Schedule 13

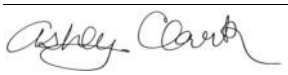
Department of Health Care Policy and Financing

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-17 Medicaid Benefit Adjustments

Dept. Approval By: 

OSPB Approval By: 

	Supplemental FY 2020-21
	Budget Amendment FY 2021-22
X	**Change Request FY 2021-22**

Summary Information	**Fund**	**FY 2020-21 Initial Appropriation**	**FY 2020-21 Supplemental Request**	**FY 2021-22 Base Request**	**FY 2021-22 Change Request**	**FY 2022-23 Continuation**
Total of All Line Items Impacted by Change Request	**Total**	**$9,026,456,848**	**$0**	**$8,984,259,238**	**($7,164,645)**	**($7,955,920)**
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$2,245,290,097	$0	$2,422,751,497	($3,614,741)	($4,010,379)
	CF	$1,393,285,900	$0	$1,201,917,467	$0	$0
	RF	$41,603,960	$0	$43,625,726	$0	$0
	FF	$5,346,276,891	$0	$5,315,964,548	($3,549,904)	($3,945,541)

Line Item Information	**Fund**	**FY 2020-21 Initial Appropriation**	**FY 2020-21 Supplemental Request**	**FY 2021-22 Base Request**	**FY 2021-22 Change Request**	**FY 2022-23 Continuation**
02. Medical Services Premiums, (A) Medical Services Premiums, (1) Medical Services Premiums - Medical Services Premiums	**Total**	**$9,026,391,954**	**$0**	**$8,984,194,399**	**($7,099,806)**	**($7,891,081)**
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$2,245,225,203	$0	$2,422,686,658	($3,549,902)	($3,945,540)
	CF	$1,393,285,900	$0	$1,201,917,467	$0	$0
	RF	$41,603,960	$0	$43,625,726	$0	$0
	FF	$5,346,276,891	$0	$5,315,964,548	($3,549,904)	($3,945,541)
04. Office of Community Living, (A) Division of Intellectual and Developmental Disabilities, (3) State Only Programs - Preventative Dental Hygiene	**Total**	**$64,894**	**$0**	**$64,839**	**($64,839)**	**($64,839)**
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$64,894	$0	$64,839	($64,839)	($64,839)
	CF	$0	$0	$0	$0	$0
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

Auxiliary Data			
Requires Legislation?	NO		
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-17
Request Detail: Medicaid Benefit Adjustments

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	$9,026,456,848	$8,984,259,238	**($7,164,645)**	**($7,955,920)**
FTE	0.0	0.0	0.0	0.0
General Fund	$2,245,290,097	$2,422,751,497	($3,614,741)	($4,010,379)
Cash Funds	$1,393,285,900	$1,201,917,467	$0	$0
Reappropriated Funds	$41,603,960	$43,625,726	$0	$0
Federal Funds	$5,346,276,891	$5,315,964,548	($3,594,904)	($3,945,541)

Summary of Request:

In order to reduce Medicaid spending in response to the State's revenue shortfalls, the Department requests to implement targeted benefit reductions in the Medicaid program. These changes include setting a limit on outpatient speech therapy evaluations, implementing an enrollment cap on the Program of All-Inclusive Care for the Elderly, and eliminating funding for the state-only preventive dental hygiene program. These reductions align with the Department's Wildly Important Goal #2 of Medicaid Cost Control by providing appropriate limits on certain benefits. This request represents a decrease of less than 0.5% from the Department's FY 2020-21 Long Bill total funds appropriation.

The outpatient speech therapy benefit and Program for All-Inclusive Care for the Elderly are aligned with Step 4 on the Evidence Continuum based on the robust national literature evaluating their effectiveness. The preventive dental hygiene program is aligned with Step 2 on the Evidence Continuum as it has not been evaluated in depth.

Current Program:

The Department sets limits on services to effectively administer the Medicaid and CHP+ programs, including overall caps and prior authorization processes when appropriate.

The preventive dental hygiene program line item supports outreach services to individuals with intellectual and developmental disabilities needing dental care with dentists willing to provide pro-bono dental care. Funding also goes to train members receiving services and staff about preventive dentistry and to educate both populations about how to access dental care.

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.

Outpatient Speech Therapy Evaluations

The Department does not currently require a prior authorization request for speech therapy evaluations. An evaluation is completed to determine whether a member would benefit from speech therapy. Of the members who received speech therapy evaluations in FY 2018-19, 80% received one evaluation and 90% received two or fewer evaluations. The remaining 10% of members received excessive quantities of evaluations, some more than fifty per year.

Program of All-Inclusive Care for the Elderly

Enrollment in the Program for All Inclusive Care for the Elderly (PACE) has grown significantly recently, by 75% over the last five years, and is projected to continue to grow by 8% per year going forward. The Department spends more on average for enrollees on PACE compared to enrollees enrolled in the Home and Community Based Services (HCBS) program through the Elderly, Blind, and Disabled waiver.

