# Schedule 13
## Funding Request for the 2014-15 Budget Cycle

**Department:** Health Care Policy and Financing
**Request Title:** County Administration
**Priority Number:** 1331

**Dept. Approval by:** Josh Block 9/6/13 Date

**OSPB Approval by:** Date

- ☐ Decision Item FY 2014-15
- ☐ Base Reduction Item FY 2014-15
- ☑ Supplemental FY 2013-14
- ☐ Budget Amendment FY 2014-15

| Line Item Information | | FY 2013-14 | | FY 2014-15 | | FY 2015-16 |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| | Fund | Appropriation FY 2013-14 | Supplemental Request FY 2013-14 | Base Request FY 2014-15 | Funding Change Request FY 2014-15 | Continuation Amount FY 2015-16 |
| Total of All Line Items | Total | 32,591,259 | - | 33,108,009 | - | - |
| | FTE | - | - | - | - | - |
| | GF | 10,731,704 | - | 10,886,729 | - | - |
| | GFE | - | - | - | - | - |
| | CF | 5,604,460 | - | 5,707,810 | - | - |
| | RF | - | - | - | - | - |
| | FF | 16,255,095 | - | 16,513,470 | - | - |
| (1) Executive Director's Office; (D) Eligibility Determinations and Client Services: County Administration | Total | 32,591,259 | - | 33,108,009 | - | - |
| | FTE | - | - | - | - | - |
| | GF | 10,731,704 | - | 10,886,729 | - | - |
| | GFE | - | - | - | - | - |
| | CF | 5,604,460 | - | 5,707,810 | - | - |
| | RF | - | - | - | - | - |
| | FF | 16,255,095 | - | 16,513,470 | - | - |

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

**Cash or Federal Fund Name and COFRS Fund Number:**
**Reappropriated Funds Source, by Department and Line Item Name:**
**Approval by OIT?** Yes: ☐ No: ☐ Not Required: ☑
**Schedule 13s from Affected Departments:**
**Other Information:** The Department is requesting that the (M) head note be removed from its appropriation for County Administration.

# *State of Colorado*

***Department of Health Care Policy and Financing***

***Priority: 1331***
***County Administration***
***FY 2013-14 EMERGENCY SUPPLEMENTAL***

***Problem or Opportunity:***

Recent guidance from the Centers for Medicare and Medicaid Services (CMS) announced states are eligible for a 75% federal match on certain Affordable Care Act (ACA) activities related to eligibility processing and determination. CMS has examined its current practices under Medicaid Management Information Systems (MMIS) rules for approval of 75% federal match for maintenance and operations in the context of eligibility determinations and has confirmed that certain eligibility determination-related costs are eligible for 75% federal financial participation (FFP). Further guidance from a CMS issued Frequently Asked Questions document, released on April 24, 2013, and additional information on August 9, 2013, outlined specific activities that would receive the additional federal funding. Based on this information, the Department believes the majority of its County Administration appropriation would be eligible for the enhanced match; however, the true amount of the enhanced match will not be known until the Department receives approval for a Maintenance and Operations Advance Planning Document (MOAPD); the Department submitted this document to CMS on August 21, 2013 and is awaiting a reply.

Because the Department's appropriation for County Administration has an (M) head note in the Long Bill, any additional federal funds the Department obtains would be offset by a corresponding reduction in General Fund. This prevents the Department from reinvesting the General Fund that would become available when the Department obtains the enhanced match.

Simultaneous with the enhanced federal match opportunity, the Department has recognized additional costs associated with ACA implementation as a result of delayed guidance from HHS and Centers for Medicare and Medicaid Services, information provided by Connect for Health Colorado, Colorado's health insurance marketplace, and the implementation timelines associated with the program. Many of the criteria for eligibility determination in Connect for Health Colorado do not coincide with Medicaid eligibility requirements; Connect for Health Colorado and Medicaid do not anticipate complete interoperability until after October 2013. The Department anticipates there will be needed overflow capability and these activities are temporary and that a more permanent solution will be established as the ACA is implemented.

