

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		Base Reduction Item FY 2010-11			Supplemental FY 2009-10			Budget Amendment FY 2010-11			
Request Title: Medicaid Program Efficiencies		Department: Health Care Policy and Financing			Dept. Approval by: John Bartholomew JB		Date: November 2, 2009 10/30/09				
Priority Number: BRI-4					OSPBA Approval: <i>[Signature]</i>		Date: 1/22/09				
	Fund	1 Prior-Year Actual FY 2008-09	2 Appropriation FY 2009-10	3 Supplemental Request FY 2009-10	4 Total Revised Request FY 2009-10	5 Base Request FY 2010-11	6 Decision/ Base Reduction FY 2010-11	7 November 1 Request FY 2010-11	8 Budget Amendment FY 2010-11	9 Total Revised Request FY 2010-11	10 Change from Base (Column 5) FY 2011-12
<b>Total of All Line Items</b>	<b>Total</b>	2,526,991,443	2,542,923,842	0	2,542,923,842	3,000,913,062	(10,097,162)	2,990,815,900	0	2,990,815,900	(10,595,649)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	919,709,958	772,372,990	0	772,372,990	1,140,610,858	(4,463,448)	1,136,147,410	0	1,136,147,410	(5,297,823)
	GFE	39,251,792	0	0	0	0	0	0	0	0	0
	CF	109,633,539	168,808,223	0	168,808,223	352,549,563	0	352,549,563	0	352,549,563	0
	CFE/RF	2,631,068	2,739,519	0	2,739,519	2,736,160	0	2,736,160	0	2,736,160	0
	FF	1,455,765,086	1,599,003,110	0	1,599,003,110	1,505,016,481	(5,633,714)	1,499,382,767	0	1,499,382,767	(5,297,826)
<b>(2) Medical Services Premiums</b>	<b>Total</b>	2,526,991,443	2,542,923,842	0	2,542,923,842	3,000,913,062	(10,097,162)	2,990,815,900	0	2,990,815,900	(10,595,649)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	919,709,958	1,037,363,033	0	1,037,363,033	1,140,610,858	(5,048,579)	1,135,562,279	0	1,135,562,279	(5,297,823)
	GFE	39,251,792	0	0	0	0	0	0	0	0	0
	CF	109,633,539	226,708,414	0	226,708,414	352,549,563	0	352,549,563	0	352,549,563	0
	CFE/RF	2,631,068	2,739,519	0	2,739,519	2,736,160	0	2,736,160	0	2,736,160	0
	FF	1,455,765,086	1,276,112,876	0	1,276,112,876	1,505,016,481	(5,048,583)	1,499,967,898	0	1,499,967,898	(5,297,826)
<b>(2) Medical Services Premiums; Long Bill Group Total</b>	<b>Total</b>	0	0	0	0	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	(264,990,043)	0	(264,990,043)	0	585,131	585,131	0	585,131	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	(57,900,191)	0	(57,900,191)	0	0	0	0	0	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	322,890,234	0	322,890,234	0	(585,131)	(585,131)	0	(585,131)	0
Non-Line Item Request:	None.										
Lettermote Revised Text:	None.										
Cash or Federal Fund Name and COFRS Fund Number:	FF: Title XIX										
Reappropriated Funds Source, by Department and Line Item Name:	None.										
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:	BRI-4
Change Request Title:	Medicaid Program Efficiencies

**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:

The Department requests a reduction of \$10,097,162 total funds, \$4,463,448 General Fund in FY 2010-11, and a reduction of \$10,595,649 totals funds, \$5,297,823 General Fund in FY 2011-12 in order to reduce expenditure related to home health services for nursing, physical therapy, occupational therapy, speech therapy, and assessment and teaching visits. The Department will accomplish this reduction by requiring a change in the way that home health agencies and providers bill for services.

Background and Appropriation History:

Not applicable.

General Description of Request:

Under the Department's current billing rules, providers who perform home health services for nursing, physical therapy, occupational therapy, speech therapy, and assessment and teaching visits bill the Department for a single unit of service for every visit, regardless of the amount of time that the provider spends with the client. Currently, the Department

allows up to 2.5 hours of care per day. Thus, in instances where only a brief visit is required, the Department still pays for a full 2.5 hours of care. To ensure that the Department is paying only for the time that a provider spends with a client, the Department proposes to require providers to bill the Department in half hour increments.

Under the proposed rule, the Department would require providers to only bill for the time spent rendering service to a client. Because not all clients require a 2.5 hour visit, the Department will reduce expenditure by not paying providers for time that is not spent with clients. The Department estimates, on average, that clients receive an average of 2.0 hours of care per visit. This estimate is based on information from the Department's Program Integrity section; reviews of home health visits indicate that a large percentage of visits do not require the full 2.5 hours. In some cases, visits can be as brief as 5-10 minutes: for example, a visit where the only purpose is to check a patient's vital signs and refill the client's medication can typically be accomplished in approximately one half hour. No matter the length of the visit, providers cannot bill for less time than the full 2.5 hours. Under the proposal, the Department estimates that this change would correspond to a reduction in units billed and paid for of 20%.

The Department is not reducing the maximum daily amount of care that a client care can receive. Under this proposal, clients will still have access to up to 2.5 hours of care, depending on the client's health needs. Therefore, no client should be affected by this change to the billing practice.

The Department's calculations are contained in Table A.

Consequences if Not Funded:

Not applicable.

