

STATE OF COLORADO FY 2011-12 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13 Change Request for FY 2011-12 Budget Request Cycle											
Decision Item FY 2011-12		Base Reduction Item FY 2011-12			Supplemental FY 2010-11			Budget Amendment FY 2011-12			
<b>Request Title:</b> CHP+ Program Reductions											
<b>Department:</b> Health Care Policy and Financing					<b>Dept. Approval by:</b> John Bartholomew			<b>Date:</b> November 1, 2010 <sup>10/25</sup>			
<b>Priority Number:</b> BRI-4					<b>OSPB Approval:</b> <i>[Signature]</i>			<b>Date:</b> 10-28-10			
	Fund	1 Prior-Year Actual FY 2009-10	2 Appropriation FY 2010-11	3 Supplemental Request FY 2010-11	4 Total Revised Request FY 2010-11	5 Base Request FY 2011-12	6 Decision/ Base Reduction FY 2011-12	7 November 1 Request FY 2011-12	8 Budget Amendment FY 2011-12	9 Total Revised Request FY 2011-12	10 Change from Base (Column 5) FY 2012-13
<b>Total of All Line Items</b>	<b>Total</b>	176,565,966	212,083,098	0	212,083,098	211,519,457	(9,945,114)	201,574,343	0	201,574,343	(14,582,719)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	4,371,712	4,741,183	0	4,741,183	4,345,760	7,530	4,353,290	0	4,353,290	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	58,936,852	64,372,688	0	64,372,688	71,343,266	(3,486,073)	67,857,193	0	67,857,193	(5,103,952)
	CFE/RF	32,682	6,879,265	0	6,879,265	22,385	36	22,421	0	22,421	0
	FF	113,224,720	136,089,962	0	136,089,962	135,808,046	(6,466,607)	129,341,439	0	129,341,439	(9,478,767)
<b>(4) Indigent Care Program; Children's Basic Health Plan Premium Costs <sup>a</sup></b>	<b>Total</b>	167,729,257	202,521,966	0	202,521,966	202,521,966	(9,960,298)	192,561,668	0	192,561,668	(14,582,719)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	58,910,116	64,352,642	0	64,352,642	71,209,522	(3,486,104)	67,723,418	0	67,723,418	(5,103,952)
	CFE/RF	0	6,856,880	0	6,856,880	0	0	0	0	0	0
	FF	108,819,141	131,312,444	0	131,312,444	131,312,444	(6,474,194)	124,838,250	0	124,838,250	(9,478,767)
<b>(6) Department of Human Services Medicaid-Funded Programs; (B) Office of Information Technology Services - Medicaid Funding, Colorado Benefits Management System <sup>b</sup></b>	<b>Total</b>	8,836,709	9,561,132	0	9,561,132	8,997,491	15,184	9,012,675	0	9,012,675	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	4,371,712	4,741,183	0	4,741,183	4,345,760	7,530	4,353,290	0	4,353,290	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	26,736	20,046	0	20,046	133,744	31	133,775	0	133,775	0
	CFE/RF	32,682	22,385	0	22,385	22,385	36	22,421	0	22,421	0
	FF	4,405,579	4,777,518	0	4,777,518	4,495,602	7,587	4,503,189	0	4,503,189	0
<b>Non-Line Item Request:</b>	None.										
<b>Letternote Revised Text:</b>	<p>a Of this amount, <del>\$31,449,328</del> \$30,977,501 shall be from the Children's Basic Health Plan Trust created in 25 5-8-105, C R S ; <del>\$30,000,842</del> \$28,645,190 shall be from the Health Care Expansion Fund created in 24-22-117 (2) (a) (I), C R S ; <del>\$8,297,682</del> \$7,639,028 shall be from the Hospital Provider Fee Cash Fund created in 25 5-4-402 3 (4), C R S , and \$461,700 shall be from the Colorado Immunization Fund created in 25-4-2301, C R S</p> <p>b Of this amount, <del>\$19,452</del> \$19,183 shall be from the Children's Basic Health Plan Trust created in 25 5-8-105, C R S and \$114,592 shall be from the Hospital Provider Fee Cash Fund created in 25 5-4-402.3 (4), C.R.S.</p>										
<b>Cash or Federal Fund Name and COFRS Fund Number:</b>	CF: Children's Basic Health Plan Trust Fund 11G, Health Care Expansion Fund 18K, and Hospital Provider Fee Cash Fund 24A; FF: Title XIX and Title XXI										
<b>Reappropriated Funds Source, by Department and Line Item Name:</b>	Department of Human Services, Old Age Pension Fund										
<b>Approval by OIT?</b>	Yes: <input checked="" type="checkbox"/> No: <input type="checkbox"/> N/A: <input type="checkbox"/>										
<b>Schedule 13s from Affected Departments:</b>	Department of Human Services, Governor's Office of Information Technology										

