Tobacco Tax Update

Amendment 35 to the Colorado Constitution increased the tax on tobacco products for the purposes of funding expansions in public health care and tobacco use prevention and treatment programs. Effective January 1, 2005, Section 21 of Article X of the State Constitution specified the ways in which this increased revenue must be used.

The Department of Health Care Policy and Financing utilizes Tobacco Tax funding from four separate sources, each of which receive a percentage of the increased revenues due to Amendment 35, (minus administrative costs incurred by the Department of Revenue): the Primary Care Fund (19%), the Cash Fund for Health Related Purposes (3%), the Prevention, Early Detection, and Treatment Fund (16%), and the Health Care Expansion Fund (46%). The Five Year Outlook on page Appendix Page 1 provides FY 2006-07 and FY 2007-08 actual expenditures for the Health Care Expansion Fund and the Department's projected need for Health Care Expansion Fund money from FY 2008-09 through FY 2012-13.

The Five Year Outlook is broken into the following sections: 1) Tobacco Tax Revenues; 2) Health Care Expansion Fund; 3) Health Care Expansion Fund Reserve Balance; 4) Health Care Expansion Fund Expenditures; and 5) End of the Year Health Care Expansion Fund Balance. The Department used the "Amount and Distribution or Revenue Raised by Amendment 35" forecast provided by Legislative Council in September 2008 to determine the annual total Tobacco Tax Revenues and Health Care Expansion Fund revenues found in this section.

The second section provides detail on the Health Care Expansion Fund including the revenues into the fund, the 10% reserve requirement, the anticipated interest earned, and the amount available in a given year for Health Care Expansion Fund programs. The amount of funds available for expansion programs in any given year is calculated as 46% of total tobacco revenues, plus interest earned on the fund, minus the 10% reserve requirement. This 10% reserve requirement was not binding due to the fact that by the beginning of FY 2006-07, the balance of the Health Care Expansion Fund Reserve had surpassed that of the Health Care Expansion Fund at least once (24-22-117 (2) (a) (III) C.R.S. (2008)).

The Health Care Expansion Fund Reserve Balance is the sum of the following: 1) the reserve balance from the previous year; 2) any unspent Health Care Expansion Fund money or interest unspent from the previous year; and 3) 10% of the current year's appropriation into the Health Care Expansion Fund, until the first time the Reserve Balance is equal to the annual transfer of funds into the Health Care Expansion Fund (24-22-117 (2) (a) (III) C.R.S (2008)). This occurred at the end of FY 2005-06, and therefore the 10% transfer into the Reserve Balance was never required. The Health Care Expansion Fund Reserve may not be spent unless expenditures for the expansion populations in any given year exceed the annual transfer net the 10% reserve balance, at which time the Health Care

Expansion Fund Reserve Balance may be drawn upon in order to cover the expenditures in excess of the transfer to the Health Care Expansion Fund. Pursuant to 24-22-117 (2) (a) (I) C.R.S. (2008), all interest earned on the Health Care Expansion Fund Reserve Balance is credited to the Health Care Expansion Fund, and therefore is not calculated separately from interest earned on the Health Care Expansion Fund.

The fourth section — Health Care Expansion Fund Expenditures — provides information on the Department's FY 2006-07 and FY 2007-08 actual expenditures, the FY 2008-09 appropriated amounts, and the anticipated need for FY 2008-09 through FY 2012-13. The total Health Care Expansion Fund expenditures are based on the estimated need for the Medical Services Premiums, Medicaid Mental Health Community Programs, and Children's Basic Health Plan for FY 2008-09 through FY 2012-13, as well as Executive Director's Office and Department of Human Services Medicaid Funded Programs appropriated amounts for FY 2008-09, which are assumed to be held constant in out years until new long bill appropriations are set.

I. The Health Care Expansion Fund

The Health Care Expansion Fund receives 46% of annual Tobacco Tax revenues as stipulated in statute set forth in HB 05-1262. This legislation also requires that Health Care Expansion Fund monies must be used to expand eligibility for low-income individuals through Medicaid (Title XIX of the Social Security Act) or the Children's Basic Health Plan (Title XXI of the Social Security Act). The funds are used to pay for Medicaid services provided to the following expanded eligibility groups:

- Children's Basic Health Plan eligibility to 200% of the federal poverty level;
- Children's Basic Health Plan enrollment above the FY 2003-04 levels;
- Removal of the Medicaid asset test;
- Reduction of the Children's Extensive Support and Children's Home and Community Based Services waitlists;
- Increase the eligibility of parents of enrolled children to at least 60% of the federal poverty level;
- Medicaid coverage for optional legal immigrants;
- Presumptive eligibility for pregnant women on Medicaid; and,
- Expand Medicaid eligibility for Foster Care children (SB 07-002 and SB 08-099).

Annual Amendment 35 Tobacco Tax revenues have been declining since the implementation of HB 05-1262. The latest Tobacco Tax Revenue forecast from the Legislative Council shows that tobacco tax revenues, and therefore revenues into the Health Care Expansion Fund, are expected to continue exhibiting a negative growth rate over the long term. Although there was a 3.1% decrease in revenues into the Health Care Expansion Fund between FY 2006-07 and FY 2007-08, revenue earnings are expected to increase by

2.2% between FY 2007-08 and FY 2008-09. Between FY 2008-09 and FY 2012-13, annual revenues into the fund have been projected to decrease by 2.05%, although a slight increase of .03% has been projected for FY 2009-10 to FY 2010-11.

The expenditures out of the Health Care Expansion Fund have been increasing each year since the implementation of HB 05-1262; although low expenditures in the first full year of implementation (FY 2006-07) are due to varying and often delayed implementation dates of the expansion programs. Continuing growth in Health Care Expansion Fund expenditures is due to generally increasing caseload and per capita costs. In FY 2007-08 revenue into the fund exceeded Health Care Expansion Fund expenditures by $5,068,485. However, in FY 2008-09, Health Care Expansion expenditures are expected to exceed revenue into the fund by $24,222,485. This shortfall will need to be covered by a transfer from the Health Care Expansion Fund Reserve Balance. This trend of expenditure growth, in conjunction with decreasing annual revenue transfers to the Health Care Expansion Fund, is likely to continue until such time as the Health Care Expansion Reserve Balance is exhausted. Due to the resulting decrease in the Health Care Expansion Fund Reserve Balance, it is expected that a funding shortfall will exist in the amount of $37,102,240 in FY 2011-12. In order to remedy this, additional funding sources will need to be found beginning in FY 2010-11 to avoid having to cut benefits

To project expenditures for the expansion populations from the various programs, the Department has forecasted caseload and per capita growth rates and applied them to the FY 2007-08 bases. The final estimated expenditure for the Medical Services Premiums and Medicaid Mental Health Community Programs Long Bill Group programs is calculated by taking the product of the estimated caseload and per capita rate multiplied by 50% to account for the 50% federal financial participation rate. For the Children's Basic Health Plan, which is subject to an enhanced federal financial participation rate of 65%, the final estimated expenditure is calculated by taking the product of the estimated caseload and per capita rates multiplied by 35%. Forecasted caseload and per capita expenditure rates for the expansion populations can be found in sections A4 and A5 of DI-1 and section JJ of DI-2 in the Department's November 3, 2008 Budget Request. The caseload and per capita figures for the Children's Basic Health Plan are derived from figures found in sections C-2, C-3, C-10 of DI-3 in the Department's November 3, 2008 Budget Request. Due to subtle differences in how the Medical Services Premiums, Medicaid Mental Health Community programs, and the Children's Basic Health Plan programs are projected, there are slight variations in this methodology among and between the three programs. In the Medical Services Premiums program, the Department has estimated a separate per capita and caseload growth rate for each subsequent year of the projection. In the Medicaid Mental Health Community Programs one per capita growth rate is used for all years starting in FY 2009-10. However, for the Asset Test Removal population, the Department has forecast a total expenditure growth rate rather than separate caseload and per capita figures due to the difficulty in identifying this population and therefore developing a caseload figure. Caseload figures are the same for Medical Services Premiums and Medicaid Mental Health Community Programs populations as every client eligible for Medicaid is eligible for both mental health and traditional health care services. For the Children's Basic Health Plan lines, the Department has estimated separate caseload growth rates and per capitas for each year of the forecast. Please see the appendix to this

text for actual and projected caseload and per capita cost figures for each of the expansion populations covering the period FY 2006-07 through FY 2012-13.

