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Bill Owens
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Executive Director

November 1, 2005

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The Honorable Abel Tapia, Chairman
Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, CO 80203

Dear Senator Tapia:

Enclosed please find a report to the Joint Budget Committee on the Old Age Pension Health and Medical Care Program pursuant to footnote 45 of the Long Bill, S.B. 05-209, which states:

Department of Health Care Policy and Financing, Other Medical Services, Services for 4,829 Old Age Pension State Medical Program clients at an average cost of \$2,225.82 -- The Department is requested to submit a report by November 1, 2005 recommending changes to benefit structure or eligibility criteria for the Old Age Pension State Medical Program in order to stay within the appropriation limit of \$10,750,000 for this program. The report should include the most recent five year expenditure history for the different medical services categories used by this population.

Questions regarding the Old Age Pension Health and Medical Care Program report can be addressed to Christopher Underwood, Acting Manager, Safety Net Financing Section at (303) 866-5177.

Sincerely,

Stephen C. Tool
Executive Director

Enclosure(s)

HD
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H34
2005

"The mission of the Department of Health Care Policy & Financing is to purchase cost effective health care for qualified, low-income Coloradans"

<http://www.chcpf.state.co.us>



**COLORADO DEPARTMENT OF
HEALTH CARE POLICY AND FINANCING**

**OPERATIONS AND FINANCE OFFICE
SAFETY NET FINANCING SECTION**

REPORT TO THE JOINT BUDGET COMMITTEE

ON

OLD AGE PENSION HEALTH AND MEDICAL CARE PROGRAM

NOVEMBER 1, 2005

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EXECUTIVE SUMMARY

This report is presented to the Joint Budget Committee (JBC) of the Colorado General Assembly in response to footnote 45 of Senate Bill 05-209.

The Old Age Pension (OAP) Health and Medical Care Fund was established through Article XXIV of the Colorado Constitution and 26-2-117(2) C.R.S. to provide a health and medical care program to persons who qualify to receive old age pensions but who are not eligible for Medicaid, and who are not patients in an institution for tuberculosis or mental diseases. HB 02-1276 established the Supplemental OAP Health and Medical Care Fund, which has provided additional resources since July 1, 2002. For FY 2004-05 and FY 2005-06, appropriations for the OAP Health and Medical Care Fund and the Supplemental OAP Health and Medical Care Fund were \$10,000,000 and \$750,000 respectively. The FY 05-06 Long Bill, SB 05-209, line item named "Services for 4,829 Old Age Pension State Medical Program clients at an average cost of \$2,225.82," provides necessary medical services under the OAP Health and Medical Care Program, within the constraints that expenditures shall not exceed appropriations by the General Assembly.

The Governor signed HB 05-1262 into law on June 2, 2005. This law increased funding to the Supplemental OAP Health and Medical Care Fund by \$943,500 for FY 2004-05, and the Department estimates an additional funding increase of \$2,538,000 for FY 2005-06. Due to this increase in funding, the Medical Services Board approved changes to provider reimbursement to increase client access to medical care under the program. Effective July 15, 2005, providers were reimbursed at 100% of the appropriate Medicaid reimbursement for physician and practitioner services; emergency transportation services; medical supply services; hospice services; home health services and supplies; laboratory and X-ray services; and emergency dental services. Further, provider reimbursement was increased to 62% of the appropriate Medicaid reimbursement for outpatient services, including outpatient hospitals, federal qualified health centers, rural health centers and dialysis centers. However, funds for this program from HB 05-1262 still need to be appropriated through a technical correction.

For this program, the average monthly caseload in FY 2003-04 grew by 467 eligibles or 11.73% over the previous year and then increased by another 505 eligibles or 12.44% in FY 2004-05. Current expectations are that the average monthly caseload will increase to 5,343 in FY 2005-06. ~~As caseload increased,~~ expenditure reduction actions were necessary in prior fiscal years as expenditures under the OAP Health and Medical Care Program were expected to exceed the available spending authority.

