



## 1997 Annual Reports

The Colorado Department of Health Care Policy and Financing, with its partners in the public and private sectors, is moving rapidly to improve access to health care, quality of health care delivery, and health care cost control. The Department is in the forefront of national and state efforts to:

- Improve the health of children
- Implement Medicaid Managed Care
- Help clients move from welfare to work
- Efficiently administer public health care programs, by:
  - Delivering excellent customer service
  - Implementing advanced information technologies
  - Effectively managing costs

The Department began implementing a number of major health care system innovations in 1997, while it continued to develop and operate the \$1.5 billion Colorado Medicaid program and other public health financing and delivery systems. This Annual Report provides an overview and some highlights of those projects and programs.

In the pursuit of its goals, the Department of Health Care Policy and Financing is committed to maintaining the highest standards of cooperation, customer service and business practice. The **Department's Guiding Principles** reflect these aims:

- The Department will treat all clients and potential clients with respect and consideration.
- The Department regards our providers, clients, advocacy groups, counties and other local government units, the Governor's Office and the General Assembly as our partners. Each is integral to our success.
- The Department will be scrupulously honest in all of our relationships: with each other, with all of our partners and with the public.
  - The Department will be a focused, accountable, efficient organization.
  - The Department will work to expand coverage of and access to health care for low-income, needy individuals.
    - The Department will be a cost-effective purchaser of health care.
- The Department will constantly evaluate the success of our efforts by using client input, outreach efforts, and surveys. We will continually search for methods to improve quality, accessibility and cost effectiveness.

The work of the Department's Diversity Council was recognized in 1997 with the Governor's Peak Performance Award. **HCPF Diversity Goals** are:

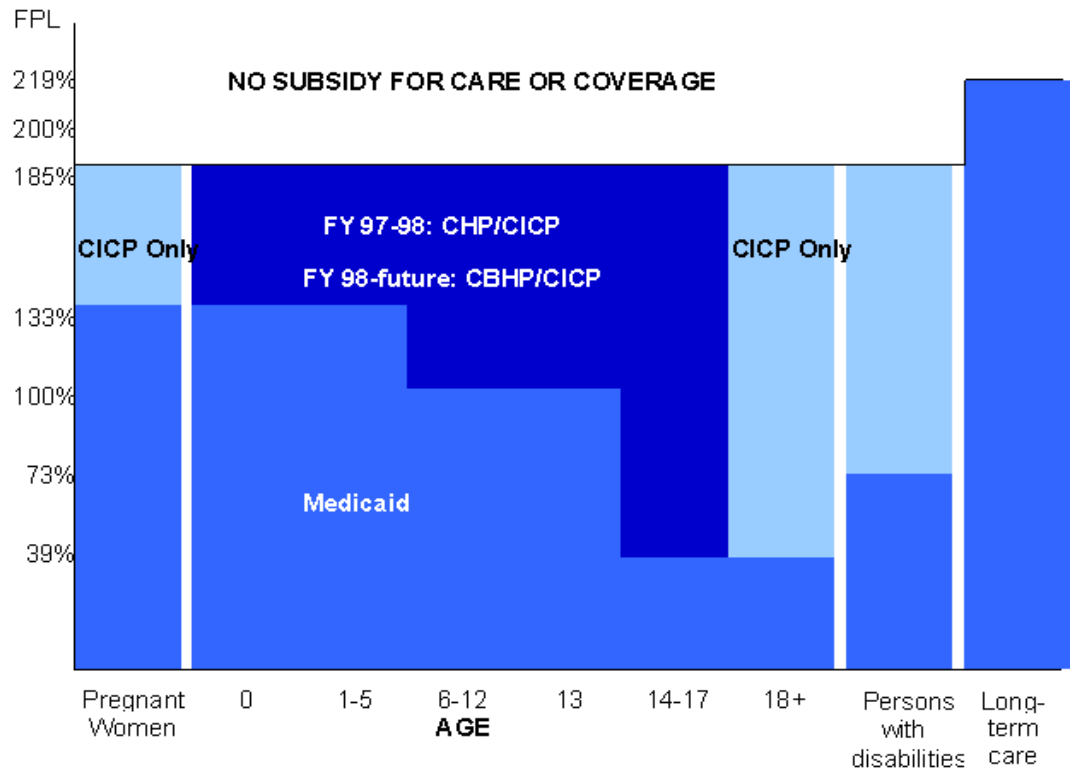
- To increase the recruiting, hiring, training and promotion of a diverse workforce.
  - To create an employee career development plan.
- To improve understanding of cultural diversity through Departmental training.
- To improve understanding of different cultures, histories, and experiences.

## Public Health Care Coverage in 1997

Improving access to health care coverage for uninsured and low-income Coloradans is one of HCPF's most important missions. Figure 1 demonstrates the coverage now provided by HCPF programs. By extension, the chart also shows the coverage gaps that still exist for the increasing number of working families that lack employer-based health care. Many Colorado families are unable to pay for adequate health care or health insurance, but the family incomes are slightly above the qualifying levels for existing programs of publicly subsidized coverage.

