

**Updated Schedule 7
Summary of FY 05-06 Change Requests**

Department Name: Department of Health Care Policy and Financing

Submission Date: January 3, 2005

Total Impact of FY 05-06 Change Requests					\$235,742,864	(2.00)	\$122,386,892	(\$45,403)	(\$25,140,792)	\$138,542,167
Schedule 7 Priority	January 3 Priority	November 1 Priority	Title	IT Request?	Total Request (FY 05-06)	FTE	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
FY 05-06 Decision Items										
1	N/A	DI - 1	Request for FY 05-06 Medical Services Premiums	No	\$220,022,390	0.00	\$111,823,155	\$4,331	\$42,729	\$108,152,175
2	N/A	DI - 2	Request for FY 05-06 Medicaid Community Mental Health Services	No	(\$33,872,502)	0.00	\$4,077,113	\$0	(\$41,988,938)	\$4,039,323
3	N/A	DI - 3	Fund Children's Basic Health Plan Medical Premium for Caseload and Rate Changes	No	\$18,473,175	0.00	\$0	\$0	\$6,570,044	\$11,903,131
4	N/A	DI - 4	Adjust Children's Basic Health Plan Dental	No	\$537,193	0.00	\$0	\$0	\$188,017	\$349,176
5	N/A	DI - 5	Adjust Children's Basic Health Plan Trust Fund	No	\$2,532,019	0.00	\$2,581,753	(\$49,734)	\$0	\$0
6	N/A	DI - 6	Implementation of the Medicare Modernization Act	No	\$0	0.00	\$0	\$0	\$0	\$0
7	BA-1	DI - 7	Fiscal Agent Fixed Price Contract Adjustments	Yes	\$2,039,006	0.00	\$786,725	\$0	\$169,069	\$1,083,212
8	N/A	DI - 8	Nursing Facility Audits	No	\$233,350	0.00	\$116,675	\$0	\$0	\$116,675
9	BA-2	DI - 9	MMIS Federally-Mandated Reprocurement	Yes	\$579,600	0.00	\$132,120	\$0	\$6,086	\$441,394
10	N/A	DI - 10	Fund Colorado Benefits Management System Maintenance	Yes	\$103,888	0.00	\$35,709	\$0	\$16,235	\$51,944
11	N/A	DI - 11	Funding for Hospital and Federally Qualified Health Clinic Audits to Increase Recoveries	No	\$0	0.00	\$0	\$0	\$0	\$0
12	BA-3	N/A	Adjust Funding for State Nursing Facility Program According to Implementation Date for SB 03-176	No	\$15,852	0.00	\$15,852	\$0	\$0	\$0
13	N/A	DI - 12	Move Case Management from Mental Health Community Programs to Medical Services Premiums	No	\$0	0.00	\$0	\$0	\$0	\$0
Decision Item Subtotal					\$210,663,971	0.00	\$119,569,102	(\$45,403)	(\$34,996,758)	\$126,137,030
FY 05-06 Base Reduction Items										
1	N/A	BRI - 1	Balance Mental Health FTE to Department Need	No	\$0	(2.00)	\$0	\$0	\$0	\$0
2	N/A	BRI - 2	Drug Utilization Review Fund Split Correction	No	(\$265,000)	0.00	\$0	\$0	\$0	(\$265,000)
Base Reduction Item Subtotal					(\$265,000)	(2.00)	\$0	\$0	\$0	(\$265,000)
FY 05-06 Non-Prioritized Items										
1	NP-BA1	N/A	Capitol Complex Lease Space Technical Adjustments	No	\$62,881	0.00	\$31,441	\$0	\$0	\$31,440
2	NP-BA2	N/A	Payment to Risk Management	No	\$13,222	0.00	\$6,611	\$0	\$0	\$6,611
3	NP-BA3	N/A	Workers' Compensation	No	(\$1,574)	0.00	(\$787)	\$0	\$0	(\$787)
4	N/A	NP - 1	DHS - Division of Youth Corrections Population Impacts on Contract Placements	N/A	\$516,692	0.00	\$258,346	\$0	\$0	\$258,346
5	N/A	NP - 2	DHS - Increase the Number of Served of Specific Targeted Populations	N/A	\$2,599,163	0.00	\$1,299,582	\$0	\$0	\$1,299,581
6	N/A	NP - 3	DHS - Child Welfare Services Block Increase	N/A	\$1,865,256	0.00	\$932,628	\$0	\$0	\$932,628
7	N/A	NP - 4	DHS - Colorado Benefits Management System Contract Increase	N/A	\$63,975	0.00	\$33,467	\$0	\$330	\$30,178
8	N/A	NP - 5	DHS - Mutli-use Network	N/A	\$4,568	0.00	\$2,284	\$0	\$0	\$2,284
9	N/A	NP - 6	DHS - Vehicle Replacements and Vehicle Reconciliation	N/A	(\$21,869)	0.00	(\$10,934)	\$0	\$0	(\$10,935)
10	NP-BA4	N/A	Correct Mental Health Institutes POTS Allocation Funding	N/A	(\$184,327)	0.00	(\$92,166)	\$0	\$0	(\$92,161)
11	NP-BA5	N/A	Utilities Increase	N/A	\$293,314	0.00	\$146,657	\$0	\$0	\$146,657
12	NP-BA6	N/A	Rollforward Authority for DD Adult Program Costs	N/A	\$0	0.00	\$0	\$0	\$0	\$0
13	NP-BA7	N/A	Residential Treatment for Youth (HB 99-1116)	N/A	\$43,255	0.00	\$21,628	\$0	\$0	\$21,627
14	NP-BA8	N/A	Additional Federal-Matched Program Costs	N/A	\$19,807,076	0.00	\$0	\$0	\$9,903,538	\$9,903,538
15	NP-BA9	N/A	SSI Room & Board Adjustment Regional Centers	N/A	(\$52,384)	0.00	(\$26,192)	\$0	\$0	(\$26,192)
16	NP-BA10	N/A	High Risk Pregnant Women Caseload Adjustment	N/A	\$334,645	0.00	\$215,225	\$0	(\$47,902)	\$167,322
Non-Prioritized Items Subtotal					\$25,343,893	0.00	\$2,817,790	\$0	\$9,855,966	\$12,670,137
GRAND TOTAL FY 05-06					\$235,742,864	(2.00)	\$122,386,892	(\$45,403)	(\$25,140,792)	\$138,542,167

Schedule 8
Summary of FY 05-06 Budget Request Amendments

Department Name: Health Care Policy and Financing
Submission Date: January 3, 2005
Number of Prioritized Budget Amendments: 3

Priority#	Page #	Tab #	Title	IT Request	Total Request (FY 05-06)	FTE	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Health Care Policy and Financing FY 05-06 Budget Request Amendments Associated with Supplementals										
BA-1	S.4-1	4	Fiscal Agent Adjustments	No	(\$72,766)	0.00	\$131,192	\$0	\$0	(\$203,958)
BA-2	S.5-1	5	MMIS Federally-Mandated Reprourement	No	\$0	0.00	\$75,899	\$0	\$0	(\$75,899)
BA-3	S.9-1	9	Adjust Funding for State Nursing Facility Program According to Implementation Date for SB 03-176	No	\$15,853	0.00	\$15,853	\$0	\$0	\$0
FY 05-06 HCPF Budget Request Amendments Associated with Supplementals Subtotal					(\$56,913)	0.00	\$222,944	\$0	\$0	(\$279,857)
Health Care Policy and Financing FY 05-06 Non-Prioritized Budget Request Amendments Associated with Supplementals										
NP-BA1	S.12-3	12	Capitol Complex Leased Space Technical Adjustments	No	\$62,881	0.00	\$31,441	\$0	\$0	\$31,440
NP-BA2	S.12-4	12	Payment to Risk Management	No	\$13,222	0.00	\$6,611	\$0	\$0	\$6,611
NP-BA3	S.12-5	12	Workers' Compensation	No	(\$1,574)	0.00	(\$787)	\$0	\$0	(\$787)
NP-BA4	S.13-2	13	Correct Mental Health Institutes POTS Allocation Funding	No	(\$184,327)	0.00	(\$92,166)	\$0	\$0	(\$92,161)
NP-BA5	S.13-3	13	Utilities Increase	No	\$293,314	0.00	\$146,657	\$0	\$0	\$146,657
NP-BA6	S.13-4	13	Rollforward Authority for DD Adult Program Costs	No	\$0	0.00	\$0	\$0	\$0	\$0
NP-BA7	S.13-5	13	Residential Treatment for Youth (HB 99-1116)	No	\$43,255	0.00	\$21,628	\$0	\$0	\$21,627
NP-BA8	S.13-6	13	Additional Federal-Matched Program Costs	No	\$19,807,076	0.00	\$0	\$0	\$9,903,538	\$9,903,538
NP-BA9	S.13-7	13	SSI Room & Board Adjustment Regional Centers	No	(\$52,384)	0.00	(\$26,192)	\$0	\$0	(\$26,192)
NP-BA10	S.13-8	13	High Risk Pregnant Women Caseload Adjustment	No	\$334,645	0.00	\$215,225	\$0	(\$47,902)	\$167,322
FY 05-06 HCPF Non-Prioritized Budget Request Amendments Associated with Supplementals Subtotal					\$20,316,108	0.00	\$302,417	\$0	\$9,855,636	\$10,158,055
GRAND TOTAL FY 05-06 Budget Request Amendments					\$20,259,195	0.00	\$525,361	\$0	\$9,855,636	\$9,878,198

**Schedule 9
Summary of Supplemental Requests for FY 04-05**

Department Name:

Health Care Policy and Financing

Submission Date:

January 3, 2005

Number of Prioritized Supplemental Requests:

11

Priority #	Page #	Tab #	Title	IT Request	Total Request (FY 04-05)	FTE	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
FY 04-05 Prioritized Supplemental Requests										
S-1	S.1-1	1	Request for FY 04-05 Medical Services Premiums (includes approved 1331 Supplemental "Transfer of Funds from DHS for DD Waiver State Plan Services")	No	\$67,656,836	0.00	\$39,007,888	\$0	(\$1,453,387)	\$30,102,335
S-2	S.2-1	2	Request for FY 04-05 Medicaid Community Mental Health Programs (includes approved 1331 Supplemental "Transfer of Funds from DHS for DD Waiver State Plan Services")	No	\$4,188,339	0.00	\$2,123,247	\$0	(\$20,354)	\$2,085,446
S-3	S.3-1	3	CBMS Needs Placeholder - The Department is expecting that current funding levels for CBMS may be inadequate due to unanticipated costs. At this time, it is not possible to evaluate the actual supplemental dollars that will be necessary. This request is submitted as a placeholder to inform the JBC that an emergency supplemental may be submitted later in the year.	No	N/A	N/A	N/A	N/A	N/A	N/A
S-4	S.4-1	4	Fiscal Agent Adjustments	Yes	\$2,126,165	0.00	\$922,204	\$0	\$215,325	\$988,636
S-5	S.5-1	5	MMIS Federally-Mandated Reprocurement	Yes	\$649,347	0.00	\$153,228	\$0	\$6,747	\$489,372
S-6	S.6-1	6	Nursing Facility Audits Reconciliation to Recent Bid	No	\$233,350	0.00	\$116,675	\$0	\$0	\$116,675
S-7	S.7-1	7	Move \$1.8 million for Case Management from Mental Health Community Programs to Medical Services Premiums	No	\$0	0.00	\$0	\$0	\$0	\$0
S-8	S.8-1	8	Balance Mental Health FTE to Department Need	No	\$0	(2.00)	\$0	\$0	\$0	\$0
S-9	S.9-1	9	Adjust Funding for State Nursing Facility Program According to Implementation Date for SB 03-176	No	(\$297,723)	0.00	(\$297,723)	\$0	\$0	\$0
S-10	S.10-1	10	Drug Utilization Review Fund Split Correction	No	(\$265,000)	0.00	\$0	\$0	\$0	(\$265,000)
S-11	S.11-1	11	Technical Correction for "Legacy System Shutdown" Line Item	No	\$13,503	0.00	\$6,752	\$0	\$0	\$6,751
FY 04-05 Supplemental Request Subtotal					\$74,304,817	(2.00)	\$42,032,271	\$0	(\$1,251,669)	\$33,524,215
FY 04-05 Non-Prioritized Supplemental Requests										
NP-S1	S.12-1	12	FY 04-05 Administrative Law Judges	No	(\$67,300)	0.00	(\$33,649)	\$0	\$0	(\$33,651)
NP-S2	S.12-2	12	FY 04-05 Purchases of Services from the Computer Center (GGCC)	No	(\$133,467)	0.00	(\$66,734)	\$0	\$0	(\$66,733)
NP-S3	S.12-3	12	Capitol Complex Leased Space Technical Adjustments	No	\$54,000	0.00	\$27,000	\$0	\$0	\$27,000
NP-S4	S.12-4	12	Payment to Risk Management	No	(\$8,698)	0.00	(\$4,349)	\$0	\$0	(\$4,349)
NP-S5	S.12-5	12	Workers' Compensation	No	\$1,412	0.00	\$706	\$0	\$0	\$706
NP-S6	S.13-1	13	Intentionally left blank	No	\$0	0.00	\$0	\$0	\$0	\$0
NP-S7	S.13-2	13	Correct Mental Health Institutes POTS Allocation Funding	No	(\$143,123)	0.00	(\$71,562)	\$0	\$0	(\$71,561)
NP-S8	S.13-3	13	Utilities Increase	No	\$293,314	0.00	\$146,657	\$0	\$0	\$146,657
NP-S9	S.13-4	13	Rollforward Authority for DD Adult Program Costs	No	\$0	0.00	\$0	\$0	\$0	\$0
NP-S10	S.13-5	13	Residential Treatment for Youth (HB 99-1116)	No	\$43,255	0.00	\$21,628	\$0	\$0	\$21,627
NP-S11	S.13-6	13	Additional Federal-Matched Program Costs	No	\$19,807,076	0.00	\$0	\$0	\$9,903,538	\$9,903,538
NP-S12	S.13-7	13	SSI Room & Board Adjustment Regional Centers	No	(\$25,978)	0.00	(\$12,989)	\$0	\$0	(\$12,989)
NP-S13	S.13-8	13	High Risk Pregnant Women Caseload Adjustment	No	\$565,947	0.00	\$282,974	\$0	\$0	\$282,973
Non-Prioritized FY 04-05 Supplemental Requests Subtotal					\$20,386,438	0.00	\$289,682	\$0	\$9,903,538	\$10,193,218

**Schedule 9
Summary of Supplemental Requests for FY 04-05**

Department Name: Health Care Policy and Financing
Submission Date: January 3, 2005
Number of Prioritized Supplemental Requests: 11

Priority #	Page #	Tab #	Title	IT Request	Total Request (FY 04-05)	FTE	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Emergency FY 04-05 Supplementals Already Submitted										
Sent to JBC Date				JBC Decision						
7-Jun-04			Transfer Funding and Contracting for Disability Determination Services to Health Care Policy and Financing	Approved	\$0	0.00	\$0	\$0	\$0	\$0
7-Jun-04			Medicaid Management Information System Reprourement (not approved so numbers not included)	Denied and resubmitted above	\$0	0.00	\$0	\$0	\$0	\$0
7-Jun-04			DYC Purchase of Contract Placements	Approved	\$1,602,469	0.00	\$801,235	\$0	\$0	\$801,234
4-Sep-04			Transfer of Funds from DHS for DD Waiver State Plan Services ¹	Revised	(\$1,745,442)	0.00	(\$872,721)	\$0	\$0	(\$872,721)
4-Sep-04			Technical Correction to Transfer Colorado Benefits Management System PRWORA Funding for System Changes to Capital Construction	Approved Pending CDC	\$789,868	0.00	\$0	\$0	\$0	\$789,868
Approved Emergency FY 04-05 Supplemental Requests Subtotal					\$646,895	\$0	(\$71,486)	\$0	\$0	\$718,381
GRAND TOTAL FY 04-05 Supplemental Requests					\$94,691,255	(2.00)	\$42,321,953	\$0	\$8,651,869	\$43,717,433

¹ Funding displayed is only for Non-Emergency Transportation Services; DHS Medicaid-Funded Programs, Services for People with Disabilities, Community Centers; and DHS Medicaid-Funded Programs, Services for People with Disabilities, Regional Centers. The other impacts to Medicaid Mental Health Fee for Service and Medical Services Premiums are included in S-1 and S-2 above.

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING – FY 04-05 and FY 05-06 BUDGET REQUEST

Schedule 6											
Change Request for FY 04-05											
Department: Health Care Policy and Financing		Dept. Approval by: Lisa Esgar				Date: January 3, 2005					
Priority Number: S-4, BA-1		OSP Approval:				Date:					
Program: Information Technology Contract Monitoring		Statutory Citation: 26-4-404 (1) (c), C.R.S. (2004); 26-4-403.7 (3) (b), C.R.S. (2004);									
Request Title: Fiscal Agent Adjustments		Statutory Citation: 26-4-532 (7.5) (a), C.R.S. (2004); 24-75-109 (3), C.R.S. (2004)									
	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 03-04	Appropriation FY 04-05	Supplemental Request FY 04-05	Total Revised Request FY 04-05	Base Request FY 05-06	Decision/ Base Reduction FY 05-06	November 1 Request FY 05-06	Budget Amendment FY 05-06	Total Revised Request FY 05-06	Change from Base in Out Year FY 06-07
Total of All Line Items	Total	57,998,446	74,436,522	2,134,491	76,571,013	71,680,779	2,111,772	73,792,551	(72,766)	73,719,785	2,039,006
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	6,153,721	8,217,972	925,017	9,142,989	4,939,899	656,088	5,595,987	131,192	5,727,179	787,280
	GFE	22,596	0	0	0	0	0	0	0	0	0
	CF	149,618	210,400	0	210,400	210,400	0	210,400	0	210,400	0
	CFE	27,337,327	36,230,407	215,325	36,445,732	36,597,249	169,069	36,766,318	0	36,766,318	169,069
	FF	24,335,184	29,777,743	994,149	30,771,892	29,933,231	1,286,615	31,219,846	(203,958)	31,015,888	1,082,657
(1) Executive Director's Office, Medicaid Management Information System Contract	Total	18,397,622	20,263,222	1,830,865	22,094,087	20,464,057	1,960,998	22,425,055	(2,220)	22,422,835	1,958,778
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	5,010,178	4,921,626	709,692	5,631,318	4,939,899	656,088	5,595,987	131,192	5,727,179	787,280
	GFE	22,596	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	133,325	149,748	215,325	365,073	182,258	169,069	351,327	0	351,327	169,069
	FF	13,231,523	15,191,848	905,848	16,097,696	15,341,900	1,135,841	16,477,741	(133,412)	16,344,329	1,002,429
(5) Other Medical Services, SB 97-101 Public School Health Services	Total	20,846,777	29,717,200	88,301	29,805,501	29,722,636	150,774	29,873,410	(70,546)	29,802,864	80,228
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	9,743,116	15,131,305	0	15,131,305	15,131,305	0	15,131,305	0	15,131,305	0
	FF	11,103,661	14,585,895	88,301	14,674,196	14,591,331	150,774	14,742,105	(70,546)	14,671,559	80,228
(4) Indigent Care Program, HB 97-1304 Children's Basic Health Plan Trust	Total	18,754,047	24,456,100	215,325	24,671,425	21,494,086	0	21,494,086	0	21,494,086	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	1,143,543	3,296,346	215,325	3,511,671	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	149,618	210,400	0	210,400	210,400	0	210,400	0	210,400	0
	CFE	17,460,886	20,949,354	0	20,949,354	21,283,686	0	21,283,686	0	21,283,686	0
	FF	0	0	0	0	0	0	0	0	0	0
Letter Notation:											
The amount of \$365,073 CFE for FY 04-05 for the Medicaid Management Information System Contract includes \$215,325 from the Children's Basic Health Plan Fund, \$534 from the Breast and Cervical Cancer Prevention and Treatment Fund, \$2,347 from the Nurse Home Visitor Program in Department of Public Health and Environment, and \$146,867 from the Old age Pension Fund in Department of Human Services.											
The amount of \$351,327 CFE for FY 05-06 for the Medicaid Management Information System Contract includes \$218,222 from the Children's Basic Health Plan Fund, \$267 from the Breast and Cervical Cancer Prevention and Treatment Fund, \$2,347 from the Nurse Home Visitor Program in Department of Public Health and Environment, \$97,981 from the Old Age Pension Fund in Department of Human Services, and \$32,510 from the Colorado Autism Treatment Fund.											
Cash Fund name/number, Federal Fund Grant name: CFE: Children's Basic Health Plan Fund 11G, Breast and Cervical Cancer Prevention and Treatment Fund 15D, Tobacco Litigation Settlement Cash Fund, Old Age Pension Fund from Department of Human Services, Colorado Autism Treatment Fund 18A, FF: Title XIX											
IT Request: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (If yes and request includes more than 500 programming hours, attach IT Project Plan)											
Request Affects Other Departments: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Department of Education											

