MEMORANDUM

TO: Joint Budget Committee Members

FROM: Carolyn Kampman, JBC Staff

SUBJECT: Pending Request from the Department of Human Services to Expand Intensive Residential Substance Use Disorder Treatment (R11)

DATE: March 10, 2016

On Thursday, March 3, the Committee delayed discussion and action on one decision item submitted by the Department of Human Services (DHS). Staff has included below an excerpt from the figure setting document concerning DHS behavioral health services that describes R11 [this material begins on page 11 of the figure setting document]. This is one of three requests to expand behavioral health services using cash funds from the Marijuana Tax Cash Fund. Senator Steadman expressed an interest in discussing potential legislation in connection with this request. Thus, the Committee wanted all six members present to discuss this request.

➔ R11 Intensive Residential Treatment for SUD

Request: The Department requests $4,726,272 in cash funds from the Marijuana Tax Cash Fund and 0.9 FTE for FY 2016-17 to increase the availability of intensive residential substance use disorder (SUD) treatment for individuals with the most severe addictions that are not being addressed through the current treatment system. This request would support a total of five intensive residential programs (80 beds), including:

- Two specialty residential programs for women who are pregnant, postpartum, or already parenting children (32 beds);
- One residential program to serve individuals aged 18 – 25 who need residential care (16 beds); and
- Two non-specialty intensive residential programs for adult men (32 beds).

The Department indicates that this request would serve up to 960 clients annually (based on an average length of stay of 30 days). The locations and regions impacted by the proposed programs would be determined through a statewide selection process based on the local need demonstrated by bidders. Services would be available to individuals on probation or transitioning from jail or prison (in addition to those who are not). The programs would provide care based upon a client-centered, trauma-informed course of treatment in order to maximize treatment engagement. The request includes $4,559,853 to fund the five programs for eight months in FY 2016-17, including $750,000 for start-up expenses. Rather than paying a daily rate per client, the Department intends to contract for the full cost of treatment for a guaranteed number of beds to ensure continued capacity and cash flow for the provider. The final total contract amounts would be based on a competitive procurement process.

The request also includes $77,500 for an evaluation contractor to study the effectiveness of the treatment provided by the programs; this funding would support six months of activity in FY

2016-17. In addition to establishing the metrics, data collection practices, training of program staff, data collection and analysis, and report writing, the evaluator will provide facility-level technical assistance and fidelity oversight.

Finally, the requested funding also includes $88,919 for two part-time state employees for on-site monitoring and program oversight (0.5 FTE) and fiscal compliance and oversight (0.4 FTE).

The following table details by line item appropriation the Department's request for FY 2016-17, as well as ongoing funding requested for FY 2017-18.

Summary of Request for R11: Intensive Residential Treatment for SUD			
Description	**FY 2016-17**	**FY 2017-18**	**Annual Change**
Executive Director's Office			
General Administration			
Health, Life, and Dental	$15,854	$15,854	$0
Short-term Disability	97	106	9
S.B. 04-257 AED	2,455	2,678	223
S.B. 06-235 SAED	2,429	2,650	221
Subtotal	20,835	21,288	453
Office of Behavioral Health			
Community Behavioral Health Administration			
Personal Services	57,073	62,261	5,188
FTE	0.9	0.9	0.0
Operating Expenses	11,011	1,605	(9,406)
Substance Use Treatment and Prevention			
Treatment and Detoxification Contracts	4,637,353	6,063,452	1,426,099
FTE			0.0
Subtotal	4,705,437	6,127,318	1,421,881
FTE	0.9	0.9	0.0
Total Cash Funds	**$4,726,272**	**$6,148,606**	**$1,422,334**
FTE	0.9	0.9	0.0

Recommendation: Staff recommends approving the request with several modifications. While staff believes that money in the MTCF can and should be appropriated to expand access to substance abuse treatment services, staff is not convinced that the Department's proposal is most effective or efficient method of expanding access to services. Instead, staff recommends the following:

- Appropriate a total of $6,000,000 cash funds from the MTCF to be allocated among managed service organizations (MSOs) based on a reasonable allocation methodology that utilizes relevant, available data.
- Require each MSO, in collaboration with relevant community organizations and behavioral health providers, to assess the sufficiency of substance use disorder services within its geographic region(s) for all populations in need of intensive residential or inpatient services. This assessment should include an analysis of existing funding and resources (including Medicaid funding) within the community to pay for services to these populations.
- Require the MSO to submit a plan to the Department of Human Services and the Department of Health Care Policy and Financing (HCPF) that summarizes the results of the community assessment, and describes how the MSO plans to utilize its allocation of MTCF to address the most critical service gaps in each geographic region. This information should be useful for HCPF in evaluating the adequacy of the existing Medicaid behavioral health benefit (*e.g.*, what is the impact of not providing Medicaid substance use disorder services for adolescents in the custody of county departments of social services?).
- Allow MSOs the flexibility to utilize MTCF money in whatever way is most effective to expand access to substance use disorder services for those populations in need of residential or inpatient treatment services. This may include approaches such as: making funding available to existing residential treatment providers to increase capacity utilization; allocating funding for a guaranteed number of beds to ensure continued capacity and sufficient cash flow for a provider; purchasing services from other geographic regions and paying for transportation or other associated services; or providing a similar level of service in a non-residential setting if such services are effective.
- Do not provide funding for the Department to hire additional staff for on-site monitoring and program oversight and fiscal compliance and oversight. Instead, rely on the MSOs to ensure a continuum of high quality care, to monitor the adequacy of access to care, and to provide fiscal oversight within their geographic region. The Department would continue providing appropriate oversight through licensing functions and establishing outcome and performance measures for MSOs.
- Allow the Department to utilize the funding requested ($77,500 for FY 2016-17 and $150,000 for FY 2017-18) for an evaluation contractor to study the effectiveness of residential substance use disorder treatment provided. The Department should involve HCPF in the design of this evaluation so that the data and analyses will be useful for evaluating whether the Medicaid behavioral health benefit should be expanded to include residential treatment or similar high intensity services.

Staff's recommendation is intended to provide a reliable, sustainable source of funding for MSO's to expand access to residential or other high intensity substance use disorder treatment services based on the needs and existing resources in each geographic region. The recommendation is also intended to make the most efficient use of MTCF money by relying on the existing MSO infrastructure while engaging other community organizations and providers that may not currently be part of an MSO network. **The implementation of this recommendation may require legislation** if the General Assembly wishes to provide direction to the Department in how such funds should be allocated and distributed.

Analysis:
The Department indicates that the federal Affordable Care Act expanded access to health care for people who did not have health insurance previously, including mental health and substance use disorder (SUD) treatment benefits in all insurance plans. However, the ACA did not provide coverage for some behavioral health services, including:

- Prevention/intervention
- Community support (including housing, transition support, and employment services tailored to people with behavioral health disorders)
- Care coordination
- Transition out of institutions (prisons and jails, mental health institutes, and nursing homes)
- Residential and inpatient SUD treatment
- Recovery support services to assist people to maintain the gains made in treatment

This request addresses the unmet need for residential and inpatient SUD treatment.

The Department contracts with managed services organizations (MSOs) to deliver comprehensive, evidence-based SUD treatment services for low-income Coloradans for those services that are not covered by Medicaid or any other insurance. Medicaid covers outpatient care, group therapy, individual therapy, case management, and social model detoxification services. However, intensive residential treatment services are not currently covered by Medicaid except for the Special Connections program for pregnant and postpartum women. While private insurance may cover some intensive residential services on a limited basis in some cases, but it typically does not. For example, there may be limits to the number of days that will be covered (*e.g.*, three days as opposed to 30 days). In addition, the Department indicates that sometimes deductibles and co-pays are a barrier for people to utilize their SUD treatment benefits.

