

## **Background**

The challenges facing our nation's health care system are significant and must be addressed to ensure the quality of life Americans deserve. Two years ago, the State of Colorado embarked on an amazing journey to improve access to cost-effective, quality health care services for all Coloradans. Health care has been a top priority of Governor Bill Ritter since he took office in January 2007. In that same year, the Blue Ribbon Commission for Health Care (2008 Commission) undertook the study of health care reform models in Colorado. After months of careful deliberation and discussion with stakeholders, constituents, legislators and executive officials, the Commission presented a comprehensive report that provides a bold, yet realistic, blueprint for health care reform in Colorado. Drawing upon the Commission's recommendations and under Governor Ritter's leadership, 100% of the Building Blocks to Health Care Reform agenda in the 2008 session were successfully passed. The package expanded children's health care coverage, increased reimbursement for providers, improved efficiencies in private health insurance and public programs, increased transparency and accountability across the system, and identified further strategies to expand access to cost-effective, quality care. Building on the legislative success of the 2008 session, the Ritter administration was able to make significant public program expansions and investments in reimbursement rates through passage of a hospital provider fee, restructure a state-funded loan forgiveness program for health care providers in rural and underserved communities, pass legislation to allow for private market insurance incentives for wellness programs and enhance support for emergency services in 2009 despite a \$1.4 billion revenue shortfall facing the State.

A key focus of these health care initiatives has centered on improvements of public health insurance programs, including how to expand health care coverage to new populations. The Department of Health Care Policy and Financing (the Department) serves as the single state agency responsible for the administration of the Medicaid and Child Health Plan *Plus* (CHP+) programs as well as the lead agency responsible for the implementation of the health care reform initiatives for the State's public health insurance programs. The Department's Executive Director, Joan Henneberry, also serves as the Governor's Senior Health Policy Advisor.

## **State Health Access Program (SHAP) Projects**

The State of Colorado requests approximately \$7 to \$10 million a year over the next five years from the Health Resources and Services Administration (HRSA) as part of the State Health Access Program (SHAP). The first year costs for these initiatives total \$20,970,202. Of this amount, \$5,064,004 represents the State contribution; \$5,940,587 represents non-HRSA grant Federal funds; and \$9,965,612 represents the amount the State of Colorado is requesting from HRSA. The State exceeds the requirement of the SHAP grant that states applying for these funds match 20% of the Federal grant through non-Federal resources.

What we are proposing can be likened to putting together a quilt. We have carefully identified all of the distinct pieces that when arranged properly will achieve an orderly and lively design. We believe the projects selected and ready to implement represent a comprehensive package of health care initiatives that are very well-matched to the goals of the SHAP. The proposed projects are designed to provide the uninsured with access to affordable and quality health care coverage. Our approach considers all of the activities that must happen if a client is to obtain

coverage and access health care services in appropriate settings. The “life cycle of the client” includes outreach and application assistance; the eligibility determination process; access to health care services; provider recruitment and retention; linking clients to a medical home; and the retention of clients if they continue to be eligible. The legislation has been enacted and the policy decisions made - all of the pieces are ready to be assembled. The HRSA grant funding under the SHAP is the means by which we can join all of the coverage pieces together to fashion the health care coverage and health access quilt as summarized below in Figure 1.1.