**CHANGE REQUEST for FY 04-05 and FY 05-06
EFFICIENCY AND EFFECTIVENESS ANALYSIS**

SELECT ONE (click on box):

- Decision Item
- Base Reduction Item
- Supplemental Request Criterion: New Data
- Budget Request Amendment Criterion: New Data

Priority Number:	S-4, BA-1
Change Request Title:	Fiscal Agent Adjustments
Long Bill Line Item(s)	(1) Executive Director’s Office, Medicaid Management Information System Contract; (5) Other Medical Services, SB 97-101 Public School Health Services; (4) Indigent Care Program, HB 97-1304 Children’s Basic Health Plan Trust
State and Federal Statutory Authority:	26-4-404 (1) (c), C.R.S. (2004); 26-4-403.7 (3) (b), C.R.S. (2004); 26-4-532 (7.5) (a), C.R.S. (2004); 24-75-109 (3), C.R.S. (2004); 42 C.F.R. §433.119(c)

Summary of Request (Alternative A):

This request is to address the following:

- Funding for Essential Fiscal Agent Operations
- Children’s Basic Health Plan Allocation
- School Health Claim Volume
- HB 04-1219 for Community Transition Services Technical Correction
- Fund Splits for Pharmacy Prior Authorization Reviews
- Temporarily Fund Bulletin Board Services
- Replace Restricted Funds Resulting from FY 03-04 Overexpenditure
- Delayed HIPAA Payment from FY 03-04

\$1,830,865 in total additional funding is requested for the Medicaid Management Information System Contract for FY 04-05. In addition for FY 04-05, \$88,301 additional funding for the SB 97-101 Public School Health Services line item, and \$215,325 General Fund for the HB 97-1304 Children’s Basic Health Plan Trust line item is

requested. This Supplemental would accomplish for FY 04-05 what November 1, 2004 Change Request #DI-7 proposed for FY 05-06. This Budget Request Amendment also refines the FY 05-06 request as well, using a clearer methodology, and requests \$131,192 General Fund and reduces total funds by \$72,766.

Alternative A {Recommended alternative}:

Problem or Opportunity Description:

The need for additional funding for the fixed price negotiation was first identified to the Joint Budget Committee in a placeholder submitted on the January 2, 2004 Schedule 9, although a request was not submitted during FY 03-04. While the Department took steps to reduce the amount of additional funds needed to pay claims by moving to a fixed price contract, the Department cannot process all of the claims estimated for FY 04-05 without additional funding to meet operational costs.

The Department has restructured the contract with the fiscal agent to include a fixed price covering most of the functions previously calculated under a unit price to arrive at the total needed funding. This is called the “fixed price portion” of the contract. This was done to contain costs that would have been significantly higher under unit pricing. Functions covered within the fixed price are:

- Base Claims and what are known currently as Overage Claims;
- Encounter Claims;
- Capitations;
- School Health Claims;
- Non-pharmacy Prior Authorization Reviews;
- The Decision Support Subsystem; and
- Certain known HIPAA remediation measures (e.g., Transaction and Code Sets).

Pharmacy prior authorization reviews, postage, changes required by special legislation, and Bulletin Board Services are contract requirements that are in addition to items covered by the fixed price portion.

The implementation date for beginning the new fixed price approach was March 1, 2004. FY 03-04 used the old methodology of payment by function for the months of July 2003 through February 2004. The months of March 2004 through June 2004 were covered by the fixed price arrangement. For FY 04-05, the new methodology of fixed price is being used for calculating the payment amounts to the fiscal agent and funding amounts needed to assure operation for the entire fiscal year for the Medicaid Management Information System. The fixed price arrangement will continue through FY 05-06 and the first five months of FY 06-07 until the contract ends on November 30, 2006.

See the Change Request for FY 05-06, #DI-7 titled “Fiscal Agent Fixed Price Contract Adjustments,” submitted November 1, 2004, for more background information.

General Description of Alternative:

This alternative would address the following items for the FY 04-05 contract.

- Funding for Essential Fiscal Agent Operations
- Children’s Basic Health Plan Allocation
- School Health Claim Volume
- HB 04-1219 for Community Transition Services Technical Correction
- Fund Splits for Pharmacy Prior Authorization Reviews
- Temporarily Fund Bulletin Board Services
- Replace Restricted Funds Resulting from FY 03-04 Overexpenditure
- Delayed HIPAA Payment from FY 03-04

Most of these adjustments correspond to similar adjustments for FY 05-06 submitted in #DI-7 titled “Fiscal Agent Fixed Price Contract Adjustments,” submitted November 1, 2004. Each of the FY 04-05 items and the FY 05-06 revisions are described below.

The budgeting for this line item has been complicated over the years by the multiple contract functions, the varieties of fund splits, and the change to fixed price contracting. Therefore, in this request, the Department clearly builds each whole component of the contract with its corresponding fund splits, then compares the sum of these components to the appropriation to ensure sufficient funding.

Funding for the Fixed Price Portion of Fiscal Agent Operations for FY 04-05 and FY 05-06 – Tables A and B

Table A illustrates the projection for the fixed price portion of requested funding. The negotiated funding amount for fixed price, plus the contract functions not included in fixed price, are summed for the total funding need in FY 04-05 and FY 05-06. Table B of this request identifies the funding splits for the fixed price portion of the contract. The fixed price portion of the contract includes Unspecified Claims, then other specific claims that must be distinctly budgeted due to fund splits and fund sources, even though they do not affect the negotiated payment to the contractor.

The following bulleted paragraphs outline fund split issues in the Fixed Price Portion of the contract and the requested changes in funding associated with these pieces.

▪ **Children’s Basic Health Plan for FY 04-05 and FY 05-06 – Tables C and D**

Prior to the construction of the Colorado Benefits Management System and before the Health Insurance Portability and Accountability Act (HIPAA), the Children’s Basic Health Plan was in its own system known as CCHAMP. Because of the cost of the HIPAA remediation, a decision was made to move part of the Children’s Basic Health Plan processing to Medicaid Management Information System. Capitation payments to the Children’s Basic Health Plan health maintenance organizations are now the responsibility of the fiscal agent. Table C in this document calculates the amount of additional funding needed from the Children’s Basic Health Plan Trust for fixed price. This same adjustment was requested for FY 05-06 in the Change Request #DI-7, submitted November 1, 2004.

The Children’s Basic Health Plan Trust Fund funds the State’s share of the Children’s Basic Health Plan expenditures. For FY 04-05, this request allocates a portion of the Medicaid Management Information System fixed price, as well as a portion of the payment for the HIPAA delayed payment from the prior year (discussed later in this request), to the Children’s Basic Health Plan. See Table D for the calculations for FY

04-05. For FY 05-06, the Medicaid Management Information System fixed price allocation is the only portion used for the Children’s Basic Health Plan calculation (Table C).

The State’s share of the Children’s Basic Health Plan allocation is \$215,325 for FY 04-05 and \$218,222 for FY 05-06. The allocation comes from the Children’s Basic Health Plan Trust Fund as Cash Funds Exempt. Since the Trust Fund balance has been managed to \$0, General Fund is requested to fund this amount in the Trust Fund. This adjustment was requested for FY 05-06 in the November 1, 2004 Change Request #DI-5, “Adjust Children’s Basic Health Plan Trust Fund.”

Table E illustrates the total fund splits for the Unspecified Claims, incorporating the Children’s Basic Health Plan federal financial participation and fund sources.

▪ **School Health Claims for FY 04-05 and FY 05-06 – Table F**

The current federal funds amount of \$268,614 that is specifically allocated for school health claims (federal funds drawn from certified public expenditures) is a portion of the fixed price, but this fund source (100% federal funds drawn from local certified funds) is used for a specific claim type. The Department applies the fixed price contracting to the accounting reconciliation of the contract. As long as the individual components affecting fund splits are diligently budgeted, an end-of-year reconciliation by claim type does not need to occur. Therefore, the Department has estimated the claim volume for school health claims. Table F shows the portion of this specific funding that is forecasted to be used for school health claims for the fiscal year.

The claim projection is based on the following methodology. School health claims are projected as an average percentage of total claims for the year. The three most recent fiscal years of history show FY 01-02 as 2.34% of total claims processed during the fiscal year, FY 02-03 as 2.25% of total claims, and FY 03-04 as 1.31% of total claims. The average for the three years was 1.97% of total claims. To apply that

average percentage to the total projected claims for FY 04-05, 1.97% of 18,590,600 total claims would equal 366,235 claims expected for school health services. Similarly, to apply the average percentage to total projected claims for FY 05-06, 1.97% of 19,402,086 total claims would equal 382,221 claims for School Health Services. The resulting funding need for FY 04-05 is \$184,949, and the resulting funding need in FY 05-06 is \$193,022.

This request adjusts the funding, resulting in a lower amount for School Health claims budgeted for FY 04-05, but higher for FY 05-06. This is a change from the November 1, 2004 Change Request #DI-7.

The FY 04-05 reduction from the Medicaid Management Information System Contract for school health claims causes the corresponding federal funds to be added back to the line item titled “S.B. 97-101 Public School Health Services.” However, a funding discrepancy exists between the two program lines. The funding discrepancy was created during the submission of different Change Requests in prior years. Change Request #DI-1, titled “MMIS Contract Adjustments,” submitted November 1, 2001, requested a reduction of \$14,187 from \$282,801 to \$268,614 for claims processing of School Health Services in the program line of Medicaid Management Information System Contract. A subsequent addition in the S.B. 97-101 Public School Health Services program line was not made.

Change Request, DI-9, titled “Correct Funding for School Based Services,” submitted November 1, 2002, requested a reduction of \$9,551 from \$282,801 to \$273,250 for claims processing for school health in the line item “S.B. 97-101 Public School Health Services” only. Thus, the appropriated amount for the processing of the claims has not been synchronized in the two program lines since FY 02-03. The difference between the appropriated amounts is \$4,636.

To adjust for this discrepancy, the Department is requesting that \$88,301 be added back to the line item titled “S.B. 97-101 Public School Health Services.” However, only \$83,665 should be reduced from the program line for “Medicaid Management

Information System Contract.” This will allow both line items to account for \$184,949 in School Health claims for FY 04-05. The Schedule 6 associated with this Change Request reflects this correction. A similar adjustment was requested for FY 05-06 on November 1, 2004 but is refined in this Budget Request Amendment. See Table F for a delineation of these adjustments.

▪ **HB 04-1219 for Community Transition Services for FY 04-05 and FY 05-06 – Table G**

The technical correction for funding splits related to HB 04-1219 for Community Transition Services for Eligible Persons under the “Home and Community Based Services for the Elderly, Blind, and Disabled Act” involves changing the percentage of federal financial participation from the 50% level that was inadvertently used in determining the appropriations for HB 04-1219 to the correct level of federal financial participation at 75%. The Centers for Medicare and Medicaid Services use 75% as the standard funding split for claims processing. The correction will reduce the General Fund portion by half. See Table G to illustrate the effect. A similar adjustment was requested for FY 05-06 in the Change Request #DI-7, submitted November 1, 2004. The adjustment for FY 05-06 is slightly higher because of annualization to HB 04-1219 (FY 04-05 funding is for only nine months).

Funding for the Non-Fixed Price Portion of Fiscal Agent Operations for FY 04-05 and FY 05-06 – Table H

Table H summarizes the portions of the contract that are non-fixed price. The following bulleted paragraphs outline issues in the non-fixed price portion of the contract and the requested changes in funding associated with these pieces.

▪ **Pharmacy Prior Authorization Reviews for FY 04-05 and FY 05-06 – Table I**

The Centers for Medicare and Medicaid Services has approved pharmacy prior authorization reviews at 50% federal financial participation. The current

appropriations are at 75% federal financial participation. Therefore, as part of this request, a true-up of funding splits for pharmacy prior authorization reviews is requested. Table I in the Calculations for Alternative's Funding section illustrates the impact of the changing fund splits on the pharmacy prior authorization reviews. This same adjustment was requested for FY 05-06 in the Change Request #DI-7, submitted November 1, 2004.

▪ **Temporarily Fund Bulletin Board Services for FY 04-05 – Table J**

The transition to web portal is taking longer than originally anticipated. While this is to be the new medium for interaction between medical providers and the State Medicaid office and the fiscal agent for filing claims and posting policy changes, the projected date for a usable system is not until after January 2005. Thus, there is still a need for the fiscal agent to provide Bulletin Board Services until that time. Thus, the Department is requesting \$14,357 to cover this expense until the web portal is operational. See Table J for calculations. Since current contract obligations for developing the web portal require the entire amount appropriated within the HIPAA Web Portal Maintenance line, new funding should not be deducted from the current web portal appropriation.

Funding for Non-Contract Related Items for FY 04-05

The items below are not ongoing contract expectations, but do require funding in FY 04-05.

▪ **Replace Restricted Funds Resulting from FY 03-04 Overexpenditure for FY 04-05 Only**

At the close of FY 03-04, the payments to the fiscal agent resulted in an overexpenditure of \$55,060 General Fund. The Department had completed a projection of how the fiscal year would close for FY 03-04 and had projected that there would be adequate funding for FY 03-04. However, based on the final billings

from the fiscal agent, a General Fund shortfall occurred. Both General Fund and federal funds totaling \$110,120 were restricted by the State Controller for FY 04-05, as required by 24-75-109 (3) C.R.S. The funding is needed for FY 04-05, and the Department requests that the restriction be removed and the funding be replaced. Without the replacement of these restricted funds, the Department would not be in compliance with its contract, and a portion of the FY 04-05 claims would not be paid.

▪ **HIPAA Payment Delayed from FY 03-04 for FY 04-05 – Table K**

One time funding is needed in FY 04-05 in the amount of \$469,740 to cover a billing from the fiscal agent for a reserved portion of the extensive Health Insurance Portability and Accountability Act of 1996 (HIPAA) remediation work completed in FY 03-04 but inadvertently not paid before the close of FY 03-04. Although the majority of the HIPAA remediation work was paid for, a minor portion was planned to remain unpaid until fiscal year end to give the Department time to complete testing on the modifications. However, the remaining amount of the contractor billing was erroneously not recognized as an expenditure or as an accounts payable at the close of FY 03-04. As a result, appropriation authority that would have been necessary to pay these costs reverted at the close of the fiscal year. The Department does not have sufficient appropriation in the current fiscal year to absorb this amount, so the Department is requesting supplemental funding to handle this incurred contractual obligation. The Centers for Medicare and Medicaid Services had previously approved 90% federal financial participation for the HIPAA remediation work paid by Medicaid funds. The Children’s Basic Health Plan also pays 3% of HIPAA costs. Table K reflects the additional funding added to this request to cover these HIPAA costs.

Calculations for Alternative’s Funding:

Summary of FY 04-05 Request Medicaid Management Information System Contract Line Item	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
1. FY 04-05 November 1, 2004 Appropriation [matches column 2 on Schedule 6]	\$20,263,222	\$4,921,626	\$149,748	\$15,191,848
2. FY 04-05 Fixed Price Portion of the Contract Need (Table B)	\$20,037,448	\$4,797,302	\$360,141	\$14,880,005
3. FY 04-05 Non-Fixed Price Need (Table H)	\$1,476,779	\$733,391	\$0	\$743,388
4. Prior Year HIPAA Related Delayed Payment (Table K)	\$469,740	\$45,565	\$4,932	\$419,243
5. Replacement Funds for Prior Year Overexpenditure	\$110,120	\$55,060	\$0	\$55,060
6. FY 04-05 Total Request (sum of lines 2 though 5)	\$22,094,087	\$5,631,318	\$365,073	\$16,097,696
7. FY 04-05 Supplemental (line 6 minus line 1) [matches column 3 on Schedule 6]	\$1,830,865	\$709,692	\$215,325	\$905,848

Summary of FY 05-06 Request Medicaid Management Information System Contract Line Item	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
1. FY 05-06 November 1, 2004 Request [matches column 7 on Schedule 6]	\$22,425,055	\$5,595,987	\$351,327	\$16,477,741
2. FY 05-06 Fixed Price Portion of the Contract Need (Table B)	\$20,782,913	\$4,987,217	\$320,702	\$15,474,994
3. FY 05-06 Non-Fixed Price Need (Table H)	\$1,639,922	\$739,962	\$30,625	\$869,335
4. FY 05-06 Revised Request (line 2 plus line 3)	\$22,422,835	\$5,718,179	\$351,327	\$16,344,329
5. FY 05-06 Budget Amendment (line 4 minus line 1)	(\$2,220)	\$131,192	\$0	(\$133,412)

Summary of FY 04-05 Request for S.B. 97-101 Public School Health Services Line Item	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
S.B. 97-101 Public School Health Services (see Table F) [matches column 3 on Schedule 6]	\$88,301	\$0	\$0	\$88,301

Summary of FY 05-06 Request for S.B. 97-101 Public School Health Services Line Item	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
S.B. 97-101 Public School Health Services November 1, 2004 Incremental Request	\$150,774	\$0	\$0	\$150,774
FY 05-06 S.B. 97-101 Public School Health Services Revised Request (see Table F)	\$80,228	\$0	\$0	\$80,228
FY 05-06 S.B. 97-101 Public School Health Services Budget Request Amendment [matches column 8 on Schedule 6]	(\$70,546)	\$0	\$0	(\$70,546)

Summary of Request FY 04-05 for H.B. 97-1304 Children’s Basic Health Plan Trust Fund Line Item	Total Funds	General Fund	Cash Funds	Cash Funds Exempt
FY 04-05 Supplemental (see Table D)	\$215,325	\$215,325	\$0	\$0

Table A: Calculation of Fixed Price Portion of Contract Need for FY 04-05 and FY 05-06			
	Monthly Rate	Number of Months	Cost for Period
FY 04-05			
July through November 2004	\$1,629,250	5	\$8,146,250
December 2004 through February 2005	\$1,698,742	3	\$5,096,226
March through June 2005	\$1,698,743	4	\$6,794,972
FY 04-05 Total Fixed Price Portion of Contract Need (see Table B for totals and fund splits)			\$20,037,448
FY 05-06			
July through November 2005	\$1,698,743	5	\$8,493,715
December 2005 through June 2006	\$1,755,600	7	\$12,289,200
FY 05-06 Total Fixed Price Portion of Contract Need¹ (see Table B for totals and fund splits)			\$20,782,913

