

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> Indigent Care Program Financing Reductions											
<b>Department:</b> Health Care Policy and Financing					<b>Dept. Approval by:</b> John Bartholomew			<b>Date:</b> November 1, 2010 <sup>10/27</sup>			
<b>Priority Number:</b> BRI-3					<b>OSPB Approval:</b> <i>[Signature]</i>			<b>Date:</b> 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
Total of All Line Items	Total	2,900,146,778	3,156,325,776	0	3,156,325,776	3,148,150,402	(7,179,364)	3,140,971,038	0	3,140,971,038	(7,376,324)
	FTE	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	GF	767,930,654	705,545,550	0	705,545,550	1,086,477,223	(14,010,318)	1,072,466,905	0	1,072,466,905	(1,500,000)
	GFE	104,310	161,444,485	0	161,444,485	161,444,485	0	161,444,485	0	161,444,485	0
	CF	345,983,933	355,440,220	0	355,440,220	340,021,162	(4,179,364)	335,841,798	0	335,841,798	(4,376,324)
	CFE/RF	6,340,945	8,042,243	0	8,042,243	3,756,401	0	3,756,401	0	3,756,401	0
	FF	1,779,786,936	1,925,853,278	0	1,925,853,278	1,556,451,131	11,010,318	1,567,461,449	0	1,567,461,449	(1,500,000)
(2) Medical Services Premiums	Total	2,877,822,564	3,106,858,127	0	3,106,858,127	3,101,279,542	0	3,101,279,542	0	3,101,279,542	0
	FTE	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	GF	762,936,068	700,606,422	0	700,606,422	1,079,820,226	(12,510,318)	1,067,309,908	0	1,067,309,908	0
	GFE	0	161,444,485	0	161,444,485	161,444,485	0	161,444,485	0	161,444,485	0
	CF	343,695,933	339,633,220	0	339,633,220	307,745,803	12,510,318	320,256,121	0	320,256,121	0
	CFE/RF	3,917,255	7,595,243	0	7,595,243	3,334,253	0	3,334,253	0	3,334,253	0
	FF	1,767,273,308	1,897,578,757	0	1,897,578,757	1,548,934,775	0	1,548,934,775	0	1,548,934,775	0
(4) Indigent Care Program; Health Care Services Fund Programs	Total	5,410,048	31,085,655	0	31,085,655	0	25,020,636	25,020,636	0	25,020,636	0
	FTE	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
	GF	(1)	0	0	0	0	0	0	0	0	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	11,940,000	0	11,940,000	0	12,510,318	12,510,318	0	12,510,318	0
	CFE/RF	2,078,000	0	0	0	0	0	0	0	0	0
	FF	3,332,049	19,145,655	0	19,145,655	0	12,510,318	12,510,318	0	12,510,318	0

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	<input type="checkbox"/>	Base Reduction Item FY 2011-12	<input checked="" type="checkbox"/>	Supplemental FY 2010-11	<input type="checkbox"/>	Budget Amendment FY 2011-12	<input type="checkbox"/>				
<b>Request Title:</b>	Indigent Care Program Financing Reductions										
<b>Department:</b>	Health Care Policy and Financing			<b>Dept. Approval by:</b>	John Bartholomew			<b>Date:</b>	November 1, 2010		
<b>Priority Number:</b>	BRI-3			<b>OSPB Approval:</b>				<b>Date:</b>			
		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
	Fund										
(4) Indigent Care Program; Pediatric Specialty Hospital	Total	14,909,166	14,821,994	0	14,821,994	14,950,860	(3,000,000)	11,950,860	0	11,950,860	(3,000,000)
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	4,994,587	4,939,128	0	4,939,128	6,656,997	(1,500,000)	5,156,997	0	5,156,997	(1,500,000)
	GFE	104,310	0	0	0	0	0	0	0	0	0
	CF	283,000	307,000	0	307,000	355,359	0	355,359	0	355,359	0
	CFE/RF	345,690	447,000	0	447,000	422,148	0	422,148	0	422,148	0
	FF	9,181,579	9,128,866	0	9,128,866	7,516,356	(1,500,000)	6,016,356	0	6,016,356	(1,500,000)
(4) Indigent Care Program; Primary Care Fund Program	Total	0	0	0	0	31,920,000	(31,920,000)	0	0	0	(4,376,324)
	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	0	0	0	0	31,920,000	(31,920,000)	0	0	0	(4,376,324)
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(4) Indigent Care Program; Primary Care Grant Program Special Distribution	Total	2,005,000	3,560,000	0	3,560,000	0	2,720,000	2,720,000	0	2,720,000	0
	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	2,005,000	3,560,000	0	3,560,000	0	2,720,000	2,720,000	0	2,720,000	0
	CFE/RF	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
Non-Line Item Request:	None.										
Letternote Revised Text:	These funds shall be from the Primary Care Fund 18L.										
Cash or Federal Fund Name and COFRS Fund Number:	Cash Funds: Primary Care Fund 18L; Federal Funds: Title XIX										
Reappropriated Funds Source, by Department and Line Item Name:	None.										
Approval by OIT?	Yes: <input type="checkbox"/>	No: <input type="checkbox"/>	N/A: <input checked="" type="checkbox"/>								
Schedule 13s from Affected Departments:	None.										

