Schedule 13

Funding Request for the FY 2016-17 Budget Cycle

Department of Health Care Policy and Financing

Request Title

R-09 OAP State Only Funding Adjustment

Dept. Approval By: Josh Block 11/2/15

OSPB Approval By: 10/28/15

	Supplemental FY 2015-16
X	**Change Request FY 2016-17**
	Base Reduction FY 2016-17
	Budget Amendment FY 2016-17

Summary Information		**FY 2015-16**		**FY 2016-17**		**FY 2017-18**
	Fund	**Initial Appropriation**	**Supplemental Request**	**Base Request**	**Change Request**	**Continuation**
Total of All Line Items Impacted by Change Request	**Total**	**$7,574,103**	**$0**	**$7,574,103**	**($3,939,225)**	**($3,926,452)**
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$2,962,510	$0	$2,962,510	$0	$0
	CF	$4,611,593	$0	$4,611,593	($3,939,225)	($3,926,452)
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

Line Item Information		**FY 2015-16**		**FY 2016-17**		**FY 2017-18**
	Fund	**Initial Appropriation**	**Supplemental Request**	**Base Request**	**Change Request**	**Continuation**
06. Other Medical Services - Old Age Pension State Medical	**Total**	**$7,574,103**	**$0**	**$7,574,103**	**($3,939,225)**	**($3,926,452)**
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$2,962,510	$0	$2,962,510	$0	$0
	CF	$4,611,593	$0	$4,611,593	($3,939,225)	($3,926,452)
	RF	$0	$0	$0	$0	$0
	FF	$0	$0	$0	$0	$0

Letternote Text Revision Required? Yes ___ No X

If Yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and CORE Fund Number: CF: Old Age Pension State Medical Program Fund (28P0)

Reappropriated Funds Source, by Department and Line Item Name:

Approval by OIT? Yes ___ No ___ **Not Required:** X

Schedule 13s from Affected Departments: N/A

Other Information:

Cost and FTE

- FY 2016-17: the Department requests a reduction of $3,939,225 total funds, consisting entirely of cash funds from the Old Age Pension Health and Medical Care Fund; and
- FY 2017-18 and ongoing: the Department requests a reduction of $3,926,452 total funds from cash funds from the Old Age Pension Health and Medical Care Fund.
- The decrease in funding will allow the Department's budget to more accurately reflect the forecasted expenditures in the Old Age Pension Health and Medical Care Program, otherwise known as the OAP State Only (OAP-SO) Medical Care Program.

Current Program

- The OAP-SO program provides limited medical care for Coloradans who are recipients of benefits through Colorado's Old Age Pension Cash Assistance Program, administered by the Department of Human Services. The OAP-SO program is 100% State-funded and is not a federal entitlement.
- Eligible recipients for the OAP-SO program benefits are over the age of sixty and are ineligible for Medicaid.
- The OAP-SO program is currently funded through the Old Age Pension Health and Medical Care Fund established in Article XXIV of the Colorado Constitution, Section 7(C), and section 25.5-2-101 C.R.S.

Problem or Opportunity

- Caseload and expenditures for OAP-SO Program have decreased significantly primarily resulting from new provisions of SB 13-200 which expand Medicaid eligibility to clients previously eligible for OAP-SO, and as a result the appropriation is much larger than necessary to support the costs of the program.
- The caseload and costs have shifted to the Medical Services Premiums line where State obligation of costs is less due to the federal financial participation through Medicaid.

Consequences of Problem

- Without a funding adjustment, the Department's spending authority will exceed the program's forecasted expenditures.

Proposed Solution

- The Department requests a reduction in funding to align the Department's appropriation with the forecasted expenditures in the OAP-SO program.

Department Priority: ***R-9***
Request Detail: ***Old Age Pension State Medical Program Funding Adjustment***

Summary of Incremental Funding Change for FY 2016-17	Total Funds	General Fund
Old Age Pension State Medical Program	($3,939,225)	$0

Problem or Opportunity:

Caseload and expenditures for the Old Age Pension (OAP) Health and Medical Program, also known as the OAP State Only (OAP-SO) Medical Program, have decreased significantly, and as a result the appropriation is much larger than necessary to support the costs of the program.

In accordance with the Constitution of Colorado, Article XXIV, Section 7, the OAP-SO program was established to provide necessary medical care for Old Age Pension Cash Assistance recipients, 60 years of age or older, who do not qualify for Medicaid under Title XIX of the Social Security Act and Colorado statutes. State funded benefits provided through the OAP-SO program are comparable to those provided through the Medicaid program.