**Schedule 13  
Change Request for FY 2011-12 Budget Request Cycle**

Decision Item FY 2011-12  Base Reduction Item FY 2011-12  Supplemental FY 2010-11  Budget Amendment FY 2011-12

Request Title: HCPF - CHP+ Program Reductions (BRI-4)  
 Department: Department of Human Services  
 Priority Number: NP-3  
 Dept. Approval by: *P. J. [Signature]*  
 OSPB Approval: *[Signature]*  
 Date: 10/28/10  
 Date: 10-29-10

	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
<b>Total of All Line Items</b>	<b>Total</b>	24,143,101	24,875,508	0	24,875,508	24,037,179	40,352	24,077,531	0	24,077,531	0
	FTE	42.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	5,987,896	6,138,426	0	6,138,426	6,135,426	9,955	6,145,381	0	6,145,381	0
	CF	1,183,809	1,158,436	0	1,158,436	939,086	1,880	940,966	0	940,966	0
	RF	8,762,227	9,359,525	0	9,359,525	8,997,489	15,184	9,012,673	0	9,012,673	0
	FF	8,209,169	8,219,121	0	8,219,121	7,965,178	13,333	7,978,511	0	7,978,511	0
	MCF	8,836,708	9,359,525	0	9,359,525	8,997,489	15,184	9,012,673	0	9,012,673	0
	MGF	4,535,015	4,641,210	0	4,641,210	4,345,760	7,530	4,353,290	0	4,353,290	0
	NGF	10,522,911	10,779,636	0	10,779,636	10,481,186	17,485	10,498,671	0	10,498,671	0
<b>(2) Office of Information Technology Services, Colorado Benefits Management System (CBMS)</b>	<b>Total</b>	24,143,101	24,875,508	0	24,875,508	24,037,179	40,352	24,077,531	0	24,077,531	0
	FTE	42.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	5,987,896	6,138,426	0	6,138,426	6,135,426	9,955	6,145,381	0	6,145,381	0
	CF	1,183,809	1,158,436	0	1,158,436	939,086	1,880	940,966	0	940,966	0
	RF	8,762,227	9,359,525	0	9,359,525	8,997,489	15,184	9,012,673	0	9,012,673	0
	FF	8,209,169	8,219,121	0	8,219,121	7,965,178	13,333	7,978,511	0	7,978,511	0
	MCF	8,836,708	9,359,525	0	9,359,525	8,997,489	15,184	9,012,673	0	9,012,673	0
	MGF	4,535,015	4,641,210	0	4,641,210	4,345,760	7,530	4,353,290	0	4,353,290	0
	NGF	10,522,911	10,779,636	0	10,779,636	10,481,186	17,485	10,498,671	0	10,498,671	0

Non-Line Item Request: None  
 Letternote Revised Text for FY 2010-11: None  
 Letternote Text Requested for FY 2011-12: <sup>1</sup> Of these amounts, it is estimated that \$4,526,520 \$4,531,971 shall be from the Temporary Assistance for Needy Families Block Grant, \$6,633,047 \$5,540,899 shall be from Food Stamp funds.  
 Cash or Federal Fund Name and COFRS Fund Number:  
 Reappropriated Funds Source, by Department and Line Item Name: Health Care Policy and Financing  
 Approval by OIT? Yes:  No:  N/A:   
 Schedule 13s from Affected Departments: Companion to BRI-4 from Health Care Policy and Financing

**Schedule 13  
Change Request for FY 2011-12 Budget Request Cycle**

Decision Item FY 2011-12  Base Reduction Item FY 2011-12  Supplemental FY 2010-11  Budget Amendment FY 2011-12