Preventive Dental Hygiene Program

This program uses state-only funding to provide outreach to members. The program does not provide any direct services, which are funded separately and are paid for with a federal match.

Proposed Solution:

The Department requests a reduction of $7,164,645 total funds, $3,614,741 General Fund in FY 2021-22 and $7,955,920 total funds, $4,010,379 General Fund in FY 2022-23 and ongoing to implement targeted benefit reductions. These changes include setting a limit on outpatient speech therapy evaluations, implementing an enrollment cap on the Program of All-Inclusive Care for the Elderly, and eliminating funding for the preventive dental hygiene program.

Limit Outpatient Speech Therapy Evaluations to Two Per Year

The Department requests a reduction of $704,803 total funds, $352,401 General Fund in FY 2021-22 and ongoing to implement a cap on speech therapy evaluations of two per year. This is a reasonable limit for this service and would ensure appropriate utilization.

Outpatient speech therapy can only be covered if it is medically necessary for the member's condition. It is a required benefit for children under Early and Periodic Screening, Diagnostic and Treatment (EPSDT). The Department does not collect data to determine whether speech therapy was effective on a case-by-case basis, however each request for outpatient speech therapy is scrutinized by the Department to ensure it meets medical necessity criteria. A report[1] by the Center for Evidence-based Policy, Medicaid Evidence-based Decisions Project, reviewed studies on the effectiveness of speech therapy interventions and found mixed results. Speech therapy was generally associated with improvements in certain areas, but it was found to be no more effective than social immersion for certain speech language deficits for children. This indicates that speech therapy is on Step 4 of the Evidence Continuum due to the robust volume and rigor of studies evaluating the effectiveness of speech therapy intervention.

Implement an Enrollment Cap for the Program of All-Inclusive Care for the Elderly

The Department requests a reduction of $6,395,003 total funds, $3,197,501 General Fund in FY 2021-22 and $7,186,278 total funds, $3,593,139 General Fund in FY 2022-23 and ongoing to implement an aggregate enrollment cap for the Program for All-Inclusive Care for the Elderly. PACE organizations would gain new enrollments as other people leave the program. The cap would remain in place until the General Assembly approved funding to allow for additional enrollments. This results in savings, at least in the short term, because the PACE organizations are paid through capitated rates that are calculated based on the expected costs incurred by members throughout their lifetimes. Newly enrolled members are younger and incur less costs on average outside of PACE. The average annual cost of a PACE enrollee is about $51,000, compared to the average cost of a member over the age of 65 on the Elderly, Blind, and Disabled waiver of about $27,000.

Capping enrollment would not result in any reduction in member access to critical benefits, including acute care services, behavioral health care, and personal care and homemaker services through the Home and Community Based Services waivers. Members who are interested in enrolling in the PACE program would be able to access these other services if enrollments are unavailable due to the enrollment cap.

[1] Thielke, Aasta, Allison Leof, Amy Harris, and Valerie King. "Speech Language Pathology for Children Under Six: Comprehensive Report." *Center for Evidence-based Policy; Medicaid Evidence-based Decisions Project (MED).* Oregon Health and Science University, September 2013. www.ohsu.edu/ohsuedu/research/policycenter/med/index.cfm.

The PACE program is on Step 4 of the Evidence Continuum. There are several studies evaluating the PACE program. The Department has reviewed national studies that indicate PACE improves care quality and access to services, with strong evidence in a decrease of inpatient hospitalization. In January 2014, the federal Department of Health and Human Services commissioned a study[2] that showed PACE had no significant effect on Medicare costs, but is associated with higher Medicaid costs. However, the Department is aware of another study conducted by Duke University[3] showing savings to both Medicare and Medicaid. Given the conflicting evidence, it is unclear if PACE saves Colorado money in the long term. The Department has only recently started receiving detailed encounter data from PACE organizations necessary to better understand the services provided. Over time the encounter data can be used to develop performance measures.

Eliminate Preventive Dental Hygiene Program

The Department requests a reduction of $64,839 total funds, all of which is General Fund, to eliminate funding for the state-only preventive dental hygiene program. The Department believes this service is on Step 2, "Identify Outputs" of the Office of State Planning and Budgeting (OSPB) Evidence Continuum. The preventive dental hygiene program, which does not actually provide dental services, has not been studied in depth. However, there are many studies that show the connection between poor oral health and systemic diseases that are impacted by oral health. For example, the Kaiser Family Foundation (KFF) article "Access to Dental Care in Medicaid: Spotlight on Nonelderly Adults"[4] references several studies showing that the detrimental effects of poor oral health and lack of access to services among low-income adults leads to higher risk for diabetes, cardiovascular disease and stroke. In addition, there is research that showing average medical cost of treating patients with multiple chronic conditions is lower when a Medicaid program includes preventative oral coverage.[5]

