# Long-Range Financial Plan FY 2020-21

November 1, 2020

COLORADO
Department of Health Care Policy & Financing

Contents

## Summary of Long-Range Financial Plan

Pursuant to HB18-1430 (§2-3-209, C.R.S.), each state agency is required to submit an annual long-range financial plan beginning November 1, 2019. The statutory elements required in these plans include:

- Statement of the agency's mission
- Description of the agency's major functions
- Description of the agency's performance goals
- Performance evaluation of the agency's major programs with recommendations to improve performance
- Description of anticipated trends, conditions, or events affecting the agency
- Description of any programs funded by federal funds or gifts, grants, and donations that may decrease in the future.

This long-range financial plan covers the five-year period beginning in the current fiscal year (FY 2020-21 through FY 2024-25). The plan is not a policy document but rather a management tool to support effective planning and resource allocation. As such, it does not reflect the impact of policy proposals. In addition, given the November 1 statutory deadline for the plans, they were developed prior to the finalization of the Governor's FY 2021-22 budget request, and thus may not reflect all technical changes prepared for the budget.

The information gathered and presented in the plan aligns with the Governor's Office of State Planning and Budgeting's instructions for submission and does not represent the totality of information included in the Department's November 1 budget submission and material differences between the two documents are intentional and not due to mistakes or omissions.

The Office of State Planning and Budgeting (OSPB) has developed a statewide overview of the long-range plan submissions, which can be viewed on OSPB's website at: www.colorado.gov/ospb

# Section 1: Introduction

## Mission and Vision

HCPF's vision for its members and Colorado citizens at large is that "Coloradans have integrated health care and enjoy physical, mental and social well-being." As a department, our mission is "improving health care access and outcomes for the people we serve while demonstrating sound stewardship of financial resources." With the responsibility of the largest budget for the state of Colorado, and the duty to care for our state's most vulnerable, this vision and mission, as well as our goals, inform our work on a day-to-day basis.

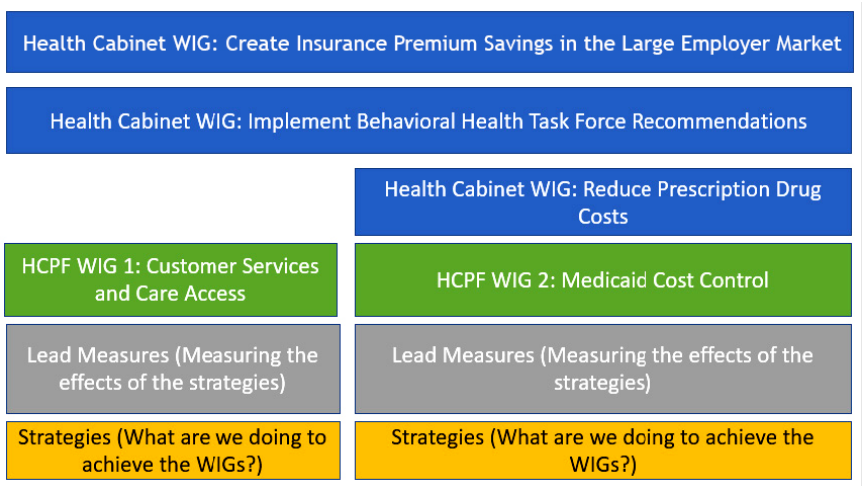
## Overview of Department Goals

HCPF's "Wildly Important Goals" (WIGs) reflect the major goals of the Department, developed in collaboration with the Governor's Office. WIGs adhere to the "SMART" goal format, meaning that they are specific, measurable, achievable, relevant, and time-bound.

There are two types of WIGs referenced in this plan. The first are the Governor's WIGs to the Department. These two Governor's WIGs include: 1) Access to Care and Customer Service, and 2) Medicaid Cost Control. In addition, HCPF will be working in support of three WIGs that are the shared responsibility of the Health Cabinet. These WIGs are 1) Implementing the Behavioral Health Task Force Recommendations, 2) Reducing Prescription Drug Costs, and 3) Leveraging "New Normal in Health Care" Opportunities.

For the two Governor's WIGs, this plan provides further detail on the lead measures that will be used to help assess progress towards completion of the WIGs. This plan also articulates additional discrete strategies that drive achievement of the WIGs. Used in this context, strategies are generally synonymous with initiatives or projects.

### Aligning Health Cabinet WIGs, Department WIGs, Lead Measures, and Strategies



## Governor's WIG 1 to HCPF: Access to Care and Customer Service

The economic downturn has caused an unprecedented number of Coloradans to lose their employer-sponsored health coverage. The Department could serve more than 250,000 more Coloradans through Health First Colorado (Colorado's Medicaid Program) and Child Health Plan *Plus* (CHP+), a 20% increase in members from the 1.3 million in March 2020. Clearly, Coloradans will need support through this challenging time. We have focused our WIGs on the areas that are visible and meaningful to Coloradans, including enrollment support (call center response and application processing time), member call center, provider call center and payment turnaround time, provider recruitment and access, and connecting members who do not qualify for Health First Colorado or CHP+ to other coverage options through Connect for Health Colorado, the state's insurance marketplace.

> WIG #1: Deliver health care coverage, service and access support to Coloradans during this economic downturn. By June 30, 2021, out-perform average monthly targets as measured by the number of new Medicaid providers, member application processing times, call center speed-of-answer time, provider payment turnaround time, and timeliness of application referrals to Connect for Health Colorado.

Successful completion of this goal will ensure Colorado's most vulnerable residents are able to get coverage in a timely manner, get their questions answered and access providers to meet their needs. Part of achieving this goal is also supporting our providers by answering their questions and paying for care in a timely manner.

### WIG 1 Outcome Measures

- Process 95% of eligibility applications within 45 days through June 30, 2021.
- Answer calls at the provider call center, member call center, and enrollment call center in an average of less than 150 seconds through June 30, 2021.
- Enroll 10,000 new Health First Colorado providers by June 30, 2021.
- Pay 90% of Medicaid medical and pharmacy claims in an average of less than seven days through June 30, 2021.
- Refer 90% of applicants determined not eligible for Health First Colorado or CHP+ to Connect for Health Colorado within three days of authorization date through June 30, 2021.

## Governor's WIG 2 to HCPF: Medicaid Cost Control

Cost control for Health First Colorado continues to be a high priority for the Department and being an effective steward of Coloradans' valuable financial resources remains paramount. Given the economic downturn and the resulting impact

on the state budget, of which Health First Colorado is a major portion, as well as the projected growth in Health First Colorado and CHP+ enrollment, controlling costs will be even more critical in the months and years ahead. Successful completion of this goal will ensure effective stewardship of Colorado's financial resources while maintaining our commitment to member access to care and health outcomes. For example, one of the leading indicators for this WIG is the implementation of condition management and care support programs. Proactive engagement with our highest risk and highest cost patients can improve outcomes and quality of life for these members while simultaneously lowering the costs to the state.

> WIG #2: Responsibly manage health care costs to achieve an annual Medicaid trend* of no more than 2.0% by June 30, 2021.

**Trend will be defined as the growth from FY 2019-20 to FY 2020-21 in the total amount paid for Medicaid services, not including supplemental financing payments, divided by average monthly caseload.*

### WIG 2 Outcome Measures

- Reduce Emergency Department visits per thousand an average of 1.5% by June 30, 2021, by helping members maximize telemedicine and the right settings for care.
- Complete implementation of the Maximum Allowable Cost reimbursement model by April 1, 2021, to control specialty prescription drug costs.
- Implement the diabetes, case management for complex members, and maternity support programs across all Regional Accountable Entities (RAEs) by December 31, 2020, to improve health and better control high cost claims.
- Complete the study and policy design for telemedicine by December 31, 2020, in preparation for implementation in the following fiscal year.

