

Schedule 13 Funding Request for the 2012-13 Budget Cycle

Department: Health Care Policy and Financing
Request Title: Utilize Supplemental Payments for General Fund Relief
Priority Number: S-10, BA-4
Dept. Approval by: John Bartholomew *JTB* 12/20/11 Date
OSPB Approval by: Erin M. [Signature] 12/27/11 Date

- Decision Item FY 2012-13
- Base Reduction Item FY 2012-13
- Supplemental FY 2011-12
- Budget Amendment FY 2012-13

Line Item Information		FY 2011-12		FY 2012-13		FY 2013-14
		1	2	3	4	5
	Fund	Appropriation FY 2011-12	Supplemental Request FY 2011-12	Base Request FY 2012-13	Funding Change Request FY 2012-13	Continuation Amount FY 2013-14
Total of All Line Items	Total	\$3,853,688,855	(\$9,634,148)	\$3,869,621,035	(\$10,527,400)	(\$10,527,400)
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$898,839,033	(\$614,990)	\$981,320,305	\$400,246	\$400,246
	GFE	\$284,175,417	\$0	\$284,175,417	\$0	\$0
	CF	\$763,229,728	(\$5,306,633)	\$689,442,170	(\$5,946,273)	(\$5,946,273)
	RF	\$6,388,059	\$0	\$3,101,708	\$0	\$0
	FF	\$1,901,056,618	(\$3,712,525)	\$1,911,581,435	(\$4,981,373)	(\$4,981,373)
(2) Medical Services Premiums^a	Total	\$3,543,863,749	\$6,262,092	\$3,559,795,929	(\$10,527,400)	(\$10,527,400)
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$898,839,033	(\$614,990)	\$981,320,305	\$400,246	\$400,246
	GFE	\$284,175,417	\$0	\$284,175,417	\$0	\$0
	CF	\$608,317,175	\$2,641,487	\$534,529,617	(\$5,946,273)	(\$5,946,273)
	RF	\$6,388,059	\$0	\$3,101,708	\$0	\$0
	FF	\$1,746,144,065	\$4,235,595	\$1,756,668,882	(\$4,981,373)	(\$4,981,373)
(4) Indigent Care Program; Safety Net Provider Payments^b	Total	\$309,825,106	(\$15,896,240)	\$309,825,106	\$0	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$0	\$0	\$0	\$0	\$0
	GFE	\$0	\$0	\$0	\$0	\$0
	CF	\$154,912,553	(\$7,948,120)	\$154,912,553	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$154,912,553	(\$7,948,120)	\$154,912,553	\$0	\$0

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

FY 2011-12
^a Of this amount, ~~\$7,629,150~~ \$10,271,637 represents public funds certified as expenditures incurred by public hospitals and agencies that are eligible for federal financial participation under the Medicaid program...
^b Of this amount, \$144,686,653 shall be from the Hospital Provider Fee Cash Fund created in Section 25.5-4-402.3 (4) C.R.S., and ~~\$10,225,900~~ \$3,277,780 shall be from public funds certified as representing expenditures by hospitals that are eligible for federal financial participation under the Medicaid upper payment limit and the Medicaid Disproportionate Share Payments to Hospitals program.

FY 2012-13
^a Of this amount, ~~\$7,722,438~~ \$1,776,165 represents public funds certified as expenditures incurred by public hospitals and agencies that are eligible for federal financial participation under the Medicaid program...
Cash or Federal Fund Name and CDFRS Fund Number: Certified Public Expenditure.
Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments: N/A

Other Information:



DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

John W. Hickenlooper
Governor

*FY 2011-12 Supplemental Request and FY 2012-13 Budget Amendment
January 3, 2012*

Susan E. Birch
Executive Director

*Department Priority: S-10, BA-4
Request Title: Utilize Supplemental Payments for General Fund Relief*

Summary of Incremental Funding Change for FY 2011-12	Total Funds	General Fund	FTE
Total Request	(\$9,634,148)	(\$614,990)	0.0

Summary of Incremental Funding Change for FY 2012-13	Total Funds	General Fund	FTE
Total Request	(\$10,527,400)	\$400,246	0.0

