

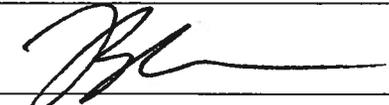
Schedule 13

Department of Health Care Policy and Financing

Funding Request for The FY 2020-21 Budget Cycle

Request Title

R-18 Public School Health Services Program Expansion

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 | \$8,018,048,258 | \$0 | \$8,049,593,760 | \$75,000 | \$26,987,386 |
| | FTE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total of All Line Items Impacted by Change Request | GF | \$2,286,561,174 | \$0 | \$2,295,241,911 | \$0 | \$0 |
| | CF | \$1,043,983,663 | \$0 | \$1,050,848,865 | \$0 | \$13,431,193 |
| | RF | \$88,876,290 | \$0 | \$88,876,290 | \$0 | \$0 |
| | FF | \$4,598,627,131 | \$0 | \$4,614,626,694 | \$75,000 | \$13,556,193 |

| Line Item Information | Fund | FY 2019-20 | | FY 2020-21 | | FY 2021-22 |
|---|--------------|-----------------------|----------------------|-----------------|----------------|--------------|
| | | Initial Appropriation | Supplemental Request | Base Request | Change Request | Continuation |
| | Total | \$7,895,417,528 | \$0 | \$7,915,363,590 | (\$75,000) | (\$125,000) |
| | FTE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 02. Medical Services Premiums, (A) Medical Services Premiums, (1) Medical Services Premiums - Medical Services Premiums | GF | \$2,285,686,174 | \$0 | \$2,294,366,911 | (\$75,000) | (\$125,000) |
| | CF | \$983,543,298 | \$0 | \$984,608,781 | \$0 | \$0 |
| | RF | \$88,876,290 | \$0 | \$88,876,290 | \$0 | \$0 |
| | FF | \$4,537,311,766 | \$0 | \$4,547,511,608 | \$0 | \$0 |

| | | | | | | |
|--|--------------|-------------|-----|-------------|-----------|-----------|
| | Total | \$1,750,000 | \$0 | \$1,750,000 | \$150,000 | \$250,000 |
| | FTE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 06. Other Medical Services, (A) Other Medical Services, (1) Other Medical Services - Public School Health Services Contract Administration | GF | \$875,000 | \$0 | \$875,000 | \$75,000 | \$125,000 |
| | CF | \$0 | \$0 | \$0 | \$0 | \$0 |
| | RF | \$0 | \$0 | \$0 | \$0 | \$0 |
| | FF | \$875,000 | \$0 | \$875,000 | \$75,000 | \$125,000 |

| Line Item Information | Fund | FY 2019-20 | FY 2020-21 | | FY 2021-22 | |
|---|--------------|-----------------------|----------------------|----------------------|----------------|---------------------|
| | | Initial Appropriation | Supplemental Request | Base Request | Change Request | Continuation |
| | Total | \$120,880,730 | \$0 | \$132,480,170 | \$0 | \$26,862,386 |
| | 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 | \$60,440,365 | \$0 | \$66,240,084 | \$0 | \$13,431,193 |
| | RF | \$0 | \$0 | \$0 | \$0 | \$0 |
| | FF | \$60,440,365 | \$0 | \$66,240,086 | \$0 | \$13,431,193 |

| 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-18
Request Detail: Public School Health Services Program Expansion

| Summary of Incremental Funding Change for FY 2020-21 | | | |
|---|-------------------|-------------------|---------------------|
| | FY 2019-20 | FY 2020-21 | FY 2021-22 |
| Total Funds | \$0 | \$75,000 | \$26,987,386 |
| FTE | 0.0 | 0.0 | 0.0 |
| General Fund | \$0 | \$0 | \$0 |
| Cash Funds | \$0 | \$0 | \$13,431,193 |
| Reappropriated Funds | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$75,000 | \$13,556,193 |

Summary of Request:

The Department requests \$75,000 total funds, consisting of \$75,000 federal funds in FY 2020-21; and \$26,987,386 total funds, including \$13,431,193 cash funds and \$13,556,193 federal funds in FY 2021-22 and ongoing, to allow public school districts participating in the Public School Health Services Program to receive reimbursement for Medicaid allowable services outside of those listed in an Individualized Education Program (IEP) and Individualized Family Service Plans (IFSP). The decision to expand the program is based on guidance from the Centers for Medicare and Medicaid Services (CMS) to State Medicaid Directors regarding Medicaid Payment for Services Provided without Charge (Free Care)¹. The cash funds are funds certified as public expenditures (CPE). This request represents an increase of less than 0.5% from the Department’s FY 2019-20 Long Bill total funds appropriation.