## Shared Agency WIGs: Governor's Health Cabinet

In addition to the two Department-specific WIGs above, HCPF is partnering with the Governor's Office of Saving People Money on Health Care, Colorado Departments of Human Services, Public Health & Environment, and Regulatory Agencies (CDHS, CDPHE, and DORA) to accomplish shared agency WIGs that Governor Jared Polis and his Health Cabinet have prioritized. All of the agencies within the Health Cabinet have different responsibilities related to achieving these affordability WIGs. The strategies and measures that are outlined in this Performance Plan support both the Department WIGs and the Health Cabinet WIGs.

### Health Cabinet WIG 1: Implement Behavioral Health Task Force Recommendations

On April 8, 2019, Gov. Jared Polis directed the Colorado Department of Human Services to spearhead Colorado's Behavioral Health Task Force, which was further supported by two bills passed in the 2019 Legislative Session (SB 19-222 and SB 19-

223). The mission of the task force is to evaluate and set the roadmap to improve the current behavioral health system in the state.

The task force is comprised of an Executive Committee and four subcommittees; Executive Director Bimestefer is a member of the Executive Committee and the Department is represented on each of the four subcommittees. The task force drafted the "Behavioral Health Blueprint" which includes recommendations to improve access to prevention and treatment, improve quality and accountability, re-design state financing, and align technology, policy, and innovation. Currently, behavioral health services and funding are scattered across multiple Departments, programs, and populations, each with separate eligibility, data reporting, and funding sources. The Department will be an active partner in leading the state's coordinated efforts to improve services and outcomes for those in need.

**Outcome Measure**: Create and implement a policy strategy by May 15, 2021, to address the three HCPF recommendations below from the Behavioral Health Blueprint:

- Federal match analysis
- Single system for state claims
- Explore community benefit funding

## Health Cabinet WIG 2: Reduce Prescription Drug Costs

Prescription drug costs are the fastest-growing consumer health care expense in the U.S., a trend that is unlikely to change in the coming years without intentional best-practice and strategic policy changes. Brand and specialty drug costs are growing significantly faster than inflation rates, and industry profits are disproportionately high compared to other parts of the health care industry. Rising prescription drug costs impact the Department as the state's largest payer; employers including the State of Colorado, who provide health care benefits for their employees; and patients and families who are paying out of pocket for some or all of their drug costs.

The cost burden of prescriptions is not just taking a toll on the financial wellbeing of Colorado families, employers and the government, it also has the tragic effect of forcing people to forego their medications because they can't afford them. The Department is working on cost control for Medicaid while supporting a multitude of strategies that can benefit all payers including the state. These strategies include but are not limited to: prescription drug transparency; drug importation from Canada and other countries; rebate pass through; and implementation of tools that help physicians and others prescribe more cost-effectively while reducing the inappropriate prescribing of opioids.

### Outcome Measures

- Pass legislation in the 2021 legislative session to improve the affordability of prescription drugs to employers and Coloradans.
- Launch a tool that provides prescribers with information ("Prescriber Tool"), such as retail drug cost and member co-pay, by June 30, 2021, to enable more efficient prescribing patterns and reduce costs to employers and Medicaid.
- Provide prescription drug retail pricing information and support to help employers and their representatives negotiate best in class retail prices with insurance carriers and their Prescription Benefit Managers that reduce brand name net costs and generic drug costs.
- Use the Summer Center for Improving Value in Health Care (CIVHC) 2020 Prescription Drug Rebate report to empower employers to negotiate higher rebate sharing, which lowers their net prescription drug costs.
- Submit the Section 804 Importation Program (SIP) to the U.S. Department of Health and Human Services (HHS) to enable Colorado to import drugs from Canada, in order to create an average savings of 60% on all imported drugs, assuming that the final drug importation rule is released in Dec. 2020, as announced by HHS, and allows for effective implementation of the program.

### **Health Cabinet WIG 3:** Create Insurance Premium Savings in the Large Employer Market

The Governor's Office of Saving People Money on Health Care has set out to make health insurance more affordable as part of its focus on identifying and addressing root causes of the outrageous cost of health care. The Department is supporting this work through the Governor's Health Cabinet by implementing strategies to achieve the outcome measures below focused on education, programs, and partnerships:

### Outcome Measures

- Develop processes to educate members and providers on the availability of lower cost, high quality care options in order to reduce unnecessary and more costly care, including: education on availability of telemedicine in order to reduce unnecessary emergency room visits by 10% (as measured by Medicaid utilization) by June 30, 2021.
- Create the foundation to enable eConsults to support PCP care and reduce inappropriate specialist care by June 30, 2021.
- Implement the Hospital Transformation Program (HTP) by June 30, 2021, to reduce readmissions, reduce NICU babies, and reduce ER visits.
- Provide hospital cost information and support to help employers and their representatives negotiate best in class reimbursements for hospital care that results in participation by 50 employers in purchasing alliances, at least one in every geographic rating area, by June 30, 2021.

- Identify Hospital Centers of Excellence protocols by procedure and major care type to be used by employers and their representatives to target contracting (monthly percentage completion).

## Organizational Chart

Department operations and staff are organized into nine offices, each reporting to the Executive Director as described below.


## Department Overview

### Executive Director's Office

Kim Bimestefer was appointed Executive Director of the Department effective Jan. 8, 2018, and was reappointed to this position by Governor Jared Polis. The executive director is responsible for setting the strategic direction of the Department; defining its vision, mission, and annual goals; leading the Department to achieve its vision, mission and goals; and ensuring the Department operates in an efficient and effective manner. The office also leads collaborative efforts to drive down health care costs and prices to the benefit of Coloradans, their employers, Medicaid, CHP+, and the state. The executive director also creates alignment between Department initiatives and collaborates with other state agencies to achieve the health care agenda of the governor.

### Cost Control & Quality Improvement Office

The Cost Control & Quality Improvement Office was established July 1, 2018, by the Medicaid Cost Containment bill (SB18-266). This office analyzes utilization, unit cost, quality, and overall cost trends for Health First Colorado, CHP+, and other health safety net programs administered by HCPF. This includes utilization review,

population management, case and disease management, analysis supporting interpretations, and quality scorecard metrics. The office works collaboratively with other areas of the Department to secure insights into cost trend drivers and evolving utilization patterns. The office crafts cost management strategy, selects cost management vendor partners, and oversees cost management program effectiveness and return on investment for the Department.

## Finance Office

The Finance Office is responsible for the financial and risk management operations of the Department. Its divisions and functions are as follows: The Budget Division presents and defends our budgetary needs to Colorado executive and legislative authorities and monitors our caseload and expenditures throughout the fiscal year. The Controller Division oversees the Department's accounting functions. The Rates and Payment Reform Section is responsible for monitoring, developing, and implementing rates for payments to providers, including value-based payments and managed care rate setting (PACE, managed care organizations, behavioral health care capitation, etc.). The Special Financing Division administers funding to qualified medical providers who serve low-income Coloradans and researches methods for leveraging federal funds and funds from other sources to offset the expenditure of state General Fund dollars. One significant responsibility is the administration of the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) fee. The Audits and Compliance Division assists in ensuring Department compliance with state and federal law, identifies and recovers improper payments to providers, and conducts preliminary investigations of fraud. The CFO is responsible and accountable for our financial strategy, financial data and reporting, and for use of data analytics to define value and measure quality about Department operations.

## Health Information Office

The Health Information Office develops, implements and maintains the Department's Health Information Technology (HIT) and related Information Technology (IT) infrastructure, while coordinating with the Governor's Office of Information Technology, the Office of eHealth Innovation (OeHI) and other stakeholders on health IT and IT projects that impact the Department. Major responsibilities of the Health Information Office include enhancing and maintaining the Department's IT infrastructure and data flow as they impact its health care claims payment system (Medicaid Management Information System (MMIS)), member eligibility system (Colorado Benefits Management System (CBMS)), Business Intelligence Data Management System (BIDM) and supporting Department operations related to claims processing and member eligibility.

