

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

**Schedule 13**  
**Change Request for FY 08-09 Budget Request Cycle**

<b>Request Title:</b>	Decision Item FY 08-09 <input checked="" type="checkbox"/>	Base Reduction Item FY 08-09	Supplemental FY 07-08	Budget Request Amendment FY 08-09
<b>Department:</b>	Restore Enrollment Broker Contract Funding	Health Care Policy and Financing	Dept. Approval by: John Bartholomey <i>JB</i>	Date: November 1, 2007
<b>Priority Number:</b>	DI - 11	OSPb Approval: <i>for use</i>	Date: 10/11/07 for 11/1/07	

  

		1	2	3	4	5	6	7	8	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
<b>Total of All Line Items</b>	<b>Total</b>	2,056,800	1,739,465	0	1,739,465	1,723,940	159,570	1,883,510	0	1,883,510	159,570
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	997,942	810,715	0	810,715	802,828	79,785	882,613	0	882,613	79,785
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	14,395	0	14,395	3,800	0	3,800	0	3,800	0
	CFE	27,059	48,060	0	48,060	60,607	0	60,607	0	60,607	0
	FF	1,031,799	866,295	0	866,295	856,705	79,785	936,490	0	936,490	79,785
<b>(1) Executive Director's Office</b>	<b>Total</b>	1,196,014	1,039,465	0	1,039,465	1,023,940	(97,848)	926,092	0	926,092	(97,848)
<b>Operating Expenses</b>	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	586,457	494,229	0	494,229	486,342	(48,924)	437,418	0	437,418	(48,924)
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	14,395	0	14,395	3,800	0	3,800	0	3,800	0
	CFE	8,151	14,546	0	14,546	27,093	0	27,093	0	27,093	0
	FF	601,406	516,295	0	516,295	506,705	(48,924)	457,781	0	457,781	(48,924)
<b>(1) Executive Director's Office</b>	<b>Total</b>	860,786	700,000	0	700,000	700,000	257,418	957,418	0	957,418	257,418
<b>SB 97-05 Enrollment Broker</b>	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	411,485	316,486	0	316,486	316,486	128,709	445,195	0	445,195	128,709
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	18,908	33,514	0	33,514	33,514	0	33,514	0	33,514	0
	FF	430,393	350,000	0	350,000	350,000	128,709	478,709	0	478,709	128,709

  

Letternote revised text:

Cash Fund name/number, Federal Fund Grant name: FF: Title XIX

IT Request:  Yes  No

Request Affects Other Departments:  Yes  No If Yes, List Other Departments Here:

**CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE**

Department:	Health Care Policy and Financing
Priority Number:	DI-11
Change Request Title:	Restore Enrollment Broker Contract Funding

**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 to increase the total funds appropriation for the (1) Executive Director's Office, SB 97-05 Enrollment Broker from \$700,000 to \$957,418 in FY 08-09 - a change of \$257,418. This increase is offset by a reduction to the (1) Executive Director's Office, Operating Expenses line item of \$97,848.

Background and Appropriation History:

**Funding Enrollment Broker Services**

The Department funds enrollment broker services through two sources including the (1) Executive Director's Office, SB 97-05 Enrollment Broker and (1) Executive Director's Office, Operating Expenses. In FY 06-07 the Department funded \$942,784 from the enrollment broker line item. This included \$33,514 in tobacco tax moneys with matching federal funds, \$67,028 total, for caseload increases driven by the expansion Medicaid population. In addition, the Department funded \$97,848 through the Operating Expenses line item. As a result, \$1,040,632 in funding was available for enrollment broker services. The Department estimated that the expansion Medicaid population would only require

\$35,030. As a result, the Department contracted with Maximus Inc. for \$1,008,634 to provide enrollment broker services and reverted \$31,998 to General Fund.

The Department primarily funds the enrollment broker through the (1) Executive Director's Office, SB 97-05 Enrollment Broker line item. Under 42 CFR 438.10 the Department is required to undertake various activities to ensure *all* eligible Medicaid clients receive sufficient information to make an informed choice when they decide to enroll in either a managed care or a primary care physician program. The Centers for Medicare and Medicaid Services requires the Department to follow very specific instructions with respect to content, format, and procedures when disseminating information to Medicaid-eligible clients about their options. Under this regulation, the Department must:

- Provide current and **potential enrollees** with enrollment notices, informational materials, and instructional materials in a manner and format that may be easily understood (including printing in non-English languages, oral interpretation services, and alternative formats),
- Disseminate information about the availability of various languages, formats, and communication alternatives for receiving information and provide clear instructions regarding how to access these alternatives,
- Tailor details of printed materials to different regions within the State,
- Produce and distribute directories of physicians, specialists, and hospitals, including information on those who speak a non-English language,
- Provide information about where and how to obtain a counseling or referral service.

