Schedule 13
Change Request for FY 2010-11 Budget Request Cycle

Decision Item FY 2010-11	Base Reduction Item FY 2010-11	Supplemental FY 2009-10 ✓	Budget Amendment FY 2010-11 ✓

Request Title: Federally Mandated CHP+ Program Changes
Department: Health Care Policy and Financing **Dept. Approval by:** John Bartholomew **Date:** January 4, 2010
Priority Number: S-7, BA-6 **OSPB Approval:** **Date:** 12-29-09

	Fund	1 Prior-Year Actual FY 2008-09	2 Appropriation FY 2009-10	3 Supplemental Request FY 2009-10	4 Total Revised Request FY 2009-10	5 Base Request FY 2010-11	6 Decision/ Base Reduction FY 2010-11	7 November 1 Request FY 2010-11	8 Budget Amendment FY 2010-11	9 Total Revised Request FY 2010-11	10 Change from Base (Column 5) FY 2011-12
Total of All Line Items	**Total**	16,758,109	17,118,312	113,527	17,231,839	14,720,689	0	14,720,689	236,150	14,956,839	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	8,411,762	6,989,092	0	6,989,092	4,384,989	0	4,384,989	74,679	4,459,668	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	(193,762)	2,502,059	39,734	2,541,793	2,687,536	0	2,687,536	46,661	2,734,197	0
	CFE/RF	66,563	31,995	0	31,995	25,009	0	25,009	135	25,144	0
	FF	8,473,546	7,595,166	73,793	7,668,959	7,623,155	0	7,623,155	114,675	7,737,830	0
(4) Indigent Care Program; H.B. 97-1304 Children's Basic Health Plan Trust	**Total**	513,604	2,500,000	0	2,500,000	0	0	0	46,661	46,661	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	4,525,182	2,500,000	0	2,500,000	0	0	0	46,661	46,661	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	(4,011,578)	0	0	0	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(4) Indigent Care Program; Children's Basic Health Plan Administration	**Total**	6,182,289	5,537,590	113,527	5,651,117	5,306,516	0	5,306,516	132,987	5,439,503	0
	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	2,708,692	2,473,301	39,734	2,513,035	2,383,912	0	2,383,912	46,545	2,430,457	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	3,473,597	3,064,289	73,793	3,138,082	2,922,604	0	2,922,604	86,442	3,009,046	0

Schedule 13
Change Request for FY 2010-11 Budget Request Cycle

Decision Item FY 2010-11	☐	**Base Reduction Item FY 2010-11** ☐	**Supplemental FY 2009-10** ☑	**Budget Amendment FY 2010-11** ☑
Request Title:	Federally Mandated CHP+ Program Changes			
Department:	Health Care Policy and Financing	**Dept. Approval by:**	John Bartholomew	**Date:** January 4, 2010
Priority Number:	S-7, BA-6	**OSPB Approval:**		**Date:**

	Fund	1 Prior-Year Actual FY 2008-09	2 Appropriation FY 2009-10	3 Supplemental Request FY 2009-10	4 Total Revised Request FY 2009-10	5 Base Request FY 2010-11	6 Decision/ Base Reduction FY 2010-11	7 November 1 Request FY 2010-11	8 Budget Amendment FY 2010-11	9 Total Revised Request FY 2010-11	10 Change from Base (Column 5) FY 2011-12
(6) Department of Human Services Medicaid-Funded Programs; (B) Office of Information Technology Services - Medicaid Funding, Colorado Benefits Management System	**Total**	10,062,216	9,080,722	0	9,080,722	9,414,173	0	9,414,173	56,502	9,470,675	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	3,886,580	4,489,092	0	4,489,092	4,384,989	0	4,384,989	28,018	4,413,007	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	1,109,124	28,758	0	28,758	303,624	0	303,624	116	303,740	0
	CFE/RF	66,563	31,995	0	31,995	25,009	0	25,009	135	25,144	0
	FF	4,999,949	4,530,877	0	4,530,877	4,700,551	0	4,700,551	28,233	4,728,784	0

