

Schedule 13
Funding Request for the 2014-15 Budget Cycle

Department: Health Care Policy and Financing

Request Title: Children's Basic Health Plan Medical and Dental Costs

Priority Number: S-3A, BA-3

Dept. Approval by: Josh Block _____ Date _____

OSPB Approval by: _____ Date _____

- | |
|---|
| <input type="checkbox"/> Decision Item FY 2014-15 |
| <input type="checkbox"/> Base Reduction Item FY 2014-15 |
| <input checked="" type="checkbox"/> Supplemental FY 2014-15 |
| <input checked="" type="checkbox"/> 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	200,601,356	16,835,120	211,777,563	21,796,472	21,494,211
	FTE	-	-	-	-	-
	GF	22,825,770	(4,563,610)	26,649,625	3,254,751	-
	GFE	438,300	-	438,300	-	-
	CF	48,432,911	25,562,896	48,598,700	4,521,549	5,069,366
	RF	-	-	-	-	-
	FF	128,904,375	(4,164,167)	136,090,938	14,020,172	16,424,845
(4) Indigent Care Program; Children's Basic Health Plan Medical and Dental Costs	Total	196,282,277	16,835,120	207,458,484	21,796,472	21,494,211
	FTE	-	-	-	-	-
	GF	22,825,770	(4,563,610)	26,649,625	3,254,751	-
	GFE	438,300	-	438,300	-	-
	CF	46,413,329	25,562,896	46,579,118	4,521,549	5,069,366
	RF	-	-	-	-	-
	FF	126,604,878	(4,164,167)	133,791,441	14,020,172	16,424,845
(4) Indigent Care Program; Children's Basic Health Plan Administration	Total	4,319,079	-	4,319,079	-	-
	FTE	-	-	-	-	-
	GF	-	-	-	-	-
	GFE	-	-	-	-	-
	CF	2,019,582	-	2,019,582	-	-
	RF	-	-	-	-	-
	FF	2,299,497	-	2,299,497	-	-

Letternote Text Revision Required? Yes: No: **If yes, describe the Letternote Text Revision:** See Exhibit C2

Cash or Federal Fund Name and COFRS Fund Number: See Exhibit C2

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



Department of Health Care Policy and Financing
Children's Basic Health Plan

FY 2013-14, FY 2014-15, and FY 2015-16 Budget Supplemental Request

February 7, 2014

TABLE OF CONTENTS

CHILDREN'S BASIC HEALTH PLAN 1
 History and Background Information 1

CBHP CAPITATION PAYMENTS 2
 Exhibit C1 - Calculation of Current Total Long Bill Group Impact 4
 Exhibit C2 - Calculation of Fund Splits 5
 Exhibit C3 - Medicaid Children's Basic Health Plan Summary 5
 Exhibit C4 - CBHP Caseload, Per Capita, and Expenditure History 5
 Exhibit C5 - Estimate and Request by Eligibility Category 7
 Incurred-but-not-Reported Estimates 7
 Exhibit C6 - CBHP Retroactivity Adjustment and Partial Month Adjustment Multiplier 8
 Retroactivity Adjustment Multiplier 9
 Partial Month Adjustment Multiplier 9
 Exhibit C7 - CBHP Reconciliation Adjustment Calculation 9
 Exhibit C8 - CBHP Capitation Rate Trends and Forecasts 10
 Exhibit C9 - Forecast Model Comparisons 10
 Final Forecasts 11
 Capitation Trend Models 11

CHILDREN'S BASIC HEALTH PLAN

The following is a description of the budget projection for the Children's Basic Health Plan.

History and Background Information

CHP+ provides affordable health insurance to children under the age of 19 and pregnant women in low-income families (up to 250% of the federal poverty level) who do not qualify for Medicaid and do not have private insurance. CHP+ offers a defined benefit package that uses privatized administration.

The federal government implemented this program in 1997, giving states an enhanced match on state expenditures for the program. Colorado began serving children in April of 1998. Where available, children enroll in a health maintenance organization. CHP+ also has an extensive self-insured managed care network that provides services to children until they enroll in a selected health maintenance organization, and to those children who do not have geographic access to a health maintenance organization. All pregnant women enrolled in CHP+ receive services through the State's self-funded network.

The number of CHP+ enrollees and their per capita costs fluctuate due to changes in economic conditions, federal and state policies, and a number of other factors, resulting in changes in CHP+ program expenditures. Changes in funding from sources such as the Tobacco Master Settlement Agreement and Tobacco Taxes also increase the volatility in funding needs. Thus, the Department periodically updates its caseload and expenditure forecast based on recent experience and submits funding requests to the General Assembly. This ensures that the Department has sufficient spending authority to cover expenditures for CHP+ clients and the program's administration. The Department will submit a separate supplemental request to true up its most recent estimates for FY 2013-14 in January 2014.

Points of Interest

- Beginning in January 2013, Medicaid eligibility expanded to include children ages 6 to 18 up to 133% Federal Poverty Level (FPL) per SB 11-008 and prenatal clients up to 185% FPL per SB 11-250. Senate bills 11-008 and 11-250 led to a significant decrease in caseload for CHP+ and is seen as a bottom line adjustment in caseload. These adjustments are discussed in further detail on pages S-3.17, S-3.18, and S-3.28.
- The Modified Adjusted Gross Income (MAGI), required by the Affordable Care Act of 2010 (ACA) begins in January 2014. States will be required to use this new income and a standardized household size definition to determine eligibility for low-income subsidies in Health Care Exchanges, as well as Medicaid and federal CHIP programs. Due to differences in household

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

size and income calculations that currently exist between Colorado's Medicaid and CHP+ programs, a number of clients with reported household incomes within the official Medicaid eligibility range are actually eligible for CHP+. The anticipated changes from the implementation of MAGI are reported as bottom line adjustments. These adjustments are discussed in further detail on pages S-3.17, S-3.18, and S-3.28.

- A significant amount of claims accrued in June were shifted to be paid in July. This can be seen as a bottom line adjustment in the FY 2013-14 budget in the amount of \$13,123,436 in exhibit C3.
- The Department faced a potential disallowance due to the expiration of the prenatal waiver used to pay for prenatal clients within the 206%-250% FPL range. In order to be compliant with Federal regulation, the Department continued to provide coverage for these clients despite the expiration of the applicable waiver.
- Upon review of historical rates, actuaries determined that the rates for the State Managed Care Network were set too high. The State Managed Care Network, Colorado Access, holds a no-risk contract with the Department and as such will reimburse the Department for the artificially high rate. The analysis is not yet complete, but the Department anticipates a repayment of approximately \$17 million and has accounted for this as a recovery in FY 2013-14.
- Beginning in January 2013, systems issues created duplicate payments for CHP+ clients in the State Managed Care Network. The Department anticipates a reimbursement for these duplicate payments of approximately \$5,982,840 and has accounted for this as a recovery in FY 2013-14.

CBHP CAPITATION PAYMENTS

The CBHP Capitation Payments line item reflects the appropriation that funds CBHP services throughout Colorado through managed care providers contracted by the Department. CHP+ children are served by either a health maintenance organization (HMO) at a fixed monthly cost, or by the State's managed care network (SMCN), which is administered by a no-risk provider. Actual and estimated caseload ratios between HMOs and the self-funded network are used to develop blended capitation rates and per capita costs. All clients in the prenatal program are served by the self-funded program (SMCN) administered by Colorado Access and the costs of their services are billed in full directly to the State.

The CHP+ Third Party Administrator (TPA) contract was re-bid for FY 2008-09, and Colorado Access was selected as the new vendor. The dental vendor contract was re-bid for FY 2007-08, and a new contract was executed with Delta Dental. As part of the re-bid process, Delta Dental was able to offer an increased benefits package. These changes include increasing the cap on dental benefits from \$500 to \$600 per year, removing the age limit on sealants and fluoride varnishes, and increasing the cap on fluoride varnishes from one to two per year.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Effective July 1, 2010, the Department implemented a new reimbursement schedule for hospital payments. While the hospitals were paid 44% of billed charges in FY 2009-10, in FY 2010-11 they were be paid 135% of the Colorado Medicaid Diagnosis Related Groups (DRGs) for inpatient services and 135% of the Colorado Medicaid Outpatient Cost-to-Charge ratio for outpatient services. This means that the program has essentially adopted the Medicaid reimbursement methodologies. This change in reimbursement methodologies resulted in significant savings in the SMCN, which is reflected in the negative trend in the children's per capita cost in FY 2010-11.

The eligible CBHP populations are:

- Children to 200% FPL (Medical and Dental)
- Children 201%-205% FPL (Medical and Dental)
- Children 206%-250% FPL (Medical and Dental)
- Prenatal to 200% FPL
- Prenatal 201%-205% FPL
- Prenatal 206%-250% FPL

Analysis of Historical Expenditure Allocations across Eligibility Categories

Historical expenditure allocations across eligibility categories reflects the expenditures reported in the Colorado Financial Reporting System (COFRS).

Description of Transition to New Methodology

As part of its ongoing efforts to continuously improve the projections, as well as to provide access to information more specific than overall per-capita rates, the Department is moving to a capitation trend forecast model for the FY 2013-14 Estimate and FY 2014-15 Request. In short, the methodology examines the trend in capitation rates across each eligibility category and applies that trend to the average per-claim, incurred expense rate. By examining the capitation rate trends for each eligibility category, rather than a weighted rate for all categories, future expenditures are forecasted per the characteristics of a specific eligibility category: the actuarially agreed-upon capitation rate and caseload for the 9 categories rather than the previous 3 (children's medical, children's dental, and prenatal). By tying forecasted capitation rates directly to each eligibility category, the methodology may provide more accurate estimates of

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

expenditures by eligibility category, rather than simply in aggregate, as well as provide an additional window of transparency into the forecasting process by presenting a clear link between total expenditure and the rates being paid to health maintenance organizations and the state managed care network.

In estimating the future per capita, the Department has also started incorporating partial month and retroactivity adjustments to the projected rates beginning with the November 2013 request. The adjustments are described in further detail in Exhibit C5 (page S-3.8)

Additionally, the Department has incorporated an incurred but not reported methodology similar to the Medicaid Mental Health Program Request submitted by the Department. The Department is adjusting its request to capture the reality that some CBHP claims incurred in any one fiscal year may not be paid during that same fiscal year. Similarly, some portion of expenditure in any fiscal year will be payments on claims incurred in prior fiscal years.

The following narrative describes in greater detail the assumptions and calculations used in developing the current year and out-year for Medicaid Children's Basic Health Plan. It should be noted that the data and values in many of the exhibits are contained and/or calculated in one or more other exhibits which may come before or after the exhibit being described. When this occurs, the source exhibit will be noted.

EXHIBIT C1 - CALCULATION OF CURRENT TOTAL LONG BILL GROUP IMPACT

Effective with the November 1, 2013 Budget Request, the Department will include Exhibit C1 which presents a concise summary of spending authority affecting Children's Basic Health Plan. In this exhibit the Department sums the total spending authority by fund source, including the Long Bill and any special bills which have appropriations that affect the Department. The total spending authority is compared to the total projected estimated current year expenditures from Exhibit C2. The difference between the two figures is the Department's Supplemental Request for the current fiscal year.

For the request year, the Department starts with the prior year's appropriation including special bills and adds in any required annualizations. This total is the Base Amount for the Request year. The total Base Amount is compared to the total projected estimated request year expenditure from page Exhibit C2. The difference between the two figures is the Department's Funding Request in the November Budget Request and the Department's Budget Amendment in the February Supplemental Budget Request.

EXHIBIT C2 - CALCULATION OF FUND SPLITS

Exhibit C2 details fund splits for all Children's Basic Health Plan budget lines for the current fiscal year Supplemental and the out-year Budget Request. For all of the capitation payments less enrollment fees, the funding is 35% State funds and 65% federal funds. Capitation expenditures are split between traditional clients which are funded from the CBHP Trust fund and expansion clients which are funded from Hospital Provider Fee funds. Finally, the recoupments from prior years for CBHP capitation overpayments are also presented (see Exhibit C4 for recoupment estimates).