Request Title: HCPF - CHP+ Program Reductions (BRI-4)  
 Department: Governor's Office of Information Technology Dept. Approval by: *[Signature]* Date: 10/29/10  
 Priority Number: Corresponds to Human Services # NP-3 OSPB Approval: *[Signature]* Date: 10-29-10

		1	2	3	4	5	6	7	8	9	10
	Fund	Prior-Year Actual FY 2009-10	Appropriation FY 2010-11	Supplemental Request FY 2010-11	Total Revised Request FY 2010-11	Base Request FY 2011-12	Decision/ Base Reduction FY 2011-12	November 1 Request FY 2011-12	Budget Amendment FY 2011-12	Total Revised Request FY 2011-12	Change from Base (Column 5) FY 2012-13
<b>Total of All Line Items</b>	<b>Total</b>	0	30,192,910	0	30,192,910	23,951,790	40,352	23,992,142	0	23,992,142	0
	FTE	0.0	58.5	0.0	58.5	58.5	0.0	58.5	0.0	58.5	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE/RF	0	30,192,910	0	30,192,910	23,951,790	40,352	23,992,142	0	23,992,142	0
	FF	0	0	0	0	0	0	0	0	0	0
<b>(5) Office of Information Technology, (C)</b>	<b>Total</b>	0	30,192,910	0	30,192,910	23,951,790	40,352	23,992,142	0	23,992,142	0
Statewide Information Technology Services, (9) Colorado Benefits Management System	FTE	0.0	58.5	0.0	58.5	58.5	0.0	58.5	0.0	58.5	0.0
	GF	0	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE/RF	0	30,192,910	0	30,192,910	23,951,790	40,352	23,992,142	0	23,992,142	0
	FF	0	0	0	0	0	0	0	0	0	0

Non-Line Item Request: None  
 Letternote Revised Text for FY 2010-11: None  
 Letternote Text Requested for FY 2011-12: None  
 Cash or Federal Fund Name and COFRS Fund Number: None  
 Reappropriated Funds Source, by Department and Line Item Name: This amount shall be from user fees collected from other state agencies and deposited in the Information Technology Revolving Fund created in Section 24-37.5-112 )1)(a) C.R.S  
 Approval by OIT? Yes:  No:  N/A:   
 Schedule 13s from Affected Departments: HCPF, DHS

**CHANGE REQUEST for FY 2011-12 BUDGET REQUEST CYCLE**

Department:	Health Care Policy and Financing
Priority Number:	BRI-4
Change Request Title:	CHP+ Program Reductions

**SELECT ONE (click on box):**

- Decision Item FY 2011-12
- Base Reduction Item FY 2011-12
- Supplemental Request FY 2010-11
- Budget Request Amendment FY 2011-12

**SELECT ONE (click on box):**

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department is proposing to reduce CHP+ expenditures through five initiatives. The total fund reduction under this proposal is \$9,945,114 in FY 2011-12 and \$14,582,719 in FY 2012-13. Of these amounts, \$1,471,827 and \$2,162,644, respectively, are cash fund savings to the CHP+ Trust Fund. Because the CHP+ Trust Fund is insolvent, the cash fund portion of these savings would equate to General Fund savings through a reduced General Fund need to balance the Fund. These savings are incorporated in the Department's DI-6 "Cash Fund Insolvency Financing." The five initiatives are:

- Eliminate reinsurance;
- 3% CHP+ HMO Rate Reduction
- CHP+ out-of-network reimbursement changes;
- Eliminate CHP+ pre-HMO and retroactive enrollment periods; and,
- Eliminate Inpatient coverage for CHP+ Prenatal presumptive eligibility.

General Description of Request:

The Department is proposing to reduce CHP+ expenditures through five initiatives, as discussed below. These initiatives would result in total savings of \$9,945,114 in FY 2011-12 and \$14,582,719 in FY 2012-13.

