

Schedule 13

Funding Request for the FY 2022-23 Budget Cycle

Health Care Policy and Financing

Request Title

S-13 Medicaid Funding for Connect for Health CO
BA-13 Medicaid Funding for Connect for Health CO

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
	Total	\$9,653,251	\$2,266,230	\$10,135,914	\$0	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$0	\$0	\$0	\$0	\$0
	CF	\$3,798,350	\$1,546,809	\$3,988,268	\$542,486	\$569,610
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$5,854,901	\$719,421	\$6,147,646	(\$542,486)	(\$569,610)

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

01. Executive Director's Office - Connect for Health Colorado Eligibility Determination

Total	\$9,653,251	\$2,266,230	\$10,135,914	\$0	\$0
FTE	0.0	0.0	0.0	0.0	0.0
GF	\$0	\$0	\$0	\$0	\$0
CF	\$3,798,350	\$1,546,809	\$3,988,268	\$542,486	\$569,610
RF	\$0	\$0	\$0	\$0	\$0
FF	\$5,854,901	\$719,421	\$6,147,646	(\$542,486)	(\$569,610)

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-13, BA-13
Request Detail: Medicaid Funding for Connect for Health Colorado**

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	\$9,653,251	\$2,266,230	\$0
FTE	0.0	0.0	0.0
General Fund	\$0	\$0	\$0
Cash Funds	\$3,798,350	\$1,546,809	\$542,486
Reappropriated Funds	\$0	\$0	\$0
Federal Funds	\$5,854,901	\$719,421	(\$542,486)

Summary of Request

The Department of Health Care Policy & Financing requests an adjustment to spending authority for certified public expenditures (CPE) and federal funds in FY 2021-22 and ongoing to reimburse Connect for Health Colorado (C4HCO) for costs related to customer service and eligibility determination functions. C4HCO provides these services to applicants and clients eligible for Medicaid and the Children’s Health Insurance Program (referred to in Colorado as the Child Health Plan Plus, or “CHP+”) and is therefore eligible for federal reimbursement using CPE paid by C4HCO as matching funds. C4HCO costs were higher than expected in FY 2019-20, which has resulted in the department having insufficient spending authority in FY 2021-22 to fully reimburse C4HCO. Additionally, the proportion of CPE to federal funds in the department’s current spending authority is misaligned with current C4HCO costs. Without an adjustment to the department’s spending authority, reimbursement of federal funds to C4HCO will be limited to current spending authority and C4HCO will likely have unreimbursed costs which may impair its operations.

Cash funds included in this request are CPE, which reflect expenditures made by C4HCO. This request represents less than a 0.5% increase to the department’s budget.

Current Program

Connect for Health Colorado (C4HCO) assists individuals, families and small employers across Colorado in applying for health insurance and enrolling in Qualified Health Plans. The Medicaid and Children’s Health Insurance Program (referred to in Colorado as the Child Health Plan Plus, or “CHP+”) eligibility determination process is a fundamental component to C4HCO’s operations and services provided to Coloradans because in order to be eligible for financial assistance through C4HCO, including Advanced Premium Tax Credits (APTC) or cost sharing reduction (CSR), federal law requires that a person be determined not eligible for Medicaid or CHP+.

Functions performed by C4HCO related to customer service and eligibility determinations for Medicaid and CHP+ are eligible for federal reimbursement per federal cost allocation principles (2 CFR § 200) using certification of public expenditure (CPE) paid by C4HCO as matching funds. The Centers for Medicare and Medicaid Services (CMS) has approved a cost allocation methodology for C4HCO specifying which cost centers are eligible for reimbursement including their medical assistance site (MA Site), customer service center, exchange assistance network non-county partners sites, technology costs, and a portion of general and administrative costs. The methodology incorporates numerous statistics including the results of an ongoing random moment time study (RMTS) of customer service center staff to estimate how much time is spent assisting Medicaid and CHP+ applicants and clients. C4HCO is reimbursed on a quarterly basis, but due to the complex nature of the cost allocation methodology and the time required to compile data like the RMTS results, reimbursement can be delayed up to nine months after the end of a quarter.

