Schedule 13
Change Request for FY 2009-10 Budget Request Cycle

Decision Item FY 2009-10	Base Reduction Item FY 2009-10	Supplemental FY 2008-09 ☑	Budget Amendment FY 2009-10 ☑

Request Title: Federal Funding for the Rural and Public Hospitals Payment and Reorganization of the Indigent Care Program

Department: Health Care Policy and Financing **Dept. Approval by:** John Bartholomew JB **Date:** January 2, 2009 12/15/08

Priority Number: S-13, BA-12 **OSPB Approval:** **Date:** 12-18-08

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 2007-08	Appropriation FY 2008-09	Supplemental Request FY 2008-09	Total Revised Request FY 2008-09	Base Request FY 2009-10	Decision/ Base Reduction FY 2009-10	November 1 Request FY 2009-10	Budget Amendment FY 2009-10	Total Revised Request FY 2009-10	Change from Base (Column 5) FY 2010-11
Total of All Line Items	**Total**	4,130,465	6,459,236	3,286,155	9,745,391	6,459,236	0	6,459,236	3,286,155	9,745,391	3,286,155
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	6,459,236	0	6,459,236	6,459,236	0	6,459,236	0	6,459,236	0
	CFE/RF	4,130,465	0	0	0	0	0	0	0	0	0
	FF	0	0	3,286,155	3,286,155	0	0	0	3,286,155	3,286,155	3,286,155
(4) Indigent Care Program; Comprehensive Primary and Preventive Care Grants Program	**Total**	4,130,465	6,459,236	(3,286,155)	3,173,081	6,459,236	0	6,459,236	(3,286,155)	3,173,081	(3,286,155)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	6,459,236	(3,286,155)	3,173,081	6,459,236	0	6,459,236	(3,286,155)	3,173,081	(3,286,155)
	CFE/RF	4,130,465	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(4) Indigent Care Program; Comprehensive Primary and Preventive Care Rural and Public Hospitals Payment *(new line item)*	**Total**	0	0	6,572,310	6,572,310	0	0	0	6,572,310	6,572,310	6,572,310
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	3,286,155	3,286,155	0	0	0	3,286,155	3,286,155	3,286,155
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	3,286,155	3,286,155	0	0	0	3,286,155	3,286,155	3,286,155

Non-Line Item Request: None

Letternote Revised Text: None

Cash or Federal Fund Name and COFRS Fund Number: Comprehensive Primary and Preventive Care Fund, Fund 14B

Reappropriated Funds Source, by Department and Line Item Name: N/A

Approval by OIT? **Yes:** ☐ **No:** ☐ **N/A:** ☑

Schedule 13s from Affected Departments: N/A

CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	S-13, BA-12
Change Request Title:	Federal Funding for the Rural and Public Hospitals Payment and Reorganization of the Indigent Care Program

SELECT ONE (click on box):

☐ Decision Item FY 2009-10
☐ Base Reduction Item FY 2009-10
☒ Supplemental Request FY 2008-09
☒ Budget Request Amendment FY 2009-10

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 a technical adjustment to the Department's FY 2008-09 and FY 2009-10 Budget Requests in order to reflect federal funds spending authority received for the (4) Indigent Care Program; Comprehensive Primary and Preventive Care Grants Program line item. For FY 2008-09 this amount is $3,286,155; for FY 2009-10 continuation funding is being requested and therefore the federal funds amount would be the same as in FY 2008-09. In addition, a reorganization of the line item beginning in FY 2008-09 is being requested in order to better reflect utilization of the funding and simplify the process for making payments for the program pursuant to section 25.5-3-207, C.R.S. (2008). There would be no General Fund impact associated with this request.

Background and Appropriation History: The Comprehensive Primary and Preventive Care Grants program (CPPC) was established as a result of the implementation of the Master Settlement Agreement (24-75-1101 through 24-75-1104.5, C.R.S (2008)), which became effective on May 18, 2000.

Pursuant to the Agreement, the CPPC Grants program receives 3% of total funds received each year, not to exceed $5,000,000 in a single year. The program is designed to increase access to primary care services to Colorado Indigent Care Program (CICP) clients and other medically indigent individuals through the awarding of service grants to eligible clinic-based private providers. Grants are awarded to providers of indigent care primarily for capital improvements and staff increases, in contrast to the direct partial reimbursement for uncompensated services costs used with other indigent care programs. In addition, all CPPC providers are private entities, and are therefore not eligible for reimbursement through the Certification of Public Expenditures process. In order to be eligible for a grant through the CPPC Grants program, a provider must accept all patients regardless of their ability to pay and must serve a designated medically underserved area or population. Providers must also demonstrate the successful provision of cost-effective care to medically indigent populations (25.5-3-203 (5) (c), C.R.S. (2008)).

Since the first grant awards were made in April 2001, approximately $32.4 million has been disbursed to health care providers. This funding has succeeded in providing medical, dental, mental health and pharmaceutical services to at least 122,746 patients in 273,172 encounters and to make funding available for 31 construction/remodeling projects that resulted in additional or updated facilities.[1] These figures demonstrate the impact the CPPC Grant program is making toward expanding access to primary and preventive care services to Colorado's uninsured or medically indigent populations.