INTRODUCTION

This report is presented to the Joint Budget Committee (JBC) of the Colorado General Assembly in response to footnote 45 of Senate Bill 05-209, which states:

Department of Health Care Policy and Financing, Other Medical Services, Services for 4,829 Old Age Pension State Medical Program clients at an average cost of \$2,225.82 -- The Department is requested to submit a report by November 1, 2005 recommending changes to benefit structure or eligibility criteria for the Old Age Pension State Medical Program in order to stay within the appropriation limit of \$10,750,000 for this program. The report should include the most recent five year expenditure history for the different medical services categories used by this population.

The Governor vetoed footnote 45 stating:

I vetoed a similar footnote last year. This footnote is in violation of the Colorado Constitution, Article III and possibly Article V, Section 32, because it interferes with the ability of the executive branch to administer the appropriation and may constitute substantive legislation that cannot be included in the general appropriations bill. I will direct the department to comply to the extent feasible.

PROGRAM OVERVIEW

The Old Age Pension (OAP) Health and Medical Care Fund was established through Article XXIV of the Colorado Constitution and 26-2-117(2) C.R.S. to provide a health and medical care program to persons who qualify to receive old age pensions but who are not eligible for Medicaid, and who are not patients in an institution for tuberculosis or mental diseases. HB 02-1276 established the Supplemental OAP Health and Medical Care Fund, which has provided additional resources since July 1, 2002. Under SB 05-209 (the Long Bill), FY 2005-06, appropriations for the OAP Health and Medical Care Fund and the Supplemental OAP Health and Medical Care Fund were \$10,000,000 and \$750,000 respectively. Together, these two funds, combined in the FY 05-06 Long Bill, SB 05-209, line item named "Services for 4,829 Old Age Pension State Medical Program clients at an average cost of \$2,225.82," provide necessary medical services under the OAP Health and Medical Care Program, within the constraints that expenditures shall not exceed appropriations by the General Assembly. Pursuant to SB 03-022, on July 1, 2003, the Department of Health Care Policy and Financing became responsible for the administration of the OAP Health and Medical Care Program.

HB 05-1262 annually increased funding to the Supplemental OAP Health and Medical Care Fund. HB 05-1262 (the tobacco tax) allocates 3% of the tobacco revenue generated through Amendment 35 to the Cash Fund for Health Related Purposes. HB 05-1262 also provides that 50% of the Cash Fund for Health Related Purposes is to be annually appropriated by the General Assembly to the Supplemental Old Age Pension Health and Medical Fund. The appropriations clause for HB 05-1262 increased funding to the Supplemental Old Age Pension Health and

Medical Fund by \$943,500 in FY 04-05 and by \$2,538,000 in FY 05-06. However, the bill's appropriation clause does not increase the spending authority within the program's line item. This still need to occur through a technical correction so the program can receive the funds.

Because of increasing caseload, expenditure reduction actions have been necessary when expenditures under the OAP Health and Medical Care Program were expected to exceed the available spending authority. The following actions have been taken since FY 1999-00 to adjust expenditures under the program:

- Effective October 1, 1999, inpatient hospital rates for all hospitals statewide were reduced to 80% of the Medicaid rate.
- Effective January 1, 2002, medical backdating was permanently eliminated.
- Effective February 1, 2002, inpatient hospital coverage and emergency medical transportation services were eliminated as a covered benefit under the program for the remainder of FY 2001-02. In addition, all other provider payments, except for pharmacy services, were reduced to 80% of the Medicaid rate and the maximum client co-pay was increased from \$100 a year to \$300. Pharmacy services were reimbursed at the Medicaid rate.
- Effective July 1, 2002, all providers of the OAP Health and Medical Care Program, with the exception of pharmacy and inpatient hospital services, were reimbursed 82% of Medicaid rate. Pharmacy services were paid at the Medicaid rate, while inpatient hospital services were reimbursed at 68% of the Medicaid rate.
- Effective August 30, 2002, managed care organizations discontinued coverage for OAP Health and Medical Care Program clients after the Department of Human Services advised them that the rates in FY 2002-03 would be 18% lower than the FY 2001-02 rates. Clients were no longer able to enroll in managed care options, including the Primary Care Physician (PCP) Program.
- Effective January 1, 2004, the inpatient hospital benefit under this program was suspended until October 15, 2004. In addition, on that same date, the reimbursement rates for all outpatient services, except pharmacy services, were reduced from 82% to 50% of the Medicaid rate. Pharmacy services were reimbursed at the Medicaid rate.
- Effective October 15, 2004, the inpatient hospital benefit was restored and providers were reimbursed at 10% of the appropriate Medicaid reimbursement. In addition, providers were reimbursed at 82% of the appropriate Medicaid reimbursement for physician and practitioner, emergency transportation, medical supply, hospice, and home health services. Provider reimbursement remained at 50% of the Medicaid reimbursement for outpatient services (including outpatient hospitals, federal qualified health centers, rural health centers and dialysis centers), lab and X-ray, and emergency dental services. Pharmacy services were reimbursed at the Medicaid rate.