While some funding was appropriated in SB 13-200 "Expand Medicaid Eligibility" to assist in the anticipated inflow of clients as Medicaid expansion and Connect for Health Colorado go live, the Department did not anticipate the following ancillary issues:

- Verifications – Because the Federal Data Services Hub will have recurring downtime, Connect for Health Colorado will be sending the Department unverified data instead of holding the data until the Federal Hub can be checked. This is an issue because unverified data transmitted to the Department can lead to inaccurate eligibility determination as unverified inaccurate data will overwrite any existing data which may be accurate. In order to ensure that only verified data is accepted in CBMS

the Department would need to make system changes to be able to identify and report on unverified data. Additionally, contracted staffing to review report data, collect verifications and finalize eligibility determinations will be necessary to avoid unverified client data from entering CBMS.

- Collection of Household Relationship Data - Currently, Connect for Health Colorado forms household relationships by tax filer status; Medicaid and several programs operated by the Department of Human Services (DHS) require data on actual household relationships in order to process eligibility for public assistance programs. In order to mitigate this issue, the Department needs a number of system changes to be able to identify relationships established by Connect for Health Colorado and proper reporting to be able to manually collect the correct relationship information and correct the entry. The Department assumes a contractor would be able to resolve the discrepancies once system changes are made and reports generated.

- Overflow and Telephonic Application Processing – While the Department received funding in SB 13-200 "Expand Medicaid Eligibility" to assist in Medicaid expansion, more recent guidance from CMS indicated that the Department must have the ability to accept and record portions of telephonic applications. The Department's call center will not be to be able to absorb a high call volume while maintaining compliance with timely processing requirements. Application processing requirements, established in rule at 10 CCR 2505 section 8.100.3.D, necessitate the processing of applications within 90 days for a person applying for Medical Assistance Programs with a disability determination and 45 days for all other applicants. Without additional support, these requirements would be difficult to meet. Therefore, the Department is working with counties and an external contractor to mitigate overflow calls and ensure timeliness in application processing. The contractor will also assist in paper application data entry.

While the issues and solutions described above are anticipated by the Department, there remain a considerable amount of unknown issues that could arise with ACA implementation. The Department believes that establishing contracts to mitigate issues on the forefront of the client influx is paramount to maintain timely processing requirements and client satisfaction.

***Proposed Solution:***

As an interim solution, the Department requests to remove the (M) head note from its Executive Director's Office, Eligibility Determinations and Client Services, County Administration line item in FY 2013-14. Removing the (M) head note allows the Department to repurpose freed up General Fund dollars for additional ACA implementation needs. At a minimum, the Department estimates that $2,449,793 additional funding in FY 2013-14, including $518,368 General Fund and $1,931,425 federal funds, is necessary for contractors and temporary personnel to pay for immediate needs related to application processing. Any additional funding freed up from the enhanced match would be redistributed to the counties so that the counties can increase staffing levels, if necessary, to absorb the additional caseload influx. Therefore, the Department is requesting the removal of the (M) head note rather than a specific amount in order to gain the flexibility to increase payments to counties as soon as possible when the

enhanced match for maintenance and operations is obtained. The Department will submit an additional budget action in January 2014 to account for the actual costs of implementation.

Presently, the Department does not know how much additional federal funding can be obtained through this enhanced match. The amount of federal funding depends critically on a number of factors, including CMS' timely approval of the MOAPD and changes to the random moment sampling (RMS) process used to allocate funding to the counties. While the Department estimates a maximum of $32.5 million additional federal funds would become available for County Administration with approval of the MOAPD, only a fraction of that amount would become available in FY 2013-14. Under the best case scenario, the Department estimates that it would receive a maximum of approximately $10 million in FY 2013-14, assuming that the Department can begin claiming the enhanced match by January 1, 2014 and that 56% of the counties' expenditures would be eligible. This percentage was calculated using historical data from the County Financial Management System (CFMS) and Random Moment Sampling reports. The data was evaluated by county worker activities and cost pools counties enter data into in CFMS. The Department eliminated all activities and cost pools it believed may be ineligible for the enhanced match to reach the estimated 56%. See Appendix A: Table 1.1 and 1.2 for further detail.