Eliminate reinsurance

CHP+ is responsible for all costs incurred by members in the State's self-funded managed care network (SMCN), including any extraordinary health care services. Approximately 30% of children in CHP+ and all prenatal women are served in the SMCN. While the per member per month medical cost includes some variability in costs per client, a single client with catastrophic health care claims (such as a life-threatening illness or severe auto accident) could cost the program potentially hundreds of thousands of dollars. Unlike Medicaid, CHP+ is not an entitlement program; CHP+ must pay all claims incurred through its annual appropriation and has only limited overexpenditure authority. Presently, the Department mitigates this risk by purchasing reinsurance. Reinsurance protects insurers from catastrophic claims by paying for claims over a predetermined dollar amount. Reinsurance premiums are paid by a per member per month charge. Like the State, health maintenance organizations are responsible for covering claims for catastrophic cases enrolled in their plans, and often use reinsurance coverage to mitigate their financial risk in this area as well.

As discussed in the Department's November 1, 2010 DI-3, effective July 1, 2010, the Department is implementing 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 will be paid 135% of the Colorado Medicaid DRGs for inpatient services and 135% of the Colorado Medicaid Outpatient Cost-to-Charge ratio for outpatient services. This means that CHP+ will essentially adopt the Medicaid reimbursement methodologies.

With this change in hospital reimbursement methodology, the Department anticipates that the number of catastrophic health care claims will drop drastically. In FY 2008-09, the Department collected approximately \$2,500,000 from the reinsurer for catastrophic claims. This led the reinsurer to reduce the amount of coverage that the Plan could purchase for FY 2009-10, which greatly reduced the number of claims eligible for

reinsurance. This, coupled with the change in hospital reimbursement to 44% of billed charges, led to only approximately \$110,000 being reimbursed by the reinsurer. Therefore, the Department is proposing the elimination of this coverage as there is no longer a positive return on investment. Based on the projected FY 2010-11 reinsurance per member per month cost provided by the Department's contracted actuary, trended forward by the FY 2010-11 trend used in the Plan's actuarial report, the Department estimates that the FY 2011-12 capitation rate for reinsurance would be \$3.63 and the FY 2012-13 rate would be \$4.08. Based on caseload projections for children and prenatal women enrolled in the Plan, the Department estimates that the elimination of reinsurance would result in savings of \$1,294,727 in FY 2011-12 and \$1,523,262 in FY 2012-13.

### 3% CHP HMO Rate Reductions

The Department is proposing to reduce the CHP+ HMO rates by 3% effective July 1, 2011. Medicaid providers have experienced rate cuts of 2.5% to 5.5% over the last three years while the CHP+ HMOs have been held harmless for this line of business. Hospital reimbursement for CHP+ participating hospitals have experienced cuts with the Department's reimbursement methodology change from 65% of billed charges to one based on Medicaid diagnosis related groups. In addition, physicians participating in the CHP+ SMCN have experienced cuts due to the Department's decision to freeze their reimbursement at 90% of the 2009 Medicare level beginning in FY 2010-11. Rather than cutting or limiting specific services, the Department is reducing the capitation rate and allowing the HMOs the ability to decide how the savings will be achieved, whether through administrative efficiencies, utilization controls, or case management. Projected savings from this HMO rate reduction equal \$3,265,571 in FY 2011-12 and \$3,659,457 in FY 2012-13.

CHP+ out-of-network reimbursement changes, Eliminate CHP+ Pre-HMO and Retroactive Enrollment Period, and Eliminate Inpatient coverage for CHP+ Prenatal Presumptive Eligibility

Because the Children's Basic Health Plan is largely modeled after commercial insurance plans, the rates paid to the participating health plans must be actuarially certified. As such, the Department contracts with an actuarial firm to set rates based on claims data provided by the health plans. This data is proprietary in nature, and the Department does not have claim-level data to estimate savings for the above three initiatives. For the purposes of this request, the Department has relied on rough estimates provided by the contracted CHP+ actuarial firm, which was established by a Fellow of the Society of Actuaries and which has been consulting with CHP+ for over 6 years.

Based on FY 2008-09 and FY 2009-10 self-funded network claims, as well as judgment based on significant experience consulting in the health care field, the Department's contracted actuary estimates that these three initiatives would result in saving of approximately \$5,400,000 in FY 2011-12 and \$9,400,000 in FY 2012-13. Due to the proprietary nature of the data used to produce savings estimates for these initiatives, the Department was not able to include more robust estimates in this request. The Department will continue to work with the actuarial firm to develop more specific savings estimates for these initiatives, and will true up the budget savings through the regular supplemental process.

