

Schedule 13

Department of Health Care Policy and Financing

Funding Request for The FY 2020-21 Budget Cycle

Request Title

R-15 Medicaid Recovery & Third Party Liability Modernization

Dept. Approval By: 

Supplemental FY 2019-20

OSPB Approval By: 

Budget Amendment FY 2020-21

X

Change Request FY 2020-21

Summary Information	Fund	FY 2019-20		FY 2020-21		FY 2021-22
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$8,041,836,169	\$0	\$8,067,168,372	(\$12,301,943)	(\$32,473,223)
FTE		500.0	0.0	504.1	5.8	6.0
Total of All Line Items Impacted by Change Request	GF	\$2,319,338,108	\$0	\$2,329,173,946	(\$3,468,482)	(\$9,479,366)
	CF	\$997,104,608	\$0	\$998,898,068	\$2,074,120	\$1,682,273
	RF	\$91,709,248	\$0	\$91,596,531	\$0	\$0
	FF	\$4,633,684,205	\$0	\$4,647,501,827	(\$10,907,581)	(\$24,676,130)

Line Item Information	Fund	FY 2019-20		FY 2020-21		FY 2021-22
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$38,610,714	\$0	\$40,590,766	\$465,897	\$484,553
FTE		500.0	0.0	504.1	5.8	6.0
01. Executive Director's Office, (A) General Administration, (1)	GF	\$13,478,948	\$0	\$14,470,561	\$153,745	\$159,902
General Administration - Personal Services	CF	\$3,571,232	\$0	\$3,714,633	\$79,203	\$82,374
	RF	\$2,436,543	\$0	\$2,305,357	\$0	\$0
	FF	\$19,123,991	\$0	\$20,100,215	\$232,949	\$242,277
Total		\$4,790,328	\$0	\$6,054,935	\$60,252	\$60,252
FTE		0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) General Administration, (1)	GF	\$1,700,447	\$0	\$2,211,097	\$19,884	\$19,884
General Administration - Health, Life, and Dental	CF	\$421,237	\$0	\$525,947	\$10,242	\$10,242
	RF	\$126,088	\$0	\$138,532	\$0	\$0
	FF	\$2,542,556	\$0	\$3,179,359	\$30,126	\$30,126

Line Item Information	Fund	FY 2019-20		FY 2020-21		FY 2021-22
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
	Total	\$66,598	\$0	\$72,132	\$706	\$734
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) General Administration, (1)	GF	\$24,002	\$0	\$26,864	\$233	\$241
General Administration - Short-term Disability	CF	\$5,301	\$0	\$5,495	\$120	\$125
	RF	\$2,206	\$0	\$1,639	\$0	\$0
	FF	\$35,089	\$0	\$38,134	\$353	\$368
	Total	\$1,984,802	\$0	\$2,182,512	\$20,735	\$21,564
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) General Administration, (1)	GF	\$722,807	\$0	\$812,689	\$6,842	\$7,115
General Administration - Amortization	CF	\$159,398	\$0	\$166,329	\$3,525	\$3,666
Equalization	RF	\$46,310	\$0	\$49,606	\$0	\$0
Disbursement	FF	\$1,056,287	\$0	\$1,153,888	\$10,368	\$10,783
	Total	\$1,984,802	\$0	\$2,182,512	\$20,735	\$21,564
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) General Administration, (1)	GF	\$722,807	\$0	\$812,689	\$6,842	\$7,115
General Administration - Supplemental Amortization	CF	\$159,398	\$0	\$166,329	\$3,525	\$3,666
Equalization	RF	\$46,310	\$0	\$49,606	\$0	\$0
Disbursement	FF	\$1,056,287	\$0	\$1,153,888	\$10,368	\$10,783
	Total	\$2,506,384	\$0	\$2,273,794	\$33,918	\$5,700
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) General Administration, (1)	GF	\$1,014,866	\$0	\$939,016	\$11,192	\$1,881
General Administration - Operating Expenses	CF	\$243,961	\$0	\$197,797	\$5,766	\$970
	RF	\$13,297	\$0	\$13,297	\$0	\$0
	FF	\$1,234,260	\$0	\$1,123,684	\$16,960	\$2,849
	Total	\$21,581,862	\$0	\$17,517,486	\$120,000	\$120,000
	FTE	0.0	0.0	0.0	0.0	0.0
01. Executive Director's Office, (A) General Administration, (1)	GF	\$6,015,380	\$0	\$4,503,802	\$39,600	\$39,600
General Administration - General Professional Services and Special Projects	CF	\$2,615,231	\$0	\$2,547,721	\$20,400	\$20,400
	RF	\$150,000	\$0	\$150,000	\$0	\$0
	FF	\$12,801,251	\$0	\$10,315,963	\$60,000	\$60,000

Line Item Information	Fund	FY 2019-20	Supplemental Request	FY 2020-21		FY 2021-22
		Initial Appropriation		Base Request	Change Request	Continuation
	Total	\$74,893,151	\$0	\$80,930,645	\$375,000	\$0
01. Executive Director's Office, (C) Information Technology Contracts and Projects, (1)	FTE	0.0	0.0	0.0	0.0	0.0
Information Technology Contracts and Projects - MMS Maintenance and Projects	GF	\$9,972,677	\$0	\$11,030,317	\$123,750	\$0
	CF	\$6,385,552	\$0	\$6,963,036	\$63,750	\$0
	RF	\$12,204	\$0	\$12,204	\$0	\$0
	FF	\$58,522,718	\$0	\$62,925,088	\$187,500	\$0
	Total	\$0	\$0	\$0	\$16,337,967	\$16,787,286
01. Executive Director's Office, (G) Recoveries and Recoupment Contract Costs, (1)	FTE	0.0	0.0	0.0	0.0	0.0
Recoveries and Recoupment Contract Costs - Third-Party Liability Cost Avoidance Contract	GF	\$0	\$0	\$0	\$5,391,529	\$5,539,804
	CF	\$0	\$0	\$0	\$2,777,454	\$2,853,839
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$8,168,984	\$8,393,643
	Total	\$7,895,417,528	\$0	\$7,915,363,590	(\$29,737,153)	(\$49,974,876)
02. Medical Services Premiums, (A) Medical Services Premiums, (1)	FTE	0.0	0.0	0.0	0.0	0.0
Medical Services Premiums - Medical Services Premiums	GF	\$2,285,686,174	\$0	\$2,294,366,911	(\$9,222,099)	(\$15,254,908)
	CF	\$983,543,298	\$0	\$984,608,781	(\$889,865)	(\$1,293,009)
	RF	\$88,876,290	\$0	\$88,876,290	\$0	\$0
	FF	\$4,537,311,766	\$0	\$4,547,511,608	(\$19,625,189)	(\$33,426,959)

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-15
Request Detail: Medicaid Recovery and Third-Party Liability Modernization

Summary of Incremental Funding Change for FY 2020-21			
	FY 2019-20	FY 2020-21	FY 2021-22
Total Funds	\$0	(\$12,301,943)	(\$32,473,223)
FTE	0.0	5.8	6.0
General Fund	\$0	(\$3,468,482)	(\$9,479,366)
Cash Funds	\$0	\$2,074,120	\$1,682,273
Reappropriated Funds	\$0	\$0	\$0
Federal Funds	\$0	(\$10,907,581)	(\$24,676,130)

Summary of Request:

The Department requests a reduction of \$12,301,943 total funds, including a reduction of \$3,468,482 General Fund and an increase of 5.8 FTE in FY 2020-21 and a reduction of \$32,473,223 total funds, including a reduction of \$9,479,366 General Fund and an increase of 6.0 FTE in FY 2021-22 to: recover improper payments for medical services; enhance the process for cost avoidance of claims when a third party is liable; and, use artificial intelligence software to identify and recover improper payments. This includes additional staffing, funding for contracts and a legal case tracking system to increase efficiencies in Medicaid recoveries which would lead to increased recoveries of claims and decreased costs for medical services.