(a) Children's Basic Health Plan Expansion Populations

The Children's Basic Health Plan Expansion provides services to clients between 186–200% of the federal poverty level and to all clients enrolled above the FY 2003-04 enrollment levels. In previous budget documents, the Department estimated that the "Above FY 2003-04 Enrollment" population would only include prenatal costs and not medical or dental costs as enrollment in the Children's Basic Health Plan was not anticipated to exceed the FY 2003-04 levels for those services in the foreseeable future. However, the final FY 2006-07 caseload for children and prenatal clients enrolled in the Children's Basic Health Plan exceeded the FY 2003-04 caseload by 6,431 individuals. To account for this unanticipated growth in caseload, the Department submitted an emergency supplemental request on June 20, 2007 for $1,850,803 to pay for total Health Care Expansion Fund expenditures for both expansion populations in the Children's Basic Health Plan. In FY 2007-08, total expenditures for the expansion population were $15,005,337, which included $518,545 in administrative costs. This total represents 35% of the total cost of the Children's Basic Health Plan expansion populations as the program is eligible for an enhanced federal match rate of 65%. For FY 2008-09, the Department has forecasted a total expenditure for the Children's Basic Health Plan expansion population of $20,737,008, which includes $540,000 in administration and expanded outreach costs. This FY 2008-09 total minus the administration and outreach is made up of the following components, which are projected separately for FY 2009-10 through FY 2012-13 in order to build to the total estimated expenditures for those years: a children's premiums per capita cost of $1,607.63; a prenatal care per capita cost of $12,015.85; a children's dental benefit per capita cost of $160.09; a children's premiums and dental caseload of 21,483, and a prenatal care caseload of 1,642.

Because the caseload and per capita rates for the Children's Basic Health Plan expansion populations are expected to continue to grow, it follows that the need for financing through the Health Care Expansion Fund will continue to grow as well. Although several Budget actions have increased the need for Health Care Expansion Fund money in the Children's Basic Health Plan, caseload and utilization increases remain the primary driver of expenditure growth for these populations.

(b) Removal of the Medicaid Asset Test

With the passage of HB 05-1262, the State removed the Medicaid asset test as part of its eligibility criteria, which expanded Medicaid eligibility to include those individuals who previously would not have qualified due to having assets valued above the maximum allowable amount for Medicaid. The asset test removal was implemented July 1, 2006.

Because the Department no longer requires asset test information during application for Medicaid, individuals that do not apply for other non-medical public assistance programs are no longer identifiable as owing their eligibility to the removal of the asset test. Because of this, the asset test removal population has been difficult to track. Changes to the Colorado Benefits Management System allow for all individuals applying for Medicaid benefits to be marked with a flag that reports the following: whether the client would have been eligible for Medicaid regardless of the asset test removal (Y); the client would not qualify for Medicaid if the asset test was still in place (N); or, it is unknown whether the client's assets would have been a factor in determining eligibility had the asset test remained in place (U). Circumstances where this information may not be known include: existing clients who have not gone through a yearly re-determination or clients who are not required to provide asset information as a result of not applying for other public assistance programs. Based on an analysis of Medicaid applicants served by the Colorado Benefits Management System, the Department estimated that 50% of the asset test removal population would be identifiable as either owing their eligibility to the removal of the asset test or having been eligible for Medicaid regardless of the asset test removal. Although this estimate was accurate during early implementation of the asset test removal, a recent review of the asset test population for FY 2007-08 indicates that approximately 70.1% of the asset test removal population has had asset information collected through application for a public assistance program in addition to Medicaid.

The clients identified as N and Y make up the "known" population, while clients identified with a U make up the "unknown" population. The estimated expenditures for the "unknown" population are based upon a methodology approved by the Joint Budget Committee during the Department's FY 2007-08 Figure Setting (March 8, 2007, FY 2007-08 Figure Setting, pg. 24) and subsequently included in the Long Bill for that year, SB 07-239. There are three sets of clients identifiable using the asset test removal flag: Those clients known to owe their eligibility to the removal of the Asset Test (expenditures denoted by N), those clients known to have been eligible for Medicaid regardless of the removal of the Asset Test (expenditures denoted by Y), and those clients for which the effect of the removal of the Asset Test in their eligibility is unknown (expenditures denoted by U). The "unknown" population is described as such because the removal of the asset test also eliminated the requirement that asset information be disclosed by individuals applying for only Medicaid. Therefore only a portion of the Medicaid population, specifically those individuals that have applied for a public assistance program in addition to Medicaid that still requires that asset information be disclosed, (food stamps, financial assistance, etc.) can be identified.

In order to obtain an estimate of the costs incurred by the unknown population, the Department first separates expenditures into the category into which the client who incurred the expenditure falls (N, Y, or U). Expenditures for the unknown population are estimated by calculating the ratio of expenditures for asset-test eligible clients (N) to the total expenditures for the known population (N+Y), multiplied by an adjustment factor (A) and the total expenditures for the unknown population (U). The final formula can be represented as: A*((N/(N+Y))*U. The adjustment is included to account for an observed correlation between an increase in income

and a decreased propensity to report asset information as well as an observed correlation between higher incomes and the likelihood of the individuals to own disqualifying assets. As the average income of the "unknown" population (U) is higher than that of the "known" population (N, Y), analysis suggests that the fraction of individuals owning disqualifying assets is higher within the "unknown" population than within the "known" population. This process ensures that the Department accurately captures the expenditures associated with the removal of the asset test.

In FY 2006-07, Health Care Expansion Fund expenditures for the asset test removal population through the Medical Services Premiums and Medicaid Mental Health Community Programs line items were $17,871,753. This amount was determined to be artificially low due to a gradual transition of clients from the Children's Basic Health Plan to Medicaid as clients underwent their annual eligibility redetermination. Health Care Expansion Fund expenditures for FY 2007-08 (which represent only 50% of the total expenditure for this population due to the federal match) were $31,066,117, a figure believed to be more reflective of the trend present in the asset test removal population. To project expenditures for FY 2008-09 through FY 2012-13, the Department has applied caseload and per capita growth factors to the asset population based on the projected percent change of the weighted average of caseload and per capita rates across affected Medicaid eligibility types, Low-Income Adults and Low-Income Children.

(c) Children's Extensive Support and Children's Home and Community Based Services Waiver Increase

The Children's Extensive Support and Children's Home and Community Based Services Waivers are Medicaid waivers that provide optional services to clients through section 1915 (c) of the Social Security Act. The Children's Home and Community Based Services waiver program provides Medicaid benefits in the home or community for disabled children who would otherwise be ineligible for Medicaid due to excess parental income and/or resources. In order to be eligible, children must be at risk for placement in a nursing facility or hospital. The Children's Extensive Support waiver program provides Medicaid benefits in the home or community for children with developmental disabilities or delays, who are most in need of specialized services due to the severity of their disability. In order to be eligible for the program, children must meet specific targeted criteria and be at risk for placement in an intermediate care facility for the mentally retarded (ICF/MR). The Department pays for services included in the State Plan for both of the waivers, but pays for only the cost of the expansion clients through Each of these waivers has a cap on the number of clients that it can serve pursuant to the number of clients approved to receive waiver services by the Centers for Medicare and Medicaid Services. However, since the number of potential clients for these waivers exceeds the number of available slots, the State has developed a waitlist for each of the waiver programs.

