

Schedule 13
Funding Request for the 2012-13 Budget Cycle

Department: Health Care Policy and Financing
 Request Title: Utilize Supplemental Payments for General Fund Relief
 Priority Number: R-10

Dept. Approval by: John Bartholomew *JB 10/14/11*
 Date: _____
 OSPB Approval by: [Signature] *10/18/11*
 Date: _____

- Decision Item FY 2012-13
- Base Reduction Item FY 2012-13
- Supplemental FY 2011-12
- Budget Amendment FY 2012-13

Line Item Information		FY 2011-12		FY 2012-13		FY 2013-14
		1	2	3	4	5
	Fund	Appropriation FY 2011-12	Supplemental Request FY 2011-12	Base Request FY 2012-13	Funding Change Request FY 2012-13	Continuation Amount FY 2013-14
Total of All Line Items	Total	\$3,853,688,855	\$0	\$3,869,621,035	(\$1,006,752)	(\$1,015,229)
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$898,839,033	\$0	\$981,320,305	(\$1,006,752)	(\$1,015,229)
	GFE	\$284,175,417	\$0	\$284,175,417	\$0	\$0
	CF	\$763,229,728	\$0	\$689,442,170	\$0	\$0
	RF	\$6,388,059	\$0	\$3,101,708	\$0	\$0
	FF	\$1,901,056,618	\$0	\$1,911,581,435	\$0	\$0
(2) Medical Services Premiums^a	Total	\$3,543,863,749	\$0	\$3,559,795,929	\$14,889,488	\$14,881,011
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$898,839,033	\$0	\$981,320,305	(\$1,006,752)	(\$1,015,229)
	GFE	\$284,175,417	\$0	\$284,175,417	\$0	\$0
	CF	\$608,317,175	\$0	\$534,529,617	\$7,948,120	\$7,948,120
	RF	\$6,388,059	\$0	\$3,101,708	\$0	\$0
	FF	\$1,746,144,065	\$0	\$1,756,668,882	\$7,948,120	\$7,948,120
(4) Indigent Care Program; Safety Net Provider Payments^b	Total	\$309,825,106	\$0	\$309,825,106	(\$15,896,240)	(\$15,896,240)
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$0	\$0	\$0	\$0	\$0
	GFE	\$0	\$0	\$0	\$0	\$0
	CF	\$154,912,553	\$0	\$154,912,553	(\$7,948,120)	(\$7,948,120)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$154,912,553	\$0	\$154,912,553	(\$7,948,120)	(\$7,948,120)

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

^a Of this amount, ~~...\$7,722,428~~ \$15,670,558 represents public funds certified as expenditures incurred by public hospitals and agencies that are eligible for federal financial participation under the Medicaid program...

^b Of this amount, \$144,686,653 shall be from the Hospital Provider Fee Cash Fund created in Section 25.5-4-402.3 (4) C.R.S., and ~~\$19,225,990~~ \$2,277,780 shall be from public funds certified as representing expenditures by hospitals that are eligible for federal financial participation under the Medicaid upper payment limit and the Medicaid Disproportionate Share Payments to Hospitals program.

Cash or Federal Fund Name and COFRS Fund Number: Certified Public Expenditure.
 Reappropriated Funds Source, by Department and Line Item Name: None.

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments: None.

Other Information: None.



DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

John W. Hickenlooper
Governor

*FY 2012-13 Funding Request
November 1, 2011*

Susan E. Birch
Executive Director

Department Priority: R-10
Request Title: Utilize Supplemental Payments for General Fund Relief

Summary of Incremental Funding Change for FY 2012-13	Total Funds	General Fund	FTE
Total Request	(\$1,006,752)	(\$1,006,752)	0.0

Request Summary:

The Department requests to use \$1,006,752 federal funds in FY 2012-13 to provide General Fund relief to the Medical Services Premiums line item. Similarly, the Department requests to use \$1,015,229 federal funds in FY 2013-14, to provide General Fund relief to the Medical Services Premiums line item. These General Fund savings would be achieved by a reduction to certain certified public expenditure (CPE) based supplemental payments in the Medical Services Premiums line item. The Department also requests to move the inpatient high volume CPE supplemental payment currently in the Safety Net Provider Payments line to the Medical Services Premiums line item.