Current Program:

Tort and Casualty Recovery Operations

Federal¹ and state law² require that Medicaid is the payor of last resort and that members who also have other insurance follow the rules and requirements of the other insurance plan as a primary payor, meaning that any available sources of funds should be exhausted prior to Medicaid paying claims for services. Medicaid is responsible for any remaining balance after adjudication by the primary payor up to its allowed amount, including when the plan's annual deductible has not been met or for services not covered under the plan, but covered by Medicaid.

A tort and casualty case generally arises due to a settlement for personal injury claims due to auto accidents, slips and falls, medical malpractice, and other reasons. In the case of personal injury claims, the Department has an automatic statutory lien authorized by sections 25.5-4-301(4) through (6), C.R.S. against settlement monies for the amount paid by Medicaid related to the incident or accident. In FY 2018-19, the Department recovered \$17.8 million from tort and casualty settlements.³ These recoveries are processed by both the Department's third-party liability (TPL) vendor and two Department staff and are used to offset the of cost of medical services in the Department's budget. For the recoveries that are outsourced, the Department is contractually liable for a 10% contingency fee payment based upon the amounts recovered by the vendor. The Department currently uses a Microsoft Access database to track and maintain legal case files for tort and casualty recoveries.

Third-Party Liability (TPL) Cost Avoidance

Third parties that may be liable to pay for services include private health insurance, Medicare, employer-sponsored health insurance, settlements from a liability insurer, workers' compensation, long-term care insurance, and other state and federal programs (unless specifically excluded by Federal statute). In general, if a state has determined that a potentially liable third party exists, it must attempt to ensure that the provider bills the third party first before sending the claim to Medicaid. This is known as "cost avoidance." Whenever a state has paid claims and subsequently discovers the existence of a liable third party it must attempt to recover the money from the liable third party. This is known as "pay and chase."

States are required to cost-avoid claims, with a few specific exceptions which are identified in regulation. 42 CFR § 433.139(b)(1) outlines that if the agency has established the probable existence of TPL at the time the claim is filed, the agency must reject the claim and return it to the provider for a determination of the amount of liability. This cost avoidance occurs through the reporting of commercial health coverage through a variety

¹ <https://www.cms.gov/Regulations-and-Guidance/Legislation/DeficitReductionAct/downloads/tpl.pdf>

² Section 25.5-4-300.4, C.R.S.

³ <https://www.colorado.gov/pacific/sites/default/files/13-%20HCPF%2C%202019%20FEB%2C%20S-1%20Exhibit%20L.pdf>

of means, but also through data use agreements between the TPL vendor and carriers, health plans, and pharmacy benefit managers (PBMs).

Cost avoidance occurs when a claim is rejected by the Department's claims system due to presence of third-party payor information that is loaded in the system. The provider is directed to submit the claim to the primary payor before Medicaid will issue any payment. A national best practice in Medicaid is to contract with a vendor who can verify and send commercial eligibility data to the state. The Department's vendor estimates that between 10 and 13 percent of Medicaid members, a range of 132,829 to 172,678 members have TPL eligibility. Because the Department does not currently contract with a vendor to identify and send TPL information to the claims system, the Department primarily uses the pay and chase model and pays its vendor a contingency fee on recoveries, and only has approximately 75,000 TPL policies loaded into the claims system. These policies are not updated and maintained on a regular basis.

Identification and Collection of Overpayments

The Department currently has several processes in place to identify fraud, waste and abuse and identifies and recovers improper payments and overpayments. Section 25.5-4-301, C.R.S. outlines requirements for recoveries and overpayments, including provider audits and the provider appeals process. Department Program staff also identify and refer suspected cases of fraud, waste and abuse to Audits and Compliance staff who then further investigate and process referrals. Recoveries and overpayment processing can be a lengthy process requiring many steps to ensure that Colorado law is being followed, and the Department works closely with providers and attorneys throughout the process. After determining a credible allegation of fraud, the Department also refers cases to the Medicaid Fraud and Control Unit within the Attorney General's Office when fraud is suspected.

SB 13-137 "Improvements to Prevent Fraud in the Medicaid Program" directed the Department to implement fraud, waste and abuse detection, prevention and recovery solutions to improve program integrity.⁴ The Department researched pre-payment analytics and in June 2013 the Department issued a Request for Information and held a vendor fair. The Department determined that implementation of any new system should be delayed due to the transition to the new Medicaid Management Information System (MMIS) claims system. The Department is currently implementing software known as ClaimsXten within its MMIS which will help reduce pay-and-chase recoveries and increase prepayment identification of inappropriate claims by establishing rules and claims edits to identify and deny improper claims. ClaimsXten will force providers to more accurately bill by preventing payment based on National Correct Coding Initiative (NCCI)⁵ and medically unlikely edits. The system is currently undergoing testing and rule development and will be in production by July 2020.

In addition to prepayment reviews, program integrity analysts use the MMIS Surveillance and Utilization Review Subsystem (SURS) to identify leads of claims that were potentially paid improperly. The SURS is a

⁴ Section 25.5-1-114.5, C.R.S.

⁵ <https://www.cms.gov/Medicare/Coding/NationalCorrectCodInitEd/index.html?redirect=/nationalcorrectcodinited/>

set of automated reports based on Centers for Medicare and Medicaid Services (CMS) specifications currently generated in the Department's data system, the Business Intelligence and Data Management (BIDM) system monthly. Staff use these reports to help identify providers that may be billing in an aberrant manner. For example, payments made to a provider for an unusually large number of services for an uncommon type of procedure over a relatively short period of time could indicate fraudulent behavior on that provider's part and, therefore, warrant additional review or investigation of the provider's practices. A demonstration of these reports and how to access them was part of the CMS certification of the new system. Additionally, in July 2019, the Department contracted with the current BIDM system vendor, IBM Watson Health, to perform a Fraud, Waste, and Abuse (FWA) Vulnerability Assessment.

The Department also has 12 staff who identify new leads and review and respond to referrals to process recoveries of overpayments and each staff collects \$800,000 on average each fiscal year. Although larger amounts of improper payments are identified, the process can be slow due to the lengthy legal process required for recoveries. The Department also has two recovery contracts. One contractor is a federally required Recovery Audit Contract (RAC) contractor⁶ that detects and collects overpayments through review of claims. Issues identified by the contractor also leads to policy changes to prevent future improper payments. The other contractor is with a vendor to review, identify and recover improper payments in its Home and Community-based Services (HCBS) waiver programs.

Problem or Opportunity:

Without additional resources, the Department is not able to increase oversight and modernize its processes for decreasing medical costs due to improper payments in three areas: tort and casualty recoveries, identification of third-party insurance and identification of fraud, waste and abuse.

Tort and Casualty Recovery Operations

Due to the volume and complexity of tort and casualty cases, often requiring extensive contact with attorneys and follow up, internal recovery staff and the TPL vendor are not able to keep up with the volume to work all cases, therefore preventing additional recovery of claims. Many individuals in Colorado with catastrophic injuries are enrolled in Medicaid at some point, therefore the opportunity for additional recoveries is large. Additionally, because the Department pays a 10% contingency fee to its TPL vendor for the tort and casualty recoveries they process, the Department prefers to keep the larger settlement cases in-house; however, the Department does not have enough resources for these activities which leads to increased contingency fees paid to the vendor. Due to the lack of resources, the State is unable to recover funds that should have been paid by third parties.