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**Figure 1: Map of State-Subsidized Insurance Coverage and Health Care Services****KEY:**

1. **FPL:** Federal Poverty Level - income required to meet basic needs (food, shelter, etc.).
2. **CICP:** Colorado Indigent Care Program - State reimbursement to participating hospitals and clinics statewide that serve uninsured Coloradans (who make sliding scale payments).
3. **CHP:** Child Health Program - State-subsidized coverage providing outpatient benefits for children in some areas of the state.
4. **CBHP:** Children's Basic Health Plan - Beginning in State Fiscal Year 98, CBHP will replace CHP with a statewide program providing state- and federally-subsidized coverage and broader benefits.
5. Coloradans with needs for **Long-Term Care** services and incomes up to about 220% of the federal poverty level can qualify for coverage of in-home, community-based or nursing facility care.

## Medicaid and other HCPF Health Care Programs

- **HCPF Programs**

The Department's Office of Medical Assistance administers the state and federally funded Medicaid program and other health care programs. Coloradans who are not eligible for Medicaid coverage, but whose incomes are below 185% of the poverty level, may qualify for partially subsidized hospital and clinic care, through the Colorado Indigent Care Program (CICP). Children in low-income families will qualify for Children's Basic Health Plan (CBHP) coverage, beginning in 1998. HCPF also administers state-funded poison control, health and home care programs. In all, HCPF programs serve nearly one-half million Coloradans each year.

Medicaid is the primary payment source for acute and long-term health care services for about a quarter million of Colorado's low-income citizens, including participants in the state's new welfare reform program, Colorado Works. Medicaid coverage includes a broad array of services including physician care, prescription drugs, hospital care, mental health care, long-term nursing facility care, and long-term home and community-based care.

Expanded Medicaid benefits for children provide preventive care such as immunizations, dental care and early treatment of potentially disabling conditions. Colorado Medicaid paid over \$120 million in 1997 in additional reimbursements to hospitals and health centers that provide the highest volumes of care for Medicaid clients and uninsured Coloradans, to enable these agencies to continue providing uncompensated care.

Fiscal Year 97 Medicaid program measures are graphed on the next pages. The pages following the graphs outline the Department's implementation of Managed Care, Welfare-to-Work, and Children's Basic Health Plan initiatives. These initiatives will bring significant changes to the Medicaid program and to health care coverage for Colorado's children.

- **Medicaid Enrollment and Expenditures:**

Medicaid budget growth is driven by enrollment and by health care cost per client. Coverage expansions, federal provider rate requirements, and general health care cost inflation are major components of the rapid enrollment and budget growth over the past 10 years. Enrollment and cost trends vary from group to group. The following factors are particularly significant:

- About two-thirds of Medicaid clients are low-income adults and children.

In recent years, total expenditures for adults and children have grown fairly slowly.

In the early 1990s federal law changes brought many new low-income pregnant women and children into the program, increasing the number of pregnant women covered by Medicaid and the average cost of services for adult Medicaid clients. Medicaid enrollments and costs for adults were fairly steady between 1992 and 1997, but may again change as a result of welfare reform.

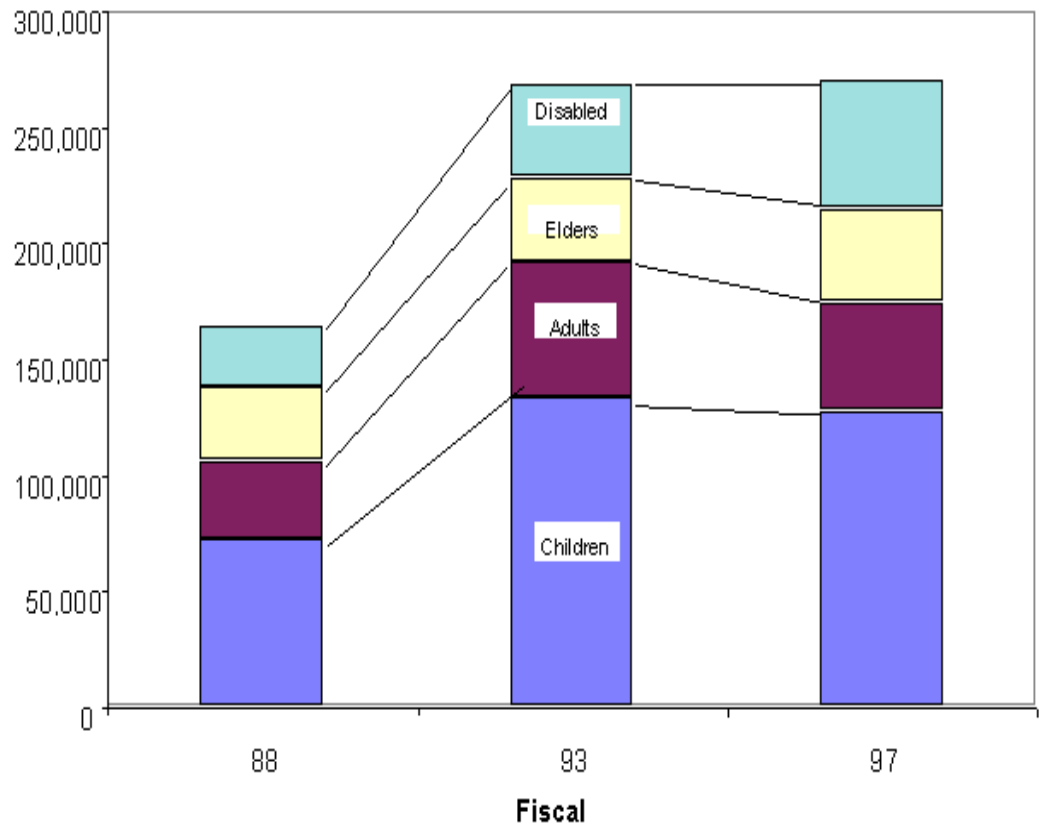
Medicaid coverage expansions for children, most of whom are now eligible if family income is less than 133% of the federal poverty level, have increased the number of Medicaid-enrolled children, but have not affected the health care cost per child.

