

**Schedule 13
Funding Request for the 2012-13 Budget Cycle**

Department: Health Care Policy and Financing

Request Title: CHIPRA Bonus Payment True-up

Priority Number: R-11

Dept. Approval by: John Bartholomew *JB 10/20/11*
Date

OSPB Approval by: Greg N. ... *10/24/11*
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	\$91,156,720	\$0	\$91,156,720	\$0	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$66,146,615	\$0	\$60,127,929	(\$15,036,785)	(\$49,048,695)
	GFE	\$0	\$0	\$0	\$0	\$0
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$25,010,105	\$0	\$31,028,791	\$15,036,785	\$49,048,695
(5) Other Medical Services; Medicaid Modernization Act of 2003 State Contribution Payment	Total	\$91,156,720	\$0	\$91,156,720	\$0	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$66,146,615	\$0	\$60,127,929	(\$15,036,785)	(\$49,048,695)
	GFE	\$0	\$0	\$0	\$0	\$0
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$25,010,105	\$0	\$31,028,791	\$15,036,785	\$49,048,695

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

Cash or Federal Fund Name and COFRS Fund Number: FF: Title XXI

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-11
CHIPRA Bonus Payment True-up**

Summary of Incremental Funding Change for FY 2012-13	Total Funds	General Fund	FTE
(5) Other Medical Services; Medicaid Modernization Act of 2003 State Contribution Payment	\$0	(\$15,036,785)	0.0

Request Summary:

The Department requests reductions to the General Fund appropriation to the Medicaid Modernization Act of 2003 State Contribution Payment (MMA) line item in the amount of \$15,036,785 in FY 2012-13, with a corresponding increase in the federal funds appropriation. The requested change is the result of updated calculations for the State's projected CHIPRA bonus payments for FFY 2010 forward. In addition, the Department estimates that CHIPRA bonus will result in additional federal funds of \$9,974,968 in FY 2011-12 to be used as General Fund offset in this line item. This estimate is provided for informational purposes only.

As discussed in the Department's November 1, 2010 DI-6 "Cash Fund Insolvency Financing" and February 15, 2011 "Cash Fund Insolvency True-Up," under the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA), federal funding was made available to states for performance bonuses to support the additional number of enrollees in Medicaid and CHP+ that states attract due to outreach and retention activities. Five of eight outreach and retention policies must be in place for at least half of the federal fiscal year for a state to qualify to receive a bonus. Once a state has qualified for the performance bonuses through the implementation of five out of the eight specified provisions, the state must exceed an enrollment target.

The CHIPRA bonuses are made in two distinct payments- an initial payment in the December following the end of the federal fiscal year for which the bonus payment is being made, and a second payment in approximately the following August. The second payment is made in order to allow for retroactive enrollments or disenrollments to occur, which makes the enrollment number used to calculate the payment more comparable to the baseline enrollment level.

The Department received notification that Colorado qualified for the FFY 2010 payment on December 23, 2010, and the Department received the first payment of \$13,671,043 in late December 2010. The Department received an award letter for the second payment in the amount of \$4,532,230 on August 10, 2011.

The Department's MMA line item was appropriated \$25,010,105 federal funds in FY 2011-12 for the initial FFY 2011 CHIPRA bonus payment, with a corresponding decrease in the General Fund appropriation. This request is to adjust this appropriation for two factors. First, the Department did not receive an appropriation for the second FFY 2010 payment, which was received in FY 2011-12. Second, the Department is adjusting the projected CHIPRA bonus

payments for FFY 2011 forward to account for the revised Medicaid caseload forecast that is included in the Department's November 1, 2011 Budget Request.

Please note that the Department's request for FY 2011-12 includes a reduction of \$30,000 from the full amount of the second FFY 2010 payment. Pursuant to HB 10-1264, the Department submitted an IDEA application to reward 11 Department employees for the extraordinary effort that went into ensuring that the State qualified for the FFY 2010 bonus payment. In accordance with 24-50-903 et seq. C.R.S. (2011), this application was approved by the Executive Director of the Department, the savings were reviewed and verified by the State Auditor, and the State Auditor presented these findings to the Legislative Audit Committee on July 11, 2011. As such, the Department has been granted authority to reduce the federal award by \$30,000: \$25,000 in discretionary funds for the Department and \$5,000 to be equally distributed among the 11 Department employees on the team that won the award. This amount will be placed in a non-appropriated line item by the Office of the State Controller for disbursement.

