

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING – FY 06-07 BUDGET REQUEST

Schedule 13											
Emergency Supplemental Request for FY 06-07											
Department:	Health Care Policy and Financing			Dept. Approval by:	John Bartholomew			Date:	June 20, 2007		
Priority Number:				OSPB Approval:				Date:			
Program:	Child Health Plan Plus Division			Statutory Citation:	25.5-8-105, C.R.S. (2006), 25.5-8-109, C.R.S. (2006), 25.5-8-107 (1) (a) (I)-(II), C.R.S. (2006), 24-22-117 (2) (a) (I) (A), C.R.S. (2006)						
Request Title:	Adjustments to the FY 06-07 Children's Basic Health Plan Caseload and Costs										
		1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 05-06	Appropriation * FY 06-07	1331 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
	Fund										
Total of All Line Items	Total	100,719,869	99,253,676	8,819,322	108,072,998	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	2,000,000	11,243,215	0	11,243,215	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	191,726	223,849	10,567	234,416	0	0	0	0	0	0
	CFE	52,544,592	30,870,818	3,089,931	33,960,749	0	0	0	0	0	0
	FF	45,983,551	56,915,794	5,718,824	62,634,618	0	0	0	0	0	0
(4) Indigent Care Program: HB 97-1304 Children's Basic Health Plan Trust	Total	29,431,057	11,467,064	10,567	11,477,631	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	2,000,000	11,243,215	0	11,243,215	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	191,726	223,849	10,567	234,416	0	0	0	0	0	0
	CFE	27,239,331	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(4) Indigent Care Program: Children's Basic Health Plan Premium Costs	Total	65,919,891	81,483,970	8,236,467	89,720,437	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	23,426,139	28,664,893	2,889,630	31,554,523	0	0	0	0	0	0
	FF	42,493,752	52,819,077	5,346,837	58,165,914	0	0	0	0	0	0
(4) Indigent Care Program: Children's Basic Health Plan Dental Benefit Costs	Total	5,368,921	6,302,642	572,288	6,874,930	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	1,879,122	2,206,925	200,301	2,406,226	0	0	0	0	0	0
	FF	3,489,799	4,096,717	371,987	4,468,704	0	0	0	0	0	0

* From FY 07-08 Long Bill Add-ons (SB 07-239)

Letter Notation: Of the CFE requested, \$1,239,128 is from the Children's Basic Health Plan Trust Fund and \$1,850,803 is from the Health Care Expansion Fund.

Cash Fund name/number, Federal Fund Grant name: CF: Annual Enrollment fees of CBHP enrollees CFE: Fund 11G (CBHP Trust Fund) and Fund 18K (The Health Care Expansion Fund) FF: Title XXI

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

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

**EMERGENCY SUPPLEMENTAL REQUEST for FY 06-07
EFFICIENCY AND EFFECTIVENESS ANALYSIS**

SELECT ONE (click on box):

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

Criterion: Emergency

Priority Number:	
Change Request Title:	Adjustments to the FY 06-07 Children's Basic Health Plan Caseload and Costs
Long Bill Line Item(s)	(4) Indigent Care Program: HB 97-1304 Children’s Basic Health Plan Trust, (4) Indigent Care Program: Children’s Basic Health Plan Premium Costs, and (4) Indigent Care Program: Children’s Basic Health Plan Dental Benefit Costs
State and Federal Statutory Authority:	The Social Security Act, Title XXI (42 U.S.C. 1397aa through 1397jj) 25.5-8-105, C.R.S. (2006), 25.5-8-109, C.R.S. (2006), 25.5-8-107 (1) (a) (I)-(II), C.R.S. (2006), 24-22-117 (2) (a) (II) (A), C.R.S. (2006)

Summary of Request (Alternative A):

This request is to increase the FY 06-07 total funds appropriation for the Children’s Basic Health Plan Premium Costs by \$3,575,170 and for the Children’s Basic Health Plan Dental Benefit Costs by \$572,288 in FY 06-07. This request also seeks to increase the appropriation of Cash Funds for annual enrollment fees into the Children’s Basic Health Plan Trust Fund by \$10,567 in FY 06-07. The adjustments requested are relative to the FY 06-07 appropriations included as Add-ons to the FY 07-08 Long Bill (SB 07-239), and are due to unanticipated volatility in the caseload of traditional children (up to 185% of the federal poverty level). This request also seeks to increase the FY 06-07 total funds appropriation for the Children's Basic Health Plan Premium Costs by \$4,661,297 due to FY 05-06 expenditures that will be accounted for in FY 06-07.

Alternative A {Recommended alternative}:

Problem or Opportunity Description:

The revised appropriation for the Children's Basic Health Plan Premium Costs as outlined in the March 8, 2007 Figure Setting document, and included in the FY 07-08 Long Bill Add-ons (SB 07-239), is based on projected enrollment of 50,051 children and 1,407 adult prenatal clients per month. The revised appropriation for FY 06-07 is \$81,483,970 in total funds to the Children's Basic Health Plan Premium Costs.

The revised appropriation for the Children's Basic Health Plan Dental Benefit Costs as outlined in the March 8, 2007 Figure Setting document, and included in the FY 07-08 Long Bill Add-ons (SB 07-239), is based on projected enrollment of 39,490 clients per month. The revised appropriation for FY 06-07 is \$6,302,642 in total funds for the Children's Basic Health Plan Dental Benefit Costs.

General Description of Alternative:

This Alternative seeks:

- The funding necessary to allow natural enrollment growth for traditional children (up to 185% of the federal poverty level);
- To adjust the Cash Funds appropriation to the Children's Basic Health Plan Trust Fund for a revised estimate of enrollment fees, and;
- The necessary funding to set an Accounts Payable for FY 05-06 expenditures that must be accounted for in FY 06-07.

I. Description of Alternative Related to the Children's Basic Health Plan Caseload

The Department submitted a supplemental request on February 15, 2007 to increase the traditional children's caseload (up to 185% of the federal poverty level) from 38,635 to 46,559 children. The revised appropriation (as presented in the March 8, 2007 Figure Setting document and included in the FY 07-08 Long Bill Add-ons) is for 46,489 children. The Department's February 15, 2007 forecast included caseload data through January 2007. The FY 06-07 revised appropriation was set based on the assumption that approximately as many children would be added to the traditional Children's Basic Health Plan caseload as leave the caseload due to the removal of the asset test, and that the caseload would therefore remain at the January 2007 level for the remainder of FY 06-07. However, recent caseload in the Children's Basic Health Plan has been unexpectedly volatile and has increased in February through May 2007, and unforeseen

factors, as outlined below, have increased the caseload projections beyond the revised appropriation. The Department has revised the caseload forecast for FY 06-07 to include February through May 2007 data, and has increased the projection to 49,292 traditional children.

Summary of Requested Changes for Children	FY 06-07 Revised Appropriation	FY 06-07 Revised Estimate	FY 06-07 Difference	Percent Difference
Traditional Children's Caseload	46,489	49,292	(2,803)	-6.03%
Expansion Children (185 to 200% FPL)	3,562	3,562	0	0.00%
Total Children's Caseload	50,051	52,854	(2,803)	-5.60%
Dental Caseload	39,490	43,076	(3,586)	-9.08%

Increased Retroactivity

The Department determines caseload for the Children’s Basic Health Plan based on the number of capitations paid to health maintenance organizations or Anthem, the State’s Managed Care Network, each month. Capitations can be paid retroactively for up to five months. Because the Children’s Basic Health Plan currently uses accrual based accounting, the Department adjusts caseload on a monthly basis to reflect the actual number of clients enrolled in the program in any given month. Until final data is available, the Department forecasts the estimated amount of retroactivity for the current and prior five months based on recent history in the program. Beginning in January 2007, the Children's Basic Health Plan experienced a spike in the total number of retroactive capitations paid. The number of retroactive capitations paid in January 2007 was 22.6% higher than the number paid in December 2006. At the time, the Department believed that the increase in retroactivity was an isolated incident, and expected the number to return to a lower level in subsequent months. However, the number of retroactive capitations paid has remained high in February through May 2007 compared to historical levels. Because retroactivity can affect up to five prior months, this increase in retroactive enrollment indicated that forecasted caseload back to August 2006 was artificially low. For example, the Department reported December 2006 children’s caseload of 48,481 in the January 12, 2007 Joint Budget Committee Footnote 20 Report.

This caseload included forecasted retroactivity of 7,160 capitations to be paid in January through March 2007. The actual number of capitation paid in January through March 2007 for services in December 2006 was 9,208, 28.6% higher than the forecast.

The Department believes that the increase in retroactivity in January through March 2007 may be related to a delay in the processing of enrollment fees. The Department contracts with Affiliated Computer Services to process a portion of Children's Basic Health Plan applications as a medical assistance site. Affiliated Computer Services collects applications, enters client information into the Colorado Benefits Management System to determine eligibility, and processes Children's Basic Health Plan enrollment fees. The receipt of an applicable enrollment fee for children eligible for the Children's Basic Health Plan is necessary to complete the enrollment process. Clients with an outstanding enrollment fee are placed in a pending status for up to 30 days, and will be enrolled in the Children's Basic Health Plan once the fee is processed.

In February 2007, the Department was informed that, beginning in November 2006, Affiliated Computer Services had fallen behind in processing the enrollment fees it was receiving, which was delaying the enrollment of these clients. Affiliated Computer Services began working to alleviate this backlog of cases in January 2007. Once the enrollment fees were processed, clients were retroactively enrolled in the Children's Basic Health Plan back to the date of their application, and retroactive capitations were paid for these clients. In January and February 2007, Affiliated Computer Services processed enrollment fees for approximately 1,462 Children's Basic Health Plan cases, with application dates as far back as October 2006. As the Children's Basic Health Plan has an average of 2.42 clients per case (see the Department's November 1, 2007 Budget Request, Decision Item 4, Table 3, page G.20), this delay affected an estimated 3,538 clients.

At the time of the February 15, 2007 forecast, the Department was unaware that the high retroactivity was partially caused by Affiliated Computer Services working through the backlog of cases with unprocessed enrollment fees. Though not in the current contract with Affiliated Computer Services, the Department intends to add enrollment fee processing standards to the next Children's Basic Health Plan eligibility vendor contract

to prevent such delays in the future, and allow penalties to be assessed if such a problem does occur.

Because all of the outstanding enrollment fees had been processed by the end of February 2007, the Department had expected that retroactivity would decrease in April 2007. However, when that month's caseload was pulled in mid-April, it was discovered that retroactivity had not declined, and had in fact increased from March.

In performing additional research into retroactivity, the Department found that the pattern of retroactivity was relatively consistent (i.e., the share of clients with a total of three retroactive capitations paid in April 2007 was consistent with the share of clients with a total of three retroactive capitations paid in September 2006). If a delay in eligibility processing was the major reason for the higher retroactivity, this pattern should have changed to show a greater number of clients with more than three capitations paid in a given month. Rather, the Department discovered that Children's Basic Health Plan applications created in the Colorado Benefits Management System increased by nearly 80% between June and October 2006. This indicates that the increase in retroactivity is a level shift driven by the volume of new clients to the Children's Basic Health Plan, due in part to the effects outlined below.

New Clients

The Department is observing an increase in the number of Children's Basic Health Plan clients at lower income levels. Graph 1 of the Attachment illustrates the "new" traditional children to the Children's Basic Health Plan in FY 06-07 by month. A "new" client is defined for these purposes as one who had a capitation paid for a specified month and none in the month prior. Though the total number of new traditional children is volatile, the data has an overall upward trend, and has been generally higher in the second half of the fiscal year relative to the first half. In addition to the absolute number of new children, the income distribution of children enrolled in the Children's Basic Health Plan has been changing throughout FY 06-07. In July 2006, 28.1% of the new traditional children had family income below 100% of the federal poverty level. By May 2007, this percentage had increased to 40.1%. While the Department can identify factors that may

have affected this shift, the precise reasons and corresponding orders of magnitude can not be identified.

One reason for the increasing number of children is marketing. HB 05-1262 (Tobacco Tax bill) provides funding for cost effective marketing of the Children's Basic Health Plan. A contract with Maximus was executed in January 2006, and marketing started on April 1, 2006. The marketing campaign has been successful, and the Department believes that it has had a positive effect on caseload, in both the children and prenatal programs. However, the Department does not currently have the resources to directly measure the effect marketing has had on caseload. In the Department's February 15, 2007 forecast, it was assumed that because there were nine months of enrollment data that included effects from marketing, any marketing impact was already included in the total caseload forecast.

A new marketing campaign for the Children's Basic Health Plan program began on January 29, 2007. This television and radio campaign was launched statewide, and targeted low-income and Hispanic populations. The Department believes that the increase in the proportion of new clients that are low-income is indicative that the new marketing campaign is having a positive impact on caseload, and that it is having a stronger impact than the previous campaigns. In addition, newly-elected Governor Ritter's pledge to insure all uninsured children in the State has generated media attention, which may also have contributed to an increase in the number of new clients. The Department expects the effects of marketing to remain high due to continuing high levels of marketing activity and exposure.

The increase in the clients below 100% of the federal poverty level may also be due to the citizenship requirements in the Deficit Reduction Act of 2005. Children who do not provide proper proof of citizenship may not gain Medicaid eligibility, but would still be eligible for the Children's Basic Health Plan, which is not subject to the Deficit Reduction Act. The Department clarified this policy to counties and medical assistance sites in late October 2006 and established more specific procedures to accomplish this. The Department currently has no way to quantify this impact because the documentation

process is manual and is not yet incorporated in the Colorado Benefits Management System.

Exiting Clients

Graph 2 of the Attachment illustrates the “exiting” clients in the Children's Basic Health Plan in FY 06-07 by month. An “exiting” client is defined for these purposes as one who had no capitation paid for the specified month but had one in the prior month. Though the total number of traditional children leaving the Children's Basic Health Plan is volatile, the data has a downward trend from the first three months of FY 06-07. This indicates that fewer clients are losing eligibility and that children are remaining in the Plan longer.

Medicaid eligibility extends to 133% of the federal poverty level for children up to 5 years of age, and to 100% of the federal poverty level for children ages 6 and older. HB 05-1262 (Tobacco Tax bill) removed the Medicaid asset test for low-income children and families. The asset test removal is being implemented gradually over the course of FY 06-07 as clients come up for their annual eligibility redetermination. Because asset information is no longer collected at the client level, the Department can not identify clients moving from the Children's Basic Health Plan to Medicaid specifically due to the removal of the asset test. However, the Department has reason to believe that the removal of the asset test is having less of an effect on the Children's Basic Health Plan caseload as was initially anticipated.