¹ <https://www.medicare.gov/federal-policy-guidance/downloads/smd-medicare-payment-for-services-provided-without-charge-free-care.pdf>

Current Program:

The Public School Health Services (SHS) Program, established in Colorado in 1997 via SB 97-101 “Medicaid Reimbursement For Schools”², allows Colorado’s public school districts and state-operated educational institutions access to federal Medicaid funds for the partial reimbursement of their costs of providing medically-necessary health services to Medicaid eligible students as prescribed in the student’s Individual Education Program (IEP) or Individualized Family Service Plan (IFSP)³. Covered services may include direct medical services including rehabilitative therapies, Early and Periodic Screening, Diagnostic and Treatment (EPSDT) services, Targeted Case Management, and Specialized Non-Emergency Transportation services for students from kindergarten through 12th grade.

The non-federal share of this reimbursement comes from certified public expenditures (CPE) which is a statutorily recognized Medicaid financing approach by which a governmental entity, such as a public school district, incurs an expenditure eligible for federal financial participation (FFP) under the State’s approved 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. For qualifying school-based administrative activities, the amount of time that school staff members spend on Medicaid-related activities is also determined based on time studies.

The SHS Program facilitates provider reimbursements through its federally-approved, cost-based methodology whereby the Department and its contractor calculate the amount of CPE to assure compliance with federal requirements. The methodology used to determine the amount of allowable CPE is described below:

- For each participating provider, the vendor first compiles cost pool information, including salary, benefits and contracted costs for all random moment time study (RMTS)⁴ participants, and indirect costs.

² https://leg.colorado.gov/sites/default/files/images/olls/1997a_sl_222.pdf

³ The IEP is a written plan developed by the school’s IEP team that describes a plan for the child’s education. Every IEP is tailored to a child’s specific circumstances and needs. Required components of an IEP include: an assessment of a child’s academic and functional performance level; annual educational goals; the educational and related services that a school will provide to help a child reach his or her goals; any program modifications or accommodations for school personnel to help support the child participate or make progress in their education; and a plan to measure a child’s progress toward annual goals. The IFSP is similar to an IEP but focused on the needs of infants and toddlers.

⁴ The Random Moment Time Study (RMTS) is a federally-approved statistical sampling technique used to determine Medicaid reimbursement at school districts and BOCES. Participants are randomly selected to complete the survey regarding a 1-minute

- The costs are adjusted by applying the statewide RMTS percentages against the direct service (DS) and targeted case management (TCM) cost pools, respectively.
- The costs are then adjusted to reflect the program’s qualifying clients by applying the IEP student utilization ratio⁵.
- Costs of supplies, materials, transportation and other costs are added.

Program reimbursements are made to providers via monthly interim payments and, upon final reconciliation of annual cost report data, a cost settlement payment. A separate but similar calculation is used for determining the amount of administrative services, known as the Medicaid administrative claiming (MAC). The MAC payments are quarterly reimbursements attributed to qualifying school-based administrative activities that are considered necessary for the proper and efficient administration of the Medicaid state plan. School-based administrative activities generally fall into two categories: outreach and enrollment, and efforts that support the provision of Medicaid-eligible services, including outreach to potentially eligible children and families and for making enrollment determinations.

Problem or Opportunity:

The Department can expand the reimbursement of covered services in the SHS program to Medicaid eligible students, regardless of when there is any charge to the student or community, and beyond services included in an IEP and IFSP.

