

Schedule 13

Funding Request for the FY 2015-16 Budget Cycle

Department of Health Care Policy and Financing

PB Request Number ES-1

Request Titles

County Administration 1331

Dept. Approval By:	Josh Block		<input checked="" type="checkbox"/>	Supplemental FY 2014-15
			<input type="checkbox"/>	Change Request FY 2015-16
			<input type="checkbox"/>	Base Reduction FY 2015-16
OSPB Approval By:			<input type="checkbox"/>	Budget Amendment FY 2015-16

Line Item Information	Fund	FY 2014-15		FY 2015-16	FY 2016-17	
		Appropriation	Supplemental Request	Base Request	Governor's Revised Request	Budget Amendment
Total		\$41,718,342	\$2,224,426	\$39,536,478	\$0	\$0
FTE		-	-	-	-	-
Total of All Line Items	GF	\$10,572,620	\$0	\$11,114,448	\$0	\$0
	CF	\$5,707,810	\$0	\$5,859,623	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$25,437,912	\$2,224,426	\$22,562,407	\$0	\$0

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		Appropriation	Supplemental Request	Base Request	Governor's Revised Request	Budget Amendment
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	CF	\$5,707,810	\$0	\$5,859,623	\$0	\$0
01. Executive Director's Office - County Administration	FF	\$25,437,912	\$2,224,426	\$22,562,407	\$0	\$0
	GF	\$10,572,620	\$0	\$11,114,448	\$0	\$0

Letternote Text Revision Required?	Yes	No	X	If Yes, describe the Letternote Text Revision:
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Cash or Federal Fund Name and CORE Fund Number: FF: Title XIX CF: Local County Funds				
Reappropriated Funds Source, by Department and Line Item Name: N/A				
Approval by OIT?	Yes	No	Not Required:	X
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Schedule 13s from Affected Departments: N/A				
Other Information: N/A				



Cost and FTE

- In FY 2014-15, the Department requests authority to overexpend \$2,224,426 in federal funds in the Eligibility Determinations and Client Services, County Administration line item.

Current Program

- Colorado county human services department staff provide critical services to Coloradans, including assisting with eligibility determination and annual re-determination for Medicaid and CHP+ programs.
- Counties are reimbursed for county administration activities based upon actual costs and are reimbursed below cost due to the contribution of local funds.

Problem or Opportunity

- The appropriation for this line item is restricted by the (M) headnote, which requires the Department to restrict General Fund spending when additional federal funding is received.
- The Department is able to draw a 75% federal match for application processing services under the Affordable Care Act (ACA) and previously estimated that 56% of activities would be eligible for enhanced match. In FY 2014-15, however, approximately 65% of activities have been eligible for the enhanced match. As a result, the Department estimates that it will be able to draw down more federal funds than are currently appropriated for this line item.

Consequences of Problem

- The (M) headnote prevents the Department from fully spending the General Fund that was appropriated for the purpose of paying county costs.
- Without approval for overexpenditure, the Department will be unable to fully reimburse counties their Medicaid costs. Further, the Department would be unable to transfer any unspent General Fund to the Department of Human Services to further reimburse counties' cost for public assistance programs.

Proposed Solution:

- The Department requests overexpenditure authority of \$2,224,426 in federal funds on the Eligibility Determinations and Client Services, County Administration line item in FY 2014-15 which would allow claiming of additional federal funds to be paid to counties.



COLORADO
Department of Health Care
Policy & Financing

2014-15 Funding Request | June 5, 2015

John W. Hickenlooper
Governor

Susan E. Birch
Executive Director

Department Priority: 1331 Supplemental
Request Detail: County Administration

Summary of Incremental Funding Change for FY 2014-15	Total Funds	General Fund
County Administration	\$2,224,426	\$0

Problem or Opportunity:

The Department is prevented from fully reimbursing counties for their Medicaid costs because the Department's County Administration appropriation does not contain sufficient federal funds spending authority and because the line item has an (M) headnote. The presence of the (M) headnote will require the Department to restrict, and ultimately revert, General Fund spending authority even though counties have allowable costs that could otherwise be reimbursed.