The General Assembly initially approved funding for C4HCO in FY 2016-17 as requested in the department’s S-13/BA-13 “Medicaid Funding for Connect for Health Colorado.” The cost allocation methodology was later finalized and approved by CMS, and the General Assembly adjusted the department’s spending authority to align with updated cost expectations for FY 2018-19 onward, as requested in the department’s FY 2020-21 ES-2 “Medicaid Funding for Connect for Health Colorado” and FY 2021-22 R-11 “Medicaid Funding for Connect for Health Colorado.”

Problem or Opportunity

The department has insufficient spending authority to fully reimburse C4HCO for expected FY 2021-22 costs resulting from an unanticipated spike in FY 2019-20 costs. Additionally, the proportion of CPE to federal funds in the department’s spending authority is out of alignment with current C4HCO costs.

C4HCO had an unanticipated spike in FY 2019-20 costs, causing the supplemental appropriation from the department's FY 2020-21 ES-2 to be insufficient to fully reimburse C4HCO for eligible FY 2019-20 costs. Thus, to fully reimburse C4HCO for FY 2019-20 costs, the department used FY 2020-21 spending authority that was originally meant to reimburse C4HCO for FY 2020-21 costs. In turn, to fully reimburse C4HCO for FY 2020-21 costs, the department is using FY 2021-22 spending authority that was originally meant to reimburse C4HCO for FY 2021-22 costs. This domino effect stemming from the spike in FY 2019-20 costs has resulted in insufficient spending authority in FY 2021-22 to reimburse C4HCO for expected FY 2021-22 costs.

The spike in costs was primarily due to moving functions previously performed by C4HCO's customer service center to their MA Site in FY 2019-20. This changed the way costs were calculated in the cost allocation methodology because the methodology for calculating customer service center costs is based on an RMTS, whereas the methodology for calculating MA Site costs is based on a count of eligibility determinations performed. Counting eligibility determinations is a more accurate method for capturing these costs and resulted in a significant increase in costs eligible for federal reimbursement. However, in FY 2020-21 and ongoing, this increase has been more than offset by a less-expensive C4HCO sub-contract for their customer service center, and a reduction in technology support costs due to C4HCO performing the function internally instead of through a sub-contract. Thus, FY 2020-21 and ongoing costs are expected to be back down from the spike in FY 2019-20.

Additionally, the proportion of CPE to federal funds in the department's spending authority for C4HCO costs is misaligned with recent actual costs and expected future costs. This is primarily due to C4HCO moving the functions previously performed by their customer service center to their MA Site in FY 2019-20. Per the cost allocation methodology approved by CMS, a portion of customer service center costs are eligible for federal reimbursement at a 75% federal financial participation (FFP) rate; however, MA Site costs are only eligible for federal reimbursement at a 50% FFP rate. Thus, the shift in functions has caused a greater proportion of costs to be reimbursed at the 50% FFP rate and less at the 75% FFP rate. This has caused a misalignment with the department's spending authority, which has too high a proportion of federal funds.

Proposed Solution

The department requests \$2,266,230 total funds in FY 2021-22, including \$1,546,809 cash funds and \$719,421 federal funds; \$0 total funds in FY 2022-23, including \$542,486 cash funds and a reduction of \$542,486 federal funds; and \$0 total funds in FY 2023-24, including \$569,610 cash funds and a reduction of \$569,610 federal funds. The requested funding will be used to reimburse C4HCO with federal funds for eligible costs associated with administering department programs per the cost allocation methodology approved by CMS. The requested funding will allow the department to fully reimburse C4HCO for expected FY 2021-22 costs by increasing FY 2021-22

spending authority, which is currently insufficient as a result of the spike in C4HCO's FY 2019-20 costs. Additionally, the requested funding will align the proportion of CPE to federal funds in the department's spending authority with recent actual C4HCO costs and expected future costs in FY 2021-22 and ongoing.

If this request is not approved, the department will need to reduce or delay payment to C4HCO as it will not be able to fully draw federal funds for the Medicaid and CHP+ customer service and eligibility determination-related work that is currently being done by C4HCO. As a result, C4HCO will inappropriately absorb these costs within its existing revenue. This could negatively impact C4HCO's ability to carry on normal operations and continue providing valuable services to Medicaid and CHP+ clients and applicants.

This request is a technical funding adjustment to address fluctuations in C4HCO costs and therefore is not reflected on the OSPB evidence continuum.