The Department submitted the MOAPD to CMS on August 21, 2013. In that submission the Department estimated which services counties provide are eligible for the enhanced match and which are not; however, the actual amount of the enhanced match received will be based on the actual costs that are incurred and reported by the counties. Additionally, in submitting the MOAPD the Department requested that it be allowed to claim the enhanced match retroactively back to July 2013; however, it is not known whether this will be approved by CMS, or whether the Department will have enough information from the RMS process to be able to support claiming the enhanced match back to that date.

While waiting for approval on the MOAPD, the Department has begun discussions with the Department of Human Services (DHS) to make changes to the County Financial Management System (CFMS) and the Random Moment Sampling System (RMS) to separate out county activities to allow reporting and tracking of services eligible for the enhanced match. The Department estimates that changes will be made to allow counties to start claiming activities with the enhanced match beginning in October 2013. This would allow the counties to begin receiving additional funds in January 2014 for any additional costs associated with ACA implementation. If the coding changes cannot be made by October, the enhanced match will likely not be available to counties until April 2014.

With the removal of the (M) head note, in addition to counties being able to claim supplementary expenditures, the Department would be able to utilize freed up General Fund to establish contractors to prepare for a large unanticipated influx of applicants as a result of the implementation of Connect for Health Colorado and SB 13-200. The Department has issued two Invitations for Bid (IFB) to contract with vendors to:

- Fund a call center - The Department anticipates that the current call center will receive three times as many calls as it currently does on a monthly basis effective October 1, 2013. The Department is seeking additional funding to create an overflow contact center team to support the go-live activities in coordination with Connect for Health Colorado. This overflow contact center will be ready in the

event that the county and eligibility site contact centers are at capacity assisting callers and a hold time begins. In lieu of beginning a hold time, the overflow contact center vendor will be queued into the Department's contact center and will immediately take calls, assisting applicants with online applications, taking phone applications and following up on application status for incomplete, denied, or pending applications through to completion and determination.

This overflow contact center will be authorized to make eligibility determinations on behalf of the Department and 100% dedicated to the eligibility process as identified by CMS, and therefore funded completely with the 75% enhanced federal match. The Department estimates these activities to cost approximately $749,649 in FY 2013-14 to complete. Because this contract is being awarded through an IFB, actual costs incurred by the vendor may be variable based on the amount of work that needs to be performed. The Department will true up this estimate through the supplemental budget request process. For further information regarding the estimate see Appendix A: Table 2.

- Fund a contractor to work on back office activities - In addition to the overflow contact center, the Department plans to secure additional assistance to process the contingency work identified above, including data verifications, and collection of household relationship data. This work is anticipated to be complex; the contractor will be responsible for resolution of all potential issues identified, with a heavy emphasis on same day resolution to allow for timely eligibility determination. This work would be funded separately from the call center and payment based on successful, accurate, and timely eligibility determinations. This contractor will be completely dedicated to the eligibility determination process and therefore funded completely with the 75% enhanced federal match. The Department estimates these activities would cost a vendor approximately $749,649 to complete in FY 2013-14. As with the call center, this contract is being awarded through the IFB process so actual costs may vary based on the amount of work that needs to be performed. The Department will true up this estimate through the supplemental budget request process. For further information regarding the estimate see Appendix A: Table 2.

- Fund an internal temporary FTE and pay for additional paper applications - In order to ensure timely filing, the Department will hire a temporary FTE to perform quality control on cases that are pending for 30 days. This will ensure timely filing by manually enrolling clients internally before the 45 day requirement, should the vendor be unable to do so. This FTE would also be responsible for creating communication to go to all vendors involved in ACA implementation activities to ensure proper communication and all issues are mitigated. Additionally, the Department anticipates more paper applications will be required to enroll the influx of new clients.

