

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				
Request Title:		Maximize Reimbursement for High Volume Medicaid and CICP Hospitals										
Department:		Health Care Policy and Financing			Dept. Approval by: John Bartholomew <i>JTB</i>			Date: November 1, 2010 ^{10/22}				
Priority Number:		DI-7			OSPB Approval: <i>mu2</i>			Date: 10-27-10				
	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	
Total of All Line Items		Total	265,213,167	277,769,968	0	277,769,968	292,225,957	15,896,240	308,122,197	0	308,122,197	15,896,240
		FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		GF	(707,378)	0	0	0	0	0	0	0	0	0
		GFE	0	0	0	0	0	0	0	0	0	0
		CF	120,383,109	124,368,097	0	124,368,097	131,596,092	7,948,120	139,544,212	0	139,544,212	7,948,120
		CFE/RF	0	0	0	0	0	0	0	0	0	0
		FF	145,537,436	153,401,871	0	153,401,871	160,629,865	7,948,120	168,577,985	0	168,577,985	7,948,120
(4) Indigent Care Program; Safety Net Provider Payments		Total	265,213,167	277,769,968	0	277,769,968	292,225,957	15,896,240	308,122,197	0	308,122,197	15,896,240
		FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		GF	(707,378)	0	0	0	0	0	0	0	0	0
		GFE	0	0	0	0	0	0	0	0	0	0
		CF	120,383,109	124,368,097	0	124,368,097	131,596,092	7,948,120	139,544,212	0	139,544,212	7,948,120
		CFE/RF	0	0	0	0	0	0	0	0	0	0
		FF	145,537,436	153,401,871	0	153,401,871	160,629,865	7,948,120	168,577,985	0	168,577,985	7,948,120
Non-Line Item Request:		None										
Letternote Revised Text:		*OF this amount, \$129,318,312 shall be from the Hospital Provider Fee Cash Fund created in Section 25 5-4-402.3 (4), C.R.S., and \$2,277,780 shall be public funds certified as representing expenditures incurred by hospitals that are eligible for federal financial participation under the Medicaid upper payment limit program.										
Cash or Federal Fund Name and COFRS Fund Number:		The Cash Funds amount shall be from public funds certified as representing expenditures incurred by hospitals that are eligible for federal financial participation under the Medicaid upper payment limit program										
Reappropriated Funds Source, by Department and Line Item Name:		N/A										
Approval by OIT?		Yes: - No: - N/A: <input checked="" type="checkbox"/>										
Schedule 13s from Affected Departments:		N/A										

CHANGE REQUEST for FY 2011-12 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-7
Change Request Title:	Maximize Reimbursement for High Volume Medicaid and CICP Hospitals

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 an increase of \$15,896,240 total funds to the (4) Indigent Care Program, Safety Net Provider Payments line item beginning in FY 2011-12. The state share of funding would consist of certified public expenditures (CPE) eligible for a 50% Federal Financial Participation (FFP) rate. Uncompensated costs incurred by public hospitals can be considered the state funds necessary to draw down federal matching funds. The Department does not currently pay providers at cost, so there is additional room to reimburse providers that serve a high volume of Colorado Indigent Care Program (CICP), Medicaid, and uninsured clients under the Federal Upper Payment Limit (UPL). In order to fully utilize estimated federal reimbursement available under the UPL specific to the State's three High Volume Medicaid and CICP Hospitals, the Department would seek federal reauthorization of the CPE reimbursement methodology eliminated during implementation of HB 09-1293

General Description of Request:

The Department requests an increase of \$15,896,240 total funds to the (4) Indigent Care Program, Safety Net Provider Payments line item beginning in FY 2011-12. The state share of funding would consist of CPE eligible for a 50% FFP rate. Uncompensated costs

incurred by public hospitals can be considered the state funds necessary to draw down federal matching funds. The Department does not currently pay providers at cost, so there is additional room to reimburse providers that serve a high volume of Colorado Indigent Care Program (CICP), Medicaid, and uninsured clients under the Federal Upper Payment Limit (UPL). In order to fully utilize estimated federal reimbursement available under the UPL specific to the State's three High Volume Medicaid and CICP Hospitals, the Department would seek federal reauthorization of the CPE reimbursement methodology eliminated during implementation of HB 09-1293.

