

**Schedule 13**

**Funding Request for the FY 2018-19 Budget Cycle**

**Department of Health Care Policy and Financing**

**Request Title**

**ES County Administration**

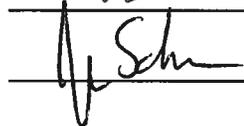
Dept. Approval By: \_\_\_\_\_



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**Supplemental FY 2017-18**

OSPB Approval By: \_\_\_\_\_



**Budget Amendment FY 2018-19**

Summary Information	Fund	FY 2017-18		FY 2018-19	FY 2019-20	
		Initial Appropriation	Supplemental Request	Base Request	Budget Amendment	Continuation Request
<b>Total</b>		<b>\$45,998,063</b>	<b>\$4,781,810</b>	<b>\$45,998,063</b>	<b>\$0</b>	<b>\$0</b>
<b>FTE</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total of All Line Items Impacted by Change Request</b>	<b>GF</b>	<b>\$11,114,448</b>	<b>\$0</b>	<b>\$11,114,448</b>	<b>\$0</b>	<b>\$0</b>
	<b>CF</b>	<b>\$5,859,623</b>	<b>\$1,833,037</b>	<b>\$5,859,623</b>	<b>\$0</b>	<b>\$0</b>
	<b>RF</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
	<b>FF</b>	<b>\$29,023,992</b>	<b>\$2,948,773</b>	<b>\$29,023,992</b>	<b>\$0</b>	<b>\$0</b>

Line Item Information	Fund	FY 2017-18		FY 2018-19	FY 2019-20	
		Initial Appropriation	Supplemental Request	Base Request	Budget Amendment	Continuation Request
	<b>Total</b>	<b>\$45,998,063</b>	<b>\$4,781,810</b>	<b>\$45,998,063</b>	<b>\$0</b>	<b>\$0</b>
	<b>FTE</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>01. Executive Director's Office/County Administration</b>	<b>GF</b>	<b>\$11,114,448</b>	<b>\$0</b>	<b>\$11,114,448</b>	<b>\$0</b>	<b>\$0</b>
	<b>CF</b>	<b>\$5,859,623</b>	<b>\$1,833,037</b>	<b>\$5,859,623</b>	<b>\$0</b>	<b>\$0</b>
	<b>RF</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
	<b>FF</b>	<b>\$29,023,992</b>	<b>\$2,948,773</b>	<b>\$29,023,992</b>	<b>\$0</b>	<b>\$0</b>

Auxiliary Data			
<b>Requires Legislation?</b>	NO		
<b>Type of Request?</b>	Department of Health Care Policy and Financing Non-Prioritized Request	<b>Interagency Approval or Related Schedule 13s:</b>	None



#### ***Cost and FTE***

- In FY 2017-18, the Department requests authority to overexpend \$4,781,810 total funds, including \$1,833,037 in local funds and \$2,948,773 in federal funds in the Eligibility and Client Services, County Administration line item.

#### ***Current Program***

- Colorado's counties are reimbursed for Medicaid and Children's Health Plan Plus (CHP+) eligibility determination based upon staffing and related costs necessary to provide service to Coloradans. Counties are reimbursed for administration activities, including but not limited to eligibility determination and customer service and fraud investigations, based upon actual costs and are reimbursed below cost due to the contribution of local funds.
- Section 25.5-1-121, C.R.S. allows county departments to spend local funds in excess of the required county share and receive federal funds reimbursement on this expenditure for administration of public assistance once state fund appropriations are fully exhausted.

#### ***Problem or Opportunity***

- Statute allows counties to receive the federal share of their costs once state funds have been exhausted. However, the appropriation for this line item is restricted by the (M) headnote, which requires the Department to restrict General Fund spending when additional federal funding is received.
- County costs continue to rise and even with the supplemental increase approved in February 2018, costs are estimated to increase above the appropriated amount in the fourth quarter of the state fiscal year which would limit reimbursement to counties.

#### ***Consequences of Problem***

- The (M) headnote prevents the Department from fully spending the General Fund that was appropriated for the purpose of paying county costs if additional federal funds are received.
- Without approval for overexpenditure, the Department will be bound to the total appropriation and will be unable to fully reimburse counties the federal share of their Medicaid costs.

#### ***Proposed Solution***

- The Department requests authority to overexpend \$4,781,810 total funds, including \$1,833,037 in local funds and \$2,948,773 in federal funds in the Eligibility and Client Services, County Administration line item in FY 2017-18 which would allow additional federal funds earned to be paid to counties without restricting General Fund.