## Health Programs Office

The Health Programs Office oversees Health First Colorado and CHP+ acute care physical and behavioral health programs. The Office manages benefit policy development and oversight and is responsible for key functions including benefit

coverage appeals, federal and state compliance activities, and the Accountable Care Collaborative.

### Medicaid Operations Office

The Medicaid Operations Office oversees health plan operations administered by the Department. This office is responsible for the overall operations of Health First Colorado and CHP+. This office manages the daily operations of Health First Colorado. In addition, this office is responsible for establishing and monitoring the operational performance standards (e.g., call center performance standards, claims payment standards, enrollment processing standard, compliance, etc.) for internal operations as well as for contractors working for the Department. This includes claims payment operations, the member and provider call centers; the member identification card contractor and new member enrollment; eligibility determinations made by contracted partners; and critical compliance to include fraud, waste, and abuse and program integrity.

### Office of Community Living

The Office of Community Living oversees Health First Colorado's long-term services and supports (LTSS) programs and manages efforts to transform Colorado's LTSS system to ensure responsiveness, flexibility, accountability and person-centered supports for all eligible persons.

### Pharmacy Office

The Pharmacy Office oversees the prescription drug benefits provided to our Health First Colorado and CHP+ members. The office is responsible for ensuring strong prescription drug policy and clinically appropriate and cost-effective use of medications. Focus areas include the Colorado Preferred Drug List Program; drug-utilization analysis and input from the Colorado Drug Utilization Review Board; value-based contracting; prescription drug affordability policy for the state, Health First Colorado and CHP+; reimbursement strategy, and contracting, including rebate contracting and more. The office also manages the Pharmacy Benefit Management System (PBMS), the adjudication system that processes the point-of-sale pharmacy claims, and the contract with the Pharmacy Benefit Management vendor. Additional responsibilities include collecting federal and supplemental drug rebates from pharmaceutical manufacturers, ensuring pharmacy benefit compliance with federal and state statutes and regulations, and providing pharmacy benefits information and assistance to members, pharmacies and prescribers.

### Policy, Communications and Administration Office

The Policy, Communications and Administration Office manages Department functions associated with the legislative agenda, government affairs, communications and media relations, legal affairs, human resources and workforce development. Office staff represents the Department in stakeholder's engagement with members, legislators, county partners, advocates and the press.

## Section 2: Evaluation of FY19-20 Department Goals

The Department identified five significant objectives, or pillars, to be accomplished in FY 2019-20. These strategic pillars were new last fiscal year, and the strategic policy initiatives supporting them reflected project-based foundation building to achieve Governor Polis' health goals. As a result, many of the targets below demonstrate achievement of single year milestones, and year-over-year performance data is not applicable.

### Pillar 1: Health Care Affordability for Coloradans: Reduce the cost of care in Colorado

The Department created a Health Care Affordability Roadmap that identifies cost drivers and cost control policies to address them. The Roadmap is intended to inform the state's and Medicaid's affordability strategy and align the two. This pillar is formulated to achieve improvement in the areas of price constraint, alternative payment models, data infrastructure, innovation, and population health, as reflected by the following performance measures.

| Performance Measures | FY 19 YE | FY 20 YE | 1-Year Goal |
|---|---|---|---|
| # State thought leaders, industry influencers and stakeholders who are aware of, engaged to develop, or supporting the execution of the 3-5+ Year Health Care Affordability Road Map | 2,220 | 4,650 | 3,500 |
| % Complete: Prescription Cost Drivers Report | N/A | 100% | 100% |
| % Complete: Payer Prescription Tool implementation | N/A | 29% | 100% |
| % Complete: CMS Approval for HTP Waiver | N/A | 85% | 100% |
| # HTP measures implemented | N/A | 12 | 10 |

### Pillar 2: Medicaid Cost Control: Ensure the right services for the right people at the right price

Since the passage of Colorado's Senate Bill 18-266, Controlling Medicaid Costs, the Department has been focusing resources to meet the intent of the legislation and the affordability goals of Governor Polis. In addition to many cost control initiatives to better manage Medicaid expenditures, such as curbing fraud and evolving Accountable Care Collaborative strategies, there are more than 15 workstreams inside the Department focused on Medicaid claim trend management. Most of the appropriations

received by the Department are for the purpose of funding the state's Medicaid program. As such, it is critical that the Department demonstrate sound stewardship of the financial resources that have been allocated to its programs. While the Department's actual expenditure per capita total cost of care per member per year (PMPY) was higher than the goal, the overall spending was still within budget allocation.

| Performance Measures | FY 19 YE | FY 20 YE | 1-Year Goal |
|---|---|---|---|
| $ Medicaid per capita total cost of care (PMPY) | $6,378 | $7,087 | $6,839[1] |
| % Complete: Managing rising trends and high-risk, high-cost Medicaid members | N/A | 100% | 100% |

[1] Annual goal or PMPY target was adjusted after finalization of the Department Performance Plan in October 2019 to reflect changes in the November budget forecast for FY 2019-20.

Per capita expenditure exceeded the FY 2019-20 target for two primary reasons. Caseload declined during the first three quarters of the fiscal year, and individuals who left Medicaid were less costly than those who remained. In addition, the Department received less funding from drug rebates compared to previous years which led to an increase in total expenditure.

## Pillar 3: Member Health: Improve member health

The Department seeks to improve the health and well-being of Coloradans served by the Medicaid program. Appropriate health care must be complemented by addressing chronic disease, mental health and substance use disorder. The impact of the opioid crisis has devastated many American families and Colorado is no exception. The Department is implementing strategies to battle overprescribing behaviors and reduce patient addiction in the Medicaid and CHP+ populations. Note that the Department has driven the number of opioid pill consumption and the number of members taking opioids down by more than 50% over the last five years – an outstanding accomplishment. We are now working on strategies to improve the administration of pain medications to those suffering from chronic pain while continuing to reduce the chance of addiction and the over prescribing of addictive therapies.

The number of dispensed opioid pills per pharmacy member per month exceeded the goal. The was due to fewer people seeking medical care during COVID-19 and the fact that surgeries and other therapies had to be delayed. The denominator of this metric represents all members who filled prescriptions, and since there was a drop in total prescriptions filled during the stay-at-home order, while members who filled opioid prescriptions remained steady, these members represented a larger ratio of the total.

| Performance Measures | FY 19 YE | FY 20 YE | 1-Year Goal |
|---|---|---|---|
| Decrease # opioid pills dispensed among members who use the Rx benefit | 8.26 | 7.93 | 7.46 |
| Percent Complete: Baseline Risk Score for every member | N/A | 100% | 100% |

## Pillar 4: Customer Service: Improve service to members, care providers, and partners

Our focus for this pillar is on improving service to our members and providers to reach levels that parallel that of the private or commercial sector. We want to be diligent and thoughtful in finding ways to do more with less across all our operations in order to match the service levels associated with commercial payers.

| Performance Measures | FY 19 YE | FY 20 YE | 1-Year Goal |
|---|---|---|---|
| Provider call average speed of answer (ASA) in seconds | 52 | 46 | 61 |

## Pillar 5: Operational Excellence: Create compliant, efficient, and effective business practices that are person- and family-centered

To achieve this pillar we are improving the cost-efficiency of our operations, strengthening services to our providers, and completing systems changes that improve member experience. We have taken on a substantial amount of project work to improve operational excellence in areas such as federal compliance, member call center, eligibility accuracy, executive accountability, and measure execution.

| Performance Measures | FY 19 YE | FY 20 YE | 1-Year Goal |
|---|---|---|---|
| Complete contract management training for 100% of contract managers | N/A | 100% | 100% |
| Percent targeted Medicaid households using PEAK*Health* mobile app | 36% | 49% | 43% |
| $ HCPF expenditures – Administration | $311,714,033 | $347,005,365 | $436,961,708 |