The Department anticipated that the asset test would increase the number of low-income clients moving from the Children's Basic Health Plan to Medicaid. As discussed above, the number of children exiting the Children's Basic Health Plan increased in the first three months of FY 06-07, but has decreased in the subsequent months. In addition, it is reasonable to expect that the removal of the asset test would affect the low-income clients to a greater extent. In June 2006, approximately 34.7% of exiting children were below 100% of the federal poverty level, and could potentially be eligible for Medicaid. This share was approximately 42.1% in July 2006 and 42.5% in May 2007, with lower shares in the interim months. Though the share of children leaving the Children's Basic Health

Plan that are low-income children has increased, it had been anticipated that the effects of the removal of the asset test would be stronger and would be shifting more children to Medicaid than this seems to indicate.

Total Children's Caseload

Table B of the Attachment outlines the Department's revised caseload estimate for children in the Children's Basic Health Plan. Based on analysis of monthly growth from October 2006 through May 2007, the Department estimates that the traditional children's caseload will increase by 1.86% in June 2007. The Department anticipates that the retroactive enrollment will remain higher than historical levels due to the effects outlined above.

Given recent caseload growth, the Department believes that the expansion children's caseload (between 186% and 200% of the federal poverty level) can be managed to the revised FY 06-07 appropriation, and therefore is not requesting a change for these clients. Similarly, the Department anticipates that the prenatal program's caseload can be managed to the revised FY 06-07 appropriation and is not requesting a change for the program.

The FY 06-07 caseload forecast for traditional children is 49,292. Per HB 05-1262 (Tobacco Tax bill), caseload beyond the FY 03-04 level of 46,694 is funded by the Health Care Expansion Fund. As seen in Table C of the Attachment, this implies that traditional children to be funded from the Children's Basic Health Plan Trust Fund are under-appropriated by an estimated 205 children, whereas the expansion is under-appropriated by an estimated 2,598 children, for a total of 2,803.

Due to new Children's Basic Health Plan children not receiving dental benefits during their pre-HMO enrollment period, dental caseload is consistently lower than the premiums caseload. In the Department's November 1, 2006 Budget Request, the ratio of dental to premiums caseload was adjusted to 78.9% for the FY 06-07 projection based on the most recent available data. In the first quarter of FY 06-07, the declining children's caseload increased the relative proportion of existing clients that were enrolled in the

dental program. This increased the ratio of dental to premiums caseload above the forecast (for example, the ratio in July 2006 was 86.4%). When children's caseload flattened and began to increase in November 2006, the ratio decreased as a greater number of new clients not receiving dental benefits were enrolling. Due to the slight delay in receiving dental benefits for some clients, the strong caseload growth experienced between January and May 2007 should continue to increase the dental caseload ratio. Based on premiums and dental caseload between January and December 2006, the Department estimates a dental to premiums caseload ratio of 81.5% for FY 06-07.

II. Description of Alternative Related to a Payable for FY 05-06 Expenditures

Children's Basic Health Plan clients are serviced by either a health maintenance organization (HMO) or by Anthem, which is a no-risk provider that bills the State directly for all costs-incurred. The Department pays monthly capitations to Anthem for services, and cost settles at the end of the fiscal year.

Because the Children's Basic Health Plan uses accrual based accounting, capitations for services in FY 05-06 were paid through December 2006. In July 2006, the Department booked an Accounts Payable for retroactive capitations to be paid in FY 06-07 for all providers. At this time, the Department also booked an Accounts Receivable from Anthem in the amount of \$5,403,568. Of this amount, \$742,271 was for duplicate capitations made to Anthem in FY 05-06, and the remaining \$4,661,297 was for estimated overpayments for services.

However, in the analysis to estimate overpayments, all capitations paid in FY 05-06 were included, rather than only capitations with dates of service in FY 05-06. Thus, the payments made to Anthem erroneously included capitations for FY 04-05, whereas the reported costs incurred by Anthem included only those for dates of service in FY 05-06. This artificially inflated Anthem's revenues relative to costs, and the Department believed that it had overpaid Anthem in FY 05-06. The inclusion of the FY 04-05 run-out caused the Accounts Receivable that was booked for FY 05-06 to be too high. Because the Children's Basic Health Plan is using cash based accounting beginning in FY

07-08, future analysis regarding reconciliations with Anthem will no longer be dependent on date of service, and this issue will be nonexistent.

The FY 05-06 cost settlement with Anthem, completed in May 2007, shows that the Department made payments of \$38,234,297 to Anthem for the Children's Basic Health Plan. Of this amount, \$6,498,260 is administration fees to be retained by Anthem, leaving net program payments of \$31,736,037. Anthem reported program costs of \$33,201,009. This results in an Account Payable due to Anthem in the amount of \$1,464,972 for FY 05-06. Of the Accounts Payable booked in July 2006 for cost settlements, \$1,468,201 is still available for the reconciliation with Anthem. Thus, the Accounts Payable is sufficient to complete the FY 05-06 Anthem reconciliation, and there will be a total funds reversion to the Children's Basic Health Plan Trust Fund of \$3,229.

However, because the cost settlement with Anthem revealed that the Department had not overpaid Anthem for FY 05-06, the \$4,661,297 Accounts Receivable for overpayments must be reversed, and this amount must now be accounted for as expenditures in FY 06-07 (see Table D for details). Because this amount will be shown as expenditures in FY 06-07, the Department is requesting that the spending authority for the Children's Basic Health Plan Premiums Costs line item be increased by this amount. The Department has recovered the \$742,271 for duplicate capitations, and this portion of the Accounts Receivable has been closed.

As shown in Table D of the Attachment, these total funds receive the Children's Basic Health Plan 65% federal matching funds. Based on capitation payments made to Anthem in FY 05-06, the Department estimates that 35% of the costs for the year-end settlement can be attributed to expansion clients. Thus, 35% of the Cash Funds Exempt is to come from the Health Care Expansion Fund, and the remaining 65% is to come from the Children's Basic Health Plan Trust Fund.

Funding

The FY 07-08 Long Bill Add-ons (SB 07-239) includes a total General Fund appropriation to the Children's Basic Health Plan Trust Fund in the amount of \$11,243,215. This includes the following amounts to be used for Children's Basic Health Plan services:

- \$2,500,000 General Fund from the Department's January 24, 2007 late Supplemental request;
- \$6,200,000 General Fund recommended and passed during the Department's March 8, 2007 Figure Setting, and;
- \$2,500,000 additional General Fund. The Joint Budget Committee had \$5,500,000 General Fund at the end of balancing to appropriate for FY 06-07, and decided to appropriate \$2,500,000 of this to the Trust Fund.

The Department assumes that an additional General Fund appropriation would not be required due to the balance in the Trust Fund. The Department is only requesting additional appropriations from both the Children's Basic Health Plan Trust Fund and the Health Care Expansion Fund to the Children's Basic Health Plan Premiums Costs and Dental Benefit Costs line items. The Department is also requesting a change to the appropriated Children's Basic Health Plan caseload.

Calculations for Alternative's Funding:

Summary of Request FY 06-07 Matches Schedule 13 and Recommended Request for Children's Basic Health Plan Trust Fund	Total Funds	General Fund	Cash Funds
FY 06-07 Anticipated Appropriation (Column 2)	\$11,467,064	\$11,243,215	\$223,849
FY 06-07 Supplemental Request (Column 3)	\$10,567	\$0	\$10,567
FY 06-07 Total Revised Request (Column 4)	\$11,477,631	\$11,243,215	\$234,416

Summary of Request FY 06-07 Matches Schedule 13 and Recommended Request for Children's Basic Health Plan Premiums Costs	Total Funds	Cash Funds Exempt	Federal Funds
FY 06-07 Anticipated Appropriation (Column 2)	\$81,483,970	\$28,664,893	\$52,819,077
FY 06-07 Supplemental Request (Column 3)	\$8,236,467	\$2,889,630	\$5,346,837
FY 06-07 Total Revised Request (Column 4)	\$89,720,437	\$31,554,523	\$58,165,914

Summary of Request FY 06-07 Matches Schedule 13 and Recommended Request for Children's Basic Health Plan Dental Benefit Costs	Total Funds	Cash Funds Exempt	Federal Funds
FY 06-07 Anticipated Appropriation (Column 2)	\$6,302,642	\$2,205,925	\$4,096,717
FY 06-07 Supplemental Request (Column 3)	\$572,288	\$200,301	\$371,987
FY 06-07 Total Revised Request (Column 4)	\$6,874,930	\$2,406,226	\$4,468,704

All tables and graphs are included in the Attachment behind this document. Table A develops the Children's Basic Health Plan Trust Fund projection through FY 07-08. Table B develops the children's caseload projection calculations through FY 06-07. Table C develops the funding needs due to the increased children's caseload projection. Table D develops the calculation for the funding need for a payable for FY 05-06 expenditures. Graph 1 displays the "new" traditional children to the Children's Basic Health Plan in FY 06-07 by month. Graph 2 displays the "exiting" traditional children from the Children's Basic Health Plan in FY 06-07 by month.

Impact on Other Areas of Government: None.

Assumptions for Calculations: Assumptions for Tables B and D, as well as Graphs 1 and 2, of the Attachment are described below.

Table B

- The June 2007 caseload projection for traditional children (under 185% of the federal poverty level) is based on actual enrollment (including retroactivity) for October 2006

to May 2007. During this period, caseload grew by an average of 1.86% per month on average. Monthly declines between July and September 2006 were omitted from the forecast because they are much larger than the recent trend and are assumed to be non-representative of the expected caseload changes for the rest of FY 06-07. This may be due to the large number of redeterminations that occur in these months and the implementation of the interim process for the citizenship requirements of the Deficit Reduction Act. The Department believes that a shift in caseload trend occurred after September, and that caseload will more closely resemble the trend seen in the last seven months. Given this and the recent trend in caseload growth, the Department is forecasting the traditional children's caseload to increase by 1.86% in June 2007. This represents the net effect of factors such as the economy, marketing, the Deficit Reduction Act, and the removal of the Medicaid asset test. This forecast results in a final caseload of 49,292 traditional children in FY 06-07.

- Given the recent monthly increases in the expansion children caseload (between 186% and 200% of the federal poverty level), the Department sees no reason to deviate from its February 15, 2007 forecast for expansion children. The Department anticipates that the caseload for expansion children can be managed to the revised FY 06-07 appropriation, so is not requesting a change for these clients.
- Similarly, the recent increases in the caseload in the Children's Basic Health Plan prenatal program reveal no reason to deviate from the Department's February 15, 2007 forecast for prenatal clients. The Department anticipates that the caseload for the prenatal program can be managed to the revised FY 06-07 appropriation, and is not requesting a change for these clients.
- Given the recent caseload growth and trend in the ratio of dental to premiums caseload, the Department believes that the current appropriated dental caseload is too low. The Department estimates that the ratio of dental to premiums caseload to be 81.5% in FY 06-07, based on actual caseload data between January and December 2006.

Table D

The Department analyzed capitations paid to Anthem in FY 05-06. An estimated 35% of all capitations in FY 05-06 were for expansion children (between 186% and 200% of the federal poverty level) and prenatal clients. Because the 1,428 member months of prenatal care to be funded from the Children's Basic Health Plan Trust Fund was exceeded in August 2006, the Department assumes that any prenatal costs included in the year-end cost settlement would be funded as expansion. Thus, the Department assumes that the full 35% of the State funds required are for expansion clients, and should thus come from the Health Care Expansion Fund. The remaining 65% of the State funds are assumed to be for traditional clients, and should come from the Children's Basic Health Plan Trust Fund.

Graphs 1 and 2

- Graph 1 displays the “new” Children's Basic Health Plan traditional (up to 185% of the federal poverty level) children by month. For the purposes of this analysis, a “new” client is defined as one for which a capitation was paid in the specified month and had no capitation paid in the prior month. All such clients may not be new to the program, as an existing client may have had a month lapse in their eligibility due to a delay in their redetermination process. It is, however, a good proxy to estimate newly eligible clients.
- Graph 2 displays the “exiting” Children's Basic Health Plan traditional (up to 185% of the federal poverty level) children by month. For the purposes of this analysis, an “exiting” client is defined as one for which no capitation was paid in the specified month but had a capitation paid in the prior month. All such clients may not be exiting the program, as an existing client may have had a month lapse in their eligibility due to a delay in their redetermination process. It is, however, a good proxy to estimate clients exiting Children's Basic Health Plan due to a loss of eligibility.

Concerns or Uncertainties of Alternative: The projection for the Children’s Basic Health Plan Trust Fund’s ending balance in FY 06-07 may vary from the actual ending balance, as the ending balance depends on the accuracy of both expenditure and revenue forecasts. Revenues from interest earnings and annual enrollment fees can vary from projections causing the Trust to run short on funds despite underspending the program appropriations. The Department believes it is advantageous to carry a reserve balance in the Trust to avoid this situation. In addition, the estimated Tobacco Master Settlement funding allocated to the Trust is a projection which may fluctuate.

The Department’s caseload projection is based on the number of capitation payments made through May 2007, including forecasts for retroactivity. Caseload including significant program changes, such as the beginning of marketing, the identification requirements of the Deficit Reduction Act of 2005, and the removal of the Medicaid asset test, is difficult to project with high accuracy given limited information. In addition, updates to the Medicaid Management Information System and Colorado Benefits Management System may affect the number of retroactive payments, and may cause expenditures to differ from forecasts. The ratio of dental to premiums caseload can fluctuate based on the composition of new and existing clients.

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

General Description of Alternative: With this alternative, there would be no change in funding for FY 06-07. With no change in the appropriation, the Cash Funds Exempt appropriation for FY 06-07 would be insufficient to cover forecasted caseload and rate changes for the expansion and non-expansion clients. The FY 06-07 revised expenditure forecast from the Trust Fund for the Children's Basic Health Plan Premiums Costs is \$61,050,135, and the revised appropriation to this line item is \$60,788,662. Given this, the Department is projecting an overexpenditure in the amount of \$261,473 total funds from the Children's Basic Health Plan Trust Fund. Including the total funds \$3,029,843 need from the Trust Fund to complete the FY 05-06 cost settlement (65% of the total funds impact is to be from the Trust Fund), the shortfall in the FY 06-07 Premiums Costs line item to be funded from

the Trust Fund is \$3,291,316. The shortfall in the FY 06-07 Dental Benefit Costs line item to be funded through the Trust Fund is \$572,288 total funds.

Because the Department does not have overexpenditure authority for this program, enrollment in the Children's Basic Health Plan would normally be capped. However, given the timing of this request, the Department does not believe that an overexpenditure can be prevented. Though the caseload increases began in January 2007, the Department was unsure of whether the growth would continue or if the increases were anomalies. In its initial research in March 2007, the Department learned about the enrollment fee backlog and believed that this was the reason behind the increases in retroactivity and caseload in January and February 2007. Because this problem was resolved by the end of February 2007, the Department believed that caseload growth would moderate by April 2007. However, when the April 2007 capitations were pulled in mid April, the Department discovered that retroactivity had remained high, and immediately began researching the reasons behind the caseload growth. This work was completed in May 2007, and the Department is now comfortable that the growth is simply due to an increase in the number of new clients moving to the Children's Basic Health Plan. However, because the growth in the last five months has been so strong and May capitations have already been paid, the current Premiums appropriation has room for only 43,141 capitations for traditional children for the rest of FY 06-07.