¹\$2 difference due to rounding

Table B: Calculation of Funds Splits for Total Fixed Price Portion of Contract Need for FY 04-05 and FY 05-06				
FY 04-05	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
Non-Specified Claims (see delineation of fund splits in Table E)	\$19,597,664	\$4,749,136	\$210,393	\$14,638,135
Breast and Cervical Cancer Claims	\$2,136	\$0	\$534	\$1,602
Nurse Home Visitor Claims	\$9,388	\$0	\$2,347	\$7,041
H.B. 04-1219 Community Transition for the Elderly	\$224	\$56	\$0	\$168
Orthodontia Prior Authorization Reviews	\$96,220	\$48,110	\$0	\$48,110
Old Age Pension Claims	\$146,867	\$0	\$146,867	\$0
School Based Health Claims	\$184,949	\$0	\$0	\$184,949
FY 04-05 Fixed Price Portion of the Contract Need	\$20,037,448	\$4,797,302	\$360,141	\$14,880,005
FY 05-06	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
Non-Specified Claims (see delineation of fund splits in Table E)	\$20,378,548	\$4,938,765	\$218,222	\$15,221,651
Breast and Cervical Cancer Claims	\$2,136	\$267	\$267	\$1,602
Nurse Home Visitor Claims	\$9,388	\$0	\$2,347	\$7,041
H.B. 04-1219 Community Transition for the Elderly	\$300	\$75	\$0	\$225
SB 04-177 Children with Autism Claims	\$3,098	\$0	\$775	\$2,323
SB 04-177 Children with Autism Prior Authorizations Reviews	\$2,220	\$0	\$1,110	\$1,110
Orthodontia Prior Authorization Reviews	\$96,220	\$48,110	\$0	\$48,110
Old Age Pension Claims	\$97,981	\$0	\$97,981	\$0
School Based Health Claims	\$193,022	\$0	\$0	\$193,022
FY 05-06 Fixed Price Portion of the Contract Need	\$20,782,913	\$4,987,217	\$320,702	\$15,474,994

Table C: Children’s Basic Health Plan Funding for Fixed Price for FY 04-05 and FY 05-06	
FY 04-05	
Total Fixed Price Portion of the Contract Need for FY 04-05 (Table A)	\$20,037,448
Times 3% for Children’s Basic Health Plan Contribution to Fixed Price Portion of the Contract	\$601,123
Cash Funds Exempt for Children’s Basic Health Plan - 35% of 3%	\$210,393
Federal Funds for Children’s Basic Health Plan - 65% of 3%	\$390,730
FY 05-06	
Total Fixed Price Portion of the Contract Need for FY 05-06 (Table A)	\$20,782,913
Times 3% for Children’s Basic Health Plan Contribution to Fixed Price Portion of the Contract	\$623,488
Cash Funds Exempt for Children’s Basic Health Plan - 35% of 3%	\$218,222
Federal Funds for Children’s Basic Health Plan - 65% of 3%	\$405,266

Table D: Total Children's Basic Health Plan Funding for Medicaid Management Information Systems Contract FY 04-05				
	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
Funding for the Fixed Price Portion of the Contract (Table C)	\$601,123	\$0	\$210,393	\$390,730
Funding for the Prior Year HIPAA Delayed Payment (Table K)	\$14,092	\$0	\$4,932	\$9,160
Total Contribution for FY 04-05	\$615,215	\$0	\$215,325	\$399,890
General Fund to Add to the Children’s Basic Health Plan Trust (equal to Cash Funds Exempt above)				\$215,325

Table E: Calculation of Fund Splits for Unspecified Claims for FY 04-05 and FY 05-06

	Medicaid Claims 25% General Fund, 75% Federal Fund (see Table B)	Children’s Basic Health Plan Contribution (see Table C)	Corresponding Reduction 25% General Fund, 75% Federal Funds	Net Fund Split for Unspecified Claims
FY 04-05				
Total Funds	\$19,597,664	\$601,123	(\$601,123)	\$19,597,664
General Fund	\$4,899,416	\$0	(\$150,280)	\$4,749,136
Cash Funds Exempt	\$0	\$210,393	\$0	\$210,393
Federal Funds	\$14,698,248	\$390,730	(\$450,843)	\$14,638,135
FY 05-06				
Total Funds	\$20,378,548	\$623,488	(\$623,488)	\$20,378,548
General Fund	\$5,094,637	\$0	(\$155,872)	\$4,938,765
Cash Funds Exempt	\$0	\$218,222	\$0	\$218,222
Federal Funds	\$15,283,911	\$405,266	(\$467,616)	\$15,221,561

Table F: School Health Claims (100% Federal Funds)

	Number of Claims	Total Funds Needed
Typically Funded	531,909	\$268,614
Forecast Need FY 04-05	366,235	\$184,949
\$268,614 minus \$184,949		\$83,665
Add another \$4,636 missing from SB 97-101 Public School Health Services line item (see General Description of Narrative in this Change Request)		\$4,636
Return Federal Funds to SB 97-101 Public School Health Services line item		\$88,301
Forecast Need FY 05-06	382,221	\$193,022
\$268,614 minus \$193,022		\$75,592
Add another \$4,636 missing from SB 97-101 Public School Health Services line item (see General Description of Narrative in the November 1, 2004 Change Request # DI-7)		\$4,636
Return Federal Funds to SB 97-101 Public School Health Services line item		\$80,228

Table G: Technical Correction for Funding Splits on Claims Processing Related to HB 04-1219			
	Total Funds	General Fund	Federal Funds
Appropriation at 50% federal financial participation for FY 04-05	\$224	\$112	\$112
Corrected Appropriation at 75% federal financial participation for FY 04-05	\$224	\$56	\$168
Appropriation at 50% federal financial participation for FY 05-06	\$300	\$150	\$150
Corrected Appropriation at 75% federal financial participation for FY 05-06	\$300	\$75	\$225

Table H: Calculation of Total Non-Fixed Price Need				
	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
FY 04-05				
Pharmacy Prior Authorization Review (See Table I for fund splits)	\$1,091,045	\$545,523	\$0	\$545,522
Postage (50% General Fund, 50% federal funds)	\$351,377	\$175,689	\$0	\$175,688
Development Costs (25% General Fund, 75% federal funds)	\$20,000	\$5,000	\$0	\$15,000
Bulletin Board Services (See Table J)	\$14,357	\$7,179	\$0	\$7,178
FY 04-05 Total Non-Fixed Price Need	\$1,476,779	\$733,391	\$0	\$743,388
FY 05-06				
Pharmacy Prior Authorization Review (See Table I for fund splits)	\$1,091,045	\$545,523	\$0	\$545,522
Postage (50% General Fund, 50% federal funds)	\$351,377	\$175,689	\$0	\$175,688
Development Costs (25% General Fund, 75% federal funds)	\$197,500	\$18,750	\$30,625	\$148,125
FY 05-06 Total Non-Fixed Price Need	\$1,639,922	\$739,962	\$30,625	\$869,335

Table I: Calculations for Adjusting Funding Splits for Pharmacy Prior Authorizations Review for FY 04-05 and FY 05-06				
Type of Prior Authorization Review	Total Funds	General Fund	Federal Funds	Funding Split
High Risk Class of Drugs from 4% Budget Balancing Plan, February 14, 2003 Budget Request	\$24,300	\$6,075	\$18,225	75% federal match
Generic Drug Mandate SB 03-011	\$1,042,445	\$260,612	\$781,833	75% federal match
Drug Utilization Mechanism SB 03-294	\$24,300	\$6,075	\$18,225	75% federal match
Total	\$1,091,045	\$272,762	\$818,283	75% federal match
50% FFP Approved	\$1,091,045	\$545,523	\$545,522	50% federal match

Table J: Calculation of Temporary Bulletin Board Services Funding for FY 04-05	
Actual Expenditures-to-Date for FY 04-05	
July 2004	\$2,960
August 2004	\$1,142
September 2004	\$2,051
One-month Average	\$2,051
Number of Months Bulletin Board Services are Needed	7
Total Funds Requested for FY 04-05	\$14,357
General Fund (50%)	\$7,179
Federal Funds (50%)	\$7,178

Table K: Prior Year HIPAA Related Delayed Payment with Children's Basic Health Plan Contribution Included					
Program Splits	Total Percentage	Total Costs	General Fund	Cash Funds Exempt	Federal Funds
Total Costs	100%	\$469,740	\$45,565	\$4,932	\$419,243
Medicaid Costs	97%		10% of 97%	0% of 97%	90% of 97%
		\$455,648	\$45,565	\$0	\$410,083
Children's Basic Health Plan Costs	3%		0% of 3%	35% of 3%	65% of 3%
		\$14,092	\$0	\$4,932	\$9,160

Impact on Other Areas of Government: Adjusting the funding for the school health component will affect the Department of Education. All other funding adjustments are solely in the Department’s appropriations.

Assumptions for Calculations: For FY 04-05, the fixed price need was negotiated as \$1,629,250 per month for July through November, increasing to \$1,698,742 per month for three months and \$1,698,743 for four months, resulting in \$20,037,448 total for fixed price. For the purposes of this request, the total need is built and defended, then compared to the appropriation.

Specific estimates are intended for the specific programs requested. As long as the Department projects each component during the budget process, end-of-year reconciliation by claim does not need to occur.

- Cash Funds Exempt from the Old Age Pension Fund originally appropriated to the Department of Human Service is used to cover 100% of the claims cost processed for medical services provided to Old Age Pension State Medical Program clients.
- Cash Funds Exempt from the Breast and Cervical Cancer Treatment Fund is used to cover claims processing for clients in the Breast and Cervical Cancer Program, with 75% federal match.
- The Nurse Home Visitor program uses Cash Funds Exempt originally appropriated to the Department of Public Health and Environment, with 75% federal match.
- 100% federal funds are designated for School Health claims covering services provided to Medicaid qualified students.

Before the line item “S.B. 97-101 Public School Health Services” is appropriated, administrative costs are reduced from the federal funds and put into applicable administrative lines. One of these lines is the Medicaid Management Information System Contract line item. If a portion of the administrative funds is no longer needed, then the federal dollars that were drawn from the schools’ certified funds should be returned to the “S.B. 97-101 Public School Health Services” line item to fund services.

Due to the variability in volume, pharmacy prior authorization reviews have been negotiated as an add-on above the fixed price. As policy changes occur, the number of drugs included in the review process may change. Therefore, pharmacy prior

authorization reviews are calculated separately. The base amount for pharmacy prior authorization reviews is considered to be \$1,091,045 and is described in the Assumptions and Calculations section of the November 1, 2004 Budget Request, Volume II.

Funding splits for pharmacy prior authorization reviews have been appropriated at 25% General Fund and 75% federal funds. The Centers for Medicare and Medicaid Services has determined that pharmacy prior authorization reviews must be paid at 50% General Fund and 50% federal funds.

Postage is an add-on above the fixed price because postage is a pass through cost to the Department. The amount used for postage in this request is the amount that had been allocated in previous years for postage since there has been no postage increase recently. It is difficult to predict if and when the United States Postal Service will implement a postal rate increase. Therefore, leaving postage outside the fixed price allows flexibility in dealing with actual postage costs. The amount of \$351,377 is considered the base amount for postage and is described in the Assumptions and Calculations section of the November 1, 2004 Budget Request, Volume II.

Future special legislation passed by the General Assembly may require computer program system changes within the Medicaid Management Information System in order to incorporate the new activities required by law. Such costs from completed Legislative Sessions are described in the Assumptions and Calculations section of the November 1, 2004 Budget Request, Volume II. This type of additional cost will also remain as an add-on to the fixed price. The current FY 04-05 of \$20,000 for development costs is the out-year amount appropriated by SB 03-294. FY 05-06 has development costs of \$122,500 for SB 04-177 (Children with Autism bill) and \$75,000 for HB 04-1219 (Community Transitions bill), for a total of \$197,500.

Funding for Bulletin Board Services has historically been \$11,438 per year, however it was not included in the FY 04-05 appropriation due to the anticipated arrival of the web portal. Since the web portal has been delayed, the Department has continued Bulletin Board Services. Expenditures through September 2004 (three months of costs) have

equaled \$6,153 total funds. At the current average monthly expenditure of \$2,051, funding for seven months would equal \$14,357.

For the purpose of this request, the Children’s Basic Health Plan contribution to the total costs is 3% using Cash Funds Exempt (35% of funding) and federal financial participation (65% of funding). Using the same percentage as other line items in the Department that also have a contribution from the Children’s Basic Health Plan, this percentage is determined by the percentage of capitations paid for the Children’s Basic Health Plan in the Medicaid Management Information System compared to the total forecasted claims and capitations paid. This methodology is still being examined to ensure that it is the best method to accurately account for the appropriate mix of funds.

Concerns or Uncertainties of Alternative:

If claims volume increases or decreases significantly and unexpectedly in the near future, the fixed price cost may have to be renegotiated.

Uncertainties in cost still exist in the areas of pharmacy prior authorization reviews and postage, so current appropriated amounts have been used as estimates for the request.

Additionally, an exact date for completion of the web portal is unknown. The Department assumed that it will be fully functional and will completely replace the current system by February 2005, but that is only an estimate. Since expenditures for the Bulletin Board Service are based on providers’ usage, monthly expenditures may fluctuate from the current one-month average.

Alternative B {Status quo; no change in funding; not recommended}:

General Description of Alternative:

This alternative would not correct funding for the fiscal agent and is not recommended.

When the available funding is exhausted, claims processing would cease. This would cause the fiscal agent to stop paying claims on an estimated date of May 27, 2005 for FY 04-05, before the June 30, 2005 fiscal year end. Providers would not be paid if claims

were not processed; providers would not be enrolled; prior authorization reviews would not be conducted; and medical providers would not be able to contact or be contacted by the fiscal agent. A contract amendment with the fiscal agent has been negotiated to indicate the end of system operational funding in case no further funding is authorized.

Calculations for Alternative's Funding: No change in funding with this Alternative.

Concerns or Uncertainties of Alternative: Claims held by the fiscal agent because of lack of funding, if held for more than thirty days, would cause a violation of the Department's obligation to process claims within thirty days of receipt per the federal State Medicaid Manual, Part 11, Chapter 3, Section 11325. In Colorado, the Medicaid Management Information System is a certified system because it meets the requirements of the Code of Federal Regulations and the State Medicaid Manual. If the system no longer met those requirements, there would be a risk that it would be decertified and the federal financial participation rate could be lowered, causing a further funding crisis. Certification raises the federal financial participation from 50% to 75% for most cost elements.

This Alternative would also cause a statutory conflict with HB 04-1264, which requires the Department to pay all claims according to normal billing cycles, regardless of funding needs. A conflict would be created if there is no funding to pay the fiscal agent to process claims and pay providers, yet the Department would be required to process the claims.

Supporting Documentation

Analytical Technique: A cost/benefit analysis has been completed, and the results of this analysis are shown in the following table. This analysis will demonstrate which alternative will have sufficient authorized expenditures to produce an advantageous result.

Cost/Benefit	Alternative A	Alternative B
Cost	\$1,830,865 additional total funds in FY 04-05 including \$709,692 additional General Fund for the Medicaid Management Information System Contract	No additional costs
Benefit	Allows processing of 18,590,600 projected claims, or more if necessary.	No Benefit - instead a liability because funding is insufficient to process all expected claims.
Benefit	Permits claims processing through June 30, 2005 and satisfies 26-4-404 (1) (c), C.R.S. (2004), or HB 04-1264, requirements not to interrupt the normal payment schedule	No Benefit - instead a liability because it will be necessary to stop claims processing by May 27, 2005 ² (estimated date current funding will be fully expended)
Benefit	Stabilizes funding needs for FY 04-05	No Benefit - instead a liability because it leaves a gap of funding needed but not covered

Quantitative Evaluation of Performance -
Compare all Alternatives:

Alternative A offers the most effective option for handling all claims processing, regardless of volume, while permitting continued operations for the full fiscal year at a known total cost. Alternative B stops payment and claims processing before the fiscal year end. Alternative A is the preferred alternative.

Statutory and Federal Authority:

26-4-404 (1) (c), C.R.S. (2004) *(1) (c) The State Department shall exercise its overexpenditure authority under Section 24-7-109, C.R.S., and shall not unintentionally 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*

²Total fixed price need of \$20,037,448 divided by 365 days results in a cost per day equal to \$54,897. Dividing the shortfall of \$1,830,865 by the daily amount of \$54,897 equals 33.4 days (round up to 34). Counting back 34 days from June 30, 2005 results in an estimated date of May 27, 2005 for discontinuation of processing services.

notify the Joint Budget Committee of the General Assembly and any affected providers in writing of its decision to interrupt the normal payment schedule.

26-4-403.7 (3) (b), C.R.S. (2004) (3) The executive director of the state department shall develop and implement an automated system through which medical assistance claims and payments and eligibility determinations or other related transactions may be processed. The system shall provide for the use of automated electronic technologies. The automated system may be implemented in phases if deemed necessary by the executive director. The automated system shall be implemented only after the executive director determines that: (b) Adequate financing is available to facilitate the implementation and maintenance of the system. Financing may include, but is not limited to, federal funds, appropriations, from the general fund, provider transactions fees, or any other financing mechanism which the state department may impose, and grants or contributions from public or private entities.

26-4-532 (7.5) (a), C.R.S. (2004) For fiscal year 2005-06, the general assembly shall appropriate fifty percent of the state costs of the breast and cervical cancer prevention and treatment fund pursuant to section 24-22-115 (1) C.R.S., to such program.

24-75-109 (3), C.R.S. (2004) For any overexpenditure, whether or not allowed by the controller in accordance with subsection (1) of this section, the controller shall restrict, in an amount equal to said overexpenditure, the corresponding item or items of appropriation that are made in the general appropriation act for the fiscal year following the fiscal year for which the overexpenditure that is allowed occurs.

42 C.F.R. §433.119(c) [Centers for Medicare and Medicaid Services] will issue to each Medicaid agency, by the end of the first quarter after the review period, a written notice informing the agency whether its system is reapproved or disapproved. If the system is disapproved, the notice will also include—(1) [Centers for Medicare and Medicaid Services'] decision to reduce [federal financial participation] for system operations, and the percentage to which it is reduced, beginning with the next quarter.

Department Objectives Met if Approved:

- 1.3 To assure payments in support of the programs are accurate and timely.
- 1.5 To accurately project, report, and manage budgetary requirement to affect Executive and Legislative intent with program and budget development and operations. To accurately record and monitor expenditures for programs managed by the Department so there may be accurate financial reporting at all times.