**Figure 1.1: Summary of SHAP Projects**

Name of Project & Brief Description	Brief Description of the Project	Expansion Populations	Impacts
Maximizing Outreach, Retention and Enrollment (“MORE”)	<ul style="list-style-type: none"> <li>Design, develop and implement targeted outreach plan for new expansion populations that can be fully integrated through Healthy Communities Outreach program</li> </ul>	HB 09-1293 Expansions: CHP+ children and pregnant women (24,000); Medicaid parents (43,500); Medicaid buy-in for individuals with disabilities (9,000); Medicaid childless adults (82,000)	<ul style="list-style-type: none"> <li>150,000 currently uninsured will learn about availability of coverage and how to apply</li> <li>Value added: eligible, but not enrolled in existing programs (85,000)</li> </ul>
Eligibility Modernization: Streamlining the Application Process	<ul style="list-style-type: none"> <li>Replace paper documentation with electronic data where possible; develop web-based services for clients; and create interfaces to other state and Federal systems to ease data exchange, and make overall application process more efficient and effective</li> </ul>	HB 09-1293 Expansions: <ul style="list-style-type: none"> <li>CHP+ children and pregnant women (24,000); Medicaid parents (43,500); Medicaid buy-in for individuals with disabilities (9,000); Medicaid childless adults (82,000)</li> </ul>	<ul style="list-style-type: none"> <li>150,000 currently uninsured will find the application process easier to navigate and application processing times will be greatly improved</li> <li>Valued added: eligible, but not enrolled in existing programs (85,000)</li> </ul>
Childless Adults and Buy-in for Individuals with Disabilities Implementation	<ul style="list-style-type: none"> <li>Develop potential program designs, including models for premium structures, cost-sharing provisions for expansion populations</li> </ul>	<ul style="list-style-type: none"> <li>HB 09-1293 Expansions:               <ul style="list-style-type: none"> <li>Medicaid buy-in for individuals with disabilities – 9,000</li> <li>Medicaid childless adults – 82,000</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Benefit package will be evidenced-based, promote value and contribute to the overall improved health for these expansion populations that has been developed with stakeholder input</li> <li>Increased numbers of primary care providers and specialists who see adult patients and patients with disabilities and complex</li> </ul>
CHP+ at Work Premium Assistance	<ul style="list-style-type: none"> <li>Expand pilot CHP+ at Work program statewide</li> </ul>	<ul style="list-style-type: none"> <li>CHP+ eligible children who have access to employer sponsored insurance</li> </ul>	<ul style="list-style-type: none"> <li>3 to 4 new employer groups with 200 more children enrolled in CHP+ at Work</li> </ul>

San Luis Valley: Three-Share Community Start-Up	<ul style="list-style-type: none"> <li>• Replicate Pueblo’s Health Access Program and create health care coverage for the working uninsured and use HRSA grant funding to initially support “community share”</li> </ul>	<ul style="list-style-type: none"> <li>• Working uninsured in San Luis Valley, a rural region of south-central Colorado with a predominately low-income Hispanic population</li> </ul>	<ul style="list-style-type: none"> <li>• 5,000 individuals not currently covered would be eligible for program</li> </ul>
Evidence-Based Benefit Design Pilot	<ul style="list-style-type: none"> <li>• Create an innovative benefit design tool that can be implemented easily and administered efficiently for carriers developing new insurance products targeted at previously uninsured populations</li> </ul>	<ul style="list-style-type: none"> <li>• Uninsured in county with urban and rural communities and a diverse population</li> </ul>	<ul style="list-style-type: none"> <li>• Benefit design tool will be adapted for use by private health plans; one or more licensed Colorado insurance carriers will offer products based on benefit design tool resulting in enrollment of previously uninsured individuals and businesses not offering employer-sponsored health insurance</li> </ul>

***Colorado Healthcare Affordability Act: Coverage for 150,000 more Coloradans***

House Bill 09-1293 ([HB 09-1293](#)), the "Colorado Healthcare Affordability Act" became law in April 2009 and has been hailed as the State's most significant health reform in 40 years. This landmark measure provides coverage to more than 150,000 uninsured Coloradans and makes health care more affordable by reducing uncompensated care and cost-shifting, without costing taxpayers or businesses a penny more. The legislation authorizes the Department to generate revenue through a hospital provider fee and draw down Federal matching funds.