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

Department:	Health Care Policy and Financing
Priority Number:	BRI-3
Change Request Title:	Indigent Care Program Financing 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 requests a one-time redistribution of tobacco tax funds appropriated to the Primary Care Fund to offset General Fund expenditures in Medicaid and to minimize the losses to community health clinics. This request also includes an adjustment to the Primary Care Fund Programs line item to account for an updated Tobacco Tax revenue forecast that was not adjusted in the base request. This request also proposes to permanently reduce the amount of General Fund appropriations to the Pediatric Specialty Hospital line item in the amount of \$1,500,000. For FY 2011-12, this request will result in total General Fund savings of \$14,010,318. In order to achieve the savings associated with the redistribution of the Primary Care Fund, several statutes would need to be amended and a state fiscal emergency would need to be declared for FY 2011-12 in accordance with 24-22-117 (6) (a) C.R.S. (2010).

General Description of Request:

The Department requests a one-time redistribution of tobacco tax funds appropriated to the Primary Care Fund to offset General Fund expenditures in Medicaid and to minimize the losses to community health clinics. Similar measures for FY 2009-10 and FY 2010-11 were passed via HB 10-1321 and HB 10-1378, respectively. Under current law, the

Primary Care Fund receives 19% of the moneys deposited into the Tobacco Tax Cash Fund pursuant to 24-22-117 (2) (b) (I) C.R.S (2010). Monies in the fund support the Primary Care Fund Program, which allocates monies to health care providers who make basic health care services available in an outpatient setting to residents of Colorado who are considered medically indigent.

The base request for the Primary Care Fund Program line item in the Department’s budget is \$31,920,000 cash funds. However, the September 2010 Legislative Council forecast for the distribution of tobacco tax funds to the Primary Care Fund is \$27,740,636 in FY 2011-12 and \$27,543,676 in FY 2012-13. The Department is requesting a reduction of \$4,179,364 in FY 2011-12 to the Primary Care Fund Program line item to reflect this reduced revenue forecast. This revenue adjustment would annualize to a reduction of \$4,376,324 in FY 2012-13.

<b>Table 1: Primary Care Fund Program Line Item Revenue Adjustments</b>		
	FY 2011-12	FY 2012-13
FY 2011-12 Primary Care Fund Program Base Request	\$31,920,000	\$31,920,000
Estimated Distribution to the Primary Care Fund Line Item	\$27,740,636	\$27,543,676
<b>Requested Revenue Adjustments</b>	<b>(\$4,179,364)</b>	<b>(\$4,376,324)</b>

This request is to redistribute the Primary Care Fund monies in FY 2011-12, allocating \$12,510,318 to the General Fund, \$12,510,318 to the Health Care Services Fund Program line item, and \$2,720,000 to the Primary Care Special Distribution Fund. By appropriating \$12,510,318 from the Primary Care Fund to the Health Care Services Fund Program line item, the state is able to draw down \$12,510,318 in matching federal funds for distribution to community health clinics, which is not possible through the Primary Care Fund Program. The Primary Care Special Distribution Fund was created in HB 10-1321, and the \$2,720,000 will be used to mitigate losses to those clinics that do not participate in the Colorado Indigent Care Program (CICP) and that would have received funding from the Primary Care Fund. The remaining \$12,510,318 of the estimated FY

2011-12 Primary Care Fund distribution would be used as an offset to General Fund for any health related purpose in Medicaid.

