by **\$36,783 in FY 2016-17**, paid with General Fund and federal funds, for information technology system modifications. In FY 2017-18 and beyond, HCPF and the Office of Administrative Courts in the Department of Personnel and Administration (DPA) may have increased workload and costs. The costs and impacts of the bill are discussed below. The fiscal note assumes that the computer system changes will be made and the bill implemented by January 1, 2017.

***Information technology system modifications.*** To implement the changes in the bill, modifications to the Colorado Benefits Management System (CBMS) and the home- and community-based service (HCBS) waiver data system (known as the Vital System) are required at a total one-time cost of \$36,783 in FY 2016-17. For CBMS changes, 86 hours of contract programming is required at a cost of \$137 per hour, resulting in a cost of \$11,783. This work will be managed and paid for through the reappropriation of funds to the Office of Information Technology. For the Vital System, costs are estimated at \$25,000, and this work will be overseen by HCPF directly. For the CBMS changes, a 75 percent federal match is assumed; for the Vital System, a 90 percent federal match is assumed, conditional upon advanced federal approval. The remainder is paid from the General Fund.

***Other HCPF impacts.*** Under the bill, HCPF may have a minimal increase in administrative workload to handle appeals, respond to client inquiries, and participate in additional dispute resolution cases. The bill could encourage more clients to seek continued Medicaid coverage when filing appeals after the date of intended action. However, such exceptions are currently permitted and any potential increase in service costs is assumed to be minimal.

***Office of Administrative Courts.*** The changes in the timing of the appeals process under the bill could shift workload for the Office of Administrative Courts in the DPA. However, no significant increase in cases referred to the administrative courts is expected and any shifting of workload will be addressed through the annual budget process.

### **Local Government Impact**

The bill increases costs and workload for counties in several ways. By modifying the Medicaid appeal process and establishing differing deadlines for Medicaid compared with several other programs administered by counties, additional staff time may be required to communicate with clients, respond to questions, and conduct training. In addition, the bill may increase usage of the county dispute resolution process in cases where an appeal has already been filed with HCPF.

**Effective Date**

The bill takes effect September 1, 2016, assuming no referendum petition is filed.

**State Appropriations**

For FY 2016-17, the bill requires appropriations totaling \$36,783 as follows:

- \$25,000 to HCPF for MMIS system changes and projects, of which \$2,500 is General Fund and \$22,500 is federal funds; and
- \$11,783 to HCPF for CBMS changes, of which \$2,946 is General Fund and \$8,837 is federal funds; this whole amount is reappropriated to the Office of Information Technology.

**State and Local Government Contacts**

Counties  
Information Technology

Health Care Policy and Financing  
Personnel