Assumptions for Calculations:

The projected bonus payments for FFY 2011 forward are based on formulas set in federal law at 42 U.S.C. 1397ee(a)(3), and have been updated for the revised Medicaid caseload forecast that is included in the Department's November 1, 2011 Budget Request. Please see Attachment A, Tables 2a through 2c for the calculation of the projected initial payments. For the calculation of the projected final total bonus payments, including the second payment, the Department has assumed that 6 months of retroactivity will result in an increase in enrollment of approximately 1.17% based on enrollment data from the Medicaid Management Information System (MMIS) for January through December 2009 as well as the FFY 2010 final retroactive adjustment, though this percent is not known at this time. Please see Tables 2d and 2e for the calculation of the projected total payments.

Tables 3 and 4 of Attachment A show the estimated bonus payments to be received by the Department by state fiscal year, as well as the requested incremental increase in the federal funds appropriation to the MMA line item.

Current Statutory Authority or Needed Statutory Change:

42 U.S.C. 1397ee(a)(3) Performance bonus payment to offset additional Medicaid and CHIP child enrollment costs resulting from enrollment and retention efforts

(A) In addition to the payments made under paragraph (1), for each fiscal year (beginning with fiscal year 2009 and ending with fiscal year 2013), the Secretary shall pay from amounts made available under subparagraph (E), to each State that meets the condition under paragraph (4) for the fiscal year, an amount equal to the amount described in subparagraph (B) for the State and fiscal year. The payment under this paragraph shall be made, to a State for a fiscal year, as a single payment not later than the last day of the first calendar quarter of the following fiscal year.

Attachment A

CHIPRA Bonus Payment True-up

Under the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA), federal funding was made available to states for performance bonuses to support the additional number of enrollees in Medicaid and CHP+ that states attract due to outreach and retention activities.

Bonus payments were made available beginning in federal fiscal year (FFY) 2009. For each year, bonuses will be paid by December 31st following the end of the federal fiscal year (e.g., FFY 2011 bonuses will be paid by December 31, 2011). Five of the eight policies must be in place for at least half of the federal fiscal year for a state to qualify to receive a bonus. The qualifying policies are shown in Table 1, along with Colorado's status. Colorado received approval for a Medicaid State Plan Amendment in FY 2010-11 that will clarified that Colorado's Medicaid Health Insurance Buy-In program meets all of the requirements for the Premium Assistance Subsidy provisions set forth in CHIPRA. This State Plan Amendment qualified Colorado to receive the CHIPRA bonus payment beginning in FFY 2010.

The CHIPRA bonuses are made in two distinct payments- an initial payment in the December following the end of the federal fiscal year for which the bonus payment is being made, and a second payment in approximately the following summer. The second payment is made in order to allow for retroactive enrollments or disenrollments to occur, which makes the enrollment number used to calculate the payment more comparable to the baseline enrollment level. The Department has assumed that 6 months of retroactivity will result in an increase in enrollment of approximately 1.17% based on enrollment data from the Medicaid Management Information System (MMIS) for January through December 2009 as well as the FFY 2010 final retroactive adjustment, though this percent is not known at this time.

Table 1: 8 Enrollment and Retention Provisions			
Provision	Description	Medicaid	CHP+
12-Month Continuous Eligibility under Title XIX and Title XXI *	Establishment of a 12-month continuous eligibility period for children under age 19 in the Medicaid and/or CHIP State Plans.		✓
Elimination of Asset Test under Title XIX and Title XXI*	The State has liberalized asset test requirements for determining eligibility of children for Medicaid or CHIP by either removing asset/resource tests or reducing the documentation requirements for eligibility.	✓	✓
Elimination of In-Person Interview under Title XIX and Title XXI*	The State has eliminated in-person interview requirements for applying for Medicaid or CHIP (with exception for circumstances that justify a face-to-face interview).	✓	✓
Joint Application	The State has established a joint application and verification process for initial enrollment into Medicaid or CHIP and renewals of enrollment.	✓	✓
Auto Renewal under Title XIX and Title XXI	The State's Medicaid or CHIP program utilizes a renewal form with pre-printed eligibility information that is sent to the parent/caretaker relative of the child with notice that the child's eligibility will be automatically renewed unless other information is provided to the State that affects the child's continued eligibility.		
Presumptive Eligibility under Title XIX and Title XXI*	The State has implemented presumptive eligibility for children under the Medicaid and/or CHIP State Plans.	✓	✓
Express Lane under Title XIX and Title XXI*	The State is implementing the option to utilize express lane agencies under the Medicaid and CHIP State Plans.		
Premium Assistance Subsidy under Title XIX and Title XXI	The State has implemented the option of providing premium assistance subsidies under the Medicaid and/or CHIP State Plans.	✓	✓
* Both Medicaid and CHIP must implement these provisions.			