Prior to HB 09-1293, the Department used Certification of Public Expenditures (CPE) to partially reimburse Colorado Indigent Care Program (CICP) participating hospitals under the State Plan for uncompensated costs incurred in serving Medicaid and CICP clients. The intent of HB 09-1293 was to increase hospital reimbursement to 100% of CICP costs as well as Medicaid reimbursement through use of the fees, thus eliminating or greatly reducing uncompensated costs for services provided to Medicaid and CICP clients. Thus, CPE was replaced by Hospital Provider Fee as the state share used to draw the federal funds for CICP participating hospitals. As a result, the Department eliminated the CPE reimbursement methodology in the State Plan through the process of seeking federal approval of the Hospital Provider Fee. However, the CICP reimbursement rates approved by the Hospital Provider Fee Oversight and Advisory Board did not take reimbursement to 100% of costs, thus leaving some uncompensated costs for CICP clients. Likewise the additional Medicaid reimbursement funded by Hospital Provider Fee greatly reduced uncompensated costs, but cannot eliminate it for all hospitals. In addition, there was a large increase in the Medicare Upper Payment Limit (UPL) in FFY 2010, specifically at the three hospitals in this request as they serve a large number of indigent and Medicaid clients. These two factors have led the Department to request to reinstate the CPE reimbursement methodology for these high-volume providers to partially defray the uncompensated costs.

The Department will submit a State Plan Amendment to reinstitute the CPE methodology in September 2010. Given that the Department used this reimbursement methodology until FY 2009-10, the Department has every reason to believe that the State Plan

Amendment would be approved by the Centers for Medicare and Medicaid Services within FY 2010-11. However, the Department is requesting to begin making payments in FY 2011-12 due to the lag in the collection and validation of the data showing the uncompensated costs.

This request would allow High Volume Medicaid and CICP Hospitals to receive additional supplemental Medicaid payments for uncompensated costs associated with providing inpatient services to Medicaid and Colorado Indigent Care Program (CICP) clients. Denver Health, Memorial and University all qualify and meet the requirements to be a “High Volume Medicaid and CICP Hospital” due to the relative size of these hospitals, their locations, and consequently the number of uninsured and Medicaid patients seen and services provided. To meet this requirement a hospital must exhibit at least 35,000 Medicaid Days per year and provide over 30% of its total days to Medicaid and CICP clients. Additionally, a High Volume Medicaid and CICP Hospital must incur some uncompensated costs for at least 30% of their total days. From a financial standpoint, meeting these requirements entails the provision of a large amount of care that is either reimbursed at a relatively low rate or uncompensated. This request is intended to partially relieve some of this liability without additional burden on the State’s currently strained resources. Certified public expenditures would be utilized as the State portion and matched with federal funds.

Certification of uncompensated costs by the three public High Volume Medicaid and CICP Hospitals (Denver Health, Memorial Hospital in Colorado Springs, and University Hospital) would qualify as the State share of funding required to draw down federal matching funds for these Medicaid-eligible expenditures. Based on current Medicaid reimbursement levels and supplemental payments made through the hospital provider fee mechanism, the Department estimates that in FY 2011-12 there will be approximately \$15,896,240 remaining under the inpatient Upper Payment Limit (UPL) for these three providers. Due to anticipated timelines related to CMS approval of State Plan revisions, the Department assumes that reimbursement for uncompensated costs incurred in FY 2010-11 could not be paid out until FY 2011-12.

Under this proposal, the hospitals would certify that they had uncompensated costs totaling \$15,896,240 for dates of service between January 2010 and December 2010. This is the amount that would be certified and paid in FY 2011-12. Due to the lag between when hospitals incur uncompensated costs and when the Department is able to verify certification of those costs, there will always be a delay of 18 months between when the costs are incurred by the hospital and when the supplemental payment is made. The Department requires a cash fund appropriation in order to draw the matching federal fund. The federal funds are remitted to the participating hospitals as supplemental payments, and the cash fund portion remains uncompensated.

	FY 2011-12 Certification	FY 2011-12 Payment (50%)
Total Uncompensated Costs	\$15,896,240	\$7,948,120

The Department anticipates that this level of uncompensated costs will be able to be certified in FY 2012-13 and beyond for reimbursement at the same federal participation rate of 50%. Thus, the Department is requesting continuation funding.

