

Schedule 13

Funding Request for the FY 2022-23 Budget Cycle

Health Care Policy and Financing

Request Title

S-14 Centralized Eligibility Vendor Rate Change
BA-14 Centralized Eligibility Vendor Rate Change

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	\$10,086,918	\$1,392,822	\$10,126,997	\$1,118,127	\$1,118,127
	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	\$3,397,766	\$675,562	\$3,417,805	\$545,645	\$545,645
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$6,689,152	\$717,260	\$6,709,192	\$572,482	\$572,482

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 - Centralized Eligibility Vendor Contract Project

Total	\$5,053,644	\$1,278,649	\$5,093,723	\$1,028,677	\$1,028,677
FTE	0.0	0.0	0.0	0.0	0.0
GF	\$0	\$0	\$0	\$0	\$0
CF	\$1,745,342	\$639,324	\$1,765,381	\$514,338	\$514,338
RF	\$0	\$0	\$0	\$0	\$0
FF	\$3,308,302	\$639,325	\$3,328,342	\$514,339	\$514,339

05. Indigent Care Program - Children's Basic Health Plan Administration

Total	\$5,033,274	\$114,173	\$5,033,274	\$89,450	\$89,450
FTE	0.0	0.0	0.0	0.0	0.0
GF	\$0	\$0	\$0	\$0	\$0
CF	\$1,652,424	\$36,238	\$1,652,424	\$31,307	\$31,307
RF	\$0	\$0	\$0	\$0	\$0
FF	\$3,380,850	\$77,935	\$3,380,850	\$58,143	\$58,143

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-14, BA-14
Request Detail: Centralized Eligibility Vendor Rate Change**

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	\$10,086,918	\$1,392,822	\$1,118,127
FTE	0.0	0.0	0.0
General Fund	\$0	\$0	\$0
Cash Funds	\$3,397,766	\$675,562	\$545,645
Reappropriated Funds	\$0	\$0	\$0
Federal Funds	\$6,689,152	\$717,260	\$572,482

Summary of Request

The Department of Health Care Policy & Financing (the department) requests additional spending authority in FY 2021-22 and ongoing to reimburse the department’s centralized eligibility vendor for eligibility and enrollment services provided 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+”). These services include a customer service center for eligibility and enrollment assistance, eligibility determination and case maintenance for Medicaid Buy-In programs, administration of Medicaid Buy-In premium payments and CHP+ enrollment fees, and resolution of eligibility-related disputes. The Centers for Medicare and Medicaid Services (CMS) required a change to the centralized eligibility vendor’s cost allocation methodology, resulting in a significant increase in reimbursement for which the department has insufficient spending authority. Without additional spending authority, the department will be unable to fully reimburse the centralized eligibility vendor and will be out of compliance with the cost allocation methodology, risking a federal audit finding and loss of federal funds.

Cash funds included in this request are the Healthcare Affordability and Sustainability Fee (HAS Fee) and the Children’s Basic Health Plan (CBHP) cash funds. This request represents less than a 0.5% increase to the department’s budget.

Current Program

The department's centralized eligibility vendor provides eligibility and enrollment services for Colorado's Medicaid and CHP+ medical assistance programs. These services include eligibility determination and case maintenance for Medicaid Buy-In programs, administering monthly premium payments for Medicaid Buy-In programs and annual enrollment fees for CHP+, managing the appeals and grievances process for eligibility and enrollment disputes, and processing CHP+ manual enrollment and disenrollment. The centralized eligibility vendor also runs the state's central customer service center for Medicaid and CHP+ eligibility and enrollment assistance, which processes over-the-phone medical assistance applications and renewals, assists callers with completing online and paper applications for medical assistance, assists with making premium and enrollment fee payments, provides information on department programs and eligibility requirements, and processes case updates such as address and income changes.

The centralized eligibility vendor is reimbursed according to a cost allocation methodology approved by the Centers for Medicare and Medicaid Services (CMS) in the department's Public Assistance Cost Allocation Plan (PACAP) pursuant to 42 CFR 433.34. The methodology requires the vendor to report the direct cost of providing services including salaries, benefits, supplies, and travel. The direct cost is then inflated by an indirect cost rate to account for overhead and general administrative expenses. Finally, the total of the direct and indirect costs is split into a state and federal share of costs using a federal financial participation (FFP) rate. The FFP rate is determined by an ongoing Random Moment Time Study (RMTS) conducted on vendor staff to estimate time spent on different activities. Some activities are eligible for a 75% enhanced Medicaid administration FFP rate such as reviewing applications and processing eligibility determinations; some are eligible for a 50% standard Medicaid administration FFP rate such as staff training and general administration; and some are eligible for a variable CHP+ FFP rate such as processing manual enrollment and disenrollment for CHP+.