Currently, the Safety Net Section of the Department manages and calculates several payments utilizing the CPE methodology, and is continuously working on new and innovative ways to increase payments to providers in order to reduce the uncompensated costs of providing care to under and uninsured Coloradans. However, due to the increasing strain on the state's General Fund, the Department is requesting to withhold 10% of the federal funds drawn under some of these payments in order to offset General Fund costs in the Department. Specifically, the Department requests to withhold 10% of the federal funds drawn under the physician supplemental payment and the inpatient high volume CPE supplemental payment

currently in the Safety Net Provider Payments line item as authorized pursuant to the Department's FY 2011-12 DI-7 "Maximize Reimbursement for High Volume Medicaid and CICP Hospitals." Please see Table 2 in Appendix A below for more detailed information on these individual payments and the withholding calculations. For FY 2012-13, the Department projects the federal funds drawn under these payments to equal \$10,067,515, resulting in General Fund relief in the amount of \$1,006,752 after 10% of these funds are withheld. Similar withholding of federal funds is already being done with some of the CPE based payments within the Medical Services Premiums line item, particularly the Home Health and Nursing Facility payments made under the Upper Payment Limit (UPL).

The physician supplemental payment applies only to Denver Health Medical Center at this time. The inpatient high volume CPE supplemental payment applies to University Hospital and Memorial Hospital in Colorado Springs, with approximately 70% of the payment being allocated to University Hospital and 30% to Memorial Hospital. Denver Health Medical Center, which is also a High Volume Medicaid and CICP Hospital, has its hospital-specific UPL maximized under the Hospital Provider Fee supplemental payments, so would not receive any additional inpatient high volume CPE

supplemental payments pursuant to the Department's FY 2011-12 DI-7.

In addition to the requested General Fund savings, the Department also requests to move the \$15,896,240 inpatient high volume CPE supplemental payment in the Safety Net Provider Payments line item to the Medical Services Premiums line item to place it with the other payments made under the Upper Payment Limit. This action will make both lines more transparent and limit the purpose of the Safety Net Provider Payment line item to only Hospital Provider Fee payments. This will take place prior to the withholding discussed above. Please see Table 1 in Appendix A for more detail on this transfer.

Anticipated Outcomes:

If this request is approved, the Department anticipates savings in the amount of \$1,006,752 General Fund in FY 2012-13 and \$1,015,229 General Fund in FY 2013-14.

Assumptions for Calculations:

Assumptions used in the calculations for this request include the approval of a State Plan Amendment (SPA) by the Centers for Medicare and Medicaid Services (CMS), which would allow the Department to implement the inpatient high volume CPE supplemental payment currently budgeted for in the Safety Net Provider Payments line item. The Department expects approval of this SPA by March 1, 2012. The Department also assumes that it will have received the data it needs from all hospitals in order to calculate the payments, and that the data support payments in the amounts budgeted.

Please see Appendix A for detailed calculations for this request.

Consequences if not Funded:

If this request is not approved, the Department will forego General Fund relief in the amount of \$1,006,752 in FY 2012-13 and \$1,015,229 in FY 2013-14. This process of retaining a portion of the federal funds distributed to providers has already been approved by CMS, and not approving this would limit the Department's ability to reduce its overall General Fund need.

Current Statutory Authority or Needed Statutory Change:

There are no federal regulations that prohibit the State from retaining all or a portion of the federal funds it earns through the CPE methodology. Indeed, Colorado already retains all federal funds from the Public Nursing Facility Supplemental Payment and the Public Home Health Agency Supplemental Payment. While the text of State Plan Amendments does not currently address State retention of federal funds specifically, the State must notify CMS if it intends to do so in its response to standard funding questions that are submitted with any proposed State Plan Amendment that modifies provider reimbursement methodologies or amounts.

Appendix A: Tables and Calculations

Table 1: Transfer of Inpatient High Volume Supplemental Payment

Payment Type	Total Funds	Certified Public Expenditures	Federal Funds
(4) Safety Net Provider Payments	(\$15,896,240)	(\$7,948,120)	(\$7,948,120)
(2) Medical Services Premiums	\$15,896,240	\$7,948,120	\$7,948,120
Net Transfer Request	\$0	\$0	\$0

Table 2: Payments and Withholding Calculations

FY 2012-13				
Payment Type	Total Funds	Certified Public Expenditures	Federal Funds	Withholding for General Fund
Physician Supplemental Payment	\$4,238,789	\$2,119,394	\$2,119,395	(\$211,940)
Inpatient High Volume CPE Supplemental Payment	\$15,896,240	\$7,948,120	\$7,948,120	(\$794,812)
Total	\$20,135,029	\$10,067,514	\$10,067,515	(\$1,006,752)
FY 2013-14				
Payment Type	Total Funds	Certified Public Expenditures	Federal Funds	Withholding for General Fund
Physician Supplemental Payment	\$4,408,341	\$2,204,170	\$2,204,171	(\$220,417)
Inpatient High Volume CPE Supplemental Payment	\$15,896,240	\$7,948,120	\$7,948,120	(\$794,812)
Total	\$20,304,581	\$10,152,290	\$10,152,291	(\$1,015,229)