Effective January 1, 2014, states have been eligible for a 75% federal match on certain Affordable Care Act (ACA) activities related to eligibility processing and determination activities which were previously eligible for a 50% federal match. The Department evaluated historical data of county worker activities and cost pool data in the County Financial Management System (CFMS) and estimated that 56% of county administration activities would be eligible for the enhanced match. The Department received approval for additional spending authority for the federal funds through an interim supplemental request in September 2013 and the Department's FY 2014-15 budget request R-6 "Eligibility Determination Enhanced Match" and received federal approval through a Maintenance and Operations Advance Planning Document (MOAPD) and began claiming the enhanced match in January 2014. At the time, the Joint Budget Committee did not approve the Department's request to remove the (M) headnote restriction. On page 6 of the document "JBC Staff Interim Supplemental Recommendations: FY 2013-14", dated September 20, 2013, JBC staff noted that due to the uncertainties about what portion of county activities would qualify for the enhanced match, future revisions to the appropriation may be required if the 56% assumption needs modification.

Since receiving state and federal approval for the enhanced funding in FY 2014-15, counties have been able to claim approximately 65% of their activities for enhanced funding, well above the initial projection of 56%. As a result, the Department does not have the federal funds spending authority necessary to reimburse counties their cost of providing the enhanced match eligible services in FY 2014-15. The Department is unable to spend the full General Fund appropriation without further action by the Joint Budget Committee because the (M) headnote in the Long Bill for county administration services requires any additional federal

funds the Department obtains to be offset by a corresponding reduction in General Fund. In FY 2014-15, without additional federal funds spending authority, counties would likely be unreimbursed for some of their activities because the Department must follow the requirements of the (M) headnote restriction.

The Department believes that it is critical to be able to provide the maximum amount of funding appropriated to counties. By design, counties are reimbursed below cost for the processing of Medicaid and other major federally funded public assistance programs applications; for Medicaid programs, counties are required to contribute between 9% and 18% of the total cost of processing applications. When the State does not fully fund its portion of the costs, those unreimbursed costs are fully financed by the counties themselves. Colorado county human services department staff provide critical services to Coloradans, including assisting with eligibility determination and annual re-determination for Medicaid and CHP+ programs. County workloads associated with Medicaid and CHP+ eligibility processing have increased dramatically, primarily due to caseload increases from implementation of ACA and SB 13-200 “Expand Medicaid Eligibility.” Medicaid caseload has increased from 860,957 in June 2014 to 1,121,991 in April 2015, a 30% increase. Caseload is expected to increase an additional 11% in FY 2015-16.

Because of the increased funding from SB 13-200 “Expand Medicaid Eligibility” and the additional federal funds due to the enhanced match, in FY 2013-14, counties were fully funded for the state and federal share of Medicaid county administration expenditures. However, with the appropriation restriction in place, the Department would be unable to fully fund Medicaid county expenditures in FY 2014-15. Additionally, in the absence of the restriction, section 24-75-106, C.R.S. would allow the Department to transfer any unspent General Fund appropriated to county administration to the Department of Human Services (DHS) if the transfer of appropriations is between one or more materially similar items and is for purposes other than department administrative costs, both criteria which would be met in this case.

County case volumes are expected to continue to increase as caseload increases. Additionally, in May and June 2015, counties are expected to experience higher eligibility determination workload because of the transition of PEAK applications that had previously been managed by the current state eligibility and enrollment contractor to county of residence. Counties expressed an interest in taking back this work from the vendor who had been hired to assist with HB 09-1293 expansion activities and whose contract is expiring June 30, 2015. However, counties will not receive any additional funding to support this transition until July 1, 2015, when the allocations will include approximately \$4,000,000 annually. This funding will come from the Information Technology Contracts and Projects, Centralized Eligibility Vendor appropriation, to support the increased workload in FY 2015-16. The new funding was available as a result of the procurement of the current contract to a lower cost contract with Denver Health.

Proposed Solution:

The Department requests overexpenditure authority of \$2,224,426 federal funds on the Eligibility Determinations and Client Services, County Administration line item in FY 2014-15 which would allow claiming of additional federal funds to be paid to counties. See Tables 1 through 5 for detailed calculations.

