Schedule 6
1331 Emergency Change Request for FY 05-06

Department:	Health Care Policy and Financing	**Dept. Approval by:**	Lisa Esgar
Date:	September 19, 2005		
Priority Number:	N/A	**OSPB Approval:**	
Date:			
Program:	Office of Medical Assistance, Office of Operations and Finance	**Statutory Citation:**	26-4-406.5, C.R.S. (2004); SB 05-162
Request Title:	Medicare Modernization Act Funding for the Counties		

	Fund	1 Prior-Year Actual FY 04-05	2 Appropriation FY 05-06	3 Supplemental Request FY 05-06	4 Total Revised Request FY 05-06	5 Base Request FY 06-07	6 Decision/ Base Reduction FY 06-07	7 November 1 Request FY 06-07	8 Budget Amendment FY 06-07	9 Total Revised Request FY 06-07	10 Change from Base in Out Year FY 07-08
Total of All Line Items	**Total**	0	8,797,377	1,264,864	10,062,241	0	0	0	0	0	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	3,299,017	632,432	3,931,449	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	0	0	0	0	0	0	0	0	0	0
	FF	0	5,498,360	632,432	6,130,792	0	0	0	0	0	0
(6) Department of Human Services - Medicaid-Funded Programs (D) County Administration - Medicaid Funding	**Total**	0	8,797,377	1,264,864	10,062,241	0	0	0	0	0	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	3,299,017	632,432	3,931,449	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	0	0	0	0	0	0	0	0	0	0
	FF	0	5,498,360	632,432	6,130,792	0	0	0	0	0	0

Letter Notation:

Cash Fund name/number, Federal Fund Grant name: FF: Title XIX and 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: Department of Human Services)

1331 EMERGENCY CHANGE REQUEST for FY 05-06
EFFICIENCY AND EFFECTIVENESS ANALYSIS

SELECT ONE (click on box):

☐ Decision Item
☐ Base Reduction Item
☑ Supplemental Request Criterion: Emergency
☐ Budget Request Amendment Criterion:

Priority Number:	N/A
Change Request Title:	Medicare Modernization Act Funding for the Counties
Long Bill Line Item(s)	(6) DHS Medicaid-Funded Programs, County Administration – Medicaid Funding
State and Federal Statutory Authority:	26-4-406.5, C.R.S (2004), 42 CFR Parts 400, 403, 417, and 423; SB 05-162

Summary of Request (Alternative A): On January 1, 2006, the federal Centers for Medicare and Medicaid Services (CMS) will be responsible for the Medicare Part D prescription drug benefit that will replace Medicaid prescription drug coverage for dual eligibles. This Request is for funding in the amount of $1,264,864 to cover the cost of additional responsibilities that the counties will now assume due to the implementation of the Medicare Modernization Act of 2003 (MMA) that were not requested at the time of the Department's Figure Setting.

Alternative A {Recommended alternative}:

Problem or Opportunity Description: The Medicare Prescription Drug, Improvement and Modernization Act (MMA), signed into law in December 2003, creates a new drug benefit known as Part D of Medicare. All Medicare beneficiaries are eligible for this benefit which is anticipated to begin January 1, 2006, including all dual eligible Medicaid beneficiaries (those individuals that are both Medicare and Medicaid eligible). For the dual eligible population, this will be the only coverage for all Part D drugs, as states will no longer be able to receive a federal match for these prescription drugs after January 1, 2006 for dual eligibles.

The Part D drug benefit will be administered by private health plans, called prescription drug plans. In October, Medicare will notify dual eligibles of the upcoming transition and inform them of the prescription drug plan in which they will be automatically enrolled, as well as their ability to opt-out and enroll in another. Auto-enrollment costs will be borne by the Centers for Medicare and Medicaid Services (CMS).

Low-income Medicare beneficiaries will be eligible to participate in the new drug benefit's low-income subsidy program. Although subsidies are available based on certain federal poverty level incomes, the Medicaid dual eligibles, such as the following, will be automatically deemed eligible for low-income subsidies:

- Full benefit dual eligibles (on both Medicare and full Medicaid);
- Qualified Medicare Beneficiaries, those entitled to Medicaid coverage of the Part B premium and all Medicare cost-sharing;
- Specified Low-income Medicare Beneficiaries, those entitled to Medicaid payment of their Part B premium (but not Medicare cost-sharing); and
- "Qualifying individuals," for whom states receive a 100% federally matched grant to pay the Part B premium.

Eligibility for low-income subsidies will be determined by Medicaid eligibility sites or by the Social Security Administration (SSA). States will be required to process subsidy applications for clients that request a "state determination," and to make determinations and redeterminations on those cases and process appeals. However, states may encourage the use of the SSA application process.

There are several places where CMS has indicated that there will be administrative costs for the states. In those cases, the Department will only receive 50% federal match for performing an administrative function for a federal program.

General Description of Alternative:

The Joint Budget Committee approved a number of adjustments to the Department's FY 05-06 Budget during Health Care Policy and Financing's Figure Setting on March 15, 2005. The Department believes that some modifications are necessary in order to cover the additional obligations the State now faces, as mandated by this new federal legislation. Although some of these adjustments may be considered for the regular supplemental cycle, this emergency request is for funding the County Administration appropriation.

Counties perform a critical mandatory role in the implementation of the Medicare Drug Bill and will experience substantially more workload and caseload due to its implementation. This cost was not addressed in Figure Setting and an appropriation was not made. However, the counties' role started as early as June 2005 by helping clients who received letters from the federal Centers for Medicare and Medicaid Services. The counties need this funding now in order to comply with the federal law.

Effective July 1, 2005 counties were expected to be prepared to provide Social Security Administration (SSA) applications for low-income subsidies to clients who request them, and assist them with filling them out. In such cases, SSA is responsible for all redeterminations, appeals, and noticing. Counties are ordering such applications directly from SSA. Applications may also be completed on-line at the www.socialsecurity.gov website, and counties can help clients complete the web application.

However, per federal law, counties must process low-income subsidy applications for those clients who INSIST on using the State process. The Department has in place a manual process to meet these federal requirements. This process was communicated to counties in a July 15, 2005 agency letter. Once the Colorado Benefits Management System (CBMS) has been revised to include the Low Income Subsidy program, counties will be required to process applications for clients who INSIST on using the State process in CBMS. In these cases, the county is responsible for all redeterminations, appeals, and noticing. In essence, the counties have responsibility for a new program and all its administrative functions.

"Medicaid Eligibility Sites" (counties in Colorado) are also required to check eligibility for any client applying for the low-income subsidy for applicable Medicaid and other State assistance programs. For clients who complete an SSA low-income subsidy application, and who are not dual-eligibles, SSA will send notices informing them that they may be eligible for Medicaid and to go to their local Medicaid office for screening. For clients who apply under the State-insisted process, counties will screen these clients for Medicaid through CBMS when they apply for the low-income subsidy.

These activities will increase costs at Medicaid eligibility sites. This amount is comprised of 50% federal funds, and 50% from General Fund, and is requested under the County Administration line item. The Department recommends that as counties gain experience in this program, that the funding be re-evaluated. However, the counties require some immediate relief to mitigate these costs.

Implementation Schedule:

Task	Month/Year
Date that the federal government expects states to process subsidy applications - will have to process manually until CBMS changes are made	July 1, 2005
Date that Medicaid stops prescription coverage for dual eligibles - on a cash basis	January 1, 2006

Calculations for Alternative's Funding:

Summary Request for FY 05-06 Matches Schedule 6, Column 3	**Total Funds**	**General Fund**	**Cash Funds Exempt**	**Federal Funds**
(6) Department of Human Services Medicaid Funded Programs, County Administration	$1,264,864	$632,432	$0	$632,432
Total FY 05-06 Supplemental Request (matches column 3)	$1,264,864	$632,432	$0	$632,432

Department of Human Services Medicaid Funded Programs, County Administration	
A. FY 03-04 Expenditures	$13,819,389
B. FY 03-04 Actual Medicaid Clients	362,531
C. FY 03-04 Actual Non-Citizen Clients (4,604) and Medicare Beneficiaries (9,787)	14,391
D. FY 03-04 Net Medicaid Clients, Excluding Non-Citizens (= B – C)	348,140
E. Estimated FY 03-04 Per Capita Cost for County Administration (= A / D)	$39.69
F. Actual Expenditure Growth Rate in County Administration from FY 02-03 to FY 03-04	7.22%
G. Estimated FY 05-06 Per Capita Cost for County Administration (= E * (1 + F) * (1 + F))	$45.63
H. Projected FY 05-06 Caseload	9,240
I. Factor to Account for Number of Actual Applications Versus Number of Those Found Eligible	3
J. FY 05-06 Supplemental Request (matches column 3) (= G * H * I)	**$1,264,864**

<u>Impact on Other Areas of Government</u>:	The amount of $1,264,864 requested in this supplemental would need to be transferred to the Department of Human Services, (4) County Administration as Cash Funds Exempt.
<u>Assumptions for Calculations:</u>	On page 4,486 of the January 28, 2005 Federal Register, CMS states that 1.1 million Medicaid beneficiaries nationally will be added to state rolls in calendar year 2006. "Medicaid Enrollment in 50 States," an October 2004 publication by the Kaiser Commission on the Medicaid and the Uninsured (page 8), states that Colorado had 340,000 of the nation's 40,553,200 Medicaid enrollees in 2003, or 0.84%. Applying this percentage to CMS' 1.1 million estimate yields a rough estimate of 9,240 new Colorado Medicaid enrollees. This is the amount of additional caseload that the Department assumes in this Change Request will result from implementation of the Medicare Drug Bill. It is assumed that the Medicare Drug Bill marketing and state-required processes will push all eligible clients into Medicaid within the first calendar year, except those included in the normal caseload growth trend. To create a very rough per capita, the Department took actual FY 03-04 County Administration expenditure of $13,819,389, and divided it by 348,140, or the actual FY 03-04 caseload for Medicaid of 362,531 minus the 4,604 Non-citizen Medicaid clients, and minus the Medicare Beneficiaries of 9,787 during that fiscal year. This calculation results in a rough per capita cost of $39.69 per person. Inflated for two years by the rate of actual expenditure increase in County Administration from FY 02-03 to FY 03-04 (7.22%), a FY 05-06 per capita cost is calculated to be $45.63 per person. Caseload (described above) was tripled because the Department expects that counties have to process many more applications than are finally approved. Thus, for FY 05-06, the Department estimates that $1,264,864 will be needed to process additional client applications (9,240 * 3 * $45.63 = $1,264,864). The federal Centers for Medicare and Medicaid Services has confirmed through regulation that a 50% federal match is allowable for the administration of this federal program.
<u>Concerns or Uncertainties of Alternative</u>:	Although the Department has proceeded with a quantifiable request prior to the expected date, there are still many unknowns. The federal government is still developing guidance

to states. In addition, there has never been a new Medicare benefit implemented in this way, and many of the assumptions are based on a lack of experience. If more funding is necessary, the counties will need to submit supporting information.

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

General Description of Alternative: This alternative would provide no immediate funding for the counties. Counties would still be required to perform the federally mandated functions, and are also likely to continue to assist their clients even where mandates do not exist. However, they would be expected to do so without any increase in their base funding.

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

Concerns or Uncertainties of Alternative: Counties will be hard pressed to meet with basic requirements, continue to adapt to the implementation of the Colorado Benefits Management System (CBMS), and comply with this federal law without additional funding. However, counties would still be expected to comply with the federal requirements.

Supporting Documentation

Analytical Technique: A cost/benefit analysis is used to demonstrate the profitable alternative for the State. Please see below.

Quantitative Evaluation of Performance – Compare all Alternatives:

	Alternative A (recommendation)	Alternative B (status quo)
Costs	$1,264,864	$0
Benefit	Provides funding for increased administration costs as a result of higher application volume due to implementing a federal program. Prevents an unfunded mandate.	No benefits. County eligibility sites would have to comply with a burdensome new requirement without funding to do so. Creates an unfunded mandate.