Anticipated Outcomes:

These policy changes would help the Department achieve its Wildly Important Goal #2 of Medicaid Cost Control by reducing costs through reasonable benefit reductions. The Department is proposing a reasonable limit for speech therapy evaluations that would still ensure appropriate access. The Department's proposal to cap enrollment growth into PACE would help reduce costs,

[2] Ghosh, Arkadipta, Cara Orfield, and Robert Schmitz. "Evaluating PACE: A Review of the Literature." *Mathematica.* U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, Office of Disability, Aging and Long-Term Care Policy, January 2014. www.mathematica.org/our-publications-and-findings/publications/evaluating-pace-a-review-of-the-literature.

[3] Wieland, Darryl, Bruce Kinosian, Eric Stallard, and Rebecca Boland. "Does Medicaid Pay More to a Program of All-Inclusive Care for the Elderly (PACE) Than for Fee-for-Service Long-term Care?" Journal of Gerontology: MEDICAL SCIENCES, January 2013. 47–55. doi:10.1093/gerona/gls137.

[4] Hinton, Elizabeth and Julia Paradise. "Access to Dental Care in Medicaid: Spotlight on Nonelderly Adults." The Kaiser Commission on Medicaid and the Uninsured, March 2016. www.kff.org/medicaid/issue-brief/access-to-dental-care-in-medicaid-spotlight-on-nonelderly-adults/view/footnotes/#footnote-178966-4.

[5] Singhal, Ashta, Daniel J Caplan, Michael P Jones, Elizabeth T Momany, Raymond A Kuthy, Christopher T Buresh, Robert Isman, and Peter C Damiano. "California Led To Increased Dental Emergency Visits And Associated Costs." *Project HOPE— The People-to-People Health Foundation, Inc.* Health Affairs, May 2015. Vol. 34, No. 5. doi:org/10.1377/hlthaff.2014.1358.

particularly in the short term, as services for newly enrolled members into PACE would cost much less outside of that delivery system. The preventive dental hygiene program provides outreach and education but does not include direct services to members. Members enrolled in waivers for individuals with intellectual and developmental disabilities would continue to have access to Medicaid dental benefits.

Assumptions and Calculations:

The Department would need to submit State Plan Amendments to the Centers for Medicare and Medicaid Services (CMS) and to change its rules through the Medical Services Board (MSB) to implement the speech therapy evaluation and PACE enrollment cap policy changes. The Department would proactively submit State Plan Amendments and regulatory changes so that the Department could implement reductions on July 1, 2021.

Limit Outpatient Speech Therapy Evaluations to Two Per Year

The Department estimated savings from implementing the proposed limit by analyzing claims data to identify members who received over two evaluations in FY 2018-19. The Department multiplied the total evaluations that exceeded two per member by the average paid amount for an evaluation. These costs would be avoided by establishing the limit through a prior authorization.

Implement an Enrollment Cap for the Program of All-Inclusive Care for the Elderly

The Department assumes that there would still be some growth in the PACE program, as the cap would be designed to allow for enough growth to ensure the viability of organizations. The Department estimates that it would cap enrollment at final FY 2020-21 enrollment level plus 25% of the projected growth in the program, for a projected maximum enrollment of 5,266 in FY 2021-22 and 5,562 in FY 2022-23 across all PACE providers. To estimate savings, the Department multiplied the reduction in projected enrollments by the difference in average costs between PACE and members enrolled in the Elderly, Blind, and Disabled waiver.

Eliminate Preventive Dental Hygiene Program

The Department estimates the impact from eliminating the preventive dental hygiene program based on the full amount that was appropriated for this program in the FY 2020-21 Long Bill.

Table 1.1
Summary by Line Item
FY 2021-22

Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	(2) Medical Services Premiums	($7,099,806)	$0	($3,549,902)	$0	$0	($3,549,904)	Table 2.1 Row A + Row B
B	(4) Office of Community Living (A) Division of Intellectual and Developmental Disabilities, Preventive Dental Hygiene	($64,839)	$0	($64,839)	$0	$0	$0	Table 2.1 Row C
C	**Total Request**	**($7,164,645)**	**$0**	**($3,614,741)**	**$0**	**$0**	**($3,549,904)**	**Row A + Row B**

Table 1.2
Summary by Line Item
FY 2022-23

Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	(2) Medical Services Premiums	($7,891,081)	$0	($3,945,540)	$0	$0	($3,945,541)	Table 2.2 Row A + Row B
B	(4) Office of Community Living (A) Division of Intellectual and Developmental Disabilities, Preventive Dental Hygiene	($64,839)	$0	($64,839)	$0	$0	$0	Table 2.2 Row C
C	**Total Request**	**($7,955,920)**	**$0**	**($4,010,379)**	**$0**	**$0**	**($3,945,541)**	**Row A + Row B**