# Section 3: Financial Structure

## Department Budget Overview

The Department of Health Care Policy & Financing is comprised of seven divisions: (1) Executive Director's Office, (2) Medical Services Premiums, (3) Behavioral Health Community Programs, (4) Office of Community Living, (5) Indigent Care Program, (6) Other Medical Services, and (7) Department of Human Services Medicaid-Funded Programs. The Department's appropriations fund administration and services provided through public health programs including Medicaid, Children's Health Insurance Program (known as Child Health Plan Plus (CHP+) in Colorado) and state programs.

| | General Fund | General Fund Exempt | Cash Funds | Reappropriated Funds | Federal Funds | Total |
|---|---|---|---|---|---|---|
| FY 2016-17 | $1,798,860,293 | $830,634,257 | $1,022,925,553 | $15,426,584 | $5,409,785,027 | $9,077,631,714 |
| FY 2017-18 | $1,989,739,026 | $821,142,006 | $1,212,347,879 | $77,491,711 | $5,795,608,107 | $9,896,328,729 |
| FY 2018-19 | $2,071,721,281 | $885,763,242 | $1,389,264,217 | $83,491,228 | $5,944,110,291 | $10,374,350,259 |
| FY 2019-20 | $2,450,640,691 | $523,715,016 | $1,399,023,430 | $93,709,522 | $6,355,609,055 | $10,822,697,714 |
| Current Appropriation | $3,099,827,477 | $84,878,526 | $1,767,368,404 | $45,956,525 | $7,035,804,815 | $12,033,835,747 |

*Totals exclude capital construction.*

## Historical Appropriation by Long Bill Item

(1) Executive Director's Office

| | General Fund | General Fund Exempt | Cash Funds | Reappropriated Funds | Federal Funds | Total |
|---|---|---|---|---|---|---|
| FY 2016-17 | $61,544,145 | $0 | $32,444,772 | $3,523,924 | $178,986,066 | $9,077,631,714 |
| FY 2017-18 | $62,027,666 | $0 | $40,720,410 | $4,004,743 | $184,074,527 | $291,016,161 |
| FY 2018-19 | $75,047,213 | $0 | $48,175,326 | $4,004,743 | $213,578,319 | $340,805,511 |
| FY 2019-20 | $86,668,223 | $0 | $54,305,957 | $4,514,382 | $247,273,129 | $392,761,691 |
| Current Appropriation | $91,276,960 | $0 | $58,381,094 | $4,352,565 | $253,404,472 | $407,415,091 |

### *(2)* Medical Services Premiums

| | General Fund | General Fund Exempt | Cash Funds | Reappropriated Funds | Federal Funds | Total |
|---|---|---|---|---|---|---|
| FY 2016-17 | $1,106,167,109 | $830,201,667 | $698,906,376 | $9,102,709 | $4,149,759,791 | $6,794,137,652 |
| FY 2017-18 | $1,255,856,070 | $820,701,666 | $866,879,029 | $70,731,431 | $4,567,845,864 | $7,582,014,060 |
| FY 2018-19 | $1,290,515,379 | $885,333,333 | $1,027,854,986 | $79,040,579 | $4,536,570,893 | $7,819,315,170 |
| FY 2019-20 | $1,620,335,149 | $523,323,333 | $1,020,585,026 | $88,970,140 | $4,814,932,104 | $8,068,145,752 |
| Current Appropriation | $2,165,802,190 | $84,491,394 | $1,393,285,900 | $41,603,960 | $5,346,276,891 | $9,031,460,335 |

*Increase from FY 2019-20 to current appropriation is driven by projected increases in Medicaid caseload due to the COVID-19 pandemic and economic recession.*

### *(3)* Behavioral Health Community Programs

| | General Fund | General Fund Exempt | Cash Funds | Reappropriated Funds | Federal Funds | Total |
|---|---|---|---|---|---|---|
| FY 2016-17 | $170,423,670 | $0 | $18,132,712 | $0 | $425,726,312 | $614,282,694 |
| FY 2017-18 | $173,502,009 | $0 | $23,499,835 | $0 | $338,172,782 | $535,174,626 |
| FY 2018-19 | $188,367,662 | $0 | $29,000,474 | $0 | $446,117,475 | $663,485,611 |
| FY 2019-20 | $191,513,555 | $0 | $36,384,994 | $0 | $499,036,650 | $726,935,199 |
| Current Appropriation | $249,860,102 | $0 | $54,860,438 | $0 | $654,689,699 | $959,410,239 |

*Increase from FY 2019-20 to current appropriation is driven by projected increases in Medicaid caseload due to the COVID-19 pandemic and economic recession. In addition, the current appropriation includes an increase of $43.5 million to account for the impact of implementing HB 18-1136, "Substance Use Disorder Treatment."*

### *(4)* Office of Community Living

| | General Fund | General Fund Exempt | Cash Funds | Reappropriated Funds | Federal Funds | Total |
|---|---|---|---|---|---|---|
| FY 2016-17 | $256,885,832 | $0 | $7,395,268 | $308,229 | $238,446,589 | $503,035,918 |
| FY 2017-18 | $271,545,879 | $0 | $7,516,096 | $0 | $256,507,545 | $535,569,520 |
| FY 2018-19 | $292,123,556 | $0 | $2,277,218 | $295,906 | $272,274,015 | $566,970,695 |
| FY 2019-20 | $318,433,010 | $0 | $7,054,129 | $0 | $339,681,664 | $665,168,803 |
| Current Appropriation | $330,377,776 | $0 | $11,118,976 | $0 | $359,134,404 | $700,631,156 |

*Increase from FY 2018-19 to FY 2019-20 is driven by rate increases appropriated through HB 18-1407, "Access to Disability Services and Stable Workforce," as well as an increase of 150 enrollments into the Developmental Disabilities waiver on top of 400 annual reserved capacity authorizations.*

### *(5)* Indigent Care Program

| | General Fund | General Fund Exempt | Cash Funds | Reappropriated Funds | Federal Funds | Total |
|---|---|---|---|---|---|---|
| FY 2016-17 | $11,817,602 | $432,590 | $207,673,644 | $0 | $309,699,410 | $529,623,246 |
| FY 2017-18 | $9,968,662 | $440,340 | $208,257,707 | $0 | $332,935,422 | $551,602,131 |
| FY 2018-19 | $9,758,522 | $429,909 | $210,455,500 | $0 | $349,365870 | $570,009,801 |
| FY 2019-20 | $9,140,382 | $391,683 | $205,997,723 | $0 | $323,494,792 | $539,024,580 |
| Current Appropriation | $30,802,293 | $387,132 | $172,908,670 | $0 | $289,277,568 | $493,375,663 |

*Increase in General Fund from FY 2019-20 to current appropriation is driven by a reduction in the federal match rate for the CHP+ program.*

*(6)* Other Medical Services

| | General Fund | General Fund Exempt | Cash Funds | Reappropriated Funds | Federal Funds | Total |
|---|---|---|---|---|---|---|
| FY 2016-17 | $139,684,674 | $0 | $56,506,639 | $2,491,722 | $52,056,097 | $250,739,132 |
| FY 2017-18 | $162,019,412 | $0 | $63,585,899 | $2,566,722 | $58,837,944 | $287,009,977 |
| FY 2018-19 | $157,026,598 | $0 | $69,611,900 | $150,000 | $64,932,463 | $291,720,961 |
| FY 2019-20 | $169,931,656 | $0 | $72,806,698 | $225,000 | $68,862,087 | $311,825,441 |
| Current Appropriation | $175,554,017 | $0 | $74,924,423 | $0 | $69,132,827 | $319,611,267 |

*(7)* Department of Human Services Medicaid-Funded Programs

| | General Fund | General Fund Exempt | Cash Funds | Reappropriated Funds | Federal Funds | Total |
|---|---|---|---|---|---|---|
| FY 2016-17 | $52,337,261 | $0 | $1,888,903 | $0 | $55,110,762 | $109,314,165 |
| FY 2017-18 | $54,819,328 | $0 | $1,888,903 | $0 | $57,234,023 | $113,942,254 |
| FY 2018-19 | $58,882,351 | $0 | $1,888,903 | $0 | $61,271,256 | $122,042,510 |
| FY 2019-20 | $54,618,716 | $0 | $1,888,903 | $0 | $62,328,629 | $118,836,248 |
| Current Appropriation | $56,154,139 | $0 | $1,888,903 | $0 | $63,888,954 | $121,931,996 |