# COLORADO

Department of Health Care  
Policy & Financing

FY 2017-18 Funding Request | June 6, 2018

John W. Hickenlooper  
Governor

Kim Bimestefer  
Executive Director

**Department Priority:** 1331

**Request Detail:** County Administration Overexpenditure

Summary of Incremental Funding Change for FY 2017-18	Total Funds	General Fund
County Administration Overexpenditure	\$4,781,810	\$0

**Problem or Opportunity:**

The Department is prevented from fully reimbursing counties for their Medicaid costs because the Department’s County Administration appropriation does not contain sufficient federal funds spending authority and the line item has an (M) headnote. The current appropriation contains \$12,113,174 federal and local funds in excess of the county allocation to allow federal funds to be paid for county overexpenditure once state funds have been exhausted. Based on year to date expenditure through March 2018, the Department projects county expenditure will be higher than the appropriation which will trigger the (M) headnote restriction. The presence of the (M) headnote will require the Department to restrict, and ultimately revert, General Fund spending authority for any additional federal funds drawn even though counties have allowable costs that could otherwise be reimbursed. Although section 25.5-1-121, C.R.S. provides statutory authority to increase the use of local funds for obtaining additional federal funds, the (M) headnote on the Department’s General Fund appropriation for County Administration prevents the Department from using federal funds in excess of the appropriation.

County costs are eligible for funding at two different federal match rates, 75% enhanced, or 50% non-enhanced, depending on activities. The Department anticipated the need for additional federal and local funds spending authority based on year to date expenditure and submitted the January 2018 supplemental budget request S-11, BA-11 “County Administration Financing,” to request an increase in funding and to remove the (M) headnote to allow counties to receive the full amount of federal funds available for their expenditures, even when state funds are exhausted. The request to increase funding was approved, but the request to remove the (M) headnote was not approved. Since approval, the Department has been closely monitoring county expenditure. In March 2018 costs increased by 26% compared with average monthly costs year to date. Based on review of prior three years of data, the Department estimates that costs will continue to increase in the last quarter of the state fiscal year and additional funding will be needed to fully reimburse counties their eligible costs without activating the (M) headnote restriction.

The Department believes the primary reason there was such a large increase is a newly implemented, federally required process change of reconciling quarterly Random Moment Time Study (RMTS) data in the final month of each quarter. The previous process was to update the RMTS percentages applied to county costs quarterly and the new process makes these updates sooner by recalculating the quarter's county costs based on the new data in the final month of each quarter. The March 2018 adjustment shifted more costs from programs funded by the Colorado Department of Human Services (CDHS) to the Department's programs, therefore an adjustment was made in the settlement data for March 2018 to recalculate the costs for the three-month period based on the revised RMS statistics which showed higher costs for Department programs. Additionally, costs for the prior three state fiscal years from FY 2014-15 through FY 2016-17 have historically increased in the fourth quarter of each fiscal year and the Department expects this to continue, which increases the estimated over expenditure.

The Department believes that it is critical to be able to provide the maximum amount of federal funding to counties. Findings from the recent workload study required by SB 16-190 "Improve County Administration Public Assistance Programs" found that current appropriations are not sufficient to provide the services counties are required to provide for medical assistance programs. The SB 16-190 report also showed that for the nine counties analyzed, between 85 and 91 percent of costs are for salary and benefits of staff; because staffing is such a high percentage of cost, funding shortfalls may cause counties to reduce staffing or reallocate resources that are needed elsewhere. Not funding counties to the maximum level possible puts Coloradans at risk because counties may reduce staffing levels due to budget constraints which could prevent individuals from accessing necessary medical services that they are eligible for or could lead to individuals remaining eligible who should no longer be due to a change in circumstances that requires a county update in the eligibility system. The Department believes that it is critical to be able to provide the maximum amount of federal funding, so counties can continue to provide necessary services even when the state funds appropriation has been fully spent.

With the current projection, the Department estimates it would fully spend its appropriation for the state share of funds and counties would have costs that are not reimbursed. The Department estimates that the current appropriation has a funding shortfall of \$4,781,810 total funds including a net shortfall of \$1,833,037 local funds and \$2,948,773 federal funds.

***Proposed Solution:***

The Department requests overexpenditure authority of \$4,781,810 total funds, including \$1,833,037 local funds and \$2,948,773 federal funds in the Eligibility Determinations and Client Services, County Administration line item in FY 2017-18 which would allow claiming of additional federal funds to be paid to counties. See Tables 1 through 6 in the appendix for detailed calculations.

