

Date: February 3, 2015	POLICY BRIEF PREPARED FOR THE BOARD OF DIRECTORS	
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**FY 2016-17 BUDGET:
 Medicaid Community Provider Rate Cuts
 and Discontinuation of the Increased Primary Care “Bump” Rates**

FY 2016-17 Budget Overview

Released in early November, 2015, Governor Hickenlooper’s FY2016-17 Budget Request reflects current economic forecasts and anticipates a \$289 million rebate to taxpayers due to the Taxpayer Bill of Rights (TABOR). Because of this rebate and other restrictions on the state budget, the Governor’s budget proposes reductions in spending in a variety of departments, including higher education, K-12 education, building maintenance, and health spending via Medicaid. For more information on a proposal to remove the Medicaid Hospital Provider fee revenue from TABOR limits by creating a new state enterprise, see the staff briefing dated November 13, provided to the Health District Board of Directors on November 17.

After several years of small increases in Medicaid reimbursement for medical services, because of this year’s budget requirements, the Joint Budget Committee is faced with two proposals that will decrease reimbursement for Medicaid Services in the coming fiscal year.

First, the Governor’s budget is looking for a 1% reduction for all community provider rates, which are rates paid to outside vendors for services the state would otherwise provide, including services in the Departments of Corrections, Human Services, Health Care Policy and Financing, and Public Safety. This 1% reduction to community provider rates would impact reimbursement for all Medicaid providers, except services provided via a capitated payment (behavioral health services) and most primary care services.

Second, primary care services will see a significant reduction compared to the past several fiscal years due to the end of the primary care rate bump. This rate bump, part of the Affordable Care Act (ACA) and funded by federal expenditures, was due to end in January 2015 but the state continued it through June 2016. The rate bump varied widely by service from a 1.1 percent to a 69.4 percent increase. Based on overall expenditures for eligible codes, the bump increased state reimbursement to primary care providers by 23.2%. There are several options that might mitigate the impact of ending the bump to providers.

HCPF Budget Overview

The budget for the Department of Health Care Policy and Financing (HCPF) represents 26.1% of the state General Fund and 33.6% of total state spending, which reflects both the budgets of various state cash funds and federal funding. The vast majority of this spending (72%) is for medical services under Medicaid, which with the ACA expansion covers roughly one in five Coloradans.

Medicaid Provider Reimbursement Rate Reduction – R12

In the budget process, there are a variety of services with reimbursement rates determined by a “common policy.” This common policy sets the community provider rates for a variety of services that “might otherwise be delivered by state FTE in the following departments: Corrections, Human Services, Health Care Policy and Financing, and Public Safety.”¹ In the Governor’s budget request, all community provider rates

¹ Joint Budget Committee. January 21, 2016. FY16-17 Figure Setting Recommendation, Common Policy for Community Provider Rates. Accessed February 2, 2016 at: http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2015-16/comfig2.pdf

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would be reduced by 1%, which would reduce expenditures by \$45.9 million total funds, including \$19.6 million General Fund.

This provider rate reduction would impact reimbursements for medical services provided through Medicaid, dental services, a small portion of behavioral health services in Medicaid, and behavioral health services provided through the Department of Human Services (DHS). HCPF would reduce reimbursement rates for almost all providers (exclusions apply, including primary care because of larger cuts discussed below and capitated behavioral health payments).

In the governor’s request, the primary care services that are subject to the “bump” are specifically excluded from this 1% cut. Behavioral health services through Medicaid are primarily funded through BHOs – Behavioral Health Organizations – via a capitated payment system. While these capitated payments are exempt from the 1% reduction, the cut would apply to fee-for-service behavioral health, which makes up a very small percent of all Medicaid behavioral health services (about 1% of behavioral health services).

This Medicaid reduction would result in an estimated \$35.8 million reduction in total funds (\$12.9 million general fund). JBC staff noted that provider rate increases had been common in recent budget years, including a 2% increase in FY 2013-14, 2% in FY 14-15, and 0.5% in FY 15-16.²

On January 21, 2016, the Joint Budget Committee held its figure setting hearing for common policies for community provider rates. The JBC unanimously opposed the governor’s request for a 1% budget decrease for all community provider rates in the FY16-17 budget and voted to keep community provider rates static. The JBC’s staff recommendation to not decrease provider rates by 1% was based primarily on recent increases in provider costs and inflation. “The JBC staff is concerned that the Governor’s proposed 1.0 percent reduction runs counter to the economic indicators of community provider costs.”³ Staff and members of the committee particularly noted the Consumer Price Index for many metro areas increased 1.1 percent, the employment cost index increased 2.1 percent, and the CPI for health services increased 2.4 percent. Decreasing reimbursement in the face of increased costs caused the committee to unanimously oppose the governor’s request.

With this common policy set, the JBC will not readdress the rates in the budget hearings for each department impacted.⁴ In these meetings, the JBC will need to determine how to balance the budget without making these cuts that would, in total, reduce General Fund expenditures by \$19.6 million ((\$12.9 million for HCPF alone).

