

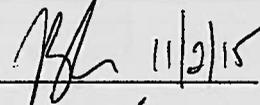
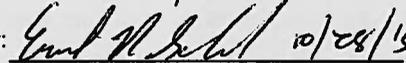
Schedule 13

Funding Request for the FY 2016-17 Budget Cycle

Department of Health Care Policy and Financing

Request Title

R-12 Medicaid Provider Rate Reductions

Dept. Approval By: Josh Block		<input checked="" type="checkbox"/>	Supplemental FY 2015-16
	11/2/15		Change Request FY 2016-17
OSPB Approval By: 	10/28/15	<input type="checkbox"/>	Base Reduction FY 2016-17
			Budget Amendment FY 2016-17

Summary Information	Fund	FY 2015-16		FY 2016-17		FY 2017-18
		Initial	Supplemental	Base Request	Change Request	Continuation
		Appropriation	Request			
Total		\$7,117,893,850	\$0	\$7,068,973,555	(\$35,753,121)	(\$40,010,683)
FTE		\$0	0.0	\$0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$2,067,243,753	\$0	\$2,050,745,953	(\$12,886,073)	(\$14,515,473)
	CF	\$735,026,556	\$0	\$731,950,833	(\$945,958)	(\$1,291,984)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$4,315,623,541	\$0	\$4,286,276,769	(\$21,921,090)	(\$24,203,226)

Line Item Information	Fund	FY 2015-16		FY 2016-17		FY 2017-18
		Initial	Supplemental	Base Request	Change Request	Continuation
		Appropriation	Request			
Total		\$6,594,830,484	\$0	\$6,543,446,738	(\$30,375,797)	(\$34,493,298)
FTE		0.0	0.0	0.0	0.0	0.0
02. Medical Services	GF	\$1,816,359,768	\$0	\$1,798,277,508	(\$10,300,170)	(\$11,854,148)
Premiums - Medical and LT Care	CF	\$703,597,288	\$0	\$700,504,787	(\$630,662)	(\$976,602)
Services for Medicaid Eligible indivls	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$4,074,873,428	\$0	\$4,044,664,443	(\$19,444,965)	(\$21,662,548)

Total		\$8,410,359	\$0	\$8,437,970	(\$87,332)	(\$90,630)
FTE		0.0	0.0	0.0	0.0	0.0
03. Behavioral Health Community Programs - Behavioral Health	GF	\$2,685,684	\$0	\$2,693,797	(\$18,463)	(\$19,161)
Fee-for-Service Payments	CF	\$143,951	\$0	\$144,363	(\$2,279)	(\$2,365)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$5,580,724	\$0	\$5,599,810	(\$66,590)	(\$69,104)

	Total	\$368,974,132	\$0	\$369,166,299	(\$3,869,989)	(\$3,969,310)
	FTE	0.0	0.0	0.0	0.0	0.0
04. Office of Community Living - Adult Comprehensive Services	GF	\$166,178,462	\$0	\$166,523,728	(\$1,763,565)	(\$1,819,390)
	CF	\$31,281,639	\$0	\$31,298,006	(\$312,980)	(\$312,980)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$171,514,031	\$0	\$171,344,565	(\$1,793,444)	(\$1,836,940)
	Total	\$78,378,376	\$0	\$80,624,804	(\$778,898)	(\$804,287)
	FTE	0.0	0.0	0.0	0.0	0.0
04. Office of Community Living - Adult Supported Living Services	GF	\$42,592,426	\$0	\$43,739,911	(\$423,839)	(\$436,423)
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$35,785,950	\$0	\$36,884,893	(\$355,059)	(\$367,864)
	Total	\$22,574,419	\$0	\$22,575,320	(\$219,834)	(\$225,713)
	FTE	0.0	0.0	0.0	0.0	0.0
04. Office of Community Living - Children's Extensive Support Services	GF	\$11,108,871	\$0	\$11,127,403	(\$108,994)	(\$112,315)
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$11,465,548	\$0	\$11,447,917	(\$110,840)	(\$113,398)
	Total	\$34,577,785	\$0	\$34,573,782	(\$319,784)	(\$325,960)
	FTE	0.0	0.0	0.0	0.0	0.0
04. Office of Community Living - Case Management	GF	\$18,194,562	\$0	\$18,259,279	(\$169,798)	(\$172,794)
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$16,383,223	\$0	\$16,314,503	(\$149,986)	(\$153,166)
	Total	\$6,960,204	\$0	\$6,960,460	(\$69,605)	(\$69,605)
	FTE	0.0	0.0	0.0	0.0	0.0
04. Office of Community Living - Family Support Services	GF	\$6,960,204	\$0	\$6,960,460	(\$69,605)	(\$69,605)
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0
	Total	\$67,012	\$0	\$66,988	(\$670)	(\$670)
	FTE	0.0	0.0	0.0	0.0	0.0
04. Office of Community Living - Preventive Dental Hygiene	GF	\$63,334	\$0	\$63,311	(\$633)	(\$633)
	CF	\$3,678	\$0	\$3,677	(\$37)	(\$37)
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$0	\$0	\$0	\$0	\$0

