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Date: August 4, 2010

Health Provider and Industry State Fees and Taxes —A Colorado Story

Colorado Medicaid Background

Colorado's Medicaid program provides health care services to a forecasted 476,632 low-income people in FY 2009-10. The state also administers the Children's Basic Health Plan, a health insurance program for a forecasted 67,152 low-income children and approximately 1,821 adult pregnant women in FY 2009-10.ⁱ

Medicaid Caseload	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Estimate
<i>Total Medicaid Caseload</i>	402,218	392,228	391,962	436,812	476,632
<i>Annual Percent Change</i>	(0.8)%	(2.5)%	(0.1)%	11.4%	9.1%

The Department's total budget request for FY 2009-10 was \$4,058,708,543 billion or approximately 21.1 percent of the state's total budget. Total expenditures for Medicaid medical services premiums are expected to increase by 5.4 percent or \$130.9 million (\$51.6 million in General Fund) over the revised FY 2008-09 estimated expenditures.ⁱⁱ

Establishing a Provider Fee (Tax) – Legislative Process

The Colorado General Assembly's Joint Budget Committee, the bipartisan group of legislators responsible for setting the annual state budget, sponsored HB09-1293, the Colorado Health Care Affordability Act of 2009. Colorado's Governor Bill Ritter and the Department of Health Care Policy and Financing (HCPF) estimated that the legislation would provide health coverage to more than 100,000 uninsured Coloradans and would stem the rising cost of health insurance for Colorado businesses and families. The legislation allowed HCPF to assess a provider fee on hospitals. Colorado sought to use the provider tax mechanism to generate additional federal Medicaid matching funds to expand health care access, to improve the quality of care for clients serviced by public health insurance programs, to increase funding for hospital care for Medicaid and uninsured clients, and to reduce cost-shifting to private payers.

Hospitals will pay a provider fee of approximately \$336.8 million in FY 2009-10, which could then be used to draw down an additional \$600 million in federal matching funds.^{iii,iv} More than \$580 million was estimated in payments directly to Colorado hospitals, of which \$80 million will be new federal funds. The total net benefit for hospitals is \$82.9 million. Because federal regulations require that there cannot be a "hold harmless" provision in provider fee arrangements, the Department estimates that a total of 71 hospitals will receive a net benefit from HB 09-1293 in FY 2009-10 while 12 hospitals will receive a net loss.^v Approximately \$7.5 million was set aside to pay the Department's administrative expenses for implementing the legislation and expanding health care coverage to low-income populations. For FY 2009-10, state expenditures for HCPF were expected to increase by \$411.4 million and 12.0 FTE. For FY 2010-11, expenditures are expected to increase by \$533.6 million and 41.0 FTE.^{vi} State cash funds revenue is expected to increase by \$389.8 million in FY 2010-11, \$488.2 million in FY 2011-12, and \$629.8 million in FY 2012-13.^{vii}

Colorado cited a number of public program enhancements and expansions to cover with the increased funds: including covering parents with incomes of up to 100 percent of the Federal Poverty Level (FPL); covering Medicaid eligible children and pregnant women to 250 percent of the FPL; covering childless adults with incomes of up to 100 percent FPL; creating a Medicaid buy-in program for disabled adults and children whose family incomes are too high for Medicaid eligibility but are under 450 percent FPL; implementing twelve month continuous eligibility for Medicaid eligible children; increasing Medicaid hospital inpatient rates up to 100 percent of Medicare rates; increasing Medicaid hospital outpatient rates to up to 100 percent of costs; increasing hospital reimbursement rates through the Colorado Indigent Care Program up to 100% of cost; and implementing quality incentive payments for hospitals. On April 21, 2009, Colorado Governor Bill Ritter signed House Bill 09-1293 to enact the Colorado Health Care Affordability Act of 2009.

Implementation

On September 15, 2009, the Hospital Provider Fee Oversight and Advisory Board, a thirteen member board appointed by the Governor to provide oversight and makes recommendations to the Department and the Medical Services Board on implementation, approved the submission of the hospital provider fee and payment methodologies to the federal Centers for Medicare and Medicaid Services (CMS). The federal Centers for Medicare and Medicaid Services (CMS) approved the hospital provider fee and payments in March 2010. The state will collect fees from and payments will be made to hospitals effective retroactively to July 1, 2009. Implementation of two of the health coverage expansions will begin upon CMS approval, with implementation of additional expansion programs anticipated over the next two years.^{viii}

Attached:

1. Colorado Provider fee law– Agency fact sheet
2. Hospital Fee Oversight and Advisory Board- 2009 Annual Report
3. Denver Business Journal article "Point / Counterpoint", 2009

Notes and Sources

ⁱ Colorado Joint Budget Committee, *FY 2009-10 Joint Budget Committee Staff Budget Briefing*, Department of Health Care Policy and Financing (Denver, CO: COJBC, December 8, 2009); http://www.state.co.us/gov_dir/leg_dir/jbc/hcpbrf1.pdf.

ⁱⁱ Governor's Office of State Planning and Budgeting, *Department of Health Care Policy and Financing: A Fact Sheet* (Denver, CO: OSPB, November 2008); http://www.colorado.gov/cs/Satellite?c=Document_C&cid=1228738027155&pagename=HCPF%2FDocument_C%2FHCPFAAddLink.

ⁱⁱⁱ Ibid, FY 2009-10 Joint Budget Committee Staff Budget Briefing.

^{iv} Colorado Department of Health Care Policy and Financing, *Colorado Health Care Affordability Act Fact Sheet* (Denver, CO: HCPF, October 2009);

http://www.colorado.gov/cs/Satellite?c=Document_C&childpagename=HCPF%2FDocument_C%2FHCPFAAddLink&cid=1251567138456&pagename=HCPFWrapper.

^v Ibid, FY 2009-10 Joint Budget Committee Staff Budget Briefing.

^{vi} Colorado Legislative Council, *Final Fiscal Note* (Denver, CO: CLC, May 5, 2009);

http://www.leg.state.co.us/clics/clics2009a/csl.nsf/fsbillcont3/D71C48DD229F80CD872575540079F3A0?Open&file=HB1293_fl.pdf.

^{vii} Ibid, Colorado Legislative Council, *Final Fiscal Note*.

^{viii} Colorado Department of Health Care Policy and Financing, *Hospital Provider Fee Oversight and Advisory Board, 2009 Annual Report* (Denver, CO: HCPF, January 15, 2010);

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