## Capital Construction Information

| | Controlled Maintenance | Capital Renewal & Recapitalization | Capital Expansion | IT Projects* | Total |
|---|---|---|---|---|---|
| FY 2016-17 | $0 | $0 | $0 | $0 | $0 |
| FY 2017-18 | $0 | $0 | $0 | $0 | $0 |
| FY 2018-19 | $0 | $0 | $0 | $6,605,000 | $6,605,000 |
| FY 2019-20 | $0 | $0 | $0 | $11,408,333 | $11,408,333 |
| Current Appropriation | $0 | $0 | $0 | $4,500,000 | $4,500,000 |

**The funding is used to develop and implement the Health IT Roadmap, which coordinates investments and policies for health IT infrastructure and data sharing across the state. The funding is managed by the Office of eHealth Innovation (OeHI), within the Lt. Governor's Office, and the Department serves as OeHI's fiscal agent.*

### Ongoing Debt Obligations

The Department does not have any ongoing debt obligations.

# Section 4: Financial Forecast

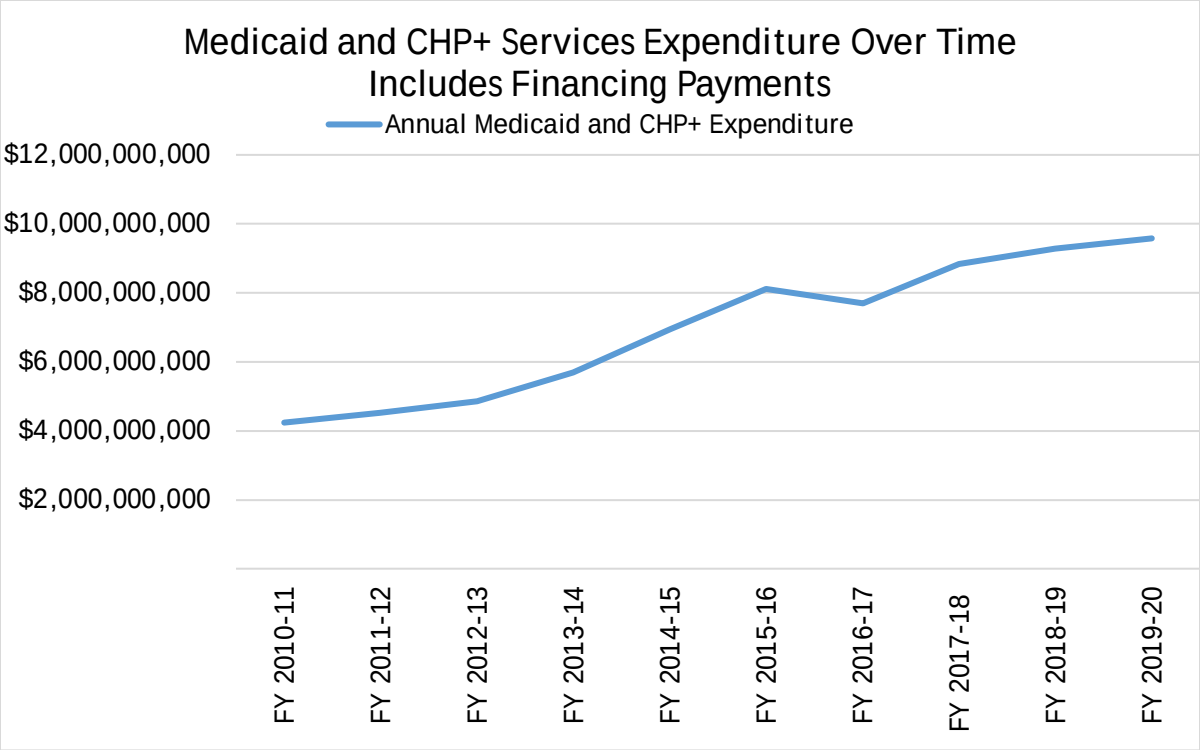
## Department Baseline Forecast

### FY 2020-21 – FY 2024-25 Timeframe

The following tables provide estimates of appropriations for FY 2021-22 through FY 2024-25. Estimates are derived based on expected increases to the budget from approved legislative or budget items from 2020 and prior and include estimates for increasing costs in the Medicaid and CHP+ programs based on the Department's November 2, 2020, budget requests R-1 through R-5.

| | General Fund | General Fund Exempt | Cash Funds | Reappropriated Funds | Federal Funds | Total |
|---|---|---|---|---|---|---|
| Current Appropriation | $3,099,827,477 | $84,878,526 | $1,767,368,404 | $45,956,525 | $7,035,804,815 | $12,033,835,747 |
| FY 2021-22* | $3,560,632,784 | $84,878,526 | $1,585,647,762 | $47,995,532 | $7,197,981,208 | $12,477,135,811 |
| FY 2022-23* | $3,841,436,511 | $84,878,526 | $1,755,897,265 | $47,995,532 | $7,630,374,669 | $13,360,582,503 |
| FY 2023-24* | $4,010,018,203 | $84,878,526 | $1,783,717,649 | $47,995,532 | $7,946,002,980 | $13,872,612,890 |
| FY 2024-25* | $4,186,375,572 | $84,878,526 | $1,811,342,443 | $47,995,532 | $8,275,872,594 | $14,406,464,667 |

*Estimated Appropriation




## Department Major Budget Drivers

### COVID-19 - Changes in Economic Conditions

The novel coronavirus (COVID-19) pandemic that emerged in early 2020 is having an unprecedented impact on the health care sector, the economy, and our most vulnerable Coloradans. After 128 months of continuous economic growth, the National Bureau of Economic Research officially declared the United States' economy in a recession based on the "unprecedented magnitude of the decline in employment and production."[1] A large majority of people enrolled in Medicaid and CHP+[2] qualify for the programs because their income is below specific thresholds. Colorado expanded eligibility criteria under federal law, and for Medicaid, adults and children must have income below 133% of the federal poverty level to qualify. For CHP+, children and pregnant women must have income below 250% of the federal poverty level to qualify.

This unprecedented economic downturn directly impacted the state budget through significant reductions to state income tax revenue. Given the Department's historic consumption of approximately 26% of the state's General Fund, these revenue shortfalls are of particular concern. The financial impact to the Department is further magnified by an increased need for health care coverage and benefits caused by the loss of employer-sponsored health coverage. Specifically, the Department estimates a

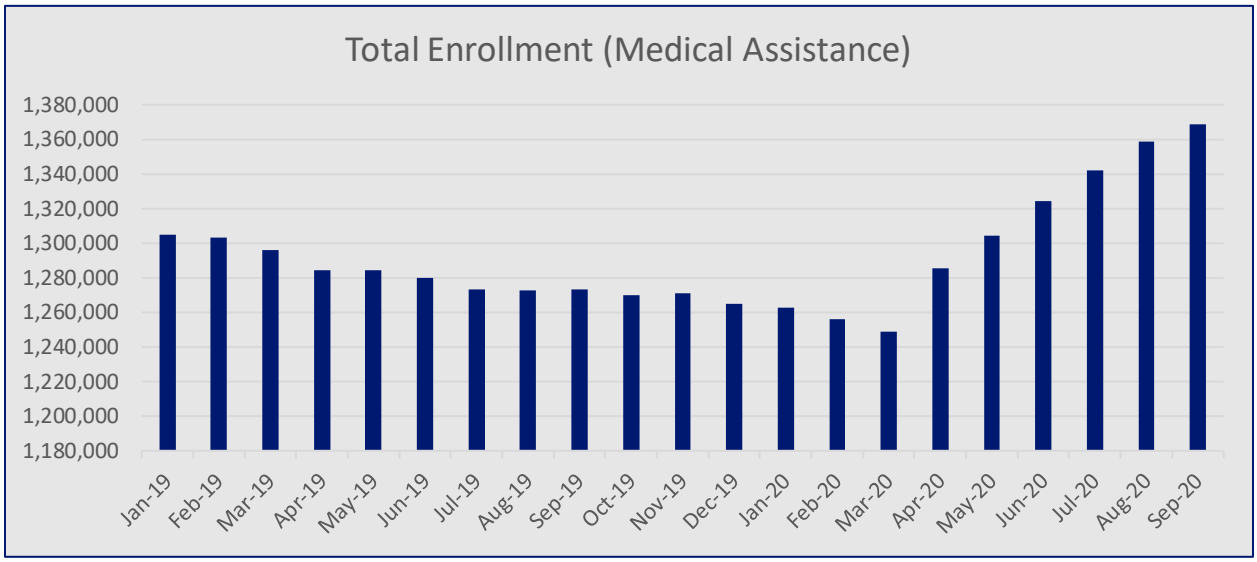
[1] https://www.nber.org/cycles/june2020.html