One-third of Medicaid enrollees are elderly or persons with disabilities. The 35% of Medicaid clients who are elderly or disabled account for more than 70% of Medicaid program expenditures.

Total costs for people with disabilities have grown primarily because of increased enrollment.

While the number of elders served by Medicaid has been fairly stable, there has been rapid growth in per capita and total expenditures for the elderly population because of nursing facility rate increases.

**Figure 2: Medicaid Enrollment, FY88, FY93, FY97**



**Figure 3: Per Capita Costs, FY88, FY93, FY97**

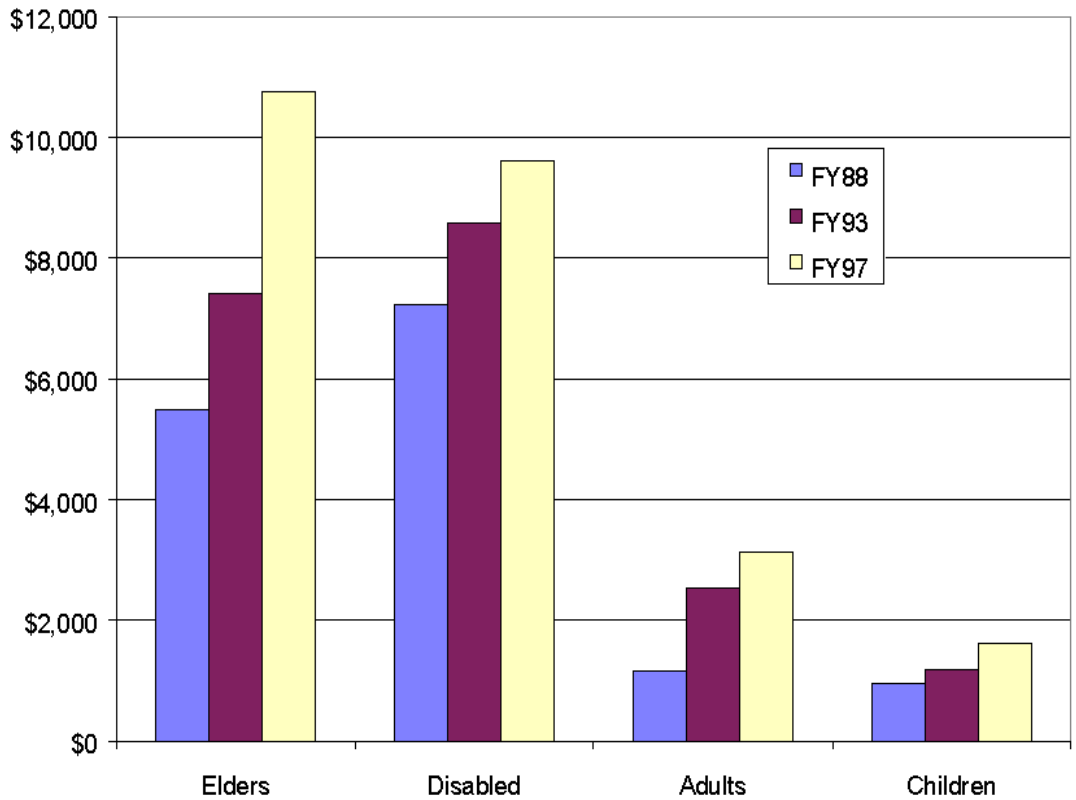
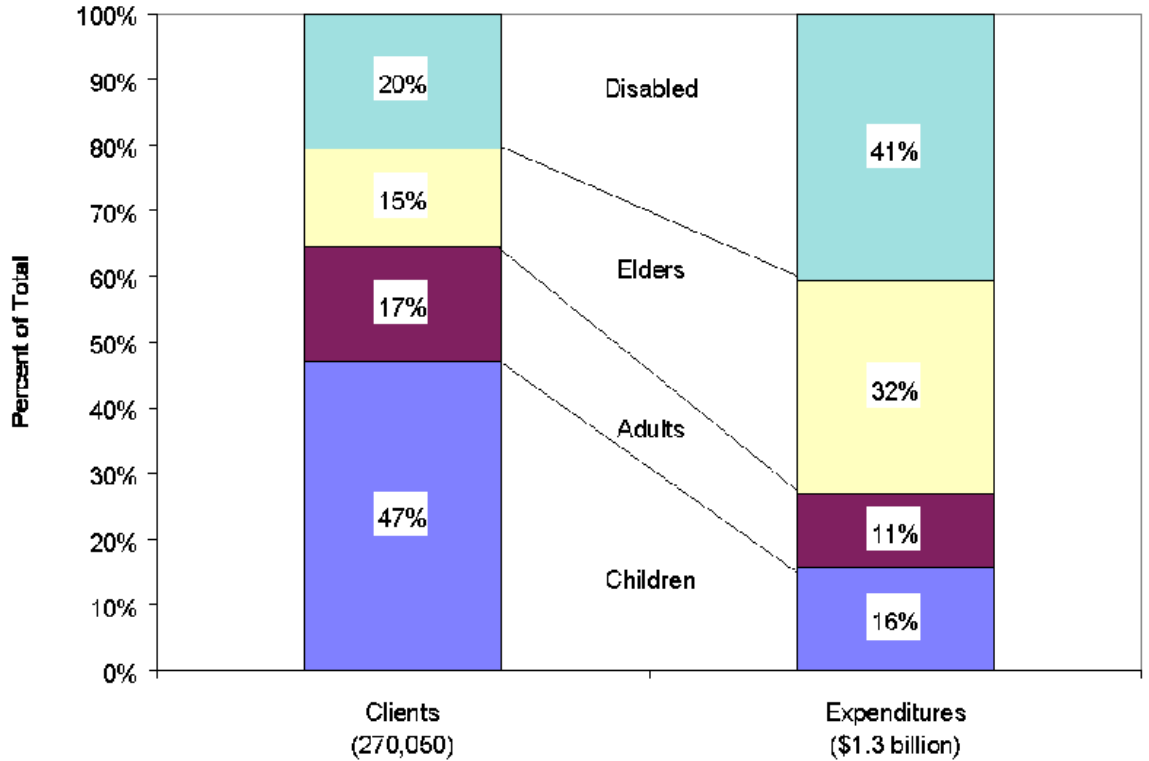