In fulfilling all of the functions described above, the Department contracts with an enrollment broker with a multilingual staff who produce printed materials; operate a call-center; disseminate mailings; counsel, enroll and disenroll clients; and coordinate with participating physicians, specialists and hospitals.

Although the majority of the enrollment broker expenses are paid through the (1) Executive Director's Office, SB 97-05 Enrollment Broker line item, the Department also funds a portion of the contract through the (1) Executive Director's Office, Operating Expenses line item. The managed care informational packet received by clients includes a managed care report card comparing Health Plan Employer Data Information Set (HEDIS) scores, capitation rates and focus group results for health care plans, primary care physicians and fee-for-service. This report card is mandated through C.R.S. 25.5-5-410, 2006 which states that the Department must provide reports that "...shall include a comparison of the effectiveness of the MCO [Managed Care Organization] program and the primary care physician program based upon common performance standards that shall include but not be limited to recipient satisfaction."

Originally, the Department produced this managed care report card in-house and sent out a separate mailing to clients with this information. In FY 03-04 the Department determined that it would be more cost effective to provide the information to potential managed care clients through the enrollment broker. In addition, there were problems with the Centers for Medicare and Medicaid Services around the formatting and content of the report card. As a result, the enrollment broker took over all printing and mailing responsibilities related to the managed care report card. However, services provided by the enrollment broker for the managed care report card continued to be paid through the (1) Executive Director's Office, Operating Expenses rather than the (1) Executive Director's Office, SB 97-05 Enrollment Broker. The additional information provided clients through the report card accounts for an additional \$97,848 in the enrollment broker contract.

#### **FY 07-08 Figure Setting**

During the Department's FY 07-08 Figure Setting on February 14, 2007, JBC staff recommended a reduction of \$33,514, to bring the enrollment broker contract back to the FY 05-06 caseload levels. JBC Staff cited declining traditional Medicaid caseload in their justification for this reduction. "Even with the addition of the Expansion Medicaid caseload, the FY 2007-08 Medicaid caseload is forecasted to be lower than the FY 2005-

06 caseload. In addition, as the Committee is aware, the Medicaid caseload that has an option of managed care is decreasing because of Primary Care Physician program does not cover all counties in the State and nor does Denver Health” (page 74). This reduction was consistent with the Department’s decision to revert funding in FY 06-07 due to declining caseload estimates.

However, the ultimate action by the Committee was to cut funding to this appropriation by \$242,784 rather than the JBC staff’s recommendation with the caveat that the Department could request a Comeback if it was concerned. The Department responded with a Comeback to continue funding for FY 07-08 for the amount of \$942,784. During the March 16, 2007 Committee meeting, the Department’s Comeback received no action.

Beginning FY 07-08, the Department will receive \$797,848 to fund enrollment broker services after the JBC action to cut funding; \$700,000 from the SB 97-05 Enrollment Broker line item and \$97,848 from the Department’s Operating Expenses line item. This funding must cover all mailings to current managed care clients and all new Medicaid clients while meeting state and federal regulations. As a result, the Department signed a 10 month contract with the enrollment broker contractor, Maximus Inc.

### **Managed Care in the 2007 General Assembly**

Concerns about the current options for managed care and decreasing enrollment prompted the legislature to revisit the managed care model. In the 2007 General Assembly regular session, two important managed care bills were passed and signed by the Governor including HB 07-1346 on prepaid inpatient health plans and SB 07-130 on medical homes for children.

In an effort to increase the participation of providers in managed care in Medicaid, the Governor signed HB 07-1346 concerning managed care in the medical assistance program on May 29, 2007. This bill was a JBC sponsored bill that allows the Department to enter into prepaid inpatient health plan (PIHP) agreements, a form of managed care. The

passage of this bill will allow the Department more options with managed care agreements.