An analysis of changes to the benefit structure and the feasibility for the Old Age Pension State Medical Program to become an insurance premium sharing program rather than a traditional fee-for-service program were addressed in the Department's response to footnote 42 of HB 04-1422, submitted to the Joint Budget Committee on November 1, 2004.

ELIGIBILITY OVERVIEW

Eligibility for the OAP Health and Medical Care Program and Medicaid differ on three criteria related to age, financial resources and residency status. Individuals aged 60 and over are eligible for OAP Health and Medical Care Program if they are a Colorado resident, a U.S. Citizen or legal immigrant, have a monthly income less than \$589 (76% of the federal poverty level), and less than \$2,000 in available resources. To be eligible for Medicaid, individuals aged 60 to 64 must meet the social security disability criteria, while this requirement does not apply to individuals aged 65 and over. The eligibility criteria for an OAP Health and Medical Care Program and Medicaid both have a \$2,000 resource limit, but Medicaid includes the cash surrender value of life insurance policies within that resource limit, while the OAP Health and Medical Care Program exempts the cash surrender value of life insurance policy up to \$25,000. Regarding residency, legal immigrants can qualify for full Medicaid only after they have been in the United State for at least five years, while legal immigrants can qualify for the OAP Health and Medical Care Program regardless of how long they have been in the country. In summary, those on the OAP Health and Medical Care Program are low-income individuals aged 60 to 65 who do not meet the social security disability criteria or those aged 65 and over who may have a life insurance policy with a cash surrender value over the Medicaid resource limit or are legal immigrants who have not been in the country for at least five years.

The Department has little, if any, control over of the eligibility qualifications for the OAP Health and Medical Care Program, since the eligibility qualifications must match those as set for Old Age Pension financial assistance. Eligibility qualifications to receive Old Age Pension financial assistance are determined by statute and regulations established by the Department of Human Services. Eligibility qualifications for Medicaid are established by state statute, federal regulations and state regulations. To reduce the number of those eligible for the OAP Health and Medical Care Program would require a reduction in those eligible for Old Age Pension financial assistance or an expansion of the Medicaid entitlement. Either method is outside the authority of the OAP Health and Medical Care Program regulations. In addition, the Colorado Constitution specifies that the OAP Health and Medical Care Program be used for U.S. citizens, but federal case law prevents states from limiting access to such state programs by immigration status. Consequently, limiting the caseload to only U.S. citizens is outside the authority of the program and in this case, the Colorado Constitution.

Since those eligible for OAP Health and Medical Care Program are not eligible for Medicaid, they can also qualify for discounted services under the Colorado Indigent Care Program (CICP). The CICP promotes access to health care services for low-income individuals by helping to defray provider costs of furnishing uncompensated care and by limiting the amount that low-income patients must pay. To the extent of available appropriations, the program serves persons with income and assets at or below 185% of the federal poverty level who are not eligible for Medicaid or the Children's Basic Health Plan. The CICP is not an insurance plan under State law, because it does not provide individuals with a policy that defines a list of benefits to which they are entitled; rather, the program is a financing mechanism through which the State reimburses participating providers for a portion of costs incurred in treating eligible individuals. In turn, providers must adhere to state-established limits for amounts charged to eligible individuals.

CASELOAD

The table below delineates the caseload history for this program since FY 90-91. The program's caseload fluctuated over the years, but has risen steadily since FY 02-03. For informational purposes, the Department has forecasted caseload for FY 05-06 and FY 06-07 based on the average annual growth from FY 02-03 to FY 04-05. Despite the outcome of caseload forecasts, the Department will manage expenditures to the the appropriation in accordance with statutory and constitutional expectations.