Historically, CMS held the position that services available without charge to Medicaid beneficiaries, including services available without charge to others in the community, could not be covered by Medicaid. For example, schools that provided free health screenings to all students could not seek payment for the screenings for children with Medicaid coverage. This was sometimes known as the free care policy⁶. In 2005, however, the U.S. Department of Health and Human Services’ Department Appeals Board (DAB) concluded that this policy was not an interpretation of either the Medicaid statute or existing regulations. Finally, in December 2014, CMS provided new guidance in a letter to State Medicaid Directors (SMD #14-006)⁷, withdrawing its previous guidance on free care and revising the policy to permit Medicaid payment for covered services to Medicaid beneficiaries under the approved state plan, regardless of whether there is any charge for the service to the beneficiary or the community at large. As a result, federal financial participation (FFP) is now available for Medicaid payments for care provided through providers that do not charge individuals for the service, if all other Medicaid requirements are met.

moment in time. The time study, conducted on a quarterly basis, gathers information on how staff members spend their time on certain health-related activities.

⁵ The IEP Student Utilization Ratio is a program participant-specific ratio where the numerator is the total Medicaid IEP students on December 1st, as identified through the eligibility verification match from MMIS, and the denominator is the total number of IEP students on December 1st.

⁶ The free care policy included an exception for services provided to children as part of their IEP or IFSP

⁷ See footnote 1

This policy revision will allow public school districts participating in the SHS Program to receive reimbursement for Medicaid allowable services outside of those listed in an IEP and IFSP. These services include the costs associated with providing Medicaid allowable services to any student on a formal, school-developed plan such as an Individualized Health Plan (IHP)⁸ or a 504 Plan.⁹

Proposed Solution:

The Department is requesting \$75,000 total funds, consisting of \$75,000 federal funds in FY 2020-21; and \$26,987,386 total funds, including \$13,431,193 cash funds and \$13,556,193 federal funds in FY 2021-22 and ongoing to support expansion of the Public School Health Services (SHS) Program. The cash funds are funds certified as public expenditures (CPE).

The Department, along with its contracted vendor, has been conducting a multi-phased analysis to evaluate the feasibility of expanding SHS Program services to include these additional “free care” services. Phase one of the analysis utilized existing data to project the potential financial impact of program expansion. Phase two used existing data and interviews with various district staff to assess existing systems and processes in place, and to identify any additional new costs that may be reimbursable. Lastly, phase three ran a pilot program with a sample of districts that gathered real time data around possible expansion of services as well as looking at potential new provider type groups.

Phase three was the final phase of the analysis. On June 4, 2019, the Department hosted a meeting to share the results of the “free care” analysis and the pilot program. Additional agenda items included the potential financial impact of program expansion, the accompanying risks involved, and the options regarding next steps. The meeting also presented a forum for discussion among all stakeholders in the SHS Program as well as the community at large.

Following the June 4th meeting the Department received overwhelming support from program stakeholders and community organizations to expand the SHS program to include the “free care” services and negotiate with CMS the inclusion of additional program provider types. To do so the Department will need to update the SHS state plan amendment and seek CMS approval. The timeline for CMS approval is uncertain, however, the Department and its contractor are following the efforts of other states to similarly update their state plans and are encouraged by the progress including Massachusetts as the first state to receive approval.

⁸ The IHP is a written document that outlines the provision of student healthcare services intended to achieve specific student outcomes. The management of school healthcare services for students with significant or chronic health problems is a vital role for school nurses.

⁹ The 504 Plan is a plan developed to ensure that a child who has a disability identified under the law and is attending an elementary or secondary educational institution receives accommodations that will ensure their academic success and access to the learning environment.

Anticipated Outcomes:

Increasing the services and providers would allow school districts to receive more reimbursement and expand health services to all students according to the school district's Local Services Plan (LSP). Historically, this funding has been used for increased nurse-provided services and mental health services.

The Medicaid funds received through the SHS Program are entirely federal funds. The federal funds are made available to deliver new and expanded primary and preventative health service to Colorado's public school children identified and specified under the providers' LSP. The LSP written by the school district, with community input, describes the types and cost of services to be provided with the funds. This allows providers to address some of the health care needs unique to their local communities. The most common areas to use the funds according to a provider's LSP are to fund additional nursing services and for mental health needs for all students. Types of services that can be funded include, but are not limited to, the following:

- Enhanced clinic aid or nurse services;
- Dental, vision and pharmacy vouchers to uninsured or under-insured students;
- Outreach and enrollment assistance toward access of medical assistance benefits for uninsured families;
- Health supplies and equipment; and
- Enhanced physical or mental health services.