Non-Line Item Request:	None.
Letternote Revised Text:	a Of this amount, $2,013,770 shall be from the Children's Basic Health Plan Trust Fund and $403,252 shall be from the Health Care Expansion Fund. b Of this amount, $2,020,231 shall be from the Children's Basic Health Plan Trust Fund, $403,252 shall be from the Health Care Expansion Fund, and $6,974 shall be from the Hospital Provider Fee Cash Fund. c Of this amount, $28,940 shall be from the Children's Basic Health Plan Trust Fund and $274,800 shall be from the Hospital Provider Fee Cash Fund.
Cash or Federal Fund Name and COFRS Fund Number:	CF: CBHP Trust Fund 11G; FF: Title XIX, Title XXI
Reappropriated Funds Source, by Department and Line Item Name:	Old Age Pension Fund, Department of Human Services
Approval by OIT?	**Yes:** ☐ **No:** ☐ **N/A:** ☑
Schedule 13s from Affected Departments:	Department of Human Services

CHANGE REQUEST for FY 2010-11 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	S-7, BA-6
Change Request Title:	Federally Mandated CHP+ Program Changes

SELECT ONE (click on box):

☐ Decision Item FY 2010-11
☐ Base Reduction Item FY 2010-11
☒ Supplemental Request FY 2009-10
☒ Budget Request Amendment FY 2010-11

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:

The Department of Health Care Policy and Financing is requesting $113,527 total funds in FY 2009-10 and $236,150 total funds in FY 2010-11 to implement two federally mandated provisions from the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA). This funding is requested for the purposes of amending its current External Quality Review contract to comply with expanded requirements for managed care quality review in the Children's Basic Health Plan as well as for modifications to the Colorado Benefits Management System to comply with requirements regarding guaranteed coverage of newborns born to mothers enrolled in Medicaid or the Children's Basic Health Plan. There is not annualization into FY 2011-12.

This request also impacts the Department of Human Services due to the cost-sharing agreement between the two State departments for changes to the Colorado Benefits Management System. The Department of Human Services is requesting $150,150 total funds including $65,056 total General Fund in FY 2010-11. This portion of the request does not impact FY 2009-10.

Background and Appropriation History: The Children's Basic Health Plan, marketed as the Child Health Plan Plus, is a program that provides affordable health insurance to children under the age of 19 in low-income families (up to 205% of the federal poverty level) who do not qualify for Medicaid and do not have private insurance. The Children's Basic Health Plan is a non-entitlement program with a defined benefit package that uses privatized administration. The federal government originally implemented this program in 1997, giving states an enhanced match on State expenditures for the program. Colorado began serving children in April of 1998. Where available, children enroll in a health maintenance organization. The Plan also has an extensive self-insured managed care network that provides services to children until they enroll in a selected health maintenance organization, and to those children who do not have geographic access to a health maintenance organization.

On February 4, 2009, President Obama signed the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) into law. This legislation reauthorized the Children's Health Insurance Program (CHIP). The law provides states with $35 billion over the next four and a half years, funded by a $0.61, per-pack increase in the federal tax on cigarettes and other tobacco products. The legislation increases Colorado's federal funding by 36% to $97.5 million in the 2009 federal fiscal year. The legislation included many provisions which will affect Colorado's Children's Basic Health Plan over the next four years.

Enhanced External Quality Review

Section 403 of CHIPRA applies select Medicaid law (42 U.S.C. 1396u-2 (a)(4),(a)(5), (b), (c), (d), and (e)) regarding managed care quality to CHIP, known in Colorado as the Children's Basic Health Plan. This section includes:

- Requirements for processes for enrollment and termination or change of enrollment, which includes allowing enrollees to terminate or change enrollment for cause at any time or at least once a year;
- Provisions outlining requirements related to information dissemination to enrollees or potential enrollees, which includes ease of understanding and availability of comparative information;

- Beneficiary protections such as coverage of emergency services, established grievance procedures, demonstration of adequate capacity and services, and antidiscrimination;
- Quality assurance standards, including access standards, monitoring procedures, external independent review of managed care activities, protections against fraud and abuse;
- Protections against fraud and abuse; and,
- Use of sanctions by the State to enforce requirements.

Regulations at 42 CFR, Part 438, Subparts D and E show how section 1932(c) of the Social Security Act ("the Act") is applied in Medicaid managed care. Effective July 1, 2009, States contracting with managed care organizations (MCOs) for delivery of care under separate CHIP programs, such as Colorado, must institute such a program for their CHIP-contracting MCOs.

Section 1932(c)(1) of the Act requires each State CHIP program that contracts with MCOs to develop and implement a Quality Assessment and Improvement Strategy. The strategy must address access to care standards, and other measures of care and service related to quality, such as grievance procedures, marketing information standards, monitoring procedures, and a process for periodic revision of the strategy.