In SB 13-200 "Expand Medicaid Eligibility", the Department estimated enrollment as outlined in Table 3 below; however, given the marketing campaigns of Connect for Health Colorado and the interest in Medicaid expansion, the Department believes enrollment could be frontloaded and require more resources in the beginning phases of implementation. Additionally, not all of the people that inquire about Medicaid eligibility will become eligible; therefore, the Department will be required to review and assist with more applications than just those of newly enrolled clients.

| Table 3 - Estimated Medicaid Enrollment as a Result of SB 13-200 "Expand Medicaid Eligibility" | | | |
|---|---|---|---|
| **Item** | **FY 2013-14** | **FY 2014-15** | **FY 2015-16** |
| Estimated Enrollment | 60,899 | 160,061 | 185,371 |

- While the Department has anticipated many potential issues with ACA implementation, it is possible that other issues will not be realized until the implementation process begins. The Department believes that by establishing contractors prior to October 1, when Connect for Health Colorado is required to begin accepting applications, it will be better able to mitigate unanticipated problems as the vendors will understand the Department's operations and should be able to absorb additional activities as necessary. Although the Department is not specifically requesting funding for these unknown activities at this time, the Department would use the flexibility granted by removing the (M) head note to fund any needed activities.

As there are many uncertainties with the ACA implementation the Department will use the standard budget process to account for the upcoming changes. Specifically, the Department intends to submit a January 2, 2014 supplemental with an updated budget and the plan for the remainder of FY 2013-14 funding enhanced with the 75% FFP. In November 2013, the Department will submit a request for FY 2014-15. This request will outline future plans for the enhanced funding and the Department's preferred method for distributing the additional funding.

***Anticipated Outcomes:***

The approval of this request would allow the Department to take advantage of the current opportunity to utilize freed up General Fund to be repurposed towards ACA implementation without requiring any additional General Fund or cash funds appropriations. The Department would be able to ensure new clients have the necessary resources available to determine their eligibility, make certain all information from Connect for Health Colorado is consistent with Medicaid eligibility rules, and adjust data as necessary to prevent duplicate payments or invalid eligibility determinations.

Without approval, the Department would be required to repurpose existing resources that are already allocated to other purposes in order to fund activities related to eligibility processing. This could cause shortfalls in contracts or create delays in implementation and execution of other programs.

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. The Department would be able to provide service through technological innovation by providing support for unexpected complications as the State and the Department implement ACA requirement. Additionally the Department would be able to ensure sound stewardship of financial resources by identifying the potential for overpayment as a result of new system processes and reducing the risk.

Overall, this request would ensure the Department has adequate resources to anticipate issues with ACA implementation and make sure clients' experience with Medicaid enrollment is efficient and effective, giving Coloradoans the services they need.

***Assumptions and Calculations:***

The Department has issued IFBs for two contractors to provide the call center and administrative activities discussed above. The Department made estimates based on current contracts and processing times to reach the estimated $2.5 million in costs for the additional ACA implementation requirements; however, once the contracts have been evaluated and awarded, the Department will true up the costs in a supplemental request. Please see Appendix A: Table 2 for further detail of estimated costs.

***Supplemental, 1331 Supplemental or Budget Amendment Criteria:***

This request meets 1331 Supplemental criteria as it is due to unforeseen circumstances arising while the General Assembly is not in session. Critical information from CMS on enhanced funding was released on August 9, 2013 which occurred at the same time the appropriation for County Administration was being finalized during the 2013 Legislative Session. Additionally, new information from the Connect for Health Colorado implementation was not readily available during the regular budget process timeline.