***Anticipated Outcomes:***

Without approval of this request, the Department would be unable to draw \$2,948,773 in federal funds because of the (M) headnote restriction. Counties would also have to cover the unavailable federal funds with county funds which could have otherwise been eligible for reimbursement. This may lead to counties cutting staff who are needed to provide services to clients.

Approval of this request would allow the Department to maximize federal funds payments to counties which would allow the full federal share of costs to be reimbursed once state funds have been fully expended.

This request would help the Department achieve its strategic policy initiative of operational excellence, specifically Strategy #4e “Support counties and medical assistance sites with technical assistance for processing eligibility applications accurately and efficiently.” Increasing funding to counties would help them to be a model for business practices that are person and family centered by providing direct customer service to individuals applying for and enrolled in Department programs.

***Assumptions and Calculations:***

The Department’s estimate of needed federal funds spending authority is based on the estimated total expenditure projected from year-to-date actuals, and includes an adjustment to increase costs in the fourth quarter based on prior year costs in an effort to ensure the requested funding is sufficient. The adjustment is based on the highest percentage increase from Q3 to Q4 over the past three years of expenditure data in an effort to ensure the requested federal funding is sufficient to cover county expenditure. For enhanced activities, the highest was in Q3 to Q4 FY 2014-15. For non-enhanced activities, the highest was in Q3 to Q4 FY 2016-17.

Based on current projections (shown in Table 2.1), the Department estimates shortfalls of \$2,091,230 General Fund and \$1,778,735 Healthcare Affordability and Sustainability Fee Cash Fund. Historically, counties have been required to use local funds for any shortfall in State funding. The Department has a projected surplus of \$2,036,928 local funds; therefore, the net local funds spending authority needed is the sum of the projected over and under expenditure from all State fund sources, totaling \$1,833,037.

***Supplemental, 1331 Supplemental or Budget Amendment Criteria:***

This request meets supplemental criteria of new data resulting in substantive changes in funding needs. The Department estimated that the increase approved in FY 2018-19 S-11, BA-11 was sufficient to cover county expenditure, based on prior year and year to date data. However, county costs increased unexpectedly in March 2018. This data was received in April 2018 and the Department anticipates the appropriation will no longer be sufficient, therefore triggering the (M) headnote restriction of General Fund. Further, spending authority must be provided in FY 2017-18, prior to the General Assembly returning to session to evaluate a regular supplemental request.

1331 County Administration Financing  
Appendix A: Calculations and Assumptions

<b>Table 1.1 FY 2017-18 1331 County Administration Financing Summary by Line Item</b>								
<b>Row</b>	<b>Line Item</b>	<b>Total Funds</b>	<b>FTE</b>	<b>General Fund</b>	<b>Cash Funds (Local)</b>	<b>Reappropriated Funds</b>	<b>Federal Funds</b>	<b>Source/Calculation</b>
A	(1) Executive Director's Office, (D) Eligibility Determinations and Client Services, County Administration	\$4,781,810	0.0	\$0	\$1,833,037	\$0	\$2,948,773	Table 2.1 Row F
<b>B</b>	<b>Total Request</b>	<b>\$4,781,810</b>	<b>0.0</b>	<b>\$0</b>	<b>\$1,833,037</b>	<b>\$0</b>	<b>\$2,948,773</b>	<b>Row A</b>

1331 County Administration Financing  
Appendix A: Calculations and Assumptions

Table 2.1 Summary of Request							
Row	Item	Total Funds	General Fund	Healthcare Affordability and Sustainability Fee Cash Fund	Local Funds	Federal Funds	Notes/Calculations
A	Estimated Expenditure	\$73,298,651	\$13,205,678	\$6,724,181	\$7,910,045	\$45,458,747	Table 3.1: Row H
B	Appropriation	\$68,516,841	\$11,114,448	\$4,945,446	\$9,946,973	\$42,509,974	Table 6.1 Row A
C	<b>Estimated Over/(Under) Expenditure</b>	<b>\$4,781,810</b>	<b>\$2,091,230</b>	<b>\$1,778,735</b>	<b>(\$2,036,928)</b>	<b>\$2,948,773</b>	Row A - Row B
D	State/Local Funds Adjustment	\$0	(\$2,091,230)	(\$1,778,735)	\$3,869,965	\$0	Row C (General Fund and Cash Funds) *-1 Adjustment is currently part of the closeout process to move state funds overexpenditure to local funds
E	Adjusted Expenditure	\$73,298,651	\$11,114,448	\$4,945,446	\$11,780,010	\$45,458,747	Row A + Row D
F	<b>Total Request</b>	<b>\$4,781,810</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,833,037</b>	<b>\$2,948,773</b>	Row E - Row B