**CHP+ out-of-network reimbursement changes**

Currently, any services provided to CHP+ enrollees by providers not participating in the State's managed Care Network (SMCN) are reimbursed at a lower rate than in-network services. To align CHP+ policy with commercial plan practice, out-of-network, non-emergent care without prior authorization would no longer be reimbursed through the CHP+ SMCN. The Department will continue to work with Colorado Access, which administers the SMCN, to develop an appropriate exception policy for cases in which clients require services that can not be provided by an in-network provider. The Department is adding language to letters generated by the Colorado Benefits Management

System that are sent to newly eligible clients notifying families that they may bear financial responsibility for out-of-network claims, and directing them to the CHP+ website to locate in-network providers. This notification will mirror language that is currently included in letters sent to all clients determined to be presumptively eligible for CHP+. In addition, all SMCN providers will receive letters communicating this change in policy, and will be notified of the expectation that they follow the Department's policy that any referrals be to in-network providers (unless exceptional circumstances exist), as will be outlined in the Plan's Provider Manual.

**Eliminate CHP+ Pre-HMO and Retroactive Enrollment Period**

Under current rules for CHP+, retroactive eligibility is granted to the initial date of application once the determination is complete. Children with geographical access to an HMO who are found eligible for CHP+ are currently covered in the State's self-funded network until the beginning of the following month, at which point the child becomes enrolled in the selected HMO. Per 25.5-8-102, C.R.S (2010), "the children's basic health plan was designed as, and should continue to be, a private-public partnership that encourages enrollment and seeks every opportunity to operate with the efficiency and creativity that is found in utilizing private sector systems and business practices while maintaining the highest level of accountability to the general assembly, the executive branch, and the public through administration of the plan by the department". In order to align CHP+ policy with that in private sector systems, the Department would eliminate this pre-HMO period of eligibility and begin HMO enrollment the first day of the month following eligibility determination. This prospective enrollment is similar to that of large commercial plans. For most children applying for CHP+, eligibility is granted prior to the 20<sup>th</sup> of a given month, and can be enrolled in their selected HMO as of the first day of the following month. Under current policy, children who are determined eligible for the Plan after the 20<sup>th</sup> day of the month are enrolled in the selected HMO on the first day of the second month.

Children would continue to receive services, emergent or non-emergent, during their presumptive eligibility period through the SMCN, which is effective for 45 days from the date of application. The Department will add language to letters generated by the

Colorado Benefits Management System that are sent to newly eligible clients notifying families that they may bear financial responsibility for out-of-network claims, and directing them to the CHP+ website to locate or contact their selected HMO. In addition, the Department will develop a policy for children that are determined after the 20<sup>th</sup> of a given month to ensure that there is no gap in coverage once the child's presumptive eligibility period ends.

The shortened length of enrollment in CHP+ would result in avoided costs in the SMCN, where the State is fully liable for all costs incurred by enrollees, and would also eliminate any retroactive payments to HMOs for the period between the application date and the enrollment date in the HMO. In addition, the Department believes that this change in policy ensures continuity of care, effective care management, and efficiently ties children to their medical home immediately upon enrollment, all of which the Department purchases via administrative payments to the HMOs. This policy is directly tied to legislative requirements and the Department's mission to improve access to cost-effective, high-quality care to CHP+ enrollees.

The modifications to the Colorado Benefits Management System necessary to implement this change are estimated to require 388 hours for design, development, and testing at \$104 per hour, for a total cost of \$40,352. Of this amount, the Department's share is estimated to be \$15,184 and the Department of Human Services' share is estimated to be \$25,168. This is based on the cost-sharing agreement between the two State departments for changes to the Colorado Benefits Management System. Due to systems modifications necessary for this proposal, the Department assumes that these initiatives would be implemented January 1, 2012, and would achieve 6 months of savings in FY 2011-12.

