Schedule 13
Change Request for FY 08-09 Budget Request Cycle

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

Request Title: Children's Basic Health Plan Medical Premium and Dental Benefit Costs
Department: Health Care Policy and Financing — **Dept. Approval by:** John Bartholomew — **Date:** November 1, 2007
Priority Number: DI-3 — **OSPB Approval:** — **Date:** 10/29/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	Total	107,967,627	93,569,872	0	93,569,872	98,507,771	33,995,928	132,503,699	0	132,503,699	31,613,505
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	11,243,215	11,011	0	11,011	22,762	2,382,423	2,405,185	0	2,405,185	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	232,136	246,943	0	246,943	248,694	59,962	308,656	0	308,656	59,962
	CFE	33,923,185	32,818,722	0	32,818,722	34,543,222	11,083,854	45,627,076	0	45,627,076	11,083,854
	FF	62,569,091	60,493,196	0	60,493,196	63,693,093	20,469,689	84,162,782	0	84,162,782	20,469,689
(4) Indigent Care Program HB 97-1304 Children's Basic Health Plan Trust	Total	11,475,351	256,475	0	256,475	271,456	2,442,385	2,713,841	0	2,713,841	59,962
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	11,243,215	11,011	0	11,011	22,762	2,382,423	2,405,185	0	2,405,185	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	232,136	245,464	0	245,464	248,694	59,962	308,656	0	308,656	59,962
	CFE	0	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	89,657,433	86,426,598	0	86,426,598	91,098,718	28,607,957	119,706,675	0	119,706,675	28,607,957
	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	1,479	0	1,479	0	0	0	0	0	0
	CFE	31,530,990	30,408,342	0	30,408,342	32,045,063	10,052,899	42,097,962	0	42,097,962	10,052,899
	FF	58,126,443	56,016,777	0	56,016,777	59,053,655	18,555,058	77,608,713	0	77,608,713	18,555,058
(4) Indigent Care Program Children's Basic Health Plan Dental Benefit Costs	Total	6,834,843	6,886,799	0	6,886,799	7,137,597	2,945,586	10,083,183	0	10,083,183	2,945,586
	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	2,392,195	2,410,380	0	2,410,380	2,498,159	1,030,955	3,529,114	0	3,529,114	1,030,955
	FF	4,442,648	4,476,419	0	4,476,419	4,639,438	1,914,631	6,554,069	0	6,554,069	1,914,631

Lettemote revised text:

CF Annual enrollment fees of CBHP enrollees CFE Tobacco Master Settlement Funds, Fund 11G (CBHP Trust Fund), Fund 18K (Health Care Expansion Fund), Supplemental Tobacco Litigation Settlement Account in the CBHP Trust Fund, and Colorado Immunization Fund, FF Title XXI

Cash Fund name/number, Federal Fund Grant name:

IT Request: ☐ Yes ☑ No

Request Affects Other Departments: ☐ Yes ☑ No — **If Yes, List Other Departments Here:**

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-3
Change Request Title:	Children's Basic Health Plan Medical Premium and Dental Benefit Costs

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 request is to increase the total funds appropriation for the Children's Basic Health Plan Premium Costs by $28,607,957 from the FY 08-09 Base Request of $91,098,718. This request also seeks to increase the Children's Basic Health Plan Dental Benefit Costs appropriation by $2,945,586 from the FY 08-09 Base Request of $7,137,597. The adjustments requested for FY 08-09 are the net result of increased caseload estimates and higher medical and dental costs. 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 $59,962, as well as a General Fund appropriation to the Children's Basic Health Plan Trust Fund in the amount of $2,382,423 for FY 08-09 in order to balance the Trust Fund due to increased expenditures for traditional clients.

Background and Appropriation History:

The Children's Basic Health Plan, marketed as the Child Health Plan Plus, is a program that provides affordable health insurance to children under the age of 19 in low-income families (up to 200% of the federal poverty level) who do not qualify for Medicaid and do not have private insurance. The Children's Basic Health Plan is a non-entitlement program with a defined benefit package that uses privatized administration. The federal

government implemented this program in 1997, giving states an enhanced match on State expenditures for the program. Colorado began serving children in April of 1998. Where available, children enroll in a health maintenance organization. The Plan also has an extensive self-insured managed care network that provides services to children until they enroll in a selected health maintenance organization, and to those children who do not have geographic access to a health maintenance organization.

In October 2002, under an expansion authorized by HB 02-1155 and a federal demonstration waiver, the program began offering health benefits to pregnant women earning up to 185% of the federal poverty level who are not eligible for Medicaid. Due to budget balancing, enrollment into the Prenatal and Delivery Program was suspended from May 2003 through June 2004, with SB 03-291. The Prenatal and Delivery Program stopped funding care in November 2003, when the remaining prenatal care, deliveries, and postpartum care became a responsibility of the State-Only Prenatal Program, until all enrolled women had delivered and received two months postpartum care. Also, the children's program was capped in November 2003. In July 2004, both programs began accepting new applicants again.

HB 05-1262 (Tobacco Tax bill) contained several provisions that affected enrollment in the Children's Basic Health Plan. The following have fiscal and caseload impacts to the Children's Basic Health Plan:

- Increase eligibility to 200% of the federal poverty level, which was implemented on July 1, 2005;
- Provide funding for enrollment above the FY 03-04 enrollment level;
- Provide funding for cost-effective marketing, which began on April 1, 2006, and;
- Remove the Medicaid asset test effective July 1, 2006, which has moved clients from the Children's Basic Health Plan to Medicaid.

The FY 07-08 Long Bill (SB 07-239) appropriated $89,825,813 in total funds to the Children's Basic Health Plan Premium Costs. This appropriation was reduced by $3,399,215 to $86,426,598, with changes for the following five bills:

- SB 07-004, which requires the Children's Basic Health Plan to provide Early Intervention Services in line with those provided under Medicaid;
- SB 07-036, which mandates coverage of certain mental health disorders;
- SB 07-133, which moves the Children's Basic Health Plan Premium Costs line item to cash-based accounting, resulting in one-time savings;
- SB 07-097, which increases eligibility in the Children's Basic Health Plan to 205% of the federal poverty level, and;
- HB 07-1301, which requires that the cervical cancer immunization be provided in the Children's Basic Health Plan.

The dental benefit for children was added to the Children's Basic Health Plan on February 1, 2002. This benefit has been managed through a capitated contract with Delta Dental, a dental plan administrator. As such, the contracted administrator bears the risk associated with the dental benefit. The dental contract was re-bid for FY 07-08, and a new contract was executed with Delta Dental. The plan administrator has an extensive statewide network with over seven hundred providers. The Children's Basic Health Plan dental benefit is comprehensive, and now limits each child to $600 worth of services per year.

The FY 07-08 Long Bill (SB 07-239) appropriated $7,104,840 in total funds to the Children's Basic Health Plan Dental Benefit Costs. This appropriation was reduced by $218,041 to $6,886,799, with changes for the following two bills:

- SB 07-133, which moves the Children's Basic Health Plan Dental Benefit Costs line item to cash-based accounting, resulting in one-time savings, and;
- SB 07-097, which increases eligibility in the Children's Basic Health Plan to 205% of the federal poverty level.

General Description of Request:

This request seeks:

- The funding necessary to allow natural enrollment growth for children and pregnant women;
- To adjust the per capita costs for medical and dental services in accordance with actuarial projections, and;

- To adjust the Cash Funds appropriation to the Children's Basic Health Plan Trust Fund for a revised estimate of enrollment fees, as well as the General Fund appropriation to balance the Trust Fund in FY 08-09.

I. Description of Request Related to Children's Premiums

Caseload Restatement (Exhibit C.12)

Through FY 06-07, the Children's Basic Health Plan Premiums Costs and Dental Benefit Costs line items were using accrual-based accounting. As a result, caseload was adjusted for up to five months to include retroactive enrollments, as counted by capitation payments. SB 07-133 moved these line items to cash-based accounting beginning in FY 07-08. As a result, caseload will no longer be adjusted for retroactivity. Reported caseload will now be a snapshot of enrollment as of the end of the month, similar to the reporting of Medicaid caseload.

Due to this change, caseload is being restated back to FY 01-02. Because caseload will no longer take into account clients who become retroactively eligible in subsequent months, caseload will now be lower than previously reported estimates. Using reports generated from the Colorado Benefits Management System between January and June 2007, the Department estimates the non-retroactive caseload to be approximately 10.5% lower than the caseload previously reported. This estimate is used to restate the caseload, which included retroactivity, to one without retroactivity. Monthly caseload through FY 03-04 is reduced by 10.5%, and the new time-series is smoothed into the old caseload series over the course of FY 01-02 and FY 02-03. Please note that the caseload restatement affects the FY 03-04 enrollment level, above which all traditional children are funded through the Health Care Expansion Fund. This new restated level is 41,786, whereas the level was 46,694 under accrual-based accounting. The expansion children's caseload is restated back to the population's inception in July 2005 using the same estimate. Although the caseload is lower under cash-accounting, this does not mean that fewer children have been or will be served in the program. See Exhibit C.12 for a historical comparison of the capitation-based and restated caseloads, as well as a monthly

comparison for FY 06-07. Comparisons of these caseloads are also presented in graphical form in Exhibit C.11.

Caseload Projections (Exhibit C.6)

In FY 06-07, many factors caused unexpected volatility in the traditional children's caseload (up to 185% of the federal poverty level). The Medicaid asset test was removed on July 1, 2006, and was implemented gradually over the course of FY 06-07 as clients came up for their annual redetermination. The Department anticipated that the asset test would increase the number of low-income children moving from the Children's Basic Health Plan to Medicaid. The number of children exiting the Children's Basic Health Plan did in fact increase in the first three months of FY 06-07, but decreased in subsequent months. Because asset information is no longer collected at the client level, the Department cannot identify clients moving from the Children's Basic Health Plan to Medicaid specifically because of the removal of the asset test. However, as discussed in the Department's June 20, 2007 FY 06-07 Emergency Supplemental #1, "Adjustments to the FY 06-07 Children's Basic Health Plan Caseload and Costs", the number of low-income children leaving the Children's Basic Health Plan was lower than anticipated.

In addition to the removal of the asset test, which was expected to decrease caseload, two factors were expected to have a positive effect on the traditional children's caseload. First, the citizenship requirements of the Deficit Reduction Act of 2005 may have had a positive impact on the Children's Basic Health Plan caseload. 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 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 into the Colorado Benefits Management System.

Second, marketing of the Children's Basic Health Plan began in 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. A new marketing campaign 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 strong caseload growth during the second half of the fiscal year is indicative that recent marketing is having a positive and stronger than previously experienced effect on caseload.

Caseload for expansion children (between 186% and 200% of the federal poverty level) has not been affected by either the removal of the Medicaid asset test or the citizenship requirements of the Deficit Reduction Act. Regardless of whether the child's family has assets, the family's income would be too high for the child to be eligible for Medicaid, which goes up to 100% or 133% of the federal poverty level, depending on age. In addition, if a child otherwise eligible for Medicaid cannot produce proper documentation, the child would be eligible for the traditional children's population in the Children's Basic Health Plan, as their income would be too low to enter the expansion population.

Between October 2006 and June 2007, the traditional children's caseload increased by an average of 1.9% per month. This is the net effect of the removal of the asset test, the documentation requirements of the Deficit Reduction Act, natural population growth, and marketing. During the same period, the expansion population increased by an average of 2.4% per month. As discussed above, the expansion population is not affected by either the asset test removal or the Deficit Reduction Act, so this growth is due to marketing and natural population increases. The average monthly growth in the traditional and expansion populations are relatively close, which seems to imply that the effects of the asset test removal and the Deficit Reduction Act are nearly offsetting. The slightly stronger monthly growth in the expansion population is largely due to high growth in October 2006, and the monthly growth rate moderated markedly over the course of FY 06-07.

Net of the effects of policy changes, it is reasonable to expect the caseloads in Medicaid Eligible Children and the Children's Basic Health Plan to partially move in opposite directions. In times of economic growth or stability, Medicaid caseload is expected to drop with employment or income increases. Some children whose family income is now

too high for Medicaid eligibility may be within the Children's Basic Health Plan income guidelines. So as Medicaid caseload declines, the Children's Basic Health Plan caseload may increase. The Children's Basic Health Plan caseload would not be expected to increase by the same magnitude as the Medicaid children's caseload is dropping, as some children in the higher income levels of the Children's Basic Health Plan may also lose eligibility due to the economic conditions. As seen in the Department's November 1, 2007 Budget Request, Exhibit B, page EB-1, the Medicaid Eligible Children caseload is projected to decline by 13,336 children in FY 07-08, a 6.47% decrease over FY 06-07. This caseload is projected to remain nearly unchanged in FY 08-09, with a 0.06% decline from FY 07-08.

In FY 07-08, the number of children leaving the traditional children's population in the Children's Basic Health Plan due to the removal of the asset test should decline, as all children will have undergone an annual eligibility redetermination be the end of FY 06-07. In addition, all Medicaid children will have undergone an annual redetermination under the Deficit Reduction Act rules by October 2007, so the number of children moving from Medicaid to the traditional children's population in the Children's Basic Health Plan should decrease in FY 07-08. As discussed, the Department believes that the 1.9% monthly growth experienced between October 2006 and June 2007 was due to marketing and natural growth, owing to factors such as the improved economy and general population growth, and the forecasted declines in the Medicaid Eligible Children's caseload supports a relatively healthy caseload projection in Children's Basic Health Plan children. Due to recent volatility in the traditional children's caseload, the Department opted to model the forecasted FY 07-08 caseload growth on data from FY 01-02. Current economic conditions are similar to those from this period of time, and there was marketing of the Children's Basic Health Plan. During FY 01-02, monthly growth averaged 1.6%, and caseload was half the current size. Because caseload is significantly higher and potentially approaching a saturation point, it is reasonable to expect that the monthly growth would be lower than that experienced in FY 01-02, despite similar economic conditions and marketing. Based on this, the Department projects that the traditional children's caseload will increase by an average of 1.1% per month in FY 07-08. The monthly variations in growth rates are retained from FY 01-02, and are due to things such as the distribution of

annual redeterminations and seasonality in caseload caused by strong marketing around the beginning of the traditional school year.

In FY 08-09, the Department anticipates the average monthly growth to decrease from that in FY 07-08. The moderation in the declines in the Medicaid Eligible Children caseload, from a decrease of 6.47% in FY 07-08 to a decrease of 0.06% in FY 08-09, should slow growth in the Children's Basic Health Plan children's populations. Extending the FY 07-08 forecast, the Department's FY 08-09 forecast is modeled after the caseload growth experienced during FY 02-03. During FY 02-03, monthly growth averaged 1.2% per month. As with the FY 07-08 forecast, it is reasonable to expect that caseload growth would be lower than this given the higher caseload level. Based on this, the Department projects that the traditional children's caseload will increase by an average of 0.7% per month. The pattern of monthly variations in growth rates is retained from the FY 07-08 forecast, for the reasons outlined above.

As previously discussed, FY 06-07 monthly growth in the expansion children's caseload was approximately the same as that for the traditional children once effects of the asset test removal and the Deficit Reduction Act began to offset. The expansion population has now been in place for two years, and the Department believes that the converging of growth rates is reflective of a maturing population that is approaching a stable long-term growth rate. As such, the Department projects that the expansion population will grow at the same rate as the traditional children throughout the forecast period, or an average of 1.1% per month in FY 07-08 and 0.7% per month in FY 08-09. For the reasons outlined above, the monthly variations in the growth rates are retained in the forecast for expansion children.

Caseload Adjustments

In addition to the base caseload outlined above, there are two bottom line adjustments to the children's caseload for the forecast period. HB 06-1270 *(Public School Eligibility Determinations)* directs the Department to establish medical assistance sites in public schools to allow qualified personnel to make Medicaid eligibility determinations. Based

on the fiscal note for HB 06-1270, which assumes the participation of three school districts, the total children's caseload forecast is increased by 102 clients in FY 07-08 and 121 in FY 08-09. The adjustment is split between traditional and expansion populations based on the relative size of each group.

The Department is implementing income disregards to allow for eligibility up to an equivalent of 205% of the federal poverty level. SB 07-097 provides Supplemental Tobacco Litigation Settlement funding for the medical and dental costs for these new clients. The fiscal note for this bill included an inflation factor to adjust for retroactivity in CHP+ caseload. However, with the move to cash-based accounting in the Children's Basic Health Plan, caseload no longer includes retroactivity. After removing this factor, the children's caseload forecast is increased by 108 clients in FY 07-08 and 235 in FY 08-09. These clients are included in the expansion population projections.

Total Children's Caseload Projection

The total FY 07-08 children's caseload forecast is 56,323, a 19.7% increase over the FY 06-07 restated caseload of 47,047. While this growth rate is high, had caseload increased by 2.1% per month for all of FY 06-07 (as experienced between November 2006 and June 2007), the growth rate in total children would have been approximately 32.0%. The total FY 08-09 children's forecast is 62,481, a 10.9% increase over FY 07-08. Please see Exhibit C.6 for children's caseload history and detailed projections.

Children's Caseload Summary	**FY 07-08 Appropriated Caseload**	**FY 07-08 Revised Caseload**	**FY 08-09 Request Caseload**
Traditional Children (up to 185% FPL)	49,364	52,724	58,382
Expansion Children	4,352	3,599	4,099
Final Caseload Forecast	**53,716**	**56,323**	**62,481**

Children's Rates (Exhibit C.5)

Children's Basic Health Plan children are served by either a health maintenance organization (HMO) at a fixed monthly cost, or by Anthem, which is a no-risk provider that maintains the State's managed care network and bills the State directly for all costs incurred (self-funded). In FY 05-06 and FY 06-07, approximately 58.0% of Children's Basic Health Plan children were served by an HMO, while the remaining 42.0% were in the self-funded network. Actual and estimated caseload ratios between HMOs and the self-funded network are used to develop blended capitation rates.

The Children's Basic Health Plan is responsible for all costs incurred by members in the State's self-funded network, including any extraordinary health care services. While the per member per month medical cost includes some variability in costs per client, a single child with catastrophic health care claims (such as a life-threatening illness or severe auto accident) could cost the program potentially hundreds of thousands of dollars. Unlike Medicaid, the Children's Basic Health Plan is not an entitlement program and the Department does not have overexpenditure authority for this program; the Children's Basic Health Plan must pay all claims incurred through its annual appropriation. Presently, the Department mitigates this risk by purchasing reinsurance. Reinsurance protects insurers from catastrophic claims by paying for claims over a predetermined dollar amount. Reinsurance premiums are paid by a per member per month charge. Like the State, health maintenance organizations are responsible for covering claims for catastrophic cases enrolled in their plans, and often use reinsurance coverage to mitigate their financial risk in this area as well.

For the development of the FY 07-08 rate for children in the self-funded network, the Plan's contracted actuary assumed that health care costs would grow by an estimated 7.2% based on history, published surveys, and reports. In addition, the total administrative costs are projected to increase by 4.6% to $31.43. This amount includes an estimated $29.00 in claims and network administration costs and $2.43 in reinsurance costs per client per month in the self-funded program. The resulting FY 07-08 base per month cost for each child in the self-funded network is a total of $129.64, a 7.0% increase over the FY 06-07 rate. This is higher than that previously reported in the Department's November 1, 2006 FY 07-08 Budget Request DI-3, as an income rating category was

omitted from the original actuarial rates in anticipation that the removal of the Medicaid asset test would eliminate all clients under 100% of the federal poverty level.

In the development of the FY 07-08 rate for each HMO client, the contracted actuary also assumed growth in health care costs of 7.2%. Administrative costs are projected to increase by 5.6% to $14.42 per member per month. The resulting FY 07-08 base per month cost for each child in an HMO is $107.87, a 12.9% increase over the FY 06-07 rate. This increase is due largely to higher claims costs during the base period used to calculate the FY 07-08 rates relative to that for the FY 06-07 rates. In addition, the HMO rate decreased in FY 06-07, and has increased by an average of 4.1% per year between FY 03-04 and FY 06-07, compared to average growth of 8.9% per year in the self-funded rate. As with the self-funded rate, the FY 07-08 rate is higher than previously reported for the reasons already outlined. While similar assumptions are used to derive both the self-funded and HMO rates, it should be noted that the HMOs define their own benefit structures and, as such, can offer more benefits than the Department requires. In calculating the HMO rates, the contracted actuary disregards the additional benefits and costs of services provided above and beyond those required by the Department.

The Department estimates that approximately 42.0% of children will be served in the self-funded network in FY 07-08 and the remaining 58.0% will be enrolled in an HMO. This is based on historical experience as well as the expectation that the growth in children new to the Children's Basic Health Plan will support a higher percentage of children in the self-funded network, as new children are often in the self-funded network for a number of months prior to enrolling in an HMO. Applying these weights to the actuarial rates yields a blended rate of $117.01 for all children in FY 07-08. This is an increase of 10.5% over the FY 06-07 blended rate of $105.85, as calculated using the actual caseload mix between self-funded and HMO.

The following four bills were passed in the 2007 legislative session and have impacts on the FY 07-08 benefit package and capitation rates in Children's Basic Health Plan:

- SB 07-004: Mandates that the Children's Basic Health Plan provide Early Intervention Services in line with those provided in Medicaid. The Children's Basic Health Plan will begin providing physical, occupational, and speech therapies for children under the age of 3 who have developmental delays. This change to the benefit package is effective November 1, 2007.
- SB 07-036: Mandates coverage of certain mental health disorders, including but not limited to general anxiety disorder, post traumatic stress disorder, and drug and alcohol disorders. Coverage of the certain mental health disorders is required to be no less extensive than that provided for physical illness. This change to the benefit package is effective January 1, 2008.
- HB 07-1301: Mandates coverage for the full cost of the cervical cancer vaccination for all females for whom a vaccination is recommended, generally at age 11 to 12, as well as older women who have not previously been vaccinated. This change to the benefit package is effective January 1, 2008.
- SB 07-097: Provides Supplemental Tobacco Litigation Settlement funding to expand eligibility in the Children's Basic Health Plan from 200% to 205% of the federal poverty level. This change in eligibility is effective March 1, 2008.

The following table shows a comparison of the estimated change in the capitation rate that was used to appropriate funds for the implementation of each bill to the actual change in the blended rate:

	Estimated (Appropriated) Impact on Rate from Fiscal Note	Actual Rate Impact	Difference
SB 07-004 Early Intervention Services	$0.10	$2.50	($2.40)
SB 07-036 Mandatory Coverage of Mental Health Disorders	$0.08	$0.16	($0.08)
HB 07-1301 Cervical Cancer Immunizations	$1.99	$3.98	($1.99)
SB 07-097 Allocation of Tobacco Litigation Settlement Monies	$0.00	$0.00	$0.00

The final impact on the children’s capitation rate for SB 07-004 (Early Intervention Services) is significantly higher than that included in the fiscal note estimate. The current benefit package provides physical, occupational, and speech therapies only in cases where

such therapy is medically needed due to illness or injury, and the benefits are limited to 30 visits. However, per the current benefit package, specifically excluded are "therapies for learning disorders, developmental delays, stuttering, voice disorders, or rhythm disorders**".** In estimating the fiscal note, only the cost of removing the cap on visits was included. The higher than estimated cost for adding these benefits is because the exclusion of developmentally delayed clients is being removed, and unlimited therapies for these clients will be provided beginning November 1, 2007. The assumed utilization and cost per therapeutic visit assumed by the contracted actuary are in line with those experienced in the comparable population in Medicaid.

The final impact on the children's rate for the cervical cancer immunization is also notably different than the fiscal note estimate. In the calculation of the per member per month increase due to the benefit, the contracted actuary's assumed cost for the immunization series, including that of administering the vaccine, exceeds that used in the fiscal note estimate by 11.6%. In addition, the utilization rate assumed by the contracted actuary is 50% of females aged 11 though 18, whereas the fiscal note assumed 40.9% utilization.

The final FY 07-08 blended rate, including the legislative impacts outlined above, adjusted for effective dates, is $120.75 per member per month. This is a 14.1% increase over the FY 06-07 blended rate of $105.85, as calculated using the actual caseload mix between self-funded and HMO. See Exhibit C.5, page C.5-2 for calculations.

For the rates effective in FY 08-09, the Department contracted with the same actuary to develop the self-funded (Anthem) and HMO rates. As with the FY 07-08 rates, the contracted actuaries based rates on history and industry trend sources, and assumed that health care costs would grow by 6.7% in the self-funded network, down from a 7.2% trend in FY 07-08. In addition, total administrative costs are projected to increase by 4.2% to $32.75. This amount includes an estimated $30.45 in administrative costs and $2.30 in reinsurance costs per client per month in the self-funded program. The resulting projected FY 08-09 self-funded rate is $141.54 per member per month, a 5.9% increase over the FY 07-08 Anthem rate of $133.71 (blended to include all legislative impacts).

The contracted actuary utilized historical Children's Basic Health Plan data in the FY 08-09 HMO rate development. Based on claims costs incurred in 2005 and 2006, the contracted actuary assumed a cost trend of 6.9% for the HMOs, which is in line with other industry studies. The rates were also adjusted for the impacts of the 2007 legislation outlined above, as these costs were not already included in the claims costs from which the FY 08-09 costs are projected. However, the FY 08-09 rate does not incorporate the impact of SB 07-004 (Early Intervention), as the contracted actuary will be monitoring the utilization and cost for the new benefits. Based on recent growth, administrative costs are projected to increase by 14.1% to $16.46 per member per month. The resulting FY 08-09 HMO rate is $109.65, a 1.5% decrease from the FY 07-08 HMO rate of $111.37 (blended to include all legislative impacts). This overall decrease is largely due to a projected reduction in costs for children under age 6, which comprise approximately 20% of children enrolled in the HMOs.

As previously discussed, the Department estimates that 42.0% of children will be served in the self-funded network in FY 07-08 and the remaining 58.0% will be enrolled in an HMO. The Department assumes that this enrollment mix will remain constant in FY 08-09, for the reasons outlined above. Applying these weights to the actuarial rates yields a blended rate of $123.04 for all children in FY 08-09. This is an increase of 1.9% over the FY 07-08 blended rate of $120.75, which includes all legislative impacts adjusted for effective dates.

Children's Per Capita (Exhibit C.5)

In prior years, the Children's Basic Health Plan Premium Costs projections for children were calculated by first forecasting caseload, which included retroactivity, and multiplying by twelve to estimate the number of member months for which capitation payments would be made in the year. This estimate of total member months was then multiplied by per member per month capitation rates to project the total expenditures. This methodology using forecasted member months, however, includes the impact of retroactive payments, which is inconsistent with the move to cash-based accounting. Beginning in FY 07-08, the Children's Basic Health Plan Premium Costs projections will no longer be directly

calculated based on per member per month capitation rates, but rather using per capita costs.

The Department has analyzed cash-based expenditures, as reported from the Colorado Financial Reporting System, and the restated non-retroactive caseload to estimate historical children's per capitas. While the expenditure projections will no longer be directly calculated with capitation rates, growth in historical per capita has tracked with growth in the blended capitation rate over recent years. Given this and the short per capita history, the Department's FY 07-08 and FY 08-09 forecasted per capita growth rates mirror those of the actuarially developed rates. This forecast assumes that the capitation rate for the self-funded network is indeed in line with the costs incurred for these children, and that other factors that may affect per capita costs remain constant from FY 06-07. Examples of other factors that may affect per capita costs include the length of stay in the program, enrollment mix between the more expensive self-funded network and HMOs, and the average length of time taken for a child to enroll in an HMO.

As discussed in the Department's June 20, 2007 FY 06-07 Emergency Supplemental #1, "Adjustments to the FY 06-07 Children's Basic Health Plan Caseload and Costs", the Department booked an accounts receivable for overpayments to Anthem in FY 05-06. It was discovered during the FY 05-06 cost settlement with Anthem that the Department had over-estimated this amount, and the accounts receivable had to be reversed and the expenditures accounted for in FY 06-07. This, in effect, artificially pushed FY 05-06 expenditures into FY 06-07, thus inflating the FY 06-07 cash-based expenditures from the Colorado Financial Reporting System, and therefore the calculated per capita. The reversed accounts receivable affected only the children's expenditures, and accounted for approximately 5.2% of the accrual-based expenditures for children in FY 06-07. The FY 06-07 cash-based children's medical expenditures from the Colorado Financial Reporting System are decreased by a like amount in order to approximate the FY 06-07 expenditures without the artificial inflation. These adjusted expenditures are used to calculate the FY 06-07 per capita of $1,385.96, from which the FY 07-08 and FY 08-09 per capitas are projected.

The growth in the FY 07-08 blended capitation rate is used to project the FY 07-08 per capita. The base growth of 10.5% is applied to the calculated FY 06-07 per capita to estimate a base per capita. For the impacts of the legislative changes discussed above, the percent change in the per member per month rate relative to the base FY 07-08 rate is calculated for each change in benefits. These percentages are then applied to the base per capita, and adjusted for partial years according to effective dates, to estimate the final per capita. The FY 07-08 estimated children's per capita, adjusted for all legislation and the corresponding effective dates, is $1,581.01.

Similar to FY 07-08, the growth in the FY 08-09 blended capitation rate is used to project the FY 08-09 per capita. The blended rate increase is estimated to be 1.9% in FY 08-09. Applying this growth to the final blended FY 07-08 per capita yields an estimated FY 08-09 per capita of $1,611.05. There are no adjustments for changes in either eligibility or benefit packages in FY 08-09. See Exhibit C.5 for per capita history and detailed projections.

II. Description of Request Related to the Prenatal Program

Caseload Restatement (Exhibit C.12)

As with the children's population, the prenatal caseload is being restated back to the program's inception due to the change to cash-based accounting. Because caseload will no longer take into account clients who become retroactively eligible in subsequent months, caseload will now be lower than previously reported estimates. In addition, prenatal caseload was previously reported in total member months, due to the fact that pregnant women do not receive eligibility in the program for a full year. Prenatal caseload will now be reported and forecasted at the client level, yielding a caseload similar to that for children.

Using reports generated from the Colorado Benefits Management System between January and June 2007, the Department estimates the non-retroactive caseload to be approximately 15.2% lower than the caseload previously reported. This estimate is used

to restate the prior caseload, which included retroactivity, to one without retroactivity. Monthly caseload through the program's inception in October 2002 is reduced by 15.2%. Please note that the caseload restatement affects the FY 03-04 enrollment level, above which all traditional prenatal clients are funded through the Health Care Expansion Fund. This new restated level is 101, whereas the level was 119 under accrual-based accounting. The expansion prenatal caseload is restated back to the population's inception in July 2005 using the same estimate. Although the caseload is lower under cash-accounting, this does not mean that fewer prenatal women have been or will be served in the program. See Exhibit C.12 for a historical comparison of the capitation-based and restated caseloads, as well as a monthly comparison for FY 06-07. Comparisons of these caseloads are also presented in graphical form in Exhibit C.11.

Caseload Projections (Exhibit C.7)

In FY 06-07, the Children's Basic Health Plan prenatal population did not experience the volatility in caseload that was seen in the children's population. The removal of the Medicaid asset test did not affect this population, as pregnant women were never subject to asset limitations to qualify for the Baby and Kid Care Program in Medicaid. In addition, the prenatal population was subject to the identification requirements of HB 06S-1023. With the passage of SB 07-211, the CHP+ prenatal population will be exempted from the HB 06S-1023 identification requirements beginning July 1, 2008, which may increase the monthly growth rate above that experienced in FY 06-07. However, as evidenced by the children's population, the effects of such a policy change are difficult to predict or quantify. The Department believes that pregnant adults are more likely than children to have proper identification documentation, so the effects may be mitigated from those experienced in the children's population.

Therefore, until caseload data is available with the effects of the change in policy, the Department sees no compelling reason to deviate from forecasts based on the most recent caseload growth. The Department believes that the recent declines in monthly growth are reflective of a maturing population that is approaching a stable long-term growth rate. Based on monthly growth rates experienced in FY 06-07, the Department projects that the

traditional prenatal caseload will increase by an average of 1.0% per month in FY 07-08. The monthly variations in growth rates are retained from this period, and are due to factors such as the distribution of annual redeterminations and seasonality in caseload caused by strong marketing around the beginning of the traditional school year. The Department projects this growth to continue in FY 08-09, as this forecast yields moderate growth in line with a mature population.

While the expansion prenatal population has been in place for the same amount of time as the expansion children, its growth rate is not converging with the traditional prenatal population, as is occurring with the child populations. In FY 06-07, average monthly growth in the expansion prenatal was 1.9%, nearly twice that seen in the traditional population. Similar to the traditional population, the Department sees no compelling reason to deviate from forecasts based on recent growth trends until caseload data is available that incorporates the effects of the SB 07-211 policy change regarding identification requirements. Growth in the expansion prenatal population is forecasted to continue from FY 06-07, and caseload is projected to increase by an average of 1.9% per month in FY 07-08. Forecasted monthly variations in growth rates mirror those in the traditional prenatal population. As with traditional prenatal, the Department projects the FY 07-08 growth to continue into FY 08-09, as the forecast yields moderate growth.

Caseload Adjustments

In addition to the base caseload outlined above, there is a bottom line adjustment to the prenatal caseload for the forecast period for SB 07-097, which expands eligibility in the Children's Basic Health Plan to 205% of the federal poverty level. The fiscal note for this bill included an inflation factor to adjust for retroactivity in CHP+ caseload. However, with the move to cash-based accounting in Children's Basic Health Plan, caseload no longer includes retroactivity. After removing this factor, the prenatal caseload forecast is increased by 7 clients in FY 07-08 and 19 in FY 08-09. These clients are included in the expansion population projections.

Total Prenatal Caseload Projection

The total FY 07-08 prenatal caseload forecast is 1,297 clients, a 10.9% increase over the FY 06-07 restated caseload of 1,170. The FY 08-09 total prenatal forecast is 1,497 clients, a 15.4% increase over FY 07-08. Please see Exhibit C.7 for children's caseload history and detailed projections.

Prenatal Caseload Summary	FY 07-08 Appropriated Caseload	FY 07-08 Revised Caseload	FY 08-09 Request Caseload
Traditional Prenatal (up to 185% FPL)	1,175	1,078	1,214
Expansion Prenatal	482	219	283
Final Caseload Forecast	**1,657**	**1,297**	**1,497**

Prenatal Rates (Exhibit C.5)

All clients in the prenatal program are served by the self-funded program (Anthem) and the costs of their services are billed in full directly to the State. For the development of the FY 07-08 rates, the contracted actuary did not have multiple years of claims experience to develop cost trends, so the same trends by category of service from the self-funded network's children population were used for the prenatal program. Applying these trends by service category yielded an estimated average growth rate in health care costs of 4.7%. The actuarial analysis also assumes that 95% of all pregnant women in the prenatal program will have deliveries in the Children's Basic Health Plan, and that the average length of stay will be 7.8 months. As with the children's rates, the total administrative costs are projected to increase by 4.6% to $31.43, which includes an estimated $29.00 in claims and network administration costs and $2.43 in reinsurance costs per client per month (see Children's Rates, Section I). The FY 07-08 base prenatal rate developed by the contracted actuary is $864.09, a 17.4% decrease from the FY 06-07 rate. This decrease is due to a decline in the claims costs during the base periods from which the rates are trended. The FY 07-08 rate is lower than that previously reported in the Department's November 1, 2006 FY 07-08 Budget Request DI-3 for the reasons outlined in Children's Rates, Section I.

The Department is implementing income disregards to allow for eligibility up to an equivalent of 205% of the federal poverty level. SB 07-097 provides Supplemental Tobacco Litigation Settlement funding for these new clients. This change in eligibility is effective March 1, 2008. While the fiscal note for this bill assumed that the addition of this population would not change the capitation rate, the contracted actuary adjusted the FY 07-08 rates down slightly. The final FY 07-08 blended rate, after adjusting for the effective date of SB 07-097, is $864.08 per member per month.

Similar to the development of FY 08-09 rates for the children's population, the contracted actuaries based prenatal rates on history and industry trend sources. The assumed growth in health care costs in FY 08-09 is 6.7% for prenatal women in the self-funded network, up from a 4.7% trend in FY 07-08. Utilization assumptions were retained from FY 07-08, and the actuarial analysis assumes that 95% of all pregnant women in the prenatal program will have deliveries in the Children's Basic Health Plan, and that the average length of stay will be 7.8 months. As in the children's self-funded rates, total administrative costs are projected to increase by 4.2% to $32.75, which includes an estimated $30.45 in administrative costs and $2.30 in reinsurance costs per client per month. The resulting projected FY 08-09 prenatal rate is $921.30 per member per month, a 6.6% increase over the final FY 07-08 prenatal rate of $864.07 (including the impact of SB 07-097).

Prenatal Per Capita (Exhibit C.5)

Similar to the children's projections, the Children's Basic Health Plan Premium Costs estimate for the prenatal program in prior years was calculated by first projecting caseload in total member months, which included retroactivity. This estimate of total member months was then multiplied by per member per month capitation rates to estimate the total expenditures. This methodology using projected member months, however, includes the impact of retroactive payments, which is inconsistent with the move to cash-based accounting. Beginning in FY 07-08, the Children's Basic Health Plan Premiums Costs projections will no longer be directly calculated based on per member per month capitation rates, but rather using per capita costs.

The Department has analyzed cash-based expenditures, as reported from the Colorado Financial Reporting System, and the restated non-retroactive caseload to estimate historical prenatal per capitas. While the expenditure projections will no longer be directly calculated with capitation rates, growth in historical per capita has tracked with growth in the prenatal capitation rate over recent years. Given this and the short per capita history, the Department's FY 07-08 and FY 08-09 forecasted per capita growth rates mirror those of the actuarially developed rates, similar to the methodology used in the children's population. This forecast assumes that the capitation rate is indeed in line with the costs incurred for prenatal clients in the self-funded program, and that other factors that may affect per capita costs, such as the length of stay in the program, remain constant from FY 06-07.

The FY 06-07 calculated prenatal per capita is $14,438.28. The calculated FY 06-07 per capita is decreased by the base decline of 17.4% in capitation rates to estimate a base per capita for FY 07-08. The change to the capitation rate for SB 07-097 was so slight that it did not change the per capita. The FY 07-08 estimated prenatal per capita is $11,933.24.

Similar to FY 07-08, the growth in the FY 08-09 prenatal capitation rate is used to project the FY 08-09 per capita. The capitation rate increase is estimated to be 6.6% in FY 08-09. Applying this growth to the FY 07-08 per capita yields an estimated FY 08-09 per capita of $12,723.22. There are no adjustments for changes in either eligibility or benefits packages in FY 08-09.

III. Description of Request Related to the Children's Dental Benefit Costs

Dental Caseload (Exhibit C.6)

Children who qualify for the Children's Basic Health Plan are eligible to receive dental benefits in addition to medical benefits. There are consistently fewer members enrolled in the dental program than in the medical plan, because new members do not receive dental coverage during their pre-HMO enrollment period. Previously, the Department calculated a ratio of dental enrollment to medical enrollment to project dental caseload and costs.

Through FY 06-07, the Children's Basic Health Plan Premiums Costs and Dental Benefit Costs line items were using accrual-based accounting. SB 07-133 moved these line items to cash-based accounting beginning in FY 07-08. As a result, the Department will no longer estimate a separate children's dental caseload. Rather, the dental caseload will be the same as the medical caseload, and the per capita will incorporate a lower cost per client due to a shorter length of stay in the dental program.

Dental Rates (Exhibit C.5)

The actuarially developed dental capitation rate presented in the Department's November 1, 2006 FY 07-08 Budget Request DI-3 was $13.97 per member per month for FY 07-08. The dental vendor contract was re-bid for FY 07-08, and a new contract was executed with Delta Dental at a negotiated rate of $13.84 for FY 07-08. This is an increase of 4.1% over the FY 05-06 capitation rate. As part of the re-bid process, Delta Dental was also able to offer an increased benefits package. These changes include increasing the cap on dental benefits from $500 to $600 per year, removing the age limit on sealants and fluoride varnishes, and increasing the cap on fluoride varnishes from one to two per year.

For the development of the FY 08-09 dental capitation rate, the contracted actuary assumed a cost trend of 3.0%, based on historical dental claims data as well as industry publications. The FY 08-09 actuarially developed dental rate is $14.66 per member per month, an increase of 5.9% over the FY 07-08 rate. This rate assumes the continuation of the enhanced benefits package described above, as well as an estimated $1.09 in administrative costs per member per month.

Dental Per Capita (Exhibit C.5)

In prior years, the dental caseload was estimated to be a fixed percent of the medical caseload for expenditure projections, typically around 80%. As with the medical projections, this estimated caseload, which included retroactivity, was then multiplied by twelve to estimate the number of member months for which capitation payments would be

made in the year. This estimate of total member months was then multiplied by per member per month capitation rates to project the total expenditures. This methodology using projected member months, however, includes the impact of retroactive payments, which is inconsistent with the move to cash-based accounting. Beginning in FY 07-08, the Children's Basic Health Plan Dental Benefit Costs projections will no longer be directly calculated based on per member per month capitation rates, but rather using per capita costs.

The Department has analyzed cash-based expenditures, as reported from the Colorado Financial Reporting System, and the restated non-retroactive caseload to estimate historical dental per capitas. Rather than estimating dental caseload as a percent of medical caseload, the historic and projected per capitas are based on the medical caseload. While the expenditure projections will no longer be directly calculated with capitation rates, growth in historical per capita has tracked with growth in the capitation rate over the recent years. Given this and the short per capita history, the Department's FY 07-08 and FY 08-09 forecasted per capita growth rates mirror those of the actuarially developed rates. This forecast assumes that other factors that may affect per capita costs, such as the length of stay in the Children's Basic Health Plan and the average length of time taken for a child to receive dental benefits, remain constant from FY 06-07.

The FY 06-07 calculated dental per capita is $146.42. Base growth of 4.1% from the capitation rate is applied to the calculated FY 06-07 per capita to estimate the FY 07-08 per capita of $152.36.

Similar to FY 07-08, the growth in the FY 08-09 dental capitation rate is used to project the FY 08-09 per capita. The capitation rate increase is estimated to be 5.9% in FY 08-09. Applying this growth to the FY 07-08 per capita yields an estimated FY 08-09 per capita of $161.38.

IV. Description of Request Related to the Trust Fund (Exhibit C.1)

Expenditures from the Trust Fund include program expenses from the Children's Basic Health Plan premiums, dental, and administration line items, as well as a portion of the Department's internal administration expenses allocated to the Children's Basic Health Plan. The program expenses and projection of the Trust Fund balance are presented in Exhibit C.1.

The Children's Basic Health Plan Trust Fund is funded primarily through Tobacco Master Settlement appropriations and General Fund (when necessary); however, enrollment fees from clients of the program and interest earnings on the Fund's balance also serve to subsidize the Trust. In FY 05-06, $900,000 was refunded to the Trust in January of 2006, as repayment for a 2002 transfer to the Department of Treasury used to reduce the State's General Fund deficit. In the FY 07-08 Long Bill Add-ons, the Trust was appropriated $11,243,215 General Fund with the intent of providing funding for traditional clients that are paid for from the Trust Fund through FY 07-08.

The original estimate of the FY 07-08 Tobacco Master Settlement allocation to the Trust Fund was the statutory minimum of $17,500,000. However, due to the higher than expected payment received in late FY 06-07, the base allocation to the Trust was increased to $20,147,800. In addition, HB 07-1359 accelerated payments from the Strategic Contribution Fund in the Master Settlement Agreement, which increased the Trust's allocation further by $1,500,000. Accounting for the Trust's portion of the State Auditor's Office payment, the revised FY 07-08 Tobacco Master Settlement allocation to the Trust is $21,612,590. The current estimate for the FY 08-09 allocation to the Trust is $23,972,821.

While the Trust Fund balance is expected to be sufficient for the FY 07-08 program costs, the Trust Fund is forecasted to have a shortfall in FY 08-09. Based on total projected program expenses of $138,488,664 for FY 08-09 and total revenues (including the beginning balance, Health Care Expansion Fund monies, Supplemental Tobacco Litigation Settlement account funds, and federal matching funds) of $136,063,834, there would be a Trust Fund balance shortfall of $2,424,830 for FY 08-09. Due to the fact that the funds

would collect interest while in the Trust, the Department estimates a need of $2,382,423 in General Fund for FY 08-09 to balance the Trust (see Exhibit C.1, line V).

Because the Department is projecting the traditional caseload for both children and prenatal to exceed the FY 03-04 enrollment levels of 41,786 and 101, respectively, the caseload funded from the Trust Fund will be maximized. However, increases in the per capita will continue to drive increasing expenditures from the Trust Fund. The forecasted increases in the children's, prenatal, and dental per capitas are increasing costs beyond the Tobacco Master Settlement funding, resulting in the forecasted shortfall in the Trust Fund.

Consequences if Not Funded:

If this request is not funded, the Children's Basic Health Plan would have insufficient funding to support the projected caseload growth and per capita increases. As such, enrollment in the Children's Basic Health Plan would have to be capped. If revenues are insufficient to pay for the costs for traditional children, the prenatal program would be suspended because it is an optional program. However, because funding for all prenatal enrollment above the FY 03-04 level of 101 clients is provided through the Health Care Expansion Fund, capping the prenatal program would do little to help prevent an overexpenditure from the Trust.

Children's enrollment may be capped in two ways. First, the program may be closed to new applicants, and redeterminations would be allowed to continue. The attrition rate of this method would be slower than a strict cap on the program, as those who are still eligible at their redetermination would be allowed to stay on the program. However, the date to apply the cap would have to be sooner. Second, the program may be closed to new clients as well as redeterminations. Clients would be disenrolled in the program when they came up for redetermination. The attrition rate of this method is faster than the previous method and may allow the Department to implement the cap later in the year.

If the prenatal program were suspended for FY 08-09, there would still be a $1,975,064 shortfall in the Trust, and an additional cap on the children's program would be required in FY 08-09. Such a shortfall would require enrollment of traditional children to be capped at approximately 38,875. Because expansion clients cannot be funded to the exclusion of

any traditional clients, the Department would also need to cap enrollment of expansion children. As enrollment of traditional clients would be capped at approximately 66.6% of the projected caseload, enrollment of the expansion clients would be capped at approximately 2,730. Thus, the shortfall would require the denial of benefits to approximately 20,876 children in FY 08-09, most of which would have been funded through the Health Care Expansion Fund. The Department would not be able to utilize any Health Care Expansion Fund monies for enrollment above the FY 03-04 level, and the funding for expansion clients would not be maximized.