[2] In Colorado, CHP+ recipients can either be enrolled in Health First Colorado or Child Health Plan *Plus* (CHP+), depending on their income level.

significant increase in individuals and families who will qualify for Medicaid and CHP+ by FY 2022-23, with more than 250,000 more Coloradans expected to be served by the Department, representing as much as a 20% increase in members from the 1.3 million served in March 2020.

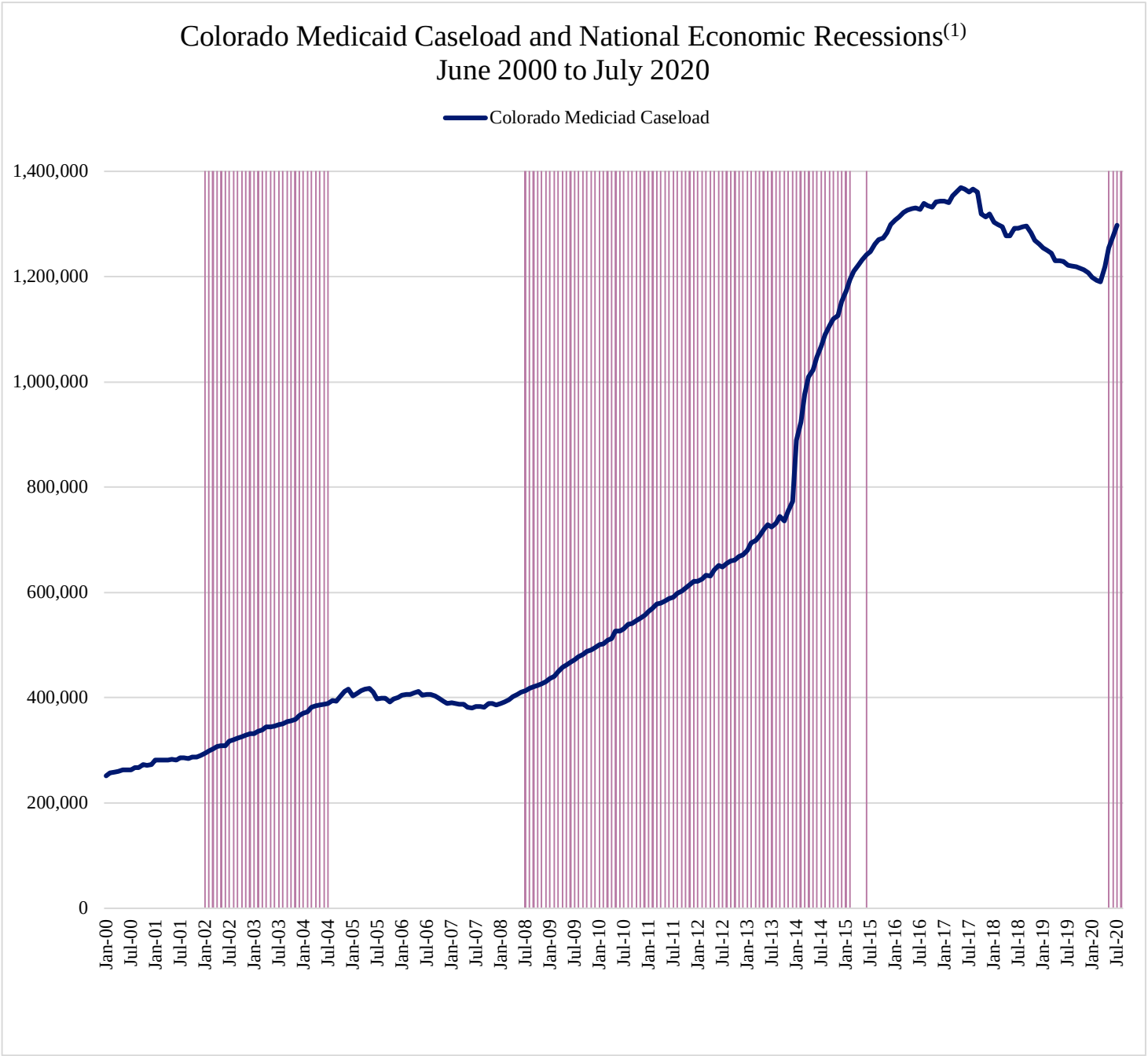
During times of recession or other economic contraction, caseload increases. As unemployment rises and people lose their jobs, income, and health insurance, people may apply for coverage through the Department's programs. This drives costs for the state as people enroll in the Department's programs and begin to use services. This creates a double-edged problem for the state: Medicaid and CHP+ costs are driven up by the influx of new caseload while the state collects lower General Fund revenues.

In the case of the 2020 recession, federal legislation helped some employers temporarily maintain their labor force, which may have blunted some of the initial enrollment surge. Federal legislation has also included a continuous coverage requirement, where no current Medicaid members may be disenrolled, which has contributed to overall rising Medicaid caseloads. Below is a look at total medical assistance enrollment since January 2019. After an extended period of declining enrollment, a dramatic increase begins in April 2020 with the impact of COVID-19 and continuous coverage.




As the economy recovers, program caseload falls slowly. There are several key reasons for this. First, federal and state requirements for transitional programs allow people to stay enrolled for up to a year. Second, economic recoveries tend to affect people with lower income expectations more slowly. This means that while major economic indicators (such as unemployment, gross domestic product, and stock market indices) may show that the economy is improving, people with less education and people who are competing for low-wage jobs will generally take longer to find

work. As a result, Medicaid caseload tends to continue to increase for up to two years after a recession is officially over. Finally, people who leave public assistance programs during economic recoveries tend to be healthier and have lower costs than those people who remain. As a result, as caseload goes down, expenditure decreases by an amount lower than might otherwise expected, because the people who are leaving have lower than average per capita costs. Collectively, this continues to put pressure on the state's General Fund and limits the opportunity to restore funding to other state programs that received funding reductions during recessions.



## Changes in Colorado's Demographics

The combination of Colorado's increasing population and a greater proportion of adults over 65 will continue to drive costs in the Department's programs. The State Demography Office predicts total population growth of close to 480,000 people (7%) between 2020 and 2025.[3] As the population grows, caseload in Medicaid and CHP+ will also grow. Colorado's population growth rates are expected to exceed national population growth by a significant margin in this time frame. Longer term projections from the State Demography Office indicate that Colorado's population will exceed 8 million by the year 2050.

Growth rates are even higher among older adults, with 13% growth of people between the ages of 65-74, and 30% growth of people aged 75 and older.[4] By 2050, they estimate that the population of people 65 and older will more than double, and that there will be over 1,600,000 households of people 65 and older. The growth in adults 65 and older will continue to create significant budgetary pressure. As people age and spend down their resources, they become eligible for Medicaid. Further, people who require assistance with activities of daily living qualify for Medicaid at higher income levels. Older adults have higher per capita costs than adults and children and receive the least amount of federal funding available.