The OAP-SO program is funded with cash funds from the Old Age Pension Health and Medical Care Fund established in Article XXIV of the Colorado Constitution and 25.5-2-101 C.R.S. The OAP Health and Medical Fund cannot exceed ten million dollars in any fiscal year. Funds in excess of ten million dollars in any fiscal year are to be transferred to the General Fund.

The primary factor driving the OAP-SO caseload reduction is due to a change through SB 13-200, "Concerning an Increase in the Income Eligibility for Certain Optional Groups in the Medicaid Program to One Hundred Thirty-three Percent Of The Federal Poverty Line", which expanded Medicaid eligibility to individuals under 65 years of age with income below 133 percent of the federal poverty level (FPL), effective January 1, 2014. This change shifted the caseload and costs of medical services for many of the OAP-SO clients to the Medical Services Premiums Long Bill line item where the State funding obligation is less. Another factor affecting caseload is the implementation of a provision of HB 10-1384 "Concerning the Alignment of Eligibility of the Old Age Pension with Eligibility of Other Public Benefit Programs".

The OAP-SO caseload dropped from 2,878 in December 2013 to 693 in January 2014. There has been considerable caseload fluctuation from month to month. Since January 1, 2014, the caseload declined to a low of 62 clients in February 2015, but has since then been growing at an average of 7.5 clients per month through June 2015. The FY 2014-15 OAP-SO average monthly caseload was 147 clients.

Proposed Solution:

The Department requests a reduction of $3,939,225 in cash funds in FY 2016-17, and a reduction of $3,926,452 in cash funds in FY 2017-18 in the (6) Other Medical Services, Old Age Pension State Medical Program line item. The cash funds are from the Old Age Pension Health and Medical Care Fund.

Anticipated Outcomes:

This line item reduction would align the Department's budget with the current expenditure forecast for the program and allow any funds in excess the ten million dollar OAP Health and Medical Fund cap to transfer to the General Fund for other purposes to be determined by the Colorado Legislature.

Assumptions and Calculations:

Detailed calculations for this request are provided in the attached appendix.

Tables 1.1 and 1.2 show the summary of the total reduction requested with funding splits for FY 2016-17 and FY 2017-18, respectively.

Tables 2.1 and 2.2 show the calculations to determine the incremental request for FY 2016-17 and FY 2017-18, respectively. There are no federal funds associated with this program as the entirety of the program is funded from the Old Age Pension Health & Medical Care Cash Fund. Row E shows the FY 2016-17 Base Request which includes $2,962,510 in General Fund for the Colorado Dental Health Care (CDHC) program and $4,611,593 for the OAP-SO Program. The CDHC program is new, effective July 1, 2015. There is insufficient information to make new projections for the CDHC program; therefore, the Department is maintaining the FY 2016-17 and FY 2017-18 amount shown in Row C for that program at the FY 2015-16 appropriation. The incremental request for the appropriation, shown in Row F, is determined by taking the total program forecast in Row D and subtracting the amount of the Base Request in Row E. Row B provide the amount of OAP-SO funds that are reappropriated from OAP State Medical Program line to other HCPF line items further detailed in table 4., which includes the Medicaid Management Information System (MMIS) and the Medical Identification Cards lines.

Table 3 shows the actual and forecasted caseload and expenditures from FY 2011-12 through FY 2017-18. A projected caseload increase of three clients per year during this forecast period is consistent with the Department's growth rate forecasts for the OAP-A and OAP-B Medicaid populations, which when combined, reflect similar segments of Colorado's elderly population and provide a proxy for the growth rate in the OAP-SO program. The projected per capita of $3,743.79 for FY 2016-17 and FY 2017-18 is based on the highest per capita for the program in recent years from FY 2013-14 ($3,652.12), factoring in the 2.0 percent provider rate increase from FY 2014-15 and the 0.5 percent provider rate increase for FY 2015-16. Due to the erratic fluctuations in monthly caseload and expenditures over the past two fiscal years, the Department is using a more generous per capita estimate to obtain sufficient spending authority as to avoid overexpenditure in the program.