Old Age Pension State Medical Program Caseload History and Projection			
Year	Caseload	Percent Change	Source
FY 90-91 Actual	3,586		February 14, 2003 Budget Request, Exhibit B, "Caseload History and Projections with Rates of Change"
FY 91-92 Actual	3,540	-1.28%	
FY 92-93 Actual	3,446	-2.66%	
FY 93-94 Actual	3,011	-12.62%	
FY 94-95 Actual	3,056	1.49%	
FY 95-96 Actual	3,150	3.08%	
FY 96-97 Actual	3,152	0.06%	
FY 97-98 Actual	3,215	2.00%	
FY 98-99 Actual	3,150	-2.02%	
FY 99-00 Actual	3,066	-2.67%	
FY 00-01 Actual	3,212	4.76%	
FY 01-02 Actual	3,782	17.75%	
FY 02-03 Actual	3,794	0.33%	Average of monthly figures gathered from COLD MARS R4600 Reports
FY 03-04 Actual	4,261	11.73%	
FY 04-05 Actual	4,766	12.44%	
FY 05-06 Projection	5,343	12.09%	Average annual grow from FY 02-03 to FY 04-05 12.09%=(11.73%+12.44%)/2
FY 06-07 Projection	5,989	12.09%	

RECENT PROGRAM CHANGES

The Governor signed HB 05-1262 into law on June 2, 2005. This law increased funding to the Supplemental OAP Health and Medical Care Fund by \$943,500 for FY 2004-05 and Department estimates an additional funding increase of \$2,538,000 for FY 2005-06. Due to this anticipated increase in funding, the Medical Services Board approved changes to provider reimbursement to increase client access to medical care under the program. Effective July 15, 2005, providers were reimbursed at 100% of the appropriate Medicaid reimbursement for physician and practitioner services; emergency transportation services; medical supply services; hospice services; home health services and supplies; laboratory and X-ray services; and emergency dental services. Further, provider reimbursement was increased to 62% of the appropriate Medicaid reimbursement for outpatient services, including outpatient hospitals, federal qualified health centers, rural health centers and dialysis centers.

EXPENDITURE HISTORY

The table below illustrates the available Medicaid Management Information System (MMIS) expenditure history for the different medical services categories, by claim type, for the program. The expenditures do not include payables or any offsets from rebates from pharmaceutical manufacturers (drug rebates) that effect expenditures outside of the MMIS.

Claim Type	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Capitation	\$5,169,607	\$539,410	\$532	\$4,654
Pharmacy	\$1,937,756	\$2,733,597	\$3,770,625	\$4,452,055
Inpatient	\$1,497,258	\$3,145,714	\$1,837,778	\$344,719
Outpatient	\$973,886	\$2,188,053	\$2,663,412	\$2,012,159
Practitioner/Physician	\$1,009,673	\$1,652,958	\$1,934,985	\$2,174,861
Dental	\$77,617	\$79,824	\$79,076	\$44,943
Independent Laboratory	\$69,346	\$100,505	\$129,481	\$109,479
Medical Supply	\$224,017	\$326,677	\$406,486	\$477,553
Home Health	\$102,058	\$177,295	\$209,499	\$306,756
Transportation	\$56,707	\$39,061	\$59,043	\$37,986
Medicare Crossover	\$17,172	\$45,374	\$95,016	\$106,124
Total	\$11,135,097	\$11,028,467	\$11,185,934	\$10,071,286

Notes

- 1 OAP rate = 100% of Medicaid
 - 2 OAP rate = 80% of Medicaid
 - 3 OAP rate = 82% of Medicaid
 - 4 OAP rate = 68% of Medicaid
 - 5 OAP rate = 50% of Medicaid
 - 6 OAP rate = 10% of Medicaid
 - 7 OAP rate = 0, benefit suspended
- * Rate change effective February 1, 2002
 ** Rate change effective July 1, 2002
 *** Change effective August 30, 2002
 + Rate change effective January 1, 2004
 ++ Rate change effective October 15, 2004