

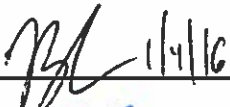

**Schedule 13**

**Funding Request for the FY 2016-17 Budget Cycle**

Department of Health Care Policy and Financing

Request Title

**S13- Old Age Pension Medical Program Funding Adjustment  
BA13- Old Age Pension Medical Program Funding Adjustment**

|  |   |  |
|--|---|--|
| Dept. Approval By: <u>Josh Block</u>  <u>1/4/16</u> | <u>        </u><br><u>        </u><br><u>        </u> | X<br><br><br>Supplemental FY 2015-16<br>Change Request FY 2016-17<br>Base Reduction FY 2016-17 |
| OSPB Approval By:  <u>1/4/16</u>                    | <u>        </u><br><u>        </u><br><u>        </u> | X<br><br>Budget Amendment FY 2016-17   |

| Summary Information                                | Fund | FY 2015-16            |                             | FY 2016-17   |                  | FY 2017-18          |
|--|------|-----------------------|-----------------------------|--------------|------------------|---------------------|
|  |      | Initial Appropriation | Supplemental Request Amount | Base Request | Budget Amendment | Continuation Amount |
| <b>Total</b>                                       |      | \$7,574,103           | (\$3,909,269)               | \$7,574,103  | \$265,815        | \$455,207           |
| FTE  |      | 0.0                   | 0.0                         | 0.0          | 0.0              | 0.0                 |
| Total of All Line Items Impacted by Change Request | GF   | \$2,962,510           | \$0                         | \$2,962,510  | \$0              | \$0                 |
|  | CF   | \$4,611,593           | (\$3,909,269)               | \$4,611,593  | \$265,815        | \$455,207           |
|  | RF   | \$0                   | \$0                         | \$0          | \$0              | \$0                 |
|  | FF   | \$0                   | \$0                         | \$0          | \$0              | \$0                 |

| Line Item Information                                      | Fund | FY 2015-16            |                             | FY 2016-17   |                  | FY 2017-18          |
|--|------|-----------------------|-----------------------------|--------------|------------------|---------------------|
|  |      | Initial Appropriation | Supplemental Request Amount | Base Request | Budget Amendment | Continuation Amount |
| <b>Total</b>   |      | \$7,574,103           | (\$3,909,269)               | \$7,574,103  | \$265,815        | \$455,207           |
| FTE  |      | 0.0                   | 0.0                         | 0.0          | 0.0              | 0.0                 |
| 06. Other Medical Services - Old Age Pension State Medical | GF   | \$2,962,510           | \$0                         | \$2,962,510  | \$0              | \$0                 |
|  | CF   | \$4,611,593           | (\$3,909,269)               | \$4,611,593  | \$265,815        | \$455,207           |
|  | 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 Health and Medical Care Fund (28P0) |
| Reappropriated Funds Source, by Department and Line Item Name:<br>N/A |     |    |               |   |
| Approval by OIT?  | Yes | No | Not Required: | X   |
| Schedule 13s from Affected Departments:                               | N/A |    |               |   |
| Other Information: N/A  |     |    |               |   |



***Cost and FTE***

- FY 2015-16: the Department requests a reduction of \$3,909,269 total funds, consisting entirely of cash funds from the Old Age Pension Health and Medical Care Fund.
- FY 2016-17: the Department requests an increase of \$265,815 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 an increase of \$455,207 total funds consisting of cash funds from the Old Age Pension Health and Medical Care Fund
- The adjustments in funding would 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.



# COLORADO

Department of Health Care  
Policy & Financing

FY 2015-16 and FY 2016-17 Funding Request | January 4, 2016

John W. Hickenlooper  
Governor

Susan E. Birch  
Executive Director

**Department Priority:** S-13, BA-13

**Request Detail:** Old Age Pension State Medical Program Funding Adjustment

| Summary of Incremental Funding Change<br>for FY 2015-16 | Total Funds   | General Fund |
|---|---------------|--------------|
| Old Age Pension State Medical Program                   | (\$3,909,269) | \$0          |

| Summary of Incremental Funding Change<br>for FY 2016-17 | Total Funds | General Fund |
|---|-------------|--------------|
| Old Age Pension State Medical Program                   | \$265,815   | \$0          |

| Summary of Incremental Funding Change<br>for FY 2016-17 | Total Funds | General Fund |
|---|-------------|--------------|
| Old Age Pension State Medical Program                   | \$455,207   | \$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 FY 2015-16 appropriation is much larger than the amount needed to support the costs of the program.