Table 1.1 FY 2016-17 Summary by Line Item with Fund Splits			
Item	**Total Funds**	**Cash Funds[1]**	**Source**
(6) Other Medical Services, Old Age Pension State Medical Program	($3,939,225)	($3,939,225)	Table 2.1 Row E

[1]Old Age Pension Health and Medical Care Fund

Table 1.2 FY 2017-18 Summary by Line Item with Fund Splits			
Item	**Total Funds**	**Cash Funds[1]**	**Source**
(6) Other Medical Services, Old Age Pension State Medical Program	($3,926,452)	($3,926,452)	Table 2.2 Row E

[1]Old Age Pension Health and Medical Care Fund

Table 2.1
FY 2016-17 Incremental Request

Row	Description	Total Funds	General Fund	Old Age Pension Health & Medical Care Fund	Source
A	OAP-SO Program Expenditures	$572,794	$0	$572,794	Table 3, Row E (FY 2016-17)
B	Administrative Expenditures Reappropriated to Other HCPF Lines	$99,574	$0	$99,574	Table 4, Row C (FY 2016-17)
C	Colorado Dental Health Program for Low-Income Seniors	$2,962,510	$2,962,510	$0	FY 2015-16 GF Appropriation (SB 15-234)
D	**Total Line Item Forecast**	**$3,634,878**	**$2,962,510**	**$672,368**	Row A + Row B + Row C
E	FY 2016-17 Base Request	$7,574,103	$2,962,510	$4,611,593	FY 2015-16 Appropriation (SB 15-234)
F	**Incremental Request**	**($3,939,225)**	**$0**	**($3,939,225)**	Row D - Row E

Table 2.2
FY 2017-18 and Ongoing Incremental Request

Row	Description	Total Funds	General Fund	Old Age Pension Health & Medical Care Fund	Source
A	OAP-SO Program Expenditures	$585,567	$0	$585,567	Table 3, Row E (FY 2017-18)
B	Administrative Expenditures	$99,574	$0	$99,574	Table 4, Row C (FY 2017-18)
C	Colorado Dental Health Program for Low-Income Seniors	$2,962,510	$2,962,510	$0	FY 2015-16 GF Appropriation (SB 15-234)
D	**Total Line Item Forecast**	**$3,647,651**	**$2,962,510**	**$685,141**	Row A + Row B + Row C
E	FY 2016-17 Base Request	$7,574,103	$2,962,510	$4,611,593	FY 2015-16 Appropriation (SB 15-234)
F	**Incremental Request**	**($3,926,452)**	**$0**	**($3,926,452)**	Row D - Row E

Table 3
OAP-SO Program Expenditure Forecast

Row	Description	FY 2012-13 Actuals	FY 2013-14 Actuals	FY 2014-15 Actuals	FY 2015-16 Projected	FY 2016-17 Projected	FY 2017-18 Projected	Source
A	Average Monthly Caseload	3,596	1,787	147	150	153	156	FY 2015-16, FY 2016-17 and FY 2017-18 caseload projections are based on growth rate of 3.22%[1]
B	% yearly change	-5.94%	-50.31%	-91.77%	1.86%	2.18%	2.23%	Yearly incremental of Average Monthly Caseload divided by prior year Average Monthy Caseload
C	Per Capita	$2,408.50	$3,652.12	$2,931.97	$3,743.79	$3,743.79	$3,743.79	FY 2015-16, FY 2016-17 and FY 2017-18 per capita projections are based on the FY 2013-14 per capita with FY 2014-15 and FY 2015-16 provider rate increases[2]
D	% yearly change	0.65%	51.63%	-19.72%	27.69%	0.00%	0.00%	Yearly incremental of Per Capita divided by prior year Per Capita
E	**Total Program Expenditures**	**$8,660,961**	**$6,526,336**	**$431,000**	**$560,573**	**$572,794**	**$585,567**	**Row A * Row C**

[1]From Department's caseload projections, using OAP-A & OAP-B (Medicaid) combined as proxy population, found in R-1 Medical Services Premium, November 2015 Budget Request

[2]The FY 2014-15 Medicaid provider rate increase was 2.0% and 0.5% for FY 2015-16.

Table 4
OAP-SO Administrative Expenditures

Row	Description	FY 2012-13 Actuals	FY 2013-14 Actuals	FY 2014-15 Actuals	FY 2015-16 Projected	FY 2016-17 Projected	FY 2017-18 Projected	Source
A	Medicaid Management Information System (MMIS)	$97,981	$89,817	$97,981	$97,981	$97,981	$97,981	FY 2013-14 & FY 2014-15: COFRS/CORE Year-end reports; FY 2015-16: Long Bill Appropriation (SB 15-234); FY 2016-17 & FY 2017-18 amounts are assumed to be identical to prior year
B	Medical Identification Cards	$1,593	$1,593	$1,593	$1,593	$1,593	$1,593	
C	**Total**	**$99,574**	**$91,410**	**$99,574**	**$99,574**	**$99,574**	**$99,574**	**Row A + Row B**