

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**INTERIM SUPPLEMENTAL REQUEST FOR FY 2011-12**

**DEPARTMENT OF  
HEALTH CARE POLICY AND FINANCING**

**Medical Services Premiums**

**JBC Working Document - Subject to Change  
Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:  
Melodie Beck, JBC Staff  
July 11, 2011**

For Further Information Contact:

Joint Budget Committee Staff  
200 E. 14th Avenue, 3rd Floor  
Denver, Colorado 80203  
Telephone: (303) 866-2061  
TDD: (303) 866-3472

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING**  
**(Medical Services Premiums)**  
**FY 2011-12 INTERIM SUPPLEMENTAL REQUEST**  
**JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

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Attached -- Controller's Letter

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**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING  
(Medical Services Premiums)  
FY 2011-12 INTERIM SUPPLEMENTAL REQUEST  
JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

**Interim Supplemental Request #1**

**Adjustment to Medical Services Premiums line item in order to reverse the pharmacy rate reduction contained in the current appropriation assumptions**

	<b>Request</b>	<b>Recommendation</b>
Total	\$1,250,589	\$1,250,589
FTE	<u>0.0</u>	<u>0.0</u>
General Fund	544,874	595,575
Cash Fund	73,704	23,003
Federal Funds	632,011	632,011

<b>Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.?</b> [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.]	<b>YES</b>
<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that (1) this request meets the interim supplemental criteria of Section 24-75-111, C.R.S., and (2) this request is the result of not clearly communicating to the Committee and public that pharmaceuticals were included in the provider rate reduction calculated in the Governor's February 15th request and the staff recommendation on that request presented during Figure Setting on March 8, 2011.	

**Department Request:** The Department requests that the Medical Services Premiums line item be increased by \$1,250,589 total funds (including \$544,874 General Fund) because the Department has not implemented the pharmacy reimbursement reduction contained in the current appropriation's calculations per the Committee's request. On June 20, 2011, the Committee sent to a letter to the Department requesting that the Department not implement the pharmaceutical reimbursement rate reduction contained in the FY 2011-12 appropriation assumptions. In the letter, the Committee expressed concern that implementing both the rate reduction and expansion of the State Maximum Allowable Cost (SMAC) drug list would restrict access to the pharmacy benefit for Medicaid clients.

**Staff Recommendation:** *Staff recommends the Department's request with a technical change.* Staff calculations of the pharmacy reduction that were included in the appropriation were \$1,250,589 total funds. This amount included savings of \$544,874 General Fund, \$50,701 from the Health Care

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING**  
**(Medical Services Premiums)**  
**FY 2011-12 INTERIM SUPPLEMENTAL REQUEST**  
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Expansion Fund, \$23,003 from the Hospital Provider Fee, and \$632,011 from federal funds. As the Committee is aware, all available funding in the Health Care Expansion Fund has been appropriated. Therefore, any action that increases costs from the Health Care Expansion Fund will increase the amount of General Fund needed to backfill the Health Care Expansion Fund deficit. Therefore, staff's General Fund recommendation is the \$544,874 General Fund assumed in the original estimate plus the \$50,701 in assumed savings to the Health Care Expansion Fund (which had lowered the amount of General Fund subsidy needed to back fill the Health Care Expansion Fund deficit in the current appropriation calculations). Staff will note that the JBC letter to the Department noted the \$544,874 General Fund number. However, upon further reflection staff believes that the true General Fund impact will be \$595,575.

Attached is the letter to the Controller requesting this change until the Committee can adopt a supplemental formerly making the change in the 2012 legislative session.

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	FY 2010-11	FY 2011-12	Fiscal Year 2011-12 Interim Supplemental		
	Appropriation	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<b>DEPARTMENT OF HEALTH CARE POLICY AND FINANCING</b>					
<b>Executive Director - Sue Birch</b>					
<b>Interim Supplemental #1 - Adjustment to Appropriation Clause in S.B. 11-177</b>					
<i>(1) Medical Service Premiums</i>					
Medical and Long-Term Care Services for Medicaid Eligible Individuals	<u>3,344,294,974</u>	<u>3,543,863,749</u>	<u>1,250,589</u>	<u>1,250,589</u>	<u>3,545,114,338</u>
General Fund / General Fund Exempt	874,013,997	1,183,014,450	544,874	595,575	1,183,610,025
Cash Funds /1	487,857,054	608,317,175	73,704	23,003	608,340,178
Reappropriated Funds	7,414,327	6,388,059	0	0	6,388,059
Federal Funds	1,975,009,596	1,746,144,065	632,011	632,011	1,746,776,076