Anticipated Outcomes

If approved, the department anticipates this request will allow full reimbursement of C4HCO for eligible costs in FY 2021-22 by increasing the department's FY 2021-22 CPE and federal funds spending authority. Additionally, the department anticipates this request will allow for full reimbursement of C4HCO in FY 2021-22 and future years by appropriately aligning the proportion of CPE to federal funds in the department's appropriation with recent actual costs, which are expected to continue in the same proportion in future years.

This request links to the Operational Excellence and Customer Service Pillar of the department's FY 2021-22 Performance Plan by performing customer service and instilling a person- and family-centered approach to eligibility determination. This request will help maintain a positive client experience for Medicaid and CHP+ applicants and all Coloradans seeking health insurance by ensuring that the "no wrong door" approach to eligibility determination can be sustained by providing funding to C4HCO for their administrative work related to department programs.

Assumptions and Calculations

Detailed calculations can be found in the attached appendix. Tables 1 and 2 show a summary of the request by line item and initiative, respectively. Table 3 shows the current department Spending Authority for C4HCO compared to costs eligible for reimbursement by fiscal year.

As shown in table 3, spending authority for FY 2018-19 and FY 2019-20 is the sum of the department's Connect for Health Colorado Systems line item (now eliminated) and Connect for Health Colorado Eligibility Determinations line item. The department's FY 2021-22 R-11

consolidated these line items, so spending authority for FY 2020-21 and future years is all in the Connect for Health Colorado Eligibility Determinations line item.

Also shown in table 3, costs for FY 2018-19 and FY 2019-20 reflect actual costs eligible for federal reimbursement. Costs for FY 2020-21 reflect actual costs for the first three quarters plus an assumed amount for the fourth quarter equal to the average of the first three quarters (the department does not have actual costs for the fourth quarter due to delayed cost allocation calculations). Costs for FY 2021-22 through FY 2023-24 show the department's current contracted amount with C4HCO, which include an annual 5.0% inflationary increase. Finally, costs for FY 2024-25 assume a 5.0% inflationary increase over FY 2023-24 costs consistent with the inflationary increase built into current contracted amounts.

Also shown in table 3, the department assumes the overall FFP for FY 2021-22 costs and future years will be consistent with the FFP for FY 2019-20 actuals and the expected FFP for FY 2020-21 (based on three quarters of actuals and the fourth-quarter estimate). Since FY 2019-20 and FY 2020-21 have the same overall FFP, the department assumes it is reasonable to expect FFP to remain at this level in future years. The overall FFP reflects a blend of C4HCO costs that are eligible for either 50% FFP Medicaid administration match, 75% FFP Medicaid administration match, or a variable FFP rate for CHP+ administration.

Also shown in table 3, the department has reverted federal funds spending authority in FY 2018-19 through FY 2020-21 as part of the state's standard payable process. The state utilizes the payable process for C4HCO to preserve spending authority after the end of the fiscal year because of the significant delays in reimbursement caused by cost allocation calculations. The department fully expends the CPE funds in each year's payable before federal funds due to C4HCO spending authority having too high a proportion of federal funds compared to actual costs. This results in leftover federal funds spending authority in the payable that cannot be expended due to no remaining CPE spending authority in the payable to provide the state match. The leftover federal funds spending authority is reverted once payments for the year are complete and the payable is liquidated. The department has accounted for this in table 3 by subtracting the leftover federal funds in each year's payable from the spending authority, to ensure the requested supplemental spending authority in FY 2021-22 includes the impact of reverting these federal funds.

Supplemental, 1331 Supplemental or Budget Amendment Criteria

This request meets supplemental criteria because new data resulting in substantive changes in funding needs was received in late FY 2020-21, after deadlines had passed for adjusting the FY 2020-21 or FY 2021-22 budget through standard processes. The new data included final FY 2019-20 C4HCO cost reports, which showed that an adjustment to spending authority will be needed

to fully reimburse C4HCO for the federal share of costs related to administering department programs.