Statutory and Federal Authority:

26-4-406.5, C.R.S (2005) Prescription drug benefits - authorization - dual-eligible participation. *The state department is authorized to ensure the participation of Colorado medical assistance recipients, who are also eligible for medicare, in any federal prescription drug benefit enacted for medicare recipients.*

SB 05-162 - Concerning Prescription Drug Benefits Under the Medical Assistance Program for a Person who is Enrolled in a Prescription Drug Benefit Program Under Medicare *Notwithstanding the provisions of subparagraph (i) of this paragraph (a), pursuant to the provisions of section 26-4-406.5, prescribed drugs shall not be a covered benefit under the medical Assistance program for a recipient who is enrolled in a prescription drug benefit program under medicare; except that, if a prescribed drug is not a covered Part D drug as defined in the "Medicare Prescription Drug, Improvement, and Modernization Act of 2003", p.l. 108-173, the prescribed drug may be a covered benefit if it is otherwise covered under the Medical Assistance Program and federal financial participation is available.*

Schedule 6
Emergency Change Request for FY 06-07

Department:	Health Care Policy and Financing	**Dept. Approval by:**	Lisa Esgar	**Date:**	June 20, 2006
Priority Number:	N/A	**OSPB Approval:**		**Date:**	
Program:	Executive Director's Office	**Statutory Citation:**	24-1-107, C.R.S. (2005; 25.5-1-104 (2) (4), C.R.S. (2005)		
Request Title:	Increase Funding for Commercial Leased Space				

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 05-06	Appropriation FY 06-07	Supplemental Request FY 06-07	Total Revised Request FY 06-07	Base Request FY 07-08	Decision/ Base Reduction FY 07-08	November 15 Request FY 07-08	Budget Amendment FY 07-08	Total Revised Request FY 07-08	Change from Base in Out Year FY 08-09
Total of All Line Items	**Total**	0	TBD	249,718	299,228	0	0	0	0	0	0
	FTE	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0		124,860	144,115	0	0	0	0	0	0
	GFE	0		0	0	0	0	0	0	0	0
	CF	0		0	0	0	0	0	0	0	0
	CFE	0		0	5,500	0	0	0	0	0	0
	FF	0		124,858	149,613	0	0	0	0	0	0
(1) Executive Director's Office, Personal Services		TBD	TBD								
	Total	0	0	10,500	10,500	0	0	0	0	0	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	0	5,250	5,250	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	0	0	0	0	0	0	0	0	0	0
	FF	0	0	5,250	5,250	0	0	0	0	0	0
(1) Executive Director's Office, Operating Expenses		TBD	TBD								
	Total	0	0	114,779	114,779	0	0	0	0	0	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	0	57,390	57,390	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	0	0	0	0	0	0	0	0	0	0
	FF	0	0	57,389	57,389	0	0	0	0	0	0
(1) Executive Director's Office, Commercial Leased Space		TBD									
	Total	0	49,510	124,439	173,949	0	0	0	0	0	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	19,255	62,220	81,475	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	0	5,500	0	5,500	0	0	0	0	0	0
	FF	0	24,755	62,219	86,974	0	0	0	0	0	0

Letter Notation:

Cash Fund name/number, Federal Fund Grant name: CFE: Health Care Expansion Fund, 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 06-07
EFFICIENCY AND EFFECTIVENESS ANALYSIS

SELECT ONE (click on box):

☐ Decision Item
☐ Base Reduction Item
☑ 1331 Supplemental Request — Criterion: New Data
☐ Budget Request Amendment — Criterion:

Priority Number:	June 20, 2006 1331 Supplemental Request
Change Request Title:	Increase Funding for Commercial Leased Space
Long Bill Line Item(s)	(1) Executive Director’s Office: Commercial Leased Space; (1) Executive Director’s Office: Operating Expenses; (1) Executive Director’s Office: Personal Services
State and Federal Statutory Authority:	24-1-107, C.R.S. (2005); 25.5-1-104 (2) (4), C.R.S. (2005)

<u>Summary of Request (Alternative A)</u>: This emergency Request is to increase funding for Commercial Leased Space, Operating Expenses, and Personal Services in FY 06-07 by a total of $249,718 to obtain needed office space for Department staff. The Request includes $124,439 for Commercial Leased Space, $10,500 for Personal Services to fund one-time moving costs, and $114,779 for one-time moving related Operating Expenses.

Alternative A {Recommended alternative}:

<u>Problem or Opportunity Description</u>: The Department of Health Care Policy and Financing is the second largest budget in State government and one of the smallest departments in terms of staff size. With the Department's ever-growing caseload, expenditures, and programs, the staff have been increasing, but the space that the Department has appropriated to house these staff has not grown to the same degree.

In May 2003, the Department moved to its current location at 1570 Grant Street. From the time of this move up to the present, the programs for which the Department is responsible have grown both in size and complexity, resulting in additional FTE appropriations. For FY 06-07, the Department was appropriated $344,022 for space at 1570 Grant Street. This space currently houses 223 positions.

The table below shows the historical FTE count for each fiscal year since the Department moved to its current location at 1570 Grant Street in May 2003. This table indicates that FTE appropriations have increased a total of 17.7% since the Department moved to its location. This count does not include contracted temporary staff such as those associated with implementation of the Medicare Modernization Act of 2003 and the Colorado Benefits Management System court order.

Year	Long Bill FTE Appropriation / Request	Special Bill FTE Appropriations	Total FTE
FY 02-03	193.3	1.2	194.5
FY 03-04	196.6	3.8	200.4
FY 04-05	196.1	6.7	202.8
FY 05-06	207.1	7.3	214.4
FY 06-07	222.7	6.2*	228.9

*Tentative, as Governor has not signed all bills at this time.

The table shows the number of appropriated FTE, not the number of positions. The Department currently has approximately 233 full time positions projected for FY 06-07, not including all Special Bills, temporary and intern staff, or auditors. The Department employs a number of temporary staff to comply with legislation and to complete special projects. For example, as of April 2006, the Department had employed roughly 40 different temporary staff throughout FY 05-06.

The Department recently completed an analysis that showed that it has been reverting an unsatisfactory level of Personal Services funding, while experiencing high turnover and staff strain. Indeed, in December 2005, during the Department's Joint Budget Committee Hearing, the Committee voiced concerns about the Department's staffing levels. This led to the decision to recommend 5.7 FTE in the Department's FY 06-07 Long Bill appropriation. In a separate action, in February 2006, the Department decided to hire twelve (12) additional positions to avoid reversions and to staff up to appropriated levels. The impact of this decision will not be experienced in time to prevent a Personal Services reversion in FY 05-06, but the Department plans to much more aggressively manage to its appropriation in the future.

In addition, based on similar complaints of a lack in space expressed in a Stand Alone Budget Request Amendment submitted to the Joint Budget Committee on January 24, 2006, the Department has an additional $49,510 appropriated in Commercial Leased Space for FY 06-07. This space is located across the street from the Department's main location, at 225 E. 16th Street. The space can currently hold 15 personnel.

General Description of Alternative: This Request is to increase funding for Commercial Leased Space to $173,949 total funds, or $124,439 incremental funds. In addition, one time funding is needed in Operating Expenses and Personal Services to furnish the space and move the Department. The move date is currently estimated at October 1, 2006. Therefore, the Department would require the existing space on the fifth floor for three months.

The Department has a rare opportunity available right now to expand without undertaking a large scale move. New space has become available in the same location as the Department's current Commercial Leased Space. This large amount of space would keep the Department housed in two locations that are close to the Capitol and close in proximity to each other. These two locations, 1570 Grant and 225 E. 16th Street, are literally across the street from each other. The Department's Child Health Plan Plus Office has been housed in this new building for several months, and it has been accessible for communication, meetings, and coordination. The landlord has been accommodating and responsive to the Department's needs, suggesting a good value on the space.

When the Department moved to 1570 Grant in 2003, it was apparent that the Department would not be able to accommodate much growth. With this alternative, the Department believes that it would have an efficient, 5-year plan that would easily address current cramped quarters and accommodate growth without separate budget requests to the General Assembly.

There are several reasons why this space is submitted as an emergency request:

1. Space has become available at 225 E. 16th Street that would accommodate current needs and accommodate growth. This space is on the first floor and the second floor. This space is connected by a private stairwell, and the Department believes it can be easily adapted to accommodate a secure environment as required by HIPAA privacy and security standards. There is 7,239 rentable square feet available on the first floor, and an additional 5,817 square feet on the second floor. Although some build out will need to occur on the first floor, the Department will be able to use the space largely as it is laid out for cubes, offices, and meeting spaces. All this square footage is available at $13.50 a square foot. If this space is not approved at the June 2006 Joint Budget Committee meeting, it will be lost and the Department will not be able to accommodate its current staff in appropriated space. That is, hiring will have to be stopped and managed to the number of spaces it has in the building.

2. The Department had planned to expand into its basement space at 1570 Grant to accommodate its growth. In fact, the Medicare Modernization Act Call Center and CBMS Emergency Call Center have been housed in the basement since other space in the building was not available. The Department met with the State Architect and building management personnel from the Department of Personnel and Administration in March of 2006 to discuss further modifications to the building that the Department would need to make to accommodate the increased staffing needs. However, on April 3, 2006, the Department of Personnel and Administration issued a letter to the Executive Director of the Department identifying life and safety liability concerns regarding staff in the basement. Recommendations were to cease using these areas for staff purposes. As a result, staff located in the basement had to be relocated into the upper floors of the building. The potential for the Department to use the basement space is no longer feasible.

3. The Department has converted all open space into employee cubes. The Department has converted a mail room into staff work space. One cube office currently houses four call center staff working on tables. The Department is currently in the practice of moving new staff around the entire building as vacancies occur, in order to supply a

work space for hired staff. The Department does believe that this "musical chairs" is one factor directly contributing to the Department's high turnover rate.

4. The Department currently has virtually no meeting space. Two meeting rooms formerly existed in the basement but had to be terminated for this purpose upon receipt of the Department of Personnel and Administration's letter referenced above. The Department is converting a kitchen into a meeting room. Until that conversion is complete, there is only one meeting room available for the Department at 1570 Grant, and one small meeting room available at 225 E. 16th Street. These rooms are constantly booked, and staff often cram into small offices to have meetings. The Department has nowhere to house auditors, which are almost continuously in the building. Accommodations are constantly a struggle for meetings and auditors. This makes the workplace incredibly inefficient, as staff spend time attempting to access meeting space in other buildings and spend time traveling to off-site locations. There is no room large enough to meet with all or a majority of the staff or to house the Medical Services Board. Scheduling meetings is, in reality, a daily frustration that affects many staff. Recently, a departmental Workplace Violence Training had to be cancelled because only a six-person space could be located, even weeks before the event.

The space(s) at 225 E. 16th Street would address all of these needs. Although the plans are not complete, it is expected that the space would hold 9 offices, 40 cubes, and 4 meeting rooms (one large enough for public meetings, Department meetings, and the Medical Services Board). The Department could return kitchen space at 1570 Grant to kitchen space, and return the mail room to working order. Temporary projects could be accommodated easily, and staff would not need to be moved around to accommodate new hires. Sections and work units would stay together. There would be appropriate meeting space for staff to hold professional meetings with external customers, and large enough for staff to have internal problem-solving meetings.

The Department has worked with the Staubach company and the Department of Personnel and Administration on this space. If this space is approved by the Joint Budget

Committee, the Department will proceed with detailed space planning with these agencies. The agencies have agreed that an October 1, 2006 move date would be feasible.

The Department would be able to lease the 13,056 square feet at a rate of $16.50 per rentable square foot for an additional total lease cost of $215,424 (prorated to $161,568). This price per square foot covers minor tenant finish and build out, and that cost of $212,160 (see Table C) is spread across an assumed 5 year renewable contract, which would expire September 30, 2011. Should the State not renew this contract for the full five years, the balance of this cost would be due to the lessor.

The Department would move its current staff on the fifth floor of 225 E. 16th Street to the new space so all staff are together, saving $49,510 from the $215,424 (prorated to $37,129 from $161,568 in the first year). Therefore, the final net incremental Commercial Leased Space would be $165,914, prorated to $124,439 in FY 06-07.

The Department would also require operating funding for installation of cubicles and the purchase of furniture and data equipment and personal services funding to install phone and data lines. This would be one-time funding to set up the offices and make them operational. The Department projects the one-time cost for the cubicles, chairs, and data equipment at $114,779, and the contract services required to install the data and phone equipment at $10,500. The Department attempted to keep one-time costs down by utilizing surplus furniture.

This new space would be considered a long term solution. The Joint Budget Committee should expect a corresponding Decision Item in the November 1, 2006 Budget Request.

Implementation Schedule:

Task	**Month/Year**
Lease Awarded/Signed	July 2006
Build Out and Tenant Preparation Complete	September 2006
Move Date	October 1, 2006

Calculations for Alternative's Funding:

Summary of Incremental Request FY 06-07	**Total Funds**	**General Fund**	**Federal Funds**
Total Incremental Supplemental FY 06-07	$249,718	$124,860	$124,858
Executive Director's Office, Personal Services (Contract Personnel)	$10,500	$5,250	$5,250
Executive Director's Office, Operating Expenses	$114,779	$57,390	$57,389
Executive Director's Office, Commercial Leased Space	$124,439	$62,220	$62,219

Table A - Space			
Annualized FY 06-07			
	Square Feet	**Price per Square Foot**	**Costs**
New Commercial Leased Space	7,239 rentable square feet - 1st Floor	$16.50	$119,444
	5,817 rentable square feet - 2nd Floor	$16.50	$95,980
	Total New Commercial Leased Space		$215,424
Former Commercial Leased Space	3,511 rentable square feet - 5th floor	($14.10)	($49,510)
	Net Incremental Commercial Leased Space		$165,914
Capitol Complex Leased Space	31,512 Square feet	$10.92	$344,042
	Total Leased Space		$509,956
Percent of Department FY 06-07 Long Bill Appropriation ($3,388,531,182)			0.015%
Prorated FY 06-07			
	Square Feet	**Price per Square Foot**	**Costs**
New Commercial Leased Space	7,239 rentable square feet - 1st Floor	$16.50 * 9/12	$89,583
	5,817 rentable square feet - 2nd Floor	$16.50 * 9/12	$71,985
	Requested New Commercial Leased Space		$161,568
Former Commercial Leased Space	3,511 rentable square feet - 5th floor	($14.10) * 9/12	($37,129)
	Net Incremental Commercial Leased Space		$124,439

Table B - Operating and Personal Services		**Costs**
Operating Expenses	Purchase and Installation of Approximately 40 Cubicles at $2,021	$80,840
	30 Chairs @ $400 each (the Department has some available)	$12,000
	Miscellaneous State Surplus Furniture (tables, filing cabinets, etc.)	$5,000
	Fax and Copy Machines	$4,795
	Telephone - Installation and Equipment	$2,100
	Wiring for Data Equipment	$4,250
	Data Equipment - Ethernet Switch and Panel Patch	$5,794
	Total Operating Expenses	**$114,779**
Personal Services	Movers	$6,500
	Electrical Installation	$4,000
	Total Personal Services	**$10,500**

Table C - Tenant Finish Plan	
Demolition	$5,560
Gypsum Walls - Drywall and framing - patch and repair	$8,956
Paint	$14,138
Wood Doors	$3,060
*Acoustic Ceiling - Ceiling tile replacement	$4,280
Millwork	$2,800
Millwork - Reception allowance	$7,500
Carpet, base, and tile	$35,960
Electrical	$20,760
Plumbing	$2,590
HVAC	$5,700
Fire Protection - Fire Sprinkler	$2,400
Subtotal	**$113,704**
Overhead, Profit, and General Conditions	$19,330
Specialty and Security	
1 recessed screen - allowance	$5,800
2 keypad locks at stairwells	$2,400
Signage allowance	$1,500
Mechanical Added Costs	
Remove two 10 ton Liebert cooling units including duct systems, and ceiling and lighting remove and replace	$9,610
Estimated allowance to provide HVAC through building systems to replace Liebert cooling units	$11,000
Subtotal	**$163,344**
10% Contingency due to a lack of engineered drawings	$16,334
Architectural and engineering fees	$32,640
Total	**$212,318**

*Replace all tiles on 1st floor, damaged tiles on 2nd Floor

Impact on Other Areas of Government: None

Assumptions for Calculations: The move date is currently estimated at October 1, 2006.