| Table 1.1 - FY 2013-14 County Administration Current Appropriation | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Appropriation** | **FMAP** | **Total Funds** | **General Fund** | **Local Funds** | **Hospital Provider Fee Cash Fund** | **Reappropriated Funds** | **Federal Funds** |
| Regular County Administration | 50% | $28,284,885 | $8,578,517 | $5,604,460 | $0 | $0 | $14,101,908 |
| County Administration Requiring No Local Share | 50% | $4,106,374 | $2,053,187 | $0 | $0 | $0 | $2,053,187 |
| PARIS | 50% | $200,000 | $100,000 | $0 | $0 | $0 | $100,000 |
| Hospital Provider Fee County Administration | 50% | $3,630,334 | $0 | $0 | $1,755,168 | $0 | $1,875,166 |
| Total | | $36,221,593 | $10,731,704 | $5,604,460 | $1,755,168 | $0 | $18,130,261 |

| Table 1.2 - FY 2013-14 Total Year County Administration Appropriation with Enhanced Federal Match | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Appropriation** | **FMAP** | **Total Funds** | **General Fund** | **Local Funds** | **Hospital Provider Fee Cash Fund** | **Reappropriated Funds** | **Federal Funds** |
| Regular County Administration | 75% | $56,731,908 | $8,578,517 | $5,604,460 | $0 | $0 | $42,548,931 |
| County Administration Requiring No Local Share | 75% | $8,212,748 | $2,053,187 | $0 | $0 | $0 | $6,159,561 |
| PARIS | 50% | $200,000 | $100,000 | $0 | $0 | $0 | $100,000 |
| Hospital Provider Fee County Administration | 75% | $7,020,672 | $0 | $0 | $1,755,168 | $0 | $5,265,504 |
| Total | | $72,165,328 | $10,731,704 | $5,604,460 | $1,755,168 | $0 | $54,073,996 |
| Maximum Incremental Difference from Original Appropriation | | $35,943,735 | $0 | $0 | $0 | $0 | $35,943,735 |
| Adjustment for Implementation Timeline and assuming 56% of Services Meet the Enhanced Match Criteria | | $10,064,246 | $0 | $0 | $0 | $0 | $10,064,246 |

| Table 2 - Estimated Additional Affordable Care Act Implementation Costs | | | |
|---|---|---|---|
| **Item** | **FMAP** | **FY 2013-14** | **FY 2014-15** |
| ***SYSTEM CHANGES*** | | | |
| ***CBMS*** | | | |
| System change to CBMS to differentiate between verified and unverified records received from the Marketplace | 90% | $168,000 | $0 |
| System change to CBMS to report on unverified Medicaid eligible determinations, so that staffing can identify and collect missing verifications. | 90% | $50,400 | $0 |
| System change to CBMS to identify assumed relationships received from the Marketplace | 90% | $168,000 | $0 |
| System change to CBMS to report on potential households that may not be accurately determined due to this assumption | 90% | $50,400 | $0 |
| | | | |
| ***OIT / MARKETPLACE*** | | | |
| System change to the Marketplace to cross walk and send the Department necessary data for the affected relationships | 90% | $190,400 | $0 |
| **Subtotal System Changes** | | **$627,200** | **$0** |
| | | | |
| ***HCPF IN-HOUSE*** | | | |
| Temporary FTE to perform quality control on the cases that should already be executed to ensure timely filing. Also mitigate issues with various contracts and create communication plans. | 75% | $53,295 | $72,748 |
| The Department is requesting increased funding for printing and stocking paper applications. | 50% | $270,000 | $270,000 |
| **Subtotal HCPF In-House** | | **$323,295** | **$342,748** |
| | | | |
| ***CONTRACTOR*** | | | |
| Staffing to process phone applications | 75% | $749,649 | $321,844 |
| **Subtotal Call Center** | | **$749,649** | **$321,844** |
| Staffing to manage and process the reports to collect verifications and finalize eligibility determinations | 75% | $187,413 | $64,369 |
| Staffing to review, process and collect the accurate household compositions and determine final eligibility | 75% | $187,412 | $64,369 |
| The Department is requesting additional funding to create an overflow team who can serve as a temporary resource to manage all overflow and backlogged requests for applications with minimal wait time | 75% | $187,412 | $64,369 |
| Increase staffing to manage and process data entry of paper applications | 75% | $187,412 | $128,738 |
| **Subtotal Back of the Office Contract** | | **$749,649** | **$321,844** |
| **Total Cost** | | **$2,449,793** | **$986,436** |