Figure 4: Client and Expenditure Shares, FY 96-97

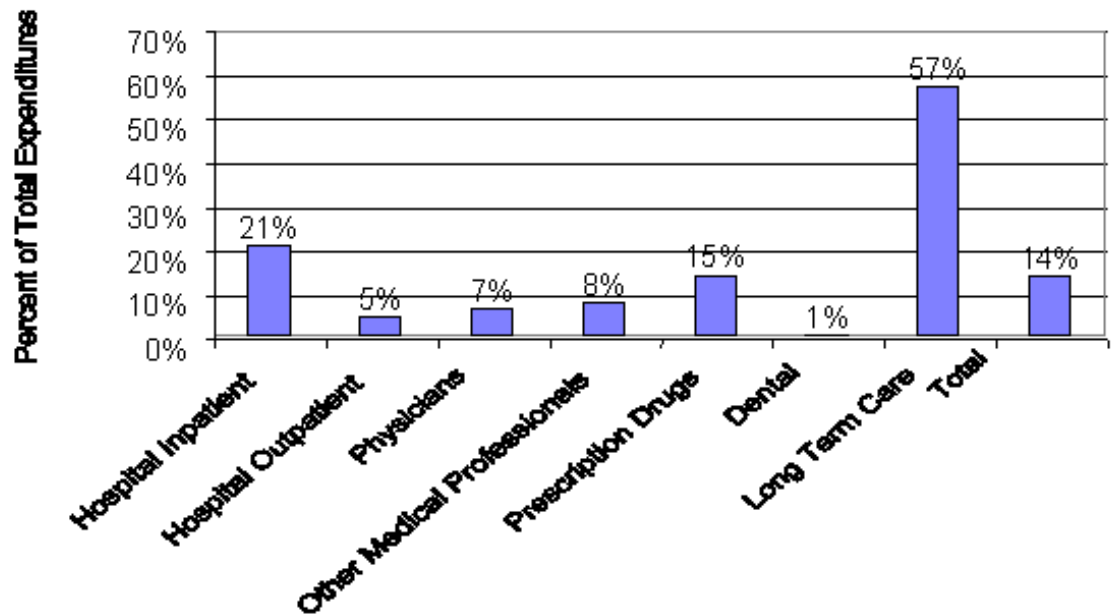


• **Medicaid is a Major Colorado Health Care Payor**

In FY 96-97, Medicaid reimbursed \$1.5 billion (including Disproportionate Share Hospital payments) in fee-for-service or pre-paid capitation payments to Colorado health care providers. Medicaid covers about one-third of the state's births, including pre-natal, delivery and post-partum care. Medicaid also is the state's largest long-term care payor, including home-based and nursing facility

services.