On May 31, 2007 the Governor signed SB 07-130 to create medical homes for children. Under this bill, the Department is required to work with the Department of Public Health and Environment (CDPHE) “to develop systems to maximize the number of children in Medicaid and the Children’s Basic Health Plan who have a medical home by July 1, 2008” (Legislative Council fiscal note, page 1). This is a form of managed care that would allow qualified medical specialty, developmental, therapeutic or mental health care practices to act as medical homes. The medical home would provide access and coordination of all medically-related services including:

- Health maintenance and preventive care;
- Health education;
- Acute and chronic illness care;
- Coordination of medications, specialists, and therapies;
- Provider participation in hospital care; and
- 24-hour telephone care.

General Description of Request:

The purpose of this request is to increase (1) Executive Director’s Office, SB 97-05 Enrollment Broker to \$957,418. This is a net increase to the enrollment broker contract of \$159,570, \$83,214 less than the JBC cut in FY 07-08. This increase would restore the enrollment broker to a 12 month contract, address rising postage costs, fund additional contractor services and move \$97,848 in enrollment broker expenses out of the (1) Department’s Executive Director’s Office, Operating Expenses and into the (1) Executive Director’s Office, SB 97-05 Enrollment Broker. In addition, the restoration of the enrollment broker contract would fulfill the Department’s directive to ensure all Medicaid clients make informed decisions when choosing among available medical assistance programs.

### **Restoring a Full Year Enrollment Broker Contract**

As a result of the reduction in funding during the FY 07-08 Figure Setting from \$942,784 to \$700,000, the Department worked with the current enrollment broker to create a revised scope of work beginning with the FY 07-08 contract. Although managed care participation has decreased, the Department is still required to send out information through the enrollment broker to every new Medicaid client and yearly to every managed care enrolled client. The primary method of managing to the appropriation included drastically cutting the amount of information provided to clients through a mailing and instead relied on internet resources.

Although this proposed contract was able to manage to the \$700,000 appropriation for FY 07-08, direction from the Centers for Medicare and Medicaid Services stated that this contract would not be in compliance with the federal regulation. In an email sent from the Centers for Medicare and Medicaid Services on July 19, 2007, it was stated that mailings directing clients to a website are “not acceptable by the Centers for Medicare and Medicaid Services as a way to provide information to Medicaid clients that are a potential enrollee in Medicaid managed care. CMS requires the State to actually provide all the informational materials to potential enrollees through hard copy mailings. The State may offer the website as an additional place to obtain information, however, the clients need to receive a hard copy of the information materials listed in 42 CFR 438.10.” The Department was required to change the FY 07-08 contract back to the former scope of work to ensure compliance and as a result, the enrollment broker is currently funded for ten months in FY 07-08. As such, the Department’s contract with the enrollment broker will end on April 30, 2008.

The Department assumes that the FY 08-09 contract would also be a partial year contract ending April 30, 2009. Increasing the contract by \$159,570 in funding would allow the Department to provide coverage for a full fiscal year and would also consolidate enrollment broker funding in one line item. This would meet the federal requirements outlined in 42 CFR Section 438.10(e) which asserts that “The State or its contracted representative must provide the information...to each potential enrollee...at the time the

potential enrollee first becomes eligible to enroll in a voluntary program, or is first required to enroll in a mandatory enrollment program within a timeframe that enables the potential enrollee to use the information in choosing among available MCOs [Managed Care Organizations], PIHPs [Prepaid Inpatient Health Plans], PAHPs [Prepaid Ambulatory Health Plan] or PCCMs [primary care case management].”

### **Postage Costs**

JBC staff initially recommended a reduction of \$33,514 to bring the enrollment broker contract back in line with FY 05-06 caseload levels. This recommendation was based on forecasts predicting that caseload would be lower than FY 05-06. Estimates from the FY 08-09 Budget Request, November 1, 2007, predicts total caseload to fall by 4.16%<sup>1</sup> between FY 05-06 and FY 08-09. This decrease in the number of mailings is offset by increases to the cost per mailing. Postage costs have increased by 9.76%<sup>2</sup>. Changes required by the Centers for Medicare and Medicaid Services to the informational material included will increase the printing and mailing costs.