When HB 05-1262 passed, Health Care Expansion Fund monies were appropriated in order to buy down the 149 Children's Extensive Support waitlist slots and 478 Children's Home and Community Based Services waitlist slots. Finally, because the demand for

disability services has been increasing in recent years, the Joint Budget Committee approved an additional 200 Children's Home and Community Based Services expansion slots and 30 Children's Extensive Support expansion slots during FY 2006-07 Figure Setting (FY 2006-07 Figure Setting Document, March 13, 2006). Beginning in FY 2007-08, the Health Care Expansion Fund was used to fund 59 of the Children's Extensive Support waiver slots and 678 of the Children's Home and Community Based Services waiver slots. The Department has requested an additional 20 slots for the Children's Extensive Support waiver for services provided through the Medical Services Premiums line item, but will wait for the time being to request additional slots for Medicaid Mental Health Community Programs until a clearer understanding of the pertinent issues has been reached. This change will increase the caseload for the Children's Extensive Support Waiver program expansion to 79 in Medical Services Premiums for FY 2008-09 forward.

It should be noted that while there are 179 approved expansion slots for the Children's Extensive Support waiver program, only a portion of them can be funded through the Health Care Expansion Fund. This is because each child is evaluated separately and if they are determined to be Medicaid eligible before being placed on the waiver, they will be deemed ineligible to receive services through the Children's Extensive Support waiver. Because of this, the Department anticipates that only 79 of the Children's Extensive Support waiver program expansion slots will be funded through the Health Care Expansion Fund in Medical Services Premiums, and only 59 expansion slots will be funded through the Medicaid Mental Health Community Programs line item.

The Department has recently revised the methodology used to fund the Children's Extensive Support and Children's Home and Community Based Services waivers in order to more accurately reflect actual costs of the expansion clients. Previously, the Department calculated expenditures for the expansion clients as those incurred by the most recently enrolled clients (up to the number of expansion slots) for each waiver. However, this method underestimated costs for the expansion population for two reasons. First, new clients are likely to be unfamiliar with the services available to them, and will consequently exhibit a substantially lower utilization rate than clients that have been on the waiver for a longer period of time. Additionally, a manual eligibility determination process is still performed for children entering the Children's Home and Community Based Services waiver, slowing their enrollment and reducing utilization during the initial period of eligibility. Recent comparisons between expenditures calculated under two different methods have substantiated these conclusions. Consequently, a new method was developed and implemented starting in FY 2008-09 which better measures the costs of the expansion of each waiver. To arrive at a cost estimate which better reflects true costs of these expansions, average per capita cost was calculated using expenditures for the entire population of waiver clients. This per capita cost was then multiplied by the approved number of expansion slots to arrive at an estimate of total expenditures for each of the waiver programs. To project expenditures for the Children's Extensive Support and the Children's Home and Community Based Services waiver programs through Medical Services Premiums, the Department has assumed that both of the waivers will be at full capacity through FY 2012-13. To estimate per capita costs for the waiver populations, the Department has used the projected growth rate in the "Disabled Individuals to 59" aid category to inflate the per capita expenditures forward to the projection year.

The per capita projections for the mental health portion of the Children's Home and Community Based Services waiver and the Children's Extensive Support waiver expansions are also based on the Disabled to 59 aid category projected growth rates, but differ in that these figures are trended forward from the previous year's actual Disabled to 59 aid category per capita expenditure. As the presence of waiver eligibility for a given client does not substantially affect the mental health capitation between subcategories of service, the Department assumed that the mental health per capita cost for the Children's Extensive Support and Children's Home and Community Based Services waivers will be equal to that projected for the "Disabled Individuals to 59" aid category. Currently the Department does not decompose mental health capitation rates beyond the level of aid category, thus all subcategories of the Department's "Disabled Individuals to 59" aid category are subject to one capitation rate.

For Medical Services Premiums and Medicaid Mental Health Community Programs, the per capita growth rate will be equal to the projected growth rate in the "Disabled Individuals to 59" aid category until substantial cost history for each waiver calculated using the new method can accumulate and a trend unique to these populations can be identified. For FY 2007-08, total Health Care Expansion Fund expenditures for the Children's Home and Community Based Services Waiver and Children's Extensive Support Waiver expansions were $8,104,742 and $731,445, respectively. Given the understatement of costs that occurred when determining expenditures for FY 2007-08, the FY 2008-09 total Health Care Expansion Fund expenditures for the Children's Home and Community Based Services and the Children's Extensive Support waiver expansions are expected to increase substantially to $10,517,490 and $1,693,044, respectively, due in part to the revised methodology discussed previously.

(d) Increase Eligibility to Parents of Eligible Children up to 60% of the Federal Poverty Level

This population funded by the Health Care Expansion Fund increases eligibility in Medicaid to the parents of any Medicaid or Children's Basic Health Plan eligible child from 36% to at least 60% of the federal poverty level. Clients enrolled under the Expansion Adults category are eligible for all services available to regular Medicaid clients. The Department implemented changes to the Colorado Benefits Management System (CBMS) on July 1, 2006 when it began to assign this expansion population category — Expansion Adults — its own program aid code. Expenditures in FY 2007-08 for this population were $19,176,398 and $2,125,312 in the Medical Services Premiums and Medicaid Mental Health Community Programs, respectively, and 8,627 clients were served. Because the Health Care Expansion Fund pays for 50% of all expenditures for the Expansion Adult population, the State's portion of funding was $9,588,199 for Medical Services Premiums and $1,062,656 for Medicaid Mental Health Community Programs in FY 2007-08.

According to the Department's estimates, the Expansion Adult caseload will be approximately 11,950 in FY 2008-09 with a per capita cost of $2,478.28 in Medical Services Premiums. In FY 2009-10, the Department estimates that the Expansion Adult population will

grow to 13,260 clients at a per capita cost of $2,658.67. Please see Medical Services Premiums Exhibits A4 and A5 in the Department's November 3, 2008 FY 2009-10 Budget Request for more information on these estimates.

The Department has also projected Expansion Adult caseload and per capita rates through FY 2012-13. In doing so, the Department has assumed per capita growth rates of 7.28% in FY 2009-10. Caseload growth in this population between FY 2008-09 and FY 2009-10 is estimated to be approximately 10.96%. The Department assumes that the caseload growth rate will continue decrease by the estimated percentage decrease in the caseload growth rate between FY 2009-10 and FY 2010-11 in FY 2011-12 (44.92%), stabilizing at a growth rate of 2.21% in FY 2012-13.

The Expansion Adult population also receives services through the Department's Medicaid Mental Health Capitation line item. The caseload for the Expansion Adult population in the Medicaid Mental Health Capitation line is the same as that for the Medical Services Premiums line item; however, the per capita rates are different. In FY 2007-08, the Expansion Adult per capita rate in the Medicaid Mental Health line was $238.32, which is expected to grow by 6.61% during FY 2008-09. For all years following FY 2008-09, the Department has assumed that the per capita rate will grow at 4.42% each fiscal year. Please see the Medicaid Mental Health narrative in the Department's November 3, 2008 FY 2009-10 Budget Request for the assumptions and calculations behind this growth rate.

(e) Medicaid for Legal Immigrants

During the 2005 Legislative session, Colorado lawmakers passed HB 05-1086 which reinstated Medicaid coverage for a portion of Colorado's legal immigrant population. In that same year, the legislature decided that the legal immigrant population could be considered an expansion population and therefore should be funded with the Health Care Expansion Fund money. The implementation of the changes required to track the legal immigrant population initially were estimated to take a considerable amount of time. However the Department implemented the final changes to the Colorado Benefits Management System in August 2007 and is now capable of tracking the legal immigrant population using an optional legal immigrant "marker." Prior to the appearance of actual expenditure history for these clients, the Department estimated expenditures for this population based upon a constant amount initially determined during fiscal analysis of SB 03-176, which repealed Medicaid eligibility for legal immigrants. The bill anticipated that approximately $11,596,517 in savings would be created as a result of the removal of benefits for legal immigrants. When HB 05-1086 was passed, the savings estimated for HB 03-176 were used to approximate the cost of reinstating Medicaid benefits for Optional Legal Immigrants. Consequently, funding for this population has been provided through an allocation plan which transfers 1/12 of estimated expenditures each month. Going forward, the Department will be able to utilize actual expenditure history made possible by the marker and will be able to produce more accurate cost forecasts.