Anticipated Outcomes:

The approval of this request would allow the Department to take advantage of the opportunity to claim additional federal funds for eligibility activities related to higher Medicaid caseload without requiring any additional General Fund or cash funds appropriations. The Department would be able to provide the additional funding to counties to continue increased staffing levels to support the increased caseload and provide eligibility services to Coloradans.

If this request is not approved, counties could have unreimbursed costs which could have been covered by federal funds. Without approval, the Department would be required to restrict its General Fund appropriation, which would prevent the Department from fully reimbursing the counties for their expenditure. Further, the restriction would prevent a General Fund transfer to the Department of Human Services, pursuant to section 24-75-106, C.R.S., to help pay for non-Medicaid county administration costs.

This request would also help the Department achieve three of the stated goals on the Department's Five-Year Strategy Map. This request would allow the Department to improve health outcomes, client experience and lower per capita costs by making resources available to ensure newly eligible clients are correctly enrolled into Medicaid in a timely manner. Additionally the Department would be able to ensure sound stewardship of financial resources by maximizing the amount of federal funds used for county administration and decreasing the strain on local funds.

Overall, this request would ensure the Department has adequate resources to reimburse counties for administration associated with ACA implementation and provide adequate funding to counties to ensure clients' experience with Medicaid enrollment is efficient and effective, giving Coloradoans the services they need

Assumptions and Calculations:

Total Request

The Department estimates that it would need overexpenditure authority in the amount of \$2,224,426 federal funds to ensure that county expenditures can be fully reimbursed. The Department's estimate of needed federal funds spending authority is based on the estimated total expenditure, projected from year-to-date actuals, and includes an adjustment to further increase federal funds spending authority if the actual expenditure exceeds the projection.

Projected Total Expenditure

From July 2014 through April 2015, 65% of county administration activities have been eligible for the enhanced match. To estimate May and June 2015 expenditure, the Department assumes that county administration expenditures would be consistent with actuals for April 2014, both in terms of total expenditure and the fund split when approximately 74% of activities qualified for the enhanced match (see table 4.1, rows A and B). The Department's projection for total year-end expenditure is shown in table 2.1, row E.

With the current projection, the Department estimates it would underspend the General Fund appropriation and transfer \$207,036 General Fund to the Department of Human Services for closeout of non-Medicaid county administration expenditures, as permitted by section 24-75-106, C.R.S. However, there is uncertainty with this calculation since expenditure for May and June is unknown and there could be an increase in expenditure for May and June due to increased workload from transition of work from eligibility and enrollment vendor to counties occurring in May 2015. Therefore, the calculations include an adjustment to give the Department a surplus of federal funds spending authority to allow for the possibility that costs incurred are higher than the projection. In table 2.1, row F, the Department calculates the estimated remaining General Fund, and uses this total to calculate the federal funds needed if the remaining funding is spent at the highest possible federal funds rate. Although this is an unlikely scenario, the Department believes that the adjustment is appropriate; if the Department does not have sufficient federal funds spending authority because the projection is too low, the (M) headnote would require the Department to restrict and revert any remaining General Fund.

Hospital Provider Fee County Administration

The Department's request is adjusted for expected overexpenditure in federal funds in the Eligibility Determinations and Client Services, Hospital Provider Fee County Administration line item. See Table 5 for detailed calculations. Counties do not code county administration expenditures directly to the Hospital Provider Fee appropriation. The Department has not yet transferred expenditure from County Administration to Hospital Provider Fee County Administration and will complete the transfer in June 2015. The Department estimates that it would transfer expenditure proportionally, based on the 67% enhanced assumption. The Department notes that current projections indicate that it would overspend the Hospital Provider Fee County Administration line item in FY 2014-15 in the amount of \$317,556 federal funds. However, because the appropriation for federal funds in the Hospital Provider Fee County Administration line item is informational only in the Long Bill, the Department can adjust the spending authority administratively and thus is not requesting overexpenditure authority for this line item.

