SB12-023

Colorado Legislative Council Staff Fiscal Note

FINAL FISCAL NOTE

Drafting Number:	LLS 12-0533	**Date:**	June 26, 2012
Prime Sponsor(s):	Sen. Boyd	**Bill Status:**	Signed into Law
	Rep. Summers; Kerr A.	**Fiscal Analyst:**	Kerry White (303-866-3469)

TITLE: CONCERNING THE PROGRAM OF ALL-INCLUSIVE CARE FOR THE ELDERLY, AND, IN CONNECTION THEREWITH, ADDRESSING ENROLLMENT OF PERSONS WHO ARE ELIGIBLE FOR THE PACE PROGRAM AND ADDRESSING HOW THE PACE PROGRAM WORKS WITH INTEGRATIVE INITIATIVES INVOLVING THE MEDICAID POPULATION IN COLORADO.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue		
State Expenditures	$0 to $2,077,240	$0 to $2,346,200
General Fund	0 to 1,038,620	0 to 1,172,920
Federal Funds	0 to 1,038,620	0 to 1,172,920
FTE Position Change		
Effective Date: The bill was signed into law by the Governor and took effect April 12, 2012.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: None.		

Summary of Legislation

This bill modifies outreach and enrollment policies for Programs of All-inclusive Care for the Elderly (PACE). Specifically, the bill allows a person enrolled in a managed care organization (such as the accountable care collaborative) under Medicaid to terminate such enrollment and opt to receive services through a PACE organization. The rules of the Medical Services Board are to define how such elections shall be made. It adds services provided by a PACE organization to the list of long-term health care programs that Single Entry Point (SEP) agencies serve and requires SEPs to inform eligible persons about the benefits of PACE as an alternative to enrollment in a managed care or similar organization.

Finally, it allows a PACE organization to contract with a Medicaid enrollment broker to include the PACE program in its marketing materials to eligible long-term care clients.

Background

Most persons enroll in Medicaid through a county department social services (county). Once enrolled, most clients receive traditional Medicaid benefits. Depending on a client's identified needs, the county may or may not provide information to clients about other programs, including PACE. However, all clients must be assessed by a SEP agency in order to be eligible for long-term care services, including PACE, Home- and Community-Based Services (HCBS) or nursing facility care.

PACE program. PACE provides comprehensive long-term services and supports as an alternative to nursing facility care. The program is available to persons age 55 or older who are enrolled in Medicare or Medicaid and deemed eligible for nursing facility care by a SEP. Clients must live within a PACE provider service area and be able, with supportive services, to live in the community safely. Services are typically offered in an adult health center and supplemented with in-home and referral services. Benefits include: primary and hospital care, prescription drugs, emergency services, physical therapy, home care, meals, dentistry, nutritional counseling, social services, and transportation, among others. Once enrolled, if a client requires it, the PACE program will also pay for nursing facility care. Funding for PACE is provided on a capitation basis rather than a fee-for-service basis. In FY 2010-11, the Department of Health Care Policy and Financing (DHCPF) expended $84.4 million for a caseload of approximately 1,846 clients.

HCBS waiver programs. Clients that are able to receive long-term care services outside of a nursing facility are typically enrolled in one of eight HCBS waiver programs by the SEP. Depending on the type and needs of the client, the mix of services available in HCBS may include: in-home support services, electronic medication monitoring, consumer directed attendant support services, transportation services, and the medical services of the state's Medicaid plan, among others. The DHCPF expended $252.1 million for a caseload of 19,847 in FY 2010-11.

Accountable care collaborative (ACC). The ACC is a new program in the DHCPF that targets certain Medicaid clients who have high health needs or costs. Eligible clients are sent a passive enrollment letter, meaning that unless the client chooses to opt out, he or she will be enrolled in the ACC. The program does not target persons dually-eligible for Medicaid or Medicare or certain populations that expanded as a result of the hospital provider fee and the fiscal note assumes that no persons enrolled in the ACC are currently receiving long-term care services.

Under the program, clients receive the traditional Medicaid benefit package and choose a primary care medical provider. Clients are assigned to a Regional Care Collaborative Organization, which coordinates and monitors the delivery of services and provides incentives based on client health outcomes. When fully implemented in April 2012, the ACC will have an enrollment of up to 123,000 clients and is projected to reduce per client costs by approximately 7 percent.