Additionally, the Microsoft Access database used to track legal case files is highly inefficient, does not provide the level of functionality such as reporting and notifications needed to stay on top of case changes, is not supported by the Governor's Office of Information Technology (OIT), which results in inefficient manual processes. Case management systems should be able to generate reminders, identify stale cases,

⁶ <https://www.colorado.gov/pacific/hcpf/recovery-audit-contractor-rac-program>

generate and send correspondence, as well as store and retrieve documents. Such a system would allow the caseworker to access all aspects of the case in one place without having to search in multiple areas. The Department needs a better system to track and report on legal case files to make the process more efficient. Although the Department's TPL vendor offers an off-the-shelf system that would allow more efficient tracking of the cases, the Department cannot license it without additional funding. Moreover, working out of the same system with the TPL vendor is a best practice in the industry and would decrease the time currently spent on identifying duplicate cases between the Department and the vendor.

Third-Party Liability (TPL) Cost Avoidance

Although federal and state law require that third parties provide eligibility data to states, the Department does not have the resources to proactively receive verified data from all third parties. TPL information is only updated in limited circumstances and the file does not identify TPL data for all its members. This prevents the Department from avoiding costs that should be paid for by third parties. Further, the current solution requires significant resources to process TPL recoveries, therefore limiting actions that can be taken by the Department and thus increasing costs for medical services when other parties should have been liable. In some cases, such as when services are provided out of network for the commercial plan, the third-party recovery cannot be obtained. The Department's contract with its TPL vendor includes providing some commercial health plan eligibility data following recovery of a claim but could be amended to include the provision of commercial eligibility data on the entire scope of Medicaid's enrollment population, therefore increasing avoided costs and increasing compliance with federal law.

Identification and Collection of Overpayments

Even with all the efforts underway, the Department does not have enough resources dedicated to identification and collection of improper payments and the lack of staffing prevents the Department from identifying and recovering additional overpayments as a result of fraud, waste and abuse that exist. Further, a lack of dedicated staffing prevents the Department from implementing additional vendor contracts which would lead to increased identification and collection of overpayments. The Department currently has one contract manager for its RAC contract and through its experience with recovery contracts a dedicated contract manager is required to ensure the vendor follows state specific rules and procedures in order to ensure provider rules and regulations are followed throughout the process. Although contracts could be implemented for more sophisticated prepayment claims review software using artificial intelligence or increased scope of work for recovery contractors, including vendors who would access all payer claims database (APCD) data to identify improper billing practices across all payers, without additional staff the Department does not have the resources to implement and oversee these contracts. Lack of additional resources prevents the Department from reducing costs for medical services.

Proposed Solution:

The Department requests a reduction of \$12,301,943 total funds, including a reduction of \$3,468,482 General Fund and an increase of 5.8 FTE in FY 2020-21 and a reduction of \$32,473,223 total funds, including a reduction of \$9,479,366 General Fund and an increase of 6.0 FTE in FY 2021-22 to modernize its operations related improper payments for medical services. The request includes administrative resources for staff and

vendor contracts in order to increase oversight and modernize its processes for decreasing medical costs due to improper payments in three areas: tort and casualty recoveries; identification of third-party insurance; and, identification and collection of overpayments. The request supports the Department's performance goals of Medicaid cost control and operational excellence. If this request is not approved the Department would lose an opportunity to control costs, leading to higher costs in the Medicaid program and less funding available for other State priorities.

Tort and Casualty Recovery Operations

The Department requests three FTE to process additional tort and casualty recoveries to increase the amount of resources focused on this work. This would lead to increased recoveries and reduce the amount of contingency fees being paid to the vendor. The Department also requests funding for a legal case management tracking system to improve the process. With the correct tools, caseworkers can process more cases, which would generate greater recoveries, improve processing times, and improve response times to personal injury attorneys and members.

Third-Party Liability (TPL) Cost Avoidance

The Department requests funding for a contract with a TPL vendor to provide a verified eligibility data interface into its claims system monthly which would lead to cost avoidance of claims and moving much of the recoveries to costs avoided. The request includes the annual cost for the contract as well as costs for system programming to allow it to receive and process the monthly file, and an estimate of avoided costs which would reduce the State's liability for medical services.

Identification and Collection of Overpayments

The Department requests funding for two FTE to process recoveries of improper payments and one FTE to serve as a contract manager to oversee a recovery of overpayment vendor contract which would lead to increased recoveries which decrease medical costs in the Department's budget. The vendor would use software that includes artificial intelligence and All-Payer Claims Database (APCD) data in order to identify and recover improper payments and refer fraud as it is found. The request also includes funding for the vendor contract and one-time cost for system changes to develop an interface of claims data to the vendor.

A detailed description of all FTE can be found in Appendix A.

Anticipated Outcomes:

Tort and Casualty Recovery Operations

The Department anticipates the outcome of the tort and casualty proposal would be a reduction of contingency fees paid to the vendor, increased recoveries, greater timeliness of case processing, and improved stakeholder and member experience. Recoveries for each caseworker are currently tracked and with three additional FTE the Department would be able to quantify the increased recoveries by tracking the performance of each FTE.

By using the TPL vendor's case management system, the Department would see better coordination on cases as all case information between the vendor and the Department would be in one place. The Department would

also gain access to reporting tools and could measure the efficiencies gained by working out of a case management system. For example, the system would have the capability to measure timeliness of case processing. There would be an implementation period to load the Department's letter templates and other programming changes to allow the Department to work out of the case management system. The success of this could be measured by tracking recoveries year over year.

Third-Party Liability (TPL) Cost Avoidance

The Department anticipates the implementation of the cost avoidance proposal to pay for verified TPL segments would provide greater compliance with federal law requiring cost avoidance of claims when TPL is known. The second anticipated outcome would be greater cost savings as cost avoidance is more efficient than recovering monies through a pay and chase methodology. Also as noted above, there are instances in pay and chase where the Department cannot legally recover monies from the primary payor. One example is when the member seeks treatment outside the plan's network. A commercial plan with a closed network has no liability in terms of honoring claims outside the terms of the health plan policy. With verified TPL in the system, the Department does not bear the cost of the claim and the cost avoidance process encourages the member to seek treatment according to the provisions in the health plan policy.

The Department intends to measure the performance of this solution using the reporting capabilities that it has developed based upon claims that are rejected by the claims system and the edit used for this purpose. The Department would be able to review data pre- and post-solution to gauge performance of the newly added TPL segments. The Department would also be able to examine the trend of pay and chase recoveries by comparing such recoveries relative to pre-solution recoveries to gauge the success of moving to greater cost avoidance of claims.

Identification and Collection of Overpayments

Increased staffing and contracting with a recovery of overpayment vendor would lead to increased identification and recovery of improper payments leading to reduced costs to the Medicaid program. Current FTE and contractors working in overpayments average \$8 million identified overpayments with \$800,000 recovered each year on average per person. The Department would track performance of the new FTE and vendor based on the number of overpayments identified and those identified and recovered. Because of the lengthy and complicated legal process, the Department would use both identification and actual recoveries in each year as metrics being tracked for performance.