Further legislation appropriating funding for "Tier 2" payments from the Master Settlement Account affected the operation of this program. SB 07-097 appropriated funds based on the Tier 2 distribution of the Master Settlement Account, which directs 8.5% of funding remaining after all Tier 1 distributions to the CPPC Grants program (24-75-1104.5 (1.5) (III), C.R.S. (2008)). Although the funding for both tiers of payment to the CPPC Grants program is appropriated to the CPPC Fund, the usage of Tier 2 funding is more restrictive than that for the Tier 1 payment to the Grants program. Pursuant to 25.5-3-207, C.R.S. (2008), the Tier 2 payment is split evenly between Rural Hospitals of

[1] The given utilization and capital expansion data is current through FY 2006-07. Data for FY 2007-08 are not yet available.

60 beds or less and "all public hospitals" that provide services in line with the intent of the Comprehensive Primary and Preventive Care Grants program. In addition, geographical restrictions are placed on providers so that to qualify as a rural provider the entity must reside outside a federally designated metropolitan statistical area. This section also directs the Department to pursue and expend any available matching federal funding received on the Tier 2 financing.

As a result of the provisions regarding Tier 2 financing (24-75-1104.5 (1.5), C.R.S. (2008)), the General Assembly appropriated $2,000,000 cash funds from the Comprehensive Primary and Preventive Care Fund to the CPPC Grants program in FY 2007-08 for this purpose; this amount was later reduced to $1,455,954 based on revisions to the Tobacco Master Settlement Revenue Forecast. With the inclusion of the Tier 1 appropriation to the CPPC Grants program, the final FY 2007-08 appropriation to the (4) Indigent Care Program; Comprehensive Primary and Preventive Care Grants Program line item was $4,138,070. As final FY 2007-08 expenditures out of the CPPC Grants program line item were $5,586,419, the final FY 2007-08 appropriation did not incorporate federal funding received in the amount of $1,455,954.

The appropriation for FY 2008-09 was set based on anticipated revenues received pursuant to the Master Settlement Agreement during Department Figure Setting for FY 2008-09. These revenues included $3,195,106 for the Tier 1 payment to the CPPC Grants program and $3,286,155 for the Tier 2 payment to Rural and Public Hospitals. Increases in Tier 2 payments (for all programs receiving funding from the Master Settlement Account) in FY 2008-09 were due primarily to the expiration of the overexpenditure account deposit required by HB 07-1359. The Department's Joint Budget Committee Staff Analyst also recommended an adjustment to the funding methodology used for the Personal Services expenditures out of the CPPC Fund in order to make it consistent with those used elsewhere in the Department's Budget. This resulted in the Tier 1 appropriation to the CPPC Grants Fund being reduced by $22,025 to account for the 0.25 FTE that was previously paid directly out of the CPPC Grants program line item, but is now appropriated to the (1) Executive Director's Office; (A) General Administration, Personal Services line item from the CPPC Grants Fund. Together, these actions resulted

in a year to date FY 2008-09 appropriation to the CPPC Grants program line item of $6,459,236.

On September 30, 2008, the Department submitted two State Plan Amendments (08-016 and 08-017) concerning federal financial participation in the Rural and Public Hospital Payments pursuant to 25.5-3-207 (4) (b), C.R.S. (2008) to the Centers for Medicare and Medicaid Services. Federal matching funds are currently available to draw in the amount of $3,286,155, dependant upon actual state expenditures on the Rural and Public Hospitals Payment. If the relevant State Plan Amendments and this request are approved, the FY 2008-09 spending authority for the CPPC Grants program will be $9,745,391.

General Description of Request: This request is for a technical adjustment to the Department's FY 2008-09 and FY 2009-10 Budget Requests in order to reflect federal funds spending authority received for the (4) Indigent Care Program; Comprehensive Primary and Preventive Care Grants Program line item. For FY 2008-09 this amount is $3,286,155; for FY 2009-10 continuation funding is being requested and therefore the federal funds amount would be the same as in FY 2008-09. In addition, a reorganization of the line item beginning in FY 2008-09 is being requested in order to better reflect utilization of the funding and simplify the process for making payments for the program pursuant to section 25.5-3-207, C.R.S. (2008). There would be no General Fund impact associated with this request.

Pursuant to section 25.5-3-207 (4) (b), C.R.S (2008), the Department is directed to pursue federal financial participation for the Rural and Public Hospitals Payment contained within the CPPC Grants program line item, and has done so for FY 2007-08 and FY 2008-09. This request, therefore, would entail a change in the Department's Budget for FY 2007-08 and FY 2008-09 in order to reflect actual and anticipated federal funds received, respectively. In addition, the Department is requesting that expected federal funds for which the Rural and Public Hospitals Payment is eligible be reflected in future budget documents; therefore the Department is also requesting an amendment to the FY 2009-10 Budget Request in order to reflect expected federal funds that will be received in FY 2009-10.

