

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

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					
<b>Request Title:</b>	Move Non-Emergency Transportation Services to Medical Services Premiums										
<b>Department:</b>	Health Care Policy & Financing			<b>Dept. Approval by:</b> John Bartholomew		<b>Date:</b> November 1, 2007					
<b>Priority Number:</b>	DI-14			<b>OSP Approval:</b>		<i>[Signature]</i>		<b>Date:</b> 10/17/07 for 11/1/07			
	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
<b>Total of All Line Items</b>	<b>Total</b>	2,068,980,569	2,155,158,210	0	2,155,158,210	2,154,926,292	0	2,154,926,292	0	2,154,926,292	0
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	637,169,595	656,071,151	0	656,071,151	655,162,393	0	655,162,393	0	655,162,393	0
	GFE	343,100,000	343,900,000	0	343,900,000	343,900,000	0	343,900,000	0	343,900,000	0
	CF	0	38,256	0	38,256	38,256	0	38,256	0	38,256	0
	CFE	48,860,206	76,001,368	0	76,001,368	76,794,167	0	76,794,167	0	76,794,167	0
	FF	1,039,850,768	1,079,147,435	0	1,079,030,335	1,079,031,476	0	1,079,031,476	0	1,079,031,476	0
<b>(1) Executive Director's Office, Non-Emergency Transportation Services</b>	<b>Total</b>	7,583,761	7,299,302	0	7,299,302	7,299,302	(7,299,302)	0	0	0	(7,299,302)
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	3,791,881	3,649,651	0	3,649,651	3,649,651	(3,649,651)	0	0	0	(3,649,651)
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	3,791,880	3,649,651	0	3,649,651	3,649,651	(3,649,651)	0	0	0	(3,649,651)
<b>(2) Medical Services Premiums</b>	<b>Total</b>	2,061,396,808	2,147,858,908	0	2,147,858,908	2,147,626,990	7,299,302	2,154,926,292	0	2,154,926,292	7,299,302
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	633,377,714	652,421,500	0	652,421,500	651,512,742	3,649,651	655,162,393	0	655,162,393	3,649,651
	GFE	343,100,000	343,900,000	0	343,900,000	343,900,000	0	343,900,000	0	343,900,000	0
	CF	0	38,256	0	38,256	38,256	0	38,256	0	38,256	0
	CFE	48,860,206	76,001,368	0	76,001,368	76,794,167	0	76,794,167	0	76,794,167	0
	FF	1,036,058,888	1,075,497,784	0	1,075,380,684	1,075,381,825	3,649,651	1,079,031,476	0	1,079,031,476	3,649,651
<b>Letternote revised text:</b>											
<b>Cash Fund name/number, Federal Fund Grant name:</b>				FF: Title XIX							
<b>IT Request:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>											
<b>Request Affects Other Departments:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				<b>If Yes, List Other Departments Here:</b>							

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

Department:	Health Care Policy and Financing
Priority Number:	DI-14
Change Request Title:	Move Non-Emergency Transportation Services to Medical Services Premiums

**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 move the (1) Executive Director’s Office, Non-Emergency Transportation Services line item to (2) Medical Services Premiums in an effort to provide over expenditure authority for non-emergency medical transportation. This is a net-zero Decision Item.

Background and Appropriation History:

The Department of Health Care Policy and Financing provides non-emergency transportation to and from medically necessary services covered by the Colorado Medical Assistance Program for clients who have no other means of transportation throughout all sixty-four counties in Colorado. Section 25.5-5-202 (1) (s) (2), C.R.S. (2007) and 42 CFR §431.53 require the Department to provide non-emergency medical transportation to eligible clients under the State’s Medical Assistance Program. The type of transportation authorized is determined by the distance to be traveled, treatment facilities available, and the physical condition and welfare of the client. Non-emergency medical transportation services include transportation between the client’s home and Medicaid covered benefits, and when applicable, the cost of lodging and food when an overnight stay is necessary for

an escort. There are also administrative costs related to non-emergency medical transportation including, but not limited to, the intake of client calls, determining eligibility, and authorizing and arranging transportation.