Figure 5: Medicaid Share of State Health Expenditures, FY 96-97



## Helping Clients Move from Welfare to Work

- **Welfare Reform Changes to Medicaid Eligibility**

1997 federal and state Welfare Reform initiatives changed how Coloradans qualify for Medicaid coverage. However, very few Coloradans lost Medicaid eligibility as a result of those changes. The Aid for Families with Dependent Children (AFDC) program, which was the basis of eligibility for 75% of Colorado Medicaid clients, was replaced by the state's welfare reform program, "Colorado Works." Colorado Works participants and families are eligible for extended Medicaid coverage. Also, AFDC eligibility criteria will continue to be used to qualify persons who are not enrolled in the Colorado Works program for Medicaid coverage. Eligibility for immigrants was restricted by federal law, but restored in some respects by action of the General Assembly to provide state-funded coverage. These and other changes are detailed below:

- **Services for Families and Children**

The "**Colorado Works**" (Temporary Assistance to Needy Families -TANF) program reforms and replaces the Aid to Families with Dependent Children (AFDC) program. To be eligible, individuals must meet the eligibility standards (household income and assets) of the AFDC program that were in effect as of July 16, 1996, except that Colorado Works will also be available to two-parent families and to those with additional resources (a car and up to \$2000 in other assets). The five-year lifetime limitation on receipt of TANF benefits does not apply to Medicaid. Medicaid coverage continues as long as families and individuals meet program income and resource guidelines. Families above the guidelines may also qualify for Transitional Medicaid benefits.

"**Transitional Plus**," a subsidized health care insurance program for Colorado families transitioning off public assistance, was authorized by the Colorado Legislature in 1997. Families would become eligible for Transitional Plus when they are no longer eligible for TANF cash benefits and have exhausted Transitional Medicaid benefits. Families will contribute to the cost of their health care through sliding scale premiums based on income and minimal co-payments. The Department will apply for a federal waiver of Medicaid regulations to permit implementation of the program.

- **AFDC (Aid to Families with Dependent Children)** -- Medicaid eligibility continues for individuals and families who would be eligible for AFDC according to the eligibility standards of July 16, 1996, regardless of participation or non-participation in Colorado Works. There is no time limit for this continuing Medicaid eligibility.

### **Services for Immigrants**

**Legal immigrants** -- Most legal immigrants who were present in the U.S. prior to August 22, 1996, if otherwise eligible, retain eligibility for Medicaid coverage. Legal immigrants arriving in the U.S. after August 22, 1996, if otherwise eligible, qualify for Medicaid coverage if they meet certain criteria, such as if they are veterans and active military (or dependents), or refugees. Other categories of legal qualified immigrants are presently barred from Medicaid coverage for the first five years after entry into the U.S. Colorado state-only programs continue to cover all eligible immigrants for pre-natal care, and those who were receiving long-term care services as of 7/1/97.

**Emergency services** -- All immigrants, regardless of their immigrant status or date of entry, remain eligible for emergency services if they meet income and resource guidelines. Emergency services include labor and delivery.

- **Confidentiality** -- Federal law forbids reporting on the immigration status of clients. Medicaid providers and the Medicaid program maintain clients' medical confidentiality.

## Implementing Managed Care

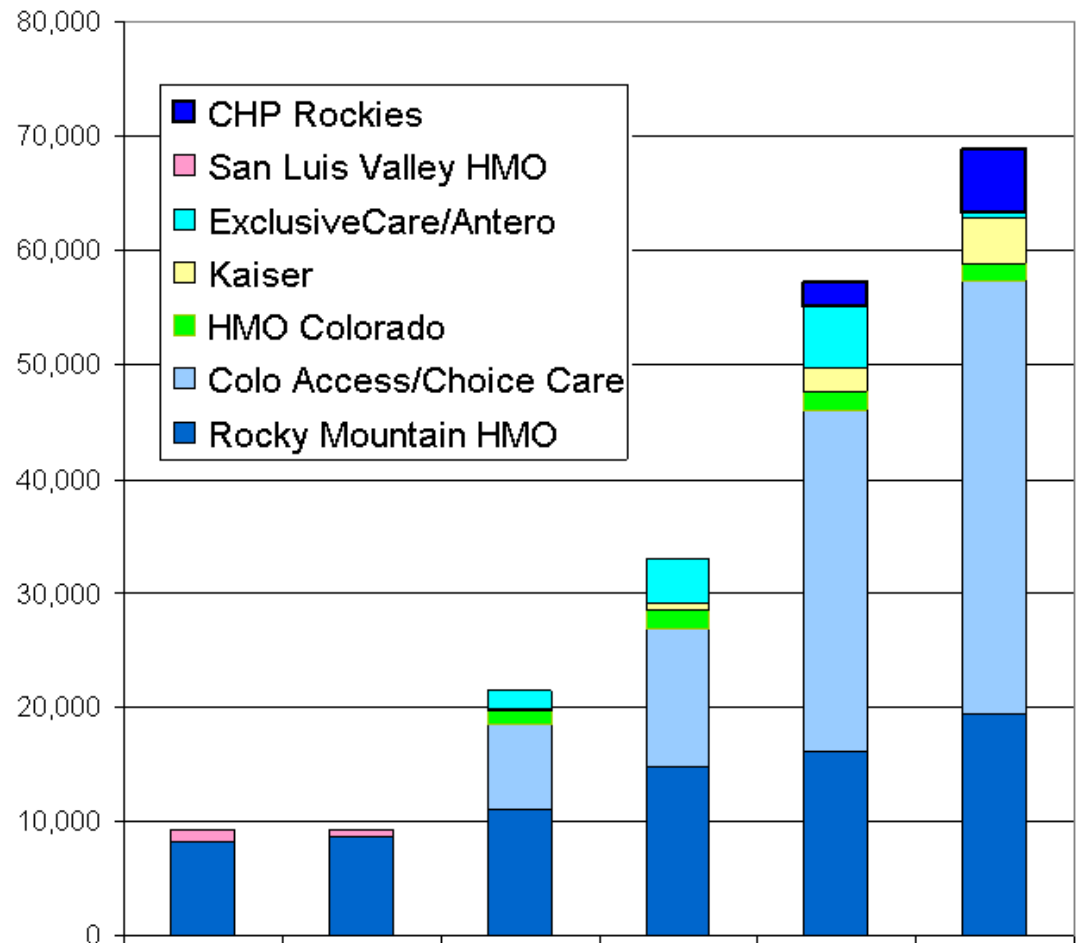
- *Assisting Clients to Enroll in Managed Care Plans*
- *Assuring Quality of Care for Managed Care Enrollees*
- *Competition for Health Care Contracts; Risk-Adjusted Rates*
  - *Assuring Access to Care and Continuity of Care*
  - *The Integrated Care and Financing Project*

