

**Schedule 13**

**Funding Request for the FY 2022-23 Budget Cycle**

**Health Care Policy and Financing**

**Request Title**

**S-12 Safety Net Provider Payments**  
**BA-12 Safety Net Provider Payments**

Dept. Approval By: 

X Supplemental FY FY 2021-22

OSPB Approval By: Meredith Moon

X Budget Amendment FY FY 2022-23

Summary Information	Fund	FY 2021-22		FY 2022-23		FY 2023-24
		Initial Appropriation	Supplemental Request	Base Request	Budget Amendment	Continuation Request
	<b>Total</b>	<b>\$257,909,481</b>	<b>(\$30,838,397)</b>	<b>\$261,184,109</b>	<b>(\$34,573,801)</b>	<b>(\$34,573,801)</b>
	FTE	0.0	0.0	0.0	0.0	0.0
<b>Total of All Line Items Impacted by Change Request</b>	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$119,466,874	(\$36,633,036)	\$133,577,400	(\$20,272,246)	(\$20,272,246)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$138,442,607	\$5,794,639	\$127,606,709	(\$14,301,555)	(\$14,301,555)

Line Item Information	Fund	FY 2021-22		FY 2022-23		FY 2023-24
		Initial Appropriation	Supplemental Request	Base Request	Budget Amendment	Continuation Request

**05. Indigent Care Program - Safety Net Provider Payments**

<b>Total</b>	<b>\$257,909,481</b>	<b>(\$30,838,397)</b>	<b>\$261,184,109</b>	<b>(\$34,573,801)</b>	<b>(\$34,573,801)</b>
FTE	0.0	0.0	0.0	0.0	0.0
GF	\$0	\$0	\$0	\$0	\$0
CF	\$119,466,874	(\$36,633,036)	\$133,577,400	(\$20,272,246)	(\$20,272,246)
RF	\$0	\$0	\$0	\$0	\$0
FF	\$138,442,607	\$5,794,639	\$127,606,709	(\$14,301,555)	(\$14,301,555)

Auxiliary Data	
Requires Legislation?	NO
Type of Request?	Health Care Policy and Financing Prioritized Request
Interagency Approval or Related Schedule 13s:	None



**Department Priority: S-12, BA-12  
Request Detail: Safety Net Provider Payments**

Summary of Funding Change for FY 2021-22 and FY 2022-23			
		Incremental Change	
	FY 2021-22 Appropriation	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$257,909,481	(\$30,838,397)	(\$34,573,801)
FTE	0.0	0.0	0.0
General Fund	\$0	\$0	\$0
Cash Funds	\$119,466,874	(\$36,633,036)	(\$20,272,246)
Reappropriated Funds	\$0	\$0	\$0
Federal Funds	\$138,442,607	\$5,794,639	(\$14,301,555)

***Summary of Request***

The Department of Health Care Policy & Financing (the department) requests to align the spending authority with projected expenditures funded by the Safety Net Provider Payments line item. The payments funded by this line item are made to qualifying hospitals and processed via the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE). With the annual payment schedule recently finalized, the department has updated expenditure projections for FY 2021-22. The cash funds are from the Healthcare Affordability and Sustainability Fee cash fund. This request has no General Fund impact.

The request represents an increase of less than 0.5% from the department’s FY 2021-22 Long Bill total funds appropriation.

## ***Current Program***

The Safety Net Provider Payments line item provides funding for the Disproportionate Share Hospital (DSH) supplemental payment. This payment uses cash funds from the Healthcare Affordability and Sustainability Fee (“HAS Fee”) cash fund to draw down federal DSH matching funds known as the DSH allotment.

The DSH supplemental payment consists of payments to hospitals that serve a high proportion of Medicaid beneficiaries and other low-income patients. Total payments are limited by annual federal DSH allotments, which vary widely by state. States can distribute DSH payments to virtually any hospital in their state, but total DSH payments to a hospital are limited by the total amount of uncompensated care that the hospital provides. DSH payments help to offset two types of uncompensated care: Medicaid shortfall, which is the difference between a hospital’s Medicaid payments and its costs of providing services to Medicaid-enrolled patients; and uncompensated cost of care for uninsured individuals. More generally, DSH payments also help to support the financial viability of safety-net hospitals.

