

STATE OF COLORADO FY 2009-10 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13												
Change Request for FY 2009-10 Budget Request Cycle												
Decision Item FY 2009-10 <input checked="" type="checkbox"/>		Base Reduction Item FY 2009-10 <input type="checkbox"/>			Supplemental FY 2008-09 <input type="checkbox"/>			Budget Amendment FY 2009-10 <input type="checkbox"/>				
Request Title:		School Health Services Program Auditor			Dept. Approval by:		John Bartholomew JB		Date:		November 3, 2008	
Department:		Health Care Policy and Financing			OSPB Approval:		<i>[Signature]</i>		Date:		10-7-08	
Priority Number:		DI-17										
		1	2	3	4	5	6	7	8	9	10	
		Prior-Year Actual	Appropriation	Supplemental Request	Total Revised Request	Base Request	Decision/ Base Reduction	November 1 Request	Budget Amendment	Total Revised Request	Change from Base	
	Fund	FY 2007-08	FY 2008-09	FY 2008-09	FY 2008-09	FY 2009-10	FY 2009-10	FY 2009-10	FY 2009-10	FY 2009-10	FY 2010-11	
Total of All Line Items	Total	20,109,860	29,617,981	0	29,617,981	29,617,981	0	29,617,981	0	29,617,981	0	
	FTE	0.0	0.0	0.0	0.0	0.0	0	0	0	0	0	
	GF	10,480,201	854,350	0	854,350	854,350	0	854,350	0	854,350	0	
	GFE	0	0	0	0	0	0	0	0	0	0	
	CF	0	14,101,907	0	14,101,907	14,101,907	0	14,101,907	0	14,101,907	0	
	CFE/RF	9,866,585	0	0	0	0	0	0	0	0	0	
	FF	(236,926)	14,661,724	0	14,661,724	14,661,724	0	14,661,724	0	14,661,724	0	
(1) Executive Director's Office; (B) Transfers to Other Departments, Transfer to Department of Education for Public School Health Services Administration	Total	335,430	407,747	0	407,747	407,747	(200,000)	207,747	0	207,747	(200,000)	
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	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/RF	0	0	0	0	0	0	0	0	0	0	
	FF	335,430	407,747	0	407,747	407,747	(200,000)	207,747	0	207,747	(200,000)	
(1) Executive Director's Office; (F) Provider Audits and Services, Professional Audit Contracts	Total	0	1,708,700	0	1,708,700	1,708,700	433,700	2,142,400	0	2,142,400	433,700	
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	GF	0	854,350	0	854,350	854,350	0	854,350	0	854,350	0	
	GFE	0	0	0	0	0	0	0	0	0	0	
	CF	0	0	0	0	0	0	0	0	0	0	
	CFE/RF	0	0	0	0	0	0	0	0	0	0	
	FF	0	854,350	0	854,350	854,350	433,700	1,288,050	0	1,288,050	433,700	

STATE OF COLORADO FY 2009-10 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13											
Change Request for FY 2009-10 Budget Request Cycle											
Decision Item FY 2009-10 <input checked="" type="checkbox"/>		Base Reduction Item FY 2009-10 <input type="checkbox"/>			Supplemental FY 2008-09 <input type="checkbox"/>			Budget Amendment FY 2009-10 <input type="checkbox"/>			
Request Title:		School Health Services Program Auditor									
Department:		Health Care Policy and Financing			Dept. Approval by:		John Bartholomew		Date:		November 3, 2008
Priority Number:		DI-17			OSPB Approval:				Date:		
		1	2	3	4	5	6	7	8	9	10
		Prior-Year		Supplemental	Total	Base	Decision/	November 1	Budget	Total	Change
		Actual	Appropriation	Request	Revised	Request	Base	Request	Amendment	Revised	from Base
		FY 2007-08	FY 2008-09	FY 2008-09	FY 2008-09	FY 2009-10	Reduction	FY 2009-10	FY 2009-10	FY 2009-10	(Column 5)
		Fund					FY 2009-10	FY 2009-10	FY 2009-10	FY 2009-10	FY 2010-11
(5) Other Medical Services; Public School Health Services	Total	19,774,430	27,501,534	0	27,501,534	27,501,534	(233,700)	27,267,834	0	27,267,834	(233,700)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	10,480,201	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	14,101,907	0	14,101,907	14,101,907	0	14,101,907	0	14,101,907	0
	CFE/RF	9,866,585	0	0	0	0	0	0	0	0	0
	FF	(572,356)	13,399,627	0	13,399,627	13,399,627	(233,700)	13,165,927	0	13,165,927	(233,700)
Non-Line Item Request:		None									
Letternote Revised Text:		None									
Cash or Federal Fund Name and COFRS Fund Number:				FF: Title XIX							
Reappropriated Funds Source, by Department and Line Item Name:				N/A							
Approval by OIT?		Yes: <input type="checkbox"/>	No: <input type="checkbox"/>	N/A: <input checked="" type="checkbox"/>							
Schedule 13s from Affected Departments:		N/A									