Calculations for Alternative's Funding: Because an overexpenditure cannot be prevented, Alternative B has the same costs as Alternative A.

Concerns or Uncertainties of Alternative: *Concerns Related to Capping the Program*

- Because an overexpenditure cannot be prevented, the program would be in non-compliance with 24-79-109 C.R.S. (2006), which does not allow overexpenditures for the Children's Basic Health Plan.
- The amount of the FY 06-07 overexpenditure would be booked against the FY 07-08 appropriation. These FY 06-07 overexpenditures would offset any potential savings from the Children's Basic Health Plan's switch to cash based accounting.

Supporting Documentation

Analytical Technique: Cost/Benefit Analysis for FY 06-07

FY 06-07 Cost Benefit Analysis	Incremental Costs	Benefits
Alternative A: Recommended	The costs of Alternative A are as follows: \$1,239,128 in Cash Funds Exempt from the Trust Fund; \$1,850,803 in Cash Funds Exempt from the Health Care Expansion Fund, and; \$10,567 in Cash Funds.	Alternative A will provide the appropriations for medical services for an estimated monthly average of 52,854 children, dental services for 43,076 children, and 16,878 member months of prenatal benefits for all of FY 06-07.
Alternative B: Not Recommended	The costs of Alternative B are the same as those for Alternative A.	Alternative B does not have the benefits of Alternative A. It will not prevent overexpenditures in the Children's Basic Health Plan, which are not allowed under 24-79-109 C.R.S. (2006).

Quantitative Evaluation of Performance - Compare all Alternatives:

In total, Alternative A would allow appropriations to provide 52,854 children with medical benefits, 43,076 children with dental benefits, and 16,878 member months of prenatal benefits in FY 06-07. Under Alternative B, there would be a total funds shortfall of \$3,291,316 for Premiums and \$572,288 for Dental benefits for the traditional children from the Trust Fund. Due to the strong caseload growth and the timing of this request, overexpenditures from the Children's Basic Health Plan Premiums Costs and Dental Benefits line items cannot be prevented. If an overexpenditure occurs, the expenditures will be shown in the FY 07-08 appropriation, and will offset any potential savings from the Children's Basic Health Plan's switch to cash based accounting.

Statutory and Federal Authority:

Children's Health Insurance Program is established in federal law in the Social Security Act, Title XXI (42 U.S.C. 1397aa through 1397jj). SEC. 2101. [42 U.S.C. 1397aa] (a)

PURPOSE-The purpose of this title is to provide funds to States to enable them to initiate and expand the provision of child health assistance to uninsured, low-income children in an effective and efficient manner that is coordinated with other sources of health benefits coverage for children. Such assistance shall be provided primarily for obtaining health benefits coverage...

25.5-8-105 C.R.S. (2006) (1) A fund to be known as the Children's Basic Health Plan Trust is hereby created... all monies deposited in the trust and all interest earned on the moneys in the Trust shall remain in the Trust for the purposes set forth...

25.5-8-109 C.R.S. (2006) (3) The Department may establish procedures such that children with family incomes that exceed one hundred eighty-five percent of the federal poverty guidelines may enroll in the plan, but are not eligible for subsidies from the Department; ... (5) (a) (I), . . . Once determined eligible for the plan, a pregnant woman shall be considered to be continuously eligible throughout the pregnancy and for the sixty days following the pregnancy, even if the woman's eligibility would otherwise terminate during such period due to an increase in income. Upon birth, a child born to a woman eligible for the plan shall be eligible for the plan and shall be automatically enrolled in the plan . . .

25.5-8-107 (1) (a) (II), C.R.S. (2006) (1) In addition to any other duties pursuant to this article, the department shall have the following duties: (a) (II) In addition to the items specified in subparagraph (I) of this paragraph (a) and any additional items approved by the medical services board, on and after January 1, 2001, the medical services board shall include dental services in the schedule of health care services upon a finding by the board that: (A) An adequate number of dentists are willing to provide services to eligible children; and (B) The financial resources available to the program are sufficient to fund such services.

24-22-117 (2) (a) (II), C.R.S. (2006) ...moneys in the Health Care Expansion Fund shall be annually appropriated by the general assembly to the Department of Health Care Policy and Financing for the following purposes: (A) To increase eligibility in the Children's Basic Health Plan, Article 19 of Title 25.5, C.R.S., for Children and Pregnant

women from one hundred eighty-five percent to two hundred percent of the federal poverty level; (B) To remove the asset test under the Medical Assistance program, Article 4 of Title 25.5, C.R.S., for children and families; ... (F) To pay for enrollment increases above the average enrollment for state fiscal year 2003-04 in the Children's Basic Health Plan, Article 19 of Title 25.5, C.R.S.

Department Objectives Met if Approved:

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

3.2 To improve customer satisfaction with programs, services, and care.

Table A
Trust Fund Analysis

Children's Basic Health Plan Trust Fund Analysis For FY 06-07 Change Request "Adjustments to the FY 06-07 Children's Basic Health Plan Caseload and Costs"						
		Actual	Actual	Revised Request	Appropriated ⁶	
	TRUST REVENUES	FY 04-05	FY 05-06	FY 06-07	FY 07-08	Source
A	Beginning Balance	\$5,389,901	\$9,025,270	\$4,411,882	\$8,095,871	Actual and O
B	General Fund Appropriation ¹	\$3,296,346	\$2,000,000	\$11,243,215	\$0	Appropriations, Footnote 1
C	January 2006 transfer from the State Controller ²	\$0	\$900,000	\$0	\$0	Footnote 2
D	Tobacco Master Settlement Funds to Trust ³	\$20,629,548	\$20,927,529	\$19,248,927	\$17,500,000	Appropriations and Estimates from Legislative Council, January 2007
E	Interest Earnings	\$587,893	\$752,518	\$557,770	\$603,063	See February 15, 2007 S-3 & BA-A3, Tables A and B; Adjusted for Revised Beginning Balance
F	Annual Enrollment Fees ⁴	\$122,626	\$191,726	\$176,036	\$176,036	Table C, March 8, 2007 Figure Setting page 85
G	Accounts Payable Reversions from Prior Year	\$156,901	\$45,896	\$0	\$0	Actual
H	Federal Match Earnings ⁵	\$40,591,093	\$41,801,325	\$49,355,909	\$49,856,546	Footnote 5
I	Total Revenues	\$70,774,308	\$75,644,264	\$84,993,739	\$76,231,516	Sum A:H
	TRUST EXPENDITURES					
J	Program Cash Funds Exempt Estimated Expenditures ⁵	\$20,723,603	\$20,944,551	\$26,620,691	\$26,760,680	Footnote 5
K	Internal Administration Cash Funds Exempt Estimated Expenditures	\$434,342	\$386,506	\$878,053	\$1,008,212	See February 15, 2007 S-3 & BA-A3, Table E, March 8, 2007 Figure Setting page 85
L	Federal Match Expenditures	\$40,591,093	\$41,801,325	\$49,355,909	\$49,856,546	Footnote 5
M	SB 05-211 Transfer \$8.1 Million to General Fund	\$0	\$8,100,000	\$0	\$0	
N	FY 06-07 Supplemental bill (SB 07-163)	\$0	\$0	\$43,215	\$0	For the Department's January 4, 2007 S-4 and S-5.
O	Total Expenditures	\$61,749,038	\$71,232,382	\$76,897,868	\$77,625,438	Sum J:N
P	Remaining Balance	\$9,025,270	\$4,411,882	\$8,095,871	(\$1,393,922)	I-O

Notes

1. FY 04-05 to FY 06-07 are actual appropriations.
2. In 2002, the Department transferred funds from the CBHP Trust Fund to the State Treasury to reduce the General Fund deficit. In January 2006, \$900,000 was refunded to the Trust.
3. The Children's Basic Health Plan Trust Fund receives 24% of the total amount of Tobacco Master Settlement funds annually, with a minimum amount of \$17,500,000. In FY 07-08, the forecasted transfer is \$16,180,173. Per 24-75-1104.5 (c), C.R.S. (2006), the General Assembly will appropriate the amount of the shortfall to the Children's Basic Health Plan Trust Fund.
4. Annual enrollment fees for FY 06-07 and FY 07-08 were estimated using the FY 05-06 experience of \$3.77 per average monthly enrollment. See February 15, 2007 S-3 & BA-A3, Attachment 1, Tables C and D.
5. Figures for FY 04-05 and FY 05-06 are actuals, while figures for FY 06-07 and FY 07-08 are projections. See Table C of this document and February 15, 2007 S-3 & BA-A3, Attachment 1, Table D.
6. See March 8, 2007 Figure Setting document, page 85.

Table B
Revised Caseload Projection

Historical Monthly Capitulations										
	FY 98-99	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06		
								Traditional	Expansion	Total Children
Jul	8,263	19,233	25,221	35,741	44,618	51,846	37,159	40,271	736	41,007
Aug	8,956	20,397	25,489	36,711	45,864	51,844	41,477	38,687	812	39,499
Sep	9,649	20,889	25,826	37,284	46,857	51,626	41,355	39,187	898	40,085
Oct	10,347	21,906	26,431	38,344	48,177	52,484	35,354	41,858	1,189	43,047
Nov	11,082	22,698	27,383	38,977	48,734	50,882	37,303	43,449	1,348	44,797
Dec	11,704	22,944	27,958	39,247	49,258	49,001	38,036	44,439	1,464	45,903
Jan	12,649	23,652	28,887	40,052	50,492	47,156	37,989	45,948	1,638	47,586
Feb	13,798	23,997	30,528	40,324	50,930	44,976	40,610	47,300	1,756	49,056
Mar	15,074	24,491	31,795	41,646	51,192	42,979	43,337	50,301	1,888	52,189
Apr	16,603	24,801	33,073	42,690	51,511	41,353	44,175	50,362	1,966	52,328
May	17,341	25,015	34,163	43,351	51,399	39,111	41,709	51,050	2,117	53,167
Jun	18,436	25,196	34,907	43,745	51,564	37,069	41,552	51,516	2,281	53,797
					560,327					
Average Monthly Caseload	12,825	22,935	29,305	39,843	49,216	46,694	40,005	45,364	1,508	46,872
Annual Growth		78.8%	27.8%	36.0%	23.5%	-5.1%	-14.3%	13.40%		17.2%

FY 06-07 Projection				
	Traditional Children's Projection ^{1,2}	Cumulative Traditional Caseload ³	Expansion Population Projection ^{1,4}	Final Children's Caseload ¹
Jul	48,452	48,452	2,613	51,065
Aug	47,038	95,490	2,768	49,806
Sep	46,017	141,507	2,923	48,940
Oct	46,025	187,532	3,270	49,295
Nov	47,100	234,632	3,407	50,507
Dec	47,226	281,858	3,510	50,736
Jan	48,496	330,354	3,602	52,098
Feb	49,749	380,103	3,612	53,361
Mar	51,603	431,706	3,610	55,213
Apr	52,182	483,888	3,563	55,745
May	53,311	537,199	3,585	56,896
Jun	54,304	591,503	3,616	57,920
Average Monthly Caseload	49,292		3,340	52,632
Annual Growth	8.7%		121.5%	12.3%

1. The months in bold are projected using forecasted retroactivity, and are taken from the June 18, 2007 Joint Budget Committee Footnote 20 Report.

2. Monthly growth in the traditional children for June 2007 is calculated as 1.86% of the prior month's traditional children's caseload, including the impact of the asset test removal and the Deficit Reduction Act. This is based on monthly growth in caseload between October 2006 and May 2007.

3. Caseload beyond the FY 03-04 total of 560,327 member months is financed by the Health Care Expansion Fund.

4. Base growth in the expansion children for June 2007 is estimated to be 0.86% of the prior month's expansion children's caseload. This is based on monthly growth in caseload between December 2006 and May 2007.

Table C
Caseload Needs Analysis

Revised Appropriation (March 8, 2007 Figure Setting)				
FY 06-07 CBHP Children's Medical Expenditures	Traditional up to FY 03-04 Level ¹	Traditional Above FY 03-04 Level ¹	Expansion ¹	Total
FY 06-07 Enrollment Estimate	46,489	0	3,562	50,051
Medical Premium PMPM ²	\$106.29	\$106.29	\$106.29	\$106.29
Total Children's Medical Expenditures	\$59,295,790	\$0	\$4,543,260	\$63,839,050
Annual Enrollment Fee Collection Per Enrollee ³	\$3.77	\$3.77	\$13.64	
Total Annual Enrollment Fee Collections (Cash Funds)	\$175,263	\$0	\$48,586	\$223,849
FY 06-07 CBHP Prenatal Services Expenditures	\$1,492,872	\$12,347,692	\$3,804,356	\$17,644,920
Total FY 06-07 Children's Basic Health Plan Premiums Costs	\$60,788,662	\$12,347,692	\$8,347,616	\$81,483,970
Cash Funds from Estimated Enrollment Fees ⁴	\$175,263	\$0	\$48,586	\$223,849
Cash Funds Exempt ⁵	\$21,214,691	\$4,321,692	\$2,904,661	\$28,441,044
Federal Funds	\$39,398,707	\$8,026,000	\$5,394,370	\$52,819,077
FY 06-07 CBHP Dental Expenditures				
Children Capitated for the Dental Benefit	36,680	0	2,810	39,490
Dental Premium PMPM ²	\$13.30	\$13.30	\$13.30	\$13.30
FY 06-07 Children's Basic Health Plan Dental Benefit Costs	\$5,854,099	\$0	\$448,543	\$6,302,642
Title XXI Federal Funds	\$3,805,164	\$0	\$291,553	\$4,096,717
Cash Funds Exempt ⁵	\$2,048,935	\$0	\$156,990	\$2,205,925