To qualify for the DSH supplemental payment a Colorado hospital must meet either of the following two criteria:

- Be a Colorado Indigent Care Program (CICP)<sup>1</sup> provider and have at least two obstetricians, or be obstetrician-exempt pursuant to Section 1923(d)(2)(A) of the Social Security Act; or
- Have a Medicaid Inpatient Utilization Rate equal to or greater than the mean plus one standard deviation of all Medicaid Inpatient Utilization Rates for Colorado hospitals, and have at least two obstetricians, or be obstetrician-exempt.

The DSH supplemental payment for qualified hospitals is determined by taking the lesser of either the hospital’s DSH limit or each hospital’s uninsured costs as a percentage of total uninsured cost of all qualified hospitals multiplied by the DSH allotment. This methodology is used to distribute the remaining allotment among qualified hospitals that have not met their DSH limit.

## ***Problem or Opportunity***

The spending authority in the Safety Net Provider Payments line item exceeds the projected amount of funding needed for DSH supplemental payments.

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<sup>1</sup> The Colorado Indigent Care Program provides funding to participating hospitals and clinics that have uncompensated costs from treating underinsured or low-income, uninsured Coloradans. Further information on the program is available at: <https://hcpf.colorado.gov/colorado-indigent-care-program>

The initial spending authority requested by the department for FY 2021-22 included a technical error related to the American Rescue Plan Act (ARPA) and its effect on the state’s DSH payments. When ARPA was signed into law on March 11, 2021, the department calculated the fiscal impact of the new law and provided the figures to the Joint Budget Committee as a department ‘comeback’ on March 17, 2021. However, the calculation omitted prior spending authority adjustments that had been submitted and ultimately resulted in excess spending authority in the Safety Net Provider Payments line item.

The fund splits also require a true-up as the DSH supplemental payments, in accordance with the Families First Coronavirus Response Act (FFCRA) and ARPA, qualify for an additional 6.2% in FMAP for payments made in each quarter of the public health emergency (PHE). Following guidance from CMS, the department cannot begin claiming any of the additional federal funds until the final DSH figures have been published in the federal register. The department expects this to occur by June 30, 2022, and that the appropriate accounting transactions for claiming all additional federal funding, including prior year, will be completed in FY 2021-22.

Lastly, as per S.B. 21-113 “Use of Increased Medicaid Match”, the additional federal funds are directed to be used to offset General Fund expenditures for the state’s medical assistance program.

### ***Proposed Solution***

The department requests a reduction of \$30,838,397 funds in FY 2021-22, including a reduction of \$36,633,036 cash funds and \$5,794,639 federal funds, and a reduction of \$34,573,801 total funds in FY 2022-23, including a reduction of \$20,272,246 cash funds and a reduction of \$14,301,555 federal funds, to align the spending authority with projected expenditures funded by the Safety Net Provider Payments line item. The cash funds are from the Healthcare Affordability and Sustainability Fee cash fund. This request has no General Fund impact.

### ***Anticipated Outcomes***

Adjusting the spending authority to align with projected expenditures would facilitate the DSH supplemental payments in accordance with federal guidance and the CHASE collection and disbursement model, as well as comply with best practices for department budget standards.

If the request is not approved excess HAS Fee would revert to the cash fund and be factored into next year’s CHASE model.

### ***Assumptions and Calculations***

This request is based on current federal guidance and a 56.2% FMAP for DSH supplemental payments for payments during the PHE. The department's projected expenditures align with the current year CHASE collection and disbursement model and assumes the model's full implementation, including any necessary reconciliation steps, occurs in FY 2021-22.

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

The supplemental criteria applicable to this request is the existence of new information received in November 2021, and a technical error in calculating the original appropriation. The department has received new information from the Centers for Medicare and Medicaid Services about the total amount of funding available for DSH payments, along with new information concerning when enhanced federal funds are likely to be available.