Appendix
County Administration Enhanced Match

Table 1.1 Summary of Request						
Row	Item	Total Funds	General Fund	Local Funds	Federal Funds	Notes/Calculations
A	Estimated Expenditure	\$41,855,777	\$10,572,620	\$3,120,819	\$27,662,338	Table 2.1: Row G
B	Appropriation	\$41,718,342	\$10,572,620	\$5,707,810	\$25,437,912	HB 14-1336 Long Bill Appropriation
C	Remaining Appropriation	(\$137,435)	\$0	\$2,586,991	(\$2,224,426)	Row B - Row A
D	Final Request⁽¹⁾	\$2,224,426	\$0	\$0	\$2,224,426	Federal Funds: Row C * - 1 General Fund and Local Fund appropriation would not be reduced

(1) Section 24-75-106, C.R.S. would allow the Department to transfer any unspent General Fund appropriated for county administration to the Department of Human Services if the transfer of appropriations is between one or more materially similar items and is for purposes other than department administrative costs, both criteria which would be met in this case.

Appendix
County Administration Enhanced Match

Table 2.1 Projected Total County Administration Expenditure						
Row	Item	Total Funds	General Fund	Local Funds	Federal Funds	Notes
A	Year To Date Actual Expenditure	\$40,693,937	\$8,891,889	\$4,871,891	\$26,930,157	Table 3.1: Row D
B	Projected Remaining Expenditure	\$9,918,058	\$4,682,066	(\$1,865,321)	\$6,601,313	Table 4.1: Row G
C	Total Projected County Administration Expenditure	\$50,611,995	\$13,573,955	\$3,006,570	\$33,531,470	Row A + Row B
D	Hospital Provider Fee County Administration Share of Expenditure	(\$10,041,358)	(\$3,208,371)	\$0	(\$6,832,987)	Table 5.1.I Hospital Provider Fee is shown as an offset to General Fund ⁽¹⁾
E	Estimated Total County Administration Expenditure	\$40,570,637	\$10,365,584	\$3,006,570	\$26,698,483	Row C + Row D
F	Adjustment for Remaining General Fund	\$1,285,140	\$207,036	\$114,249	\$963,855	General Fund: Table 1.1.B - Row E Fund Splits: Based on percentages from Table 3.2 (Enhanced)
G	Total Requested County Administration Spending Authority	\$41,855,777	\$10,572,620	\$3,120,819	\$27,662,338	Row E + Row F

(1) Hospital Provider Fee expenditure is accounted for in a separate line item. Total expenditure for the Hospital Provider Fee County Administration line item is shown in Table 5.1, Row G.

Table 2.2 Projected Total Enhanced/Non-Enhanced Expenditure Breakout ⁽¹⁾				
Row	Item	Total Funds	Percent of expenditure	Notes/Calculations
A	Enhanced	\$32,860,175	66.53%	Table 3.1.A + Table 4.1.A
B	Non-Enhanced	\$16,530,962	33.47%	Table 3.1.B + Table 4.1.B
C	Total	\$49,391,137		Row A + Row B

(1) PARIS expenditure not included

**Appendix
County Administration Enhanced Match**

**Table 3.1 County Administration Year To Date Actual Expenditure
(Through April 2015)**

Row	Item	Total Funds	General Fund	Local Funds	Hospital Provider Fee⁽¹⁾	Federal Funds	FFP	Notes
A	County Administration Spending: Enhanced Match Activities	\$26,332,755	\$4,242,207	\$2,340,982	\$0	\$19,749,566	75%	Total Funds from DHS Settlement report, fund splits calculated based upon County share percentages in Table 3.2
B	County Administration Spending: Non-Enhanced Match Activities	\$14,234,584	\$4,586,383	\$2,530,909	\$0	\$7,117,292	50%	Total Funds from DHS Settlement report, fund splits calculated based upon County share percentages in Table 3.2
C	PARIS ⁽²⁾	\$126,598	\$63,299	\$0	\$0	\$63,299	50%	Total Funds from HCPF Settlement report
D	Total Year to Date Actual Expenditure	\$40,693,937	\$8,891,889	\$4,871,891	\$0	\$26,930,157		Row A + Row B + Row C

(1) Hospital Provider Fee has not yet been allocated to expenditures; this will occur near year-end close. See Table 5.1 for the calculation of the Hospital Provider Fee adjustment.