### **Enrollment Broker and Operating Expenses**

Lastly, in addition to restoring the enrollment broker to a 12 month contract, this request also moves \$97,848 out of the (1) Executive Director’s Office, Operating Expenses and into the (1) Executive Director’s Office, SB 97-05 Enrollment Broker. This is the portion of operating that has been added to the enrollment broker contract since FY 05-06 and includes the costs associated with printing and mailing a managed care report card. Moving this funding would allow the Department to manage all enrollment broker costs out of a single line and would improve the transparency in the Department’s budget.

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<sup>1</sup> Caseload estimates for FY 08-09 were reported as 383,067 whereas FY 05-06 actuals were reported as 399,705.

<sup>2</sup> The United States Postal Service has made two increases since the start of FY 05-06. The first increase occurred in January 2006 and increased the first-class postage rate from \$0.37 to \$0.39. Postage increased again in May 2007. This increased first-class postage from \$0.39 to \$0.41. Although enrollment broker packets are mailed at bulk rate, the Department assumes that the total increases are consistent with the change in the first-class rate.

### **Managed Care and Medicaid**

Managed care in Medicaid is an important approach for the State to provide a medical home for the Medicaid clients, to prevent overutilization, and to ensure quality care for clients. The Health Plan Employer Data Information Set (HEDIS) reports show that clients in managed care plans typically receive more primary care services (e.g. immunizations, primary care physician visits) than clients in the fee-for-service program. The Department is in the process of researching ways to expand managed care in the State. The Department currently contracts with various types of managed care organizations, including health maintenance organizations, primary care physicians, and prepaid inpatient health plans. In addition, establishing new relationships with managed care organizations supports the Governor's *The Colorado Promise* to improve access to health care and improve the quality of care provided.

#### Consequences if Not Funded:

The Department would continue to manage the enrollment broker contract to the \$700,000 appropriation first received in FY 07-08. The Department would maintain a 10 month contract with the enrollment broker, ending April 30, 2009. The Department would not be able to contract for enrollment services from May 1, 2009 to June 30, 2009. During this period, the Department would be in violation of federal law and would risk the potential disallowance of the federal match for all Medicaid services.

Calculations for Request:

**Table 1: Summary of Request FY 08-09**

Summary of Request FY 08-09	Total Funds	General Fund	Federal Funds
<b>Total Request</b>	\$159,570	\$79,785	\$79,785
(1) Executive Director's Office, SB 97-05 Enrollment Broker (Column 6)	\$257,418	\$128,709	\$128,709
(1) Executive Director's Office, Operating Expenses (Column 6)	(\$97,848)	(\$48,924)	(\$48,924)

**Table 2: Summary of Request FY 09-10**

Summary of Request FY 09-10	Total Funds	General Fund	Federal Funds
<b>Total Request</b>	\$159,570	\$79,785	\$79,785
(1) Executive Director's Office, SB 97-05 Enrollment Broker (Column 6)	\$257,418	\$128,709	\$128,709
(1) Executive Director's Office, Operating Expenses (Column 6)	(\$97,848)	(\$48,924)	(\$48,924)

**Table 3: Calculation of 12 Months of Funding**

Row	Item	Total	Description
A	(1) Executive Director's Office, SB 97-05 Enrollment Broker	\$700,000	SB 07-239
B	(1) Executive Director's Office, Operating Expenses	\$97,848	FY 07-08 Enrollment Broker Contract
<b>C</b>	<b>Total FY 07-08 Enrollment Broker Contract</b>	<b>\$797,848</b>	<b>Row A + Row B</b>
D	Number of Months in FY 07-08 Contract	10	FY 07-08 Enrollment Broker Contract
E	Monthly Contract Amount for Enrollment Broker Services	\$79,785	Row C / Row D
<b>F</b>	<b>Total Funding Requested for FY 08-09</b>	<b>\$957,418</b>	<b>Row C + Row E * 2</b>
<b>G</b>	<b>Difference in Funding between FY 07-08 and FY 08-09</b>	<b>\$159,570</b>	<b>Row F - Row C</b>

Assumptions for Calculations:

The Department is requesting \$159,570 in total funds to reinstate the enrollment broker contract ending in FY 06-07. This request would be \$79,785 General Fund and \$79,785 federal funds. This request is the difference between increases in (1) Executive Director's Office, SB 97-05 Enrollment Broker and reductions to the (1) Executive Director's Office, Operating Expenses.