S-13, BA-13 Medicaid Funding for Connect for Health Colorado
Appendix A: Assumptions and Calculations

Table 1.1 Summary by Line Item FY 2021-22								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	(1) Executive Director's Office; (D) Eligibility Determinations and Client Services; Connect for Health Colorado Eligibility Determinations	\$2,266,230	0.0	\$0	\$1,546,809	\$0	\$719,421	Table 2.1, Row E
B	Total Request	\$2,266,230	0.0	\$0	\$1,546,809	\$0	\$719,421	Row A

Table 1.2 Summary by Line Item FY 2022-23								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	(1) Executive Director's Office; (D) Eligibility Determinations and Client Services; Connect for Health Colorado Eligibility Determinations	\$0	0.0	\$0	\$542,486	\$0	(\$542,486)	Table 2.2, Row B
B	Total Request	\$0	0.0	\$0	\$542,486	\$0	(\$542,486)	Row A

Table 1.3 Summary by Line Item FY 2023-24								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	(1) Executive Director's Office; (D) Eligibility Determinations and Client Services; Connect for Health Colorado Eligibility Determinations	\$0	0.0	\$0	\$569,610	\$0	(\$569,610)	Table 2.3, Row B
B	Total Request	\$0	0.0	\$0	\$569,610	\$0	(\$569,610)	Row A

Table 1.4 Summary by Line Item FY 2024-25 and Ongoing								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	(1) Executive Director's Office; (D) Eligibility Determinations and Client Services; Connect for Health Colorado Eligibility Determinations	\$532,136	0.0	\$0	\$807,475	\$0	(\$275,339)	Table 2.4, Row B
B	Total Request	\$532,136	0.0	\$0	\$807,475	\$0	(\$275,339)	Row A

S-13, BA-13 Medicaid Funding for Connect for Health Colorado
Appendix A: Assumptions and Calculations

Table 2.1 Summary by Initiative FY 2021-22								
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	Account for FY 2018-19 C4HCO Appropriation Shortfall	\$3,619,009	0.0	\$0	\$1,490,700	\$0	\$2,128,309	Table 3, Row D * (-1)
B	Account for FY 2019-20 C4HCO Appropriation Shortfall	\$5,234,936	0.0	\$0	\$2,687,744	\$0	\$2,547,192	Table 3, Row H * (-1)
C	Account for FY 2020-21 C4HCO Appropriation Surplus	(\$6,587,715)	0.0	\$0	(\$3,148,288)	\$0	(\$3,439,427)	Table 3, Row L * (-1)
D	Account for FY 2021-22 C4HCO Match Rate Adjustment	\$0	0.0	\$0	\$516,653	\$0	(\$516,653)	Table 3, Row O * (-1)
E	Total Request	\$2,266,230	0.0	\$0	\$1,546,809	\$0	\$719,421	Sum of Rows A thru D

Table 2.2 Summary by Initiative FY 2022-23								
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	Account for FY 2022-23 C4HCO Match Rate Adjustment	\$0	0.0	\$0	\$542,486	\$0	(\$542,486)	Table 3, Row R * (-1)
B	Total Request	\$0	0.0	\$0	\$542,486	\$0	(\$542,486)	Row A

Table 2.3 Summary by Initiative FY 2023-24								
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	Account for FY 2023-24 C4HCO Match Rate Adjustment	\$0	0.0	\$0	\$569,610	\$0	(\$569,610)	Table 3, Row U * (-1)
B	Total Request	\$0	0.0	\$0	\$569,610	\$0	(\$569,610)	Row A

Table 2.4 Summary by Initiative FY 2024-25 and Ongoing								
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	Account for FY 2024-25 and Ongoing C4HCO Match Rate Adjustment and 5% Increase	\$532,136	0.0	\$0	\$807,475	\$0	(\$275,339)	Table 3, Row X * (-1)
B	Total Request	\$532,136	0.0	\$0	\$807,475	\$0	(\$275,339)	Row A

S-13, BA-13 Medicaid Funding for Connect for Health Colorado
Appendix A: Assumptions and Calculations