Once a state has qualified for the performance bonuses through the implementation of five out of the eight specified provisions, the state must exceed an enrollment target. The enrollment target will be set each year by applying the formula set out in CHIPRA to state enrollment data. Specifically, the Centers for Medicare and Medicaid Services will calculate the target for each state, which is based on the state's child enrollment in Medicaid in 2007 adjusted each year by the state's child population growth and a standard enrollment growth factor that changes over time as specified in CHIPRA. The standard enrollment growth factor, which is the same for all states, is based on national projected caseload growth. Because of the recession, it is pegged at a fairly high rate. The rate starts at 4% but drops to 3.5%, 3%, and ultimately to 2%.

The CHIPRA bonus payment is equal to a percentage of the state's share of the average per capita cost of a Medicaid child, applied to the number of Medicaid children that exceed the enrollment target. The percentage depends on how much enrollment exceeds the enrollment target. A state with enrollment between the target level and 110% of the target level (Tier 1 enrollment) would receive a bonus payment equal to 15% of the state's share of the average per capita cost of a Medicaid child, multiplied by the number of children above the target. The percentage would rise to 62.5% of the state's share of the average cost per child for enrollment above 110% of the target (Tier 2 enrollment).

Table 2a: CHIPRA Bonus Caseload Calculations- Initial Payment

	FFY 2010	FFY 2011	FFY 2012	FFY 2013
Baseline Enrollment	263,497	276,400	288,230	300,912
Estimated Child Population Growth Factor ¹	4.90%	4.28%	4.40%	4.07%
Tier 1 Bonus Target Enrollment Estimate ²	276,400	288,230	300,912	313,159
Tier 2 Bonus Target Enrollment Estimate ³	304,040	317,053	331,003	344,475
Projected Enrollment	313,759	343,918	368,568	381,204
Projected Tier 1 Bonus Enrollment	27,640	28,823	30,091	31,316
Projected Tier 2 Bonus Enrollment	9,719	26,865	37,565	36,729

¹ Estimated Child population growth equals estimated population growth for age 0-18. The FFY 2010 estimate is provided by the Centers for Medicare and Medicaid Services, and future growth rates are estimates from the U.S. Census Bureau plus 3.5% in FFY 2011 through FFY 2012, and 3.0% in FFY 2013 thereafter.

² Tier 1 Bonus target is the Baseline Enrollment increased by the Estimated Child Population Growth Factor.

³ Tier 2 Bonus target is 10% above the Tier 2 Bonus Enrollment target.

Table 2b: CHIPRA Bonus Per Capita Calculations

	FFY 2010	FFY 2011	FFY 2012	FFY 2013
Kaiser State Health Facts CO Child Medicaid Cost ⁴	\$2,478.75	\$2,675.28	\$2,887.39	\$3,116.32
Estimated Increase in National Health Expenditures	7.93%	7.93%	7.93%	7.93%
State FMAP Rate	50.00%	50.00%	50.00%	50.00%
Applicable Per Capita	\$1,337.64	\$1,443.70	\$1,558.16	\$1,681.70

⁴ Per capita costs used to calculate the bonus payment is the average cost of a non-SSI, non-waiver child in Medicaid including retroactivity. Because the Department does not report a similar per capita cost in its budget, the Kaiser State Health Facts CO Child Medicaid Cost is used as the closest available proxy to that used by the Centers for Medicare and Medicaid Services to calculate the payment.