## Increasing Health Care Costs

The affordability of health care continues to be one of the most significant challenges facing the Department, the state, and the nation. With the economic downturn, all payers – self-funded employers and Medicaid alike – benefit from a solid affordability strategy. Specific to the Department, the increased need for HCPF programs and services combined with the state's budget crisis makes the implementation of effective affordability policy more important than ever. As a trusted health care expert, and in partnership with other health care thought leaders, the Department is focused on research, analytics and reporting that identifies the drivers of rising health care costs and alternatives to address them. Leveraging insights from this effort serves to support not only Medicaid and CHIP members, but all Coloradans.

The Centers for Medicare and Medicaid Services (CMS) predict that national health spending is projected to grow at an average rate of 5.4% per year between 2019 and 2028, outstripping growth in the nation's Gross Domestic Product.[5] CMS predicts that Medicaid spending will also grow at a rate of 5.5%, which is between the projected rate of Medicare growth at 7.6% and private health insurance growth at 4.8%. CMS identifies that key trends involve rapid increases in prescription drug spending, hospital spending, and physician and clinical services.

3 https://demography.dola.colorado.gov/births-deaths-migration/data/components-change/#components-of-change

4 https://demography.dola.colorado.gov/population/population-totals-counties/#population-to-tals-for-colorado-counties

5 https://www.cms.gov/files/document/nhe-projections-2019-2028-forecast-summary.pdf

For Colorado, this will continue to create budgetary pressures. While the Department continues to implement new payment methodologies that condition a portion of reimbursements on outcomes and performance metrics, and implement regulatory structures that prioritize member health, inflationary pressures will continue.

Below are some of the most prominent affordability environmental factors the Department has recently been focused on addressing.

- **Prescription drug costs**: The high cost of prescription drugs, especially specialty drugs, is a challenge for Medicaid, CHP+, and all health plans. In December 2019, the Department prepared a report titled "Reducing the Cost of Prescription Drugs."[6] The report lays out a set of comprehensive changes that would favorably impact prescription drug costs and the out-of-pocket costs for families covered by commercial insurance, while achieving a meaningful reduction in the total cost of prescription drugs for Colorado's Medicaid and CHP+ programs.
- **Hospital delivery system**: Colorado's hospital prices are some of the highest in the country. While Colorado is fortunate to have strong health outcomes and health coverage that both contribute to low per capita costs, the prices for individual procedures, inpatient and outpatient care vary widely from hospital to hospital. The Cost Shift Report[7] published by the Department in Jan. 2020 provided a thorough analysis of the price, costs and profits across the hospital industry in Colorado.
- **Population health and health outcomes:** The Department has developed data capture infrastructure and analytics to better understand care delivery, utilization, health outcomes and costs. The Department is able to leverage these insights to identify populations that would benefit from increased care supports and coordination. Concurrently, the Department has worked with its Regional Accountable Entity (RAE) partners to craft new programs to address these health improvement and affordability opportunities. The Department has and will continue to engage with the state's Behavioral Health Task Force as it implements its blueprint for improving behavioral health.

## Federal Policy Changes

Medicaid and CHP+ are programs that are funded jointly by the federal government and Colorado. As such, any change in federal policy for these programs can have a budgetary impact for the state. Most major policy changes require an act of Congress, and therefore, there is uncertainty in what may occur in the next five years. There is no clear consensus at the federal level about how Medicaid and CHP+ may change in the future. The outcome of the November 2020 elections will determine future federal policy direction. Possibilities that have been discussed at the federal level

6 https://www.colorado.gov/pacific/sites/default/files/Reducing%20Prescription%20Drug%20Costs%20in%20Colorado%20-%20December%2012%2C%202019.pdf

7 https://www.colorado.gov/pacific/hcpf/colorado-cost-shift-analysis

recently include:

## Repealing the Affordable Care Act.

The elimination of the Medicaid expansion provisions of the Affordable Care Act (ACA) could cause more than 421,000[8] people to lose coverage through Medicaid and CHP+. It is possible that some people could gain private insurance, though this is not certain; many people who gained coverage during the Medicaid expansion were previously uninsured. A straight repeal would jeopardize at least $1.8 billion in federal funds for Colorado.[9] In addition to the expansion impact, the federal subsidies to those purchasing coverage on the Connect for Health marketplace exchange is also at risk. In the event that such subsidies are repealed, Colorado's uninsured rate will further rise, unfunded liabilities to providers will increase, medical bankruptcies will rise, and Medicaid enrollment will likely be impacted as well.

The Supreme Court is scheduled to hear arguments in a case challenging the constitutionality of the ACA legislation on November 10, 2020, and a decision is expected by June 2021.

## Changes to Federal Medical Assistance Percentage Funding

There has been discussion on the federal level about both temporary and permanent changes to the federal medical assistance percentage (FMAP) that states receive for Medicaid expenditures. The Families First Coronavirus Response Act, (FFCRA) (Pub. L. 116-127), provided a temporary 6.2 percentage point increase in federal Medicaid matching funds to help states respond to the public health emergency. This increase reduced the estimated General Fund required for FY 2020-21 by $207.4 million[10]. States are required to provide continuous enrollment and not reduce benefits for the duration of the declared emergency in order to qualify for the higher match. The Department's budget currently assumes the increased FMAP would end on March 31, 2020. Any changes to these assumptions would impact Department expenditures. Other changes are possible, such as tying the FMAP to economic statistics such as the unemployment rate; while any change would impact state expenditures, the specific impact can only be determined after federal policy proposals are unveiled.

## Medicaid Waivers and Executive Action

The Social Security Act allows the approval of "…experimental, pilot, or demonstration projects that are found by the Secretary [of Health and Human Services] to be likely to assist in promoting the objectives of the Medicaid program. The purpose of these demonstrations, which give states additional flexibility to design and improve their programs, is to demonstrate and evaluate state-specific policy approaches to better serving Medicaid populations." In recent years, the federal government has approved waivers that allow for major changes in the Medicaid program, such as work requirements (also known as "community engagement"),

[8] https://www.colorado.gov/pacific/sites/default/files/2020%20CHASE%20Annual%20Report.pdf, p.5
[9] https://www.colorado.gov/pacific/sites/default/files/February%202020%20CHASE%20Update20FINAL.pdf
[10] https://leg.colorado.gov/sites/default/files/hcpf_bal_fy20-21_05-04-20.pdf, page 10

enhanced coverage for substance use disorder treatment, and other Medicaid redesigns.

The increasing availability of these waivers may provide options for Colorado to reform Medicaid programs beyond what was approved in the past. In addition to waivers, the federal government may change the Medicaid program via new regulations. This type of Executive Action could have significant effects on the operation and financing of the Medicaid program. In November 2019, the administration issued a proposed rule, the Medicaid Fiscal Accountability Regulation (MFAR). The changes proposed are extremely technical and complex but would likely have significant implications for provider payment rates and state financing of Medicaid by disrupting current arrangements and restricting the future use of such arrangements. Federal changes could alter Medicaid financing and enrollment trends, which could impact the state budget.

## Scenario Evaluation: Economic Downturn

An economic downturn primarily affects the Department by increasing caseload for the Medicaid and CHP+ programs. During an economic downturn, unemployment rises rapidly, particularly for those people with lower income expectations. As a result, caseload rises rapidly. The Department estimates that during the current recession and the years immediately following, caseload will increase significantly: Medicaid and CHP+ caseload has already increased 12.7% between February 2020 and September 2020. The Department estimates that caseload growth will continue to grow with Medicaid and CHP+ members totaling 1.6 million in FY 2022-23, an increase of over 250,000 members. Because of the entitlement nature of the Medicaid program, this causes rapid growth in the Department's appropriations at a time when the State's General Fund revenue growth has stalled, or revenues have declined. Total Department cost is expected to increase 23% between FY 2019-20 and FY 2022-23; significant uncertainty exists in cost projections during the unprecedented nature of the current pandemic and recession.