(2) PARIS funding is a separate allocation to the largest counties to reimburse them for work closing cases for individuals who have moved out of state

Table 3.2 County Share Percentages

Item	State Funding	Local Funds	Federal Funds	Total
Enhanced	16.11%	8.89%	75.00%	100.00%
Regular	32.22%	17.78%	50.00%	100.00%

Appendix
County Administration Enhanced Match

Table 4.1 Projected Remaining County Administration Expenditure								
Row	Item	Total Funds	General Fund	Local Funds	Hospital Provider Fee	Federal Funds	FFP	Notes/Calculation
A	Estimated Enhanced Match Expenditure	\$6,527,420	\$1,051,567	\$580,288	\$0	\$4,895,565	75%	Total funds from April expenditure DHS Settlement Report * 2 (for May and June 2015), fund splits calculated based on County Share Percentages Table 3.2
B	Estimated Non-Enhanced Match Expenditure	\$2,296,378	\$739,893	\$408,296	\$0	\$1,148,189	50%	April expenditure from DHS Settlement Report * 2 (for May and June 2015), fund splits calculated based on County Share Percentages Table 3.2
C	PARIS ⁽¹⁾	\$73,402	\$36,701	\$0	\$0	\$36,701	50%	Total funds: \$200,000 - Table 3.1.C Based on the total allocation for PARIS
D	Grant Awards	\$167,488	\$0	\$0	\$73,315	\$94,173	(2)	Table 5.1.B
E	Grant Holdout	\$853,370	\$0	\$0	\$426,685	\$426,685	50%	Table 5.1.C
F	County Incentive Payments ⁽³⁾	\$0	\$2,853,905	(\$2,853,905)	\$0	\$0	0%	Assuming 100% of incentive is earned
G	Total Projected Remaining Expenditure	\$9,918,058	\$4,682,066	(\$1,865,321)	\$500,000	\$6,601,313		Sum of Rows A through F

(1) PARIS funding is a separate allocation to larger counties to reimburse them for work closing cases for people who have moved out of state

(2) Infrastructure grants awarded to counties at a mix of enhanced and regular match based upon project.

(3) County Incentive payments will be paid as an offset to local share and are based upon incentive contracts with all 64 counties. Incentive funding approved in FY 2014-15 Budget Request R-6 "Eligibility Determination Enhanced Match"

Appendix
County Administration Enhanced Match

Table 5.1 FY 2014-15 Hospital Provider Fee County Administration Appropriation Breakdown								
Row	Category	Total Funds	General Fund	Local Funds	Hospital Provider Fee	Federal Funds	FFP	Notes/Calculations
A	Hospital Provider Fee County Administration Appropriation	\$9,723,802	\$0	\$0	\$3,208,371	\$6,515,431		HB 14-1336 Long Bill Appropriation
B	Grant Awards	\$167,488	\$0	\$0	\$73,315	\$94,173		Infrastructure grants awarded to counties at a mix of enhanced and regular match based upon project. Approved funding through FY 2014-15 R-6 budget request "Eligibility Determination Enhanced Match"
C	Grant Holdout	\$853,370	\$0	\$0	\$426,685	\$426,685	50%	Unspent grant funds to be distributed to counties June 2015. Holdout is an offset to county administration expenditures and does not require a county share.
D	Appropriation Available for Standard County Administration Expenditures	\$8,702,944	\$0	\$0	\$2,708,371	\$5,994,573		Row A - Row B - Row C
E	Estimated Share of County Administration Expenditure-Enhanced	\$7,207,516	\$0	\$0	\$1,801,879	\$5,405,637	75%	Hospital Provider Fee: Row D * Table 2.2.A (Percent of Expenditure) ⁽¹⁾
F	Estimated Share of County Administration Expenditure- Non-Enhanced	\$1,812,984	\$0	\$0	\$906,492	\$906,492	50%	Hospital Provider Fee: Row D - Row E
G	Total Hospital Provider Fee Share of County Administration Expenditure⁽²⁾	\$10,041,358	\$0	\$0	\$3,208,371	\$6,832,987		Row B + Row C + Row E + Row F
H	Offset to County Administration Line Item	(\$10,041,358)	(\$3,208,371)	\$0	\$0	(\$6,832,987)		Row G * -1 General Fund offset is set equal to the amount of Hospital Provider Fee.

(1) Federal Funds are calculated based on the FFP rate shown in the row. Total Funds are the sum of the row.

(2) Federal Funds in Hospital Provider Fee County Administration Appropriation have an (I) notation, therefore the Department is not requesting overexpenditure authority on this line.