

STATE OF COLORADO FY 2010-11 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13													
Change Request for FY 2010-11 Budget Request Cycle													
Decision Item FY 2010-11	<input type="checkbox"/>	Base Reduction Item FY 2010-11				<input type="checkbox"/>	Supplemental FY 2009-10		<input checked="" type="checkbox"/>	Budget Amendment FY 2010-11			<input type="checkbox"/>
Request Title:	Children's Basic Health Plan Premiums Overexpenditure												
Department:	Health Care Policy and Financing				Dept. Approval by:	John Bartholomew <i>JB</i>			Date:	June 21, 2010 <i>6/9/10</i>			
Priority Number:	N/A				OSPBA Approval:	<i>Amuz</i>			Date:	June 9, 2010			
		1	2	3	4	5	6	7	8	9	10		
		Prior-Year Actual	Appropriation	Supplemental Request	Total Revised Request	Base Request	Decision/ Base Reduction	November 1 Request	Budget Amendment	Total Revised Request	Change from Base		
	Fund	FY 2009-09	FY 2009-10	FY 2009-10	FY 2009-10	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	FY 2011-12		
Total of All Line Items	Total	121,323,208	155,868,200	15,824,573	171,692,773	0	0	0	0	0	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	2,710,779	1,641,008	4,351,787	0	0	0	0	0	0		
	GFE	0	0	0	0	0	0	0	0	0	0		
	CF	38,647,469	51,351,535	3,318,072	54,669,607	0	0	0	0	0	0		
	CFE/RF	0	2,500,000	1,641,008	4,141,008	0	0	0	0	0	0		
	FF	78,150,557	99,305,886	9,224,485	108,530,371	0	0	0	0	0	0		
(4) Indigent Care Program; H.B. 97-1304 Children's Basic Health Plan Trust	Total	513,604	2,710,779	1,641,008	4,351,787	0	0	0	0	0	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	2,710,779	1,641,008	4,351,787	0	0	0	0	0	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 Premium Costs	Total	120,809,604	153,157,421	14,183,565	167,340,986	0	0	0	0	0	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	42,859,047	51,351,535	3,318,072	54,669,607	0	0	0	0	0	0		
	CFE/RF	0	2,500,000	1,641,008	4,141,008	0	0	0	0	0	0		
	FF	78,150,557	99,305,886	9,224,485	108,530,371	0	0	0	0	0	0		
Non-Line Item Request:	None.												
Letternote Revised Text:	None.												
Cash or Federal Fund Name and COFRS Fund Number:	CF: Children's Basic Health Plan Trust Fund 11G, Health Care Expansion Fund 18K, Hospital Provider Fee Cash Fund 24A; FF: Title XXI												
Reappropriated Funds Source, by Department and Line Item Name:	Reappropriated Funds are from the Children's Basic Health Plan Trust Fund (11G)												
Approval by OIT?	Yes: <input type="checkbox"/>	No: <input type="checkbox"/>	N/A: <input checked="" type="checkbox"/>										
Schedule 13s from Affected Departments:	None.												

**CHANGE REQUEST for FY 2010-11 BUDGET REQUEST CYCLE**

Department:	Health Care Policy and Financing
Priority Number:	N/A
Change Request Title:	Children's Basic Health Plan Premiums Overexpenditure

**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:

This request is to increase the FY 2009-10 spending authority for the Children's Basic Health Plan Premiums Costs line item by \$14,183,565 total funds. This increase is relative to the FY 2009-10 year-to-date appropriation and is due to unexpectedly large reconciliation payments throughout the year for claims incurred by enrollees in the State's Managed Care Network (SMCN). In addition, the Department is requesting a General Fund appropriation of \$1,641,008 for the portion of the overexpenditure that is from the Children's Basic Health Plan Trust Fund.

