

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING; FY 08-09 BUDGET REQUEST CYCLE

Schedule 13 Change Request for FY 08-09 Budget Request Cycle												
Decision Item FY 08-09		Base Reduction Item FY 08-09				Supplemental FY 07-08		Budget Request Amendment FY 08-09				
Request Title:	Health Care Policy and Financing Medical Director Consortium											
Department:	Health Care Policy and Financing				Dept. Approval by:	John Bartholomew <i>JB</i>		Date:	January 2, 2008			
Priority Number:	S-6, BA-1				OSPFB Approval:	<i>John M. [Signature]</i>		Date:	12/26/07			
		1	2	3	4	5	6	7	8	9	10	
		Prior-Year Actual FY 06-07	Appropriation FY 07-08	Supplemental Request FY 07-08	Total Revised Request FY 07-08	Base Request FY 08-09	Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	Budget Amendment FY 08-09	Total Revised Request FY 08-09	Change from Base (Column 5) FY 09-10	
Total of All Line Items	Total	15,260,951	16,715,590	80,000	16,795,590	18,860,743	0	18,860,743	200,000	19,060,743	200,000	
	FTE	0.00	245.30	0.00	245.30	0.00	0.00	0.00	0.00	0.00	0.00	
	GF	6,054,845	7,261,822	10,000	7,271,822	7,768,653	0	7,768,653	40,000	7,808,653	40,000	
	GFE	0	0	0	0	0	0	0	0	0	0	
	CF	0	140,495	0	140,495	212,681	0	212,681	0	212,681	0	
	CFE	399,006	592,486	0	592,486	2,121,195	0	2,121,195	0	2,121,195	0	
	FF	8,807,100	8,720,787	70,000	8,790,787	8,758,214	0	8,758,214	160,000	8,918,214	160,000	
(1) Executive Director's Office - Personal Services	Total	15,260,951	16,715,590	80,000	16,795,590	18,860,743	0	18,860,743	200,000	19,060,743	200,000	
	FTE	0.00	245.30	0.00	245.30	0.00	0.00	0.00	0.00	0.00	0.00	
	GF	6,054,845	7,261,822	10,000	7,271,822	7,768,653	0	7,768,653	40,000	7,808,653	40,000	
	GFE	0	0	0	0	0	0	0	0	0	0	
	CF	0	140,495	0	140,495	212,681	0	212,681	0	212,681	0	
	CFE	399,006	592,486	0	592,486	2,121,195	0	2,121,195	0	2,121,195	0	
	FF	8,807,100	8,720,787	70,000	8,790,787	8,758,214	0	8,758,214	160,000	8,918,214	160,000	
Letternote revised text:												
Cash Fund name/number. Federal Fund Grant name:				FF: Title XIX								
IT Request: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No												
Request Affects Other Departments: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, List Other Departments Here:												

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	S-6, BA-1
Change Request Title:	Health Care Policy and Financing Medical Director Consortium

SELECT ONE (click on box):

- Decision Item FY 08-09
- Base Reduction Item FY 08-09
- Supplemental Request FY 07-08
- Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

This request is for \$80,000 total funds in FY 07-08, with annualization to \$200,000 in FY 08-09 and beyond, to hire a consortium of medical professionals from University Physicians Incorporated. By using the services of University Physicians Incorporated, the Department would be able to leverage a wide range of expertise provided by a variety of specialties, including pediatrics, internal medicine, geriatrics, obstetrics, and gynecology, resulting in a greater dissemination of best practices to the Medicaid community. The Department believes a consortium of diverse medical professionals will provide more clinical expertise than a single Chief Medical Officer.

Background and Appropriation History:

Since the Department's inception it has never employed a Medical Doctor as a Chief Medical Officer or as the State's Medicaid Director. Lacking such a position, the Department has employed non-clinical staff to research and determine departmental policy positions on complicated medical subject matter.

Additionally, advocacy groups recommend, almost daily, that the Department fund alternative therapies for Medicaid clients that they profess will save the State money.