A recent survey of individuals who have filed for unemployment benefits conducted in partnership with the Department, the Colorado Department of Labor and Employment (CDLE), and Connect for Health Colorado indicates that 19% of Coloradans who have filed for benefits are uninsured and of that group, 46% plan to stay uninsured for the foreseeable future[11]. Many of them are likely to be eligible for Medicaid or CHP+ if they apply. Not having insurance causes people to delay or forego preventive or routine health care visits that may be needed to manage chronic conditions. Not having insurance can lead to an increase in spending on Emergency Medicaid or increased costs for unmanaged conditions once members do enroll, leading to an increase in Department costs. Other factors associated with the pandemic and the accompanying recession can also affect costs. For example, housing instability and an

[11] https://connectforhealthco.com/c4-media/wp-content/uploads/2020/08/07163533/UI-Survey-8.7.2020-KB-presentations.pdf

increase in evictions can lead to higher medical costs. Without housing, it is more difficult to maintain access to primary or preventive care or recover from an illness or medical treatment.

There are a range of caseload scenarios that could occur in the future that would impact Department costs. For example, there could be another wave of COVID-19 infections which causes unemployment to remain high due to a second stay-at-home order, and new enrollees grow more quickly than currently projected due to an increase in the number of people unemployed. Alternatively, there could be an economic rebound spurred by the availability of a vaccine or other factors, where Medicaid enrollment returns to pre-pandemic levels very quickly. The Department's November forecast assumes a moderate rebound, where the economy improves over the course of FY 2020-21, but not back to pre-pandemic levels. In this scenario Medicaid enrollment continues to grow through FY 2021-22.

In a recessionary environment that reduces or slows the growth of state revenue, the Department has limited spending in numerous ways. For example, provider rates can be reduced. From FY 2009-10 to FY 2011-12, rates for most Medicaid providers were reduced by approximately 6.1%. In FY 2020-21, provider rates were reduced by 1% across the board, along with additional targeted rate reductions during budget balancing. The Department has reduced spending across numerous programs in past recessions, including state-only and cash-funded programs.

Historically, Colorado has relied on increases in federal funds to offset the need for program and provider cuts during an economic downturn. During the current recession, the increase in FMAP has had the effect of reducing the state's cost for Medicaid, thereby creating General Fund relief. Without additional federal assistance, more drastic program and provider cuts will be needed to balance the state budget.

## Scenario Evaluation: Department-specific Contingency

### Changes in Colorado's Health Care Landscape

There are a variety of possible changes in Colorado's health care landscape that would impact the Department's ability to meet performance goals. The Department does not directly provide or deliver medical services; rather, it administers a network of public and private providers who render services to members. Changes in the provider landscape can have a dramatic effect on the Department's ability to improve the health of its members. Examples might include:

- Closure of a rural hospital. COVID-19 has put additional pressures on rural hospitals. A hospital closure in a rural area could leave a large area of the state without access to hospital services. Some people may end up going without needed services, while the Department may end up paying more for transportation costs to bring people to other hospitals.

- Provider shortages. An ongoing concern is that there will not be enough providers available to provide services when members need them. There are already shortages of qualified providers in rural areas, particularly for skilled nursing services and home-and community-based services. The COVID-19 pandemic may exacerbate these shortages if providers are unable to remain in business due to changes in utilization, such as people forgoing care because they are afraid to receive in-person care.
- Mergers and Acquisitions. Another concern is an increase in hospitals purchasing provider practices leading to a decrease in independent provider groups. Such consolidation impacts the Department's ability to provide a diverse provider network to meet members' needs. It further increases the cost of care to both the Department and to employers.
- Colorado Healthcare Affordability and Sustainability Enterprise risks. The Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) provides a revenue source to finance payments to hospitals and expand health care coverage in Medicaid and CHP+ to a large number of members. CHASE has been the subject of litigation regarding its legal status under the Taxpayer Bill of Rights (TABOR). For FY 2021-22, the Department expects to collect approximately $1.0 billion in fees, which allows the Department to receive $2.7 billion in federal funds[12].

## Emerging Trends

There are several other key trends that will continue to drive expenditure growth in the Department's programs. In all circumstances, the Department is exploring ways to control growing costs. Key examples of emerging trends include:

### Impacts from COVID-19

The COVID-19 pandemic will likely continue to impact Department costs. During the stay-at-home and safer-at-home orders, Coloradans have avoided health care utilization, including emergency services. This includes both forgone routine and emergency care, such as missed screenings, or a person who has a cardiac arrest at home but does not seek treatment. This can lead to decreased health outcomes and increased future costs. Additionally, the long-term health impacts for those who have had COVID-19 are still being studied and the cost and administration of vaccines, when available, could impact Medicaid spending. The impacts of these varied factors are difficult to project with precision.

### Long-Term Care Direct Care Workforce

The Department currently serves nearly 70,000 individuals in long-term services and supports. As the third fastest growing state in the nation for aging and older adults, this number is only expected to grow larger in the coming years. We already hear concerns about provider sustainability and worker shortages, particularly in rural

[12] https://www.colorado.gov/pacific/sites/default/files/February%202020%20CHASE%20Update%20FINAL.pdf, page 6

areas.. These shortages are anticipated to get worse due to worker migration, wage compression, and increases in minimum wage for other non-direct care worker positions.. Current shortages show challenges with recruiting and retention, with some providers reporting as high as 82% turnover. COVID-19 has only exacerbated these challenges, as these workers are on the front-line of serving Colorado's most vulnerable population and burnout is reported as high. It is critical that cross-agency work continue to focus on lasting solutions and resources to administer this work be considered as essential.

### Economic Downturns Spur Innovations

Although economic downturns create significant challenges for the state's entitlement programs, they also create opportunities to find efficiencies and spur innovation. The Department's strategy, starting from the beginning of the COVID-19 pandemic, was adjusted to recognize the emerging "new normal in health care,"[13] with a focus on sustaining and driving positive changes to the system. This includes policies that assure the right care is occurring at the right place, lowering pharmacy costs and hospital efficiency. For example, greater use of telemedicine can improve efficiency and access in care delivery.

### Behavioral Health

Implementing the recommendations from the Behavioral Health Task Force would have impacts to the state budget. The mission of the task force is to evaluate and set the roadmap to improve the current system in the state and to develop a blueprint, with anticipated implementation of recommendations starting in late 2020 and continuing through 2024. The recommendations include maximizing Medicaid funding, which requires state funds to draw down federal funds. The recommendations also include the potential to leverage HCPF data reporting, analysis, and claim processing technology. The recommendations may also affect the Department's implementation of its residential and inpatient Substance Use Disorder treatment benefit (HB 18-1136).

### Increased Health Care Costs

Rising health care costs will continue to require Department attention and innovation. This includes prescription drug costs, including the high cost of specialty drugs, and high cost Durable Medical Equipment (DME), including robotic arms and other expensive equipment. Additionally, with the increase in membership of older adults, people with disabilities, and an increasing homeless population, the higher cost of community-based long-term services and supports, including Consumer Directed Attendant Support Services (CDASS), In-Home Support Services (IHSS) and Program for All-Inclusive Care for the Elderly (PACE) will continue to put a strain on state budgets.

[13] https://www.colorado.gov/pacific/sites/default/files/HCPF%202020-2021%20Performance%20Plan.pdf

## Section 5: Anticipated Funding Decreases

### Major Expenses Anticipated

Several factors impact the needs for additional funding including the end of the temporary FMAP increase due to the public health emergency and the end of dedicated enhanced funding for Health Information Technology. There is also uncertainty at the federal level about the future of Medicaid financing and how provider fees will be leveraged in the future to draw down federal funds, which could require drastic changes in Colorado that could impact hospitals and members. TABOR restrictions on raising revenue further complicate this issue. Lastly, there is uncertainty about the future of the Affordable Care Act. If either legislation or a court ruling undid the Medicaid expansion in the ACA, the state would lose the 90% federal match, which would place a massive strain on the Medicaid program and state budget.