

JOINT BUDGET COMMITTEE



SUPPLEMENTAL BUDGET REQUESTS FY 2016-17

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING (Behavioral Health Community Programs)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

DEPARTMENT OVERVIEW

The Department of Health Care Policy and Financing (HCPF) helps pay health and long-term care expenses for low-income and vulnerable populations. To assist with these costs the Department receives significant federal matching funds, but must adhere to federal rules regarding program eligibility, benefits, and other features, as a condition of accepting the federal money. The largest program administered by HCPF is the Medicaid program (marketed by the Department as Health First Colorado), which serves people with low incomes and people needing long-term care. The Department's FY 2016-17 appropriation represents 33.6 percent of statewide operating appropriations and 26.6 percent of statewide General Fund appropriations.

This document concerns the behavioral health community programs administered by HCPF. Behavioral health services include both mental health and substance use disorder services. Most behavioral health services are provided to Medicaid-eligible clients through a statewide managed care or "capitated" program. The Department contracts with five regional entities, known as behavioral health organizations (BHOs), to provide or arrange for medically necessary behavioral health services to Medicaid-eligible clients. Each BHO receives a pre-determined monthly amount for each client who is eligible for Medicaid behavioral health services. In addition to funding for capitation payments to BHOs, a separate appropriation covers fee-for-service payments for behavioral health services provided to clients who are not enrolled in a BHO and for the provision of behavioral health services that are not covered by the BHO contract.

SUMMARY: FY 2016-17 APPROPRIATION AND RECOMMENDATION

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING: RECOMMENDED CHANGES FOR FY 2016-17						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2016-17 APPROPRIATION						
HB 16-1405 (Long Bill)	\$662,617,330	\$183,627,684	\$16,633,015	\$0	\$462,356,631	0.0
CURRENT FY 2016-17 APPROPRIATION	\$662,617,330	\$183,627,684	\$16,633,015	\$0	\$462,356,631	0.0
RECOMMENDED CHANGES						
Current FY 2016-17 Appropriation	\$662,617,330	183,627,684	\$16,633,015	\$0	\$462,356,631	0.0
S2 Behavioral health	(56,448,298)	(6,379,746)	569,523	0	(50,638,075)	0.0
NP S2 DHS Mental health institutes	138,192	68,820	0	0	69,372	0.0
RECOMMENDED FY 2016-17 APPROPRIATION	\$606,307,224	\$177,316,758	\$17,202,538	\$0	\$411,787,928	0.0
RECOMMENDED INCREASE/(DECREASE)	(\$56,310,106)	(\$6,310,926)	\$569,523	\$0	(\$50,568,703)	0.0
Percentage Change	(8.5%)	(3.4%)	3.4%	n/a	(10.9%)	n/a
FY 2016-17 EXECUTIVE REQUEST	\$606,169,032	\$177,247,938	\$17,202,538	\$0	\$411,718,556	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

REQUEST/RECOMMENDATION DESCRIPTIONS

S2 BEHAVIORAL HEALTH: The request includes a reduction of \$56.4 million total funds, including a reduction of \$6.4 million General Fund, for Medicaid behavioral health community programs based on more recent caseload and expenditure estimates. The requested changes to individual funding sources reflect the state matching requirements associated with each eligibility category. The recommendation includes the requested adjustments.

NP S2 MENTAL HEALTH INSTITUTES: The request includes an increase of \$138,192 total funds for adjustments to appropriations for the mental health institutes, which are operated by the Department of Human Services. The adjustments reflect updated revenue estimates and to ensure both institutes have sufficient resources to cover operational expenses. The recommendation includes the requested adjustments.

PRIORITIZED SUPPLEMENTAL REQUESTS

S2 BEHAVIORAL HEALTH

	REQUEST	RECOMMENDATION
TOTAL	(\$56,448,298)	(\$56,448,298)
FTE	0.0	0.0
General Fund	(6,379,746)	(6,379,746)
Cash Funds	569,523	569,523
Federal Funds	(50,638,075)	(50,638,075)

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.