Table 2c: CHIPRA Bonus Payment Calculation- Initial Payment

	FFY 2010	FFY 2011	FFY 2012	FFY 2013
Projected Tier 1 Bonus Enrollment	27,640	28,823	30,091	31,316
Projected Tier 1 Per Capita Bonus ⁵	\$200.64	\$216.56	\$233.72	\$252.26
Projected Tier 1 Bonus Payment	\$5,545,765	\$6,241,909	\$7,032,869	\$7,899,774
Projected Tier 2 Bonus Enrollment	9,719	26,865	37,565	36,729
Projected Tier 2 Per Capita Bonus ⁵	\$836.02	\$902.31	\$973.85	\$1,051.06
Projected Tier 2 Bonus Payment	\$8,125,278	\$24,240,934	\$36,582,763	\$38,604,278
Projected Total Initial CHIPRA Bonus Payment	\$13,671,043	\$30,482,843	\$43,615,632	\$46,504,052

⁵ Projected Tier 1 Bonus Per Capita is equal to the estimated base per capita cost for Medicaid children multiplied by the State's FMAP rate multiplied by 15%. Projected Tier 2 Bonus Per Capita is equal to the estimated base per capita cost for Medicaid children multiplied by the State's FMAP rate multiplied by 62.5%.

Table 2d: CHIPRA Bonus Payment Calculation- Final Caseload Projections				
Projected Enrollment with Retroactivity ⁶	319,961	347,942	372,880	385,664
Projected Tier 1 Bonus Enrollment	27,640	28,823	30,091	31,316
Projected Tier 2 Bonus Enrollment	15,921	30,889	41,877	41,189
Applicable Per Capita	\$1,291.35	\$1,393.74	\$1,504.24	\$1,623.50
⁶ Based on enrollment data from the MMIS for January through December 2009 as well as the FFY 2010 final retroactive adjustment, the Department estimates that 6 months of retroactivity will result in an increase in enrollment of approximately 1.17%.				
Table 2e: CHIPRA Bonus Payment Calculation- Final Payment				
	FFY 2010	FFY 2011	FFY 2012	FFY 2013
Projected Tier 1 Bonus Enrollment	27,640	28,823	30,091	31,316
Projected Tier 1 Per Capita Bonus	\$193.70	\$209.06	\$225.64	\$243.53
Projected Tier 1 Bonus Payment	\$5,353,937	\$6,025,765	\$6,789,613	\$7,626,229
Projected Tier 2 Bonus Enrollment	15,921	30,889	41,877	41,189
Projected Tier 2 Per Capita Bonus	\$807.09	\$871.09	\$940.15	\$1,014.69
Projected Tier 2 Bonus Payment	\$12,849,336	\$26,907,022	\$39,370,662	\$41,793,963
Projected Total CHIPRA Bonus Payment	\$18,203,273	\$32,932,787	\$46,160,275	\$49,420,192
Projected Second Payment	\$4,532,230	\$2,449,944	\$2,544,643	\$2,916,140

Table 3: CHIPRA Bonus Payments by State Fiscal Year					
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Projected Initial Bonus Payment (December of Respective State Fiscal Year)	\$13,671,043	\$30,482,843	\$43,615,632	\$46,504,052	\$0
Projected Second Bonus Payment (August of Following State Fiscal Year)*	\$0	\$4,502,230	\$2,449,944	\$2,544,643	\$2,916,140
Projected Total Bonus Payments by State Fiscal Year	\$13,671,043	\$34,985,073	\$46,065,576	\$49,048,695	\$2,916,140

* The amount appropriated from the second payment from FFY 2010 is reduced by \$30,000 for IDEA awards. Please see narrative for details.

Table 4: Estimated/Requested Appropriation Adjustments for CHIPRA Bonus Payments				
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Projected Total Bonus Payments by State Fiscal Year	\$13,671,043	\$34,985,073	\$46,065,576	\$49,048,695
Appropriation/Base Request	\$13,671,043	\$25,010,105	\$31,028,791	\$0
Estimated/Requested Incremental Increase in Federal Funds Appropriation (Corresponding Decrease in General Fund Appropriation)	\$0	\$9,974,968	\$15,036,785	\$49,048,695