Section 1932(c)(2) of the Act requires that a contract between an MCO and a State CHIP program include a mandatory annual external review of the quality of care provided by the MCO. This review must be conducted by a qualified and independent external quality review organization (EQRO), which means that the EQRO may not have a financial relationship with the MCO under review. The results of these reviews must be made public upon request, and must be conducted in accordance with protocols developed by the Centers for Medicare and Medicaid Services (CMS). The State must ensure that the EQRO produces a detailed technical report that describes the manner in which the data from all activities were aggregated and analyzed, and conclusions drawn as to the quality, timeliness, and access to the care furnished by the MCO.

External quality reviews shall include, at a minimum, three specific quality improvement activities for each MCO external quality review:

- Validation of performance measures reported by the MCO;
- Validation of performance improvement projects conducted by the MCO; and,
- Overall assessment of compliance by the MCO with the quality standards outlined in the State's quality strategy.

There are also five optional external quality review activities:

- Validation of MCO Encounter data;
- Administration of State-run patient satisfaction surveys;
- Calculation of State-established performance measures;
- Management of State-directed PIPs; and,
- Administration of focused studies.

Each of these eight activities, together with assessment of information systems, must have a governing protocol as required by 1932(c)(2)(a)(iii), which are used by EQROs for the external quality review of MCOs serving Medicaid beneficiaries. It should be noted that Section 401(c)(1) of CHIPRA requires each State to complete an annual report on its child health quality measures and other State-specific information, including information collected through external quality reviews. Beginning in 2010, the Secretary will analyze and publish information from these annual reports. In addition to the inclusion of external quality review information in CHIP annual reports, this information will be part of the Secretary's annual report to Congress on children's health care quality issues.

General Description of Request: This request is for funding in FY 2009-10 and FY 2010-11 to implement two provisions of CHIPRA. First, the Department is requesting funding to amend its current External Quality Review contract to comply with expanded requirements for managed care quality review in the Children's Basic Health Plan. Second, the Department is requesting funding for modifications to the Colorado Benefits Management System to comply with requirements regarding guaranteed coverage of newborns born to mothers enrolled in Medicaid or the Children's Basic Health Plan.

To comply with the section of CHIPRA, noted above, the Department will have to amend its current EQRO contract to include additional duties. These include conducting on-site reviews to monitor the CHP+ health plan compliance with all contractual standards on an annual basis and production of reports detailing the monitoring process, documents reviewed, interviews and surveys conducted, individual findings and corrective actions for each health plan reviewed. The reports must be provided to the Department within forty-five (45) days of review completion.

In FY 2009-10, the EQRO will perform on-site review, produce plan specific reports, produce one aggregate statewide report, and develop corrective action plans for each of the Plan's five MCOs. The cost for these additional duties is $113,527 based on the current combined Medicaid and Children's Basic Health Plan EQRO contract. Beginning in FY 2010-11, the Department will require continuation funding plus $19,460 for preparing a combined report for all of the Plan's MCOs and to evaluate, assess and follow-up on corrective action plans for each of the MCOs, as these deliverables are due after the end of the fiscal year. The total FY 2010-11 cost is $132,987. While this request will result in additional expenditures in FY 2011-12, the Department is not requesting continuation funding at this time due to the projected insolvency of the Children's Basic Health Plan Trust Fund. The Department will address this funding need along with the insolvency of the Trust Fund in a future change request.

The Department is currently working with the Centers for Medicare and Medicaid Services (CMS) to fully determine the requirements to ensure compliance with CHIPRA. As the requirements are finalized, the Department may require additional funding for the EQRO contract to perform any additional duties as directed by CMS.

Guaranteed Coverage of Newborns

Section 2112(e) of the Act, as added by section 111 of CHIPRA, requires that newborns born to mothers enrolled in either Medicaid or the Children's Basic Health Plan must be deemed eligible for Medicaid or the Children's Basic Health Plan until age 1. Newborns born to teens or mothers covered in the Children's Basic Health Plan children's program (rather than the prenatal program) do not currently receive twelve months of guaranteed

coverage. While the Children's Basic Health Plan has twelve-month guaranteed eligibility, Medicaid does not. For purposes of eligibility determination for these newborns, the mother's income is normally not counted and the child becomes eligible for Medicaid. To comply with this section, modifications to the Colorado Benefits Management System will be necessary to provide twelve-month guaranteed enrollment to all newborns born to any mother enrolled in Medicaid or the Children's Basic Health Plan.