While many other states have implemented this financing strategy for health programs, Colorado is unique in that it is using a portion of the provider fees generated to fund massive health care coverage expansions in addition to increasing reimbursement for hospitals. The revenue generated by the hospital provider fee is to supplement current State General Fund appropriations to support hospitals. If revenue from the fee is insufficient to fully fund the coverage expansions and associated administrative costs, the General Assembly is not obligated to appropriate General Fund. Payments to hospitals must be fully funded before any eligibility expansion. Because the State wanted to ensure that sufficient provider fees are generated to both support hospitals and expand coverage, the State limited the administrative costs to those activities are essential to successfully implement the coverage expansions under the legislation. Many activities that would augment the success of the coverage program like outreach and the implementation of eligibility modernization were tabled while new funding sources were pursued. HB 09-1293 serves as the vehicle for the coverage expansions while obtaining the HRSA grant funding ensures access to the right health care services in the right places at the right time. The major components of the legislation include:

***Payments to Hospitals.*** Half of the money under HB 09-1293 allows for improved reimbursement rates to hospitals. Reimbursements for CICIP are also expected to increase to 100% of costs. This payment will reduce expenditures that are currently considered

uncompensated care. A new hospital payment will be implemented up to 7% of total reimbursements and based on performance.

**Administrative Costs:** Less than 4% of the fees generated will be used to update the rate setting method for inpatient, outpatient, and rehabilitation hospitals and to basic modifications to the Medicaid Management Information System (MMIS), the Department's claims processing system and to the Colorado Benefits Management System (CBMS), the Department's eligibility system. Other administrative costs include annual hospital survey costs, Hospital Provider Fee Oversight and Advisory Board expenses, and increased auditing of CICP.

**Payments for Health Care Services for Expansion Populations.** The remaining money generated through the hospital provider fee will be used to provide health care services for the following population expansions of the State's public health insurance programs:

- **CHP+ expansion for children and pregnant women** from 205 to 250% of the federal poverty level (FPL) - expands coverage for 24,000 children and pregnant women.
- **Medicaid expansion for parents** from 60 up to 100% of FPL - expands coverage for 43,500 low-income parents.
- **Medicaid 12-month continuous eligibility for children.**
- **Medicaid expansion for childless adults** with incomes up to 100% FPL - expands coverage for 82,000 low-income childless adults.
- **Medicaid buy-in program for individuals with disabilities** with family income up to 450% of FPL - expands coverage for 9,000 individuals with disabilities.

#### *Maximizing Outreach, Retention and Enrollment ("MORE")*

While funding has been appropriated under HB 09-1293 to pay for health care services for the expansion populations and some limited administrative costs, additional funding is needed to maximize the enrollment of eligible persons and ensure coordinated and efficient delivery of services to these new populations. For example, 158,500 additional people are expected to have health care coverage by State Fiscal Year 2013-14. At the time of the fiscal note preparation, it was assumed that the Department would continue to receive \$2.7 million in outreach funding to implement marketing and outreach campaigns that would target these new expansion populations. Because of the State's budget crisis, \$1.4 million in outreach funding was cut from the budget and it is highly improbable that this outreach funding will ever be restored to its past levels. Without adequate funding, it will be challenging to reach the 150,000 people, many of whom have little or no direct experience in applying for public health insurance programs. While funding in HB 09-1293 serves as the foundation for expanding coverage, the HRSA grant funding will be used to conduct effective outreach and marketing campaigns to inform the new populations of the availability of these new programs that expand coverage. HRSA funding will protect our investment in outreach for these new expansions by harnessing technology solutions through eligibility modernization to make the redetermination process easy and seamless.