This request seeks to fill an existing gap in service for intensive residential treatment for adults, as well as for those with specialized treatment needs such young adults ages 18 – 25 and women with children. The proposed level of treatment is "medically managed high intensity" residential treatment, which is appropriate for those individuals who present with a risk of severe withdrawal from substances, unaddressed psychiatric and emotional issues, and physical health issues such as poorly controlled diabetes, pregnancy, infections, and chronic medical conditions. For people experiencing these multiple health problems, abstinence from substance use enables them to effectively address their primary health issues. For those living in drug-using environments, residential treatment separates them from the external stressors that exacerbate their addiction issues. Those who enter intensive residential treatment halt their use and stabilize in that environment, after which they continue treatment on an outpatient basis.

The Department indicates that there are currently 20 public and private programs in Colorado licensed to provide intensive residential treatment (IRT) to individuals of all income levels and insurance coverages. In the past 10 years, IRT admissions have increased by 14 percent, indicating that the demand for this level of care is increasing. Additionally, County Departments of Human Services have stated anecdotally that they are not able to access this level of care for the parents of children in their custody.

The Department also indicates that while available research on IRT for substance use disorders identifies best practices for providing treatment to specific populations such as mothers with children and youth in transition, but there is limited information on effectiveness or outcomes. Research concerning IRT for criminal recidivism and shows a positive minimal impact on recidivism. However, the impact on substance use disorders has not been extensively researched. The Department is thus requesting funding for an evaluation study. The Department plans to measure: (1) Reduction in substance use between treatment admission and discharge; and (2) No re-entry into residential treatment within six months of discharge.

Staff is supportive of the Department's goal of increasing access to intensive residential treatment for individuals with substance use disorder who require that level of treatment. Staff is also supportive of the Department's proposal to fund a specific number of beds rather than paying a daily rate per client to ensure continued capacity and cash flow for the provider, and the proposal to utilize come of the funding for an evaluation contractor to study the effectiveness of residential substance use disorder treatment provided. However, staff has several concerns with the Department's proposal:

New Capacity vs Existing Capacity. The Department's request indicates that the demand for intensive residential treatment is increasing and this request is intended to fill an existing gap in this level of service for three specified populations. The request is calculated based on developing five new facilities (*i.e.*, it includes the costs to lease or purchase property and it includes "startup" funding of $150,000 per facility). However, staff has learned that many of the existing facilities that provide residential treatment are not operating at full capacity because existing funding is simply not sufficient to cover facility operating costs.

For example, while Medicaid does not cover most residential substance abuse services, it does cover services for pregnant and postpartum women through the Special Connections program. However, the federal policy concerning institutions for mental disease (IMD) prohibits programs of more the 16 beds from collecting Medicaid reimbursement. Thus the existing 20-bed Women's Recovery Center operated by Mind Springs is not eligible for Medicaid funding. Even facilities with 16 beds may be challenged to operate at capacity due to other limitations such as zoning ordinances that require infants to be counted when determining maximum capacity (thereby limiting the number of women who can be served and for whom Medicaid reimbursement can be claimed). As noted by the Department, there are also restrictions on commercial insurance coverage (*e.g.*, the number of days covered or deductible requirements), and most clients do not have the resources to cover the cost of treatment.

In its response to a recent request for information, the Department acknowledged that due to the high start-up and fixed costs associated with operating intensive residential treatment, programs must be able to maintain a base level of referrals to cover their costs. Most providers have relied on federal Substance Abuse Prevention and Treatment block grant funds to support these facilities. Some providers report plans to close facilities or units due to the inadequacy of these federal funds, and many report utilization rates ranging from 48 percent to 75 percent. If the goal is to increase access to intensive residential treatment, it would be more efficient to allow the funds to be used to pay for existing, underutilized capacity.

Limiting Access to Specific Populations. The Department is planning to designate capacity for specific populations, including 32 beds for pregnant/parenting women, 16 beds for individuals aged 18-25, and 32 beds for adult men. Staff has no data to indicate that these are the populations most in need of residential services. Some providers have questioned whether the continued emphasis on pregnant and postpartum women is appropriate, and suggested consideration for the needs of women who are not pregnant or postpartum. Based on recent experience, staff is not convinced that either the General Assembly or the Department is in a position to determine which populations are most in need of these services.