*History*

Prior to FY 03-04, non-emergency medical transportation, approximated to be \$12,041,460, was contained in the Department's (2) Medical Services Premiums Long Bill group. However, due to difficult economic conditions in FY 02-03, the General Assembly reduced the funding by \$7,640,682 in an effort to reduce General Fund expenditures (FY 03-04 Figure Setting, March 11, 2002, pages 110-111).

In FY 03-04, the Department received legislative authority via HB 04-1220 to administer non-emergency medical transportation as an administrative program rather than an optional Medicaid service in an effort to maintain cost savings. This action resulted in \$4,400,778 being transferred from the Department's (2) Medical Services Premiums Long Bill group to a newly created line item under the (1) Executive Director's Office Long Bill group titled "Non-Emergency Transportation Services."

The Department employs two mechanisms to provide non-emergency medical transportation needs for Medicaid clients: 1) in the 8 Front Range counties, the Department has a full-risk, fixed-price contract with LogistiCare, Inc. to provide the necessary services and administration, and 2) in the remaining 56 counties, the county departments of social services are responsible for authorizing and arranging the transportation.

*LogistiCare contract*

From October 2002 to September 2004, the Department contracted with Arapahoe County Transportation Services for non-emergency transportation services in the 8 Front Range counties. Due to the closure of Arapahoe County Transportation Services in September 2004, the Department entered into an emergency contract with LogistiCare from October 1, 2004 through June 30, 2005.

On March 22, 2005, the Department issued a request for proposals for broker services in the 8 Front Range counties for FY 05-06. The winning bidder was LogistiCare; however LogistiCare refused to sign the contract citing concerns about unpredictable spikes in caseload and utilization and inadequate funding. This resulted in a failed procurement for FY 05-06 requiring the Department to enter into an emergency nine month contract with LogistiCare from July 1, 2005 through March 31, 2006, until a new request for proposals could be completed.

In January 2006, the revised request for proposals was an open-ended request, meaning no dollar amount was specified. Having prior experience with providing non-emergency medical transportation services in the 8 Front Range counties, LogistiCare was awarded the winning bid for a fixed-price contract beginning June 1, 2006. This fixed-price contract was negotiated for \$446,992 per month, or \$5,363,904 per fiscal year. On June 20, 2006, the Department requested and subsequently received a 1331 Emergency Supplemental of \$1,121,497 to fund the administrative contract increases, funding for the two-month (April to May 2006) contract holdover provision, plus the fixed-price contract amount for June 2006.

In August 2006, the Department received correspondence from LogistiCare concerning unpaid monies for claim lag adjustments in the period from July 2005 through March 2006. With the assistance of the State Attorney General's Office and Governor's Counsel, the Department negotiated a settlement amount of \$1,048,608 with LogistiCare. The General Fund need was reduced by \$491,431 in an accounts payable line which was used to offset the total need. On January 23, 2007, the Department requested and subsequently received a FY 06-07 late supplemental in the amount of \$557,177 for the remaining lawsuit settlement agreement (February 14, 2007, Executive Director's Office Figure Setting, page 78).

*Remaining 56 Counties*

In the remaining 56 counties, the county departments of social services are responsible for authorizing and arranging transportation. Similar to increasing contract obligations, increased utilization and caseload in the non-Front Range counties have required a greater

portion of the total appropriation to be allocated for non-contractor costs. Changes in utilization are assumed to be the result of increased focus on non-emergency medical transportation from the Centers for Medicare and Medicaid Services, individual client complaints, recent training by the Department on State Plan transportation services, and increased awareness by Department of Human Services program administrators.

