

COLORADO HEALTH CARE POLICY AND FINANCING

FY 06-07 BUDGET REQUEST

INTRODUCTION

The FY 06-07 Budget Request for the Department of Health Care Policy and Financing represents a 1.6% increase over current FY 05-06 appropriations. Voters in Colorado approved Referendum C in the November 1, 2005 elections. Referendum C will let the State keep an estimated \$3.7 billion in the next five years that would otherwise be refunded under the Taxpayer's Bill of Rights. Referendum C, a constitutional amendment will allow the State to spend that money on health care and education.

Most of the Department's programs are funded in part by the federal Centers for Medicare and Medicaid Services that provides roughly 50% of the Department's Medicaid budget, and 65% of the Child Health Plan Plus Office funding. The Centers for Medicare and Medicaid Services is responsible for overseeing the Medicare and Medicaid programs nationally and manages Medicare directly, while the states are responsible for the purchase and delivery of Medicaid services and the Child Health Plan Plus. In addition to the Medicaid program and Child Health Plan Plus Office, the Department manages the Colorado Indigent Care Program, Old Age Pension State Medical Program, the Home Care Allowance and Adult Foster Care Programs and Low Income Subsidy for Medicare Part D Program.

The following are key trends and hot issues that have been identified by the Department as important to the current and future fiscal years. These trends relate to new or recent changes in federal or State legislation, societal and technological changes, and new approaches in serving the Department's clients.

Medicare Modernization Act of 2003: Beginning January 1, 2006, Medicare beneficiaries will have the option of enrolling in the Medicare Modernization Act Drug Benefit program. Signed into law in December 2003, the Medicare Prescription Drug Improvement and Modernization Act created a new drug benefit known as Part D of Medicare. The Part D drug benefit will be administered by prescription drug plans designed to manage the client's drug benefit including tracking utilization, administering federal subsidies to enrollees, imposing cost-sharing obligations such as capping pharmacy charges, arranging for manufacturer discounts and establishing a formulary for the drugs covered by their plan. As this benefit will be the only coverage of Part D drugs for all Medicaid beneficiaries who are also eligible for Medicare, significant changes have been made to the Medicaid Program.

Reprocurement of the Medicaid Management Information System Contract: The Medicaid Management Information System fiscal agent's primary responsibility to the Department is the processing and payment of all medical provider's claims and capitation payments. The last renewable contract year under the prior Request for Proposal will end November 30, 2006. As required by the Centers for Medicare and Medicaid Services, the transition to the new Medicaid Management Information Operations vendor (or renewal with current vendor), fiscal agent, is expected to take place with implementation estimated to begin July 1, 2007. Prior to transitioning, the Department will communicate with medical providers to disseminate information about the new vendor (if applicable) and the location where claims are to be sent, what processes will be used for submitting claims, and how and where to contact a help desk for assistance in working with the new vendor. Timely communications to the providers will smooth the transition and assure the providers that payments will continue without interruption.

Streamline Plan: In the fall of 2001, the U.S. Department of Health and Human Services invited states to participate in the Health Insurance Flexibility and Accountability waiver. Health Insurance Flexibility and Accountability (HIFA) waivers encourage new, comprehensive state approaches that will increase the number of individuals with health insurance coverage. In May 2005, SB 05-221 was passed which outlined a process for the Department to seek approval for the Health Insurance Flexibility and Accountability Waiver, "to streamline the Medicaid and Child Health Plan Plus programs." The Department submitted a plan to the Colorado General Assembly's Health and Human Services Committees and the Joint Budget Committee on July 5, 2005, outlining the Department's proposal. After sixty days of consideration, the Committees voted not to proceed with the Department's proposal. However, after reviewing the Department's proposal, members of the Health and Human Services Committees expressed interest in working with the Department to further explore this initiative.

Tobacco Tax Funding: In the fall of 2004, the citizens of Colorado voted in favor of Amendment 35 to the State Constitution, increasing taxes on tobacco products purchased within the State. This tax increase went into effect January 2005 and was projected to increase State revenues by \$62.9 million in FY 04-05 and \$169.2 million in FY 05-06. All revenues collected from tobacco taxes are deposited into the Tobacco Tax Cash Fund.

Prioritization: In addition to these key trends, the FY 06-07 Budget Request includes aligning administrative functions in the Executive Director's Office Long Bill group and funding the Medical Services Premiums, Mental Health and Children's Basic Health Plan to address the continued caseload growth and costs. The Department also prioritized electronic systems such as the Medicaid Management Information Systems including the reprocurement of the Medicaid Management Information System contract.

Budget Request Documentation Organization Changes

The organization of this year's Budget Request document is similar to that of last year. Volume I continues to be more of the "numbers volume". The narrative documents, including the Assumptions and Calculations, Strategic Plan and Program Crosswalks are in Volume II. See the Binder contents or tabs for detailed location of each piece of the Budget Submission.

It is hoped that this organization facilitates the ease of handling and the effective presentation of issues important not just to the Department of Health Care Policy and Financing but to those who have an interest in publicly-financed health care service delivery.