However, in the past the Department, by not having a Chief Medical Officer or other medical professional on staff, could not clinically corroborate the validity of these claims. As a result the Department has been unable to rigorously evaluate the appropriateness and medical necessity of the numerous treatments recommended by these advocacy groups.

Prior to FY 07-08, the Department had a contract with the Denver Health and Hospital Authority for consulting services one day per week at a cost of approximately \$40,000 annually. At the time, the Department allocated funds for this contract from its Personal Services appropriation, using the standard 50% federal funds match. However, the exact amount spent was based on the actual amount of consultative services utilized by the Department. This contract was intended to provide the Department with the types of services that a Chief Medical Officer would provide. However, this program did not perform as well as originally designed. The Department believed that the agreement with the Denver Health and Hospital Authority, as both a consultant and Medicaid provider had a conflict of interest when supplying consultation services to the Department. As a result of the passage of SB 07-211, the Department did not renew the contract when it expired at the end of FY 06-07.

In the six state Centers for Medicare and Medicaid Services Region that includes Colorado, there is only one Medical Doctor employed as a Chief Medical Officer. However, per the Centers for Medicare and Medicaid Services, there are at least 32 Medical Doctors acting as Chief Medical Officers for state Medicaid offices nationwide.

Currently, the Department contracts with the Colorado Foundation for Medical Care to determine the medical necessity of procedures for its Medicaid clients and to approve prior authorization requests. However, if the procedure is considered non-standard or experimental, the Colorado Foundation for Medical Care will defer the decision to the Department for final determination. Without a Chief Medical Officer, the Department does not have sufficient knowledge and expertise to make truly informed decisions regarding the medical necessity and appropriateness of these types of medical procedures.

In September 2007 the Department's Executive Director conducted a survey with various medical organizations to determine whether the Department needed a Medical Director at all, or if it could access the expertise of other state agencies that already employ physicians on staff. The overwhelming response was that the Department would benefit from having its own full-time clinical consultation.

Based on the Executive Director's guidance, in early October, Department staff began surveying other state Medicaid agencies to gather information regarding roles and responsibilities, reporting relationships, salaries and other pertinent information to determine the best solution for the State of Colorado to obtain this essential clinical guidance. After this information was gathered, the Executive Director met with the Chief Medical Officer at the Department of Public Health and Environment and the Dean of the School of Medicine at the University of Colorado Health Sciences Center to conclude the informal survey. After these meetings were held and information was gathered, it was decided to pursue a relationship with University Physicians Incorporated, the administrative services unit for the School of Medicine at the University of Colorado Health Sciences Center. This was based on feedback that was obtained that suggested that while there may be some advantages to having an FTE on staff, the needs of the Department are so varied that perhaps a different model would be more beneficial. Department staff would require assistance in a variety of specialties such as pediatrics, family medicine, internal medicine, pharmacology, geriatrics, obstetrics and gynecology, and psychiatry.

In mid-October the Dean of the School of Medicine at the University of Colorado Health Sciences Center offered to contact all the Deans of the sections to get input on how they could assist the Department, and to identify physicians from each of the specialties listed above that would be willing to provide these consultative services. Due to the schedules of those solicited, it took more than two weeks to gather the necessary information back from all the schools, contact interested physicians, interview them and then fine tune how this model would be expected to work.

University Physicians Incorporated was then contacted in late October regarding developing the mechanisms available to the Department and an estimate of the cost. It was too late to incorporate into the Department's November 1, 2007 Budget Request. The information gained from the informal survey and internal and external research has identified the benefit to the State of funding this in FY 07-08.

General Description of Request:

This Request is for \$80,000 total funds, \$10,000 in General Fund in FY 07-08, with annualization to \$200,000 total funds, \$40,000 General Fund, in FY 08-09 to enter into a contract with University Physicians Incorporated to provide clinical expertise to the Department in multiple fields of medicine. Based on the permissive language contained in SB 07-211, the Department conducted an assessment of its need for a Chief Medical Officer and determined that it cannot manage a \$3.5 billion budget, with a diverse and demanding range of medical services, effectively with a single Chief Medical Officer. The Department believes it would operate more efficiently if a consortium of medical professionals with expertise in multiple medical disciplines were engaged instead.