Background and Appropriation History:

Children's Basic Health Plan (CHP+) children are served by either a health maintenance organization (HMO) at a fixed monthly cost, or by the State's Managed Care Network (SMCN), which is administered by a no-risk provider. The CHP+ third party administrator (TPA) contract was re-bid for FY 2008-09, and Colorado Access was selected as the new vendor. The State is fully liable for all claims incurred by clients enrolled in the SMCN, which include children during their pre-HMO enrollment period, all presumptively eligible children and pregnant women, children without geographical access to an HMO, and all prenatal women. The CHP+ actuary develops a capitation rate based

on prior year utilization and unit costs trended forward, with the expectation that this monthly capitation payment should cover most if not all claims costs incurred in that month. The capitation payments are reconciled with actual incurred claims to determine any under or over payment by the State to the TPA. When Anthem was serving as the CHP+ TPA, reconciliation payments were being made annually. With the change to Colorado Access, reconciliation payments are now being made monthly.

General Description of Request:

This request is to increase the FY 2009-10 spending authority for the Children's Basic Health Plan Premiums Costs line item by \$14,183,565 total funds due to an imminent overexpenditure driven by consistently large reconciliation payments throughout the year for claims incurred by enrollees in the State's Managed Care Network (SMCN). Also included is a request for \$1,641,008 General Fund for the portion of the overexpenditure attributable to lower income enrollees that are funded through the Children's Basic Health Plan Trust Fund, which does not have sufficient fund balance to support the overexpenditure. The entirety of the overexpenditure is due to higher than anticipated per capita costs, and not caseload. There are three main drivers behind the higher than anticipated reconciliation payments in the SMCN, all of which the Department believed had been accounted for in the rate setting:

- The Department reprocured the contract for the third party administrator of the SMCN, and effective FY 2008-09 the vendor changed from Anthem to Colorado Access. This resulted in a shift in payment processes, and Anthem delayed the adjudication of claims incurred in FY 2007-08;
- Since January 2008, utilization has increased drastically in the SMCN for both the child and prenatal populations, and;
- Unit costs for hospital services have increased dramatically since FY 2007-08, and the Department's efforts to contain this growth have been ineffective due to its reimbursement methodology for hospital services.

When the FY 2009-10 S-3, "Children's Basic Health Plan Medical Premium and Dental Benefit Costs" was written for the February 16, 2010 budget submission, the Department had data through December 2009. As of December 2009, the Department had completed reconciliation payments for claims incurred in FY 2008-09. Thus, the Department

assumed that the reconciliation payments would be negligible due to FY 2009-10 capitation rates being sufficient to cover claims incurred in FY 2009-10. In addition, the Department did not yet have an executed contract for reinsurance. Based on data from the prior two fiscal years, the Department anticipated that it would receive reimbursement from the reinsurance totaling approximately \$3,000,000. The Department also believed that the appropriated caseload was higher than actuals would be, thus there would be an underexpenditure for both child and prenatal capitations. Table 1 below outlines the assumed expenditures that were included in the Department's February 16, 2010 S-3.

**Table 1: CHP+ Premiums Estimates from February 16, 2010 S-3**

	Child Capitations	CHP+ at Work	Prenatal Capitations	Reconciliations	Reinsurance	Total
July - December 2009	\$60,870,860	\$32,802	\$7,750,669	\$21,585,778	\$0	\$90,240,109
January - June 2010	\$57,232,980	\$32,802	\$7,180,759	(\$3,000,000)	\$939,180	\$62,385,721
	<b>\$118,103,84</b>					<b>\$152,625,83</b>
<b>FY 2009-10 Projected Total</b>	<b>0</b>	<b>\$65,604</b>	<b>\$14,931,428</b>	<b>\$18,585,778</b>	<b>\$939,180</b>	<b>0</b>
	\$123,250,53					\$152,636,57
FY 2009-10 Estimated Appropriation*	2	\$65,604	\$15,973,901	\$12,391,297	\$955,244	8
<b>Total Amount Over/(Under) Funded</b>	<b>\$5,146,692</b>	<b>\$0</b>	<b>\$1,042,473</b>	<b>(\$6,194,481)</b>	<b>\$16,064</b>	<b>\$10,748</b>

\* Estimated appropriation based on the Department's February 16, 2010 request plus HB 10-1382, "Repeal Delay of Payments." Appropriations are not normally broken out as shown in the table above, as the appropriation is based on a per capita cost that includes both reconciliation payments and the reinsurance payments. The Department has estimated the split above for illustrative purposes.