	FY 2012-13 Certification	FY 2012-13 Payment (50%)
Total Uncompensated Costs	\$15,896,240	\$7,948,120

Consequences if Not Funded:

Were the request not to be funded, the State would forgo or delay an opportunity to increase reimbursement, at no cost to the State, for the three largest providers of health care to Colorado's Medicaid and CICP populations. If spending authority is not appropriated for FY 2011-12 and payments are deemed subject to the two-year timely filing federal rule, the Department will be unable to claim federal funds for which it would otherwise be eligible and the overall payments to these providers will be reduced. If the level of funding does not increase as provider costs increase, the ability of the hospitals to continue to provide quality services to Medicaid and low-income Colorado residents could be compromised.

Calculations for Request:

Summary of Request FY 2011-12	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$15,896,240	\$0	\$7,948,120	\$0	\$7,948,120	0.0
(4) Indigent Care Program; Safety Net Provider Payments	\$15,896,240	\$0	\$7,948,120	\$0	\$7,948,120	0.0

Summary of Request FY 2012-13	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
Total Request	\$15,896,240	\$0	\$7,948,120	\$0	\$7,948,120	0.0
(4) Indigent Care Program; Safety Net Provider Payments	\$15,896,240	\$0	\$7,948,120	\$0	\$7,948,120	0.0

Cash Funds Projections:

Not Applicable. The source of state funds for this request would be the certification of public expenditures by the affected hospitals.

Assumptions for Calculations:

The Department assumes that the Hospital Provider Fee model authorized under HB 09-1293, and updated for Federal Fiscal Year (FFY) 2011 will be approved as written by the Hospital Provider Fee Oversight and Advisory Board, and in turn that the estimated amount of potential reimbursement under the UPL to these hospitals will be available.

Impact on Other Government Agencies:

None.

Cost Benefit Analysis:

The primary benefit associated with this request is that the State would be able to fully utilize federal reimbursement under the Upper Payment Limit specific to these hospitals, which is partially a function of uncompensated costs incurred by a given provider. By increasing reimbursement to three major providers of health care to Colorado’s Medicaid and CICP populations, the Department would increase the likelihood that the access to these services continues to be available by helping to ensure the financial viability of these providers. Additional workload would be minimal for the providers that would benefit from approval of this request. The Safety Net Programs section of the Department has a dedicated cost accountant who is responsible for calculating upper payment limits and other requirements related to the certification of public expenditures. Consequently, the Department would be able to re-implement the CPE methodology within existing resources.

Implementation Schedule:

Task	Month/Year
Internal Research/Planning Period	September 2010-November 2010
Submit State Plan Amendment	September 2010
Stakeholder Outreach	November 15, 2010
Anticipated Federal approval of State Plan Amendment	February 2011
Promulgate State Rules to the Medical Services Board	February 2011
Final Implementation/First Payment made	October 2011

Statutory and Federal Authority:

Were this request to be approved, the Department would have to seek federal reauthorization of sections of Colorado’s State Plan deleted when the Hospital Provider Fee replaced Certification of Public Expenditures as the primary reimbursement methodology under the Colorado Indigent Care Program.

42 CFR Section 433.51. Public Funds as the State Share of Financial Participation.
(a) Public funds may be considered as the State’s share in claiming FFP if they meet the conditions specified in paragraphs (b) and (c) of this section.

(b) The public funds are appropriated directly to the State or local Medicaid agency, or transferred from other public agencies (including Indian tribes) to the State or local agency and under its administrative control, or certified by the contributing public agency as representing expenditures eligible for FFP under this section.

(c) The public funds are not Federal funds, or are Federal funds authorized by Federal law to be used to match other Federal funds. (Code of Federal Regulations, 2005.)

25.5-3-108, C.R.S. (2010). Responsibility of the Department of Health Care Policy and Financing –provider reimbursement – repeal.

(1) The state department shall be responsible for:

(a) Execution of such contracts with providers for partial reimbursement of costs for medical services rendered to the medically indigent as the state department shall determine are necessary for the program;...

Performance Measures:

Approval of this request would contribute to the following Department Objective by contributing to the ability of three of the state's largest providers of indigent care to remain financially viable, therefore ensuring continued access to care for Medicaid and uninsured populations:

- 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 are 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.