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING - FY 04-05 AND FY 05-06 BUDGET REQUEST

**Schedule 6
Change Request for FY 04-05 and FY 05-06**

Department: Health Care Policy and Financing **Dept. Approval by:** Lisa Esgar **Date:** January 3, 2005
Priority Number: S-5, BA-2 **OSPb Approval:** **Date:**
Program: Information Technology Contract Monitoring **Statutory Citation:** 26-4-403.7 (3) (b), C.R.S. (2004)
Request Title: Medicaid Management Information System Federally-Mandated Reprocurement

	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 03-04	Appropriation FY 04-05	Supplemental Request FY 04-05	Total Revised Request FY 04-05	Base Request FY 05-06	Decision/Base Reduction FY 05-06	November 1 Request FY 05-06	Budget Amendment FY 05-06	Total Revised Request FY 05-06	Change from Base in Out Year FY 06-07
Total of All Line Items	Total	18,754,047	24,456,100	649,347	25,105,447	21,494,086	579,600	22,073,686	0	22,073,686	327,600
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	1,143,543	3,296,346	153,228	3,449,574	0	56,221	56,221	75,899	132,120	74,677
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	149,618	210,400	0	210,400	210,400	0	210,400	0	210,400	0
	CFE	17,460,886	20,949,354	6,747	20,956,101	21,283,686	6,086	21,289,772	0	21,289,772	3,440
	FF	0	0	489,372	489,372	0	517,293	517,293	(75,899)	441,394	249,483
(1) Executive Director's Office, Medicaid Management Information System Reprocurement (New Line Item)	Total	0	0	642,600	642,600	0	579,600	579,600	0	579,600	327,600
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	0	146,481	146,481	0	56,221	56,221	75,899	132,120	74,677
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	6,747	6,747	0	6,086	6,086	0	6,086	3,440
	FF	0	0	489,372	489,372	0	517,293	517,293	(75,899)	441,394	249,483
(4) Indigent Care Program, HB 97-1304 Children's Basic Health Plan Trust Fund	Total	18,754,047	24,456,100	6,747	24,462,847	21,494,086	0	21,494,086	0	21,494,086	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	1,143,543	3,296,346	6,747	3,303,093	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	149,618	210,400	0	210,400	210,400	0	210,400	0	210,400	0
	CFE	17,460,886	20,949,354	0	20,949,354	21,283,686	0	21,283,686	0	21,283,686	0
	FF	0	0	0	0	0	0	0	0	0	0

Letter Notation: Cash Funds Exempt for reprocurement are from the Children's Basic Health Plan Trust Fund 11G, §26-19-105, C.R.S.
Cash Fund name/number, Federal Fund Grant name: CFE: Children's Basic Health Plan Trust Fund 11G, FF: Title XIX, Title XXI
IT Request: Yes No (If yes and request includes more than 500 programming hours, attach IT Project Plan)
Request Affects Other Departments: Yes No (If Yes, List Other Departments Here:)

**CHANGE REQUEST for FY 04-05 and FY 05-06
EFFICIENCY AND EFFECTIVENESS ANALYSIS**

SELECT ONE (click on box):

- Decision Item
- Base Reduction Item
- Supplemental Request Criterion: New Data
- Budget Request Amendment Criterion: New Data

Priority Number:	S-5, BA-2
Change Request Title:	Medicaid Management Information System Federally-Mandated Reprocurement
Long Bill Line Item(s)	(1) Executive Director’s Office, Medicaid Management Information System Reprocurement (New Line Item), and (4) Indigent Care Program, HB 97-1304 Children’s Basic Health Plan Trust
State and Federal Statutory Authority:	26-4-403.7 (3) (b), C.R.S. (2004); SSA §1903(a) [42 U.S.C. 1396b]; 42 C.F.R. §433.112(a); 42 C.F.R. §433.119(c)

Summary of Request (Alternative A): This request is for funding in FY 04-05, and correction to requested funding for FY 05-06 and FY 06-07, for the consultant’s contract related to the reprocurement processes of the Medicaid Management Information System. This is a resubmission of the emergency supplemental request that was submitted on June 7, 2004. For FY 04-05, the Department is requesting \$649,347 total funds and a new line item titled “Medicaid Management Information System Reprocurement” for tracking these funds. Additionally, corrections to fund splits requested in Decision Item #9, submitted November 1, 2004, equal to General Fund increases of \$75,899 for FY 05-06 and \$42,900 in FY 06-07 are also requested.

Alternative A {Recommended alternative}:

Description of Alternative:

This request is for new funding in FY 04-05, and a correction to requested funding for FY 05-06 and FY 06-07 within Decision Item #9 submitted November 1, 2004, related to the reprourement processes of the Medicaid Management Information System.

Contract agreements with the Department's current fiscal agent ACS (Affiliated Computer Services, or Affiliated Computer Services, Inc. dba Affiliated Computer Services State Healthcare) will end November 30, 2006. Since 2001, the Department had been working with the Centers for Medicare and Medicaid Services to secure an extension through December 2008 on the existing contract. Despite having previously provided verbal approval to Colorado and other states, on March 29, 2004, the Centers for Medicare and Medicaid Services officially denied the Department's request. Thus, the Department submitted an emergency FY 04-05 request to the Joint Budget Committee on June 7, 2004 titled "Medicaid Management Information System Reprourement" which outlined the financial requirements and processes associated with the necessary reprourement process. While the Joint Budget Committee did not approve this emergency request, in a letter to the State Controller dated June 21, 2004, the Committee did temporarily authorize the Department to charge reprourement expenditures to the Medicaid Management Information Systems Contract line item until a regular Supplemental appropriation is made.

Proceeding to contract for reprourement consultants out of the Medicaid Management Information System line item, as directed by the Joint Budget Committee, has created a temporary financial obligation without an appropriation. The requested funding for reprourement consultants in FY 04-05 is equivalent to the costs of twelve days of operating the Medicaid Management Information System for claims processing. If separate reprourement funding is not appropriated, a funding shortfall for ACS equal to twelve days of claims processing would occur.

Changes to Department's Prior Requests

Within both the June 2004 emergency request and the November 1, 2004 Decision Item #9, the Department anticipated 90% federal funds participation. This 90% federal match was anticipated based on section 433.112 (a) within 42 Code of Federal Regulations which states that "[Federal Financial Participation] is available at the 90 percent rate in

State expenditures for the design, development, installation, or enhancement of a mechanized claims processing and information retrieval system.” However, since the time of the Department’s requests, the Centers for Medicare and Medicaid Services has notified the Department that federal financial participation is available at 90% for system enhancements only, and at 75% for reprocurement processes related to the fiscal agent operating the system. Because of the minimal amount of system enhancements anticipated during the reprocurement process, the majority of General Fund and Cash Funds Exempt requested will be matched at a 75% federal financial participation level. Therefore, the Department has revised the requested General Fund and federal funds to account for this decision from the Centers for Medicare and Medicaid Services. Tables A, B, and C within the Calculations for Alternative’s Funding section of this request develop the FY 04-05 requested funding, and the FY 05-06 and FY 06-07 fund split adjustments, respectively.

Additionally, the emergency request submitted on June 7, 2004 requested funding in FY 04-05 for three years worth of reprocurement work:

- FY 04-05 – evaluation of current Medicaid Management Information System operations and development of documents for Request for Proposal;
- FY 05-06 – bidder’s conference, evaluation of bids, and draft contract and Contractor Selection Report submitted to the Centers for Medicare and Medicaid Services; and
- FY 06-07 – project monitoring and management.

Instead of requesting for all three years of funding in FY 04-05, this request separates funding to the specific years to which it is needed. Table D shows the total amount requested for FY 04-05 originally and how it has been correctly reallocated in this Request.

Cash Funds Exempt and General Fund Replenishment

Requested Cash Funds Exempt funding for the reprocurement are to be from the Children’s Basic Health Plan Trust Fund. The Children’s Basic Health Plan Trust Fund supports the State’s share of the Children’s Basic Health Plan expenditures. This request

allocates a portion of the Medicaid Management Information System reprocurement to the Children’s Basic Health Plan in the amount of \$19,278 for FY 04-05 (FY 05-06 and FY 06-07 funding, equal to \$17,388 and \$9,828 respectively, have been requested within Decision Item #9, submitted November 1, 2004). The State’s share of this allocation comes from the Children’s Basic Health Plan Trust Fund as Cash Funds Exempt equal to \$6,747 in FY 04-05, or 35% of the \$19,278 total funds.¹ General Fund of the same amount is therefore requested to prevent a negative balance in the Children’s Basic Health Plan Trust Fund.

Calculations for Alternative’s Funding:

Summary of Request FY 04-05 (see Table A) Matches Schedule 6 and Recommended Request	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
Total Request [See Column 3, Schedule 6]	\$649,347	\$153,228	\$6,747	\$489,372
Medicaid Management Information System Reprocurement	\$642,600	\$146,481	\$6,747	\$489,372
HB 97-1304 Children’s Basic Health Plan Trust Fund	\$6,747	\$6,747	\$0	\$0

Summary of Request FY 05-06 (see Table B) Matches Schedule 6 and Recommended Request	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
Total Request [See Column 8, Schedule 6]	\$0	\$75,899	\$0	(\$75,899)
Medicaid Management Information System Reprocurement	\$0	\$75,899	\$0	(\$75,899)

Summary of Request FY 06-07 (see Table C) Matches Schedule 6 and Recommended Request	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
Total Request [See Column 10, Schedule 6]	\$327,600	\$74,677	\$3,440	\$249,483
Medicaid Management Information System Reprocurement	\$327,600	\$74,677	\$3,440	\$249,483

¹ Federal Financial Participation for Title XXI is 65% (thus, the State’s share is the remaining 35%).

Table A: Revised Total Request and Revised Funding Splits for FY 04-05

Program Splits	Percentage	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
	100%	\$642,600	\$146,481	\$6,747	\$489,372
Medicaid Costs	97%	\$623,322	\$146,481	\$0	\$476,841
Enhancement Costs	10% of 97%		10% of 10%	0% of 10%	90% of 10%
		\$62,332	\$6,233	\$0	\$56,099
Reprocurement Costs	90% of 97%		25% of 90%	0% of 90%	75% of 90%
		\$560,990	\$140,248	\$0	\$420,742
Children's Basic Health Plan Costs	3%		0% of 3%	35% of 3%	65% of 3%
		\$19,278	\$0	\$6,747	\$12,531
Total Request FY 04-05 (see Table D)		\$642,600	\$146,481	\$6,747	\$489,372

* Additionally, General Fund equal to \$6,747 in Cash Funds Exempt from the Children's Basic Health Plan Trust Fund is requested to replenish the Trust Fund. Requested funding for FY 04-05 matches the original requested amount contained in the June 7, 2004 Emergency Change Request for that fiscal year.

Table B: Revised Funding Splits for FY 05-06

Program Splits	Percentage	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
	100%	\$579,600	\$132,120	\$6,086	\$441,394
Medicaid Costs	97%	\$562,212	\$132,120	\$0	\$430,092
Enhancement Costs	10% of 97%		10% of 10%	0% of 10%	90% of 10%
		\$56,221	\$5,622	\$0	\$50,599
Reprocurement Costs	90% of 97%		25% of 90%	0% of 90%	75% of 90%
		\$505,991	\$126,498	\$0	\$379,493
Children's Basic Health Plan Costs	3%		0% of 3%	35% of 3%	65% of 3%
		\$17,388	\$0	\$6,086	\$11,302
Total Request FY 05-06		\$579,600	\$132,120	\$6,086	\$441,394
Original Request in DI-9, Submitted November 1, 2004		\$579,600	\$56,221	\$6,086	\$517,293
FY 05-06 Budget Amendment		\$0	\$75,899	\$0	(\$75,899)

* No additional funding is requested in FY 05-06 for the Children's Basic Health Plan Trust Fund since there are no changes to Cash Funds Exempt amounts within Decision Item #9 submitted on November 1, 2004.

Program Splits	Percentage	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
	100%	\$327,600	\$74,677	\$3,440	\$249,483
Medicaid Costs	97%	\$317,772	\$74,677	\$0	\$243,095
Enhancement Costs	10% of 97%		10% of 10%	0% of 10%	90% of 10%
		\$31,777	\$3,178	\$0	\$28,599
Reprocurement Costs	90% of 97%		25% of 90%	0% of 90%	75% of 90%
		\$285,995	\$71,499	\$0	\$214,496
Children's Basic Health Plan Costs	3%		0% of 3%	35% of 3%	65% of 3%
		\$9,828	\$0	\$3,440	\$6,388
Total Request FY 06-07		\$327,600	\$74,677	\$3,440	\$249,483
Original Request in DI #9, Submitted November 1, 2004		\$327,600	\$31,777	\$3,440	\$292,383
Change to Fund Splits from DI-9 (November 1, 2004)		\$0	\$42,900	\$0	(\$42,900)

* No additional funding is requested in FY 06-07 for the Children's Basic Health Plan Trust Fund since there are no changes to Cash Funds Exempt amounts within Decision Item #9 submitted on November 1, 2004. Note: Column 10 on the Schedule 6 is for the total amount of funding needed for FY 06-07.

Fiscal Year	Number of Months Consultant Needed	Type of Consultant	Number of Consultants	Hours	Hourly Rate	Total	Request/ Estimate
FY 04-05 (Sept – June)	9	Consultant	2	1,512	\$125	\$378,000	\$642,600
	9	Senior Consultant	1	1,512	\$175	\$264,600	
FY 05-06	4	Consultant	1	672	\$125	\$84,000	\$579,600
	4	Senior Consultant	0.5	672	\$175	\$58,800	
	8	Senior Consultant	1	1,344	\$175	\$235,200	
	8	Junior Consultant	2	1,344	\$75	\$201,600	
FY 06-07 (July – Dec)	6	Senior Consultant	1	1,008	\$175	\$176,400	\$327,600
	6	Junior Consultant	2	1,008	\$75	\$151,200	
Total							\$1,549,800

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING - FY 04-05 BUDGET REQUEST

**Schedule 6
Change Request for FY 04-05**

Department: Health Care Policy and Financing **Dept. Approval by:** Lisa Esgar **Date:** January 3, 2005
Priority Number: S-6 **OSPB Approval:** **Date:**
Program: Nursing Facilities Section **Statutory Citation:** 26-4-410 (1) (a) (I), C.R.S. (2004) and 26-4-502 (1), C.R.S. (2004)
Request Title: Nursing Facility Audits Reconciliation to Recent Bid

	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 03-04	Appropriation FY 04-05	Supplemental Request FY 04-05	Total Revised Request FY 04-05	Base Request FY 05-06	Decision/ Base Reduction FY 05-06	November 1 Request FY 05-06	Budget Amendment FY 05-06	Total Revised Request FY 05-06	Change from Base in Out Year FY 06-07
Total of All Line Items	Total	861,144	864,150	233,350	1,097,500	864,150	233,350	1,097,500	0	1,097,500	233,350
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	430,572	432,075	116,675	548,750	432,075	116,675	548,750	0	548,750	116,675
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	430,572	432,075	116,675	548,750	432,075	116,675	548,750	0	548,750	116,675
(1) Executive Director's Office											
Nursing Facility Audits	Total	861,144	864,150	233,350	1,097,500	864,150	233,350	1,097,500	0	1,097,500	233,350
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	430,572	432,075	116,675	548,750	432,075	116,675	548,750	0	548,750	116,675
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	430,572	432,075	116,675	548,750	432,075	116,675	548,750	0	548,750	116,675

Letter Notation:
Cash Fund name/number, Federal Fund Grant name: FF: Title XIX
IT Request: Yes No (If yes and request includes more than 500 programming hours, attach IT Project Plan)
Request Affects Other Departments: Yes No (If Yes, List Other Departments Here:)

**CHANGE REQUEST for FY 04-05
EFFICIENCY AND EFFECTIVENESS ANALYSIS**

SELECT ONE (click on box):

- Decision Item
- Base Reduction Item
- Supplemental Request Criterion: New Data
- Budget Request Amendment Criterion:

Priority Number:	S-6
Change Request Title:	Nursing Facility Audits Reconciliation to Recent Bid
Long Bill Line Item(s)	(1) Executive Director’s Office, Nursing Facility Audits
State and Federal Statutory Authority:	26-4-410 (1) (a) (I) and 26-4-502 (1), C.R.S. (2004)

Summary of Request (Alternative A): The Department is statutorily required to audit costs reported by Medicaid nursing facilities for rate setting purposes. The Department conducts a competitive procurement once every five years to obtain professional audit services needed to perform this function. The previous procurement period expired on June 30, 2003. A new procurement was conducted in FY 03-04 to continue audit services for the five-year period beginning July 1, 2004. The successful bid for the audit services increased the yearly cost by \$233,350, with 50% federal financial participation, beginning in FY 04-05. Therefore, the request is for \$233,350 total funds for FY 04-05 at 50% federal financial participation. This Supplemental Request for FY 04-05 corresponds to Change Request #DI-8 submitted November 1, 2004 for FY 05-06.

Alternative A {Recommended alternative}:

Problem or Opportunity Description: The Department contracts with an independent accounting firm to perform audits of nursing facility cost reports. The Medicaid “Financial and Statistical Report of Nursing Homes” (MED-13) determines which costs are reasonable, necessary, and patient related to subsequently set rates based on those costs. The audited cost reports are the basis for setting nursing facility rates to cover the reasonable and necessary costs of providing care

for Medicaid clients, in accordance with State and federal statutes. The audit services contract is competitively bid every five years.

The Department issued a Request for Proposal in FY 98-99 and a new contract was awarded effective July 1, 1999. However, the winning contractor's bid was \$45,316 over the appropriated FY 99-00 amount of \$818,834; therefore, a Supplemental Request for FY 99-00 and Budget Amendment for FY 00-01 #3A was approved to increase the funding (see Figure Setting, March 6, 2000 pages 58-59). The amount continued through the five years of the contract. The Department managed the contract by adjusting the number of field audits, desk audits, and rate calculations.

The number of audits in the contract bid had increased to 220 in FY 99-00. The increase in workload reflected changes in nursing facility ownership, new facilities entering the program, and mergers. For the five-years of the contract, the base appropriation amount was \$864,150, with the final year being FY 03-04. The same amount was appropriated for FY 04-05.

Having a five-year contract provides high accuracy and consistency in developing nursing facility rates annually. Without any change in the statutory rate methodology, any reduction in the scope, complexity or quality of nursing facility audit services would result in higher reimbursement rates, on average, for nursing facilities.

The contract is administered at a flat monthly rate. This flat reimbursement system was implemented by the Department in 1998 to simplify accounting, contract management and budgeting procedures that gave rise to significant problems in the past. Thus, vendors must submit a fixed price bid for the entire contract period. This fixed price system allows funding for this function to be requested on a continuation basis throughout the five-year period. Detailed requirements are necessary to continue a rigorous evaluation of nursing facility costs each year.

A competitive procurement began in FY 03-04 to issue a new five-year contract to begin FY 04-05. The Department had two bidders. Myers & Stauffer, the contractor for the

past 10 years, was selected through the State-approved procurement process based on a combination of technical audit requirements and cost. The contract is a 27% increase over the current appropriation.

General Description of Alternative:

This request is for an increase to the nursing facility audit contract, increasing the base appropriation by \$233,350 in FY 04-05. The increase is due to increased costs as estimated by the winning bidder, Myers & Stauffer. This Supplemental Request for FY 04-05 corresponds to Change Request #DI-8 submitted November 1, 2004 for FY 05-06.

The Department's ability to continue the current savings in medical premiums of approximately \$4.5 million and the approximately \$4 to \$1 savings to cost of audits ratio is greatly affected by the quality of the auditor. Rigorous auditing standards were required of the successful bidder to maintain these ratios.

Implementation Schedule:

Task	Month/Year
Contract signed for FY 04-05 appropriation amount (9 month contract)	May 2004
Contract extension for FY 04-05 written	March 2005
Extension of contract signed	Signed April 2005
Extension of contract effective	April 2005; may be annually renewed through FY 08-09

Calculations for Alternative's Funding:

Summary of Request FY 04-05 Matches Schedule 6 and Recommended Request	Total Funds	General Fund	Federal Funds
Total Revised Request (Column 4)	\$1,097,500	\$548,750	\$548,750
Supplemental Request for contract (Column 3)	\$233,350	\$116,675	\$116,675
FY 04-05 Appropriation (Column 2)	\$864,150	\$432,075	\$432,075

The basis of the requested increase is the successful procurement award of April 2004.