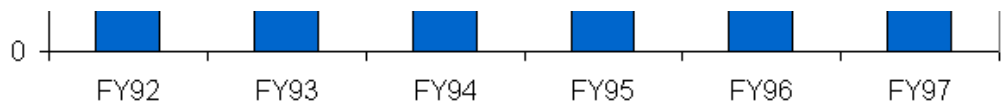
HCPF is designing and implementing program and system modifications to meet the Senate Bill 97-5 mandate that 75% of the Medicaid client population be enrolled in managed care by the year 2000. The new enrollment, quality of care, competitive procurement and capitation methodologies will support the Medicaid program transformation from a fee-for-service to a managed care system.

- **Managed Care Program Growth**

Medicaid HMO enrollment is projected to increase 10% in FY 97-98 -- from 71,000 HMO enrollees to 78,000 enrollees -- and another 49% in FY 98-99, from 78,000 to 116,000 enrollees. Primary Care Physician Program (a non-capitated Managed Care option) enrollment is expected to remain stable, because of limited PCP capacity and HMO enrollment growth.

**Figure 6: Growth in Colorado Medicaid HMO Enrollments** (actual as of 11/97)





- **Managed Care Enrollment Facilitator**

In pursuing the goal of enrolling 75% of Medicaid clients in managed care programs, the Department will assure that clients have clear, unbiased and relevant information about choice of providers and health plans, have complete information about managed care and how to use it, and are able to negotiate the managed care system in a way that preserves or establishes stable and adequate health care delivery. A Request for Proposals (RFP) was issued for an Enrollment Facilitator in mid-1997, and a contractor is expected to begin services statewide in early 1998. The Enrollment Facilitator will provide customer service, program information and enrollment/dis-enrollment functions. The Facilitator function will support increased voluntary selection of a Managed Care Organization (MCO) or Primary Care Physician by Medicaid clients, and a corresponding decrease in default assignment of clients to primary providers.

- **Quality Assurance**

As managed care is expanded to include more Medicaid clients, HCPF is building effective quality assurance systems. Key elements of HCPF's Managed Care Quality Assurance program are:

- Analysis of client satisfaction surveys, complaints, grievances, and disenrollments
  - HMO quality reporting, site reviews and external quality review
    - Continuity of care, profiling and best practice dissemination
  - Medicaid Managed Care Ombudsman (program will begin in FY 97-98)

HMOs report utilization, access, and quality of care measures from the Health Plan Employer Data Information Set (HEDIS). HCPF staff and staff from an independent External Quality Review Organization (EQRO) contractor also conduct yearly site reviews of HMOs to ensure compliance with standards such as continuity of care, quality of care, and access to care.

HCPF's contract monitoring and its other review and management systems assure health care provider and plan performance, and address any problems with quality of care, access, fraud or abuse of the program. The Managed Care Ombudsman will assist clients in resolving any care provision problems.

- **HMO Competitive Bidding and Risk Adjustment of HMO Rates**

The Department is preparing to competitively bid Medicaid HMO contracts. This is a significant change to current rate setting and contracting procedures. Managed care organizations will compete with one another to provide the best quality product at the lowest price. Consumers, providers, plans and consultants are providing valuable input on the procurement design. HCPF is also developing a system to adjust capitation payments to HMOs according to the expected health care resource utilization of clients enrolled in the plan. Risk adjustment allows the Department to pay plans more for sicker individuals who tend to use more resources and to pay less for healthy individuals who consume fewer resources. Risk adjusted rates are designed to improve both access for clients with health problems, and reimbursement equity for plans.

- **Assuring Access to Care and Continuity of Care**

Senate Bill 97-5 recognized and made provisions for the essential role that certain providers play in delivering care to Medicaid clients and uninsured Coloradans. These Essential Community Providers (ECPs), including community hospitals and health centers, are afforded an opportunity to be included in the HMO service delivery networks that serve Medicaid clients. This inclusive policy is designed to promote continuity of care and the financial viability of ECPs.

- **The Integrated Care and Financing Project**

This pilot program integrates acute and long-term care, Medicare and Medicaid services for individuals with disabilities and/or chronic conditions. The ICF project will demonstrate improved health care coordination and reduced cost-shifting among providers and payors. Improved health care outcomes are expected to result. HCPF, Mesa County Department of Social Services, Rocky Mountain HMO, HCFA and the Robert Wood Johnson Foundation will implement the project in Mesa County.