The following assumptions are for an annualized year.

Space
Staubach, the company that contracts with the Department of Personnel and Administration to work directly with the Department on space issues, has been negotiating with the Lessor of 225 E. 16th Ave. The Lessor quoted a starting rate of $13.50/rsf/yr, increasing by $0.50/rsf/yr, or an average effective rate of $14.50/rsf/yr over a five (5) year term.

Build Out
Staubach discussed the tenant improvement costs, which total approximately $212,160 (see Table C), or $16.25/rsf if spread across one year (this is a real estate portrayal of the costs), once all costs are considered. The base rent includes a tenant improvement allowance for carpet and paint of approximately $5.00/rsf. This adjustment revises the $16.25/rsf to $11.25. The $11.25 is then spread across 5 years (divided by 5), and adds approximately $2.50/rsf/yr to the starting lease rate. The requested $16.50 in Table A includes the entire $16.25/rsf tenant improvement allowance.

Total
Based upon this cost, $13.50 plus $2.50, increasing by $0.50/rsf/yr, an annual rent scenario is as follows:

Year	Monthly Rent	Annual Rent	Gross Rate/RSF/Yr
FY 06-07	$17,408	$208,896	$16.00
FY 07-08	$17,952	$215,424	$16.50
FY 08-09	$18,496	$221,952	$17.00
FY 09-10	$19,040	$228,480	$17.50

FY 10-11	$19,584	$235,008	$18.00

The Department of Personnel and Administration and Staubach have recommended that **the Department request $0.50 more per foot that this conservative estimate**, because negotiations are not complete. The Department believes that if spending authority is approved on June 20, 2006, that the space will still be on the market and available to the Department. This will ensure that there is enough appropriation to ensure a lease can be signed. Staubach is continuing negotiations at this time to attempt to reduce the cost. Any deductions that are confirmed will be adjusted through the typical budget process and are based upon 13,056 rsf (rentable square feet); 7,239 rsf on the first floor and 5,817 rsf on the second floor.

Concerns or Uncertainties of Alternative: None

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

General Description of Alternative: This alternative would maintain the Department's current space at 1570 Grant and the appropriated space at 225 E. 16th Street at $49,510.

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

Concerns or Uncertainties of Alternative: Under this alternative, the Department would be forced to stop hiring and only hire positions as they became available for a seating location. The Department has attempted all possibilities to re-configure space at its current location in an effort to accommodate current and future staffing needs. The consequences of this action will be that federal and state requirements are not accomplished in a timely manner and turnover could increase as the work environment becomes less tolerable.

If an emergency supplemental is not granted, and a regular supplemental is encouraged, the Department will not be able to sign any different lease for FY 06-07 than what was already appropriated, which is the 3,511 square feet on 5th floor. In addition, this rare opportunity to have space so close to the main building, which will accommodate the Department's entire space need, is expected to be gone by the time January supplementals are submitted.

Supporting Documentation

Analytical Technique: Cost/Risk Analysis Benefit

Alternative	Long Term Costs	Risk	Description
A	$162,265	None	The Department would be able to lease approximately 9,545 square feet (7,239 + 5,817 - 3,511) of additional office space. Long Term Cost = $17 * 9,545 ($17 is the average across all five years)
B	$0	High	If funding is not approved, the Department would be forced to stop hiring, jeopardizing the completion of required projects.
C	$484,000	None	The Department recently was investigating the possibility of moving to 710 S. Ash where the Department of Public Health and Environment has been considering a refinance on its lease. In March, the Department did a rough analysis of the cost if it moved to the 710 S. Ash location. Dollars shown are in addition to FY 06-07 appropriations. In the end, this option was determined to not be viable for Health Care Policy and Financing, but it shows what the cost could be to relocate the Department even to a building outside of the Capitol area.

Quantitative Evaluation of Performance - Alternative A has zero risk and is also a long-term low cost alternative. The General Fund need is $145,597.

Statutory and Federal Authority: 24-1-107, C.R.S. (2005). Internal organization of department - allocation and reallocation of powers, duties, and functions - limitations. *In order to promote economic and efficient administration and operation of a principal department and notwithstanding any other provisions of law, except as provided in section 24-1-105, the head of a principal department, with the approval of the governor, may establish, combine, or abolish* *divisions, sections, and units other than those specifically created by law and may allocate and reallocate powers, duties, and functions to divisions, sections, and units under the principal department, but no substantive function vested by law in any officer, department, institution, or other agency within the principal department shall be removed from the jurisdiction of such officer, department, institution, or other agency under the provisions of this section.*

25.5-1-104 (2) (4), C.R.S. (2005). Department of health care policy and financing created - executive director - powers, duties, and functions…*(2) The department of health care policy and financing shall consist of an executive director of the department of health care policy and financing, the medical services board, and such divisions, sections, and other units as shall be established by the executive director … (4) The department of health care policy and financing shall be responsible for the administration of the functions and programs as set forth in part 2 of this article.*

Department Objectives Met if Approved: 1.6 To work towards systemic improvement in the Department's operations to expand efficiencies, minimize waste, ensure coordination, and eliminate discrepancies.

4.2 To develop enhanced training and retention strategies for departmental staff.

Schedule 6

1331 Emergency Change Request for FY 05-06

Department:	Health Care Policy and Financing	**Dept. Approval by:**	John Bartholomew	**Date:**	June 20, 2006
Priority Number:	N/A	**OSPB Approval:**		**Date:**	
Program:	Acute Care Benefits	**Statutory Citation:**	26-4-302 (1.5), C.R.S. (2005)		
Request Title:	Additional Funding for Non-Emergency Medical Transportation				

	Fund	1 Prior-Year Actual FY 04-05	2 Appropriation FY 05-06	3 Supplemental Request FY 05-06	4 Total Revised Request FY 05-06	5 Base Request FY 06-07	6 Decision/ Base Reduction FY 06-07	7 November 1 Request FY 06-07	8 Budget Amendment FY 06-07	9 Total Revised Request FY 06-07	10 Change from Base in Out Year FY 07-08
Total of All Line Items	**Total**	0	4,455,988	408,430	4,864,418	0	0	0	0	0	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	2,227,994	204,215	2,432,209	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	0	0	0	0	0	0	0	0	0	0
	FF	0	2,227,994	204,215	2,432,209	0	0	0	0	0	0
(1) Executive Director's Office, Non-Emergency Transportation Services	**Total**	0	4,455,988	408,430	4,864,418	0	0	0	0	0	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	2,227,994	204,215	2,432,209	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	0	0	0	0	0	0	0	0	0	0
	FF	0	2,227,994	204,215	2,432,209	0	0	0	0	0	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** (If Yes, List Other Departments Here:)

CHANGE REQUEST for FY 05-06
EFFICIENCY AND EFFECTIVENESS ANALYSIS

SELECT ONE (click on box):

☐ Decision Item
☐ Base Reduction Item
☑ Emergency Supplemental Request — Criterion: New Data
☐ Budget Request Amendment — Criterion:

Priority Number:	N/A
Change Request Title:	Emergency Supplemental for Non-Emergency Medical Transportation Services
Long Bill Line Item(s)	(1) Executive Director's Office, Non-Emergency Transportation Services
State and Federal Statutory Authority:	26-4-302 (1.5), C.R.S. (2005) and 42 C.F.R. Section 431.53

Summary of Request (Alternative A): This Request is to seek additional funding of $408,430 to the Executive Director's Office, Non-Emergency Transportation Services line item for the administration of non-emergency medical transportation. The additional funding is required due to the recent results of a mandated request for proposals.

Alternative A {Recommended alternative}:

Problem or Opportunity Description: The Department of Health Care Policy and Financing provides non-emergency transportation to and from medically necessary services covered by the Colorado Medical Assistance Program for clients who have no other means of transportation throughout all sixty-four counties in Colorado. Section 26-4-302 (1.5), C.R.S. and 42 C.F.R. Section 431.53 requires the Department to provide non-emergency medical transportation to eligible clients under the state Medical Assistance Program. The type of transportation authorized is determined by the distance to be traveled, treatment facilities available, and the physical condition and welfare of the client. Non-emergency medical transportation services include transportation between the client's home and Medicaid covered benefits, and when applicable, the cost of lodging and food when an overnight stay is necessary for an escort. There are also administrative costs related to non-emergency medical transportation including, but not limited to, the intake of client calls, determining eligibility, and authorizing and arranging transportation.

Prior to FY 03-04, funding for non-emergent medical transportation, approximated to be $12,041,460, was contained in the Medical Services Premiums line within the Department's Budget. However, due to difficult economic conditions in FY 02-03, the General Assembly reduced this funding by $7,640,682 in an effort to reduce General Fund expenditures (Figure Setting, Setting Supplemental Briefing Hearing, Long Bill Narrative, FY 03-04, page 110-111).

In FY 03-04, the Department received legislative authority via HB 04-1220 to administer non-emergency medical transportation as an administrative program rather than an optional Medicaid service in an effort to maintain cost savings. As a result of this action, $4,400,778 was transferred from the Department's Medical Services Premiums Long Bill group and created a new line item under the Executive Director's Office Long Bill group titled "Non-Emergency Medical Transportation".

The Department currently employs two mechanisms to meet non-emergency medical transportation needs for Medicaid clients. In 56 counties within the State, the county departments of social services are responsible for authorizing and arranging the transportation. In eight front-range counties, the Department contracts directly for the necessary services and administration with a broker.

Contractor

Beginning in October 2002, Arapahoe County Transportation Services (ACTS) performed the transportation "broker" function for the eight counties. In September 2004, ACTS closed down, and the Department was required to enter into an emergency contract with LogistiCare for October 1, 2004 through June 30, 2005. This provided support for the eight Front Range counties for the remainder of FY 04-05.

In March 22, 2005, the Department issued a request for proposals for the broker responsibilities for the eight front-range counties to begin in FY 05-06. The bid was again awarded to LogistiCare; however, LogistiCare refused to sign the contract citing concerns about spikes in utilization and inadequate funding. The end result of this was a failed procurement. Since the Department is required by the Centers for Medicare and Medicaid Services to provide non-emergency medical transportation for Medicaid clients with no other means of transportation, LogistiCare agreed to continue providing the services through March 31, 2006 under an emergency nine-month contract from July 1, 2005 through March 31, 2006 for $3,595,777.

Due to this failed reprocurement, in January 2006, the Department posted a new request for proposal for the remainder of FY 05-06, to continue through FY 06-07. It was decided that the new request for proposal would be an open bid, meaning that it would not identify a specific amount of funding for the scope of work, but would ask potential vendors to bid the amount that they needed to complete the scope of work. It was agreed that once the Department had established the exact amount of funding needed to secure a fixed price contract, additional funding would be sought through the Supplemental process.

On January 5, 2006, the Department indicated in its response to the Joint Budget Committee Hearing that interested vendors would be asked to submit a cost proposal identifying the level of funding needed to complete the scope of work. The Department's response included that there could be some delay in awarding the competitively-bid contract, and that the Department would inform the General Assembly if fundamental issues would prevent contracting under the current level of appropriation.
The emergency FY 05-06 contract with LogistiCare that was set to expire March 31, 2006 has been extended through invoking a "holdover provision." This provision allows the Department to unilaterally extend the contract for up to two months under the same terms and conditions of the contract being extended, including prices, rates, and service delivery requirements. The holdover provision contract language was developed by the State Controller's Office in May 2004, and recommended by that office for inclusion in State contracts. The Department exercised this holdover provision by sending a letter to

LogistiCare, dated March 23, 2006. The contract was thereby extended through May 31, 2006. To comply with the requirement in the holdover provision, an amount of $799,062 was encumbered to cover the two month period within the Department's Personal Services appropriation (due to recent vacancy savings, the Department is able to cover these contract costs on a one-time basis in FY 05-06). In determining this amount, the Department divided the total amount of the nine month FY 05-06 emergency contract by nine months to get a monthly amount, and multiplied the result by two. This will extend current coverage for the eight Front Range counties through May 31, 2006.