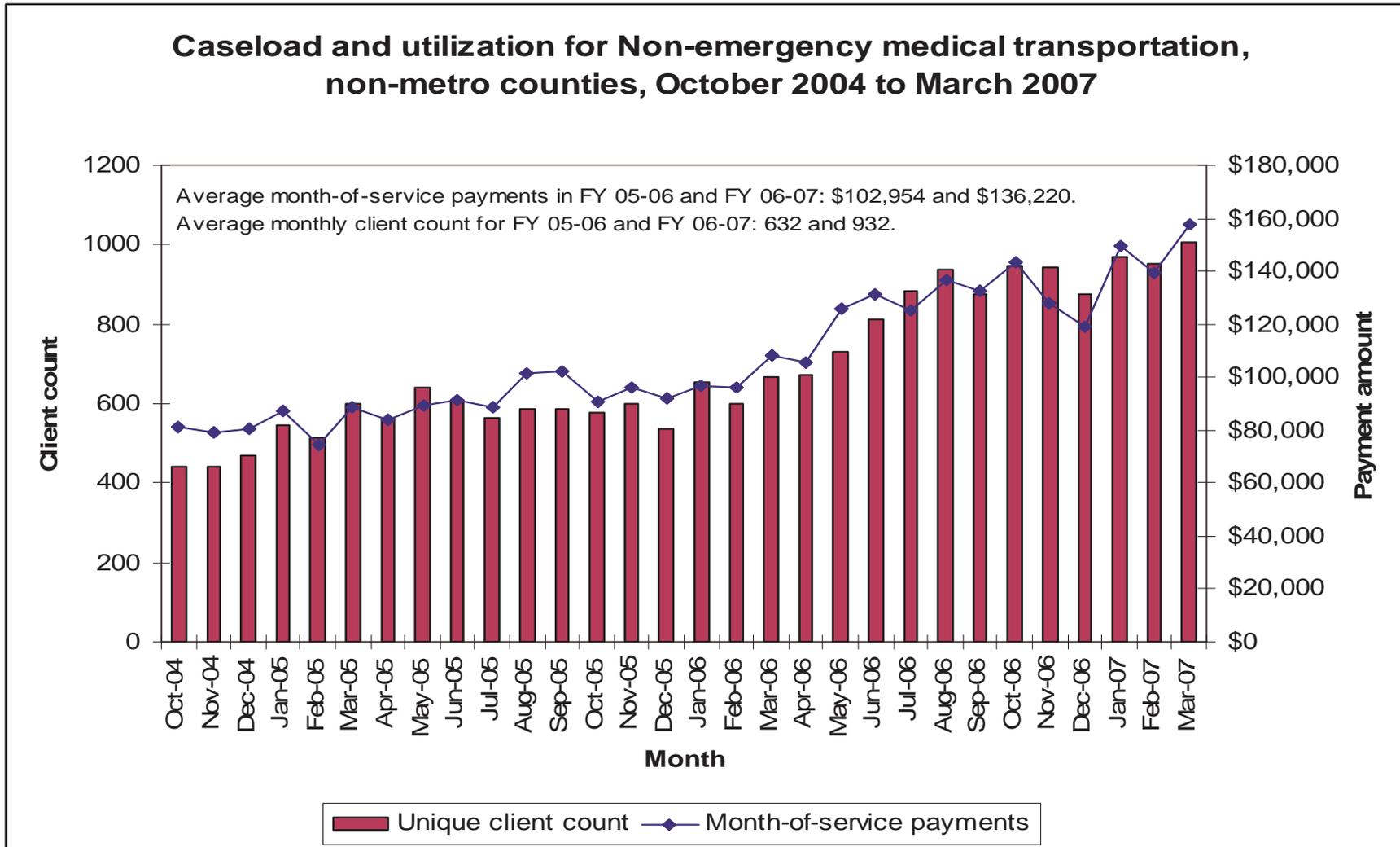
General Description of Request:

This Request is a net-zero General Fund request moving funds for non-emergency medical transportation from the Department's (1) Executive Director's Office Long Bill group to (2) Medical Services Premiums Long Bill group.

The administrative efficiencies and cost containment anticipated by the passage of HB 04-1220 have not entirely materialized. Since its passage, continual supplemental and emergency 1331 requests have been required to meet higher than estimated administrative cost increases for LogistiCare, and caseload and utilization demands in the 56 non-Front Range counties (June 20, 2006, 1331 Emergency Supplemental for \$1,121,497; January 4, 2007 Supplemental #6 for \$1,957,862 and Budget Amendment #2 for \$1,149,343; and a January 23, 2007, 1331 Emergency Supplemental for \$557,177).

