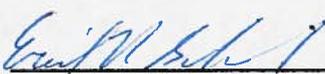


Schedule 13 Funding Request for the 2014-15 Budget Cycle

Department: Health Care Policy and Financing
Request Title: Disability Determinations Contract Reprocurement
Priority Number: BA-13

Dept. Approval by: Josh Block  11/2/14
 Date

OSPB Approval by:  12/31/13
 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	34,476,620	-	39,915,160	321,990	-
	FTE	358.1	-	395.1	-	-
	GF	9,380,635	-	11,215,441	160,995	-
	GFE	-	-	-	-	-
	CF	6,174,528	-	7,036,850	-	-
	RF	1,736,842	-	1,768,913	-	-
	FF	17,184,615	-	19,893,956	160,995	-
(1) Executive Director's Office, (A) General Administration, General Personal Services	Total	24,611,523	-	28,512,863	28,584	-
	FTE	358.1	-	395.1	-	-
	GF	8,410,879	-	10,245,685	14,292	-
	GFE	-	-	-	-	-
	CF	2,599,660	-	2,693,382	-	-
	RF	1,736,842	-	1,768,913	-	-
	FF	11,864,142	-	13,804,883	14,292	-
(1) Executive Director's Office, (D) Eligibility Determinations and Client Services, Contracts for Special Eligibility Determinations	Total	9,865,097	-	11,402,297	293,406	-
	FTE	-	-	-	-	-
	GF	969,756	-	969,756	146,703	-
	GFE	-	-	-	-	-
	CF	3,574,868	-	4,343,468	-	-
	RF	-	-	-	-	-
	FF	5,320,473	-	6,089,073	146,703	-

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

Cash or Federal Fund Name and COFRS Fund Number: None.
 Reappropriated Funds Source, by Department and Line Item Name: N/A
 Approval by OIT? Yes: No: Not Required:
 Schedule 13s from Affected Departments: N/A
 Other Information: N/A



COLORADO

Department of Health Care Policy
and Financing

Priority: BA-13
Disability Determinations Contract Reprocurement
FY 2014-15 Budget Amendment

Cost and FTE

- The Department requests \$321,990 total funds, including \$160,995 General Fund, for disability determination services. This funding is only for FY 2014-15 and does not require any additional FTE.

Link to Operations

- The Department conducts disability determination services for Medicaid clients through a contracted vendor.
- The vendor receives and processes all applications from Medicaid applicants to determine if they qualify for Medicaid due to a disability.
- The disability determination process, which includes medical case file review and medical examinations, can take 70 days to complete, and longer if a client appeals the determination decision.

Problem or Opportunity

- The current contract for this service expires in 2015, and the Department is required to competitively reprocure the contract.
- As the Department transitions between vendors, determinations that overlap the vendor transition date may be unnecessarily delayed due to business process and vendor staff changes, which can impede a client's ability to receive services.
- To minimize the impact to clients and assure a smooth transition between vendors, the Department must overlap contract periods and temporarily assign a transition manager to oversee the transition. Past transitions that did not include overlapping contracts resulted in delayed service delivery, longer processing periods, clients having to resubmit information, and loss of client data.

Consequences of Problem

- If this request is not approved, clients may experience delayed services, longer processing periods, or be forced to resubmit data, which means delayed or absent services, leading to poorer health outcomes and higher costs. In some cases, it may violate federal law if clients are unable to obtain services.

Proposed Solution

- The Department requests funding for a one-time increase to the line associated with this contract to allow for a transitional overlap between vendors with a temporary transition manager who would be charged with ensuring the transition occurs in a timely and successful manner.
- The incoming vendor would be able to transition into the contractual obligations with assistance from the outgoing vendor, and affected clients should notice little to no change in service delivery.



COLORADO

Department of Health Care Policy and Financing

FY 2014-15 Funding Request | January 2, 2014

John W. Hickenlooper
Governor

Susan E. Birch
Executive Director

Department Priority: BA-13

Request Detail: Disability Determinations Contract Reprocurement

Summary of Incremental Funding Change for FY 2014-15	Total Funds	General Fund
Disability Determinations Contract Reprocurement	\$321,990	\$160,995

Problem or Opportunity:

The Department is required to reprocure its administrative service contract for disability determination services in 2015 and is requesting funding to assure that the transition of the contract between vendors does not affect service delivery for clients. The current contract expires in FY 2014-15, and the Department is required to competitively reprocure the contract.

The Department contracts with external vendors to provide administrative services for Colorado Medicaid and Child Health Plan *Plus* (CHP+) clients. These services include disability determination services for individuals applying for Medicaid due to a disability, as the State is required to do by federal law.

The vendor for this contract makes disability determinations for individuals applying for or receiving Colorado Medicaid on the basis of disability in accordance with 42 CFR § 435.230, the implementing regulations and the Social Security Administration (SSA) Program Operations Manual System (POMS). The vendor is responsible for all aspects of work related to the disability determination process, including but not limited to: receiving applications directly from any source, including applicants, eligibility sites, and providers; entering the applicant's disability determination information into the Colorado Benefits Management System (CBMS); communicating application status with eligibility sites, providers, the Office of Administrative Courts, applicants and clients, and the Department; sending all necessary notices to applicants; and forwarding non-disability applications and related materials to the appropriate county to complete processing.

Proposed Solution:

The Department requests \$321,990 total funds – comprised of \$160,995 General Fund and matching federal funds – to fund a transitional overlap period for its disability determination services contract and assign a temporary transition manager during contract reprocurement. This funding is one-time and does not require any additional FTE.