Impact on Other Areas of Government: No other areas of government are impacted.

Assumptions for Calculations: The requested increase to the contract (27%) is based on the successful bid for the contract in April 2003.

FY 04-05 Appropriation	\$864,150	
New contract amount	\$1,097,500	
Difference	\$233,350	27%

The following tables show the assumptions used to calculate the average savings per day for the five-years of the contract and the nursing facility costs and their growth over the same five-year period to comparing Alternatives A and B using a cost effectiveness analysis.

Per diem savings are provided each year by the audit contractor and nursing facility costs are from November 1, 2004 FY 05-06 Budget Request, Exhibit T pages ET-1 and ET-2. For each year and for each nursing facility, the auditor compiles the cost per patient per day calculated before the audit and the cost per patient per day (per diem) rate calculated after the audit of costs. The two rates are compared and the differences in the rates computed. The average of that difference, between the rate before the audit and after the audit, is the average per diem savings due to the audit for that year. Savings per diem are realized when the auditor that can effectively identify costs that are not allowed per Medicaid regulations or are misallocated.

Year	Per Diem Savings
FY 98-99	(\$0.77)
FY 99-00	(\$1.54)
FY 00-01	(\$1.49)
FY 01-02	(\$0.90)
FY 02-03	(\$1.43)
Average	(\$1.23)

Year	Actual Nursing Facility Costs
FY 98-99	\$339,247,796
FY 99-00	\$352,309,732
FY 00-01	\$351,301,425
FY 01-02	\$377,241,370
FY 02-03	\$380,354,855

Average Growth is calculated by subtracting the first and last year of data finding the percent increase and then dividing the five years of growth by five.	
\$41,107,059	5 year Growth from FY 98-99 to FY 02-03
12.12%	Growth Percentage for five years
2.42%	Average Growth per Year

Concerns or Uncertainties of Alternative: There are no concerns or uncertainties with this alternative.

Alternative B {Status quo; no change in funding; not recommended}:

General Description of Alternative: Maintain the current funding level for nursing facility audits.

Calculations for Alternative's Funding: No change in funding with this alternative.

Concerns or Uncertainties of Alternative: The current contractor placed a bid for this contract under state-approved procurement procedures, and was awarded the contract based on the requirements in the Request for Proposal. The Department cannot make obligations without an appropriation. If the appropriation is not increased to address the contractual winning bid, the contract is estimated to run for 9 months, instead of 12, and would perform about 25% fewer audits. For the first 9 months of the year, the Department would attempt to target audits, to the extent possible, where there has been a high degree of variability over the years. Work would not continue in the last three months.

The result would be higher Medicaid premium costs, as fewer errors will be found that would lower the costs to Medicaid. A weaker audit program will also increase the likelihood of fraud.

Supporting Documentation

Analytical Technique: Cost Effectiveness Analysis - Audits each year are examined and the auditors calculate the changes in per diem rates for each facility. A per patient per day savings rate for all

audits is then calculated each year. For this analysis, the average of the last five-year period available was used to estimate the rate for FY 04-05. The five year average savings per day rate was increased by the growth rate projected for nursing home costs for the same five-year period as the savings per day. This estimated savings per day rate for FY 04-05 was then multiplied by the number of anticipated patient days in FY 04-05.

This is a rough total estimated savings that might be realized if a consistent level of auditing is undertaken. It is not known what exact findings will occur in the audits or what rates changes there would be with the additional funding, Alternative A assumes that the full savings would be realized (patient days times savings per patient day and the cost to maintain the savings is \$1,097,500). Alternative B assumes nine-months (75%) of the savings would be realized if the contract amount is not increased and remains at the FY 99-00 to FY 03-04 contract level. The following table shows the calculation for both Alternative A and Alternative B.

Patient days	3,394,044	FY 04-05 Nursing Home Patient Days for FY 04-05 per November 1, 2004 FY 05-06 Budget Request Exhibit H (page EH-1)
Average savings per patient day	\$1.23	Average savings per day for all nursing homes over a five year period per Myers & Stauffer, auditors
1 year of inflation at a growth rate per year based on five years of nursing facility costs equals to 2.42%		
Estimated savings per patient day	\$1.26	Average savings per day for all nursing homes multiplied by the growth rate of reimbursement over the most current five-year period available. (\$1.23 increased by 2.42% for one year)
Estimated savings	\$4,276,495	Patient days multiplied by estimated savings per patient day
Alternative A		
Savings for Alternative A	\$4,276,495	Patient days times savings per day
Contract funding Alternative A	\$1,097,500	Proposed contract - FY 04-05 appropriation increased by \$233,350
Savings for each dollar spent on the contract under Alternative A	\$3.90	Estimated savings divided by contract funding

Alternative B		
Full year of savings from Alternative A	\$4,276,495	Full year of savings would be reduced - savings would be for 9 month
Savings for Alternative B	\$3,207,371	9 months of savings (estimated by the contractor for the Department)
Contract Funding Alternative B	\$864,150	Appropriation for FY 04-05
Savings for each dollar spent on the contract under Alternative B	\$3.71	Estimated savings divided by contract funding

Alternative A is the preferred alternative as the savings per dollar spent of \$3.90 from Alternative A is more than the \$3.71 savings per dollar spent from Alternative B.

Quantitative Evaluation of Performance -
Compare all Alternatives:

Alternative A returns an estimated \$0.19 per patient day more than Alternative B and would be the preferred alternative. This is \$1,069,124 in estimated avoided costs in FY 04-05. This amount is roughly estimated and may or may not be accurate, but it is expected that a reduction in the audit contract would increase the cost per patient day and thus the Medical Services Premiums costs in total.

Statutory and Federal Authority:

26-4-410 (1) (a) (I), C.R.S. (2004) *For the purpose of making payments to private, nonprofit, or proprietary nursing facility providers and intermediate care facilities for the mentally retarded, the state department shall establish a price schedule to be readjusted every twelve months, that shall reimburse, subject to available appropriations, each such provider, as nearly as possible, for its actual or reasonable cost of services rendered, whichever is less, its case-mix adjusted nursing costs as defined in section 26-4-502.5 (1), and a fair rental allowance for capital-related assets as defined in section 26-4-503 (4). The state department shall adopt rules, including uniform accounting or reporting procedures, in order to determine such actual or reasonable cost of services and case-mix adjusted nursing costs and the reimbursement therefore. The provisions of this subparagraph (I) shall not apply to state-operated intermediate care facilities for the mentally retarded.*

26-4-502 (1), C.R.S. (2004) "*Actual cost*" means the allowable audited cost of providing service.

Department Objectives Met if Approved:

1.1 To maximize the opportunity to maintain health care services through the purchase of services in the most cost-effective manner possible.

1.5 To accurately project, report, and manage budgetary requirements to effect Executive and Legislative intent with program and budget development and operations. To accurately record and monitor expenditures for programs managed by the Department so there may be accurate financial reporting at all times.

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING - FY 04-05 BUDGET REQUEST

**Schedule 6
Supplemental Request for FY 04-05**

Department: Health Care Policy and Financing **Dept. Approval by:** Lisa Esgar **Date:** January 3, 2005
Priority Number: S-7 **OSPB Approval:** **Date:**
Program: Community Based Long Term Care **Statutory Citation:** 26-4-674, 26-4-302, 26-4-522, C.R.S. (2004)
Request Title: Move \$1.8 million for Case Management from Mental Health Community Programs to Medical Services Premiums

	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 03-04	Appropriation FY 04-05	Supplemental Request FY 04-05	Total Revised Request FY 04-05	Base Request FY 05-06	Decision/Base Reduction FY 05-06	November 1 Request FY 05-06	Budget Amendment FY 05-06	Total Revised Request FY 05-06	Change from Base in Out Year FY 06-07
Total of All Line Items	Total	1,868,658,515	1,937,471,939	0	1,937,471,939	1,937,300,619	0	1,937,300,619	0	1,937,300,619	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	855,002,797	938,054,849	0	938,054,849	937,655,815	0	937,655,815	0	937,655,815	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	72,180	0	72,180	72,180	0	72,180	0	72,180	0
	CFE	27,852,232	30,181,738	0	30,181,738	30,495,113	0	30,495,113	0	30,495,113	0
	FF	985,803,486	969,163,172	0	969,163,172	969,077,511	0	969,077,511	0	969,077,511	0
(2) Medical Services Premiums	Total	1,868,658,515	1,934,644,559	1,780,300	1,936,424,859	1,934,334,218	1,780,300	1,936,114,518	0	1,936,114,518	1,780,300
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	855,002,797	936,641,159	890,150	937,531,309	936,172,614	890,150	937,062,764	0	937,062,764	890,150
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	72,180	0	72,180	72,180	0	72,180	0	72,180	0
	CFE	27,852,232	30,181,738	0	30,181,738	30,495,113	0	30,495,113	0	30,495,113	0
	FF	985,803,486	967,749,482	890,150	968,639,632	967,594,311	890,150	968,484,461	0	968,484,461	890,150
(3) Medicaid Mental Health Community Programs (B) Mental Health Programs, Medicaid Mental Health Fee for Service Payments	Total	0	2,827,380	(1,780,300)	1,047,080	2,966,401	(1,780,300)	1,186,101	0	1,186,101	(1,780,300)
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	1,413,690	(890,150)	523,540	1,483,201	(890,150)	593,051	0	593,051	(890,150)
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	0	1,413,690	(890,150)	523,540	1,483,200	(890,150)	593,050	0	593,050	(890,150)

Letter Notation:

Cash Fund name/number, Federal Fund Grant name:

FF: Title XIX

IT Request: Yes No (If yes and request includes more than 500 programming hours, attach IT Project Plan)

Request Affects Other Departments: Yes No (If Yes, List Other Departments Here:)

CHANGE REQUEST for FY 04-05
EFFICIENCY AND EFFECTIVENESS ANALYSIS

SELECT ONE (click on box):

- Decision Item
- Base Reduction Item
- Supplemental Request
- Budget Request Amendment

Criterion: New Data
 Criterion:

Priority Number:	S-7
Change Request Title:	Move \$1.8 million for Case Management from Mental Health Community Programs to Medical Services Premiums
Long Bill Line Item(s)	(2) Medical Services Premiums; (3) Medicaid Mental Health Community Programs, (B) Mental Health Programs, Medicaid Mental Health Fee for Service Payments
State and Federal Statutory Authority:	26-4-674, 26-4-302, 26-4-522, C.R.S. (2004)

Summary of Request (Alternative A):

This Supplemental Request is to move \$1,780,300 from the Medicaid Mental Health Community Programs Long Bill group to the Medical Services Premiums Long Bill group in FY 04-05. Formerly paid to mental health centers for case management of clients in the Home and Community Based Services for Mental Illness waiver, this funding is now paid to Single Entry Point agencies for the same purpose. Because the service costs for these clients are paid from the Medical Services Premiums Long Bill group, along with other Single Entry Point case management costs, this change will place the funding in the most appropriate budget location. This Supplemental Request corresponds to Change Request #DI-12 submitted November 1, 2004 for FY 05-06.

Alternative A {Recommended alternative}:

Problem or Opportunity Description:

Prior to FY 01-02, the Department of Human Services administered the Home and Community Based Services for the mentally ill program. On December 26, 2002, under agreement of both agencies, the Department of Human Services notified the Department

of Health Care Policy and Financing via letter that it would no longer be responsible for the program. At that time, Health Care Policy and Financing contracted with community mental health centers to provide case management services to the clients in the Home and Community Based Services for Mental Illness waiver. The funding was in the Long Bill group "Department of Human Services Medicaid Funded Programs," under the line item "Mental Health Community Programs, Medicaid Mental Health Fee for Service Payments." However, the Department of Health Care Policy and Financing contracted directly with and directly paid the community mental health centers for these services.

Beginning July 1, 2003, the Department of Health Care Policy and Financing began to contract with Single Entry Point agencies for these services instead of mental health centers. On March 9, 2004, the Department informed the Joint Budget Committee via letter that although the funding for these Single Entry Point case management services was in the budget line items that are transferred to the Department of Human Services, Health Care Policy and Financing was going to continue to pay the Single Entry Points from this line item in FY 03-04. The Department expressed the plan to submit a Decision Item for FY 05-06, which was submitted on November 1, 2004 as Change Request #DI-12, and a Supplemental Request for FY 04-05.

Currently all home and community based waiver services and Medicaid State Plan services for clients with mental illness are funded through the Medical Services Premiums Long Bill group. In addition, all other Single Entry Point agency case management services for Medicaid clients are funded through the Medical Services Premiums Long Bill group.

General Description of Alternative:

The Department requests this technical adjustment to move appropriated dollars from an inapplicable Long Bill group (Medicaid Mental Health Community Programs) to the more appropriate Long Bill group (Medical Services Premiums) in the current year. This amount is \$1,780,300 total funds at 50% federal financial participation. Change Request #DI-12 was submitted on November 1, 2004 to make the same adjustment for FY 05-06.

There are several advantages to this change. The “Medicaid Mental Health Fee for Service Payments” line item currently houses two primary types of costs: 1) Single Entry Point case management services, and 2) fee-for-service or non-capitation payments made on behalf of Medicaid clients. While the vast majority of Medicaid clients are in mental health managed care organizations, some clients do receive exceptions to receive their care under fee-for-service. To remove Single Entry Point case management services from this line item would make the line item name completely relevant to the type of expenditures charged against it.

Since all other Single Entry Point agency case management services for Medicaid clients are funded through the Medical Services Premiums Long Bill group, moving these services from the Medicaid Mental Health Fee for Service Payments line item to the Medical Services Premiums places like costs together. This makes projecting expenditures more complete and accurate, and improves understanding and tracking of the like expenditures since they are in the same budget location. All medical costs for the same clients are then in the same location in the budget.

Finally, moving Single Entry Point agency case management services to the Medical Services Premiums Long Bill group improves contract management and procurement tracking, since the dollars for the case management services are in one appropriation instead of two. Over time, this will improve administrative efficiency.

This change is cost neutral. It does not change current administrative operations. This change does not affect Medicaid clients.

Implementation Schedule:

Task	Month/Year
Do not transfer funds to the Department of Human Services, charge Single Entry Point agency case management services to the Medicaid Mental Health Fee for Service Payments line item.	FY 03-04
Line item currently in Health Care Policy and Financing and charge Single Entry Point agency case management services to the Medicaid Mental Health Fee for Service Payments line item.	July 1, 2004 to passage of pending Supplemental Request, approximately March 2005
Upon the passage of the Supplemental Request, the Budget Department will coordinate with the Accounting Department to transfer the Single Entry Point agency case management services expenditures to date from Medicaid Mental Health Fee for Service Payments line item to Medical Services Premiums. All additional charges for FY 04-05 will be directly expensed to Medical Services Premiums.	Approximately March 2005
Charge Single Entry Point agency case management services to the Medical Services Premiums	FY 05-06

Calculations for Alternative's Funding:

Summary of Request FY 04-05 Matches Schedule 6 Incremental Request	Total Funds	General Fund	Federal Funds
Total Request	\$0	\$0	\$0
(2) Medical Services Premiums	\$1,780,300	\$890,150	\$890,150
(3) Medicaid Mental Health Community Programs, (B) Mental Health Programs, Medicaid Mental Health Fee for Service Payments	(\$1,780,300)	(\$890,150)	(\$890,150)

Impact on Other Areas of Government: Due to HB 04-1265, the Medicaid community mental health appropriations are now in Health Care Policy and Financing, so there are no other State departments affected.

Assumptions for Calculations: The amount of \$1,780,300 is the historical amount spent on case management services in the Home and Community Based Services for Mental Illness program. Expenditures listed below are for the past three fiscal years:

- FY 03-04 \$1,780,300

- FY 02-03 \$1,908,801 (\$1,780,300 + \$127,781 overexpenditure from FY 01-02)
- FY 01-02 \$1,636,839

Please see the Medicaid Mental Health Community Programs in the Department's FY 05-06 Legislative Budget Request, Assumptions and Calculations, page M-143, submitted November 1, 2004 for the assumptions related to the balance of the Medicaid Mental Health Fee for Service Payments line item.

These costs are authorized for 50% federal financial participation.

Concerns or Uncertainties of Alternative: This is a technical improvement and does not result in any concerns.

Alternative B {Status quo; no change in funding; not recommended}:

General Description of Alternative: This alternative would retain the funding for the Single Entry Point agency case management services within Medicaid Mental Health Fee for Service Payment line item. This alternative would also be cost neutral. It does not change current administrative operations. This change would not affect Medicaid clients.

Calculations for Alternative's Funding: No change in funding with this alternative.

Concerns or Uncertainties of Alternative: This alternative would continue to fund the Single Entry Point agency case management services in a line item that is not the best fit for these types of services. It would reduce budget transparency and increase administrative confusion.

Supporting Documentation

Analytical Technique: Because the costs are fixed in both scenarios, the Cost-Effectiveness Analysis is used. Alternative A is more effective because, for the same cost, it:

- Is less administrative burden;

- Improves projection information; and
- Creates budget clarity for mental health fee-for-service payments.

Alternative B provides none of this effectiveness.

Quantitative Evaluation of Performance -
Compare all Alternatives:

There are no quantifiable outcomes with Alternative A. They are all qualitative benefits as described in the Analytical Technique and the General Description of Alternative.

Statutory and Federal Authority:

26-4-674, C.R.S. (2004). Relationship to single entry point for long-term care.

The home- and community-based services program for persons with major mental illnesses shall not be considered a publicly funded long-term care program for the purposes of sections 26-4-521 to 26-4-525, concerning the single entry point system, unless and until the departments of health care policy and financing and human services provide in the memorandum of understanding between the departments for the inclusion of the program in the single entry point system.

26-4-302, C.R.S. (2004). Basic services for the categorically needy - optional services.

(1) Subject to the provisions of subsection (2) of this section, the following are services for which federal financial participation is available and which Colorado has selected to provide as optional services under the medical assistance program: (c) Home- and community-based services, as specified in part 6 of this article, which include: (IV) Home- and community-based services for persons with major mental illnesses, as specified in subpart 5 of part 6 of this article; (l) Case management . . .

26-4-522, C.R.S. (2004). Single entry point system - authorization - phases for implementation - services provided.

(1) Authorization. The medical services board is hereby authorized to adopt rules providing for the establishment of a single entry point system that consists of single entry point agencies throughout the state for the purpose of enabling persons eighteen years of age or older in need of long-term care to access appropriate long-term care services.

(3) Single entry point agencies - service programs - functions. (a) A single entry point agency shall be an agency in a local community through which any person eighteen years

of age or older who is in need of long-term care can access needed long-term care services. A single entry point agency may be a private, nonprofit organization, a county agency, including a county department of social services, a county nursing service, an area agency on aging, or a multicounty agency. Persons in need of specialized assistance such as services for developmental disabilities or mental illness may be referred by a single entry point agency to programs under the department of human services.