**Table 3.1 FY 2017-18 Projected Total County Administration Expenditure**

<b>Row</b>	<b>Item</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Healthcare Affordability and Sustainability Fee Cash Fund</b>	<b>Local Funds</b>	<b>Federal Funds</b>	<b>Notes</b>
A	Allocation- Year To Date Actual Expenditure	\$47,786,118	\$6,060,198	\$4,445,446	\$5,563,565	\$31,716,908	Table 4.1 Row A
B	Allocation- Enhanced Forecast	\$12,731,724	\$1,245,163	\$835,201	\$1,102,567	\$9,548,793	Table 3.2 Row C
C	Allocation - Non-Enhanced Forecast	\$7,186,093	\$1,405,600	\$943,534	\$1,243,913	\$3,593,046	Table 3.2 Row G
<b>D</b>	<b>Total Estimated Allocation Expenditure</b>	<b>\$67,703,934</b>	<b>\$8,710,961</b>	<b>\$6,224,181</b>	<b>\$7,910,045</b>	<b>\$44,858,747</b>	Row A + Row B + Row C
E	PARIS	\$200,000	\$100,000	\$0	\$0	\$100,000	Table 6.1 Row B
F	Grant	\$1,000,000	\$0	\$500,000	\$0	\$500,000	Table 6.1 Row D
G	Incentive	\$4,394,717	\$4,394,717	\$0	\$0	\$0	Table 6.1 Row C
<b>H</b>	<b>Total Projected County Administration Expenditure</b>	<b>\$73,298,651</b>	<b>\$13,205,678</b>	<b>\$6,724,181</b>	<b>\$7,910,045</b>	<b>\$45,458,747</b>	<b>Row D + Row E + Row F + Row G</b>

1331 County Administration Financing  
Appendix A: Calculations and Assumptions

<b>Table 3.2 FY 2017-18 Remaining Expenditure Forecast</b>			
<b>Row</b>	<b>Item</b>	<b>Total</b>	<b>Notes/Calculations</b>
A	Enhanced- Prior Three Month Expenditure	\$11,016,770	Table 4.2 Enhanced- January through March 2018 actual expenditure
B	Percentage increase	15.57%	Table 5.1 Row D Highest Q3 to Q4 increase in past three fiscal years
<b>C</b>	<b>Enhanced- Forecast</b>	<b>\$12,731,724</b>	Row A * (1+ Row B)
D	Non- Enhanced- Prior Three Month Expenditure	\$5,905,356	Table 4.2 January through March 2018 actual expenditure
E	Percentage increase	21.69%	Table 5.1 Row L Highest Q3 to Q4 increase in past three fiscal years
<b>F</b>	<b>Non-Enhanced- Forecast</b>	<b>\$7,186,093</b>	Row D * (1+ Row E)
<b>G</b>	<b>Total Forecast</b>	<b>\$19,917,817</b>	<b>Row C + Row F</b>

1331 County Administration Financing  
 Appendix A: Calculations and Assumptions

<b>Table 3.3 FY 2017-18 Fund Split Percentages</b>					
<b>Label</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Colorado Healthcare Affordability and Sustainability Fee</b>	<b>Local Funds</b>	<b>Federal Funds</b>
Enhanced	100.00%	9.78%	6.56%	8.66%	75.00%
Non-Enhanced	100.00%	19.56%	13.13%	17.31%	50.00%

1331 County Administration Financing  
Appendix A: Calculations and Assumptions

<b>Table 4.1 FY 2017-18 Year To Date Expenditure Tracking</b>						
<b>Row</b>	<b>Label</b>	<b>Total Funds</b>	<b>State Funds</b>	<b>Local Funds</b>	<b>Federal Funds</b>	<b>Source/Calculation</b>
A	<b>YTD Allocation Expenditure</b>	<b>\$47,786,118</b>	<b>\$10,505,644</b>	<b>\$5,563,565</b>	<b>\$31,716,908</b>	<b>Actual Expenditure</b>
B	<i>Enhanced</i>	\$31,295,365	\$5,114,923	\$2,708,918	\$23,471,524	Actual Expenditure
C	<i>Non-Enhanced</i>	\$16,490,753	\$5,390,722	\$2,854,647	\$8,245,384	Actual Expenditure
D	YTD PARIS Expenditure	\$120,807	\$60,404	\$0	\$60,404	Actual Expenditure
E	YTD Grant Expenditure	\$332,416	\$166,208	\$0	\$166,208	Actual Expenditure
F	YTD Incentive Expenditure	\$0	\$0	\$0	\$0	Actual Expenditure
<b>G</b>	<b>YTD Total Expenditure</b>	<b>\$48,239,341</b>	<b>\$10,732,256</b>	<b>\$5,563,565</b>	<b>\$31,943,520</b>	Row A + Row D + Row E + Row F