The Department's five largest expenditures involve reimbursements for services pertaining to nursing facilities, in-patient hospital expenses, prescription drugs, assisted care for in-home Medicaid clients, and physician office visits. Contracting with University Physicians Incorporated will provide expertise and services in the following fields of medicine: pediatrics, internal medicine, geriatrics, obstetrics, and gynecology. These areas are where the Department incurs the vast majority of its expenses. The Department believes that by using a physician group with expertise in various fields, it will receive more knowledgeable and focused feedback on a client's condition and recommended treatment protocol. Therefore, the Department would be better able to serve the needs of the Medicaid community at large.

The alternative of a consortium of medical professionals rather than a single Chief Medical Officer, allows the Department to utilize medical professionals with specific and up-to-date expertise in areas related to the recommended pilot programs. Additionally, when unusual cases arise, there would be more thorough diagnoses of the patient's condition

provided by a consortium of multiple medical specialists, with diverse expertise, reviewing the facts and circumstances of the case.

The Department expects University Physicians Incorporated to be available during regular business hours, five days a week, and to provide a lead doctor. The lead doctor's responsibilities will be coordination and distribution of Departmental requests and to provide timely feedback from the various specialists listed above when necessary.

Finally, by having a consortium of doctors available during the legislative season, the Department would be able to draw on their expertise when developing fiscal impact statements for the proposed legislation, as they would be using true clinical standards as the basis for determining costs to the State.

The Department will be asking University Physicians Incorporated to provide the following services for its Medicaid clients.

The Physicians will provide clinical and policy consultation and technical assistance to the Colorado Department of Health Care Policy and Financing with a concentration in the following areas, pediatrics, internal medicine, geriatrics, obstetrics, and gynecology. They will do this by:

- Researching new and best standards of practice and synthesizing that information for use by the Department in the design of new benefits packages. Specifically, these physicians will develop standards of care that will meet the criteria for reimbursement for pediatrics, internal medicine, geriatrics, obstetrics, and gynecology, and provide second opinions regarding medical necessity and appropriateness of requested procedures.
- Advising the Department on policies and protocols related to adding new treatments or procedures as a benefit. For example, when legislation or new policies are proposed which impact the functions of the Department, having a group of professionals with medical expertise to provide clinical analyses on the consequences

of the proposed legislation or policy will greatly improve the operations of the Department. This consortium of professionals can also provide input and feedback regarding other potential areas of impact for items that may have been overlooked and will enhance the Department's ability to develop and defend its position on proposed legislation or policies. Finally, they will review newly developed treatments and determine whether these treatments should qualify for Medicaid coverage.

- Assisting in the design and evaluation of quality improvement programs.
- Assisting in the evaluation and improvement of prior authorization programs and procedures.
- Reviewing proposed legislation and advising the Department on the potential impact to clinical services, health outcomes, and providers' ability to implement new policy.
- Participating in standing medical and clinical advisory committees. The Physician group will assist the Department's Medical Policy Committee, among others, when it is reviewing requests for benefit coverage. The Physician group will be able to apply current medical standards as the basis for recommended new policies.
- Testifying on behalf of the Department at Administrative Law Judge hearings when necessary and to boards, committees, the legislature and at other hearings or meetings where clinical expertise is needed.
- With regards to pregnancy, labor and delivery, the Physician group will define minimum standards of care, develop and recommend standardized billing procedures, and provide opinions regarding medical necessity and appropriateness of competing treatment options.

Each physician covered under this contract is expected to be available for consultation up to 10% of the time on a monthly basis. Consultation may be provided by telephone, email, or regularly scheduled meetings with Health Care Policy and Financing personnel.

An annual contract for these services is estimated at \$240,000 total funds, or \$20,000 per month.