End of the Primary Care Rate Bump

To incentivize primary care providers to participate in Medicaid with the expansion of Medicaid under the Affordable Care Act (ACA), the federal government funded an increased reimbursement for primary care providers to match Medicare rates. This fully-federally-funded rate increase operated from January 2013

² Joint Budget Committee. December 8, 2015. FY16-17 HCPF Budget Briefing. P. 67. Accessed February 2, 2016 at: http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2015-16/hcpbrf1.pdf

³ Joint Budget Committee. January 21, 2016. FY16-17 Figure Setting Recommendation, Common Policy for Community Provider Rates. Accessed February 2, 2016 at: http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2015-16/comfig2.pdf

⁴ Behavioral Health Services within HCPF and DHS will be considered at a figure setting meeting on March 3, 2016. Other Medicaid provider rates (medical services) will be considered at a figure setting meeting on March 15, 2016. JBC Schedule Updated 2/3/2016, available at: http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/schedule1.pdf

through calendar year 2014. The rate bump varied widely by service from a 1.1 percent to a 69.4 percent increase. Based on overall expenditures for eligible codes, the bump increased state reimbursement to primary care providers by 23.2%. Along with 15 other states, Colorado continued this increased provider rate after the end of the federal funding, through June 2016.

While this primary care rate bump increased reimbursement for many providers, it did not apply to Federally Qualified Health Centers (FQHCs) or Rural Health Clinics (RHCs). In Larimer County, a large amount of Medicaid care is provided by Salud, an FQHC, but by no means all. Medicaid enrollees in Larimer are served by a wide variety of other providers, including Family Medicine Center, Associates in Family Medicine, Miramont, and others, who are all receiving increased reimbursement under this bump.

To continue this primary care rate increase would require \$145.1 million total funds (\$49.5 million general fund).⁵ HCPF supports this change by offering the results of a contracted study that shows no evidence that the increase provided better patient outcomes or access. Though primary care rates would not also be decreased by the 1% rate reduction mentioned earlier, this proposed change would return provider rates to 2012 rates. Because this policy increased 2012 rates on average by more than 20%, primary care providers did not also receive the rate increases that other providers received that amounted to about 5.4% over the past few years. The JBC is looking at options to cease this large rate enhancement, but then apply the same rate increases that other providers received, at a potential statewide cost of \$12.5 million (compared to the \$145 million cost to continue the primary care rate bump).

It is difficult to precisely define the consequences of ending this primary care rate bump on Medicaid services throughout the state. At its hearing, HCPF staff provided the following chart (Figure 1) of the impact on rates for some of the most common billing codes.

Service	New Rate	Bump Rate	Change	Percent Change
Office or Outpatient Visit Established Patient, Low Complexity	\$51.32	\$76.52	(\$25.19)	(32.9%)
Office or Outpatient Visit Established Patient, Moderate Complexity	\$77.10	\$112.43	(\$35.33)	(31.4%)
ER Department Visit, Moderate Severity	\$50.09	\$62.87	(\$12.78)	(20.3%)
ER Department Visit, High Severity	\$92.59	\$119.88	(\$27.29)	(22.8%)
ER Department Visit, High Severity, Significant Threat To Life	\$138.05	\$175.99	(\$37.95)	(21.6%)
Immunization administration	\$6.33	\$21.68	(\$15.35)	(70.8%)

Figure 1 - Source - HCPF Hearing @ JBC, December 2015⁶

⁵ Joint Budget Committee. December 8, 2015. FY16-17 HCPF Budget Briefing. P. 67. Accessed February 2, 2016 at: http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2015-16/hcpbrf1.pdf

⁶ Joint Budget Committee. December 16, 2015. Department of Health Care Policy and Financing FY 2016-17 Joint Budget Committee Hearing. Accessed February 3, 2016 at: http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2015-16/hcphrg1.pdf

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Several studies have attempted to determine if the increased reimbursement led to better access to care by Medicaid beneficiaries. A University of Colorado study found that with Colorado's increased reimbursement, there was no change in access to care (based on number of bump-eligible visits), even with the significant increase in Medicaid enrollees.⁷ This tends to indicate that the increased rates led to more primary care appointments being made available, but the study notes the limited time to study the issue and other factors that may contribute. Another study outside Colorado offered some limited evidence that the increased rates led to more Medicaid care by providers already enrolled, but not support for whether or not the rates led to more providers signing up with Medicaid.⁸

Anecdotally, many providers are concerned about this rate reduction. Even with the bump, Medicaid payments are often lower than private insurance payments, so rates that are more than 20% lower would be a challenge. If the bump led to physicians increasing their appointments open to Medicaid patients, it would follow that if the bump were reversed, they might lower their Medicaid patient load, which could lead to increasing access issues. As indicated above, there would likely be a particular burden on rates for community primary care physicians not employed by a federally qualified health center. In Larimer County, those primary care physicians are an important part of assuring adequate access to care for the expanded Medicaid population.

However, if the bump were continued, the challenge to legislators would be to find the \$49.5 million general fund needed to balance the state's budget.

About this Document

This document was prepared by Health District of Northern Larimer County staff to assist the Health District Board of Directors in determining whether to take an official stand on various health-related issues. The Health District is a special district of the northern two-thirds of Larimer County, Colorado, supported by local property tax dollars and governed by a publicly elected five-member board. The Health District provides medical, mental health, dental, preventive and health planning services to the communities it serves. For more information about this summary or the Health District, please contact Dan Sapienza, Policy Coordinator, at (970) 224-5209, or e-mail at dsapienza@healthdistrict.org.

⁷ Gritz, Hamer, Sevick. The Impact of Increased Payments for Primary Care Services on Access to Care for Medicaid Clients in Colorado: Summary of Results for First 18 Months of Increased Payments. November 30, 2015. Accessed February 3 at:

https://www.colorado.gov/pacific/sites/default/files/Preliminary_Report_Sec1202_Final_Nov%2030%202015.pdf

⁸ Joint Budget Committee. December 16, 2015. Department of Health Care Policy and Financing FY 2016-17 Joint Budget Committee Hearing. Accessed February 3, 2016 at: http://www.tornado.state.co.us/gov_dir/leg_dir/jbc/2015-16/hcphrg1.pdf