By allowing the Department to reimburse SHS providers on a timely basis for their incurred Medicaid costs, the approval of this request would ensure the retention of current participating providers and help attract new providers to the program, thus furthering the Department's mission of improving health care access and outcomes. In addition, the expansion of these services aligns with the Governor's goals around mental health and education services.

Assumptions and Calculations:

Detailed calculations for this request are provided in the attached appendix.

Table 1.1 shows a summary by line item for this request. The fiscal impact for FY 2020-21 is expected to be only for administrative costs due to the timing of the implementation and standard program reimbursement mechanics. For FY 2020-21 the Department is only requesting an increase in spending authority to support the expected costs of start-up services provided by the Department's contracted vendor. These services include system updates for data collection and compilation along with increases in provider communication and training costs as well as periodic meetings with Department staff and stakeholders. Based on conversations with the current contracted vendor, the Department estimates the maximum amount required to be \$150,000, equal to 500 hours at the vendor rate of \$300 per hour. As a result of the General Assembly's approval of the Department's FY 2018-19 S-7, FY 2019-20 BA-7 Public School Health Services Funding

Adjustments¹⁰ request, the SHS Program’s administrative expenses are financed with General Fund appropriations and a corresponding General Fund offset in the Medical Services Premiums line. This financing structure allows the Department to maximize federal funds while reducing the financial burden on participating school districts. The funding for the General Fund offset is sourced from the withhold¹¹ that the Department retains from the federal reimbursements.

Table 1.2 shows the fiscal impact expected in FY 2021-22. The Department expects the contractor funding to increase to \$250,000 due to the projected number of hours for administering the updated policy. The ongoing tasks include creating and maintaining training materials, conducting annual training sessions and providing customer service support for the Department and the 54 participating districts. Additional contractor tasks would be managing the data collection changes within the online cost-reporting portal and the expanded scope of the annual cost-settlement payment process, as well as performing comprehensive reviews and analysis of district data. Table 1.2 also shows the projected increase in allowable reimbursements driven by the policy change. The figure was arrived at by the Department’s contracted vendor following completion of a pilot program involving eight districts whose providers volunteered to contribute time and effort by completing sample survey requests that simulated the random moment time study component of a “free care” service implementation. Taken together with the expected inclusion of additional provider types such as psychologists and other mental health providers, and applying the expected federally-approved reimbursement methodology, the result is an additional \$26,862,386 in reimbursement to districts in FY 2021-22.

Tables 2.1 and 2.2 show the fiscal impact by initiative and includes the relationship of the General Fund appropriation and offset.

¹⁰ <https://www.colorado.gov/pacific/sites/default/files/HCPF%2C%20FY20%20JAN%2C%20S-07%20BA-07%2C%20PUBLIC%20SCHOOL%20HEALTH%20SERVICES.pdf>

¹¹ The Department withholds 2.5% from all federal reimbursement payments within the SHS Program. This amount is applied as a General Fund offset and effectively is the state share of the Department’s costs of administering the program.

R-18 Public School Health Services Program Expansion
Appendix A - Calculations and Assumptions

| Table 1.1 - Summary By Line Item FY 2020-21 | | | | | | | | |
|--|--|-----------------|------------|--------------|------------|----------------------|-----------------|--------------------------------|
| Row | Description | Total Funds | FTE | General Fund | Cash Funds | Reappropriated Funds | Federal Funds | Source |
| A | (2) Medical Services Premiums; Medical and Long-Term Care Services for Medicaid Eligible Individuals | (\$75,000) | 0.0 | (\$75,000) | \$0 | \$0 | \$0 | Table 2.1, Row B |
| B | (6) Other Medical Services; Public School Health Services Contract Administration | \$150,000 | 0.0 | \$75,000 | \$0 | \$0 | \$75,000 | Table 2.1, Row A |
| C | Total Request | \$75,000 | 0.0 | \$0 | \$0 | \$0 | \$75,000 | Sum of Rows A through B |