**Table 3: Calculation of 12 Months of Funding**

The Department calculated the total funding needed for 12 months of contracted services from an enrollment broker by taking the current 10 month contract for the enrollment broker and expenses paid out of operating and dividing by 10. This gives the monthly contract cost of \$79,785 to retain the currently contracted enrollment broker. This monthly cost was then multiplied by 12 to obtain the total funding request for FY 08-09; \$957,418. This is \$159,570 more than the FY 07-08 contract.

Impact on Other Government Agencies:

None.

Cost Benefit Analysis:

<b>FY 08-09 Cost Benefit Analysis</b>	<b>Costs</b>	<b>Benefits</b>
<b>Request</b>	The cost of the request includes \$159,570 to reinstate a 12 month enrollment broker contract.	The request would allow the Department to enter into a 12 month contract with the enrollment broker. The Department assumes that the newly designed website would continue as a resource with the restored contract and that the Centers for Medicare and Medicaid Services concerns regarding printed materials would be addressed with the new contract. In addition, all enrollment broker funding would be moved into the (1) Executive Director's Office, SB 97-05 Enrollment Broker. This would increase transparency in the Department's budget.
<b>Consequences if not Funded</b>	The cost of not funding the reinstatement of moneys to the enrollment broker contract would be a partial year contract ending April 30, 2009. Failure to provide enrollment broker services between April 1, 2009 and June 30, 2009 would cause the Department to be noncompliant with federal regulations and the Department would risk losing federal match for all expenditures.	No benefits.

Statutory and Federal Authority:

42 C.F.R. Section 438.10 (a) Terminology - ...*Enrollee means a Medicaid recipient who is currently enrolled in an MCO, PIHP, PAHP, or PCCM in a given managed care program. Potential enrollee means a Medicaid recipient who is subject to mandatory enrollment or may voluntarily elect to enroll in a given managed care program, but is not yet an enrollee of a specific MCO, PIHP, PAHP, or PCCM.*

42 C.F.R. Section 438.10 (b) Basic rules -...*Each State, enrollment broker, MCO, PIHP, PAHP, and PCCM must provide all enrollment notices, informational materials, and instructional materials relating to enrollees and potential enrollees in a manner and format that may be easily understood. (2) The State must have in place a mechanism to help enrollees and potential enrollees understand the State’s managed care program. (3) Each MCO and PIHP must have in place a mechanism to help enrollees and potential enrollees understand the requirements and benefits of the plan.*

42 C.F.R. Section 438.10 (c) Language - ...*(1) Establish a methodology for identifying the prevalent non-English languages spoken by enrollees and potential enrollees throughout the State. “Prevalent” means a non-English language spoken by a significant number or percentage of potential enrollees and enrollees in the State. (2) Make available written information in each prevalent non-English language...*

42 C.F.R. Section 438.10 (d) Format - *(i) Use easily understood language and format; and (ii) Be available in alternative formats and in an appropriate manner that takes into consideration the special needs of those who, for example, are visually limited or have limited reading proficiency. (2) All enrollees and potential enrollees must be informed that information is available in alternative formats and how to access those formats.*

42 C.F.R. Section 438.10 (e) Information for potential enrollees - ...*(i) At the time the potential enrollee first becomes eligible to enroll in a voluntary program, or is first required to enroll in a mandatory enrollment program. (ii) Within a timeframe that enables the potential enrollee to use the information in choosing among available MCOs, PIHPs, PAHPs, or PCCMs. (2) The information for potential enrollees must include...*

42 C.F.R. Section 438.10 (f) General information for all enrollees of MCOs, PIHPs, PAHPs, and PCCMs. *Information must be furnished to MCO, PIHP, PAHP, and PCCM enrollees as follows: (1) The State must notify all enrollees of their disenrollment rights, at a minimum, annually. For States that choose to restrict disenrollment for periods of 90 days or more, States must send the notice no less than 60 days before the start of each enrollment period. (2) The State, its contracted representative, or the MCO, PIHP, PAHP, or PCCM must notify all enrollees of their right to request and obtain the information listed in paragraph (f)(6) of this section and, if applicable, paragraphs (g) and (h) of this section, at least once a year...*

Performance Measures:

This Decision Item affects the following Performance Measure:

- Increase the number of clients enrolled in viable managed care options.

The Department believes that restoring the enrollment broker contract will facilitate Medicaid clients in making informed choices about their managed care options. Managed care has been shown to improve health outcomes through the coordination of care and increased participation in preventive health.