(c) The major functions of a single entry point shall include, but need not be limited to, the following: (I) Providing information; (II) Screening and referral services; (III) Assessing clients' needs in accordance with section 26-4-507; (IV) Developing plans of care for clients; (V) Determining payment sources available to clients for long-term care services; (VI) Authorizing the provision of certain long-term care services, as designated by the state department; (VII) Determining eligibility for certain long-term care programs, as designated by the state department; (VIII) Delivering case management services as an administrative function; (IX) Targeting outreach efforts to those most at risk of institutionalization; (X) Identifying resource gaps and coordinating resource development; (XI) Recovering overpayment of benefits in accordance with rules adopted by the medical services board; (XII) Maintaining fiscal accountability; and (XIII) Rendering state certified services, as provided by medical services board rules, as a qualified and state certified agency.

Department Objectives Met if Approved:

1.5 To accurately project, report, and manage budgetary requirements to effect executive and legislative intent with program and budget development and operations. To accurately record and monitor expenditures for programs managed by the Department so there may be accurate financial reporting at all times.

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING - FY 04-05 BUDGET REQUEST

Schedule 6											
Change Request for FY 04-05											
Department: Health Care Policy and Financing						Dept. Approval by: Lisa Esgar		Date: January 3, 2005			
Priority Number: S-8						OSPB Approval:		Date:			
Program: Quality Improvement/Behavioral Health Benefits						Statutory Citation: 26-4-123, 26-4-119, C.R.S. (2004)					
Request Title: Balance Mental Health FTE to Department Need											
		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 03-04	Appropriation FY 04-05	Supplemental Request FY 04-05	Total Revised Request FY 04-05	Base Request FY 05-06	Decision Item/ Base Reduction FY 05-06	November 1 Request FY 05-06	Budget Amendment FY 05-06	Total Revised Request FY 05-06	Change from Base in Out Year FY 06-07
Total of All Line Items	Total	13,676,335	14,659,011	0	14,659,011	15,040,412	0	15,040,412	0	15,040,412	0
	FTE	200.40	204.50	(2.00)	202.50	205.60	(2.00)	203.60	0.00	203.60	(2.00)
	GF	5,534,432	6,563,571	0	6,563,571	6,595,805	0	6,595,805	0	6,595,805	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	85,004	199,337	0	199,337	278,932	0	278,932	0	278,932	0
	FF	8,056,899	7,896,103	0	7,896,103	8,165,675	0	8,165,675	0	8,165,675	0
(1) Executive Director's Office	Total	12,764,130	12,692,267	678,199	13,370,466	13,060,371	687,706	13,748,077	0	13,748,077	687,706
Personal Services	FTE	200.40	195.50	7.00	202.50	196.60	7.00	203.60	0.00	203.60	7.00
	GF	5,082,103	5,673,951	339,099	6,013,050	5,701,905	343,853	6,045,758	0	6,045,758	343,853
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	84,262	198,505	0	198,505	275,730	0	275,730	0	275,730	0
	FF	7,597,765	6,819,811	339,100	7,158,911	7,082,736	343,853	7,426,589	0	7,426,589	343,853
(1) Executive Director's Office	Total	912,205	929,648	6,090	935,738	933,438	6,090	939,528	0	939,528	6,090
Operating Expenses	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	452,329	459,274	3,045	462,319	458,800	3,045	461,845	0	461,845	3,045
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	742	832	0	832	3,202	0	3,202	0	3,202	0
	FF	459,134	469,542	3,045	472,587	471,436	3,045	474,481	0	474,481	3,045
(3) Medicaid Mental Health Community Programs	Total	0	1,037,096	(1,037,096)	0	1,046,603	(1,046,603)	0	0	0	(1,046,603)
(A) Program Administration	FTE	0.00	9.00	(9.00)	0.00	9.00	(9.00)	0.00	0.00	0.00	(9.00)
<i>[eliminate line item]</i>	GF	0	430,346	(430,346)	0	435,100	(435,100)	0	0	0	(435,100)
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	0	606,750	(606,750)	0	611,503	(611,503)	0	0	0	(611,503)
(3) Medicaid Mental Health Community Programs	Total	0	0	352,807	352,807	0	352,807	352,807	0	352,807	352,807
(A) External Quality Review Organization	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>[new line item]</i>	GF	0	0	88,202	88,202	0	88,202	88,202	0	88,202	88,202
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	0	0	264,605	264,605	0	264,605	264,605	0	264,605	264,605
Cash Fund name/number <input type="checkbox"/> Federal Fund Grant name: <input checked="" type="checkbox"/>		FF: Title XIX and Title XXI CFE: Breast and Cervical Cancer Prevention and Treatment Fund and Children's Basic Health Plan									
IT Request: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (If yes and request includes more than 500 programming hours, attach IT Project Plan)											
Request Affects Other Departments: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (If Yes, List Other Departments Here:)											

CHANGE REQUEST for FY 04-05
EFFICIENCY AND EFFECTIVENESS ANALYSIS

SELECT ONE (click on box):

- Decision Item
- Base Reduction Item
- Supplemental Request
- Budget Request Amendment

Criterion: New Data
 Criterion:

Priority Number:	S-8
Change Request Title:	Balance Mental Health FTE to Department Need
Long Bill Line Item(s)	(1) Executive Director’s Office, Personal Services; (1) Executive Director’s Office, Operating Expenses; (3) Medicaid Mental Health Community Programs, (A) Program Administration, (A) External Quality Review Organization
State and Federal Statutory Authority:	26-4-123, 26-4-119, C.R.S. (2004), 42 C.F.R. 438.310, 42 C.F.R. 438.6

Summary of Request (Alternative A):

At the time HB 04-1265 was passed, with the corresponding adjustment for FY 04-05 occurring via the Long Bill, HB 04-1422, it was understood that the Department would move Personal Services related costs from the Program Administration line item in the Medicaid Mental Health Community Programs Long Bill group to the Department’s Personal Services and Operating Expenses line items in the Executive Director’s Office Long Bill group. This would collect all personal services and operating costs in the Executive Director’s Office. This Supplemental Request is to accomplish this move in the current year, and to reduce the FTE count by 2.00 to balance to the Department’s hiring decisions. There is no change to net General Fund, total funds, or fund splits. This Supplemental Request corresponds to Change Request #BRI-1 submitted November 1, 2004 for FY 05-06.

Alternative A {Recommended alternative}:

Problem or Opportunity Description:

HB 04-1265 transferred the administration of Medicaid mental health community programs from the Department of Human Services to the Department of Health Care Policy and Financing. As the Single State Agency authorized by the federal Centers for Medicare and Medicaid Services, and as authorized in State statute, Health Care Policy and Financing has always been responsible for the oversight of the program and contracting with the managed care organizations. However, until April 2004, the Department of Human Services was responsible for the day-to-day administration of the program. Under the authority of HB 04-1265, and the appropriations in the Long Bill, Health Care Policy and Financing was appropriated 9.0 FTE and \$1,037,096 for Medicaid mental health administration. The Department of Human Services retained a portion of the funding and FTE for ongoing activity related to Medicaid mental health administration.

There was discussion with the Joint Budget Committee during the HB 04-1265 fiscal note process and Long Bill reconciliation process that the Department of Health Care Policy and Financing would need to assess the administrative needs with this change in responsibility. It was expected that the Department would submit a budget action request to move any dollars appropriated to the mental health Program Administration line for staffing costs to the Executive Director's Office Long Bill group. In fact, the Joint Budget Committee was supportive of a consolidation of personal services appropriation for the FY 03-04 budget. This request continues that intent by reconciling personal services and other administrative costs.

General Description of Alternative:

This Supplemental requests the same types of adjustments in the current year as Change Request #BRI-1 did for FY 05-06:

- To move FTE and personal services dollars from the mental health Program Administration line item to the Personal Services line item in the Executive Director's Office Long Bill group (7.0 FTE and \$678,199 total funds);

- To move operating dollars (\$6,090) associated with the FTE from the mental health Program Administration line to the Operating Expenses line item in the Executive Director's Office Long Bill group;
- To retain the External Quality Review Organization contract costs in the mental health Long Bill group; and
- To reduce the overall count of FTE for the Department based on the number of staff needed for the program.

Move FTE and Personal Services Dollars

Although 9.0 FTE were appropriated in the Long Bill for administration of Medicaid mental health community programs, the Department does not require this many full time staff to administer the program. Health Care Policy and Financing typically contracts with private and public entities for much of its administration of programs. This will continue for the mental health community programs. Although the Department does not require the full FTE count as appropriated, the full amount of funding is needed in order to pay both the necessary staff and to fund contracts for the administration of the program.

The Department has 7.0 State FTE dedicated to the administration of this program. See "Description of Positions" in Base Reduction Item #1 of the Department's FY 05-06 Budget Request, submitted November 1, 2004 for more information about each FTE.

The Personal Services cost associated with these seven positions is approximately \$440,878 (see Table B within BRI-1 of the Department's FY 05-06 Budget Request). 7.0 FTE are requested to be moved to Executive Director's Office, Personal Services.

The Department's request also transfers an additional \$237,321 (see Table A for calculations) from the mental health Program Administration line to the Personal Services line item in the Executive Director's Office Long Bill group. This funding, previously used by the Department of Human Services for personnel costs, is needed by Health Care Policy and Financing for other contracts for actuarial services and Ombudsman services

of the program. The FY 05-06 Change Request #BRI-1 submitted November 1, 2004 requested a transfer amount of \$246,828, a difference of \$9,507 from the current year figure of \$237,321. The difference from this FY 04-05 request is due to POTS adjustments.

Actuarial certification is required by State statute and federal regulations. Depending on whether the current rates are being updated, or whether rates are being recalibrated, this cost can range from \$50,000 to \$150,000 per year. The Department's other actuarial services (that is, for health maintenance organizations and the Program of All Inclusive Care for the Elderly) are also paid from the Personal Services line item. Therefore, it would be most practical to transfer these funds to the Personal Services line item so that all funds are in the same appropriation location. This would facilitate budgeting, accounting, contracting, and procurement efficiencies.

Funding is also needed for the Ombudsman contract. The Department currently contracts with a managed care ombudsman for the medical services side of Medicaid. Health Care Policy and Financing has expanded the current contract so that it can address the needs of Medicaid clients seeking mental health services. A portion of this funding would be used by the Department for these services. The Department's other Ombudsman services for managed care organization are also paid from the Personal Services line item. Again, it would be most practical to transfer these funds to the Personal Services line item so that all funds are in the same appropriation location. This creates efficiencies for budgeting, accounting, contracting, and procurement.

Move "Operating Expenses" Dollars

The same FTE require ongoing operating costs for supplies and routine telephone charges. These costs are delineated in Table B of the Department's FY 05-06 Legislative Budget Request. Initial operating costs such as computers, software, and large equipment are not affected in FY 04-05 or FY 05-06 as they were not appropriated by the General Assembly. HB 04-1265 specified that "*all . . . computers and software . . . of the Department of Human Services pertaining to . . . administering all Medicaid Community*

Mental Health Services for medical assistance recipients are transferred to the State Department and shall become the property thereof.” Therefore, total funds of \$6,090 based on the Common Policies for maintenance costs are requested to be moved to the Executive Director’s Office, Operating Expenses line item.

Retain External Quality Review Organization

The Department’s request is for \$352,807 to remain in the Program Administration line item in the Medicaid Mental Health Community Programs Long Bill group. The request is also to rename the line item to External Quality Review Organization. This funding is for federally-required external quality review activities that receive a 75% federal financial participation. This is the amount traditionally allocated for this service.

Reduce Overall FTE

Since 7.0 FTE are needed to administer the program internally, 7.0 FTE are requested to be transferred to Personal Services, and 2.0 FTE are reduced. However, there is no reduction in base dollars requested as the full amount of funding is needed in order to pay both the necessary staff and to fund contracts for the administration of the program.

Implementation Schedule:

Task	Month/Year
3 staff transferred from Department of Human Services to Health Care Policy and Financing	April 2004
Ombudsman Contract revised	May 2004
All 7.0 positions filled for FY 04-05	November 2004
Actuary services procured	Annually as needed to meet State and federal requirements
Personal Services, Operating Expenses, Ombudsman, Actuary services and External Quality Review Organization expenditures charged against Medicaid Mental Health Program Administration	July 1, 2004 to passage of pending Supplemental Request, approximately March 2005
Upon the passage of the Supplemental Request, the Budget Division will coordinate with the Accounting Section to transfer the Personal Services, Operating Expenses, Ombudsman, and Actuary services expenditures to date from Medicaid Mental Health Program Administration line item to Executive Director's Office line. All additional charges for FY 04-05 will be directly expensed to Executive Director's Office.	Approximately March 2005
Upon the passage of the Supplemental Request, the Budget Division will coordinate with the Accounting Section to transfer the External Quality Review Organization expenditures to a new line item, (3) Medicaid Mental Health Community Programs, (A) External Quality Review Organization	Approximately March 2005

Calculations for Alternative's Funding:

Summary of Request FY 04-05 for (3) Medicaid Mental Health Community Programs, (A) Program Administration	Total Funds	General Fund	Federal Funds	FTE
FY 04-05 Base Appropriation	\$1,037,096	\$430,346	\$606,750	9.0
Incremental Adjustment	(\$1,037,096)	(\$430,346)	(\$606,750)	(9.0)
Remaining Funds <i>[eliminate line item]</i>	\$0	\$0	\$0	0.0

Summary of Request FY 04-05 for (3) Medicaid Mental Health Community Programs, (A) External Quality Review Organization	Total Funds	General Fund	Federal Funds	FTE
FY 04-05 Base Appropriation	\$0	\$0	\$0	0.0
Incremental Adjustment	\$352,807	\$88,202	\$264,605	0.0
New Total [new line item]	\$352,807	\$88,202	\$264,605	0.0

Summary of Request FY 04-05 for (1) Executive Director's Office	Total Funds	General Fund	Federal Funds	FTE
Personal Services, Incremental Increase*	\$678,199	\$339,099	\$339,100	7.0
Operating Expenses, Incremental Increase	\$6,090	\$3,045	\$3,045	0.0
Total Net Incremental Increase for Executive Director's Office	\$684,289	\$342,145	\$342,145	7.0

Table A – Other Personal Services Costs			
	Total Funds	General Fund	Federal Funds
(3) Medicaid Mental Health Community Programs, (A) Program Administration FY 04-05 Appropriation	\$1,037,096	\$430,346	\$606,750
Subtract estimated Personal Services and Operating Costs delineated in Table B of Change Request #BRI-1 for FY 05-06	(\$446,968)	(\$223,484)	(\$223,484)
External Quality Review Organization	(\$352,807)	(\$88,202)	(\$264,605)
Net to transfer to Personal Services for Actuary and Ombudsman Services	\$237,321	\$118,660	\$118,661

Impact on Other Areas of Government: There is no budgetary impact to any other State agency due to this line item change.

Assumptions for Calculations:

There is no annualization to Operating Expenses because no dollars were appropriated or allocated for any one time costs such as computers or office furniture. The base operating amounts per person per Common Policy instructions were used.

FY 05-06 Change Request #BRI-1, submitted November 1, 2004, requested an incremental increase to Personal Services equal to \$687,706, a difference of \$9,507 from this Supplemental Request. This difference is due to POTS adjustments to the FY 05-06 Base Request amount for Salary Survey, Range Adjustment, Amortization Equalization Disbursement, Medicare Differential, and the 0.2% Office of State Planning and Budgeting Base Adjustment (see Schedule 3, page D.3-3 through page D.3-4, Section II – Personal Services Request for details).

POTS are not addressed in this request because they were specifically appropriated to the applicable line items in the FY 04-05 Long Bill (HB 04-1422).

Funding for External Quality Review Organization activities is calculated at 75% federal financial participation. All other funding is subject to 50% federal financial participation.

The estimates of actuarial services are based on the Department's recent experience with these types of contractors.

The amounts used for Personal Services, Ombudsman, and actuary services are estimates for the purpose of describing the request.

Concerns or Uncertainties of Alternative:

There are no concerns with this alternative.

Alternative B {Status quo; no change in funding; not recommended}:

General Description of Alternative:

This alternative maintains all administrative costs, including FTE, salaries, operating costs, and other administrative funding, in the (3) Medicaid Mental Health Community

Programs, (A) Program Administration line item. There is no change to net FTE, General Fund, total funds, or fund splits.

Calculations for Alternative’s Funding: No change in funding with this alternative.

Concerns or Uncertainties of Alternative: This alternative adds administrative burden and confusion by placing a small number of FTE and their related costs in a line item separate from all other personnel in the Department. In addition, it assigns the Department 2.0 FTE more than it needs to administer its assigned programs.

Supporting Documentation

Analytical Technique: Cost Effectiveness Analysis
 Both alternatives have the same benefits and program impacts, but Alternative A has a reduced FTE count.

Alternative	Personal Services Funding Net Impact	Operating Expenses Funding Net Impact	FTE Count Net Impact
Alternative A – Transfer Funding	\$0	\$0	-2.0
Alternative B – Reject Transfer	\$0	\$0	0.0

Alternative A is the preferred alternative because it has the same benefits as Alternative B but reduces the Department’s FTE count.

Quantitative Evaluation of Performance -
 Compare all Alternatives: The only quantifiable difference between alternatives is the change in FTE. All other benefits are qualitative, consisting primarily of budget reconciliation administrative efficiencies.

Statutory and Federal Authority:

26-4-123, C.R.S. (2004) - Medicaid Community Mental Health Services - Administration - Rules. *(1) Except as provided for in Subsection (3) of this Section, the State Department shall administer all Medicaid Community Mental Health Services for medical assistance recipients including but not limited to the prepaid capitated single entry point system for mental health services, the fee-for-service mental health services, and alternatives to institutionalization. The administration of Medicaid Community Mental Health Services shall include but shall not be limited to program approval, program monitoring, and data collection. (4) On and after the effective date of this Subsection (4), all positions of employment in the Department of Human Services concerning the powers, duties, and functions of administering all Medicaid Community Mental Health Services for medical assistance recipients transferred to the State Department pursuant to this Section and determined to be necessary to carry out the purposes of this Section by the Executive Director of the State Department shall be transferred to the State Department and shall become employment positions therein. (5) On and after the effective date of this Subsection (5), all items of property, real and personal, including office furniture and fixtures, computers and software, books, documents, and records of the Department of Human Services pertaining to the duties and functions of administering all Medicaid Community Mental Health Services for medical assistance recipients are transferred to the State Department and shall become the property thereof.*

42 C.F.R. 438.310 *(a) Statutory basis. This subpart is based on sections 1932(c)(2), 1903(a)(3)(C)(ii), and 1902(a)(4) of the Act. (b) Scope. This subpart sets forth requirements for annual external quality reviews of each contracting managed care organization (MCO) and prepaid inpatient health plan (PIHP), including-- (1) Criteria that States must use in selecting entities to perform the reviews; (2) Specifications for the activities related to external quality review; (3) Circumstances under which external quality review may use the results of Medicare quality reviews or private accreditation reviews; and (4) Standards for making available the results of the reviews. (c) Applicability. The provisions of this subpart apply to MCOs, PIHPs, and to health insuring organizations (HIOs) that began on or after January 1, 1986 that the statute does not explicitly exempt from requirements in section 1903(m) of the Act.*

42 C.F.R. 438.6 Contract requirements. (a) Regional office review. The CMS Regional Office must review and approve all MCO, PIHP, and PAHP contracts, including those risk and nonrisk contracts that, on the basis of their value, are not subject to the prior approval requirement in Sec. 438.806. . . . (2) Basic requirements. (i) All payments under risk contracts and all risk-sharing mechanisms in contracts must be actuarially sound.

