



**Colorado
Legislative
Council
Staff**

HB16-1277

FISCAL NOTE

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 9, 2016
Bill Status: House Public Health Care and
Human Services
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
State Revenue		
State Expenditures	\$363,116	\$17,622,389
General Fund	87,029	4,131,528
Cash Funds	0	748,588
Federal Funds	276,087	12,742,273
Appropriation Required:	\$363,116 - Department of Health Care Policy and Financing (FY 2016-17).	
Future Year Impacts:	Ongoing increase in state expenditures.	

Summary of Legislation

The bill requires the Department of Health Care Policy and Financing (HCPF) to give Medicaid clients 20-day 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 the intended action, up from 30 days from the date of notice 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. Subject to federal authorization, HCPF may continue to provide medical benefits to clients filing an appeal after the date of the intended action.

Under current law, dispute resolution through a county department of human services is only available to clients prior to filing an appeal with HCPF. The bill allows clients to request county dispute 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 county 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.

Assumptions

Based on prior year data, the fiscal note assumes that HCPF will provide about 146,000 notices of intended actions to end or modify medical benefits will be sent in FY 2017-18. The fiscal note assumes that these notices are distributed evenly throughout the month and are sent to clients by eligibility type in the same proportion as the overall Medicaid population. Due to the computer system changes necessary to implement the bill, it is assumed the changes in appeal processes will be implemented on July 1, 2017.

By requiring 20 days of advanced notice rather than 10 days, certain clients will receive medical benefits for a longer period since the expanded notice period will push the date of the intended action into the following month. Specifically, clients who are mailed a notice of intended action between the 11th and the 21st day of the month will now have the intended action to end or modify services occur during the following month. Clients mailed notices between the 1st and the 10th of the month and between the 22nd and the 30th of the month will continue to have their medical benefits end at the same time as under current law and are not affected by the shift to 20-day advanced notice. **Therefore, the fiscal note assumes that one-third of Medicaid clients receiving a notice of intended action (48,667) will receive an additional month of medical benefits under the bill.**

State Expenditures

The bill increases costs in HCPF by **\$363,116 in FY 2016-17 and \$17.6 million in FY 2017-18**. These costs are paid with General Fund, cash funds, and federal funds. First-year costs are for information technology system modifications. Future year costs are for extending the length of time clients remain on Medicaid following notice of an intended action to end or modify services. These costs are summarized in Table 1 and discussed below.

Table 1. Expenditures Under HB 16-1277

Cost Components	FY 2016-17	FY 2017-18
Information Technology System Modifications	\$363,116	\$0
Medical Service Premiums	0	15,728,262
Behavioral Health Capitation Payments	0	1,860,608
Medicaid Waiver Service Costs	0	33,519
<u>TOTAL</u>	<u>\$363,116</u>	<u>\$17,622,389</u>
General Fund	87,029	4,131,528
Cash Funds	0	748,588
Federal Funds	276,087	12,742,273

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 \$363,116 in FY 2016-17. For CBMS changes, 2,468 hours of contract programming is required at a cost of \$137 per hour, resulting in a cost of \$338,116. 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.

Medicaid service costs. Based on the assumptions discussed above, 48,667 clients will receive an additional month of medical services under the bill. This will increase the amount paid for medical service premiums and behavioral health capitation payments. The cost per client and the federal matching rate available vary by eligibility category. Assuming these clients are evenly distributed between the existing eligibility categories, costs will be \$15.7 million for medical service premiums and \$1.9 million for behavioral health costs in FY 2017-18. Costs in FY 2017-18 are prorated by 1/12 to reflect the fact that one month of costs will shift into the following fiscal year. About \$4.1 million in General Fund in FY 2017-18 is required for these costs.

HCBS waiver costs. Similar to the Medicaid costs mentioned above, extending the advanced notice requirement will also increase costs to serve persons in various HCBS waiver programs that receive a notice of intended action. For FY 2017-18, 146 persons on HCBS waivers are estimated to receive a notice of intended action, of which one-third (48 clients) will gain an additional month of services by pushing out the date of the intended action into the following month. Overall, this will result in additional costs of \$33,519 in FY 2017-18. This amount is prorated to reflect the 1/12 of costs being shifted into the following fiscal year. Of these costs in FY 2017-18, \$17,900 is paid from the General Fund.

Local Government Impact

The bill increases costs and workload for counties in several ways. By establishing a new appeal process and differing deadlines for Medicaid compared with several other programs administered by counties, additional staff time will 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 \$363,116 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

- \$338,116 to HCPF for CBMS changes, of which \$84,529 is General Fund and \$253,587 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
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