The General Assembly approved initial funding for the centralized eligibility vendor in H.B. 09-1293 "Medicaid Hospital Provider Fee" and additional funding in S.B. 13-200 "Expand Medicaid Eligibility" to assist county departments of social services with increased eligibility determination and case maintenance duties arising from these bills' caseload increases. The centralized eligibility vendor was re-procured in FY 2015-16 and its role evolved to take on a narrower set of duties in response to county feedback and vendor performance metrics. To reflect this, the General Assembly approved the department's FY 2016-17 R-7 "County Administration Financing" and since then, the role of the centralized eligibility vendor has remained substantially the same and funding has remained at a constant level.

Problem or Opportunity

The department has insufficient spending authority to fully reimburse the centralized eligibility vendor due to a CMS-required change in the vendor's cost allocation methodology. Specifically, CMS required a change in the vendor's indirect cost rate from 10% to 33% of the total direct costs, resulting in a significant increase in reimbursement for indirect costs.

After the centralized eligibility vendor was re-procured in FY 2015-16, the department worked with CMS to create a cost allocation methodology that became effective July 1, 2016. In the methodology, the department elected to use the generic 10% de minimis rate to calculate indirect costs per 2 CFR 200.414(f). However, CMS was later informed by the Division of Cost Allocation Services of the United States Department of Health and Human Services that the vendor did not qualify for the de minimis rate because the vendor had a previously approved federal indirect cost rate of 33%. Therefore, CMS required the department to update the cost allocation methodology using the higher indirect cost rate, and this new version of the methodology was approved by CMS in July 2021. The new indirect cost rate applies to all centralized eligibility vendor reimbursements made after the updated cost allocation methodology was approved.

Proposed Solution

The department requests \$1,392,822 total funds in FY 2021-22, including \$0 General Fund, and \$1,118,127 total funds in FY 2022-23 (and ongoing), including \$0 General Fund, to fully reimburse the centralized eligibility vendor for increased indirect costs due to the CMS-required change in the indirect cost rate from 10% to 33%.

If this request is not approved, the department will have insufficient spending authority to fully reimburse the centralized eligibility vendor using the CMS-required indirect cost rate of 33%. This will put the department out of compliance with the CMS-approved cost allocation methodology for the centralized eligibility vendor in the department's PACAP. For the department to claim federal matching funds for Medicaid administrative expenditures, costs must be supported by an approved allocation methodology and procedure for identifying and measuring costs. Thus, being out of compliance with the approved methodology will put the department at risk of federal audit findings and loss of federal matching funds.

This request is a technical funding adjustment due to a federal mandate and therefore is not reflected on the OSPB evidence continuum.

Anticipated Outcomes

If approved, the department anticipates this request will allow full reimbursement of the centralized eligibility vendor for increased indirect costs due to the CMS-required change in the indirect cost rate. The centralized eligibility vendor will be able to continue providing critical eligibility and enrollment services to clients and applicants of the department's medical assistance programs including the customer service center, case maintenance services, premium and enrollment fee administration, and resolution of appeals and grievances. The department anticipates this request will allow continued compliance with the CMS-approved cost allocation methodology for the centralized eligibility vendor and therefore avoid the potential for federal audit findings and loss of federal funds.

This request links to the Operational Excellence and Customer Service Pillar of the department's FY 2021-22 Performance Plan by providing excellent customer service to members of the department's medical assistance programs and ensuring compliant practices with federal partners. This request will help provide excellent customer service and person- and family-centered practices by ensuring funding for the centralized eligibility vendor is secure and critical eligibility and enrollment services are continued for clients and applicants of the Medicaid and CHP+ programs. This request will ensure compliance with CMS-required changes to the centralized eligibility vendor's cost allocation plan and ensure the department can continue claiming federal funds for approved Medicaid administrative expenditures.

Assumptions and Calculations

Detailed calculations can be found in the attached appendix.