**Eliminate Inpatient coverage for CHP+ Prenatal Presumptive Eligibility**

Both Medicaid and CHP+ currently provide presumptive eligibility (PE) to pregnant women for up to 45 days while the client completes the application for benefits and their eligibility is being determined. In order to be consistent with Medicaid policy, CHP+ would discontinue coverage of inpatient services as a program benefit for prenatal members during the PE period. All prenatal members who utilize inpatient services during

their PE period and are later enrolled in either Medicaid or CHP+ would have coverage for any these services. However, those prenatal members who are not found eligible for either Medicaid or CHP+ following their PE period would not have coverage for inpatient services received during their PE period. Analysis of data from FY 2008-09 and FY 2009-10 by the Department shows that approximately 20% of prenatal members are not enrolled in either Medicaid or CHP+ after their PE period. In accordance with Medicaid policy, any inpatient services incurred by these individuals would no longer be covered under CHP+. A rule change, communication plan for providers, PE sites, and PE members would be necessary to implement this change.

Consequences if Not Funded:

As less State General Fund would be need to be appropriated to the Children’s Basic Health Plan Trust if this request is adopted, if not approved, the State would need to identify additional General Fund reductions of \$1,471,827 for FY 2011-12 in order to pass a balanced budget.

Calculations for Request:

Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
<b>Total Request</b>	<b>(\$9,945,114)</b>	<b>\$7,530</b>	<b>(\$3,486,073 )</b>	<b>\$36</b>	<b>(\$6,466,607 )</b>
(4) Indigent Care Program; H.B. 97-1304 Children's Basic Health Plan Trust	\$0	\$0	\$0	\$0	\$0
(4) Indigent Care Program, Children's Basic Health Plan Premium Costs	(\$9,960,298)	\$0	(\$3,486,104 )	\$0	(\$6,474,194 )
(6) Department of Human Services Medicaid- Funded Programs; (B) Office of Information Technology Services - Medicaid Funding, Colorado Benefits Management System	\$15,184	\$7,530	\$31	\$36	\$7,587

STATE OF COLORADO FY 2011-12 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
<b>Total Request</b>	<b>(\$14,582,719)</b>	<b>\$0</b>	<b>(\$5,103,952)</b>	<b>\$0</b>	<b>(\$9,478,767)</b>
(4) Indigent Care Program; H.B. 97-1304 Children's Basic Health Plan Trust	\$0	\$0	\$0	\$0	\$0
(4) Indigent Care Program, Children's Basic Health Plan Premium Costs	(\$14,582,719)	\$0	(\$5,103,952)	\$0	(\$9,478,767)

Summary of Requested Initiatives in FY 2011-12	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
<b>Total Request</b>	<b>(\$9,945,114)</b>	<b>\$7,530</b>	<b>(\$3,486,073)</b>	<b>\$36</b>	<b>(\$6,466,607)</b>
Eliminate Reinsurance	(\$1,294,727)	\$0	(\$453,154)	\$0	(\$841,573)
3% CHP+ HMO Rate Reduction	(\$3,265,571)	\$0	(\$1,142,950)	\$0	(\$2,122,621)
CHP+ Out-of-network Reimbursement Changes, Eliminate CHP+ Pre-HMO Enrollment, and Eliminate Inpatient Coverage for Prenatal PE	(\$5,400,000)	\$0	(\$1,890,000)	\$0	(\$3,510,000)
Colorado Benefits Management System Changes	\$15,184	\$7,530	\$31	\$36	\$7,587

Summary of Requested Initiatives in FY 2012-13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds
<b>Total Request</b>	<b>(\$14,582,719)</b>	<b>\$0</b>	<b>(\$5,103,952)</b>	<b>\$0</b>	<b>(\$9,478,767)</b>
Eliminate Reinsurance	(\$1,523,262)	\$0	(\$533,142)	\$0	(\$990,120)
3% CHP+ HMO Rate Reduction	(\$3,659,457)	\$0	(\$1,280,810)	\$0	(\$2,378,647)
CHP+ Out-of-network Reimbursement Changes, Eliminate CHP+ Pre-HMO Enrollment, and Eliminate Inpatient Coverage for Prenatal PE	(\$9,400,000)	\$0	(\$3,290,000)	\$0	(\$6,110,000)