The Department believes it is appropriate to fund the full cost of the reinstitution of Medicaid benefits for the Optional Legal Immigrant population from the Health Care Expansion Fund. Since the reinstatement of benefits for Optional Legal Immigrants through HB 05-1086 occurred concurrently with the effective date of HB 05-1262, no other appropriations were supplanted by the Health Care Expansion Fund through the reinstatement of benefits for this population consistent with the provisions of 24-22-117 (4) C.R.S. (2008). Beginning in FY 2008-09, the Department started using actual expenditure history to determine the cost of funding the Optional Legal Immigrants population. The Department has estimated total Health Care Expansion Fund expenditures in FY 2008-09 for this population to be $14,098,322 for Medical Services Premiums and $626,755 for Medicaid Mental Health Community Programs. A caseload of 5,183 individuals has been forecast for FY 2008-09.

(f) Provide Marketing for the Children's Basic Health Plan

In recent years there has been an increased emphasis on insuring increased numbers of low-income children resulting in increased efforts at outreach designed to enroll more children in the Children's Basic Health Plan. House Bill 05-1262 allowed up to $540,000 to be spent on cost-effective expanded marketing efforts for the Children's Basic Health Plan (24-22-117 (2) (a) (II) (G), C.R.S. (2008)). In FY 2006-07, the Department spent $549,803 in Health Care Expansion Fund money (which included a rollforward of $31,258 into FY 2007-08) on the expanded marketing efforts for the Children's Basic Health Plan marketing firm — Maximus. Due to a Joint Budget Committee analysis of the statute passed in HB 05-1262, the portion of the Children's Basic Health Plan enrolled as a result of the expanded marketing efforts is not considered expansion unless they meet other expansion criteria for the Children's Basic Health Plan (Figure Setting, March 13, 2006, page 92). Although $518,545 was expended as well in FY 2007-08 for this purpose, the Department has estimated that funding for marketing efforts will increase to the statutory maximum of $540,000 in FY 2008-09 through FY 2012-13.

(g) Presumptive Eligibility for Pregnant Women on Medicaid

When HB 05-1262 was passed, it provided Health Care Expansion Fund money to support a Medicaid presumptive eligibility program similar to that already in place for Children's Basic Health Plan. The Presumptive Eligibility program allows pregnant women to apply for Medicaid benefits and receive them immediately for a period of 45 days if they pass an initial eligibility screening at a certified clinic. The Presumptive Eligibility program has allowed for the elimination of a portion of the waiting period typically required of Medicaid clients prior to receiving services and ensuring the provision of prenatal care vital to the health of newborns. In FY 2006-07, the Department spent $7,849,344 on presumptively eligible Medicaid clients through the Medical Services Premiums line, of which 50% or $3,924,672 was transferred to the Medical Services Premiums line in order to cover the state share of expenditures on the program. The total expenditures decreased in FY 2007-08 to $5,983,219, most likely due to increased communication between the Department and the external vendor that before January 2008 had administered the Presumptive Eligibility program, providing insurance to clients enrolled in the program and managing the data for these same clients. During the

latter part of FY 2007-08, some issues arose concerning the services for which Presumptive Eligibility clients are eligible and the time span in which these clients should be moved from Presumptive Eligibility to one of the Department's programs for low-income women with newborn children (typically Baby Care Kids Care). This resulted in a possible over counting of expenditures during the period when the program was managed outside the Department, for which the Department is currently engaged in reconciling the data.

In FY 2007-08, the caseload for the presumptively eligible population was 1,605, with per capita expenditures equaling $3,727.86. Because the State receives a 50% match from the federal government for expenditures on the presumptively eligible population, the Health Care Expansion Fund portion of total expenditures was $2,991,609[1] in FY 2007-08. Because these figures are believed to be overstating the costs of the program both expenditures and caseload are expected to decrease between FY 2007-08 and FY 2008-09, at which point it is hoped a stable, identifiable trend will develop in the data which can be used to project future expenditures. To project caseload for the Presumptive Eligibility population, the Department compared average caseload figures as fractions of the "Baby Care Program-Adults" population before and after the time when the clients information was moved into the Colorado Benefits management System. The average of these two fractions was then applied to the projected caseload for the "Baby Care Program-Adults" population in order to estimate the Presumptive Eligibility caseload for FY 2008-09 through FY 2010-11. Since Presumptive Eligibility information was moved into the Colorado Benefits Management System in February 2008 clients have been more efficiently "rolled off" of Presumptive Eligibility into another Medicaid program, reducing actual caseload figures.

For the fiscal year beginning July 1, 2008, the presumptively eligible population and per capita rates are expected to increase from a base amount more reflective of the true cost of these clients, where per capita rates are projected to be equal to those for the Baby Care Kids Care population (see Exhibits A4 and A5 for per capita and caseload growth in the November 3, 2008 FY 2009-10 Budget Request). The per capita expenditure for an estimated 1,093 presumptively eligible clients is projected to be $3,465.96 in FY 2008-09.

(h) Expand Medicaid Eligibility for Foster Care children

In the 2007 Legislative session, the General Assembly passed SB 07-002 which expands Medicaid eligibility to young adults, who are under 21 years of age and who were in the foster care system immediately prior to their 18th birthday or emancipation. Without this change in statute, most foster care children would lose Medicaid eligibility on their 18th birthday or when they graduate from high school. Another bill was passed affecting the expansion of medical benefits for foster care children, SB 08-099, during the 2008 legislative session. This bill granted extended eligibility for a group of foster care clients not covered by the expansion implemented pursuant to SB 07-002. Sometimes referred to as "non IV-E" children, these clients do not meet the requirements of Title IV-E of the

[1] This number does not equal the product of per capita cost and caseload multiplied by 50% due to rounding.

Social Security Act for federal coverage of foster care services, which restricts eligibility for these services to children removed from homes that would have qualified for federal Aid to Families with Dependant Children. Although "non IV-E" children were eligible for Medicaid benefits up to age 18 prior to the passage of SB 08-099, the subset of this population between ages 18 and 21 that were in the foster care system immediately prior to their 18th birthday or emancipation were not granted Medicaid eligibility until the passage of SB 08-099. Both expansions granted eligibility to these populations for services paid through the Medical Services Premiums and Medicaid Mental Health Community Programs line items.

In FY 2007-08 Health Care Expansion Fund expenditures for the Foster Care Expansion populations totaled $610,808, which incorporates costs incurred through both the Medical Services Premiums and Medicaid Mental Health Community Programs line items, and caseload for this population was equal to 36. The low caseload figure for this population is due to two issues. First, the development of a database needed to track these clients, given that eligibility processing has historically been performed by the Department of Human Services through the Trails child welfare system, was not implemented until October of 2007, thus the Department had only eight months of reliable eligibility data to use to determine caseload in FY 2007-08. In addition, the necessary modifications to the Trails system took longer than initially anticipated, leading to delayed documentation of expansion foster care client information.

In FY 2007-08 the per capita costs for the Foster Care Expansion were $3,845.52 and $13,121.36 for Medical Services Premiums and Medicaid Mental Health Community Programs, respectively. The unusually high per capita cost figure for the Medicaid Mental Health Community Programs clients is a result of the low caseload for the delayed implementation of the expansion populations mentioned earlier. The delayed implementation of the Foster Care expansions resulted in a caseload figure that is not reflective of the true demand for services provided through the program. Another consequence of this delay was that clients that were successfully enrolled during FY 2007-08 had mental health monthly capitations incurred between the date of application and the date of enrollment paid retroactively. With an average number of retroactive capitations equal to 3.1, this resulted in a substantially overstated per capita cost in FY 2007-08 for the Medicaid Mental Health Community Programs as many retroactive capitations were paid back to the date of clients' application. In FY 2008-09, the Department has projected caseload to increase to 1,460 with per capita rates of $4,159.22 and $3,310.52 for Medical Services Premiums and Mental Health services, respectively. Please see Exhibits A4 and A5 in the Department's November 3, 2008 Budget Request for caseload and Medicaid per capita rates for both FY 2008-09 and FY 2009-10 and Exhibit JJ for Mental Health per capita rates for both FY 2008-09 and FY 2009-10.