Tables 1.1 and 1.2 show a summary of the request by line item. Funding requested in the department's Centralized Eligibility Vendor Contract Project line item is for the portion of increased indirect costs allocable to the Medicaid program. Funding requested in the department's Children's Basic Health Plan Administration line item is for the portion of increased indirect costs allocable to the CHP+ program. Per the CMS-approved cost allocation methodology, the department assumes indirect costs allocable to the Medicaid program are eligible for 50% FFP, and indirect costs allocable to the CHP+ program are eligible for the variable CHP+ FFP rate. The CHP+ FFP rate is higher during the COVID-19 Public Health Emergency which the department assumes will continue until March 31, 2022, resulting in a blended CHP+ FFP rate of 68.26% for FY 2021-22. The department assumes the CHP+ FFP rate will revert to the standard 65% for FY 2022-23 and ongoing.

Tables 2.1 and 2.2 show a summary of the request by initiative. For FY 2021-22, the department requests additional funding to cover increased indirect costs for the centralized eligibility vendor for services provided in FY 2021-22 plus services provided in the final quarter of FY 2020-21 (between April 1, 2021 and June 30, 2021). Costs for the centralized eligibility vendor are

finalized on a quarterly basis, and costs for the final quarter of FY 2020-21 were finalized after CMS approved the updated cost allocation methodology in July 2021. Thus, the department assumes an increase in indirect costs should be included in the reconciliation payment for this quarter.

Table 3.1 shows the calculation of the Medicaid and CHP+ allocations of the estimated annual indirect cost increase. The department assumes the Medicaid and CHP+ allocation percentages will be the same as they were for FY 2020-21, which were based on the results of the centralized eligibility vendor RMTS in FY 2020-21. Table 3.2 shows the calculation of the Medicaid and CHP+ allocations for the final quarter of FY 2020-21, based on the RMTS results for just that quarter.

Table 4 shows the calculation of the estimated annual indirect cost increase. This is based on actual expenditures in FY 2020-21 recalculated using the higher indirect cost rate. The department is assuming expenditure in future years will be at similar levels to FY 2020-21 except will use the higher indirect cost rate. The recalculation of the fourth quarter in FY 2020-21 represents the actual reimbursement amount to the centralized eligibility vendor for that quarter since the department assumes the higher indirect cost rate should be in effect for that quarter. All other recalculated quarterly amounts in table 4 are hypothetical to create the annual estimate of the higher indirect cost. The recalculations were done by the department's cost allocation vendor which performs the calculations required by the centralized eligibility vendor's cost allocation methodology.

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 early FY 2021-22. The new data was CMS approval of the new indirect cost rate for the centralized eligibility vendor, which showed that an increase in spending authority will be needed to fully reimburse the vendor for administrative services provided to department programs.

S-14, BA-14 Centralized Eligibility Vendor Rate Change
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	FFP Rate	Notes/Calculations
A	(1) Executive Director's Office; (D) Eligibility Determinations and Client Services; Centralized Eligibility Vendor Contract Project	\$1,278,649	0.0	\$0	\$639,324	\$0	\$639,325	50.00%	Sum of Table 2.1, Row A and Table 2.1, Row D
B	(5) Indigent Care Program; Children's Basic Health Plan Administration	\$114,173	0.0	\$0	\$36,238	\$0	\$77,935	68.26%	Sum of Table 2.1, Row B and Table 2.1, Row E
C	Total Request	\$1,392,822	0.0	\$0	\$675,562	\$0	\$717,260	51.50%	Sum of Rows A and B

Table 1.2 Summary by Line Item FY 2022-23 and Ongoing									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	(1) Executive Director's Office; (D) Eligibility Determinations and Client Services; Centralized Eligibility Vendor Contract Project	\$1,028,677	0.0	\$0	\$514,338	\$0	\$514,339	50.00%	Table 2.2, Row A
B	(5) Indigent Care Program; Children's Basic Health Plan Administration	\$89,450	0.0	\$0	\$31,307	\$0	\$58,143	65.00%	Table 2.2, Row B
C	Total Request	\$1,118,127	0.0	\$0	\$545,645	\$0	\$572,482	51.20%	Sum of Rows A and B

S-14, BA-14 Centralized Eligibility Vendor Rate Change
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	FFP Rate	Notes/Calculations
Centralized Eligibility Vendor - Estimated Annual Cost Increase for FY 2021-22									
A	Medicaid Share	\$1,028,677	0.0	\$0	\$514,338	\$0	\$514,339	50.00%	Table 3.1, Row C
B	CHP+ Share	\$89,450	0.0	\$0	\$28,391	\$0	\$61,059	68.26%	Table 3.1, Row E
C	Subtotal	\$1,118,127	0.0	\$0	\$542,729	\$0	\$575,398	51.46%	Sum of Rows A and B
Centralized Eligibility Vendor - Actual Cost Increase for QE 6/30/2021 Reconciliation Payment									
D	Medicaid Share	\$249,972	0.0	\$0	\$124,986	\$0	\$124,986	50.00%	Table 3.2, Row C
E	CHP+ Share	\$24,723	0.0	\$0	\$7,847	\$0	\$16,876	68.26%	Table 3.2, Row E
F	Subtotal	\$274,695	0.0	\$0	\$132,833	\$0	\$141,862	51.64%	Sum of Rows D and E
G	Total Request	\$1,392,822	0.0	\$0	\$675,562	\$0	\$717,260	51.50%	Sum of Rows C and F