26-4-119, C.R.S. (2004). Capitation payments - availability of base data - adjustments - rate calculation - capitation payment proposal - preference - assignment of medicaid recipients. (1) (a) The state department shall make prepaid capitation payment to managed care organizations based upon a defined scope of services. (b) Except as otherwise provided in paragraph (d) of this subsection (1), under no circumstances, including competitive bidding as set forth in paragraph (c) of this subsection (1), shall the state department pay a capitation payment to an MCO that exceeds ninety-five percent of the direct health care cost of providing these same services on an actuarially equivalent Colorado medicaid population group consisting of unassigned recipients and recipients in the primary care physician program provided in section 26-4-118. A certification by a qualified actuary retained by the state department shall be conclusive evidence that the state department has correctly calculated the direct health care cost of providing these same services on an actuarially equivalent Colorado medicaid population group consisting of unassigned recipients and recipients in the primary care physician program provided in section 26-4-118.

Department Objectives Met if Approved:

1.5 To accurately project, report, and manage budgetary requirements to effect executive and legislative intent with program and budget development and operations. To accurately record and monitor expenditures for programs managed by the Department so there may be accurate financial reporting at all times.

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING - FY 04-05 and FY 05-06 BUDGET REQUEST

**Schedule 6
Change Request for FY 04-05 and FY 05-06**

Department: Health Care Policy and Financing **Dept. Approval by:** Lisa Esgar **Date:** January 3, 2005
Priority Number: S-9, BA-3 **OSPB Approval:** **Date:**
Program: Nursing Facilities Section **Statutory Citation:** 26-15-201 and 26-15-202 (1), C.R.S. (2004)
Request Title: Adjust Funding for State Nursing Facility Program According to Implementation Date for SB 03-176

	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 03-04	Appropriation FY 04-05	Supplemental Request FY 04-05	Total Revised Request FY 04-05	Base Request FY 05-06	Decision/Base Reduction FY 05-06	November 1 Request FY 05-06	Budget Amendment FY 05-06	Total Revised Request FY 05-06	Change from Base in Out Year FY 06-07
Total of All Line Items	Total	0	838,528	(297,723)	540,805	1,157,225	0	1,157,225	15,983	1,173,208	(510,797)
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	838,528	(297,723)	540,805	1,157,225	0	1,157,225	15,983	1,173,208	(510,797)
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(5) Other Medical Services, State Nursing Facility Service Program	Total	0	838,528	(297,723)	540,805	1,157,225	0	1,157,225	15,983	1,173,208	(510,797)
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	838,528	(297,723)	540,805	1,157,225	0	1,157,225	15,983	1,173,208	(510,797)
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0

Letter Notation:
Cash Fund name/number, Federal Fund Grant name:
IT Request: Yes No (If yes and request includes more than 500 programming hours, attach IT Project Plan)
Request Affects Other Departments: Yes No (If Yes, List Other Departments Here:)

**CHANGE REQUEST for FY 04-05 and FY 05-06
EFFICIENCY AND EFFECTIVENESS ANALYSIS**

SELECT ONE (click on box):

- Decision Item
- Base Reduction Item
- Supplemental Request Criterion: New Data
- Budget Request Amendment Criterion: New Data

Priority Number:	S-9, BA-3
Change Request Title:	Adjust Funding for State Nursing Facility Program According to Implementation Date for SB 03-176
Long Bill Line Item(s)	(5) Other Medical Services, State Nursing Facility Service Program
State and Federal Statutory Authority:	26-15-201 and 26-15-202 (1), C.R.S. (2004)

Summary of Request (Alternative A): This request is to adjust the amount of funding appropriated to the State Nursing Facility program according to the implementation schedule for SB 03-176, which eliminated Medicaid for certain legal immigrants. It also adjusts the per diem rates to the most recent cost estimates for Nursing Facilities presented in Exhibit H of the November 1, 2004 Budget Request. The appropriations clause of HB 04-1415 (Concerning Changes to Reimbursements of Nursing Facilities) set the budget for FY 04-05 at \$838,528 in General Fund assuming a January 2005 implementation of SB 03-176. Assuming a March 2005 implementation date and an adjustment to rates, this request decreases the appropriation for FY 04-05 by \$297,723 to \$540,805 in General Fund.

Alternative A {Recommended alternative}:

Problem or Opportunity Description: SB 03-176, passed on March 5, 2003, eliminated optional legal immigrants as eligible for Medicaid services. This action affected a population residing in nursing facilities. The General Assembly, with the passage of SB 03-266, established a program to address this

group's medical care. The State Nursing Facility Service Program is for those persons who meet the following requirements set forth in 26-15-201, C.R.S. (2004):

- (a) Was legally receiving nursing facility services through the state's medical assistance program ...and resided in a nursing facility on March 5, 2003;
- (b) Became ineligible for medical assistance ... due to the passage of Senate Bill 03-176; and
- (c) Is living in a nursing facility as of the effective date of the state nursing facility service program.

This finite population will decrease over time and the program will end when the client population reaches zero. There is no federal match for the program because the clients are not eligible for Medicaid.

The appropriation for FY 03-04 established in SB 03-266, was not spent, as SB 03-176 was not implemented in FY 03-04 due to legal appeals and a court-ordered stay. During this time, the population was still funded by Medicaid due to the court-ordered stay. HB 04-1415 provided funding for the program for FY 04-05 with \$838,528 General Fund based on a January 2005 implementation date. The FY 05-06 November 1, 2004 Base Request of \$1,157,225 is based on the fiscal note for HB 04-1415, which assumes a decline in caseload and an increase in the per diem rate from \$121.95 to \$129.27.

General Description of Alternative:

The HB 04-1415 appropriation of \$838,528 is based on a January implementation. This alternative seeks to reduce the General Fund appropriation for FY 04-05 to accommodate implementing the program later in the fiscal year. This program will take effect when SB 03-176 is implemented. Due to the noticing that is required to eliminate Medicaid services for legal immigrants, the implementation of SB 03-176 is not planned to occur by January 2005.

It is uncertain exactly when SB 03-176 will be implemented. At this time, the Department's best estimate is that the program will be implemented in March 2005. Table 1 in the Calculations for Alternative's Funding section of this request provides the monthly expenditure projection used to establish the appropriation for HB 04-1415. This table allows further adjustment in funding if information obtained during the supplemental process revises the estimated implementation date. The Total Request column for FY 04-05 on the Schedule 6 is the sum of expenditures projected for March to June 2005.

The appropriation set forth in HB 04-1415 used the rates in Exhibit H, of the February 16, 2004 Medical Services Premiums Budget Request. This request is also to update these rates to those used in Exhibit H of the November 1, 2004 Budget Request.

This request does not seek to adjust the monthly caseload assumptions used in developing the HB 04-1415 appropriation. There is no new data available to update this information.

Implementation Schedule:

Task	Month/Year
Send out request for immigration verification	January 2005
Send out notice of closure	February 2005
Transition clients to State only program	March 2005

Calculations for Alternative's Funding:

Summary of Request FY 04-05 Matches Schedule 6 and Recommended Request	Total Funds	General Fund	Federal Funds
FY 04-05 Total Request (Column 4 on Schedule 6)	\$540,805	\$540,805	\$0
FY 04-05 Change Request (Column 3 on Schedule 6)	(\$297,723)	(\$297,723)	\$0
HB 04-1415 Appropriation (Column 2 on Schedule 6)	\$838,528	\$838,528	\$0

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING - FY 04-05 and FY 05-06 BUDGET REQUEST

Summary of Request FY 05-06 Matches Schedule 6 and Recommended Request	Total Funds	General Fund	Federal Funds
FY 05-06 Total Request (Column 9 on Schedule 6)	\$1,173,208	\$1,173,208	\$0
FY 05-06 Change Request (Column 8 on Schedule 6)	\$15,983	\$15,983	\$0
FY 05-06 Base Request (Column 7 on Schedule 6)	\$1,157,225	\$1,157,225	\$0

Summary of Request FY 06-07 Matches Schedule 6 and Recommended Request	Total Funds	General Fund	Federal Funds
FY 05-06 Base Request (Column 7 on Schedule 6)	\$1,157,225	\$1,157,225	\$0
FY 06-07 Change Request (Column 10 on Schedule 6)	(\$510,797)	(\$510,797)	\$0
FY 06-07 Total Request (Table 3)	\$646,428	\$646,428	\$0

Table 1					
Line	FY 04-05 Request	Estimated Clients¹	Number of Days	Per Diem	Cost
1	FY 04-05 Appropriation	228	181	\$121.95	\$838,528
2	January 2005	42	31	\$121.42	\$158,089
3	February 2005	40	28	\$121.42	\$135,990
4	March 2005	38	31	\$121.42	\$143,033
5	April 2005	38	30	\$121.42	\$138,419
6	May 2005	36	31	\$121.42	\$135,505
7	June 2005	34	30	\$121.42	\$123,848
8	Subtotal with revised Per Diem rate	228	181	\$121.42	\$834,884
9	Total Request (Sum lines 4 through 7)	146	122	\$121.42	\$540,805
10	Change Request (Line 9 minus line 1)				(\$297,723)

¹Note that Estimated Clients shown in rows 1, 8, and 9 are Client Months

²The revised Per Diem rate used in this Change Request is from the latest estimates for Nursing Facilities Services available in Exhibit H of the November 1, 2004 Budget Request.

Table 2					
Line	FY 05-06 Request	Estimated Clients¹	Number of Days	Per Diem	Cost
1	FY 05-06 Appropriation	294	365	\$129.27	\$1,157,225
2	July 2005	30	31	\$131.07	\$121,895
3	August 2005	29	31	\$131.07	\$117,832
4	September 2005	28	30	\$131.07	\$110,099
5	October 2005	27	31	\$131.07	\$109,706
6	November 2005	26	30	\$131.07	\$102,235
7	December 2005	25	31	\$131.07	\$101,579
8	January 2006	24	31	\$131.07	\$97,516
9	February 2006	23	28	\$131.07	\$84,409
10	March 2006	22	31	\$131.07	\$89,390
11	April 2006	21	30	\$131.07	\$82,574
12	May 2006	20	31	\$131.07	\$81,263
13	June 2006	19	30	\$131.07	\$74,710
14	Subtotal with revised Per Diem rate	294	365	\$131.07	\$1,173,208
15	Change Request (Line 14 minus line 1)				\$15,983

¹Note that Estimated Clients shown in rows 1 and 14 are Client Months

²The revised per diem rates used in this Change Request are from the latest estimates for Nursing Facilities Services available in Exhibit H of the November 1, 2004 Budget Request.

Line	FY 06-07 Request	Estimated Clients¹	Number of Days	Per Diem	Cost
2	July 2006	18	31	\$141.42	\$78,912
3	August 2006	17	31	\$141.42	\$74,528
4	September 2006	16	30	\$141.42	\$67,882
5	October 2006	15	31	\$141.42	\$65,760
6	November 2006	14	30	\$141.42	\$59,396
7	December 2006	13	31	\$141.42	\$56,992
8	January 2007	12	31	\$141.42	\$52,608
9	February 2007	11	28	\$141.42	\$43,557
10	March 2007	10	31	\$141.42	\$43,840
11	April 2007	9	30	\$141.42	\$38,183
12	May 2007	8	31	\$141.42	\$35,072
13	June 2007	7	30	\$141.42	\$29,698
14	Total FY 06-07 Request	150	365	\$141.42	\$646,428

¹Note that Estimated Clients shown in row 14 is expressed in Client Months.

Impact on Other Areas of Government: None

Assumptions for Calculations:

The per diem rates of \$121.95 for FY 04-05 and \$129.27 for FY 05-06 used in the Fiscal Note for HB 04-1415 were first used in Exhibit H, of the February 16, 2004 Medical Services Premiums Budget Request. The revised per diem rates of \$121.42 for FY 04-05 and \$131.07 for FY 05-06 used in Table 1 and Table 2 are the latest estimates for Nursing Facilities available in Exhibit H of the November 1, 2004 Budget Request.

The enrollment projection used in Table 1 corresponds to the Fiscal Note for HB 04-1415, which assumes 228 client months in FY 04-05, and assumes a January 2005 implementation. The March 9, 2004 Figure Setting on page 155 delineates the enrollment projection by month. The same monthly forecast is used in Table 1.

This Change Request assumes the program will be implemented in March rather than January. Therefore, the Total Request is the sum of expenditures from March 2005 to June 2005 (\$540,805). Therefore, the Department requests a General Fund reduction of \$297,723, or \$838,528 minus \$540,805.

The enrollment projection used in Table 2 also corresponds to the Fiscal Note for HB 04-1415, which projected 294 client months in FY 05-06. The monthly distribution for FY 05-06 is not provided in the fiscal note, however the monthly distribution presented in Table 2 assumes a continuation of the decline in caseload and adds to 294 client months.

Table 3 projects the program's expenses in FY 06-07. The caseload continues to decline at a rate of 1 member per month. The per diem rate is projected to grow by 7.9% from FY 04-05 to FY 05-06. Projecting this same growth into FY 06-07 yields a per diem rate of \$141.42, or \$131.07 times 1.079. Table 3 projects that expenditures will drop to \$646,428 for FY 06-07.

Concerns or Uncertainties of Alternative:

At this time, it is still uncertain when the program will be implemented. March 2005 is the Department's best estimate, however it could be sooner or later than this.

If the Program is implemented in February 2005 the projected need would be \$676,795 (the sum of rows 2 through 6 in Table 1).

If the Program is implemented in April 2005 the projected need would be \$397,772 (the sum of rows 4 through 6 in Table 1).

Alternative B {Status quo; no change in funding; not recommended}:

General Description of Alternative:

Under this alternative there would be no change in the appropriation of \$838,528 provided under HB 04-1415. The program is not likely to be implemented by January, so the \$838,528 is not likely to be fully spent. Any unspent funds would revert to the General Fund at the end of the fiscal year.

Calculations for Alternative's Funding: No change in funding with this alternative.

Concerns or Uncertainties of Alternative: With this alternative, General Fund that is not needed for the State Nursing Facility Services Program in FY 04-05 could not be used for other State programs.

Alternative C {Repeal SB 03-176}:

General Description of Alternative: Another alternative would be to repeal SB 03-176, which eliminated optional legal immigrants as eligible for Medicaid services. With this alternative the State Nursing Facility Services Program would no longer be necessary because the clients would be eligible for Medicaid benefits. The General Fund appropriated for this program under HB 04-1415 would not be needed, however Medicaid would require additional funding.

Calculations for Alternative's Funding: No funding would be necessary for the State Nursing Facility Services Program under this alternative and the line item could be eliminated. However, the Medicaid caseload would have to be increased as the current appropriation assumes a January 1, 2005 implementation date for Medicaid.

Concerns or Uncertainties of Alternative: This alternative would require legislative action to repeal SB 03-176.

Supporting Documentation

Analytical Technique: *Cost-Effectiveness Analysis*

A cost effectiveness analysis was chosen to assess the relative merits of the three alternatives. The costs are fixed; it is just a matter of when the funds become available to the State.

	General Fund from this Line Item Available for Other Purposes in FY 04-05	Client Months in FY 04-05
Alternative A	\$297,723	146
Alternative B	\$0	146
Alternative C	\$838,528	146

Quantitative Evaluation of Alternative:

The benefits are the same under both alternatives, however Alternative A allows \$297,723 General Fund to be used to fund other state programs in FY 04-05. Under Alternative B the excess funds would not revert until FY 05-06. Alternative A is therefore the recommended alternative. Alternative C would allow the most General Fund to be used for other programs, however Medicaid costs would increase as a result of repealing SB 03-176.

Statutory and Federal Authority:

26-15-201, C.R.S. (2004) *As used in this part 2, unless the context otherwise requires: (1) "Eligible person" means a person who: (a) Was legally receiving nursing facility services through the state's medical assistance program pursuant to article 4 of this title and resided in a nursing facility on March 5, 2003; (b) Became ineligible for medical assistance pursuant to article 4 of this title due to the passage of Senate Bill 03-176; and (c) Is living in a nursing facility as of the effective date of the state nursing facility service program.*

26-15-202 (1), C.R.S. (2004) *(1) There is hereby established the state nursing facility service program for the purpose of paying nursing facility providers for services provided to eligible persons. The state nursing facility service program shall be subject to available appropriations by the general assembly.*

Department Objectives Met if Approved:

1.5 To accurately project, report, and manage budgetary requirements to effect executive and legislative intent with the program and budget development and operations. To accurately record and monitor expenditures for programs managed by the Department so there may be accurate financial reporting at all times.

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING - FY 04-05 BUDGET REQUEST

**Schedule 6
Change Request for FY 04-05**

Department: Health Care Policy and Financing **Dept. Approval by:** Lisa Esgar **Date:** January 3, 2005
Priority Number: S-10 **OSPB Approval:** **Date:**
Program: Rates Section **Statutory Citation:** 26-4-116, C.R.S. (2004); 26-4-408 (1),(1.5), (3)(a), C.R.S. (2004)
Request Title: Drug Utilization Review Fund Split Correction

	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 03-04	Appropriation FY 04-05	Supplemental Request FY 04-05	Total Revised Request FY 04-05	Base Request FY 05-06	Decision/ Base Reduction FY 05-06	November 1 Request FY 05-06	Budget Amendment FY 05-06	Total Revised Request FY 05-06	Change from Base in Out Year FY 06-07
Total of All Line Items	Total	72,000	913,025	(265,000)	648,025	913,025	(265,000)	648,025	0	648,025	(265,000)
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	18,000	228,256	0	228,256	228,256	0	228,256	0	228,256	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
(1) Executive Director's Office Drug Utilization Review	Total	72,000	913,025	(265,000)	648,025	913,025	(265,000)	648,025	0	648,025	(265,000)
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	18,000	228,256	0	228,256	228,256	0	228,256	0	228,256	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	54,000	684,769	(265,000)	419,769	684,769	(265,000)	419,769	0	419,769	(265,000)

Letter Notation:
Cash Fund name/number, Federal Fund Grant name: FF: Title XIX
IT Request: Yes No (If yes and request includes more than 500 programming hours, attach IT Project Plan)
Request Affects Other Departments: Yes No (If Yes, List Other Departments Here:)

CHANGE REQUEST for FY 04-05
EFFICIENCY AND EFFECTIVENESS ANALYSIS

SELECT ONE:

- Decision Item
- Base Reduction Item
- Supplemental Request
- Budget Request Amendment

Criterion: New Data
 Criterion:

Priority Number:	S-10
Change Request Title:	Drug Utilization Review Fund Split Correction
Long Bill Line Item(s)	(1) Executive Director's Office, Drug Utilization Review
State and Federal Statutory Authority:	26-4-116, C.R.S. (2004); 26-4-408 (1), (1.5), (3) (a), C.R.S. (2004); 42 CFR 456.700

Summary of Request (Alternative A): This Change Request revises the federal match and describes current use of funding for Medicaid Drug Utilization Review. Federal funds are reduced by \$265,000 in the Request Year and into out years. This Supplemental Request for FY 04-05 corresponds to Change Request #BRI-2 submitted November 1, 2004 for FY 05-06.

Alternative A {Recommended alternative}:

Problem or Opportunity Description: In the 2003 legislative session, SB 03-011 and SB 03-294 were adopted. In both of the fiscal notes, the assumption was made that the drug utilization reviews were to be matched three-to-one with federal funds, 75% federal funds and 25% General Fund. Although the Department anticipated in its fiscal note contracting with the University of Colorado for the drug utilization review programs, it was not the successful bidder. The bid awarded was at a lower cost than the funds appropriated.

When the Department submitted to the Centers for Medicare and Medicaid Services a State Plan Amendment to incorporate the prescription drug programs outlined in the

2003 legislation, the federal Centers for Medicare and Medicaid Services informed Health Care Policy and Financing that prior authorization reviews for this prescription drug program could only be matched with 50% federal participation.