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-17
Change Request Title:	School Health Services Program Auditor

SELECT ONE (click on box):

- Decision Item FY 2009-10
- Base Reduction Item FY 2009-10
- Supplemental Request FY 2008-09
- Budget Request Amendment FY 2009-10

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 a transfer of \$233,700 federal funds for FY 2009-10 forward into (1) Executive Director's Office; (F) Provider Audits and Services, Professional Audit Contracts from (5) Other Medical Services; Public School Health Services. This transfer would fund a contractor that would be responsible for assisting the State in ensuring school district compliance with federal mandates and accurate cost certification. This request would be needed on an ongoing basis. Additionally, the Department is requesting a transfer of \$200,000 from (1) Executive Director's Office; (B) Transfers to Other Departments, Transfer to Department of Education for Public School Health Services Administration line item into (1) Executive Director's Office; (F) Provider Audits and Services, Professional Audit Contracts to better reflect the utilization of the funding.

Background and Appropriation History:

The Public School Health Services program was created in 1997 with the passage of SB 97-101 to fund the provision of medical services to students in public school districts throughout the state. Each contracting school district allocates funds received from the Department amongst third-party providers and the direct provision of medical services in

order to produce the optimal balance between health outcomes and cost-effectiveness of the program. The Department currently staffs 1.5 FTE paid through the (1) Executive Director's Office; (A) General Administration, Personal Services line item for the Administration of the Public School Health Services program. Upon passage of SB 97-101, the Department entered into an interagency agreement with the Department of Education. The Department of Education receives and reviews all local plans, conducts on-site reviews, submits annual reports, and provides technical assistance to medical staff at participating school districts. The (5) Other Medical Services; Public School Health Services line item was appropriated \$27,501,534 in FY 2008-09. Of this amount, \$14,101,907 represents certified public expenditures incurred by school districts eligible for federal financial participation under Medicaid. The remaining \$13,399,627 is federal funding transferred to school districts for the provision of these services. Contracts with school districts make clear that the districts will not be reimbursed on a dollar-for-dollar basis given the need to subtract all administrative expenses from the available federal funding. In FY 2008-09, the Department was appropriated an additional \$407,747 for administration of this program into the (1) Executive Director's Office; Transfers to Other Departments, Transfer to Department of Education for Public School Health Services Administration. Other administrative costs for the program are paid out of the Department's Personal Services, Operating Expenses, and Medicaid Management Information Systems Contract appropriations. In FY 2007-08 these lines expended \$289,790 of the \$294,533 made available to cover internal administration costs through a transfer of federal funding from the Public School Health Services program line item (Department FY 08-09 Figure Setting, pg. 196, March 11, 2008). Of the expended amount, \$193,022 was transferred to the Department's Medicaid Management Information Systems Contract line item, \$94,522 was used to pay the Department's 1.5 FTE that currently manage the Public School Health Services Program, and \$2,246 was incurred for operating expenses associated with these FTE.

Program History

The Public School Health Services program operates by drawing down federal funding to reimburse school districts for certified public expenditures incurred in the provision of

medical services to students. Of the federal funding annually allocated to the program, administrative costs are currently transferred to the (1) Executive Director's Office; (B) Transfer to Other Departments, Transfer to Department of Education for Public School Health Services Administration, as well as to the Department's Personal Services, Operating Expenses, and Medicaid Management Information Systems Contract line items.

In 2004, the Centers for Medicare and Medicaid Services (CMS) performed an audit on the certification of public expenditures and a review of Colorado's Public School Health Services program. The Centers for Medicare and Medicaid Services' report requested that the State complete an annual reconciliation of interim payments reported on the certifications of public expenditures to actual incurred expenditures at the individual school level to ensure that the state is only reimbursing providers for actual incurred costs according to the federal requirements outlined in Colorado's Medicaid State Plan.

As a result of the audit findings, the Department contracted with Public Consulting Group, Inc. to assist with developing an updated Public School Health Services rate-setting methodology, specifically in the areas of distinct district rates and a cost settlement process to compare actual costs to payments made to participating Public School Health Services providers. Public Consulting Group, Inc.'s scope of work also includes planning and administering time studies to support the rate-setting methodology and assisting the Department in drafting a State Plan Amendment (05-006) that includes a proposed change to the Public School Health Services rate-setting methodology.