Regarding future years, the Department’s FY 2016-17 R-9 “Old Age Pension State Medical Program Funding Adjustment” submitted in November 2015, reduced the appropriation for the out years, however, current data suggests that these reductions were too aggressive. In addition to the changes requested in FY 2016-17 R-9 request, current projection indicate that an incremental funding increase to appropriation for both FY 2016-17 and FY 2017-18 is needed.

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, sixty (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. The caseload had declined to a low of 62 clients in February 2015, but has been growing at an average rate of 4.45 clients per month over the past 12 months. The caseload for November 2015 is 164 clients. The average monthly caseload in FY 2014-15 was 147 clients.

***Proposed Solution:***

The Department requests a reduction of \$3,909,269 in cash funds for FY 2015-16, in the (6) Other Medical Services, Old Age Pension State Medical Program line item. In addition to changes to the appropriation requested in the Department’s FY 2016-17 R-9 “Old Age Pension State Medical Program Adjustment” request submitted in November 2, 2015, an incremental increase of \$265,815 for FY 2016-17 and \$455,207 for FY 2017-18 is requested. The cash funds are from the Old Age Pension Health and Medical Care Fund.

***Anticipated Outcomes:***

This line item adjustment aligns the Department’s budget request with the current expenditure forecast for the program. Excess funds for the OAP-SO program remaining in the OAP Health and Medical Cash Fund could then potentially be transferred to the General Fund for purposes to be determined by the General Assembly.

This request aligns with the Department’s financing strategic policy initiative for sound stewardship of financial resources improving efficiency of payment systems to accurately represent the current funding needs of the program. Neither client services nor accessibility to services are affected by the request.

***Assumptions and Calculations:***

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

Table 1 shows the summary of the requested adjustments, along with funding splits, for all three years.

Table 2 shows the calculations to determine the incremental requests. There are no federal funds associated with this program as the entirety of the program is funded from the Old Age Pension Health and Medical Care Cash Fund. For each table, Row A shows the forecasted program expenditures while Row B provides the amount of OAP-SO funds that are reappropriated from OAP State Medical Program line to other Department line items, which include the Medicaid Management Information System (MMIS) and the Medical Identification Cards lines. Row C shows the funding for the Colorado Dental Health Care (CDHC) program. The CDHC program is a new, separate program which began on July 1, 2015. Row D is the sum of the previous three rows and the total line item forecast for each year. Row E shows the appropriation/base request which includes \$2,962,510 in General Fund for the CDHC program. The incremental request for FY 2015-16 is shown in Row F of Table 2.1 and is determined by taking the total line item forecast in Row D and subtracting the amount of the current appropriation in Row E. For FY 2016-17 and FY 2017-18, the incremental request is shown in Row G and partially offsets the reductions from the Department's FY 2016-17 R-9 "Old Age Pension State Medical Program Funding Adjustment" submitted in November 2015.

Table 3 shows the actual and forecasted caseload and expenditures from FY 2011-12 through FY 2017-18. A projected caseload increase of approximately four clients per year during this forecast period is consistent with the average monthly growth rate of the previous 12 months. 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 — FY 2013-14, \$3,652.12 — and 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 conservative per capita estimate to obtain sufficient spending authority as to avoid overexpenditure in the program.

Lastly, Table 4 lists the Department's administrative expenses attributed to the program.

***Supplemental, 1331 Supplemental or Budget Amendment Criteria:***

The Department now has sufficient caseload data for making caseload and funding projections and based on this information has determined that there are substantive changes in funding needs based on the overall reduction in caseload since FY 2013-14.

S-13, BA-13 Old Age Pension State Medical Program (OAP-SO) funding adjustment  
Appendix A: Calculations and Assumptions

| <b>Table 1.1</b>  |                    |                     |                                 |                 |
|---|--------------------|---------------------|---------------------------------|-----------------|
| <b>FY 2015-16 Summary by Line Item</b>                            |                    |                     |                                 |                 |
| <b>Item</b>   | <b>Total Funds</b> | <b>General Fund</b> | <b>Cash Funds<sup>(1)</sup></b> | <b>Source</b>   |
| (6) Other Medical Services, Old Age Pension State Medical Program | (\$3,909,269)      | \$0                 | (\$3,909,269)                   | Table 2.1 Row F |

