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COLORADO HEALTH CARE AFFORDABILITY ACT

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During the 2009 legislative session, the General Assembly enacted the Colorado Health Care Affordability Act. The act directs the Department of Health Care Policy and Financing (DHCPF) to seek a waiver from the federal Centers for Medicare and Medicaid Services (CMS) to allow the department to collect a provider fee from hospitals. The fees collected will be matched with federal dollars and be used to reimburse hospitals for uncompensated care costs and to expand public health programs. While other states have implemented a hospital provider fee to fund the uncompensated costs of hospitals, Colorado is one of the first states to use a hospital provider fee to expand benefits and population served in Medicaid and other programs. This issue brief describes how the act will expand public health programs, how the provider fee will be established, which entity will provide oversight, and a time line of implementation.

The Provider Fee

The act specifies that the provider fee may not exceed the federal limit on such fees, or 5.5 percent of the net patient revenue. Certain hospitals, such as psychiatric hospitals, long-term care hospitals, and hospitals located in rural communities are exempt from paying the provider fee. According to the DHCPF, once the waiver has been approved by CMS, the department will begin collecting the provider fee. The department estimates that $600 million will be collected from hospitals in Colorado, which will be matched with federal dollars for a total of $1.2 billion in new revenue annually.

If revenue from the fee is insufficient to fully fund the expanded public health programs, the General Assembly is not obligated to make up the difference with General Fund dollars. However, a reduction in benefits or eligibility must be approved by the Joint Budget Committee.

Program Expansions

The act authorizes the DHCPF, with approval from CMS, to expand Medicaid and the Children's Basic Health Plan (CHP+) as follows:

- increase the income eligibility limit for the CHP+ from 205 up to 250 percent of the federal poverty level (FPL) for both children and pregnant women;
- increase the income eligibility limit for Medicaid for parents from 60 up to 100 percent of the FPL;
- provide 12-month continuous eligibility for children in Medicaid;
- create a new Medicaid buy-in program for disabled adults and children with incomes up to 450 percent of the FPL. In some instances, individuals may qualify for Medicaid based on medical necessity, but may earn too much money and therefore are not eligible for Medicaid. A Medicaid buy-in program allows

for people with disabilities who earn too much to qualify for Medicaid to 'buy-in' to the program by paying all or a percentage of the premium;
- expand Medicaid to cover childless adults with incomes up to 100 percent FPL; and
- increase provider reimbursement payment.

Specifically the act increases:

- Medicaid hospital inpatient rates up to 100 percent of Medicare rates,
- Medicaid hospital outpatient rates up to 100 percent of costs; and
- hospital Colorado Indigent Care Program rates up to 100 percent of costs.

Oversight

The act establishes a 13-member Hospital Provider Fee Oversight and Advisory Board which will provide recommendations to the DHCPF and the state Medical Services Board regarding:

- the formula for calculating the fee to be levied on each hospital;
- the implementation of the fee structure; and
- the timing of the implementation of the program expansions.

The advisory board consists of:

- 5 representatives of hospitals;
- a representative from a statewide association of hospitals;
- a representative from a statewide organization of insurance carriers;
- one health care industry member;
- a representative of a business that provides health insurance to its employees;
- one person representing individuals with disabilities;
- a consumer; and
- two employees of the DHCPF.

The advisory board is required to report to the General Assembly the formula created to calculate the provider fee, the process by which the provider fee is assessed and collected, an itemization of the total amount of the provider fee paid by each hospital and any projected revenue that each hospital is expected to receive, and an itemization of the costs incurred by the DHCPF in implementing and administering the hospital provider fee.

Implementation

CMS is expected to approve the hospital provider fee by April 2010. Upon approval of the federal waivers, the state will begin collecting the provider fee. Implementation of the program expansion is tentatively scheduled as follows:

April 2010

- expand Medicaid eligibility for parents up to 100 percent of the FPL;
- expand the CHP+ up to 250 percent of the FPL for both children and pregnant women; and
- increase reimbursement rates to hospitals.

July 2011

- implement the Medicaid buy-in program for people with disabilities up to 450 percent of the FPL.

January 2012

- expand Medicaid to serve adults without dependent children up to 100 percent FPL.