The large gap between the budgeted PMPM and the actual claims costs and reconciliation payments for claims incurred prior to FY 2008-09, as discussed in the following sections, are driving higher than anticipated reconciliation payments. The Department estimates that it built 8.4% into the child and prenatal per capitas for reconciliation payments, but now estimates that these payments will account for 16.9% of CHP+ Premiums costs. In addition, through May 2010, the Department has collected only \$925,158 in reinsurance reimbursement, compared to the estimated \$3,000,000. Had the Department known that the FY 2009-10 capitation rates were insufficient to cover FY 2009-10 claims and that it would have to continue to make reconciliation payments, as well as the fact that

reinsurance reimbursement would be much lower than anticipated, the per capita costs included in the Department's February 16, 2010 S-3 would have been adjusted to reflect these increased costs. Table 2 below outlines the current projected expenditures, appropriation, and projected overexpenditure by payment type and fund split (*italics denote projections*).

<b>Table 2: CHP+ Premiums Overexpenditure Analysis</b>						
	Child Capitations	CHP+ at Work	Prenatal Capitations	Reconciliations	Reinsurance	Total
Jul-09	\$9,433,480	\$5,523	\$1,292,207	\$2,781,276	\$0	\$13,512,486
Aug-09	\$9,864,387	\$6,457	\$1,266,483	\$2,974,612	\$0	\$14,111,939
Sep-09	\$10,468,462	\$5,523	\$1,321,710	\$10,055,217	\$0	\$21,850,912
Oct-09	\$9,893,944	\$5,082	\$1,254,525	\$2,513,361	\$0	\$13,666,912
Nov-09	\$10,900,115	\$5,194	\$1,354,051	\$2,254,750	\$0	\$14,514,110
Dec-09	\$10,310,472	\$5,023	\$1,261,693	\$1,006,562	\$0	\$12,583,750
Jan-10	\$10,182,083	\$4,419	\$1,207,877	\$1,344,168	\$0	\$12,738,547
Feb-10	\$10,851,780	\$6,161	\$1,372,625	\$792,057	\$440,558	\$13,463,181
Mar-10	\$10,145,207	\$7,042	\$1,293,976	\$2,499,231	\$72,062	\$14,017,518
Apr-10	\$10,210,883	\$5,935	\$1,355,240	(\$116,380)	\$58,999	\$11,514,677
May-10	\$10,385,839	\$8,564	\$1,243,325	\$0	\$60,473	\$11,698,201
Jun-10	<u>\$10,108,935</u>	<u>\$6,318</u>	<u>\$1,405,536</u>	<u>\$2,084,246</u>	<u>\$63,718</u>	<u>\$13,668,753</u>
	<b>\$122,755,58</b>					
<b>FY 2009-10 Projected Total</b>	<b>7</b>	<b>\$71,241</b>	<b>\$15,629,248</b>	<b>\$28,189,100</b>	<b>\$695,810</b>	<b>\$167,340,986</b>
	\$123,185,03					
FY 2009-10 Final Appropriation*	5	\$65,604	\$16,073,303	\$12,874,842	\$958,637	\$153,157,421
<b>Total Amount Over/(Under) Funded</b>	<b>\$429,448</b>	<b>(\$5,637)</b>	<b>\$444,055</b>	<b>(\$15,314,258)</b>	<b>\$262,827</b>	<b>(\$14,183,565)</b>
Enrollment Fees	\$7,950	\$0	\$0	\$0	\$0	\$7,950
Federal Funds	\$273,974	(\$3,664)	\$288,636	(\$9,954,268)	\$170,837	(\$9,224,485)
State Share	\$147,524	(\$1,973)	\$155,419	(\$5,359,990)	\$91,990	(\$4,967,030)
<b>Estimated Trust Fund Share</b>	<b>\$54,363</b>	<b>\$0</b>	<b>\$137,005</b>	<b>(\$2,692,307)</b>	<b>\$34,939</b>	<b>(\$2,466,000)</b>
Estimated HCEF Share	(\$75,943)	(\$1,973)	(\$395,946)	(\$2,667,683)	\$57,051	(\$3,084,494)
Estimated Hospital Fee Share	\$169,104	\$0	\$414,360	\$0	\$0	\$583,464
* Appropriations are not normally broken out as shown in the table above, as the appropriation is based on a per capita cost that includes both reconciliation payments and the reinsurance payments. The Department has estimated the split above for illustrative purposes.						