<sup>(1)</sup> Cash Funds are from the Old Age Pension Health and Medical Care Fund

| <b>Table 1.2</b>  |                    |                     |                                 |                 |
|---|--------------------|---------------------|---------------------------------|-----------------|
| <b>FY 2016-17 Summary by Line Item</b>                            |                    |                     |                                 |                 |
| <b>Item</b>   | <b>Total Funds</b> | <b>General Fund</b> | <b>Cash Funds<sup>(1)</sup></b> | <b>Source</b>   |
| (6) Other Medical Services, Old Age Pension State Medical Program | \$265,815          | \$0                 | \$265,815                       | Table 2.2 Row H |

<sup>(1)</sup> Cash Funds are from the Old Age Pension Health and Medical Care Fund

| <b>Table 1.3</b>  |                    |                     |                                 |                 |
|---|--------------------|---------------------|---------------------------------|-----------------|
| <b>FY 2017-18 Summary by Line Item</b>                            |                    |                     |                                 |                 |
| <b>Item</b>   | <b>Total Funds</b> | <b>General Fund</b> | <b>Cash Funds<sup>(1)</sup></b> | <b>Source</b>   |
| (6) Other Medical Services, Old Age Pension State Medical Program | \$455,207          | \$0                 | \$455,207                       | Table 2.3 Row H |

<sup>(1)</sup> Cash Funds are from the Old Age Pension Health and Medical Care Fund

S-13, BA-13 Old Age Pension State Medical Program (OAP-SO) funding adjustment  
Appendix A: Calculations and Assumptions

| <b>Table 2.1</b>                                 |   |                      |                     |   |   |
|--|---|----------------------|---------------------|---|---|
| <b>FY 2015-16 Summary of Incremental Request</b> |   |                      |                     |   |   |
| <b>Row</b>                                       | <b>Description</b>                                    | <b>Total Funds</b>   | <b>General Fund</b> | <b>Old Age Pension Health &amp; Medical Care Fund</b> | <b>Source</b>                               |
| A  | OAP-SO Program Expenditures                           | \$602,750            | \$0                 | \$602,750   | Table 3, Row E (FY 2015-16)                 |
| B  | Administrative Expenditures                           | \$99,574             | \$0                 | \$99,574  | Table 4, Row C (FY 2015-16)                 |
| C  | Colorado Dental Health Program for Low-Income Seniors | \$2,962,510          | \$2,962,510         | \$0   | FY 2015-16 GF Appropriation (SB 15-234)     |
| <b>D</b>   | <b>FY 2015-16 Line Item Forecast</b>                  | <b>\$3,664,834</b>   | <b>\$2,962,510</b>  | <b>\$702,324</b>                                      | <b>Row A + Row B + Row C</b>                |
| <b>E</b>   | <b>FY 2015-16 Appropriation</b>                       | <b>\$7,574,103</b>   | <b>\$2,962,510</b>  | <b>\$4,611,593</b>                                    | <b>FY 2015-16 Appropriation (SB 15-234)</b> |
| <b>F</b>   | <b>Incremental Request</b>                            | <b>(\$3,909,269)</b> | <b>\$0</b>          | <b>(\$3,909,269)</b>                                  | <b>Row D - Row E</b>                        |

| <b>Table 2.2</b>                      |  |                    |                     |   |  |
|---------------------------------------|--|--------------------|---------------------|---|--|
| <b>FY 2016-17 Incremental Request</b> |  |                    |                     |   |  |
| <b>Row</b>                            | <b>Description</b>   | <b>Total Funds</b> | <b>General Fund</b> | <b>Old Age Pension Health &amp; Medical Care Fund</b> | <b>Source</b>                                |
| A                                     | OAP-SO Program Expenditures  | \$838,609          | \$0                 | \$838,609   | Table 3, Row E (FY 2016-17)                  |
| B                                     | Administrative Expenditures  | \$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)      |
| <b>D</b>                              | <b>FY 2016-17 Line Item Forecast</b>   | <b>\$3,900,693</b> | <b>\$2,962,510</b>  | <b>\$938,183</b>                                      | <b>Row A + Row B + Row C</b>                 |
| E                                     | FY 2015-16 Base Request  | \$7,574,103        | \$2,962,510         | \$4,611,593   | FY 2015-16 Appropriation (SB 15-234)         |
| F                                     | FY 2016-17 R-9 "Old Age Pension State Medical Program (OAP-SO) Funding Adjustment" | (\$3,939,225)      | \$0                 | (\$3,939,225)   | Department's November 1, 2015 Budget Request |
| <b>G</b>                              | <b>FY 2016-17 Budget Request</b>   | <b>\$3,634,878</b> | <b>\$2,962,510</b>  | <b>\$672,368</b>                                      | <b>Row E + Row F</b>                         |
| <b>H</b>                              | <b>Incremental Request</b>   | <b>\$265,815</b>   | <b>\$0</b>          | <b>\$265,815</b>                                      | <b>Row G - Row D</b>                         |