DEPARTMENT REQUEST: The Department requests a reduction of \$56.4 million total funds, including a reduction of \$6.4 million General Fund, for Medicaid behavioral health community programs based on more recent caseload and expenditure estimates. The requested changes to individual funding sources reflect the state matching requirements associated with each eligibility category.

STAFF RECOMMENDATION: Staff recommends that the Committee approve the request.

STAFF ANALYSIS:

The FY 2016-17 appropriation for Medicaid behavioral health community programs currently provides a total of \$662.6 million total funds, including \$183.6 million General Fund, for the provision of behavioral health services to an estimated 1,347,086 individuals who are eligible for and enrolled in Medicaid (referred to as “membership” of “caseload”). The Department is now projecting a higher rate of caseload growth in FY 2016-17, primarily due to the new eligibility categories authorized by S.B. 13-200. Despite this higher caseload projection, the Department estimates that the existing FY 2016-17 appropriations can be decreased by \$56.4 million total funds (8.5 percent) based on more recent expenditure projections. This adjustment is primarily related to two factors:

- The per-member-per-month rates paid to BHOs are higher than anticipated for some eligibility categories and lower for others. The most significant rate decreases were for the expansion population and foster care categories. Appendix B details the caseload and rate data that underlies the Department's revised capitation payment estimates for FY 2016-17. *For more information about capitation rate trends, see the issue brief that begins on page 16 of the JBC Staff Budget Briefing for HCPF Behavioral Health Community Programs, dated December 13, 2016.*
- The Department anticipates receiving \$46.1 million back from BHOs for previous payments. These “reconciliation” payments are \$29.9 million higher than anticipated, and they relate to three different circumstances:

- Due to the uncertainty of the cost of serving the newly eligible Adults Without Dependent Children population, the Department placed a "risk corridor" on the associated capitation rates to protect both the State and BHOs from undue risk. The \$24.2 million recoupment is due to the rates being set higher than actual costs.
- An \$18.9 million recoupment is needed for payments made in FY 2015-16 for some individuals in the Parents/ Caretakers (69% to 138% FPL) eligibility category. These payments were incorrectly based on the higher Adults Without Dependent Children category rate.
- A \$3.1 million recoupment is needed for payments made in FY 2015-16 for some children. These children were incorrectly categorized and paid based on the Individuals with Disabilities category rate.

The following tables compare the caseload and expenditure data that correspond to the FY 2016-17 appropriation and the Department's most recent estimate.

BEHAVIORAL HEALTH CAPITATION PROGRAM: ENROLLMENT				
CATEGORY	FY 16-17 INITIAL PROJECTIONS	FY 16-17 REVISED PROJECTIONS	DIFFERENCE	PERCENT
Children to 147% FPL	558,771	552,392	(6,379)	-1.1%
Adults w/out Dependent Children to 138% FPL	345,496	366,209	20,713	6.0%
Parents / Caretakers to 68% FPL; and Pregnant Adults to 200% FPL	201,678	209,008	7,330	3.6%
Parents / Caretakers 69% to 138% FPL	90,649	98,910	8,261	9.1%
Individuals with Disabilities to age 64 (to 450% FPL)	87,647	85,959	(1,688)	-1.9%
Adults age 65+ (to SSD)	42,831	43,412	581	1.4%
Foster Care to 26 years	19,806	20,185	379	1.9%
Breast & Cervical Cancer to 250% FPL	208	286	78	37.5%
TOTAL	1,347,086	1,376,361	29,275	2.2%

BEHAVIORAL HEALTH CAPITATION PROGRAM: ANNUAL EXPENDITURES				
CATEGORY	FY 16-17 INITIAL PROJECTIONS	FY 16-17 REVISED PROJECTIONS	DIFFERENCE	PERCENT
Children to 147% FPL	\$140,363,874	\$131,696,180	(\$8,667,694)	-6.2%
Adults w/out Dependent Children to 138% FPL	247,583,714	235,561,673	(12,022,041)	-4.9%
Parents / Caretakers to 68% FPL; and Pregnant Adults to 200% FPL	68,322,042	72,853,993	4,531,951	6.6%
Parents / Caretakers 69% to 138% FPL	22,363,544	19,833,190	(2,530,354)	-11.3%
Individuals with Disabilities to age 64 (to 450% FPL)	142,275,072	144,279,296	2,004,224	1.4%
Adults age 65+ (to SSI)	8,289,655	9,385,692	1,096,037	13.2%
Foster Care to 26 years	41,746,583	30,486,199	(11,260,384)	-27.0%
Breast & Cervical Cancer to 250% FPL	68,021	99,798	31,777	46.7%
Date of death retractions	(1,117,587)	(667,151)	450,436	-40.3%
Rate reconciliations ¹	(16,244,889)	(46,181,231)	(29,936,342)	184.3%
TOTAL	\$653,650,029	\$597,347,639	(\$56,302,390)	-8.6%