The table below illustrates the General Fund needed as adjusted for a projected cash fund balance in the Children's Basic Health Plan Trust Fund.

<b>Table 2a: Calculation of General Fund Need</b>		
Estimated Trust Fund Share	\$2,466,000	Table 2
Less Additional Enrollment Fees Collected	(\$7,950)	Table 2
Less Projected FY 2009-10 End of Year Trust Fund Cash Balance	(\$817,042)	Cash Fund Projection Table
<b>Total General Fund Needed</b>	<b>\$1,641,008</b>	<b>Schedule 13</b>
FY 2009-10 End of Year Cash Balance Estimate Adjusted For This Request	\$0	Cash Fund Projection Table

Issues Related to Change in Third Party Administrator

In the development of the FY 2009-10 CHP+ rates (using data from FY 2006-07 and FY 2007-08), the contracted actuary found large increases in costs in both the SMCN and the HMOs. The following have been identified as possible causes of these increased costs:

- Children's enrollment has increased significantly since the base capitation rates were set. The highest growth was seen in children age 0 through 2 years old, which is the age group with the highest cost;
- Utilization of services (such as number of doctor visits, prescriptions filled, etc) has been increasing. There were also increases in the number of high cost children enrolled in CHP+;
- Both the self-funded network and the HMOs have experienced large increases in unit cost, which measures the mix of services obtained as well as the underlying fee schedule and billed charges where applicable, and;
- In addition to these identifiable impacts, the Department implemented presumptive eligibility for children effective January 1, 2008. Although the Department cannot quantify the impact of this policy change at this time, the contracted actuary believes that this may be partially responsible for the increased utilization seen for emergent type services.

In addition, historic capitation rates for the self-funded network have been too low, resulting in significant year-end claims reconciliations. The Department believes that by

trending these rates forward, there has been a compounding effect on the inadequacy of the rates. With the move to cash accounting and the switch in TPA vendors, the Department is now reconciling claims incurred in both FY 2007-08 and FY 2008-09 in FY 2009-10. These factors have resulted in larger than anticipated reconciliation payments in FY 2009-10.

Through FY 2007-08, the Department contracted with Anthem as the third party administrator for the SMCN. After this contract was transitioned to Colorado Access, the Department continued to pay administrative fees to Anthem in order to finish adjudicating claims incurred within the Anthem contract period. Despite consistent attempts by the Department throughout the year to ensure that Anthem was fulfilling its contractual obligations to process claims, at the end of FY 2008-09, it came to the Department's attention that a large number of claims had not been properly researched or adjudicated. Rather than resolving these final claims, Anthem passed these claims to Colorado Access to complete the adjudication process. As a result of this, the Department found that it owed approximately \$5.8 million for claims incurred prior to FY 2008-09.

#### Issues Related to Utilization and Unit Costs

Per capita can be thought of as two separate pieces: unit cost and utilization. Every service other than hospital is paid on a fee schedule, which has not increased significantly over the last two years. For example, a physician office visit is reimbursed at 90% of Medicare and the unit cost increased by approximately 5.6% between FY 2007-08 and FY 2008-09, and the unit cost for a number of physician services have even decreased. However, utilization trends in the SMCN from FY 2007-08 to FY 2008-09 are very high; for example, the physician services trend is 25.6% for children and 52.2% for prenatal women. Table 3 below shows utilization and unit cost trends for children and prenatal women in the SMCN from FY 2007-08 to FY 2008-09. Utilization trends are high for both populations, and hospital unit cost trends are high, especially in the prenatal program which has a high concentration of hospital services.