**Calculations that Were Used in the Current Appropriation**

<b>Figure Setting Calculations FY 2011-12 Provider Rate Reductions</b>								
<b>Service Category</b>	<b>Cut Level</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Federal Funds</b>	<b>Health Care Expansion Fund</b>	<b>BCCP</b>	<b>Hospital Provider Fee Fund</b>
<b>ACUTE CARE</b>								
Physician Services & EPSDT	0.75%	(\$2,013,333)	(\$877,197)	(\$118,656)	(\$1,017,480)	(\$81,623)	\$0	(\$37,033)
Emergency Transportation	0.75%	(\$43,357)	(\$18,891)	(\$2,555)	(\$21,911)	(\$1,758)	\$0	(\$797)
Non-emergency Medical Transportation	0.75%	(\$73,761)	(\$32,137)	(\$4,347)	(\$37,277)	(\$2,990)	\$0	(\$1,357)
Dental Services	0.75%	(\$739,089)	(\$322,017)	(\$43,558)	(\$373,514)	(\$29,964)	\$0	(\$13,594)
Family Planning	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Health Maintenance Organizations	0.66%	(\$828,127)	(\$360,810)	(\$48,806)	(\$418,511)	(\$33,574)	\$0	(\$15,232)
Inpatient Hospitals	0.75%	(\$2,809,232)	(\$1,223,965)	(\$165,563)	(\$1,419,704)	(\$113,891)	\$0	(\$51,672)
Outpatient Hospitals	0.75%	(\$1,218,987)	(\$531,105)	(\$71,841)	(\$616,041)	(\$49,419)	\$0	(\$22,422)
Lab & X-Ray	0.75%	(\$250,966)	(\$109,344)	(\$14,791)	(\$126,831)	(\$10,175)	\$0	(\$4,616)
Durable Medical Equipment	0.75%	(\$648,035)	(\$282,345)	(\$38,192)	(\$327,498)	(\$26,272)	\$0	(\$11,920)
Prescription Drugs	0.50%	(\$1,250,589)	(\$544,874)	(\$73,704)	(\$632,011)	(\$50,701)	\$0	(\$23,003)
Drug Rebate	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rural Health Centers	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Federally Qualified Health Centers	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Co-Insurance (Title XVIII-Medicare)	0.75%	(\$177,237)	(\$77,222)	(\$10,445)	(\$89,570)	(\$7,185)	\$0	(\$3,260)
Breast and Cervical Cancer Treatment Program	0.66%	(\$63,390)	\$1	(\$22,187)	(\$41,204)		(\$22,187)	
Prepaid Inpatient Health Plan Services	0.66%	(\$314,661)	(\$137,095)	(\$18,545)	(\$159,021)	(\$12,757)	\$0	(\$5,788)
Other Medical Services	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Home Health	0.75%	(\$1,280,810)	(\$558,041)	(\$75,485)	(\$647,284)	(\$51,926)	\$0	(\$23,559)
Presumptive Eligibility	0.66%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal of Acute Care</b>		<b>(\$11,711,574)</b>	<b>(\$5,075,042)</b>	<b>(\$708,675)</b>	<b>(\$5,927,857)</b>	<b>(\$472,235)</b>	<b>(\$22,187)</b>	<b>(\$214,253)</b>
<b>COMMUNITY BASED LONG TERM CARE</b>								
HCBS - Elderly, Blind, and Disabled	0.50%	(\$1,496,503)	(\$730,319)	(\$16,073)	(\$750,111)	(\$76)	\$0	(\$15,997)
HCBS - Mental Illness	0.50%	(\$181,384)	(\$88,519)	(\$1,948)	(\$90,917)	(\$9)	\$0	(\$1,939)
HCBS - Disabled Children	0.50%	(\$14,493)	(\$7,072)	(\$156)	(\$7,265)	(\$1)	\$0	(\$155)
HCBS - Persons Living with AIDS	0.50%	(\$4,712)	(\$2,299)	(\$51)	(\$2,362)	\$0	\$0	(\$51)
HCBS - Consumer Directed Attendant Support	0.50%	(\$27,686)	(\$13,512)	(\$297)	(\$13,877)	(\$1)	\$0	(\$296)
HCBS - Brain Injury	0.50%	(\$91,291)	(\$44,551)	(\$981)	(\$45,759)	(\$5)	\$0	(\$976)
HCBS - Children with Autism	0.50%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
HCBS - Pediatric Hospice	0.50%	(\$805)	(\$392)	(\$9)	(\$404)	\$0	\$0	(\$9)
Private Duty Nursing	0.50%	(\$186,312)	(\$90,923)	(\$2,001)	(\$93,388)	(\$9)	\$0	(\$1,992)
Hospice	0.50%	(\$257,644)	(\$125,735)	(\$2,767)	(\$129,142)	(\$13)	\$0	(\$2,754)
<b>Subtotal of Community Based Long Term Care</b>		<b>(\$2,260,830)</b>	<b>(\$1,103,322)</b>	<b>(\$24,283)</b>	<b>(\$1,133,225)</b>	<b>(\$114)</b>		<b>(\$24,169)</b>
<b>LONG TERM CARE and INSURANCE</b>								
Class I Nursing Facilities	1.50%	(\$8,279,185)	(\$4,139,593)	\$0	(\$4,139,593)	\$0	\$0	\$0
Class II Nursing Facilities	1.50%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Program for All-Inclusive Care for the Elderly	0.66%	(\$586,645)	(\$293,322)	\$0	(\$293,322)	\$0	\$0	\$0
<b>Subtotal Long Term Care</b>		<b>(\$8,865,830)</b>	<b>(\$4,432,915)</b>	<b>\$0</b>	<b>(\$4,432,915)</b>			
<b>Total</b>		<b>(\$22,838,234)</b>	<b>(\$10,611,279)</b>	<b>(\$732,958)</b>	<b>(\$11,493,997)</b>	<b>(\$472,349)</b>	<b>(\$22,187)</b>	<b>(\$238,422)</b>