Revised FY 06-07 Children's Medical and Prenatal Projections (as of March 27, 2007)				
FY 06-07 CBHP Children's Medical Expenditures	Traditional up to FY 03-04 Level ¹	Traditional Above FY 03-04 Level ¹	Expansion ¹	Total
FY 06-07 Enrollment Estimate	46,694	2,598	3,562	52,854
Medical Premium PMPM ²	\$106.29	\$106.29	\$106.29	\$106.29
Total Children's Medical Expenditures	\$59,557,263	\$3,313,697	\$4,543,260	\$67,414,220
Annual Enrollment Fee Collection Per Enrollee ³	\$3.77	\$3.77	\$13.64	
Total Annual Enrollment Fee Collections (Cash Funds)	\$176,036	\$9,794	\$48,586	\$234,416
FY 06-07 CBHP Prenatal Services Expenditures	\$1,492,872	\$12,347,692	\$3,804,356	\$17,644,920
Total FY 06-07 Children's Basic Health Plan Premiums Costs	\$61,050,135	\$15,661,389	\$8,347,616	\$85,059,140
Cash Funds from Estimated Enrollment Fees	\$176,036	\$9,794	\$48,586	\$234,416
Cash Funds Exempt ⁵	\$21,305,935	\$5,478,058	\$2,904,661	\$29,688,654
Federal Funds	\$39,568,164	\$10,173,537	\$5,394,370	\$55,136,071
FY 06-07 CBHP Dental Expenditures				
FY 06-07 Premiums Enrollment Estimate	46,694	2,598	3,562	52,854
Percentage of Caseload Capitated for Dental Benefit	81.5%	81.5%	81.5%	81.5%
Children Capitated for the Dental Benefit	38,056	2,117	2,903	43,076
Dental Premium PMPM ²	\$13.30	\$13.30	\$13.30	\$13.30
FY 06-07 Children's Basic Health Plan Dental Benefit Costs	\$6,073,738	\$337,873	\$463,319	\$6,874,930
Title XXI Federal Funds	\$3,947,930	\$219,617	\$301,157	\$4,468,704
Cash Funds Exempt ⁵	\$2,125,808	\$118,256	\$162,162	\$2,406,226

Overfunded/ (Underfunded)				
FY 06-07 Enrollment	(205)	(2,598)	0	(2,803)
FY 06-07 Children's Basic Health Plan Premiums Costs	(\$261,473)	(\$3,313,697)	\$0	(\$3,575,170)
Cash Funds from Estimated Enrollment Fees ⁴	(\$773)	(\$9,794)	\$0	(\$10,567)
Cash Funds Exempt ⁵	(\$91,244)	(\$1,156,366)	\$0	(\$1,247,610)
Federal Funds	(\$169,457)	(\$2,147,537)	\$0	(\$2,316,994)
FY 06-07 Children's Basic Health Plan Dental Costs	(\$219,639)	(\$337,873)	(\$14,776)	(\$572,288)
Cash Funds Exempt ⁵	(\$76,873)	(\$118,256)	(\$5,172)	(\$200,301)
Federal Funds	(\$142,766)	(\$219,617)	(\$9,604)	(\$371,987)

¹ HB 05-1262 provides Health Care Expansion Fund monies for premiums for traditional children (up to 185% of the federal poverty level) above the FY 03-04 enrollment level of 46,694. All expansion clients (above 185% of the federal poverty level) are funded through the Health Care Expansion Fund.

² Please see the narrative from November 1, 2006 DI-3 for a detailed explanation of the Premiums and Dental rates.

³ Annual enrollment fees per enrollee is estimated based on the actual collections for FY 05-06. See February 15, 2007 S-3 & BA-A3, Attachment 1, Table C for details.

⁴ Cash Funds from annual enrollment fees are not eligible for a federal match.

⁵ The source for the Cash Funds Exempt for traditional clients up to the FY 03-04 enrollment level is the Children's Basic Health Plan Trust Fund. The source for the Cash Funds Exempt for the traditional clients above the FY 03-04 enrollment level and the expansion clients is the Health Care Expansion Fund.

Table D
Anthem Cost Settlement

Item	Amount
Available Payable from COFRS (as of 5/8/2007)	\$1,468,201
Anthem Payable	(\$1,464,972)
Net Payable (to revert)	\$3,229
Federal Funds Reversion	\$2,099
CFE- Children's Basic Health Plan Trust Fund Reversion	\$1,130
Overestimated Anthem Receivable ²	(\$4,661,297)
Federal Funds	(\$3,029,843)
CFE- Health Care Expansion Fund ³	(\$571,009)
CFE- Children's Basic Health Plan Trust Fund ⁴	(\$1,060,445)

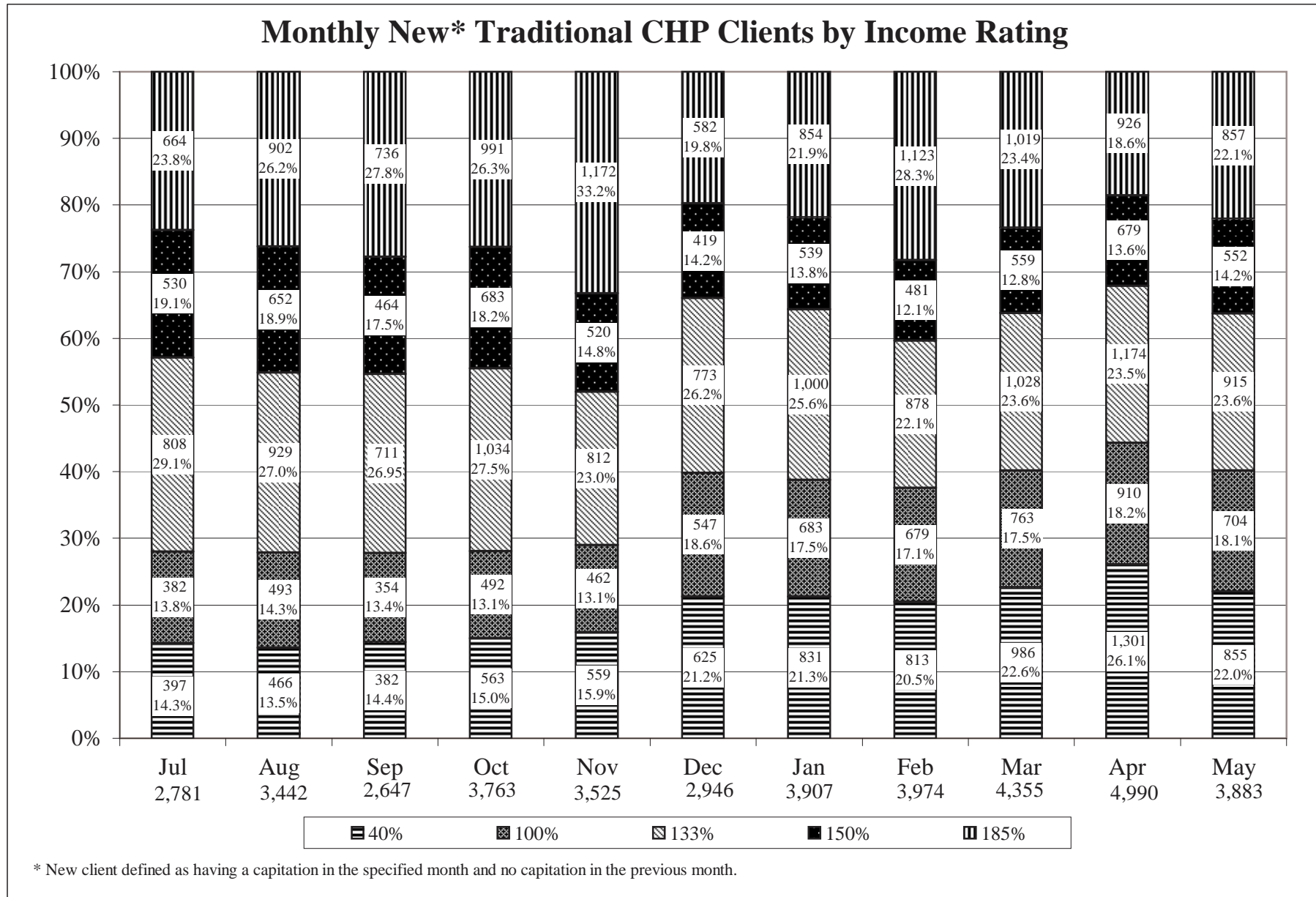
¹ This amount is reverted to the Children's Basic Health Plan Trust Fund.

² Additional spending authority is needed for the full amount of the overestimated receivable, as this will be shown as FY 06-07 expenditures.

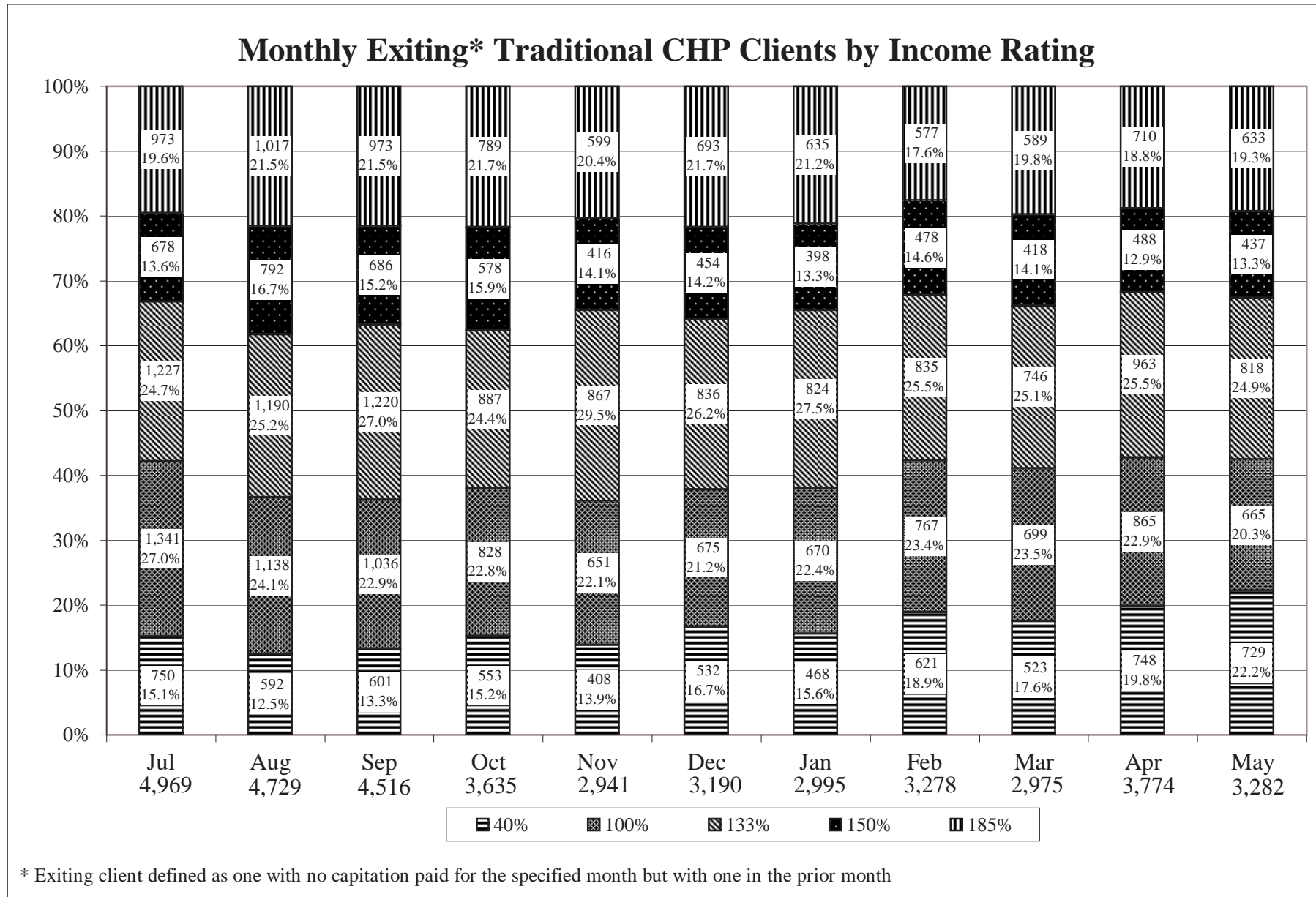
³ In FY 05-06, capitation payments to Anthem for expansion children and prenatal clients constituted 35% of total payments.

⁴ In FY 05-06, capitation payments to Anthem for traditional children constituted 65% of total payments.

Graph 1



Graph 2



STATE OF COLORADO FY 07-08 BUDGET REQUEST CYCLE: DEPARTMENTS OF HEALTH CARE POLICY AND FINANCING & HUMAN SERVICES

		<input type="checkbox"/>		<input type="checkbox"/>		<input checked="" type="checkbox"/>		<input type="checkbox"/>			
Decision Item FY 08-09											
Request Title:	Office of the Colorado Benefits Management System Staff Reallocation										
Department:	Health Care Policy and Financing				Dept. Approval by: John Bartholomew			Date: June 20, 2007			
Priority Number:	N/A				OSPB Approval:			Date:			
		1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual	Appropriation	1331 Supplemental Request	Total Revised Request	Base Request	Decision/ Base Reduction	November 1 Request	Budget Amendment	Total Revised Request	Change from Base (Column 5)
	Fund	FY 06-07	FY 07-08	FY 07-08	FY 07-08	FY 08-09	FY 08-09	FY 08-09	FY 08-09	FY 08-09	FY 09-10
Total of All Line Items	Total	0	40,829,691	1,454,759	42,284,450	0	0	0	0	0	0
	FTE	0.00	245.30	12.00	257.30	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	18,853,537	(77,483)	18,776,054	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	1,409,530	1,609,582	3,019,112	0	0	0	0	0	0
	FF	0	20,566,624	(77,340)	20,489,284	0	0	0	0	0	0
(1) Executive Director's Office - Personal Services	Total	0	16,715,590	1,312,941	18,028,531	0	0	0	0	0	0
	FTE	0.00	245.30	12.00	257.30	0.00	0.00	0.00	0.00	0.00	0.00
	GF	0	7,261,822	(87,303)	7,174,519	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	732,981	1,487,546	2,220,527	0	0	0	0	0	0
	FF	0	8,720,787	(87,302)	8,633,485	0	0	0	0	0	0
(1) Executive Director's Office - Health, Life, and Dental	Total	0	929,293	34,694	963,987	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	414,460	(3,754)	410,706	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	37,568	42,202	79,770	0	0	0	0	0	0
	FF	0	477,265	(3,754)	473,511	0	0	0	0	0	0

STATE OF COLORADO FY 07-08 BUDGET REQUEST CYCLE: DEPARTMENTS OF HEALTH CARE POLICY AND FINANCING & HUMAN SERVICES

Schedule 13											
Emergency Supplemental Request for FY 07-08 Budget Request Cycle											
	Decision Item FY 08-09 <input type="checkbox"/>	Base Reduction Item FY 08-09 <input type="checkbox"/>		Supplemental FY 07-08 <input checked="" type="checkbox"/>			Budget Request Amendment FY 08-09 <input type="checkbox"/>				
Request Title:	Office of the Colorado Benefits Management System Staff Reallocation										
Department:	Health Care Policy and Financing			Dept. Approval by:		John Bartholomew		Date:	June 20, 2007		
Priority Number:	N/A			OSPB Approval:				Date:			
		1	2	3	4	5	6	7	8	9	10
		Prior-Year		1331	Total		Decision/			Total	Change
		Actual	Appropriation	Supplemental	Revised	Base	Base	November 1	Budget	Revised	from Base
	Fund	FY 06-07	FY 07-08	Request	Request	Request	Reduction	Request	Amendment	Request	(Column 5)
		FY 06-07	FY 07-08	FY 07-08	FY 07-08	FY 08-09	FY 08-09	FY 08-09	FY 08-09	FY 08-09	FY 09-10
(1) Executive Director's Office - Short-term Disability	Total	0	19,548	1,170	20,718	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	8,509	(127)	8,382	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	635	1,423	2,058	0	0	0	0	0	0
	FF	0	10,404	(126)	10,278	0	0	0	0	0	0
(1) Executive Director's Office - Salary Survey and Senior Executive Services	Total	0	480,923	27,753	508,676	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	217,149	(3,003)	214,146	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	15,225	33,759	48,984	0	0	0	0	0	0
	FF	0	248,549	(3,003)	245,546	0	0	0	0	0	0
(1) Executive Director's Office - Performance Based Pay Awards	Total	0	206,506	11,054	217,560	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	92,725	(1,196)	91,529	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	6,484	13,446	19,930	0	0	0	0	0	0
	FF	0	107,297	(1,196)	106,101	0	0	0	0	0	0