Assumptions and Calculations:

Detailed calculations and a timeline can be found in Appendix B. Administrative costs would be eligible for 50 percent Federal Financial Participation (FFP) and would be requested in the federally required Public Assistance Cost Allocation Plan (PACAP). The system costs would be eligible for 75 percent enhanced FFP by submitting an Advanced Planning Document (APD) for federal approval of enhanced funding. If federal approval is not received, the Department would utilize the budget process to request any changes in funding. The Department assumes the state share of administrative costs would be allocated between General Fund

and Healthcare Affordability and Sustainability Fee Cash Fund based on caseload and that enough cash funds are available.

Tort and Casualty Recovery Operations

Detailed FTE descriptions can be found in Appendix A. The estimate assumes the FTE would be hired in July 2020 and fully trained to process recoveries by November 2020. The Department assumes that the additional recovery specialists would process at least \$2 million in recoveries each fiscal year based on performance of current FTE. The estimate assumes that \$1.5 million of those recoveries are currently being processed by the current TPL vendor, and there would be an associated reduction to contingency fees paid. The Department estimates the FTE would bring in an additional \$500,000 in recoveries which are not currently being processed, therefore increasing overall recoveries by \$500,000 total funds per FTE. Any additional savings would be adjusted through the budget process. Estimates for FY 2020-21 have been adjusted for a November 2020 implementation date.

The annual cost for the legal case tracking system is based on an estimate provided by the current TPL vendor and could be purchased through a contract amendment of the current contract.

Third-Party Liability (TPL) Cost Avoidance

The Department assumes the contract would not require competitive solicitation and an amendment to the current TPL vendor contract would be effective July 1, 2020. The contract estimate is based on an estimate provided by the current TPL vendor who contracts with many states for this same scope of work. The vendor would charge \$20.50 per verified TPL segment. A segment represents an enrollment or termination of a policy. For example, a person might have coverage for medical and Pharmacy Benefit Manager (PBM) coverage; in this case, the person would have two segments, one each for medical and PBM coverage beginning at the start of the plan year, and two segments, one each for medical and PBM coverage ending at the end of the plan year, totaling four segments. The vendor charges separately for verification of medical and PBM coverage as these dates and coverages can be different. The estimate assumes each member with verified TPL would have an average of six segments per year, to account for changes mid-year in addition to the expected four per member with verified TPL.

The Department assumes that some, but not all recoveries would shift from pay and chase to costs avoided due to the contract. This is because federal regulations⁷ require certain types of claims to be paid regardless of TPL identified, so there would always be certain claims that would need to be recovered through pay and chase. Additionally, due to retroactive Medicaid eligibility, which can go back 90 days prior to application date, and due to other factors, there would always be claims that would need to be recovered after the fact and would not be avoided up front. Due to the lack of information about which claims would be recovered versus avoided, and the fact that the net impact to the budget is the same other than a timing issue, the

⁷ <https://www.govinfo.gov/content/pkg/CFR-2011-title42-vol4/pdf/CFR-2011-title42-vol4-sec433-139.pdf>

Department has not estimated any changes in recoveries or contingency fees in this estimate and would utilize the budget process to update any changes to the forecast as the contract is implemented.

To estimate avoided costs, the Department assumes 10% of members have TPL that would be verified by the contractor. Based on experience in Colorado and in other states, the current TPL vendor estimates that 13% of members have other insurance, however the estimate assumes 10% in an effort not to overestimate avoided costs. Additionally, the Department assumes that the acute care costs would be the area of costs that would be avoided as these are the type of claims typically covered by TPL, such as pharmacy, hospital and physician services. To estimate avoided costs, the Department assumes 16.67% of per capita costs would be avoided because Medicaid generally has higher coverage requirements than commercial insurance so Medicaid would still pay certain claims for members and therefore would not avoid 100% of costs. Medicaid is also responsible for paying any deductibles for members with TPL until they have met their deductible and triggered the plan's financial responsibility. The estimate has been reduced to account for 75,000 members who already have some form of TPL loaded in the system.

The Department assumes that members across all populations would have verified TPL therefore has used the fund splits from its FY 2019-20 S-1 Medical Services Premiums forecast from Exhibit A for the estimate.

Identification and Collection of Overpayments

The Department assumes the vendor contract would include identification and processing of recoveries and the vendor would include dedicated clinical and legal resources to support the Department through the provider appeals process. The two FTE responsible for identification and processing overpayments would be hired by July 1, 2020 and be fully trained and begin to reduce costs by January 1, 2021. The contract manager would be hired July 1, 2020. The Department would follow state procurement rules for selecting a vendor for increased scope of work and the vendor would be selected by January 1, 2021. This could include selection of new vendor or through an amendment to an existing vendor contract. The Department estimates the vendor would need at least six months to build interfaces and state specific rules, therefore would not begin impacting costs until July 1, 2021. The Department assumes the vendor contract would be contingency fee based as required by section 25.5-4-301 C.R.S. therefore implementation costs would be absorbed by the contractor based on past experiences with contingency fee contractors.

The system changes would be completed by June 30, 2021.

Appendix A

FTE Details		
Title	FTE	Duties
Tort and Casualty Administrator	2.0	Position would provide additional internal resources to the Tort and Casualty Unit which recovers Medicaid dollars spent on behalf of clients when another party is liable for the costs. This requires recovering monies from an insurance carrier, mass tort settlement, vaccine injury fund, workers' compensation carrier, or through the criminal restitution process. Position communicates with personal injury attorneys, insurance adjusters to provide the Department's lien based upon medical assistance used related to the incident or accident. This work requires knowledge of tort law and the medical assistance act to successfully articulate and defend the Department's interest. Position runs claims reports and analyses the reports to assess relatedness of medical claims and to calculate the amount of the Department's lien. The position represents the Department's claim in legal proceedings including participating in mediation or engaging the Attorney General's Office related to litigation or to escalate a case to protect the Department's recovery rights.
Tort and Casualty Lead	1.0	Position would have the same responsibilities described above but would be a work lead over the tort and casualty unit. The position would have responsibility for training the unit's FTE on the substance of the unit's work. The lead position would be responsible as well for workflow issues and ensuring that the unit has the tools that it requires to accomplish its duties including troubleshooting any issues with respect to the unit's information technology tools.
Total	3.0	Sum of Tort and Casualty Recovery Operations Staffing
Fraud Specialist	1.0	Position would identify and refer instances of suspected fraud committed by providers. This position would work with policy staff, data analysts and the referral specialist to identify instances of suspected fraud. The position would then be responsible for drafting the fraud referral summarizing the suspicious actions and the policy that the activity violates. Additionally, the position would coordinate and track all referrals sent to the appropriate law enforcement agency and provide assistance with any additional information the law enforcement agency may need.