In the capitation base for both years, most clients are paid for with 35% General Fund and 65% federal funds. Expansion clients (clients with income 206%-250% FPL) funded through HB 09-1293 receive State share funding from the Hospital Provider Fee Cash Fund. These clients also receive a 65% federal match.

CBHP Services for Hospital Provider Fee Expansion Clients

HB 09-1293 established a funding mechanism for a series of expansion clients. The set of expansion clients that are funded through the bill are children and prenatal clients with income 206%-250% of the Federal Poverty Limit (FPL). Services for these clients are funded through the Hospital Provider Fee Cash Fund. These clients are assumed to be similar to other clients, and expenditure for these clients are therefore calculated using the same per capita rate as other clients.

EXHIBIT C3 - MEDICAID CHILDREN'S BASIC HEALTH PLAN SUMMARY

Exhibit C3 presents a summary of CBHP caseload and capitation expenditures itemized by eligibility category as well as a summary of the bottom line adjustments of the Children's Basic Health Plan. The net capitation payments include the impacts of actions with perpetual effect as well as caseload driven impacts such as the various recoupments and retractions for clients determined to be ineligible. Exhibit C4 illustrates the build to the final expenditure estimates presented in this exhibit.

EXHIBIT C4 - CBHP CASELOAD, PER CAPITA, AND EXPENDITURE HISTORY

Exhibit C4 contains the caseload, per-capita, and expenditure history for each of the 6 eligibility categories. Each of the tables that comprise Exhibit C4 is described below.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Children's Basic Health Plan Caseload

Children's Basic Health Plan caseload is displayed in one table showing caseload by all CBHP eligibility categories. Figures for fiscal years up to the present fiscal year are actual caseloads, while the current fiscal year and the request year caseloads are estimates. The caseload numbers are used in numerous exhibits throughout the Children's Basic Health Plan Exhibits and narrative. Caseload numbers for children are used twice, once for medical and once for dental.

Children's Basic Health Plan Per Capita Historical Summary

Medicaid Children's Basic Health Plan per capita is displayed in one table. The table displays per capita by all CBHP eligibility categories, children categories are displayed twice to show medical and dental per capitas. Figures for fiscal years up to the present fiscal year are actual per capitas, while the current fiscal year and the request year per capitas are estimates. Calculated per capitas in Exhibit C4-Per Capita Historical Summary represent the estimated per capita including all adjustments for the given fiscal year, per capitas without bottom line adjustments can be found in Exhibit C4. Projected per capitas without bottom line adjustments are listed below, calculations are described in Exhibits C5 through C6 (pages S-3.9-12).

	Children to 200% FPL Medical	Children 201%-205% FPL Medical	Children 206%-250% FPL Medical	Children to 200% FPL Dental	Children 201%-205% FPL Dental	Children 206%-250% FPL Dental	Prenatal to 200% FPL	Prenatal 201%-205% FPL	Prenatal 206%-250% FPL
Projected FY 2013-14	\$2,213.18	\$2,134.76	\$2,375.38	\$220.89	\$206.93	\$227.76	\$16,575.75	\$12,575.70	\$12,851.23
Projected FY 2014-15	\$2,448.61	\$2,503.47	\$2,258.89	\$193.99	\$191.18	\$184.90	\$15,792.87	\$12,686.52	\$12,772.03
Projected FY 2015-16	\$2,495.98	\$2,576.86	\$2,346.93	\$197.42	\$196.37	\$188.83	\$12,908.17	\$13,130.39	\$13,154.43

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Children's Basic Health Plan Expenditures Historical Summary

The history of expenditures shows total capitation expenditures for all CBHP eligibility categories. Medical and dental expenditures are listed separately. Actual expenditures by eligibility category are available from the Colorado Financial Reporting System (COFRS) and are reported in Exhibit C4-Expenditure Summary.

EXHIBIT C5 - ESTIMATE AND REQUEST BY ELIGIBILITY CATEGORY

Exhibit C5 provides capitation expenditure calculations for the current fiscal year and the request year.

The Department has adopted a methodology based on forecasting a capitation rate, multiplying that rate by monthly caseload, multiplying again by the number of months that the forecasted rate will be in effect, and then adjusting for incurred claims that will be paid in subsequent years as well as for claims from former years that will be paid in the year of the request. The methodology is a zero-based budget tool that allows the Department to examine projected expenditures each year without building in inappropriate assumptions, estimates, or calculations from preceding years.

The forecasted capitation rate is derived from exhibits C6 through C8 and will be presented in more detail below. The caseload is the same as displayed in Exhibit C4.

In order to adjust the calculations for cash accounting, the Department makes two adjustments to the calculation: first, the Department subtracts the incurred amount estimated to be paid in subsequent periods; then, the Department adds the claims incurred in prior periods expected to be paid in the forecast period. These adjustments transform the estimated incurred expenditure to a cash-based figure. The basis for these adjustments is described in this narrative below and is shown starting on page S-3.C4-1.

After calculating total expenditure, the anticipated recoupments for each fiscal year are estimated and added to total expenditure for the per capita estimate that is used in final expenditure calculations seen in Exhibit C3.

Incurred-but-not-Reported Estimates

In order to estimate the necessary adjustments to convert the projection to a cash basis, the Department estimates monthly incurred-but-not-reported (IBNR) adjustments based on historical data. Monthly adjustments are required because, for example, claims incurred in July of the current fiscal year have 11 more months of the fiscal year in which the claims can be paid; however, claims incurred in June

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

of the fiscal year only have the remainder of that month in which to be paid before the payment becomes part of the next fiscal year's expenditure.

The Department examined historical data from the last five fiscal years and determined the prior fiscal years would provide a representative model for the likelihood of claims being paid in the year in which they are incurred. Pages S-3.C5-4 through S-3.C5-6 present the percentage of claims paid in a twelve-month period that come from that same period and those which come from previous periods. The previous four years of expenditure experience were examined and the average was applied to the forecast.

Actuarially Certified Capitation Rates

Capitated rates for the health maintenance organizations are required to be actuarially certified and approved by CMS, thus actuarially certified rate increases could reasonably be expected to be good predictors of future costs. As such, the Department used trends on the historically certified capitation rates to derive the capitation rate presented in Exhibit C5. The methodology for determining the forecasted capitation rate is the subject of Exhibits C6 through C8.

EXHIBIT C6 - CBHP RETROACTIVITY ADJUSTMENT AND PARTIAL MONTH ADJUSTMENT MULTIPLIER

Capitations are paid for clients from the date the client's eligibility is effective, resulting in claims paid retroactively. As such, any projection which derives expenditure by using non-retroactive caseload must take into account these retroactive claims. Since expenditures are calculated as the estimated capitation rate multiplied by the non-retroactive caseload, an adjustment for retroactivity can be applied to either the forecasted capitation rate or the caseload figure. In order to maintain the uniform presentation of caseload across all Departmental estimates and requests, the Department chose to make its retroactivity adjustment to the forecasted capitation rate itself.

Additionally, claims-based data (as it is derived from literally the money spent on each claim) is the actual driver of expenditure. Examining the capitation rate for forecasting allows the Department and policy makers to see the relationship of the capitation payments paid to the behavioral health organizations to total expenditure. Forecasting based on trends in the capitation rate will only be as accurate as the relationship between that capitation trend and any trends in the rates of per-claim expenditure. These two rates can (and indeed do) trend similarly, but any difference in trends needs to be captured in order to ensure the accuracy of the forecast. The different trends are usually related to the incidence of payments for partial months of eligibility, which fluctuate for reasons unrelated to the CBHP Capitation program. This difference is captured through a partial-month adjustment multiplier.

Retroactivity Adjustment Multiplier

For the purpose of adjusting the forecasted capitation rate to capture the omission of retroactivity from caseload, the Department analyzed the last five years of claims and caseload data. Page S-3.C6-1 presents the average monthly claims as compared to the average monthly caseload for those years across eligibility categories. The relatively steady percentage values across each respective eligibility category suggest the ratio is indeed systemic (as created by retroactivity) rather than a unique circumstance. The Department analyzed the data, however, and determined the amount of retroactivity in the claims incurred each period is steadily changing over time and has trended downward for all eligibility categories except for disabled individuals. For this reason, the Department assumes the most recent period with adequate time for run-out of claims is the best representation of how much retroactivity will affect the claims-to-caseload ratio in the current and request years.

Partial Month Adjustment Multiplier

To derive the partial month adjustment multiplier for the purpose of capturing any difference in trends between the capitation rate trends and the trends on per-claim expenditure, the last five years of data were examined.

As presented on page S-3.C6-2, for each eligibility category, the weighted average claims-based rate (weighted by proportion of total claims within an eligibility category covered by an individual health maintenance organization or state managed care network) was compared to the weighted capitation rate (similarly weighted). Then, the claims-based rate as a percentage of the capitation rate was calculated, providing a simple comparison of any trend in claims-based rates as compared to capitation rates. The percentages are similar across years, indicating claims-based trends are matching capitation trends. The Department analyzed the data, however, and determined the amount of partial months paid each period is steadily changing over time within each eligibility category. For this reason, the Department assumes the most recent period with adequate time for runout of claims is the best representation of how much partial-month payments will affect the claims-based rate in the current and request years.

EXHIBIT C7 - CBHP RECONCILIATION ADJUSTMENT CALCULATION

The projected per capitas from the February 15, 2013 request incorporated predicted reconciliations while the projected per capitas for the November 15, 2013 request do not. The Department assumes that the difference between the inflated former projected per capita and the more recent projected per capita will reflect the approximate reconciliation payment per client.

EXHIBIT C8 - CBHP CAPITATION RATE TRENDS AND FORECASTS

As presented above, the expenditure forecast was derived by examining the trend on the capitation rate and then applying that trend to the monthly cost per client (i.e., the claims-based rate). For the purpose of trend analysis, the weighted capitation rate (weighted by proportion of total claims within an eligibility category covered by an individual health maintenance organization or state managed care network) was examined. Exhibit C6 presents historical data as well as the forecasted weighted rates.

The weighted rate is presented along with the percentage change from the previous fiscal year. The multiple forecast trend models and the criteria for selecting the forecasted capitation rate point estimate are presented in Exhibit C8.

Based on the Department's calculations and rate-setting process and input from the health maintenance organizations, the Department's actuaries certify a capitation rate range for each HMO, SMCN, and eligibility type; the Department is permitted to pay any rate within this range and maintain an actuarially sound capitation payment. To develop the range, the actuaries calculate a single rate (the "point estimate") and the upper and lower bounds around this rate that maintain actuarial soundness.

It is important to note the overall weighted point estimate presented in the exhibit is weighted across two factors. First, the rate is weighted within an eligibility category (that is, weighted by the health maintenance organizations' and state managed care network's proportion of claims processed within that eligibility category). Second, that rate is then weighted across all eligibility categories (with the weight derived from the total number of claims processed within an eligibility category as a percentage of total claims processed across all eligibility categories). Because caseload can be increasing or decreasing independently of any one capitation rate, the Weighted CBHP Total rate may not be a clear indicator of the rate trends across all eligibility categories.

Exhibit C6 presents the weighted point estimate rates, and the trend of those rates is used for forecasting. The weighted point estimates differ from paid rates, which can change within the upper and lower bounds of the established rate range in response to new rate-setting processes and budget reduction measures. The paid rates, which are discussed below, are not presented in Exhibit C6 in order to allow for comparison across years and so as to not artificially inflate or deflate the rate trend and bias the estimated rate in future years.

EXHIBIT C9 - FORECAST MODEL COMPARISONS

Exhibit C8 produces the final capitation rate estimates that are used as the source of the expenditure calculations provided in Exhibit C4. Pages S-3.C9-1 and S-3.C9-2 present the final rate estimates in their entirety. The final rate estimates are a product of model selection (discussed below) and the necessary adjustments as presented in Exhibit C5.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

On page R-3.C9-2, a series of forecast models are presented for each eligibility category. From the models or from historical changes, a point estimate is selected as an input into pages R-3.C8-1. Based on the point estimates, the adjustments presented in Exhibit C5 are then applied and the final, adjusted point estimate is then used in the expenditure calculations of Exhibit C4.

Final Forecasts

Page S-3.C9-1 begins by presenting the known rates from those already set through the actuarial process and the remaining point estimates of each eligibility category's rate as selected on page S-3.C9-2 (see below).