1331 County Administration Financing  
Appendix A: Calculations and Assumptions

<b>Table 5.1 Historical Quarterly Allocation Expenditure Increase</b>							
<b>Row</b>	<b>Quarter</b>	<b>Fiscal Year</b>	<b>Enhanced</b>	<b>Quarterly Change</b>	<b>Non Enhanced</b>	<b>Quarterly Change</b>	<b>Source/Calculation</b>
A	Q1	FY 2014-15	\$6,975,717.57	NA	\$3,022,214.45	NA	Actual Expenditure
B	Q2	FY 2014-15	\$6,904,683.75	-1.02%	\$3,745,972.70	23.95%	Actual Expenditure
C	Q3	FY 2014-15	\$7,137,806.04	3.38%	\$3,575,231.45	-4.56%	Actual Expenditure
D	Q4	FY 2014-15	\$8,248,931.23	<b>15.57%</b>	\$3,331,522.32	<b>-6.82%</b>	Actual Expenditure
E	Q1	FY 2015-16	\$7,818,278.89	-5.22%	\$3,517,887.02	5.59%	Actual Expenditure
F	Q2	FY 2015-16	\$8,548,084.65	9.33%	\$4,013,391.72	14.09%	Actual Expenditure
G	Q3	FY 2015-16	\$7,700,044.40	-9.92%	\$3,488,897.58	-13.07%	Actual Expenditure
H	Q4	FY 2015-16	\$8,727,993.64	<b>13.35%</b>	\$4,100,776.92	<b>17.54%</b>	Actual Expenditure
I	Q1	FY 2016-17	\$8,564,839.46	-1.87%	\$3,788,551.94	-7.61%	Actual Expenditure
J	Q2	FY 2016-17	\$8,400,310.25	-1.92%	\$4,180,339.39	10.34%	Actual Expenditure
K	Q3	FY 2016-17	\$9,024,018.23	7.42%	\$3,723,461.50	-10.93%	Actual Expenditure
L	Q4	FY 2016-17	\$9,192,010.84	<b>1.86%</b>	\$4,530,995.20	<b>21.69%</b>	Actual Expenditure

<b>Table 6.1 Spending Plan FY 2017-18 (1) Executive Director's Office; (D) Eligibility Determinations and Client Services, County Administration</b>							
<b>Row</b>	<b>Item</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Healthcare Affordability and Sustainability Fee Cash Fund</b>	<b>Local Funds</b>	<b>Federal Funds</b>	<b>Notes/Calculations</b>
<b>A</b>	<b>Appropriation</b>	<b>\$68,516,841</b>	<b>\$11,114,448</b>	<b>\$4,945,446</b>	<b>\$9,946,973</b>	<b>\$42,509,974</b>	<b>Appropriation SB 17-254 + S-11 County Administration Financing</b>
B	PARIS	\$200,000	\$100,000	\$0	\$0	\$100,000	PARIS allocation
C	Incentive	\$4,394,717	\$4,394,717	\$0	\$0	\$0	FY 2014-15 R-6 "Eligibility Determination Enhanced Match"
D	Grant Payments	\$1,000,000	\$0	\$500,000	\$0	\$500,000	FY 2014-15 R-6 "Eligibility Determination Enhanced Match"
E	Allocations	\$50,808,250	\$6,619,731	\$4,445,446	\$5,859,623	\$33,883,450	Row F + Row G
F	<i>Enhanced</i>	\$33,917,299	\$3,316,485	\$2,227,168	\$2,935,671	\$25,437,974	Enhanced Allocation
G	<i>Non-Enhanced</i>	\$16,890,950	\$3,303,246	\$2,218,278	\$2,923,952	\$8,445,475	Non-Enhanced Allocation
<b>H</b>	<b>Remaining Appropriation</b>	<b>\$12,113,874</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,087,350</b>	<b>\$8,026,524</b>	Row A - Row B- Row C- Row D- Row E