

**FINAL  
FISCAL NOTE**

**Drafting Number:** LLS 11-0963  
**Prime Sponsor(s):** Sen. Hodge  
 Rep. Gerou

**Date:** May 18, 2011  
**Bill Status:** Signed into Law  
**Fiscal Analyst:** Kerry White (303-866-3469)

**TITLE:** CONCERNING AUTHORITY FOR AN ADDITIONAL PERMISSIBLE USE OF MONEYS IN THE HOSPITAL PROVIDER FEE CASH FUND FOR STATE MEDICAID EXPENDITURES TO OFFSET STATE GENERAL FUND EXPENDITURES FOR THE NEXT TWO FISCAL YEARS, AND MAKING AN APPROPRIATION THEREFOR.

<b>Fiscal Impact Summary</b>	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>
<b>State Revenue</b>		
Cash Funds		
Hospital Provider Fee Cash Fund	\$50 million	\$25 million
<b>State Expenditures</b>		
General Fund	(\$50 million)	(\$25 million)
Cash Funds		
Hospital Provider Fee Cash Fund	50 million	25 million
<b>FTE Position Change</b>		
<b>Effective Date:</b> The bill was signed into law by the Governor and took effect on May 5, 2011.		
<b>Appropriation Summary for FY 2011-2012:</b> See State Appropriations section.		
<b>Local Government Impact:</b> None.		

**Summary of Legislation**

This bill authorizes the Department of Health Care Policy and Financing (DHCPF) to use hospital provider fee revenue to offset General Fund expenditures for the Medicaid program in fiscal years 2011-12 and 2012-13 only. The department is authorized to receive an appropriation from the Hospital Provider Fee Cash Fund of \$50 million in FY 2011-12 and \$25 million in FY 2012-13.

**Background**

*Health Care Affordability Act, House Bill 09-1293.* This bill authorized the DHCPF to collect hospital provider fees for the purpose of obtaining federal financial participation for the state's medical assistance programs. On March 31, 2010, the federal Centers for Medicare and Medicaid Services (CMS) approved the hospital provider fee and for payments to be retroactively effective July 1, 2009. Hospital provider fees are used to increase reimbursements to hospitals that participate in Medicaid and the Colorado Indigent Care Program, for expanding medical assistance programs, and to pay the department's administrative costs for the program.

Fees are set annually by the State Medical Services Board to cover program costs, using a formula that takes into account each individual hospital's size and net revenue, among other factors. With the exception of a \$5.7 million reserve balance, any unused moneys are refunded to hospitals annually. Hospital provider fee revenue is anticipated to be \$611.6 million for FY 2011-12 and \$719.6 million in FY 2012-13. The DHCPF does not currently collect the maximum fee allowed under law, which is 5.5 percent of a hospital's net revenue.

### **State Revenue**

State revenue will increase by \$50 million in FY 2011-12 and \$25 million in FY 2012-13, credited to the Hospital Provider Fee Cash Fund. This analysis assumes that the DHCPF will increase the fees assessed on each hospital provider so that sufficient revenues are received. The amount of the fee increase for any individual hospital will vary significantly, based upon their size and net revenue, among other factors.

### **State Expenditures**

This bill does not change state expenditures for the Medicaid program. It shifts \$50 million of General Fund expenditures in FY 2011-12 and \$25 million in FY 2012-13 to be paid from the Hospital Provider Fee Cash Fund.

### **State Appropriations**

For FY 2011-12, the DHCPF's General Fund appropriation for medical services premiums is decreased by \$50 million, and the cash fund appropriation for medical services premiums is increased by \$50 million from the Hospital Provider Fee Cash Fund.

### **Departments Contacted**

Health Care Policy and Financing

Joint Budget Committee