Calculations for Request:

Summary of Request FY 2010-11	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
<b>Total Request</b>	<b>(\$10,097,162)</b>	<b>(\$4,463,448)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$5,633,714)</b>
<b>(2) Medical Services Premiums</b>	<b>(\$10,097,162)</b>	<b>(\$5,048,579)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$5,048,583)</b>
Nursing	(\$6,691,289)	(\$3,345,644)	\$0	\$0	(\$3,345,645)
Physical Therapy	(\$1,360,644)	(\$680,322)	\$0	\$0	(\$680,322)
Occupational Therapy	(\$1,006,801)	(\$503,400)	\$0	\$0	(\$503,401)
Speech/Language Therapy	(\$1,036,927)	(\$518,463)	\$0	\$0	(\$518,464)
Nursing visit for Assessment and Teaching	(\$1,501)	(\$750)	\$0	\$0	(\$751)
<b>Long Bill Group Total: Enhanced Federal Medical Assistance</b>	<b>\$0</b>	<b>\$585,131</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$585,131)</b>

Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
<b>Total Request</b>	<b>(\$10,595,649)</b>	<b>(\$5,297,823)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$5,297,826)</b>
<b>(2) Medical Services Premiums</b>	<b>(\$10,595,649)</b>	<b>(\$5,297,823)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$5,297,826)</b>
Nursing	(\$6,843,358)	(\$3,421,679)	\$0	\$0	(\$3,421,679)
Physical Therapy	(\$1,412,275)	(\$706,137)	\$0	\$0	(\$706,138)
Occupational Therapy	(\$1,076,958)	(\$538,479)	\$0	\$0	(\$538,479)
Speech/Language Therapy	(\$1,261,523)	(\$630,761)	\$0	\$0	(\$630,762)
Nursing visit for Assessment and Teaching	(\$1,535)	(\$767)	\$0	\$0	(\$768)

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Table A Home Health Unit Increments								
Row	Item	Nursing	Physical Therapy	Occupational Therapy	Speech/Language Therapy	Nursing visit for Assessment and Teaching	Total	Comment
A	FY 2008-09 Service Units	328,062	59,295	41,040	30,236	74	458,707	Based on FY 2008-09 MMIS paid claims data
B	Estimated Unit Trend	2.27%	3.79%	6.97%	21.66%	2.27%		Based on the average annual percent increase in paid units between FY 2006-07 and FY 2008-09
C	Estimated FY 2010-11 Service Units	343,143	63,880	46,959	44,753	77	498,812	Row A * (1 + Row B) <sup>2</sup>
D	Cost Per Unit	\$97.46	\$106.58	\$107.28	\$115.81	\$97.46		FY 2009-10 Medicaid fee schedule
E	Estimated FY 2010-11 Cost	\$33,442,717	\$6,808,330	\$5,037,762	\$5,182,845	\$7,504	\$50,479,158	Row C * Row D
F	Current Unit Value (in Minutes)	150	150	150	150	150		FY 2009-10 Medicaid fee schedule
G	Revised Value (in Minutes)	30	30	30	30	30		Proposed
H	Unit Adjustment Factor	5.00	5.00	5.00	5.00	5.00		Row F / Row G
I	Rescaled Units	1,715,715	319,400	234,795	223,765	385	2,494,060	Row C * Row H
J	Estimated Reduction to Units	20.00%	20.00%	20.00%	20.00%	20.00%		Assumed
K	New Estimated Units	1,372,572	255,520	187,836	179,012	308	1,995,248	Row I * (1 - Row J)
L	Cost Per New Unit	\$19.49	\$21.32	\$21.46	\$23.16	\$19.49		Row D / Row H
M	FY 2010-11 Estimated New Cost	\$26,751,428	\$5,447,686	\$4,030,961	\$4,145,918	\$6,003	\$40,381,996	Row K * Row L
N	<b>FY 2010-11 Estimated Savings</b>	<b>(\$6,691,289)</b>	<b>(\$1,360,644)</b>	<b>(\$1,006,801)</b>	<b>(\$1,036,927)</b>	<b>(\$1,501)</b>	<b>(\$10,097,162)</b>	Row M - Row E
O	Estimated Unit Trend	2.27%	3.79%	6.97%	21.66%	2.27%		Row B
P	<b>FY 2011-12 Estimated Savings</b>	<b>(\$6,843,358)</b>	<b>(\$1,412,275)</b>	<b>(\$1,076,958)</b>	<b>(\$1,261,523)</b>	<b>(\$1,535)</b>	<b>(\$10,595,649)</b>	Row N * (1 + Row O)

<u>Cash Funds Projections:</u>	Not applicable.
<u>Assumptions for Calculations:</u>	Where applicable, assumptions have been noted in the narrative, and in Table A, above. The Department has estimated projected expenditure and utilization based on historical information and assumptions about future changes in caseload or utilization. In particular, the Department has estimated a trend on incurred units for both FY 2010-11 and FY 2011-12 based on the average annual percent increase in paid units between FY 2006-07 and FY 2008-09. As actual experience with new programs is obtained, the Department would use the standard budget process to request adjustments to funding as appropriate.
<u>Impact on Other Government Agencies:</u>	Not applicable.
<u>Cost Benefit Analysis:</u>	Not applicable.
<u>Implementation Schedule:</u>	The Department will implement the proposed changes effective July 1, 2010.
<u>Statutory and Federal Authority:</u>	<u>25.5-5-102, C.R.S. (2009). Basic services for the categorically needy - mandated services.</u> (1) Subject to the provisions of subsection (2) of this section and section 25.5-4-104, the program for the categorically needy shall include the following services as mandated and defined by federal law: (f) Home health services. (2) In order to keep expenditures within approved appropriations, the state board may, by rule, establish limits on a service provided pursuant to this section so long as the service provided is sufficient in the amount, duration, and scope to reasonably achieve the purpose of the service as required by federal law or regulation.
<u>Performance Measures:</u>	Not applicable.