

Schedule 13

Department of Health Care Policy and Financing

Funding Request for The FY 2021-22 Budget Cycle

Request Title

R-21 Increased Medicaid Match for Financing Payments

Dept. Approval By: 

Supplemental FY 2020-21

OSPB Approval By: 

Budget Amendment FY 2021-22

X

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		\$9,155,185,103	\$0	\$9,150,436,961	(\$9,314,184)	\$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	(\$4,358,071)	(\$3,464,463)
	CF	\$1,457,682,475	\$0	\$1,285,038,748	\$3,822,119	\$3,464,463
	RF	\$41,603,960	\$0	\$43,625,726	(\$3,916,431)	\$0
	FF	\$5,410,673,465	\$0	\$5,399,085,829	(\$4,861,801)	\$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	(\$9,850,136)	\$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	(\$4,358,071)	(\$3,464,463)
Medical Services Premiums - Medical Services Premiums	CF	\$1,393,285,900	\$0	\$1,201,917,467	\$3,822,119	\$3,464,463
	RF	\$41,603,960	\$0	\$43,625,726	(\$3,916,431)	\$0
	FF	\$5,346,276,891	\$0	\$5,315,964,548	(\$5,397,753)	\$0

Total		\$128,793,149	\$0	\$166,242,562	\$535,952	\$0
FTE		0.0	0.0	0.0	0.0	0.0
06. Other Medical Services, (A) Other Medical Services, (1)	GF	\$0	\$0	\$0	\$0	\$0
Other Medical Services - Public School Health Services	CF	\$64,396,575	\$0	\$83,121,281	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$64,396,574	\$0	\$83,121,281	\$535,952	\$0

Auxiliary Data

Requires Legislation? YES

Type of Request? Department of Health Care Policy and Financing Prioritized Request

Interagency Approval or Related Schedule 13s:

Impacts Other Agency



Department Priority: R-21
Request Detail: Increased Medicaid Match for Financing Payments

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	\$9,155,185,103	\$9,150,436,961	(\$13,766,567)	\$0
FTE	0.0	0.0	0.0	0.0
General Fund	\$2,245,225,203	\$2,422,686,658	(\$8,810,454)	(\$3,464,463)
Cash Funds	\$1,457,682,475	\$1,285,038,748	\$3,822,119	\$3,464,463
Reappropriated Funds	\$41,603,960	\$43,625,726	(\$3,916,431)	\$0
Federal Funds	\$5,410,673,465	\$5,399,085,829	(\$4,861,801)	\$0

Summary of Request:

The Department requests a one-time reduction of \$8,810,454 General Fund in FY 2021-22 and \$3,464,463 General Fund in FY 2022-23 to allow the State to use a temporary increase in federal financial participation available through the Families First Coronavirus Response Act for certain financing payments to reduce General Fund. This would require a statutory change similar to HB 20-1385, "Use of Increased Medicaid Match." The request represents a decrease of less than 0.5% from the Department's FY 2020-21 Long Bill total funds appropriation. This request is not considered on the evidence-based policy continuum.

Current Program:

Certified Public Expenditure Payments

The Department makes several payments to public providers by drawing down federal financial participation (FFP) for certified public expenditures (CPEs). A CPE is financing arrangement in which a governmental entity, such as a school district or hospital, incurs an expenditure eligible for FFP under the Medicaid state plan. The governmental entity then certifies that the funds expended are public funds and used to support the full cost of providing the Medicaid-covered service or the administrative activity. Based on this certification, the state can claim the federal share of these costs and no other state funds are required.

CPE-based financing must recognize actual costs incurred. CMS requires providers to use a federally approved cost reporting methodology to document the actual cost of providing the services, typically determined through a statistically valid time study, periodic cost reporting, and reconciliation of any interim payments to actual incurred cost. This creates a lag in the timeline for CPE payments. In general, the payments are made about a year after the services were incurred.

University of Colorado School of Medicine Payment

The Department also administers a supplemental payment to the University of Colorado School of Medicine. Federal regulations allow for aggregate Medicaid payments to a group of facilities up to the amount of the upper payment limit (UPL). The UPL is a reasonable estimate of the amount that would be paid for the services furnished by the group of facilities under Medicare payment principles. There is room under the UPL for this payment because Medicaid pays lower than Medicare on average for physician services, including physician services delivered by providers at the University. The Department makes this payment through an interagency agreement between the University and the Department. Each year, the Department of Higher Education (CDHE) sends General Fund designated for the University's Specialty Education Program (SEP) to the Department to draw down federal funding under the Medicaid program, which the Department then pays to the University.

Similar to CPE, payments to the University of Colorado School of Medicine are lagged due to the time it takes for the fiscal year end to close and claims to run out before having the data necessary to calculate the payment. The payments are made in the year following when the services were incurred.

Problem or Opportunity:

The Department can draw down an enhanced match of 56.2% on certain financing payments for costs incurred during the public health emergency and through the end of the quarter in which the public health emergency ends, which is assumed to last through March 2021, through the Families First Coronavirus Response Act. HB 20-1385, "Use of Increased Medicaid Match" requires the Department to use the enhanced federal funds for these payments as General Fund relief for FY 2019-20 and FY 2020-21. The Department will continue to make payments with the higher federal

match rate in FY 2021-22 and FY 2022-23 due to the lag in the timeline for CPE and University of Colorado School of Medicine payments. The enhanced federal funds can be used as General Fund relief for payments made during that year.