The forecasted rate is then adjusted by the partial month adjustment multiplier, calculated on page S-3.C6-2. The multiplier is applied to adjust for the fact that the full capitation rate is not paid for every member month. The rate for paid claims is impacted by payments made for partial months of eligibility; this type of payment will not be for a "whole" capitation payment at the current fiscal period's capitation rate. Therefore, the multiplier is applied to convert capitation rates to a figure which is more likely to reflect actual expenditure.

Then the claims-based rate is adjusted a second time, this time by the retroactivity adjustment. From Exhibit C6, page S-3.C6-1, this second adjustment is made to capture the retroactivity not captured by the caseload figures. As described in the narrative for Exhibit C6, since caseload does not capture retroactivity, and since projected total expenditure is equal to caseload times the projected rate, either the rate or the caseload must be adjusted to capture retroactivity. To keep CBHP caseload matched to other caseload figures presented by the Department, the adjustment is made to the projected rate yielding the final forecasted rate, which is the rate used to derive the expenditure calculation presented in Exhibit C5. A similar methodology is applied to the rates in each eligibility category and for each fiscal period.

Capitation Trend Models

The forecasted capitation rates are the result of a point estimate selection from among several forecast trend models and historical information. These models are presented on page S-3.C9-2 and historical midpoint rates are presented in Exhibit C9.

For each eligibility category, four different trend model forecasts were performed: an average growth model, a two-period moving average model, an exponential growth model, and a linear growth model. The average growth model examines the rate of change in the capitation rate and applies the average rate of change to the forecast period. The two-period moving average model projects the forecast period will see a change in the capitation rate that is the average of the last two changes in the capitation rate. The exponential growth model assumes the capitation rate is increasing faster as time moves forward (a best-fit exponential equation is applied to the historical

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

data and trended into the future). The linear growth model is a regression model on time, fitting a linear equation line to the historical data and forecasting that line into the future. Each model in the exhibit also shows what the percent change would be from the prior period.

The Department's decisions for trend factors are informed, in part, by preliminary calculations from the actual rate setting process. Because those calculations remain preliminary, the Department does not explicitly use them in estimating trend factors.

Capitation rates are required to be actuarially sound and are built from a blend of historical rates. The trends models, as presented in this exhibit, are an attempt to predict the final outcome of this rate setting process. However, the use of historical, final rates as data points for predicting future rates is limited when future periods are likely to be fundamentally different than historical periods. Beginning with FY 2008-09 the Department has experienced unusual trends for the CBHP capitation program. This program, in its present state, has never existed in an economic climate like the one currently being experienced. As such, the various rate estimating models' reliance on historical performance for predicting future performance is limited. The Department has used the trend models to establish a range of reasonable rate values and has selected trends by considering the various factors that impact the respective eligibility populations as well as the impact that encounter data will have on the rate setting process. As such, the Department believes the most recent years' experience is the most predictive of the likely current year and future year experiences. The following table shows the trends selected for the current and request years by eligibility category.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Aid Category	FY 2014-15 Trend Selection	FY 2015-16 Trend Selection	Justification
Children to 200% FPL Medical	2.92% Average Growth Model	2.92% Average Growth Model	Historical capitation rates for Children to 200% (Medical) have increased over time. The Department chose the average growth rate from FY 2008-09 through FY 2013-14 to trend the FY 2014-15 and FY 2015-16 rates for all categories due to the substantial history in this population.
Children 201%-205% FPL Medical	2.92% Average Growth Model from Children to 200%	2.92% Average Growth Model from Children to 200%	The Department chose the average growth rate from from Children to 200% to trend the FY 2014-15 and FY 2015-16 rates for all categories due to the substantial history in this population.
Children 206%-250% FPL Medical	2.92% Average Growth Model from Children to 200%	2.92% Average Growth Model from Children to 200%	The Department chose the average growth rate from Children to 200% to trend the FY 2014-15 and FY 2015-16 rates for all categories due to the substantial history in this population.
Children to 200% FPL Dental	1.41% Two Period Moving Average Model from Children to 200%	1.41% Two Period Moving Average Model from Children to 200%	Historical capitation rates for Children to 200% (Dental) have increased over time. The Department chose the two period moving average growth rate from FY 2008-09 through FY 2013-14 to trend the FY 2014-15 and FY 2015-16 rates for all categories due to the substantial history in this population.
Children 201%-205% FPL Dental	1.41% Two Period Moving Average Model from Children to 200%	1.41% Two Period Moving Average Model from Children to 200%	The Department chose the two period moving average growth rate from Children to 200% to trend the FY 2014-15 and FY 2015-16 rates for all categories due to the substantial history in this population.

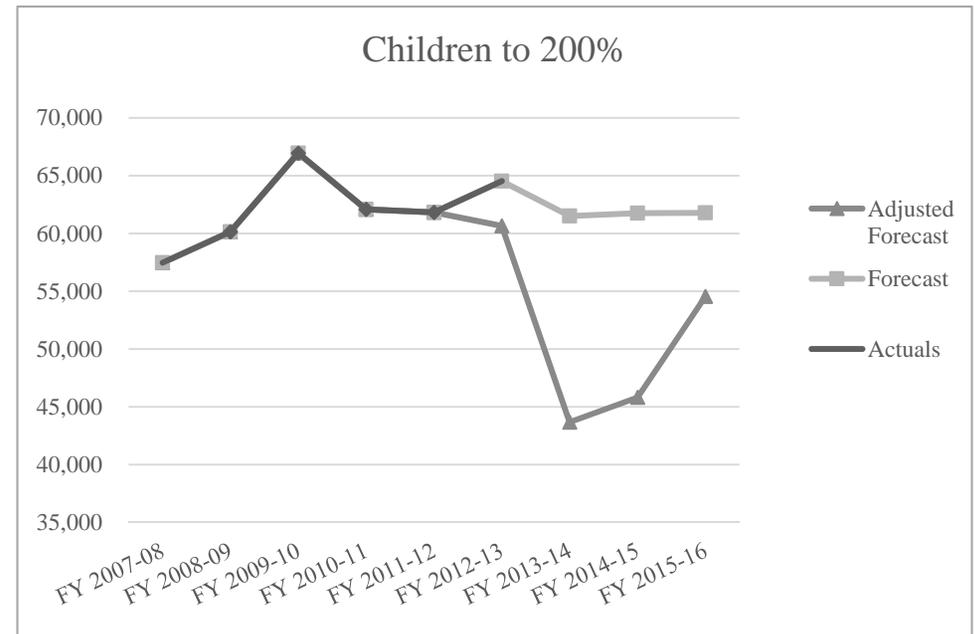
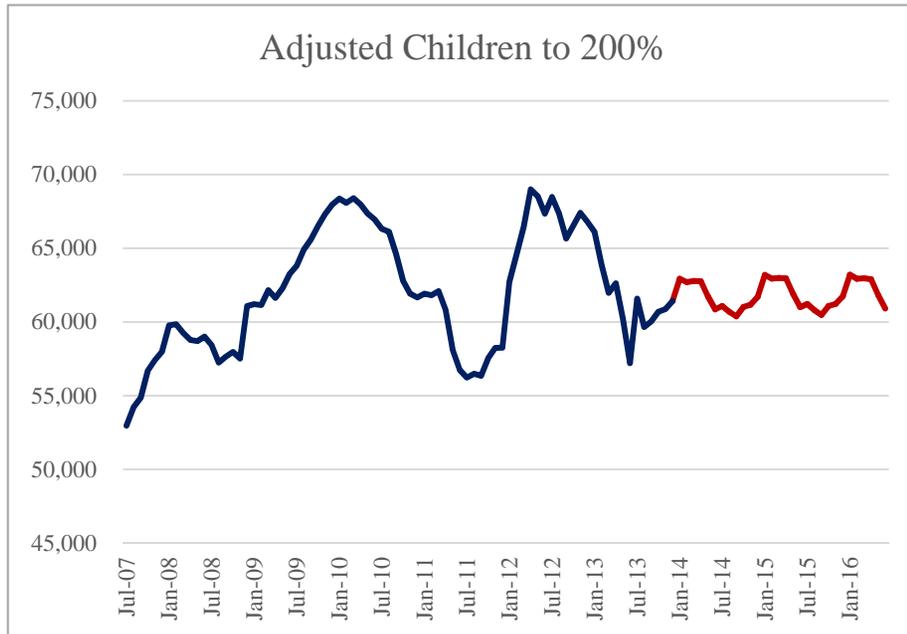
FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Aid Category	FY 2014-15 Trend Selection	FY 2015-16 Trend Selection	Justification
Children 206%-250% FPL Dental	1.41% Two Period Moving Average Model from Children to 200%	1.41% Two Period Moving Average Model from Children to 200%	The Department chose the two period moving average growth rate from Children to 200% to trend the FY 2014-15 and FY 2015-16 rates for all categories due to the substantial history in this population.
Prenatal to 200% FPL	2.67% Average Growth from Prenatal to 200%	2.67% Average Growth from Prenatal to 200%	Historical capitation rates for Prenatal to 200% have slowly increased over time. The Department chose the average growth rate from FY 2008-09 through FY 2013-14 to trend the FY 2014-15 and FY 2015-16 rates for all categories due to the substantial history in this population.
Prenatal 201%-205% FPL	2.67% Average Growth from Prenatal to 200%	2.67% Average Growth from Prenatal to 200%	The Department chose the average growth rate from Prenatal to 200% to trend the FY 2014-15 and FY 2015-16 rates for all categories due to the substantial history in this population.
Prenatal 206%-250% FPL	2.67% Average Growth from Prenatal to 200%	2.67% Average Growth from Prenatal to 200%	The Department chose the average growth rate from Prenatal to 200% to trend the FY 2014-15 and FY 2015-16 rates for all categories due to the substantial history in this population.

The selected point estimates of the capitation rates are adjusted on pages S-3.C9-1 and S-3.C9-2, as described above, for use in the expenditure calculations presented in Exhibit C5.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Children's Caseload Projections (Exhibit C4)



- Adjusted growth in children to 200% FPL in the first half of FY 2013-14 was lower than the Department's November 2013 forecast, in which annual base caseload was projected to be 63,942 and average monthly growth was projected to be 656. The estimated base caseload for FY 2013-14 decreased to 61,507.
- The selected trend for FY 2013-14 for Children to 200% FPL is lower than the Department's November 2013 forecast and would result in average base growth of 304 per month. This lower forecast is reflective of the average monthly decreases over FY 2012-13 and the first half of FY 2013-14. The Department believes that base caseload will not continue to decrease in future months. Growth is forecasted to return to positive trends in FY 2014-15.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