Overpayment Specialist	1.0	Position would assist in the administration of overpayment recovery projects related to fraud, waste, and abuse. This position would assist the Department's Audits and Compliance Division with reviewing records and data to identify overpayments, draft and send overpayment recovery demand letters, assist in reviewing any appeals or informal reconsideration related to the demands, and help track the case status and amounts recovered. This position would also work to draft policy recommendation memos to address reducing fraud, waste, and abuse in the future.
Contract Manager	1.0	The position would manage a contract that identifies billing errors, fraud, waste and abuse within the Colorado All Payers Claims Database (CO APCD) that is maintained outside of the Department by the Center for Improving Value in Health Care (CIVHC). This position would be responsible for basic contract administration functions—including ensuring requests for proposals, contracts, and amendments are written according to state and federal requirements—and that contract deliverables are consistent with state and federal obligations. This position would collaborate with CIVHC to coordinate auditing of the CO APCD and with Medicaid policy staff to determine trends and policy gaps where possible Medicaid provider fraud, waste, and abuse exists and can be successfully deterred. Additionally, the position would oversee all audit functions of the vendor, including the development and implementation of audit plans and schedules, the issuance of adverse actions to Medicaid providers, referrals of possible cases of fraud, the recovery of overpayments, and formal appeals activities.
Total	3.0	Sum of Identification and Collection of Overpayment Staffing
Request Total	6.0	Total FTE

R-15 Medicaid Recovery and Third-Party Liability Modernization
Appendix B: Calculations and Assumptions

Table 1.1 FY 2020-21 R-15 Medicaid Recovery and Third Party Liability Modernization Summary by Line Item								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	(1) Executive Director's Office, (A) General Administration, Personal Services	\$465,897	5.8	\$153,745	\$79,203	\$0	\$232,949	Table 2.1 (Row B + Row M)
B	(1) Executive Director's Office, (A) General Administration, Health, Life and Dental	\$60,252	0.0	\$19,884	\$10,242	\$0	\$30,126	Table 6.1 Row B + Table 7.1 Row B
C	(1) Executive Director's Office, (A) General Administration, Short-term Disability	\$706	0.0	\$233	\$120	\$0	\$353	Table 6.1 Row C + Table 7.1 Row C
D	(1) Executive Director's Office, (A) General Administration, SB 04-257 Amortization Equalization Disbursement	\$20,735	0.0	\$6,842	\$3,525	\$0	\$10,368	Table 6.1 Row D + Table 7.1 Row D
E	(1) Executive Director's Office, (A) General Administration, SB 06-235 Supplemental Amortization Equalization Disbursement	\$20,735	0.0	\$6,842	\$3,525	\$0	\$10,368	Table 6.1 Row E + Table 7.1 Row E
F	(1) Executive Director's Office, (A) General Administration, Operating Expenses	\$33,918	0.0	\$11,192	\$5,766	\$0	\$16,960	Table 6.1 Row F + Table 7.1 Row F
G	(1) Executive Director's Office, (A) General Administration, General Professional Services and Special Projects	\$120,000	0.0	\$39,600	\$20,400	\$0	\$60,000	Table 2.1 Row E
H	NEW LINE ITEM: (1) Executive Director's Office, (G) Recoveries and Recoupment Contract Costs, Third-Party Liability Cost Avoidance Contract	\$16,337,967	0.0	\$5,391,529	\$2,777,454	\$0	\$8,168,984	Table 2.1 Row I
I	(1) Executive Director's Office, (C) Information Technology Contracts and Projects, Medicaid Management Information System Maintenance and Projects	\$375,000	0.0	\$123,750	\$63,750	\$0	\$187,500	Table 2.1 (Row J + Row R)
J	(2) Medical Services Premiums	(\$29,737,153)	0.0	(\$9,222,099)	(\$889,865)	\$0	(\$19,625,189)	Table 2.1 (Row F + Row G + Row K + Row P + Row Q + Row S)
K	Total Request	(\$12,301,943)	5.8	(\$3,468,482)	\$2,074,120	\$0	(\$10,907,581)	Sum of Rows A thru J

Table 1.2 FY 2021-22 R-15 Medicaid Recovery and Third Party Liability Modernization Summary by Line Item

Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	(1) Executive Director's Office, (A) General Administration, Personal Services	\$484,553	6.0	\$159,902	\$82,374	\$0	\$242,277	Table 2.2 (Row B + Row M)
B	(1) Executive Director's Office, (A) General Administration, Health, Life and Dental	\$60,252	0.0	\$19,884	\$10,242	\$0	\$30,126	Table 6.2 Row B + Table 7.2 Row B
C	(1) Executive Director's Office, (A) General Administration, Short-term Disability	\$734	0.0	\$241	\$125	\$0	\$368	Table 6.2 Row C + Table 7.2 Row C
D	(1) Executive Director's Office, (A) General Administration, SB 04-257 Amortization Equalization Disbursement	\$21,564	0.0	\$7,115	\$3,666	\$0	\$10,783	Table 6.2 Row D + Table 7.2 Row D
E	(1) Executive Director's Office, (A) General Administration, SB 06-235 Supplemental Amortization Equalization Disbursement	\$21,564	0.0	\$7,115	\$3,666	\$0	\$10,783	Table 6.2 Row E + Table 7.2 Row E
F	(1) Executive Director's Office, (A) General Administration, Operating Expenses	\$5,700	0.0	\$1,881	\$970	\$0	\$2,849	Table 6.2 Row F + Table 7.2 Row F
G	(1) Executive Director's Office, (A) General Administration, General Professional Services and Special Projects	\$120,000	0.0	\$39,600	\$20,400	\$0	\$60,000	Table 2.2 Row E
H	NEW LINE ITEM: (1) Executive Director's Office, (G) Recoveries and Recoupment Contract Costs, Third-Party Liability Cost Avoidance Contract	\$16,787,286	0.0	\$5,539,804	\$2,853,839	\$0	\$8,393,643	Table 2.2 Row I
I	(1) Executive Director's Office, (C) Information Technology Contracts and Projects, Medicaid Management Information System Maintenance and Projects	\$0	0.0	\$0	\$0	\$0	\$0	Table 2.2 (Row J + Row R)
J	(2) Medical Services Premiums	(\$49,974,876)	0.0	(\$15,254,908)	(\$1,293,009)	\$0	(\$33,426,959)	Table 2.2 (Row F + Row G + Row K + Row P + Row Q + Row S)
K	Total Request	(\$32,473,223)	6.0	(\$9,479,366)	\$1,682,273	\$0	(\$24,676,130)	Sum of Rows A thru J

Table 1.3 FY 2022-23 R-15 Medicaid Recovery and Third Party Liability Modernization Summary by Line Item

Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	(1) Executive Director's Office, (A) General Administration, Personal Services	\$484,553	6.0	\$159,902	\$82,374	\$0	\$242,277	Table 2.3 (Row B + Row M)
B	(1) Executive Director's Office, (A) General Administration, Health, Life and Dental	\$60,252	0.0	\$19,884	\$10,242	\$0	\$30,126	Table 6.2 Row B + Table 7.2 Row B
C	(1) Executive Director's Office, (A) General Administration, Short-term Disability	\$734	0.0	\$241	\$125	\$0	\$368	Table 6.2 Row C + Table 7.2 Row C
D	(1) Executive Director's Office, (A) General Administration, SB 04-257 Amortization Equalization Disbursement	\$21,564	0.0	\$7,115	\$3,666	\$0	\$10,783	Table 6.2 Row D + Table 7.2 Row D
E	(1) Executive Director's Office, (A) General Administration, SB 06-235 Supplemental Amortization Equalization Disbursement	\$21,564	0.0	\$7,115	\$3,666	\$0	\$10,783	Table 6.2 Row E + Table 7.2 Row E
F	(1) Executive Director's Office, (A) General Administration, Operating Expenses	\$5,700	0.0	\$1,881	\$970	\$0	\$2,849	Table 6.2 Row F + Table 7.2 Row F
G	(1) Executive Director's Office, (A) General Administration, General Professional Services and Special Projects	\$120,000	0.0	\$39,600	\$20,400	\$0	\$60,000	Table 2.3 Row E
H	NEW LINE ITEM: (1) Executive Director's Office, (G) Recoveries and Recoupment Contract Costs, Third-Party Liability Cost Avoidance Contract	\$17,248,905	0.0	\$5,692,139	\$2,932,314	\$0	\$8,624,452	Table 2.3 Row I
I	(1) Executive Director's Office, (C) Information Technology Contracts and Projects, Medicaid Management Information System Maintenance and Projects	\$0	0.0	\$0	\$0	\$0	\$0	Table 2.3 (Row J + Row R)
J	(2) Medical Services Premiums	(\$53,273,977)	0.0	(\$16,211,545)	(\$1,493,741)	\$0	(\$35,568,691)	Table 2.3 (Row F + Row G + Row K + Row P + Row Q + Row S)
K	Total Request	(\$35,310,705)	6.0	(\$10,283,668)	\$1,560,016	\$0	(\$26,587,053)	Sum of Rows A thru J