STATE OF COLORADO FY 07-08 BUDGET REQUEST CYCLE: DEPARTMENTS OF HEALTH CARE POLICY AND FINANCING & HUMAN SERVICES

Schedule 13											
Emergency Supplemental Request for FY 07-08 Budget Request Cycle											
	Decision Item FY 08-09 <input type="checkbox"/>	Base Reduction Item FY 08-09 <input type="checkbox"/>		Supplemental FY 07-08 <input checked="" type="checkbox"/>			Budget Request Amendment FY 08-09 <input type="checkbox"/>				
Request Title:	Office of the Colorado Benefits Management System Staff Reallocation										
Department:	Health Care Policy and Financing			Dept. Approval by:		John Bartholomew		Date:	June 20, 2007		
Priority Number:	N/A			OSPB Approval:				Date:			
		1	2	3	4	5	6	7	8	9	10
		Prior-Year		1331	Total		Decision/			Total	Change
		Actual	Appropriation	Supplemental	Revised	Base	Base	November 1	Budget	Revised	from Base
	Fund	FY 06-07	FY 07-08	Request	Request	Request	Reduction	Request	Amendment	Request	(Column 5)
				FY 07-08	FY 07-08	FY 08-09	FY 08-09	FY 08-09	FY 08-09	FY 08-09	FY 09-10
(1) Executive Director's Office - Operating Expenses	Total	0	1,039,465	11,400	1,050,865	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	494,229	(1,425)	492,804	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	28,941	14,250	43,191	0	0	0	0	0	0
	FF	0	516,295	(1,425)	514,870	0	0	0	0	0	0
(1) Executive Director's Office - SB 04-257	Total	0	178,339	9,681	188,020	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
Amortization, Equalization, Disbursement	GF	0	76,448	(1,048)	75,400	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	5,855	11,776	17,631	0	0	0	0	0	0
	FF	0	96,036	(1,047)	94,989	0	0	0	0	0	0
(1) Executive Director's Office - SB 06-235	Total	0	34,950	2,097	37,047	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
Supplemental Amortization, Equalization, Disbursement	GF	0	13,722	(227)	13,495	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	1,220	2,551	3,771	0	0	0	0	0	0
	FF	0	20,008	(227)	19,781	0	0	0	0	0	0

STATE OF COLORADO FY 07-08 BUDGET REQUEST CYCLE: DEPARTMENTS OF HEALTH CARE POLICY AND FINANCING & HUMAN SERVICES

Schedule 13											
Emergency Supplemental Request for FY 07-08 Budget Request Cycle											
		Decision Item FY 08-09 <input type="checkbox"/>		Base Reduction Item FY 08-09 <input type="checkbox"/>		Supplemental FY 07-08 <input checked="" type="checkbox"/>		Budget Request Amendment FY 08-09 <input type="checkbox"/>			
Request Title:		Office of the Colorado Benefits Management System Staff Reallocation									
Department:		Health Care Policy and Financing			Dept. Approval by:		John Bartholomew		Date:		June 20, 2007
Priority Number:		N/A			OSPB Approval:				Date:		
		1	2	3	4	5	6	7	8	9	10
		Prior-Year		1331	Total		Decision/			Total	Change
		Actual	Appropriation	Supplemental	Revised	Base	Base	November 1	Budget	Revised	from Base
	Fund	FY 06-07	FY 07-08	Request	Request	Request	Reduction	Request	Amendment	Request	(Column 5)
				FY 07-08	FY 07-08	FY 08-09	FY 08-09	FY 08-09	FY 08-09	FY 08-09	FY 09-10
(6) DHS Medicaid											
Funded Programs -		Total	0	12,509,047	6,494	12,515,541	0	0	0	0	0
(A) Executive		FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Director's Office		GF	0	6,253,141	3,044	6,256,185	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	388	388	0	0	0	0	0
		FF	0	6,255,906	3,062	6,258,968	0	0	0	0	0
(6) DHS Medicaid											
Funded Programs -		Total	0	8,716,030	37,475	8,753,505	0	0	0	0	0
(B) Office of Information		FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Technology Services -		GF	0	4,021,332	17,556	4,038,888	0	0	0	0	0
Colorado Benefits		GFE	0	0	0	0	0	0	0	0	0
Management System		CF	0	0	0	0	0	0	0	0	0
		CFE	0	580,621	2,241	582,862	0	0	0	0	0
		FF	0	4,114,077	17,678	4,131,755	0	0	0	0	0
Letternote revised text:		N/A									
Cash Fund name/number, Federal Fund Grant name:		CFE: Children's Basic Health Plan Trust Fund, Old Age Pension Fund; Federal Funds: Title XIX and Title XXI									
IT Request:		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No									
Request Affects Other Departments:		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		If Yes, List Other Departments Here: Dept. of Human Services, Office of the Governor - Lt. Governor - OSPB							

EMERGENCY SUPPLEMENTAL REQUEST for FY 07-08 BUDGET REQUEST CYCLE

Department:	Department of Human Services and Department of Health Care Policy and Financing
Priority Number:	N/A
Change Request Title:	Office of Colorado Benefits Management System Staff Reallocation

SELECT ONE (click on box):

- Decision Item FY 08-09
- Base Reduction Item FY 08-09
- Supplemental Request FY 07-08
- Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

This 1331 Emergency Supplemental reallocates 24.0 FTE and \$2,142,000 in total funds for the at-will and contract employees from the Governor’s Office of the Colorado Benefits Management System to the Department of Human Services and the Department of Health Care Policy and Financing (hereafter referred to as “the Departments”).

Background and Appropriation History:

The Colorado Benefits Management System was developed by the State of Colorado to handle application, eligibility, and benefit determination for thirty-six of Colorado’s medical, food, and financial assistance programs. The integrated system was also designed to facilitate the transfer of information from the counties that use the system to the Departments that administer the thirty-six assistance programs, the Department of Human Services and the Department of Health Care Policy and Financing.

Development of the system began in FY 1999-00 and the system went online in FY 2004-05. Upon implementation, the Colorado Benefits Management System brought to the fore some issues concerning eligibility processing as well as departmental and county

coordination. An independent program audit in 2005 recommended the creation of a single office to provide program management and governance oversight for the system due to the complexity of managing multiple stakeholders. On May 27, 2005 the Governor issued Executive Order D 004 05 creating the Governor's Office of the Colorado Benefits Management System (OCBMS). This office was charged with controlling the direction, planning, management, and delivery of the Colorado Benefits Management System.

The Office of the Colorado Benefits Management System is funded through a cash funds exempt transfer from the Department of Human Services' Office of Information Technology, Colorado Benefits Management System line. The Colorado Benefits Management System is a federally approved integrated system that allocates costs among all assistance programs proportional to each programs' use. Therefore, nearly all expenditures out of the Department of Human Services' Colorado Benefits Management System line are run through the federally approved Colorado Benefits Management System calculator. Because the Department of Human Services is a co-signatory of the Colorado Benefits Management System vendor contract and the primary signatory on all other Colorado Benefits Management System contracts, the Department of Health Care Policy and Financing transfers its portion of CBMS total costs through the Department of Human Services, which is denoted by a cash funds exempt transfer from Health Care Policy and Financing to the Department of Human Services.

The Office of the Colorado Benefits Management System was appropriated \$1,917,427 in FY 2007-08, per the Long Bill (SB 07-239). The appropriation pays for 24.0 total at-will employees, temporary contractors, operating costs, and commercial leased space costs. The Governor's Office was also appropriated \$224,573 from the Department of Human Services for indirect cost recoveries, used to pay for Health, Life, and Dental (HLD), short-term disability, salary increases, and other benefits for the Office of the Colorado Benefits Management System 24.0 FTE.

General Description of Request:

This Request seeks to reallocate funding and FTE from the Governor's Office of the Colorado Benefits Management System to the Department of Human Services and the Department of Health Care Policy and Financing, pursuant to Executive Order D 005 07.

In addition, this Request seeks to correct the funding splits for 3.0 FTE within the Department of Health Care Policy and Financing that work on the Colorado Benefits Management System. The cost of these 3.0 FTE are not currently split by the Colorado Benefits Management System calculator. Finally, this 1331 Emergency Supplemental Request reallocates funding from the Office of the Colorado Benefits Management System for contractor and operating expenses to the Department of Health Care Policy and Financing.

On February 15, 2007, the Governor of Colorado issued Executive Order D 005 07, rescinding the Executive Order that created the Governor's Office of the Colorado Benefits Management System. Executive Order D 005 07 placed the control and accountability of the Colorado Benefits Management System jointly under the Department of Human Services and the Department of Health Care Policy and Financing, and further directed the two Departments to determine the reassignment of the Office of the Colorado Benefits Management System's 24.0 FTE, converting these employees from at-will status to State classified positions.

The Department of Human Services and the Department of Health Care Policy and Financing have been in ongoing collaborative discussions regarding the reallocation of the Office of the Colorado Benefits Management System FTE since Executive Order D 005 07 was issued. One of the primary concerns with the reallocation of the staff is the budget neutrality requirement. Due to this requirement, and because the Colorado Benefits Management System is designed to be an integrated system that spreads costs across all benefiting State and federal programs, using the Colorado Benefits Management System calculator - which is the only approved federal reimbursement model - is the only logical choice for financing the new staff allocation. The following table shows how the Colorado Benefits Management System calculator allocates its funds.

Colorado Benefits Management System Calculator Fund Splits		
	Department of Human Services	Department of Health Care Policy and Financing
Total	100.00%	34.71%
General Fund	15.70%	16.26%
Cash Funds	8.03%	0.00%
Cash Funds Exempt ¹	34.71%	0%
Cash Funds Exempt - Children's Basic Health Plan Trust Fund	0%	1.90%
Cash Funds Exempt - Old Age Pension Fund	0%	0.18%
Federal Funds	41.57%	16.37%

Note: 1) The Cash Funds Exempt in the Department of Human Services line reflects the transfer of funds from the Department of Health Care Policy and Financing.

Reallocation of 24.0 At-Will FTE

The Governor's Office of the Colorado Benefits Management System line included funding for 24.0 FTE at-will positions plus contract staff. The Departments have agreed that the 24.0 FTE at-will employees and the associated personal services, operating expenses, and contractor funds will be split between the two Departments as follows:

- The Department of Human Services will receive 14.0 at-will FTE from the Governor's Office and transfer 2.0 existing Department of Human Services FTE to the Department of Health Care Policy and Financing.
- The Department of Health Care Policy and Financing will receive the remaining 10.0 at-will FTE from the Governor's Office, as well as the funds associated with the four contractors currently working with the Office of the Colorado Benefits Management System.
- Operating expenses will accompany each position to its respective department.
- Health, Life, and Dental (HLD), salary survey, achievement based pay, Amortization Equalization Disbursement, Supplemental Amortization Equalization Disbursement,

and short-term disability insurance funds will be transferred to each Department based on each positions salary.

The allocation plan developed jointly by the Department of Human Services and the Department of Health Care Policy and Financing allows the departments to have many Colorado Benefits Management System functionalities in-house. Both Departments will have FTE dedicated to CBMS project management, subject matter experts, problem ticket analysis, decision table analysis, client correspondence, and reports analysis handled by their own employees. The Department of Human Services will have help desk resources in-house, while the Department of Health Care Policy and Financing will out-source its help desk functionality. The Colorado Benefits Management System also requires a group of employees to perform core tasks that affect the entire system. This group will be housed at the Department of Human Services and will be responsible for training, communications, system testing, and county infrastructure that will benefit both the Department of Human Services and the Department of Health Care Policy and Financing. Please refer to Attachment 1 of the appendix that depicts the anticipated allocation of functionality between the two Departments.

Indirect Cost Recoveries for POTS

The Governor's Office of the Colorado Benefits Management System was appropriated \$224,573 in indirect cost recoveries funds in FY 2007-08 (see letter note "a" to the Office of the Governor, (1) Governor's Office, (B) Special Purpose long bill group in SB 07-239). This money is used to pay for Health, Life, and Dental (HLD), salary survey, performance-based pay, amortization equalization disbursement, supplemental amortization equalization disbursement and short-term disability insurance for the 24.0 at-will FTE. Per the letter note, the \$224,573 is allocated to the Governor's Office Special Purpose line items as cash funds exempt from the Department of Human Services. The letter note will be revised to reflect the reduction of these line items by \$224,575.

Correction of Funding for 3.0 FTE

The Department of Health Care Policy and Financing currently has 3.0 FTE under its direct control that are assigned exclusively to Colorado Benefits Management System functions. As noted above, nearly all costs associated with the Colorado Benefits Management System are split using the Colorado Benefits Management System calculator. However, the Department of Health Care Policy and Financing's 3.0 FTE are currently paid through a Medicaid-only certification code that only provides a 50% federal funding match. Given that the State and its federal oversight agencies believe that the Colorado Benefits Management System is fully integrated, running the costs associated with these FTE through the Colorado Benefits Management System calculator provides consistency. By assigning these positions a different certification code, the State would increase cash funds exempt expenditure by \$4,072, and increase cash funds expenditures by \$15,741. However, the switch to a Colorado Benefits Management System certification code would also increase federal funds participation by \$15,579 and realize General Fund savings of approximately \$35,392.

Consequences if Not Funded:

This Request is presented as a direct result of the Governor's Executive Order D 005 07, dissolving the Governor's Office of Colorado benefits Management System. If this request is not approved, the departments will be unable to comply with the Executive Order. In addition, the 24.0 FTE that are currently appropriated to the Office of the Colorado Benefits Management system will be terminated effective July 1, 2007, which would result in Colorado Benefits Management System functions such as the Help Desk for the Department of Human Services, and all system testing, to cease, since the Departments do not otherwise have the resources to absorb the additional workload. Also, a significant number of on-going software development projects implementing Federal and State legislation will be severely curtailed, resulting in the cancellation of certain projects and the lengthening of time to delivery for other projects. The loss in productivity associated with such a severe cut in productivity could cause many eligibility determinations to exceed processing guidelines set by the federal government, which would result in the imposition of penalties and the possible loss of federal participation funds for *all* federal programs administered by the Department of Human Services and the

Department of Health Care Policy and Financing, up to a potential total of \$2,274,199,852.