- The Department's existing Section 1115 waiver, which covers the Premium Assistance Program and pregnant women in CHP+, will expire on December 31, 2012. Any eligible CHP+ at Work clients will transition to direct coverage in the CHP+ program beginning in January 2013.
- There are three bottom-line adjustments to the Children to 200% FPL caseload. The first is from SB 11-008, which increases Medicaid eligibility for children from six through 18 years of age to 133% FPL beginning in January 2013. This has had a negative impact on caseload for the second half of FY 2012-13 and is expected to have a negative impact on caseload for the first half of FY 2013-14. This adjustment has been updated from the SB 11-008 estimate to account for the revised caseload forecasts with the same methodology used to estimate the fiscal impact of SB 11-008.
- The second bottom line adjustment to the Children to 200% caseload accounts for anticipated changes in eligibility and enrollment resulting from the implementation of a new income definition, the Modified Adjusted Gross Income (MAGI), required by the Affordable Care Act of 2010 (ACA) beginning in January 2014. States will be required to use this new income and a standardized household size definition to determine eligibility for low-income subsidies in Health Care Exchanges, as well as Medicaid and federal CHIP programs. Due to differences in household size and income calculations that currently exist between Colorado's Medicaid and CHP+ programs, a number of clients with reported household incomes within the official Medicaid eligibility range are actually eligible for CHP+. In FY 2011-12, 22.8% of children in the Children to 200% FPL category reported family incomes under 100% FPL and 51.8% reported family incomes under 133% FPL. Due to the number of children under existing Medicaid income limits, the Department believes the potential impact of MAGI is significant. The Department assumes that with the implementation of MAGI no clients with Medicaid-eligible incomes will remain in CHP+, thus negatively impacting the caseload for children whose incomes are currently documented at or below 133% FPL in CHP+. Although the exact effect of the implementation of MAGI is unknown at this time, the Department has included a negative adjustment to its caseload forecast for FY 2013-14 forward.
- The third adjustment accounts for clients that are eligible but not enrolled (EBNE) pursuant to the Affordable Care Act (ACA) in January 2014, which accounts for those clients who were eligible for Medicaid benefits but did not seek out the insurance package until the mandate to obtain health care coverage under the ACA and increased awareness due to the Medicaid expansions.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Children to 200%			
	Actuals	Monthly Change	% Change
Dec-11	58,258	-	-
Jan-12	62,736	4,478	7.69%
Feb-12	64,579	1,843	2.94%
Mar-12	66,466	1,887	2.92%
Apr-12	69,001	2,535	3.81%
May-12	68,520	(481)	-0.70%
Jun-12	67,346	(1,174)	-1.71%
Jul-12	68,486	1,140	1.69%
Aug-12	67,368	(1,118)	-1.63%
Sep-12	65,667	(1,701)	-2.52%
Oct-12	66,552	885	1.35%
Nov-12	67,410	858	1.29%
Dec-12	66,797	(613)	-0.91%
Jan-13	63,305	(3,492)	-5.23%
Feb-13	58,114	(5,191)	-8.20%
Mar-13	53,539	(4,575)	-7.87%
Apr-13	53,416	(123)	-0.23%
May-13	49,793	(3,623)	-6.78%
Jun-13	47,308	(2,485)	-4.99%
Jul-13	50,883	3,575	7.56%
Aug-13	48,436	(2,447)	-4.81%
Sep-13	48,373	(63)	-0.13%
Oct-13	41,418	(6,955)	-14.38%
Nov-13	37,837	(3,581)	-8.65%
Dec-13	38,129	292	0.77%

Base trend from December 2013 level			
FY 2013-14	41,154	-36.22%	(23,366)

November 2013 Forecast	
Forecasted December 2013 Level	44,358

	Caseload	% Change	Level Change
FY 2007-08	57,465	-	-
FY 2008-09	60,137	4.65%	2,672
FY 2009-10	66,940	11.31%	6,803
FY 2010-11	62,080	-7.26%	(4,860)
FY 2011-12	61,815	-0.43%	(266)
FY 2012-13	64,520	4.38%	2,706
FY 2013-14	61,507	-4.67%	(3,013)
FY 2014-15	61,757	0.41%	250
FY 2015-16	61,776	0.03%	20

SB 11-008 Adjustment		
FY 2012-13		(3,874)
FY 2013-14		(14,787)
FY 2014-15		(16,558)
FY 2015-16		(16,558)

MAGI Adjustment		
FY 2012-13		0
FY 2013-14		(4,171)
FY 2014-15		(6,391)
FY 2015-16		(6,539)

Medicaid Expansion EBNE Adjustment		
FY 2012-13		0
FY 2013-14		1,124
FY 2014-15		7,002
FY 2015-16		15,871

January 2014 Projections After Adjustments			
FY 2012-13	60,646	-1.89%	(1,168)
FY 2013-14	43,672	-27.99%	(16,974)
FY 2014-15	45,810	4.89%	2,137
FY 2015-16	54,551	19.08%	8,741

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

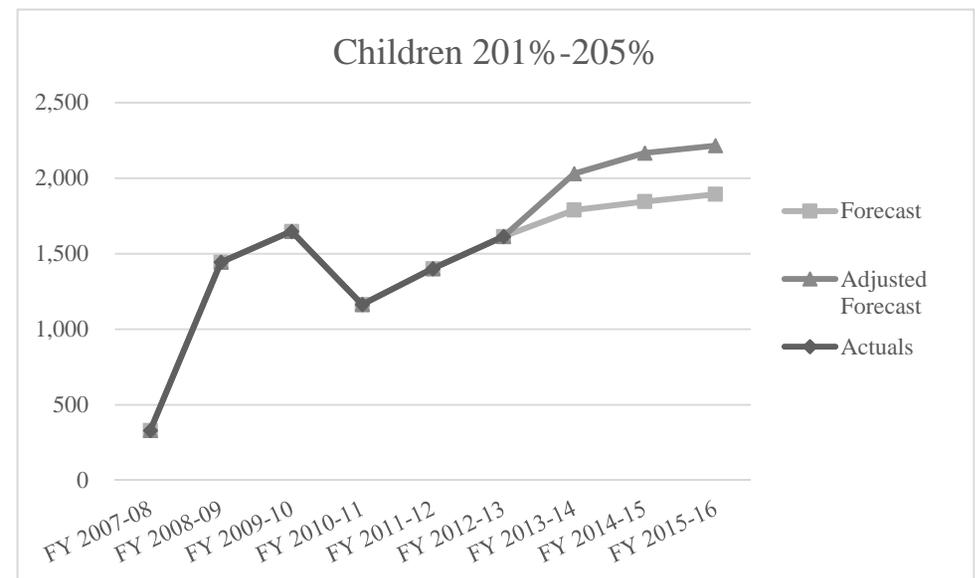
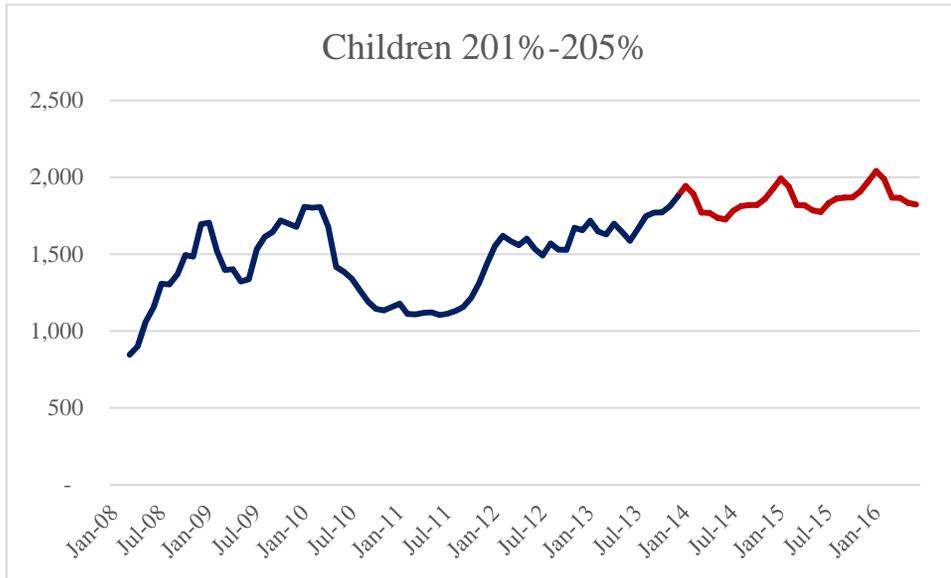
Actuals		
	Monthly Change	% Change
6-month average	(1,530)	-3.27%
12-month average	(2,389)	-4.41%
18-month average	(1,623)	-2.98%
24-month average	(839)	-1.61%

November Projections Before Adjustments			
FY 2013-14	63,942	-0.90%	(578)
FY 2014-15	67,553	5.65%	3,611
FY 2015-16	71,164	5.35%	3,611

Base Monthly Average Growth Comparisons		
FY 2012-13 Actuals	(845)	-1.33%
FY 2013-14 1st Half Actuals	704	1%
FY 2013-14 2nd Half Forecast	(95)	-0.15%
FY 2013-14 Forecast	304	0.55%
November 2013 Forecast	656	-0.11%
FY 2014-15 Forecast	13	0.03%
November 2013 Forecast	301	0.45%
Final Monthly Average Growth Comparisons**		
FY 2013-14 1st Half Actuals	(1,530)	-3.27%
FY 2013-14 2nd Half Forecast	1,439	3.46%
FY 2013-14 Forecast	(46)	0.09%
FY 2014-15 Forecast	(146)	-0.32%

November Projections After Adjustments			
FY 2013-14	43,619	-32.39%	(20,901)
FY 2014-15	45,418	4.12%	1,799
FY 2015-16	56,998	25.50%	11,580

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE



- This population was created through SB 07-097, and was implemented beginning March 1, 2008. Children in this population have family incomes between 201 and 205% FPL.
- Base growth in Expansion to 205% FPL children in the first half of FY 2013-14 was higher than the Department’s November 2013 forecast, in which annual caseload was projected to be 1,698 and average monthly growth was projected to be 11. Caseload in September 2013, before the implementation of the Affordable Care Act, was already at 1,770.
- The selected trend for FY 2013-14 for Expansion to 205% FPL children is higher than the Department’s November 2013 forecast, and would result in average base growth of 12 per month. The Department does not believe the caseload will continue to increase this aggressively, and has decreased the growth trends for fiscal years 2014-15 and 2015-16. The forecast for the expansion to 205% FPL assumes that the slow improvement in economic conditions will continue, resulting in lower caseload growth in forecast years.
- The bottom line adjustment to the Children 201% to 205% caseload accounts for anticipated changes in eligibility and enrollment resulting from the implementation of a new income definition, the Modified Adjusted Gross Income (MAGI), required by the Affordable Care Act of 2010 (ACA) beginning in October 2013.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Children 201%-205%			
	Actuals	Monthly Change	% Change
Dec-11	1,441	-	-
Jan-12	1,553	112	7.77%
Feb-12	1,620	67	4.31%
Mar-12	1,585	(35)	-2.16%
Apr-12	1,559	(26)	-1.64%
May-12	1,601	42	2.69%
Jun-12	1,535	(66)	-4.12%
Jul-12	1,491	(44)	-2.87%
Aug-12	1,570	79	5.30%
Sep-12	1,529	(41)	-2.61%
Oct-12	1,528	(1)	-0.07%
Nov-12	1,672	144	9.42%
Dec-12	1,656	(16)	-0.96%
Jan-13	1,717	61	3.68%
Feb-13	1,647	(70)	-4.08%
Mar-13	1,628	(19)	-1.15%
Apr-13	1,699	71	4.36%
May-13	1,645	(54)	-3.18%
Jun-13	1,587	(58)	-3.53%
Jul-13	1,665	78	4.91%
Aug-13	1,747	82	4.92%
Sep-13	1,770	23	1.32%
Oct-13	2,093	323	18.25%
Nov-13	2,032	(61)	-2.91%
Dec-13	2,034	2	0.10%

	Caseload	% Change	Level Change
FY 2007-08	330	-	-
FY 2008-09	1,445	337.84%	1,115
FY 2009-10	1,649	14.12%	204
FY 2010-11	1,164	-29.40%	(485)
FY 2011-12	1,402	20.46%	238
FY 2012-13	1,614	15.13%	212
FY 2013-14	1,790	10.87%	175
FY 2014-15	1,845	3.13%	56
FY 2015-16	1,894	2.64%	49

MAGI Adjustment	
FY 2012-13	-
FY 2013-14	241
FY 2014-15	322
FY 2015-16	322

January 2014 Projections After Adjustments			
FY 2012-13	1,614	15.13%	212
FY 2013-14	2,031	25.82%	417
FY 2014-15	2,167	6.72%	136
FY 2015-16	2,216	2.25%	49

November 2013 Projections Before Adjustments			
FY 2013-14	1,698	5.20%	84
FY 2014-15	1,742	2.59%	44
FY 2015-16	1,767	1.44%	25