Finally, based on the open-ended request for proposals released January 2006 (as mentioned above), LogistiCare was awarded the winning bid for a new fixed price contract to begin June 1, 2006. This fixed price contract has been negotiated for $446,992 per month for the next thirteen months, extending through the end of FY 06-07.

56 Counties

For providers outside of the Front Range contractor, reimbursement for the 56 counties is automated using the Medicaid Management Information System. These providers bill the Department directly, and an electronic transfer is generated to reimburse these counties at the Medicaid allowable amount for these services.

Funding in FY 05-06

Funding for non-emergency medical transportation in FY 05-06 is $4,889,988. This total is split between two line items within the Department's budget. The first line item is in the Executive Director's Office Long Bill group for $4,455,988. The second line item is in the Department's Long Bill group (6) DHS Medicaid Funded Programs, (D) County Administration – Medicaid Funding line item for $434,000. This $434,000 is for the contractor, as administrative functions for the eight Front Range counties have been included in the contract obligations, and are no longer the responsibilities of the eight counties. The total $4,889,988 is for both payments to the contractor for the eight counties and payments to the 56 counties for services outside of the contract.

General Description of Alternative:

This emergency Supplemental Request is for $408,430 in (1) Executive Director's Office, Non-Emergency Transportation Services line item. Due to the results of a recent request for proposals, and an accounting error recently recognized by the Department, current funding for non-emergent medical transportation will not be sufficient for FY 05-06.

Contractor Need

Of the FY 05-06 total appropriation, $4,841,831 is now needed for LogistiCare contract purposes. This amount is comprised of the existing emergency nine-month contract for $3,595,777, plus $799,062 for the two-month holdover provision to the current contract ($799,062 = $3,595,777 / 9 * 2), plus $446,992 for the new fixed-price contract for one month). Assuming the current spending authority of $4,889,988 this would leave an annual amount of $48,157 for the remaining 56 counties.

56 Counties Need

The non-metropolitan 56 counties account for the remaining non-emergency medical transportation costs. Due to a 120-day provision for timely filing of claims, there is a lag in billing by these 56 counties. As such, the Department only knows the first five months of actuals (July 1, 2005 through November 30, 2005) as of March 31, 2006. From December 1, 2005 though March 31, 2006, the Department only has partial expenditures for these months. Through November 31, 2005, actual expenditures for these five months equal $480,655, or $96,131 per month. Even by this average, it is easy to see that current expenditures will exceed the $48,157 available for the 56 counties after LogistiCare costs are carved out of FY 05-06 available funding.

Accounting Error

In addition, the Department recently discovered that current year expenditures are inflated due to an accounting error for the 56 counties. As all billing for the 56 counties is automated through the Medicaid Management Information System, it was overlooked that an accounts payable needed to be set-up to capture any FY 04-05 expenditures which occurred in the prior fiscal year, but were billed during the 120 day grace period that extended into FY 05-06. As such, there was $111,933 in FY 04-05 expenditures that were not booked against the FY 04-05 appropriation. This then accounts for a portion of the FY 04-05 reversion. This will be a one-time correction.

Summary
Total funding needed is projected to be $1,223,430 for all three pieces in FY 05-06. However, to limit the impact of this late emergency Request, the Department has done extensive analysis within its Personal Services appropriation, and has projected that it can absorb $825,000 due to turnover and vacancy savings experienced this year. Including this offset, the Department estimates a net need of $408,430. This is one-time relief since the Department is on track to spend the entire Personal Services appropriation for FY 06-07.

The Department is gaining expertise about the expenditures in this program, and future years are not expected to experience these kinds of fluctuations after FY 05-06. The combination of failed bids, negotiations to ensure the services were covered, and unexpected accounting and invoicing considerations caused the unpredictability in FY 05-06.

Calculations for Alternative's Funding:

Summary of Request FY 05-06	**Total Funds**	**General Fund**	**Federal Funds**
FY 05-06 Total Need	$4,864,418	$2,432,209	$2,432,209
Requested Increase to (1) Executive Director's Office, Non-Emergency Transportation Services	$408,430	$204,215	$204,215
(1) Executive Director's Office, Non-Emergency Transportation Services*	$4,455,988	$2,227,994	$2,227,994

* $434,000 has not been included. This money is available for non-emergency medical transportation, and is within (6) DHS Medicaid Funded Programs, (D) County Administration – Medicaid Funding item is for administration cost associated with the eight Front Range counties, now covered under the transportation broker contract.

Table 1: Contractor Cost for Eight Front Range Counties	
Contract Period	**Contract Provision**
Emergency Nine Month Contract (July 1 – March 31, 2006)	$3,595,777
Holdover Provision Extending Contract for Two Additional Months (April 1 – May 31, 2006)	$799,062
New Fixed-Price Contract for One Month (June 2006)	$446,992
Total Contractor Costs for FY 05-06	**$4,841,831**

Table 2: FY 05-06 History of Expenditures in 56 Counties by Date of Payment and Date of Service										
Month of Payment	**Month of Service**									
	Jul-05	**Aug-05**	**Sep-05**	**Oct-05**	**Nov-05**	**Dec-05**	**Jan-06**	**Feb-06**	**Mar-06**	**Subtotal**
Jul-05	$19,010									
Aug-05	$40,260	$27,157								
Sep-05	$7,897	$40,404	$27,636							
Oct-05	$18,269	$10,055	$44,243	$24,615						
Nov-05	$3,139	$23,120	$27,490	$56,842	$43,867					
Dec-05	$115	$295	$2,588	$4,825	$35,065	$33,078				
Jan-06		$56	$340	$4,834	$12,885	$51,592	$45,224			
Feb-06				$933	$3,140	$4,337	$37,886	$44,041		
Mar-06	$78	$78	$157		$1,260	$2,689	$9,551	$41,178	$47,088	**$797,320**
Apr-06*						$1,097	$3,554	$7,900	$44,513	
May-06*							$1,097	$3,554	$7,900	
Jun-06*								$1,097	$3,554	
Jul-06*									$1,097	**$75,362**
Total	**$88,769**	**$101,167**	**$102,454**	**$92,049**	**$96,218**	**$92,793**	**$97,313**	**$97,769**	**$104,151**	**$872,682**

*Run-out is estimated based on the average run-out from prior actuals. All averages are from October 2005 to the month prior to the month being estimated.

Table 3: Summary of Need for 56 Counties	
Actual Payments through March 31, 2006 (Sum of Values Above Horizontal Border in Table 2)	$797,320
Estimated Run-Out for Services through March 31, 2006 (Sum of Values Below Horizontal Border in Table 2)	$75,362
Estimated Total Expenditure for All Services through March 31, 2006 (Total from Table 2)	**$872,682**
Monthly Average (July 1, 2005 – March 31, 2006 Total Expenditures Divided by 9)	$96,965
Average Monthly Expenditure for 56 Counties from October 1, 2004 – June 30, 2005	$83,941
Average Monthly Expenditure for 56 Counties from July 1, 2005 – November 31, 2005	$96,131
Rate of Growth for Average Monthly Expenditure (Over 7 Months Assuming the Midpoint of Each Period)	14.52%
Monthly Average Rate of Growth (Divide by 7)	2.07%
Estimated Cost for April, May, and June 2006 (Monthly Average for 3 Months, Inflated By Growth Rate)	**$296,972**
Estimated Total Expenditures for 56 Counties for FY 05-06 (Includes FY 05-06 Needed Payable)	**$1,169,654**

Table 4: Summary of Request	
Estimated Total Contractor Costs (Table 1)	$4,841,831
Estimated Total Costs for 56 Counties (Table 3)	$1,169,654
FY 04-05 Expenditures Booked in FY 05-06	$111,933
Estimated Total FY 05-06 Costs for Non-Emergency Medical Transportation	**$6,123,418**
FY 05-06 Appropriation (Includes Appropriation 265 and $434,000 from Appropriation 520)	$4,889,988
Estimated Shortfall	**$1,233,430**
Amount the Department Estimates it can Absorb in Appropriation 100 (Contractor Costs Only)	($825,000)
Remaining Shortfall / Supplemental Request (Matches Schedule 6, Column 3)	**$408,430**

Assumptions for Calculations:

56 Counties

For the 56 counties, the Department used actual and estimated expenditures to calculate the total costs from July 1, 2005 through March 31, 2006. Due to the 120-day grace period provision for claims and the associated lag in billing, the first five months (July 1, 2005 through November 31, 2005) have actual expenditures of $480,655. In addition, actual known expenditures for the months of December 2005 through March 2006 equal $316,665, but are only partial months. Using the average monthly lag in billing experienced since October 2005, the Department has estimated the amount of future expenditures that will occur for December through March (see Table 2 above – rows have an asterisk indicating they are estimated). Incorporating this amount with the actual known expenditures through March, the Department estimates that the average monthly expenditure amount for the 56 counties is $96,965 for the first nine months of FY 05-06. Assuming this monthly average, the Department estimated the remaining three months of expenditures for the 56 counties, which includes the needed FY 05-06 accounts payable (as all projections are done using date-of-service and not date-of-payment).

Due to an increasing trend in non-emergency transportation costs, the Department built in a growth rate to capture any future growth for the remaining three months in FY 05-06. This growth rate was calculated using the midpoint between the average monthly expenditure from October 1, 2004 through June 30, 2005 (FY 04-05 experience after the eight Front Range counties were included in a contract) and July 1, 2005 through November 31, 2006 (the first five complete months in FY 05-06 based on date of service). This percentage increase of 14.52% ($96,131 / $83,941 * 100 = 14.52%) was then divided by seven (the number of months from the first measurement period's midpoint to the second measurement period's midpoint), to get an average monthly growth rate of 2.07%. Using the monthly average growth rate, the need for the remaining three months for the 56 counties is $296,972 ($296,972 = $96,965 + ($96,965 * 1.0207) + ($96,965 * 1.0207) * 1.0207), and the total need for the 56 counties is $1,169,694 for services provided in FY 05-06.

Contractor

For the eight metropolitan counties managed by LogistiCare, the emergency nine month contract was not to exceed $3,595,777, or $399,531 per month. Using the monthly average of $399,531, the additional two month need for the holdover provision is $799,062. Finally, based on the new request for proposals, the one-month need for the new fixed price contract is $446,992 for the month of June. Therefore, the total need for April 1 through June 30, 2006 is $4,841,831 ($4,841,831 = $3,595,777 + $799,062 + $446,992).

Accounting Error
Actual prior year expenditures for the 56 counties booked against FY 05-06 due to the 120-day grace period equal $111,933. As there was no FY 04-05 payable set-up for these costs, these expenditures have increased the need for additional funding in FY 05-06.

Summing up the annual LogistiCare need, the 56 counties FY 05-06 annual need, and the accounting error impact, the total estimated need for FY 05-06 is $5,949,687. Subtracting out the current FY 05-06 available funding of $4,889,988, there is an estimated shortfall of $1,233,430. However, due to vacancy savings in the Executive Director's Office, Personal Services appropriation, the Department can absorb $825,000 of the increased contractor costs. Therefore, the total Emergency Supplemental Request is for $408,430 ($408,430= $1,233,430 - $825,000).

Concerns or Uncertainties of Alternative: The Department has estimated potential costs for the remaining 56 counties, which are billed fee-for-service under accrual accounting. If the actual costs, including run-out, are different than estimated, funding will fall short or be in excess of the total need.

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

General Description of Alternative: Funding for non-emergency medical transportation would remain at $4,889,988 between the (1) Executive Director's Office, Non-Emergency Medical Transportation and (6) DHS Medicaid Funded Programs, (D) County Administration – Medicaid Funding appropriations.

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

Concerns or Uncertainties of Alternative: This alternative would result in an overexpenditure of the Non-Emergency Medical Transportation Services appropriation. Per 26-4-302 (1.5), C.R.S. (2005) and 42 C.F.R. section 431.53, the Department is required to provide non-emergency medical transportation and would be in violation if it does not do so. Should there need to be any restriction or termination of services due to lack of funding, the Department could lose federal funding.

Supporting Documentation

Analytical Technique: For this Emergency Supplemental Request, a Risk/Benefit Analysis was used. Scoring for this analysis were based on the following: 1 = risks are more prevalent causing negative implications to the State, 2 = no risks or benefits are realized by the State, 3 = benefits are greater than risks.

Description of Risks/Benefits	Alternative A	Alternative B
Benefit: Contractor costs for the eight Front Range counties, as well as the remaining 56 counties billing on a fee-for-service basis, to provide non-emergent medical transportation throughout the State would be sufficiently funded through an appropriation. **Risk:** Overexpenditure of the Non-Emergency Medical Transportation line by $296,497 after utilizing vacancy savings from Personal Services in FY 05-06 (not including the accounting error from FY 04-05).	3	1
Benefit: FY 04-05 costs which are reducing available funding in FY 05-06 would be adequately funded, and would allow additional funds for current year expenditures. **Risk:** Overexpenditure of the Non-Emergency Medical Transportation line by $111,933.	3	1

Quantitative Evaluation of Performance - Compare all Alternatives: Alternative A allows for sufficient funding to cover FY 04-05 costs that should have been booked against an accounts payable, but are rather diminishing current resources in FY 05-06. In addition, Alternative A provides enough funding to finish the fiscal year without an overexpenditure for these services, as required by federal and State regulations. Alternative B subjects the Department to a large risk at overspending the Non-Emergency Medical Transportation line item. Therefore, Alternative A is the preferred alternative.

