

Schedule 13

Department of Health Care Policy and Financing

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-15 Transfer HAS Fee

Dept. Approval By: 

Supplemental FY 2020-21

OSPB Approval By: 

Budget Amendment FY 2021-22

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$9,026,391,954	\$0	\$8,984,194,399	\$0	\$0
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$2,245,225,203	\$0	\$2,422,686,658	(\$80,000,000)	\$0
	CF	\$1,393,285,900	\$0	\$1,201,917,467	\$80,000,000	\$0
	RF	\$41,603,960	\$0	\$43,625,726	\$0	\$0
	FF	\$5,346,276,891	\$0	\$5,315,964,548	\$0	\$0

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$9,026,391,954	\$0	\$8,984,194,399	\$0	\$0
FTE		0.0	0.0	0.0	0.0	0.0
02. Medical Services Premiums, (A) Medical Services Premiums, (1)	GF	\$2,245,225,203	\$0	\$2,422,686,658	(\$80,000,000)	\$0
Medical Services Premiums - Medical Services Premiums	CF	\$1,393,285,900	\$0	\$1,201,917,467	\$80,000,000	\$0
	RF	\$41,603,960	\$0	\$43,625,726	\$0	\$0
	FF	\$5,346,276,891	\$0	\$5,315,964,548	\$0	\$0

Auxiliary Data

Requires Legislation? YES

Type of Request?

Department of Health Care Policy and Financing Prioritized Request

Interagency Approval or Related Schedule 13s:

No Other Agency Impact



Department Priority: R-15
Request Detail: Transfer HAS Fee

Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$9,026,391,954	\$8,984,194,399	\$0	\$0
FTE	0.0	0.0	0.0	0.0
General Fund	\$2,245,225,203	\$2,422,686,658	(\$80,000,000)	\$0
Cash Funds	\$1,393,285,900	\$1,201,917,467	\$80,000,000	\$0
Reappropriated Funds	\$41,603,960	\$43,625,726	\$0	\$0
Federal Funds	\$5,346,276,891	\$5,315,964,548	\$0	\$0

Summary of Request:

The Department requests a one-time reduction of \$80,000,000 General Fund and an \$80,000,000 increase in cash funds from the Healthcare Affordability and Sustainability Fee Cash Fund in FY 2021-22 to offset the increase in Medicaid hospital expenditure as a result of the COVID-19 pandemic and accompanying economic downturn. This request is total funds neutral, as it does not increase or decrease total Medicaid expenditure. The General Assembly would need to pass legislation in order to authorize this proposal.

Current Program:

The State share for Colorado's Medicaid program is funded through a mix of fund sources; the two largest fund sources are the General Fund and the Healthcare Affordability and Sustainability (HAS) Fee Cash Fund. The HAS Fee cash fund is funded with fees assessed on hospitals pursuant to the Colorado Healthcare Affordability and Sustainability Enterprise Act of 2017, section 25.5-4-402.4, C.R.S. The Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) provides business services to hospitals when, in exchange for payment of health care affordability and sustainability fees by hospitals, it obtains federal matching money and returns both the HAS fee and the federal matching money to hospitals. This funding is used to increase reimbursement rates to hospitals for providing medical care under the state medical assistance program and the Colorado indigent care program and to increase the number of individuals covered by public medical assistance.

When authorized by the General Assembly, the HAS Fee may be used to offset General Fund expenditures for the State Medical Assistance Program. Most recently, the General Assembly approved, and the Governor signed into law, HB 20-1386, Concerning the use of a Specified Amount of the Money in the Healthcare Affordability and Sustainability Fee Cash Fund to Offset General Fund Expenditures for the State Medical Assistance Program. HB 20-1386 appropriated \$161 million to the Department from the HAS Fee Cash Fund and reduced General Fund appropriations by the same amount. The net result of this transfer is that the State achieves General Fund savings for each dollar of HAS Fee that is appropriated for this purpose.

Problem or Opportunity:

As a result of the COVID-19 pandemic and accompanying economic downturn, the State is facing a shortage of General Fund revenue. Budget cuts and cash fund transfers are necessary to achieve a balanced budget. The Department expects that there will be available revenue in the HAS Fee Cash Fund that can be used to offset General Fund expenditure for FY 2021-22.

Proposed Solution:

The Department requests a reduction of \$80,000,000 General Fund and an increase in cash funds from the HAS Fee Cash fund of \$80,000,000 in FY 2021-22 in order to reduce the General Fund cost of the State's Medicaid program. The requested funding would be used to maintain services to eligible individuals that may otherwise need to be reduced because of the State's revenue situation. This request does not fall on the evidence continuum.

The General Assembly would need to pass legislation akin to HB 20-1386 in order to authorize this proposal. The legislation should provide direct statutory authorization to allow the Department to receive an appropriation HAS Fee Cash Fund to offset General Fund expenditures for the State Medical Assistance Program, with an appropriation clause specifying the amount of the transfer. This authorization should include language specifying that this transfer must be

funded before other items, such as supplemental and incentive payments, so that if revenue is insufficient to fund all authorized uses of the HAS Fee, the General Fund is protected.

In addition to approval by the General Assembly, the Department would need the Medical Services Board to promulgate rules setting the HAS Fee at a sufficient level to support the cash fund appropriations. Further, the total amount of revenue collected must not exceed the federal limits for such fees.

Without this transfer, the State would be required to find an additional \$80,000,000 of General Fund relief or program reductions in order to balance the budget for FY 2021-22.

Anticipated Outcomes:

By implementing a cash fund transfer in lieu of other reductions, the Department would be better able to achieve its Wildly Important Goals to deliver health care coverage, service and access support to Coloradans during this economic downturn. Deep reimbursement reductions may make providers unwilling to participate in the Medicaid program or other various initiatives designed to control health care costs and improve the health of Medicaid recipients. By approving this proposal, the General Assembly would prevent other reductions to State programs. Further, this proposal would allow the Medicaid program to continue to provide the statutorily required benefits to recipients without additional reductions to the amount, scope, and duration of services.

Assumptions and Calculations:

The Department assumes that enough revenue would be available in the HAS Fee based on preliminary modelling of hospital net patient revenue for federal fiscal year 2022, including lower revenue due to COVID, upper payment limit growth, and expected expenditure for supplemental payments, expansion populations, administrative expenditure, and reinsurance. If revenue is below projections, then the CHASE Board would need to propose reductions in medical benefits or eligibility, which would need to be approved by both the Medical Services Board and Joint Budget Committee.

R-15 Transfer HAS Fee
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	(2) Medical Services Premiums; Medical and Long-Term Care Services for Medicaid Eligible Individuals	\$0	0.0	(\$80,000,000)	\$80,000,000	\$0	\$0	0.00%	See narrative
B	Total Request	\$0	0.0	(\$80,000,000)	\$80,000,000	\$0	\$0		Row A

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	(2) Medical Services Premiums; Medical and Long-Term Care Services for Medicaid Eligible Individuals	\$0	0.0	\$0	\$0	\$0	\$0	0.00%	See narrative
B	Total Request	\$0	0.0	\$0	\$0	\$0	\$0		Row A

R-15 Transfer HAS Fee
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
A	Transfer HAS Fee	\$0	0.0	(\$80,000,000)	\$80,000,000	\$0	\$0	0.00%	See narrative
B	Total Request	\$0	0.0	(\$80,000,000)	\$80,000,000	\$0	\$0		Row A

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
A	Transfer HAS Fee	\$0	0.0	\$0	\$0	\$0	\$0		One-time transfer in FY 2021-22
B	Total Request	\$0	0.0	\$0	\$0	\$0	\$0		Row A