Base trend from December 2013 level			
FY 2013-14	1,962	21.56%	348

November 2013 Forecast	
Forecasted December 2013 Level	1,700

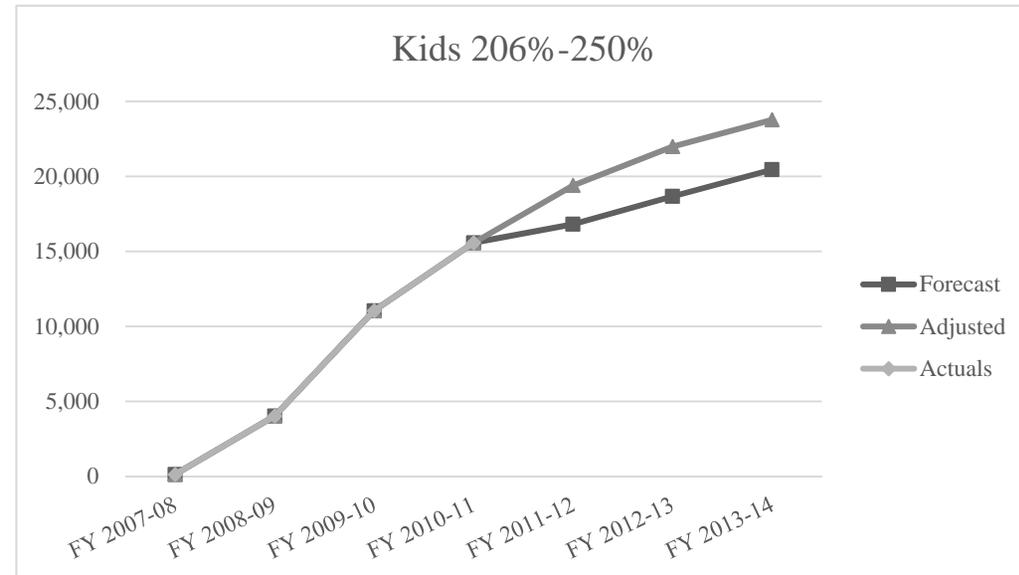
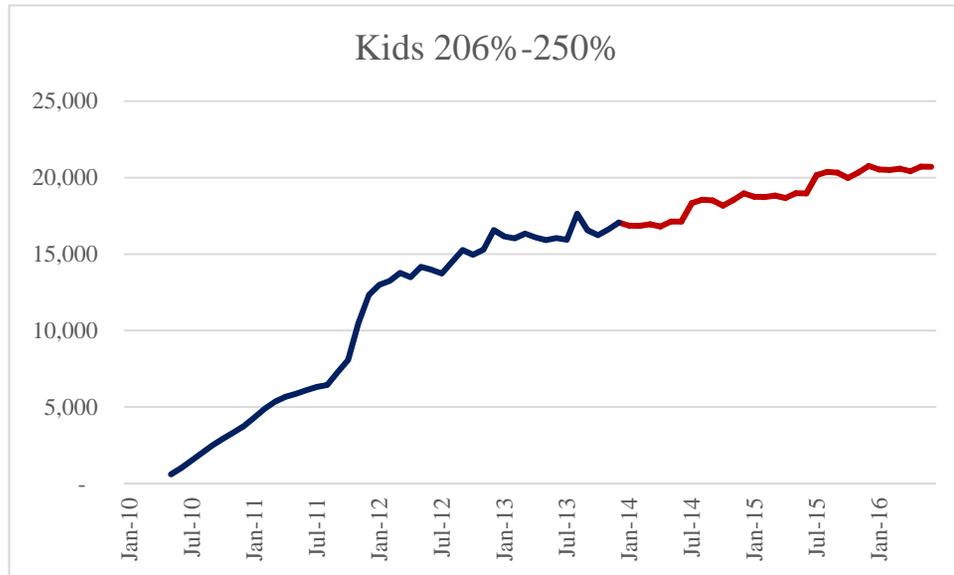
FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

November 2013 Forecast	
Forecasted December 2013 Level	1,700

Actuals		
	Monthly Change	% Change
6-month average	75	4.43%
12-month average	32	1.89%
18-month average	28	1.72%
24-month average	25	1.57%

Base Monthly Average Growth Comparisons		
FY 2012-13 Actuals	4	0.36%
FY 2013-14 1st Half Actuals	48	3%
FY 2013-14 2nd Half Forecast	(25)	-1.34%
FY 2013-14 Forecast	12	0.75%
November 2013 Forecast	11	0.70%
FY 2014-15 Forecast	4	0.27%
November 2013 Forecast	3	0.14%
Final Monthly Average Growth Comparisons**		
FY 2013-14 1st Half Actuals	75	4%
FY 2013-14 2nd Half Forecast	39	2%
FY 2013-14 Forecast	57	3.14%
FY 2014-15 Forecast	(16)	-0.73%

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE



- This population was created through HB 09-1293, and was implemented beginning May 1, 2010. Children in this population have family incomes between 206% and 250% of the federal poverty level.
- Base growth in the first half of FY 2013-14 was higher than the Department's Department 2013 estimates in which annual caseload was projected to be 16,730 and average monthly growth was projected to be 105. Actual caseload in October 2013, upon implementation of the Affordable Care Act, was 20,382. The Department believes a significant portion of this growth is due to an EBNE (eligible but not enrolled) effect for this population and has accounted for this as an adjustment.
- The Department assumes that the slow improvement in economic conditions will continue, resulting in moderate caseload growth for the forecast years.
- The bottom line adjustment to the Children 201% to 205% caseload accounts for anticipated changes in eligibility and enrollment resulting from the implementation of a new income definition, the Modified Adjusted Gross Income (MAGI), required by the Affordable Care Act of 2010 (ACA) beginning in October 2013.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Children 206%-250%			
	Actuals	Monthly Change	% Change
Dec-11	12,338	-	-
Jan-12	12,985	647	5.24%
Feb-12	13,250	265	2.04%
Mar-12	13,774	524	3.95%
Apr-12	13,492	(282)	-2.05%
May-12	14,169	677	5.02%
Jun-12	13,975	(194)	-1.37%
Jul-12	13,731	(244)	-1.75%
Aug-12	14,509	778	5.67%
Sep-12	15,267	758	5.22%
Oct-12	14,955	(312)	-2.04%
Nov-12	15,289	334	2.23%
Dec-12	16,575	1,286	8.41%
Jan-13	16,159	(416)	-2.51%
Feb-13	16,028	(131)	-0.81%
Mar-13	16,337	309	1.93%
Apr-13	16,091	(246)	-1.51%
May-13	15,914	(177)	-1.10%
Jun-13	16,047	133	0.84%
Jul-13	15,933	(114)	-0.71%
Aug-13	17,642	1,709	10.73%
Sep-13	16,564	(1,078)	-6.11%
Oct-13	21,076	4,512	27.24%
Nov-13	19,560	(1,516)	-7.19%
Dec-13	20,382	822	4.20%

Base trend from December 2013 level			
FY 2013-14	19,454	24.90%	3,879

November 2013 Forecast	
Forecasted December 2013 Level	16,773

	Caseload	% Change	Level Change
FY 2007-08	-	-	-
FY 2008-09	-	-	-
FY 2009-10	136	-	-
FY 2010-11	4,023	2863.54%	3,887
FY 2011-12	11,049	174.65%	7,026
FY 2012-13	15,575	40.96%	4,526
FY 2013-14	16,813	7.95%	1,238
FY 2014-15	18,668	11.03%	1,855
FY 2015-16	20,451	9.55%	1,783

MAGI Adjustment	
FY 2012-13	0
FY 2013-14	2,586
FY 2014-15	3,321
FY 2015-16	3,321

January 2014 Projections After Adjustments			
FY 2012-13	15,575	40.96%	4,526
FY 2013-14	19,399	24.55%	3,824
FY 2014-15	21,989	13.35%	2,590
FY 2015-16	23,773	8.11%	1,783

November Projections Before Adjustments			
FY 2013-14	16,730	7.42%	1,155
FY 2014-15	17,804	6.42%	1,074
FY 2015-16	18,728	5.19%	924

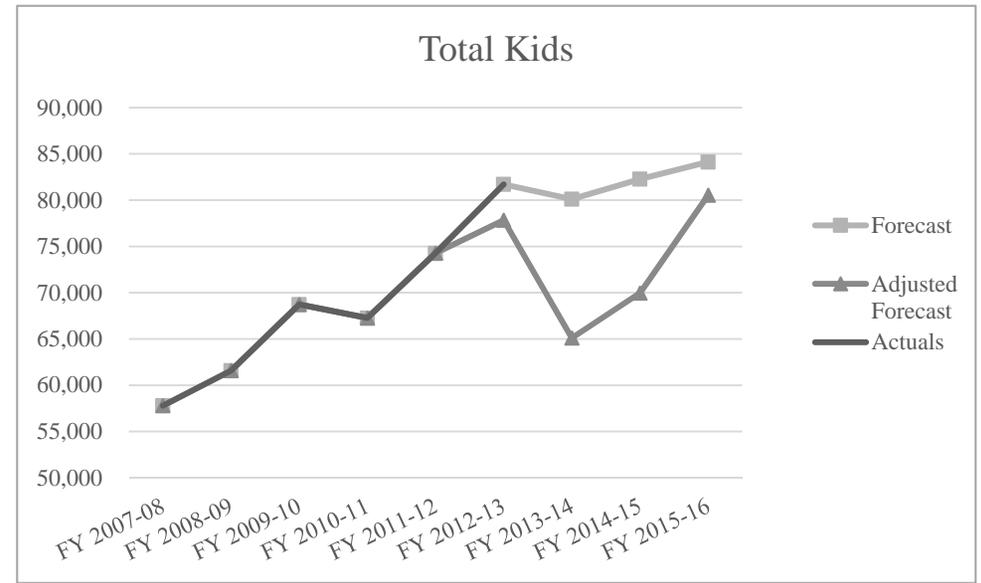
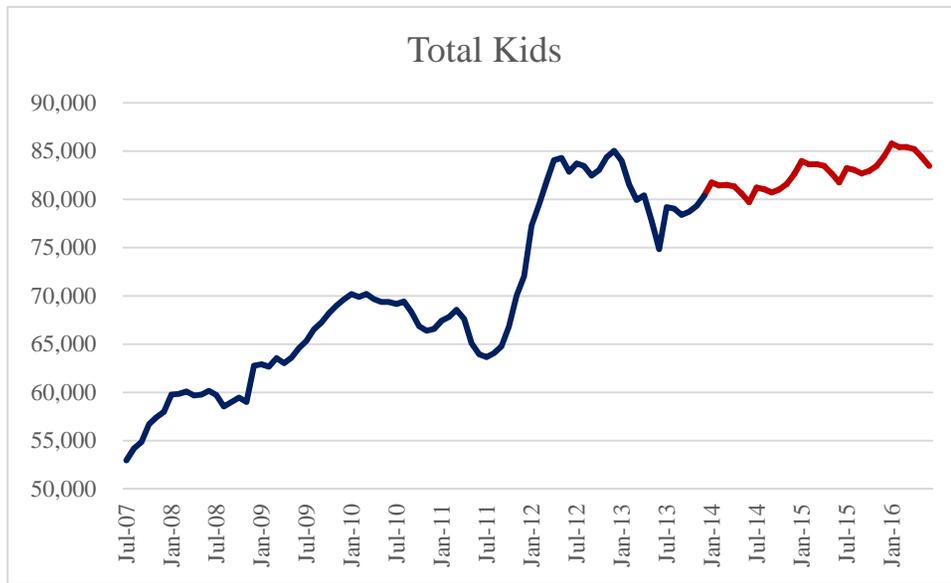
FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

November 2013 Forecast	
Forecasted December 2013 Level	16,773

Actuals		
	Monthly Change	% Change
6-month average	723	4.69%
12-month average	317	2.08%
18-month average	356	2.37%
24-month average	335	2.32%

Base Monthly Average Growth Comparisons		
FY 2012-13 Actuals	173	1.22%
FY 2013-14 1st Half Actuals	169	1%
FY 2013-14 2nd Half Forecast	11	0.07%
FY 2013-14 Forecast	90	0.61%
November 2013 Forecast	105	0.63%
FY 2014-15 Forecast	154	0.88%
November 2013 Forecast	77	0.43%
Final Monthly Average Growth Comparisons**		
FY 2013-14 1st Half Actuals	723	5%
FY 2013-14 2nd Half Forecast	(31)	0%
FY 2013-14 Forecast	346	2.27%
FY 2014-15 Forecast	276	1.27%

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE



- The FY 2013-14 children’s caseload forecast is 65,103, a 16.36% decrease from the FY 2012-13 caseload of 77,836 after adjustments. This forecast of the base caseload results in average increases of 357 per month in FY 2013-14. Average monthly growth for base caseload in FY 2013-14 is higher than previously forecasted (62,047) due unanticipated growth in populations above 200% FPL.
- Beginning in January 2013, the Department allowed the children of State employees eligible for CHP+ to enroll in the program. Although this policy change is anticipated to have a positive impact on children’s caseload, the effects are difficult to anticipate. Per state statute at 25.5-8-109 (1) C.R.S. (2012), the newly eligible children must still comply with a waiting period that requires that they are not insured by a comparable health plan during the three months prior to enrolling in CHP+. The Department believes that the growth rates it has incorporated into the forecast will account for any increases due to this policy change.
- As described in the CHP+ Children to 200% FPL section, there are three bottom-line adjustment to the CHP+ children’s caseload. The first is from SB 11-008, which increases Medicaid eligibility for children from six through 18 years of age to 133% FPL

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

beginning in January 2013. This has had a negative impact on caseload for the second half of FY 2012-13 and is expected to have a negative impact on caseload for the first half of FY 2013-14. The second bottom line adjustment to the Children to 200% caseload accounts for anticipated changes in eligibility and enrollment resulting from the implementation of a new income definition, the Modified Adjusted Gross Income (MAGI), required by the Affordable Care Act of 2010 (ACA) beginning in January 2014. The third adjustment accounts for clients that are eligible but not enrolled (EBNE) pursuant to the Affordable Care Act (ACA) in January 2014, which accounts for those clients who were eligible for Medicaid benefits but did not seek out the insurance package till the mandate to obtain health care coverage under the ACA and increased awareness due to the Medicaid expansions.