Calculations for Request:

Summary of Request FY 08-09 (4) Indigent Care Program- HB 97-1304 Children's Basic Health Plan Trust	**Total Funds**	**General Fund**	**Cash Funds**
FY 07-08 Final Appropriation (Column 2)	$256,475	$11,011	$245,464
Annualization of SB 07-036 (Mandatory Coverage of Mental Disorders)	$11,751	$11,751	$0
Annualization of SB 07-097 (Tobacco Master Settlement Agreement Reallocation)	$3,230	$0	$3,230
FY 08-09 Base Request (Column 5)	$271,456	$22,762	$248,694
FY 08-09 Incremental Need (Column 6)	$2,442,385	$2,382,423	$59,962
Total FY 08-09 Request (Column 7)	**$2,713,841**	**$2,405,185**	**$308,656**

Summary of Request FY 08-09 (4) Indigent Care Program- Children's Basic Health Plan Premium Costs	**Total Funds**	**Cash Funds**	**Cash Funds Exempt**	**Federal Funds**
FY 07-08 Final Appropriation (Column 2)	$86,426,598	$1,479	$30,408,342	$56,016,777
Annualization of SB 07-004 (Early Intervention for Children)	$24,596	$0	$8,609	$15,987
Annualization of SB 07-036 (Mandatory Coverage of Mental Disorders)	$33,576	$0	$11,751	$21,825
Annualization of SB 07-097 (Tobacco Master Settlement Agreement Reallocation)	$484,328	($1,479)	$170,994	$314,813

Annualization of SB 07-113 (HCPF Cash Accounting)	$3,865,396	$0	$1,352,889	$2,512,507
Annualization of HB 07-1301 (Cervical Cancer Immunization)	$264,224	$0	$92,478	$171,746
FY 08-09 Base Request (Column 5)	$91,098,718	$0	$32,045,063	$59,053,655
FY 08-09 Incremental Need (Column 6)	$28,607,957	$0	$10,052,899	$18,555,058
Total FY 08-09 Request (Column 7)	**$119,706,675**	**$0**	**$42,097,962**	**$77,608,713**

Summary of Request FY 08-09 (4) Indigent Care Program- Children's Basic Health Plan Dental Benefit Costs	**Total Funds**	**Cash Funds Exempt**	**Federal Funds**
FY 07-08 Final Appropriation (Column 2)	$6,886,799	$2,410,380	$4,476,419
Annualization of SB 07-097 (Tobacco Master Settlement Agreement Reallocation)	$27,951	$9,783	$18,168
Annualization of SB 07-113 (HCPF Cash Accounting)	$222,847	$77,996	$144,851
FY 08-09 Base Request (Column 5)	$7,137,597	$2,498,159	$4,639,438
FY 08-09 Incremental Need (Column 6)	$2,945,586	$1,030,955	$1,914,631
Total FY 08-09 Request (Column 7)	**$10,083,183**	**$3,529,114**	**$6,554,069**

Assumptions for Calculations: All calculations and assumptions are presented in Exhibits C.1 through C.12 included with this request. Detailed caseload and per capita assumptions are outlined below.

Assumptions for Caseload Restatement: Exhibit C.12

- The Department assumes that historical enrollment without retroactivity would follow a similar pattern to that observed in the second half of FY 06-07. Thus, it is assumed that the non-retroactive children's caseload is a constant 10.5% lower per month than the reported caseload which included retroactivity. Similarly, the non-retroactive prenatal caseload is assumed to be a constant 15.3% lower per month than the reported caseload which included retroactivity. Due to the enrollment cap at the beginning of FY 03-04, the annual caseload is restated downward by 15.1%.

- HB 05-1262 provided funding from the Health Care Expansion Fund for enrollment of traditional clients (up to 185% of the federal poverty level) above the FY 03-04 level. This enrollment level is being restated downward for children by 10.5% from 46,694 to 41,786. The prenatal enrollment level is being restated downward by 15.1% from 119 to 101.

Assumptions for Children's Caseload Projections

FY 07-08 and FY 08-09 Enrollment Projection: Exhibit C.6

- The Department assumes that any positive effect on the FY 06-07 traditional children's caseload from the identification requirements of the Deficit Reduction Act was approximately offset by the negative effect of the removal of the Medicaid asset test. The remaining caseload growth is assumed to be due to economic factors, including a declining Medicaid Eligible Children's caseload, population growth, and increased marketing of the Children's Basic Health Plan.
- The Department's FY 07-08 caseload forecast is based on FY 01-02, during which economic conditions approximated those currently seen and the Children's Basic Health Plan had marketing. During FY 01-02, monthly growth averaged 1.6%, and caseload was half the current size. Because caseload is significantly higher and potentially approaching a saturation point, it is reasonable to expect that the monthly growth would be lower than that experienced in FY 01-02, despite similar economic conditions and marketing. Based on this, the Department projects that the traditional children's caseload will increase by an average of 1.1% per month in FY 07-08. Further, the Department assumes that the monthly growth rates will vary and follow the same distribution as experienced in FY 01-02.
- The Department assumes that the monthly growth rate in traditional children will moderate in FY 08-09, as the declines in the Medicaid Eligible Children's caseload are forecasted to moderate. Continuing the FY 07-08 forecast, the Department's FY 08-09 caseload forecast is modeled after FY 02-03, during which monthly growth averaged 1.2% per month. As with the FY 07-08 forecast, it is reasonable to expect that caseload growth would be lower than this given the higher caseload level. Based

on this, the Department projects that the traditional children's caseload will increase by an average of 0.7% per month. The monthly variations in the growth rates are retained from the FY 07-08 forecast.

- Given the decreasing monthly growth rates for the expansion children in FY 06-07 and the convergence of the growth rates between the two children's populations, the Department assumes that the expansion population has reached a level of maturity where large monthly increases are not expected simply due to the newness of the program. The Department assumes that the expansion population's growth will mirror that seen in the traditional children, and that caseload will increase by an average of 1.1% per month in FY 07-08 and 0.7% in FY 08-09. Additionally, the monthly variations in the growth rates are retained in the expansion children's forecasts.

Assumptions for Prenatal Caseload Projections (Exhibit C.7)

- The Department assumes that the growth pattern experienced in the traditional prenatal population in FY 06-07 will continue into FY 07-08 and FY 08-09. This forecast yields average monthly growth of 1.0% per month, with the monthly variations being retained.
- The growth in the expansion prenatal population does not appear to be converging with that in the traditional population, as was seen in the children's program in FY 06-07. Therefore, the Department assumes that the expansion prenatal caseload will increase by an average of 1.9% per month, as was seen in FY 06-07. Due to volatility in the monthly caseload, the variations in the expansion prenatal caseload are modeled after those in the traditional population.

Assumptions for Per Capita Projections (Exhibit C.5)

- The forecasted children's and prenatal per capitas assume that the actuarially developed self-funded program capitation rates are indeed in line with the costs incurred by clients served in the network.
- All forecasted per capitas assume that growth will mirror that in the actuarially developed capitation rates. Thus, the Department assumes that factors other than the

capitation rate that may effect the per capita remain constant from FY 06-07. Such factors may include the children's caseload mix between the self-funded network and HMOs, average length of time to enroll in an HMO or to receive dental benefits, and the average length of stay in the Children's Basic Health Plan.

Impact on Other Government Agencies: Not applicable.

Cost Benefit Analysis:

Cost	**Benefit**
$2,382,423 General Fund $11,083,854 Cash Funds Exempt, including $9,279,435 from the Health Care Expansion Fund	The Department would be able to provide health care and dental services to a total of 62,481 children, and medical services to 1,497 pregnant women in the Children's Basic Health Plan. The Department would not have to suspend the prenatal program and place an enrollment cap on the children's program in FY 08-09 in order to prevent overexpenditures. This would allow an estimated 1,497 prenatal women and 20,876 children to receive medical services in FY 08-09 above what base funding would allow.

Implementation Schedule: Not applicable. This request is only to update caseload and per capita costs, and does not have any programmatic changes to implement.

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. (2007) (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. (2007) (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. (2007) (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. (2007) …*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.*

Performance Measures:

The Department believes that avoidance of an enrollment cap can be achieved by providing funding to support natural caseload growth in children and prenatal women in the Children's Basic Health Plan. This would ensure continuity of care, and clients in the

program would have better health outcomes and show a high level of satisfaction with their care. As such, the Department believes that this request supports the following Performance Measures:

- Increase the number of clients served through targeted, integrated care management programs.
- Increase the number of children served through a dedicated medical home service delivery model.

Table of Contents
Exhibits for DI-3, "Children's Basic Health Plan Medical Premium and Dental Benefit Costs"

Exhibit C.1 - Children's Basic Health Plan Trust Fund Analysis

		Actual	Actual	Actual	Estimated [6]	Requested	
	PROGRAM REVENUES	**FY 04-05**	**FY 05-06**	**FY 06-07**	**FY 07-08**	**FY 08-09**	**Source**
A	Beginning Balance	$5,389,901	$9,025,270	$4,411,882	$7,776,123	$1,788,804	Actual and X
B	General Fund Appropriation	$3,296,346	$2,000,000	$11,243,215	$0	$0	Appropriations
C	January 2006 transfer from the State Controller [1]	$0	$900,000	$0	$0	$0	Footnote 2
D	Tobacco Master Settlement Funds to Trust [2]	$20,629,548	$20,927,529	$19,214,822	$21,612,590	$23,972,821	Footnote 3
E	Annual Enrollment Fees	$122,626	$191,726	$232,136	$277,672	$308,656	Exhibits C.2 and C.3
F	Interest Earnings	$587,893	$752,518	$367,880	$528,062	$464,051	Exhibit C.9
G	Accounts Payable Reversions from Prior Year	$156,901	$45,896	$10,591	$0	$0	Actual
H	Health Care Expansion Fund [3]	$0	$5,108,706	$9,557,980	$14,037,434	$19,032,763	Footnote 3
I	Supplemental Tobacco Litigation Settlement Account [4]	$0	$0	$0	$461,177	$711,064	Footnote 4
J	Colorado Immunization Fund [5]	$0	$0	$0	$446,825	$505,770	Footnote 5
K	Federal Match Earnings [6]	$40,591,092	$50,509,127	$65,616,702	$78,458,803	$89,279,905	Footnote 6
L	**Total Revenues**	**$70,774,307**	**$89,460,772**	**$110,655,208**	**$123,598,686**	**$136,063,834**	Sum A:K
	PROGRAM EXPENDITURES						
M	Program Cash Funds Exempt Estimated Expenditures from Trust Fund [6]	$20,723,603	$20,944,551	$26,824,625	$27,233,716	$27,850,430	Footnote 6
N	Program Cash Funds Exempt Estimated Expenditures from Health Care Expansion Fund [6]	$0	$5,108,706	$9,557,980	$14,037,434	$19,032,763	Footnote 6
O	Program Cash Funds Exempt Estimated Expenditures from Supplemental Tobacco Litigation Settlement Account [6]	$0	$0	$0	$461,177	$711,064	Footnote 6
P	Program Cash Funds Exempt Estimated Expenditure from Colorado Immunization Fund [6]	$0	$0	$0	$446,825	$505,770	Footnote 6
Q	Internal Administration Cash Funds Exempt Estimated Expenditures	$434,342	$386,506	$879,778	$1,171,927	$1,108,732	Exhibit C.8
R	Federal Match Expenditures [6]	$40,591,092	$50,509,127	$65,616,702	$78,458,803	$89,279,905	Footnote 6
S	SB 05-211 Transfer to General Fund	$0	$8,100,000	$0	$0	$0	Actual
T	**Total Expenditures**	**$61,749,037**	**$85,048,890**	**$102,879,085**	**$121,809,882**	**$138,488,664**	Sum M:S
U	**Remaining Balance in Trust Fund**	**$9,025,270**	**$4,411,882**	**$7,776,123**	**$1,788,804**	**($2,424,830)**	L - T
V	Total General Fund Requested	$0	$0	$0	$0	$2,382,423	Exhibit C.9
W	Additional Interest Earnings if General Fund is Appropriated	$0	$0	$0	$0	$42,407	Exhibit C.9
X	Final Ending Balance of Trust Fund	$9,025,270	$4,411,882	$7,776,123	$1,788,804	$0	Sum U:W

[1] In 2002, the Department transferred funds from the Trust Fund to the State Treasury to reduce the General Fund deficit. In January 2006, $900,000 was refunded to the Trust.

[2] FY 04-05 to FY 06-07 are actual appropriations/transfers. FY 07-08 and FY 08-09 are estimates from Legislative Council (July 2007 and January 2007, respectively).

[3] FY 05-06 and FY 06-07 are actual revenues transferred from the Health Care Expansion Fund for expansion clients. Beginning in FY 07-08, this amount includes the portion of estimated State expenditures to come from the Health Care Expansion Fund for the cervical cancer immunization. FY 07-08 and FY 08-09 are projections from Exhibits C.2 and C.3, respectively.

[4] Projected program expenditures for expansion clients to come from the Supplemental Tobacco Litigation Settlement Account created in SB 07-097 as well as estimated State expenditures for early intervention services. See Exhibits C.2 and C.3.

[5] Portion of estimated State expenditures to come from the Colorado Immunization Fund for the cervical cancer immunization. See Exhibits C.2 and C.3.

[6] Figures for FY 04-05 through FY 06-07 are actuals, while figures for FY 07-08 and FY 08-09 are projections. See Exhibits C.2 and C.3.

Exhibit C.2 - FY 07-08 Children's Basic Health Plan Program Expenditures

FY 07-08 Children's Medical, Prenatal, Dental, Administration Request and Funding Splits						
	Reference	**Traditional up to FY 03-04 Level [1]**	**Traditional Above FY 03-04 Level [2]**	**Expansion to 200% [2]**	**Expansion to 205% [3]**	**Total**
FY 07-08 CBHP Children's Medical Expenditures						
FY 07-08 Enrollment Estimate	Exhibit C.6	41,786	10,938	3,491	108	56,323
Medical Per Capita	Exhibit C.5	$1,581.01	$1,581.01	$1,581.01	$527.00	$1,581.01
Total Children's Medical Expenditures		**$66,064,084**	**$17,293,087**	**$5,519,306**	**$56,916**	**$88,933,393**
Annual Enrollment Fee Collection Per Enrollee[4]						$4.93
Total Annual Enrollment Fee Collections (Cash Funds[5])		$206,005	$53,924	$17,211	$532	$277,672
Expenditures To Be Matched by Federal Funds		$65,858,079	$17,239,163	$5,502,095	$56,384	$88,655,721
Title XXI Federal Funds		$42,807,751	$11,205,456	$3,576,362	$36,650	$57,626,219
Cash Funds Exempt		$23,050,328	$6,033,707	$1,925,733	$19,734	$31,029,502
FY 07-08 CBHP Prenatal Services Expenditures						
FY 07-08 Prenatal Enrollment Estimate	Exhibit C.7	101	977	212	7	1,297
Prenatal Medical Per Capita	Exhibit C.5	$11,933.24	$11,933.24	$11,933.24	$3,977.75	$11,933.24
Total Prenatal Medical Expenditures		**$1,205,257**	**$11,658,775**	**$2,529,847**	**$27,844**	**$15,421,723**
Title XXI Federal Funds		$783,417	$7,578,204	$1,644,401	$18,099	$10,024,121
Cash Funds Exempt		$421,840	$4,080,571	$885,446	$9,745	$5,397,602
FY 07-08 Children's Basic Health Plan Premiums Costs		**$67,269,341**	**$28,951,862**	**$8,049,153**	**$84,760**	**$104,355,116**
Title XXI Federal Funds		$43,591,168	$18,783,660	$5,220,763	$54,749	$67,650,340
Cash Funds Exempt [6]		$23,678,173	$10,168,202	$2,828,390	$30,011	$36,704,776
FY 07-08 CBHP Dental Expenditures						
FY 07-08 Enrollment Estimate	Exhibit C.6	41,786	10,938	3,491	108	56,323
Dental Per Capita	Exhibit C.5	$152.36	$152.36	$152.36	$50.79	$152.36
FY 07-08 Children's Basic Health Plan Dental Benefit Costs		**$6,366,515**	**$1,666,514**	**$531,889**	**$5,485**	**$8,570,403**
Title XXI Federal Funds		$4,138,235	$1,083,234	$345,728	$3,565	$5,570,762
Cash Funds Exempt		$2,228,280	$583,280	$186,161	$1,920	$2,999,641
FY 07-08 Children's Basic Health Plan Administration						
FY 07-08 External Administration Expenditures	Exhibit C.4	**$4,195,590**	**$0**	**$1,340,000**	**$6,000**	**$5,541,590**
Title XXI Federal Funds		$623,012	$0	$656,305	$3,605	$1,282,922
Title XIX Federal Funds		$1,618,556	$0	$165,150	$227	$1,783,933
Cash Funds Exempt		$1,954,022	$0	$518,545	$2,168	$2,474,735
FY 07-08 Internal Administration Expenditures	Exhibit C.8	**$3,342,773**	**$0**	**$0**	**$0**	**$3,342,773**
Title XXI Federal Funds		$2,170,846	$0	$0	$0	$2,170,846
Cash Funds Exempt [7]		$1,171,927	$0	$0	$0	$1,171,927
Total FY 07-08 Children's Basic Health Plan Expenditures		**$81,174,219**	**$30,618,376**	**$9,921,042**	**$96,245**	**$121,809,882**
Title XXI and Title XIX Federal Funds		$52,141,817	$19,866,894	$6,387,946	$62,146	$78,458,803
Cash Funds Exempt		$29,032,402	$10,751,482	$3,533,096	$34,099	$43,351,079

[1] The source of the Cash Funds Exempt for traditional clients up to the FY 03-04 enrollment level is the Children's Basic Health Plan Trust Fund.

[2] The source of the Cash Funds Exempt for the traditional clients above the FY 03-04 enrollment level and the expansion clients between 186% and 200% of the federal poverty level is the Health Care Expansion Fund.

[3] The source of the Cash Funds Exempt for the expansion clients between 201% and 205% of the federal poverty level is the Supplemental Tobacco Litigation Settlement Account in the Children's Basic Health Plan Trust Fund. This expansion population is effective March 1, 2008. All per capitas for this population have been adjusted for a partial year.

[4] Annual enrollment fees per enrollee is estimated based on the actual collections in FY 06-07 for all children ($232,1362 / 47,047 in total enrollment = $4.93 per client). This is amount is adjusted by the forecasted increase in the share of expansion clients through FY 07-08, all of which pay enrollment fees, resulting in an estimate of $4.93 per child for the entire children's population.

[5] Cash Funds from annual enrollment fees are not eligible for a federal match.

[6] This amount includes the Cash Funds from enrollment fees, as all enrollment fees collected are appropriated as Cash Funds Exempt from the Trust Fund.

[7] This is the State match for Internal Administration from Exhibit C.8. It is paid for through the Trust Fund, but is allocated as Cash Funds Exempt to other line items in the Long Bill.

Exhibit C.2 - FY 07-08 Children's Basic Health Plan Program Expenditures

FY 07-08 Calculation of State Funding					
	Total Cash Funds Exempt	Children's Basic Health Plan Trust Fund [1]	Health Care Expansion Fund [2]	Supplemental Tobacco Litigation Settlement Account [3]	Colorado Immunization Fund [4]
Children's Medical					
Traditional up to FY 03-04 Level	$23,256,333	$22,557,907	$48,406	$318,095	$331,925
Traditional Above FY 03-04 Level	$6,087,631	$53,924	$5,863,557	$83,265	$86,885
Expansion to 200%	$1,942,944	$17,211	$1,871,427	$26,575	$27,731
Expansion to 205%	$20,266	$532	$41	$19,409	$284
Total	**$31,307,174**	**$22,629,574**	**$7,783,431**	**$447,344**	**$446,825**
Prenatal					
Traditional up to FY 03-04 Level	$421,840	$421,840	$0	$0	$0
Traditional Above FY 03-04 Level	$4,080,571	$0	$4,080,571	$0	$0
Expansion to 200%	$885,446	$0	$885,446	$0	$0
Expansion to 205%	$9,745	$0	$0	$9,745	$0
Total	**$5,397,602**	**$421,840**	**$4,966,017**	**$9,745**	**$0**
Total Premiums					
Traditional up to FY 03-04 Level	$23,678,173	$22,979,747	$48,406	$318,095	$331,925
Traditional Above FY 03-04 Level	$10,168,202	$53,924	$9,944,128	$83,265	$86,885
Expansion to 200%	$2,828,390	$17,211	$2,756,873	$26,575	$27,731
Expansion to 205%	$30,011	$532	$41	$29,154	$284
Total	**$36,704,776**	**$23,051,414**	**$12,749,448**	**$457,089**	**$446,825**
Dental					
Traditional up to FY 03-04 Level	$2,228,280	$2,228,280	$0	$0	$0
Traditional Above FY 03-04 Level	$583,280	$0	$583,280	$0	$0
Expansion to 200%	$186,161	$0	$186,161	$0	$0
Expansion to 205%	$1,920	$0	$0	$1,920	$0
Total Dental	**$2,999,641**	**$2,228,280**	**$769,441**	**$1,920**	**$0**

[1] The Children's Basic Health Plan Trust Fund is the Cash Funds Exempt source for the following: Enrollment of all traditional clients (up to 185% of the federal poverty level) up to the FY 03-04 level, and; enrollment fees for all children.

[2] The Health Care Expansion Fund is the Cash Funds Exempt source for the following: Enrollment of all expansion clients between 186% and 200% of the federal poverty level, and; 13% of the State costs associated with the cervical cancer immunization, which accounts for approximately 1.67% of the children's per capita.

[3] The Supplemental Tobacco Litigation Settlement Account in the Trust Fund is the Cash Funds Exempt source for the following: Enrollment of all expansion clients between 201% and 205% of the federal poverty level, and; 100% of the State costs associated with the enhanced early intervention services benefit, which accounts for approximately 1.38% of the children's per capita.

[4] The Colorado Immunization Fund is the Cash Funds Exempt source for 87% of the State costs associated with the cervical cancer immunization, which accounts for approximately 1.65% of the children's per capita.

Exhibit C.3 - FY 08-09 Children's Basic Health Plan Program Expenditures

FY 08-09 Children's Medical, Prenatal, Dental, Administration Request and Funding Splits						
	Reference	**Traditional up to FY 03-04 Level [1]**	**Traditional Above FY 03-04 Level [2]**	**Expansion to 200% [2]**	**Expansion to 205% [3]**	**Total**
FY 08-09 CBHP Children's Medical Expenditures						
FY 08-09 Enrollment Estimate	Exhibit C.6	41,786	16,596	3,864	235	62,481
Medical Per Capita	Exhibit C.5	$1,611.05	$1,611.05	$1,611.05	$1,611.05	$1,611.05
Total Children's Medical Expenditures		**$67,319,335**	**$26,736,986**	**$6,225,097**	**$378,597**	**$100,660,015**
Annual Enrollment Fee Collection Per Enrollee[4]						$4.94
Total Annual Enrollment Fee Collections (Cash Funds[5])		$206,423	$81,984	$19,088	$1,161	$308,656
Expenditures To Be Matched by Federal Funds		$67,112,912	$26,655,002	$6,206,009	$377,436	$100,351,359
Title XXI Federal Funds		$43,623,393	$17,325,751	$4,033,906	$245,333	$65,228,383
Cash Funds Exempt		$23,489,519	$9,329,251	$2,172,103	$132,103	$35,122,976
FY 08-09 CBHP Prenatal Services Expenditures						
FY 08-09 Prenatal Enrollment Estimate	Exhibit C.7	101	1,113	264	19	1,497
Prenatal Medical Per Capita	Exhibit C.5	$12,723.22	$12,723.22	$12,723.22	$12,723.22	$12,723.22
Total Prenatal Medical Expenditures		**$1,285,045**	**$14,160,944**	**$3,358,930**	**$241,741**	**$19,046,660**
Title XXI Federal Funds		$835,279	$9,204,614	$2,183,305	$157,132	$12,380,330
Cash Funds Exempt		$449,766	$4,956,330	$1,175,625	$84,609	$6,666,330
FY 08-09 Children's Basic Health Plan Premiums Costs		**$68,604,380**	**$40,897,930**	**$9,584,027**	**$620,338**	**$119,706,675**
Title XXI Federal Funds		$44,458,672	$26,530,365	$6,217,211	$402,465	$77,608,713
Cash Funds Exempt[6]		$24,145,708	$14,367,565	$3,366,816	$217,873	$42,097,962
FY 08-09 CBHP Dental Expenditures						
FY 08-09 Enrollment Estimate	Exhibit C.6	41,786	16,596	3,864	235	62,481
Dental Per Capita	Exhibit C.5	$161.38	$161.38	$161.38	$161.38	$161.38
FY 08-09 Children's Basic Health Plan Dental Benefit Costs		**$6,743,425**	**$2,678,262**	**$623,572**	**$37,924**	**$10,083,183**
Title XXI Federal Funds		$4,383,226	$1,740,870	$405,322	$24,651	$6,554,069
Cash Funds Exempt		$2,360,199	$937,392	$218,250	$13,273	$3,529,114
FY 07-08 Children's Basic Health Plan Administration						
FY 08-09 External Administration Expenditures	Exhibit C.4	**$4,195,590**	**$0**	**$1,340,000**	**$1,000**	**$5,536,590**
Title XXI Federal Funds		$623,011	$0	$656,305	$502	$1,279,818
Title XIX Federal Funds		$1,618,557	$0	$165,150	$114	$1,783,821
Cash Funds Exempt		$1,954,022	$0	$518,545	$384	$2,472,951
FY 08-09 Internal Administration Expenditures	Exhibit C.8	**$3,162,216**	**$0**	**$0**	**$0**	**$3,162,216**
Title XXI Federal Funds		$2,053,484	$0	$0	$0	$2,053,484
Cash Funds Exempt[7]		$1,108,732	$0	$0	$0	$1,108,732
Total FY 08-09 Children's Basic Health Plan Expenditures		**$82,705,611**	**$43,576,192**	**$11,547,599**	**$659,262**	**$138,488,664**
Title XXI and Title XIX Federal Funds		$53,136,950	$28,271,235	$7,443,988	$427,732	$89,279,905
Cash Funds Exempt		$29,568,661	$15,304,957	$4,103,611	$231,530	$49,208,759

[1] The source of the Cash Funds Exempt for traditional clients up to the FY 03-04 enrollment level is the Children's Basic Health Plan Trust Fund.

[2] The source of the Cash Funds Exempt for the traditional clients above the FY 03-04 enrollment level and the expansion clients between 186% and 200% of the federal poverty level is the Health Care Expansion Fund.

[3] The source of the Cash Funds Exempt for the expansion clients between 201% and 205% of the federal poverty level is the Supplemental Tobacco Litigation Settlement Account in the Children's Basic Health Plan Trust Fund. This expansion population is effective March 1, 2008. All per capitas for this population have been adjusted for a partial year.

[4] Annual enrollment fees per enrollee is estimated based on the actual collections in FY 06-07 for all children ($232,1362 / 47,047 in total enrollment = $4.93 per client). This is amount is adjusted by the forecasted increase in the share of expansion clients through FY 07-08, all of which pay enrollment fees, resulting in an estimate of $4.94 per child for the entire children's population.

[5] Cash Funds from annual enrollment fees are not eligible for a federal match.

[6] This amount includes the Cash Funds from enrollment fees, as all enrollment fees collected are appropriated as Cash Funds Exempt from the Trust Fund.

[7] Beginning in FY 08-09, the Department is requesting that Internal Administration costs no longer come from the Trust Fund, but rather from a direct General Fund appropriation. See narrative for details.

Exhibit C.3 - FY 08-09 Children's Basic Health Plan Program Expenditures

FY 08-09 Calculation of State Funding					
	Total Cash Funds Exempt	Children's Basic Health Plan Trust Fund [1]	Health Care Expansion Fund [2]	Supplemental Tobacco Litigation Settlement Account [3]	Colorado Immunization Fund [4]
Children's Medical					
Traditional up to FY 03-04 Level	$23,695,942	$22,984,210	$49,328	$324,155	$338,249
Traditional Above FY 03-04 Level	$9,411,235	$81,984	$9,066,166	$128,744	$134,341
Expansion to 200%	$2,191,191	$19,088	$2,110,850	$29,975	$31,278
Expansion to 205%	$133,264	$1,161	$277	$129,924	$1,902
Total	**$35,431,632**	**$23,086,443**	**$11,226,621**	**$612,798**	**$505,770**
Prenatal					
Traditional up to FY 03-04 Level	$449,766	$449,766	$0	$0	$0
Traditional Above FY 03-04 Level	$4,956,330	$0	$4,956,330	$0	$0
Expansion to 200%	$1,175,625	$0	$1,175,625	$0	$0
Expansion to 205%	$84,609	$0	$0	$84,609	$0
Total	**$6,666,330**	**$449,766**	**$6,131,955**	**$84,609**	**$0**
Total Premiums					
Traditional up to FY 03-04 Level	$24,145,708	$23,433,976	$49,328	$324,155	$338,249
Traditional Above FY 03-04 Level	$14,367,565	$81,984	$14,022,496	$128,744	$134,341
Expansion to 200%	$3,366,816	$19,088	$3,286,475	$29,975	$31,278
Expansion to 205%	$217,873	$1,161	$277	$214,533	$1,902
Total	**$42,097,962**	**$23,536,209**	**$17,358,576**	**$697,407**	**$505,770**
Dental					
Traditional up to FY 03-04 Level	$2,360,199	$2,360,199	$0	$0	$0
Traditional Above FY 03-04 Level	$937,392	$0	$937,392	$0	$0
Expansion to 200%	$218,250	$0	$218,250	$0	$0
Expansion to 205%	$13,273	$0	$0	$13,273	$0
Total Dental	**$3,529,114**	**$2,360,199**	**$1,155,642**	**$13,273**	**$0**

[1] The Children's Basic Health Plan Trust Fund is the Cash Funds Exempt source for the following: Enrollment of all traditional clients (up to 185% of the federal poverty level) up to the FY 03-04 level, and; enrollment fees for all children.

[2] The Health Care Expansion Fund is the Cash Funds Exempt source for the following: Enrollment of all expansion clients between 186% and 200% of the federal poverty level, and; 13% of the State costs associated with the cervical cancer immunization, which accounts for approximately 1.67% of the children's per capita.

[3] The Supplemental Tobacco Litigation Settlement Account in the Trust Fund is the Cash Funds Exempt source for the following: Enrollment of all expansion clients between 201% and 205% of the federal poverty level, and; 100% of the State costs associated with the enhanced early intervention services benefit, which accounts for approximately 1.38% of the children's per capita.

[4] The Colorado Immunization Fund is the Cash Funds Exempt source for 87% of the State costs associated with the cervical cancer immunization, which accounts for approximately 1.65% of the children's per capita.

Exhibit C.4 - Children's Basic Health Plan External Administration

Children's Basic Health Plan Administration Line Item					
Line	**External Administration Costs**	**FY 07-08 Appropriation**	**FY 08-09 Base Request**	**FY 08-09 Incremental Request**	**FY 08-09 Total Request**
	Costs paid through the Children's Basic Health Plan Trust Fund				
1	Children's Operating Costs	$3,652,612	$3,652,612	$0	$3,652,612
2	Prenatal Operational Costs	$125,478	$125,478	$0	$125,478
3	Customer Service	$102,500	$101,500	$0	$101,500
4	**Subtotal Primary Administration (sum of lines 1 - 3)**	**$3,880,590**	**$3,879,590**	**$0**	**$3,879,590**
5	Actuarial Services	$96,000	$92,000	$0	$92,000
6	Quality Assurance	$125,000	$125,000	$0	$125,000
7	Claims Audit	$100,000	$100,000	$0	$100,000
8	**Subtotal Professional Services (sum of lines 5 - 7)**	**$321,000**	**$317,000**	**$0**	**$317,000**
9	**Subtotal External Administration (line 4 + line 8)**	**$4,201,590**	**$4,196,590**	**$0**	**$4,196,590**
	Adjustments from HB 05-1262 (Tobacco Tax)				
10	Marketing	$1,300,000	$1,300,000	$0	$1,300,000
11	Application Redesign and Printing	$40,000	$40,000	$0	$40,000
12	**Subtotal HB 05-1262 (Tobacco Tax) Administration (line 10 + line 11)**	**$1,340,000**	**$1,340,000**	**$0**	**$1,340,000**
13	**Total External Administration (Line 9 + Line 12)**	**$5,541,590**	**$5,536,590**	**$0**	**$5,536,590**
14	Federal Funds	$3,066,855	$3,063,639	$0	$3,063,639
15	Cash Funds Exempt	$2,474,735	$2,472,951	$0	$2,472,951

Exhibit C.4 - Children's Basic Health Plan External Administration

FY 07-08 External Administration Funding Splits (State Funds from Children's Basic Health Plan Trust)					
Title XXI Federal Match	**Request**	**Allocation**	**Dollars Matched**	**Federal Funds @ 65%**	**Cash Funds Exempt @ 35%**
Children's Operating Costs (Line 1)	$3,652,612	12.0%	$438,315	$284,905	$153,410
Prenatal Operating Costs (Line 2)	$125,478	100.0%	$125,478	$81,561	$43,917
Customer Service (Line 3)	$102,500	77.3%	$79,232	$51,501	$27,731
Professional Services (Line 8)	$321,000	100.0%	$321,000	$208,650	$112,350
Total Title XXI (Primary Administration)	$4,201,590		$964,025	$626,617	$337,408
Title XIX Federal Match	**Request**	**Allocation**	**Dollars Matched**	**Federal Funds @ 50%**	**Cash Funds Exempt @ 50%**
Eligibility and Enrollment (Line 1)	$3,652,612	88.0%	$3,214,297	$1,607,149	$1,607,148
Customer Service (Line 3)	$102,500	22.7%	$23,268	$11,634	$11,634
Total Title XIX (Primary Administration)	$3,755,112		$3,237,565	$1,618,783	$1,618,782

FY 07-08 External Administration Funding Splits (State Funds From Health Care Expansion Fund)					
Title XXI Federal Match	**Request**	**Allocation**	**Dollars Matched**	**Federal Funds @ 65%**	**Cash Funds Exempt @ 35%**
Marketing (Line 10)	$1,300,000	77.3%	$1,004,900	$653,185	$351,715
Application Redesign and Printing (Line 11)	$40,000	12.0%	$4,800	$3,120	$1,680
Total Title XXI (HB 05-1262 Administration)	$1,340,000		$1,009,700	$656,305	$353,395
Title XIX Federal Match	**Request**	**Allocation**	**Dollars Matched**	**Federal Funds @ 50%**	**Cash Funds Exempt @ 50%**
Marketing (Line 10)	$1,300,000	22.7%	$295,100	$147,550	$147,550
Application Redesign and Printing (Line 11)	$40,000	88.0%	$35,200	$17,600	$17,600
Total Title XIX (HB 05-1262 Administration)	$1,340,000		$330,300	$165,150	$165,150

	Total Funds	**FF**	**CFE Total**	**CFE- Trust Fund ***	**CFE-HCEF**
Total FY 07-08 Appropriation Fund Splits	$5,541,590	$3,066,855	$2,474,735	$1,956,190	$518,545

* Includes $2,168 from the Supplemental Tobacco Litigation Settlement Account in the Trust for the implementation of SB 07-004 and SB 07-097.

Exhibit C.4 - Children's Basic Health Plan External Administration

FY 08-09 External Funding Splits (State funds from Children's Basic Health Plan Trust)					
Title XXI Federal Match	**Request**	**Allocation**	**Dollars Matched**	**Federal Funds @ 65%**	**Cash Funds Exempt @ 35%**
Eligibility and Enrollment (Line 1)	$3,652,612	12.0%	$438,313	$284,903	$153,410
Prenatal (Line 2)	$125,478	100.0%	$125,478	$81,561	$43,917
Customer Service (Line 3)	$101,500	77.3%	$78,460	$50,999	$27,461
Professional Services (Line 8)	$317,000	100.0%	$317,000	$206,050	$110,950
Total Title XXI (Primary Administration)	$418,500		$959,251	$623,513	$335,738
Title XIX Federal Match	**Request**	**Allocation**	**Dollars Matched**	**Federal Funds @ 50%**	**Cash Funds Exempt @ 50%**
Eligibility and Enrollment (Line 1)	$3,652,612	88.0%	$3,214,299	$1,607,150	$1,607,149
Customer Service (Line 3)	$101,500	22.7%	$23,041	$11,521	$11,520
Total Title XIX (Primary Administration)	$418,500		$3,237,340	$1,618,671	$1,618,669

FY 08-09 External Funding Splits (State Funds From Health Care Expansion Fund)					
Title XXI Federal Match	**Request**	**Allocation**	**Dollars Matched**	**Federal Funds @ 65%**	**Cash Funds Exempt @ 35%**
Marketing (Line 10)	$1,300,000	77.3%	$1,004,900	$653,185	$351,715
Application Redesign and Printing (Line 11)	$40,000	12.0%	$4,800	$3,120	$1,680
Total Title XXI (HB 05-1262 Administration)	$1,340,000		$1,009,700	$656,305	$353,395
Title XIX Federal Match	**Request**	**Allocation**	**Dollars Matched**	**Federal Funds @ 50%**	**Cash Funds Exempt @ 50%**
Marketing (Line 10)	$1,300,000	22.7%	$295,100	$147,550	$147,550
Application Redesign and Printing (Line 11)	$40,000	88.0%	$35,200	$17,600	$17,600
Total Title XIX (HB 05-1262 Administration)	$1,340,000		$330,300	$165,150	$165,150

	Total Funds	**FF**	**CFE Total**	**CFE- Trust Fund ***	**CFE-HCEF**
FY 08-09 Total Request Fund Splits	$5,536,590	$3,063,639	$2,472,951	$1,954,406	$518,545

* Includes $384 from the Supplemental Tobacco Litigation Settlement Account in the Trust for the implementation of SB 07-097.

Exhibit C.5 - Per Capita Costs History and Projections

Children's Medical	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09
Cash-based Expenditures [1]	$50,550,660	$43,330,612	$56,713,621	$65,205,431		
Caseload [2]	41,786	35,800	41,945	47,047	56,323	62,481
Per Capita	$1,209.75	$1,210.35	$1,352.09	$1,385.96	**$1,581.01**	**$1,611.05**
% Per Capita Change	-	0.05%	11.71%	2.51%	14.07%	1.90%
Blended Rate [3]	$88.10	$92.01	$102.12	$105.85	$119.10	$123.04
% Blended Rate Change		4.44%	10.99%	3.65%	12.52%	3.31%
Blended Length of Stay			7.6	7.5		
% Blended Length of Stay Change				-0.9%		

Prenatal Medical	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09
Cash-based Expenditures [1]	$1,226,490	$6,685,402	$11,612,272	$16,892,791		
Caseload [2]	101	472	963	1,170	1,297	1,497
Per Capita	$12,143.47	$14,163.99	$12,058.43	$14,438.28	**$11,933.24**	**$12,723.22**
% Per Capita Change	-	16.64%	-14.87%	19.74%	-17.35%	6.62%
Rate		$888.49	$816.97	$1,045.44	$864.08	$921.30
% Rate Change	-	-	-8.05%	27.97%	-17.35%	6.62%

Children's Dental	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09
Cash-based Expenditures [1]	$5,405,336	$4,656,589	$5,707,513	$6,888,782		
Caseload [2]	41,786	35,800	41,945	47,047	56,323	62,481
Per Capita	$129.36	$130.07	$136.07	$146.42	**$152.36**	**$161.38**
% Per Capita Change	-	0.55%	4.61%	7.61%	4.06%	5.92%
Rate	$10.95	$11.31	$11.82	$13.30	$13.84	$14.66
% Rate Change	-	3.29%	4.51%	12.52%	4.06%	5.92%

[1] Cash-based expenditures from the Colorado Financial Reporting System (COFRS). In children's medical only, the reversal of the FY 05-06 accounts receivable in the amount of $4,661,297 artificially pushed expenditures from FY 05-06 to FY 06-07. The FY 05-06 accounts receivable accounted for approximately 5.2% of the accrual-based expenditures in FY 06-07. The FY 06-07 cash-based expenditures for children's medical from COFRS are decreased by a like amount in order to approximate the FY 06-07 expenditures without the artificial inflation. The FY 06-07 expenditures reported here are adjusted.

[2] Reported caseload is the restated caseload found in Exhibit C.6. See narrative for details regarding the caseload restatement.

[3] Calculated blended rate for FY 03-04 through FY 06-07 based on final caseload shares in Anthem and HMOs. Projected blended rates for FY 07-08 and FY 08-09 assume that 42.0% of children will be in Anthem and 58.0% will be in HMOs. See narrative for details.

Exhibit C.5 - Per Capita Costs History and Projections

FY 07-08 Capitation Rates			
	Kids- Blended	Prenatal	Dental
FY 06-07 Rate	$105.85	$1,045.44	$13.30
FY 07-08 Base Rate	**$117.01**	**$864.09**	**$13.84**
Base Growth	10.54%	-17.35%	4.06%
SB 07-004 (Early Intervention Services, effective November 1, 2007)	$2.50	$0.00	$0.00
SB 07-004 Growth from Base	2.14%	0.00%	0.00%
November 1, 2007 Rate	**$119.51**	**$864.09**	**$13.84**
SB 07-036 (Mandatory Coverage of Mental Health Disorders, effective January 1, 2008)	$0.16	$0.00	$0.00
SB 07-036 Growth from Base	0.14%	0.00%	0.00%
HB 07-1301 (Cervical Cancer Immunizations, effective January 1, 2008)	$3.98	$0.00	$0.00
HB 07-1301 Growth from Base	3.40%	0.00%	0.00%
January 1, 2008 Rate	**$123.65**	**$864.09**	**$13.84**
SB 07-097 (Allocation of Tobacco Litigation Settlement Moneys, effective March 1, 2008)	$0.00	($0.02)	$0.00
SB 07-097 Growth from Base	0.00%	0.00%	0.00%
March 1, 2008 Rate	**$123.65**	**$864.07**	**$13.84**
Blended FY 07-08 Rate	**$120.75**	**$864.08**	**$13.84**
FY 07-08 Final Blended Rate Growth Rate	14.07%	-17.35%	4.06%

FY 07-08 Per Capita Calculations			
	Kids (Blended)	Prenatal	Dental
FY 06-07 Per Capita *	$1,385.96	$14,438.28	$146.42
FY 07-08 Base Growth	10.54%	-17.35%	4.06%
FY 07-08 Base Per Capita	**$1,532.04**	**$11,933.24**	**$152.36**
SB 07-004 Growth	2.14%	0.00%	0.00%
SB 07-004 Increase (adjusted for partial year)	$21.86	$0.00	$0.00
SB 07-036 Growth	0.14%	0.00%	0.00%
SB 07-036 Increase (adjusted for partial year)	$1.07	$0.00	$0.00
HB 07-1301 Growth	3.40%	0.00%	0.00%
HB 07-1301 Increase (adjusted for partial year)	$26.04	$0.00	$0.00
SB 07-097 Growth	0.00%	0.00%	0.00%
SB 07-097 Increase (adjusted for partial year)	$0.00	$0.00	$0.00
Total Projected FY 07-08 Per Capita	**$1,581.01**	**$11,933.24**	**$152.36**
Change from FY 06-07	14.07%	-17.35%	4.06%

* See Footnote 1 on page C.5-1.

FY 08-09 Capitation Rates			
	Kids- Blended	Prenatal	Dental
Final FY 07-08 Rate	$120.75	$864.08	$13.84
FY 08-09 Rate	$123.04	$921.30	$14.66
Base Growth	1.90%	6.62%	5.92%

FY 08-09 Per Capita Calculations			
	Kids (Blended)	Prenatal	Dental
FY 07-08 Per Capita	$1,581.01	$11,933.24	$152.36
FY 08-09 Base Growth	1.90%	6.62%	5.92%
Projected FY 08-09 Base Per Capita	**$1,611.05**	**$12,723.22**	**$161.38**

Exhibit C.6 - Children's Caseload History and Projections

Historical Monthly Caseload														Projections					
								FY 05-06			FY 06-07			FY 07-08			FY 08-09		
	FY 98-99	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	Traditional	Expansion	Total Children	Traditional	Expansion	Total Children	Traditional	Expansion	Total Children	Traditional	Expansion	Total Children
July	8,263	19,233	25,070	33,773	40,834	46,397	33,254	36,038	659	36,697	43,360	2,338	45,698	49,400	3,271	52,671	56,084	3,712	59,796
August	8,956	20,397	25,186	34,592	41,929	46,395	37,118	34,621	727	35,348	42,094	2,477	44,571	50,225	3,326	53,551	56,650	3,749	60,399
September	9,649	20,889	25,372	35,014	42,770	46,200	37,009	35,068	804	35,872	41,181	2,616	43,797	50,647	3,354	54,001	56,933	3,768	60,701
October	10,347	21,906	25,826	35,922	43,939	46,968	31,638	37,459	1,064	38,523	41,188	2,926	44,114	51,543	3,413	54,956	57,548	3,809	61,357
November	11,082	22,698	26,626	36,404	44,345	45,534	33,382	38,882	1,206	40,088	42,150	3,049	45,199	52,017	3,444	55,461	57,870	3,830	61,700
December	11,704	22,944	27,050	36,522	44,717	43,851	34,038	39,768	1,310	41,078	42,263	3,141	45,404	52,131	3,452	55,583	57,945	3,835	61,780
January	12,649	23,652	27,827	37,176	45,800	42,200	33,996	41,119	1,466	42,585	43,297	3,207	46,504	52,772	3,494	56,266	58,374	3,863	62,237
February	13,798	23,997	29,317	37,297	46,086	40,249	36,342	42,329	1,571	43,900	44,640	3,235	47,875	52,893	3,502	56,395	58,456	3,868	62,324
March	15,074	24,491	30,433	38,467	46,197	38,462	38,782	45,014	1,690	46,704	45,983	3,204	49,187	54,030	3,577	57,607	59,216	3,918	63,134
April	16,603	24,801	31,559	39,360	46,365	37,007	39,532	45,069	1,759	46,828	46,236	3,179	49,415	54,889	3,634	58,523	59,784	3,956	63,740
May	17,341	25,015	32,498	39,870	46,101	35,000	37,325	45,685	1,895	47,580	47,611	3,244	50,855	55,378	3,666	59,044	60,107	3,977	64,084
June	18,436	25,196	33,091	40,112	46,115	33,173	37,185	46,102	2,041	48,143	48,713	3,226	51,939	55,611	3,681	59,292	60,257	3,987	64,244
Average Monthly Caseload	12,825	22,935	28,321	37,042	44,600	41,786	35,800	40,596	1,349	41,945	44,060	2,987	47,047	52,628	3,485	56,113	58,269	3,856	62,125
Annual Growth	-	78.8%	23.5%	30.8%	20.4%	-6.3%	-14.3%	13.4%	-	17.2%	8.5%	121.4%	12.2%	19.4%	16.7%	19.3%	10.7%	10.6%	10.7%
Adjustments [1]														96	114	210	113	243	356
Final Caseload with Adjustments	**12,825**	**22,935**	**28,321**	**37,042**	**44,600**	**41,786**	**35,800**			**41,945**			**47,047**	**52,724**	**3,599**	**56,323**	**58,382**	**4,099**	**62,481**
Annual Growth	-	78.8%	23.5%	30.8%	20.4%	-6.3%	-14.3%			17.2%			12.2%	19.7%	20.5%	19.7%	10.7%	13.9%	10.9%

[1] FY 07-08 adjustments include 102 children from HB 06-1270 and 108 from SB 07-097. These are increased to 121 and 235 children, respectively, in FY 08-09. Please see narrative for details. HB 06-1270 adjustments are split between traditional and expansion based on relative caseload shares, and SB 07-097 adjustments are included in the expansion children.