Calculations for Request:

Summary of Emergency Supplemental Request by Department						
Agency	FTE	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Governor's Office of the Colorado Benefits Management System	(24.0)	(\$2,142,000)	\$0	\$0	(\$2,142,000)	\$0
Department of Human Services	12.0	\$126,675	\$19,885	\$10,165	\$43,969	\$52,656
Department of Health Care Policy and Financing	12.0	\$1,454,759	(\$77,483)	\$0	\$1,609,582	(\$77,340)
Total	0.0	(\$560,566)	(\$57,598)	\$10,165	(\$488,449)	\$24,684

Table 1: Governor's Office Detail						
	FTE	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
(1) Office of the Governor (B) Special Purpose - All Lines	0.0	(\$224,573)	\$0	\$0	(\$224,573)	\$0
(6) Office of Colorado Benefits Management System	(24.0)	(\$1,917,427)	\$0	\$0	(\$1,917,427)	\$0
Total	(24.0)	(\$2,142,000)	\$0	\$0	(\$2,142,000)	\$0

Table 2: Department of Health Care Policy and Financing - Summary for Schedule 13						
	FTE	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
(1) Executive Director's Office - Personal Services	12.0	\$1,312,941	(\$87,303)	\$0	\$1,487,546	(\$87,302)
(1) Executive Director's Office - Health, Life, and Dental	0.0	\$34,694	(\$3,754)	\$0	\$42,202	(\$3,754)
(1) Executive Director's Office - Short-term Disability	0.0	\$1,170	(\$127)	\$0	\$1,423	(\$126)
(1) Executive Director's Office - Salary Survey and Senior Executive Service	0.0	\$27,753	(\$3,003)	\$0	\$33,759	(\$3,003)
(1) Executive Director's Office - Performance-based Pay Award	0.0	\$11,054	(\$1,196)	\$0	\$13,446	(\$1,196)
(1) Executive Director's Office - Amortization Equalization Disbursement	0.0	\$9,681	(\$1,048)	\$0	\$11,776	(\$1,047)
(1) Executive Director's Office - Operating Expense	0.0	\$11,400	(\$1,425)	\$0	\$14,250	(\$1,425)
(1) Executive Director's Office - Supplemental Amortization Equalization Disbursement	0.0	\$2,097	(\$227)	\$0	\$2,551	(\$227)

STATE OF COLORADO FY 07-08 BUDGET REQUEST CYCLE: DEPARTMENTS OF HEALTH CARE POLICY AND FINANCING & HUMAN SERVICES

(6) DHS Medicaid Funded Programs – Executive Director’s Office	0.0	\$6,494	\$3,004	\$0	\$388	\$3,062
(6) DHS Medicaid Funded Programs - Office of Information Technology Services - Colorado Benefits Management System	0.0	\$37,475	\$17,556	\$0	\$2,241	\$17,678
Total	12.0	\$1,454,759	(\$77,483)	\$0	\$1,609,582	(\$77,340)

Table 3: Department of Health Care Policy and Financing

	FTE	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Table 3A - Finance 3.0 FTE through the Colorado Benefits Management System Calculator						
100% of Personal Services – Removed 50/50 Funding, Added 100% DHS Transfer	0.0	\$0	(\$87,303)	\$0	\$174,605	(\$87,302)
100% of Health, Life and Dental – Removed 50/50 Funding, Added 100% DHS Transfer	0.0	\$0	(\$3,754)	\$0	\$7,508	(\$3,754)
100% of Short Term Disability – Removed 50/50 Funding, Added 100% DHS Transfer	0.0	\$0	(\$127)	\$0	\$253	(\$126)
100% of Salary Survey – Removed 50/50 Funding, Added 100% DHS Transfer	0.0	\$0	(\$3,003)	\$0	\$6,006	(\$3,003)
100% of Performance Based Pay – Removed 50/50 Funding, Added 100% DHS Transfer	0.0	\$0	(\$1,196)	\$0	\$2,392	(\$1,196)
100% of Amortization Equalization – Removed 50/50 Funding, Added 100% DHS Transfer	0.0	\$0	(\$1,048)	\$0	\$2,095	(\$1,047)
100% of Supplemental Amortization Equalization – Removed 50/50 Funding, Added 100% DHS Transfer	0.0	\$0	(\$227)	\$0	\$454	(\$227)
100% of Operating Expenses – Removed 50/50 Funding, Added 100% DHS Transfer	0.0	\$0	(\$1,425)	\$0	\$2,850	(\$1,425)
<i>(6) DHS Medicaid Funded Programs, (B) Office of Information Technology Services, Colorado Benefits Management System (Double Count in Health Care Policy and Financing’s Budget)</i>						
34.71% of Personal Services - Health Care Policy and Financing's New Share	0.0	\$60,605	\$28,392	\$0	\$3,625	\$28,588
34.71% of Operating Expenses - Health Care Policy and Financing's New Share	0.0	\$990	\$464	\$0	\$59	\$467
<i>(6) DHS Medicaid Funded Programs, (A) Executive Director’s Office (Double Count in Health Care Policy and Financing’s Budget)</i>						
34.71% of Health, Life and Dental - Health Care Policy and Financing's New Share	0.0	\$2,605	\$1,221	\$0	\$155	\$1,229
34.71% of Short Term Disability - Health Care Policy and Financing's New Share	0.0	\$88	\$42	\$0	\$5	\$41
34.71% of Salary Survey - Health Care Policy and Financing's New Share	0.0	\$2,085	\$977	\$0	\$125	\$983
34.71% of Performance Based Pay - Health Care Policy and Financing's New Share	0.0	\$830	\$389	\$0	\$49	\$392
34.71% of Amortization Equalization - Health Care Policy and Financing's New Share	0.0	\$728	\$341	\$0	\$44	\$343
34.71% of Supplemental Amortization Equalization – Health Care Policy and Financing’s New Share	0.0	\$158	\$74	\$0	\$10	\$74

Table 3: Department of Health Care Policy and Financing						
	FTE	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
<i>Subtotal within Health Care Policy and Financing's Budget for 3.0 FTE</i>	<i>0.0</i>	<i>\$68,089</i>	<i>(\$66,183)</i>	<i>\$0</i>	<i>\$200,235</i>	<i>(\$65,963)</i>

	FTE	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Table 3B – Transfer 10.0 FTE from Office of the Colorado Benefits Management System to Department of Health Care Policy and Financing						
Personal Services – Transfer to Health Care Policy and Financing	10.0	\$785,160	\$0	\$0	\$785,160	\$0
Health, Life and Dental – Transfer to Health Care Policy and Financing	0.0	\$30,253	\$0	\$0	\$30,253	\$0
Short Term Disability – Transfer to Health Care Policy and Financing	0.0	\$1,019	\$0	\$0	\$1,019	\$0
Salary Survey – Transfer to Health Care Policy and Financing	0.0	\$24,201	\$0	\$0	\$24,201	\$0
Performance Based Pay – Transfer to Health Care Policy and Financing	0.0	\$9,639	\$0	\$0	\$9,639	\$0
Amortization Equalization – Transfer to Health Care Policy and Financing'	0.0	\$8,442	\$0	\$0	\$8,442	\$0
Supplemental Amortization Equalization – Transfer to Health Care Policy and Financing	0.0	\$1,829	\$0	\$0	\$1,829	\$0
Operating Expenses – Transfer to Health Care Policy and Financing	0.0	\$9,500	\$0	\$0	\$9,500	\$0
<i>Subtotal within Health Care Policy and Financing's Budget for 10.0 FTE</i>	<i>10.0</i>	<i>\$870,043</i>	<i>\$0</i>	<i>\$0</i>	<i>\$870,043</i>	<i>\$0</i>

Table 3C - Transfer 2.0 FTE from the Department of Human Services to the Department of Health Care Policy and Financing						
Personal Services – Transfer to Health Care Policy and Financing	2.0	\$115,171	\$0	\$0	\$115,171	\$0
Health, Life and Dental – Transfer to Health Care Policy and Financing	0.0	\$4,441	\$0	\$0	\$4,441	\$0
Short Term Disability – Transfer to Health Care Policy and Financing	0.0	\$151	\$0	\$0	\$151	\$0
Salary Survey – Transfer to Health Care Policy and Financing	0.0	\$3,552	\$0	\$0	\$3,552	\$0
Performance Based Pay – Transfer to Health Care Policy and Financing	0.0	\$1,415	\$0	\$0	\$1,415	\$0
Amortization Equalization – Transfer to Health Care Policy and Financing	0.0	\$1,239	\$0	\$0	\$1,239	\$0
Supplemental Amortization Equalization – Transfer to Health Care Policy and Financing	0.0	\$268	\$0	\$0	\$268	\$0
Operating Expenses – Transfer to Health Care Policy and Financing	0.0	\$1,900	\$0	\$0	\$1,900	\$0
<i>Subtotal within Health Care Policy and Financing's Budget for 2.0 FTE</i>	<i>2.0</i>	<i>\$128,137</i>	<i>\$0</i>	<i>\$0</i>	<i>\$128,137</i>	<i>\$0</i>

Table 3D - Transfer Funds for 4 Contractors						
100% of Personal Services - Health Care Policy and Financing's New Share	0.0	\$412,610	\$0	\$0	\$412,610	\$0
Subtotal within Health Care Policy and Financing's Budget for 4 Contractors	0.0	\$412,610	\$0	\$0	\$412,610	\$0

Table 3E – POTS Funding to Revert in Health Care Policy and Financing (DHS Medicaid Funded Programs, (B) Office of Information Technology Services, Colorado Benefits Management System)	
A. POTS for 10.0 At-Will Positions allocated to Health Care Policy and Financing	\$75,383
B. POTS for 14.0 At-Will Positions allocated to Human Services	\$79,702
C. Total POTS funding appropriated to the Office of CBMS	\$224,573
D. Unneeded POTS funding after dissolution of Office of CBMS (A + B – C)	(\$69,488)
E. Amount appropriated in Health Care Policy and Financing's Budget (34.71% * D)	(\$24,120)
General Fund	(\$11,300)
Cash Funds Exempt	(\$1,443)
Federal Funds	(\$11,377)

Table 4: Department of Human Services						
	FTE	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Table 4A - Finance 3.0 FTE through the Colorado Benefits Management System Calculator						
<i>To be included in the Department of Human Services Office of Information Technology Services, Colorado Benefits Management System</i>						
Personal Services – Transfer to Health Care Policy and Financing	0.0	\$174,605	\$27,405	\$14,012	\$60,605	\$72,583
Operating Expenses – Transfer to Health Care Policy and Financing	0.0	\$2,850	\$447	\$228	\$990	\$1,185
<i>To be included in the Department of Human Services Executive Director's Office Long Bill Group</i>						
Health, Life and Dental – Transfer to Health Care Policy and Financing	0.0	\$7,508	\$1,179	\$603	\$2,605	\$3,121
Short Term Disability – Transfer to Health Care Policy and Financing	0.0	\$253	\$40	\$20	\$88	\$105
Salary Survey – Transfer to Health Care Policy and Financing	0.0	\$6,006	\$943	\$482	\$2,085	\$2,496
Performance Based Pay – Transfer to Health Care Policy and Financing	0.0	\$2,392	\$376	\$192	\$830	\$994
Amortization Equalization – Transfer to Health Care Policy and Financing'	0.0	\$2,095	\$329	\$168	\$728	\$870
Supplemental Amortization Equalization – Transfer to Health Care Policy and Financing	0.0	\$454	\$72	\$36	\$158	\$188
Subtotal within Department of Human Services for 3.0 FTE	0.0	\$196,163	\$30,791	\$15,741	\$68,089	\$81,542

Table 4B - Adjust Department of Human Services FTE Count (14.0 At-Will FTE less 2.0 Transferred FTE)						
(2) Office of Information Technology Services, Colorado Benefits Management System	12.0	\$0	\$0	\$0	\$0	\$0

Table 4C – POTS Funding to Revert in Human Services (Office of Information Technology Services, Colorado Benefits Management System)	
A. POTS for 10.0 At-Will Positions allocated to Health Care Policy and Financing	\$75,383
B. POTS for 14.0 At-Will Positions allocated to Human Services	\$79,702
C. Total POTS funding appropriated to the Office of CBMS	\$224,573
D. Unneeded POTS funding after dissolution of Office of CBMS (A + B – C)	(\$69,488)
General Fund	(\$10,906)
Cash Funds	(\$5,576)
Cash Funds Exempt (transferred from Health Care Policy and Financing)	(\$24,120)
Federal Funds	(\$28,886)

Assumptions for Calculations:

Because funding for the Office of the Colorado Benefits Management System includes multiple transfers between State agencies, the budget for the Colorado Benefits Management System contains a significant amount of double-counting and the cash funds exempt portion of this request will not appear to be budget neutral. Additionally, this Request includes General Fund savings from the reallocation of the Department of Health Care Policy and Financing’s 3.0 FTE CBMS staff.

The Departments have assumed that all expenditures incurred by the Department of Human Services and the Department of Health Care Policy and Financing will be financed through the Colorado Benefits Management System calculator. As noted before, the Colorado Benefits Management System calculator is the only federally approved method of financing the State’s integrated eligibility and benefits processing system and for allocating the federal and state shares of CBMS expenses.

The Departments have assumed that all costs associated with the 24.0 reallocated FTE will be financed through the calculator and paid by or transferred through the Department of Human Services as before.

The Departments have assumed that all FTE will receive the same amount of total compensation after they've been incorporated into the State classified employment system, as was received while they were at-will positions.

Summary Table

The initial table in the calculations section provides an overall summary, by Department, of this request. All other tables in the calculations section detail the changes to each department that are necessary to execute this request.

Table 1

The Governor's Office of the Colorado Benefits Management System table reflects the dissolution of that office by the removal of all funds and FTE appropriated to it in the FY 07-08 Long Bill (S.B. 07-239).

Table 2

Table 2 summarizes the impact of this request on the Department of Health Care Policy and Financing's budget lines. This analysis provides a simplified summary of Table 3, which provides the detailed changes. Because the impact to the Department of Human Services is limited to its Colorado Benefits Management System line item within the (2) Office of Information Technology Services Long Bill group, a summary table for the Department of Human Services is not provided.

Table 3

Table 3 shows the impact to the Department of Health Care Policy and Financing, and is broken into four separate sections. The first section marked Table 3A details the Department of Health Care Policy and Financing's request to finance 3.0 FTE with the Colorado Benefits Management System calculator. While there is no total fund impact to this request, financing the FTE through the calculator does change the funding splits and generates General Fund savings. There is an associated increase to the Department of Human Services budget to reflect the new shared appropriation (included in a subsequent table).