Statutory and Federal Authority:	26-4-302 (1.5), C.R.S. (2005). 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: (t) Repealed: (1.5) In addition to the services described in subsection (1) of this section and subject to continued federal financial participation, Colorado has selected to provide transportation services as an administrative cost.* 42 C.F.R. Section 431.53. Assurance of transportation. *A State plan must--(a) Specify that the Medicaid agency will ensure necessary transportation for recipients to and from providers; and (b) Describe the methods that the agency will use to meet this requirement. (Sec. 1902(a)(4) of the Act)*
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.

Schedule 6
1331 Emergency Change Request for FY 05-06

Department:	Health Care Policy and Financing	**Dept. Approval by:**	John Bartholomew
Date:	June 20, 2006		
Priority Number:	N/A	**OSPB Approval:**	
Date:			
Program:	Operations and Finance Office	**Statutory Citation:**	26-4-406.5, C.R.S. (2005)
Request Title:	Increase Funding for Clawback to Include June 2006		

	Fund	1 Prior-Year Actual FY 04-05	2 Appropriation FY 05-06	3 Supplemental Request FY 05-06	4 Total Revised Request FY 05-06	5 Base Request FY 06-07	6 Decision/ Base Reduction FY 06-07	7 November 1 Request FY 06-07	8 Budget Amendment FY 06-07	9 Total Revised Request FY 06-07	10 Change from Base in Out Year FY 07-08
Total of All Line Items	**Total**	0	28,442,918	2,781,716	31,224,634	0	0	0	0	0	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	28,442,918	2,781,716	31,224,634	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	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, Medicare Modernization Act of 2003, State Contribution Payment	**Total**	0	28,442,918	2,781,716	31,224,634	0	0	0	0	0	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	28,442,918	2,781,716	31,224,634	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	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: N/A

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:)

1331 EMERGENCY CHANGE REQUEST for FY 05-06
EFFICIENCY AND EFFECTIVENESS ANALYSIS

SELECT ONE (click on box):

☐ Decision Item
☐ Base Reduction Item
☑ 1331 Supplemental Request — Criterion: New Data
☐ Budget Request Amendment — Criterion:

Priority Number:	N/A
Change Request Title:	Increase Funding for Clawback to Include June 2006
Long Bill Line Item(s)	(5) Other Medical Services, Medicare Modernization Act of 2003, State Contribution Payment
State and Federal Statutory Authority:	26-4-406.5, C.R.S (2005); 42 U.S.C. 1396u-5(c)(1)(C)

<u>Summary of Request (Alternative A)</u>: This emergency Request is for $2,781,716 in General Fund to cover one additional month of expenditures associated with prescription drugs for dual eligibles under Medicare Part D provided in the month of June 2006.

Alternative A {Recommended alternative}:

<u>Problem or Opportunity Description</u>: On January 1, 2006, the federal Centers for Medicare and Medicaid Services (CMS) assumed responsibility for the Part D prescription drug benefit, replacing the Medicaid prescription drug coverage for dual eligible clients. In lieu of the states' obligation to cover prescription drugs for this population, the federal Centers for Medicare and Medicaid Services began requiring states to pay a portion of what their anticipated dual eligible drug cost would have been, had this cost shift not occurred. Currently, states are to pay 90% of the federal portion of their average dual eligible drug benefit from calendar year 2003, inflated to 2006 using the national healthcare expenditure average growth rate. As each calendar year passes, the 90% factor is reduced by 1.67% each year, until it reaches 75%, where it will remain at 2015 on a go-forward basis.

During the Department's FY 05-06 Figure Setting on March 15, 2005, the Joint Budget Committee approved staff recommendation for $30,984,982 in the Medical Services Premiums appropriation for six months of anticipated Clawback payments, for the months of January – June 2006. However, based on a federal letter received October 14, 2005, the Department was informed by the Centers for Medicare and Medicaid Services that the first payment for January 2006 would not be billed until February 2006. As such, through Supplemental S-6 (submitted January 3, 2006), the Department requested a reduction to this appropriation, to account for the billing delay, assuming that only five payments would actually be made during FY 05-06. On January 20, 2006, as outlined on page 27 of the Department's FY 05-06 Supplemental Hearing, the Joint Budget Committee recommended this reduction in monthly payments, but differed with the Department in the estimated dual eligible caseload to use in this calculation. As a result, the Joint Budget Committee recommended a Clawback amount of $31,500,000, but with the intent of adjusting this amount during Figure Setting in March.

Finally, during the Department's March 13, 2006 Figure Setting, a Joint Budget Committee staff recommendation was approved by the Committee which reduced the $31,500,000 based on an update from the Centers for Medicare and Medicaid Services. In a letter received by the Department on March 3, 2006, the Centers for Medicare and Medicaid Services informed the states that the anticipated national healthcare expenditure average growth rate from calendar year 2003 to 2006 for prescription drugs had declined from 35.54% to 22.46%. Adjusting for this change, the final FY 05-06 appropriation for the Clawback was reduced by $3,057,082, to the new amount of $28,442,918.

<u>General Description of Alternative</u>: This emergency Request is for $2,781,716 to increase the Medicare Modernization Act of 2003, State Contribution Payment appropriation to include funding for the month of June 2006. Based on the Centers for Medicare and Medicaid Services letter received October 14, 2005, the Department assumed that the monthly Clawback payment for June 2006, which would not be billed until sometime in July, would not need to be funded until FY 06-07. As this payment is not directly tied to providing any services or administrative function, the Department assumed that there was no need to book a payable for the June

2006 payment, and would simply pay this amount with FY 06-07 funding. However, during conversations with the State Controller's Office in May 2006, it was determined that the Department had come to the wrong conclusion. Based on generally acceptable accounting principles, this line item must be processed under accrual accounting and all months in FY 05-06 must be booked against FY 05-06 appropriations, regardless of when the invoice is received. The Department must request the additional one month of anticipated funding for this purpose.

Calculations for Alternative's Funding:

Summary of Request FY 05-06 Matches Schedule 6 and Recommended Request (5) Other Medical Services, Medicare Modernization Act of 2003, State Contribution Payment	**Total Funds**	**General Fund**
Total Request (column 4)	$31,224,634	$31,224,634
FY 05-06 Incremental Change (column 3)	$2,781,716	$2,781,716
FY 05-06 Appropriation to Date (column 2)	$28,442,918	$28,442,918

	Actual Caseload Used in Billing				**Projected Caseload**		
Month Reported In (Below)	January	February	March	April	May	June	**Total**
January	43,098	0	414	267	84	0	**43,863**
February		42,583	605	369	267	84	**43,908**
March			45,593	603	391	267	**46,855**
April				45,193	604	391	**46,189**
May					45,393	604	**45,997**
June						45,393	**45,393**
Caseload Included in Monthly Billing	43,098	42,583	46,612	46,432	46,740	46,740	**272,437**
Monthly per capita	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	**$114.71**
Total Monthly Clawback Amount	$4,943,772	$4,884,696	$5,346,863	$5,326,215	$5,361,545	$5,361,545	**$31,224,634**
Current Appropriation							**$28,442,918**

Estimated Shortfall	**$2,781,716**

Impact on Other Areas of Government: None.

Assumptions for Calculations: As of May 17, 2006, the Department has received Clawback bills from the Centers for Medicare and Medicaid Services for four months, January – April 2006. Bills for the first three months were all received on April 14, 2006, and were for the following amounts (in calendar month order): $4,943,772, $4,884,696, and $5,346,863. The April bill was received on May 15, 2006 and was for $5,326,215. Therefore, expenditures through April total $20,501,545.

Using the inflated monthly prescription drug benefit average for dual eligibles of $144.71, and dividing by four months, this translates into an average monthly dual eligible count for January – June 2006 of 44,681 (44,681 = $20,501,545 / 4 / $144.71). While this is the average dual eligible caseload, the Department did not use this amount for future months, as this average includes two months without any run-out. Therefore, the Department elected to use the average caseload from the last two months only (March and April) to project future bills. The Department has elected to use the average caseload for the given month, plus the average run-out from March and April to project May and June. For instance, the average initial caseload of 45,393 is the average of 45,593 and 45,193 reported for March and April, respectively. Similarly, the first month of run-out, equal to 604, is the average of the first month run-out in March and April of 605 and 603, respectively. The third month of run-out just assumes the 267 reported in April, as there were no additional data points to benchmark this amount.

For the final month of run-out, the Department has used a declining series, assuming that as more time goes by, there is less need to adjust initial caseload figures. Using a linear trend model, the Department has estimated that the fourth month of run-out would be 84 clients.

Concerns or Uncertainties of Alternative: There are two remaining months of actual caseload to project. As there is run-out for prior months in addition to projecting the initial monthly caseload, there will likely be a

	slight discrepancy in what is used in the monthly billings and the estimated caseload in this Request.

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

General Description of Alternative:	This alternative would not fund the additional month of Clawback payment in FY 05-06.
Calculations for Alternative's Funding:	No change in funding with this alternative.
Concerns or Uncertainties of Alternative:	If the Department does not receive an additional appropriation, and subsequently can not make the required payment, the Department is at risk of having the amount due from the Clawback payment plus interest deducted from the federal funds received for the Medicaid program. Such a deduction could cause the Department to be under funded to provide medical services in FY 06-07, and would necessitate a General Fund appropriation to make up the difference.

Supporting Documentation

Analytical Technique:	A risk/benefit analysis was chosen to assess the relative merits of the two alternatives. The risks and benefits of funding the additional month of the Clawback payment (Alternative A) were compared to the risks and benefits of not funding the additional month (Alternative B). A rating was estimated based on goals, objectives, and priorities of the Department. Scores were based on the following ranking: 3 = positive benefits are greater than risks. 2 = no risks or benefits are realized by the Department. 1 = risks more prevalent causing negative implications for the Department.

Description of Risk/Benefits	**Alternative A (with funding)**	**Alternative B (without funding)**
States are required to make payment on or before the first day of the month following the month in which the bill is received (with a 25 day grace period), as required under federal law.	3	1
An interest penalty will be charged if states exceed the 25 day grace period.	3	1
If states do not make payment, the federal Centers for Medicare and Medicaid Services will reduce federal funding, plus the interest penalty mentioned above, and additional General Fund would need to be requested to fund Medicaid programs in FY 06-07.	3	1
Total Rating	**9**	**3**

Quantitative Evaluation of Performance - Compare all Alternatives:

Alternative A allows the Department to make the required Clawback payment in a timely fashion, without incurring any penalties for late payment. Alternative B subjects the Department to the risk of incurring interest on the late payment, and puts the Department at risk of not having enough funds to properly administer other programs run by the Department.

Alternative A is the preferred alternative.

Statutory and Federal Authority:

26-4-406.5, C.R.S (2005) Prescription drug benefits - authorization - dual-eligible participation. *The state department is authorized to ensure the participation of Colorado medical assistance recipients, who are also eligible for medicare, in any federal prescription drug benefit enacted for medicare recipients.*

42 U.S.C. 1396u-5(c)(1)(C) – COMPLIANCE - *If a State fails to pay to the Secretary an amount required under subparagraph (A), interest shall accrue on such amount at the rate provided under section 1903(d)(5). The amount so owed and applicable interest*

shall be immediately offset against amounts otherwise payable to the State under section 1903(a), in accordance with the Federal Claims Collection Act of 1996 and applicable regulations.

Department Objectives Met if Approved: 1.3 To assure payments in support of the programs are accurate and timely

Schedule 6
Emergency Change Request for FY 06-07

Department:	Health Care Policy and Financing	**Dept. Approval by:**	John Bartholomew
Date:	June 20, 2006		
Priority Number:	N/A	**OSPB Approval:**	
Date:			
Program:	Eligibility Operations	**Statutory Citation:**	26-4-104 (2) (b), C.R.S. (2005)
Request Title:	Funding to Continue Efforts on Cases Exceeding Processing Guidelines		

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 05-06	Appropriation FY 06-07	Decision/ Base Reduction FY 06-07	November 1 Request FY 06-07	Base Request FY 07-08	Decision/ Base Reduction FY 07-08	November 1 Request FY 07-08	Budget Amendment FY 07-08	Total Revised Request FY 07-08	Change from Base in Out Year FY 08-09
Total of All Line Items	**Total**	TBD	16,156,221	164,827	16,321,048	0	0	0	0	0	0
	FTE		222.70	4.00	226.70	0.00	0.00	0.00	0.00	0.00	0.00
	GF		6,900,211	46,120	6,946,331	0	0	0	0	0	0
	GFE		0	0	0	0	0	0	0	0	0
	CF		0	0	0	0	0	0	0	0	0
	CFE		493,845	25,405	519,250	0	0	0	0	0	0
	FF		8,762,165	93,302	8,855,467	0	0	0	0	0	0
(1) Executive Director's Office											
Personal Services	**Total**	TBD	15,154,208	149,327	15,303,535	0	0	0	0	0	0
	FTE		222.70	4.00	226.70	0.00	0.00	0.00	0.00	0.00	0.00
	GF		6,414,334	41,783	6,456,117	0	0	0	0	0	0
	GFE		0	0	0	0	0	0	0	0	0
	CF		0	0	0	0	0	0	0	0	0
	CFE		481,375	23,016	504,391	0	0	0	0	0	0
	FF		8,258,499	84,528	8,343,027	0	0	0	0	0	0
(1) Executive Director's Office											
Operating Expenses	**Total**	TBD	1,002,013	15,500	1,017,513	0	0	0	0	0	0
	FTE		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF		485,877	4,337	490,214	0	0	0	0	0	0
	GFE		0	0	0	0	0	0	0	0	0
	CF		0	0	0	0	0	0	0	0	0
	CFE		12,470	2,389	14,859	0	0	0	0	0	0
	FF		503,666	8,774	512,440	0	0	0	0	0	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**

CHANGE REQUEST for FY 06-07
EFFICIENCY AND EFFECTIVENESS ANALYSIS

SELECT ONE (click on box):
☐ Decision Item
☐ Base Reduction Item
☑ Emergency Supplemental Request	Criterion: New Data
☐ Budget Request Amendment	Criterion:

Priority Number:	June 20, 2006 1331 Supplemental Request
Change Request Title:	Funding to Continue Efforts on Cases Exceeding Processing Guidelines
Long Bill Line Item(s)	(1) Executive Director's Office: Personal Services, (1) Executive Director's Office: Operating Expenses
State and Federal Statutory Authority:	26-4-104 (2) (b), C.R.S. (2005), 42 C.F.R. Part 435, Sec. 911

<u>Summary of Request (Alternative A)</u>: This emergency Request is to increase funding in the Department's Personal Services and Operating Expenses lines by $164,827 and 4.0 FTE to continue processing Medicaid applications exceeding processing guidelines.