- The bottom line adjustments increase the projected FY 2013-14 to 65,103, from the formerly projected 62,047. The projected FY 2014-15 caseload with adjustments increases to 69,966, compared to the November 2013 forecast of 64,964. The projected FY 2015-16 caseload with adjustments increases to 80,539, compared to the November 2013 forecast of 77,493.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Total Children			
	Actuals	Monthly Change	% Change
Dec-11	72,037	-	-
Jan-12	77,274	5,237	7.27%
Feb-12	79,449	2,175	2.81%
Mar-12	81,825	2,376	2.99%
Apr-12	84,052	2,227	2.72%
May-12	84,290	238	0.28%
Jun-12	82,856	(1,434)	-1.70%
Jul-12	83,708	852	1.03%
Aug-12	83,447	(261)	-0.31%
Sep-12	82,463	(984)	-1.18%
Oct-12	83,035	572	0.69%
Nov-12	84,371	1,336	1.61%
Dec-12	85,028	657	0.78%
Jan-13	81,181	(3,847)	-4.52%
Feb-13	75,789	(5,392)	-6.64%
Mar-13	71,504	(4,285)	-5.65%
Apr-13	71,206	(298)	-0.42%
May-13	67,352	(3,854)	-5.41%
Jun-13	64,942	(2,410)	-3.58%
Jul-13	68,481	3,539	5.45%
Aug-13	67,825	(656)	-0.96%
Sep-13	66,707	(1,118)	-1.65%
Oct-13	64,587	(2,120)	-3.18%
Nov-13	59,429	(5,158)	-7.99%
Dec-13	60,545	1,116	1.88%

Caseload			
	Caseload	% Change	Level Change
FY 2007-08	57,795	-	-
FY 2008-09	61,582	6.55%	3,787
FY 2009-10	68,724	11.60%	7,143
FY 2010-11	67,267	-2.12%	(1,457)
FY 2011-12	74,266	10.40%	6,999
FY 2012-13	81,709	10.02%	7,444
FY 2013-14	80,109	-1.96%	(1,600)
FY 2014-15	82,270	2.70%	2,161
FY 2015-16	84,122	2.25%	1,852

SB 11-008 Adjustment	
FY 2012-13	(3,874)
FY 2013-14	(14,787)
FY 2014-15	(16,558)
FY 2015-16	(16,558)

MAGI Adjustment	
FY 2012-13	-
FY 2013-14	(1,344)
FY 2014-15	(2,748)
FY 2015-16	(2,896)

Medicaid Expansion EBNE Adjustment	
FY 2012-13	-
FY 2013-14	1,124
FY 2014-15	7,002
FY 2015-16	15,871

Base trend from December 2013 level			
FY 2013-14	62,570	-23.42%	(19,139)

November 2013 Forecast	
Forecasted December 2013 Level	62,831

Actuals			
	Monthly Change	% Change	
6-month average	(733)	-1.07%	
12-month average	(2,040)	-2.72%	
18-month average	(1,240)	-1.67%	
24-month average	(479)	-0.65%	

January 2014 Projections After Adjustments			
FY 2012-13	77,836	4.81%	3,570
FY 2013-14	65,103	-16.36%	(12,733)
FY 2014-15	69,966	7.47%	4,864
FY 2015-16	80,539	15.11%	10,573

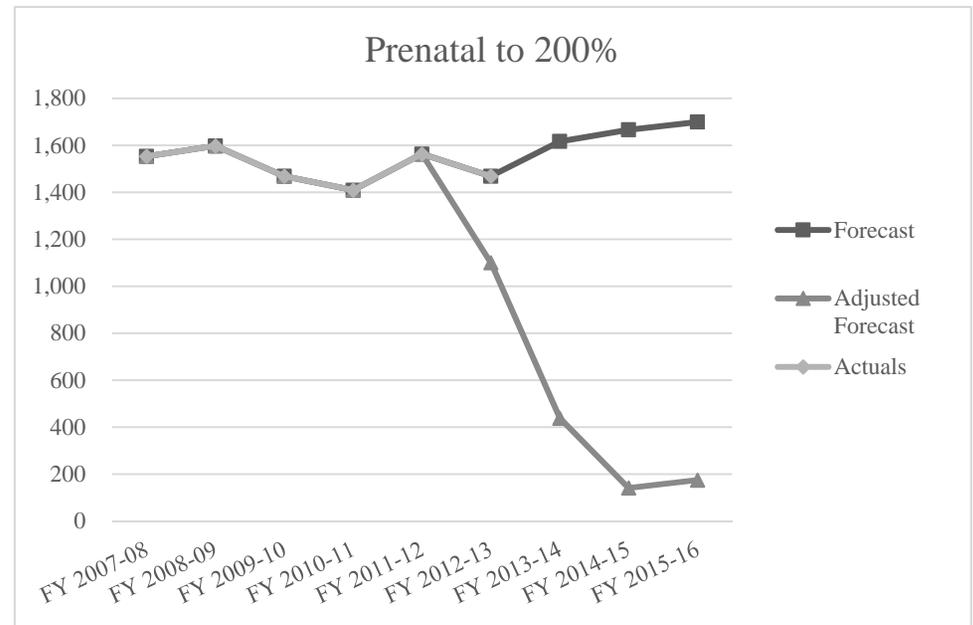
FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Base Monthly Average Growth Comparisons		
FY 2012-13 Actuals	(668)	-0.83%
FY 2013-14 1st Half Actuals	921	1%
FY 2013-14 2nd Half Forecast	(109)	-0.13%
FY 2013-14 Forecast	406	0.54%
November 2013 Forecast	378	0.49%
FY 2014-15 Forecast	171	0.22%
November 2013 Forecast	394	0.48%
Final Monthly Average Growth Comparisons**		
FY 2013-14 1st Half Actuals	(733)	-1.07%
FY 2013-14 2nd Half Forecast	1,447	2.26%
FY 2013-14 Forecast	357	5.50%
FY 2014-15 Forecast	113	0.16%

November Projections Before Adjustments			
FY 2013-14	82,370	5.83%	4,535
FY 2014-15	87,099	5.74%	4,729
FY 2015-16	91,659	5.24%	4,560

November Projections After Adjustments			
FY 2013-14	62,047	-20.28%	(15,789)
FY 2014-15	64,964	4.70%	2,917
FY 2015-16	77,493	19.29%	12,529

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE



- Base caseload growth in Prenatal to 200% FPL in the first half of FY 2013-14 was higher than the Department’s November 2013 forecast, however the SB 11-250 and MAGI adjustments seemed to absolve the majority of the growth.
- The Department does not believe that the strong positive base trend in the first half of FY 2013-14 will continue at similar magnitudes. The Department’s forecast assumes that the FY 2013-14 base caseload will have an average monthly increase of 22, followed by average monthly base growth of 3.
- There are two bottom-line adjustments to the CHP+ prenatal caseload. The first adjustment is from SB 11-250, which increases Medicaid eligibility for pregnant women from 133% FPL to 185% FPL beginning in January 2013 to comply with federal mandate. This has had a negative impact on CHP+ caseload as pregnant women who would otherwise be in CHP+ become eligible for Medicaid for the last half of FY 2012-13 and is expected to continue to have a negative impact for the first half of FY 2013-14. This adjustment has been updated from the SB 11-250 estimate to account for the revised caseload forecasts and recent guidance from CMS. CMS has directed the Department to move all pregnant women who meet this income requirement in January 2013 into

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Medicaid immediately upon implementation, including the women who are enrolled in CHP+ at that time. This can be seen in the substantial decrease observed in January 2013.

- Similar to the Children's caseload, the second bottom-line adjustment to the Prenatal to 200% caseload accounts for anticipated changes in eligibility and enrollment resulting from the implementation of MAGI in January 2014 as required by the ACA. States will be required to use this new income and a standardized household size definition to determine eligibility for low-income subsidies in health Exchanges, as well as Medicaid and federal CHIP programs. Due to differences in household size and income calculations that currently exist between Colorado's Medicaid and CHP+ programs, a number of clients with household incomes within the official Medicaid eligibility range are actually eligible for CHP+. In FY 2011-12, for example, 39.0% of clients in the Prenatal to 200% caseload reported family incomes within the existing Medicaid eligibility limit of 133% FPL and 88.7% reported family incomes under 185% FPL. The Department assumes that with the implementation of MAGI no clients with Medicaid-eligible incomes will remain in CHP+. The Department believes this will have a negative impact on the caseload for pregnant women whose incomes are documented at or below 185% FPL in CHP+ prior to the change. Although the exact effect of the implementation of MAGI is unknown at this time, the Department has included an adjustment to its caseload forecast for FY 2013-14 forward.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Prenatal to 200%			
	Actuals	Monthly Change	% Change
Dec-11	1,451	-	-
Jan-12	1,528	77	5.31%
Feb-12	1,664	136	8.90%
Mar-12	1,682	18	1.08%
Apr-12	1,674	(8)	-0.48%
May-12	1,671	(3)	-0.18%
Jun-12	1,660	(11)	-0.66%
Jul-12	1,639	(21)	-1.27%
Aug-12	1,610	(29)	-1.77%
Sep-12	1,526	(84)	-5.22%
Oct-12	1,501	(25)	-1.64%
Nov-12	1,536	35	2.33%
Dec-12	1,542	6	0.39%
Jan-13	614	(928)	-60.18%
Feb-13	541	(73)	-11.89%
Mar-13	591	50	9.24%
Apr-13	666	75	12.69%
May-13	692	26	3.90%
Jun-13	740	48	6.94%
Jul-13	810	70	9.46%
Aug-13	835	25	3.09%
Sep-13	893	58	6.95%
Oct-13	186	(707)	-79.17%
Nov-13	255	69	37.10%
Dec-13	299	44	17.25%

SB 11-250 Adjustment			
FY 2012-13			(369)
FY 2013-14			(796)
FY 2014-15			(934)
FY 2015-16			(934)

MAGI Adjustment			
FY 2012-13			0
FY 2013-14			(382)
FY 2014-15			(591)
FY 2015-16			(591)

January 2014 Projections After Adjustments			
FY 2012-13	1,100	-29.63%	(463)
FY 2013-14	438	-60.17%	(662)
FY 2014-15	141	-67.83%	(297)
FY 2015-16	175	23.80%	34

November 2013 Projections Before Adjustments			
FY 2013-14	1,403	2.05%	28
FY 2014-15	1,433	2.14%	30
FY 2015-16	1,463	2.09%	30

November 2013 Projections After Adjustments			
FY 2013-14	453	-58.81%	(647)
FY 2014-15	170	-62.45%	(283)
FY 2015-16	188	10.58%	18

Base trend from December 2013 level			
FY 2013-14	423	-71.22%	(1,046)