Proposed Solution:

The Department requests a reduction of \$13,766,567 total funds, including \$8,810,454 General Fund in FY 2021-22 and \$0 total funds, including \$3,464,463 General Fund in FY 2022-23 in order to use the enhanced federal match from the Families First Coronavirus Response Act as General Fund relief. This would include a reduction of \$9,314,184 total funds, including \$4,358,071 General Fund, to the Department of Health Care Policy and Financing and a reduction of \$4,452,383 total funds, all of which is General Fund, to the Department of Higher Education. This request does not fall on the evidence continuum.

The General Assembly would need to pass legislation akin to HB 20-1385 in order to authorize this proposal. The legislation should provide direct statutory authorization to allow the Department to transfer the additional federal revenue from the enhanced federal match for the CPE payments to the General Fund. In addition, the legislation should reduce General Fund appropriations for the Department of Higher Education, along with the corresponding reappropriated funds to the Department, from the enhanced match for the University of Colorado School of Medicine supplemental payment. These financing changes would not reduce the net benefit to any of the providers from current appropriations.

Anticipated Outcomes:

By implementing these transfers 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 calculated the General Fund relief based on projected payments incurred during the emergency period that will be paid in FY 2021-22 and FY 2022-23. The Department calculated the additional 6.2% federal match for those payments, which would be transferred to the General Fund under this proposal.

R-21 Increased Medicaid Match for Financing Payments
Appendix A: Assumptions and Calculations

Table 1.1 Summary by Line Item - Department of Health Care Policy and Financing FY 2021-22								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	Medical Services Premiums	(\$9,850,136)	0.0	(\$4,358,071)	\$3,822,119	(\$3,916,431)	(\$5,397,753)	Table 2.1, Rows A through G
B	Public School Health Services	\$535,952	0.0	\$0	\$0	\$0	\$535,952	Table 2.1, Row H
C	Total Request	(\$9,314,184)	0.0	(\$4,358,071)	\$3,822,119	(\$3,916,431)	(\$4,861,801)	Row A + Row B

Table 1.2 Summary by Line Item - Department of Higher Education FY 2021-22								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	Fee-for-Service Contracts with State Institutions for Specialty Education Programs	(\$4,452,383)	0.0	(\$4,452,383)	\$0	\$0	\$0	Table 2.1, Row K
J	Total Request	(\$4,452,383)	0.0	(\$4,452,383)	\$0	\$0	\$0	Row A

Table 1.3 Summary by Line Item - Department of Health Care Policy and Financing FY 2022-23								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	Medical Services Premiums	\$0	0.0	(\$3,464,463)	\$3,464,463	\$0	\$0	Table 2.2, Rows A through G
B	Public School Health Services	\$0	0.0	\$0	\$0	\$0	\$0	Table 2.2, Row H
C	Total Request	\$0	0.0	(\$3,464,463)	\$3,464,463	\$0	\$0	Row A + Row B

R-21 Increased Medicaid Match for Financing Payments
Appendix A: Assumptions and Calculations

Table 2.1 Summary by Initiative FY 2021-22								
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
Department of Health Care Policy and Financing (HCPF)								
A	University of Colorado School of Medicine Supplemental Payment	(\$9,850,136)	0.0	\$0	\$0	(\$4,452,383)	(\$5,397,753)	
B	Public Emergency Medical Transportation Provider Payments	\$0	0.0	(\$2,075,826)	\$2,075,826	\$0	\$0	
C	Nursing Home and Home Health Upper Payment Limit	\$0	0.0	(\$593,119)	\$593,119	\$0	\$0	
D	Hospital High Volume Inpatient Payment	\$0	0.0	(\$652,436)	\$652,436	\$0	\$0	
E	Physician Supplemental Payment	\$0	0.0	(\$500,738)	\$500,738	\$0	\$0	
F	School Health Services							
G	Medical Services Premiums	\$0		(\$535,952)	\$0	\$535,952	\$0	
H	Public School Health Services	\$535,952	0.0	\$0	\$0	\$0	\$535,952	
I	Total: HCPF	(\$9,314,184)	0.0	(\$4,358,071)	\$3,822,119	(\$3,916,431)	(\$4,861,801)	
Department of Higher Education (DHE)								
J	CU Health Sciences Center	(\$4,452,383)	0.0	(\$4,452,383)	\$0	\$0	\$0	
K	Total: DHE	(\$4,452,383)	0.0	(\$4,452,383)	\$0	\$0	\$0	
L	Total Request	(\$13,766,567)	\$0	(\$8,810,454)	\$3,822,119	(\$3,916,431)	(\$4,861,801)	Sum of Rows A through K

Table 2.2 Summary by Initiative FY 2022-23								
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
Department of Health Care Policy and Financing (HCPF)								
A	University of Colorado School of Medicine Supplemental Payment	\$0	0.0	\$0	\$0	\$0	\$0	
B	Public Emergency Medical Transportation Provider Payments	\$0	0.0	(\$3,015,370)	\$3,015,370	\$0	\$0	
C	Nursing Home and Home Health Upper Payment Limit	\$0	0.0	\$0	\$0	\$0	\$0	
D	Hospital High Volume Inpatient Payment	\$0	0.0	(\$449,093)	\$449,093	\$0	\$0	
E	Physician Supplemental Payment	\$0	0.0	\$0	\$0	\$0	\$0	
F	School Health Services							
G	Medical Services Premiums	\$0		\$0	\$0	\$0	\$0	
H	Public School Health Services	\$0	0.0	\$0	\$0	\$0	\$0	
I	Total: HCPF	\$0	0.0	(\$3,464,463)	\$3,464,463	\$0	\$0	
Department of Higher Education (DHE)								
J	CU Health Sciences Center	\$0	0.0	\$0	\$0	\$0	\$0	
K	Total: DHE	\$0	0.0	\$0	\$0	\$0	\$0	
L	Total Request	\$0	\$0	(\$3,464,463)	\$3,464,463	\$0	\$0	Sum of Rows A through K