Alternative A {Recommended alternative}:

<u>Problem or Opportunity Description</u>: In an effort to comply with a court order imposed shortly after the implementation of the Colorado Benefits Management System, the Department, along with the Department of Human Services, submitted a late Supplemental for FY 04-05 requesting additional funding for centralized data entry, client correspondence, legal services, and an emergency call center (see page 45 of the Department of Human Services Figure Setting document dated March 8, 2005).

Within this request for centralized data entry, there was funding for the Department of Human Services to create a group known as CDET (or the Centralized Data Entry Team) to process food stamp and other non-Medicaid cases that were exceeding processing requirements. Similarly, the Department of Health Care Policy and Financing requested funding to contract with two entities, Document Solutions Group and Affiliated Computer Services, to address the out-of-compliance Medicaid and Children's Basic Health Plan applications. Total funding for <u>both</u> departments for centralized data entry was $2,668,084, and was officially appropriated to the Department in HB 05-1315.

With approval from the Joint Budget Committee and the State Controller on September 20, 2005, the Department received a second 1331 Emergency Supplemental, this time for FY 05-06 spending authority, for continuation of the Centralized Data Entry Team. Again, this was due to compliance with a court order. However, while this unit was still managed by the Department of Human Services, it was responsible for processing both non-Medicaid and Medicaid applications, as the Department of Health Care Policy and Financing elected to end its contract with Document Solutions Group. Counties were therefore instructed to continue forwarding cases to this team, along with the appropriate documentation, in an effort to reduce the average length of time it was taking to determine eligibility for these public assistance programs.

For FY 06-07 the Department did not submit a request because a trial set for the week of June 5, 2006 had been planned. However, Joint Budget Committee staff did recommend funding for legal services and other court order resources, including funding for temporary staff to process cases exceeding processing guidelines, and this recommendation was approved by the Joint Budget Committee on March 8, 2006 during Figure Setting (see page 71 of the March 8, 2006 Figure Setting document). The recommended amount was for $192,000 for Personal Services and $13,000 for Operating Expenses within the Department's Budget, for a total of $205,000. However, the Joint Budget Committee reversed this decision on March 22, 2006.

On March 20, 2006, the Department received communication from the Office of CBMS indicating that the Centralized Data Entry Team, effective April 3, 2006, would no longer be processing cases from all counties, but would rather be targeting specific counties that could benefit from continued assistance. Therefore, there are no FY 06-07 resources appropriated to the Department's Personal Services and Operating Expenses appropriations, and no funding within the Colorado Benefits Management System dedicated to continuing the work needed to process these cases.

Currently, the Department has contracted with a third party vendor to supply four temporary employees to staff an exceeds processing guideline unit within the Department. This temporary funding has been appropriated through June 30, 2006. As described in the General Description below, the four temporary staff would transition to full time FTE after July 1, 2006.

General Description of Alternative: This Request is for $164,827 to add four FTE within the Department to process cases exceeding processing guidelines.

As mentioned above, the Department had expected to go to trial on the CBMS case on June 5, 2006. In March 2006, the Department of Health Care Policy and Financing and the Department of Human Services decided to enter into mediated negotiations in attempt to settle the case. During these negotiations, plaintiffs wanted to continue the June trial date and the Departments wanted a June hearing on their motion to dissolve the preliminary injunction. Through mediation, the parties reached a joint stipulation that altered the preliminary injunction on terms favorable to the departments and vacated the June trial without setting a new date. In addition, the five main points of the January 14, 2005 injunction were revisited, and the following was concluded in the joint stipulation:

1. The benefit freeze flags may be lifted for inactive cases, but active cases would be cleansed by the State.

2. Absent a material change in circumstances, enforcing of the court order regarding noticing would be postponed until the trial of the case.

3. Beginning June 1, 2006, overpayments could be collected by the State according to federal or state law, and the State would submit a report of established overpayment claims. The State agreed to suspend collection if a wide-spread system-caused problem was identified.

4. The Departments' emergency processing units would cease effective June 30, 2006, but the Departments would still process cases needing immediate attention. The Departments agreed to provide procedures to the plaintiffs.

5. Absent a material change in circumstances, enforcing of the court order regarding timely processing of applications would be postponed until the trial of the case, but it was understood that the Departments have the obligation to process cases with applicable federal and state timelines. The Departments agreed to provide regular reports.

This joint stipulation was signed April 6, 2006. To comply with the stipulation and in the event of a trial, it is very important to contain the number of cases exceeding processing guidelines.

This Request is in response to item #5 above. Since the implementation of CBMS, and the findings at the December 2004 hearing that 29,361 cases were exceeding processing guidelines (for both Departments combined), the Departments have been applying dedicated resources to ensure that the number of cases is in substantial compliance with the federal and state guidelines (either 45 or 90 days after receipt of a complete application). As described above, until April 2006, the Centralized Data Entry Team and staff at Health Care Policy and Financing worked on cases and with counties to reduce the December 2004 number. From April 2006 through June 2006, the Department took this same activity on internally, using temporary staff. The Department is certain that without a dedicated, permanent resource, it cannot ensure substantial compliance with case processing timelines. Therefore, the Department is requesting the permanent continuation of its current resources of four staff, beginning with this initial emergency request for FY 06-07.

Although this funding could be absorbed within the Department's Personal Services line item until a regular Supplemental could be approved, the Department discussed these events with the Office of State Planning and Budgeting and Joint Budget Committee staff in April 2006. It was decided that due to the nature of the previously ongoing temporary funding, the changing facts in the case, and the need to know the funding intent for the court-related stipulation before spring of next year, it was decided that an emergency supplemental was prudent.

Please note that there was a decision to move away from funding this group out of the CBMS appropriation, and rather is now requested in the Department's Personal Services and Operating Expenses appropriations. This is due to the fact that this is not a systems related issue, but rather it is an ongoing resource need to ensure timely processing and substantial compliance with the processing guidelines.

The Department requests 1.0 FTE General Professional III to process inquiries and analyze results, identify trends, train counties on processing procedures and to develop county specific procedures and to assist 3.0 FTE Technician III positions whose primary jobs will be to handle these inquiries in a timely manner. The unit is to monitor county processing of pending applications. The Unit will perform a weekly analysis of CBMS exceeds processing guidelines applications and determine the cause of the delay in approving the applications. The staff will interact with counties and medical assistance sites to make these determinations and perform appropriate follow-up. If necessary, the Unit would contact clients with incomplete applications to request they provide the necessary documentation to complete the application. The Department assumes these four positions would be able to process 24 applications per person, per day.

Calculations for Alternative's Funding:

Summary of Request FY 06-07 Matches Schedule 6 and Recommended Request	**Total Funds**	**General Fund**	**Cash Funds Exempt**	**Federal Funds**
Total Request [Items below total to this]	$164,827	$46,120	$25,405	$93,302
(1) Executive Director's Office: Personal Services	$149,327	$41,783	$23,016	$84,528
(1) Executive Director's Office: Operating Expenses	$15,500	$4,337	$2,389	$8,774

Table 1: Development of Fund Splits*				
	Total Funds	**General Fund**	**Cash Funds Exempt**	**Federal Funds**
Personal Services (Sum to 100%)	$149,327	$41,783	$23,016	$84,528
- *Medicaid Funded (55.96%)*	*$83,566*	*$41,783*	*$0*	*$41,783*
- *Children's Basic Health Plan Funded (44.04%)*	*$65,761*	*$0*	*$23,016*	*$42,745*
Operating Expenses (Sum to 100%)	$15,500	$4,337	$2,389	$8,774
- *Medicaid Funded (55.96%)*	*$8,674*	*$4,337*	*$0*	*$4,337*
- *Children's Basic Health Plan Funded (44.04%)*	*$6,826*	*$0*	*$2,389*	*$4,437*

* Percentages are based on the ratio of the average number of cases that exceeded processing guidelines from May 1, 2005 through April 30, 2006

Table 2: Estimated Staff Processing Abilities		
Number of positions requested		4
Estimated inquiries processed per position per day		24
Number of inquiries that can be handled per day (= 4 * 24)		96
Number of inquiries per month processed (= 96 * 5 days * 4 weeks)		**1,920**

FTE and Operating Costs				*GRAND TOTAL*
Fiscal Year(s) of Request		**FY 06-07**	**FY 06-07**	**FY 06-07**
PERSONAL SERVICES	Title:	**Technician III**	**General Professional III**	To two decimal points
Number of PERSONS / class title		**3.00**	**1.00**	
Calculated FTE per classification		**3.00**	**1.00**	**4.00**
Annual base salary (monthly * 12)		**$31,080**	**$39,672**	
Number months working in FY 06-07 and FY 07-08		**12**	**12**	
Salary		$93,240	$39,672	$132,912
PERA	10.15%	$9,464	$4,027	$13,491
AED	0.75%	$699	$298	$997
FICA	1.45%	$1,352	$575	$1,927
Subtotal Personal Services		**$104,755**	**$44,572**	**$149,327**
OPERATING				
Supplies @ $500/$500 each year	$500	$1,500	$500	$2,000
Computer @ $690/$0 Yr1/Yr2	$690	$2,070	$690	$2,760
Office Suite Software @ $294/$0 Yr1/Yr2	$294	$882	$294	$1,176
Office Equipment @ $2,021 /$0 Yr1/Yr2	$2,021	$6,063	$2,021	$8,084
Telephone Base (Annual)	$370	$1,110	$370	$1,480
Subtotal Operating	$3,875	**$11,625**	**$3,875**	**$15,500**
GRAND TOTAL ALL COSTS		**$116,380**	**$48,447**	**$164,827**

<ins>Impact on Other Areas of Government</ins>: None

<ins>Assumptions for Calculations</ins>: It is assumed that each position would process approximately 24 inquiries per day. At this staffing level, the Department would have the capacity to process approximately 1,920 inquiries per month (see Table 2). This, however, does not account for time spent training, analyzing data, developing reports, traveling to counties and providing assistance to counties and Medicaid assistance sites.

All Personal Services and Operating Expenses funding assumes the level of funding as outlined in common policy instructions.

For the period from May 1, 2005 through April 30, 2006 there were 87,918 applications for the Children's Basic Health plan, and 111,722 Medicaid applications that exceeded processing guidelines. Costs associated with processing Children's Basic Health plan applications are paid from the Children's Basic Health Plan Trust as Cash Funds Exempt. Consequently, 44.04% (44.04% = 87,918 / 199,640) of the costs in this Request will be paid from the Children's Basic Health Plan Trust.

Concerns or Uncertainties of Alternative: None

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

General Description of Alternative: This alternative would result in no dedicated resources in FY 06-07 to ensure that counties and medical assistance sites process cases in a timely manner. The Department would monitor timeliness and train counties, but would not directly intervene to ensure cases are processed in a timely fashion. It is expected that in a short period of time, the cases exceeding processing guidelines would fall out of substantial compliance.

Calculations for Alternative's Funding: No change in funding with this alternative. However, since Supplemental funding was appropriated in FY 04-05 and FY 05-06, this alternative would result in less funding for CBMS court related costs than have been allocated in the past.

Concerns or Uncertainties of Alternative: Federal regulations stipulate that states must process Medicaid applications within the forty-five or ninety day timeframes. If found to be consistently delinquent in achieving these processing timelines, the State is at risk of the plaintiffs seeking to enforce the court order, of additional lawsuits, or of federal audits and deferrals.

Supporting Documentation

Analytical Technique: A return on investment analysis was used to compare the two alternatives.

Return on Investment Analysis - FY 06-07		
Investment:	*Costs Avoidance A:*	*Cost Avoidance B:*
Additional Cost of 4.0 FTE: $164,827	*Probable pursuit by plaintiffs of enforcement of court order, with additional legal costs. Spending authority for legal costs for one year, using FY 05-06 = $515,000 (both Departments); assuming 35% is HCPF per calculator: $180,250*	*Reduced administrative cost from prior year, using FY 05-06 spending authority for Centralized Data Entry = $2,108,768; assuming 35% is HCPF per calculator: $738,069*
$164,827	***Approximately $180,250***	***Approximately $738,069***
	ROI = 1.09	***ROI = 4.48***

Quantitative Evaluation of Performance - Compare all Alternatives: Please see the Efficiency and Effectiveness Analysis above.