R-15 Medicaid Recovery and Third-Party Liability Modernization
Appendix B: Calculations and Assumptions

Table 1.1 FY 2020-21 R-15 Medicaid Recovery and Third Party Liability Modernization Summary by Line Item									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Notes/Calculations
A	Total Request-Tort and Casualty Recovery Operations	\$111,689	2.9	(\$514,144)	\$1,069,987	\$0	(\$444,154)	NA	Row B + Row C + Row D + Row E + Row F + Row G
B	FTE- Personal Services, PERA and Medicare	\$224,298	2.9	\$74,018	\$38,131	\$0	\$112,149	50%	Table 6.1 Row A
C	FTE- HLD, STD, AED, SAED	\$50,432	0.0	\$16,642	\$8,573	\$0	\$25,217	50%	Table 6.1 Row B through E
D	FTE- Operating Costs	\$16,959	0.0	\$5,596	\$2,883	\$0	\$8,480	50%	Table 6.1 Row F
E	Legal Case Tracking System	\$120,000	0.0	\$39,600	\$20,400	\$0	\$60,000	50%	Estimate
F	Increased Recoveries	\$0	0.0	(\$500,000)	\$1,000,000	\$0	(\$500,000)	50%	Table 4.1 Row G
G	Reduced Contingency Fees	(\$300,000)	0.0	(\$150,000)	\$0	\$0	(\$150,000)	50%	Table 4.1 Row J
H	Total Request- Third Party Liability (TPL) Cost Avoidance	(\$12,124,186)	0.0	(\$2,889,860)	\$968,699	\$0	(\$10,203,025)	NA	Row I + Row J + Row K
I	Contract Cost	\$16,337,967	0.0	\$5,391,529	\$2,777,454	\$0	\$8,168,984	50%	Table 3.1 Row F
J	Vendor data interface-interChange modifications	\$175,000	0.0	\$57,750	\$29,750	\$0	\$87,500	75%	Table 5.1 Row A
K	Avoided Costs	(\$28,637,153)	0.0	(\$8,339,139)	(\$1,838,505)	\$0	(\$18,459,509)	NA	Table 3.1 Row L, Fund Splits from Medical Services Premiums, Exhibit A
L	Total Request- Identification and Collection of Overpayments	(\$289,446)	2.9	(\$64,478)	\$35,434	\$0	(\$260,402)	Various	Row M + Row N + Row O + Row P + Row Q + Row R + Row S
M	FTE- Personal Services, PERA and Medicare	\$241,599	2.9	\$79,727	\$41,072	\$0	\$120,800	50%	Table 7.1 Row A
N	FTE- HLD, STD, AED, SAED	\$51,996	0.0	\$17,159	\$8,839	\$0	\$25,998	50%	Table 7.1 Row B through E
O	FTE- Operating Costs	\$16,959	0.0	\$5,596	\$2,883	\$0	\$8,480	50%	Table 7.1 Row F
P	Increased Overpayment Collections- FTE	(\$800,000)	0.0	(\$232,960)	(\$51,360)	\$0	(\$515,680)	various	Table 8.1 Row D, Fund Splits from Exhibit A, Medical Services Premiums
Q	Vendor Contract	\$0	0.0	\$0	\$0	\$0	\$0	50%	Table 8.2 Row G, Contingency Fee based contract would begin 1/1/2021 with no vendor cost until 1/1/22
R	Vendor data interface-interChange modifications	\$200,000	0.0	\$66,000	\$34,000	\$0	\$100,000	75%	Table 5.1 Row B
S	Increased Overpayment Collections- Contract	\$0	0.0	\$0	\$0	\$0	\$0	various	Table 8.2 Row E
T	Total Request	(\$12,301,943)	5.8	(\$3,468,482)	\$2,074,120	\$0	(\$10,907,581)	NA	Row A + Row H + Row L

R-15 Medicaid Recovery and Third-Party Liability Modernization
Appendix B: Calculations and Assumptions

Table 2.2 FY 2021-22 R-15 Medicaid Recovery and Third Party Liability Modernization Summary by Initiative

Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Notes/Calculations
A	<i>Total Request-Tort and Casualty Recovery Operations</i>	(\$42,630)	3.0	(\$840,569)	\$1,569,253	\$0	(\$771,314)	NA	Row B + Row C + Row D + Row E + Row F + Row G
B	FTE- Personal Services, PERA and Medicare	\$233,279	3.0	\$76,982	\$39,657	\$0	\$116,640	50%	Table 6.2 Row A
C	FTE- HLD, STD, AED, SAED	\$51,241	0.0	\$16,908	\$8,711	\$0	\$25,622	50%	Table 6.2 Row B through E
D	FTE- Operating Costs	\$2,850	0.0	\$941	\$485	\$0	\$1,424	50%	Table 6.2 Row F
E	Legal Case Tracking System	\$120,000	0.0	\$39,600	\$20,400	\$0	\$60,000	50%	Estimate
F	Increased Recoveries	\$0	0.0	(\$750,000)	\$1,500,000	\$0	(\$750,000)	50%	Table 4.1 Row G
G	Reduced Contingency Fees	(\$450,000)	0.0	(\$225,000)	\$0	\$0	(\$225,000)	50%	Table 4.1 Row J
H	<i>Total Request- Third Party Liability (TPL) Cost Avoidance</i>	(\$14,496,116)	0.0	(\$3,569,923)	\$845,445	\$0	(\$11,771,638)	NA	Row I + Row J + Row K
I	Contract Cost	\$16,787,286	0.0	\$5,539,804	\$2,853,839	\$0	\$8,393,643	50%	Table 3.1 Row F
J	Vendor data interface-interChange modifications	\$0	0.0	\$0	\$0	\$0	\$0	75%	One-time cost in FY 2020-21
K	Avoided Costs	(\$31,283,402)	0.0	(\$9,109,727)	(\$2,008,394)	\$0	(\$20,165,281)	NA	Table 3.1 Row L Fund Splits from Exhibit A, Medical Services Premiums
L	<i>Total Request- Identification and Collection of Overpayments</i>	(\$17,934,477)	3.0	(\$5,068,874)	(\$732,425)	\$0	(\$12,133,178)	various	Row M + Row N + Row O + Row P + Row Q + Row R + Row S
M	FTE- Personal Services, PERA and Medicare	\$251,274	3.0	\$82,920	\$42,717	\$0	\$125,637	50%	Table 7.2 Row A
N	FTE- HLD, STD, AED, SAED	\$52,873	0.0	\$17,447	\$8,988	\$0	\$26,438	50%	Table 7.2 Row B through E
O	FTE- Operating Costs	\$2,850	0.0	\$940	\$485	\$0	\$1,425	50%	Table 7.2 Row F
P	Increased Overpayment Collections- FTE	(\$1,600,000)	0.0	(\$465,920)	(\$102,720)	\$0	(\$1,031,360)	50%	Table 8.1 Row D, Fund Splits from Exhibit A, Medical Services Premiums
Q	Vendor Contract	\$3,653,007	0.0	\$1,205,492	\$621,011	\$0	\$1,826,504	50%	Table 8.2 Row G
R	Vendor data interface-interChange modifications	\$0	0.0	\$0	\$0	\$0	\$0	75%	One-time cost in FY 2020-21
S	Increased Overpayment Collections- Contract	(\$20,294,481)	0.0	(\$5,909,753)	(\$1,302,906)	\$0	(\$13,081,822)	various	Table 8.2 Row E
T	Total Request	(\$32,473,223)	6.0	(\$9,479,366)	\$1,682,273	\$0	(\$24,676,130)	NA	Row A + Row H + Row L