Table 1.3
Summary by Line Item
FY 2023-24

Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	(2) Medical Services Premiums	($7,891,081)	0.0	($3,945,540)	$0	$0	($3,945,541)	Table 2.3 Row A + Row B
B	(4) Office of Community Living (A) Division of Intellectual and Developmental Disabilities, Preventive Dental Hygiene	($64,839)	0.0	($64,839)	$0	$0	$0	Table 2.3 Row C
C	**Total Request**	**($7,955,920)**	**0.0**	**($4,010,379)**	**$0**	**$0**	**($3,945,541)**	**Row A + Row B**

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	Limit Outpatient Speech Therapy Evaluations to 2 Per Year	($704,803)	0.0	($352,401)	$0	$0	($352,402)	50.00%	Table 3
B	Implement an Enrollment Cap for the Program of All Inclusive Care for the Elderly	($6,395,003)	0.0	($3,197,501)	$0	$0	($3,197,502)	50.00%	Table 4
C	Preventive Dental Hygiene Reduction	($64,839)	0.0	($64,839)	$0	$0	$0	0.00%	Current Appropriation
D	**Total Request**	**($7,164,645)**	**0.0**	**($3,614,741)**	**$0**	**$0**	**($3,549,904)**		**Row A + Row B + Row C**

Table 2.2
Summary by Initiative
FY 2022-23

Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Limit Outpatient Speech Therapy Evaluations to 2 Per Year	($704,803)	0.0	($352,401)	$0	$0	($352,402)	50.00%	Table 3
B	Implement an Enrollment Cap for the Program of All Inclusive Care for the Elderly	($7,186,278)	0.0	($3,593,139)	$0	$0	($3,593,139)	50.00%	Table 4
C	Preventive Dental Hygiene Reduction	($64,839)	0.0	($64,839)	$0	$0	$0	0.00%	Current Appropriation
D	**Total Request**	**($7,955,920)**	**0.0**	**($4,010,379)**	**$0**	**$0**	**($3,945,541)**		**Row A + Row B + Row C**

Table 2.3
Summary by Initiative
FY 2023-24

Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Limit Outpatient Speech Therapy Evaluations to 2 Per Year	($704,803)	0.0	($352,401)	$0	$0	($352,402)	50.00%	Table 3
B	Implement an Enrollment Cap for the Program of All Inclusive Care for the Elderly	($7,186,278)	0.0	($3,593,139)	$0	$0	($3,593,139)	50.00%	Table 4
C	Preventive Dental Hygiene Reduction	($64,839)	0.0	($64,839)	$0	$0	$0	0.00%	Current Appropriation
D	**Total Request**	**($7,955,920)**	**0.0**	**($4,010,379)**	**$0**	**$0**	**($3,945,541)**		**Row A + Row B + Row C**

Table 3
Estimated Savings from Limiting Speech Therapy Evaluations to Two Per Year

Row	Item	FY 2021-22	FY 2022-23	Comment
A	FY 2018-19 Number of Members Receiving Over Two Evaluations	1,255	1,255	MMIS claims data
B	FY 2018-19 Average Evaluations Per Person for Members Receiving Over Two Evaluations	6.07	6.07	MMIS claims data
C	Proposed Cap on Evaluations	2	2	Proposal
D	FY 2018-19 Number of Additional Evaluations Over Proposed Cap	5,108	5,108	Row A * (Row B - Row C)
E	Caseload Trend	15.37%	26.70%	November 1, 2020 Forecast
F	Projected Number of Additional Evaluations Over Proposed Cap	5,893	6,472	Row D * (1 + Row E)
G	FY 2018-19 Average Paid Amount Per Evaluation	$119.60	$119.60	MMIS claims data
H	**Estimated Cost Savings**	**($704,803)**	**($774,051)**	Row F * Row G

Table 4
Estimated Savings from Freezing New PACE Enrollments

Row	Item	FY 2021-22	FY 2022-23	Comment
A	Current Forecasted Enrollment Growth	367	394	November 1, 2020 Forecast
B	Estimated Impact of Negotiated Cap	75%	75%	Department would work with PACE organizations to establish reasonable caps specific to each program
C	Estimated Reduction in Growth	275	296	Row A * Row B
D	Average Costs of PACE Enrollees	$50,715.00	$52,490.03	November 1, 2020 Forecast
E	Average Costs of EBD Enrollees	$27,460.44	$28,212.06	November 1, 2020 Forecast
F	Cost Difference Per Person	($23,254.56)	($24,277.97)	Row E - Row D
G	**Estimated Cost Savings**	**($6,395,003)**	**($7,186,278)**	Row C * Row F