Request Summary:

The Department requests to use \$614,990 federal funds in FY 2011-12 to provide General Fund relief to the Medical Services Premiums line item. Similarly, the Department requests to use \$606,506 federal funds in FY 2012-13, to true-up estimates included in the Department's FY 2012-13 R-10 "Utilize Supplemental Payments for General Fund Relief." These General Fund savings would be achieved by a reduction to certain certified public expenditure (CPE) based supplemental payments in the Medical Services Premiums line item. The Department also requests to move the inpatient high volume CPE supplemental payment currently in the Safety Net Provider Payments line to the Medical Services Premiums line item.

Currently, the Safety Net Programs Section of the Department manages and calculates several payments utilizing the CPE methodology, and is continuously working on new and innovative ways to increase payments to providers in order to reduce the uncompensated costs of providing care to under and uninsured Coloradans. However, due to the increasing strain on the state's General Fund, the Department is requesting to withhold 10% of the federal funds drawn under some of these payments in order to

offset General Fund costs in the Department. Specifically, the Department requests to withhold 10% of the federal funds drawn under the physician supplemental payment and the inpatient high volume CPE supplemental payment currently in the Safety Net Provider Payments line item as authorized pursuant to the Department's FY 2011-12 DI-7 "Maximize Reimbursement for High Volume Medicaid and CICP Hospitals." Please see Table 2 in Appendix A below for more detailed information on these individual payments and the withholding calculations. Similar withholding of federal funds is already being done with some of the CPE based payments within the Medical Services Premiums line item, particularly the Home Health and Nursing Facility payments made under the Upper Payment Limit (UPL).

For FY 2011-12, the Department projects the federal funds drawn under these payments at a base Federal Medical Assistance Percentage (FMAP) of 50% to equal \$6,149,897, resulting in General Fund relief in the amount of \$614,990 after 10% of these funds are withheld. These payments will be eligible for the enhanced federal match provided through the American Recovery and Reinvestment Act (ARRA) as the

uncompensated costs being certified were incurred in 2010. The 10% withholding is calculated on the base FMAP, as the incremental federal funds from the enhanced FMAP will already be withheld by the State for General Fund relief.

The physician supplemental payment applies to Denver Health Medical Center and Memorial Hospital in Colorado Springs. The inpatient high volume CPE supplemental payment will be made only to Memorial Hospital. Denver Health Medical Center, which is also a High Volume Medicaid and CICP Hospital, has its hospital-specific UPL maximized under the Hospital Provider Fee supplemental payments, so would not receive any additional inpatient high volume CPE supplemental payments pursuant to the Department's FY 2011-12 DI-7.

In addition to the requested General Fund savings, the Department also requests to move the inpatient high volume CPE supplemental payment in the Safety Net Provider Payments line item to the Medical Services Premiums line item to place it with the other payments made under the Upper Payment Limit. This action will make both lines more transparent and limit the purpose of the Safety Net Provider Payment line item to only Hospital Provider Fee payments. First, the Department requests a reduction of \$9,019,158 total funds in FY 2011-12, composed of \$5,306,633 cash funds and \$3,712,525 federal funds to align the appropriation with the new payment estimates. After this reduction is made, the Department requests to transfer the appropriation for this payment to the Medical Services Premiums line item. The withholding will take place after the reduction and transfer discussed above. Please see Table 1 in Appendix A for more detail on this transfer, and Table 4 for a comparison of this request to the Department's FY 2012-13 R-10 "Utilize Supplemental Payments for General Fund Relief."

Anticipated Outcomes:

If this request is approved, the Department anticipates savings in the amount of \$614,990

General Fund in FY 2011-12 and \$606,506 General Fund in FY 2012-13.

Assumptions for Calculations:

Assumptions used in this request include the approval of a State Plan Amendment (SPA) by the Centers for Medicare and Medicaid Services (CMS), which would allow the Department to implement the inpatient high volume CPE supplemental payment. The Department expects approval of this SPA by March 1, 2012. The Department also assumes that it will have received the data from all hospitals to calculate the payments, and that the data support payments in the amounts budgeted. Please see Appendix A for detailed calculations for this request.