In order to improve the performance of on-site medical staff and monitor the efficiency of the program, Public Consulting Group, Inc. was also charged with establishing a provider time study, developing cost reports, and training school staff. Further contract responsibilities include defining allowable costs and setting requirements for client eligibility, providing assistance in the certification of public expenditures process and developing a transition plan from the current to the new rate setting methodology. Additionally, the contractor is responsible for assisting the Department in developing a new cost-based reimbursement methodology as requested by the Centers for Medicare

and Medicaid Services, a task that was beyond the scope of work of the 1.5 FTE currently in place to administer the Public School Health Services program.

Through a supplemental request submitted by the Department on January 2, 2007 (S-13 School-Based Audit), the Public School Health Services Administration line item was appropriated \$384,520 for FY 2006-07. Of this amount, \$200,000 was used to fund the contract with Public Consulting Group, Inc to assist the Department in ensuring that the state is only reimbursing providers for actual incurred costs according to the federal requirements outlined in Colorado's Medicaid State Plan. The remainder, \$184,520 was transferred to the Department of Education for administrative costs. The total amount of funding appropriated to the Public School Health Services Administration line item is \$407,747 in FY 2008-09, which consists of the Public Consulting Group, Inc. Contract, a transfer to the Department of Education for on-site administration and Medicaid Management Information System costs related to the administration of the program.

Request Background

Since the Public School Health Services Administration line item is eligible for 100% federal financial participation through Title XIX of the Social Security Act, the Department certifies public expenditures in order to comply with the requirements of obtaining federal funding. SB 97-101 requires that all federal matching funds received by a participating school district shall be strictly used to offset costs incurred in the provision of student health services by the school district or to fund student health services in the district. Further, a portion of the funding not to exceed 30%, must be used exclusively to expand health services for low-income children, specifically those whose families are below 185% of the federal poverty level.

The Centers for Medicare and Medicaid Services issued a report (#08-FM-2004-CO-002-F) on August 28, 2007, concerning various aspects of Colorado's Public School Health Services program. The report detailed the findings by the Centers for Medicare and Medicaid Services during a 2004 on-site review and analysis of claims data from a random sampling of program providers submitted between October and November of

2003. The report concluded that several providers in the Public School Health Services program were not in compliance with various aspects of federal regulations governing the program. These areas consisted of provider qualifications, coverage, certification of public expenditures, documentation of third-party liability pursuance and care coordination. During the review, many school districts were found to have less than adequate record-keeping and documentation practices, and were found to be relying on Department of Education provider licenses, which are not sufficient to meet federal provider qualifications for Medicaid reimbursement. Though many of the issues raised by the Centers for Medicare and Medicaid Services have since been resolved, the Centers for Medicare and Medicaid Services has directed the Department to more closely monitor the Public School Health Services program, provide for an annual reconciliation of expenditures, and increase its auditing efforts.

General Description of Request:

This request is for a transfer of \$233,700 federal funds for FY 2009-10 forward into (1) Executive Director's Office; (F) Provider Audits and Services, Professional Audit Contracts from (5) Other Medical Services; Public School Health Services. This transfer would fund a contractor that would be responsible for assisting the State in ensuring school district compliance with federal mandates and accurate cost certification. This request would be needed on an ongoing basis. Additionally, the Department is requesting a transfer of \$200,000 from (1) Executive Director's Office; (B) Transfers to Other Departments, Transfer to Department of Education for Public School Health Services Administration line item into (1) Executive Director's Office; (F) Provider Audits and Services, Professional Audit Contracts to better reflect the utilization of the funding.

This request consists of 100% federal funds which would be needed on an ongoing basis. The purpose of this request is to procure the services of an auditor who would assist the Department in providing program oversight and increased auditing of the program. Specifically, the auditor will perform the following:

- Develop and document an audit method;
- Perform audits and oversight for participating district providers across the state;

- Complete and provide to the Department reports of the audits performed;
- Monitor and follow-up with those districts implementing corrective action plans developed by the Department;
- Assist with the audit of annual cost reports from each district; and,
- Other work required to ensure the program operates efficiently and effectively, and fulfills the requirements of all applicable federal regulations.

Obtaining the services of an auditor would allow the Department to increase its oversight of the program and improve the Medicaid-related administrative practices of the Public School Health Services program district providers. As district providers become more familiar with federal requirements, reporting and cost-certification guidelines and other tasks that will be facilitated by the presence of an auditor, the Department believes that there will be an increase in the efficiency with which Medicaid-eligible services are provided. In addition, the Department would come into full compliance with Centers for Medicare and Medicaid Services directives, preventing the possibility of withdrawal of federal financial participation in this program.