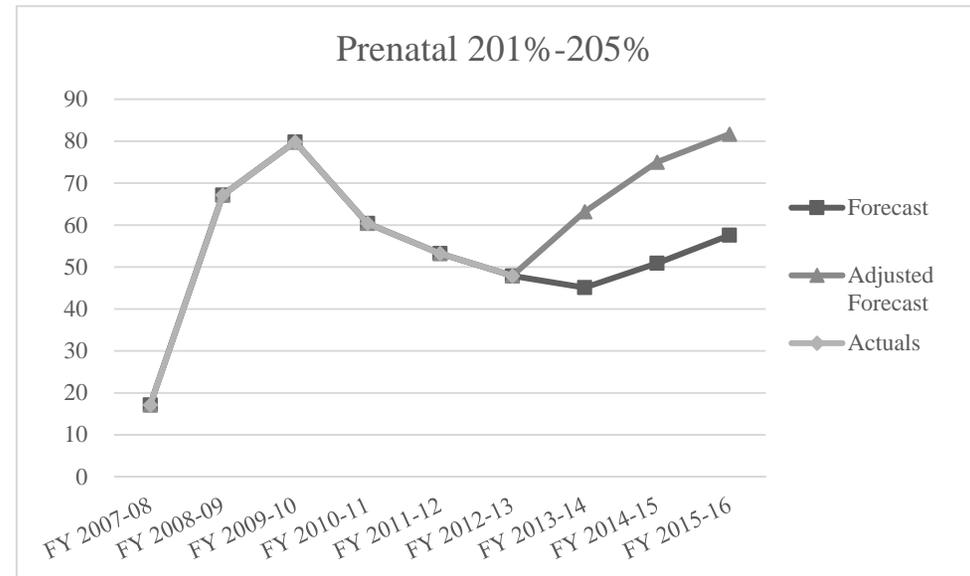
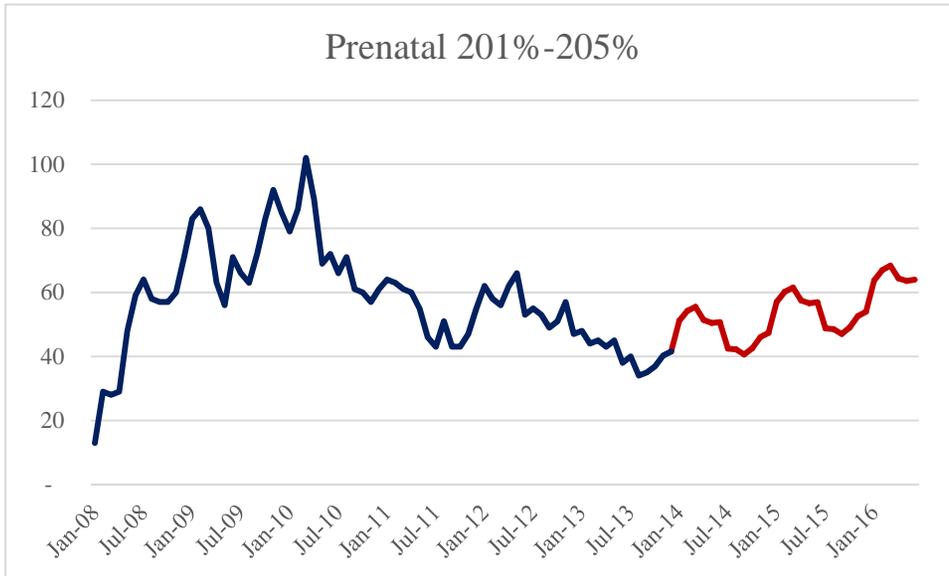
November 2013 Forecast	
Forecasted December 2013 Level	455

Actuals		
	Monthly Change	% Change
6-month average	(74)	-0.89%
12-month average	(104)	-3.72%
18-month average	(76)	-2.88%
24-month average	(48)	-1.58%

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Base Monthly Average Growth Comparisons		
FY 2012-13 Actuals	(18)	-1.02%
FY 2013-14 1st Half Actuals	24	2%
FY 2013-14 2nd Half Forecast	20	1.20%
FY 2013-14 Forecast	22	1.41%
November 2013 Forecast	(48)	-7.37%
FY 2014-15 Forecast	3	0.17%
November 2013 Forecast	1	0.43%
Final Monthly Average Growth Comparisons**		
FY 2013-14 1st Half Actuals	(74)	-0.89%
FY 2013-14 2nd Half Forecast	9	2.74%
FY 2013-14 Forecast	(32)	0.92%
FY 2014-15 Forecast	(17)	-5.39%

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE



- Along with the children’s expansion to 205% FPL, this population was created through SB 07-097 and was implemented beginning March 1, 2008. Prenatal women in this population have family incomes between 201 and 205% of the federal poverty level.
- Growth in the Expansion to 205% FPL Prenatal in the first half of FY 2013-14 was higher than the Department’s November 2013 forecast, in which annual caseload was projected to be 44 and average monthly growth was forecasted to be 1. The selected trend for FY 2013-14 for Expansion to 205% FPL Prenatal is higher than the Department’s February 2013 forecast with projected annual caseload at 44, and would result in average growth of 1 per month.
- The bottom-line adjustment to the Prenatal 201%-205% caseload accounts for anticipated changes in eligibility and enrollment resulting from the implementation of MAGI in January 2014 as required by the ACA. States will be required to use this new income and a standardized household size definition to determine eligibility for low-income subsidies in health Exchanges, as well as Medicaid and federal CHIP programs.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Prenatal 201%-205%			
	Actuals	Monthly Change	% Change
Dec-11	55	-	-
Jan-12	62	7	12.73%
Feb-12	58	(4)	-6.45%
Mar-12	56	(2)	-3.45%
Apr-12	62	6	10.71%
May-12	66	4	6.45%
Jun-12	53	(13)	-19.70%
Jul-12	55	2	3.77%
Aug-12	53	(2)	-3.64%
Sep-12	49	(4)	-7.55%
Oct-12	51	2	4.08%
Nov-12	57	6	11.76%
Dec-12	47	(10)	-17.54%
Jan-13	48	1	2.13%
Feb-13	44	(4)	-8.33%
Mar-13	45	1	2.27%
Apr-13	43	(2)	-4.44%
May-13	45	2	4.65%
Jun-13	38	(7)	-15.56%
Jul-13	40	2	5.26%
Aug-13	34	(6)	-15.00%
Sep-13	35	1	2.94%
Oct-13	61	26	74.29%
Nov-13	58	(3)	-4.92%
Dec-13	55	(3)	-5.17%

Caseload			
	Caseload	% Change	Level Change
FY 2007-08	17	-	-
FY 2008-09	67	291.26%	50
FY 2009-10	80	18.86%	13
FY 2010-11	60	-24.32%	(19)
FY 2011-12	53	-11.86%	(7)
FY 2012-13	48	-10.02%	(5)
FY 2013-14	45	-5.88%	(3)
FY 2014-15	51	12.89%	6
FY 2015-16	58	13.10%	7

MAGI Adjustment			
FY 2012-13			0
FY 2013-14			18
FY 2014-15			24
FY 2015-16			24

January 2014 Projections After Adjustments			
FY 2012-13	48	-10.02%	(5)
FY 2013-14	63	31.86%	15
FY 2014-15	75	18.74%	12
FY 2015-16	82	8.89%	7

November 2013 Projections			
FY 2013-14	44	-8.33%	(4)
FY 2014-15	51	15.91%	7
FY 2015-16	56	9.80%	5

Base trend from December 2013 level			
FY 2013-14	51	6.61%	3

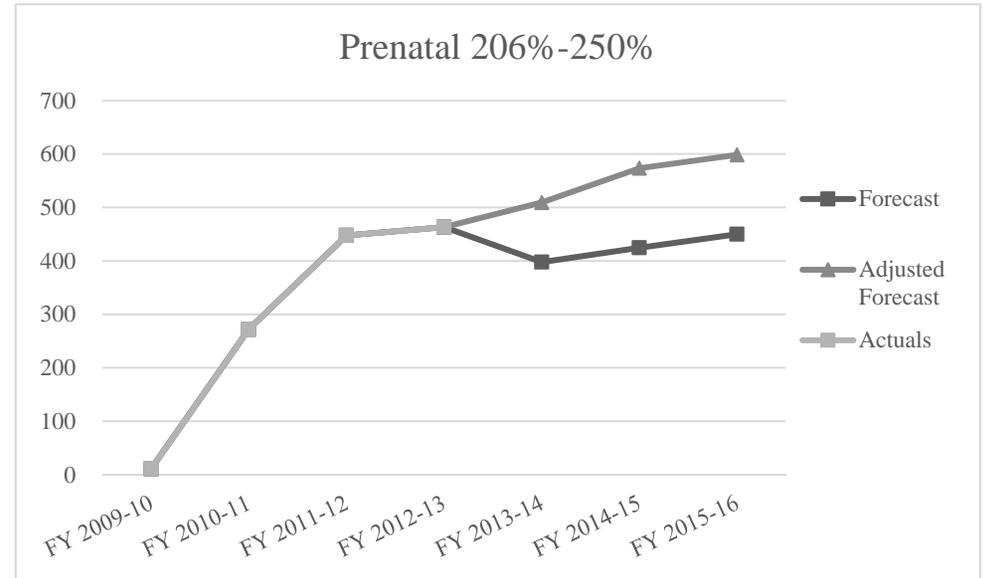
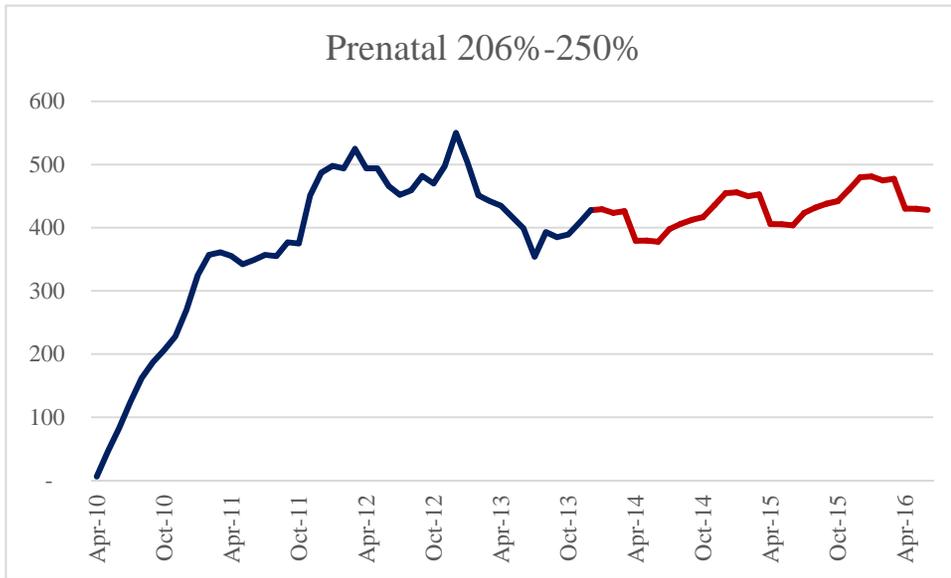
November 2013 Forecast	
Forecasted December 2013 Level	43

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Actuals		
	Monthly Change	% Change
6-month average	3	9.57%
12-month average	1	3.18%
18-month average	0	1.61%
24-month average	0	1.22%

Base Monthly Average Growth Comparisons		
FY 2012-13 Actuals	(1)	(0)
FY 2013-14 1st Half Actuals	1	2%
FY 2013-14 2nd Half Forecast	2	3.80%
FY 2013-14 Forecast	1	2.81%
November 2013 Forecast	1	1.98%
FY 2014-15 Forecast	1	1.32%
November 2013 Forecast	0	0.83%
Final Monthly Average Growth Comparisons**		
FY 2013-14 1st Half Actuals	3	10%
FY 2013-14 2nd Half Forecast	7	10%
FY 2013-14 Forecast	5	9.64%
FY 2014-15 Forecast	(0)	-0.04%