Statutory and Federal Authority: 26-4-104 (2) (b) Program of medical assistance - single state agency. *The state department may review any decision of a county department and may consider any application upon which a decision has not been made by the county department within a reasonable time to determine the propriety of the action or failure to take timely action on an application for medical assistance. The state department shall make such additional investigation as it deems necessary and shall, after giving the county department an opportunity to rebut any findings or conclusions of the state department that the action or delay in taking action was a violation of or contrary to state department rules, make such decision as to the granting of medical benefits and the amount thereof as in its opinion is justifiable pursuant to the provisions of this article and the rules of the state department. Applicants or recipients affected by such decisions of the state department, upon request, shall be given reasonable notice and opportunity for a fair hearing by the state department.*

42 C.F.R. Section 435.911 Timely determination of eligibility. *(a) The agency must establish time standards for determining eligibility and inform the applicant of what they are. These standards may not exceed—(1) Ninety days for applicants who apply for Medicaid on the basis of disability; and (2) Forty-five days for all other applicants. (b) The time standards must cover the period from the date of application to the date the agency mails notice of its decision to the applicant. (c) The agency must determine eligibility within the standards except in unusual circumstances, for example—(1) When the agency cannot reach a decision because the applicant or an examining physician delays or fails to take a required action, or (2) When there is an administrative or other emergency beyond the agency's control. (d) The agency must document the reasons for delay in the applicant's case record. (e) The agency must not use the time standards—(1) As a waiting period before determining eligibility; or (2) As a reason for denying eligibility (because it has not determined eligibility within the time standards).*

Department Objectives Met if Approved: 1.2 To support timely and accurate client eligibility determination.
1.3 To assure payments in support of the programs are accurate and timely.
1.6 To work towards systemic improvement in the Department's operations to expand efficiencies, minimize waste, ensure coordination, and eliminate discrepancies.

Schedule 6
Emergency Change Request for FY 05-06

Department:	Health Care Policy and Financing	**Dept. Approval by:**	Peter Strecker
		Date:	June 20, 2006
Priority Number:	N/A	**OSPB Approval:**	
		Date:	
Program:	Safety-Net Financing Section	**Statutory Citation:**	26-2-117, C.R.S. (2005)
Request Title:	Prevent Old Age Pension State Medical Program Overexpenditure		

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 04-05	Appropriation FY 05-06	Supplemental Request FY 05-06	Total Revised Request FY 05-06	Base Request FY 06-07	Decision/ Base Reduction FY 06-07	November 1 Request FY 06-07	Budget Amendment FY 06-07	Total Revised Request FY 06-07	Change from Base in Out Year FY 07-08
Total of All Line Items	**Total**	9,999,321	13,286,483	1,140,484	14,426,967	0	0	0	0	0	0
	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	9,999,321	13,286,483	1,140,484	14,426,967	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(5) Other Medical Services, Services for Old Age Pension State Medical Program Clients	**Total**	9,999,321	13,286,483	1,140,484	14,426,967	0	0	0	0	0	0
	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	9,999,321	13,286,483	1,140,484	14,426,967	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 05-06
EFFICIENCY AND EFFECTIVENESS ANALYSIS

SELECT ONE (click on box):

☐ Decision Item
☐ Base Reduction Item
☑ 1331 Emergency Supplemental Request Criterion: New Data
☐ Budget Request Amendment Criterion:

Priority Number:	Emergency Supplemental for June 20, 2006
Change Request Title:	Prevent Old Age Pension State Medical Program Overexpenditure
Long Bill Line Item(s)	(5) Other Medical Services: Services for Old Age Pension State Medical Program Clients
State and Federal Statutory Authority:	State Constitution Title XXIV, Section FL; 26-2-117 (2), C.R.S.

Summary of Request (Alternative A): This Emergency Request is for $1,140,484 to continue services provided by the Old Age Pension Medical Program through FY 05-06. Funding for this Request is assumed to come from the existing fund balance within the Supplemental Old Age Pension Health and Medical Care Fund that is currently not appropriated.

Alternative A {Recommended alternative}:

Problem or Opportunity Description: The Old Age Pension was established in 1936 by an amendment to the State Constitution, creating article XXIV. This article was amended in 1956 to add the Health and Medical Care Program and Fund. Old Age Pension benefits specified in article XXIV of the State Constitution require that a health and medical program be provided to anyone who qualifies to receive an Old Age Pension cash payment and is not a patient in an institution for tuberculosis or mental disease. Eligible recipients for these program benefits are over the age of sixty but do not meet the Supplemental Security Income criteria and are therefore ineligible for Medicaid. This population is not sufficiently disabled to qualify for Supplemental Security Income. Funding for the Old Age Pension State Medical Program is comprised of three main funding sources: 1) the Colorado Constitution, Article XXIV

$10,000,000 appropriated annually, 2) the Supplemental Old Age Pension Health and Medical Care Fund $750,000 also appropriated annually beginning in FY 03-04, and 3) Cash Fund for Health Related Purposes appropriated through the passage of HB 05-1262 equal to $2,538,000 in FY 05-06 (this amount varies each year based on actual tobacco tax revenues).

Prior to Tobacco Tax Funding

For four of the last five completed fiscal years, the growing demand for health care services by this client population caused the program to nearly exceed its $10,750,000 million cap (prior to HB 05-1262 funding from tobacco tax revenues). In order to remain within the available spending authority for these years, the Department took action during these times through provider reimbursement rate reductions, to maintain funding below the statutory cap. Following is a summary of actions taken since FY 99-00 to contain costs for the Old Age Pension State Medical Program – only the action taken October 15, 2004 was to increase provider reimbursement during this five year period:

- Effective January 1, 2002, medical backdating was permanently eliminated.
- Effective February 1, 2002, inpatient hospital coverage and emergency medical transportation services were eliminated for the remainder of FY 01-02.
- Effective February 1, 2002, all provider payments, (e.g., payments for practitioners and outpatient services) were reduced to 80% of the Medicaid rate and the maximum client co-payment was increased from $100 to $300 per year.
- Effective July 1, 2002, most providers in the Old Age Pension State Medical Program were reimbursed at 82% of the Medicaid rate. The two exceptions to this reimbursement rate were pharmacists who were paid at the Medicaid reimbursement rate, and inpatient hospitals that were reimbursed at 68% of the Medicaid rate.
- Effective August 30, 2002, the health maintenance organizations discontinued Old Age Pension State Medical Program clients after the Department of Human Services advised them the FY 02-03 rates were 18% lower than FY 01-02 rates.

- Effective August 30, 2002, Old Age Pension State Medical Program clients were no longer able to enroll in managed care options, including the Primary Care Physician Program.
- Effective January 1, 2004 inpatient hospital services were suspended for Old Age Pension State Medical Program clients. In addition, all provider reimbursement rates for outpatient hospital, outpatient clinic, practitioner/physician services, emergency dental, laboratory, medical supply, home health, and transportation services were decreased from 82% to 50% of the Medicaid rate. Pharmacists were paid at the Medicaid reimbursement rate.
- Effective October 15, 2004, the reimbursement rate for physician and practitioner services, emergency transportation, medical supplies, hospice services, and home health care services and supplies were restored to 82% of the Medicaid rate. In addition, the inpatient hospital benefit was restored to those hospitals participating in the Colorado Indigent Care Program and limited to only those inpatient services available under the Colorado Indigent Care Program. The reimbursement rate for inpatient benefits was set at 10% of the Medicaid reimbursement rate.

Since Tobacco Tax Funding (HB 05-1262)

With the passage of Amendment 35 in November 2004, Colorado citizens approved an increase to taxation on tobacco products sold within the State. With the passage of HB 05-1262, 3% of the total tobacco tax revenues are to be allocated to the Cash Fund for Health Related Purposes, and 50% of these funds are to be deposited in the Supplemental Old age Pension Health and Medical Care Fund. In FY 04-05, revenues from the Tobacco Tax equaled $1,002,180, but this funding was not appropriated in FY 04-05, so this money remains in the Supplemental Old Age Pension Health and Medical Care Fund Trust balance. In FY 05-06, anticipated revenue from the tobacco taxes for the Old Age Pension State Medical Program equals $2,538,000, and with the passage of the Department's FY 05-06 Supplemental Bill, HB 06-1217, these funds were appropriated to the Services for Old Age Pension State Medical Program Clients line item. As of June 16, 2006, the State Treasurer has transferred $2,317,521 of these funds to the Supplemental Old Age Pension Health and Medical Care Fund.

Based on the passage of HB 05-1262 and the additional revenue that was to be available for the Old Age Pension State Medical Program, in addition to the underexpenditure in FY 04-05 due to prior rate cuts and reduced caseload, the Department increased rates in the Old Age Pension State Medical Program effective July 15, 2005 in an attempt to manage to the full appropriation. This rate increase brought the following service categories up from 82% to 100% of the Medicaid reimbursement rate: practitioner/ physician services, medical supplies, home health care services and supplies and transportation. In addition, dental and independent laboratory reimbursement rates were brought from 50% to 100% of Medicaid rates, and outpatient reimbursement rates were increased from 50% to 62% of Medicaid rates.

General Description of Alternative: This Emergency Request is for $1,140,484 to prevent a FY 05-06 overexpenditure to this constitutionally capped Old Age Pension State Medical Program .

During the Department's January 5, 2006 Joint Budget Committee Hearing, the Department indicated that the FY 05-06 appropriation could potentially fall short of projected obligations, if reimbursement rates continued. This was largely due to a significant increase in caseload (Department's response to question #4, page 9). In an effort to mitigate a funding shortfall at year-end, effective May 1, 2006, the Department reduced provider reimbursement rates as follows: reimbursement rates for outpatient hospital, and outpatient clinic were cut from 62% to 53% of the Medicaid rate, practitioner/physician services from 100% to 70% of the Medicaid rate, emergency dental, laboratory, medical supply, home health, and transportation services were decreased from 100% to 53% of the Medicaid rate.

While these reimbursement rate reductions were to allow the Department to remain within the current FY 05-06 appropriation, these cuts unfortunately did not result in a large enough reduction in expenditures. The reason for this shortfall was due to two reasons:

- When projecting the affect of reduced reimbursement rates, the Department erroneously did not account for any lag time for services that were rendered prior to

May 1, 2006 for which the Department had not received claims. These claims would be reimbursed at the old, higher reimbursement rates that were affect at the time the service was rendered and not at the new May 1, 2006 rates as assumed, and

- The Department did not include the need for a payable that would have to be established for any FY 05-06 claims that would not be billed until after June 30, 2006. As this line item is under accrual accounting principals, all services performed prior to June 30, 2006 must be paid from FY 05-06 funding, and not out of next year's appropriation.

The Department regrets these errors and has taken steps to ensure such factors are considered for this program in the future. The Department estimates that a shortfall of $1,140,484 exists assuming that there is no change to current provider reimbursement rates.

Proposed Solution

Due to a number of factors during FY 04-05 (outlined in the Assumptions for Calculations section of this Request), the Supplemental Old Age Pension Health and Medical Care Fund has built up a significant fund balance that can be used to cover this $1,140,484 shortfall. In fact, this is indeed the intended purpose of this fund balance. Based on 26-2-117, (3) C.R.S., any funds that are not expended from the Supplemental Old Age Pension Health and Medical Care Fund at fiscal year-end are to remain in the fund, and not revert to the General Fund. As such, at the end of FY 04-05, the Supplemental Old Age Pension Health and Medical Care Fund had a Period 13 closing balance of $2,232,052 (Department's November 15, 2005 Budget Request, Volume 2, Schedule 11, page J-12).

During the Department's FY 06-07 Figure Setting, the Joint Budget Committee approved JBC Staff's recommendation to reduce some of the available Supplemental Old Age Pension Health and Medical Care Fund balance, and approved an appropriation of $976,180 (March 13, 2006 Figure Setting document, page 210). Even with a reduction the FY 04-05 available trust fund balance of $2,232,052 by the $976,180 appropriated in FY 06-07, a balance of $1,255,872 still remains. Therefore, the Department is requesting that $1,140,484 of this available $1,255,872 be appropriated to the Services for Old Age Pension State Medical Program Clients appropriation. An appropriation of this funding would allow the Department to continue to reimburse providers at the existing reimbursement rates, and would reduce the Supplemental Old Age Pension Health and Medical Care Fund balance.

Calculations for Alternative's Funding:

Summary of Request FY 05-06 Matches Schedule 6 and Recommended Request	**Total Funds**	**General Fund**	**Cash Funds Exempt**	**Federal Funds**
Total Request (matches column 4)	$14,426,967	$0	$14,426,967	$0
Emergency Supplemental Request (matches column 3)*	$1,140,484	$0	$1,140,484	$0
FY 05-06 Appropriation (matches column 2)	$13,286,483	$0	$13,286,483	$0

Funds would come from the Supplemental Old Age Pension Health and Medical Care Fund.

See the included Excel spreadsheet at Attachment 1 for more calculations.

Impact on Other Areas of Government: None.

