



Department of Health Care Policy and Financing

Hot Topics

Prepared for the Colorado General Assembly

MAY 27, 2009

*The Mission of
the Department
of Health Care
Policy and
Financing is to
provide cost-
effective, quality
health care
services to
Coloradans.*

Legislative Highlights

One of the most historic pieces of health care legislation put forth in decades is the Colorado Health Care Affordability Act, signed by Governor Ritter on April 21st, 2009. This legislation will provide health coverage to more than 100,000 uninsured Coloradans and reduce uncompensated care and will help stem the rising cost of health insurance for businesses and families by addressing cost-shifting.

House Bill 1293, sponsored by Representatives Riesberg and Ferrandino and Senators Keller and Boyd, assesses a provider fee on hospitals and will generate an additional \$600 million a year to provide coverage to the uninsured, and receive \$600 million in federal matching funds. The combined \$1.2 billion would cover more than 100,000 currently uninsured Coloradans through Medicaid and the Child Health Plan *Plus* (CHP+). The funds also would improve hospital reimbursement rates for service provided through Medicaid and the Colorado Indigent Care Program (CICP).

Uninsured patients and Medicaid underpayment to hospitals are two of the primary causes of cost-shifting and rising healthcare costs for consumers, businesses and providers. By improving access to coverage and increasing hospital reimbursement rates, the Colorado Healthcare Affordability Act will address both of those drivers and help stem rising costs across the system. In turn, this will benefit businesses and families by reducing the cost shift and the rate at which health care costs are increasing.

The Colorado Hospital Association, the Department of Health Care Policy and Financing and the Governor's Office worked together for nearly a year to develop this legislation, which passed both the House and the Senate with more than 40 co-sponsors and bipartisan support.

Implementation of this legislation has already begun and will be a multi-year process. Staff are committed to working together to make this undertaking a success and we will be providing ongoing updates on our progress as we continue to roll out the process.

Our first bill introduced this session, Presumptive Eligibility for Long Term Care, **House Bill 1103**, sponsored by Representative Riesberg and Senator Newell permits the Department to seek federal authorization to allow a person in need of long term care to be presumptively eligible for Medicaid provided that the person declares all pertinent information relating to income and assets. Pending authorization and spending authority, the Department may implement a pilot program which would allow more rapid enrollment of persons who are Medicaid eligible.

The most important piece of this legislation is that it will allow more rapid enrollment for persons who are Medicaid-eligible to receive needed services while financial and supplemental security income verification is conducted. Currently during this time clients are not receiving services and there is a potential that the health status of

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these applicants worsens, with a resultant higher need and expenditure once enrolled. This bill has been signed by the governor.

Another bill from this session comes as a result of a Supreme Court decision in *Ahlborn vs. Arkansas* in which the court ruled unanimously to limit state Medicaid agencies' claims for reimbursement to the portion of any tort settlement attributable to medical expenses. The Department bill, Claims Against Third Parties or "Ahlborn", **House Bill 1191** sponsored by Representative McCann and Senator Boyd, brings our state statute into compliance with the Supreme Court decision and acknowledges that the Department's lien only applies to amounts allowed by federal law. This bill has been signed by the governor.

The Colorado Cares Rx program was established in 2007 through the first bill signed by Governor Ritter. The program was created to provide a mechanism for uninsured, underinsured and seniors to purchase lower-cost generic and non-patented prescription drugs. The Department implemented Colorado Cares Rx on a one-year trial basis by offering a mail order discounted prescription drug program that is administered by Express Scripts. At the conclusion of the trial, Express Scripts decided that it was not interested in continuing the partnership with the Department.

Based on the current availability of multiple and varied discount prescription drug programs, the Department determined that Coloradans would be best-served by making a resource available that listed various ways in which prescriptions drugs can be obtained at a discount or for no cost as opposed to limiting Colorado Cares Rx to only one offering.

Modify Colorado Cares Rx, **Senate Bill 132**, Senator Boyd and Representative Kerr, is a bill created to address the discrepancies between the original Colorado Cares Rx bill compared to the current state of discount prescription drug programs while still upholding many of the merits of the original legislation, namely providing a mechanism for obtaining lower-cost prescription drugs. The Department will utilize the Colorado Cares Rx website to provide descriptions and contact information as to options available for obtaining lower-cost prescription drugs.

Our last bill of the session, **House Bill 1353**, Legal Immigrants' Eligibility for Public Medical Benefits, sponsored by Representative Miklosi and Senator Foster, allows the Department to provide benefits to lawfully residing pregnant women and children prior to the 5-year waiting period following their date of entry into the United States.

Provider Rate Cuts

In order to balance the budget for FY 2009-10 Medicaid expenditures had to be cut. The Department evaluated many options for reducing expenditures and ultimately settled on a solution that includes a two percent rate cut to Medicaid providers. The Department was given flexibility, however, in applying those rate cuts and will target utilization and volume reductions in order to avoid across-the-board reductions to providers. Such efforts are targeted at eliminating waste, duplication and unnecessary services which can be quantified, tracked and reported and can be used to off-set the across-the-board rate reductions that we must take. Items that may be considered include reducing emergency room utilization and decreasing hospital readmission rates. The Department is reaching out to all stakeholders to request that they partner with us in exploring opportunities to achieve reductions in Medicaid expenditures through focused and thoughtful initiatives. All of the recommendations received by Department staff will be evaluated for feasibility. After three to six months of tracking expenditure and utilization patterns for changes that were

implemented, the Department will measure the efforts in order to determine if budget targets are being met. If expenditures exceed targets, the Department will be forced to implement larger rate reductions. You and your constituents can assist us in reaching our targets by sending ideas to ProviderSuggestions@hcpf.state.co.us by June 11, 2009. Ideas submitted after this date will be evaluated for implementation at a later time.

Colorado Medicaid Caseload Increases

The Department saw another month with a caseload increase that is among the largest ever seen in the State. Total Medicaid caseload increased by over 9,000 in the month of April to 457,699 and caseload has now increased by an average of nearly 5,000 per month in FY 2008-2009. Medicaid kids increased by over 6,600 in April, a nearly 3,300 per month increase for a total of just under 250,000. CHP+ kids decreased by 522 in April 2009 to 63,039. CHP+ caseload has increased by an average of 287 per month in FY 2008-09, and is now up 2,873 for the FY from July 1, 2008.

For more information on these or other topics, please contact Nicole Storm, Legislative Analyst, at 303-866-3180 or Nicole.Storm@state.co.us