REVISED CALCULATIONS WITHOUT PHARMACY RATE REDUCTION

Revised Calculations -- After Pharmacy Rate Reduction Has Been Retracted								
FY 2011-12 Provider Rate Reductions								
Service Category	Cut Level	Total Funds	General Fund	Cash Funds	Federal Funds	Health Care Expansion Fund	BCCP	Hospital Provider Fee Fund
<b>ACUTE CARE</b>								
Physician Services & EPSDT	0.75%	(\$2,013,333)	(\$877,197)	(\$118,656)	(\$1,017,480)	(\$81,623)	\$0	(\$37,033)
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Dental Services	0.75%	(\$739,089)	(\$322,017)	(\$43,558)	(\$373,514)	(\$29,964)	\$0	(\$13,594)
Family Planning	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Health Maintenance Organizations	0.66%	(\$828,127)	(\$360,810)	(\$48,806)	(\$418,511)	(\$33,574)	\$0	(\$15,232)
Inpatient Hospitals	0.75%	(\$2,809,232)	(\$1,223,965)	(\$165,563)	(\$1,419,704)	(\$113,891)	\$0	(\$51,672)
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Durable Medical Equipment	0.75%	(\$648,035)	(\$282,345)	(\$38,192)	(\$327,498)	(\$26,272)	\$0	(\$11,920)
Prescription Drugs	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Drug Rebate	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rural Health Centers	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Federally Qualified Health Centers	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Co-Insurance (Title XVIII-Medicare)	0.75%	(\$177,237)	(\$77,222)	(\$10,445)	(\$89,570)	(\$7,185)	\$0	(\$3,260)
Breast and Cervical Cancer Treatment Program	0.66%	(\$63,390)	\$1	(\$22,187)	(\$41,204)		(\$22,187)	
Prepaid Inpatient Health Plan Services	0.66%	(\$314,661)	(\$137,095)	(\$18,545)	(\$159,021)	(\$12,757)	\$0	(\$5,788)
Other Medical Services	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Home Health	0.75%	(\$1,280,810)	(\$558,041)	(\$75,485)	(\$647,284)	(\$51,926)	\$0	(\$23,559)
Presumptive Eligibility	0.66%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal of Acute Care</b>		<b>(\$10,460,985)</b>	<b>(\$4,530,168)</b>	<b>(\$634,971)</b>	<b>(\$5,295,846)</b>	<b>(\$421,534)</b>	<b>(\$22,187)</b>	<b>(\$191,250)</b>
<b>COMMUNITY BASED LONG TERM CARE</b>								
HCBS - Elderly, Blind, and Disabled	0.50%	(\$1,496,503)	(\$730,319)	(\$16,073)	(\$750,111)	(\$76)	\$0	(\$15,997)
HCBS - Mental Illness	0.50%	(\$181,384)	(\$88,519)	(\$1,948)	(\$90,917)	(\$9)	\$0	(\$1,939)
HCBS - Disabled Children	0.50%	(\$14,493)	(\$7,072)	(\$156)	(\$7,265)	(\$1)	\$0	(\$155)
HCBS - Persons Living with AIDS	0.50%	(\$4,712)	(\$2,299)	(\$51)	(\$2,362)	\$0	\$0	(\$51)
HCBS - Consumer Directed Attendant Support	0.50%	(\$27,686)	(\$13,512)	(\$297)	(\$13,877)	(\$1)	\$0	(\$296)
HCBS - Brain Injury	0.50%	(\$91,291)	(\$44,551)	(\$981)	(\$45,759)	(\$5)	\$0	(\$976)
