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FEDERAL HEALTH CARE REFORM: IMPACTS ON COLORADO'S MEDICAID PROGRAM

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Colorado's Medicaid program has undergone many changes over the past few years: caseload has grown, provider reimbursement rates have been reduced, and new covered services, such as substance abuse screening and over-the-counter medication, have been added. On May 1, 2010, Colorado implemented a hospital provider fee under House Bill 09-1293. Fee revenue is being used to increase Medicaid eligibility and cover more uninsured people. Earlier this year, the federal government passed the Patient Protection and Affordable Care Act and its accompanying Reconciliation Act (referred to herein as PPACA), which directly affect Medicaid. This issue brief examines the impact of PPACA's key provisions on Colorado's Medicaid program.

Federal Health Care Law Changes

The passage of PPACA sets forth a number of new federal requirements that apply to individuals, businesses, insurers, and public health programs, such as Medicaid and the Children's Health Insurance Plan (CHP). Changes are phased-in over three years, ending on January 1, 2014. Among its many provisions, PPACA affects Medicaid in the areas of program coverage, eligibility, benefits and services, and payments to health care providers, as detailed below.

Coverage expansions. As of January 1, 2014, PPACA provides for an increase in the income level used to determine eligibility for Medicaid. Following the expansions contained in House Bill 09-1293, most people in Colorado with incomes of up to 100 percent of the federal poverty level (FPL) for their family size now qualify for Medicaid. In 2010, the FPL is $10,830 for an individual, and $22,050 for a family of four. ***PPACA raises the income limit to 133 percent of FPL across all eligibility categories (including children, parents, childless adults, and disabled persons)***, which will increase the number of people covered by the program.

For the first three years, the federal government is paying the entire cost of expanding eligibility. Starting in FY 2016-17, the federal government will reduce its share gradually until, as of 2020, it covers 90 percent of expansion costs. Colorado will fund the remainder. Projected caseload in Colorado from implementation through FY 2019-20 is shown in Table 1, with associated costs shown in Table 2. Children make up the largest number of newly eligible persons, while disabled persons are anticipated to have the highest impact on total costs.

Table 1: **Caseload under PPACA**
(in thousands of cases)

Group	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019	FY 2019-2020
Children	19.5	54.5	71.8	77.0	78.6	80.0	81.4
Parents	6.0	16.6	21.7	22.9	23.1	23.4	23.7
Disabled	2.8	7.7	10.0	10.6	10.6	10.6	10.6
Adults	7.3	20.1	26.3	28.0	28.2	28.6	28.8
Total	**35.6**	**98.9**	**129.8**	**138.5**	**140.5**	**142.6**	**144.5**

source: Department of Health Care Policy and Financing

Table 2: **Projected Costs under PPACA**
(in millions)

Group	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019	FY 2019-2020
Children	$42.6	$123.3	$169.7	$189.9	$202.1	$215.1	$228.4
Parents	20.3	58.2	79.4	87.9	92.8	97.9	103.3
Disabled	52.3	149.2	201.8	221.7	232.2	243.1	254.3
Adults	25.5	73.3	99.9	110.7	116.7	123.1	130.0
Total	**$140.7**	**$404.0**	**$550.8**	**$610.2**	**$643.8**	**$679.2**	**$716.0**
State	**0**	**0**	**0**	**23.2**	**37**	**45.9**	**66.4**
Federal	**140.7**	**404.0**	**550.8**	**587**	**606.8**	**633.3**	**649.6**

source: Department of Health Care Policy and Financing

Medicaid eligibility. Effective immediately, each state is required to maintain the eligibility criteria for Medicaid that were in place as of March 23, 2010, or risk losing all federal Medicaid and CHP funding. In Colorado, this

represents approximately $2.5 billion per year. As of 2014, other provisions limit the use of income and asset tests, require coverage of former foster children under the age of 26, and allow a state to offer wrap-around benefits to certain persons. Colorado expects any fiscal impact as a result of these provisions to be minimal.

Enrollment simplification. States are required to develop a single application for all public health programs that can be filed online, in person, by mail, or by phone. Persons will be able to apply for Medicaid through the new state health exchanges (operational by January 1, 2014) and enroll through a linked Medicaid website. Colorado has a single-point application called PEAK, and is evaluating whether any changes to this system are required to comply with PPACA.

Benefits and services. A major impact of PPACA centers on a requirement that, as of 2014, all health plans offered through a health exchange include certain essential health benefits. These standards are being developed into a "benchmark plan," and will require coverage of prescription drugs and mental health services, at a minimum. Other Medicaid-specific provisions require:

- all newly eligible Medicaid enrollees as of 2014 be provided a benefits package that meets or exceeds the standards in the benchmark plan;
- states to cover preventative care, including vaccines for adults; free-standing birth centers; and as of October 1, 2010, tobacco-cessation services for pregnant women; and
- effective immediately, concurrent Medicaid coverage for children receiving hospice services.

Colorado meets current standards for Medicaid (under its state Medicaid plan), and covers other optional benefits such as home- and community-based services (HCBS), tobacco cessation for pregnant women, certain vaccines, mental health services, and prescription drugs. If Colorado eliminates any optional benefits identified in the benchmark plan, the state will be required to provide them to newly eligible Medicaid enrollees as of 2014. It is not known whether existing Medicaid enrollees will have a basis for compelling the state to provide similar coverage, or if a two-tiered Medicaid plan would go into effect. The full impact of these changes is unknown; however, the state currently spends about $1.2 billion per year on optional benefits, 37 percent of which is for prescription drug coverage and mental health services.

Disproportionate Share Hospital (DSH) payments. Federal DSH payments are distributed to providers who serve a large number of uninsured patients. Between 2014 and 2020, PPACA calls for a gradual reduction in payments, with the largest reduction made for states with the lowest percentages of uninsured. DSH payments are used to fund public health programs in Colorado, including the Colorado Indigent Care Program. With about 15 percent of the state's population uninsured as of 2009, Colorado ranks 22 out of 50 states with the lowest number of uninsured. The fiscal impact of this provision has not been estimated.

Payments to providers. In federal fiscal years 2012-13 and 2013-14, payments to reimburse Medicaid providers are required to be 100 percent of those paid to Medicare providers. During these two years, the federal government will pay the entire cost of the difference between the state rates as of July 1, 2009, and the Medicare rate. As current state reimbursement rates are lower than the rates on July 1, 2009, the state will need to increase its share by at least 2.5 percent or $2.4 million (including $1.2 million General Fund) before the federal match is calculated. It is not known what will happen as of September 30, 2014, when this provision expires.

Other provisions. PPACA provides for several state options under Medicaid, many of which are supported by competitive grant programs. Colorado is currently evaluating these provisions, including the following.

- ***Medicaid health homes.*** Beginning January 1, 2011, states can amend their Medicaid plan to provide coordinated care through a single-point (health home) to individuals with chronic illness.
- ***Aging and Disability Resource Center initiatives***. Colorado has been awarded a "Medicaid Money Follows the Person Rebalancing Demonstration" grant of $200,000. These moneys will help older adults and disabled persons access HCBS in place of institutional care.
- ***Long-term care.*** PPACA includes financial incentives for states to implement specific approaches to long-term care, such as allowing states to provide HCBS benefits to certain disabled individuals.
- ***Family planning services.*** Under PPACA, states will have the option of covering family planning services and supplies under their state Medicaid plans. Colorado applied for a waiver in 2008 and expects to implement this provision upon its approval.