The most recent attempt to fund treatment services for specific populations has not been effective. Specifically, S.B. 14-215 appropriated $1.5 million from the MTCF for substance use disorder services for adolescents and pregnant women. In FY 2014-15, only $278,110 (18.5 percent) of the available funds were spent. The General Assembly authorized the Department to spend the remaining funds in FY 2015-16; as of February 24, 2016, only $598,805 of the $1.2 million remaining available has been spent. Further, the "Special Connections" program that is administered by the Department of Human Services (but funded through Medicaid) continues to underutilize available funding. The following table provides a recent history of appropriations, expenditures, and some data about the number of women served.

Special Connections Program				
Description	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
Appropriation	$1,999,146	$1,429,133	$1,464,861	$1,600,000
Actual Expenditures	1,052,271	1,138,015	969,806	
Expenditures Over/ (Under) Appropriation	(946,875)	(291,118)	(495,055)	
Number of Women Served				
Outpatient		170	138	
Residential		95	103	
Total		265	241	311
Annual percent change			*-9.1%*	*29.2%*
Average cost per woman served		$4,294	$4,024	$5,138
Annual percent change			*-6.3%*	*27.7%*

Staff suggests that it may be more effective to allow MSOs to determine, in collaboration with relevant community organizations and behavioral health providers, what populations are most in need of intensive residential services and the best way to expand access for these populations.

Determining the Service Needs in Each Region. The Department plans to use a competitive procurement process to determine the need for intensive residential treatment in each region. The Department also proposes adding two part-time staff for on-site monitoring and program oversight, and fiscal compliance and oversight. Staff is not convinced that is the most effective process to identify service needs or distribute funding.

Most recently the General Assembly appropriated $500,000 General Fund (from the Proposition AA Refund Account) through H.B. 15-1367 for "treatment and detoxification contracts". Despite this broad stated purpose, the Department issued a letter of intent requesting proposals to address several specific areas, including:

- Increased coordination of substance use disorder services, especially withdrawal management (*i.e.*, detoxification), with existing Colorado Crisis Services, especially in rural locations;
- Increased access to services through the use of technology; and/or
- Increased capacity for residential substance use disorder treatment.

To date, only $403,082 of these funds has been allocated to four of seven regions. Two of the contracts were recently signed by the Department Controller, and the third contract is with the Department Controller but is not yet signed. The Department anticipates that funds will be available to spend by March 15.

The Department plans to issue another letter of intent concerning the use of this $500,000 in FY 2016-17 if the General Assembly approves its request for continuation funding. The Department will request that MSOs propose funding in one or more of the above delineated areas or for increased capacity for medication assisted treatment, particularly to serve people addicted to opioids/opiates. Funds will then be allocated to MSOs based on their responses to the letter of intent.

The Department's approach to allocating state funds for substance use detoxification and treatment services does not appear to be effective or efficient. It appears to be incredibly time-intensive for both Department staff and the entities it contracts with, and it frequently results in funds going unspent. Some providers have expressed concern that this leaves the impression that these funds are not needed.

Staff believes that MTCF money can and should be used to increase access to substance use treatment in all regions of the state. However, staff believes that local communities are in the best position to identify the most important needs and service gaps in their region. It is possible that these needs differ between communities. It is also possible that a community's ability to meet the same need may differ. In its response to a recent legislative request for information, the Department acknowledged that it is difficult to create and maintain capacity for specialized or intensive services in rural areas due to inconsistent demand, geographic distances that limit access to services, and the challenge of recruiting and retaining staff with appropriate expertise and credentials. Staff thus recommends allowing MSOs, in collaboration with relevant community organizations and behavioral health providers, to determine how to utilize MTCF

money to expand access to substance use disorder services for those populations in need of residential or inpatient treatment services.