In FY 2007-08, State expenditures on the Rural and Public Hospitals Payment equaled $1,455,954. Total federal funds received by the program were therefore equal to $1,455,954 in FY 2007-08. For FY 2008-09, the Department anticipates receiving $3,286,155 in Tier 2 distributions from the Master Settlement Account, and consequently expects to draw down federal funds equal to $3,286,155 to match the expected State expenditures on the Rural and Public Hospitals Payment. The Department believes that approval of this request would help the State achieve a more transparent budget, since exclusion of federal funds from budget documents for this line item greatly understates the size and cost of the Comprehensive Primary and Preventive Care Grants Program.

In addition, the Department requests a separation of the funding for this line item into its two distinct components reflective of the differing characteristics of the programs funded by the Tier 1 and Tier 2 Master Settlement Account distributions. Only the Tier 2 distribution to the CPPC Grants program (consisting of funding distributed to local or state owned hospitals) is eligible for federal financial participation. Approval of this request would reduce the complexity of the accounting procedures related to each component of the CPPC Grants program line item, minimizing the chance of errors when separating the appropriation into its two distinct components. As both functions of the fund serve to expand access to primary care for uninsured and medically indigent populations, The Department is requesting that a new line item be created under the title "(4) Indigent Care Program; Comprehensive Primary and Preventive Care Rural and Public Hospitals Payment", for use beginning in late FY 2008-09. The funding received pursuant to the Tier 1 distribution to the CPPC Fund would remain in the appropriation to (4) Indigent Care Program; Comprehensive Primary and Preventive Care Grants Program line item. The funding received through the Tier 2 distribution to the Comprehensive Primary and Preventive Care Fund would be appropriated to the new line item. Finally, the Department requests that for the fiscal year beginning July 1, 2009 and each fiscal year thereafter, the new line item include expected federal funding reflective of a 50% Federal Financial Participation rate.

Consequences if Not Funded:

Were this request to be rejected, the appropriation to this line item would continue to reflect state moneys only, and the Department's budget would not accurately reflect the

size of the CPPC Grants program, which is currently understated in FY 2008-09. In addition, the increased likelihood of accounting errors due to the complexity of separating the annual appropriation to the Comprehensive Primary and Preventive Care Fund into its two distinct purposes in order to write grants and draw a federal match for the program would remain.

Calculations for Request:

Summary of Request FY 2008-09	Total Funds	General Fund	Cash Funds	Federal Funds
Total Request	$3,286,155	$0	$0	$3,286,155
(4) Indigent Care Program; Comprehensive Primary and Preventive Care Grants Program	($3,286,155)	$0	($3,286,155)	$0
(4) Indigent Care Program; Comprehensive Primary and Preventive Care Rural and Public Hospitals Payment	$6,572,310	$0	$3,286,155	$3,286,155

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Fund	Federal Funds
Total Request	$3,286,155	$0	$0	$3,286,155
(4) Indigent Care Program; Comprehensive Primary and Preventive Care Grants Program	($3,286,155)	$0	($3,286,155)	$0
(4) Indigent Care Program; Comprehensive Primary and Preventive Care Rural and Public Hospitals Payment	$6,572,310	$0	$3,286,155	$3,286,155

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2007-08 Expenditures	FY 2007-08 End of Year Cash Balance*	FY 2008-09 End of Year Cash Balance Estimate*	FY 2009-10 End of Year Cash Balance Estimate*	FY 2010-11 End of Year Cash Balance Estimate*
Comprehensive Primary and Preventive Care Fund	14B	$5,586,419	$0	$0	$0	$0

*Pursuant to 25.5-3-207 (1), C.R.S. (2008), any unencumbered moneys remaining in the fund at the end of any fiscal year shall be transferred to the tobacco litigation settlement trust fund created in section 24-22-115.5, C.R.S. (2008).

Assumptions for Calculations: The Department assumes that the FY 2009-10 appropriation of State funds to the Comprehensive Primary and Preventive Care Fund would be identical to the FY 2008-09 appropriation to the fund. However, new estimates of revenue generated pursuant to the Master Settlement Agreement for FY 2009-10 are expected to be presented to the Joint Budget Committee in February or March of 2009, and these estimates will be used to set the actual appropriation to the Comprehensive Primary and Preventive Care Fund.

Impact on Other Government Agencies: None.

Cost Benefit Analysis: Not applicable.

Implementation Schedule:

Task	Month/Year
State Plan Amendment Written	September 2008
State Plan Amendment Approved	December 2008
Reorganization of Line Item Reflected in the FY 2009-10 Long Bill	May 2009

Statutory and Federal Authority: 25.5-3-207, C.R.S. (2008). Program funding - comprehensive primary and preventive care fund-supplemental tobacco litigation settlement moneys account-creation.
(4) (b) The state department shall pursue federal financial participation for all moneys appropriated or transferred to the account. The state department may receive and expend all available federal moneys without a corresponding reduction in spending authority from the fund.

Performance Measures: Not applicable.