Exhibit C.6 - Children's Caseload History and Projections

FY 07-08 Projection

	Prior Month Traditional Caseload	Traditional Base Growth [1]	Traditional Monthly Change	Traditional Children Projection	Cumulative Traditional Caseload [2]	Prior Month Expansion Caseload	Expansion Base Growth [3]	Expansion Monthly Change	Expansion Children Projection	FY 07-08 Total Children's Caseload (Pre-adjustments)
July	48,713	1.4%	687	49,400	49,400	3,226	1.4%	45	3,271	52,671
August	49,400	1.7%	825	50,225	99,625	3,271	1.7%	55	3,326	53,551
September	50,225	0.8%	422	50,647	150,272	3,326	0.8%	28	3,354	54,001
October	50,647	1.8%	896	51,543	201,815	3,354	1.8%	59	3,413	54,956
November	51,543	0.9%	474	52,017	253,832	3,413	0.9%	31	3,444	55,461
December	52,017	0.2%	114	52,131	305,963	3,444	0.2%	8	3,452	55,583
January	52,131	1.2%	641	52,772	358,735	3,452	1.2%	42	3,494	56,266
February	52,772	0.2%	121	52,893	411,628	3,494	0.2%	8	3,502	56,395
March	52,893	2.2%	1,137	54,030	465,658	3,502	2.2%	75	3,577	57,607
April	54,030	1.6%	859	54,889	520,547	3,577	1.6%	57	3,634	58,523
May	54,889	0.9%	489	55,378	575,925	3,634	0.9%	32	3,666	59,044
June	55,378	0.4%	233	55,611	631,536	3,666	0.4%	15	3,681	59,292
Average Monthly		1.1%	575	52,628			1.1%	38	3,485	56,113
Growth Rate				19.4%					16.7%	19.3%

FY 08-09 Projection

	Prior Month Traditional Caseload	Traditional Base Growth [1]	Traditional Monthly Change	Traditional Children Projection	Cumulative Traditional Caseload [2]	Prior Month Expansion Caseload	Expansion Base Growth [3]	Expansion Monthly Change	Expansion Children Projection	FY 08-09 Total Children's Caseload (Pre-adjustments)
July	55,611	0.9%	473	56,084	56,084	3,681	0.9%	31	3,712	59,796
August	56,084	1.0%	566	56,650	112,734	3,712	1.0%	37	3,749	60,399
September	56,650	0.5%	283	56,933	169,667	3,749	0.5%	19	3,768	60,701
October	56,933	1.1%	615	57,548	227,215	3,768	1.1%	41	3,809	61,357
November	57,548	0.6%	322	57,870	285,085	3,809	0.6%	21	3,830	61,700
December	57,870	0.1%	75	57,945	343,030	3,830	0.1%	5	3,835	61,780
January	57,945	0.7%	429	58,374	401,404	3,835	0.7%	28	3,863	62,237
February	58,374	0.1%	82	58,456	459,860	3,863	0.1%	5	3,868	62,324
March	58,456	1.3%	760	59,216	519,076	3,868	1.3%	50	3,918	63,134
April	59,216	1.0%	568	59,784	578,860	3,918	1.0%	38	3,956	63,740
May	59,784	0.5%	323	60,107	638,967	3,956	0.5%	21	3,977	64,084
June	60,107	0.3%	150	60,257	699,224	3,977	0.3%	10	3,987	64,244
Average Monthly		0.7%	387	58,269			0.7%	26	3,856	62,125
Growth Rate				10.7%					10.6%	10.7%

[1] The FY 07-08 caseload is forecasted to increase by an average of 1.1% per month. The forecasted growth rate and the monthly variations are based on experience from FY 01-02, during which caseload increased by an average of 1.6% per month. This growth rate is reduced because caseload is now closer to a saturation point than in FY 01-02. Similarly, the forecasted FY 08-09 caseload growth of an average of 0.7% per month is based on experience from FY 02-03, during which the average growth moderated to 1.2% per month. The FY 07-08 monthly variations are retained in the FY 08-09 forecast.

[2] Caseload beyond the FY 03-04 level of 41,786 is financed by the Health Care Expansion Fund.

[3] The expansion children caseload forecasts for both FY 07-08 and FY 08-09 mirror those for traditional children. Thus, the expansion children's caseload is forecasted to increase by an average of 1.1% per month in FY 07-08 and 0.7% per month in FY 08-09, with the monthly variations retained.

Exhibit C.7 - Prenatal Caseload History and Projections

Historical Monthly Caseload										Projections					
				FY 05-06			FY 06-07			FY 07-08			FY 08-09		
	FY 02-03	FY 03-04	FY 04-05	Traditional	Expansion	Total Prenatal	Traditional	Expansion	Total Prenatal	Traditional	Expansion	Total Prenatal	Traditional	Expansion	Total Prenatal
July		347	0	835	24	859	933	165	1,098	1,051	202	1,253	1,184	252	1,436
August		284	157	818	34	852	952	186	1,138	1,072	210	1,282	1,208	262	1,470
September		212	221	848	46	894	931	211	1,142	1,048	201	1,249	1,181	251	1,432
October	183	148	254	857	58	915	945	246	1,191	1,064	207	1,271	1,199	258	1,457
November	374	105	337	863	65	928	959	247	1,206	1,080	213	1,293	1,217	265	1,482
December	485	69	430	880	74	954	945	239	1,184	1,064	207	1,271	1,199	258	1,457
January	552	34	516	939	100	1,039	935	232	1,167	1,053	203	1,256	1,186	253	1,439
February	597	12	606	927	104	1,031	956	226	1,182	1,077	212	1,289	1,213	264	1,477
March	637	0	729	898	108	1,006	981	203	1,184	1,105	222	1,327	1,245	277	1,522
April	705	0	791	885	126	1,011	946	208	1,154	1,066	207	1,273	1,201	259	1,460
May	531	0	816	874	133	1,007	980	198	1,178	1,104	221	1,325	1,244	276	1,520
June	405	0	809	903	157	1,060	1,017	190	1,207	1,146	237	1,383	1,291	295	1,586
Average Monthly Caseload	497	101	472	877	86	963	957	213	1,170	1,078	212	1,290	1,214	264	1,478
Annual Growth		-79.7%	367.3%	85.8%	-	104.0%	9.1%	147.7%	21.5%	12.6%	-0.5%	10.3%	12.6%	24.5%	14.6%
Adjustments [1]										0	7	7	0	19	19
Final Caseload with Adjustments	**497**	**101**	**472**			**963**			**1,170**	**1,078**	**219**	**1,297**	**1,214**	**283**	**1,497**
Annual Growth	-	-79.7%	367.3%			104.0%			21.5%	12.6%	2.8%	10.9%	12.6%	29.2%	15.4%

[1] Adjustment for SB 07-097. See narrative for details.

Exhibit C.7 - Prenatal Caseload History and Projections

FY 07-08 Projection										
	Prior Month Traditional Caseload	Traditional Base Growth [1]	Traditional Monthly Change	Traditional Prenatal Projection	Cumulative Traditional Caseload [2]	Prior Month Expansion Caseload	Expansion Base Growth [3]	Expansion Monthly Change	Expansion Population Projection	FY 07-08 Total Prenatal Caseload (Pre-adjustments)
July	1,017	3.3%	34	1,051	1,051	190	6.2%	12	202	1,253
August	1,051	2.0%	21	1,072	2,123	202	3.8%	8	210	1,282
September	1,072	-2.2%	(24)	1,048	3,171	210	-4.1%	(9)	201	1,249
October	1,048	1.5%	16	1,064	4,235	201	2.8%	6	207	1,271
November	1,064	1.5%	16	1,080	5,315	207	2.8%	6	213	1,293
December	1,080	-1.5%	(16)	1,064	6,379	213	-2.7%	(6)	207	1,271
January	1,064	-1.1%	(11)	1,053	7,432	207	-2.0%	(4)	203	1,256
February	1,053	2.3%	24	1,077	8,509	203	4.2%	9	212	1,289
March	1,077	2.6%	28	1,105	9,614	212	4.9%	10	222	1,327
April	1,105	-3.6%	(39)	1,066	10,680	222	-6.7%	(15)	207	1,273
May	1,066	3.6%	38	1,104	11,784	207	6.7%	14	221	1,325
June	1,104	3.8%	42	1,146	12,930	221	7.1%	16	237	1,383
Average Monthly Caseload		1.0%	11	1,078			1.9%	4	212	1,290
Annual Growth				12.6%					-0.5%	10.3%

FY 08-09 Projection										
	Prior Month Traditional Caseload	Traditional Base Growth [1]	Traditional Monthly Change	Traditional Prenatal Projection	Cumulative Traditional Caseload [2]	Prior Month Expansion Caseload	Expansion Base Growth [3]	Expansion Monthly Change	Expansion Population Projection	FY 08-09 Total Prenatal Caseload (Pre-adjustments)
July	1,146	3.3%	38	1,184	1,184	237	6.2%	15	252	1,436
August	1,184	2.0%	24	1,208	2,392	252	3.8%	10	262	1,470
September	1,208	-2.2%	(27)	1,181	3,573	262	-4.1%	(11)	251	1,432
October	1,181	1.5%	18	1,199	4,772	251	2.8%	7	258	1,457
November	1,199	1.5%	18	1,217	5,989	258	2.8%	7	265	1,482
December	1,217	-1.5%	(18)	1,199	7,188	265	-2.7%	(7)	258	1,457
January	1,199	-1.1%	(13)	1,186	8,374	258	-2.0%	(5)	253	1,439
February	1,186	2.3%	27	1,213	9,587	253	4.2%	11	264	1,477
March	1,213	2.6%	32	1,245	10,832	264	4.9%	13	277	1,522
April	1,245	-3.6%	(44)	1,201	12,033	277	-6.7%	(18)	259	1,460
May	1,201	3.6%	43	1,244	13,277	259	6.7%	17	276	1,520
June	1,244	3.8%	47	1,291	14,568	276	7.1%	19	295	1,586
Average Monthly Caseload		1.0%	12	1,214			1.9%	5	264	1,478
Annual Growth				12.6%					24.5%	14.6%

[1] The FY 07-08 traditional prenatal forecast is based on growth experienced in FY 06-07, during which caseload increased by an average of 1.0% per month. Similarly, the monthly variations in the growth rate is similar to that experienced during FY 06-07. The FY 08-09 traditional children's forecast assumes that monthly growth will stay constant from that in FY 07-08, and that the monthly variation in FY 08-09 growth rates mirrors that in FY 07-08.

[2] Caseload beyond the FY 03-04 level of 101, or 1,211 member months, is financed by the Health Care Expansion Fund.

[3] The FY 07-08 expansion prenatal caseload forecast is based on growth experienced in FY 06-07, during which caseload increased by an average of 2.1% per month. The monthly variation in the growth rate mirrors that in the traditional prenatal population. The FY 08-09 expansion children's forecast assumes that monthly growth will stay constant from that in FY 07-08, and that the monthly variation in FY 08-09 growth rates mirrors that in FY 07-08.

Exhibit C.8 - Children's Basic Health Plan Internal Administration

Internal Administration Appropriation and Request			
Cash Funds Exempt From Children's Basic Health Plan Trust Fund	**FY 07-08 Year-to-date Appropriation**	**FY 08-09 Base Request**	**Source**
Personal Services	$212,646	$212,646	FY 07-087: Letternotes to HB 06-1385 (Long Bill) Plus Special Bills
Health, Life, and Dental	$12,383	$12,383	
Short-term Disability	$267	$267	
Salary Survey and Senior Executive Survey	$8,621	$8,621	
Performance-based Pay	$3,553	$3,553	
SB 04-257 Amortization Equalization Disbursement	$2,467	$2,467	
SB 06-235 Supplemental Amortization Equalization Disbursement	$514	$514	
Operating Expenses	$701	$701	
Legal Services and Third Party Recovery Legal Services	$6,319	$6,319	FY 08-09: Base Request
Medicaid Management Information System Contract (FY 05-06 Long Bill SB 05-209)	$350,087	$286,892	
School District Eligibility Determinations	$18,098	$18,098	
Payment Error Rate Measurement Project	$77,240	$77,240	
Colorado Benefits Management System	$476,771	$476,771	
Colorado Benefits Management System - SAS 70 Audit	$2,260	$2,260	
Total from the Children's Basic Health Plan Trust Fund	**$1,171,927**	**$1,108,732**	

Exhibit C.9 - Children's Basic Health Plan Trust Fund Interest Earnings

Estimation of Interest Earnings to the Trust Fund	
FY 04-05	
Interest Earned in FY 04-05	$587,893
Beginning Balance, Non-Interest Deposits, Appropriations to the Trust	$29,438,421
Ratio of Interest Earned	2.00%
FY 05-06	
Interest Earned in FY 05-06	$752,518
Beginning Balance, Non-Interest Deposits, Appropriations to the Trust	$33,044,525
Ratio of Interest Earned	2.28%
FY 06-07	
Interest Earned	$367,880
Beginning Balance, Non-Interest Deposits, Appropriations to the Trust	$35,102,055
Ratio of Interest Earned	1.05%
FY 07-08	
Beginning Balance, Non-Interest Deposits, Appropriations to the Trust	$29,666,385
Estimated Ratio of Interest Earned	1.78%
Multiplied by Ratio of Interest Earned to Those Revenues Equals Interest Earnings	$528,062
FY 08-09	
Beginning Balance, Non-Interest Deposits, Appropriations to the Trust	$26,070,281
Estimated Ratio of Interest Earned	1.78%
Multiplied by Ratio of Interest Earned to Those Revenues Equals Interest Earnings	$464,051

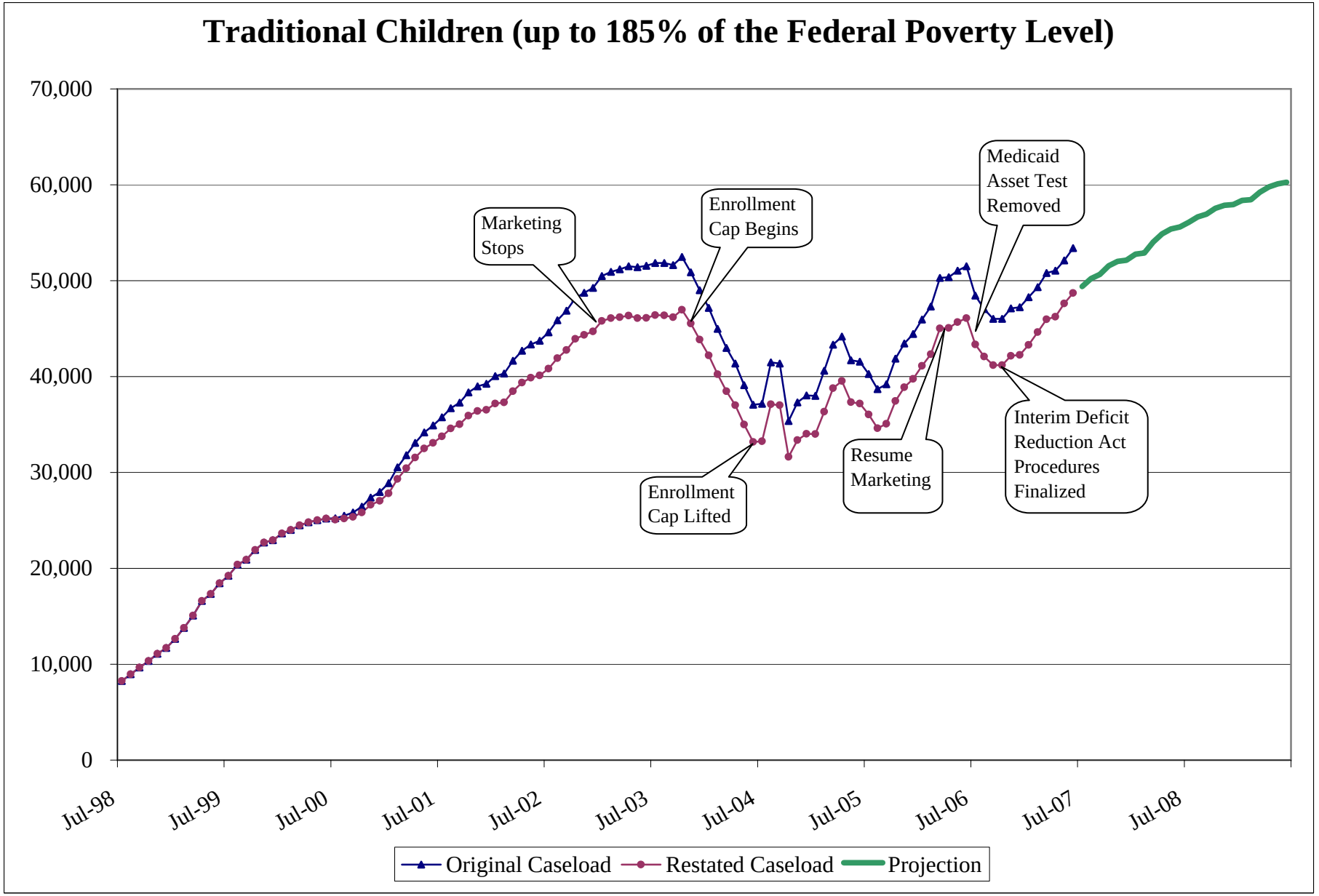
Exhibit C.10 - SCHIP Federal Allotment Forecast

SCHIP Federal Allotment Forecast for Colorado as of November 1, 2007							
State Fiscal Year (July 1 - June 30)	**FY 05-06**	**FY 06-07**	**FY 07-08**	**FY 08-09**	**FY 09-10**	**FY 10-11**	**FY 11-12**
Children's Medical Premiums							
Children's Caseload	41,945	47,047	56,323	62,481	65,899	67,701	69,553
Caseload Growth Rate	17.2%	12.2%	19.7%	10.9%	5.5%	2.7%	2.7%
Children's Per Capita	$1,352.09	$1,385.96	$1,581.01	$1,611.05	$1,641.66	$1,672.85	$1,704.64
Per Capita Growth Rate	11.7%	2.5%	14.1%	1.9%	1.9%	1.9%	1.9%
Children's Premiums Total Funds	$56,713,415	$65,205,260	$89,047,227	$100,660,015	$108,183,752	$113,253,618	$118,562,826
Less Annual Enrollment Fees (No Federal Match)	$191,726	$232,136	$277,672	$308,656	$325,541	$334,443	$343,592
Children's Dental Premiums							
Children's Caseload	41,945	47,047	56,323	62,481	65,899	67,701	69,553
Dental Per Capita	$136.07	$146.42	$152.36	$161.38	$170.93	$181.05	$191.77
Per Capita Growth Rate	4.6%	7.6%	4.1%	5.9%	5.9%	5.9%	5.9%
Children's Dental Total Funds	$5,707,456	$6,888,622	$8,581,372	$10,083,184	$11,264,116	$12,257,266	$13,338,179
Prenatal And Delivery Costs							
Prenatal Caseload	963	1,170	1,297	1,497	1,612	1,736	1,870
Caseload Growth Rate	104.0%	21.5%	10.9%	15.4%	7.7%	7.7%	7.7%
Prenatal Per Capita	$12,058.43	$14,438.28	$11,933.24	$12,723.22	$13,565.50	$14,463.54	$15,421.03
Per Capita Growth Rate	-14.9%	19.7%	-17.3%	6.6%	6.6%	6.6%	6.6%
Subtotal Prenatal and Delivery Costs	$11,612,268	$16,892,788	$15,477,412	$19,046,660	$21,867,586	$25,108,705	$28,837,326
Subtotal Medical Expenses	$74,224,865	$89,218,806	$113,383,683	$130,098,515	$141,640,995	$150,954,032	$161,081,923
Administration							
Annual Admin increase				2.60%	2.60%	2.60%	2.60%
Admin (Estimate)	$4,567,827	$6,151,625	$6,713,517	$6,645,322	$6,817,967	$6,995,098	$7,176,831
Total Funds	$78,792,692	$95,370,431	$120,097,200	$136,743,837	$148,458,962	$157,949,130	$168,258,754
Federal Funds at 65%	$51,215,250	$61,990,780	$78,063,180	$88,883,494	$96,498,325	$102,666,935	$109,368,190
Federal Fiscal Year (Oct - Sep)	**FFY 2006**	**FFY 2007**	**FFY 2008**	**FFY 2009**	**FFY 2010**	**FFY 2011**	**FFY 2012**
Total Funds	$82,937,127	$101,552,123	$124,258,859	$139,672,618	$150,831,504	$157,949,130	$168,258,754
Federal Funds Needed	$53,909,133	$66,008,880	$80,768,259	$90,787,202	$98,040,478	$102,666,935	$109,368,190
Federal Allotment	$57,951,287	$71,544,798	$71,544,798	$71,544,798	$71,544,798	$71,544,798	$71,544,798
Redistributions	($5,707,946)	$0	$0	$0	$0	$0	$0
Available from Prior Years	$102,056,558	$100,390,766	$105,926,684	$96,703,223	$77,460,819	$50,965,139	$19,843,002
Total Federal Funds Available	$154,299,899	$171,935,564	$177,471,482	$168,248,021	$149,005,617	$122,509,937	$91,387,800
Unspent / (Amount needed)	**$100,390,766**	**$105,926,684**	**$96,703,223**	**$77,460,819**	**$50,965,139**	**$19,843,002**	**($17,980,390)**

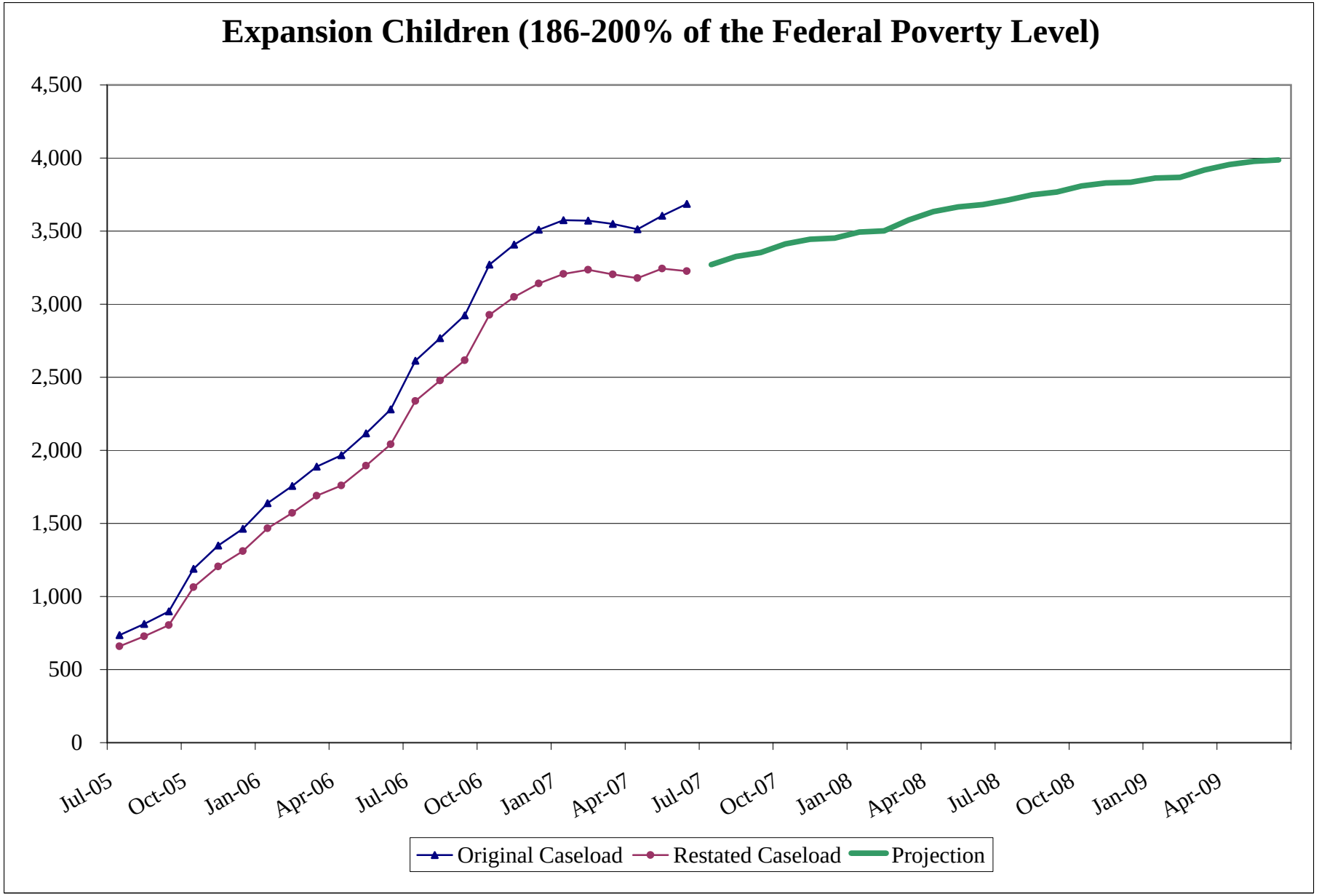
Notes

1. Caseload and rates for FY 07-08 and FY 08-09 are from Exhibits C.2 and C.3.
2. Caseload growth for both the children and prenatal populations assume the growth rate will decrease by 50% from the FY 08-09 rate for FY 09-10, by a further 50% in FY 10-11, and remain constant in FY 11-12.
3. The inflation rate used for medical premiums is the average Consumer Price Index for medical costs between 1997 and 2006 for Denver-Boulder-Greeley. The FY 08-09 per capita projection is increased by this percent to estimate FY 09-10 through FY 11-12
4. The inflation rate used for administrative expenses is the average Consumer Price Index for all items between 1996 and 2007 for Denver-Boulder-Greeley. The FY 08-09 administration estimate is increased by this percent to estimate FY 09-10 through FY 11-12.
5. The administration estimate for FY 05-06 and FY 06-07 includes the Administration line item and the allocation of other Internal Administration expenses. FY 07-08 and FY 08-09 estimates are taken from Exhibits C.4 and C.8.
6. Federal Fiscal Years are estimated using 75% of one State Fiscal Year and 25% of the next.
7. The negative distribution in FFY 2006 is per the National Institutes of Health Reform Act of 2006, and reflects an early partial redistribution of FFY 2005 federal funds.

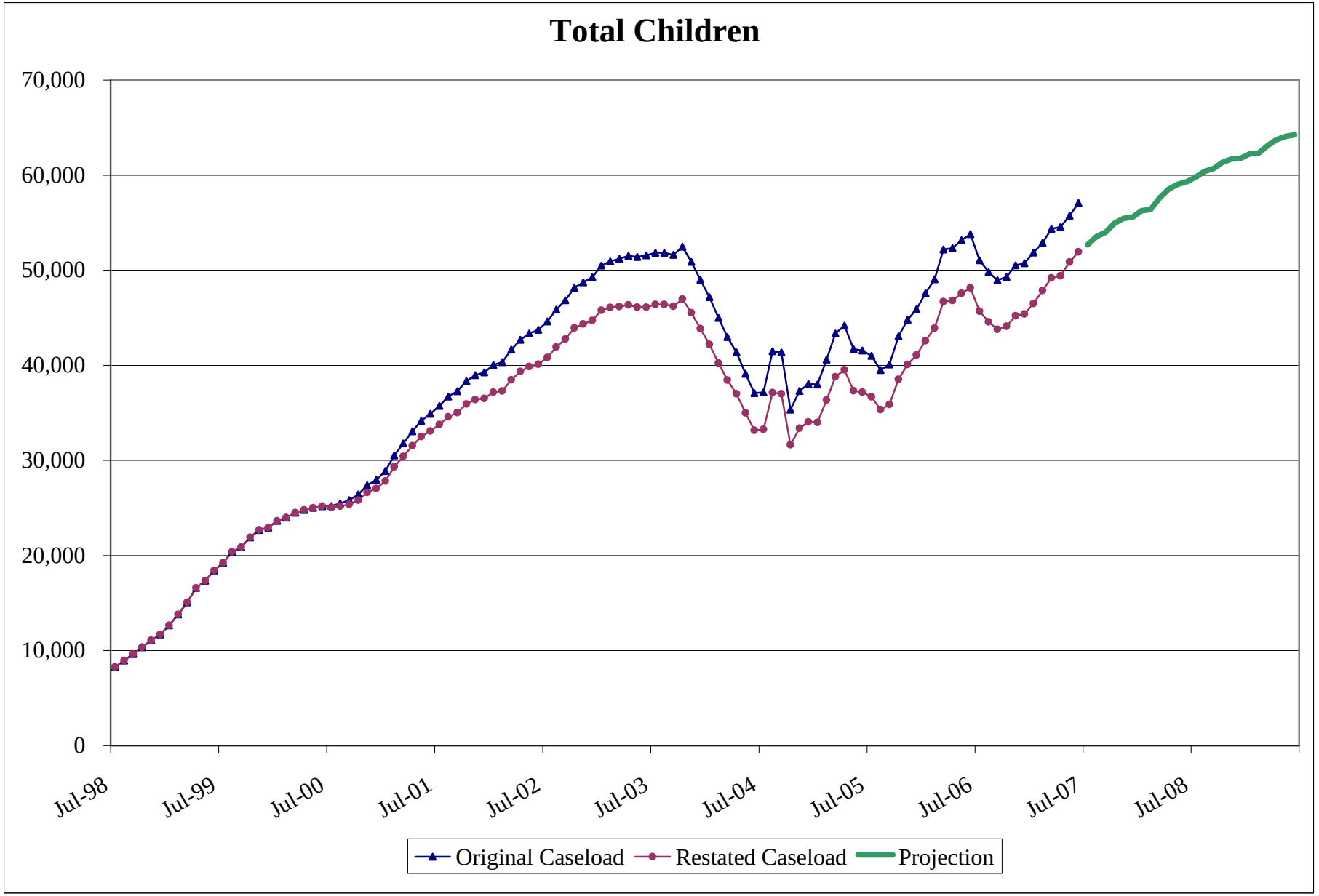
Exhibit C.11 - Children's Basic Health Plan Caseload Graphs



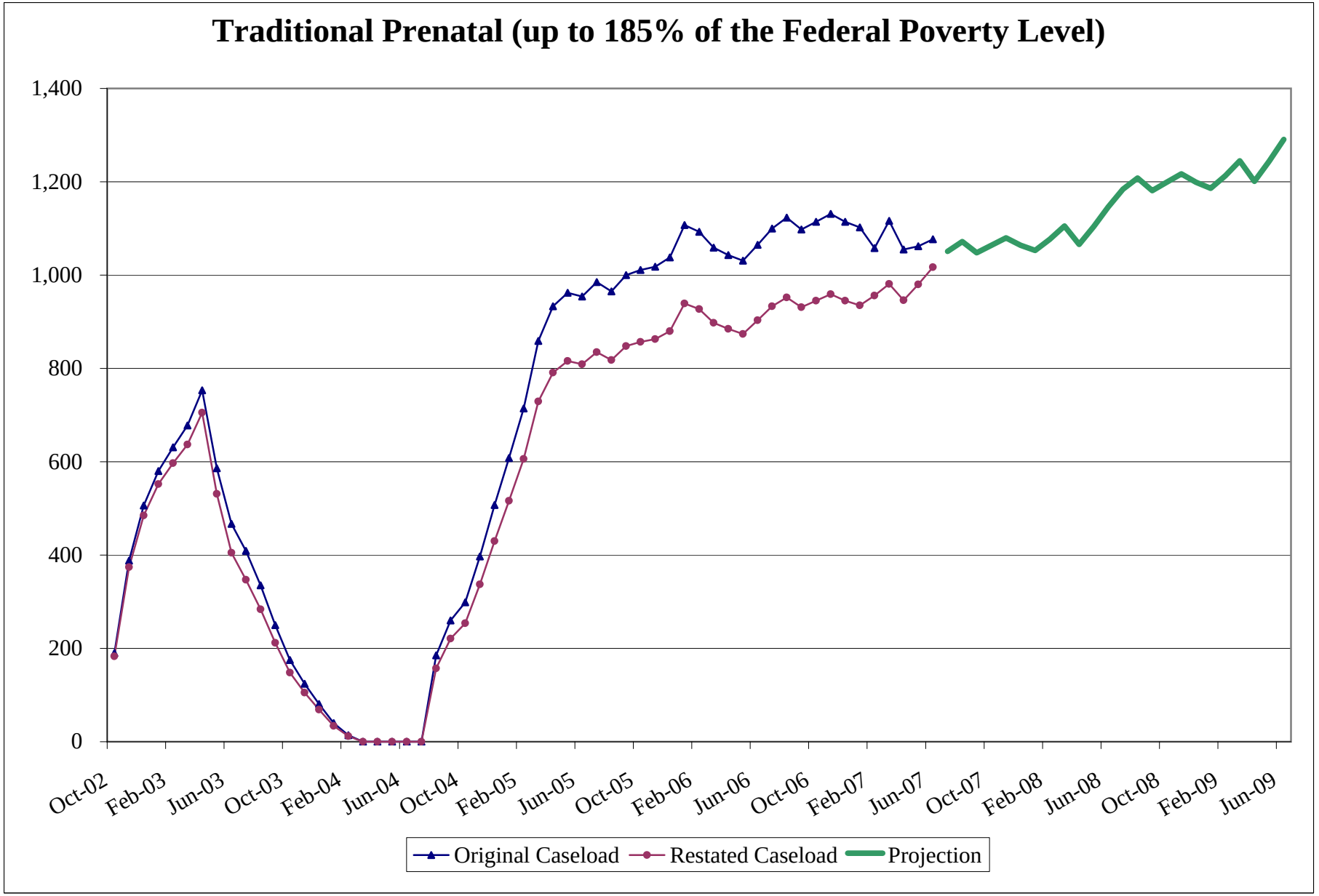
Children's Basic Health Plan Caseload Graphs



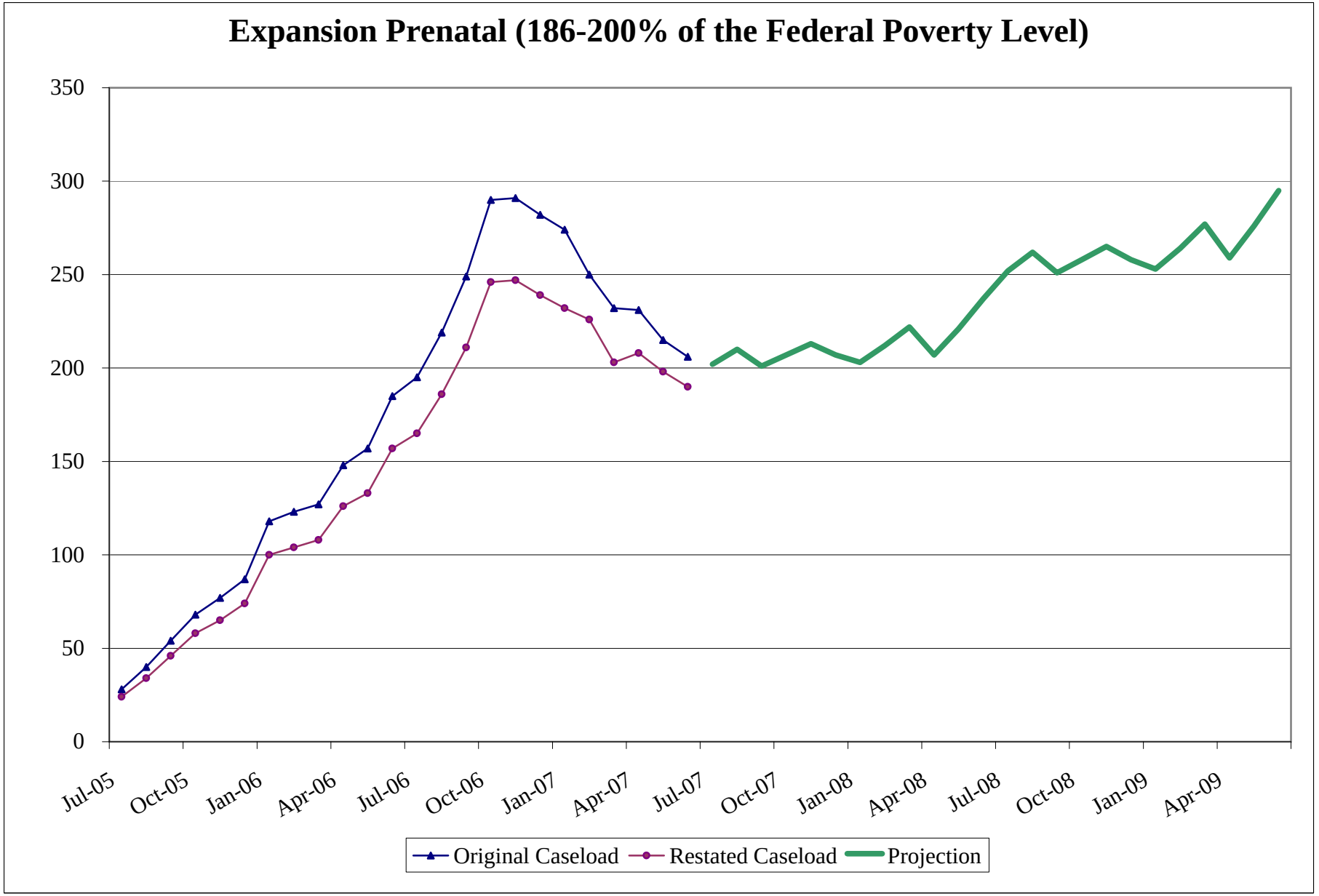
Children's Basic Health Plan Caseload Graphs



Children's Basic Health Plan Caseload Graphs



Children's Basic Health Plan Caseload Graphs



Children's Basic Health Plan Caseload Graphs

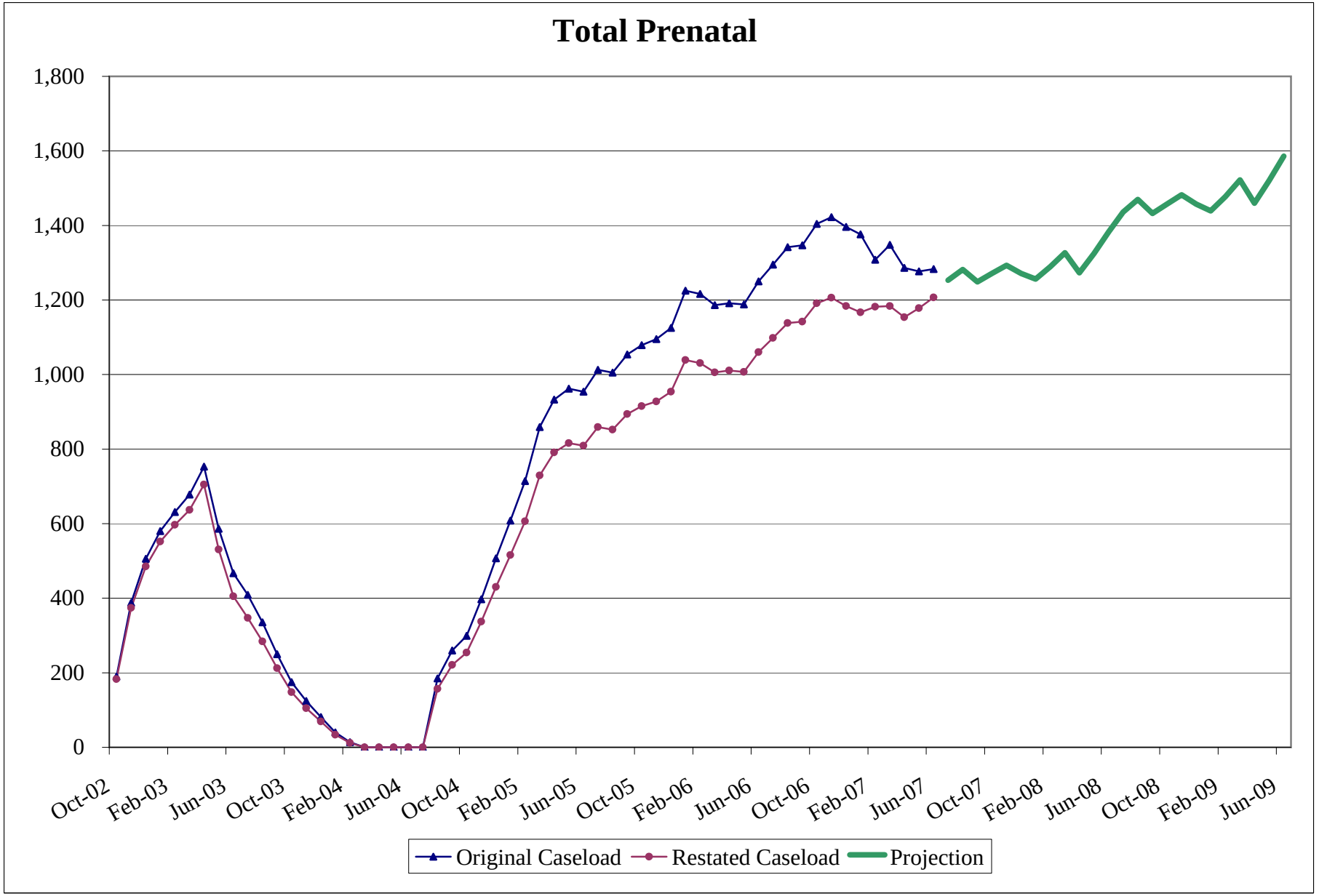


Exhibit C.12 - Children's Basic Health Plan Caseload Restatement Comparison

	Traditional Children Capitations	Traditional Children Restated	Traditional Children Revision	Expansion Children Capitations	Expansion Children Restated	Expansion Children Revision	Total Children Capitations	Total Children Restated	Total Children Revision
FY 98-99	12,825	12,825	0	0	0	0	12,825	12,825	0
% Change from FY 97-98	-	-	-	0.0%	0.0%	-	-	-	-
FY 99-00	22,935	22,935	0	0	0	0	22,935	22,935	0
% Change from FY 98-99	78.8%	78.8%	0.0%	0.0%	0.0%	0.0%	78.8%	78.8%	0.0%
FY 00-01	29,305	28,321	(984)	0	0	0	29,305	28,321	(984)
% Change from FY 99-00	27.8%	23.5%	-3.4%	0.0%	0.0%	0.0%	27.8%	23.5%	-3.4%
FY 01-02	39,843	37,042	(2,801)	0	0	0	39,843	37,042	(2,801)
% Change from FY 00-01	36.0%	30.8%	-7.0%	0.0%	0.0%	0.0%	36.0%	30.8%	-7.0%
FY 02-03	49,216	44,600	(4,616)	0	0	0	49,216	44,600	(4,616)
% Change from FY 01-02	23.5%	20.4%	-9.4%	0.0%	0.0%	0.0%	23.5%	20.4%	-9.4%
FY 03-04	46,694	41,786	(4,908)	0	0	0	46,694	41,786	(4,908)
% Change from FY 02-03	-5.1%	-6.3%	-10.5%	0.0%	0.0%	0.0%	-5.1%	-6.3%	-10.5%
FY 04-05	40,005	35,800	(4,205)	0	0	0	40,005	35,800	(4,205)
% Change from FY 03-04	-14.3%	-14.3%	-10.5%	0.0%	0.0%	0.0%	-14.3%	-14.3%	-10.5%
FY 05-06	45,364	40,596	(4,768)	1,508	1,349	(159)	46,872	41,945	(4,927)
% Change from FY 04-05	13.4%	13.4%	-10.5%	-	-	-10.5%	17.2%	17.2%	-10.5%
FY 06-07	48,903	44,060	(4,843)	3,333	2,987	(346)	52,236	47,047	(5,189)
% Change from FY 05-06	7.8%	8.5%	-9.9%	121.0%	121.4%	-10.4%	11.4%	12.2%	-9.9%

	Traditional Prenatal Capitations	Traditional Prenatal Restated	Traditional Prenatal Revision	Expansion Prenatal Capitations	Expansion Prenatal Restated	Expansion Prenatal Revision	Total Prenatal Capitations	Total Prenatal Restated	Total Prenatal Revision
FY 02-03	531	497	(34)	0	0	0	531	497	(34)
% Change from FY 01-02	-	-	-6.4%	0.0%	0.0%	0.0%	-	-	-6.4%
FY 03-04	119	101	(18)	0	0	0	119	101	(18)
% Change from FY 02-03	-77.6%	-79.7%	-15.1%	0.0%	0.0%	0.0%	-77.6%	-79.7%	-15.1%
FY 04-05	557	472	(85)	0	0	0	557	472	(85)
% Change from FY 03-04	368.0%	367.3%	-15.3%	0.0%	0.0%	0.0%	368.1%	367.3%	-15.3%
FY 05-06	1,035	877	(158)	101	86	(15)	1,136	963	(173)
% Change from FY 04-05	85.8%	85.8%	-15.3%	-	-	-14.9%	103.9%	104.0%	-15.2%
FY 06-07	1,096	957	(139)	245	213	(32)	1,341	1,170	(171)
% Change from FY 05-06	5.9%	9.1%	-12.7%	142.6%	147.7%	-13.1%	18.0%	21.5%	-12.8%

Exhibit C.12 - Children's Basic Health Plan Caseload Restatement Comparison

	Traditional Children Capitations	Traditional Children Restated	Traditional Children Revision	Traditional Children Percent Revision	Expansion Children Capitations	Expansion Children Restated	Expansion Children Revision	Expansion Children Percent Revision	Total Children Capitations	Total Children Restated	Total Children Revision	Total Children Percent Revision
July-06	48,452	43,360	(5,092)	-10.5%	2,613	2,338	(275)	-10.5%	51,065	45,698	(5,367)	-10.5%
August-06	47,038	42,094	(4,944)	-10.5%	2,768	2,477	(291)	-10.5%	49,806	44,571	(5,235)	-10.5%
September-06	46,017	41,181	(4,836)	-10.5%	2,923	2,616	(307)	-10.5%	48,940	43,797	(5,143)	-10.5%
October-06	46,025	41,188	(4,837)	-10.5%	3,270	2,926	(344)	-10.5%	49,295	44,114	(5,181)	-10.5%
November-06	47,100	42,150	(4,950)	-10.5%	3,407	3,049	(358)	-10.5%	50,507	45,199	(5,308)	-10.5%
December-06	47,226	42,263	(4,963)	-10.5%	3,510	3,141	(369)	-10.5%	50,736	45,404	(5,332)	-10.5%
January-07	48,280	43,297	(4,983)	-10.3%	3,575	3,207	(368)	-10.3%	51,855	46,504	(5,351)	-10.3%
February-07	49,331	44,640	(4,691)	-9.5%	3,570	3,235	(335)	-9.4%	52,901	47,875	(5,026)	-9.5%
March-07	50,813	45,983	(4,830)	-9.5%	3,542	3,204	(338)	-9.5%	54,355	49,187	(5,168)	-9.5%
April-07	51,039	46,236	(4,803)	-9.4%	3,479	3,179	(300)	-8.6%	54,518	49,415	(5,103)	-9.4%
May-07	52,114	47,611	(4,503)	-8.6%	3,488	3,244	(244)	-7.0%	55,602	50,855	(4,747)	-8.5%
June-07	53,395	48,713	(4,682)	-8.8%	3,417	3,226	(191)	-5.6%	56,812	51,939	(4,873)	-8.6%

* Reported capitations from the July 16, 2007 Joint Budget Committee Footnote 20 Report.
** The restated children's caseload includes the CHP+ at Work program beginning in January 2007. The percentage used to restate caseload was calculated prior to this adjustment.