SA-12, BA-12 Safety Net Provider Payments  
Appendix A: Assumptions and Calculations

Table 1.1 Safety Net Provider Payments Summary by Line Item FY 2021-22							
Row	Line Item	Total Funds	General Fund	Cash Funds <sup>(1)</sup>	Federal Funds	FFP Rate	Notes/Calculations
A	Safety Net Provider Payments	(\$30,838,397)	\$0	(\$36,633,036)	\$5,794,639	NA	Table 2.1, Row E
<b>B</b>	<b>Total Request</b>	<b>(\$30,838,397)</b>	<b>\$0</b>	<b>(\$36,633,036)</b>	<b>\$5,794,639</b>	<b>NA</b>	<b>Row A</b>

<sup>(1)</sup> Cash funds are from the Healthcare Affordability and Sustainability Fee Cash Fun

Table 1.2 Safety Net Provider Payments Summary by Line Item FY 2022-23							
Row	Line Item	Total Funds	General Fund	Cash Funds <sup>(1)</sup>	Federal Funds	FFP Rate	Notes/Calculations
A	Safety Net Provider Payments	(\$34,573,801)	\$0	(\$20,272,246)	(\$14,301,555)	NA	Table 2.2, Row G
<b>B</b>	<b>Total Request</b>	<b>(\$34,573,801)</b>	<b>\$0</b>	<b>(\$20,272,246)</b>	<b>(\$14,301,555)</b>	<b>NA</b>	<b>Row A</b>

<sup>(1)</sup> Cash funds are from the Healthcare Affordability and Sustainability Fee Cash Fun

SA-12, BA-12 Safety Net Provider Payments  
Appendix A: Assumptions and Calculations

Table 2.1 Safety Net Provider Payments Summary by Initiative FY 2021-22							
Row	Item	Total Funds	General Fund	Cash Funds <sup>(1)</sup>	Federal Funds	FFP Rate	Notes/Calculations
<i>Expenditures</i>							
A	Projected DSH Payments	\$227,071,084	\$0	\$113,535,542	\$113,535,542	50.00%	Table 3.1, Row E
B	ARPA Spending Authority Adjustment	\$0	\$0	(\$30,701,704)	\$30,701,704	NA	Table 4.1, Row A; American Rescue Plan Act; Retroactive beginning QE 3/31/2020
C	<b>Total Expenditures</b>	<b>\$227,071,084</b>	<b>\$0</b>	<b>\$82,833,838</b>	<b>\$144,237,246</b>	<b>63.52%</b>	<b>Row A - Row B</b>
<i>Spending Authority</i>							
D	FY 2021-22 Initial Spending Authority	\$257,909,481	\$0	\$119,466,874	\$138,442,607	53.68%	FY 2021-22 Long Bill (SB 21-205)
E	<b>Incremental Request</b>	<b>(\$30,838,397)</b>	<b>\$0</b>	<b>(\$36,633,036)</b>	<b>\$5,794,639</b>	<b>NA</b>	<b>Row C - Row D</b>

<sup>(1)</sup> Cash funds are from the Healthcare Affordability and Sustainability Fee Cash Fun

Table 2.2 Safety Net Provider Payments Summary by Initiative FY 2022-23							
Row	Item	Total Funds	General Fund	Cash Funds <sup>(1)</sup>	Federal Funds	FFP Rate	Notes/Calculations
A	Projected DSH Payments	\$226,610,308	\$0	\$113,305,154	\$113,305,154	50.00%	Table 3.2, Row E
B	Base Budget	\$257,909,481	\$0	\$119,466,874	\$138,442,607	53.68%	FY 2021-22 Long Bill (SB 21-205)
C	TA-05 Annualize FY 2020-21 R-20 Safety Net Provider Payments Adjustments	\$3,274,628	\$0	\$1,637,314	\$1,637,314	NA	Department Reconciliation Table
D	TA-29 Annualize FY 2021-22 JBC Action: American Rescue Plan Act	\$0	\$0	\$2,985,345	(\$2,985,345)	NA	
E	TA-52 Annualize FY 2021-22 JBC Action: FMAP PHE Extension	\$0	\$0	\$9,487,867	(\$9,487,867)	NA	
F	<b>Base Request</b>	<b>\$261,184,109</b>	<b>\$0</b>	<b>\$133,577,400</b>	<b>\$127,606,709</b>	<b>blend</b>	<b>Row B + Row C + Row D + Row E</b>
G	<b>Incremental Request</b>	<b>(\$34,573,801)</b>	<b>\$0</b>	<b>(\$20,272,246)</b>	<b>(\$14,301,555)</b>	<b>NA</b>	<b>Row A - Row F</b>

<sup>(1)</sup> Cash funds are from the Healthcare Affordability and Sustainability Fee Cash Fun