The Pediatric Specialty Hospital line item includes General Fund as increased reimbursement to the state's only Pediatric Specialty Hospital, The Children's Hospital, to help defray the cost of providing care to large numbers of Medicaid and indigent clients. The Department requests a permanent reduction to the General Fund appropriation to the Pediatric Specialty Hospital line item in the amount of \$1,500,000. Because this line item draws matching federal funds, this results in a total funds reduction of \$3,000,000. A portion of the General Fund appropriated for FY 2010-11 is for the operation of the Children's Hospital "Kids Street" program, equal to \$1,100,000, which the Department is not recommending for elimination.

Combined, these measures will support services provided at community health clinics and leave them no worse off than they would have been under current law, while also reducing General Fund expenditures by \$12,510,318 (see Table 1 below for calculations for the Primary Care Fund redistribution).

<b>Table 2: FY 2011-12 Primary Care Fund Distribution Payments</b>			
	Current Law	Proposed Redistribution	Net Change
Total Estimated Primary Care Fund Distribution	\$27,740,636	\$27,740,636	\$0
Federal Funds Generated by Primary Care Funds	\$0	\$12,510,318	\$12,510,318
<b>Total Budget</b>	<b>\$27,740,636</b>	<b>\$40,250,954</b>	<b>\$12,510,318</b>
Non-CICP Providers	\$4,215,911	\$2,300,000	(\$1,915,911)
CICP Non-Primary Care Fund Providers	\$0	\$118,223	\$118,223
CICP and Primary Care Fund Providers	\$23,524,725	\$25,322,413	\$1,797,688
Total All Clinics	\$27,740,636	\$27,740,636	<b>\$0</b>
General Fund Refinanced in Medical Services Premiums	\$0	\$12,510,318	<b>\$12,510,318</b>

Consequences if Not Funded:

If this request is not approved, the State would be need to identify General Fund reductions of \$14,010,318 when adopting a balanced budget for FY 2011-12.

Calculations for Request:

<b>Summary of Request FY 2011-12</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Federal Funds</b>
<b>Total Request</b>	<b>(\$7,179,364)</b>	<b>(\$14,010,318)</b>	<b>(\$4,179,364)</b>	<b>\$11,010,318</b>
(2) Medical Services Premiums	\$0	(\$12,510,318)	\$12,510,318	\$0
(4) Indigent Care Program; Health Care Services Fund Programs	\$25,020,636	\$0	\$12,510,318	\$12,510,318
(4) Indigent Care Program; Pediatric Specialty Hospital	(\$3,000,000)	(\$1,500,000)	\$0	(\$1,500,000)
(4) Indigent Care Program; Primary Care Fund Program	(\$31,920,000)	\$0	(\$31,920,000)	\$0
(4) Indigent Care Program; Primary Care Special Distribution Fund	\$2,720,000	\$0	\$2,720,000	\$0

<b>Summary of Request FY 2012-13</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Federal Funds</b>
<b>Total Request</b>	<b>(\$7,376,324)</b>	<b>(\$1,500,000)</b>	<b>(\$4,376,324)</b>	<b>(\$1,500,000)</b>
(4) Indigent Care Program; Primary Care Fund Program	(\$4,376,324)	\$0	(\$4,376,324)	\$0
(4) Indigent Care Program, Pediatric Specialty Hospital	(\$3,000,000)	(\$1,500,000)	\$0	(\$1,500,000)

Cash Funds Projections:

<b>Cash Fund Name</b>	<b>Cash Fund Number</b>	<b>FY 2009-10 Expenditures</b>	<b>FY 2009-10 End of Year Cash Balance</b>	<b>FY 2010-11 End of Year Cash Balance Estimate</b>	<b>FY 2011-12 End of Year Cash Balance Estimate</b>	<b>FY 2012-13 End of Year Cash Balance Estimate</b>
Primary Care Fund	18L	\$30,792,455	\$8	\$455,846	\$396,930	\$0

Assumptions for Calculations: A state fiscal emergency would need to be declared for FY 2011-12 in accordance with 24-22-117 (6) (a) C.R.S. (2010) in order to repurpose the Primary Care Funds to draw federal funds and achieve General Fund savings.