II. Cash Fund for Health Related Purposes

(a) Supplemental Old Age Pension Health and Medical Care Fund

The Old Age Pension Health and Medical Care Fund provides revenue for health and medical programs for individuals that qualify for Old Age Pension funds but do not qualify for Medicaid and who are not patients in mental or tuberculosis institutions. The Supplemental Old Age Pension Health and Medical Care Fund was created within the Old Age Pension Health and Medical Care Fund in order to "provide health and medical care to persons who qualify to receive old age pensions and who are not patients in an institution for tuberculosis or mental diseases" (25.5-2-101 (3) C.R.S. (2008)). In FY 2006-07, the Supplemental Old Age Pension Health and Medical Care Fund received $2,522,529 in Tobacco Tax money. Going forward, the Department will estimate the amount of funding available to the Supplemental Old Age Pension Health and Medical Care Fund according to the original appropriation formula set forth in HB 05-1262. Pursuant to Section 24-22-117, C.R.S. (2008), 3% of tobacco tax revenues must be deposited into the Cash Fund for Health Related Purposes, 50% of which is then appropriated to the Supplemental Old Age Pension Health and Medical Care Fund. The Department used the latest Tobacco Tax revenue projection provided by Legislative Council for estimates of future Tobacco Tax revenue to project the funding available to the Supplemental Old Age Pension Health and Medical Care Fund. In FY 2007-08, the Long Bill (SB 07-239) appropriated $2,500,500 in Tobacco Tax money to the Supplemental Old Age Pension State Medical Fund. For FY 2008-09, the Supplemental Old Age Pension State Medical Fund received $2,475,000 in cash fund appropriations. The anticipated revenues for the following years are as follows: $2,484,000 in FY 2009-10, $2,490,000 in FY 2010-11, $2,458,500 in FY 2011-12, and $2,445,918 in FY 2012-13.

(b) Pediatric Specialty Hospital Fund

The Pediatric Specialty Hospital Fund, which was also created in HB 05-1262, uses its funds to augment hospital reimbursement rates for regional pediatric trauma centers. Pursuant to Section 24-22-117 (1) (c) (II), C.R.S. (2008), 3% of total Tobacco Tax revenue must be transferred into the Cash Fund for Health Related Purposes, 20% of which is allocated to the State General Fund for Health Related Purposes, 50% of which is deposited into the Pediatric Specialty Hospital Fund, or 0.3% of total Tobacco tax revenues. Funding in the Cash Fund for Health Related Purposes for the Pediatric Specialty Hospital Fund in FY 2007-08 is $513,000 per the Long Bill (SB 07-239). In FY 2008-09, the Pediatric Specialty Hospital Fund received $495,000 in cash fund appropriations for this purpose. The Department used Legislative Council's most recent Tobacco Tax Revenue forecast published on September 22, 2008 and projecting revenue into the Pediatric Specialty Hospital Fund as follows: $496,800 in FY 2009-10, $498,000 in FY 2010-11, $491,700 in FY 2011-12, and $489,184 in FY 2012-13.

III. The Primary Care Fund

Pursuant to section 25.5-3-302, The Primary Care Fund allocates 19% of all Tobacco Tax revenue, net of marginal administrative fees, among health care providers that provide basic health care services available in an outpatient setting for Colorado residents who are medically indigent. The Department requires that each provider who submits an application meet certain criteria before they are allowed to receive funding through the Primary Care Fund; in order to receive funding from the Primary Care Fund, a provider must meet at least one of the two following conditions:

- At least 50% of the clients served by a given provider must be medically indigent or eligible for either Medicaid or the Children's Basic Health Plan
- The provider must be classified as a Federally Qualified Health Centers under section 330 (b) of the federal "Public Health Service Act", 42 U.S.C. sec. 254b

All funds in the Primary Care Fund are distributed among the approved providers based on each provider's proportion of medically indigent or uninsured patients served through their facilities relative to the total number of medically indigent served by all participating providers. The Primary Care Fund was appropriated $32,939,958 in FY 2006-07 and $32,365,298 in FY 2007-08. Actual expenditures out of the fund for FY 2006-07 and FY 2007-08 were $31,980,929 and $30,967,650, however, as contracts are written to account for the possibility of lower than projected tobacco tax collections in a given year. Continued reductions in the amount of tobacco taxes collected have led to a declining appropriation to this fund over recent years. The Fund received an appropriation of $31,294,657 for FY 2008-09. The Department has used the most recent Amendment 35 Revenue Forecasts produced by the Office of Legislative Council to project anticipated revenues in future years, as follows: FY 2009-10, $31,445,000; FY 2010-11, $31,540,000; FY 2011-12, $31,141,000; and FY 2012-13, $30,981,634.

IV. The Prevention, Early Detection, and Treatment Fund (Administered by the Department of Public Health and Environment

(a) The Breast and Cervical Cancer Treatment Program

This program uses Tobacco Tax revenue appropriated in HB 05-1262 to increase the number of cancer screenings performed by the Department of Public Health and Environment. In FY 2006-07, the Department realized total expenditures for Breast and Cervical Cancer Treatment clients through the Mental Health Capitation Payments and Medical Services Premiums line items in the amount of $627,562. Pursuant to Section 24-22-117 (2) (d) (I), C.R.S. (2008) the Prevention, Early Detection, and Treatment Fund will receive 16% of total Tobacco Tax revenues. Of this money, the Breast and Cervical Cancer Treatment Program received 18% in FY 2007-08

through a transfer from the Department of Public Health and Environment, and will receive 20% of that amount for each year thereafter. In FY 2007-08, $437,221 in Tobacco Tax funds was appropriated for the Breast and Cervical Cancer Treatment program between the Mental Health Capitation Payments and Medical Services Premiums line items. For FY 2008-09, the Breast and Cervical Cancer Treatment program received $775,203 in Reappropriated Funds from the Prevention, Early Detection, and Treatment Fund for expenditures through the Medical Services Premiums and Medicaid Mental Health Community Programs line items.

(b) Medicaid Disease Management Program

The Medicaid Disease Management Program is designed to minimize the growth of health care costs by monitoring and assisting prescription drug utilization by asthma or diabetes clients and providing personal health education to Medicaid clients. The Disease Management Program also provides services that address cancer, heart disease, and lung disease. Section 24-22-117 (2) (d) (IV.5), C.R.S, (2008) specifies that the disease management program will receive a transfer of up to $2,000,000 of the amount remaining in the Prevention, Early Detection, and Treatment Fund after all prior appropriations from the fund have been made from the Fund administered by the Department of Public Health and Environment. However, because the Department has not been able to fully implement disease management programs, the Joint Budget Committee has authorized a roll-forward for all funds that went unspent in FY 2006-07. The total appropriation to the Disease Management line item was $4,949,482 in FY 2007-08. However, total expenditures for the line item in FY 2007-08 were only $2,330,726 due mainly to difficulty in securing contracts in an aggregate amount necessary to expend the new and rollforward appropriations in that year. The program received $2,000,000 from the Prevention, Early Detection, and Treatment Fund for use in FY 2008-09. Pursuant to 24-22-117 (2) (d) (IV.5), in addition to any other funding received by the program, two million dollars will be appropriated each fiscal year to the Disease Management program.