However, HB 04-1220 is not without its successes: the Department has achieved administrative cost savings by reducing the numerous fee-for-service providers to a single transportation broker and cost containment through the full-risk, fixed-price contract with LogistiCare to provide non-emergency medical transportation services in the 8 Front Range counties.

Nearly two-thirds (Supplemental #6 and Budget Amendment #2, \$1,957,862 and \$1,149,343, respectively) of the total Change Request amounts for the Non-Emergency Transportation Services line item have been for caseload and utilization increases in the 56 non-Front Range counties. The average month-of-service payments have increased from \$102,954 in FY 05-06 to \$136,220 in FY 06-07. In the same time period, the average monthly number of clients has increased from 632 to 932. The percent increases from FY 05-06 to FY 06-07 for average month-of-service payments and caseload are 32.3% and 47.5%, respectively. See the graph below.



While the average month-of-service payment has increased from FY 05-06 to FY 06-07, the increases are largely attributable to three of the seven procedure codes for non-emergency medical transportation. The increases in bus, cab, and wheelchair van are

59.7%, 45.1%, and 39.4%, respectively. The remaining procedure codes — ambulance, escort/lodging, other, and train or air — have decreased or remain unchanged from FY 05-06 to FY 06-07. See the table below.

<b>Summary of Expenditure by Procedure Codes, FY 04-05 through FY 06-07 (as of June 21, 2007)</b>					
<b>56 non-Front Range counties</b>					
<b>Procedure Code Groupings</b>	<b>FY 04-05</b>	<b>FY 05-06</b>	<b>Percent change</b>	<b>FY 06-07</b>	<b>Percent change</b>
Ambulance	\$85,235	\$73,698	-13.5%	\$60,962	-17.3%
Bus	\$57,566	\$92,572	60.8%	\$147,874	59.7%
Cab	\$28,972	\$46,775	61.4%	\$67,871	45.1%
Deleted code	\$1,096	\$0	-100.0%	\$0	0%
Escort/lodging	\$212,535	\$291,420	37.1%	\$280,433	-3.8%
Other	\$481,529	\$608,643	26.4%	\$516,165	-15.2%
Train or air	\$10,100	\$18,210	80.3%	\$18,217	0%
Wheelchair van	\$94,748	\$105,540	11.4%	\$147,088	39.4%
<b>Totals</b>	<b>\$971,781</b>	<b>\$1,236,858</b>		<b>\$1,238,610</b>	

During FY 06-07, the Department increased its transportation training and awareness efforts. These efforts have resulted in increased non-emergency medical transportation expenditures in some of the 56 non-Front Range counties. For example, one county among the 56 non-Front Range counties experienced an increase in average month-of-service payments from \$9,272 in FY 05-06 to \$28,799 in FY 06-07. This represents an increase of 210%. This same county showed an average increase in procedure code expenditures of 192% from FY 05-06 to FY 06-07.

Changes in caseload and utilization represent significant cost drivers for the fluctuations in non-emergency medical transportation. By moving this appropriation into the (2) Medical Services Premiums Long Bill group, these drivers could be automatically adjusted through an existing budget process, without the need for additional Supplemental actions. And while the Department does not anticipate significant variations in total expenditures for non-emergency medical transportation in FY 08-09 at this time, if this request is approved,

the additional benefit of overexpenditure authority for the Medical Services Premiums Long Bill group allows for continuation of services, making both providers and clients held harmless, if the appropriated amount was not sufficient.

The transfer of the Non-Emergency Transportation Services line item from (1) Executive Director's Office Long Bill group to (2) Medical Services Premiums Long Bill group will require, in addition to the funding transfer, the following: 1) the Department to draft and present new rules to the Medical Services Board outlining non-emergency medical transportation definitions, program coverage, types of medical transportation, and reimbursement guidelines (new rules are required due to the change from administrative to an optional Medicaid service); 2) submit a State Plan Amendment to the federal Centers for Medicare and Medicaid Services; 3) issue agency letters to the counties outlining their responsibilities under the new departmental rules; 4) submit bulletin notices to providers. In preparation for the transfer, the Department can begin drafting new rules, agency letters and bulletin notices and absorb costs for these administrative tasks with existing resources. Please see the projected implementation schedule for these tasks.