<b>Table 1: Summary Cash Fund Impact from Five Initiatives in FY 2011-12</b>				
<b>FY 2011-12</b>	<b>Total</b>	<b>CHP+ Trust Fund</b>	<b>Health Care Expansion Fund</b>	<b>Hospital Provider Fee Cash Fund</b>
Eliminate Reinsurance	(\$453,154)	(\$193,451)	(\$176,323)	(\$83,380)
3% CHP+ HMO Rate Reduction	(\$1,142,950)	(\$503,469)	(\$445,636)	(\$193,844)
CHP+ Out-of-network Reimbursement Changes, Eliminate CHP+ Pre-HMO Enrollment, and Eliminate Inpatient Coverage for Prenatal PE	(\$1,890,000)	(\$774,907)	(\$733,663)	(\$381,430)
<b>Total Request</b>	<b>(\$3,486,104)</b>	<b>(\$1,471,827)</b>	<b>(\$1,355,622)</b>	<b>(\$658,654)</b>

<b>Table 2: Summary Cash Fund Impact from Five Initiatives in FY 2012-13</b>				
<b>FY 2012-13</b>	<b>Total</b>	<b>CHP+ Trust Fund</b>	<b>Health Care Expansion Fund</b>	<b>Hospital Provider Fee Cash Fund</b>
Eliminate Reinsurance	(\$533,142)	(\$225,039)	(\$218,908)	(\$89,195)
3% CHP+ HMO Rate Reduction	(\$1,280,810)	(\$559,074)	(\$529,103)	(\$192,634)
CHP+ Out-of-network Reimbursement Changes, Eliminate CHP+ Pre-HMO Enrollment, and Eliminate Inpatient Coverage for Prenatal PE	(\$3,290,000)	(\$1,378,531)	(\$1,348,802)	(\$562,667)
<b>Total Request</b>	<b>(\$5,103,952)</b>	<b>(\$2,162,644)</b>	<b>(\$2,096,813)</b>	<b>(\$844,496)</b>

<b>Table 3: Reinsurance Savings</b>		
	FY 2011-12	FY 2012-13
Estimated Average Monthly Caseload- Children	87,954	91,716
Estimated Percent of Children Enrolled in SMCN	30.00%	30.00%
Estimated SMCN Caseload- Prenatal	3,337	3,597
Estimated SMCN Caseload- Total	29,723	31,112
Estimated Reinsurance PMPM	\$3.63	\$4.08
Months Effective	12	12
<b>Estimated Total Savings</b>	<b>(\$1,294,727)</b>	<b>(\$1,523,262)</b>
Federal Funds	(\$841,573)	(\$990,120)
Cash Funds	(\$453,154)	(\$533,142)
<b>CBHP Trust Fund</b>	<b>(\$193,451)</b>	<b>(\$225,039)</b>
Health Care Expansion Fund	(\$176,323)	(\$218,908)
Hospital Provider Fee Cash Fund	(\$83,380)	(\$89,195)

<b>Table 4: CHP+ HMO 3% Rate Reduction</b>		
	FY 2011-12	FY 2012-13
Estimated HMO Capitation Rate (PMPM)	\$151.51	\$158.48
Percent Reduction	3%	3%
PMPM Savings from Reduction	\$4.55	\$4.75
Months Effective	12	12
Estimated Average Monthly Caseload	87,954	91,716
Estimated Percent of Caseload Enrolled in HMOs	68%	70%
Estimated HMO Caseload	59,809	64,201
<b>Estimated Total Savings</b>	<b>(\$3,265,571)</b>	<b>(\$3,659,457)</b>
Federal Funds	(\$2,122,621)	(\$2,378,647)
Cash Funds	(\$1,142,950)	(\$1,280,810)
<b>CBHP Trust Fund</b>	<b>(\$503,469)</b>	<b>(\$559,074)</b>
Health Care Expansion Fund	(\$445,636)	(\$529,103)
Hospital Provider Fee Cash Fund	(\$193,844)	(\$192,634)

Cash Funds Projections:

Cash Fund Name	Cash Fund Number	FY 2009-10 Expenditures	FY 2009-10 End of Year Cash Balance	FY 2010-11 End of Year Cash Balance Estimate	FY 2011-12 End of Year Cash Balance Estimate	FY 2012-13 End of Year Cash Balance Estimate
Children's Basic Health Plan Trust Fund	11G	\$35,440,483	\$599,735	\$54,080	\$11,692	\$2,398,058
Health Care Expansion Fund	18K	\$111,444,298	\$79,234,953	\$35,822,131	\$753,168	\$10,456,327
Hospital Provider Fee Cash Fund	24A	\$298,055,638	\$5,714,436	\$5,714,436	\$5,714,436	\$5,714,436

Assumptions for Calculations:

The total estimated cost for changes to the Colorado Benefits Management System is \$40,352 of which the Department's share is estimated to be \$15,184 and the Department of Human Services' share is estimated to be \$25,168. This is based on the cost-sharing agreement between the two State departments for changes to the Colorado Benefits Management System.