BEHAVIORAL HEALTH CAPITATION PROGRAM: ANNUAL PER CAPITA EXPENDITURES				
CATEGORY	FY 16-17 INITIAL PROJECTIONS	FY 16-17 REVISED PROJECTIONS	DIFFERENCE	PERCENT
Children to 147% FPL	\$251	\$238	(\$13)	-5.1%
Adults w/out Dependent Children to 138% FPL	717	643	(73)	-10.2%
Parents / Caretakers to 68% FPL; and Pregnant Adults to 200% FPL	339	349	10	2.9%
Parents / Caretakers to 138% FPL	247	201	(46)	-18.7%
Individuals with Disabilities to age 64 (to 450% FPL)	1,623	1,678	55	3.4%
Adults age 65+ (to SSI)	194	216	23	11.7%
Foster Care to 26 years	2,108	1,510	(597)	-28.3%
Breast & Cervical Cancer to 250% FPL	327	349	22	6.7%
TOTAL ¹	\$485	\$434	(\$51)	-10.6%

¹ While rate reconciliations and date of death retractions appear in the Annual Expenditures table, staff has not included them in the Annual Per Capita Expenditures table. For FY 2016-17, these rate reconciliation repayments from BHOs relate to prior fiscal years.

Staff recommends that the Committee approve the requested adjustments to reflect more recent caseload and expenditure estimates for behavioral health programs. If the General Assembly does not approve this supplemental, the Department would continue to pay the BHOs based on the actuarially-certified rates that were set based on state and federal statute, and would most likely revert \$6.4 million General Fund at the end of the year.

Please note that in February 2017 the Department will submit an updated caseload and expenditure forecast for both FY 2016-17 and FY 2017-18 that incorporates data through December 2016. Thus, the Committee will have updated information available when it makes final decisions concerning the FY 2016-17 and FY 2017-18 budgets.

NON-PRIORITIZED SUPPLEMENTAL REQUESTS

NP S2 DHS MENTAL HEALTH INSTITUTES

	REQUEST	RECOMMENDATION
TOTAL	\$138,192	\$138,192
FTE	0.0	0.0
General Fund	68,820	68,820
Cash Funds	0	0
Federal Funds	69,372	69,372

DEPARTMENT REQUEST: The Department requests an increase of \$138,192 total funds for adjustments to appropriations for the mental health institutes, which are operated by the Department of Human Services. The adjustments reflect updated estimates of the amount of Medicaid “fee-for-serve” revenue that will be available to pay for services provided to forensic clients and youth referred from the Division of Youth Corrections.

STAFF RECOMMENDATION: Staff recommends that the Committee incorporate the decision made on the primary supplemental request submitted by the Department of Human Services (S8).

JBC Staff Supplemental Recommendations - FY 2016-17
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Number Pages

	FY 2015-16 Actual	FY 2016-17 Appropriation	FY 2016-17 Requested Change	FY 2016-17 Rec'd Change	FY 2016-17 Total w/Rec'd Change
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DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
Sue Birch, Executive Director