The Department's contractor, Deloitte Consulting LLP, estimates that these modifications will require 1,430 hours for requirement development, coding, and resting at $105 per hour, for a total cost of $150,150. There is little capacity to implement any new changes in the Colorado Benefits Management System in FY 2009-10 due to the recent vendor transition and the long queue of prioritized modifications. Therefore, the Department is requesting this funding in FY 2010-11 and anticipates that the modifications will be completed by April 2011.

The Department assumes that there will be a very small number of newborns who will be affected by this change. Under current policy, many of the babies born to Children's Basic Health Plan children are found eligible for Medicaid due to income calculations. While the Colorado Benefits Management System does not currently prevent these children from remaining in Medicaid or the Children's Basic Health Plan for twelve months, the Department assumes that most newborns currently retain eligibility for close to the full year. Therefore, the Department assumes that costs associated with the additional months of eligibility will be negligible.

Federally-Qualified Health Center and Rural Health Clinic Rates

Section 2107(e)(1)(D) of the Act, as added by section 503 of CHIPRA, applies Section 1902(bb) of the Act to CHIP. This particular section of the Act requires that federally-qualified health centers (FQHCs) and rural health clinics (RHCs) are paid according to a prospective payment system, which is a method of reimbursement in which Medicaid payments are made based on a predetermined, fixed amount. Alternatively, the legislation allows CHIP to pay FQHCs and RHCs through a payment methodology that results in reimbursement that is at least what the prospective payment system would yield, as long as

it receives the approval of the FQHCs and RHCs. Either change in payment methodology will lead to an increase in payments to FQHCs and RHCs from what the Children's Basic Health Plan currently pays, as the prospective payment system requires reimbursement to be set at 100% of the clinic's average cost of providing the service. The Department is currently working with the FQHCs and RHCs toward an agreement on an alternative payment methodology. Because the Department is still in negotiations and does not have actuarially certified rates for this new reimbursement methodology, the Department is not currently requesting funding for this requirement.

Required Dental Benefits

Section 2103(c)(5) of the Act, as added by section 501 of CHIPRA, requires that CHIP programs include "coverage of dental services necessary to prevent disease and promote oral health, restore oral structures to health and function, and treat emergency conditions". As outlined in the State Health Official Letter dated October 7, 2009, the dental benefits package offered to all children enrolled in Colorado's Children's Basic Health Plan must meet certain requirements in order to satisfy the CHIPRA provision. Due to the delayed guidance on the requirements of the dental package, the State's contracted actuary has just begun the process determining what benefits need to be changed to the capitated dental package. In order to implement the changes to the benefits once they are determined, actuarially certified rates would need to be developed. Because the Department does not yet have actuarially certified rates for the new dental benefit package, the Department is not currently requesting funding for this requirement.

Consequences if Not Funded:

This request is for funding to implement federally mandated changes. If this request is not funded, federal financial participation in the Children's Basic Health Plan will be at risk. The FY 2010-11 base request includes $139,306,703 federal funds for the Children's Basic Health Plan.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
Total Request	**$113,527**	**$0**	**$39,734**	**$0**	**$73,793**
(4) Indigent Care Program; Children's Basic Health Plan Administration	$113,527	$0	$39,734	$0	$73,793

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
Total Request	**$236,150**	**$74,679**	**$46,661**	**$135**	**$114,675**
(4) Indigent Care Program; H.B. 97-1304 Children's Basic Health Plan Trust	$46,661	$46,661	$0	$0	$0
(4) Indigent Care Program; Children's Basic Health Plan Administration	$132,987	$0	$46,545	$0	$86,442
(6) Department of Human Services Medicaid-Funded Programs; (B) Office of Information Technology Services - Medicaid Funding, Colorado Benefits Management System	$56,502	$28,018	$116	$135	$28,233

Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
Total Request	**$0**	**$0**	**$0**	**$0**	**$0**
(4) Indigent Care Program; H.B. 97-1304 Children's Basic Health Plan Trust	$0	$0	$0	$0	$0
(4) Indigent Care Program; Children's Basic Health Plan Administration	$0	$0	$0	$0	$0
(6) Department of Human Services Medicaid-Funded Programs; (B) Office of Information Technology Services - Medicaid Funding, Colorado Benefits Management System	$0	$0	$0	$0	$0

Cash Funds Projections: This request includes $39,734 from the Children's Basic Health Plan Trust Fund in FY 2009-10 and $46,661 in FY 2010-11. Because the Trust Fund is projected to be insolvent in FY 2010-11 after the impact of FY 2010-11 DI-3 Children's Basic Health Plan Medical Premium and Dental Benefit Costs, the Department is seeking a General Fund appropriation in FY 2010-11 to the Trust for the costs associated with this request.