Type of Service	Child		Prenatal	
	Utilization Trend	Unit Cost Trend	Utilization Trend	Unit Cost Trend
Inpatient Hospital	23.0%	-5.4%	38.7%	18.1%
Outpatient Hospital	7.6%	15.7%	31.4%	12.7%
Lab and Radiology	28.4%	-4.3%	52.1%	-4.5%
Physician Services	25.6%	-4.6%	52.2%	-6.3%
Prescription Drugs	-11.9%	11.9%	9.6%	-1.1%
Injections/Immunizations	17.1%	-1.5%	65.4%	-1.2%
All Other	24.1%	-19.1%	37.9%	-26.9%
Total	14.0%	2.9%	41.5%	9.3%

Table 4 on the following page shows hospital and total per member per month (PMPM) costs for the State’s network, blended for the relative shares of children and prenatal women. As can be seen the PMPM for hospital services increased drastically in FY 2008-09, which prompted the Department’s decision to change its hospital reimbursement methodology to control costs. During negotiations with the hospitals regarding the change in reimbursement methodology, the Department gave notice of its intent to move to a diagnosis-related group (DRG) methodology based on that used in Medicaid. At that time, Medicaid was scheduled to begin moving to a new DRG platform in FY 2009-10 to be fully implemented in FY 2010-11, and the Department proposed that hospital reimbursement for CHP+ move at the same time. However, the hospitals were reluctant to change to a CHP+ DRG system in FY 2009-10 and change again in FY 2010-11 to the Medicaid DRG system, and agreed that the savings could be achieved through a reduction to 44% of billed charges in FY 2009-10. In addition to the reduction to 44% of billed charges, the hospital charge masters were supposed to be frozen as of July 1, 2009 to ensure that the State was not seeing increased charges. However, the Department was not able to execute contracts with the hospitals due to limited resources in the Procurement Division, which allowed the billed charges to increase.

However, as can be seen in columns C and D of Table 4, the anticipated savings from this reimbursement change are not being realized. The year-to-date actual PMPM (data

through March 2010 with an estimate for incurred but not reported (IBNR) claims) for hospital services is 6.5% higher than that included in the rate development (this can also be seen in Table 5 on page 12). This is a combination of both utilization and unit costs being higher than estimated in the rate development. Due to lags in billing and retroactivity, the Department and the contracted actuary were not able to confirm that hospital charge masters had indeed been increased until May 2010.

<b>Table 4: History of State's Network Blended PMPMs</b>					
Column>>	A	B	C	D	E
	FY 2008-09 Rate Assumption	FY 2008-09 Actuals	FY 2009-10 Rate Assumption	FY 2009-10 Year-to-date Actuals*	FY 2010-11 Rate Assumption
Hospital PMPM	\$96.75	\$181.16	\$136.95	\$145.84	\$133.55
Total PMPM	\$166.27	\$244.79	\$214.37	\$215.92	\$219.93
<b>Hospital % of Total</b>	<b>58%</b>	<b>74%</b>	<b>64%</b>	<b>68%</b>	<b>61%</b>
* Data through March 2010 with estimated IBNR. Source: Leif Associates, Inc.					

Solutions Going Forward

The Department is implementing a number of changes beginning in FY 2010-11 to control utilization and costs to prevent such high trends in the future. First, CHP+ is expanding its HMO coverage to counties that previously had only the SMCN available to enrollees. Beginning in February 2010, Rocky Mountain Health Plan expanded service to 16 counties in Southeastern Colorado, and San Luis Valley HMO will begin providing service to children in 16 counties in the San Luis Valley effective June 2010. With this new HMO coverage, there will be only 5 counties in the State with no HMO coverage. This will reduce the number of children enrolled in the full-risk SMCN. The Department anticipates that this will result in efficiencies and better care coordination for CHP+ clients, as utilization and unit cost trends used for HMOs in the FY 2010-11 rate development are lower than those that the contracted actuaries continue to see in the SMCN.