S2 Behavioral health community programs

(3) BEHAVIORAL HEALTH COMMUNITY PROGRAMS

Behavioral Health Capitation Payments	<u>603,218,669</u>	<u>653,650,029</u>	<u>(56,302,390)</u>	<u>(56,302,390)</u>	<u>597,347,639</u>
General Fund	166,102,477	181,949,404	(6,672,399)	(6,672,399)	175,277,005
Cash Funds	9,773,437	16,383,180	594,011	594,011	16,977,191
Federal Funds	427,342,755	455,317,445	(50,224,002)	(50,224,002)	405,093,443
Behavioral Health Fee-for-service Payments	<u>8,086,839</u>	<u>8,967,301</u>	<u>(145,908)</u>	<u>(145,908)</u>	<u>8,821,393</u>
General Fund	1,881,329	1,678,280	292,653	292,653	1,970,933
Cash Funds	71,017	249,835	(24,488)	(24,488)	225,347
Federal Funds	6,134,493	7,039,186	(414,073)	(414,073)	6,625,113

Total for S2 Behavioral health community programs	611,305,508	662,617,330	(56,448,298)	(56,448,298)	606,169,032
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	167,983,806	183,627,684	(6,379,746)	(6,379,746)	177,247,938
Cash Funds	9,844,454	16,633,015	569,523	569,523	17,202,538
Federal Funds	433,477,248	462,356,631	(50,638,075)	(50,638,075)	411,718,556

APPENDIX B

FY 2016-17 BEHAVIORAL HEALTH CAPITATION PAYMENTS CALCULATIONS

DESCRIPTION	ELIGIBILITY CATEGORY								TOTAL
	ADULTS AGE 65+ (TO SSI)	INDIVIDUALS WITH DISABILITIES UP TO AGE 64 (TO 450% FPL)	PARENTS/ CARETAKERS (TO 68% FPL); PREGNANT ADULTS (TO 200% FPL)	PARENTS/ CARETAKERS (69% TO 138% FPL)*	ADULTS WITHOUT DEPENDENT CHILDREN (TO 138% FPL)*	CHILDREN (TO 147% FPL)	INDIVIDUALS IN/ FORMERLY IN FOSTER CARE (UP TO AGE 26)	BREAST AND CERVICAL CANCER PROGRAM (TO 250% FPL)	
Weighted capitation rate (per member, per month)	\$18.03	\$139.91	\$29.07	\$16.53	\$53.62	\$19.87	\$125.80	\$29.07	
Estimated monthly caseload	43,412	85,959	209,008	98,910	366,209	552,392	20,185	286	1,376,361
Number of months rate is effective	12	12	12	12	12	12	12	12	
Total estimated capitated payments	\$9,392,620	\$144,318,284	\$72,910,351	\$19,619,788	\$235,633,519	\$131,712,348	\$30,471,276	\$99,768	\$644,157,955
<u>Estimated expenditures:</u>									
Claims paid in current period	\$9,341,900	\$143,697,715	\$72,640,583	\$19,509,917	\$234,620,295	\$131,290,868	\$30,422,522	\$99,678	\$641,623,478
Claims from prior periods	43,792	581,581	213,410	323,273	941,378	405,312	63,677	120	2,572,543
Estimated date of death retractions	(103,656)	(371,143)	(17,371)	(7,758)	(137,340)	(7,758)	(21,349)	(776)	(667,151)
Total expenditures after retractions	\$9,282,036	\$143,908,153	\$72,836,622	\$19,825,432	\$235,424,333	\$131,688,422	\$30,464,850	\$99,022	\$643,528,870
<u>Other payment adjustments:</u>									
Risk corridor reconciliation	\$0	\$0	\$0	(\$973,545)	(\$23,192,045)	\$0	\$0	\$0	(\$24,165,590)
Expansion parents rate reconciliation	0	0	0	(18,947,943)	0	0	0	0	(18,947,943)
Adjustment for clients placed in incorrect eligibility categories	0	(3,348,474)	0	0	0	280,776	0	0	(3,067,698)
NET EXPENDITURES	\$9,282,036	\$140,559,679	\$72,836,622	(\$96,056)	\$212,232,288	\$131,969,198	\$30,464,850	\$99,022	\$597,347,639
Annual per capita expenditure (excl. other payment adjustments)	\$213.81	\$1,674.15	\$348.49	\$200.44	\$642.87	\$238.40	\$1,509.28	\$346.23	\$467.56

* These are new eligibility categories authorized by S.B. 13-200.