To assure a smooth transition between the outgoing and incoming vendors, the Department must overlap contract periods. As a best practice, the Department believes a transition to a new vendor should begin three

to six months prior to the end-date of the incumbent vendor's contract. The new vendor will be responsible for leading, coordinating, and implementing the transition plan, with assistance from the Department. The goal is for the new vendor to demonstrate to the Department, prior to implementation, that their operations are ready to begin and services are set to be rendered. Past transitions that did not include overlapping contracts resulted in several negative consequences. For example, when the current non-emergent medical transportation (NEMT) contract was reprocured, the incoming vendor began transition activities late. The vendor's new computer system launched without being fully functional, resulting in service delays for the first few months of the contract period.

In addition to overlapping contract periods, the Department must also assign a temporary transition manager to oversee the new contract transition. When a new vendor is selected, the Department does not have the staffing resources to properly manage all the tasks of both the incoming and outgoing vendor. The transition manager is needed to perform basic project management, facilitating communication between the new and incumbent vendors, and verifying that the new contractor is operationally ready to perform. In the Department's previous transition for its eligibility determinations and enrollment services (or EEMAP) vendor, months after the current vendor took over the contract, the Department discovered that several thousand client applications and documents, which were mailed to the outgoing vendor, were left sitting in boxes. No review or determination of these cases was made. Other boxes contained applications and documentation that had been entered but not filed or categorized, which continues to create issues with locating records for internal reviews and external auditing. This type of mistake, affecting client eligibility, is categorically unacceptable and must not be allowed to happen again.

If this request is not approved, applicants with disabilities may have difficulty enrolling in Medicaid, and the Department risks client disability determinations not being completed within an appropriate time frame. As a result, applicants may experience longer processing periods or be forced to resubmit data, which results in delayed or absent services, leading to poorer outcomes and higher costs. In some cases, it may violate federal law if applicants are unable to obtain services due to processing complications.

Anticipated Outcomes:

If approved, this request would fund a one-time increase to the Department's Contracts and Special Eligibility Determinations line item to allow for a transitional overlap between the outgoing and incoming vendors of the disability determination services contract. This request would also increase the Department's Personal Services line item to fund a temporary transition manager for the contract transition, who would be charged with ensuring the transition occurs in a timely and successful manner. As a result, the incoming vendor would be able to transition into the contractual obligations with assistance from the outgoing vendor, while maintaining optimal health care access and outcomes for the clients and demonstrating sound stewardship of financial resources.

This request is in line with all five objectives of the Department's performance plan. By mitigating disruptions between outgoing and incoming disability determination services vendors, the Department is ensuring those who are eligible for Medicaid due to a disability are enrolled, ensuring those who need medical attention receive it when they need it, instead of when their condition has worsened and becomes much more expensive to treat.

Assumptions and Calculations:

The Department estimates that the total additional funding need for disability determinations services is \$321,990 total funds, including \$160,995 General Fund and \$160,995 federal funds (see Table 1 Row B of the appendix).

Traditionally, the Department determines start-up costs to be 10% of the five-year contract amount – which is the same as 50% of a single-year amount of the contract – and spreads it out over the life of the contract. This approach can be problematic, as it requires vendors to take a loss in the short-term, which may discourage qualified vendors from bidding on the contract. Because an incoming vendor will not be incurring any operational costs during the transition period, the Department believes 25% of the FY 2013-14 contract amount, plus the cost of the temporary transition manager, will be sufficient to fund necessary start-up costs related to capital and administration. The Department applied this methodology to the contract being reprocured. However, the actual costs would be determined based on the contractor's response to the Department's request for proposals. The Department would use the standard budget process to adjust for any differences between the incurred expenditure and the estimate. Table 3 of the appendix details the FY 2013-14 contract amount for disability determination services, as well as the transition funding need for the contract.

The Department would fill the temporary transition manager position at the General Professional IV level. The current monthly salary at the General Profession IV level is \$4,764 (see Table 4 of the appendix)

Supplemental, 1331 Supplemental or Budget Amendment Criteria:

On November 1, 2013, the Department submitted R-12, "Administrative Contract Reprocurements," requesting transitional funding for a number of contracts for in FY 2014-15. This request amends R-12 by adding the contract for disability determination services. The Department inadvertently left this contract out of the original request. Therefore, this request meets budget amendment criteria as a technical error which has a substantive effect on the operation of the program.

BA-13 Disability Determinations Contract Reprourement
Appendix A: Calculations and Assumptions

Table 1: Summary						
Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	Notes
A	Disability and Determinations Services	\$321,990	\$160,995	\$0	\$160,995	Table 2 Row C
B	FY 2014-15 Additional Funding Request	\$321,990	\$160,995	\$0	\$160,995	Row A

Table 2: Request by Line Item						
Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	Notes
A	(1) Executive Director's Office, Personal Services	\$28,584	\$14,292	\$0	\$14,292	Table 3 Row C
B	(1) Executive Director's Office, Contracts for Special Eligibility Determinations	\$293,406	\$146,703	\$0	\$146,703	Table 3 Row B
C	Total Request	\$321,990	\$160,995	\$0	\$160,995	Row A + Row B

Table 3: Transition Cost Estimate						
Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	Notes
A	FY 2013-14 Contract Amount	\$1,173,622	\$581,831	\$5,000	\$586,831	
B	Transition Need	\$293,406	\$146,703	\$0	\$146,703	Row A Total Funds × 25%, applied 50% match
C	Transition Manager	\$28,584	\$14,292	\$0	\$14,292	Table 4 Row C
D	Total Request	\$321,990	\$160,995	\$0	\$160,995	Row B + Row C

Table 4: Transition Manager (General Professional IV)			
Row	Item	Monthly Rate	Notes
A	Salary	\$4,764	Range Minimum as of July 2013
B	Effective Months	6	Assumed
C	Total	\$28,584	Row A × Row B