	Traditional Prenatal Capitations	Traditional Prenatal Restated	Traditional Prenatal Revision	Traditional Prenatal Percent Revision	Expansion Prenatal Capitations	Expansion Prenatal Restated	Expansion Prenatal Revision	Expansion Prenatal Percent Revision	Total Prenatal Capitations	Total Prenatal Restated	Total Prenatal Revision	Total Prenatal Percent Revision
July-06	1,100	933	(167)	-15.2%	195	165	(30)	-15.4%	1,295	1,098	(197)	-15.2%
August-06	1,123	952	(171)	-15.2%	219	186	(33)	-15.1%	1,342	1,138	(204)	-15.2%
September-06	1,098	931	(167)	-15.2%	249	211	(38)	-15.3%	1,347	1,142	(205)	-15.2%
October-06	1,114	945	(169)	-15.2%	290	246	(44)	-15.2%	1,404	1,191	(213)	-15.2%
November-06	1,131	959	(172)	-15.2%	291	247	(44)	-15.1%	1,422	1,206	(216)	-15.2%
December-06	1,114	945	(169)	-15.2%	282	239	(43)	-15.3%	1,396	1,184	(212)	-15.2%
January-07	1,102	935	(167)	-15.2%	274	232	(42)	-15.3%	1,376	1,167	(209)	-15.2%
February-07	1,061	956	(105)	-9.9%	252	226	(26)	-10.3%	1,313	1,182	(131)	-10.0%
March-07	1,114	981	(133)	-11.9%	237	203	(34)	-14.4%	1,351	1,184	(167)	-12.4%
April-07	1,052	946	(106)	-10.1%	237	208	(29)	-12.2%	1,289	1,154	(135)	-10.5%
May-07	1,041	980	(61)	-5.9%	223	198	(25)	-11.2%	1,264	1,178	(86)	-6.8%
June-07	1,021	1,017	(4)	-0.4%	208	190	(18)	-8.7%	1,229	1,207	(22)	-1.8%

Schedule 13

Change Request for FY 08-09 Budget Request Cycle

	Decision Item FY 08-09 ☑	**Base Reduction Item FY 08-09** ☐	**Supplemental FY 07-08** ☐	**Budget Request Amendment FY 08-09** ☐
Request Title:	Additional Children's Basic Health Plan Outreach			
Department:	Health Care Policy and Financing	**Dept. Approval by:** John Bartholomew	**Date:** November 1, 2007	
Priority Number:	DI-3A	**OSPB Approval:**	**Date:** 10/29/07	

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 06-07	Appropriation FY 07-08	Supplemental Request FY 07-08	Total Revised Request FY 07-08	Base Request FY 08-09	Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	Budget Amendment FY 08-09	Total Revised Request FY 08-09	Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	2,359,512,034	2,443,274,021	0	2,443,274,021	2,449,816,423	23,933,495	2,473,749,918	0	2,473,749,918	23,933,495
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	734,453,659	743,748,157	0	743,748,157	742,851,150	4,415,375	747,266,525	0	747,266,525	4,415,375
	GFE	343,100,000	343,900,000	0	343,900,000	343,900,000	0	343,900,000	0	343,900,000	0
	CF	232,136	285,199	0	285,199	286,950	39,520	326,470	0	326,470	39,520
	CFE	87,723,837	118,124,336	0	118,124,336	121,560,562	5,526,162	127,086,724	0	127,086,724	5,526,162
	FF	1,194,002,402	1,237,216,329	0	1,237,216,329	1,241,217,761	13,952,438	1,255,170,199	0	1,255,170,199	13,952,438
(2) Medical Services Premiums	**Total**	2,061,396,808	2,147,858,908	0	2,147,858,908	2,147,626,990	7,063,080	2,154,690,070	0	2,154,690,070	7,063,080
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	633,377,714	652,421,500	0	652,421,500	651,512,742	3,531,540	655,044,282	0	655,044,282	3,531,540
	GFE	343,100,000	343,900,000	0	343,900,000	343,900,000	0	343,900,000	0	343,900,000	0
	CF	0	38,256	0	38,256	38,256	0	38,256	0	38,256	0
	CFE	48,860,206	76,001,368	0	76,001,368	76,794,167	0	76,794,167	0	76,794,167	0
	FF	1,036,058,888	1,075,497,784	0	1,075,497,784	1,075,381,825	3,531,540	1,078,913,365	0	1,078,913,365	3,531,540
(3) Medicaid Mental Health Community Programs (A) Mental Health Capitation Payments	**Total**	184,640,568	196,303,651	0	196,303,651	198,145,072	735,240	198,880,312	0	198,880,312	735,240
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	89,832,730	91,315,646	0	91,315,646	91,315,646	367,620	91,683,266	0	91,683,266	367,620
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	2,481,026	6,829,511	0	6,829,511	7,750,222	0	7,750,222	0	7,750,222	0
	FF	92,326,812	98,158,494	0	98,158,494	99,079,204	367,620	99,446,824	0	99,446,824	367,620
(4) Indigent Care Program HB 97-1304 Children's Basic Health Plan Trust	**Total**	11,475,351	256,475	0	256,475	271,456	555,735	827,191	0	827,191	555,735
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	11,243,215	11,011	0	11,011	22,762	516,215	538,977	0	538,977	516,215
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	232,136	245,464	0	245,464	248,694	39,520	288,214	0	288,214	39,520
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

	Decision Item FY 08-09			**Base Reduction Item FY 08-09**			**Supplemental FY 07-08**		**Budget Request Amendment FY 08-09**		
Request Title:	Additional Children's Basic Health Plan Outreach										
Department:	Health Care Policy and Financing			**Dept. Approval by:** John Bartholomew					**Date:** November 1, 2007		
Priority Number:	DI-3A			**OSPB Approval:**					**Date:**		
		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 06-07	Appropriation FY 07-08	Supplemental Request FY 07-08	Total Revised Request FY 07-08	Base Request FY 08-09	Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	Budget Amendment FY 08-09	Total Revised Request FY 08-09	Change from Base (Column 5) FY 09-10
(4) Indigent Care Program Children's Basic Health Plan Administration	Total	5,507,031	5,541,590	0	5,541,590	5,536,590	1,400,000	6,936,590	0	6,936,590	1,400,000
	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	2,459,420	2,474,735	0	2,474,735	2,472,951	537,670	3,010,621	0	3,010,621	537,670
	FF	3,047,611	3,066,855	0	3,066,855	3,063,639	862,330	3,925,969	0	3,925,969	862,330
(4) Indigent Care Program Children's Basic Health Plan Premium Costs	Total	89,657,433	86,426,598	0	86,426,598	91,098,718	12,888,400	103,987,118	0	103,987,118	12,888,400
	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	1,479	0	1,479	0	0	0	0	0	0
	CFE	31,530,990	30,408,342	0	30,408,342	32,045,063	4,536,628	36,581,691	0	36,581,691	4,536,628
	FF	58,126,443	56,016,777	0	56,016,777	59,053,655	8,351,772	67,405,427	0	67,405,427	8,351,772
(4) Indigent Care Program Children's Basic Health Plan Dental Benefit Costs	Total	6,834,843	6,886,799	0	6,886,799	7,137,597	1,291,040	8,428,637	0	8,428,637	1,291,040
	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	2,392,195	2,410,380	0	2,410,380	2,498,159	451,864	2,950,023	0	2,950,023	451,864
	FF	4,442,648	4,476,419	0	4,476,419	4,639,438	839,176	5,478,614	0	5,478,614	839,176
Letternote revised text:											
Cash Fund name/number, Federal Fund Grant name:				CF: Annual enrollment fees of CBHP enrollees. CFE: Tobacco Master Settlement Funds, Fund 11G (CBHP Trust Fund), Fund 18K (Health Care Expansion Fund), Supplemental Tobacco Litigation Settlement Account in the CBHP Trust Fund, and Colorado Immunization Fund; FF: Title XXI, Title XIX							
IT Request: ☐ Yes ☑ No											
Request Affects Other Departments: ☐ Yes ☑ No				**If Yes, List Other Departments Here:**							

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-3A
Change Request Title:	Additional Children's Basic Health Plan Outreach

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 request is for an increase of $1,400,000 to the Children's Basic Health Plan Administration appropriation to expand outreach efforts to find and enroll existing eligible but uninsured clients. The expanded outreach efforts are expected to increase caseload in both the Children's Basic Health Plan and Medicaid, as children in the Children's Basic Health Plan must first be found ineligible for Medicaid. This request also includes the physical health, mental health, and dental costs associated with the anticipated caseload increases in the Children's Basic Health Plan and Medicaid.

Background and Appropriation History: Federal regulations allow for federal financial participation for administration costs in the Children's Basic Health Plan up to 10% of total costs. The Children's Basic Health Plan Administration line item funds private contracts for administrative services associated with the operation of the Children's Basic Health Plan. Most administrative services are contracted out to a primary private vendor who provides enrollment and customer services to members of the Children's Basic Health Plan. Auxiliary administrative functions are contracted out separately to various vendors for professional services such as actuarial analysis, claims audit, marketing and outreach, and quality assurance.

Under federal law, children eligible for Medicaid may not enroll in the Children's Basic Health Plan, yet many of the children who apply for the Children's Basic Health Plan are determined to be Medicaid eligible. Thus, some of the costs of eligibility processing and enrollment functions, as well as marketing and outreach efforts, provided by the Children's Basic Health Plan's primary administrative services contractors are attributable to the Medicaid Program. Based on a study that identified the portion of workload generated by Medicaid, the Department and the Centers for Medicare and Medicaid Services have agreed upon a cost allocation methodology for charging costs to the correct program. The Children's Basic Health Plan Administration line item does not receive the full Children's Basic Health Plan enhanced federal medical assistance percent of 65%, but rather a blend with the Medicaid federal match of 50%. In particular, marketing and outreach in the Children's Basic Health Plan Administration line item receives the Children's Basic Health Plan enhanced match for 77.3% of expenditures and the Medicaid federal match on the remaining 22.7%.

HB 05-1262 (Tobacco Tax bill) provides funding for cost effective marketing of the Children's Basic Health Plan. A contract in the amount of $1,300,000 with Maximus was executed in January 2006, and marketing started on April 1, 2006. 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 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. In addition, because children applying for the Children's Basic Health Plan must first be found ineligible for Medicaid, the Department believes that marketing has also had a positive effect on Medicaid caseload. However, the Department does not currently have the resources to directly measure the effect marketing has had on caseload in either program.

General Description of Request: Recent research by the Department using Current Population Survey data indicates that there are approximately 44,000 uninsured children that may be eligible for the Children's Basic Health Plan under current income guidelines, and an estimated 65,000 uninsured

children within the Medicaid income guidelines. In order to pursue Governor Ritter's 'Colorado Promise', the Department is requesting funding to expand outreach efforts to help find and enroll children that may currently be eligible. This funding may be used for things such as (but not limited to):

- Increasing the availability of applications (i.e., in hospitals, pharmacies, and clinics);
- Sending direct mailings to families with children that qualify for free or reduced price lunches in their schools;
- Expanding community and local outreach throughout the State by increasing the number of Regional Outreach Coordinators, and;
- Coordinating and promoting community enrollment events where families can receive application assistance.

The Department's current marketing budget of $1,300,000 has been largely utilized for purchasing radio and television advertising. However, given the large number of uninsured children that appear to be within current income guidelines for Medicaid and the Children's Basic Health Plan, the Department believes that strong outreach is needed to reduce the gap. The Department is requesting an increase of $1,400,000 to expand outreach efforts. This would approximately double the current funding for marketing and outreach of the Children's Basic Health Plan, with a large portion to be used to concentrate on outreach through active face-to-face community involvement. The Department believes that by targeting additional outreach rather than marketing, the impact of the requested funding will be maximized by supplementing the current campaign with alternative activities.

Of the proposed $1,400,000 total funds increase, $537,670 is Cash Funds Exempt. The Department is currently utilizing $518,545 of the $540,000 from the Health Care Expansion Fund that was provided in HB 05-1262 (Tobacco Tax bill). This request includes maximizing the available funding from the Health Care Expansion Fund, with the remaining funding to come from the Children's Basic Health Plan Trust Fund. As shown in Decision Item #3, "Children's Basic Health Plan Medical Premium and Dental Benefit Costs", the Department will fully utilize funds in the Children's Basic Health Plan Trust

Fund for costs associated with base projections. Therefore, the Department is requesting a General Fund appropriation in the amount of the remaining Cash Funds Exempt needed for the outreach increase.

Caseload Impacts

As outlined in the Department's Decision Item #3, the children's caseload in the Children's Basic Health Plan is forecasted to increase by 9,276 between FY 06-07 and FY 07-08. In FY 06-07, there were many factors effecting caseload, including the removal of the Medicaid asset test, the Deficit Reduction Act of 2005, and marketing. In FY 07-08, the impacts of Medicaid asset test removal and the Deficit Reduction Act will have been incorporated in the caseload, and all caseload increases should be due to current marketing efforts. As discussed in Decision Item #3, the effects of the Deficit Reduction Act were not present in the first three months of FY 06-07, and caseload declined by approximately 4,300 between June and October 2006 due to the Medicaid asset test removal. If marketing had been the prime factor contributing to caseload growth in FY 06-07, as was seen during the second half of the fiscal year, the average caseload would have been higher in FY 06-07. This would have decreased the projected caseload increase between FY 06-07 and FY 07-08. The Department estimates that, had marketing been the only factor effecting caseload in FY 06-07, the caseload growth in FY 07-08 would be approximately 8,000. The Department believes that with the new outreach efforts, the FY 08-09 caseload impact would be approximately equal to that described for FY 07-08. Although the impact of marketing can be expected to decrease as more people have seen and responded to the advertising, the Department believes that such caseload impacts can be maintained because the outreach efforts will try to reach families through different and complimentary avenues.

All children applying for the Children's Basic Health Plan must first be found ineligible for Medicaid. Because of this, it is reasonable to expect that Children's Basic Health Plan outreach would find some children that end up being Medicaid eligible. Because Medicaid serves families with much lower incomes than the Children's Basic Health Plan and Medicaid eligible children are often less healthy than Children's Basic Health Plan eligible

children, the Department believes that Medicaid children have a greater incentive to apply for benefits. This would tend to decrease the number of children in Medicaid income ranges that have not already applied for benefits and that would respond positively to outreach efforts. Due to this and the fact that the outreach efforts will target the Children's Basic Health Plan, the Department anticipates that the Medicaid caseload impact will be less than that in the Children's Basic Health Plan. The Department estimates that the caseload increase in Medicaid will be half of that in the Children's Basic Health Plan, or 4,000 children in FY 08-09.

As previously discussed, the Department has no way to directly measure the effect marketing has had on caseload in either program. These estimates are based on the available information and caseload data, and the Department does not know at this time the actual expected impacts from additional outreach. The Department will be able to refine estimates once the outreach plan is solidified with a selected contractor.

Consequences if Not Funded:

Without approval of this request, the Department would not be able to expand Children's Basic Health Plan outreach efforts. The Department would continue to utilize the current funding to maintain marketing efforts, including television and radio advertising. The Department believes that without expanding outreach to complement these efforts, the return on these dollars in terms of new children enrolled will begin to decline. It is expected that marketing efforts alone will begin to become less effective, as more families are exposed to the campaigns and either apply or actively decide not to. Without the requested outreach funding, the Department believes that it would be more difficult to find and enroll children that are currently eligible for either the Children's Basic Health Plan or Medicaid. The Department does not believe that it would be able to enroll the additional 12,000 uninsured children that may be found through additional outreach, as estimated above.

Calculations for Request:

Table 1: Summary of Request FY 08-09 for Medicaid Programs			
Medicaid Programs	Total Funds	General Fund	Federal Funds
Medical Services Premiums	$7,063,080	$3,531,540	$3,531,540
Medicaid Mental Health Community Programs	$735,240	$367,620	$367,620
Total	**$7,798,320**	**$3,899,160**	**$3,899,160**

Table 2: Summary of Request FY 08-09 for Children's Basic Health Plan					
Children's Basic Health Plan	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Children's Basic Health Plan Trust Fund	$555,735	$516,215	$39,520	$0	$0
Children's Basic Health Plan Administration	$1,400,000	$0	$0	$537,670	$862,330
Children's Basic Health Plan Premiums	$12,888,400	$0	$0	$4,536,628	$8,351,772
Children's Basic Health Plan Dental Benefit Costs	$1,291,040	$0	$0	$451,864	$839,176
Total	**$16,135,175**	**$516,215**	**$39,520**	**$5,526,162**	**$10,053,278**

Table 3: Calculation of Cash Funds Exempt Splits for the Children's Basic Health Plan FY 08-09 Request					
Children's Basic Health Plan Cash Funds Exempt Fund Splits	Total Cash Funds Exempt	Children's Basic Health Plan Trust Fund	Health Care Expansion Fund	Supplemental Tobacco Litigation Settlement Account	Colorado Immunization Fund
Children's Basic Health Plan Administration	$537,670	$516,215	$21,455	$0	$0
Children's Basic Health Plan Premiums	$4,536,628	$39,520	$4,369,176	$62,605	$65,327
Children's Basic Health Plan Dental Benefit	$451,864	$0	$451,864	$0	$0
Total	**$5,526,162**	**$555,735**	**$4,842,495**	**$62,605**	**$65,327**

Notes:
1) Per the State's Cost Allocation methodology, 77.3% of the outreach budget is funded through the Children's Basic Health Plan and the remaining 22.7% is funded through Medicaid. See Section G, Exhibits for DI-3, Exhibit C.4, Page C-4.3.
2) The Department is requesting to maximize the $540,000 available from the Health Care Expansion Fund for cost-effective marketing, per 24-22-117 (2) (a) (II) (G), C.R.S. (2007). The remaining Cash Funds Exempt is to come from the Children's Basic Health Plan Trust Fund.
3) Projected annual enrollment fees in the Children's Basic Health Plan are $4.94 in FY 08-09, and are not eligible for federal match. This amount is shown as Cash Funds revenue to the Trust Fund and Cash Funds Exempt expenditures in the Children's Basic Health Plan Premium Costs. See Section G, Exhibits for

DI-3, Exhibit C.3, Page C-3.1.
4) Because enrollment in the Children's Basic Health Plan is forecasted to exceed the FY 03-04 enrollment in FY 08-09 and FY 09-10, these clients are funded through the Health Care Expansion Fund. In addition, for the medical per capita for all children in the Plan, the Supplemental Tobacco Litigation Account in the Trust Fund is the source of 1.38% and the Colorado Immunization Fund is the source of 1.44%. See Section G, Exhibits for DI-3, Exhibit C.3, Page C-3.2.

Table 4: Calculation of FY 08-09 Expenditure

		Medicaid	Children's Basic Health Plan	
1	Estimated Caseload Impact	4,000	8,000	See narrative, pages G.6 to G.7.
2	Medical Per Capita	$1,765.77	$1,611.05	See source information below.
3	Mental Health Per Capita	$183.81	-	See source information below.
4	Dental Per Capita	-	$161.38	See source information below.
5	Total Medical Cost	$7,063,080	$12,888,400	Row 1 * Row 2.
6	Total Mental Health Cost	$735,240	-	Row 1 * Row 3.
7	Total Dental Cost	-	$1,291,040	Row 1 * Row 4.
Source Information				
Children's Basic Health Plan Per Capita		Section G, Exhibits for DI-3, Exhibit C.10, Page C-10.1		
Medical Services Premiums Per Capita		Section E, Exhibits for Medical Services Premiums, Exhibit C, Page EC-1		
Medicaid Mental Health Community Programs Per Capita		Section F, Exhibits for Medicaid Mental Health Community Programs, Exhibit DD, page DD.2		

Assumptions for Calculations: All calculations, formulas, and source information are included in the table presented above. For caseload impacts, the Department assumes that the proposed expansion in Children's Basic Health Plan outreach will result in approximately 8,000 new Children's Basic Health Plan clients. The Department further assumes that one new Medicaid child will be enrolled for every two new Children's Basic Health Plan children, or 4,000 new Medicaid children. However, the Department does not know at this time what the caseload impacts will be, and these estimates will be refined once the outreach plans are finalized.

Impact on Other Government Agencies: Not applicable.

Cost Benefit Analysis:

Cost	**Benefit**
$1,400,000 total funds for expanded outreach efforts, including $21,455 from the Health Care Expansion Fund and $516,215 General Fund.	The Department would be able to expand outreach efforts to complement the current Children's Basic Health Plan marketing campaign. The Department estimates that it would be able to find and enroll 8,000 new Children's Basic Health Plan children and 4,000 new Medicaid children, thus reducing the number of uninsured children in the State.

Implementation Schedule:

Task	**Month/Year**
Internal Research/Planning Period	May – June 2008
RFP Issued	July 2008
Contract or MOU Awarded/Signed	October 2008
Start-Up Date	November 2008

Statutory and Federal Authority:

24-22-117 (2) (a) (II), C.R.S. (2007) …*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: … (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; (G) To provide up to five hundred forty thousand dollars for cost-effective marketing to increase the enrollment of eligible children and pregnant women in the children's basic health plan, article 8 of title 25.5, C.R.S.*

25.5-8-111 (1) (a), C.R.S. (2007) *The department may: (I) Pursuant to section 24-50-504 (2)(a), C.R.S., enter into personal services contracts for the administration of the children's basic health plan. Any contracts established pursuant to this section shall contain performance measures that shall be monitored by the department.*

Performance Measures:

The Department believes that providing funding to expand outreach efforts in the Children's Basic Health Plan will increase the number of eligible children served in the Children's Basic Health Plan and Medicaid. This would ensure that these previously uninsured children are receiving care, thus ensuring that they have overall better health outcomes. As such, the Department believes that this request supports the following Performance Measures:

- Increase the number of clients served through targeted, integrated care management programs.
- Increase the number of children served through a dedicated medical home service delivery model.

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

	Decision Item FY 08-09 ☑	**Base Reduction Item FY 08-09** ☐	**Supplemental FY 07-08** ☐	**Budget Request Amendment FY 08-09** ☐
Request Title:	Increase Funding for State Contribution Payment			
Department:	Health Care Policy and Financing	**Dept. Approval by:**	John Bartholomew JB	**Date:** November 1, 2007
Priority Number:	DI-4	**OSPB Approval:**		**Date:** 11/24/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	72,494,301	69,546,453	0	69,546,453	76,719,821	2,854,636	79,574,457	0	79,574,457	2,854,636
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	72,494,301	69,546,453	0	69,546,453	76,719,821	2,854,636	79,574,457	0	79,574,457	2,854,636
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(5) Other Medical Services Medicare Modernization Act of 2003 State Contribution Payment	**Total**	72,494,301	69,546,453	0	69,546,453	76,719,821	2,854,636	79,574,457	0	79,574,457	2,854,636
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	72,494,301	69,546,453	0	69,546,453	76,719,821	2,854,636	79,574,457	0	79,574,457	2,854,636
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0

Letternote revised text:	
Cash Fund name/number, Federal Fund Grant name:	
IT Request: ☐ **Yes** ☑ **No**	
Request Affects Other Departments: ☐ **Yes** ☑ **No**	**If Yes, List Other Departments Here:**

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-4
Change Request Title:	Increase Funding for State Contribution Payment

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 Request seeks an additional $2,854,636 General Fund in FY 08-09 for the (5) Other Medical Services, Medicare Modernization Act of 2003 State Contribution Payment line item and estimates a need of $9,133,831 in FY 09-10 The additional funds are needed due to an increase in the projected caseload of dual eligible individuals and a projected increase in the per capita rate paid by the State, per federal regulations.

Background and Appropriation History: On January 1, 2006, the federal Centers for Medicare and Medicaid Services (CMS) assumed responsibility for the Part D prescription drug benefit replacing the Medicaid prescription drug coverage for dual eligible clients. In lieu of the states' obligation to cover prescription drugs for this population, the federal Centers for Medicare and Medicaid Services began requiring states to pay a portion of what their anticipated dual eligible drug cost would have been had this cost shift not occurred. In January 2006, states began to pay the Centers for Medicare and Medicaid Services these "clawback" payments. The payments were calculated by taking 90% of the federal portion of each state's average per capita dual eligible drug benefit from calendar year 2003, inflated to 2006 using the average growth rate from the National Health Expenditure per capita drug

expenditures. This inflated per capita amount is multiplied by the number of dual eligible clients including retroactive clients back to January 2006. As each calendar year passes, the 90% factor is lowered by 1.67% each year, which is known as the phasedown percentage, until it reaches 75%, where it will remain starting in 2015. In addition, the Centers for Medicare and Medicaid Services inflate each state's per capita rates based on either the National Health Expenditures' growth or actual growth in Part D expenditures. In FY 05-06, the Department expended $31,461,626 for 6 months of payments. In FY 06-07 the Department expended $72,494,301 for a full year of payments.

The Department is appropriated $69,546,453 for FY 07-08, which consists of $76,719,821 from the Long Bill (SB 07-239) and a reduction of $7,173,368 from the Department of Health Care Policy and Financing's Cash Accounting Bill (SB 07-133). SB 07-133 changed the accounting for the payment from accrual to cash thus resulting in a one-time savings by shifting the June 2008 payment, which is billed in July 2008, to FY 08-09. The Department's continuation budget assumes FY 08-09 funding of $76,719,821.

General Description of Request:

The Department currently estimates that the FY 08-09 Clawback payment will equal $79,574,457 which is $2,854,636 above the FY 08-09 continuation Base Budget. This information is based on revised projections of the per capita rate, dual eligible caseload, and the level of anticipated retroactivity.

The Clawback payment is estimated to increase by $271,625 in FY 08-09 due to changes in the per capita rates alone. The Department was provided by the Centers for Medicare and Medicaid Service a per capita rate for January through September 2008 of $120.03. The Department assumes that the per capita rate will remain unchanged through the remainder of 2008. The Centers for Medicare and Medicaid Services used a growth factor of 1.69%, which was offset by a change in the phasedown percentage from 88.33% to 86.67%, resulting in a net reduction of 0.23%. In order to estimate the calendar year 2009 per capita and beyond, the Department used the growth factor from the National Health Expenditure report for drug expenditures. The Department notes that the projection of per capita rates is based on the growth in the National Health Expenditures

drug expenditures; however, federal law states the growth factor for 2007 and succeeding years will equal the annual percentage increase in average per capita aggregate expenditures for covered Part D drugs in the United States for Part D eligible individuals for the 12-month period ending in July of the previous year. Since actual expenditure data is not available to the Department, the actual per capita rate growth may differ from the Department's projection.

The Clawback payment is also estimated to increase by $2,583,011 in FY 08-09 due to changes in the dual eligible caseload. The Department estimates that the dual eligible caseload for the June 2009 invoice will equal 50,467. This estimate is based on the historic growth rate and level of retroactivity in caseload. The dual eligible caseload is comprised of a subset of the Medicaid eligibility categories Adults 65 and Older (OAP-A), Disabled Adults 60 to 64 (OAP-B), and Disabled Individuals to 59 (AND/AB). In addition, the caseload provided to the Centers for Medicare and Medicaid Services is obtained through the Medicaid Management Information System.

The Department's FY 08-09 Budget Request forecasts the Medicaid caseload to have a small increase in FY 08-09 and FY 09-10. In addition, the eligibility categories related to dual eligible clients are projected to see increases in both fiscal years. The overall Medicaid caseload is projected to increase by 0.88% in FY 08-09. The Department assumes that during FY 08-09 and FY 09-10 the dual eligible clients will continue to increase due to the retirement of the "baby boomers." The Colorado Demographers Offices projects that the annual growth in 2007 through 2009 of the Colorado population 65 years or older will be 3.84% per year.

Consequences if Not Funded:

If the Department does not receive an additional appropriation and subsequently cannot make the required payment, the Department is at risk of having the amount due for the "clawback" payment plus interest deducted from the federal funds received for the Medicaid program. Such a deduction could cause the Department to be under funded to provide medical services in FY 08-09 and would necessitate a General Fund appropriation to make up the difference.

Calculations for Request:

Summary of Request FY 08-09	Total Funds	General Fund
Total Request	$79,574,457	$79,574,457
Decision Item Request	$2,854,636	$2,854,636
(5) Other Medical Services, Medicare Modernization Act of 2003 State Contribution Payment	$76,719,821	$76,719,821

Summary of Request FY 09-10	Total Funds	General Fund
Total Request	$85,853,652	$85,853,652
Decision Item Request	$9,133,831	$9,133,831
(5) Other Medical Services, Medicare Modernization Act of 2003 State Contribution Payment	$76,719,821	$76,719,821

Table 1: National Health Expenditures Projections 2003-2010
Prescription Drug Expenditures

Calendar Year:	Per Capita (in dollars)	Percent Change
2003	$600	
2004	$645	7.50%
2005	$676	4.81%
2006	$714	5.62%
2007	$761	6.58%
2008	$814	6.96%
2009	$875	7.49%
2010	$943	7.77%

Table 2: Phasedown Percentage from the Medicare Modernization Act of 2003	
Phasedown Percent Per Calendar Year:	**Percentage**
2006	90.00%
2007	88.33%
2008	86.67%
2009	85.00%
2010	83.33%
2011	81.67%
2012	80.00%
2013	78.33%
2014	76.67%
2015 and all future years	75.00%

Table 3: Estimates of Calendar Year 2008 and Calendar Year 2009 Per Capita Rate	
Actual Calendar Year 2008 Per Capita	$120.03
Calendar Year 2008 Phasedown Percent (from Table 2)	86.67%
Calendar Year 2008 Per Capita Rate before Phasedown Percent ($120.03 / 86.67%)	$138.50
Prescription Drug Expenditure Growth Rate for CY 2009 (from Table 1)	7.49%
Projected 2009 Rate before Phasedown Percent ($138.50 * (1 + 7.49%))	$148.87
Calendar Year 2009 Phasedown Percent (from Table 2)	85.00%
Projected Calendar Year 2009 Per Capita ($148.87 * 85.00%)	**$126.54**
Prescription Drug Expenditure Growth Rate for CY 2010 (from Table 1)	7.77%
Projected 2010 Rate before Phasedown Percent ($148.87 * (1 + 7.77%))	$160.44
Calendar Year 2010 Phasedown Percent (from Table 2)	83.33%
Projected Calendar Year 2010 Per Capita ($160.44 * 83.33%)	**$133.70**

Table 4: Estimated Decay Factors Related to Caseload Retroactivity	
Months Prior to the Current Caseload	**Decay Rate**
1st Month	1.68%
2nd month	66.95%
3rd month	69.42%
4th month	77.78%
5th month	83.27%
6th Month	89.79%
7^{th} - 12^{th} Month	91.04%
Greater than 1 year	79.71%

	Table 5: Invoices to be Paid in FY 08-09											
Dual Eligible Attributed to Each Month	**Jun-08**	**Jul-08**	**Aug-08**	**Sep-08**	**Oct-08**	**Nov-08**	**Dec-08**	**Jan-09**	**Feb-09**	**Mar-09**	**Apr-09**	**May-09**
Jan – Dec 2006 duals	166	131	104	83	67	55	46	39	34	30	27	25
Jan – Dec 2007 duals	1,589	1,413	1,237	1,073	924	782	651	531	433	345	275	219
Jan – May 2008 duals	2,318	1,721	1,369	1,170	1,043	947	863	786	720	642	560	477
Jun 2008 duals	49,434	831	558	388	303	252	226	207	189	172	157	143
Jul 2008 duals		49,527	833	559	389	303	252	227	208	189	172	157
Aug 2008 duals			49,620	834	560	389	303	253	228	208	189	172
Sep 2008 duals				49,714	836	561	390	304	254	228	208	189
Oct 2008 duals					49,807	838	562	391	305	254	229	208
Nov 2008 duals						49,901	839	563	392	305	255	229
Dec 2008 duals							49,995	841	564	392	306	255
Jan 2009 duals								50,089	842	565	393	306
Feb 2009 duals									50,183	844	566	394
Mar 2009 duals										50,278	845	567
Apr 2009 duals											50,372	847
May 2009 duals												50,467
Total Duals from invoice	53,507	53,624	53,721	53,821	53,929	54,027	54,127	54,231	54,352	54,451	54,554	54,655
CY 2006 Rate	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71
CY 2007 Rate	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30
CY 2008 Rate	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03
CY 2009 Rate	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54
Monthly Payment	$6,421,989	$6,436,117	$6,447,943	$6,460,002	$6,473,020	$6,484,839	$6,496,787	$6,835,308	$6,856,024	$6,872,205	$6,887,775	$6,902,447
Total Payment												$79,574,457

Note: To calculate the Monthly Payment you must take each calendar year rate and multiply it by the respective caseload that is shown for that calendar year. In addition, numbers may not exactly add due to rounding.

	Table 6: Invoices to be Paid in FY 09-10											
Dual Eligible Attributed to Each Month	**Jun-09**	**Jul-09**	**Aug-09**	**Sep-09**	**Oct-09**	**Nov-09**	**Dec-09**	**Jan-10**	**Feb-10**	**Mar-10**	**Apr-10**	**May-10**
Jan – Dec 2006 duals	24	24	24	24	24	24	24	24	24	24	24	24
Jan – Dec 2007 duals	174	138	110	88	73	59	48	40	34	30	27	25
Jan – Dec 2008 duals	1,623	1,435	1,256	1,090	948	811	679	558	445	355	283	226
Jan - May 2009 duals	2,372	1,757	1,399	1,193	1,063	969	882	808	736	656	577	491
Jun 2009 duals	50,562	850	570	396	309	258	232	212	193	176	161	147
Jul 2009 duals		50,657	852	571	397	310	258	233	212	193	177	161
Aug 2009 duals			50,752	853	572	398	310	259	233	212	194	177
Sep 2009 duals				50,848	855	573	399	311	260	233	213	194
Oct 2009 duals					50,943	857	575	400	312	260	234	213
Nov 2009 duals						51,039	858	576	401	312	261	234
Dec 2009 duals							51,135	860	577	401	313	261
Jan 2010 duals								51,231	861	578	402	313
Feb 2010 duals									51,328	863	579	403
Mar 2010 duals										51,424	865	580
Apr 2010 duals											51,521	866
May 2010 duals												51,618
Total Duals from invoice	54,754	54,861	54,963	55,063	55,184	55,298	55,400	55,512	55,616	55,717	55,831	55,933
CY 2006 Rate	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71	$114.71
CY 2007 Rate	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30	$120.30
CY 2008 Rate	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03	$120.03
CY 2009 Rate	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54	$126.54
CY 2010 Rate	$133.70	$133.70	$133.70	$133.70	$133.70	$133.70	$133.70	$133.70	$133.70	$133.70	$133.70	$133.70
Monthly Payment	$6,916,681	$6,931,631	$6,945,864	$6,959,744	$6,976,105	$6,991,438	$7,005,351	$7,387,152	$7,407,941	$7,426,195	$7,444,615	$7,460,935
Total Payment												$85,853,652

Assumptions for Calculations:

The Department assumes the changes in the per capita rate paid by the Department will be based on the growth in the National Health Expenditures' prescription drug per capita, as shown in Table 1, and offset by the phasedown percent shown in Table 2. Per 42 CFR 423.902 (4), the annual growth rate for calendar year 2004 through 2006 is equal to the average annual percent change of the per capita amount of prescription drug expenditures (as determined by the most recent national total drug National Health Expenditure projections for the years involved). The growth factor for 2007 and succeeding years will equal the annual percentage increase in average per capita aggregate expenditures for covered Part D drugs in the United States for Part D eligible individuals for the 12-month period ending in July of the previous year. Since the Department does not have the data to project the Part D drug expenditures, the Department is using the National Health Expenditures for years past calendar year 2008 as a proxy for the annual growth in the per capita rate.

Tables 1 through 3 provide the relevant information for calculating the calendar year 2008, 2009, and 2010 per capita rates. For calendar year 2008, the Department uses the per capita rate provided by the Centers for Medicare and Medicaid Services of $120.03. The Department estimates the per capita rate of $126.54 in calendar year 2009, and $133.70 in calendar year 2010, as shown in Table 3. This estimate is based on the projected inflation of the National Health Expenditures per capita drug expenditures published in January 2007 and shown in Table 1. In addition, the projection is also based on the phasedown percentage that is detailed in 42 CFR 423.908 and shown in Table 2.

The Department assumes that the growth rate in caseload and retroactivity from July 2006 through July 2007 will remain unchanged through FY 07-08 and FY 08-09. The Department assumes that the dual eligible caseload will grow at an annual rate of 2.28%, and thus a monthly rate of 0.19%. In addition, the Department assumes that the level of retroactivity in the previous month of the invoice will be 1.68% of the total clients. All months prior to the previous month are projected to have a level of retroactivity at a decay rate ranging from 68% to 92% as shown in Table 4.

Table 5 shows the projected caseload, level of retroactivity, and expenditures by month for FY 08-09. Using the assumptions detailed in Tables 3 and 4, as well as the estimated monthly growth rate of 0.19%, Table 5 displays the impact of those assumptions. Note that the FY 08-09 payment is for the 12 months from June 2008 through May 2009 due to SB 07-133 which changed this line item from accrual to cash accounting.

Table 6 shows the projected caseload, level of retroactivity, and expenditures by month for FY 09-10. This estimate continues to use the assumptions detailed in Tables 3 and 4, as well as the estimated monthly growth rate of 0.19%. Table 6 displays the impact of those assumptions.

Impact on Other Government Agencies: None

Cost Benefit Analysis:

FY 08-09 Cost Benefit Analysis	Costs	Benefits
Request	The cost of this request includes $2,854,636 in General Fund to pay for the increase in the projected caseload of dual eligible individuals and a projected increase in the per capita rate paid by the State, per federal regulations. FY 09-10 General Fund need is projected to equal $9,133,831.	This request would allow the Department to meet its obligations to the federal government and ensure the Department would not have the amount of payment plus interest deducted from the federal funds received for the Medicaid program.
Consequences if not Funded	The cost of not funding the request would be the potential deduction in federal funds received by the Medicaid program equal to the amount owed for the payment plus interest. This would equal an amount greater than $2,854,636.	There is no benefit to the Department because the savings of General Fund would be offset by greater loss of federal funds that would need to be backfilled with General Fund for the Medicaid program.

Statutory and Federal Authority:

42 CFR 423.908: *Phased-down State contribution to drug benefit costs assumed by Medicare. This subpart sets forth the requirements for State contributions for Part D drug benefits based on full-benefit dual eligible individual drug expenditures.*

42 CFR 423.910 (a) General rule: *Each of the 50 States and the District of Columbia is required to provide for payment to CMS a phased-down contribution to defray a portion of the Medicare drug expenditures for individuals whose projected Medicaid drug coverage is assumed by Medicare Part D.*

42 CFR 423.910 (b) (2) Method of payment*: Payments for the phased down State contribution begins in January 2006, and are made on a monthly basis for each subsequent month. State payment must be made in a manner specified by CMS that is similar to the manner in which State payments are made under the State Buy-in Program except that all payments must be deposited into the Medicare Prescription Drug Account in the Federal Supplementary Medical Insurance Trust Fund. The policy on collection of the Phased-down State contribution payment is the same as the policy that governs collection of Part A and Part B Medicare premiums for State Buy-in.*

42 CFR 423.910 (g) Annual per capita drug expenditures. *CMS notifies each State no later than October 15 before each calendar year, beginning October 15, 2005, of their annual per capita drug payment expenditure amount for the next year.*

25.5-4-105, C.R.S. (2007) *Nothing in this article or articles 5 and 6 of this title shall prevent the state department from complying with federal requirements for a program of medical assistance in order for the state of Colorado to qualify for federal funds under Title XIX of the social security act and to maintain a program within the limits of available appropriations.*

25.5-5-503, C.R.S. (2007) *(1) The state department is authorized to ensure the participation of Colorado medical assistance recipients, who are also eligible for medicare, in any federal prescription drug benefit enacted for medicare recipients. (2) Prescribed drugs shall not be a covered benefit under the medical assistance program for*

a recipient who is enrolled in a prescription drug benefit program under medicare; except that, if a prescribed drug is not a covered Part D drug as defined in the "Medicare Prescription Drug, Improvement, and Modernization Act of 2003", P.L. 108-173, the prescribed drug may be a covered benefit if it is otherwise covered under the medical assistance program and federal financial participation is available.

Performance Measures:

If the Department does not receive an additional appropriation, and subsequently cannot make the required payment, the Department is at risk of having the amount due for the "clawback" payment plus interest deducted from the federal funds received for the Medicaid program. This deduction would hinder the Department's ability to achieve all of its performance measures that require State and matching federal funding, as less federal funds would be available.

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

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

Request Title: MMIS Fixed Price Increase
Department: Health Care Policy and Financing **Dept. Approval by:** John Bartholomew **Date:** November 1, 2007
Priority Number: DI - 5 **OSPB Approval:** **Date:** 10/23/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	Total	26,018,831	22,306,209	0	22,306,209	22,817,549	313,010	23,130,559	0	23,130,559	313,010
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	6,204,550	5,265,858	0	5,265,858	5,228,266	75,905	5,304,171	0	5,304,171	75,905
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	368,971	1,303,749	0	1,303,749	0	1,303,749	0
	CFE	596,657	1,075,301	0	706,330	610,809	3,287	614,096	0	614,096	3,287
	FF	19,217,624	15,965,050	0	15,965,050	15,674,725	233,818	15,908,543	0	15,908,543	233,818
(1) Executive Director's Office, Medicaid Management Information Services Contract	Total	26,018,831	22,306,209	0	22,306,209	22,817,549	313,010	23,130,559	0	23,130,559	313,010
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	6,204,550	5,265,858	0	5,265,858	5,228,266	75,905	5,304,171	0	5,304,171	75,905
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	368,971	1,303,749	0	1,303,749	0	1,303,749	0
	CFE	596,657	1,075,301	0	706,330	610,809	3,287	614,096	0	614,096	3,287
	FF	19,217,624	15,965,050	0	15,965,050	15,674,725	233,818	15,908,543	0	15,908,543	233,818

Lettemote revised text: $3,287 shall be from the Children's Basic Health Plan Trust Fund 11G.
Cash Fund name/number, Federal Fund Grant name: FF: Title XIX, Title XXI, CFE: Children's Basic Health Plan Trust Fund 11G
IT Request: Yes ☑ No ☐
Request Affects Other Departments: Yes ☑ No ☐ **If Yes, List Other Departments Here:**

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-5
Change Request Title:	MMIS Fixed Price Increase

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 request is for $313,010 as an increase to fixed price contract for the second year of the recently reprocured Medicaid Management Information System operation's contract from July 2007. This amount represents the negotiated cost of living increase for administrative functions performed by the Department's fiscal agent, Affiliated Computer Services, Inc.

Background and Appropriation History:

The Medicaid Management Information System is nationally recognized as an automated claims, capitation processing and reporting system. In Colorado, the Medicaid Management Information System processes or adjudicates claims and capitations based on edits that determine payment or payment denial and performs prior authorization reviews for certain medical services and pharmacy prescriptions. Warrants are produced by the State based on the information electronically transmitted from the Medicaid Management Information System.

Beginning March 1, 2004, a portion of the Medicaid Management Information System contract was converted to a fixed price contract. This move toward a fixed price contract

was the result of three managed care organizations leaving the Medicaid market in FY 02-03 and the subsequent increase in claims processing for moving these clients into a fee-for-service environment. By moving to a fixed price contract, the Department was able to contain costs related to claims processing, prior authorization reviews, and some administrative functions. Remaining functions provided by the contractor, such as pharmacy prior authorization reviews, development costs, and postage that were more difficult to predict, were excluded from fixed price and paid on actual expenditures instead.

When the 2006 reprocurement process occurred, the request for proposals submitted to the public specified that the Department wanted to continue the fixed price arrangement and to expand the functions covered. As a result of this procurement, on July 1, 2007, the Medicaid Management Information System fixed price contract now covers:

- Base operations, including administrative costs
- Regular Medicaid claims processing
- Children's Basic Health Plan capitation payments processing
- Breast and Cervical Cancer Prevention and Treatment claims processing
- Nurse Home Visitor claims processing
- Autism claims processing and Autism prior authorization reviews
- Orthodontia prior authorization reviews
- Old Age Pension State Medical Program claims processing
- School Based Health claims processing
- Health Care Expansion population claims processing and disk maintenance
- Health Care Expansion population pharmacy prior authorization reviews
- Drug Rebate and Analysis and Management System (DRAMS)
- Regular Medicaid pharmacy prior authorization reviews

The only items that still remain outside of fixed price therefore include development costs for changes to implement programs that may evolve from unknown future legislation and

postage costs because the United States Post Office makes its own decisions about future postage increases.

During the bidding process to the request for proposals, the fiscal agent provided bids for FY 07-08, FY 08-09, and FY 09-10. After the incumbent fiscal agent was reselected, the Department entered into negotiations with the fiscal agent to finalize the finer points of the contract. Part of these negotiations included annual cost-of-living increases for administration costs borne by the contractor. Prior to the recent reprocurement process, the fixed price agreement with Affiliated Computer Services, Inc. has always had a cost-of-living increase included. The table below outlines the last three years of fixed price in the prior contract and the net increases for cost-of-living adjustments.

Fiscal Year	Fixed Price Amount	Percent Increase
FY 04-05	$20,037,478	N/A
FY 05-06	$20,782,913	3.7%
FY 06-07	$21,422,235	3.1%

General Description of Request:

Per negotiations for the FY 08-09 fixed price amount, the Department agreed to $21,107,511 for all services now covered under the fixed price. This amount is an increase of $313,010 over the FY 07-08 fixed price amount. While the increase would allow the fiscal agent to cover increases in their internal operating expenditures occurring during FY 08-09, it is not directly associated with any increases in responsibility or claims volume. A similar increase for FY 09-10, equal to $293,895 over the FY 08-09 fixed price, was agreed in the contract, and the amount is mentioned in this discussion for information purposes.

Benchmarking

The percentage of increase requested in this Decision Item above the FY 07-08 fixed price agreement is equal to 1.5% of the total fixed price contract from FY 07-08 ($313,010 divided by $20,794,501). The above percentage, when compared against the forecasted

Colorado inflation rates listed in the June 2007 Revenue Forecast, page 16, issued by the Office of State Planning and Budgeting, shows that this amount is well below anticipated inflation for calendar years 2008, 2009 and 2010. A similar comparison can be made for the FY 09-10 fixed price increase of 1.4% ($293,895 divided by $21,107,511). The following table compares the requested percent increases to these anticipated inflation rates for the next three calendar years.

Fiscal / Calendar Year	Requested Increase / Projected Inflation
FY 08-09	1.5%
FY 09-10 (Information Only)	1.4%
CY 2008	2.8%
CY 2009	2.9%
CY 2010	3.0%

Additionally, the requested fixed price increase as a percent of the total fixed price agreement in FY 08-09 and FY 09-10 is substantially less than the same step increases for fixed price in prior fiscal years which assumed fewer responsibilities. As mentioned above in the Background and Appropriation History section, the negotiated fixed price increase from FY 04-05 to FY 05-06 was 3.7%, and from FY 05-06 to FY 06-07 was 3.1%.