Table 3B of the calculations section shows the impact to the Department of Health Care Policy and Financing due to the transfer of 10.0 FTE from the Governor's Office of the Colorado Benefits Management System. Because the Departments have agreed to the financing methodology detailed above, this table reflects the 100% transfer from the Department of Human Services to the Department of Health Care Policy and Financing for the associated costs. An adjustment to the Department of Health Care Policy and Financing's (6) DHS Medicaid Funded Programs – (B) Office of Information Technology Services, Colorado Benefits Management System line is not required as its portion of the expenditures is already contained therein. Table 3C provides the same information as Table 3B for the 2.0 FTE that the Department of Human Services is transferring to the Department of Health Care Policy and Financing.

Tables 3B and 3C also reflect funds for so-called "POTS" items such as Health, Life, and Dental (HLD), Short-term Disability, Amortization Equalization Disbursements, Supplemental Amortization Equalization Disbursements, Salary Survey, and Performance-based Pay. The Governor's Office of the Colorado Benefits Management System was appropriated \$224,573 spending authority for these expenses. This request allocates the available funds amongst the departments based on a percentage of each position's salary. The departments have assumed the following: 3.44% for Salary Survey, 1.37% for Performance-based Pay, 4.30% for Health, Life, and Dental (HLD), and 0.145% for Short-term Disability. The Health, Life, and Dental (HLD) figure of 4.30% is based on the average FTE's actual HLD utilization in the Department of Human Services, Colorado Benefits Management System line. The Departments have also assumed that Amortization Equalization Disbursement and Supplemental Amortization Equalization Disbursement amounts will be 1.2% and 0.26%, respectively, of yearly salary as well.

Table 3D reflects the 100% transfer from the Department of Human Services to the Department of Health Care Policy and Financing for the four contractors currently employed by the Governor's Office of the Colorado Benefits Management System. Contractors are responsible for all of their operating, leasing, and benefits costs, therefore none are included here.

Table 3E reflects Health Care Policy and Financing's portion of unused POTS funding after the reallocation of at-will employees occurs. As described above for Tables 3B and 3C, POTS were calculated based on a percent of each positions' salary. POTS for both the 10.0 FTE in Health Care Policy and Financing and the 14.0 FTE in Human Services, subtracted from the total available POTS appropriation in the Governor's Office of CBMS amount of \$224,573, yields a net total fund savings of \$69,488. Of this amount, Health Care Policy and Financing finances 34.71%, or \$24,120. This amount is removed from the (6) DHS Medicaid Funded Programs, (B) Office of Information Technology Services, Colorado Benefits Management System line item as all POTS for the 24.0 at-will staff in the Office of CBMS were appropriated to this line.

Table 4

Table 4 shows this request's impact on the Department of Human Services. This table is presented in two sections. Table 4A reflects the changes required for the Department of Human Services (2) Office of Information Technology, Colorado Benefits Management System line due to financing 3.0 FTE in the Department of Health Care Policy and Financing with the Colorado Benefits Management System calculator. The second part of the table, 4B, reflects the adjustments to the Department of Human Services' FTE counts necessary to execute this request. Lastly, Table 4C reflects the reduced need for POTS funding within the Department of Human Services' budget, which includes the amount financed through the Department of Health Care Policy and Financing (shown as Cash Funds Exempt).

Impact on Other Government Agencies:

This 1331 Emergency Supplemental eliminates the Long Bill (S.B. 07-239) line item within the budget of the Office of the Governor – Lieutenant Governor – State Planning and Budgeting: (6) Office of Colorado Benefits Management System – Program Costs. This 1331 Emergency Supplemental eliminates the total appropriation to this line item of \$1,917,427 in Cash Funds Exempt transferred from the Department of Human Services and 24.0 FTE. This request also affects seven lines within the (1) Office of the Governor, (B) Special Purpose: Health, Life, and Dental, Short-Term Disability, S.B. 04-257 Amortization Equalization Disbursement, S.B. 06-235 Supplemental Amortization

Equalization Disbursement, Salary Survey and Senior Executive Service, Performance-Based Pay Awards, and Legal Services for 1,391 hours. These lines are reduced by a total of \$224,573 in cash funds exempt transferred from the Department of Human Services.

Cost Benefit Analysis:

Cost	Benefit
General Fund Impact: (\$57,598)	The Department would comply with the Governor’s Executive Order D 005 07 and be able to keep the Colorado Benefits Management System operational. The State would realize a net decrease in General Fund expenditure of \$57,598 as a result of financing 3.0 FTE in the Department of Health Care Policy and Financing through the Colorado Benefits Management System calculator instead of through the standard 50/50 Medicaid methodology, and POTS savings. There would be no gap in benefits or salary for the positions currently under the Governor’s Office of the Colorado Benefits Management System.

Implementation Schedule:

Task	Month/Year
Write Position Description Questionnaires and Personnel Action Request	May 7 – May 18, 2007
Open the Application Window to the Public	May 21, 2007
Close Application Window	May 29, 2007
Review, Interview, and Hire New Positions	June 20, 2007
New Employees Begin	July 1, 2007

Statutory and Federal Authority:

**D 005 07 EXECUTIVE ORDER
Rescinding Executive Orders D 004 05 and B 003 05**

Pursuant to the authority vested in the Office of the Governor of the State of Colorado, I, Bill Ritter, Jr., Governor of the State of Colorado, hereby issue this Executive Order rescinding Executive Order D 004 05 and dissolving the Office of the Colorado Benefits Management

System and rescinding Executive Order B 003 05 and dissolving the Colorado Benefits Management System Steering Committee.

24-37.5-101. C.R.S. (2006) Legislative declaration - findings.

(1) The general assembly hereby finds and declares that:

(a) Communication and information resources in the various agencies of state government are valuable strategic assets belonging to the people of Colorado that must be managed accordingly;

(b) Technological and theoretical advances in the area of communication and information use are recent in origin, immense in scope and complexity, and progressing rapidly;

(c) The nature of these advances presents Colorado with the opportunity to provide higher quality, more timely, and more cost-effective governmental services;

(d) Agencies independently acquire uncoordinated and duplicative information resource technologies that are more appropriately acquired as part of a coordinated effort for maximum cost effectiveness and use;

(e) The sharing of communication and information resource technologies among agencies is often the most cost-effective method of providing the highest quality and most timely governmental services that would otherwise be cost prohibitive;

(f) Considerations of both cost and the need for the transfer of information among the various agencies and branches of state government in the most timely and useful form possible require a uniform policy and coordinated system for the use and acquisition of communication and information resource technologies; and

(g) It is the policy of this state to coordinate and direct the use of communication and information resources technologies by state agencies and to provide as soon as possible the most cost-effective and useful retrieval and exchange of information both within and among the various state agencies and branches of government and from the state agencies and branches of government to the people of Colorado. To that end, the office of information technology is created.

25.5-4-205. C.R.S (2006) Application - verification of eligibility - demonstration project - rules - repeal.

(1) (a) Determination of eligibility for medical benefits shall be made by the county department in which the applicant resides, except as otherwise specified in this section. Local social security offices also determine eligibility for medicaid benefits at the same time they determine eligibility for supplemental security income. The state department may accept medical assistance applications and determine medical assistance eligibility and may designate the private service contractor that administers the children's basic health plan, Denver health and hospitals, a hospital that is designated as a regional pediatric trauma center, as defined in section 25-3.5-703 (4) (f), C.R.S., and other medical assistance sites determined necessary by the state department to accept medical assistance applications, to determine medical assistance eligibility, and to determine presumptive eligibility. When the state department determines that it is necessary to designate an additional medical assistance site, the state department shall notify the county in which the medical assistance site is located that an additional medical assistance site has been designated. Any person who is determined to be eligible pursuant to the requirements of this article and articles 5 and 6 of this title shall be eligible for benefits until such person is determined to be ineligible. Upon determination that any person is ineligible for medical benefits, the county department, the state department, or other entity designated by the state department shall notify the applicant in writing of its decision and the reason therefor. Separate determination of eligibility and formal application for benefits under this article and articles 5 and 6 of this title for persons eligible as provided in sections 25.5-5-101 and 25.5-5-201 shall be made in accordance with the rules of the state department.

STATE OF COLORADO FY 08-09 BUDGET REQUEST CYCLE: Department of Health Care Policy and Financing

Schedule 13											
1331 Emergency Change Request for FY 07-08 Budget Request Cycle											
	Decision Item FY 08-09 <input type="checkbox"/>	Base Reduction Item FY 08-09 <input type="checkbox"/>			Supplemental FY 07-08 <input checked="" type="checkbox"/>			Budget Request Amendment FY 08-09 <input type="checkbox"/>			
Request Title:	Increase Health Maintenance Organization Rates to 100% of Fee-for-Service										
Department:	Health Care Policy and Financing			Dept. Approval by:		John Bartholomew		Date:		June 20, 2007	
Priority Number:	N/A			OSPB Approval:				Date:			
		1	2	3	4	5	6	7	8	9	10
		Prior-Year		1331	Total		Decision/			Total	Change
		Actual	Appropriation	Supplemental	Revised	Base	Base	November 1	Budget	Revised	from Base
	Fund	FY 06-07	FY 07-08	Request	Request	Request	Reduction	Request	Amendment	Request	(Column 5)
				FY 07-08	FY 07-08	FY 08-09	FY 08-09	FY 08-09	FY 08-09	FY 08-09	FY 09-10
Total of All Line Items	Total	0	2,147,624,708	4,178,940	2,151,803,648	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	652,304,400	2,089,470	654,393,870	0	0	0	0	0	0
	GFE	0	343,900,000	0	343,900,000	0	0	0	0	0	0
	CF	0	38,256	0	38,256	0	0	0	0	0	0
	CFE	0	76,001,368	0	76,001,368	0	0	0	0	0	0
	FF	0	1,075,380,684	2,089,470	1,077,470,154	0	0	0	0	0	0
(2) Medical Services Premiums	Total	0	2,147,624,708	4,178,940	2,151,803,648	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	652,304,400	2,089,470	654,393,870	0	0	0	0	0	0
	GFE	0	343,900,000	0	343,900,000	0	0	0	0	0	0
	CF	0	38,256	0	38,256	0	0	0	0	0	0
	CFE	0	76,001,368	0	76,001,368	0	0	0	0	0	0
	FF	0	1,075,380,684	2,089,470	1,077,470,154	0	0	0	0	0	0
Letternote revised text:											
Cash Fund name/number, Federal Fund Grant name:				FF: Title XIX							
IT Request: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No											
Request Affects Other Departments: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				If Yes, List Other Departments Here:							

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	N/A
Change Request Title:	Increase Health Maintenance Organization Rates to 100% of Fee-for-Service

SELECT ONE (click on box):

- Decision Item FY 08-09
- Base Reduction Item FY 08-09
- Supplemental Request FY 07-08
- Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

This Change Request increases funding for the Department's Medical Services Premiums Long Bill Group by \$4,178,940 total funds to increase capitation rates paid to physical health managed care organizations from 95% of fee-for-service costs to 100% of fee-for-service costs. This funding would enable the Department to retain its sole physical health managed care organization in the Medicaid managed care program.

Background and Appropriation History:

At the beginning of FY 02-03, the Department contracted with five risk-based managed care organizations to provide acute care services to Medicaid clients: Colorado Access, Community Health Plan of the Rockies, Kaiser Foundation Health Plan, Rocky Mountain HMO, and United Health Care. At the time, roughly 50% of Medicaid clients were enrolled in one of these five plans. However, beginning in FY 02-03, the Department's managed care program began to change.

In November 2002, Kaiser Foundation Health Plan and United Health Care exited the program. Community Health Plan of the Rockies ceased providing services in February 2003. In July 2003, Rocky Mountain HMO ended its risk-based contract with the

Department, and entered into a non-risk administrative services contract with the Department for clients on the Western Slope. By the beginning of FY 03-04, approximately 22% of Medicaid clients were enrolled in a risk-based managed care plan.

During that same period, the Department was engaged in litigation and arbitration with four out of five of the managed care plans who had served Medicaid clients during that time, regarding the adequacy of the capitation rates paid to the plans. Between FY 02-03 and FY 04-05, the Department paid an additional \$77,810,395 to managed care plans as a result of judgments against the Department (FY 06-07 Joint Budget Committee Hearing, January 5, 2006, page 40). In response to the litigation, the General Assembly passed HB 02-1292, which significantly changed the managed care statute, and required that managed care organizations certify that capitation rates are actuarially sound, and that those rates are sufficient to assure the managed care organization's financial stability. Capitation rates were restricted to "ninety-five percent of the direct health care cost of providing these same services on an actuarially equivalent Colorado Medicaid population group" [25.5-5-408 (1) (b), C.R.S. (2006)], and therefore did not include any specific allowance for administrative services.

In May 2004, Denver Health formed a managed care organization known as Denver Health Medicaid Choice, and began providing services to Medicaid clients under a risk-based contract. Still, by the beginning of FY 04-05, enrollment in risk-based managed care had shrunk to approximately 15% of Medicaid clients. Enrollment reached a low of approximately 12.5% of Medicaid clients in April 2006.

On May 1, 2006, the Department initiated passive enrollment in Adams, Arapahoe, Denver, and Jefferson counties. Under passive enrollment, newly eligible clients were notified of their option to choose a Medicaid managed care plan or the Medicaid fee-for-service plan. Clients who did not actively make a decision were passively enrolled into either Colorado Access or Denver Health Medicaid Choice. In addition to newly eligible clients, existing fee-for-service clients from these four counties were given the same options, although the Department limited participation to a portion of the clients per

month. Under passive enrollment, enrollment in risk-based managed care plans almost doubled between May and August 2006.

However, on September 1, 2006, Colorado Access ended its participation in the Medicaid managed care program. As of September, 2006, less than 10% of Medicaid clients are enrolled in a risk-based managed care organization. No new managed care organization has joined the Department since 2004. There is no risk-based managed care option outside the Denver-metro area.

During the 2007 Legislative Session, the General Assembly passed HB 07-1346, which removed the requirement that the Department pay no more than 95% of the direct health care cost of providing the same services on an actuarially equivalent population (HB 07-1346, Section 4, revising 25.5-5-408 (1) (b), C.R.S.). Further, the requirement that managed care organizations submit a proposal at or below the 95% level was modified to require the managed care organization to submit a proposal at or below 100% of the direct health care cost.

The Department did not receive an appropriation to increase rates to the 100% level. The Legislative Council fiscal note for HB 07-1346 stated that "...no state funds will be used to increase capitation rates" (Legislative Council Fiscal Note, HB 07-1346, May 30, 2007, page 3).

In June 2007, the Department was informed by Denver Health Medicaid Choice that unless capitation rates were increased to the 100% level, that it would leave the Medicaid managed care program.