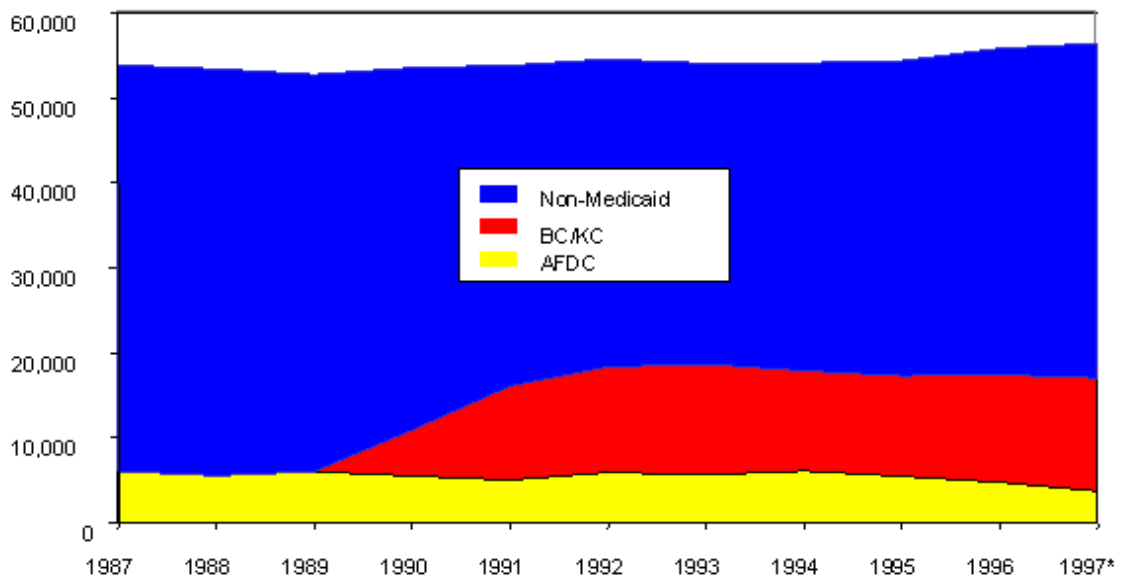
## Improving the Health of Colorado's Children

- **Children's Health Care Extensions**

In 1997, major new State and federal initiatives extended health care coverage to children in uninsured low-income families. Colorado House Bill 97-1304 authorized the **Children's Basic Health Plan**, and **Grants to Essential Community Providers**; the federal Balanced Budget Reconciliation Act, HR-97-2015, established the State **Children's Health Insurance Program**; and Colorado Senate Bill 97-101 created the **Health Care Services in K-12 Education** program. Over the next four years, these new health care programs will greatly improve children's health care access.

- **The Children's Basic Health Plan (CBHP)** will provide subsidized HMO-based health coverage for children ages 0 through 17 with family incomes under 185% of poverty (\$29,700 for a family of four in 1997). Participants will contribute co-payments and sliding-scale premium contributions. When a parent's employer offers dependent coverage for children, the CBHP subsidy will be used to make that coverage more affordable. The CBHP program is structured under Colorado HB 97-1304, and will be implemented in 1998 as a public/private partnership. The state is pursuing enhancement of CBHP under the new federal Children's Health Insurance Program.
- SB 97-5 also establishes a program of **Grants to Essential Community Providers**. Providers that offer care to uninsured low-income Coloradans on a sliding fee basis and that meet other Essential Community Provider criteria may apply for grant funds to support health care delivery. The ECP grant program is funded by legislatively determined allocations of Medicaid Managed Care savings, and administered by HCPF. The grants are designed to promote access to care and continuity of care, by supporting the financial viability of agencies that provide care to underserved populations, and by encouraging effective and innovative methods of serving these Coloradans.
- **School-Based Health Clinics** authorized under SB 97-101 will qualify for Medicaid reimbursement and other assistance as partners in a private and public initiative to improve access to health care for Colorado's school children.
- **Baby Care/Kids Care (BK/KC)** continues to provide Medicaid coverage to pregnant women and to children in low-income families. Nearly one-third of Colorado births, including prenatal and newborn care, are covered by Medicaid, as shown by

Figure 7: Medicaid-Covered Births:



## Improving Management Efficiency

- **Award-Winning Customer Service**
- **Effectively Managing Health Care Costs**
- **Information Systems Development - CBMS and MMIS**
- **Streamlined Administration**