Health Care Expansion Fund: Outlook 2006-2013							
	FY 2006-07 Actuals	FY 2007-08 Actuals	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
A. Tobacco Tax Revenues							
Tax Revenue[1]	$168,168,587	$162,987,630	$166,400,000	$165,600,000	$166,000,000	$163,900,000	$163,061,230
B. Health Care Expansion Fund							
Transfer (46%)	$77,357,550	$74,974,310	$76,600,000	$76,200,000	$76,400,000	$75,400,000	$75,008,166
Less 10% Reserve Requirement[2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Earned[3]	$5,885,036	$6,535,878	$6,794,292	$6,006,372	$4,802,878	$3,181,998	$2,400,261
Health Care Expansion Funds Available	**$83,242,586**	**$81,510,188**	**$83,394,292**	**$82,206,372**	**$81,202,878**	**$78,581,998**	**$77,408,427**
C. Health Care Expansion Fund Reserve Balance							
Previous Year's Reserve Fund Ending Balance	$91,398,039	$94,635,520	$130,653,130	$111,499,130	$73,689,947	$24,037,438	$0
Previous Year's Unspent Health Care Expansion Fund Balance	N/A	$36,017,610	$5,068,485	$0	$0	$0	$0
Beginning Health Care Expansion Fund Reserve Balance	$91,398,039	$130,653,130	$135,721,615	$111,499,130	$73,689,947	$24,037,438	$0
10% of Yearly Appropriation to the Health Care Expansion Fund	$0	$0	$0	$0	$0	$0	$0
Fund Required from the Reserve Balance in the Current Year[4]	$0	$0	$24,222,485	$37,809,183	$49,652,509	$24,037,438	$0
Interest Earned[3]	$3,237,481	$0	$0	$0	$0	$0	$0
Health Care Expansion Fund Year-End Reserve Balance	**$94,635,520**	**$130,653,130**	**$111,499,130**	**$73,689,947**	**$24,037,438**	**$0**	**$0**
D. Health Care Expansion Fund Expenditures							
(1) Executive Director's Office	**$472,310**	**$482,729**	**$568,931**	**$543,715**	**$543,715**	**$543,715**	**$543,715**
Personal Services[6]	$121,796	$113,749	$149,091	$149,664	$149,664	$149,664	$149,664
Operating Expenses	$4,120	$3,654	$4,365	$4,365	$4,365	$4,365	$4,365
Commercial Leased Space	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500	$5,500
Acute Care Utilization Review[7]	$14,346	$16,520	N/A	N/A	N/A	$16,520	$16,520
Long Term Care Utilization Review[5,7]	$38,429	$0	N/A	N/A	N/A	$38,429	$38,429
Professional Services Contracts[7]	N/A	N/A	$54,949	$54,949	$54,949		
Medicaid Identification Cards	$10,247	$8,886	$10,759	$10,759	$10,759	$10,759	$10,759
Customer Outreach (Enrollment Broker and EPSDT)	$18,908	$33,514	$33,514	$33,514	$33,514	$33,514	$33,514
School District Eligibility Determinations[7]	$0	$7,638	N/A	N/A	N/A	N/A	N/A
Contracts for Special Eligibility Determinations[7,8]	N/A	N/A	$25,854	$0	$0	$0	$0
Medicaid Management Information System Contract	$258,964	$293,268	$284,899	$284,899	$284,899	$284,899	$284,899
Impact of NP-9: "DPA-Mail Equipment Upgrade"	N/A	N/A	N/A	$50	$50	$50	$50
Impact of NP-12: "DPA-Postage Increase"	N/A	N/A	N/A	$15	$15	$15	$15
(2) Medical Service Premiums	**$34,342,956**	**$56,072,286**	**$77,887,758**	**$85,709,086**	**$91,348,457**	**$96,377,470**	**$102,094,399**
Impact of DI-6 Medicaid Value-Based Care Coordination Initiative	**N/A**	**N/A**	**N/A**	**$8,954**	**($65,300)**	**($224,575)**	**N/A**
(3) Medicaid Mental Health Community Programs	**$2,475,031**	**$4,300,041**	**$7,839,198**	**$9,579,111**	**$10,386,965**	**$10,896,844**	**$11,430,770**
(4) Indigent Care Program	**$9,589,238**	**$15,005,337**	**$20,737,073**	**$23,599,826**	**$27,992,434**	**$31,319,831**	**$34,961,296**
Children's Basic Health Plan Administration and Outreach	$549,803	$518,545	$540,000	$540,000	$540,000	$540,000	$540,000
Children's Basic Health Plan Premium Costs	$8,770,576	$13,653,510	$18,993,348	$21,735,684	$25,932,666	$29,039,718	$32,438,975
Children's Basic Health Plan Dental Benefit Costs	$268,859	$833,282	$1,203,725	$1,324,142	$1,519,767	$1,740,113	$1,982,321
(6) Department of Human Services Medicaid Funded Programs	**$345,441**	**$581,310**	**$583,817**	**$583,817**	**$583,817**	**$583,817**	**$583,817**
DHS: Colorado Benefits Management System, BRI #1	$71,321	$63,109	$0	$0	$0	$0	$0
DHS: Colorado Benefits Management System SAS-70	$0	$618	$618	$618	$618	$618	$618
DHS: Adult Community Services	$32,364	$517,583	$583,199	$583,199	$583,199	$583,199	$583,199
DHS: Services for Family & Children	$241,756	$0	$0	$0	$0	$0	$0
Total Health Care Expansion Fund Expenditures	**$47,224,976**	**$76,441,703**	**$107,616,777**	**$120,015,555**	**$130,855,387**	**$139,721,678**	**$149,613,997**
E. Health Care Expansion Fund Populations Funding Shortfall	**$0**	**$0**	**$0**	**$0**	**$0**	**$37,102,242**	**$72,205,569**
F. Health Care Expansion Fund Reserve Balance - Increase / (Decrease)	**$36,017,610**	**$5,068,485**	**($24,222,485)**	**($37,809,183)**	**($49,652,509)**	**$0**	**$0**

Notes for Health Care Expansion Fund: Outlook 2006-2013

1) Tobacco Tax revenue projections are from the September 2008 Amendment 35 Revenue Forecast completed by Legislative Council.
2) The 10% Reserve Requirement will not be needed starting in FY 06-07 since the balance of the Health Care Expansion Fund Reserve has surpassed that of the Health Care Expansion Fund at least once.
3) The projected interest rate is assumed to be the same rate earned in FY 2006-07. All interest earned on the Reserve Fund balance is transferred to the Health Care Expansion Fund prior to reverting reverting to the Reserve Fund as "Unspent Health Care Expansion Fund Dollars" for FY 2007-08 forward, so actual interest earned on the Health Care Expansion Fund Reserve Fund balance can not be specifically identified. The interest rate used to project earnings for the fund is equal to the interest rate experienced in FY 2007-08.
4) Beginning in FY 2008-09, the Department projects that the 46% transfer will not be sufficient to fund projected expenditures, and existing Health Care Expansion Fund Reserve Balance Funds need to be appropriated.
5) The Cash Fund appropriation to the Long-Term Care Utilization Review line item was mistakenly drawn from the Autism Treatment Fund in FY 2007-08, but will again be drawn from the Health Care Expansion Fund beginning in FY 2008-09.
6) For purposes of this document, the "Personal Services" line item consists of the following appropriations: Personal Services; Health, Life, and Dental; Short-Term Disability; Amortization Equalization Disbursement; Supplemental Amortization Equalization Disbursement; Performance-Based Pay; and Salary Survey and Senior Executive Service.
7) Reorganization of the Executive Director's Office in FY 2008-09 resulted in the following consolidations: Long Term Care Utilization Review and Acute Care Utilization Review into (1) (E) Utilization and Quality Review Contracts, Professional Services Contracts; School District Eligibility Determinations into (1) (D) Eligibility Determinations and Client Services, Contracts for Special Eligibility Determinations.
8) Due to the Impact of DI-16, submitted with the Department's November 3, 2008 Budget Request, the funding appropriated to the Contracts for Special Eligibility Determinations from the Health Care Expansion Fund will instead be drawn from the Children's Basic Health Plan Trust Fund 11G.