The Department currently plans to enter into a four month contract with University Physicians Incorporated beginning January 1, 2008 and continuing through April 30, 2008, using its existing \$40,000, (\$20,000 General Fund) allocation that has qualified for a 50% federal match. However, the Department is requesting an enhanced federal match for this expenditure as it will now qualify for a 75% federal match. This will allow the Department to leverage its current \$20,000 General Fund allocation to obtain an additional \$40,000 (above the \$20,000 it already receives) in federal funds (see Table A).

The Department is also requesting new funding to continue this contract through May and June 2008. The additional amount required to continue the contract through the fiscal year end will be \$40,000 total funds, however due to the enhanced federal match mentioned above, only \$10,000 in additional General Fund appropriation will be required (see Table B).

To summarize, the total amount of new funding the Department will require in FY 07-08 is \$80,000 but only an additional \$10,000 General Fund appropriation to enter into the agreement with University Physicians Incorporated.

For FY 08-09, the Department will require an additional appropriation of \$40,000 General Fund. Again, the reason for this is that the contract with University Physicians Incorporated qualifies for an enhanced federal match, and the previously allocated \$20,000 General Fund that assumed 50% federal funds match will now qualify for an enhanced match (See Table C). This contract qualifies for the enhanced match because parts of the Physicians' duties are directly related to policy development and the administration of the Medicaid program.

Consequences if Not Funded:

The Department anticipates its request for enhanced federal match will be approved as there is no General Fund impact associated with this portion of the Request. If the

additional funding is not approved, the Department would not extend the contract for the additional two months and would renegotiate for less robust services in FY 08-09 using the existing allocation of its Personal Services appropriation.

The lack of a Medical Director puts the Department at risk in a number of ways such as being vulnerable to challenges from clients regarding the quality of care they received, being open to litigation regarding the denial of services, and paying for services that are experimental and provide no value to a client. It is not satisfactory to be without dedicated, expert, medical consultation when serving almost 400,000 individuals and paying out \$2.5 billion in medical claims.

Calculations for Request:

Summary of Request FY 07-08	Total Funds	General Fund	Federal Funds	FTE
Total Request	\$80,000	\$10,000	\$70,000	0.0
(1) Executive Director's Office: Personal Services	\$80,000	\$10,000	\$70,000	0.0

Summary of Request FY 08-09	Total Funds	General Fund	Federal Funds	FTE
Total Request	\$200,000	\$40,000	\$160,000	0.0
(1) Executive Director's Office: Personal Services	\$200,000	\$40,000	\$160,000	0.0

Table A					
	Calculation of Enhanced Match for 4 Month Contract Using Current Funding Allocation FY 07-08; January - April	Total Funds	General Fund	Federal Funds	Description
A	Current Funding	\$40,000	\$20,000	\$20,000	Previously allocated funds using the current 50%-50% match rate
B	Total Needed Fund with Enhanced Fund Splits	\$80,000	\$20,000	\$60,000	Total cost of four month contract with proper fund splits
C	Incremental Funding Needed	\$40,000	\$0	\$40,000	Net need by fund split (Row B- Row A)

Table B					
	Calculation of Fund Splits for Additional 2 Month Contract Being Requested for FY 07-08; May - June	Total Funds	General Fund	Federal Funds	Description
A	Current Funding	\$0	\$0	\$0	
B	Total Needed Funds using Enhanced Fund Splits	\$40,000	\$10,000	\$30,000	Total cost of two month contract with enhanced fund splits
C	Incremental Funding Needed	\$40,000	\$10,000	\$30,000	Net need by fund split (Row B- Row A)

Table C					
	Calculation of Fund Splits for Contract Request for FY 08-09	Total Funds	General Fund	Federal Funds	Description
A	Current Funding	\$40,000	\$20,000	\$20,000	Previously allocated funds using the current 50%-50% match rate
B	Total Needed Fund with Enhanced Fund Splits	\$240,000	\$60,000	\$180,000	Total cost of annual contract with proper fund splits
C	FY 08-09 Annual Need	\$200,000	\$40,000	\$160,000	Net need by fund split (Row B- Row A)

Assumptions for Calculations:

The amount of the request is based on a pending contract with University Physicians Incorporated. The funds splits are due to the enhanced federal match for the services performed by medical professionals.