Per 25.5-5-318 (8) (b) C.R.S. (2008), the Department may retain a maximum of 10% of federal funds received for the program for administrative purposes. This request, in addition to the FY 2008-09 appropriation to the Public School Health Services Administration line item and internal program administration costs expected to equal \$294,533 in FY 2008-09, will fit within the 10% cap. If this request is approved, in FY 2009-10, the Department projects receiving \$13,165,927 in federal funds for program costs and an additional \$935,980 in federal funds for administration, including this request. The 10% cap would equal \$1,410,191. Total expected administrative costs, \$935,980, are approximately equal to 6.6% of total federal funding being requested for FY 2009-10.

Increased oversight of the school districts through the use of an auditor would also reduce the likelihood of provider overpayment and increase the efficiency with which the Department's program administrator could perform their essential functions. Further direction to the Department from the Centers for Medicare and Medicaid Services to

develop and implement a new cost-based reimbursement methodology, also increases the need for auditing services for the program. However, the auditing services required are outside the scope of the current contract between the Department and Public Consulting Group, Inc. As a result a different contractor would be pursued through the Department's request for proposals.

The reorganization portion of this request is needed to clarify the purpose of the (1) Executive Director's Office; (B) Transfers to Other Departments, Transfer to Department of Education for Public School Health Services Administration line item. Currently, funding used to fulfill the obligations of the Department's contract with Public Consulting Group, Inc. is contained in this line item in addition to funding transferred to the Department of Education. The Department believes that a transfer of the contractor funding from the School Health Administration line item into the (1) Executive Director's Office; (F) Provider Audits and Services, Professional Audit Contracts will result in an increase in the transparency and accuracy of the Department's Budget.

Consequences if Not Funded:

The Centers for Medicare and Medicaid Services, having directed the Department to increase its oversight of the Public School Health Services program, could potentially withdraw federal financial participation if the Department failed to comply with the directive. The program received \$13,399,627 in federal funds for FY 2008-09, (HB 08-1375).

Calculations for Request:

Table 1: Summary of Request FY 2009-10

Summary of Request FY 2009-10	Total Funds	Federal Funds
Total Request	\$0	\$0
(1) Executive Director's Office; (F) Provider Audits and Services, Professional Audit Contracts	\$433,700	\$433,700
(5) Other Medical Services; Public School Health Services	(\$233,700)	(\$233,700)
(1) Executive Director's Office; (B) Transfers to Other Departments, Transfer to Department of Education for Public School Health Services Administration	(\$200,000)	(\$200,000)

Table 2: Summary of Request FY 2010-11

Summary of Request FY 2010-11	Total Funds	Federal Funds
Total Request	\$0	\$0
(1) Executive Director's Office; (F) Provider Audits and Services, Professional Audit Contracts	\$433,700	\$433,700
(5) Other Medical Services; Public School Health Services	(\$233,700)	(\$233,700)
(1) Executive Director's Office; (B) Transfers to Other Departments, Transfer to Department of Education for Public School Health Services Administration	(\$200,000)	(\$200,000)

Table 3: Scope of Work for Small Facilities

Row	Task	Personnel/Hours Required per Facility			Description
		Senior Auditor	Junior Auditor	Clinical Expert	
A					
B	Cost Report Desk Review	1.00	5.00	0.00	These hourly service requirements are estimates provided to the Department by the contractor currently in place.
C	Medicaid Eligibility Checks	0.25	0.50	0.00	
D	Provider Qualifications	0.50	0.50	1.00	
E	Claims Review	0.25	1.00	1.00	
F	Total Hours per Site	2.00	7.00	2.00	Row B + Row C + Row D + Row E.
G	Hourly Rate	\$150	\$90	\$150	The hourly rates were provided by the contractor currently in place.
H	Amount Required per Facility	\$300	\$630	\$300	Row F * Row G.
I	Total Amount for 38 Small Facilities	\$11,400	\$23,940	\$11,400	Row G * 38 Facilities.
J	Total Cost for Small Facilities	\$46,740			Sum of Row I.