SA-12, BA-12 Safety Net Provider Payments  
Appendix A: Assumptions and Calculations

<b>Table 3.1: Projected Expenditures - DSH Supplemental Payments</b>							
<b>FY 2021-22</b>							
Row	Item	Total Funds	General Fund	HAS Fee Cash Fund	Federal Funds	FFP	Source
A	Quarter ending 9/30/2021	\$57,113,362	\$0	\$28,556,681	\$28,556,681	50.00%	CORE / InfoAdvantage Report
B	Quarter ending 12/31/2021	\$68,693,721	\$0	\$34,346,860	\$34,346,861	50.00%	FY22 CHASE Collection & Distribution Model; currently claimed at 50% FMAP
C	Quarter ending 3/31/2022	\$40,989,933	\$0	\$20,494,966	\$20,494,967	50.00%	
D	Quarter ending 6/30/2022	\$60,274,068	\$0	\$30,137,034	\$30,137,034	50.00%	
<b>E</b>	<b>Total</b>	<b>\$227,071,084</b>	<b>\$0</b>	<b>\$113,535,541</b>	<b>\$113,535,543</b>	<b>50.00%</b>	<b>Row A + Row B + Row C + Row D</b>

<b>Table 3.2: Projected Expenditures - DSH Supplemental Payments</b>							
<b>FY 2022-23</b>							
Row	Item	Total Funds	General Fund	HAS Fee Cash Fund	Federal Funds	FFP	Source
A	Quarter ending 9/30/2022	\$56,652,580	\$0	\$28,326,290	\$28,326,290	50.00%	FY22 CHASE Model Department Projection
B	Quarter ending 12/31/2022	\$56,652,576	\$0	\$28,326,288	\$28,326,288	50.00%	
C	Quarter ending 3/31/2023	\$56,652,576	\$0	\$28,326,288	\$28,326,288	50.00%	
D	Quarter ending 6/30/2023	\$56,652,576	\$0	\$28,326,288	\$28,326,288	50.00%	
<b>E</b>	<b>Total</b>	<b>\$226,610,308</b>	<b>\$0</b>	<b>\$113,305,154</b>	<b>\$113,305,154</b>	<b>50.00%</b>	<b>Row A + Row B + Row C + Row D</b>

SA-12, BA-12 Safety Net Provider Payments  
Appendix A: Assumptions and Calculations

Table 4.1 - Disproportionate Share Hospital (DSH) Payment Spending Authority Adjustment							
Row	Description	Total Funds	General Fund	HAS Fee Cash Fund	Federal Funds	FMAP	Source
A	ARPA Spending Authority Adjustment	\$0	\$0	(\$30,701,704)	\$30,701,704	NA	Table 4.2, Row D - Table 4.3, Row D

Table 4.2 - Disproportionate Share Hospital (DSH) Payment Fund Splits (with Covid FMAP Bump)							
Row	Federal Fiscal Year	Total Funds	General Fund	HAS Fee Cash Fund	Federal Funds	FMAP <sup>(1)</sup>	Source
A	2020	\$216,400,000	\$0	\$98,137,400	\$118,262,600	54.65%	American Rescue Plan Act
B	2021	\$219,583,626	\$0	\$96,177,628	\$123,405,998	56.20%	
C	2022	\$226,610,302	\$0	\$106,280,232	\$120,330,070	53.10%	
D	Total	\$662,593,928	\$0	\$300,595,260	\$361,998,668	54.63%	Row A + Row B + Row C + Row D

(1) Assumes of 6.2% quarterly Covid FMAP bump beginning QE 3/31/2020 through QE 3/31/2022 (nine quarters)

Table 4.3 - Disproportionate Share Hospital (DSH) Payment Fund Splits (with 50% FMAP)							
Row	Federal Fiscal Year	Total Funds	General Fund	HAS Fee Cash Fund	Federal Funds	FMAP	Source
A	2020	\$216,400,000	\$0	\$108,200,000	\$108,200,000	50.00%	Preliminary guidance from CMS
B	2021	\$219,583,626	\$0	\$109,791,813	\$109,791,813	50.00%	
C	2022	\$226,610,302	\$0	\$113,305,151	\$113,305,151	50.00%	
D	Total	\$662,593,928	\$0	\$331,296,964	\$331,296,964	50.00%	Row A + Row B + Row C + Row D