R-15 Medicaid Recovery and Third-Party Liability Modernization
Appendix B: Calculations and Assumptions

Table 2.3 FY 2022-23 R-15 Medicaid Recovery and Third Party Liability Modernization Summary by Initiative									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Notes/Calculations
A	Total Request-Tort and Casualty Recovery Operations	(\$42,630)	3.0	(\$840,569)	\$1,569,253	\$0	(\$771,314)	NA	Row B + Row C + Row D + Row E + Row F + Row G
B	FTE- Personal Services, PERA and Medicare	\$233,279	3.0	\$76,982	\$39,657	\$0	\$116,640	50%	Table 6.2 Row A
C	FTE- HLD, STD, AED, SAED	\$51,241	0.0	\$16,908	\$8,711	\$0	\$25,622	50%	Table 6.2 Row B through E
D	FTE- Operating Costs	\$2,850	0.0	\$941	\$485	\$0	\$1,424	50%	Table 6.2 Row F
E	Legal Case Tracking System	\$120,000	0.0	\$39,600	\$20,400	\$0	\$60,000	50%	Estimate
F	Increased Recoveries	\$0	0.0	(\$750,000)	\$1,500,000	\$0	(\$750,000)	50%	Table 4.1 Row G
G	Reduced Contingency Fees	(\$450,000)	0.0	(\$225,000)	\$0	\$0	(\$225,000)	50%	Table 4.1 Row J
H	Total Request- Third Party Liability (TPL) Cost Avoidance	(\$16,856,915)	0.0	(\$4,239,476)	\$742,720	\$0	(\$13,360,159)	NA	Row I + Row J + Row K
I	Vendor Contract	\$17,248,905	0.0	\$5,692,139	\$2,932,314	\$0	\$8,624,452	50%	Table 3.1 Row F
J	TPL Cost Avoidance-interChange Modifications	\$0	0.0	\$0	\$0	\$0	\$0	75%	One time cost in FY 2020-21
K	Avoided Costs	(\$34,105,820)	0.0	(\$9,931,615)	(\$2,189,594)	\$0	(\$21,984,611)	NA	Table 3.1 Row L Fund Splits from Exhibit A, Medical Services Premiums
L	Total Request- Identification and Collection of Overpayments	(\$18,411,160)	3.0	(\$5,203,623)	(\$751,957)	\$0	(\$12,455,580)	various	Row M + Row N + Row O + Row P + Row Q + Row R + Row S
M	FTE- Personal Services, PERA and Medicare	\$251,274	3.0	\$82,920	\$42,717	\$0	\$125,637	50%	Table 7.2 Row A
N	FTE- HLD, STD, AED, SAED	\$52,873	0.0	\$17,447	\$8,988	\$0	\$26,438	50%	Table 7.2 Row B through E
O	FTE- Operating Costs	\$2,850	0.0	\$940	\$485	\$0	\$1,425	50%	Table 7.2 Row F
P	Increased Overpayment Collections- FTE	(\$1,600,000)	0.0	(\$465,920)	(\$102,720)	\$0	(\$1,031,360)	50%	Table 8.1 Row D, Fund Splits from Exhibit A, Medical Services Premiums
Q	Vendor Contract	\$3,757,644	0.0	\$1,240,023	\$638,799	\$0	\$1,878,822	50%	Table 8.2 Row G
R	Vendor data interface-interChange modifications	\$0	0.0	\$0	\$0	\$0	\$0	75%	One-time cost in FY 2020-21
S	Increased Overpayment Collections- Contract	(\$20,875,801)	0.0	(\$6,079,033)	(\$1,340,226)	\$0	(\$13,456,542)	various	Table 8.2 Row E
T	Total Request	(\$35,310,705)	6.0	(\$10,283,668)	\$1,560,016	\$0	(\$26,587,053)	NA	Row A + Row H + Row L

R-15 Medicaid Recovery and Third-Party Liability Modernization
Appendix B: Calculations and Assumptions

Table 3.1- Third Party Liability Cost Avoidance					
Row	Label	FY 2020-21	FY 2021-22	FY 2022-23	Source/Calculation
A	Estimated Population	1,328,293	1,364,821	1,402,354	FY 2019-20 S-1 Medical Services Premiums Exhibit B trended forward using FY 2019-20 to FY 2020-21 trend
B	Percentage of Members with Other Insurance	10%	10%	10%	Estimate from Contractor based on national data. Only includes private insurance and does not include Medicare.
C	Members with Other Insurance	132,829	136,482	140,235	Row A * Row B
D	Estimated TPL Segments Per Member Identified Per Year	6	6	6	Estimate - 3 major medical & 3 pharmacy, see narrative for more detail
E	Contract Cost Per Segment	\$20.50	\$20.50	\$20.50	Estimate
F	Estimated Contract Cost	\$16,337,967	\$16,787,286	\$17,248,905	Row C * Row D * Row E
G	Acute Care Per Capita	\$2,971	\$3,052	\$3,136	FY 2019-20 S-1 Medical Services Premiums Exhibit F Trended forward
H	Estimated Percentage of Cost Avoided	-16.67%	-16.67%	-16.67%	Assumes not all costs would be avoided due to federal requirements for cost avoidance
I	Cost Avoided Per Capita	(\$495)	(\$509)	(\$523)	Row G * Row H
J	Members with identified TPL	75,000	75,000	75,000	Data from MMIS unverified TPL policies loaded January through December 2018
K	Members with TPL identified that is not currently identified	57,829	61,482	65,235	Row C - Row J
L	Estimated Avoided Costs	(\$28,637,153)	(\$31,283,402)	(\$34,105,820)	Row I * Row K
M	Net Impact	(\$12,299,186)	(\$14,496,116)	(\$16,856,915)	Row F + Row L

R-15 Medicaid Recovery and Third-Party Liability Modernization
Appendix B: Calculations and Assumptions

Table 5.1 System Costs					
Row	Item	Hourly Rate	Hours	Total Cost	Source/Calculation
A	System Development for Identification of Third-Party Insurance	\$143.05	1,223.35	\$175,000	Develop claims data interface to vendor and into MMIS
B	System Development for Identification of Overpayments	\$143.05	1,398.11	\$200,000	Develop claims data interface to vendor and into MMIS
C	Total Request	\$143.05	2,621.46	\$375,000	Row A + Row B

R-15 Medicaid Recovery and Third-Party Liability Modernization
Appendix B: Calculations and Assumptions