Second, the Department is implementing a risk mitigation plan for the CHP+ TPA and SMCN. These include, but are not limited to the following:

- Historically, providers have been granted pay exceptions to the SMCN reimbursement schedule and were paid at a higher amount than the schedule allows. These exceptions were granted when the SMCN was initially building its provider network. The Department is working on bringing all SMCN providers into compliance with the reimbursement schedule.
- Effective January 1, 2010 the SMCN switched from Caremark to Navitus Health Solutions for pharmacy benefit management (PBM) services. Colorado Access has reviewed a number of PBM vendors and has chosen Navitus based on their “Pass-Through” pricing model, formulary and clinical support and superior customer service reputation. According to Colorado Access, Navitus offers the best overall pharmacy rate guarantees for the retail network. Colorado Access forecasts a 10% annual savings relative to the current PBM service.
- The Department is focusing efforts on working closely with the TPA vendor to more effectively manage care for SMCN members. Efforts include the establishment of care management policies and procedures, conducting on-site visits with the TPA to review care management cases, and increased reporting of care management in the quarterly reports to assist in oversight efforts.
- Beginning in FY 2010-11, 1% of the Administrative Fee portion of the TPA’s PMPM will be retained by the Department and returned to the Contractor as follows:
  - Annual performance of Health Outcome measure listed below or equal to Baseline Performance Level (baseline) or improves up to 4.99% compared to baseline: Contractor receives the 0.25% retainage per Health Outcome measure.
  - Annual performance improves by at least 5% compared to baseline: Contractor receives 0.25% retainage plus 10% of the savings associated with the health outcome measure per Health Outcome measure.
  - Annual performance worsens compared to baseline: Loss of the 0.25% retainage per Health Outcome measure.

For FY 2010-11 the mutually agreed upon Health Outcome measures are:

1. Percent of low birth weight deliveries – prenatal population
2. Inpatient asthma admissions per 1,000 members – child population
3. Percent non obstetric, non Mental Health, non Chemical Dependency readmissions within 30 days – child population
4. Emergency Department visits (which do not result in an inpatient admission) per 1,000 members – child population

The State's budget for the CHP+ program has increased every year, and as can be seen in the last row of Table 4 on page 9, hospital expenses as a percent of the total PMPM in the State's network has increased over time. This implies that reimbursement to other provider types has actually been growing much slower than that to hospitals. Table 5 on the following page displays growth rates in the hospital PMPMs blended for the distribution between children and prenatal women. The 24% decrease from FY 2008-09 actuals to the FY 2009-10 rate assumption is due to the reimbursement change from 65% to 44% billed charges.

In response to the continuing rise in hospital costs, the Department is again changing its facility reimbursement methodology. Effective July 1, 2010, CHP+ will reimburse both inpatient and outpatient hospital services at 135% of the Medicaid DRG. As shown in the last column of Table 5, the Department's change in reimbursement for FY 2010-11 from 44% billed charges to 135% of Medicaid results in a 2% decrease in the PMPM for hospital services. This change will result in predictable hospital reimbursements, and will result in more equitable reimbursement across hospitals (i.e., hospitals with relatively low cost-to-charge ratios will no longer receive lower reimbursement due to their charges being lower).

While this appears to be a rate cut, it is not. This decrease is actually the result of the change in the distribution of children and prenatal women in the State's network. The PMPMs in Table 2 assume 8.9% of enrollment being prenatal women in FY 2009-10, dropping to 7.2% for FY 2010-11. This is based on the actual member months used in the

rate setting process. Because the prenatal program has much higher hospital costs relative to the children’s program, the Department asserts that the entire 2% decrease is due to this change in distribution of enrollment. Thus, the change from 44% billed charges to 135% of Medicaid is not a rate cut, and the hospital rates are actually equal to what they would have been had the charge masters not increased.