Table 3 Connect for Health Colorado (C4HCO) Spending Authority versus Costs						
Row	Description	Total Funds	Cash Funds	Federal Funds	FFP	Source
FY 2018-19						
A	Spending Authority	\$5,144,208	\$1,790,457	\$3,353,751	65.2%	FY 2018-19 Long Bill (HB 18-1322), Connect for Health Colorado Systems Line Item plus Connect for Health Colorado Eligibility Determinations Line Item
B	Actual Costs	\$8,338,841	\$3,281,157	\$5,057,684	60.7%	FY 2018-19 C4HCO Cost Reports, blended match rate
C	Federal Funds Left in Payable	\$424,376	\$0	\$424,376	100.0%	Federal Funds reverted in FY 2018-19 Payable due to lack of matching Cash Funds
D	Spending Authority Surplus/(Shortfall)	(\$3,619,009)	(\$1,490,700)	(\$2,128,309)		Row A - Row B - Row C
FY 2019-20						
E	Spending Authority	\$5,144,208	\$1,790,457	\$3,353,751	65.2%	FY 2019-20 Long Bill (SB 19-207), Connect for Health Colorado Systems Line Item plus Connect for Health Colorado Eligibility Determinations Line Item
F	Actual Costs	\$10,025,010	\$4,478,201	\$5,546,809	55.3%	FY 2019-20 C4HCO Cost Reports, blended match rate
G	Federal Funds Left in Payable	\$354,134	\$0	\$354,134	100.0%	Federal Funds reverted in FY 2019-20 Payable due to lack of matching Cash Funds
H	Spending Authority Surplus/(Shortfall)	(\$5,234,936)	(\$2,687,744)	(\$2,547,192)		Row E - Row F - Row G
FY 2020-21						
I	Spending Authority	\$15,999,780	\$6,762,934	\$9,236,846	57.7%	FY 2020-21 Supplemental Bill (SB 21-043), Connect for Health Colorado Eligibility Determinations Line Item
J	Estimated Costs	\$8,093,537	\$3,614,646	\$4,478,891	55.3%	FY 2020-21 Q1-Q3 C4HCO Cost Reports with Q4 estimated, blended match rate
K	Estimated Federal Funds Left in Payable	\$1,318,528	\$0	\$1,318,528	100.0%	Estimated Federal Funds reverted in FY 2020-21 Payable due to lack of matching Cash Funds
L	Spending Authority Surplus/(Shortfall)	\$6,587,715	\$3,148,288	\$3,439,427		Row I - Row J - Row K
FY 2021-22						
M	Spending Authority	\$9,653,251	\$3,798,350	\$5,854,901	60.7%	FY 2021-22 Long Bill (SB 21-205), Connect for Health Colorado Eligibility Determinations Line Item
N	FY 2021-22 Estimated Costs	\$9,653,251	\$4,315,003	\$5,338,248	55.3%	FY 2021-22 C4HCO Contract amount, blended match rate based on FY 2019-20 and FY 2020-21 costs
O	Spending Authority Surplus/(Shortfall)	\$0	(\$516,653)	\$516,653		Row M - Row N
FY 2022-23						
P	Expected Spending Authority	\$10,135,914	\$3,988,268	\$6,147,646	60.7%	Annualization of FY 2021-22 R-11 "Medicaid Funding for Connect for Health", Connect for Health Colorado Eligibility Determinations Line Item
Q	Estimated Costs	\$10,135,914	\$4,530,754	\$5,605,160	55.3%	FY 2022-23 C4HCO Contract amount, blended match rate based on FY 2019-20 and FY 2020-21 costs
R	Spending Authority Surplus/(Shortfall)	\$0	(\$542,486)	\$542,486		Row P - Row Q
FY 2023-24						
S	Expected Appropriation	\$10,642,710	\$4,187,681	\$6,455,029	60.7%	Annualization of FY 2021-22 R-11 "Medicaid Funding for Connect for Health", Connect for Health Colorado Eligibility Determinations Line Item
T	Estimated Costs	\$10,642,710	\$4,757,291	\$5,885,419	55.3%	FY 2023-24 C4HCO Contract amount, blended match rate based on FY 2019-20 and FY 2020-21 costs
U	Spending Authority Surplus/(Shortfall)	\$0	(\$569,610)	\$569,610		Row S - Row T
FY 2024-25 and Ongoing						
V	Expected Spending Authority	\$10,642,710	\$4,187,681	\$6,455,029	60.7%	Expected continuation funding, Connect for Health Colorado Eligibility Determinations Line Item
W	Estimated Costs	\$11,174,846	\$4,995,156	\$6,179,690	55.3%	Assumes 5% increase over FY 2023-24 Estimated Costs, blended match rate based on FY 2019-20 and FY 2020-21 costs
X	Spending Authority Surplus/(Shortfall)	(\$532,136)	(\$807,475)	\$275,339		Row V - Row W