Assumptions for Calculations: ***Funds not yet appropriated in the Supplemental Old Age Pension Health and Medical Care Fund***

The FY 04-05 year-end fund balance in the Supplemental Old Age Pension Health and Medical Care Fund was calculated based on the following: 1) the year-end balance at the end of FY 03-04 was $163,143 and was carried over into FY 04-05 as the starting balance; 2) the annual appropriation of $750,000 in General Fund was deposited into the trust and was not expended in FY 04-05 so it remained in the fund; 3) tobacco tax revenue of $1,022,180 was deposited into the trust in FY 04-05 but the funds were never appropriated so they remained in the fund; and 4) the payable set up for FY 03-04 for claims that would be received in FY 04-05 was greater than was ultimately needed, and therefore $316,729 was credited back to the trust as it was not expended. The sum of these four amounts equals $2,232,052, and matches the Department's Schedule 11 for this fund reported in the Department's November 15, 2005 Budget Request, Volume 2, page J-12.

Determination of current funding shortfall

Section A (Attachment 1): To determine the amount of the remaining expenditures, the Department reviewed actual claims paid in June for the first to weeks of Medicaid Management Information System payment cycles (currently sitting in a pending status and not yet paid) and then estimated the remaining two cycles to estimate a total for Period 12. This total equaled $1,157,454 and is for services anticipated to be paid during all of June 2006, that were for dates of service in either April, May, or June. Due to a lag in provider billing, not all services rendered in a given month are billed for in that month. The only exception to this rule is pharmacy costs, as these services are paid for at the point of sale.

Section B (Attachment 1): Based on actual claims from the first two weeks in June, the Department was able to identify the amount of claims that were attributable to services provided in June, the amount for services provided in May that were paid in June, and there was a credit back to the Department for services provided in April received in June.

Section C (Attachment 1): Using the amount of expenditures for June that are anticipated to be billed in June, excluding all pharmacy costs, the Department was able to estimate the total amount of services (excluding pharmacy) that are anticipated to be rendered in June, which may be billed over the next few months. This amount of $742,277 is the basis for calculating the anticipated payable needed for services rendered in June 2006 that will not be billed for by June 30, 2006. Based on prior monthly experience, the Department has recognized that the average run out for billing of services (other than pharmacy) has been 39% in the month for which services are rendered, 48% are billed in the subsequent month, and 13% are submitted two months following the original date of service. Assuming these percentages, the Department has estimated that $452,789 will be billed after June 30, 2006 for services provided during May.

Section D (Attachment 1): Starting with the $483,717 that the Department has anticipated to be paid in June for services rendered in May, and assuming that providers submit 48% of their claims in the month following the month in which the services were rendered, this equates to the total cost for May 2006 services (excluding pharmacy) as $1,007,744. Applying the assumed 13% for claims that are billed two months following the actual date of service to $1,007,744, the Department calculates that $131,007 in claims for April services that are anticipated to be billed after June 30, 2006.

Section E (Attachment 1): Summing the amounts from Sections C and D from Attachment 1 yield an anticipated payable of $583,795.

Section F (Attachment 1): Summing the amount of claims to be paid in June 2006 equal to $1,157,454 and the calculated payable of $583,795 yields a final need of $1,741,249. Netting out the remaining funding of $704,446 in the Services for Old Age Pension State Medical Program Clients appropriation yields an anticipated shortfall of $1,036,804. The Department then inflated this estimate by 10% to ensure that all received claims can be funded. The result is $1,140,484.

<u>Concerns or Uncertainties of Alternative</u>: None anticipated.

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

<u>General Description of Alternative</u>: No changes are made to the FY 05-06 appropriation for Services for Old Age Pension State Medical Program Clients or to provider reimbursement rates under this Alternative. The Department would violate the constitutional and statutory caps for this program.

<u>Calculations for Alternative's Funding</u>: No change in funding with this alternative.

<u>Concerns or Uncertainties of Alternative</u>: Under this alternative, the Department would overspend this appropriation. Based on the Department's projections for services provided to Old Age Pension clients in FY 05-06, it

is anticipated that the current appropriation will be $1,140,484 short. This amount includes services provided in FY 05-06 that will not be billed until sometime after June 30, 2006. However, as there will not be any actual funds available to set up a payable to cover these costs:

- The Department would need to complete the required overexpenditure form and notify the Office of State Planning and Budgeting when no spending authority remains in the appropriation.
- The Department would then request additional spending authority from the Office of State Planning and Budgeting so that any remaining year-end payments can be released and the year-end accounts payable can be recorded.
- Additional spending authority will then be reversed and will result in the overexpenditure of $1,140,484.

This is not the preferred alternative.

Alternative C: {Further Rate Cuts, not recommended}

General Description of Alternative: Alternative C would result in no funding change from the FY 05-06 appropriation. If the Joint Budget Committee does not approve Alternative A, the Department would take steps to limit expenditures against this appropriation through provider reimbursement rate reductions. The Department has prepared transmittals for the fiscal agent that can be sent following the meeting of the Joint Budget Committee.

Under this alternative, the Department would violate the constitutional and statutory caps for this program.

In order to reduce expenditures in the current year, the Department would drastically reduced reimbursement rates for Old Age Pension clients. Under this Alternative, claims paid June 20, 2006 or later would be processed using these reduced provider reimbursement rates, regardless of the date of service for these claims. Reimbursement rates would be reduced to the following levels: inpatient hospital rates would remain at

10%, and everything else (except for pharmacy rates) would be reduced to 15% of current Medicaid rates. Pharmacy rates will continue at 100% of current Medicaid reimbursement levels.

The reasoning behind leaving pharmacy rates at 100% is due to the complexity of the pharmacy claims processing system within the Medicaid Management Information System. It is not possible to make an across the board rate reductions for prescription drugs without significant computer programming, and such programming cannot be accomplished in time to affect the FY 05-06 appropriation. While the Department will investigate methods of pharmacy rate reductions that may be accomplished in the future, for the current situation, reimbursement for prescription drugs will need to remain at rates equal to the Medicaid allowable rates.

This alternative is expected to create an overexpenditure of $161,735. The process for overexpenditure would occur similar to the process described under Alternative B.

<u>Calculations for Alternative's Funding</u>: No change in funding with this alternative.

<u>Impact on Other Areas of Government</u>: None

<u>Assumptions for Calculations</u>: *Section A (Attachment 2):* Using the base data from Alternative A, the Department calculated actual costs for the Estimated June Expenditures without a rate change. Then, applying the new rates proposed to reduce expenditures, the Adjusted June Expenditures were determined to equal $633,537. This is a reduction of $523,918 from Alternative A ($1,157,454 - $633,537 = $523,918).

Section B (Attachment 2): In order to estimate the amount of expenditures in June for services provided in June and prior months, the Department assumed that the ratios from the pre-rate change amounts could be applied to the post-rate change amounts. The only exception to this was the pharmacy claims costs, as they did not change, and would still be attributable to the June amount. This resulted in allocating the $633,537 of claims anticipated to be paid in June for dates of service in June and prior months in the following manner: $548,116 for June dates of service, $91,255 for May dates of service, and a credit of $5,835 for April dates of service.

Section C, D, and E (Attachment 2): These sections follow the same methodology as was used in Alternative A, the only difference being that the Department now used the reduced reimbursement rate claims amounts to estimate the payable. Under this Alternative, the estimated payable for services provided during May and June 2006 that will not be billed until sometime after June 30, 2006 is $232,644. This payable plus the $633,537 anticipated to be paid during June 2006 yields a total need of $866,181. Netting out the remaining appropriation of $704,446, this Alternative yields an anticipated shortfall of $161,735.

<u>Concerns or Uncertainties of Alternative</u>: Under this Alternative, the Department would be severely reducing rates to providers in an effort to remain within the current appropriation. Since the Department intends to restore rates effective July 1, 2006, the Department does not expect these drastic reductions to result in providers electing to discontinue serving Old Age Pension State Medical Program clients. However, providers will experience reduced payment without notice, since rates will be reduced regardless of dates of service and the reductions will take place on June 20, 2006, the same day as the Joint Budget Committee's decision is received.

In addition, as the effect of the rate reduction is a function of the amount of claims that have yet to come into the Department, there is some uncertainty as to whether a June 20, 2006 provider rate reimbursement reduction would even achieve the estimated savings provided.

Schedule 6
Emergency Change Request for FY 06-07

Department: Health Care Policy and Financing **Dept. Approval by:** John Bartholomew **Date:** June 20, 2006

Priority Number: N/A **OSPB Approval:** **Date:**

Program: See Department of Human Services Request **Statutory Citation:** See Department of Human Services Request

Request Title: DHS - CBMS SAS-70 Audit of Electronic Data Systems (EDS)

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 05-06	Appropriation FY 06-07	Supplemental Request FY 06-07	Total Revised Request FY 06-07	Base Request FY 07-08	Decision/ Base Reduction FY 07-08	November 1 Request FY 07-08	Budget Amendment FY 07-08	Total Revised Request FY 07-08	Change from Base in Out Year FY 08-09
Total of All Line Items	**Total**	0	51,719	55,536	107,255	0	0	0	0	0	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	24,228	26,017	50,245	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	0	3,095	3,322	6,417	0	0	0	0	0	0
	FF	0	24,396	26,197	50,593	0	0	0	0	0	0
(6) Department of Human Services -	**Total**	0	51,719	55,536	107,255	0	0	0	0	0	0
Medicaid Funded, (B)	**FTE**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Office of Information	**GF**	0	24,228	26,017	50,245	0	0	0	0	0	0
Technology Services -	**GFE**	0	0	0	0	0	0	0	0	0	0
Colorado Benefits	**CF**	0	0	0	0	0	0	0	0	0	0
Management System	**CFE**	0	3,095	3,322	6,417	0	0	0	0	0	0
CBMS SAS-70 Audit	**FF**	0	24,396	26,197	50,593	0	0	0	0	0	0

Letter Notation: CFE: $287 is from the Old Age Pension Fund, $3,035 is from the Children's Basic Health Plan Trust

Cash Fund name/number, Federal Fund Grant name: FF: Title XIX, CFE: Children's Basic Health Plan Trust, Old Age Pension Fund

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:** Department of Human Services

Schedule 6
Emergency Change Request for FY 05-06 & FY 06-07

Department: Health Care Policy and Financing
Dept. Approval by: John Bartholomew
Date: June 20, 2006
Priority Number: N/A
OSPB Approval:
Date:
Program: See Department of Human Services Request
Statutory Citation: See Department of Human Services Request
Request Title: DHS- CMS and HCPF Required Changes to DD Medicaid Waiver Programs

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 04-05	Appropriation FY 05-06	Supplemental Request FY 05-06	Total Revised Request FY 05-06	Base Request FY 06-07	Decision/ Base Reduction FY 06-07	November 1 Request FY 06-07	Budget Amendment FY 06-07	Total Revised Request FY 06-07	Change from Base in Out Year FY 07-08
Total of All Line Items	**Total**	218,704,892	224,704,570	(762,584)	223,941,986	248,194,905	0	248,194,905	(9,164,143)	239,030,762	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	109,344,837	112,321,761	(381,292)	111,940,469	124,034,816	0	124,034,816	(4,592,572)	119,442,244	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	18,774	0	18,774	32,364	0	32,364	0	32,364	0
	FF	109,360,055	112,364,035	(381,292)	111,982,743	124,127,725	0	124,127,725	(4,571,571)	119,556,154	0
(6) Department of Human Services – Medicaid Funded, (G) Services for People with Disabilities -Medicaid Funding, Community Services Adult Services Adult Program Costs and CCMS Replacement - Medicaid Funding	**Total**	218,704,892	224,704,570	(762,584)	223,941,986	248,194,905	0	248,194,905	(9,164,143)	239,030,762	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	109,344,837	112,321,761	(381,292)	111,940,469	124,034,816	0	124,034,816	(4,592,572)	119,442,244	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	18,774	0	18,774	32,364	0	32,364	0	32,364	0
	FF	109,360,055	112,364,035	(381,292)	111,982,743	124,127,725	0	124,127,725	(4,571,571)	119,556,154	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** **If Yes, List Other Departments Here:** Department of Human Services

Schedule 6
Emergency Change Request for FY 05-06

Department: Health Care Policy and Financing | **Dept. Approval by:** John Bartholomew | **Date:** June 20, 2006

Priority Number: N/A | **OSPB Approval:** | **Date:**

Program: See Department of Human Services Request | **Statutory Citation:** See Department of Human Services Request

Request Title: DHS- Implementing Part C and Achieving Equity in Early Intervention Services

	Fund	1 Prior-Year Actual FY 04-05	2 Appropriation FY 05-06	3 Supplemental Request FY 05-06	4 Total Revised Request FY 05-06	5 Base Request FY 06-07	6 Decision/ Base Reduction FY 06-07	7 November 1 Request FY 06-07	8 Budget Amendment FY 06-07	9 Total Revised Request FY 06-07	10 Change from Base in Out Year FY 07-08
Total of All Line Items	**Total**	3,749,498	5,472,157	(1,250,000)	4,222,157	0	0	0	0	0	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	1,874,750	2,461,514	(625,000)	1,836,514	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	0	274,565	0	274,565	0	0	0	0	0	0
	FF	1,874,748	2,736,078	(625,000)	2,111,078	0	0	0	0	0	0
(6) Department of Human Services - Medicaid Funded, (G) Services for People with Disabilities - Medicaid Funding, Services for Families and Children - Medicaid Funding	**Total**	3,749,498	5,472,157	(1,250,000)	4,222,157	0	0	0	0	0	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	1,874,750	2,461,514	(625,000)	1,836,514	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	0	274,565	0	274,565	0	0	0	0	0	0
	FF	1,874,748	2,736,078	(625,000)	2,111,078	0	0	0	0	0	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** **If Yes, List Other Departments Here:** Department of Human Services