The Drug Utilization Review line item was expanded through SB 03-011 and SB 03-294. The following table outlines the growth of the budget through legislation.

Table 1			
FY 04-05 Appropriation Sources	Total Funds	General Fund 25%	Federal Funds 75%
FY 03-04 Long Bill Appropriation Drug Utilization Review (SB 03-258)	\$233,025	\$58,256	\$174,769
SB 03-294 – Drug Rebates, Discounts and Management	\$80,000	\$20,000	\$60,000
SB 03-011 – Prescription Drugs under Medicaid	\$600,000	\$150,000	\$450,000
Drug Utilization Review Line Item Appropriation FY 04-05	\$913,025	\$228,256	\$684,769

Therefore, there have been three major actions to affect this line item in the recent past:

- Appropriations from Senate Bill 03-011 and Senate Bill 03-294;
- Lower contract costs due to competitive bidding; and
- Lowered federal match.

General Description of Alternative:

This request is to revise the federal match in FY 04-05 so that some funding in the Drug Utilization Review line item could be paid to the fiscal agent for pharmacy prior authorizations. A corresponding Change Request (#BRI-2) for FY 05-06 was submitted on November 1, 2004.

Through competitive bidding, the Department has procured services for programs on drug utilization review, education, and evaluation programs with Health Information Designs, Inc. that are less costly than anticipated. Available funds were identified to expand the prescription prior authorization program, which would be accelerated to

begin in FY 04-05. SB 03-011 and SB 03-294 initiated this pharmacy utilization program. Because there are savings due to lower contract cost, the Department requests an adjustment to a portion of the appropriation to fund additional reviews at 50% federal financial participation.

The Medicaid Management Information System Contract line item currently includes \$1,091,045 for pharmacy prior authorization reviews. The \$265,000 referenced in row 4 of Table 2 would be in addition to the Medicaid Management Information System amount. Pharmacy prior authorization review volume is higher than initially expected, but, as discussed at the Department's Joint Budget Committee Hearing in December 2003, the Department is optimistic about its success in using the reviews, and the ability to help control pharmacy costs.

Implementation Schedule:

Additional prior authorization reviews would commence after contract negotiation with the contractor.

Calculations for Alternative's Funding:

Summary of Request FY 04-05 Matches Schedule 6 and Recommended Request	Total Funds	General Fund	Federal Funds
Total Revised Request (Column 4)	\$648,025	\$228,256	\$419,769
Supplemental Request (Column 3)	(\$265,000)	\$0	(\$265,000)
Appropriation FY 04-05 (Column 2)	\$913,025	\$228,256	\$684,769

Table 2				
	FY 04-05 Revised Uses of Appropriation	Total Funds	General Fund	Federal Funds
1	FY 04-05 Appropriation including:	\$913,025	\$228,256	\$684,769
2	Drug Utilization Review research on other state programs, drug treatment therapies, cost comparisons of various therapies, determining appropriate pricing and uses of dispense as written codes and educational topics. Lessons learned would provide additional information for developing new programs, better criteria, improving claims submission information, and other emergent drug utilization review programs. The federal financial participation is 75%.	\$383,025	\$95,756	\$287,269
3	Remainder	\$530,000	\$132,500	\$397,500
4	Additional prior authorization reviews needed for Phase III of the Pharmacy programs implemented in SB 03-011 and SB 03-294. Program would use the General Fund available in the program at a 50% federal financial participation.	\$265,000	\$132,500	\$132,500
5	Difference	(\$265,000)	\$0	(\$265,000)
6	Total FY 04-05 Supplemental Request	\$648,025	\$228,256	\$419,769

Impact on Other Areas of Government: None

Assumptions for Calculations:

The same impact and contracting assumptions from the November 1, 2004 Change Request #BRI-2 are used. A full year of anticipated Drug Utilization Review contracts would total \$383,025 (see line 2, Table #2 above). The FY 04-05 appropriation is \$913,025. Therefore, the remaining amount available for prior authorizations is the difference between the two numbers (\$913,025 less \$383,025 equals \$530,000). These funds, however, are appropriated at a 75% federal funding participation rate. The General Fund portion of the \$530,000 is \$132,500 (25% of \$530,000). This remaining General Fund available would be matched with federal funds at a 50% federal participation rate. This totals \$265,000 for prior authorization reviews (\$132,500 + \$132,500 = \$265,000). The remaining \$265,000 that is not needed is all federal funds.

Concerns or Uncertainties of Alternative: There may be a need in the future for additional prior authorizations as caseload and utilization expands.

Alternative B {Status quo; no change in funding; not recommended}:

General Description of Alternative: No change to the appropriation at 75% federal financing participation.

Calculations for Alternative's Funding: No change in funding with this alternative.

Concerns or Uncertainties of Alternative: Since the federal Centers for Medicare and Medicaid Services will not approve prior authorizations at 75% federal financial participation, the funds not needed for the Drug Utilization Review contract(s) would revert and the funds would not be applied to prior authorization reviews. That would reduce anticipated utilization control in the Medical Services Premiums, which in the end could result in higher pharmaceutical costs.

Supporting Documentation

Analytical Technique: Cost/Benefit Analysis

	Alternative A	Alternative B
Cost	\$132,500 General Fund	\$0
Benefit	An estimated 20,883 prior authorization reviews at the current \$12.69 per review would be available to the Pharmacy program (\$265,000 total funds divided by \$12.69 equals 20,883).	None
Benefit	Prescription drugs with high cost, high usage or both are candidates for prior authorization reviews. Prior authorizations may save between 10% and 20% on the costs of prescription medications being reviewed. The Department has identified several potential candidates, one of which costs the Department approximately \$4,000,000 per year. At the lower, more conservative 10% savings, this is an estimated \$400,000 per year.	None

Although, Alternative B could cause \$132,500 in General Fund to revert, Alternative A is the preferred choice. Alternative A allows for additional prior authorization reviews by the Department enhancing the potential savings on prescription drugs.

Quantitative Evaluation of Performance -
Compare all Alternatives:

Alternative A has the potential to return \$1.51 per dollar spent (\$400,000 divided by \$265,000 = \$1.51) and by increasing the number of prior authorization reviews available for the prescription drug program. Alternative A uses already appropriated General Fund and the matching federal funds to generate potential savings in the Medical Services Premiums. Alternative B could cause General Fund to be reverted.

Statutory and Federal Authority:

26-4-116, C.R.S. (2004). Quality measurements. *The state department shall measure quality pursuant to the following criteria: (a) Quality shall be measured and considered based upon individuals and groups with the satisfaction of the service received analyzed and compared to nonrecipient populations for the same or similar services when available. (b) Quality shall focus on health status or maintenance of the individual's highest level of functioning, without strict adherence to statistical norms. (2) The state department shall promulgate rules and regulations to clarify and administer quality measurements.*

26-4-408, C.R.S. (2004). Prescribed drugs - utilization review. (1) *The state department shall develop and implement a drug utilization review process to assure the appropriate utilization of drugs by patients receiving medical assistance in the fee-for-service and primary care physician programs. The review process shall include the monitoring of prescription information and shall address at a minimum underutilization and overutilization of benefit drugs. Periodic reports of findings and recommendations shall be forwarded to the state department. (1.5) It is the general assembly's intent that the implementation of a drug utilization review process for the fee-for-service and primary care physician programs will produce savings within the state's medicaid program. The state department, therefore, is authorized to use savings in the medical services premiums appropriations to fund the development and implementation of a drug utilization review process for these programs, as required*

by subsection (1) of this section. The state department may contract on a contingency basis for the development or implementation of the review process required by subsection (1) of this section. (3)(a) The state department shall implement drug utilization mechanisms, including, but not limited to, prior authorization, to control costs in the medical assistance program associated with prescribed drugs.

Code of Federal Regulations – 42 CFR 456.700. Scope. *Drug Utilization Review Program and Electronic Claims Management System – This subpart prescribes requirements for-*

- a. An outpatient DUR program that includes prospective drug review, retrospective drug use review, and an educational program;*
- b. The establishment. Composition and functions of a State DUR Board; and*
- c. An optional point-of-sale electronic claims management system for processing claims for covered out-patient drugs*

Department Objectives Met if Approved:

1.4 To assure delivery of appropriate, high quality care. To design programs that result in improved health status for clients served and to improve health outcomes. To ensure that the Department's programs are responsive to the service needs of enrolled clients in a cost-effective manner.

1.5 To accurately project, report, and manage budgetary requirements to effect Executive and Legislative intent with program and budget development and operations. To accurately record and monitor expenditures for programs managed by the Department so there may be accurate financial reporting at all times.

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING - FY 04-05 BUDGET REQUEST

**Schedule 6
Change Request for FY 04-05**

Department: Health Care Policy and Financing **Dept. Approval by:** Lisa Esgar **Date:** January 3, 2005
Priority Number: S-11 **OSPB Approval:** **Date:**
Program: Department of Human Services Medicaid-Funded Programs **Statutory Citation:** 26-4-102, C.R.S. (2004)
Request Title: Technical Correction for "Legacy System Shutdown" Line Item

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 03-04	Appropriation FY 04-05	Supplemental Request FY 04-05	Total Revised Request FY 04-05	Base Request FY 05-06	Decision/Base Reduction FY 05-06	November 1 Request FY 05-06	Budget Amendment FY 05-06	Total Revised Request FY 05-06	Change from Base in Out Year FY 06-07
Total of All Line Items	Total	475,853	507,026	13,503	520,529	513,295	0	513,295	0	513,295	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	223,889	253,513	6,752	260,265	256,648	0	256,648	0	256,648	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	251,964	253,513	6,751	260,264	256,647	0	256,647	0	256,647	0
(6) Department of Human Services Medicaid-Funded Programs, (B) Office of Information Technology Services-Medicaid Funding, Other Office of Information Technology Services Line Items	Total	475,853	507,026	13,503	520,529	513,295		513,295	0	513,295	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	223,889	253,513	6,752	260,265	256,648	0	256,648	0	256,648	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	251,964	253,513	6,751	260,264	256,647	0	256,647	0	256,647	0

Letter Notation:
Cash Fund name/number, Federal Fund Grant name: FF: Title XIX
IT Request: Yes No (If yes and request includes more than 500 programming hours, attach IT Project Plan)
Request Affects Other Departments: Yes No Department of Human Services

CHANGE REQUEST for FY 04-05
EFFICIENCY AND EFFECTIVENESS ANALYSIS

SELECT ONE (click on box):

- Decision Item
- Base Reduction Item
- Supplemental Request Criterion: Technical Correction
- Budget Request Amendment Criterion:

Priority Number:	S-11
Change Request Title:	Technical Correction for "Legacy System Shutdown" Line Item
Long Bill Line Item(s)	(6) Department of Human Services Medicaid-Funded Programs, (B) Office of Information Technology Services-Medicaid Funding, Other Office of Information Technology Services Line Items
State and Federal Statutory Authority:	26-4-102, C.R.S. (2004)

Summary of Request (Alternative A): This is a request for a technical adjustment in the amount of \$13,503 for FY 04-05. This amount was included as a Cash Funds Exempt appropriation in the Department of Human Services section of the FY 04-05 Long Bill (HB 04-1422). However, this same amount was not listed in the Department of Health Care Policy and Financing section of the FY 04-05 Long Bill (HB 04-1422). Without the appropriation of General Fund and federal funds to the Department of Health Care Policy and Financing, the amount cannot be transferred to the Department of Human Services. The requested technical adjustment will correct this oversight.

Alternative A {Recommended alternative}:

Problem or Opportunity Description: The Legacy Systems Shutdown request was initiated by the Department of Human Services through Decision Item 1.1 (Department of Human Services' November 1, 2003 Budget Request, Decision Item Section, pages D-1.1-1 to D-1.1-24). The request

described the process of transitioning from the fully operational legacy systems to the new Colorado Benefits Management System. It stated that staff from the Department of Human Services would be necessary to both convert the data from the legacy systems to the Colorado Benefits Management System and archive the historical data that would be needed in the future for federal reporting purposes. This request identified a total of \$499,983 in funding that would be needed to both archive historical records and shut down the legacy systems. Included in this request was an amount of \$13,503 that was appropriated as Cash Funds Exempt dollars. It also included a request for the creation of a new and separate line item in the Department of Human Services' Long Bill to properly appropriate these funds.

The Joint Budget Committee staff's Department of Human Services Figure Setting document (February 10, 2004, pages 36-38) reviewed this request. In his analysis, Joint Budget Committee staff noted the Department of Human Services' concern that if resources were not devoted to developing such an archival system now, then data would either not be available in the future, or would take considerably more time and effort to provide than would otherwise be necessary. The Joint Budget Committee staff recommended the elimination of appropriations and Full-Time Equivalent Positions (FTE) for the legacy systems. Additionally, staff recommended the creation of a new line item called "Legacy System Shutdown" in the Department of Human Services Long Bill, with an appropriation of \$499,983. This recommendation resulted in an appropriation that included \$13,503 in Medicaid funds that the Department of Human Services would receive as a Cash Funds Exempt transfer.

The Department of Human Services FY 04-05 Long Bill (HB 04-1422) lists the new Legacy System Shutdown line under the (2) Office of Information Technology Services group. It clearly identifies the total appropriation of \$499,983 and the amount of \$13,503 as being Cash Funds Exempt. Furthermore, letternote "n" referencing this funding, states, "it is anticipated that this amount shall be from the Department of Health Care Policy and Financing."

General Description of Alternative:

This request reconciles the Department’s funding with that of the Department of Human Services. The amount of \$13,503 is included in the Long Bill appropriation for the Department of Human Services but not in that for the Department of Health Care Policy and Financing. This has resulted in the Department of Health Care Policy and Financing’s Long Bill appropriation being understated by \$13,503.

The Department of Health Care Policy and Financing requests that this additional sum be appropriated to the following line: (6) Department of Human Services Medicaid-Funded Programs, (B) Office of Information Technology Services - Medicaid Funding, Other Office of Information Technology Services line items. This line has been used to house the Information Technology funding not directly related to the Colorado Benefits Management System.

The amount of \$13,503 is composed of \$6,752 General Fund and \$6,751 federal funds. This request, one-time in nature, is only for FY 04-05 and will not have any impact on subsequent fiscal years.

Because this request is a technical adjustment, no other alternatives were considered.

Calculations for Alternative’s Funding:

Summary of Request FY 04-05	Total Funds	General Fund	Federal Funds
Current Appropriation of Cash Funds Exempt Dollars in the Department of Human Services Long Bill (2) Office of Information Technology Services, Legacy System Shutdown line	\$13,503	\$6,752	\$6,751
Current Appropriation in the Department of Health Care Policy and Financing’s Long Bill for Legacy System Shutdown	\$0	\$0	\$0
Technical Adjustment to the Department of Health Care Policy and Financing’s Long Bill (6) Department of Human Services Medicaid-Funded Programs, (B) Office of Information Technology Services - Medicaid Funding, Other Office of Information Technology Services line items	\$13,503	\$6,752	\$6,751

The following table and accompanying letternotes detail the Medicaid funding related to the Legacy System Shutdown in the FY 04-05 Long Bill (HB 04-1422) for the Department of Human Services. This information is taken directly from the (2) Office of Information Technology Services portion of the Long Bill.

Department of Human Services Long Bill (2) Office of Information Technology Services	Total Funds	General Fund	Cash Funds	Cash Funds Exempt, All Sources	Cash Funds Exempt from HCPF	Federal Funds
Personal Services	\$5,627,327	\$4,047,509	\$22,387	\$510,307 ^b	\$209,027	\$1,047,124
Operating Expenses	\$813,324	\$358,699	\$4,267	\$28,842 ^c	\$16,040	\$421,516
Purchase of Services from Computer Center	\$5,120,129	\$2,234,385	\$6,940	\$3,498 ^g	\$3,179	\$2,875,306
Telecommunication Systems Lease Payments	\$153,326	\$50,976	\$0	\$102,350 ^h	\$102,350	\$0
Microcomputer Lease Payments	\$726,192	\$406,397	\$20,824	\$173,215 ⁱ	\$85,584	\$125,756
Legacy System Shutdown	\$499,983	\$126,300	\$1,500	\$13,503 ⁿ	\$13,503	\$358,680
Multiuse Network Payments	\$1,924,719	\$1,174,079	\$19,247	\$153,977 ^o	\$90,846	\$577,416
Total Cash Funds Exempt in DHS Long Bill Transferred from HCPF					\$520,529	
Amount Appropriated in HCPF Long Bill, (6) Department of Human Services Medicaid-Funded Programs, (B) Office of Information Technology Services – Medicaid Funding, Other Office of Information Technology Services Line Items					\$507,026	
Difference					\$13,503	

^bOf this amount, it is estimated that \$282,147(T), including \$209,027 Medicaid cash funds, shall be from the Department of Health Care Policy and Financing, \$110,109 shall be from patient revenues collect by the Mental Health Institutes, and \$118,051 shall be from various sources of cash funds exempt.

^cOf this amount, it is estimated that \$16,040(T) shall be from Medicaid funds appropriated to the Department of Health Care Policy and Financing, and \$12,802 shall be from various sources of cash funds exempt.

^gOf this amount, it is estimated that \$3,179(T) shall be from Medicaid funds appropriated to the Department of Health Care Policy and Financing and \$319 shall be from various sources of cash exempt funds.

^hIt is anticipated that these amounts shall be from Medicaid funds appropriated to the Department of Health Care Policy and Financing.

ⁱOf this amount, it is estimated that \$85,584(T) shall be Medicaid funds from the Department of Health Care Policy and Financing and \$87,631 shall be from various sources of cash exempt funds.

ⁿIt is anticipated that this amount shall be from the Department of Health Care Policy and Financing.

^oOf this amount, it is estimated that \$90,846(T) shall be from Medicaid funds appropriated to the Department of Health Care Policy and Financing and \$63,131 shall be from various cash exempt sources.

Impact on Other Areas of Government: The amount of \$13,503 had previously been appropriated to the Department of Human Services through the FY 04-05 Long Bill (HB 04-1422). This request would not affect that appropriation, but would simply appropriate the corresponding amount to the FY 04-05 appropriation for the Department of Health Care Policy and Financing.

Assumptions for Calculations: The amount of \$13,503 has previously been identified as the Department of Health Care Policy and Financing's financial responsibility in the legacy system shutdown. This amount was reviewed during the Figure Setting process and is referenced in the Department of Human Services section of the FY 04-05 Long Bill (HB-04-1422). No additional calculations are necessary.

It is assumed that the amount of \$13,503 included in the Department of Human Services section of the FY 04-05 Long Bill is correct.

Statutory and Federal Authority: 26-4-102, C.R.S. (2004) Legislative Declaration
It is the purpose of this article to promote the public health and welfare of the people of Colorado by providing, in cooperation with the federal government, medical and remedial care and services for individuals and families whose income and resources are insufficient to meet the costs of such necessary services and to assist such individuals and families to attain or retain their capabilities for independence and self-care, as contemplated by the provisions of Title XIX of the social security act. The state of Colorado and its various departments, agencies, and political subdivisions are authorized to promote and achieve these ends by any appropriate lawful means, through cooperation with and the utilization of available resources of the federal government and private individuals and organizations.

Department Objectives Met if Approved: 1.5 To accurately project, report, and manage budgetary requirements to effect executive and legislative intent with program and budget development and operations. To accurately record and monitor expenditures for programs managed by the Department so there may be accurate financial reporting at all times.