Caseload, Utilization, and Inflation

When the Department switched to a fixed price contract for much of the fiscal agent's administrative responsibilities, it broke the direct link between caseload, utilization and processing costs. Prior to fixed price, increases in caseload brought about increases in claims volume and costs for claims processing. Conversely, since fixed price, the fiscal agent has assumed the risk of operating the Medicaid Management Information System regardless of fluctuations in caseload or utilization, with no change to reimbursement for administrative functions. Therefore, this request cannot be evaluated against the slowing growth or recent declines in Medicaid caseload. In fact, per the June 2007 "*Colorado Medicaid Program Fiscal Agent Report*" produced by the Department's Information

Technology Division, it is apparent that claims volume over the last twelve months has actually increased when compared to the same period last year, even though recent Medicaid caseload levels have been declining. In June 2006 (four week period), the number of accepted claim transactions was 563,676. For the same four week period in June 2007, the number of accepted claim transactions equaled 769,313. This is an increase of 36.5% over the twelve month period.

Consequences if Not Funded:

Claims processing would need to stop six days before the end of the fiscal year to avoid needing to expend $313,010. Consider the total requested fixed price amount of $21,107,511 for FY 08-09 divided by 365 days. This yields an average daily rate of claims processing costs of $57,829. Dividing the requested increase amount of $313,010 by the average daily rate of $57,829 equates to 5.4 days. Given the average weekly claims processing cycle in FY 06-07 generated $52,397,648, a stoppage of claims processing for six days in FY 08-09 would push a similar amount of reimbursement to FY 09-10 and would disrupt cash flow patterns for medical providers. Additionally, if prior authorization reviews needed to cease during those six days of stoppage, clients awaiting authorization for prescription drugs would need to be provided with 3-day emergency supplies until the next fiscal year rather than a normal full prescription. This would require clients to make additional trips to receive their medications and would require the State to pay additional dispensing fees for filling these small supplies.

Calculations for Request:

Summary of Request FY 08-09	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
Medicaid Management Information System Contract [matches Column 6 and 10 on Schedule 13]	$313,010	$75,905	$3,287	$233,818

Table A: Funding Splits Between Medicaid and Children's Basic Health Plan for FY 08-09					
Program Splits	**Total Percentage**	**Total Costs**	**General Fund**	**Cash Funds Exempt**	**Federal Funds**
Total Costs	100%	$313,010	$75,905	$3,287	$233,818
Medicaid Costs	97%		25%	0%	75%
		$303,620	$75,905	$0	$227,715
Children's Basic Health Plan Costs	3%		0%	35%	65%
		$9,390	$0	$3,287	$6,103

Assumptions for Calculations: The Department assumes that the requested increase for Medicaid would be funded with 75% federal funds participation for regular operations of the Medicaid Management Information System. The 75% federal funds participation is applied to the 97% Medicaid portion of the total funding for the request.

For this request, the Children's Basic Health Plan contribution to the total costs is assumed to be 3%. Historically, this percentage has been determined by the ratio of capitations paid for the Children's Basic Health Plan in the Medicaid Management Information System compared to the total forecasts of claims and capitations paid. Federal financial participation for Title XXI, the Children's Basic Health Plan, is 65%.

Impact on Other Government Agencies: No impacts are known for other State government agencies.

Cost Benefit Analysis: The following analysis will quantify the cost and benefits.

Cost	$313,010 in FY 08-09
Benefit	No delay in provider payments (estimated to equal roughly $52 million) or prior authorization reviews for services or prescription drugs
Benefit	Requested increase is fiscally conservative as the cost-of-living adjustment is nearly half of projected Consumer Price Index
Benefit	Continues the fixed price agreement which places risk back onto the contractor if changes in caseload arise due to unforeseen economic or demographic changes

Based on the above analysis, the requested increase brings about the greatest benefit by insuring that the Medicaid Management Information System continues to operate the entire fiscal year so that provider payments can be always timely and so clients needs would also always be timely met.

Statutory and Federal Authority:

25.5-4-204 (3) (b), C.R.S. (2007) *The executive director of the state department shall develop and implement an automated system through which medical assistance claims and payment and eligibility determinations or other related transactions may be processed. The system shall provide for the use of automated electronic technologies. The automated system may be implemented in phases if deemed necessary by the executive director. The automated system shall be implemented only after the executive director determines that: (b) Adequate financing is available to facilitate the implementation and maintenance of the system. Financing may include, but is not limited to, federal funds, appropriations from the general fund, provider transactions fees, or any other financing mechanisms which the state department may impose, and grants or contributions from public or private entities.*

§1903 (a) of the Social Security Act [42 U.S.C. 1396b] (a) …*the Secretary…shall pay to each State which has a plan approved under this title…(3) an amount equal to – (B) 75 per centum of so much of sums expended during such quarter as attributable to the operation of system (whether such systems are operated directly by the State or by another person under a contract with the State… which are approved by the Secretary…*

Performance Measures:

The Medicaid Management Information System is the Department's only automated claims processing system. Without it, the Department would require significantly greater resources and time to ensure that providers receive accurate payment for services rendered to Medicaid and Children's Basic Health Plan clients. As such, any Performance Measure that includes expansion of Medicaid or Children's Basic Health Plan clients would only increase this need for additional resources and would delay the payment process even further due to the additional volume. Therefore, without the automated claims processing system, it is anticipated that a greater number of audit findings would show improper payments. Given the above, this Change Request is supportive of the following Performance Measures:

- Increase the number of clients served through targeted, integrated care management programs.
- Increase the number of children served through a dedicated medical home service delivery model.
- Expand coverage in the Child Health Plan Plus program.

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

	Decision Item FY 08-09 ☑	**Base Reduction Item FY 08-09** ☐	**Supplemental FY 07-08** ☐	**Budget Request Amendment FY 08-09** ☐
Request Title:	Provider Rate Increases			
Department:	Health Care Policy and Financing	**Dept. Approval by:**	John Bartholomew BB	**Date:** November 1, 2007
Priority Number:	DI-6	**OSPB Approval:**		**Date:** 10/23/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	2,061,396,808	2,147,858,908	0	2,147,858,908	2,147,626,990	17,091,875	2,164,718,865	0	2,164,718,865	17,091,875
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	633,377,714	652,421,500	0	652,421,500	651,512,742	8,264,081	659,776,823	0	659,776,823	8,264,081
	GFE	343,100,000	343,900,000	0	343,900,000	343,900,000	0	343,900,000	0	343,900,000	0
	CF	0	38,256	0	38,256	38,256	0	38,256	0	38,256	0
	CFE	48,860,206	76,001,368	0	76,001,368	76,794,167	281,858	77,076,025	0	77,076,025	281,858
	FF	1,036,058,888	1,075,497,784	0	1,075,497,784	1,075,381,825	8,545,936	1,083,927,761	0	1,083,927,761	8,545,936
(2) Medical Services Premiums	**Total**	2,061,396,808	2,147,858,908	0	2,147,858,908	2,147,626,990	17,091,875	2,164,718,865	0	2,164,718,865	17,091,875
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	633,377,714	652,421,500	0	652,421,500	651,512,742	8,264,081	659,776,823	0	659,776,823	8,264,081
	GFE	343,100,000	343,900,000	0	343,900,000	343,900,000	0	343,900,000	0	343,900,000	0
	CF	0	38,256	0	38,256	38,256	0	38,256	0	38,256	0
	CFE	48,860,206	76,001,368	0	76,001,368	76,794,167	281,858	77,076,025	0	77,076,025	281,858
	FF	1,036,058,888	1,075,497,784	0	1,075,497,784	1,075,381,825	8,545,936	1,083,927,761	0	1,083,927,761	8,545,936

Letternote revised text:

Cash Fund name/number, Federal Fund Grant name: CFE: Health Care Expansion Fund; FF: Title XIX

IT Request: ☐ **Yes** ☑ **No**

Request Affects Other Departments: ☐ **Yes** ☑ **No** **If Yes, List Other Departments Here:**

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-6
Change Request Title:	Provider Rate Increases

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 $17,091,875 in FY 08-09 in order to: increase inpatient hospital rates; increase rates paid for preventive medicine; develop a medical home pilot program; increase rates paid for substance abuse treatment; increase rates paid for vision benefits; increase rates paid for dental benefits; increase rates paid for radiology services; and, increase rates paid for the Prenatal Plus program.

Background and Appropriation History: Medicaid was enacted by Title XIX of the Social Security Act as an entitlement program to provide health care services to eligible elders, disabled, adults, and children. The Department is responsible for the provision of all health care services to persons who qualify as categorically needy under Title XIX. As part of its annual Budget Request, the Department includes a Decision Item (DI-1) for caseload and utilization increases in its line item for Title XIX services, Medical Services Premiums. The Department's Request for Medical Services Premiums, however, does not include any rate increases to providers

who participate in the Medicaid program; the requested increases only account for additional clients and changes in utilization patterns.[1]

As such, providers in Medicaid who are paid based on the fee-schedule maintained by the Department do not receive any increase in rates in the Department's annual request for Medical Services Premiums. Beginning in FY 05-06, the General Assembly has appropriated funds to provide rate increases to some Medicaid providers. In SB 05-209, the General Assembly appropriated $18,866,498 for rate increases to Medicaid providers for FY 05-06 in the following way:

- In SB 05-209, the General Assembly appropriated $7,365,778 for a 2% increase to inpatient hospital services provided to Medicaid clients. The Department applied the 2% rate increase to every hospital's inpatient rate, effective July 1, 2005 (Footnote 37).
- In SB 05-209, the General Assembly appropriated $6,831,445 with the intent of "[increasing] reimbursement rates for the top five physician procedure codes up to eighty percent of the Medicare rate" (SB 05-209, Footnote 39). With the available funds, the Department was able to increase reimbursement for the top nine office-based evaluation and management procedure codes to 80% of the Medicare rate effective July 1, 2005 (Footnote 39).
- In SB 05-209, the General Assembly appropriated $4,669,275 for a 2% rate increase for home and community-based waiver services, private duty nursing services, and home health services. The Department applied the rate increase to those services effective July 1, 2005 (Footnote 40).

During FY 05-06, the General Assembly approved a Supplemental bill, HB 06-1369, for the Department, which also contained rate increases for Medicaid providers. HB 06-1369 provided rate increases in the following way:

[1] Some providers, such as outpatient hospitals, pharmacies, federally qualified health care centers, and nursing facilities are paid based on incurred costs, or via cost-based rates, most as required by federal regulation or state statute. Such providers are not included in this Change Request.

- In HB 06-1369, the General Assembly appropriated $831,000 for a 1% rate increase for inpatient hospital services. HB 06-1385 included $3,604,228 to annualize the rate increase in FY 06-07 (Figure Setting, March 13, 2006, page 146).[2] The Department implemented the rate increase by increasing each hospital's inpatient rate by 1%, effective April 1, 2006 (Footnote 37a).
- In HB 06-1369, the General Assembly appropriated $5,100,000 for rate increases to long-term care community providers. HB 06-1385 included $20,812,658 to annualize the rate increase in FY 06-07 (Figure Setting, March 13, 2006, page 146).[3] The Department increased rates to long-term care community providers effective April 1, 2006 in the following way: assisted living facilities, 15.07%; day care services, 3.57%; skilled nursing, 7.20%; home health aides, 4.20%; physical therapy, 36.30%; speech therapy, 35.90%; occupational therapy, 29.20%; private duty registered nursing, 3.80%; private duty licensed nursing, 8.00%; personal care homemaker, 10.00%; and, all other providers, 2.57% (Footnote 40a).
- In HB 06-1369, the General Assembly appropriated $309,000 for a 2% rate increase for durable medical equipment rates. HB 06-1385 included $1,311,382 to annualize the rate increase in FY 06-07 (Figure Setting, March 13, 2006, page 146).[4] The Department implemented the rate increase by increasing all Medicaid fee-for-service durable medical equipment billing codes 2.25% and excluding durable medical equipment services that are paid by invoice plus 19%, effective April 1, 2006 (Footnote 42a).

In HB 06-1385, the General Assembly approved rate increases for FY 06-07 in the following way:

- In HB 06-1385, the General Assembly appropriated $9,917,925 for a 3.25% rate increase for primary care providers, including: physician; dental; Early Periodic

[2] The Figure Setting document does not reflect the final action by the Joint Budget Committee. The annualization amount was adjusted based on Joint Budget Committee motions, and the final annualization total is reflected in a Joint Budget Committee staff memorandum on March 16, 2006.
[3] See footnote 2.
[4] See footnote 2.

Screening, Diagnosis, and Treatment; lab and x-ray; and, durable medical equipment. In response, starting with the total funds available, the Department determined the dollar amount available if the 3.25% were applied to all applicable physician codes. This amount ($6,861,522) was then applied to the top twenty-five most frequently billed Evaluation and Management (E&M) physician services codes. These E&M codes correspond to the most common primary care physician services provided. The remaining allocated funds ($3,056,403) were used to apply a 3.25% to all Medicaid fee-for-service dental and Durable Medical Equipment (DME) codes. DME services that are paid by-invoice plus 19% were restored to plus 20% which was the by-invoice payment methodology prior to rate decreases that went into effect in 2004. These rate increases were effective July 1, 2006 (Footnote 26)

- In HB 06-1385, the General Assembly appropriated $11,713,742 for a 3.25% rate increase for inpatient hospital services provided to Medicaid clients, beginning July 1, 2006. The Department implemented the rate increase by increasing inpatient hospital rates 3.25%, effective July 1, 2006 (Footnote 27).
- In HB 06-1385, the General Assembly appropriated $4,138,750 for rate increases to long-term care community providers, effective April 1, 2007, in the following way: assisted living facilities, 12.50%; day care services, 1.00%; skilled nursing, 23.60%; physical therapy, 23.60%; speech therapy 23.60%; occupational therapy, 23.60%; private duty registered nursing, 23.40%; and, private duty licensed nursing, 23.60%. The Department intends to implement the rate increases on April 1, 2007 (Footnote 28).

In SB 07-239, the General Assembly approved rate increases for FY 07-08 in the following way:

- In SB 07-239, the General Assembly appropriated $5,081,736 for a 1.5% rate increase for home and community-based long-term care providers, home health, and private duty nursing providers, beginning July 1, 2007. The Department implemented the rate increase by increasing rates for the specified providers by 1.5%, effective July 1, 2007 (Footnote 28).

- In SB 07-239, the General Assembly appropriated $4,446,001 for a 1.5% rate increase for inpatient hospital services provided to Medicaid clients, beginning July 1, 2007. The Department implemented the rate increase by increasing inpatient hospital rates 1.5%, effective July 1, 2007 (Footnote 29).
- In SB 07-239, the General Assembly appropriated $11,541,853 for rate increases targeted to specific providers and services, effective July 1, 2007. The rate increases included the following providers and services: Emergency Transportation, adult immunizations, anesthesia, wheelchair repair, intrauterine devices, surgical procedures, outpatient therapy services, and single entry point contracts. The Department implemented the rate increase by increasing rates for the specified providers and services effective July 1, 2007 (Footnote 29).

To date, the rate increases appropriated by the General Assembly have targeted programs with high utilization that comprise a large part of Medicaid expenditure, providers affected by rate cuts, and services where the cost of providing the service exceeded the Medicaid reimbursement rate. These rate increases have helped to offset the effects of rate cuts during FY 02-03, FY 03-04, and FY 04-05.

In HB 06-1385 (Footnote 22) and SB 07-239 (Footnote 24), the Department was appropriated funding for a Primary Care Provider Rate Task Force and Study. Although the results of that study are not directly discussed in this Change Request, the Department's recommendations with respect to preventive medicine and medical homes reflect the conclusions of the Task Force.

General Description of Request:

For FY 08-09, the Department is targeting seven service areas for rate increases: inpatient hospitals; preventive medicine and medical homes; substance abuse; vision benefits; dental services; and, radiology services.

Inpatient Hospital

Under State budgeting principles, inpatient hospital rates are currently required to remain budget neutral to FY 02-03 rates, only allowing for an increase in utilization, unless a Change Request is approved. This is supported in the Department's Medicaid State Plan. The methodology used to calculate the Medicaid inpatient hospital base rates does not apply any inflationary increase, such as Medicare's hospital market basket index, without a budget action. Historically, the Department has used Medicare hospital rates as a benchmark for comparison. For FY 03-04, the first year that Medicaid rates were based on Medicare's rates, Medicaid rates were set at 97.9% of Medicare's rates in order to be budget neutral to FY 02-03 expenditures. In FY 04-05, Medicaid rates fell to 92.6% of Medicare's rates; in FY 05-06 Medicaid rates were set at 90% of Medicare's rates; and, in FY 06-07, Medicaid rates were set at 92% of Medicare's rates, including the rate increases provided in HB 06-1369 and HB 06-1385. In FY 07-08, Medicaid rates were approximately equal to 91.3% of Medicare's rates, including the rate increase provided in SB 07-239. Total reimbursement for inpatient hospitals in FY 06-07 (not including upper payment limit financing) was $304,687,402 (Exhibits for Medical Services Premiums, Exhibit N, page 1).

In the August 3, 2007 Federal Register (Vol. 72, No. 149), the Centers for Medicare and Medicaid Services (CMS) published significant changes to the Medicare hospital inpatient prospective payment system. Under the new methodology, the current diagnostic related grouper (DRG) classification system will be replaced with a new DRG system which better recognizes the severity of the condition being treated. Because the Department's payment methodology is based primarily on the Medicare methodology in place during federal fiscal year 2007, it is no longer useful to compare rates on a hospital-by-hospital basis between Medicare and Medicaid because of the different system of measurement. The new Medicare rates are effective as of October 1, 2007.

For FY 08-09, the Department recommends applying a 1.5% rate increase to all inpatient hospital rates. This rate increase would be applied after all budget neutrality provisions are applied, in a manner consistent with the way the Department has apportioned rate increases appropriated by the General Assembly in FY 05-06, FY 06-07, and FY 07-08.

In order to raise inpatient hospital rates by 1.5%, the Department recommends an appropriation of $4,679,688.

Preventive Medicine and Medical Homes

In HB 06-1385 (Footnote 22) and SB 07-239 (Footnote 24), the Department was appropriated funding for a Primary Care Provider Rate Task Force and Study. Although the results of that study are not directly discussed in this Change Request, the Department's recommendations with respect to preventive medicine and medical homes reflect the conclusions of the Task Force. Additionally, due to funding constraints, the Department's recommendations do not seek to fully implement the recommendations of the Task Force at this time; rather, the Department anticipates that full implementation of the recommendations will be a multi-year process.

Evaluation and Management

In FY 05-06 and FY 06-07, the Department used limited funding to apply rate increases to the most frequently used Evaluation and Management (E&M) procedure codes. Specific services include examinations, evaluations, treatments, preventive pediatric and adult health supervision, and similar medical services. Due to budgetary restraints, the Department was only able to target the most frequently utilized codes.

In response, the Department recommends raising the rates of 12 specific preventive medicine evaluation and management codes to 90% of the Medicare rate. The codes targeted by the Department are for "periodic comprehensive preventive medicine reevaluation and management of an individual including an age and gender appropriate history, examination, counseling/anticipatory guidance/risk factor reduction interventions, and the ordering of appropriate immunization(s), laboratory/diagnostic procedures."[5]

The Department calculates that an appropriation of $1,514,747 would be sufficient to raise the rates to this level. These codes are for age specific new and established patients

[5] The Department intends to target Current Procedural Terminology (CPT) codes 99381 through 99387 and 99391 through 99397. The included description of these codes was obtained from the American Medical Association's website, at http://www.ama-assn.org/.

that are currently priced between 36.5% and 58.5% of the equivalent Medicare rate. Additionally, these codes have not been included in any prior year rate increases.

Furthermore, the Department recommends an additional appropriation of $1,750,000 to increase rates on frequently used evaluation and management codes which have been included in any of the recent provider rate increases. There are over 75 additional evaluation and management codes which have not received any rate adjustment during recent rate increases. The Department aims to increase all evaluation and management codes to 90% of the equivalent Medicare rate; however, at the same time, the Department recognizes the fiscal constraints under which it operates. Therefore, the Department intends to use this funding to increase these codes to approximately 83.4% of the Medicare rates at this time, which is on approximately a 17.65% rate increase for each code on average.

Medical Homes

During the 2007 legislative session, the General Assembly passed SB 07-130, which requires the Department to develop systems and standards to maximize the number of children enrolled in the Medicaid program who have a Medical Home. A Medical Home is defined in part as "an appropriately qualified medical specialty, developmental, therapeutic, or mental health care practice that verifiably ensures continuous, accessible, and comprehensive access to and coordination of community-based medical care, mental health care, oral health care, and related services for a child" at 25.5-1-103 (5.5), C.R.S. (2007).

SB 07-130 did not contain any appropriation for the purpose of raising provider rates associated with Medical Home services. During meetings associated with the Primary Care Provider Rate Task Force (as required by Footnote 22 of HB 06-1385), the Department learned that provider rates for Medical Home related services were not adequate enough to ensure provider participation. Therefore, as part of the Department's effort to maximize the number of participating providers and the number of children enrolled, the Department seeks to initiate a pay-for-performance pilot program to evaluate

the effectiveness and cost savings for a select number of clients in an identified Medical Home. The pilot program will involve 124 providers, serving approximately 10,000 children.

The Department recommends an appropriation of $222,255 for the Medical Home pilot program. Reimbursement rates for children ages 0-4 will be increased by $10.00 for the annual well child visit. Reimbursement rates for children ages 5-20 will be increased by $40.00 for an annual well child visit. Any savings identified from the program will be incorporated in the Department's annual Budget Request for Medical Services Premiums.

Substance Abuse

During the 2005 legislative session, the General Assembly passed HB 05-1015, which created an outpatient substance abuse in the Medical Assistance Program. As detailed in the Legislative Council fiscal note of April 20, 2005, initial estimates of client participation were high. Initial rates were based on the Department of Human Services' Special Connections program, although rates in that program had not been increased since the program's inception in 1992. Providers have indicated that rates are set too low to encourage and promote utilization of the benefit.

The Department seeks to adjust rates in line with average commercial reimbursement. To that end, the Department intends to increase the hourly reimbursement rates for group sessions at an average of 23% and hourly reimbursement rates for individual sessions at an average of 63%. The Department assumes that Medicaid utilization of the Special Connections benefit will increase by approximately 50%, while utilization in the Department's own outpatient substance abuse will increase by approximately 375%. Therefore, the Department recommends an appropriation of $750,000, which includes both the cost of the rate increases and the utilization growth expected as a result of additional providers willing to participate in the program.

Vision Benefits

Currently, the Department provides an eyeglass benefit (frames and lenses) for children 20 and under when medically necessary and for adult clients following eye surgery. The majority of rates for eyeglass benefits were set in 1987. During FY 02-03 rates were cut by 5.00%, and in FY 04-05, rates were cut by an additional 1.00%. Some of the impact of the rate cuts was mitigated by a 3.25% increase in FY 06-07. However, because rates have not been rebased since 1987, Medicaid reimbursement is currently well below reimbursement rates paid by commercial insurers and providers' reported costs.

The Department recommends an appropriation of $500,000 to increase the payment rates for the most frequently used procedure codes for frames and lenses. This would increase reimbursement rates for these services by 33.45% on average.

Dental Services

Comprehensive dental services are a Colorado Medical Assistance Program benefit under the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program for clients from birth through the age of 20. The Department is required by Federal law to provide "[d]ental care, at as early an age as necessary, needed for relief of pain and infections, restoration of teeth and maintenance of dental health" (42 CFR § 441.56 (c) (2) [2006]). Only limited medically necessary dental benefits are available for adults, age 21 and older, and for non-citizens. Colorado Medical Assistance Program dental benefits for adults can be provided only when there is a dental emergency, when an approved concurrent medical condition is present, or when prior authorization has been approved for a non-emergency dental service.

Dental rates were increased by 3.25% in FY 06-07, and remain between 33% and 50% of average commercial rates (as published by the American Dental Association). Because of low reimbursement rates, only a limited number of dentists provide services to adult Medicaid clients. Therefore, the Department recommends an appropriation of $3,500,000 to increase reimbursement rates for dental procedures by 7.38%. The Department

estimates that this will increase rates to between 35% and 54% of the American Dental Association mean rates. However, this is not an exact measure, as the mean rates are based on a survey of commercial providers who may vary their rates over time.

Radiology Services

Medically necessary physician ordered radiology services are benefits of the Colorado Medical Assistance Program. Radiology services include services using radiation (such as x-rays) or other imaging technologies (such as computed tomography, ultrasound and magnetic resonance imaging) to diagnose or treat disease. For the most part these are non-invasive services.

On average, the Department's current reimbursement rates for radiology procedures average approximately 23% of the equivalent Medicare rates. Radiology reimbursements were cut by 5% during FY 02-03 and have not been increased since that time. Because of low reimbursement rates, the Department remains concerned about client access to radiologists. The Department recommends an appropriation of $2,250,000 to increase radiology procedure codes by 17.7%.

Prenatal Plus

The focus of the Prenatal Plus Program is to improve birth outcomes by reducing the number of low birth weight infants born to eligible women. The program is administered in partnership with the Colorado Department of Public Health and Environment. Services are aimed at enhancing the medical component of prenatal care the woman receives. The goal is to improve the psychosocial and nutritional health status of the client, assist her in developing and maintaining healthy lifestyles during pregnancy and postpartum, discourage the use of tobacco, alcohol and illicit drugs and increase her ability to access critical medical and social services.

In conjunction with the Department of Public Health and Environment, a cost analysis of the program was completed in 2006 analyzing the program costs for calendar year 2005

for agencies providing PNP services. The analysis showed that on average the agencies are reimbursed 45% of the costs of the program. Overall the average cost per client in 2005 was $1,054 and Medicaid reimbursed at an average rate of $479 per client. Since 2004, five Prenatal Plus programs have been discontinued due to the financial hardship by the agency providing the program.

The Department recommends an appropriation of $500,000 to increase rates for the Prenatal Plus program by 51.5%. The Department estimates that at this level, rates would cover approximately 69% of provider costs.

Consequences if Not Funded:

If this Request is not funded, the Department risks having providers exit the program for lack of adequate reimbursement. Without adequate access to these services, clients are more likely to experience adverse health events which are more expensive to the Department.

Calculations for Request:

Summary of Request FY 08-09 Matches Schedule 13 and Recommended Request	**Total Funds**	**General Fund**	**Health Care Expansion Fund**	**Federal Funds**
Total of All Line Items	**$17,091,875**	**$8,264,081**	**$281,858**	**$8,545,936**
(2) Medical Services Premiums Incremental FY 07-08 Request (column 6)	**$17,091,875**	**$8,264,081**	**$281,858**	**$8,545,936**
Increase to Inpatient Hospital	$4,679,688	$2,260,347	$79,497	$2,339,844
Increase to Evaluation and Management - Age Specific Codes	$1,514,747	$731,642	$25,732	$757,373
Increase to Evaluation and Management - Other	$1,750,000	$845,272	$29,728	$875,000
Increase to Medical Home Pilot Program	$222,255	$107,352	$3,776	$111,127
Increase to Substance Abuse	$750,000	$362,259	$12,741	$375,000
Increase to Radiology	$2,250,000	$1,086,778	$38,222	$1,125,000
Increase to Vision Benefits	$500,000	$241,506	$8,494	$250,000
Increase to Dental Services	$3,500,000	$1,690,543	$59,457	$1,750,000
Increase to Prenatal Plus	$500,000	$250,000	$0	$250,000
Increase to Managed Care Organizations	$1,425,185	$688,382	$24,211	$712,592

Summary of Request FY 09-10 Matches Schedule 13 and Recommended Request	**Total Funds**	**General Fund**	**Health Care Expansion Fund**	**Federal Funds**
Total of All Line Items	**$17,091,875**	**$8,264,081**	**$281,858**	**$8,545,936**
(2) Medical Services Premiums Incremental FY 07-08 Request (column 6)	**$17,091,875**	**$8,264,081**	**$281,858**	**$8,545,936**
Increase to Inpatient Hospital	$4,679,688	$2,260,347	$79,497	$2,339,844
Increase to Evaluation and Management - Age Specific Codes	$1,514,747	$731,642	$25,732	$757,373
Increase to Evaluation and Management - Other	$1,750,000	$845,272	$29,728	$875,000
Increase to Medical Home Pilot Program	$222,255	$107,352	$3,776	$111,127
Increase to Substance Abuse	$750,000	$362,259	$12,741	$375,000
Increase to Radiology	$2,250,000	$1,086,778	$38,222	$1,125,000
Increase to Vision Benefits	$500,000	$241,506	$8,494	$250,000
Increase to Dental Services	$3,500,000	$1,690,543	$59,457	$1,750,000
Increase to Prenatal Plus	$500,000	$250,000	$0	$250,000
Increase to Managed Care Organizations	$1,425,185	$688,382	$24,211	$712,592

Table 1			
Calculation of Impact to Inpatient Hospital			
Row	**Item**	**Total**	**Notes**
A	FY 06-07 Expenditure for Inpatient Hospital	$304,687,402	Exhibit N, page EN-1.
B	Estimated Increase in Caseload from FY 06-07 to FY 07-08	1.50%	Exhibit B, page EB-1.
C	Estimated FY 07-08 Expenditure	$309,257,713	FY 07-08: Row A + (1 + Row B)
D	Estimated Caseload Increase from FY 07-08 to FY 08-09	0.88%	Exhibit B, page EB-1.
E	Estimated Base Year Expenditure (Without Rate Increases)	$311,979,181	Row C * (1 + Row D)
F	Requested Rate Increase	1.50%	See Narrative
G	Estimated FY 07-08 Expenditure at 90% of Medicare Rates	$316,658,869	Row E * (1 + Row F)
H	**FY 08-09 Total Request**	**$4,679,688**	**Row G - Row E**
All Exhibits refer to Section E, Exhibits for Medical Services Premiums.			

Table 2				
Estimated Percentage Increase by Service Category (Fee-for-Service)				
Service Category	FY 08-09 Estimated Reimbursements(1)	Requested Increase	Estimated Reimbursements with Increase	Percentage Increase
Evaluation and Management - Age Specific Codes	$1,900,387	$1,514,747	$3,415,134	79.71%
Evaluation and Management - Other	$9,007,414	$1,750,000	$10,757,414	19.43%
Medical Home Pilot Program	$0	$222,255	$222,255	100.00%
Substance Abuse	$183,305	$750,000	$933,305	409.00%
Vision Benefits	$1,494,762	$500,000	$1,994,762	33.45%
Dental Services	$47,445,069	$3,500,000	$50,945,069	7.38%
Radiology	$12,705,840	$2,250,000	$14,955,840	17.71%
Prenatal Plus	$1,072,400	$500,000	$1,572,400	46.62%
Total	**$73,809,177**	**$10,987,002**	**$84,796,179**	**14.89%**
(1) Calculated using paid claims from the Department's Medicaid Management Information System. Estimated reimbursements only reflect portion of claims impacted by rate increases.				

Table 3
Estimated Increase Including Managed Care Organizations

Service Category	Fee-for-Service	HMO	PACE	Total
Inpatient Hospital	$4,679,688	$561,563	$109,391	$5,350,642
Evaluation and Management - Age Specific Codes	$1,514,747	$158,977	$30,968	$1,704,692
Evaluation and Management - Other	$1,750,000	$183,667	$35,778	$1,969,445
Medical Home Pilot Program	$222,255	$0	$0	$222,255
Substance Abuse	$750,000	$0	$0	$750,000
Radiology	$2,250,000	$236,143	$46,000	$2,532,143
Vision Benefits	$500,000	$52,476	$10,222	$562,698
Dental Services	$3,500,000	$0	$0	$3,500,000
Prenatal Plus	$500,000	$0	$0	$500,000
Total	$15,666,690	$1,192,826	$232,359	**$17,091,875**

Definitions

HMO: Health Maintenance Organization
PACE: Program of All-Inclusive Care for the Elderly

Assumptions for Calculations:

For all calculations, the impact to the Health Care Expansion Fund is calculated based on the Department's FY 06-07 actual expenditure. Specifically, in FY 06-07, 3.40% of State expenditure was from the Health Care Expansion Fund. The Department holds that percentage constant and adjusts fund splits based on that percentage. Rate increases for services are applied without respect to eligibility category. When a client in an eligibility category which is funded from the Health Care Expansion Fund (such as Expansion Adults) utilizes a service which has received a rate increase, the additional expenditure must also come from the Health Care Expansion Fund.

In general, all estimated figures for FY 08-09 are based on historical expenditure and caseload trends. Actual experience will differ from the projection. Unforeseen increases in caseload or utilization could cause the Department to require an additional

appropriation in the future for these services. Any observable difference between the estimate and the actual experience will be adjusted in the Department's Budget Request for Medical Services Premiums in November 2008 and February 2009.

Inpatient Hospital

The Department has estimated the increase to inpatient hospitals based on FY 06-07 actual expenditure and projected caseload and utilization trends. This analysis is performed at the aggregate expenditure level, as an increase to the base rate of each hospital and does not affect the relative value of the claims submitted. In particular, this analysis assumes that the Department will not adjust the inpatient hospital payment methodology to match the new Medicare methodology effective October 1, 2007. In the event that the Department does update the payment methodology, a separate Budget Action will be submitted.

Fee-For-Service Categories

For evaluation and management procedures, medical homes, vision benefits, dental benefits, and radiology, calculations are performed on a procedure code basis. The Department calculated the estimate by analyzing claims at the procedure code level, inflating for increases in caseload and applying the rate increase. This methodology assumes that utilization rates will remain constant. Because of the size and complexity of the estimate, detailed calculations are not presented, although further information is available on request from the Department.

Managed Care Impacts

The Department has based impacts for managed care organizations, including both health maintenance organizations and the Program of All-Inclusive Care for the Elderly, on actual FY 06-07 experience. Although actual enrollment in these programs may differ from the FY 06-07 level, the aggregate impact for each category (e.g. inpatient hospital) will remain the same regardless of the distribution of enrollment. The Department will

adjust for any discrepancy between the actual experience and the estimate in its Budget Request for Medical Services Premiums in November 2008 and February 2009.

Estimates for managed care impacts are calculated by splitting total managed care expenditure by service category based on historic fee-for-service expenditure. Because of the size and complexity of the estimate, detailed calculations are not presented, although further information is available on request from the Department.

Impact on Other Government Agencies: None.

Cost Benefit Analysis: For this Request, a quantitative cost-benefit analysis is not applicable. Cost savings may not be realized in the near future but costs avoided over the long term may be considerable. The Department believes that there are significant benefits to increasing provider rates, including:

- Maintaining client access to primary care and emergency health care services
- Maintaining client access to specialty services, such as the Medicaid substance abuse benefit
- Increasing provider participation in the Medicaid program
- Preventing adverse health outcomes, which are generally more costly than primary care services

For these reasons, the Department believes that the short- and long-term benefits of increasing provider rates outweigh the costs.

Implementation Schedule: The new rates will be effective July 1, 2008

Statutory and Federal Authority: 25.5-4-104, C.R.S. (2007). Program of medical assistance - single state agency.
(1) The state department, by rules, shall establish a program of medical assistance to provide necessary medical care for the categorically needy. The state department is hereby designated as the single state agency to administer such program in accordance

with Title XIX and this article and articles 5 and 6 of this title. Such program shall not be required to furnish recipients under sixty-five years of age the benefits that are provided to recipients sixty-five years of age and over under Title XVIII of the social security act; but said program shall otherwise be uniform to the extent required by Title XIX of the social security act.

25.5-5-101, C.R.S. (2007). Mandatory provisions - eligible groups - repeal.
(1) In order to participate in the medicaid program, the federal government requires the state to provide medical assistance to certain eligible groups. Pursuant to federal law and except as provided in subsection (2) of this section, any person who is eligible for medical assistance under the mandated groups specified in this section shall receive both the mandatory services that are specified in sections 25.5-5-102 and 25.5-5-103 and the optional services that are specified in sections 25.5-5-202 and 25.5-5-203.

Performance Measures:

This Change Request affects the following Performance Measures:

- Increase the number of clients served through targeted, integrated care management programs.
- Increase the number of children served through a dedicated medical home service delivery model.
- Improve access to and the quality of Medicaid health care as demonstrated through improvements in the Medicaid Health plan scores on Health Plan Employer Data Information Set (HEDIS) measures.

The Department believes that maintaining an adequate provider network through fair and competitive rates will increase overall access to health care, thereby increasing customer satisfaction and quality of health outcomes. Additionally, the Department believes that the Medical Home pilot program will increase the number of children served in a medical home in FY 08-09 and beyond.

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

	Decision Item FY 08-09 ☑	**Base Reduction Item FY 08-09** ☐	**Supplemental FY 07-08** ☐	**Budget Request Amendment FY 08-09** ☐
Request Title:	Additional FTE to Restore Department Efficiency and Functionality			
Department:	Health Care Policy and Financing	**Dept. Approval by:** John Bartholomew	**Date:**	November 1, 2007
Priority Number:	DI-7	**OSPB Approval:**	**Date:**	10/17/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	16,456,965	17,755,055	0	17,755,055	19,884,683	488,048	20,372,731	0	20,372,731	494,672
	FTE	225.4	245.3	0.0	245.3	259.5	7.3	266.8	0.0	266.8	8.0
	GF	6,641,302	7,756,051	0	7,756,051	8,254,995	269,735	8,524,730	0	8,524,730	275,114
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	154,890	0	154,890	216,481	0	216,481	0	216,481	0
	CFE	407,157	607,032	0	607,032	2,148,288	(51,420)	2,096,868	0	2,096,868	(55,555)
	FF	9,408,506	9,237,082	0	9,237,082	9,264,919	269,733	9,534,652	0	9,534,652	275,113
(1) Executive Director's Office, Personal Services	**Total**	15,260,951	16,715,590	0	16,715,590	18,860,743	413,855	19,274,598	0	19,274,598	450,948
	FTE	225.4	245.3	0.0	245.3	259.5	7.3	266.8	0.0	266.8	8.0
	GF	6,054,845	7,261,822	0	7,261,822	7,768,653	230,263	7,998,916	0	7,998,916	250,839
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	140,495	0	140,495	212,681	0	212,681	0	212,681	0
	CFE	399,006	592,486	0	592,486	2,121,195	(46,670)	2,074,525	0	2,074,525	(50,729)
	FF	8,807,100	8,720,787	0	8,720,787	8,758,214	230,262	8,988,476	0	8,988,476	250,838
(1) Executive Director's Office, Operating Expenses	**Total**	1,196,014	1,039,465	0	1,039,465	1,023,940	74,193	1,098,133	0	1,098,133	43,724
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	586,457	494,229	0	494,229	486,342	39,472	525,814	0	525,814	24,275
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	14,395	0	14,395	3,800	0	3,800	0	3,800	0
	CFE	8,151	14,546	0	14,546	27,093	(4,750)	22,343	0	22,343	(4,826)
	FF	601,406	516,295	0	516,295	506,705	39,471	546,176	0	546,176	24,275

Letternote revised text:

Cash Fund name/number, Federal Fund Grant name: CFE source is the Old Age Pension Fund appropriated to the Department of Human Services, pursuant to Article 24 of the State Constitution. FF: Title XIX

IT Request: ☐ Yes ☑ No

Request Affects Other Departments: ☑ Yes ☐ No **If Yes, List Other Departments Here:** Department of Human Services

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-7
Change Request Title:	Additional FTE to Restore Department Efficiency and Functionality

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 request is for 7.3 additional base-building FTE, equivalent to 8.0 FTE annualized, needed to restore efficiency and functionality to Department programs. The requested FTE would enable the Department to be proactive in its efforts to meet strategic plan objectives, ensure high quality health care is delivered in the most cost-effective manner possible, and improve customer satisfaction with programs, services and care. Since the budget-cut years of FY 02-03 and FY 03-04, the Department has experienced a significant staffing shortage. Recent gap analysis confirms that the number of FTE in several critical program areas is below minimum productivity thresholds. This lack of sufficient staff resources has necessitated a shift in focus from exceeding standards to meeting minimum requirements, and has contributed to a decrease in the Department's customer service ratings and in the effectiveness of affected programs.

Background and Appropriation History: The budget-cut years of FY 02-03 and FY 03-04 did not allow the Department to request necessary additional FTE as its responsibilities grew. Following these years, existing staff absorbed steadily increasing workloads with overtime on a routine basis, and project delays grew common. Due to the statewide shortage of General Fund dollars available, the

Department made a concerted effort to be sparing in its requests for needed FTE, and resisted making requests to create new FTE for the additional workload. Since that time, the Department has experienced substantial turnover and prolonged position vacancies. Analysis of employee exit interview data shows a majority of turnover is attributed to rising stress levels, more work than can be accomplished, a lowered sense of staff morale, and erosion of institutional knowledge and experience at the Department. In addition, assessments by former Medicaid directors from Oregon and Texas, and consultants from the National Governors Association conclude that the Department has a significant staff shortage which is a growing detriment to its operations. The Department is unable to keep pace with the incessant requests for information it receives from a variety of sources, and Department staffs are continually preoccupied with reacting to arising issues and crises. As a result, it has become impossible for the Department's existing FTE and supervisory staff to plan ahead or be proactive in their respective program areas.

To address some of these issues in FY 07-08, the Department's Executive Director expanded the leadership roles of two key positions held by existing FTE in FY 06-07:

- The Privacy and Public Policy Division Director (Management) position was upgraded to Client and Community Relations Office Director (Senior Executive Service) and
- the Medical Assistance Office Contract Administrator (General Professional IV) position was upgraded to Legal Division Director (Management).

In addition, Executive Director Joan Henneberry has made Department productivity and efficiency analysis a top and ongoing priority. While the Department will absorb the incremental salary increases for the two position changes described above in FY 07-08, it has identified a critical need for 7.3 additional FTE beginning in FY 08-09 to restore core functionality and efficiency to its programs.

General Description of Request: This request is for total funds of $488,048 and 7.3 FTE in FY 08-09, equivalent to 8.0 annualized FTE, to restore staff productivity and stability at the Department. Only sections with considerable need for additional FTE, as described below, are included in this

request. This request also includes a reduction of 1.0 FTE Accountant II in the Old Age Pension State Medical Program due to infeasibility of establishing a stand-alone drug rebate program.

Agency Administration and Operations Office

1.0 FTE Eligibility Determination Monitor (General Professional III)
Currently, the Department employs 3.0 FTE in its Medicaid Eligibility Quality Control unit, consisting of one team lead and two staff. The purpose of this unit is to review Medicaid eligibility determinations and ensure compliance with federal and State eligibility rules and procedures. This unit assesses the accuracy and timeliness of eligibility determinations to avoid inappropriate payments and client determination delays, and advises State and county administrators and medical assistance site personnel of review findings through individual case reports and project summary reports. In addition, this unit recommends ways to improve the accuracy and timeliness of eligibility determinations. Given the number and complexity of reviews, reports, and recommendations made by this unit, the current number of FTE is insufficient and the Department has fallen behind. This was documented in a June 19, 2007 letter from the Centers for Medicare and Medicaid Services, which noted that the Medicaid Eligibility Quality Control unit is understaffed and insufficient to meet the maintenance of effort required. To restore this unit's ability to function effectively and remain compliant with federal requirements, the Department requests an additional 1.0 FTE Eligibility Determination Monitor.

Budget Division

1.0 FTE Budget Analyst - Other Medicaid-Funded Agencies (Budget Analyst I)
An additional 1.0 FTE Budget Analyst I is needed in the Budget Division to assist with oversight of 26 budget lines, totaling $409,838,377, that provide Medicaid funding to three other State agencies: the Department of Human Services, the Department of Public Health and Environment, and the Department of Regulatory Agencies (November 1, 2007 FY 08-09 Budget Request). Currently, the Department has 1.0 FTE Budget Analyst III responsible for monitoring expenditures, allowable charges, and compliance with State and

federally mandated program changes for each of these 26 programs. As a result, this position only has time to perform high-level analysis of each one. There is very little time to delve into each line item and understand whether or not the program is being administered in accordance with State and federal law and offering the services required by State and federal authorities. In addition, two of these 26 budget lines absorb most of the existing Budget Analyst's time: Colorado Benefits Management System and Developmental Disability Services. Monitoring the Colorado Benefits Management System budget line is complex and dynamic due to the number of eligibility and processing changes required by State and federal agencies. The Developmental Disability Services budget line is equally complex because the State's facilities for developmental disabilities have undergone substantial changes over the past two years. These changes include unbundling of rates, development of more accurate billing methodologies, conversion of regional centers into intermediate care facilities for the mentally retarded, and a number of other federally mandated changes.

The requested 1.0 FTE Budget Analyst I is also needed to assist with analysis and monitoring of other budget line items that currently need more scrutiny than they are receiving as a result of staffing shortages and high turnover in the Department's Budget Division. For example, assistance is needed to better monitor and report on Department expenditures for County Administration, Old Age Pension State Medical Program, and Medicare Modernization Act of 2003 State Contribution Payment. With an additional 1.0 FTE in the Budget Division, the Department would be able to conduct more thorough and detailed analysis of these expenditures on a regular basis, and cover knowledge gaps created by a persistent loss of Budget Division staff over the last several years.

Client and Community Relations Office

2.0 FTE Customer Support Interns

The Customer Service section exists to provide a single focal point within the Department for communications with clients, providers, and the general public. The Department currently has 6.0 FTE in this section to answer questions, address problems, assist callers in navigating the health care system, and inform clients of program features, benefits and

options. To perform these functions well, Customer Service staff must be highly trained and knowledgeable about all facets of Department programs. In addition, a sufficient number of FTE are needed to answer calls at a rate of about 1,500 calls each per month.

Over the last two years, high turnover and new-hire rates have caused a significant portion of this section's FTE to remain in various stages of training. This has had the effect of continually suppressing the number of calls that can be answered as experienced staff slow down to train newer staff. In turn, this causes higher call abandonment rates and a repeating cycle of customer dissatisfaction, more incoming calls, more frustrated staff and turnover, and once again, decreased call answering capacity. Research completed in 2006 on similar customer service entities outside the Department shows that the Department answers a lower percentage of calls, has higher abandonment rates, greater wait times, and fewer FTE per calls received than comparative call centers (Table 1). In addition, call data from calendar year 2006 show the number of calls increasing, with a total of 179,712 calls received; of which, 68,201 or 38% were unanswered.

The Customer Service section is a critical part of the Department's infrastructure, and its understaffing problem needs to be resolved. To improve call answering rates, decrease turnover, and increase the experience level and longevity of staff in the Customer Service section, an additional 2.0 FTE Customer Support Interns are needed. This would enable the Department to break its current cycle of insufficient staff support and turnover, and do a better job serving clients, providers, and the general public.

Table 1 - Customer Service Call Center Data Analysis					
	Department of Revenue	**Department of Health Care Policy and Financing**	**Health*Colorado***	**Affiliated Computer Services - Children's Health Plan Plus**	**Affiliated Computer Services - Provider Services**
	CY 2005	**CY 2005**	**SFY 05-06**	**SFY 05-06**	**CY 2005**
Total Calls Received	379,729	141,252	74,021	178,854	156,462
Total Calls Answered	272,448	96,830	71,235	167,319	140,145
Total Calls Abandoned	107,281	44,422	2,786	11,535	16,317
% Total Calls Answered	70.20%	67.39%	96.24%	94.00%	89.57%
% Total Calls Abandoned	28.25%	32.61%	3.76%	6.29%	10.43%
Average Length of Call	3:46	3:32	3:08	4:23	3:49
Call Center Staff	16	6	6	15	13
Daily Hours of Service	7.5 Hours	8 hours	8 hours	10 hours	8 hours

1.0 FTE Business Analysis Statistical Analyst (Statistical Analyst II)

The Business Analysis section performs most of the Department's data analysis, including work on fiscal notes, accounting reconciliations, change requests, audits, disease management and quality improvement efforts, programmatic reporting, waiver cost effectiveness submissions, external data research requests and ad hoc analysis. In recent years, the Business Analysis section has become increasingly unable to keep pace with the demand for analysis and reports from managers and staff. The Department relies heavily on this section for support in making policy and program decisions. While the original charge of the section was to handle requests from the Medical Assistance Office, its purview has expanded to supporting the entire Department as well as researching external requests. In particular, both the Budget Division and the Quality Improvement section request large quantities of data for analysis on a regular basis, and these requests are typically complex. This has caused a large number of projects to be delayed and

reprioritized, and this is compounded as incoming requests exceed the section's capacity to respond. To alleviate these problems and improve the quality and timeliness of business analysis reports, an additional 1.0 FTE Statistical Analyst II position is needed.