	Total	\$3,121,079	\$0	\$3,121,194	(\$31,212)	(\$31,210)
	FTE	0.0	0.0	0.0	0.0	0.0
04. Office of Community Living - Eligibility Determination and Waiting List Management	GF	\$3,100,442	\$0	\$3,100,556	(\$31,006)	(\$31,004)
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$20,637	\$0	\$20,638	(\$206)	(\$206)

Letternote Text Revision Required? Yes <input type="checkbox"/> No <input type="checkbox"/> X <input checked="" type="checkbox"/>	If Yes, describe the Letternote Text Revision:
Cash or Federal Fund Name and CORE Fund Number:	FF: Title XIX CF: Adult Dental Fund (28C0) Breast and Cervical Cancer Fund (15D0) Hospital Provider Fee (24A0) Cash from Clients (1000) Local Funds (9900)
Reappropriated Funds Source, by Department and Line Item Name:	
Approval by OIT? Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required: <input checked="" type="checkbox"/>	
Schedule 13s from Affected Departments: DHS	
Other Information:	



Cost and FTE

- The Department proposes to permanently reduce rates paid to most Medicaid physical health fee-for-service and managed care providers by 1% effective July 1, 2016, in order to meet State budget balancing requirements in FY 2016-17. The Department estimates that the proposed rate reductions will reduce expenditure by approximately \$35,753,121 total funds, \$12,886,073 General Fund, and \$945,958 cash funds in FY 2016-17, with a reduction of \$40,010,683 total funds, \$14,515,473 General Fund, and \$1,291,984 cash funds in FY 2017-18.

Current Program

- Colorado's Medicaid program currently provides health care access to more than 1,161,206 individuals, encompassing Colorado's most vulnerable populations.
- Medicaid includes physical and mental health fee-for-service and physical and mental health managed care.

Problem or Opportunity

- The Department requests to reduce Medicaid expenditure, based on the revenue projections and projected budget deficit for the State for FY 2016-17.

Consequences of Problem

- The State is required to balance its budget each fiscal year. Provider rate reductions are necessary to satisfy this requirement.

Proposed Solution

- This requested expenditure reduction would be accomplished through a 1% across the board rate reduction for most Medicaid physical health fee-for-service and managed care providers, effective July 1, 2016.



COLORADO

Department of Health Care
Policy & Financing

FY 2016-17 Funding Request | November 2, 2015

John W. Hickenlooper
Governor

Susan E. Birch
Executive Director

Department Priority: R-12

Request Detail: Medicaid Provider Rate Reductions

Summary of Incremental Funding Change for FY 2016-17	Total Funds	General Fund
R-12 Medicaid Provider Rate Reductions	(\$35,753,121)	(\$12,886,073)

Problem or Opportunity:

The Department proposes to permanently reduce rates paid to most Medicaid physical health fee-for-service and managed care providers by 1% effective July 1, 2016, in order to reduce Medicaid expenditure to meet State budget balancing requirements in FY 2016-17. The Department estimates that the proposed rate reductions would reduce Medicaid expenditure by approximately \$35,753,121 total funds, \$12,886,073 General Fund, and \$945,958 cash funds in FY 2016-17, with a reduction of \$40,010,683 total funds, \$14,515,473 General Fund, and \$1,291,984 cash funds in FY 2017-18.

Proposed Solution:

The Department requests to reduce expenditure by \$35,753,121 total funds, \$12,886,073 General Fund, and \$945,958 cash funds in FY 2016-17 and \$40,010,683 total funds, \$14,515,473 General Fund, and \$1,291,984 cash funds in FY 2017-18, based on the revenue projections and projected budget deficit for the State for FY 2016-17. This requested expenditure reduction would be accomplished through a 1% across the board rate reduction for most Medicaid physical and behavioral health fee-for-service, effective July 1, 2016. Managed care providers would be impacted indirectly as well.

Anticipated Outcomes:

Implementing the reductions would allow the State to achieve constitutional budget balancing requirements.