Impact on Other Government Agencies: Not applicable.

Cost Benefit Analysis: The State will achieve the same level of funding for clinics with less state resources, thereby saving the state \$14,010,318 General Fund in FY 2011-12.

Implementation Schedule: Not applicable.

Statutory and Federal Authority: The Department would require amendments to current statute in order to implement the redistribution of the Primary Care Fund:

24-22-117, C.R.S. (2010) Tobacco tax cash fund – accounts – creation – legislative declaration – repeal

*(2) (b) The primary care fund to be administered by the department of health care policy and financing. The state treasurer and the controller shall transfer an amount equal to nineteen percent of the moneys deposited into the cash fund, plus nineteen percent of the interest and income earned on the deposit and investment of those moneys, to the primary care fund.*

*(6) (a) Notwithstanding any other provision of law, the general assembly may use revenue generated by the implementation of the cigarette and tobacco taxes pursuant to sections 39-28-103.5 and 39-28.5-102.5, C.R.S., and section 21 of article X of the state constitution for any health-related purpose and to serve populations enrolled in the children's basic health plan and the Colorado medical assistance program at the respective program levels of enrollment as of January 1, 2005. Such use of revenue shall*

*be preceded by a declaration of a state fiscal emergency, which shall be adopted by a joint resolution, approved by a two-thirds majority vote of the members of the senate and of the house of representatives, and signed by the governor. The declaration shall apply only to a single fiscal year.*

*25.5-3-112 (2.7), C.R.S. (2010) In the 2010-11 fiscal year, notwithstanding the requirements of section 25.5-3-108 (8) (b), the moneys deposited into the fund shall be appropriated to the state department for distribution to Denver health and hospitals, as the community health clinic for the city and county of Denver, and to community health clinics. The state department shall develop a distribution formula specifying the distributions based upon prior utilizations and, to the extent possible, mitigation of the reductions in funding that the clinics experience due to reductions in moneys available from the primary care fund established pursuant to section 24-22-117(2) (b), C.R.S.*

*25.5-3-112 (4) (b), C.R.S. (2010) (I) Of the moneys appropriated to the special distribution fund, the state department shall distribute the following amounts to health clinics that qualify for payments from the primary care fund but do not participate in the Colorado indigent care program established pursuant to this part 1: (A) For the 2009-10 fiscal year, one million six hundred thousand dollars; and (B) For the 2010-11 fiscal year, three million dollars.*

*(c) (I) Of the moneys appropriated to the special distribution fund, the state department shall distribute the following amounts to health clinics that participate in the Colorado indigent care program established pursuant to this part 1 and that experience reductions in funding due to transfers from the primary care fund pursuant to House Bill 10-1321, enacted in 2010, and House Bill 10-1378, enacted in 2010, which reductions are not offset by increased appropriations pursuant to paragraph (b) of subsection (2.5) of this section: (A) For the 2009-10 fiscal year, four hundred five thousand dollars; and (B) For the 2010-11 fiscal year, five hundred sixty thousand dollars.*

*(d) This subsection (4) is repealed, effective July 1, 2012.*

Performance Measures:

By supporting services provided at community health clinics and leaving them no worse off than they would have been under current law, while also reducing General Fund expenditures, the Department believes that this request supports the following Performance Measure:

- Increase the number of Medicaid clients that have a medical home or focal point of care.

In addition, the request supports the following Department objectives:

- The Department will increase the number of individuals eligible and enrolled in its programs, improve health outcomes for all clients, and ensure that the health care the Department purchases is medically necessary, appropriate to the population, and cost-effective. Assure delivery of appropriate, high quality health care and expand and preserve health care services in the most cost-effective manner possible. Design programs that result in improved health status for clients served and improve health outcomes.