| Table 1.2 - Summary By Line Item FY 2021-22 and Ongoing | | | | | | | | |
|--|--|---------------------|------------|--------------|---------------------------|----------------------|---------------------|--------------------------------|
| Row | FY 2020-21 | Total Funds | FTE | General Fund | Cash Funds ⁽¹⁾ | Reappropriated Funds | Federal Funds | Source |
| A | (2) Medical Services Premiums; Medical and Long-Term Care Services for Medicaid Eligible Individuals | (\$125,000) | 0.0 | (\$125,000) | \$0 | \$0 | \$0 | Table 2.2, Row B |
| B | (6) Other Medical Services; Public School Health Services Contract Administration | \$250,000 | 0.0 | \$125,000 | \$0 | \$0 | \$125,000 | Table 2.2, Row A |
| C | (6) Other Medical Services; Public School Health Services | \$26,862,386 | 0.0 | \$0 | \$13,431,193 | \$0 | \$13,431,193 | Table 2.2, Row E |
| D | Total Request | \$26,987,386 | 0.0 | \$0 | \$13,431,193 | \$0.0 | \$13,556,193 | Sum of Rows A through C |

⁽¹⁾Cash funds represent funds certified as public expenditures incurred by school districts or boards of cooperative educational services that are eligible for federal financial participation under Medicaid

R-18 Public School Health Services Program Expansion
Appendix A - Calculations and Assumptions

| Table 2.1 - Summary by Initiative FY 2020-21 | | | | | | | | |
|--|---|-----------------|------------|--------------|------------|-----------------|-----------|---|
| Row | Item | Total Funds | FTE | General Fund | Cash Funds | Federal Funds | FFP | Source |
| <i>Public School Health Services - Department Administration</i> | | | | | | | | |
| A | Increased Funding for Department's SHS Program Contractor | \$150,000 | 0.0 | \$75,000 | \$0 | \$75,000 | 50% | The expected costs of start-up services provided by the Department's contracted vendor. See narrative for further detail. |
| B | General Fund Offset | (\$75,000) | 0.0 | (\$75,000) | \$0 | \$0 | NA | Row A [General Fund] * -1 |
| C | Incremental Request | \$75,000 | 0.0 | \$0 | \$0 | \$75,000 | NA | Row A + Row B |

| Table 2.2 - Summary by Initiative FY 2021-22 and Ongoing | | | | | | | | |
|--|---|---------------------|------------|--------------|---------------------------|---------------------|-----------|--|
| Row | Item | Total Funds | FTE | General Fund | Cash Funds ⁽¹⁾ | Federal Funds | FFP | Source |
| <i>Public School Health Services - Department Administration</i> | | | | | | | | |
| A | Increased Funding for Department's SHS Program Contractor | \$250,000 | 0.0 | \$125,000 | \$0 | \$125,000 | 50% | The expected costs of additional, ongoing services provided by the Department's contracted vendor. See narrative for further detail. |
| B | General Fund Offset | (\$125,000) | 0.0 | (\$125,000) | \$0 | \$0 | NA | Row A [General Fund] * -1 |
| C | Incremental Request | \$125,000 | 0.0 | \$0 | \$0 | \$125,000 | NA | Row A + Row B |
| <i>Public School Health Services - Provider Reimbursement</i> | | | | | | | | |
| D | Increase from "Free Care" Policy Update | \$26,862,386 | 0.0 | \$0 | \$13,431,193 | \$13,431,193 | 50% | The expected increase in provider reimbursements provided by the Department's contracted vendor. See narrative for further detail. |
| E | Incremental Request | \$26,862,386 | 0.0 | \$0 | \$13,431,193 | \$13,431,193 | NA | Row D |
| F | Total Incremental Request | \$26,987,386 | 0.0 | \$0 | \$13,431,193 | \$13,556,193 | NA | Row C + Row E |

⁽¹⁾Cash funds represent funds certified as public expenditures incurred by school districts or boards of cooperative educational services that are eligible for federal financial participation under Medicaid