Assumptions and Calculations:

The proposed reduction would affect most providers and services paid within the Department's Medical Services Premiums line item, the Behavioral Health fee-for-service line item, and the Office of Community Living's Division of Intellectual and Developmental Disabilities line items. Rates paid to managed care organizations, including the Program of All-Inclusive Care for the Elderly (PACE), would also include indirect decreases, but the specific impact could vary depending on the underlying rate setting methodology.

This reduction would affect all fee-for-service providers and services paid within the Department's Medical Services Premiums line item, with the following exceptions: physician services; early and periodic screening,

diagnostic, and treatment (EPSDT); pharmacy reimbursement; rural health centers (RHCs); federally qualified health centers (FQHCs); home- and community-based services: children with autism waiver (HCBS-CWA); hospice care that takes place in nursing facilities; Class I and Class II nursing facilities; disease management; and administrative contracts. Many of the listed services are not traditionally eligible for either across the board rate decreases or increases; physician services and EPSDT are not included as they are already receiving a rate reduction effective July 1, 2016 with the end of the Department's FY 2014-15 BA-10, which continued section 1202 of the Affordable Care Act (ACA) with State funds at the standard federal medical assistance percentage (FMAP) for medical services through June 30, 2016.

Due to cash accounting, savings estimates are calculated under the assumption that there will be a constant one month lag between the time the cuts are implemented and the time savings are achieved. This gap incorporates the approximate time between when a claim is incurred and the time that the claim is paid by the Department.

Please see appendix A for more information on calculations.

R-12 Medicaid Provider Rate Reductions
Appendix A: Calculations and Assumptions

Table 1a: FY 2016-17 - Amounts Eligible for Rate Reduction by Funding Source (Includes Budget Actions Not Yet Approved)				
Long Bill Group	Total Funds	General Fund	Cash Funds⁽¹⁾	Federal Funds
(2) Medical Services Premiums				
Acute Care	\$2,257,938,967	\$656,164,304	\$56,871,920	\$1,544,902,743
Community Based Long Term Care	\$746,402,268	\$361,930,381	\$5,768,663	\$378,703,224
Program for All-Inclusive Care for the Elderly	\$0	\$0	\$0	\$0
Service Management	\$33,238,452	\$11,922,309	\$425,567	\$20,890,576
Total Medical Services Premiums	\$3,037,579,687	\$1,030,016,994	\$63,066,150	\$1,944,496,543
Impact of 1% Rate Reduction	(\$30,375,797)	(\$10,300,170)	(\$630,662)	(\$19,444,965)
(1) Amount of cash fund by cash fund: Hospital Provider Fee: (\$482,465); Breast and Cervical Cancer Prevention and Treatment Fund: (\$3,923); Adult Dental Fund: (\$144,274)				
(3) Behavioral Health Community Programs				
Mental Health Fee-for-Service	\$8,733,198	\$1,846,325	\$227,899	\$6,658,974
Impact of 1% Rate Reduction	(\$87,332)	(\$18,463)	(\$2,279)	(\$66,590)
(1) Amount of cash fund by cash fund Hospital Provider Fee: (\$2,279)				

R-12 Medicaid Provider Rate Reductions
Appendix A: Calculations and Assumptions

Table 1a: FY 2016-17 - Amounts Eligible for Rate Reduction by Funding Source (Continued)				
Long Bill Group	Total Funds	General Fund	Cash Funds⁽¹⁾	Federal Funds
(4) Office of Community Living				
Adult Comprehensive Services	\$386,998,883	\$176,356,495	\$31,298,006	\$179,344,382
Impact of 1% Rate Reduction	(\$3,869,989)	(\$1,763,565)	(\$312,980)	(\$1,793,444)
Adult Supported Living Services	\$77,889,760	\$42,383,876	\$0	\$35,505,884
Impact of 1% Rate Reduction	(\$778,898)	(\$423,839)	\$0	(\$355,059)
Family Support Services	\$6,960,460	\$6,960,460	\$0	\$0
Impact of 1% Rate Reduction	(\$69,605)	(\$69,605)	\$0	\$0
Children's Extensive Support Services	\$21,983,419	\$10,899,379	\$0	\$11,084,040
Impact of 1% Rate Reduction	(\$219,834)	(\$108,994)	\$0	(\$110,840)