3.0 FTE External Training Unit - Program Eligibility and Implementation Division

Various staffs within the Department currently provide limited training on program, policy and operations issues. The eligibility policy unit receives the most requests for training, primarily from counties; but also receives requests from community resource centers and other stakeholders. The Department is unable, however, to accommodate more than a fraction of the training requests it receives. Although the Colorado Benefits Management System is designed to provide uniformity and standardization to the eligibility determination process and diminish variation at the county level, this has not yet happened to a large extent. Questions related to the interpretation and implementation of policy changes, new federal requirements, and State laws drive a constant stream of training needs at the county level. To manage these training needs in the most cost-efficient manner possible, the Department typically holds four or five training sessions per year at various conferences throughout the State. For many who need Medicaid training, it is not possible to take advantage of the limited number and location of trainings offered by the Department in a given year. As a result, county technicians and others involved with the Department's programs often lack a current, complete or accurate understanding of Medicaid policy issues, including the basic requirements for Medicaid eligibility, the new citizenship and identity documentation requirements, or how specific assets are to be treated for eligibility purposes.

Creation of an external training unit in the Program Eligibility and Implementation Division would enable the Department to provide focused training to counties, community resources centers, and other stakeholders where needed. This training unit would assist the existing 1.0 FTE County Oversight Liaison, as well as relieve the burden on various Department staff to react to client eligibility issues and other problems caused by a lack of training. The external training unit would consist of 1.0 FTE Training Coordinator (General Professional V) plus 2.0 FTE Trainers (General Professional IV). It would function similarly to training units currently employed by other agencies with high levels of

community interaction and large, diverse groups of stakeholders. The new unit would provide training more frequently, more consistently, and at more locations throughout the State than the Department can currently provide. In addition, this training unit would have the ability to hold regular trainings in areas that the Department does not currently have the funds to reach, including public trainings to external partners.

The additional 1.0 FTE Training Coordinator (General Professional V) would be based primarily in the Metro Denver area and would have oversight of all training materials. This includes development of training curricula, testing presentations for clarity, and overseeing the format design of all training resources. The position would provide policy and operations training for Medicaid, Children's Basic Health Plan, and the Colorado Indigent Care Program to county personnel, medical assistance sites, providers, community resource centers, stakeholders and advocates for the Metro Denver area. The position would represent the Department to many external parties and supervise the additional 2.0 FTE Trainers requested. In addition, 2.0 FTE Trainers (General Professional IV) are needed to train county personnel, medical assistance sites, providers, community resource centers, and advocates located in the Western Slope, Mountains, Front Range and Eastern Plains regions. Due to the extensive travel requirements and supplies needed for this new external training unit, an additional $40,000 in total funds for Operating Expenses is requested.

1.0 FTE Website Administrator (Information Technology Professional III)

Feedback from stakeholders, clients, providers and staff indicates that the Department's website is problematic. It is hard to use, takes too long to find information and does not consistently include current or accurate information. In addition, the State Internet Portal Authority has noted that not all of the links are functional. Currently, the Department does not employ a dedicated website administrator. Instead, website updates are posted during the spare time of 1.0 FTE in the Information Technology Division who is primarily responsible for database administration and technical support. Because the Department's website must be a reliable and complete source of information for the public, an additional 1.0 FTE Website Administrator is requested in the Information Technology Division.

To address the Department's website issues, Executive Director Joan Henneberry created a website task force in April 2007 to conduct a thorough needs-based analysis and provide recommendations for website redesign. One of the task force recommendations is to enhance the Department's website to transition it from a research oriented site to a more client and provider friendly tool with options to download data and reports. To accomplish these objectives, the Department needs a dedicated 1.0 FTE Website Administrator to develop the website format, coordinate with program staff for content, migrate information into the new site, establish approval and posting procedures, conduct ongoing evaluations, and coordinate with the host service provider. This position would also be responsible for quality assurance, organizing informational needs and updates from various sections, and for conducting user surveys. In addition, this position is needed to remain current on relevant federal and State regulations and compliance. For example, Title VI of the Civil Rights Act of 1964 requires client portions of the Department's website to be translated into Spanish. The requested FTE is needed to coordinate the translation of all client-related content placed on the site. Finally, this position would ensure that necessary changes are made to the secure web portal and be a resource to the web portal contract manager.

Eliminate 1.0 FTE Accountant II in the Old Age Pension State Medical Program

In FY 05-06 the Department received an appropriation for 0.25 FTE Accountant II, with continuation funding for 1.0 FTE in FY 06-07 and FY 07-08, to establish a stand-alone drug rebate program in the Old Age Pension State Medical Program (S-11, BA-4 "Funding to Establish an Old Age Pension State Medical Program Drug Rebate Program," January 3, 2006). The source of funding for this FTE is a Cash Funds Exempt transfer from the Department of Human Services' Old Age Pension Fund.

Prior to hiring the appropriated FTE, the Department procured a contractor to assist with internal research and planning to determine the feasibility of the proposed drug rebate program. A contractor was selected in lieu of hiring the FTE to avoid potential layoffs in case the program did not demonstrate sufficient feasibility. The total cost of the contractor was $10,040 in FY 06-07, and was paid using Cash Funds Exempt from its Personal

Services appropriation. The study was completed in FY 06-07, and results concluded that the program would not be cost-effective for the State of Colorado.

Research was conducted in seven other states, including Alaska, California, Maryland, Minnesota, New Mexico, Virginia, and Washington to determine the success of stand-alone pharmaceutical assistance programs. The research objectives were to find out if any of these states had implemented a stand-alone drug rebate program, and if so, what the results were, whether the state was using a vendor for any or all of the services, and what staffing level was required to support the program. Of these seven states, only Minnesota has a stand-alone program for a population similar to Colorado's Old Age Pension State Medical Program. While Minnesota's program has resulted in savings of approximately 8%, its limited success is attributed to higher utilization rates than achieved in Colorado and to program-specific negotiation alternatives. In Minnesota, it is agreed that if manufacturers do not provide rebates to the program, the program does not cover any costs for those drugs. Also, in order for Colorado to succeed in getting pharmacies and manufacturers to participate in a stand-alone drug rebate program, the program would have to increase pharmacy reimbursement rates from the current rate of 70% to 100% of the Medicaid reimbursement rate. Therefore, savings from the program would have to exceed the cost of this 30% reimbursement rate increase (estimated to be approximately $2.1 million), plus cover the rebate program's operating costs. Colorado's Old Age Pension State Medical Program, however, does not have a sufficient number of participating clients to support the required funding needs for such a program.

As a result, the Department requests elimination of 1.0 FTE Accountant II in the Old Age Pension State Medical Program. Since the funding for this FTE is a cash funds exempt transfer from the Department of Human Services' Old Age Pension Fund, this reduction in FTE would have no fiscal impact on General Fund or federal funds. Rather, the moneys for this FTE would remain in the Department of Human Services' Old Age Pension Fund for expenditure elsewhere under the program.

Consequences if Not Funded:

If an additional 8.0 annualized FTE are not appropriated, the Department's existing staff would continue to absorb excess workload. Productivity levels would likely decrease, leading to more project delays, staff frustration and turnover. If the surplus workload continues to be carried by an already extended staff, the Department may lose even more institutional knowledge and experience than it has to date, making it increasingly difficult to attract and retain employees who are dedicated and focused on their jobs. These consequences would ultimately weaken the Department's ability to be proactive in fulfilling its mission and the Ritter administration's "Colorado Promise." In addition, it is likely that fewer clients, providers and stakeholders would receive the levels of customer service and support that they expect and deserve.

Calculations for Request:

Table 2 - Summary of Request FY 08-09

	Total Funds	General Fund	Cash Funds Exempt*	Federal Funds	FTE
Total Request	$488,048	$269,735	($51,420)	$269,733	7.3
(1) Executive Director's Office, Personal Services	$413,855	$230,263	($46,670)	$230,262	7.3
(1) Executive Director's Office, Operating Expenses	$74,193	$39,472	($4,750)	$39,471	-

**Cash Funds Exempt source is the Old Age Pension Fund appropriated to the Department of Human Services, pursuant to Article 24 of the State Constitution.*

Table 3 – Summary of Request FY 09-10

	Total Funds	General Fund	Cash Funds Exempt*	Federal Funds	FTE
Total Request	$494,672	$275,114	($55,555)	$275,113	8.0
(1) Executive Director's Office, Personal Services	$450,948	$250,839	($50,729)	$250,838	8.0
(1) Executive Director's Office, Operating Expenses	$43,724	$24,275	($4,826)	$24,275	-

**Cash Funds Exempt source is the Old Age Pension Fund appropriated to the Department of Human Services, pursuant to Article 24 of the State Constitution.*

Table 4 - Personal Services and Operating Expenses by Position Title and Fiscal Year								
Fiscal Year(s) of Request			**FY 08-09**	**FY 09-10**	**FY 08-09**	**FY 09-10**	**FY 08-09**	**FY 09-10**
PERSONAL SERVICES			**Eligibility Determination Monitor (General Professional III)**		**Budget Analyst - Other Medicaid-Funded Agencies (Budget Analyst I)**		**Customer Support Intern**	
Number of PERSONS / class title			**1.0**	**1.0**	**1.0**	**1.0**	**2.0**	**2.0**
Calculated FTE per classification			**0.9**	**1.0**	**0.9**	**1.0**	**1.8**	**2.0**
Estimated annual base salary		**$**	**44,736**	**-**	**43,452**	**-**	**35,160**	**-**
Number months working in FY 08-09 and FY 09-10*			**11**	**12**	**11**	**12**	**11**	**12**
Salary			$41,157	$44,736	$39,976	$43,452	$64,343	$70,320
PERA		**10.15%**	$4,177	$4,541	$4,058	$4,410	$6,531	$7,137
AED		**1.60%**	$659	$716	$640	$695	$1,029	$1,125
SAED		**0.50%**	$206	$224	$200	$217	$322	$352
FICA		**1.45%**	$597	$649	$580	$630	$933	$1,020
Subtotal Personal Services			$46,796	$50,866	$45,454	$49,404	$73,158	$79,954
OPERATING								
Supplies @ $500/$500	**$**	**500**	$460	$500	$460	$500	$915	$1,000
Computer @ $900/$0	**$**	**900**	$900	$0	$900	$0	$1,800	$0
Office Suite Software @ $330/$0	**$**	**330**	$330	$0	$330	$0	$660	$0
Office Equipment @ $2,225/$0	**$**	**2,225**	$2,225	$0	$2,225	$0	$4,450	$0
Telephone Base $450/$450	**$**	**450**	$414	$450	$414	$450	$824	$900
Travel Expenses for External Training Unit			$0	$0	$0	$0	$0	$0
Printing and Postage for Drug Rebate Program			$0	$0	$0	$0	$0	$0
Subtotal Operating			$4,329	$950	$4,329	$950	$8,649	$1,900
GRAND TOTAL ALL COSTS			**$51,125**	**$51,816**	**$49,783**	**$50,354**	**$81,807**	**$81,854**

**Each FTE would work 12 months per fiscal year. Due to the pay date shift, however, only 11 months of pay were estimated in FY 08-09.*

Table 4 (continued) - Personal Services and Operating Expenses by Position Title and Fiscal Year								
Fiscal Year(s) of Request		**FY 08-09**	**FY 09-10**	**FY 08-09**	**FY 09-10**	**FY 08-09**	**FY 09-10**
PERSONAL SERVICES		**Business Analysis Statistical Analyst (Statistical Analyst II)**		**Program Eligibility Training Coordinator (General Professional V)**		**Program Eligibility Trainer (General Professional IV)**	
Number of PERSONS / class title		**1.0**	**1.0**	**1.0**	**1.0**	**2.0**	**2.0**
Calculated FTE per classification		**0.9**	**1.0**	**0.9**	**1.0**	**1.8**	**2.0**
Estimated annual base salary	**$**	**53,688**	**-**	**62,952**	**-**	**54,360**	**-**
Number months working in FY 08-09 and FY 09-10*		**11**	**12**	**11**	**12**	**11**	**12**
Salary		$49,393	$53,688	$57,916	$62,952	$99,479	$108,720
PERA	**10.15%**	$5,013	$5,449	$5,878	$6,390	$10,097	$11,035
AED	**1.60%**	$790	$859	$927	$1,007	$1,592	$1,740
SAED	**0.50%**	$247	$268	$290	$315	$497	$544
FICA	**1.45%**	$716	$778	$840	$913	$1,442	$1,576
Subtotal Personal Services		$56,159	$61,042	$65,851	$71,577	$113,107	$123,615
OPERATING							
Supplies @ $500/$500	**$ 500**	$460	$500	$460	$500	$915	$1,000
Computer @ $900/$0	**$ 900**	$900	$0	$900	$0	$1,800	$0
Office Suite Software @ $330/$0	**$ 330**	$330	$0	$330	$0	$660	$0
Office Equipment @ $2,225/$0	**$ 2,225**	$2,225	$0	$2,225	$0	$4,450	$0
Telephone Base $450/$450	**$ 450**	$414	$450	$414	$450	$824	$900
Travel Expenses for External Training Unit		$0	$0	$13,333	$13,333	$26,667	$26,667
Printing and Postage for Drug Rebate Program		$0	$0	$0	$0	$0	$0
Subtotal Operating		$4,329	$950	$17,662	$14,283	$35,316	$28,567
GRAND TOTAL ALL COSTS		**$60,488**	**$61,992**	**$83,513**	**$85,860**	**$148,423**	**$152,182**

**Each FTE would work 12 months per fiscal year. Due to the pay date shift, however, only 11 months of pay were estimated in FY 08-09.*

Table 4 (continued) - Personal Services and Operating Expenses by Position Title and Fiscal Year								
Fiscal Year(s) of Request			**FY 08-09**	**FY 09-10**	**FY 08-09**	**FY 09-10**	**FY 08-09**	**FY 09-10**
PERSONAL SERVICES			**Website Administrator (Information Technology Professional III)**		**Drug Rebate Program Specialist (Accountant II)**			
Number of PERSONS / class title			**1.0**	**1.0**	**1.0**	**1.0**	***GRAND TOTAL***	
Calculated FTE per classification			**0.9**	**1.0**	**-0.9**	**-1.0**	7.3	8.0
Estimated annual base salary		**$**	**57,360**	**-**	**44,616**	**-**	-	-
Number months working in FY 08-09 and FY 09-10*			**11**	**12**	**-11**	**-12**	-	-
Salary			$52,771	$57,360	($41,047)	($44,616)	$363,988	$396,612
PERA		**10.15%**	$5,356	$5,822	($4,166)	($4,529)	$36,944	$40,255
AED		**1.60%**	$844	$918	($657)	($714)	$5,824	$6,346
SAED		**0.50%**	$264	$287	($205)	($223)	$1,821	$1,984
FICA		**1.45%**	$765	$832	($595)	($647)	$5,278	$5,751
Subtotal Personal Services			$60,000	$65,219	($46,670)	($50,729)	$413,855	$450,948
OPERATING								
Supplies @ $500/$500	**$**	**500**	$460	$500	($460)	($500)	$3,670	$4,000
Computer @ $900/$0	**$**	**900**	$900	$0	$0	$0	$8,100	$0
Office Suite Software @ $330/$0	**$**	**330**	$330	$0	$0	$0	$2,970	$0
Office Equipment @ $2,225/$0	**$**	**2,225**	$2,225	$0	$0	$0	$20,025	$0
Telephone Base $450/$450	**$**	**450**	$414	$450	($414)	($450)	$3,304	$3,600
Travel Expenses for External Training Unit			$0	$0	$0	$0	$40,000	$40,000
Printing and Postage for Drug Rebate Program			$0	$0	($3,876)	($3,876)	($3,876)	($3,876)
Subtotal Operating			$4,329	$950	($4,750)	($4,826)	$74,193	$43,724
GRAND TOTAL ALL COSTS			**$64,329**	**$66,169**	**($51,420)**	**($55,555)**	**$488,048**	**$494,672**

**Each FTE would work 12 months per fiscal year. Due to the pay date shift, however, only 11 months of pay were estimated in FY 08-09.*

Assumptions for Calculations:

In calculating the cost for additional FTE, the Department based salary estimates on range minimums for the position classes published by the Department of Personnel and Administration. The Department also added common policy percentages of 10.15% for Public Employees' Retirement Association contribution, 1.6% for Amortization Equalization Disbursement, 0.5% for Supplemental Amortization Equalization Disbursement, and 1.45% for Federal Insurance Contributions Act tax. In addition, to account for the pay date shift, only 11 months of pay were estimated for each FTE in FY 08-09.

Operating expenses for the first year of employment were based on common policy amounts of $500 for supplies, $900 for a computer, $330 for Microsoft Office suite software, $2,225 for office equipment, and $450 for telephone. Subsequent year operating expenses were assumed to include $500 for supplies plus $450 for telephone. In addition, the Department assumed the new external training unit would require $40,000 per year in Operating Expenses due to the extensive travel and training supplies needed. Operating Expenses for the requested elimination of the 1.0 FTE Accountant II Drug Rebate Program Specialist were further reduced by $3,876 in cash funds exempt to account for funds appropriated to this position for printing and postage.

Cost Benefit Analysis:

Cost	Benefits
$488,048	The requested 8.0 FTE, annualized, would bring significant gains to various Department programs by increasing the number of projects completed on time, and enabling staff to focus more on quality than is possible with the current staff shortage. In addition, the new external training unit would increase knowledge and understanding among county personnel, medical assistance sites, providers, community resource centers and other stakeholders about Department programs, procedures and requirements. In addition, an improved website would facilitate public access to and understanding of Department programs and services. Additional customer support staff would improve customer satisfaction ratings, reduce the high rate of abandoned calls, and alleviate staff frustration resulting in turnover. The requested additional FTE would enable the Department to be proactive in exceeding expectations, and increase overall productivity and efficiency through better teamwork and higher staff morale.

Statutory and Federal Authority:

24-50-101 et. seq., C.R.S. (2007) State Personnel System Act. … *(1) … It is the purpose of this article and the personnel rules adopted pursuant to this article to provide a sound, comprehensive, and uniform system of personnel management and administration for the employees within the state personnel system. …(3) (a) It is the purpose of the state personnel system, as a merit system, to assure that a qualified and competent work force is serving the residents of Colorado and that any person has an equal opportunity to apply and compete for state employment. …*

24-50-104 (1) (a), C.R.S. (2007) Job evaluation and compensation, total compensation philosophy. *… (I) It is the policy of the state to provide prevailing total compensation to officers and employees in the state personnel system to ensure the recruitment, motivation, and retention of a qualified and competent work force. For purposes of this section, "total compensation" includes, but is not limited to, salary, group benefit plans, retirement benefits, performance awards, incentives, premium pay practices, and leave.*

24-1-107, C.R.S. (2007) Internal organization of department - allocation and reallocation of powers, duties, and functions - limitations. … *In order to promote economic and efficient administration and operation of a principal department and notwithstanding any other provisions of law, … the head of a principal department, with the approval of the governor, may establish, combine, or abolish divisions, sections, and units other than those specifically created by law and may allocate and reallocate powers, duties, and functions to divisions, sections, and units under the principal department, but no substantive function vested by law in any officer, department, institution, or other agency within the principal department shall be removed from the jurisdiction of such officer, department, institution, or other agency under the provisions of this section.*

25.5-1-104, C.R.S. (2007) Department of health care policy and financing created - executive director - powers, duties, and functions.*…(2) The department of health care policy and financing shall consist of an executive director of the department of health care policy and financing, the medical services board, and such divisions, sections, and other units as shall be established by the executive director pursuant to the provisions of subsection (3) of this section. (3) The executive director may establish such divisions,*

sections, and other units within the state department as are necessary for the proper and efficient discharge of the powers, duties, and functions of the state department; except that such action by the executive director shall not conflict with the implementation requirements for the plan for restructuring the delivery of health and human services in this state…(4) The department of health care policy and financing shall be responsible for the administration of the functions and programs as set forth in this title.

Performance Measures:

Additional FTE would enhance the Department's ability to achieve the following performance measures outlined in the FY 08-09 Strategic Plan:

- Improve access to and the quality of Medicaid health care as demonstrated through improvements in Medicaid Health plan scores on Health Plan Employer Data Information Set (HEDIS) measures.
- Survey customer satisfaction with managed care using the Consumer Assessment of Health Plans Survey (CAHPS).
- Maintain or reduce the difference between the Department's spending authority and actual expenditures for Medicaid services.

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

	Decision Item FY 08-09 ☑	**Base Reduction Item FY 08-09** ☐	**Supplemental FY 07-08** ☐	**Budget Request Amendment FY 08-09** ☐
Request Title:	Training for Department Staff			
Department:	Health Care Policy and Financing	**Dept. Approval by:**	John Bartholomew	**Date:** November 1, 2007
Priority Number:	DI-8	**OSPB Approval:**		**Date:** 10/29/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	1,196,014	1,039,465	0	1,039,465	1,023,940	100,000	1,123,940	0	1,123,940	100,000
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	586,457	494,229	0	494,229	486,342	50,000	536,342	0	536,342	50,000
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	14,395	0	14,395	3,800	0	3,800	0	3,800	0
	CFE	8,151	14,546	0	14,546	27,093	0	27,093	0	27,093	0
	FF	601,406	516,295	0	516,295	506,705	50,000	556,705	0	556,705	50,000
(1) Executive Director's Office, Operating Expenses	**Total**	1,196,014	1,039,465	0	1,039,465	1,023,940	100,000	1,123,940	0	1,123,940	100,000
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	586,457	494,229	0	494,229	486,342	50,000	536,342	0	536,342	50,000
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	14,395	0	14,395	3,800	0	3,800	0	3,800	0
	CFE	8,151	14,546	0	14,546	27,093	0	27,093	0	27,093	0
	FF	601,406	516,295	0	516,295	506,705	50,000	556,705	0	556,705	50,000

Letternote revised text:

Cash Fund name/number, Federal Fund Grant name: FF: Title XIX

IT Request: ☐ Yes ☑ No

Request Affects Other Departments: ☐ Yes ☑ No **If Yes, List Other Departments Here:**

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-8
Change Request Title:	Training for Department Staff

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 Request is for departmental training and professional development in the amount of $100,000 total funds. Training and professional development moneys will enhance the Department's ability to attract and retain employees with the skills and competencies needed to achieve results that benefit departmental programs and Medicaid clients in Colorado.

Background and Appropriation History: Due to difficult economic conditions in FY 02-03, the Department was forced to reduce infrastructure and administrative costs in an effort to help minimize General Fund expenditures throughout the State. As a result of these cuts, the Department has curtailed employee training and professional development over the last five years to a point where they are nearly non-existent.

Due to the reduced resources available, the Department has gotten creative in trying to provide some sort of knowledge sharing and professional development. These creative ideas have included informal "brown bag" trainings hosted by Department staff to: promote efficiencies in contract writing and administration; increase awareness and

usefulness of Microsoft Office application functions; enhance staff's understanding of what each section within the Department oversees; update staff on recent changes to Medicaid rules and regulations; etc. While these above items are not exhaustive, the list of informal trainings does not demonstrate that staff receives job specific training.

In addition to these "brown bag" sessions, the Department has also provided some department-wide training. Since these trainings were seen as essential in order to create a safe and respectful work environment and to provide the appropriate level of protection of client specific information, the Department allocated $16,500 for these sessions over the last two years. FY 05-06 and FY 06-07 department-wide trainings included: 1) Privacy and Security (Health Insurance Portability and Accountability Act of 1996); 2) Violence in the Workplace; 3) Preventing Sexual Harassment; and 4) Creating a Respectful Workplace. Of the four sessions listed above, Privacy and Security training was the only training provided by internal staff. The other three were performed by a contractor which allowed the Department to fund using vacancy savings from Personal Services.

General Description of Request: This Request is for departmental training and professional development in the amount of $100,000 total funds. While there is much difficulty (in both the private and government sectors) to effectively and adequately measure the return on investment on training expenditures, it stands to reason that employee training and professional development can help to improve productivity, quality and management of public assets and programs.

In a knowledge-based economy, businesses, non-government organizations and governments will need more than land, capital equipment, and technology to remain competitive. They each need to become proficient in the recruitment, management, development, and retention of human capital. The investments in training and developing human capital are an integral part of an organization's effort to achieve cost-effective and timely results *("The Human Capital Challenge"*, American Society of Training and Development, August 2003).

The need to become more productive and cost-effective, not only for private-sector businesses but also state agencies, is part and parcel of the Governor's *The Colorado*

Promise (*The Colorado Promise*, January 2007, page 19). Through *The Colorado Promise*, these outcomes can be achieved in part by streamlining state government and investing in workforce education (ibid). To this end, the Department established as one its goals for 2007 — *"Demonstrate the value of Department personnel through effective recruitment, hiring, training, and retention. Allocate Department staff and resources in ways to ensure that it addresses the organization's priorities."*, (Department of Health Care Policy and Financing internal website, Goals for 2007, 2007). The investment in workforce training and professional development is not only a goal for 2007, but an on-going effort led by the Department's four-year vision: *"Turnover of key personnel is minimal, and HCPF [Health Care Policy and Financing] is able to keep and attract bright, enthusiastic, and talented professionals for public service."*, (Department of Health Care Policy and Financing public website, Vision- HCPF four years from now, 2007).

The National Governors Association recognizes that states' workforce development systems must build a skilled workforce using higher levels of education, worker training and lifelong learning to compete successfully in the global economy (*"Governors' Principles to Ensure Workforce Excellence"*, Policy Position, National Governors Association, March 5, 2007). Only through a comprehensive, integrated, and flexible workforce system will states be able to quickly respond to the changing needs of its workers, businesses and citizenry.

In the last decade, the American Society of Training and Development has tracked the growing field of workplace learning and performance. It estimates that U.S. organizations spend $109.25 billion on employee learning and development annually. The average annual expenditure per employee in the American Society of Training and Development's sample of large organizations increased to $1,424 per employee in 2005, an increase of 4% from the previous year figure of $1,369. The organizations in this sample continue to see efficiency and performance gains as a result of their learning expenditures.

This request not only seeks to increase technical aptitude and skill, but also to improve non-technical or interpersonal activities such as supervisory training. A skilled supervisor

can help to improve morale, lower turnover and reduce grievances and employee appeals. Well-trained supervisors also communicate more effectively and understand how to create an environment that fosters employee engagement and loyalty.

Beginning in FY 06-07, the Department included as part of its employee *Performance Evaluation and Planning* document a formal *Individual Performance Objective* on training. Through the annual employee performance review, the manager and employee discuss individual training needs and professional development while keeping in mind the goals and objectives of their respective division, section or unit. The Department believes these efforts may increase: 1) employee and programmatic productivity; 2) cost-effectiveness; 3) quality; and 4) reduce costly staff turnover.

In developing this request, the Department collected three samples of *Individual Performance Objectives* from 24 of the 28 sections within the Department. These samples were used to estimate training and professional development costs of $100,000 or $373 per FTE. This average expenditure per FTE is 26% of the average annual expenditure per employee of $1,424 referenced in the 2006 State of Industry Report published by the American Society for Training and Development. In comparison to the National Association of State Budgeting Officers' training budget of 6.2% (see table on following page), the Department's training and professional development request is less than 1.0% of the estimated FY 08-09 Personal Services and Operating Expenses budget of $19,708,575.

National Association of State Budgeting Officers' training budget as a percentage of functional expenses	
	Amount
Conferences, conventions, and meetings, Form 990 line 40	$37,177
Professional Services, Form 990 line 43b	$21,091
Estimated total training and professional development expenditures, Form 990 line 40 plus line 43b	$58,268
Total functional expenses, Form 990 line 44	$938,170
Training and professional development expenditures as a percentage of total functional expenses, total of lines 40 and 43b divided by line 44	6.21%

Note: Figures are taken from the 2003 National Association of State Budgeting Officer's Internal Revenue Service Form 990.

Some examples of *Individual Performance Objectives* within the Department's request include: Microsoft Excel and Access; contract negotiation; LexisNexis; dispute resolution; supervisory training; technical writing; and Department of Personnel and Administration's contracts training. The Department anticipates these training courses will contribute to higher performance and productivity within each Section as well as the Department as a whole.

Consequences if Not Funded:

The Department believes the lack of sufficient and adequate training and professional development will contribute to: 1) lower productivity; 2) lower quality; 3) higher staff turnover; and 4) delays in implementation times.

Calculations for Request:

Summary of Request FY 08-09 and FY 09-10 for (1) Executive Director's Office, Operating Expenses	**Total Funds**	**General Fund**	**Cash Funds**	**Cash Funds Exempt**	**Federal Funds**
FY 08-09 Final Request	$1,123,940	$536,342	$3,800	$27,093	$556,705
FY 08-09 (and FY 09-10) Request	$100,000	$50,000	$0	$0	$50,000
FY 08-09 Base Budget	$1,023,940	$486,342	$3,800	$27,093	$506,705

Table 1: Calculation of estimated training and professional development request		
Row	**Description**	**Amount**
A	Training costs using Denver Metro training providers including mileage reimbursement	$17,673
B	Training costs using out-of-state training providers including airfare and hotel costs	$9,243
C	Training provided by the Department's sections or divisions	$0
D	Estimated training and professional development request using samples from 72.0 FTE	$26,916
E	Total number of *Individual Performance Objectives* in sample	72
F	Estimated average cost per FTE in sample (row D divided by row E)	$373.83
G	Total estimated FTE for FY 08-09	259.5
H	Total estimated training base request (row F multiplied by row G)	$97,009
I	FY 08-09, Decision Item, DI-7, Additional FTE to Restore Department Efficiency and Functionality, 8.0	8.0
J	Estimated training cost for additional FTE in FY 08-09 decision items (row F multiplied by row I)	$2,991
K	Total estimated training base request including Decision Items (row H plus row J)	$100,000

Note: Figures may not total correctly due to rounding.

Assumptions for Calculations:

Table 1 uses the 72 samples of *Individual Performance Objectives* and Internet research to estimate training costs. The Department sought independent Denver Metro training providers as well as State agency training when available, but used out-of-state training provider costs when applicable. When training was provided by Denver Metro training providers, in addition to course fees, the Department included a round-trip mileage reimbursement of 30 miles at $0.39 per mile per person. In estimating out-of-state training costs, the Department used in addition to the course registration fee, a roundtrip airfare cost of $400 per person and hotel cost of $100 per night per person. If training was provided by one of the Department's sections or divisions, the Department estimated zero costs.

Using this process, the Department estimates an average training and professional development cost per FTE of $373. While this average cost may be higher than expected for training courses like Microsoft Excel and Access, for example, it includes training and professional development expenditures for more expensive and out-of-state training such

as Forecast Pro, LexisNexis, and Health plan Employer Data and Information Set (HEDIS) which include airfare, hotel, and registration fees. Including both these higher cost trainings and the zero cost trainings in the average cost should negate any bias in the cost per FTE.

Table 1 also includes training and professional development costs for FY 08-09 Decision Item, DI-7, Additional FTE to Restore Department Efficiency and Functionality, 8.0 FTE. As this separate Decision Item may be only partially funded pending Joint Budget Committee actions, the Department has indicated these costs separately for ease of revising this calculation.

Impact on Other Government Agencies: No impact on other government agencies.

Cost Benefit Analysis:

Description of Benefits	Cost
The Department will increase employee productivity and cost-effectiveness	$100,000
The Department will lower employee turnover, reducing delayed implementations and administrative costs with hiring	
The Department will improve administrative efficiencies across program areas	

Statutory and Federal Authority: 25.5-1-104 (3), C.R.S. (2007). *The executive director may establish such divisions, sections, and other units within the state department as are necessary for the proper and efficient discharge of the powers, duties, and functions of the state department; except that such action by the executive director shall not conflict with the implementation requirements for the plan for restructuring the delivery of health and human services in this state, as set forth in article 1.7 of title 24, C.R.S.*

Performance Measures: This Change Request supports the following Performance Measure:

- Provide specific job training to each employee. Complete and implement a comprehensive orientation and training curriculum for new staff.

The Department believes the training and professional development request will help each employee to receive specific job training consistent with their *Individual Performance Objective*. This request will also provide new FTE under Decision Item #7 to receive adequate orientation and training in their new positions.

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

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

Request Title: Information Technology Replacement Plan
Department: Health Care Policy and Financing **Dept. Approval by:** John Bartholomew **Date:** November 1, 2007
Priority Number: DI-9 **OSPB Approval:** **Date:** 10/17/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	16,456,965	17,755,055	0	17,755,055	19,884,683	94,337	19,979,020	0	19,979,020	66,837
	FTE	225.36	245.30	0.00	245.30	259.50	0.00	259.50	0.00	259.50	0.00
	GF	6,641,302	7,756,051	0	7,756,051	8,254,995	47,169	8,302,164	0	8,302,164	33,419
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	154,890	0	154,890	216,481	0	216,481	0	216,481	0
	CFE	407,157	607,032	0	607,032	2,148,288	0	2,148,288	0	2,148,288	0
	FF	9,408,506	9,237,082	0	9,237,082	9,264,919	47,168	9,312,087	0	9,312,087	33,418
(1)Executive Director's Office - Personal Services	**Total**	15,260,951	16,715,590	0	16,715,590	18,860,743	27,500	18,888,243	0	18,888,243	0
	FTE	225.36	245.30	0.00	245.30	259.50	0.00	259.50	0.00	259.50	0.00
	GF	6,054,845	7,261,822	0	7,261,822	7,768,653	13,750	7,782,403	0	7,782,403	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	140,495	0	140,495	212,681	0	212,681	0	212,681	0
	CFE	399,006	592,486	0	592,486	2,121,195	0	2,121,195	0	2,121,195	0
	FF	8,807,100	8,720,787	0	8,720,787	8,758,214	13,750	8,771,964	0	8,771,964	0
(1)Executive Director's Office - Operating Expenses	**Total**	1,196,014	1,039,465	0	1,039,465	1,023,940	66,837	1,090,777	0	1,090,777	66,837
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	586,457	494,229	0	494,229	486,342	33,419	519,761	0	519,761	33,419
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	14,395	0	14,395	3,800	0	3,800	0	3,800	0
	CFE	8,151	14,546	0	14,546	27,093	0	27,093	0	27,093	0
	FF	601,406	516,295	0	516,295	506,705	33,418	540,123	0	540,123	33,418

Letternote revised text:
Cash Fund name/number, Federal Fund Grant name: FF: Title XIX
IT Request: ✔ **Yes** ☐ **No**
Request Affects Other Departments: ☐ **Yes** ✔ **No** **If Yes, List Other Departments Here:**

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-9
Change Request Title:	Information Technology Replacement Plan

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 request is for increased funding of $94,337 total funds to reinstate a computer and peripheral equipment life cycle replacement program and to re-establish a funding stream to pay for obligated software license renewal costs that are incurred annually. Of the total, $27,500 is for one time Personal Services funding to obtain a contractor to assist in the Department's website redesign.

Background and Appropriation History: OPERATING INFORMATION TECHNOLOGY FUNDING

Prior to July 1, 2001, the Department of Health Care Policy and Financing adhered to the Governor's Office of Information Technology's guidelines to schedule computer replacements on a three year cycle. However, as a result of the economic downturn that affected State revenues in the FY 01-02 and FY 02-03 time period, Departmental funding for a variety of appropriations and expenses was cut to stay within the decreased tax revenues. At that time, funding for internal information technology hardware and software needs in the Department's Operating Expenses appropriation was purged. The total amount eliminated from the Department's Operating Expenses appropriation during

Figure Setting was $121,082 (Figure Setting, March 11, 2002 pgs. 46, 63, 212). At that time, the Department was authorized 180.6 FTE. Since then, the Department has been forced to divert funding from other operating expense commitments in order to also provide the technological infrastructure for its employees to perform their jobs.

To be as transparent as possible the Department readily admits that it has continued to fund its Information Technology needs during these years where no specific funding was provided. However, costs continue to rise for other operating expenses such as mileage reimbursement for employee travel to perform their oversight responsibilities, medical association dues increases for organizations that provide best practices information and trainings, advertising costs for hard to fill medical specific positions, office supplies and replacement furniture. As a result, the Department is encountering an increasing struggle to find available funds to provide new employees with needed equipment and to replace worn out equipment for staff, while at the same time, funding critical administration costs for Department programs and oversight. The Department has implemented cost savings wherever possible, such as using scanners to digitize documents that used to be printed, copied and mailed; and restricting employee travel to the minimum amount necessary. However, these types of cost saving opportunities are all but fully recognized and implemented.

For FY 07-08, the Department was appropriated $1,003,515 total funds through the Long Bill (SB 07-239) for its operating expenses. This amount represents a $1,502 or 0.15% net increase in the appropriation from the FY 06-07 Long Bill (HB 06-1385) appropriation of $1,002,013. At the same time, the Department's Long Bill FTE appropriation increased from 222.7 in FY 06-07 to 238.0 in FY 07-08 or 6.8%.

From this total appropriation, the Department is obligated to pay for its telecommunications expenses and staff supplies that are forecast to total $280,000 and $60,000 respectively. It also must fund a portion of the Enrollment Broker – managed care client materials, required by SB 97-005 for $97,848 annually – and $30,645 for the operating portion of the managed care Ombudsman program. These required

expenditures alone consume $428,493, or 42.7%, of the Department's total operating budget. This leaves $575,022 total funds available to fund all other operating expenses incurred by the Department, including: routine printing, copying, postage for audits and reviews of nursing facilities, behavioral health organizations and other providers, and computer infrastructure replacements for 245.3 appropriated FTE (not considering temporary staff, contractors, or auditors).

When the Department is also forced to pay for the information technology hardware and software needs of 245.3 FTE employees (from the Department's FY 08-09 Base Request), plus temporaries, interns, and contractors, without additional funding, it must make difficult decisions regarding which program services to fund. As a result of these cuts, the Department has acquiesced its administrative responsibilities for many programs that it oversees. Facility reviews and audits are not performed in a timely manner due to a lack of funding. Implementation of new programs is delayed due to a lack of available resources. Staff training and development is foregone, affecting morale, productivity and turnover. Training for health care providers is not provided as there is little funding available to send trainers into the field. Relationships with counties have suffered due to a lack of oversight and direction. For example, SB 06-219 allocated $870 in operating expenses for the 1.0 FTE appropriated to travel to the counties throughout the State in the position of County Liaison for the Department. However, travel to the 64 counties within Colorado including hotel, mileage and per diem, will require considerably more than this appropriated amount.

Currently, 31.2% of employees in the Department are using computers that are 4 or more years old as of July 2007, with some monitors up to 10 years old. Due to a lack of funding, when new employees are hired, computers and peripheral equipment must be pulled together from 5-6 year old equipment to create a workable machine. Additionally, due to lack of funding for computer replacements, the Department is forced to choose between funding administration costs to support programs and providing the necessary tools for an employee to perform their work. As a result both program services and employee morale suffer from inadequate resources.

AGENCY WEBSITE

Like all other State agencies, the Department provides some basic information to its provider community, clients, and advocacy groups via an external website. Currently, simple updates to this site are performed by Departmental staff. When extensive changes and redesigns are required, the Department coordinates with another vendor, CGI, to perform changes. All modifications utilize the Department's Operating Expenses appropriation for revenue, as there is no dedicated funding for this purpose. CGI also hosts the Department's web portal which is used to transmit data to and from the Medicaid Management Information System; however, changes to the Department's external website are not part of CGI's contract related to the web portal appropriation.

General Description of Request: This request is for $94,337 total funds in FY 08-09 to provide funding for the Department's computer software and hardware needs and support the Department's external website transition to the Statewide Internet Portal Authority. This amount was determined using the Department's calculation of the anticipated annual cost to implement the IT replacement plan, less the average annual amount the Department has managed to spend on IT infrastructure over the most recent three Fiscal Years. The information below is provided to substantiate the Department's annual IT needs.

SOFTWARE:

The Department incurs approximately $48,450 per year in Microsoft Software license renewal costs to pay for roughly 280 Microsoft application and server licenses. This 280 number includes licenses for: the Department's appropriated FTE, for contractors, temporary employees, consultants, and with the recent July 1, 2007 elimination of the Office of Colorado Benefits Management System, for the additional 12 at-will staff that are now Department FTEs. The Department purchases license renewals to insure that it can upgrade the software as newer versions are released and to comply with the

Governor's Offices of Information Technology's end user computing standard specifications. This annual amount is based on a three year license renewal plan.

In addition to Microsoft software, $12,511 is needed annually for other software license renewals that the Department requires for: HIPAA compliance, employee help desk support, connectivity to email for offsite employees frequently working away from the office, Crystal reports for the Business Utilization System, and for maintaining the Department's network's security and back-up capabilities.

HARDWARE:

As of June 2007, the Department of Health Care Policy and Financing has approximately 280 positions, including temporary employees, interns, contractors, or auditors working at any given time in its two locations. Additionally, the Information Technology Support section requires computers for administrative tasks, spares and testing.

With this request, the Department is attempting to re-establish a replacement cycle using a four year replacement schedule. While this is not in line with the Governor's Office of Information Technology's end user computing standard specifications that propose a three year replacement life cycle, the Department believes its request demonstrates frugality with tax payers' money, yet allows the Department to address an issue that is constricting its ability to meet its administrative obligations. The Department believes that by purchasing a higher quality machine, it can use them for a longer period than outlined by the Governor's Office of Information Technology's recommended guidelines and realize lower costs in the long run for the State. This plan is based on the Department's recent history of utilizing computers for four years before age and technological advances render the machines obsolete. As stated above, there are roughly 87 Department computers that will be at least five years old by FY 08-09 (20 will be six years old by FY 08-09). The Department is forecasting a funding need for computers in the amount of $68,950 to replace approximately 70 workstations per year.

The Department is also seeking to implement a 4 year replacement cycle for its computer monitors. Again, based on recent history, the Department believes it can utilize monitors for this period of time before the screen deteriorates to the point that they must be replaced. The Department projects it will require $14,000 annually to purchase roughly 70 monitors per year. The Department will purchase flat panel monitors rather than Cathode Ray Tube (CRT) monitors that it has been using to this point, as CRT monitors are being phased out of production by manufacturers.

For FY 07-08, the Department has fourteen servers in operation. The Department is projecting it will require $21,000 annually to implement the replacement plan using a three year replacement cycle. A three year replacement cycle is necessary in order to maintain support for the evolving software technology demands that are placed on the servers themselves. The need for newer systems with higher capacities are also driven by ever increasing data services load requirements that develop from a user base with continually expanding data needs.

In many instances, new upgraded hardware is required to support the upgraded software. Additionally, server maintenance costs begin to become excessive after equipment has aged three years. Systems typically come with three year on site warrantees that are upgraded by the Department to incorporate a rapid response component (four hour response) from the service vendors. The rapid response is necessary due to the critical nature of the servers in providing support to the Department's user base. Purchasing additional years on these warrantees are typically cost prohibitive to the point where it becomes more cost effective to replace the device instead. To go with a longer refresh cycle would just shift the Department's costs from acquisition to maintenance contracts, and at the same time would increase the probability of having disruptions in service to the users when necessary repairs are made.

The Department also has numerous network switches, uninterruptible power supply devices, printers, fax machines and yearly maintenance for the server room air conditioning unit. The Department maintains a service agreement as it does not have a

redundant air conditioning unit in its server room as best practices would dictate. This is necessary to protect the Department's crucial data. The Department foresees a funding need of $29,575 annually to meet these replacement and maintenance needs.

PERSONAL SERVICES:

The Department is also requesting one-time funding of $27,500 for contracted personal services to transition its external website from CGI Information Systems and Management Consultants Inc. (CGI) to the Statewide Internet Portal Authority (SIPA) for hosting. SIPA is the official State web portal. The Department has determined through focus groups that its external website is confusing to the public due to its use of technical or department specific language that has little or no meaning to many of its clients. The Department's external website task force was charged with improving the usefulness of the external website for the general public and is looking to migrate hosting of the site. Overall content management is offered by SIPA at no cost to the Department. Therefore, this request is only to move the existing structure of the website to the new vendor, provide one-time funding for graphic design, and to translate the Department's website content to Spanish, as required by the federal Office of Civil Rights Title VI regulations.

Consequences if Not Funded:

If this request is not approved, the Department would need to continue to make ever increasingly more difficult trade-offs between providing its employees the resources they need to perform their functions or providing crucial administrative support for its providers, clients and programs. With the ever increasing complexity of programs and the number of employees working in the Department to implement these programs, the Department projects that this condition will only worsen as long as funding for hardware and software replacements is lacking.

A result of having to make these trade-offs is that the Department will increasingly acquiesce more of its administrative responsibilities for many programs that it oversees. This could result in a further deterioration of county and provider oversight and increased delays in implementing new programs and efficiencies.