Estimated General Fund savings due to CHP+ reductions are calculated based on projected caseload shares to be funded through the Trust Fund. For FY 2011-12, these percentages are estimated to be 44.05% of children and 6.28% of prenatal women. For FY 2012-13, these percentages are estimated to be 43.65% of children and 6.14% of prenatal women. These General Fund savings are reflected in the Department's DI-6 "Cash Funds Insolvency Financing."

Rough estimates for actuarial estimated savings for eliminating out-of-network reimbursement, CHP+ pre-HMO and retroactive enrollment, and inpatient coverage for CHP+ prenatal presumptive eligibility have been shown in tables 3, 4 and 7, and are based on actual claims incurred during FY 2008-09 and FY 2009-10.

Impact on Other Government Agencies: The cost-sharing agreement between the Department and the Department of Human Services for changes to the Colorado Benefits Management System results in an additional cost of \$40,352 in total funds that are estimated to be needed by the Department of Human Services to implement the system changes required by this proposal.

<b>Summary of Request FY 2011-12 for Department of Human Services</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Federal Funds</b>
Total Request	\$40,352	\$9,955	\$1,880	\$15,184	\$13,333
(2) Office of Information Technology Services; Office of Information Technology, Colorado Benefits Management System	\$40,352	\$9,955	\$1,880	\$15,184	\$13,333

<b>Summary of Request FY 2011-12 for Governor-Lieutenant Governor-State Planning and Budgeting</b>	<b>Total Funds</b>	<b>Reappropriated Funds</b>
Total Request	\$40,352	\$40,352
(5) Office of Information Technology Services: (C) Statewide Information Technology Services, (9) Colorado Benefits Management System	\$40,352	\$40,352

Cost Benefit Analysis: Per 25.5-8-102, C.R.S (2010), “the children's basic health plan was designed as, and should continue to be, a private-public partnership that encourages enrollment and seeks every opportunity to operate with the efficiency and creativity that is found in utilizing private sector systems and business practices while maintaining the highest level of accountability to the general assembly, the executive branch, and the public through administration of the plan by the department.” The Department’s requests include proposals that align CHP+ policies with those seen in commercial insurance plans and Medicaid. These initiatives would result in total savings of \$11,416,941 in FY 2011-12 and \$16,745,363 in FY 2012-13. Of these amounts, \$1,471,827 and \$2,162,644, respectively, are General Fund savings reflected in the Department’s DI-6 “Cash Funds Insolvency Financing.”

Implementation Schedule:

Not applicable.

Statutory and Federal Authority:

Children's Health Insurance Program is established in federal law in the Social Security Act, Title XXI (42 U.S.C. 1397aa through 1397jj). SEC. 2101. [42 U.S.C. 1397aa] (a) *PURPOSE-The purpose of this title is to provide funds to States to enable them to initiate and expand the provision of child health assistance to uninsured, low-income children in an effective and efficient manner that is coordinated with other sources of health benefits coverage for children. Such assistance shall be provided primarily for obtaining health benefits coverage...*

25.5-8-105 C.R.S. (2010) (1) *A fund to be known as the Children's Basic Health Plan Trust is hereby created... all monies deposited in the trust and all interest earned on the moneys in the Trust shall remain in the Trust for the purposes set forth...*

Performance Measures:

By achieving savings to the state in the Children's Basic Health Plan, the Department believes that the likelihood of an enrollment cap will be reduced. This would ensure continuity of care, and clients in the program would have better health outcomes and show a high level of satisfaction with their care. As such, the Department believes that this request supports the following Performance Measures:

- Expand coverage in the Children's Basic Health Plan.
- Increase the number of clients served through targeted, integrated care management programs.
- Increase the number of children served through a dedicated medical home service delivery model.