#### *Eligibility Modernization: Streamlining the Application Process*

In light of the economic downturn and the budget crisis all states are experiencing, we are extremely fortunate to have had the leadership and political will in Colorado to expand coverage for over 150,000 new people. Yet to achieve our goal of enrolling these new populations, we

need to make the appropriate investments in technology and in our infrastructure to increase our operational capacity to accommodate these 150,000 new enrollees. A 2009 Commonwealth Fund Study found that the citizenship and identity requirements under the Deficit Reduction Act (DRA) make getting and keeping children and families covered more difficult. The new requirements increased the complexity, administrative burden, and costs of enrollment and renewal in the states studies. The Department is requesting HRSA funding to establish interfaces between CBMS and existing Federal, State and other program databases to ease the administrative burdens. HRSA funding can also enable us to expand the availability of web-based online applications for these new expansion populations and meet the increased demand on the entire eligibility determination process. The Department also proposes to use HRSA funding to develop statewide automated enrollment systems for the new expansion populations that result in “Express Eligibility” as well as administrative or ex parte renewals.

#### *Childless Adults and Buy-in for Individuals with Disabilities Implementation*

HB 09-1293 gave the Department limited funding in State Fiscal Year (SYF) 2010-11 to begin work in setting actuarial sound provider reimbursement rates for the childless adult and individuals with disabilities buy-in expansion populations. The Department prepared the fiscal note for HB 09-1293 almost six months ago based on its knowledge of the requirements of adding these expansion populations. However, upon further research, the Department determined that it needed additional funding beginning in SFY 2009-10 to hire subject matter experts (consultants) to assist with the 1115 waiver applications as well as the benefit design for both of these programs to meet the implementation schedule outlined in the legislation. Additionally, the SHAP would allow the Department to engage stakeholders in this process for the purposes of optimizing the development and implementation of the new benefits for these expansion populations. Finally, HRSA grant funds are needed to expand the Department's effort to recruit and retain new providers to ensure that adequate network capacity exists for newly enrolled public insurance clients. The Department needs to develop a targeted approach to provider recruitment for these expansion populations to address the inadequate supply of primary care and specialty providers who see adult patients and patients with disabilities and complex medical needs.

#### *CHP+ At Work Premium Assistance*

Premium assistance is a promising strategy for providing coverage to children in low-income families with access to employer-provided coverage. Through a federal waiver, CHP+ operates a premium assistance program titled “CHP+ at Work”. CHP+ at Work allows families to leverage the employer contribution toward health insurance with the federal subsidy toward CHP+ to lower their monthly premium. The CHP+ at Work pilot is with one medium-sized employer in Denver County. The pilot began in October 2006 and been very successful. With HRSA funding, Colorado can expand CHP+ at Work statewide by implementing the necessary system enhancements as well as dedicating resources to effectively recruit new group employers to participate in the program.

#### *San Luis Valley: Three-Share Community Start-Up*

[House Bill 09-1252](#) was enacted into law authorizing the creation of a three-share community start-up pilot program in the San Luis Valley (SLV Health Access Program) to address the healthcare needs of the uninsured population. This pilot will be operated under the oversight of

the San Luis Valley County Commissioners Association; an association comprised of the 18 County Commissioners representing the 6 geographically confined rural counties known as the San Luis Valley. The goal of the SLV Health Access Program is to provide a health coverage program aimed at the working uninsured in employer groups where the median hourly wage is \$15.00 per hour or less and the employer group currently provides no health insurance. The program would enable an employer sponsored health access plan to utilize contributions from the employer, the covered employee and the community (a three-share program). HRSA grant funding would be used to fund the ‘third share’ of this multi-share approach to coverage.

### ***Evidence-Based Benefit Design Pilot***

Senate Bill 08-217, [Centennial Care Choices](#) directed the State to solicit input from private insurance carriers on creative and innovative ways to offer affordable, “value” benefit plans to the state’s currently uninsured residents. Over a period of eight months, state agencies worked with Colorado health insurance carriers to come up with affordable plans that provide at least a basic level of credible coverage to the state’s uninsured. One of the health insurance carriers’ proposals included the development of a prioritized benefit design tool. With HRSA funding, the State intends to develop a transparent and evidence-based benefit design tool, and begin offering this affordable and high-value benefit package to a targeted population of uninsured Coloradans through a pilot program in Colorado.