Medical Services Premiums - Rate, Caseload, and Expenditure Forecast							
	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Expansion Adults[1]							
1 Per Capita Cost		$2,150.30	$2,478.28	$2,658.67	$2,755.70	$2,856.26	$2,960.50
2 % Change Over Prior Year		N/A	15.25%	7.28%	3.65%	3.65%	3.65%
3 Caseload		8,918	11,950	13,260	13,913	14,221	14,535
4 % Change Over Prior Year		N/A	34.00%	10.96%	4.92%	2.21%	2.21%
5 Total Health Care Expansion Fund Expenditures	**$3,688,933**	**$9,588,199**	**$14,807,719**	**$17,626,981**	**$19,169,997**	**$20,309,157**	**$21,516,010**
Presumptive Eligibility[2]							
6 Per Capita Cost		$3,727.86	$3,465.96	$3,630.94	$3,781.26	$3,937.80	$4,100.83
7 % Change Over Prior Year		N/A	-7.03%	4.76%	4.14%	4.14%	4.14%
8 Caseload		1,605	1,093	1,125	1,152	1,180	1,208
9 % Change Over Prior Year		N/A	-31.90%	2.93%	2.40%	2.40%	2.40%
10 Total Health Care Expansion Fund Expenditures	**$3,924,672**	**$2,991,609**	**$1,894,147**	**$2,042,404**	**$2,178,006**	**$2,322,611**	**$2,476,818**
HB 05-1086 Optional Legal Immigrants[3]							
11 Per Capita Cost		$3,540.29	$5,440.22	$5,606.73	$5,778.33	$5,955.15	$6,137.38
12 % Change Over Prior Year		N/A	53.67%	3.06%	3.06%	3.06%	3.06%
13 Caseload		3,512	5,183	5,346	5,493	5,644	5,799
14 % Change Over Prior Year		N/A	47.58%	3.14%	2.75%	2.75%	2.75%
15 Total Health Care Expansion Fund Expenditures	**$6,216,752**	**$6,216,752**	**$14,098,322**	**$14,986,780**	**$15,870,189**	**$16,805,556**	**$17,796,052**
Asset Test Removal - Adults and Children[4]							
16 Total Health Care Expansion Fund Expenditures	**$16,232,525**	**$28,630,125**	**$32,405,082**	**$34,064,492**	**$35,871,333**	**$37,820,916**	**$39,876,456**
17 % Change Over Prior Year		76.38%	13.19%	5.12%	5.30%	5.43%	5.43%
Children's Home and Community-Based Services[5]							
18 Per Capita Cost		$23,062.69	$29,493.76	$30,393.14	$31,624.96	$32,906.71	$34,240.41
19 % Change Over Prior Year		N/A	27.89%	3.05%	4.05%	4.05%	4.05%
20 Caseload		678	678	678	678	678	678
21 Total Health Care Expansion Fund Expenditures	**$3,871,520**	**$7,818,252**	**$9,998,385**	**$10,303,275**	**$10,720,863**	**$11,155,376**	**$11,607,500**
Children's Extensive Support[5]							
22 Per Capita Cost		$23,352.90	$41,718.24	$42,990.39	$44,732.78	$46,545.78	$48,432.27
23 % Change Over Prior Year		N/A	78.64%	3.05%	4.05%	4.05%	4.05%
24 Caseload		59	79	79	79	79	79
25 Total Health Care Expansion Fund Expenditures	**$408,554**	**$688,911**	**$1,647,871**	**$1,698,121**	**$1,766,945**	**$1,838,558**	**$1,913,075**
Expansion Foster Care[6]							
26 Per Capita Cost		$3,845.52	$4,159.22	$4,503.02	$4,788.52	$5,092.12	$5,414.97
27 % Change Over Prior Year		N/A	8.16%	8.27%	6.34%	6.34%	6.34%
28 Caseload		36	1,460	2,211	2,438	2,494	2,552
29 % Change Over Prior Year		N/A	N/A	51.44%	10.25%	2.31%	2.31%
30 Total Health Care Expansion Fund Expenditures	**N/A**	**$138,439**	**$3,036,232**	**$4,978,079**	**$5,836,423**	**$6,349,871**	**$6,908,488**
Total Health Care Expansion Fund Expenditures							
31 (Row 5+Row 10+Row 15+Row 16+Row 21+Row 25+Row 30)	**$34,342,956**	**$56,072,286**	**$77,887,758**	**$85,700,132**	**$91,413,757**	**$96,602,045**	**$102,094,399**

Notes for Medical Services Premiums - Rate, Caseload, and Expenditure Forecast

1) Caseload and per capita expenditures for the Expansion Adult population are taken from the Department's November 3, 2008 DI-1, Exhibits B and C, respectively.
2) Presumptive Eligibility caseload forecast is based on analysis of the FY 2006-07 and FY 2007-08 caseload, and is projected to be 14.87% of the Medicaid Baby Care Program-Adult caseload from the November 3, 2008 DI-1, Exhibit B for FY 2008-09 through FY 2010-11. Please see subsection (g) in the Department's November 3, 2008 Exhibit Q for more details. Per capita cost for this population is based on the FY 2007-08 capitation, adjusted for administration and anticipated reconciliation costs.
3) Optional Legal Immigrants caseload forecast is based on analysis of caseload between October 2007 and June 2008, and is projected based on caseload shares by Medicaid eligibility type. Per capita cost for this population is a weighted average of the Medical Services Premiums per capitas from the Department's November 3, 2008 DI-3, Exhibit C.
4) Expenditures for the Asset Test Removal population are based upon a methodology that estimates the amount of expenditures due to individuals for which no asset information is available using expenditure data for clients for which assets are known. See Exhibit Q in the Department's November 3, 2008 Budget Request for more information concerning the methodology used to budget for this population.
5) Per capita projections are based upon the trend in the "Disabled Individuals to 59" category found in the Department's November 3, 2008 DI-1, Exhibit C applied to per capita cost calculated as the average client cost incorporating data for the entire Medicaid population for each waiver. Previously, per capita cost projections for these populations were based on a methodology that has been updated for the Department's November 3, 2008 Budget Request. See the Tobacco Tax Update narrative for details of this change.
6) Caseload figures for the Foster Care Expansion population are artificially low in FY 2007-08 due to delays in the implementation of the Foster Care Expansion (SB 07-002), and therefore no caseload growth rate is given for FY 2008-09-See Exhibit Q in the Department's November 3, 2008 Budget Request for more details. The caseload projections for the Foster Care Expansion population are from the Department's February 15, 2008 BA-A1, Exhibit B for the SB 07-002 population and the Department's November 3, 2008 DI-1, Exhibit B for the SB 08-099 population. Per capita cost projections for this population are from the November 3, 2008 DI-1, Exhibit C.

Medicaid Mental Health - Rate, Caseload, and Expenditure Forecast							
	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Expansion Adults[1]							
1 Per Capita Cost		$238.32	$254.07	$265.31	$277.04	$289.28	$302.07
2 % Change Over Prior Year		N/A	6.61%	4.42%	4.42%	4.42%	4.42%
3 Caseload		8,918	11,950	13,260	13,913	14,221	14,535
4 % Change Over Prior Year		N/A	34.00%	10.96%	4.92%	2.21%	2.21%
5 Total Expenditures	**$514,324**	**$1,062,656**	**$1,518,096**	**$1,758,986**	**$1,927,200**	**$2,056,919**	**$2,195,369**
HB 05-1086 Optional Legal Immigrants[2]							
6 Per Capita Cost			$241.85	$256.03	$271.04	$286.93	$303.76
7 % Change Over Prior Year			N/A	5.86%	5.86%	5.86%	5.86%
8 Caseload			5,183	5,346	5,493	5,644	5,799
9 % Change Over Prior Year			N/A	3.14%	2.75%	2.75%	2.75%
10 Total Expenditures			**$626,755**	**$684,368**	**$744,416**	**$809,731**	**$880,778**
Asset Test Removal - Adults and Children[3]							
11 Total Expenditures	**$1,639,228**	**$2,435,992**	**$2,713,391**	**$2,923,788**	**$3,099,316**	**$3,285,382**	**$3,476,039**
12 % Change Over Prior Year		48.61%	11.39%	7.75%	6.00%	6.00%	5.80%
Children's Home and Community-Based Services[4]							
13 Per Capita Cost		$845.10	$1,531.28	$1,640.05	$1,756.53	$1,881.30	$2,014.92
14 % Change Over Prior Year		N/A	81.19%	7.10%	7.10%	7.10%	7.10%
15 Caseload		678	678	678	678	678	678
16 Total Expenditures	**$209,101**	**$286,490**	**$519,105**	**$555,976**	**$595,465**	**$637,760**	**$683,058**
Children's Extensive Support[4]							
17 Per Capita Cost		$1,441.84	$1,531.28	$1,640.05	$1,756.53	$1,881.30	$2,014.92
18 % Change Over Prior Year		N/A	6.20%	7.10%	7.10%	7.10%	7.10%
19 Caseload		59	59	59	59	59	59
20 Total Expenditures	**$112,378**	**$42,534**	**$45,173**	**$48,381**	**$51,818**	**$55,499**	**$59,441**
Expansion Foster Care[5]							
21 Per Capita Cost		$13,121.36	$3,310.52	$3,263.33	$3,256.18	$3,249.04	$3,241.92
22 % Change Over Prior Year		N/A	-74.77%	-1.43%	-0.22%	-0.22%	-0.22%
23 Caseload		36	1,460	2,211	2,438	2,494	2,552
24 % Change Over Prior Year		N/A	3955.56%	51.44%	10.25%	2.31%	2.31%
25 Total Expenditures		**$472,369**	**$2,416,678**	**$3,607,612**	**$3,968,750**	**$4,051,553**	**$4,136,085**
Total Health Care Expansion Fund Expenditures							
26 (Row 5 + Row 10 + Row 11 + Row 16 + Row 20 + Row 25)	**$2,475,031**	**$4,300,041**	**$7,839,198**	**$9,579,111**	**$10,386,965**	**$10,896,844**	**$11,430,770**