R-12 Medicaid Provider Rate Reductions
Appendix A: Calculations and Assumptions

Table 1a: FY 2016-17 - Amounts Eligible for Rate Reduction by Funding Source (Continued)				
Long Bill Group	Total Funds	General Fund	Cash Funds⁽¹⁾	Federal Funds
Case Management	\$31,978,466	\$16,979,831	\$0	\$14,998,635
Impact of 1% Rate Reduction	(\$319,784)	(\$169,798)	\$0	(\$149,986)
Eligibility Determination and Waiting List Management	\$3,121,194	\$3,100,556	\$0	\$20,638
Impact of 1% Rate Reduction	(\$31,212)	(\$31,006)	\$0	(\$206)
Preventive Dental Hygiene	\$66,988	\$63,311	\$3,677	\$0
Impact of 1% Rate Reduction	(\$670)	(\$633)	(\$37)	\$0
Total Impact	(\$35,753,121)	(\$12,886,073)	(\$945,958)	(\$21,921,090)
(1) Amount of cash fund by cash fund				
Cash from Clients: (\$312,980); Local Funds: (\$37)				

R-12 Medicaid Provider Rate Reductions
Appendix A: Calculations and Assumptions

Table 1b: FY 2017-18 - Amounts Eligible for Rate Reduction by Funding Source				
Long Bill Group	Total Funds	General Fund	Cash Funds⁽¹⁾	Federal Funds
(2) Medical Services Premiums				
Acute Care	\$2,527,849,377	\$739,400,786	\$91,759,991	\$1,696,688,600
Community Based Long Term Care	\$886,641,934	\$433,460,570	\$5,209,212	\$447,972,152
Program for All-Inclusive Care for the Elderly	\$0	\$0	\$0	\$0
Service Management	\$34,838,479	\$12,553,452	\$691,003	\$21,594,024
Total Medical Services Premiums	\$3,449,329,790	\$1,185,414,808	\$97,660,206	\$2,166,254,776
Impact of 1% Rate Reduction	(\$34,493,298)	(\$11,854,148)	(\$976,602)	(\$21,662,548)
(1) Amount of cash fund by cash fund				
Hospital Provider Fee: (\$813,028); Breast and Cervical Cancer Prevention and Treatment Fund: (\$1,439); Adult Dental Fund: (\$162,135)				
(3) Behavioral Health Community Programs				
Mental Health Fee-for-Service	\$9,062,957	\$1,916,041	\$236,504	\$6,910,412
Impact of 1% Rate Reduction	(\$90,630)	(\$19,161)	(\$2,365)	(\$69,104)
(1) Amount of cash fund by cash fund				
Hospital Provider Fee: (\$2,365)				

R-12 Medicaid Provider Rate Reductions
Appendix A: Calculations and Assumptions

Table 1b: FY 2017-18 - Amounts Eligible for Rate Reduction by Funding Source (Continued)				
Long Bill Group	Total Funds	General Fund	Cash Funds⁽¹⁾	Federal Funds
(4) Office of Community Living				
Adult Comprehensive Services	\$396,931,011	\$181,938,983	\$31,298,006	\$183,694,022
Impact of 1% Rate Reduction	(\$3,969,310)	(\$1,819,390)	(\$312,980)	(\$1,836,940)
Adult Supported Living Services	\$80,428,670	\$43,642,315	\$0	\$36,786,355
Impact of 1% Rate Reduction	(\$804,287)	(\$436,423)	\$0	(\$367,864)
Family Support Services	\$6,960,460	\$6,960,460	\$0	\$0
Impact of 1% Rate Reduction	(\$69,605)	(\$69,605)	\$0	\$0
Children's Extensive Support Services	\$22,571,323	\$11,231,490	\$0	\$11,339,833
Impact of 1% Rate Reduction	(\$225,713)	(\$112,315)	\$0	(\$113,398)

R-12 Medicaid Provider Rate Reductions
Appendix A: Calculations and Assumptions

Table 1b: FY 2017-18 - Amounts Eligible for Rate Reduction by Funding Source (Continued)				
Long Bill Group	Total Funds	General Fund	Cash Funds⁽¹⁾	Federal Funds
Case Management	\$32,596,034	\$17,279,391	\$0	\$15,316,643
Impact of 1% Rate Reduction	(\$325,960)	(\$172,794)	\$0	(\$153,166)
Eligibility Determination and Waiting List Management	\$3,121,079	\$3,100,442	\$0	\$20,637
Impact of 1% Rate Reduction	(\$31,210)	(\$31,004)	\$0	(\$206)
Preventive Dental Hygiene	\$67,012	\$63,334	\$3,678	\$0
Impact of 1% Rate Reduction	(\$670)	(\$633)	(\$37)	\$0
Total Impact	(\$40,010,683)	(\$14,515,473)	(\$1,291,984)	(\$24,203,226)
(1) Amount of cash fund by cash fund				
Cash from Clients: (\$312,980); Local Funds: (\$37)				