State Expenditures

Conditional upon one or more PACE organizations choosing to contract with an enrollment broker to market the program, state expenditures for Medicaid could increase. If the marketing efforts reach a statewide audience, expenditures could increase by up to $2.1 million in FY 2012-13 and $2.3 million in FY 2013-14. These costs are described in Table 1 and the discussion that follows.

Table 1. Expenditures Under SB12-023

Cost Components	FY 2012-13	FY 2013-14
Decrease in HCBS costs	$0 to ($2,592,150)	$0 to ($2,736,774)
Increase in PACE costs	0 to 4,669,390	0 to 5,082,614
TOTAL	**$0 to $2,077,240**	**$0 to $2,345,840**
General Fund	**0 to 1,038,620**	**0 to 1,172,920**
Federal Funds	**0 to 1,038,620**	**0 to 1,172,920**

Assumptions. The fiscal note relies on the following assumptions:

- because SEP agencies are already placing clients in programs based on each person's level of need and existing nursing facility clients generally do not transition to PACE, this analysis assumes that no clients will transition from a nursing facility to PACE or HCBS;
- marketing efforts will increase PACE enrollment by up to 5 percent;
- caseload growth in PACE is assumed to be an alternative to HCBS; and
- the DHCPF can promulgate any rules needed within existing appropriations.

Decrease in HCBS costs. This analysis assumes that in FY 2012-13, up to 110 clients will enroll in PACE instead of HCBS. The estimated per capita cost in FY 2012-13 is $23,565, which results in a reduction of up to $2.6 million. In FY 2013-14, up to 118 clients will enroll in PACE instead of HCBS. The estimated per capita cost in FY 2013-14 is $23,193, reducing program expenditures by up to $2.7 million. While savings are not shown past FY 2013-14, the fiscal note assumes similar savings could be achieved in the out years.

Increase in PACE costs. This analysis assumes that in FY 2012-13, up to 110 clients will enroll in PACE instead of HCBS. The estimated per capita cost in FY 2012-13 is $42,449, which results in an increase of up to $4.7 million. In FY 2013-14, up to 118 clients will enroll in PACE instead of HCBS. The estimated per capita cost in FY 2013-14 is $43,073, increasing program expenditures by up to $5.1 million. While costs are not shown past FY 2013-14, the fiscal note assumes similar increases could occur in the out-years.

Enrollment processes. The state already has a process which allows a client to terminate enrollment in a managed care organization and elect PACE, or other benefits he or she may be eligible for. SEP agencies are also already required to inform clients of all long-term care options, including the PACE program. Therefore, no new costs are created under the bill.

Departmental Differences

In the original fiscal note, the Department of Health Care Policy and Financing (DHCPF) provided net costs of $4,185,427 in FY 2012-13 and $4,729,575 in FY 2013-14. These costs are shared equally between the General Fund and federal funds and assume that PACE caseload will increase by 10 percent versus the 5 percent shown in the fiscal note. These costs were based on the assumption that marketing the PACE program will increase enrollment. However, it is now the position of the DHPCF that marketing as allowed by the bill will not increase enrollment. The department's revised analysis is based on the contention by a PACE organization that it takes ten marketing efforts to have a positive impact on enrollment and that there is nothing to prevent a PACE organization currently from contracting with an enrollment broker for marketing purposes.

The fiscal note does not concur with the DHCPF's analysis and assumes marketing will increase enrollment, regardless of who conducts it. This is because the fundamental purpose of marketing is to increase program awareness and change behavior. Otherwise, there is no incentive for a PACE organization to expend its resources on marketing. And while there is nothing currently preventing a PACE organization from contracting with an enrollment broker, this bill grants explicit permission for such efforts to occur now or in the future. Costs are shown in the fiscal note as conditional because it is not known whether or when a PACE organization will contract with an enrollment broker to conduct marketing, how many clients will receive materials, or with what frequency those marketing efforts will occur. Consistent with the department's original and pre-committee assessments, the fiscal note assumes that the DHCPF will request any adjustments in appropriations necessary through the annual budget process to address increases in enrollment following any marketing undertaken by a PACE organization.

Departments Contacted

Health Care Policy and Financing
Public Health and Environment