Consequences if not Funded:

If this request is not approved, the Department will forego General Fund relief in the amount of \$614,990 in FY 2011-12 and \$606,506 in FY 2012-13. This process of retaining a portion of the federal funds distributed to providers has already been approved by CMS, and not approving this would limit the Department's ability to reduce its overall General Fund need.

Supplemental, 1331 Supplemental, or Budget Amendment Criteria:

New data has resulted in a substantive change in funding need.

Current Statutory Authority or Needed Statutory Change:

There are no federal regulations that prohibit the State from retaining all or a portion of the federal funds it earns through the CPE methodology. Indeed, Colorado already retains all federal funds from the Public Nursing Facility Supplemental Payment and the Public Home Health Agency Supplemental Payment. While the intent of the text of State Plan Amendments is not to address State retention of federal funds, the State must notify CMS if it intends to do so in its response to standard funding questions that are submitted with any proposed State Plan Amendment that modifies provider reimbursement methodologies or amounts.

Appendix A: Tables and Calculations

Table 1: Transfer of Inpatient High Volume Supplemental Payment

Payment Type	Total Funds	Certified Public Expenditures	Federal Funds
(4) Safety Net Provider Payments	(\$6,877,082)		(\$4,235,595)
(2) Medical Services Premiums	\$6,877,082	\$2,641,487	\$4,235,595
Net Transfer Request	\$0	\$0	\$0

Table 2: Payments and Withholding Calculations

FY 2011-12				
Payment Type	Total Funds	Certified Public Expenditures	Federal Funds (50% FMAP)	Withholding for General Fund
Physician Supplemental Payment	\$5,422,712	\$2,711,356	\$2,711,356	(\$271,136)
Inpatient High Volume CPE Supplemental Payment	\$6,877,082	\$3,438,541	\$3,438,541	(\$343,854)
Total	\$12,299,794	\$6,149,897	\$6,149,897	(\$614,990)
FY 2012-13				
Payment Type	Total Funds	Certified Public Expenditures	Federal Funds (50% FMAP)	Withholding for General Fund
Physician Supplemental Payment	\$7,161,512	\$3,580,756	\$3,580,756	(\$358,076)
Inpatient High Volume CPE Supplemental Payment	\$4,968,594	\$2,484,297	\$2,484,297	(\$248,430)
Total	\$12,130,106	\$6,065,053	\$6,065,053	(\$606,506)

Table 3: Inpatient High Volume CPE Supplemental Payment Adjustment

FY 2011-12			
	Total Funds	Certified Public Expenditures	Federal Funds
Appropriated Inpatient High Volume CPE Supplemental Payment	\$15,896,240		\$7,948,120
Needed Inpatient High Volume CPE Supplemental Payment	\$6,877,082		\$2,641,487
Net Inpatient High Volume CPE Supplemental Payment	(\$9,019,158)		(\$5,306,633)
FY 2012-13			
	Total Funds	Certified Public Expenditures	Federal Funds
Appropriated Inpatient High Volume CPE Supplemental Payment	\$15,896,240		\$7,948,120
Needed Inpatient High Volume CPE Supplemental Payment	\$4,968,594		\$2,001,847
Net Inpatient High Volume CPE Supplemental Payment	(\$10,927,646)		(\$5,946,273)

Table 4: R-10 and S-10, BA-4 Request Comparison**FY 2011-12**

	Total Funds	General Fund	Certified Public Expenditures	Federal Funds
R-10	\$0	\$0	\$0	\$0
S-10, BA-4	(\$9,634,148)	(\$614,990)	(\$5,306,663)	(\$3,712,525)
Net Request	(\$9,634,148)	(\$614,990)	(\$5,306,663)	(\$3,712,525)

FY 2012-13

	Total Funds	General Fund	Certified Public Expenditures	Federal Funds
R-10	(\$1,006,752)	(\$1,006,752)	\$0	\$0
S-10, BA-4	(\$11,534,152)	(\$606,506)	(\$5,946,273)	(\$4,981,373)
Net Request	(\$10,527,400)	\$400,246	(\$5,946,273)	(\$4,981,373)