General Description of Request:

The Department requests \$4,178,940 total funds to increase capitation rates from the 95% of fee-for-service level to the 100% level. The Department is permitted to pay rates at the 100% of fee-for-service level by HB 07-1346, Section 4, although the Department did not receive any funding to raise capitation rates. Increasing capitation rates to the 100% level is a significant policy change that will increase expenditure. Because the Department cannot implement such a policy change without additional funding, this request seeks an appropriation from the General Assembly for the purpose of raising capitation rates to the 100% level. This request would allow the approximately 36,900 clients enrolled in Denver Health Medicaid Choice in May 2007, to remain in the same medical home. If Denver Health Medicaid Choice were to exit the Medicaid managed care program, these clients would transition from managed care to fee-for-service.

Under the proposed methodology, Denver Health Medicaid Choice would receive an estimated increase in revenue of 12.3% over FY 06-07 estimated expenditure. Of this increase, a portion is already included in the Department's appropriation for FY 07-08. If rates were held at the 95% level, Denver Health Medicaid Choice would receive an estimated increase in revenue of approximately 7.3% over FY 06-07 estimated expenditure due to allowable base trend adjustments, if it remained in the Medicaid managed care program. These base trend adjustments were included in the calculations for the Department's February 15, 2007 Budget Request for Medical Services Premiums.

In September 2006, when Colorado Access ceased providing services as a physical health managed care organization, a significant number of clients were able to select Denver Health Medicaid Choice as their new medical home. This mitigated the impact of Colorado Access leaving the program, as clients were able to choose an alternative pre-existing network of providers. However, because Denver Health Medicaid Choice is the last remaining Medicaid physical health managed care organization, clients currently enrolled in managed care will immediately move to the fee-for-service population. This is a major change for clients who receive services in the managed care program.

The Department does not believe that a significant number of clients will transition to the primary care physician program. When Colorado Access exited the Medicaid managed

care program in September 2006, the Department enrollment in the primary care physician program did not increase. Enrollment in the primary care physician program is not only a function of client need, but also of the ability of providers to take on additional caseload. As was seen after Colorado Access left, there does not appear to be either the capacity or the willingness to accept new clients in the program.

As part of the rate-setting process, the Department has calculated rates at both levels, and therefore does not require any additional administrative resources to implement the change. The Department, in consultation with its actuary, has determined that rates at the 100% level fall within the range required to maintain actuarial soundness. Therefore, the Department would not experience any additional costs or delays by required rate calculations to be recertified by its actuaries. The Department can implement the change immediately upon approval of the Change Request, which would affect capitation rates paid for July 1, 2007.

Consequences if Not Funded:

If the Department's request is not approved, Denver Health Medicaid Choice would exit the Medicaid managed care program. Approximately 36,900 clients would transition from managed care to fee-for-service. The Department may experience increased costs as a result of paying the full fee-for-service rates, as the Department was previously paying 95% of the fee-for-service cost for these clients. The Department anticipates that it would see increases in more expensive emergency services, as clients' access to primary and preventive care would likely be disrupted. Furthermore, with reduced access to primary and preventive care offered through managed care, the quality of care of patient care could deteriorate, resulting in additional costs.

The Department estimates that the increased cost of these clients transitioning to the fee-for-service population would be equal to or greater than the cost of increasing capitation rates to the 100% level. If the Department experienced increased costs as a result of the transition, the Department would request additional funding as part of the normal Budget Request for Medical Services Premiums on November 1, 2007.

Calculations for Request:

Summary of Request FY 07-08	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
Total Request (Matches column 8, Schedule 13)	\$4,178,940	\$2,089,470	\$0	\$0	\$2,089,470	0.0
(2) Medical Services Premiums (Matches column 8, Schedule 13)	\$4,178,940	\$2,089,470	\$0	\$0	\$2,089,470	0.0

Source for Summary of Request located in Table 1, on page 10.

Assumptions for Calculations:

The Department has calculated the impact of increasing capitation rates to the 100% level using the most current figures for Denver Health Medicaid Choice enrollment. Enrollment figures have been adjusted to reflect estimated caseload growth, using trend factors from the Department's February 15, 2007 Budget Request for Medical Services Premiums (page EB-1). To the extent that actual enrollment varies from the forecast, the Department may require more or less funding in FY 07-08. If the Department experienced increased costs as a result of the transition, the Department would request additional funding as part of the normal Budget Request for Medical Services Premiums on November 1, 2007.

Impact on Other Government Agencies:

None.

Cost Benefit Analysis:

Return on Investment Analysis

The Department anticipates that increasing capitation rates will enable the Department to retain Denver Health Medicaid Choice as a physical health managed care organization. This will increase client access to primary and preventive care. Without this access, clients

may experience adverse health outcomes from preventable illnesses which would have been avoided if clients had expanded access to primary and preventive care. As clients experience adverse health outcomes, the Department is required to purchase more expensive treatments, likely increasing state expenditure on these clients by at least 10% above the 100% of fee-for-service level.

Investment:	Cost Avoidance
Additional cost of increased capitation rates	Possible higher incidence of preventable illness and adverse health outcome
	Increased capitation rates due to higher risk accepted by the managed care organization potentially avoided.
\$4,178,940 Total FY 07-08 requested funds	Approximately \$4,596,834
	ROI = 1.10

Implementation Schedule:

The Department would implement new capitation rates on July 1, 2007.

Statutory and Federal Authority:

25.5-5-402, C.R.S. (2006). Statewide managed care system.

(1) The state board shall adopt rules to implement a managed care system for Colorado medical assistance clients pursuant to the provisions of this article and articles 4 and 6 of this title. The statewide managed care system shall be implemented to the extent possible.

25.5-5-408, C.R.S. [as enacted by HB 07-1346]. Capitation payments - availability of base data - adjustments - rate calculation - capitation payment proposal - preference - assignment of medicaid recipients.

(9) The rate-setting process referenced in subsection (6) of this section shall include a time period after the MCOs have received the direct health care cost of providing these same services on an actuarially equivalent Colorado medicaid population group consisting of unassigned recipients and recipients in the primary care physician program provided in section 25.5-5-407, for each MCO to submit to the state department the MCO's capitation payment proposal, which shall not exceed one hundred percent of the direct health care cost of providing these same services on an actuarially equivalent

Colorado medicaid population group consisting of unassigned recipients and recipients in the primary care physician program provided in section 25.5-5-407. The state department shall provide to the MCOs the MCO's specific adjustments to be included in the calculation of the MCO's proposal. Each MCO's capitation payment proposal shall meet the requirements of section 25.5-5-404 (1) (k) and (1) (l).

STATE OF COLORADO FY 08-09 BUDGET REQUEST CYCLE: Department of Health Care Policy and Financing

Table 1: Estimate of Increase in Expenditure Due to Increase in Capitation Rates

Column		A	B	C	D	E	F	G
Aid Category	Rate Subcategory	FY 07-08 Rate 95% of Fee-for-Service	FY 07-08 Rate 100% of Fee-for-Service	Difference	Estimated FY 06-07 Monthly Enrollment	Estimated Trend	Estimated FY 07-08 Monthly Enrollment	Estimated Increase in FY 07-08 Monthly Expenditure
Categorically Eligible Low-Income Adults (AFDC-A)	Female	\$189.80	\$199.79	\$9.99	4,086	-9.53%	3,697	\$36,933
Categorically Eligible Low-Income Adults (AFDC-A)	Male	\$168.19	\$177.04	\$8.85	733	-9.53%	663	\$5,868
Baby Care Program Adults		\$196.67	\$207.02	\$10.35	219	-0.46%	218	\$2,256
Eligible Children (AFDC-C/BC)	Age 1 and Over	\$60.75	\$63.95	\$3.20	19,373	-3.12%	18,769	\$60,061
Eligible Children (AFDC-C/BC)	Under 1	\$183.53	\$193.19	\$9.66	2,513	-3.12%	2,435	\$23,522
Foster Care		\$239.13	\$251.72	\$12.59	141	1.85%	144	\$1,813
Adults 65 and Older (OAP-A)	Non-Institutional, Medicaid Only	\$405.42	\$426.76	\$21.34	734	0.99%	741	\$15,813
Adults 65 and Older (OAP-A)	Non-Institutional, Third Party Coverage	\$176.13	\$185.41	\$9.28	2,697	0.99%	2,724	\$25,279
Adults 65 and Older (OAP-A)	Institutional, Medicaid Only	\$623.62	\$656.44	\$32.82	24	0.99%	24	\$788
Adults 65 and Older (OAP-A)	Institutional, Third Party Coverage	\$186.98	\$196.82	\$9.84	171	0.99%	173	\$1,702
Disabled Individuals and Adults (OAP-B and AND/AB)	Non-Institutional, Medicaid Only	\$663.32	\$698.23	\$34.91	4,311	1.32%	4,368	\$152,487
Disabled Individuals and Adults (OAP-B and AND/AB)	Non-Institutional, Third Party Coverage	\$172.91	\$182.01	\$9.10	1,811	1.32%	1,835	\$16,699
Disabled Individuals and Adults (OAP-B and AND/AB)	Institutional, Medicaid Only	\$1,362.65	\$1,434.37	\$71.72	65	1.32%	66	\$4,734
Disabled Individuals and Adults (OAP-B and AND/AB)	Institutional, Third Party Coverage	\$189.74	\$199.73	\$9.99	29	1.32%	29	\$290
Total					36,907		35,886	\$348,245
Formula/Notes		(1)	(1)	B - A	(2)	(3)	D * (1 + E)	C * F

(1) FY 07-08 capitation rates taken from the Department's Actuarial Certification letter

(2) Estimated FY 06-07 Monthly Enrollment based on internal Department figures for Denver Health Medicaid Choice enrollment, from May 2007

(3) Estimated trend taken from the Department February 15, 2007 Budget Request, Exhibits for Medical Services Premiums, page EB-1. For the purpose of this analysis, the Department's enrollment trends will reflect overall Medicaid caseload trend

Attachment 1
Estimate of Increase in Expenditure Due to Increase in Capitation Rates

Column		A	B	C	D	E	F	G	H
Aid Category	Rate Subcategory	FY 07-08 Rate 95% of Fee-for-Service	FY 07-08 Rate 100% of Fee-for-Service	Difference	Estimated FY 06-07 Monthly Enrollment	Estimated Trend	Estimated FY 07-08 Monthly Enrollment	Estimated Increase in FY 07-08 Monthly Expenditure	Estimated Increase in FY 07-08 Expenditure
Categorically Eligible Low-Income Adults (AFDC-A)	Female	\$189.80	\$199.79	\$9.99	4,086	-9.53%	3,697	\$36,933	\$443,196
Categorically Eligible Low-Income Adults (AFDC-A)	Male	\$168.19	\$177.04	\$8.85	733	-9.53%	663	\$5,868	\$70,416
Baby Care Program Adults		\$196.67	\$207.02	\$10.35	219	-0.46%	218	\$2,256	\$27,072
Eligible Children (AFDC-C/BC)	Age 1 and Over	\$60.75	\$63.95	\$3.20	19,373	-3.12%	18,769	\$60,061	\$720,732
Eligible Children (AFDC-C/BC)	Under 1	\$183.53	\$193.19	\$9.66	2,513	-3.12%	2,435	\$23,522	\$282,264
Foster Care		\$239.13	\$251.72	\$12.59	141	1.85%	144	\$1,813	\$21,756
Adults 65 and Older (OAP-A)	Non-Institutional, Medicaid Only	\$405.42	\$426.76	\$21.34	734	0.99%	741	\$15,813	\$189,756
Adults 65 and Older (OAP-A)	Non-Institutional, Third Party Coverage	\$176.13	\$185.41	\$9.28	2,697	0.99%	2,724	\$25,279	\$303,348
Adults 65 and Older (OAP-A)	Institutional, Medicaid Only	\$623.62	\$656.44	\$32.82	24	0.99%	24	\$788	\$9,456
Adults 65 and Older (OAP-A)	Institutional, Third Party Coverage	\$186.98	\$196.82	\$9.84	171	0.99%	173	\$1,702	\$20,424
Disabled Individuals and Adults (OAP-B and AND/AB)	Non-Institutional, Medicaid Only	\$663.32	\$698.23	\$34.91	4,311	1.32%	4,368	\$152,487	\$1,829,844
Disabled Individuals and Adults (OAP-B and AND/AB)	Non-Institutional, Third Party Coverage	\$172.91	\$182.01	\$9.10	1,811	1.32%	1,835	\$16,699	\$200,388
Disabled Individuals and Adults (OAP-B and AND/AB)	Institutional, Medicaid Only	\$1,362.65	\$1,434.37	\$71.72	65	1.32%	66	\$4,734	\$56,808
Disabled Individuals and Adults (OAP-B and AND/AB)	Institutional, Third Party Coverage	\$189.74	\$199.73	\$9.99	29	1.32%	29	\$290	\$3,480
Total					36,907		35,886	\$348,245	\$4,178,940
Formula/Notes		(1)	(1)	B - A	(2)	(3)	D * (1 + E)	C * F	G * 12

(1) FY 07-08 capitation rates taken from the Department's Actuarial Certification letter

(2) Estimated FY 06-07 Monthly Enrollment based on internal Department figures for Denver Health Medicaid Choice enrollment, from May 2007

(3) Estimated trend taken from the Department February 15, 2007 Budget Request, Exhibits for Medical Services Premiums, page EB-1. For the purpose of this analysis, the Department assumes that enrollment trends will reflect overall Medicaid caseload trends by aid category. For the combined Disabled Individuals category, the Department uses the Disabled Individuals to 59 (AND/AB) trend, as those clients represent the large majority of clients served in this rate group.

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING – FY 06-07 BUDGET REQUEST

Schedule 13 Emergency Supplemental Request for FY 06-07											
Department:		Health Care Policy and Financing			Dept. Approval by:		Peter Strecker		Date: June 20, 2007		
Priority Number:		N/A			OSPB Approval:				Date:		
Program:		Safety Net Programs Section			Statutory Citation:		See the Department of Corrections request.				
Request Title:		Transfer from the Department of Corrections to the Comprehensive Primary and Preventative Care Fund									
		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 05-06	Appropriation FY 06-07	1331 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	29,431,057	11,467,064	3,452,093	14,919,157	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	2,000,000	11,243,215	3,452,093	14,695,308	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	191,726	223,849	0	223,849	0	0	0	0	0	0
	CFE	27,239,331	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(4) Indigent Care Program: HB 97-1304 Children's Basic Health Plan Trust	Total	29,431,057	11,467,064	3,452,093	14,919,157	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	2,000,000	11,243,215	3,452,093	14,695,308	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	191,726	223,849	0	223,849	0	0	0	0	0	0
	CFE	27,239,331	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
Cash Fund name/number, Federal Fund Grant name: CF: Annual Enrollment fees of CBHP enrollees CFE: Fund 11G (CBHP Trust Fund) and Fund 18K (The Health Care Expansion Fund) FF: Title XXI											
IT Request:		No (If yes and request includes more than 500 programming hours, attach IT Project Plan)									
Request Affects Other Departments:		Yes (If Yes, List Other Departments Here): Department of Corrections									