Consequences if Not Funded:

If non-emergency medical transportation remains an administrative line item, the Department would likely seek future supplemental funding for increasing and/or decreasing caseload and utilization demands in the 56 non-Front Range counties. Should unexpected spikes in caseload or utilization occur, the Department may need to request emergency 1331 supplemental funding. Additionally, given the unpredictable nature of providing non-emergency medical transportation services, the possibility exists that the Department will experience another failed procurement should a new contractor cite concerns over inadequate funding.

Calculations for Request:

<b>Summary of Request FY 08-09</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Federal Funds</b>
Total Request	\$0	\$0	\$0
(1) Executive Director's Office, Non-Emergency Transportation Services	(\$7,299,302)	(\$3,649,651)	(\$3,649,651)
(2) Medical Services Premiums	\$7,299,302	\$3,649,651	\$3,649,651

Assumptions for Calculations:

None. This is a technical request with no net fiscal impact. Rather, this request is for continuation funding for non-emergency medical transportation to be returned to the (2) Medical Services Premiums Long Bill group, and restored as an optional Medicaid service.

Impact on Other Government Agencies:

No impact on other government agencies.

Cost Benefit Analysis:

<b>Description of Benefits</b>	<b>Cost</b>
When experiencing fluctuations in caseload and utilization, the Medical Services Premiums budgeting process is better suited to adjust appropriation levels. This established process ensures a near-seamless integration of rate adjustments and continuity of services should there be a sudden shift in need.	\$0
The Department will reduce the risk of a failed reprocurement should a contractor cite concerns about an under funded appropriation for non-emergency medical transportation.	\$0
The over expenditure authority provided under Medical Services Premiums will allow the Department to absorb higher caseload and utilization demands in the 56 non-Front Range counties without continual supplemental and/or emergency 1331 funding.	\$0

Implementation Schedule:

<b>Task</b>	<b>Month/Year</b>
Draft and send out bulletin notice to providers	August to October 2007
Draft State Plan Amendment	August to October 2007
Draft Departmental rules for Medical Services Board	September to November 2007
Earliest date of approval from Joint Budget Committee	March 2008
Submit State Plan Amendment to the Centers for Medicare and Medicaid Services	March 2008
Gather county input concerning the move for non-emergency medical transportation	March to April 2008
Submit Departmental rules to Medical Services Board	April 2008
Finalize agency letters and get signatures for internal clearance process	April 2008
Medical Services Board approves change	July 2008
Receive approval from the Centers for Medicare and Medicaid Services concerning State Plan Amendment	September 2008
Move non-emergency transportation services from Long Bill group (1) to Long Bill group (2)	September 2008

Statutory and Federal Authority:

25.5-5-202, (1) (s) (2), C.R.S. (2007). Basic services for the categorically needy – optional services. (1) *Subject to the provisions of subsection (2) of this section, the following are services for which federal financial participation is available and which Colorado has selected to provide as optional services under the medical assistance program: (s) (2) In addition to the services described in subsection (1) of this section and subject to continued federal financial participation, Colorado has selected to provide transportation services as an administrative cost.*

42 C.F.R. § 431.53. Assurance of transportation. *A State Plan must--(a) Specify that the Medicaid agency will ensure necessary transportation for recipients to and from providers; and (b) Describe the methods that the agency will use to meet this requirement. (Sec. 1902(a)(4) of the Act)*

Performance Measures:

As this Change Request will allow for the Medical Services Premiums' per capita budget process to automatically increase and/or decrease non-emergency medical transportation funding for fluctuations in both caseload and utilization, this Decision Item supports the following Performance Measure:

- Maintain or reduce the difference between the Department's spending authority and actual expenditures for Medicaid services.