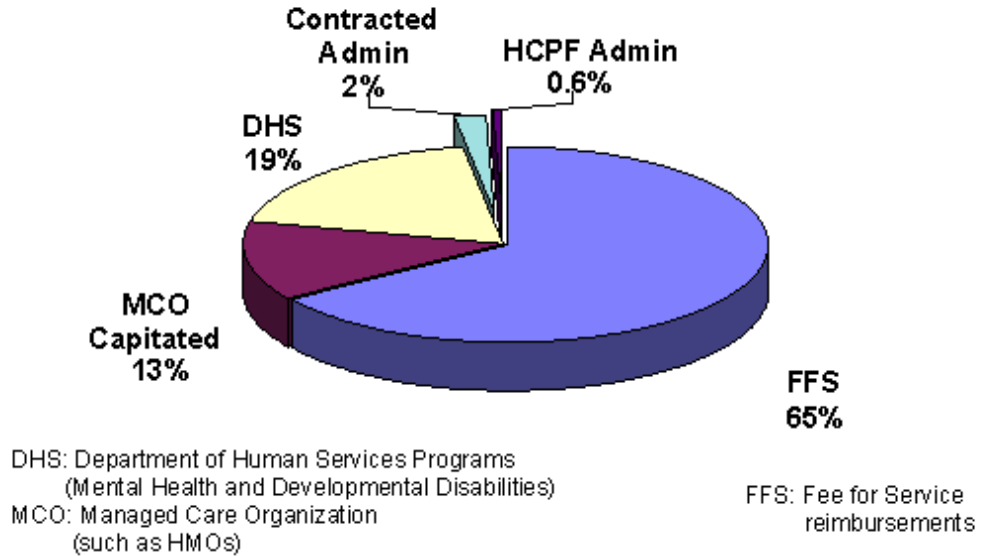
- **Excellence in Customer Service** - The Customer Service Section was recognized in 1997 with the Department's Outstanding Performance Award, and the Governor's Award for Peak Performance for Citizen Satisfaction. HCPF added a Spanish-speaking operator, a TTD/TTY unit, and over 150 pre-recorded messages about Medicaid benefits and programs to its 24-hour automated Customer Service Line. Staff responded to over 60,000 phone inquiries during the year.
- **Effectively Managing Health Care Costs** - HCPF initiated reimbursement system changes authorized by SB 97-42 that will substantially reduce the rate of growth in nursing facility rates and save the state over \$15 million annually. The Department is also researching the potential for basing nursing facility rates on case mix, and will provide a case mix report to the General Assembly in 1998.
- **Systems Development** - HCPF continues rapid information systems development in response to the needs of Colorado's changing programs of publicly funded health care. Major projects include:
  - Colorado Benefits Management System (CBMS) - HCPF and the Department of Human Services are working in cooperation with the counties and other eligibility sites to develop a new program eligibility determination and tracking system. CBMS will enter client data one time and use it for many public benefit programs, and will provide automated, online access to the eligibility database. CBMS HCPF program modules could be ready by February 2000.
  - **Medicaid Management Information System (MMIS) Transition** - The redesigned MMIS will improve Medicaid claims processing and Medicaid data access, and also accommodate data processing and reporting



needs for other HCPF programs. The Department and its new fiscal agent contractor, Consultec, are testing the new MMIS and plan to implement it on July 1, 1998.

- **HCPF Administration-** At a staffing level of 146 full-time equivalent (FTE) personnel, HCPF is one of the smallest departments in staff size -- employing about 0.5% of state staff. HCPF staff administer over 17% of the state's budget. Over 97% of the Department's FY 96-97 \$1.6 billion budget was paid directly in the form of reimbursements to health plans and providers.

**Figure 8: HCPF Budget Expenditures by Type, FY 96-97**



**Additional Information** on Department of Health Care Policy and Financing programs:

- Questions on health care policy, financing, programs, or services may be directed to the HCPF Customer Service Information Line: in the Denver calling area: 866-3513 or statewide toll-free: 1-800-221-3943.
- HCPF program information, including client brochures, can be obtained from local County Departments of Social Services, Health Departments, Federally Qualified Health Centers and other health and community service providers. Agencies can obtain brochures for distribution by calling the Customer Service line.
- The HCPF publication, "Who Does What in Colorado Health Care" explains where to go for information or assistance on any aspect of public health care delivery, financing, regulation and policy. The HCPF Reference Manual provides detailed administrative and financing data. Department publications can be obtained from the Office of Public and Private Initiatives, HCPF, at the address below, or FAX: 303-866-2803.
- Internet access to most of these reports is available. <http://www.state.co.us>, then page down to "State Government\Executive Branch\ Agencies\HCPF". VER:12/97TK1

Colorado Department of Health Care Policy and Financing  
1575 Sherman Street  
Denver, Colorado 80203-1714

**EQUAL PROTECTION**

No person may be excluded from participation in programs administered by the Colorado Department of Health Care Policy and Financing, or denied benefits, or discriminated against, because of: sex, race or color, national origin or citizenship, mental or physical impairment, or religion.

Any person who believes that she or he has been discriminated against for any reason may file a complaint with: the local administering agency; HCPF; the Colorado Civil Rights Commission; or, the U.S. Department of Health and Human Services.

**No Discriminacion; Quejas**

No se puede negar a nadie su participacion en el Medicaid de Colorado, ni nadie sera privado de sus beneficios, ni sera objeto de discriminacion debido a su sexo, raza, color, pais de origen o ciudadania, impedimento mental o fisico, o religion.

**Se Habla Español**

**Medicaid de Colorado** (Departamento de Regulacion y Financiamiento de Atencion a la Salud)

Llame al: 866-3513 (en Denver), o 1-800-221-3943 (numero gratuito en Colorado)

Colorado Department of Health Care Policy and Financing - 1570 Grant Street Denver, Colorado 80203-1818

*Joan Henneberry, Executive Director*

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