



## COLORADO DEPARTMENT OF HEALTH CARE POLICY & FINANCING

1570 Grant Street, Denver, CO 80203-1818 • (303) 866-2993 • (303) 866-4411 Fax • (303) 866-3883 TTY

Bill Ritter, Jr., Governor • Joan Henneberry, Executive Director

November 2, 2009

The Honorable Moe Keller, Chairman  
Joint Budget Committee  
200 East 14th Avenue, Third Floor  
Denver, CO 80203

Dear Senator Keller:

This letter is in response to the Department of Health Care Policy and Financing's (the Department) Legislative Request for Information #23:

*"The Department is requested to submit a report to the Joint Budget Committee by November 1, 2009 regarding the year-to-date per capita costs for the children served in the Children's Basic Health Plan. The Department is requested to provide the following information: (1) the current caseload by capitation rate served in each HMO; (2) the contracted capitation rates for each aid category; (3) the current number of children served in the self-funded network; and (4) the current claim costs for the children served in the self-funded network."*

The FY 2009-10 annualized year-to-date medical per capita cost for children in the Children's Basic Health Plan (the Plan) is \$2,689.25. However, this per capita incorporates large claims reconciliation payments between July and September 2009 for FY 2007-08 and FY 2008-09. As discussed in the Department's February 15, 2009 Budget Request, DI-3, the Department's contracted actuary began using data specific to the Plan's enrollees to establish the per member per month costs in FY 2008-09. Prior to this time, enrollment and utilization data quality issues prevented the actuary from using Plan specific data to establish the base per member per month cost annually, and the capitation rates were being increased by industry trend for the previous four years. The rebasing of the capitation rate revealed large increases in costs in both the state's self-funded network and the HMOs. The increasing costs in the state's self-funded network rendered the capitation rates inadequate to cover the actual claims costs, which has resulted in large claims reconciliations. The state's Administrative Services Organization contract was re-bid for FY 2008-09, which resulted in a change in vendors and delays in claims reconciliations. As such, the Department is currently closing the FY 2007-08 reconciliations and is approximately 9 months through the FY 2008-09 reconciliation.

Of the \$44,623,449 in payments for children's medical in FY 2009-10 through September, \$13,923,354 is solely due to reconciliation payments for prior years. The annualized per capita cost omitting these reconciliation payments is \$1,849.85. Based on estimates from the Plan's contracted actuary, the reconciliation payments should decrease substantially beginning in October 2009 due to lower projected claims costs in the last quarter of FY 2008-09 and the higher FY 2009-10 capitation rate.

Below are the Plan's current contracted capitation rates for children:

Final FY 2009-10 Self-Funded Child Monthly Capitation Rates				
Age	<101% FPL	101-150% FPL	150-205% FPL	Combined
<2	\$407.09	\$406.43	\$404.47	\$405.76
2-5	\$110.36	\$109.87	\$108.59	\$109.47
6-18	\$141.00	\$140.26	\$138.37	\$140.00
Combined	\$163.53	\$155.60	\$171.58	\$162.72

Final FY 2009-10 HMO Child Monthly Capitation Rates				
Age	<101% FPL	101-150% FPL	150-205% FPL	Combined
<2	\$235.89	\$234.89	\$230.37	\$233.39
2-5	\$109.77	\$109.12	\$106.47	\$108.81
6-18	\$105.19	\$140.17	\$136.77	\$129.54
Combined	\$116.92	\$140.90	\$138.30	\$133.49

Based on capitations paid in FY 2009-10, the Department estimates that 37.2% of current enrollees in the Plan are in the state's self-funded network and the remaining 62.8% are in an HMO. Due to data and time constraints, the Department is unable to provide caseload by rate cell for each HMO at this time. The tables below display the year-to-date count, amount, and average for capitations paid in the self-funded network and HMOs, compared to the combined capitation rates. These tables show that the year-to-date per member per month cost for children in the self-funded network are below the projected weighted capitation rate, implying that there are more enrollees in lower rate cells than projected. Conversely, the year-to-date average per member per month cost for the HMOs is higher than the weighted capitation, meaning that there are fewer enrollees in the lower rate cells than projected.

FY 2009-10 Self-Funded Child Monthly Capitations by Income Range				
Income Range	Capitation Count	Paid Capitations	Average	Combined Capitation Rate
0-100%	19,086	\$3,009,264.96	\$157.67	\$163.53
101-150%	33,048	\$4,920,529.96	\$148.89	\$155.60
151-205%	23,655	\$3,796,684.40	\$160.50	\$171.58
<b>Total</b>	<b>75,789</b>	<b>\$11,726,479.32</b>	<b>\$154.73</b>	<b>\$162.72</b>

FY 2009-10 HMO Child Monthly Capitations by Income Range				
Income Range	Capitation Count	Paid Capitations	Average	Combined Capitation Rate
0-100%	25,008	\$3,626,075.97	\$145.00	\$116.92
101-150%	61,317	\$8,625,742.98	\$140.67	\$140.90
151-205%	41,892	\$5,788,029.76	\$138.17	\$138.30
<b>Total</b>	<b>128,217</b>	<b>\$18,039,848.71</b>	<b>\$140.70</b>	<b>\$133.49</b>

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For further information or additional questions concerning this report, please contact Jennifer St. Peter at [jennifer.st.peter@state.co.us](mailto:jennifer.st.peter@state.co.us) or at 303-866-3982.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joan Henneberry".

Joan Henneberry  
Executive Director

JH:jls

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Cc: Representative Jack Pommer, Vice-Chairman, Joint Budget Committee  
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Senator Al White, Joint Budget Committee  
Representative Mark Ferrandino, Joint Budget Committee  
Representative Kent Lambert, Joint Budget Committee  
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Senator Josh Penry, Senate Minority Leader  
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Liza Fox, Policy Analyst for Health Care, Governor's Office  
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