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE



- This population was created through HB 09-1293, and was implemented beginning May 1, 2010. Pregnant women in this population have family incomes between 206 and 250% of the federal poverty level.
- Base growth in the first half of FY 2013-14 was higher than the Department’s November 2013 estimates in which annual caseload was projected to be 360 and average monthly growth was projected to be -2. Average monthly growth for the first half of FY 2013-14 was 24 and the Department believes this is in part due to the implementation of MAGI and has accounted for this shift as an adjustment.
- The selected trend for FY 2013-14 for Expansion to 250% FPL Prenatal is lower than the Department’s February 2013 forecast, and would result in average decreases of 3 per month. This is based on the average monthly growth between July 2012 and June 2013 which had average decreases of 1.12% per month in FY 2012-13.
- The FY 2014-15 forecast for the Expansion to 250% FPL Prenatal assumes that the decreases will not continue in out years. The forecast predicts that positive growth will resume in FY 2014-15 under the assumption that as the economy improves people are more likely to become pregnant.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Prenatal 206%-250%			
	Actuals	Monthly Change	% Change
Dec-11	487	-	-
Jan-12	498	11	2.26%
Feb-12	494	(4)	-0.80%
Mar-12	525	31	6.28%
Apr-12	494	(31)	-5.90%
May-12	494	0	0.00%
Jun-12	466	(28)	-5.67%
Jul-12	452	(14)	-3.00%
Aug-12	459	7	1.55%
Sep-12	482	23	5.01%
Oct-12	470	(12)	-2.49%
Nov-12	498	28	5.96%
Dec-12	550	52	10.44%
Jan-13	504	(46)	-8.36%
Feb-13	451	(53)	-10.52%
Mar-13	442	(9)	-2.00%
Apr-13	435	(7)	-1.58%
May-13	417	(18)	-4.14%
Jun-13	399	(18)	-4.32%
Jul-13	354	(45)	-11.28%
Aug-13	393	39	11.02%
Sep-13	385	(8)	-2.04%
Oct-13	538	153	39.74%
Nov-13	534	(4)	-0.74%
Dec-13	541	7	1.31%

MAGI Adjustment			
FY 2012-13			0
FY 2013-14			112
FY 2014-15			149
FY 2015-16			149

January 2014 Projections After Adjustments			
FY 2012-13	463	3.46%	16
FY 2013-14	509	9.92%	46
FY 2014-15	573	12.59%	64
FY 2015-16	598	4.38%	25

November 2013 Projections			
FY 2013-14	360	-22.25%	(103)
FY 2014-15	386	7.22%	26
FY 2015-16	448	16.06%	62

Base trend from December 2013 level			
FY 2013-14	499	7.77%	36

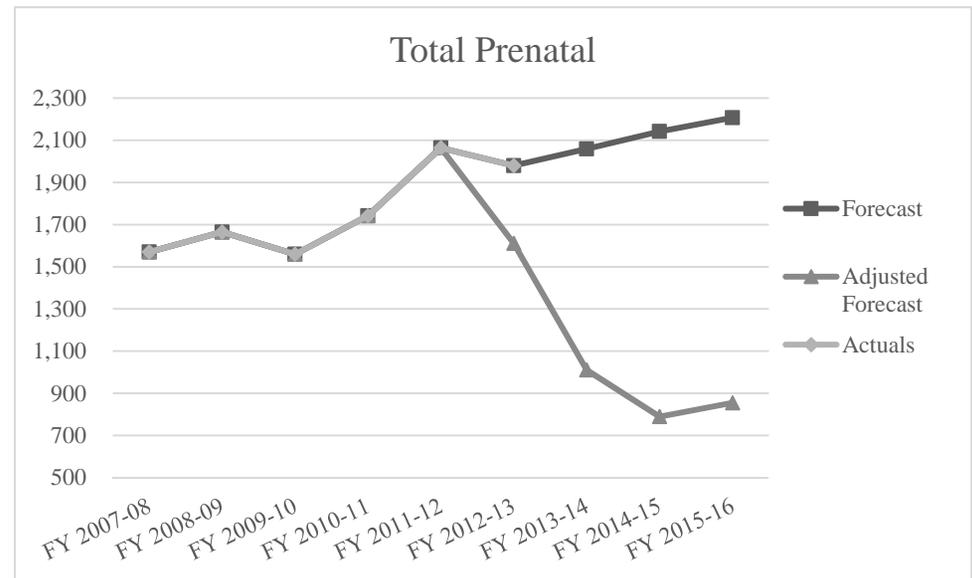
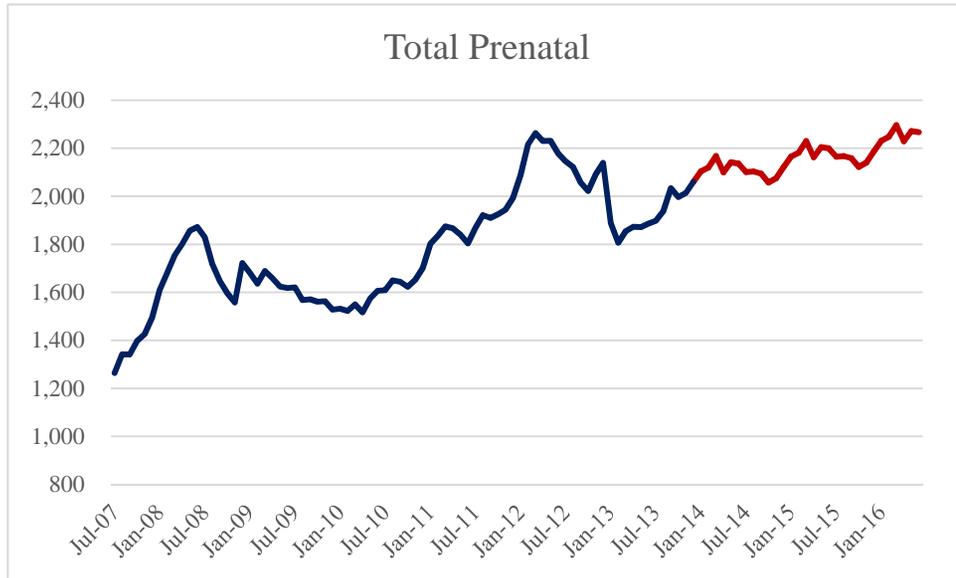
November 2013 Forecast	
Forecasted December 2013 Level	359

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Actuals		
	Monthly Change	% Change
6-month average	24	6.34%
12-month average	(1)	0.59%
18-month average	4	1.36%
24-month average	2	0.86%

Base Monthly Average Growth Comparisons		
FY 2012-13 Actuals	(6)	-1.12%
FY 2013-14 1st Half Actuals	5	1%
FY 2013-14 2nd Half Forecast	(8)	-1.96%
FY 2013-14 Forecast	(2)	-0.28%
November 2013 Forecast	(3)	-0.62%
FY 2014-15 Forecast	2	0.63%
November 2013 Forecast	3	0.82%
Final Monthly Average Growth Comparisons**		
FY 2013-14 1st Half Actuals	24	6%
FY 2013-14 2nd Half Forecast	6	1%
FY 2013-14 Forecast	15	3.67%
FY 2014-15 Forecast	(0)	-0.04%

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE



- The FY 2013-14 total prenatal caseload forecast is 1,011, a 37.28% decrease over the FY 2012-13 caseload of 1,611.
- The FY 2013-14 base caseload is projected to increase 4.00% to 2,059, and FY 2014-15 caseload is forecasted to grow 4.01% to 2,142. The increase in growth is largely attributable to the growth seen in the month of October. The Department believes this to be an effect of MAGI and has accounted for this as an adjustment.
- There are two bottom-line adjustments to the CHP+ prenatal caseload. The first adjustment is from SB 11-250, which increases Medicaid eligibility for pregnant women from 133% FPL to 185% FPL beginning in January 2013 to comply with federal mandate. This has had a negative impact on CHP+ caseload as pregnant women who would otherwise be in CHP+ become eligible for Medicaid for the last half of FY 2012-13 and is expected to continue to have a negative impact for the first half of FY 2013-14. The second bottom-line adjustment to the Prenatal to 200% caseload accounts for anticipated changes in eligibility and enrollment resulting from the implementation of MAGI in January 2014 as required by the ACA.
- The SB 11-250 and MAGI adjustments decrease the FY 2013-14 caseload projection to 855, which is a 58.57% decrease from the adjusted FY 2012-13 actuals. Both adjustments also decrease the FY 2014-15 caseload projection to 608, which is a 28.88% decrease from the adjusted FY 2013-14 projection. FY 2015-16 returns to a positive growth trend with caseload projection at 691, a 13.65% increase from the adjusted FY 2014-15 projection.

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Total Prenatal			
	Actuals	Monthly Change	% Change
Dec-11	1,993	-	-
Jan-12	2,088	95	4.77%
Feb-12	2,216	128	6.13%
Mar-12	2,263	47	2.12%
Apr-12	2,230	(33)	-1.46%
May-12	2,231	1	0.04%
Jun-12	2,179	(52)	-2.33%
Jul-12	2,146	(33)	-1.51%
Aug-12	2,122	(24)	-1.12%
Sep-12	2,057	(65)	-3.06%
Oct-12	2,022	(35)	-1.70%
Nov-12	2,091	69	3.41%
Dec-12	2,139	48	2.30%
Jan-13	1,166	(973)	-45.49%
Feb-13	1,036	(130)	-11.15%
Mar-13	1,078	42	4.05%
Apr-13	1,144	66	6.12%
May-13	1,154	10	0.87%
Jun-13	1,177	23	1.99%
Jul-13	1,204	27	2.29%
Aug-13	1,262	58	4.82%
Sep-13	1,313	51	4.04%
Oct-13	785	(528)	-40.21%
Nov-13	847	62	7.90%
Dec-13	895	48	5.67%

Base trend from December 2013 level			
FY 2013-14	973	-50.85%	(1,007)

November 2013 Forecast	
Forecasted December 2013 Level	857

	Caseload	% Change	Level Change
FY 2007-08	1,570	-	-
FY 2008-09	1,665	6.02%	95
FY 2009-10	1,560	-6.32%	(105)
FY 2010-11	1,742	11.68%	182
FY 2011-12	2,064	18.50%	322
FY 2012-13	1,980	-4.08%	(84)
FY 2013-14	2,059	4.00%	79
FY 2014-15	2,142	4.01%	83
FY 2015-16	2,207	3.05%	65

SB 11-250 Adjustment	
FY 2012-13	(369)
FY 2013-14	(796)
FY 2014-15	(934)
FY 2015-16	(934)

MAGI Adjustment	
FY 2012-13	-
FY 2013-14	(252)
FY 2014-15	(418)
FY 2015-16	(418)

January 2014 Projections After Adjustments			
FY 2012-13	1,611	-21.94%	(453)
FY 2013-14	1,011	-37.28%	(601)
FY 2014-15	789	-21.89%	(221)
FY 2015-16	855	8.28%	65

November Projections Before Adjustments			
FY 2013-14	1,807	12.15%	196
FY 2014-15	1,870	3.49%	63
FY 2015-16	1,967	5.19%	97

November Projections After Adjustments			
FY 2013-14	857	-46.81%	(754)
FY 2014-15	607	-29.16%	(250)
FY 2015-16	692	14.00%	85

FY 2014-15 BUDGET REQUEST: CHILDREN'S BASIC HEALTH PLAN NARRATIVE

Actuals		
	Monthly Change	% Change
6-month average	(47)	-2.58%
12-month average	(104)	-4.92%
18-month average	(71)	-3.38%
24-month average	(46)	-2.15%

Base Monthly Average Growth Comparisons		
FY 2012-13 Actuals	(24)	-1.12%
FY 2013-14 1st Half Actuals	29	2%
FY 2013-14 2nd Half Forecast	13	0.63%
FY 2013-14 Forecast	21	1.07%
November 2013 Forecast	16	1.01%
FY 2014-15 Forecast	5	0.26%
November 2013 Forecast	5	0.29%
Final Monthly Average Growth Comparisons**		
FY 2013-14 1st Half Actuals	(47)	-2.58%
FY 2013-14 2nd Half Forecast	22	2.29%
FY 2013-14 Forecast	(13)	-0.15%
FY 2014-15 Forecast	(36)	-4.51%