Calculations for Request:

Summary of Request FY 08-09	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Total Request	$94,337	$47,169	$0	$0	$47,168
(1) Executive Director's Office: Personal Services	$27,500	$13,750	$0	$0	$13,750
(1) Executive Director's Office: Operating Expenses	$66,837	$33,419	$0	$0	$33,418

Summary of Request FY 09-10	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Total Request	$66,837	$33,419	$0	$0	$33,418
(1) Executive Director's Office: Operating Expenses	$66,837	$33,419	$0	$0	$33,418

Operating Expenses - Software License Renewals			
		FY 08-09 Budget Request	FY 09-10 Out-Year
	Microsoft Software - Current Software Assurance Yearly	$48,450	$48,450
	E-eye Retina Software Renewal	$3,000	$3,000
	BUS Software Renewal	$1,500	$1,500
	Blackberry Software Renewal	$2,000	$2,000
	Help Desk Software Renewal	$600	$600
	Anti-Virus Software Renewal ($4,492 every 2 years)	$2,246	$2,246
	LAN Backup Software Renewal ($9,495 every 3 years).	$3,165	$3,165
Total Software FY 08-09 and FY 09-10		**$60,961**	**$60,961**

Operating Expense - Hardware						
	Useful Life (in years)	**Total Quantity**	**Replacement Quantity**	**Replacement Cost Each**	**FY 08-09 Budget Request**	**FY 09-10 Out-Year**
Workstations	4	280	70.00	$985	$68,950	$68,950
Monitors	4	280	70.00	$200	$14,000	$14,000
Servers	3	14	4.67	$4,500	$21,000	$21,000
Computer Room UPS Devices	4	4	1.00	$1,700	$1,700	$1,700
Network Switches	4	6	1.50	$3,400	$5,100	$5,100
B&W Network Printers	4	17	4.25	$3,000	$12,750	$12,750
Color Network Printers	4	3	0.75	$1,800	$1,350	$1,350
Fax Machines	4	11	2.75	$1,700	$4,675	$4,675
Yearly Maintenance on Computer Room Air Conditioner			1.00	$4,000	$4,000	$4,000
Total Hardware FY 08-09 and FY 09-10					**$133,525**	**$133,525**
Total Hardware and Software FY 08-09 and FY 09-10					**$194,486**	**$194,486**

Personal Services - Contractor Costs		
	FY 08-09 Budget Request	**FY 09-10 Out-Year**
Website Data Migration Services	**$27,500**	**$0**

Annual Information Technology Expenditures FY 04-05 to FY 06-07		
Fiscal Year	**Description**	**Total Funds**
FY 04-05	Purchase/Lease of Software (3116)	$48,652
FY 04-05	IT Personal Computers (3140)	$70,563
FY 04-05	Other IT (3143)	$13,990
FY 04-05	**Total IT Spending**	**$133,205**
FY 05-06	Purchase/Lease of Software (3116)	$43,175
FY 05-06	IT Personal Computers (3140)	$61,905
FY 05-06	Other IT (3143)	$11,820
FY 05-06	**Total IT Spending**	**$116,900**
FY 06-07	Purchase/Lease of Software (3116) Net of FY 06-07 Move Related Expenses	$48,488
FY 06-07	IT Personal Computers (3140) Net of FY 06-07 Move Related Expenses	$58,122
FY 06-07	Other IT (3143) Net of FY 06-07 Move Related Expenses	$26,220
FY 06-07	IT Server Purchases (621X) Net of FY 06-07 Move Related Expenses	$0
FY 06-07	**Total IT Spending Net of FY 06-07 Move Related Expenses**	**$132,842**
	Dept. Estimated Cost of Replacement Plan	$194,486
	Three Year Average IT Expenditures	**($127,649)**
	Incremental need for IT Replacement Plan	$66,837
	One-Time Contract Funding	$27,500
FY 08-09	**Total Department Request**	**$94,337**

Assumptions for Calculations: The amounts reported above are the actual amounts being expended for software license renewals and recent equipment purchases as quoted by current vendors, except for servers. Servers vary widely in price depending on the particular functions the server needs to support. With prices ranging from $2,000 to $21,000, the Department has used an average price of $4,500 per server for this request.

The reason the Department is requesting 280 workstations and monitors in its replacement plan is due to the Department utilizing temporary employees, contractors and interns wherever possible to meet the short term needs of the business (this figure includes the new 12 FTE from the dissolution of the former Governor's Office of CBMS).

The Department uses network printers to allow multiple employees access to the same machine and to keep costs down; however, Department personnel occupy 6 different floors in two separate buildings, therefore there is a need to have them strategically placed for employee use.

The migration of the current website to SIPA will require a contractor at a projected cost of $5,000. Graphic design of the website and any outside requests beyond what SIPA provides is billed at an hourly rate. The graphic design and help capabilities are projected to be $7,500. Additionally, in order for the Department to comply with the federal Office of Civil Rights Title VI regulations, the external website needs to be translated into Spanish for our Spanish speaking clients. This translation will require a contractor at a projected cost of $15,000.

The total request amount was determined using the Department's calculation of the anticipated annual cost to implement the IT replacement plan, less the average annual amount the Department has managed to spend on IT infrastructure over the most recent three Fiscal Years. The information below is provided to substantiate the Department's annual IT needs.

Impact on Other Government Agencies: None

Cost Benefit Analysis:

Cost	Benefits
FY 08-09: $94,337, FY 09-10: $66,837	By restoring funding for the Department's Information Technology needs, staff productivity will increase as higher quality and better integrated equipment is used to perform their functions. The Department will also be able to allocate its scarce operating resources in a more productive manner to insure the needs of its clients are met. Spanish speaking citizens will be better able to utilize services as the Department will be communicating in their language.
$0	None. Administrative responsibilities for programs will continue to be squeezed as available funding continues to diminish. Administrative and oversights functions will continue to be cut as trade offs for these scarce funds are allocated to more and more programs.

Statutory and Federal Authority:

24-1-107, C.R.S. (2007). Internal organization of department - allocation and reallocation of powers, duties, and functions - limitations. *In order to promote economic and efficient administration and operation of a principal department and notwithstanding any other provisions of law, except as provided in section 24-1-105, the head of a principal department, with the approval of the governor, may establish, combine, or abolish divisions, sections, and units other than those specifically created by law and may allocate and reallocate powers, duties, and functions to divisions, sections, and units under the principal department, but no substantive function vested by law in any officer, department, institution, or other agency within the principal department shall be removed from the jurisdiction of such officer, department, institution, or other agency under the provisions of this section.*

25.5-1-104 (2) (4), C.R.S. (2007). Department of health care policy and financing created - executive director - powers, duties, and functions…*(2) The department of health care policy and financing shall consist of an executive director of the department of health care policy and financing, the medical services board, and such divisions, sections, and other units as shall be established by the executive director … (4) The department of*

health care policy and financing shall be responsible for the administration of the functions and programs as set forth in part 2 of this article.

Performance Measures:

If this Request is approved, the Department will have more funding for administrative resources to support both needed programmatic items such as printing, postage, mailings, travel and lodging associated with county and provider oversight, and also to still support Department employees' productivity through additional computer hardware and software. These administrative resources will help achieve some of the Department's Performance Measures, including those that support the Governor's *The Colorado Promise*:

- Increase the number of clients served through targeted, integrated care management programs.
- Increase the number of children served through a dedicated medical home service delivery model.
- Increase number of managed care options for clients enrolling in Medicaid.

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

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

Request Title: Funding for Additional Leased Space
Department: Health Care Policy and Financing **Dept. Approval by:** John Bartholomew **Date:** November 1, 2007
Priority Number: DI-10 **OSPB Approval:** **Date:** 10/17/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	16,623,864	26,743,403	0	26,743,403	28,883,571	286,534	29,170,105	0	29,170,105	64,021
	FTE	225.36	245.30	0.00	245.30	259.50	0.00	259.50	0.00	259.50	0.00
	GF	6,719,252	11,908,042	0	11,908,042	12,414,850	143,267	12,558,117	0	12,558,117	32,011
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	154,890	0	154,890	216,481	0	216,481	0	216,481	0
	CFE	412,657	1,193,153	0	1,193,153	2,731,270	0	2,731,270	0	2,731,270	0
	FF	9,491,955	13,487,318	0	13,487,318	13,520,970	143,267	13,664,237	0	13,664,237	32,010
(1) Executive Director's Office - Personal Services	**Total**	15,260,951	16,715,590	0	16,715,590	18,860,743	10,500	18,871,243	0	18,871,243	0
	FTE	225.36	245.30	0.00	245.30	259.50	0.00	259.50	0.00	259.50	0.00
	GF	6,054,845	7,261,822	0	7,261,822	7,768,653	5,250	7,773,903	0	7,773,903	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	140,495	0	140,495	212,681	0	212,681	0	212,681	0
	CFE	399,006	592,486	0	592,486	2,121,195	0	2,121,195	0	2,121,195	0
	FF	8,807,100	8,720,787	0	8,720,787	8,758,214	5,250	8,763,464	0	8,763,464	0
(1) Executive Director's Office - Operating Expenses	**Total**	1,196,014	1,039,465	0	1,039,465	1,023,940	212,013	1,235,953	0	1,235,953	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	586,457	494,229	0	494,229	486,342	106,006	592,348	0	592,348	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	14,395	0	14,395	3,800	0	3,800	0	3,800	0
	CFE	8,151	14,546	0	14,546	27,093	0	27,093	0	27,093	0
	FF	601,406	516,295	0	516,295	506,705	106,007	612,712	0	612,712	0
(1) Executive Director's Office - Leased Space	**Total**	166,899	272,318	0	272,318	272,318	64,021	336,339	0	336,339	64,021
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	77,950	130,659	0	130,659	130,659	32,011	162,670	0	162,670	32,011
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	5,500	5,500	0	5,500	5,500	0	5,500	0	5,500	0
	FF	83,449	136,159	0	136,159	136,159	32,010	168,169	0	168,169	32,010

Letternote revised text:
Cash Fund name/number, Federal Fund Grant name: FF: Title XIX
IT Request: Yes ✔ No
Request Affects Other Departments: Yes ✔ No **If Yes, List Other Departments Here:**

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-10
Change Request Title:	Funding for Additional Leased Space

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 Request is to increase funding for Leased Space, Operating Expenses, and Personal Services in FY 08-09 by a total of $286,534 to obtain needed office space for new Department staff and to replace some existing cubicles that are no longer sufficient for Department purposes. The Request includes increases of $64,021 for Commercial Leased Space, $10,500 for Personal Services to fund one-time moving costs, $40,763 for one-time moving related Operating Expenses, and $171,250 for replacement cubicles and conversion of high-walled cubes to manager offices.

Background and Appropriation History:

The Department of Health Care Policy and Financing is the second largest General Fund/General Fund Exempt budget in State government and one of the smallest Executive branch departments in terms of staff size. With the Department's ever-growing caseload, expenditures and programs, staffing levels have been increasing, but the space that the Department has appropriated to house these staff has not grown to the same degree.

In May 2003, the Department moved to its current location at 1570 Grant Street. When the Department moved to 1570 Grant in 2003, it was apparent that the Department would not be able to accommodate much growth. From the time of this move up to the present,

the programs for which the Department is responsible have grown both in size and complexity, resulting in additional FTE appropriations. For FY 07-08, the Department was appropriated $391,072 through Common Policies for space at 1570 Grant Street. This space currently houses 230 positions. Additionally, in FY 06-07 the Department began leasing two floors at 225 E. 16th Avenue that contain an additional 56 spaces to house staff that the Grant Street building could not accommodate, providing a total of 286 spaces for employees to work.

The table below shows the historical FTE count for each fiscal year since the Department moved to its current location at 1570 Grant Street in May 2003. This table indicates that FTE appropriations have increased a total of 32% since the Department moved to its location.

Year	Long Bill FTE Appropriation	Special Bill FTE Appropriations	Total FTE
FY 02-03	193.3	1.2	194.5
FY 03-04	196.6	3.8	200.4
FY 04-05	196.1	6.7	202.8
FY 05-06	207.1	7.3	214.4
FY 06-07	222.7	8.0	230.7
FY 07-08	238.0	19.5*	257.5

* Includes June 20, 2007 1331 Emergency Supplemental for the Office of Colorado Benefits Management System staff of 12 FTE transferring to the Department July 1, 2007.

The table above shows the number of approved FTE, not the number of positions. The Department had 274 positions (though not all filled) as of June 30, 2007, not including contractors, temporary staff, interns, or auditors. The Department employs a number of temporary staff to comply with legislation and to complete special projects. For example, as of June 2007, the Department had employed roughly 35 different temporary staff, interns and contractors throughout FY 06-07.

The Department's space issues are not new, for FY 05-06 the Department received one time funding of $36,278 total funds to house 15 temporary employees charged with the

implementation of the Medicare Modernization Act. Additionally, HB 05-1262 (the Tobacco Tax bill) and two 1331 Emergency supplementals (one for an emergency call center for cases that exceed processing guidelines and another to cover tasks inadvertently left out of HB 05-1262) were approved that provided an additional $38,903 to house employees authorized through those legislative initiatives, for a total FY 05-06 appropriation of $75,181.

For FY 06-07 the one time funding for the Medicare Modernization Act was removed. However, the Department requested supplemental funding to acquire additional Leased Space at 225 E. 16th Avenue to alleviate over crowding at 1570 Grant Street. Funding was approved for $218,950 (annualized) to lease an additional 13,056 square feet of office space to accommodate the increased staff from other FTE appropriations. This space provided the Department with critically needed room to place staff and provide two conference rooms for staff and the Medical Services Board to meet. Additionally, this allowed the Department to relieve overcrowded conditions at 1570 Grant Street.

General Description of Request:

For FY 08-09, the Department is forecasting a need for space to house an additional 35 positions. This need is due to the 7.5 FTE appropriated through special bills in the 2007 legislative session (beginning in FY 07-08) that did not include any associated Leased Space funding, and a November 1, 2007 Decision Item that the Department has submitted for an additional 7.3 FTE (annualizes to 8) to address chronic staffing shortages in several program service sections within the Department, and additional space for contractors, temporary staff, interns, auditors and to be able to support any resources required once health care reform recommendations from the 208 Commission are finalized and implementation begins. The Department is also pursuing several grants that may result in additional positions; however, at the time of writing this request, the number cannot be determined. Therefore the Department is requesting space for 35 positions as it believes this will allow for minimal growth without the need to, once again, ask for additional leased space as the Department implements new programs. The department is requesting Leased Space only for the FTE Request Decision Item (DI-7) to address chronic staffing shortages, as funding for office equipment (desks, chairs, phones, etc.) for those FTE are contained in that request.

The Department is requesting a net increase in funding for Leased Space of $64,021 total funds for 7,000 square feet of office space to house 35 employees. The Department will also require one-time funding for personal services and operating expenses to build out the acquired space with cubicles, chairs, telecommunications and information technology equipment, wiring and associated data transmission equipment. The Department projects these costs will total $51,263 (see Table B).

There are several reasons why funding is needed for this space:

1. As stated above, the Department is currently projecting an increase in staff of 16 positions between FY 07-08 and FY 08-09 and currently only has nine spaces for them to work. When compounded by the need to house contractors, temporary staff, interns, auditors and to implement the recommendations of the 208 Commission, if additional space is not available, many of these positions would need to remain vacant, and could result in unacceptable program implementation delays.

2. The Department cannot expand into its basement space at 1570 Grant to accommodate this growth. In March 2006, the Department met with the State Architect and building management personnel from the Department of Personnel and Administration to discuss further modifications to the building the Department needed to make to accommodate increased staffing needs. However, on April 3, 2006, the Department of Personnel and Administration issued a letter to the Executive Director of the Department identifying life and safety liability concerns regarding staff in the basement. Therefore the potential for the Department to use the basement space is no longer feasible.

3. Until the new space was acquired at 225 E. 16th Avenue, the Department had nowhere to house auditors, which are almost continuously in the building, and did not have a room large enough to meet with all or a majority of its staff, or to accommodate the Medical Services Board meetings. Scheduling meetings was, in reality, a daily frustration. If this request is not funded, the Department would be forced to convert

the two conference rooms at 225 E 16th Avenue to cubicles. This would create additional expense as the Medical Services Board would again need to find appropriate space to hold their meetings that are taking place in the Department's large conference room at 225 E. 16th Avenue. In effect, this would place the Department in the dilemma it found itself in before it acquired the space at 225 E. 16th Avenue.

As stated previously, the Department has 286 stations to house the 277 positions as of June 30, 2007. This leaves 9 cubicles available to house the anticipated growth in positions, resulting in a shortfall of cubicles. Additionally, these available cubicles are disbursed throughout various locations in the two buildings and are not conducive to placing staff in a contiguous group.

Finally, the Department is requesting one-time funding to replace 50 cubicles and one-time construction funding for conversion of five high-walled cubicles into five four-walled offices at 1570 Grant Street. Currently, the Department has many cubicles that are not conducive to a productive working environment. Many of the cubicles on the second floor, and a portion of both the third and fourth floors, are low-walled cubicles which do not help to reduce noise levels and lack sufficient storage space. Additionally, all of these low-walled workstations were left behind by the previous tenant of 1570 Grant Street, prior to the Department's May 2003 relocation - as one can imagine, they are beginning to deteriorate in both appearance and functionality. While 50 additional cubicles will not replace all of the units, the Department believes that this will refurnish the entire second floor in FY 08-09. Additional funding for the third and fourth floors, anticipated to equal the need of the second floor when combined, will be requested for FY 09-10.

The Department also has limited office space for its management staff. Given the responsibilities placed on senior staff to mentor and evaluate junior employees, it is imperative that these senior positions have access to a level of privacy suitable to conduct this type of feedback. Additionally, in today's business world, conference calling has become a common way to collaborate among internal and external parties. These conference calls often take place in a manager's workspace, but without sufficient measures to contain the noise generated by these meetings that can easily stretch beyond a

high-walled cubicle and affect the productivity of surrounding staff. As such, the Department has identified five manager workstations that require this type of conversion.

Consequences if Not Funded:

If this request is not funded, the Department would have no available space to house employees that were authorized by special bills passed during the 2007 legislative session, and would not be adequately prepared to take on staff to support the implementation of the proposed health care reform. Additionally, the Department could be forced to perform a hiring freeze due to a lack of physical space and only hire positions as space becomes available for a seating location. The consequences of this action would likely include non-compliance of federal and State requirements and turnover would increase as the work environment becomes less tolerable.

Calculations for Request:

Summary of Request FY 08-09	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
Total Request	$286,534	$143,267	$0	$143,267
(1) Executive Director's Office - Personal Services	$10,500	$5,250	$0	$5,250
(1) Executive Director's Office - Operating Expenses	$212,013	$106,006	$0	$106,007
(1) Executive Director's Office - Leased Space	$64,021	$32,011	$0	$32,010

Summary of Request FY 09-10	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
Total Request	$64,021	$32,011	$0	$32,010
(1) Executive Director's Office - Leased Space	$64,021	$32,011	$0	$32,010

Table A - Leased Space Cost				
Square Feet Per	Number of	Total Square Feet	Cost per Square Foot	Total Leased Space

Employee	Employees/Spaces	Required		Cost
200	35	7,000	$16.77	$117,390
Appropriated Leased Space Funding that is not Currently Needed				($53,369)
Net Leased Space Need				**$64,021**

Table B – FY 08-09 Build-Out Costs	
(1) Executive Director's Office, Personal Services	
Contract for Movers	$6,500
Electrical Installation	$4,000
Subtotal Personal Services	**$10,500**
(1) Executive Director's Office, Operating Expenses	
Purchase and Installation of 12 cubicles at an average rate of $2,225 per Cubicle	$26,700
Incremental cost for Purchase and Installation of 8 Cubicles at an average rate of $2,225 per Cubicle due to inadequate funding provided in the authorizing legislation, which provided $2,021 (= $204 * 8)	$1,632
Printers and Fax Machines	$4,795
Telephone Installation and Equipment	$2,100
Wiring for Data Equipment	$2,350
Data Equipment – Ethernet Switch and Panel Patch	$3,186
Subtotal Operating Expenses	**$40,763**
Total One Time Personal Services and Operating Expenses	**$51,263**

Table C –Replacement Cubicles and Additional Office Build-Out	
# of Replacement Cubicles	50
Common Policy amount at $2,225 per Cubicle	$2,225
Total Cost for 50 Replacement Cubicles	*$111,250*
# of High-Walled Cubicles to be Converted to 4-Walled Offices	5
Average Cost per Conversion	$12,000
Total Cost for Office Conversions	*$60,000*
Grand Total for Replacement Cubicles and Offices	**$171,250**

Assumptions for Calculations:

The Department's total need for Leased Space is $117,390 and uses the Department's current Leased Space cost at 225 E. 16th Avenue of $16.77 per square foot. However, this lease agreement was executed on August 24, 2006. If adequate leased space cannot be found for $16.77 per square foot, additional funding will be requested through the regular supplemental budget process.

Due to timing issues associated with the Department's FY 07-08 Decision Item (DI-5) submitted on November 1, 2006 and the Department's FY 06-07 Supplemental (S-8) submitted on January 4, 2007 for Leased Space, $53,369 was inadvertently left in the Department's Leased Space appropriation for FY 07-08 and beyond. Therefore, this request offsets a portion of the total need, reducing the Department's net increase in costs to $64,021 annually (see Table A).

The Department projects each employee will require 200 square feet of space to work. The Department is basing its request for space using the state standard for a Category # 1 lease, which is deemed by the Department of Personnel and Administration, Division of Finance and Procurement to be an efficient use of space, of 204 rentable square feet per office worker.

The Department will also require one-time funding for personal services and operating expenses to build out the acquired space with cubicles, chairs, telecommunications equipment, a network printer, a fax machine, and wiring and associated data transmission equipment. The Department is only requesting partial funding for the previously appropriated 7.5 FTE (8 positions) as the funding contained in those appropriations is inadequate to fully fund purchases from the Department's mandated vendor (Juniper Valley). Additionally, the Department is requesting full funding for 12 cubicles and chairs for additional contractors, temporary staff, interns, auditors and any resources required once health care reform recommendations from the 208 Commission are made as no appropriation has been provided. Funding for Operating Expenses for the FTE contained in the Department's FY 08-09 FTE Request, Decision Item (DI-7) has been included in that Request at the actual cost to purchase those cubicles and chairs. The Department

projects its total costs for Personal Services and Operating Expenses in this Request to be $51,263 (see Table B).

The Department is basing the costs for this request on its actual incurred expenditures for its recently acquired leased space at 225 E. 16th Avenue. As stated previously, the projected Leased Space cost is based on input the Department has received from the Department of Personnel and Administration. The Personal Services request reflect the costs the department projects to convert the space to useable offices and is based on the actual costs to furbish the leased space the Department now occupies. The Operating Expenses request is also based on an average of actual expenditures incurred for two different cubicle styles that were purchased through Juniper Valley for the 225 E. 16th Avenue location and actuals costs for chairs and information technology equipment that were also required for this leased space.

Construction costs to convert high-walled cubicles into four-walled offices is based on the actual price experienced by the Department when it first took possession of the space at 1570 Grant Street in May 2003. At that time, the Department contracted for similar conversions which cost $10,000. Given the amount of time that has lapsed since the Department's relocation, this Request assumes an average cost of $12,000 per conversion.

Impact on Other Government Agencies: None.

Cost Benefit Analysis:

Cost	Benefits
$286,534 in FY 08-09, $64,021 in FY 09-10	The Department would be able to lease, build out and furnish approximately 7,000 square feet of additional office space for staff use. Increasing the Department's ability to meet the ever growing demands placed upon it.
$0	If funding is not approved, the Department would be forced to stop hiring and possibly lay off staff, jeopardizing the completion of required projects. The Department would most likely experience greater turnover as the work environment become less tolerable.

Implementation Schedule:

Task	Month/Year
Lease Awarded/Signed	May 2008
Build Out and Tenant Preparation Begins	July 1, 2008
Build Out and Tenant Preparation Complete	July 31, 2008
Move Date	August 1, 2008

Statutory and Federal Authority:

24-1-107, C.R.S. (2007). Internal organization of department - allocation and reallocation of powers, duties, and functions - limitations. *In order to promote economic and efficient administration and operation of a principal department and notwithstanding any other provisions of law, except as provided in section 24-1-105, the head of a principal department, with the approval of the governor, may establish, combine, or abolish divisions, sections, and units other than those specifically created by law and may allocate and reallocate powers, duties, and functions to divisions, sections, and units under the principal department, but no substantive function vested by law in any officer, department, institution, or other agency within the principal department shall be removed from the jurisdiction of such officer, department, institution, or other agency under the provisions of this section.*

25.5-1-104 (2) (4), C.R.S. (2007). Department of health care policy and financing created - executive director - powers, duties, and functions…*(2) The department of health care policy and financing shall consist of an executive director of the department of health care policy and financing, the medical services board, and such divisions, sections, and other units as shall be established by the executive director … (4) The department of health care policy and financing shall be responsible for the administration of the functions and programs as set forth in part 2 of this article.*

Performance Measures:

This Request will help provide more administrative resources in order to support nearly all of the Department's Performance Measures, including those that are aligned with the Governor's *The Colorado Promise*:

- Increase the number of clients served through targeted, integrated care management programs.
- Increase the number of children served through a dedicated medical home service delivery model.
- Increase number of managed care options for clients enrolling in Medicaid.
- Increase the number of clients enrolled in viable managed care options.
- Improve access to and the quality of Medicaid health care as demonstrated through improvements in Medicaid Health plan scores on Health Plan Employer Data Information Set (HEDIS) measures.

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

	Decision Item FY 08-09 ☑	**Base Reduction Item FY 08-09** ☐	**Supplemental FY 07-08** ☐	**Budget Request Amendment FY 08-09** ☐
Request Title:	Restore Enrollment Broker Contract Funding			
Department:	Health Care Policy and Financing	**Dept. Approval by:**	John Bartholomew	**Date:** November 1, 2007
Priority Number:	DI - 11	**OSPB Approval:**		**Date:** 10/31/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	2,056,800	1,739,465	0	1,739,465	1,723,940	159,570	1,883,510	0	1,883,510	159,570
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	997,942	810,715	0	810,715	802,828	79,785	882,613	0	882,613	79,785
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	14,395	0	14,395	3,800	0	3,800	0	3,800	0
	CFE	27,059	48,060	0	48,060	60,607	0	60,607	0	60,607	0
	FF	1,031,799	866,295	0	866,295	856,705	79,785	936,490	0	936,490	79,785
(1) Executive Director's Office Operating Expenses	**Total**	1,196,014	1,039,465	0	1,039,465	1,023,940	(97,848)	926,092	0	926,092	(97,848)
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	586,457	494,229	0	494,229	486,342	(48,924)	437,418	0	437,418	(48,924)
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	14,395	0	14,395	3,800	0	3,800	0	3,800	0
	CFE	8,151	14,546	0	14,546	27,093	0	27,093	0	27,093	0
	FF	601,406	516,295	0	516,295	506,705	(48,924)	457,781	0	457,781	(48,924)
(1) Executive Director's Office SB 97-05 Enrollment Broker	**Total**	860,786	700,000	0	700,000	700,000	257,418	957,418	0	957,418	257,418
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	411,485	316,486	0	316,486	316,486	128,709	445,195	0	445,195	128,709
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	18,908	33,514	0	33,514	33,514	0	33,514	0	33,514	0
	FF	430,393	350,000	0	350,000	350,000	128,709	478,709	0	478,709	128,709

Letternote revised text:

Cash Fund name/number, Federal Fund Grant name: FF: Title XIX

IT Request: ☐ Yes ☑ No

Request Affects Other Departments: ☐ Yes ☑ No **If Yes, List Other Departments Here:**

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-11
Change Request Title:	Restore Enrollment Broker Contract Funding

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 request is to increase the total funds appropriation for the (1) Executive Director's Office, SB 97-05 Enrollment Broker from $700,000 to $957,418 in FY 08-09 - a change of $257,418. This increase is offset by a reduction to the (1) Executive Director's Office, Operating Expenses line item of $97,848.

Background and Appropriation History:

Funding Enrollment Broker Services

The Department funds enrollment broker services through two sources including the (1) Executive Director's Office, SB 97-05 Enrollment Broker and (1) Executive Director's Office, Operating Expenses. In FY 06-07 the Department funded $942,784 from the enrollment broker line item. This included $33,514 in tobacco tax moneys with matching federal funds, $67,028 total, for caseload increases driven by the expansion Medicaid population. In addition, the Department funded $97,848 through the Operating Expenses line item. As a result, $1,040,632 in funding was available for enrollment broker services. The Department estimated that the expansion Medicaid population would only require

$35,030. As a result, the Department contracted with Maximus Inc. for $1,008,634 to provide enrollment broker services and reverted $31,998 to General Fund.

The Department primarily funds the enrollment broker through the (1) Executive Director's Office, SB 97-05 Enrollment Broker line item. Under 42 CFR 438.10 the Department is required to undertake various activities to ensure *all* eligible Medicaid clients receive sufficient information to make an informed choice when they decide to enroll in either a managed care or a primary care physician program. The Centers for Medicare and Medicaid Services requires the Department to follow very specific instructions with respect to content, format, and procedures when disseminating information to Medicaid-eligible clients about their options. Under this regulation, the Department must:

- Provide current and **potential enrollees** with enrollment notices, informational materials, and instructional materials in a manner and format that may be easily understood (including printing in non-English languages, oral interpretation services, and alternative formats),
- Disseminate information about the availability of various languages, formats, and communication alternatives for receiving information and provide clear instructions regarding how to access these alternatives,
- Tailor details of printed materials to different regions within the State,
- Produce and distribute directories of physicians, specialists, and hospitals, including information on those who speak a non-English language,
- Provide information about where and how to obtain a counseling or referral service.

In fulfilling all of the functions described above, the Department contracts with an enrollment broker with a multilingual staff who produce printed materials; operate a call-center; disseminate mailings; counsel, enroll and disenroll clients; and coordinate with participating physicians, specialists and hospitals.

Although the majority of the enrollment broker expenses are paid through the (1) Executive Director's Office, SB 97-05 Enrollment Broker line item, the Department also funds a portion of the contract through the (1) Executive Director's Office, Operating Expenses line item. The managed care informational packet received by clients includes a managed care report card comparing Health Plan Employer Data Information Set (HEDIS) scores, capitation rates and focus group results for health care plans, primary care physicians and fee-for-service. This report card is mandated through C.R.S. 25.5-5-410, 2006 which states that the Department must provide reports that "…shall include a comparison of the effectiveness of the MCO [Managed Care Organization] program and the primary care physician program based upon common performance standards that shall include but not be limited to recipient satisfaction."

Originally, the Department produced this managed care report card in-house and sent out a separate mailing to clients with this information. In FY 03-04 the Department determined that it would be more cost effective to provide the information to potential managed care clients through the enrollment broker. In addition, there were problems with the Centers for Medicare and Medicaid Services around the formatting and content of the report card. As a result, the enrollment broker took over all printing and mailing responsibilities related to the managed care report card. However, services provided by the enrollment broker for the managed care report card continued to be paid through the (1) Executive Director's Office, Operating Expenses rather than the (1) Executive Director's Office, SB 97-05 Enrollment Broker. The additional information provided clients through the report card accounts for an additional $97,848 in the enrollment broker contract.

FY 07-08 Figure Setting

During the Department's FY 07-08 Figure Setting on February 14, 2007, JBC staff recommended a reduction of $33,514, to bring the enrollment broker contract back to the FY 05-06 caseload levels. JBC Staff cited declining traditional Medicaid caseload in their justification for this reduction. "Even with the addition of the Expansion Medicaid caseload, the FY 2007-08 Medicaid caseload is forecasted to be lower than the FY 2005-

06 caseload. In addition, as the Committee is aware, the Medicaid caseload that has an option of managed care is decreasing because of Primary Care Physician program does not cover all counties in the State and nor does Denver Health" (page 74). This reduction was consistent with the Department's decision to revert funding in FY 06-07 due to declining caseload estimates.

However, the ultimate action by the Committee was to cut funding to this appropriation by $242,784 rather than the JBC staff's recommendation with the caveat that the Department could request a Comeback if it was concerned. The Department responded with a Comeback to continue funding for FY 07-08 for the amount of $942,784. During the March 16, 2007 Committee meeting, the Department's Comeback received no action.

Beginning FY 07-08, the Department will receive $797,848 to fund enrollment broker services after the JBC action to cut funding; $700,000 from the SB 97-05 Enrollment Broker line item and $97,848 from the Department's Operating Expenses line item. This funding must cover all mailings to current managed care clients and all new Medicaid clients while meeting state and federal regulations. As a result, the Department signed a 10 month contract with the enrollment broker contractor, Maximus Inc.

Managed Care in the 2007 General Assembly

Concerns about the current options for managed care and decreasing enrollment prompted the legislature to revisit the managed care model. In the 2007 General Assembly regular session, two important managed care bills were passed and signed by the Governor including HB 07-1346 on prepaid inpatient health plans and SB 07-130 on medical homes for children.

In an effort to increase the participation of providers in managed care in Medicaid, the Governor signed HB 07-1346 concerning managed care in the medical assistance program on May 29, 2007. This bill was a JBC sponsored bill that allows the Department to enter into prepaid inpatient health plan (PIHP) agreements, a form of managed care. The

passage of this bill will allow the Department more options with managed care agreements.

On May 31, 2007 the Governor signed SB 07-130 to create medical homes for children. Under this bill, the Department is required to work with the Department of Public Health and Environment (CDPHE) "to develop systems to maximize the number of children in Medicaid and the Children's Basic Health Plan who have a medical home by July 1, 2008" (Legislative Council fiscal note, page 1). This is a form of managed care that would allow qualified medical specialty, developmental, therapeutic or mental health care practices to act as medical homes. The medical home would provide access and coordination of all medically-related services including:

- Health maintenance and preventive care;
- Health education;
- Acute and chronic illness care;
- Coordination of medications, specialists, and therapies;
- Provider participation in hospital care; and
- 24-hour telephone care.

General Description of Request: The purpose of this request is to increase (1) Executive Director's Office, SB 97-05 Enrollment Broker to $957,418. This is a net increase to the enrollment broker contract of $159,570, $83,214 less than the JBC cut in FY 07-08. This increase would restore the enrollment broker to a 12 month contract, address rising postage costs, fund additional contractor services and move $97,848 in enrollment broker expenses out of the (1) Department's Executive Director's Office, Operating Expenses and into the (1) Executive Director's Office, SB 97-05 Enrollment Broker. In addition, the restoration of the enrollment broker contract would fulfill the Department's directive to ensure all Medicaid clients make informed decisions when choosing among available medical assistance programs.

Restoring a Full Year Enrollment Broker Contract

As a result of the reduction in funding during the FY 07-08 Figure Setting from $942,784 to $700,000, the Department worked with the current enrollment broker to create a revised scope of work beginning with the FY 07-08 contract. Although managed care participation has decreased, the Department is still required to send out information through the enrollment broker to every new Medicaid client and yearly to every managed care enrolled client. The primary method of managing to the appropriation included drastically cutting the amount of information provided to clients through a mailing and instead relied on internet resources.

Although this proposed contract was able to manage to the $700,000 appropriation for FY 07-08, direction from the Centers for Medicare and Medicaid Services stated that this contract would not be in compliance with the federal regulation. In an email sent from the Centers for Medicare and Medicaid Services on July 19, 2007, it was stated that mailings directing clients to a website are "not acceptable by the Centers for Medicare and Medicaid Services as a way to provide information to Medicaid clients that are a potential enrollee in Medicaid managed care. CMS requires the State to actually provide all the informational materials to potential enrollees through hard copy mailings. The State may offer the website as an additional place to obtain information, however, the clients need to receive a hard copy of the information materials listed in 42 CFR 438.10." The Department was required to change the FY 07-08 contract back to the former scope of work to ensure compliance and as a result, the enrollment broker is currently funded for ten months in FY 07-08. As such, the Department's contract with the enrollment broker will end on April 30, 2008.

The Department assumes that the FY 08-09 contract would also be a partial year contract ending April 30, 2009. Increasing the contract by $159,570 in funding would allow the Department to provide coverage for a full fiscal year and would also consolidate enrollment broker funding in one line item. This would meet the federal requirements outlined in 42 CFR Section 438.10(e) which asserts that "The State or its contracted representative must provide the information…to each potential enrollee…at the time the

potential enrollee first becomes eligible to enroll in a voluntary program, or is first required to enroll in a mandatory enrollment program within a timeframe that enables the potential enrollee to use the information in choosing among available MCOs [Managed Care Organizations], PIHPs [Prepaid Inpatient Health Plans], PAHPs [Prepaid Ambulatory Health Plan] or PCCMs [primary care case management]."

Postage Costs

JBC staff initially recommended a reduction of $33,514 to bring the enrollment broker contract back in line with FY 05-06 caseload levels. This recommendation was based on forecasts predicting that caseload would be lower than FY 05-06. Estimates from the FY 08-09 Budget Request, November 1, 2007, predicts total caseload to fall by 4.16%[1] between FY 05-06 and FY 08-09. This decrease in the number of mailings is offset by increases to the cost per mailing. Postage costs have increased by 9.76%[2]. Changes required by the Centers for Medicare and Medicaid Services to the informational material included will increase the printing and mailing costs.

Enrollment Broker and Operating Expenses

Lastly, in addition to restoring the enrollment broker to a 12 month contract, this request also moves $97,848 out of the (1) Executive Director's Office, Operating Expenses and into the (1) Executive Director's Office, SB 97-05 Enrollment Broker. This is the portion of operating that has been added to the enrollment broker contract since FY 05-06 and includes the costs associated with printing and mailing a managed care report card. Moving this funding would allow the Department to manage all enrollment broker costs out of a single line and would improve the transparency in the Department's budget.

[1] Caseload estimates for FY 08-09 were reported as 383,067 whereas FY 05-06 actuals were reported as 399,705.

[2] The United States Postal Service has made two increases since the start of FY 05-06. The first increase occurred in January 2006 and increased the first-class postage rate from $0.37 to $0.39. Postage increased again in May 2007. This increased first-class postage from $0.39 to $0.41. Although enrollment broker packets are mailed at bulk rate, the Department assumes that the total increases are consistent with the change in the first-class rate.

Managed Care and Medicaid

Managed care in Medicaid is an important approach for the State to provide a medical home for the Medicaid clients, to prevent overutilization, and to ensure quality care for clients. The Health Plan Employer Data Information Set (HEDIS) reports show that clients in managed care plans typically receive more primary care services (e.g. immunizations, primary care physician visits) than clients in the fee-for-service program. The Department is in the process of researching ways to expand managed care in the State. The Department currently contracts with various types of managed care organizations, including health maintenance organizations, primary care physicians, and prepaid inpatient health plans. In addition, establishing new relationships with managed care organizations supports the Governor's *The Colorado Promise* to improve access to health care and improve the quality of care provided.

Consequences if Not Funded:

The Department would continue to manage the enrollment broker contract to the $700,000 appropriation first received in FY 07-08. The Department would maintain a 10 month contract with the enrollment broker, ending April 30, 2009. The Department would not be able to contract for enrollment services from May 1, 2009 to June 30, 2009. During this period, the Department would be in violation of federal law and would risk the potential disallowance of the federal match for all Medicaid services.

Calculations for Request:

Table 1: Summary of Request FY 08-09

Summary of Request FY 08-09	Total Funds	General Fund	Federal Funds
Total Request	$159,570	$79,785	$79,785
(1) Executive Director's Office, SB 97-05 Enrollment Broker (Column 6)	$257,418	$128,709	$128,709
(1) Executive Director's Office, Operating Expenses (Column 6)	($97,848)	($48,924)	($48,924)

Table 2: Summary of Request FY 09-10

Summary of Request FY 09-10	Total Funds	General Fund	Federal Funds
Total Request	$159,570	$79,785	$79,785
(1) Executive Director's Office, SB 97-05 Enrollment Broker (Column 6)	$257,418	$128,709	$128,709
(1) Executive Director's Office, Operating Expenses (Column 6)	($97,848)	($48,924)	($48,924)

Table 3: Calculation of 12 Months of Funding

Row	Item	Total	Description
A	(1) Executive Director's Office, SB 97-05 Enrollment Broker	$700,000	SB 07-239
B	(1) Executive Director's Office, Operating Expenses	$97,848	FY 07-08 Enrollment Broker Contract
C	**Total FY 07-08 Enrollment Broker Contract**	**$797,848**	**Row A + Row B**
D	Number of Months in FY 07-08 Contract	10	FY 07-08 Enrollment Broker Contract
E	Monthly Contract Amount for Enrollment Broker Services	$79,785	Row C / Row D
F	**Total Funding Requested for FY 08-09**	**$957,418**	**Row C + Row E * 2**
G	**Difference in Funding between FY 07-08 and FY 08-09**	**$159,570**	**Row F - Row C**

Assumptions for Calculations: The Department is requesting $159,570 in total funds to reinstate the enrollment broker contract ending in FY 06-07. This request would be $79,785 General Fund and $79,785 federal funds. This request is the difference between increases in (1) Executive Director's Office, SB 97-05 Enrollment Broker and reductions to the (1) Executive Director's Office, Operating Expenses.

Table 3: Calculation of 12 Months of Funding

The Department calculated the total funding needed for 12 months of contracted services from an enrollment broker by taking the current 10 month contract for the enrollment broker and expenses paid out of operating and dividing by 10. This gives the monthly contract cost of $79,785 to retain the currently contracted enrollment broker. This monthly cost was then multiplied by 12 to obtain the total funding request for FY 08-09; $957,418. This is $159,570 more than the FY 07-08 contract.

Impact on Other Government Agencies: None.

Cost Benefit Analysis:

FY 08-09 Cost Benefit Analysis	Costs	Benefits
Request	The cost of the request includes $159,570 to reinstate a 12 month enrollment broker contract.	The request would allow the Department to enter into a 12 month contract with the enrollment broker. The Department assumes that the newly designed website would continue as a resource with the restored contract and that the Centers for Medicare and Medicaid Services concerns regarding printed materials would be addressed with the new contract. In addition, all enrollment broker funding would be moved into the (1) Executive Director's Office, SB 97-05 Enrollment Broker. This would increase transparency in the Department's budget.
Consequences if not Funded	The cost of not funding the reinstatement of moneys to the enrollment broker contract would be a partial year contract ending April 30, 2009. Failure to provide enrollment broker services between April 1, 2009 and June 30, 2009 would cause the Department to be noncompliant with federal regulations and the Department would risk losing federal match for all expenditures.	No benefits.

Statutory and Federal Authority:

42 C.F.R. Section 438.10 (a) Terminology - …*Enrollee means a Medicaid recipient who is currently enrolled in an MCO, PIHP, PAHP, or PCCM in a given managed care program. Potential enrollee means a Medicaid recipient who is subject to mandatory enrollment or may voluntarily elect to enroll in a given managed care program, but is not yet an enrollee of a specific MCO, PIHP, PAHP, or PCCM.*

42 C.F.R. Section 438.10 (b) Basic rules -…*Each State, enrollment broker, MCO, PIHP, PAHP, and PCCM must provide all enrollment notices, informational materials, and instructional materials relating to enrollees and potential enrollees in a manner and format that may be easily understood. (2) The State must have in place a mechanism to help enrollees and potential enrollees understand the State's managed care program. (3) Each MCO and PIHP must have in place a mechanism to help enrollees and potential enrollees understand the requirements and benefits of the plan.*

42 C.F.R. Section 438.10 (c) Language - …*(1) Establish a methodology for identifying the prevalent non-English languages spoken by enrollees and potential enrollees throughout the State. ''Prevalent'' means a non-English language spoken by a significant number or percentage of potential enrollees and enrollees in the State. (2) Make available written information in each prevalent non-English language…*

42 C.F.R. Section 438.10 (d) Format - *(i) Use easily understood language and format; and (ii) Be available in alternative formats and in an appropriate manner that takes into consideration the special needs of those who, for example, are visually limited or have limited reading proficiency. (2) All enrollees and potential enrollees must be informed that information is available in alternative formats and how to access those formats.*

42 C.F.R. Section 438.10 *(*e) Information for potential enrollees - …*(i) At the time the potential enrollee first becomes eligible to enroll in a voluntary program, or is first required to enroll in a mandatory enrollment program. (ii) Within a timeframe that enables the potential enrollee to use the information in choosing among available MCOs, PIHPs, PAHPs, or PCCMs. (2) The information for potential enrollees must include…*

42 C.F.R. Section 438.10 (f) General information for all enrollees of MCOs, PIHPs, PAHPs, and PCCMs. *Information must be furnished to MCO, PIHP, PAHP, and PCCM enrollees as follows: (1) The State must notify all enrollees of their disenrollment rights, at a minimum, annually. For States that choose to restrict disenrollment for periods of 90 days or more, States must send the notice no less than 60 days before the start of each enrollment period. (2) The State, its contracted representative, or the MCO, PIHP, PAHP, or PCCM must notify all enrollees of their right to request and obtain the information listed in paragraph (f)(6) of this section and, if applicable, paragraphs (g) and (h) of this section, at least once a year…*

Performance Measures:

This Decision Item affects the following Performance Measure:

- Increase the number of clients enrolled in viable managed care options.

The Department believes that restoring the enrollment broker contract will facilitate Medicaid clients in making informed choices about their managed care options. Managed care has been shown to improve health outcomes through the coordination of care and increased participation in preventive health.

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

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

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:** November 1, 2007

Priority Number: DI-12 **OSPB Approval:** **Date:** 10/17/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	2,061,396,808	2,147,858,908	0	2,147,858,908	2,147,626,990	4,372,996	2,151,999,986	0	2,151,999,986	4,537,748
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	633,377,714	652,421,500	0	652,421,500	651,512,742	2,186,498	653,699,240	0	653,699,240	2,268,874
	GFE	343,100,000	343,900,000	0	343,900,000	343,900,000	0	343,900,000	0	343,900,000	0
	CF	0	38,256	0	38,256	38,256	0	38,256	0	38,256	0
	CFE	48,860,206	76,001,368	0	76,001,368	76,794,167	0	76,794,167	0	76,794,167	0
	FF	1,036,058,888	1,075,497,784	0	1,075,497,784	1,075,381,825	2,186,498	1,077,568,323	0	1,077,568,323	2,268,874
(2) Medical Services Premiums	**Total**	2,061,396,808	2,147,858,908	0	2,147,858,908	2,147,626,990	4,372,996	2,151,999,986	0	2,151,999,986	4,537,748
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	633,377,714	652,421,500	0	652,421,500	651,512,742	2,186,498	653,699,240	0	653,699,240	2,268,874
	GFE	343,100,000	343,900,000	0	343,900,000	343,900,000	0	343,900,000	0	343,900,000	0
	CF	0	38,256	0	38,256	38,256	0	38,256	0	38,256	0
	CFE	48,860,206	76,001,368	0	76,001,368	76,794,167	0	76,794,167	0	76,794,167	0
	FF	1,036,058,888	1,075,497,784	0	1,075,497,784	1,075,381,825	2,186,498	1,077,568,323	0	1,077,568,323	2,268,874

Letternote revised text:

Cash Fund name/number, Federal Fund Grant name: FF: Title XIX

IT Request: ☐ **Yes** ☑ **No**

Request Affects Other Departments: ☐ **Yes** ☑ **No** **If Yes, List Other Departments Here:**

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-12
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 $4,372,996 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. (2007)], 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. Now, 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. In response, the Department submitted a 1331 Emergency Supplemental to the Joint Budget Committee requesting permission and funding to raise rates to the 100% level. The Joint Budget Committee did not approve the Emergency Supplemental, but sent a letter to the Department stating:

> The Joint Budget Committee has reviewed the Department's FY 2007-08 emergency supplemental request to increase health maintenance organization (HMO) rates to 100 percent of the fee-for-service costs for direct health care services. At this time,

> the Committee has not approved a change to the Department's appropriation for the Medical Services Premiums (MSP) line item. The Committee will address all funding changes to the MSP line item, including the funding needed for this issue, during the March 2008 supplemental review. Although a change to the appropriation has not been approved at this time, **the Committee gives a favorable review to the Department's plan to negotiate HMO rates for Denver Health Medicaid Choice up to 100 percent of the fee-for-service costs** pursuant to Section 25.5-5-408 (9), Colorado Revised Statutes, (2007).
>
> The Committee is fully aware that a favorable review of the Department's plan will have an eventual appropriation impact. (**Emphasis** added).[1]

Based on the letter from the Joint Budget Committee, the Department entered into a contract with Denver Health Medicaid Choice effective July 1, 2007 to pay rates at an increased level to ensure that Medicaid clients continued to have adequate health care coverage.

General Description of Request: The Department requests $4,372,996 total funds to increase capitation rates from the 95% of fee-for-service level to the 100% level for FY 08-09 and beyond. The Department is permitted to pay rates up to 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 36,500 clients enrolled in Denver Health Medicaid Choice, 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.

[1] Letter from the Joint Budget Committee to Joan Henneberry, Executive Director, Department of Health Care Policy and Financing. June 20, 2007.