Table 4: Scope of Work for Large Facilities

Row	Task	Personnel/Hours Required per Facility			Description
		Senior Auditor	Junior Auditor	Clinical Expert	
A					
B	Cost Report Desk Review	2.00	10.00	0.00	These hourly service requirements are estimates provided to the Department by the contractor currently in place.
C	Medicaid Eligibility Checks	0.50	1.00	0.00	
D	Provider Qualifications	1.00	1.00	2.00	
E	Claims Review	0.50	2.00	2.00	
F	Total Hours per Site	4.00	14.00	4.00	Row B + Row C + Row D + Row E.
G	Hourly Rate	\$150	\$90	\$150	The hourly rates were provided by the contractor currently in place.
H	Amount Required per Facility	\$600	\$1,260	\$600	Row F * Row G.
I	Total Amount for 76 large Facilities	\$45,600	\$95,760	\$45,600	Row G * 76 Facilities.
J	Total Cost for Large Facilities	\$186,960			Sum of Row I.

Cash Funds Projections:

Not Applicable.

Assumptions for Calculations:

It is assumed that the Department could obtain these services for an amount approximately equal to that required for the performance of similar functions in other states. It is assumed that the requested amount will be sufficient to audit the 114 school districts currently participating, monitor and report on the effectiveness of the program, ensure accurate and timely completion of districts' corrective action plans, and assist districts with the auditing of annual cost reports.

For each of the 114 participating districts the administrative functions related to this request will be performed at one facility within that district. The Department estimates costs separately for small and large facilities. The Department assumes that of the 114 sites, 76 are classified as a small facility and the remaining 38 are classified as a large

facility. The Department assumes that a small facility will require half the total number of annual audit hours as a large facility.

The Department assumes that the cost for each of type of auditor is as indicated in Tables 3 and 4. The Department assumes that an audit of a small facility will require the annual number of hours of each personnel type, as indicated in Table 3. The Department further assumes that an audit for a large facility will require the annual number of hours of each personnel type, as indicated in Table 4. The figures were provided by the contractor currently performing similar services for the Department.

Impact on Other Government Agencies:

No other government agencies would be directly affected by this request. Though the Department works with the Department of Education through an Interagency Agreement, it will be unnecessary to notify the Department of Education of this request as the contract will be administered entirely by the Department.

Cost Benefit Analysis:

FY 2009-10 Cost Benefit Analysis	Costs	Benefits
Request	A reduction of \$233,700 in federal funds available for the reimbursement of participating school districts from the (5) Other Medical Services; Public School Health Services line item. The request has no General Fund impact.	The primary benefit of this request is that it would allow the Department to assist participating school districts in coming into full compliance with federal mandates, helping to secure continued federal financial participation in the Public School Health Services program. In addition, reductions in provider overpayments are expected, increasing the cost-effectiveness of the program.
Consequences if not Funded	Federal financial participation in the approximate amount of \$14,101,907 would be put at risk as mandates from the Centers for Medicare and Medicaid Services would remain unfulfilled.	There are no benefits.

Implementation Schedule:

Task	Start	Complete	Description
Internal Research and Planning Period	8/1/2008	1/1/2009	
Request for Proposals Written and Issued	5/1/2009	6/1/2009	Assumes 1 month will be required to write and issue the request for proposals, and that this can begin upon the signing of the Long Bill.
Contract Written, awarded and signed	6/1/2009	7/1/2009	Assumes that the Department will require 1 month to draft and sign the contract.

Statutory and Federal Authority:

25.5-5-318 (1) - (8) (a) C.R.S. (2008) *Under the contract entered into pursuant to this section, a contracting school district shall receive from the state department all of the*

federal matching funds for which it is eligible under the contract, less the amount of state administrative costs allowed under paragraph (b) of this subsection (8). All moneys received by a school district pursuant to this section shall be used only to offset costs incurred for provision of student health services by the school district or to cash fund student health services in the school district.

(b) Total allowable state administrative costs for contracts entered into under this section for both the state department and the department of education shall not exceed ten percent of the total annual amount of federal funds reflected by the general assembly for such contracts in the annual general appropriations bill. State administrative costs include costs incurred in evaluating the implementation of this section.

Performance Measures:

This request will help the Department achieve the following performance measures:

- Maintain or reduce the difference between the Department's spending authority and actual expenditures for Medicaid services;
- Actively audit expenditures to decrease fraud and abuse and increase recoveries; and,
- Increase the number of children served through a dedicated medical home service delivery model.

By increasing the efficiency with which the Public School Health Services is administered and operated, the Department is working towards continued improvement of client health outcomes. Through the increased training of on-site staff, verification of medical necessity and appropriateness of services as prescribed in a student's Individualized Education Plan (IEP) or Individualized Family Service Plan (IFSP) can be achieved prior to treatment. Additionally, by ensuring that the program is in full compliance with federal mandates, the Department is securing continued federal financial participation and the resulting cost-effectiveness of the program.