Table 4.1 Tort and Casualty Recoveries					
Row	Item	FY 2020-21	FY 2021-22	FY 2022-23	Source/Calculation
A	Estimated Recoveries per FTE	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	Range for current vendor: \$1.75 - \$2 million per caseworker. Larger cases would be worked internally.
B	Estimated Recoveries processed per contractor staff	(\$1,500,000)	(\$1,500,000)	(\$1,500,000)	Based on current vendor performance
C	Increased Recoveries per FTE	(\$500,000)	(\$500,000)	(\$500,000)	Estimate based on current performance
D	Number of FTE	3	3	3	Request
E	Partial Year Adjustment	66.67%	100.00%	100.00%	Staff hired 10/1/20 and trained by 11/1/20
F	Total Recoveries processed by new FTE	(\$4,000,000)	(\$6,000,000)	(\$6,000,000)	Row A * Row D * Row E
G	Total New Recoveries	(\$1,000,000)	(\$1,500,000)	(\$1,500,000)	Row C * Row D * Row E
H	Current Contractor Recoveries Replaced by FTE Recoveries	(\$3,000,000)	(\$4,500,000)	(\$4,500,000)	Row F - Row G
I	Vendor Contingency Fee	10%	10%	10%	Current Contract
J	Reduced Contingency Fees	(\$300,000)	(\$450,000)	(\$450,000)	Row H * Row I
K	Net Impact	(\$1,300,000)	(\$1,950,000)	(\$1,950,000)	Row G + Row J

R-15 Medicaid Recovery and Third-Party Liability Modernization
Appendix B: Calculations and Assumptions

Table 6.1 Tort and Casualty Recovery FTE Costs- FY 2020-21							
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
A	Personal Services	\$224,298	2.9	\$74,018	\$38,131	\$0	\$112,149
B	Health, Life and Dental	\$30,126	0.0	\$9,942	\$5,121	\$0	\$15,063
C	Short-term Disability	\$340	0.0	\$112	\$58	\$0	\$170
D	SB 04-257 Amortization Equalization Disbursement	\$9,983	0.0	\$3,294	\$1,697	\$0	\$4,992
E	SB 06-235 Supplemental Amortization Equalization Disbursement	\$9,983	0.0	\$3,294	\$1,697	\$0	\$4,992
F	Operating Expenses	\$16,959	0.0	\$5,596	\$2,883	\$0	\$8,480
G	Total	\$291,689	2.9	\$96,256	\$49,587	\$0	\$145,846

Table 6.2 Tort and Casualty Recovery FTE Costs- FY 2021-22							
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
A	Personal Services	\$233,279	3.0	\$76,982	\$39,657	\$0	\$116,640
B	Health, Life and Dental	\$30,126	0.0	\$9,942	\$5,121	\$0	\$15,063
C	Short-term Disability	\$353	0.0	\$116	\$60	\$0	\$177
D	SB 04-257 Amortization Equalization Disbursement	\$10,381	0.0	\$3,425	\$1,765	\$0	\$5,191
E	SB 06-235 Supplemental Amortization Equalization Disbursement	\$10,381	0.0	\$3,425	\$1,765	\$0	\$5,191
F	Operating Expenses	\$2,850	0.0	\$940	\$485	\$0	\$1,425
G	Total	\$287,370	3.0	\$94,830	\$48,853	\$0	\$143,687

R-15 Medicaid Recovery and Third-Party Liability Modernization
Appendix B: Calculations and Assumptions

Table 7.1 Provider Overpayment FTE Costs- FY 2020-21							
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
A	Personal Services	\$241,599	2.9	\$79,727	\$41,072	\$0	\$120,800
B	Health, Life and Dental	\$30,126	0.0	\$9,942	\$5,121	\$0	\$15,063
C	Short-term Disability	\$366	0.0	\$121	\$62	\$0	\$183
D	SB 04-257 Amortization Equalization Disbursement	\$10,752	0.0	\$3,548	\$1,828	\$0	\$5,376
E	SB 06-235 Supplemental Amortization Equalization Disbursement	\$10,752	0.0	\$3,548	\$1,828	\$0	\$5,376
F	Operating Expenses	\$16,959	0.0	\$5,596	\$2,883	\$0	\$8,480
G	Total	\$310,554	2.9	\$102,482	\$52,794	\$0	\$155,278

Table 7.2 Provider Overpayment FTE Costs- FY 2021-22							
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
A	Personal Services	\$251,274	3.0	\$82,920	\$42,717	\$0	\$125,637
B	Health, Life and Dental	\$30,126	0.0	\$9,942	\$5,121	\$0	\$15,063
C	Short-term Disability	\$381	0.0	\$125	\$65	\$0	\$191
D	SB 04-257 Amortization Equalization Disbursement	\$11,183	0.0	\$3,690	\$1,901	\$0	\$5,592
E	SB 06-235 Supplemental Amortization Equalization Disbursement	\$11,183	0.0	\$3,690	\$1,901	\$0	\$5,592
F	Operating Expenses	\$2,850	0.0	\$940	\$485	\$0	\$1,425
G	Total	\$306,997	3.0	\$101,307	\$52,190	\$0	\$153,500

R-15 Medicaid Recovery and Third-Party Liability Modernization
Appendix B: Calculations and Assumptions

Table 8.1 Increased Overpayment Collections for new FTE					
Row	Item	FY 2020-21	FY 2021-22	FY 2022-23	Source/Calculation
A	Estimated Recoveries per FTE	(\$800,000)	(\$800,000)	(\$800,000)	Estimate based on experience of current staff
B	Number of FTE	2	2	2	FTE- 2 recovery staff
C	Partial Year Adjustment	50.00%	100.00%	100.00%	Staff hired 7/1/20 and fully trained to impact recoveries by 1/1/21
D	Estimated Increased Recoveries	(\$800,000)	(\$1,600,000)	(\$1,600,000)	Row A * Row B * Row C

R-15 Medicaid Recovery and Third-Party Liability Modernization
Appendix B: Calculations and Assumptions

Table 8.2- Increased Overpayment Collections from Claims Data Review Contract					
Row	Item	FY 2020-21	FY 2021-22	FY 2022-23	Source/Calculation
A	Estimated Acute Care Expenditure	\$3,945,869,738	4,058,896,208	4,175,160,237	FY 2019-20 S-1 Medical Services Premiums Exhibit B, trended forward using FY 2019-20 to FY 2020-21 trend
B	Percentage of Overpayments that would be collected	0.50%	0.50%	0.50%	Estimate from Contractor based on national data (3-5 % at low end)
C	Estimated Increased Collection of Overpayments	(\$19,729,349)	(\$20,294,481)	(\$20,875,801)	Row A * Row B * (-1)
D	Partial Year Adjustment	0%	100%	100%	Contract would be effective 1/1/2020 with interfaces and processes for overpayment collections beginning 7/1/2021
E	Adjusted Increased Overpayments Collected	\$0	(\$20,294,481)	(\$20,875,801)	Row C * Row D * Row E
F	Vendor Contract Percent	N/A	18%	18%	Department Estimate
G	Estimated Vendor Contract Amount	\$0	\$3,653,007	\$3,757,644	Row E * Row F
H	Net Impact	\$0	(\$16,641,474)	(\$17,118,157)	Row E + Row G

**PROJECT TIMELINE
 FY 2020-21 MEDICAID RECOVERY AND THIRD-PARTY
 LIABILITY MODERNIZATION**

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	
TPL Cost Avoidance Contract Effective																								
FTEs Start Date																								
Systems Changes																								
Tort and Casualty Recovery FTEs are Trained and Processing Recoveries																								
Overpayment Recovery FTEs are Trained and Processing Recoveries																								