S-13, BA-13 Old Age Pension State Medical Program (OAP-SO) funding adjustment  
Appendix A: Calculations and Assumptions

| <b>Table 2.3</b>                                  |   |                    |                     |   |  |
|---|---|--------------------|---------------------|---|--|
| <b>FY 2017-18 and Ongoing Incremental Request</b> |   |                    |                     |   |  |
| <b>Row</b>  | <b>Description</b>  | <b>Total Funds</b> | <b>General Fund</b> | <b>Old Age Pension Health &amp; Medical Care Fund</b> | <b>Source</b>                                |
| A   | OAP-SO Program Expenditures   | \$1,040,774        | \$0                 | \$1,040,774   | 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)      |
| <b>D</b>  | <b>Total Line Item Forecast</b>   | <b>\$4,102,858</b> | <b>\$2,962,510</b>  | <b>\$1,140,348</b>                                    | <b>Row A + Row B + Row C</b>                 |
| E   | FY 2017-18 Base Request   | \$7,574,103        | \$2,962,510         | \$4,611,593   | FY 2015-16 Appropriation (SB 15-234)         |
| F   | Annualization of FY 2016-17 R-9 "Old Age Pension State Medical Program (OAP-SO) Funding Adjustment" | (\$3,926,452)      | \$0                 | (\$3,926,452)   | Department's November 1, 2015 Budget Request |
| <b>G</b>  | <b>FY 2017-18 Predicted Budget Request</b>  | <b>\$3,647,651</b> | <b>\$2,962,510</b>  | <b>\$685,141</b>                                      | <b>Row E + Row F</b>                         |
| <b>H</b>  | <b>Incremental Request</b>  | <b>\$455,207</b>   | <b>\$0</b>          | <b>\$455,207</b>                                      | <b>Row G - Row D</b>                         |



S-13, BA-13 Old Age Pension State Medical Program (OAP-SO) funding adjustment  
Appendix A: Calculations and Assumptions

| <b>Table 3<br/>OAP-SO Program Expenditure Forecast</b> |                            |                       |                       |                       |                         |                         |                         |  |
|--|----------------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|--|
| Row  | Description                | FY 2012-13<br>Actuals | FY 2013-14<br>Actuals | FY 2014-15<br>Actuals | FY 2015-16<br>Projected | FY 2016-17<br>Projected | FY 2017-18<br>Projected | Source   |
| A  | Average Monthly Caseload   | 3,596                 | 1,787                 | 147                   | 161                     | 224                     | 278                     | FY 2015-16, FY 2016-17 and FY 2017-18 caseload projections are based on average monthly incremental caseload growth rate of previous twelve months (December 2014 - November 2015) |
| B  | Percentage change          | N/A                   | -50.31%               | -91.77%               | 9.52%                   | 39.13%                  | 24.11%                  | Yearly incremental of Average Monthly Caseload divided by prior year Average Monthly 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 <sup>(1)</sup>          |
| D  | Percentage change          | N/A                   | 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             | \$602,750               | \$838,609               | \$1,040,774             | Row A * Row C  |

<sup>(1)</sup>The FY 2014-15 Medicaid provider rate increase was 2.0% and 0.5% for FY 2015-16.

S-13, BA-13 Old Age Pension State Medical Program (OAP-SO) funding adjustment  
Appendix A: Calculations and Assumptions

| <b>Table 4<br/>OAP-SO Administrative Expenditures</b> |   |                               |                               |                               |                                 |                                 |                                 |  |
|---|---|-------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|---------------------------------|--|
| <b>Row</b>  | <b>Description</b>                            | <b>FY 2012-13<br/>Actuals</b> | <b>FY 2013-14<br/>Actuals</b> | <b>FY 2014-15<br/>Actuals</b> | <b>FY 2015-16<br/>Projected</b> | <b>FY 2016-17<br/>Projected</b> | <b>FY 2017-18<br/>Projected</b> | <b>Source</b>  |
| 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;<br>FY 2015-16: Long Bill Appropriation (SB 15-234); FY 2016-17<br>& 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                         |  |
| <b>C</b>  | <b>Total</b>                                  | <b>\$99,574</b>               | <b>\$91,410</b>               | <b>\$99,574</b>               | <b>\$99,574</b>                 | <b>\$99,574</b>                 | <b>\$99,574</b>                 | <b>Row A + Row B</b>   |