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.

The Department 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 for FY 07-08, and therefore are expected to be sound in FY 08-09 and beyond. The Department can implement the change immediately upon approval of the Change Request, which would affect capitation rates paid for July 1, 2008.

Additionally, if new providers enrolled, the Department would pay any new health maintenance organizations at the 100% of fee-for-service levels. The Department does not anticipate any additional costs or savings from increasing the number of providers, as the Department already pays 100% of fee-for-service rates to fee-for-service providers.

This Request does not seek any funding for paying rates at 100% of fee-for-service for FY 07-08. The Department may choose to submit a separate budget action at the appropriate time to account for changes to the program in FY 07-08.

Consequences if Not Funded:

If the Department's request is not approved, Denver Health Medicaid Choice would likely 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.

Further, the Department's ability to encourage new risk-based managed care organizations to participate in the Medicaid program will remain at its current low level. Other than Denver Health Medicaid Choice, the Department has not had a new physical health managed care organization enter the program since August 1997.

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, 2008.

Calculations for Request:

Summary of Request FY 08-09	Total Funds	General Fund	Federal Funds
Total Request (Matches column 6, Schedule 13)	**$4,372,996**	**$2,186,498**	**$2,186,498**
(2) Medical Services Premiums (Matches column 6, Schedule 13)	$4,372,996	$2,186,498	$2,186,498

Summary of Request FY 09-10	Total Funds	General Fund	Federal Funds
Total Request (Matches column 10, Schedule 13)	**$4,537,748**	**$2,268,874**	**$2,268,874**
(2) Medical Services Premiums (Matches column 10, Schedule 13)	$4,537,748	$2,268,874	$2,268,874

Source for Summary of Request located in Table 2, on page 12.

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 November 1, 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 08-09 and subsequent years. If the Department experiences 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, 2008.

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.
$4,372,996 Total FY 08-09 requested funds	**Approximately $4,810,296**
	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. (2007). 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. (2007) [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).

Performance Measures:

This Change Request affects the following Performance Measures:

- Increase the number of clients served through targeted, integrated care management programs.
- Improve access to and the quality of Medicaid health care as demonstrated through improvements in the Medicaid Health plan scores on Health Plan Employer Data Information Set (HEDIS) measures.
- Survey customer satisfaction with managed care using the Consumer Assessment of Health Plans Survey (CAHPS).

The Department believes that increasing health maintenance organization rates to 100% of the fee-for-service level will increase overall access to health care, thereby increasing customer satisfaction and quality of health outcomes.

Table 1: Estimate of Increase in Expenditure Due to Increase in Capitation Rates
FY 07-08 Impact

Column		A	B	C	D	E	G	H	I
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 from FY 06-07 to FY 07-08**	**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	$183.71	$193.38	$9.67	4,015	-11.94%	3,535	$34,179	$410,148
Categorically Eligible Low-Income Adults (AFDC-A)	Male	$162.31	$170.86	$8.54	720	-11.94%	634	$5,416	$64,992
Baby Care Program Adults		$180.89	$190.41	$9.52	215	6.44%	229	$2,180	$26,160
Eligible Children (AFDC-C/BC)	Age 1 and Over	$58.08	$61.13	$3.06	19,027	-6.47%	17,796	$54,397	$652,764
Eligible Children (AFDC-C/BC)	Under 1	$191.73	$201.82	$10.09	2,468	-6.47%	2,308	$23,290	$279,480
Foster Care		$213.20	$224.42	$11.22	139	11.01%	154	$1,728	$20,736
Adults 65 and Older (OAP-A)	Non-Institutional	$231.95	$244.16	$12.21	3,369	-1.96%	3,303	$40,323	$483,876
Adults 65 and Older (OAP-A)	Institutional	$214.79	$226.10	$11.30	191	-1.96%	187	$2,114	$25,368
Disabled Individuals and Adults (OAP-B and AND/AB)	Non-Institutional, Medicaid Only	$726.00	$764.21	$38.21	4,234	1.62%	4,303	$164,419	$1,973,028
Disabled Individuals and Adults (OAP-B and AND/AB)	Non-Institutional, Third Party Coverage	$186.45	$196.26	$9.81	1,779	1.62%	1,808	$17,742	$212,904
Disabled Individuals and Adults (OAP-B and AND/AB)	Institutional, Medicaid Only	$1,585.23	$1,668.66	$83.43	63	1.62%	64	$5,340	$64,080
Disabled Individuals and Adults (OAP-B and AND/AB)	Institutional, Third Party Coverage	$181.89	$191.47	$9.57	28	1.62%	28	$268	$3,216
Total					36,248		34,349	$351,396	**$4,216,752**
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, using the average of January - June 2007

(3) Estimated trend taken from the Department's November 1, 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.

Table 2: Estimate of Increase in Expenditure Due to Increase in Capitation Rates
FY 08-09 and FY 09-10 Impact

Column		A	B	C	D	E	F	G
Aid Category	**Rate Subcategory**	**Estimated Increase in FY 07-08 Expenditure**	**FY 08-09 Estimated Increase in Per Capita Cost**	**FY 08-09 Estimated Increase in Caseload**	**Estimated Increase in FY 08-09 Expenditure**	**FY 09-10 Estimated Increase in Per Capita Cost**	**FY 09-10 Estimated Increase in Caseload**	**Estimated Increase in FY 09-10 Expenditure**
Categorically Eligible Low-Income Adults (AFDC-A)	Female	$410,148	4.92%	-2.31%	$420,387	4.92%	-0.43%	$439,173
Categorically Eligible Low-Income Adults (AFDC-A)	Male	$64,992	4.92%	-2.31%	$66,614	4.92%	-0.43%	$69,591
Baby Care Program Adults		$26,160	2.47%	3.59%	$27,768	2.47%	2.81%	$29,253
Eligible Children (AFDC-C/BC)	Age 1 and Over	$652,764	4.23%	-0.06%	$679,968	4.23%	0.02%	$708,872
Eligible Children (AFDC-C/BC)	Under 1	$279,480	4.23%	-0.06%	$291,127	4.23%	0.02%	$303,502
Foster Care		$20,736	5.02%	4.76%	$22,814	5.02%	2.12%	$24,467
Adults 65 and Older (OAP-A)	Non-Institutional	$483,876	1.63%	0.64%	$494,910	1.63%	0.71%	$506,548
Adults 65 and Older (OAP-A)	Institutional	$25,368	1.63%	0.64%	$25,946	1.63%	0.71%	$26,556
Disabled Individuals and Adults (OAP-B and AND/AB)	Non-Institutional, Medicaid Only	$1,973,028	3.58%	0.41%	$2,052,041	3.58%	0.10%	$2,127,630
Disabled Individuals and Adults (OAP-B and AND/AB)	Non-Institutional, Third Party	$212,904	3.58%	0.41%	$221,430	3.58%	0.10%	$229,587
Disabled Individuals and Adults (OAP-B and AND/AB)	Institutional, Medicaid Only	$64,080	3.58%	0.41%	$66,646	3.58%	0.10%	$69,101
Disabled Individuals and Adults (OAP-B and AND/AB)	Institutional, Third Party Coverage	$3,216	3.58%	0.41%	$3,345	3.58%	0.10%	$3,468
Total		$4,216,752			**$4,372,996**			**$4,537,748**
Formula/Notes		(1)	(2)	(3)	A * (1 + B) * (1 + C)	(2)	(3)	A * (1 + B) * (1 + C)

(1) From table 1

(2) Estimated per capita growth from November 1, 2007 Budget Request, Section E, Exhibits for Medical Services Premiums, Exhibit F, page EF-4. FY 08-09 trends held constant for FY 09-10.

(3) Estimated caseload trend taken from the Department's November 1, 2007 Budget Request, Section E, 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.

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

	Decision Item FY 08-09 ☑	**Base Reduction Item FY 08-09** ☐	**Supplemental FY 07-08** ☐	**Budget Request Amendment FY 08-09** ☐
Request Title:	Web Portal Contract Adjustments and Enhancements			
Department:	Health Care Policy and Financing	**Dept. Approval by:**	John Bartholomew OB	**Date:** November 1, 2007
Priority Number:	DI - 13	**OSPB Approval:**		**Date:** 10/23/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	314,800	312,900	0	312,900	312,900	117,833	430,733	0	430,733	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	78,700	78,225	0	78,225	78,225	29,458	107,683	0	107,683	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	236,100	234,675	0	234,675	234,675	88,375	323,050	0	323,050	0
(1) Executive Director's Office, Health Insurance Portability and Accountability Act of 1996 (HIPAA) Web Portal Maintenance	**Total**	314,800	312,900	0	312,900	312,900	117,833	430,733	0	430,733	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	78,700	78,225	0	78,225	78,225	29,458	107,683	0	107,683	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	236,100	234,675	0	234,675	234,675	88,375	323,050	0	323,050	0

Letternote revised text:

Cash Fund name/number, Federal Fund Grant name: FF: Title XIX

IT Request: ☐ Yes ☑ No

Request Affects Other Departments: ☐ Yes ☑ No **If Yes, List Other Departments Here:**

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-13
Change Request Title:	Web Portal Contract Adjustments and Enhancements

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 request is for $117,833 to fund needed capacity increases and maintenance concerns regarding the Department's internet-based secured web portal services.

Background and Appropriation History: The Department's web portal became operational in 2003 and was initiated as part of the Health Insurance Portability and Accounting Act of 1996 (HIPAA) requirement to implement the federal Transaction and Code Set Rule. The web portal is used to insure privacy and electronic security, as required by HIPAA, for transmission of data to and from the Medicaid Management Information System, the Colorado Benefits Management System, the Business Utilization System (BUS), medical providers, and the Centers for Medicare and Medicaid Services. The largest amount of transmission activity is to the Medicaid Management Information System generated by the Department's contracted medical providers.

Reports, files, and transaction responses are transmitted by Affiliated Computer Services, Inc., the fiscal agent for the Medicaid Management Information System, back to the medical providers. However, the contractor for the web portal, CGI Information Systems

and Management Consultants, Inc. (hereafter referred to as CGI), is independent of the fiscal agent, Affiliated Computer Services, Inc. The Department also uses this portal for medical assistance site workers who require access to other Department systems.

CHANGE MANAGEMENT

CGI provides production support and maintenance for the web environment, including "change management" for the services that are provided. Required change management (or system modification) is addressed through a pool of hours built into the vendor's contract. These hours, equal to 260 for FY 07-08, are meant as resources for needed interface modifications so that information can be transmitted both to and from the Medicaid Management Information System and fiscal agent to both medical providers and the Department.

The number of hours per change management need vary with the complexity of the project. For the past two fiscal years, however, an average of six change management requests per year have carried over from the prior fiscal year because there have not been enough hours allocated to complete all requests. Only the requests with the highest priority have been completed.

CAPACITY

When the Department's web portal was initially created, it was anticipated that 5,000 total users would access the web environment, however not all of them would be using the web portal at the same time. As such, the web portal was and is designed to provide capacity for 500 simultaneous users. Access for each of these users is dependent on the amount of system capacity available at the time they log onto the portal. Prior to FY 06-07, user volume had remained under the 500 simultaneous users. However, because the portal was successful and provider acceptance of the system continues to grow, the number of simultaneous users has continued to grow as well.

With more users, there is a corresponding increase in demand for services to allow such things as larger file transfers and more immediate response. When users submit large data files to the web portal, both system memory and processing capacity are significantly diminished. As such, large file transmissions are now scheduled with consideration for times of day when capacity may be available, often outside of normal business hours.

General Description of Request: This request is for $117,833 to address shortfalls in the web portal for both change management and increased capacity. If approved, this request would provider for greater simultaneous user volume, system stability, and increased transaction speeds for providers.

CHANGE MANAGEMENT

The Department requests an additional $35,000 to expand the number of hours available for CGI to keep the web portal functioning smoothly. Although the Department projects that at least 750 additional hours are needed, 350 of those hours have become an extreme necessity. Given recent practice of only addressing the Department's most urgent change management items have required many system changes to be delayed until new maintenance hours are available at the start of the following fiscal year. This practice has caused delays in enhancing the services of sending and receiving data to the Department's fiscal agent and/or delays for provider verification of client eligibility. There are changes that are needed due to rule changes and design solutions that are necessary to support the major systems that have not had funding sufficient to cover the changes.

CAPACITY

During FY 06-07, the number of simultaneous users has consistently exceeded 500, with the highest number of simultaneous users at 622 and the number of overall total users continuing to grow. During FY 07-08, it is anticipated that 1,200 additional users will join the pool. Besides medical providers, web portal users include the county coordinators for the Early and Periodic Screening, Diagnosis, and Treatment Program; medical assistance site; Single Entry Point agencies employees; the Benefit Utilizations System; and Systematic Alien Verification for Entitlements (SAVE) users.

Due to the future expected growth in the number of users and efficiencies that would be gained by adding a block of capacity for more users, the Department anticipates the need for increased capacity to be 200 more simultaneous users for a total of 700 simultaneous users. The number of 700 is based on the high number of 622 users in FY 06-07 plus an additional 10% for some growth (rounded up to 700 since adding users in small quantities is less efficient and more costly in the long term). The total cost to add capacity for a block of 200 more users is $82,833 and is itemized in the following sections.

Hardware

To increase capacity from 500 to 700, a 40% increase of simultaneous users, the Department must provide for greater access to the web portal. This will require CGI to provide additional capacity to a variety of the existing equipment. This equipment includes: the web server which acts as the gateway to the portal, the application server which supports the File and Report Service, the database server which allows for data storage space to support the providers, and the Biztalk which translates the Medicaid Management Information System transactions and code sets as required by the HIPAA rule for Transactions and Code Sets of 2003.

Without these upgrades, storage space will quickly diminish, especially considering the number of records being transmitted, the length of the files, and the increased number of users contributing to overall volume of information. Ultimately, the storage space would be completely spent. Additionally, without an upgrade to the Biztalk server, the potential system failure could occur as newer coding that has evolved since the original activation of this server in May 2003 is pushing the server to its limits. Lastly, without the web and application server changes, the "bottleneck" of information transmitted to the web portal will not improve, regardless of making these other system upgrades.

All of the above capacity in hardware will have costs projected to equal $10,833.

Dedicated Transmission Lines

The dedicated secure communication line capacity between CGI and the Department's fiscal agent will have to be increased as well. The capacity is necessary to handle the increased traffic and to support the large amounts of data transmission from the File and Report Service required by the increase volume of simultaneous users. This increased capacity would be the equivalent of an additional T-1 line which is projected to equal $14,400.

Hardware Maintenance and User Support
CGI will be responsible for the maintenance of the servers, back up and restoration of data histories as needed and providing the operating environment for the equipment. These hosting services are essential to reduce downtime and equipment malfunctions. With all of the increased services being provided, an additional $45,600 is being requested for this support.

More simultaneous users on the web portal increase help desk call volume. CGI would add additional staffing to its help desk location. The help desk daily call average is 61.5 calls per day. Currently, CGI has 1.5 FTE supporting the Web Portal from 7am-7pm (MST) which adequately supports the call volume; however, when an outage occurs, or an above average amount of users attempt to log-in, the system is strained, reducing customer service efficiencies. An additional 0.5 CGI FTE will improve user support efforts for the increased user community. The ongoing annual cost for this service would be $12,000.

Consequences if Not Funded:

If additional funding is not received, change management for the web portal could only continue at the current, limited levels, with many projects continuing to be delayed or disregarded. The Department would be unable to meet the demands of the new changes or programs in a timely or efficient fashion manner. In addition, changes required by the Centers for Medicare and Medicaid Services to support Medicaid Management Information System compliance would also not be addressed in an efficient manner.

Additionally, limits will need to be placed on the number of simultaneous users to avoid overloading the capacity. When the alternative is to allow all users to login and degrade the service with unacceptable slowness or to limit the number of simultaneous users and force others to try again later, neither alternative is palatable. This would have a negative impact on users servicing our clients and providers who provide those services and expecting to submit claims timely for payment.

Calculations for Request:

Summary of Request FY 08-09	Total Funds	General Fund	Federal Funds
Health Insurance Portability and Accountability Act of 1996 (HIPAA) Web Portal Maintenance [matches columns 6 in Schedule 13]	$117,833	$29,458	$88,375
Change Management	*$35,000*	*$8,750*	*$26,250*
Increased Capacity – Hardware	*$10,833*	*$2,708*	*$8,125*
Increased Capacity – Bandwidth, Hosting, and Help Desk Support	*$72,000*	*$18,000*	*$54,000*

Web Portal Change Management Costs				
Priority	**Change Management Projects Needed**	**Cost Per Hour**	**Hours**	**Total Costs**
1	Modify software to improve File and Report Service efficiency. All providers must retrieve reports and transactions from the portal. Current system is older technology and inefficient for volume and size of reports.	$100	200	$20,000
2	Enhance data entry of all transactions-modify over 50 field controls. Move to AJAX functionality that will allow real time load of a page. Greatly reduce data entry time. Also will be more browser friendly. Current system does not function well with browsers other than Internet Explorer.	$100	150	$15,000
	Totals		**350**	**$35,000**

Estimate of Potential Maintenance Costs for Vendor to Increase Web Portal Capacity		
Item	**Monthly Rate**	**12 Months Costs**
Increase Internet Bandwidth & Communication to Fiscal Agent	$1,200	$14,400
Increase Hosting Costs for Additional Servers & Warranties	$3,800	$45,600
Increased Help Desk Support at CGI	$1,000	$12,000
Total Costs		**$72,000**

Estimate of Potential Equipment Costs for Vendor to Increase Web Portal Capacity	
Equipment Items	**Cost**
Web Server	$4,000
Application Server	$6,000
Database Server	$7,000
Upgrade Biztalk Server	$8,000
Total costs if servers were purchased by Department	$25,000
Projected increase for leasing versus purchasing hardware	30%
Projected cost for servers if leased over three year period	$32,500
Projected cost per year leased	**$10,833**

Assumptions for Calculations: The federal funds participation rate is 75% under Title XIX.

The cost per hour for change management is the same rate as is currently contracted with the vendor for performing change management requests and the contractor has confirmed that hourly rate to be $100. The additional number of hours, 350, needed for change management was estimated based on work forecasts for projects that carried over from prior fiscal years, are still awaiting completion until sufficient funding becomes available, and have become an extreme necessity.

The costs for increased capacity are based upon the projected annual cost to purchase servers outright. Assumed hardware costs are closely aligned with current market rates for the various components, consistent with Dell, Hewlett-Packard or International Business Machines (IBM) brand servers of similar capacity. Estimated server costs are based on an assumption that it would require the equivalent of 4 additional servers to provide sufficient throughput and maintain adequate response times. These costs, projected to equal $25,000, are then inflated by 30% to get an equivalent amount to lease the equipment over a period of three years. Because the Department intends to reprocure the web portal prior to the end of FY 08-09, the Department believes that leasing equipment for one fiscal year is more beneficial to the State than if it purchased the additional servers.

The costs for T-1 lines depend on the origination location and the termination location. The termination location would be Dallas, Texas. The website for comparison of T-1 costs is www.t1shopper.com that lists the range of pricing from $550 to $1,200 per month for Texas locations. CGI has bandwidth capacity available to allow the State to increase its utilization of their Internet access.

Impact on Other Government Agencies: No impacts are known for other State government agencies.

Cost Benefit Analysis: The following analysis quantifies the costs and benefits.

	If Request Is Approved	If Request Is Not Approved
Costs	$117,833	$0
Benefits	More change management updates would be promptly implemented within the same fiscal year as requested	Change requests would not be completed in a timely manner and many would not be completed at all
	Additional simultaneous users could be accommodated	Further degradation of service by additional users attempting to access the web portal, or denial of access, and/or more calls to CGI Help Desk for customer service

	Upgraded leased servers could alleviate down time by backing up other servers when repair problems occur	Down time during repairs would escalate

Based on the above analysis, the requested funding increase provides the greater benefit by insuring better functionality of the web portal and operations of the web portal always on a timely basis.

Statutory and Federal Authority:

25.5-4-105, C.R.S. (2007) *Nothing in this article…of this title shall prevent the state department from complying with federal requirements for a program of medical assistance in order for the state of Colorado to qualify for federal funds under Title XIX of the social security act and to maintain a program within the limits of available appropriations.*

§1903 (a) of the Social Security Act [42 U.S.C. 1396b] *From the sums appropriated therefore, the Secretary …shall pay to each State which has plan approved under this title, …(3) an amount equal to—*
(B) 75 per centum of so much of the sums expended during such quarter as are attributable to the operation system (whether such system are operated directly by the State or by another person under a contract with the State…

Performance Measures:

The web portal is the access to the Medicaid Management Information System. Without the web portal, the Department would require significantly greater resources and time to ensure that providers receive accurate payment for services rendered to Medicaid and Children's Basic Health Plan clients. As such, any Performance Measure that includes expansion of Medicaid or Children's Basic Health Plan clients would only increase this need for additional resources and would delay the payment process even further due to the additional volume. Given the above, the Department would have difficulty in expanding coverage to these programs; therefore, this Change Request supports the following Performance Measures:

- Increase the number of clients served through targeted, integrated care management programs. This is a new Department initiative.

- Increase the number of children served through a dedicated medical home service delivery model. This is a new Department initiative.

- Increase statewide access to employer sponsored insurance through the Child Health Plan Plus at Work Program and increase enrollment in the program.

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

	Decision Item FY 08-09 ☑	**Base Reduction Item FY 08-09** ☐	**Supplemental FY 07-08** ☐	**Budget Request Amendment FY 08-09** ☐
Request Title:	Move Non-Emergency Transportation Services to Medical Services Premiums			
Department:	Health Care Policy & Financing	**Dept. Approval by:**	John Bartholomew	**Date:** November 1, 2007
Priority Number:	DI-14	**OSPB Approval:**		**Date:** 10/17/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	2,068,980,569	2,155,158,210	0	2,155,158,210	2,154,926,292	0	2,154,926,292	0	2,154,926,292	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	637,169,595	656,071,151	0	656,071,151	655,162,393	0	655,162,393	0	655,162,393	0
	GFE	343,100,000	343,900,000	0	343,900,000	343,900,000	0	343,900,000	0	343,900,000	0
	CF	0	38,256	0	38,256	38,256	0	38,256	0	38,256	0
	CFE	48,860,206	76,001,368	0	76,001,368	76,794,167	0	76,794,167	0	76,794,167	0
	FF	1,039,850,768	1,079,147,435	0	1,079,030,335	1,079,031,476	0	1,079,031,476	0	1,079,031,476	0
(1) Executive Director's Office, Non-Emergency Transportation Services	**Total**	7,583,761	7,299,302	0	7,299,302	7,299,302	(7,299,302)	0	0	0	(7,299,302)
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	3,791,881	3,649,651	0	3,649,651	3,649,651	(3,649,651)	0	0	0	(3,649,651)
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	3,791,880	3,649,651	0	3,649,651	3,649,651	(3,649,651)	0	0	0	(3,649,651)
(2) Medical Services Premiums	**Total**	2,061,396,808	2,147,858,908	0	2,147,858,908	2,147,626,990	7,299,302	2,154,926,292	0	2,154,926,292	7,299,302
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	633,377,714	652,421,500	0	652,421,500	651,512,742	3,649,651	655,162,393	0	655,162,393	3,649,651
	GFE	343,100,000	343,900,000	0	343,900,000	343,900,000	0	343,900,000	0	343,900,000	0
	CF	0	38,256	0	38,256	38,256	0	38,256	0	38,256	0
	CFE	48,860,206	76,001,368	0	76,001,368	76,794,167	0	76,794,167	0	76,794,167	0
	FF	1,036,058,888	1,075,497,784	0	1,075,380,684	1,075,381,825	3,649,651	1,079,031,476	0	1,079,031,476	3,649,651

Letternote revised text:

Cash Fund name/number, Federal Fund Grant name: FF: Title XIX

IT Request: ☐ Yes ☑ No

Request Affects Other Departments: ☐ Yes ☑ No **If Yes, List Other Departments Here:**

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-14
Change Request Title:	Move Non-Emergency Transportation Services to Medical Services Premiums

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 Request is to move the (1) Executive Director's Office, Non-Emergency Transportation Services line item to (2) Medical Services Premiums in an effort to provide over expenditure authority for non-emergency medical transportation. This is a net-zero Decision Item.

Background and Appropriation History: The Department of Health Care Policy and Financing provides non-emergency transportation to and from medically necessary services covered by the Colorado Medical Assistance Program for clients who have no other means of transportation throughout all sixty-four counties in Colorado. Section 25.5-5-202 (1) (s) (2), C.R.S. (2007) and 42 CFR §431.53 require the Department to provide non-emergency medical transportation to eligible clients under the State's Medical Assistance Program. The type of transportation authorized is determined by the distance to be traveled, treatment facilities available, and the physical condition and welfare of the client. Non-emergency medical transportation services include transportation between the client's home and Medicaid covered benefits, and when applicable, the cost of lodging and food when an overnight stay is necessary for

an escort. There are also administrative costs related to non-emergency medical transportation including, but not limited to, the intake of client calls, determining eligibility, and authorizing and arranging transportation.

History

Prior to FY 03-04, non-emergency medical transportation, approximated to be $12,041,460, was contained in the Department's (2) Medical Services Premiums Long Bill group. However, due to difficult economic conditions in FY 02-03, the General Assembly reduced the funding by $7,640,682 in an effort to reduce General Fund expenditures (FY 03-04 Figure Setting, March 11, 2002, pages 110-111).

In FY 03-04, the Department received legislative authority via HB 04-1220 to administer non-emergency medical transportation as an administrative program rather than an optional Medicaid service in an effort to maintain cost savings. This action resulted in $4,400,778 being transferred from the Department's (2) Medical Services Premiums Long Bill group to a newly created line item under the (1) Executive Director's Office Long Bill group titled "Non-Emergency Transportation Services."

The Department employs two mechanisms to provide non-emergency medical transportation needs for Medicaid clients: 1) in the 8 Front Range counties, the Department has a full-risk, fixed-price contract with LogistiCare, Inc. to provide the necessary services and administration, and 2) in the remaining 56 counties, the county departments of social services are responsible for authorizing and arranging the transportation.

LogistiCare contract

From October 2002 to September 2004, the Department contracted with Arapahoe County Transportation Services for non-emergency transportation services in the 8 Front Range counties. Due to the closure of Arapahoe County Transportation Services in September 2004, the Department entered into an emergency contract with LogistiCare from October 1, 2004 through June 30, 2005.

On March 22, 2005, the Department issued a request for proposals for broker services in the 8 Front Range counties for FY 05-06. The winning bidder was LogistiCare; however LogistiCare refused to sign the contract citing concerns about unpredictable spikes in caseload and utilization and inadequate funding. This resulted in a failed reprocurement for FY 05-06 requiring the Department to enter into an emergency nine month contract with LogistiCare from July 1, 2005 through March 31, 2006, until a new request for proposals could be completed.

In January 2006, the revised request for proposals was an open-ended request, meaning no dollar amount was specified. Having prior experience with providing non-emergency medical transportation services in the 8 Front Range counties, LogistiCare was awarded the winning bid for a fixed-price contract beginning June 1, 2006. This fixed-price contract was negotiated for $446,992 per month, or $5,363,904 per fiscal year. On June 20, 2006, the Department requested and subsequently received a 1331 Emergency Supplemental of $1,121,497 to fund the administrative contract increases, funding for the two-month (April to May 2006) contract holdover provision, plus the fixed-price contract amount for June 2006.

In August 2006, the Department received correspondence from LogistiCare concerning unpaid monies for claim lag adjustments in the period from July 2005 through March 2006. With the assistance of the State Attorney General's Office and Governor's Counsel, the Department negotiated a settlement amount of $1,048,608 with LogistiCare. The General Fund need was reduced by $491,431 in an accounts payable line which was used to offset the total need. On January 23, 2007, the Department requested and subsequently received a FY 06-07 late supplemental in the amount of $557,177 for the remaining lawsuit settlement agreement (February 14, 2007, Executive Director's Office Figure Setting, page 78).

Remaining 56 Counties

In the remaining 56 counties, the county departments of social services are responsible for authorizing and arranging transportation. Similar to increasing contract obligations, increased utilization and caseload in the non-Front Range counties have required a greater

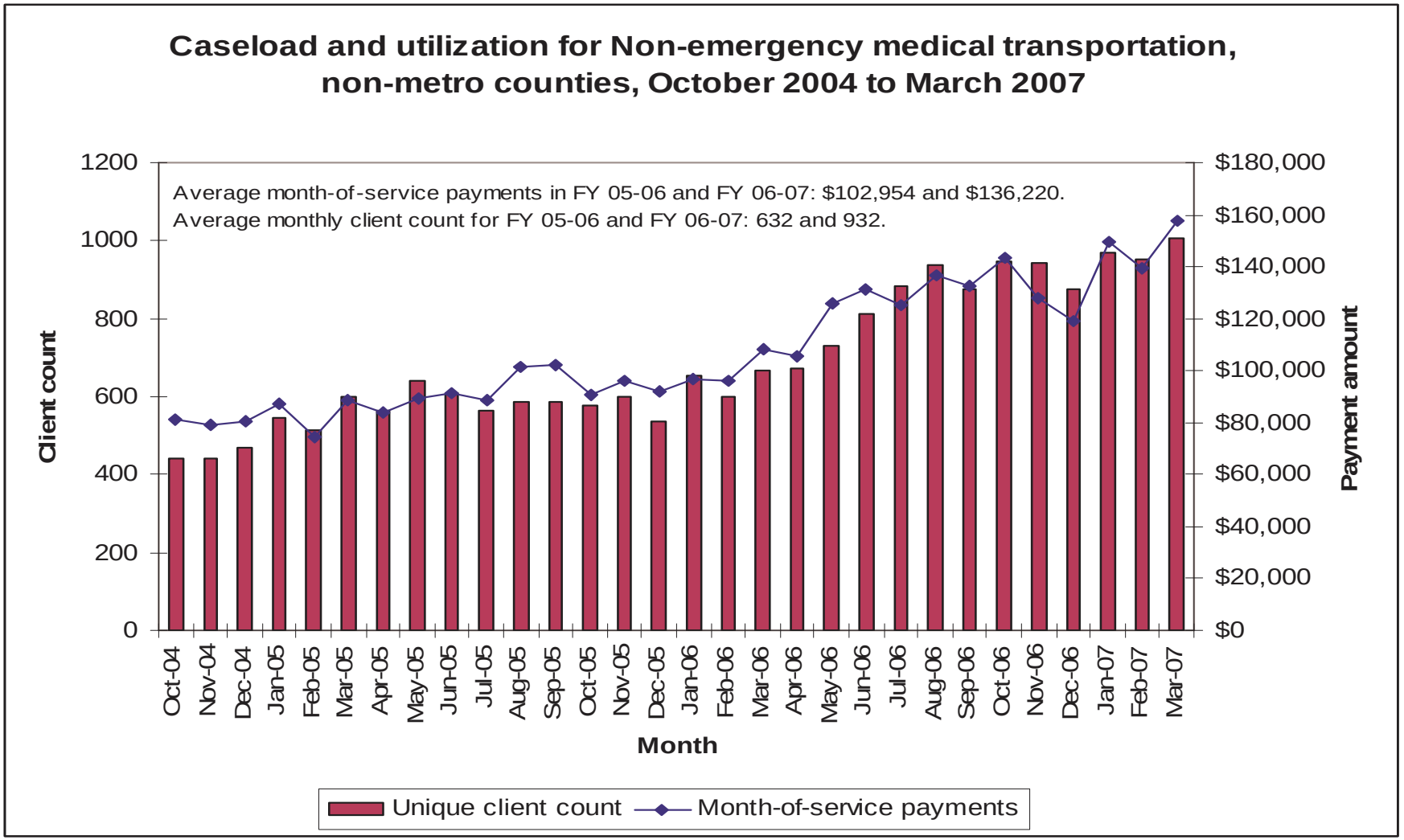
portion of the total appropriation to be allocated for non-contractor costs. Changes in utilization are assumed to be the result of increased focus on non-emergency medical transportation from the Centers for Medicare and Medicaid Services, individual client complaints, recent training by the Department on State Plan transportation services, and increased awareness by Department of Human Services program administrators.

General Description of Request: This Request is a net-zero General Fund request moving funds for non-emergency medical transportation from the Department's (1) Executive Director's Office Long Bill group to (2) Medical Services Premiums Long Bill group.

The administrative efficiencies and cost containment anticipated by the passage of HB 04-1220 have not entirely materialized. Since its passage, continual supplemental and emergency 1331 requests have been required to meet higher than estimated administrative cost increases for LogistiCare, and caseload and utilization demands in the 56 non-Front Range counties (June 20, 2006, 1331 Emergency Supplemental for $1,121,497; January 4, 2007 Supplemental #6 for $1,957,862 and Budget Amendment #2 for $1,149,343; and a January 23, 2007, 1331 Emergency Supplemental for $557,177).

However, HB 04-1220 is not without its successes: the Department has achieved administrative cost savings by reducing the numerous fee-for-service providers to a single transportation broker and cost containment through the full-risk, fixed-price contract with LogistiCare to provide non-emergency medical transportation services in the 8 Front Range counties.

Nearly two-thirds (Supplemental #6 and Budget Amendment #2, $1,957,862 and $1,149,343, respectively) of the total Change Request amounts for the Non-Emergency Transportation Services line item have been for caseload and utilization increases in the 56 non-Front Range counties. The average month-of-service payments have increased from $102,954 in FY 05-06 to $136,220 in FY 06-07. In the same time period, the average monthly number of clients has increased from 632 to 932. The percent increases from FY 05-06 to FY 06-07 for average month-of-service payments and caseload are 32.3% and 47.5%, respectively. See the graph below.



While the average month-of-service payment has increased from FY 05-06 to FY 06-07, the increases are largely attributable to three of the seven procedure codes for non-emergency medical transportation. The increases in bus, cab, and wheelchair van are

59.7%, 45.1%, and 39.4%, respectively. The remaining procedure codes — ambulance, escort/lodging, other, and train or air — have decreased or remain unchanged from FY 05-06 to FY 06-07. See the table below.

Summary of Expenditure by Procedure Codes, FY 04-05 through FY 06-07 (as of June 21, 2007)					
56 non-Front Range counties					
Procedure Code Groupings	**FY 04-05**	**FY 05-06**	**Percent change**	**FY 06-07**	**Percent change**
Ambulance	$85,235	$73,698	-13.5%	$60,962	-17.3%
Bus	$57,566	$92,572	60.8%	$147,874	59.7%
Cab	$28,972	$46,775	61.4%	$67,871	45.1%
Deleted code	$1,096	$0	-100.0%	$0	0%
Escort/lodging	$212,535	$291,420	37.1%	$280,433	-3.8%
Other	$481,529	$608,643	26.4%	$516,165	-15.2%
Train or air	$10,100	$18,210	80.3%	$18,217	0%
Wheelchair van	$94,748	$105,540	11.4%	$147,088	39.4%
Totals	**$971,781**	**$1,236,858**		**$1,238,610**	

During FY 06-07, the Department increased its transportation training and awareness efforts. These efforts have resulted in increased non-emergency medical transportation expenditures in some of the 56 non-Front Range counties. For example, one county among the 56 non-Front Range counties experienced an increase in average month-of-service payments from $9,272 in FY 05-06 to $28,799 in FY 06-07. This represents an increase of 210%. This same county showed an average increase in procedure code expenditures of 192% from FY 05-06 to FY 06-07.

Changes in caseload and utilization represent significant cost drivers for the fluctuations in non-emergency medical transportation. By moving this appropriation into the (2) Medical Services Premiums Long Bill group, these drivers could be automatically adjusted through an existing budget process, without the need for additional Supplemental actions. And while the Department does not anticipate significant variations in total expenditures for non-emergency medical transportation in FY 08-09 at this time, if this request is approved,

the additional benefit of overexpenditure authority for the Medical Services Premiums Long Bill group allows for continuation of services, making both providers and clients held harmless, if the appropriated amount was not sufficient.

The transfer of the Non-Emergency Transportation Services line item from (1) Executive Director's Office Long Bill group to (2) Medical Services Premiums Long Bill group will require, in addition to the funding transfer, the following: 1) the Department to draft and present new rules to the Medical Services Board outlining non-emergency medical transportation definitions, program coverage, types of medical transportation, and reimbursement guidelines (new rules are required due to the change from administrative to an optional Medicaid service); 2) submit a State Plan Amendment to the federal Centers for Medicare and Medicaid Services; 3) issue agency letters to the counties outlining their responsibilities under the new departmental rules; 4) submit bulletin notices to providers. In preparation for the transfer, the Department can begin drafting new rules, agency letters and bulletin notices and absorb costs for these administrative tasks with existing resources. Please see the projected implementation schedule for these tasks.

Consequences if Not Funded:

If non-emergency medical transportation remains an administrative line item, the Department would likely seek future supplemental funding for increasing and/or decreasing caseload and utilization demands in the 56 non-Front Range counties. Should unexpected spikes in caseload or utilization occur, the Department may need to request emergency 1331 supplemental funding. Additionally, given the unpredictable nature of providing non-emergency medical transportation services, the possibility exists that the Department will experience another failed reprocurement should a new contractor cite concerns over inadequate funding.

Calculations for Request:

Summary of Request FY 08-09	Total Funds	General Fund	Federal Funds
Total Request	$0	$0	$0
(1) Executive Director's Office, Non-Emergency Transportation Services	($7,299,302)	($3,649,651)	($3,649,651)
(2) Medical Services Premiums	$7,299,302	$3,649,651	$3,649,651

Assumptions for Calculations: None. This is a technical request with no net fiscal impact. Rather, this request is for continuation funding for non-emergency medical transportation to be returned to the (2) Medical Services Premiums Long Bill group, and restored as an optional Medicaid service.

Impact on Other Government Agencies: No impact on other government agencies.

Cost Benefit Analysis:

Description of Benefits	Cost
When experiencing fluctuations in caseload and utilization, the Medical Services Premiums budgeting process is better suited to adjust appropriation levels. This established process ensures a near-seamless integration of rate adjustments and continuity of services should there be a sudden shift in need.	$0
The Department will reduce the risk of a failed reprocurement should a contractor cite concerns about an under funded appropriation for non-emergency medical transportation.	$0
The over expenditure authority provided under Medical Services Premiums will allow the Department to absorb higher caseload and utilization demands in the 56 non-Front Range counties without continual supplemental and/or emergency 1331 funding.	$0

Implementation Schedule:

Task	Month/Year
Draft and send out bulletin notice to providers	August to October 2007
Draft State Plan Amendment	August to October 2007
Draft Departmental rules for Medical Services Board	September to November 2007
Earliest date of approval from Joint Budget Committee	March 2008
Submit State Plan Amendment to the Centers for Medicare and Medicaid Services	March 2008
Gather county input concerning the move for non-emergency medical transportation	March to April 2008
Submit Departmental rules to Medical Services Board	April 2008
Finalize agency letters and get signatures for internal clearance process	April 2008
Medical Services Board approves change	July 2008
Receive approval from the Centers for Medicare and Medicaid Services concerning State Plan Amendment	September 2008
Move non-emergency transportation services from Long Bill group (1) to Long Bill group (2)	September 2008

Statutory and Federal Authority:

25.5-5-202, (1) (s) (2), C.R.S. (2007). Basic services for the categorically needy – optional services. *(1) Subject to the provisions of subsection (2) of this section, the following are services for which federal financial participation is available and which Colorado has selected to provide as optional services under the medical assistance program: (s) (2) In addition to the services described in subsection (1) of this section and subject to continued federal financial participation, Colorado has selected to provide transportation services as an administrative cost.*

42 C.F.R. § 431.53. Assurance of transportation. *A State Plan must--(a) Specify that the Medicaid agency will ensure necessary transportation for recipients to and from providers; and (b) Describe the methods that the agency will use to meet this requirement. (Sec. 1902(a)(4) of the Act)*

Performance Measures:

As this Change Request will allow for the Medical Services Premiums' per capita budget process to automatically increase and/or decrease non-emergency medical transportation funding for fluctuations in both caseload and utilization, this Decision Item supports the following Performance Measure:

- Maintain or reduce the difference between the Department's spending authority and actual expenditures for Medicaid services.

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

	Decision Item FY 08-09 ☑	**Base Reduction Item FY 08-09** ☐	**Supplemental FY 07-08** ☐	**Budget Request Amendment FY 08-09** ☐
Request Title:	Accuracy in Budgeting - Administrative Case Management			
Department:	Health Care Policy and Financing	**Dept. Approval by:**	John Bartholomew	**Date:** November 1, 2007
Priority Number:	DI-15	**OSPB Approval:**		**Date:** 10/23/07 for 11/1/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	2,861,494	1,617,528	0	1,617,528	1,617,528	1,300,000	2,917,528	0	2,917,528	1,300,000
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	1,430,747	808,764	0	808,764	808,764	650,000	1,458,764	0	1,458,764	650,000
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	1,430,747	808,764	0	808,764	808,764	650,000	1,458,764	0	1,458,764	650,000
(1) Executive Director's Office Administrative Case Management	**Total**	2,861,494	1,617,528	0	1,617,528	1,617,528	1,300,000	2,917,528	0	2,917,528	1,300,000
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	1,430,747	808,764	0	808,764	808,764	650,000	1,458,764	0	1,458,764	650,000
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	1,430,747	808,764	0	808,764	808,764	650,000	1,458,764	0	1,458,764	650,000

Letternote revised text:

Cash Fund name/number, Federal Fund Grant name: FF: Title XIX

IT Request: ☐ Yes ☑ No

Request Affects Other Departments: ☑ Yes ☐ No **If Yes, List Other Departments Here:** Department of Human Services

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-15
Change Request Title:	Accuracy in Budgeting - Administrative Case Management

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 Request is for an increase of $1,300,000 for the Administrative Case Management line. This increase would be offset by a corresponding decrease in the Department of Human Services budget resulting in no actual impact on the overall General Fund in the State.

Background and Appropriation History: Administrative Case Management was approved by the federal Centers for Medicare and Medicaid Services for 50% federal financial participation in August 2005. Before the passage of SB 06-219, the Department of Human Services, through the county departments of social services, had the responsibility for locating, coordinating, evaluating, and monitoring necessary and appropriate services for recipients of Medicaid benefits in the Child Welfare and Family and Children's Programs. Appropriations for this case management were originally contained in the above mentioned Medicaid transfer line items for FY 06-07 at $588,944 and $1,004,680, respectively (see pg. 120 of HB 06-1385 as introduced). With the passage of SB 06-219, funding for Administrative Case Management related to Medicaid was transferred from the Department of Human Services

Medicaid-Funded Programs, Division of Child Welfare to the Department's (1) Executive Director's Office Long Bill group.

To determine what portion of county expenditures are for Medicaid related programs, the departments use the federally-approved random moment sampling currently performed by the Department of Human Services. This allows the departments to allocate funding across all programs in each department in which counties incur expenditures that require State reimbursement. This method of allocating the funds was not affected by the passage of SB 06-219.

In addition, 24-75-106 (1), C.R.S. (2007) provides the departments the authority during a fiscal year to transfer General Fund between the Department of Human Services, (5) Division of Child Welfare, Child Welfare Services and Family and Children's Programs, and the Department of Health Care Policy and Financing's (1) Executive Director's Office, Administrative Case Management appropriation to obtain maximum federal funding for Medicaid services as allowed under law. During FY 06-07, the Department of Health Care Policy and Financing received a transfer on February 2, 2007 of $650,000 General Fund, which resulted in the Department being able to draw down an additional $650,000 in federal funds. This transfer was made based on the actual expenditures allocated to each department during FY 06-07 and to maximize the federal funding since all Medicaid expenditures for this purpose received a 50% federal match.

General Description of Request: The Department is requesting an increase of $1,300,000 in total funds, split equally between General Fund and federal funds, for the Administrative Case Management line. This General Fund increase would be offset by an equal decrease in General Fund in the Department of Human Services' budget. The total budgetary effect to the Department of Human Services is likely to be less then $1,300,000 since it receives an equal or lower federal financial participation than is available to Medicaid related programs. While the Department has the authority per 24-75-106 (1), C.R.S. (2007) to transfer spending authority between the departments, the Department believes that this change should occur through the budget process to ensure budget accuracy.

Reimbursement for Administrative Case Management to the counties is allocated based on random moment sampling statistics collected by the Department of Human Services. While these statistics are updated on a quarterly basis, the overall allocation between benefiting programs does not change to a large extent. Therefore, the Department is requesting that FY 06-07 experience be used to estimate anticipated reimbursement amounts from each department in FY 08-09.

Consequences if Not Funded:

If this request is not approved, the Department will use its transfer authority that currently exists between the Department and the Department of Human Services to ensure that the State is able to maximize federal funding. However, budget amounts in both departments' Long Bill appropriations will not likely reflect how expenditures will occur.

Calculations for Request:

Summary of Request FY 08-09	Total Funds	General Fund	Federal Funds
Total Request	$2,917,528	$1,458,764	$1,458,764
Decision Item Request	$1,300,000	$650,000	$650,000
(1) Executive Director's Office, Administrative Case Management	$1,617,528	$808,764	$808,764

Summary of Request FY 09-10	Total Funds	General Fund	Federal Funds
Total Request	$2,917,528	$1,458,764	$1,458,764
Decision Item Request	$1,300,000	$650,000	$650,000
(1) Executive Director's Office, Administrative Case Management	$1,617,528	$808,764	$808,764

Assumptions for Calculations:

The Department assumes that the level of expenditures that occurred for each department during FY 06-07 will continue through FY 08-09. Given that this program has only been in existence since 2005, and the transfer of appropriations to the Department did not occur until 2006, the Department does not have adequate data to make a more accurate estimate of the expenditures for FY 08-09. However, it is not anticipated that the random moment

sampling statistics will vary greatly from year to year without significant policy or economic changes.

Impact on Other Government Agencies: This request has an impact on the Department of Human Services' Budget Request. The Department of Human Services will reduce its appropriation for programs related to the Administrative Case Management by $650,000 in General Fund and any corresponding federal match. This request only changes the appropriation level for both departments, but does not have an impact on actual expenditures. Due to the transfer authority provided per 24-75-106 (1), C.R.S. (2007), the departments will continue to monitor the actual expenditures and transfer spending authority as needed to maximize federal financial participation.

Cost Benefit Analysis: None

Statutory and Federal Authority: *25.5-1-120 (1), (a) C.R.S, (2007). For carrying out the duties and obligations of the state department and county departments under the provisions of this title and for matching such federal funds or meeting maintenance of effort requirements as may be available for public assistance and welfare activities in the state, including medical assistance administration and related activities, the general assembly, in accordance with the constitution and laws of the state of Colorado, shall make adequate appropriations for the payment of such costs, pursuant to the budget prepared by the executive director.*

24-75-106 (1), C.R.S. (2007). Notwithstanding the effect of the "M" provision in the 1990-91 and subsequent general appropriation acts, the governor may transfer unlimited amounts of general fund and cash funds exempt appropriations to and from the departments of health care policy and financing and human services when required by changes from the appropriated levels in the amount of Medicaid cash funds earned through programs or services provided under the supervision of the department of human services or the department of health care policy and financing.

Performance Measures:

This Change Request would provide the Department the ability to achieve the following performance measure:

- Maintain or reduce the difference between the Department's spending authority and actual expenditures for Medicaid services.