Impact on Other Government Agencies:

None

Cost Benefit Analysis:

Cost	Benefits
FY 07-08: \$80,000	By using a consortium of medical professionals with expertise in various fields rather than a single Chief Medical Officer, Medicaid recipients will receive expert knowledge and focused treatment for their condition using the most appropriate course of treatment. Additionally, by having medical professionals available, the Department will be better able to evaluate the claims made by advocacy groups regarding alternative methods of treatment.
FY 08-09: \$200,000	
\$0	None. Without a Chief Medical Officer or a consortium of medical professionals to consult with, Medicaid recipients could get delayed care, insufficient care or care that is inappropriate for their condition. The Department would also lack the ability to clinically evaluate the claims made by advocacy groups and other assertions that may be contained in proposed legislation.

Implementation Schedule:

Task	Month/Year
SB 07-211 Signed by the Governor - Becomes Law	May 31, 2007
Internal Research/Planning Period	May 2007
Contract Written	November 2007
Contract Awarded/Signed	December 2007
Start-Up Date	January 1, 2008

Statutory and Federal Authority:

25.5-1-105.5. C.R.S. (2007) Chief medical officer - qualifications. (1) *The executive director may appoint a chief medical officer who shall: (a) Have a degree of doctor of medicine or doctor of osteopathy and be licensed to practice medicine in the state of Colorado; (b) Have at least two years of postgraduate experience in primary care; and (c) Have at least two years of experience in an administrative capacity in a health care organization.* (2) *The chief medical officer shall, with the assistance of advisory committees of the state department, provide medical judgment and advice regarding all medical issues involving programs administered by the state department.*

42 CFR 432.50 § 432.50 FFP: Staffing and training costs. (a) Availability of FFP. FFP is available in expenditures for salary or other compensation, fringe benefits, travel, per diem, and training, at rates determined on the basis of the individual's position, as specified in paragraph (b) of this section.(b) Rates of FFP. (1) For skilled professional medical personnel and directly supporting staff of the Medicaid agency or of other public agencies (as defined in § 432.2), the rate is 75 percent.(2) For personnel engaged directly in the operation of mechanized claims processing and information retrieval systems, the rate is 75 percent...(2) Staff of other public agencies. The rate of 75 percent FFP is available for staff of other public agencies if the requirements specified in paragraph (d)(1) of this section are met and the public agency has a written agreement with the Medicaid agency to verify that these requirements are met. (e) Limitations on FFP rates for staff in mechanized claims processing and information retrieval systems. The special matching rates for persons working on mechanized claims processing and information retrieval systems (paragraphs (b)(2) and (3) of this section) are applicable only if the design, development and installation, or the operation, have been approved by the Administrator in accordance with part 433, subchapter C, of this chapter.

42 CFR 432.20 § 432.2 Definitions. As used in this part--Community service aides means subprofessional staff, employed in a variety of positions, whose duties are an integral part of the agency's responsibility for planning, administration, and for delivery of health services....Staff of other public agencies means skilled professional medical personnel and directly supporting staff who are employed in State or local agencies other than the Medicaid agency who perform duties that directly relate to the administration of the Medicaid program...

Performance Measures:

This Request will help provide more resources in order to support nearly all of the Department's Performance Measures, including those that are aligned with the Governor's *The Colorado Promise*:

- Increase the number of clients served through targeted, integrated care management programs.

- Increase the number of children served through a dedicated medical home service delivery model.
- Increase number of managed care options for clients enrolling in Medicaid.
- Increase the number of clients enrolled in viable managed care options.
- Improve access to and the quality of Medicaid health care as demonstrated through improvements in Medicaid Health plan scores on Health Plan Employer Data Information Set (HEDIS) measures.