Table 2.2 Summary by Initiative FY 2022-23 and Ongoing									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
Centralized Eligibility Vendor - Estimated Annual Cost Increase for FY 2022-23 and Ongoing									
A	Medicaid Share	\$1,028,677	0.0	\$0	\$514,338	\$0	\$514,339	50.00%	Table 3.1, Row C
B	CHP+ Share	\$89,450	0.0	\$0	\$31,307	\$0	\$58,143	65.00%	Table 3.1, Row E
C	Subtotal	\$1,118,127	0.0	\$0	\$545,645	\$0	\$572,482	51.20%	Sum of Rows A and B
D	Total Request	\$1,118,127	0.0	\$0	\$545,645	\$0	\$572,482	51.20%	Row C

S-14, BA-14 Centralized Eligibility Vendor Rate Change
Appendix A: Assumptions and Calculations

Table 3.1 Cost Allocation for Estimated Annual Increase			
Row	Description	Value	Source
A	Estimated Annual Cost Increase	\$1,118,127	Table 4, Row O
B	Percentage Allocable to Medicaid	92%	Based on FY 2020-21 Actuals for Indirect Costs
C	Dollar Amount Allocable to Medicaid	\$1,028,677	Row A * Row B
D	Percentage Allocable to CHP+	8%	Based on FY 2020-21 Actuals for Indirect Costs
E	Dollar Amount Allocable to CHP+	\$89,450	Row A * Row D

Table 3.2 Cost Allocation for QE 6/30/2021 Increase			
Row	Description	Value	Source
A	Actual Cost Increase for QE 6/30/2021	\$274,695	Table 4, Row L
B	Percentage Allocable to Medicaid	91%	Based on QE 6/30/2021 Actuals for Indirect Costs
C	Dollar Amount Allocable to Medicaid	\$249,972	Row A * Row B
D	Percentage Allocable to CHP+	9%	Based on QE 6/30/2021 Actuals for Indirect Costs
E	Dollar Amount Allocable to CHP+	\$24,723	Row A * Row D

S-14, BA-14 Centralized Eligibility Vendor Rate Change
Appendix A: Assumptions and Calculations

Table 4 Estimated Annual Cost Increase			
Row	Description	Total Funds	Source
QE 9/30/2020			
A	Actual Costs	\$1,350,981	FY 2020-21 Centralized Eligibility Vendor Cost Reports
B	Recalculated Costs Using new Indirect Cost Rate	\$1,633,458	Estimated by Department's Cost Allocation Vendor
C	Cost Increase	\$282,477	Row B - Row A
QE 12/31/2020			
D	Actual Costs	\$1,372,269	FY 2020-21 Centralized Eligibility Vendor Cost Reports
E	Recalculated Costs Using new Indirect Cost Rate	\$1,659,198	Estimated by Department's Cost Allocation Vendor
F	Cost Increase	\$286,929	Row E - Row D
QE 3/31/2021			
G	Actual Costs	\$1,310,561	FY 2020-21 Centralized Eligibility Vendor Cost Reports
H	Recalculated Costs Using new Indirect Cost Rate	\$1,584,587	Estimated by Department's Cost Allocation Vendor
I	Cost Increase	\$274,026	Row H - Row G
QE 6/30/2021			
J	Actual Costs	\$1,312,693	FY 2020-21 Centralized Eligibility Vendor Cost Reports
K	Recalculated Costs Using new Indirect Cost Rate	\$1,587,388	Actual increase calculated by Department's Cost Allocation Vendor
L	Cost Increase	\$274,695	Row K - Row J
Annual Total			
M	Total Actual Costs	\$5,346,504	Sum of Rows A, D, G, and J
N	Total Recalculated Costs Using New Indirect Cost Rate	\$6,464,631	Sum of Rows B, E, H, and K
O	Estimated Annual Cost Increase	\$1,118,127	Row N - Row M