Notes for Medicaid Mental Health - Rate, Caseload, and Expenditure Forecast

1) Caseload figures for the Expansion Adult population are the same as those for the Medical Services Premiums population. Per capita expenditures for the Expansion Adult population are taken from the Department's November 3, 2008 DI-2, Exhibit JJ.
2) Due to an oversight, Mental Health benefits for Optional Legal Immigrants were not paid out of the Health Care Expansion Fund in FY 2006-07 or FY 2007-08, but this will be corrected beginning FY 2008-09. Optional Legal Immigrants caseload forecast is based on analysis of caseload between October 2007 and June 2008, and is projected based on caseload shares by Medicaid eligibility type. Per capita cost for this population is a weighted average of the Mental Health per capitas from the Department's November 3, 2008 DI-2, Exhibit DD.
3) Expenditures for the Asset Test Removal population are based upon a methodology that estimates the amount of expenditures due to individuals for which no asset information is available using expenditure data for clients for which assets are known. See Exhibit Q in the Department's November 3, 2008 Budget Request for more information concerning the methodology used to budget for this population.
4) Historical per capita costs for these populations are based on a methodology that has been revised for the Department's November 3, 2008 Budget Request. The per capita costs for FY 2007-08 for the Children's home and Community Based Services Waiver expansion program are substantially understated due to a manual eligibility determination process for these clients-See the Department's November 3, 2008 Exhibit Q for more details on this change. Per capita cost projections are based upon the anticipated growth in the "Disabled Individuals to 59" category found in the Department's November 3, 2008 DI-2, Exhibit DD. The caseload increase for the Mental Health population was not included in the Department's November 3, 2008 DI-2, but will be updated for the Department's February 2009 submission.
5) Caseload and per capita figures for the Foster Care Expansion population are artificially low in FY 2007-08 due to delays in the implementation of the Foster Care Expansion (SB 07-002). The caseload projections for the Foster Care Expansion population are from the Department's February 15, 2008 BA-A1, Exhibit B for the SB 07-002 population and the Department's November 3, 2008 DI-1, Exhibit B for the SB 08-099 population. Per capita costs for this population are from the November 3, 2008 DI-2, Exhibit DD.

Children's Basic Health Plan Expansion - Rate, Caseload, and Expenditure Forecast							
	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Premiums							
1 Per Capita [1,5]	$2,013.50	$1,936.59	$1,635.35	$1,775.92	$1,851.66	$1,930.63	$2,012.97
2 Less Enrollment Fee [2]	($4.93)	($4.90)	($5.23)	($5.83)	($5.83)	($5.83)	($5.83)
3 Adjusted Per Capita	$2,008.57	$1,931.69	$1,630.12	$1,770.09	$1,845.83	$1,924.80	$2,007.14
4 Portion Attributable to Expansion Population [3]	100%	98.62%	98.62%	98.62%	98.62%	98.62%	98.62%
5 Final Per Capita	$2,008.57	$1,905.04	$1,607.63	$1,745.67	$1,820.36	$1,898.24	$1,979.45
6 % Change Over Prior Year	N/A	-5.15%	-15.61%	8.59%	4.28%	4.28%	4.28%
7 Enrollment to 200% FPL [4,5]	2,987	3,458	4,040	4,371	4,688	4,858	5,035
8 Enrollment above 2003-04 Level [4,5]	2,274	8,764	17,443	17,911	19,840	22,077	24,395
9 Total Health Care Expansion Fund Enrollment	5,261	12,222	21,483	22,282	24,528	26,935	29,430
10 % Change Over Prior Year	N/A	132.31%	75.77%	3.72%	10.08%	9.82%	9.26%
11 Actual Expenditures/Projected Need [6]	**$3,698,482**	**$8,149,170**	**$12,087,839**	**$13,613,932**	**$15,627,441**	**$17,895,518**	**$20,389,175**
Prenatal							
12 Per Capita [1,5]	$13,556.31	$10,801.30	$12,015.85	$12,680.33	$13,221.15	$13,785.03	$14,372.96
13 % Change Over Prior Year	N/A	-20.32%	11.24%	5.53%	4.27%	4.26%	4.26%
14 Enrollment to 200% FPL [4,5]	213	195	175	188	215	223	231
15 Enrollment above 2003-04 Level [4,5]	856	1,261	1,467	1,642	2,012	2,087	2,165
16 Total Health Care Expansion Fund Enrollment	1,069	1,456	1,642	1,830	2,227	2,310	2,395
17 % Change Over Prior Year	N/A	36.20%	12.77%	11.45%	21.69%	3.72%	3.70%
18 Actual Expenditures/Projected Need [6]	**$5,072,094**	**$5,504,340**	**$6,905,509**	**$8,121,752**	**$10,305,225**	**$11,144,200**	**$12,049,800**
Dental							
19 Per Capita [1,5]	$146.01	$194.80	$160.09	$169.79	$177.03	$184.58	$192.45
20 % Change Over Prior Year	N/A	33.41%	-17.82%	6.06%	4.26%	4.26%	4.26%
21 Enrollment to 200% FPL [4,5]	2,987	3,458	4,040	4,371	4,688	4,858	5,035
22 Enrollment above 2003-04 Level [4,5]	2,274	8,764	17,443	17,911	19,840	22,077	24,395
23 Total Health Care Expansion Fund Enrollment	5,261	12,222	21,483	22,282	24,528	26,935	29,430
24 % Change Over Prior Year	N/A	132.31%	75.77%	3.72%	10.08%	9.82%	9.26%
25 Actual Expenditures/Projected Need [6]	**$268,859**	**$833,282**	**$1,203,725**	**$1,324,142**	**$1,519,767**	**$1,740,113**	**$1,982,321**
Total Health Care Expansion Fund Expenditures (Row 11+Row 18+Row 25)	**$9,039,435**	**$14,486,792**	**$20,197,073**	**$23,059,826**	**$27,452,434**	**$30,779,831**	**$34,421,296**

Notes for Children's Basic Health Plan Expansion - Rate, Caseload, and Expenditure Forecast

1) Per capita figures are taken from the Department's November 3, 2008 DI-3, Exhibit C.5.
2) The annual enrollment fee is removed from the children's per capita, as this amount is not eligible for federal match. See the Department's November 3, 2008 DI-3, Exhibits C.2 and C.3.
3) For clients financed mainly through the Health Care Expansion Fund, 1.38% of the per capita cost is funded from the Supplemental Tobacco Litigation Settlement Account in the Children's Basic Health Plan Trust Fund for Early Intervention Services (SB 07-004). The remaining 98.62% is funded through the Health Care Expansion Fund. See the Department's November 3, 2008 DI-3, Exhibits C.2 and C.3.
4) All caseload figures are from the Department's November 3, 2008 DI-3, Exhibits C.6 and C.7.
5) Caseload and per capita forecasts can be found in the Department's November 3, 2008 DI-3, Exhibit C.10. The Department assumes that caseload for the expansion populations will have the same growth rate as the general Children's Basic Health Plan population.
6) Children's Basic Health Plan expenditures receive an enhanced federal match rate of 65% thus requiring 35% State funds.