HCBS - Children with Autism	0.50%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
HCBS - Pediatric Hospice	0.50%	(\$805)	(\$392)	(\$9)	(\$404)	\$0	\$0	(\$9)
Private Duty Nursing	0.50%	(\$186,312)	(\$90,923)	(\$2,001)	(\$93,388)	(\$9)	\$0	(\$1,992)
Hospice	0.50%	(\$257,644)	(\$125,735)	(\$2,767)	(\$129,142)	(\$13)	\$0	(\$2,754)
<b>Subtotal of Community Based Long Term Care</b>		<b>(\$2,260,830)</b>	<b>(\$1,103,322)</b>	<b>(\$24,283)</b>	<b>(\$1,133,225)</b>	<b>(\$114)</b>		<b>(\$24,169)</b>
<b>LONG TERM CARE and INSURANCE</b>								
Class I Nursing Facilities	1.50%	(\$8,279,185)	(\$4,139,593)	\$0	(\$4,139,593)	\$0	\$0	\$0
Class II Nursing Facilities	1.50%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Program for All-Inclusive Care for the Elderly	0.66%	(\$586,645)	(\$293,322)	\$0	(\$293,322)	\$0	\$0	\$0
<b>Subtotal Long Term Care</b>		<b>(\$8,865,830)</b>	<b>(\$4,432,915)</b>	<b>\$0</b>	<b>(\$4,432,915)</b>			
<b>Total</b>		<b>(\$21,587,645)</b>	<b>(\$10,066,405)</b>	<b>(\$659,254)</b>	<b>(\$10,861,986)</b>	<b>(\$421,648)</b>	<b>(\$22,187)</b>	<b>(\$215,419)</b>

# STATE OF COLORADO

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200 East 14th Avenue, 3rd Floor  
LEGISLATIVE SERVICES BUILDING  
Denver, CO 80203  
Telephone 303-866-2061  
[www.state.co.us/gov\\_dir/leg\\_dir/jbc/jbchome.htm](http://www.state.co.us/gov_dir/leg_dir/jbc/jbchome.htm)

July 11, 2011

Mr. David J. McDermott  
State Controller  
Department of Personnel and Administration  
633 17th Street, Suite 1500  
Denver, CO 80202

Dear Mr. McDermott:

The Joint Budget Committee has considered an interim supplemental request submitted by the Department of Health Care Policy and Financing under the provisions of H.B. 98-1331. This request was previously approved by the Office of State Planning and Budgeting. Pursuant to Section 24-75-111 (1), C.R.S., the Committee authorizes an overexpenditure of \$1,250,589 total funds in the Medical Services Premiums line item for FY 2011-12. Of this amount, \$595,575 is General Fund, \$23,003 is from the Hospital Provider Fee cash fund, and \$632,011 is federal funds. The Committee intends to introduce a supplemental bill in the 2012 legislative session that makes the changes noted above.

If you have any questions or concerns, please contact Melodie Beck of our staff at 303-866-4549.

Sincerely,

Senator Mary Hodge  
Chairman  
Joint Budget Committee

Attachment: Office of State Planning and Budgeting authorization

cc: Mr. John Ziegler, Staff Director, Joint Budget Committee  
Mr. Henry Sobanet, Director, Office of State Planning and Budgeting  
Ms. Sue Birch, Executive Director, Department of Health Care Policy and Financing  
Mr. John Bartholomew, Budget Director, Department of Health Care Policy and Financing