Cash Fund Name	Cash Fund Number	FY 2008-09 Expenditures	FY 2008-09 End of Year Cash Balance	FY 2009-10 End of Year Cash Balance Estimate	FY 2010-11 End of Year Cash Balance Estimate	FY 2011-12 End of Year Cash Balance Estimate
Children's Basic Health Plan Trust	11G	$32,626,199	$6,608,063	$817,042	$2,586,082	($7,626,685)

Assumptions for Calculations: Based on the Department's current EQRO contract for similar work performed in Medicaid, the Department assumes that the cost of compliance with the enhanced external quality review provision for FY 2009-10 will be $113,527 for on-site reviews and development of reports and corrective actions for each of the Plan's five MCOs. An additional $19,460 will be required beginning in year 2 (FY 2010-11) for preparing a combined report for all of the Plan's MCOs and to evaluate, assess and follow-up on corrective action plans for each of the MCOs, as these deliverables are due after the end of the fiscal year.

Estimates for the Colorado Benefits Management System modifications required for the provision regarding guaranteed coverage of newborns were provided by the Department's contractor, and assumes 1,430 hours at $105 per hour, for a total cost of $150,150 in FY 2010-11.

Because the Trust Fund is projected to be insolvent in FY 2010-11 after the impact of FY 2010-11 DI-3, the Department is seeking a General Fund appropriation to the Trust for the costs associated with this request in FY 2010-11, and will submit a separate change request for FY 2011-12.

Impact on Other Government Agencies: As modifications in the Colorado Benefits Management System are required, this request impacts the Department of Human Services. The total cost for modifications to the Colorado Benefits Management System is $150,150, of which $56,502 is from the Department and $93,648 is from the Department of Human Services per the cost-sharing agreement between the two State departments for changes to the Colorado Benefits Management System in FY 2010-11 only.

Summary of Department of Human Services Request FY 2010-11	**Total Funds**	**General Fund**	**Cash Funds**	**Reappropriated Funds**	**Medicaid Cash Funds**	**Medicaid General Fund**	**Federal Funds**
Total Request	**$150,150**	**$37,038**	**$6,993**	**$56,502**	**$56,502**	**$28,018**	**$49,617**
(2) Office of Information Technology, Colorado Benefits Management System (CBMS)	$150,150	$37,038	$6,993	$56,502	$56,502	$28,018	$49,617

Cost Benefit Analysis: Not applicable. This request is for funding to implement federally mandated changes.

Statutory and Federal Authority: Children's Health Insurance Program is established in federal law in the Social Security Act, Title XXI (42 U.S.C. 1397aa through 1397jj) and amended by the Children's Health Insurance Program Reauthorization Act of 2009 (P.L. 111-3). SEC. 2. *PURPOSE- It is the purpose of this Act to provide dependable and stable funding for children's health insurance under titles XXI and XIX of the Social Security Act in order to enroll all six million uninsured children who are eligible, but not enrolled, for coverage today through such titles.*

Section 2103(f) of Social Security Act (42 U.S.C. 1397bb(f)) as amended by P.L. 111-3, Sec. 403 *(3) COMPLIANCE WITH MANAGED CARE REQUIREMENTS- The State child health plan shall provide for the application of subsections (a)(4), (a)(5), (b), (c), (d), and (e) of section 1932 (relating to requirements for managed care) to coverage,*

State agencies, enrollment brokers, managed care entities, and managed care organizations under this title in the same manner as such subsections apply to coverage and such entities and organizations under title XIX.

25.5-8-105 C.R.S. (2009) (1) *A fund to be known as the Children's Basic Health Plan Trust is hereby created… all monies deposited in the trust and all interest earned on the moneys in the Trust shall remain in the Trust for the purposes set forth…*

25.5-8-111 C.R.S. (2009) (1)(a)(I) *The department may… Pursuant to section 24-50-504 (2)(a), C.R.S., enter into personal services contracts for the administration of the children's basic health plan.*

Performance Measures:

By ensuring continued federal financial participation in the Children's Basic Health Plan, the Department would ensure continuity of care, and clients in the program would have better health outcomes and show a high level of satisfaction with their care. As such, the Department believes that this request supports the following Performance Measures:

- Expand coverage in the Children's Basic Health Plan.
- 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.