**Table 5: History of Growth in State’s Network Blended PMPMs**

Column	A	B	C	D	E
	FY 2008-09 Rate Assumption to FY 2008-09 Actuals	FY 2008-09 Actuals to FY 2009-10 Rate Assumption	FY 2009-10 Rate Assumption to FY 2009-10 Year-to-date*	FY 2009-10 Year-to-date* to FY 2010-11 Rate Assumption	FY 2009-10 Rate Assumption to FY 2010-11 Rate Assumption
Hospital PMPM Growth	87%	-24%	6%	-8%	-2%
Total PMPM Growth	47%	-12%	1%	2%	3%

\* Data through March 2010 with estimated IBNR. Source: Leif Associates, Inc.

Consequences if Not Funded:

If this request is not funded, the Department will overexpend in FY 2009-10 and the FY 2010-11 appropriation will have to be restricted. Because the Department does not have sufficient spending authority in FY 2010-11 to cover the FY 2009-10 overexpenditure in addition to the FY 2010-11 costs, the Department would either request a supplemental or be required to cap enrollment in the program. This would force the Department to discontinue the prenatal program altogether and cap enrollment for children funded with the Health Care Expansion Fund and the Hospital Provider fee, as children at higher income levels can not retain eligibility while a cap is in place for lower income clients.

Calculations for Request:

Summary of Request FY 2009-10	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
<b>Total Request</b>	<b>\$15,824,573</b>	<b>\$1,641,008</b>	<b>\$3,318,072</b>	<b>\$1,641,008</b>	<b>\$9,224,485</b>
Children's Basic Health Plan Premiums Costs	\$14,183,565	\$0	\$3,318,072	\$1,641,008	\$9,224,485
Children's Basic Health Plan Trust Fund	\$1,641,008	\$1,641,008	\$0	\$0	\$0

Cash Funds Projections:

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 2009-10 End of Year Cash Balance Estimate After this Request	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	\$0	\$2,586,082	(\$7,626,685)
Health Care Expansion Fund	18K	\$94,003,143	\$119,601,623	\$81,320,908	\$78,236,414	\$31,896,165	(\$25,952,332)
Hospital Provider Fee Cash Fund*	24A	-	-	-	-	-	-

\* Fund 24A figures are not available at this time.

The Department is requesting \$1,641,008 General Fund in FY 2009-10 for the portion of the overexpenditure attributable to lower income enrollees that are funded through the Children's Basic Health Plan Trust Fund, which does not have sufficient fund balance to support the overexpenditure. At the close of FY 2011-12 the Children's Basic Health Plan Trust and Health Care Expansion Fund are projected to be insolvent, as show in the table above. Requests for funding in FY 2011-12 will be addressed in future budget requests.

Assumptions for Calculations:

All PMPM estimates for the SMCN are provided by the CHP+ contracted actuary, and are blended based on actual shares of child and prenatal enrollees. Assumptions regarding per capita costs included in the Department's February 16, 2010 request can be found in Exhibit C.5 of the Department's FY 2009-10 S-3, page C.5-2.

Impact on Other Government Agencies:

None.

Cost Benefit Analysis:

Not applicable.

Implementation Schedule:

Not applicable.

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). SEC. 2101. [42 U.S.C. 1397aa] (a) *PURPOSE-The purpose of this title is to provide funds to States to enable them to initiate and expand the provision of child health assistance to uninsured, low-income children in an effective and efficient manner that is coordinated with other sources of health benefits coverage for children. Such assistance shall be provided primarily for obtaining health benefits coverage...*

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...*

24-22-117 (2) (a) (II), C.R.S. (2009) *moneys in the Health Care Expansion Fund shall be annually appropriated by the general assembly to the Department of Health Care Policy and Financing for the following purposes: (A) To increase eligibility in the Children's Basic Health Plan, Article 19 of Title 25.5, C.R.S., for Children and Pregnant women from one hundred eighty-five percent to two hundred percent of the federal poverty level; ... (F) To pay for enrollment increases above the average enrollment for state fiscal year 2003-04 in the Children's Basic Health Plan, Article 19 of Title 25.5, C.R.S.*

Performance Measures:

The Department believes that avoidance of an enrollment cap can be achieved by providing funding to support natural caseload growth in children and prenatal women in the Children's Basic Health Plan. This 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.