

JOINT BUDGET COMMITTEE



STAFF FIGURE SETTING FY 2022-23

COMMON POLICY FOR COMMUNITY PROVIDER RATES

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

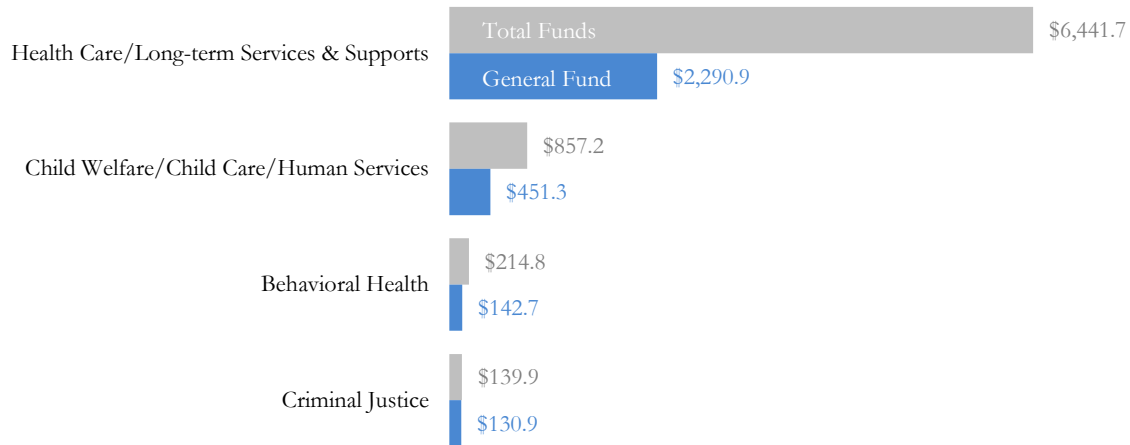
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OVERVIEW

The Joint Budget Committee (JBC) typically sets a common policy for community provider rates to promote consistent and equitable treatment. The community provider rate common policy applies to a historic set of services that might otherwise be delivered by state FTE in the following departments: Corrections, Health Care Policy and Financing, Human Services, Judicial, Labor and Employment, Public Health and Environment, and Public Safety. From time to time the JBC adds or subtracts from the set of entities that qualify for the community provider rate common policy on a case-by-case basis. The community provider rate common policy mainly applies to health care and long-term services and supports, which make up 84.2 percent of the total base and 76.0 percent of the General Fund base.

Community Provider Rates Base Eligible for Common Policy Adjustment
In millions



The common policy sets a baseline budgetary impact for provider rates, but individual JBC staff members may recommend deviations from the common policy for certain provider services if their analysis warrants a higher or lower rate.

GOVERNOR’S REQUEST AND JBC STAFF RECOMMENDATION

EXECUTIVE REQUEST

ACROSS-THE-BOARD

For FY 2022-23, the Governor proposed a 1.0 percent across-the-board adjustment for community provider rates. However, the Department of Health Care Policy and Financing proposes a 0.5 percent common policy increase, with the remaining 0.5 percent requested for targeted rate adjustments. Approving the Governor’s request would increase total appropriations by \$44.2 million, including \$18.7 million General Fund.

TARGETED RATE ADJUSTMENTS

The Department of Health Care Policy and Financing (HCPF) requested targeted rate adjustments, shown in the table below. These adjustments are not part of the common policy, but are summarized here for context. The JBC staffers responsible for HCPF will discuss the requests during figure setting.

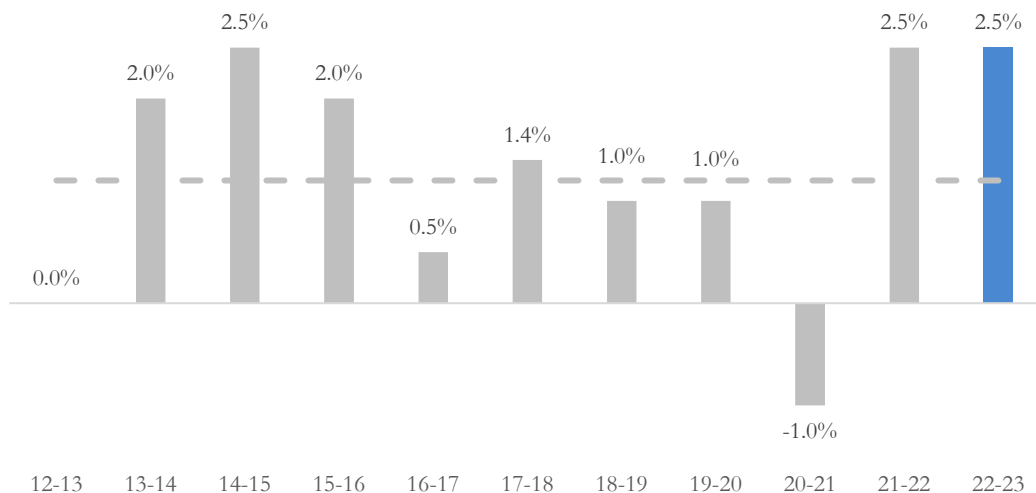
HCPF R9 & R10 TARGETED PROVIDER RATE ADJUSTMENTS					
RATE	CHANGE	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS
Durable medical equipment	80-100% of benchmark	\$1,596,720	\$798,360	\$0	\$798,360
Massage therapy	\$14.20 to \$19.10 (\$4.90)	27,293	13,647	0	13,646
Home & community-based services	\$15.00/hr through FY 22-23	33,373,436	16,686,725	0	16,686,711
Non-emergent medical transportation	60.8% of benchmark	22,816,821	7,393,642	4,014,769	11,408,410
Emergency medical transportation	50.0% of benchmark	8,298,520	1,948,546	453,943	5,896,031
HCBS Non-medical transportation	70.0% of benchmark	3,046,513	1,523,256	0	1,523,257
Speech therapy	70.0% of benchmark	1,134,728	567,364	0	567,364
Various rates Office of Community Living	Various	1,006,764	503,382	0	503,382
FY 2022-23 Total		\$71,300,795	\$29,434,922	\$4,468,712	37,397,161
FY 2023-24 Annualization		130,473,338	64,392,058	607,247	65,474,033
Total impact through FY 2023-24		\$201,774,133	\$93,826,980	\$5,075,959	102,871,194

Additionally, the Judicial Department, via the Correctional Treatment Board, requests a targeted increase of 9.3 percent (\$1.25 million) for the General Fund appropriation to the Correctional Treatment Cash Fund. JBC staff will address this request during figure setting.

STAFF RECOMMENDATION

Staff recommends a 2.5 percent across-the-board increase for community provider rates for all departments at an estimated cost of \$191.3 million total funds, including \$75.4 million General Fund. As shown in the following graph, the recommended 2.5 percent increase is just over twice the average annual increase over the last 10 years (1.2 percent), though it is equal to last year's increase of 2.5 percent.

The [recommendation](#) exceeds the average increase (dashed line) over the last ten fiscal years.



Several economic indicators suggest that community provider costs are increasing. The Denver/Aurora/Lakewood consumer price index (CPI) was up by 5.5 percent in November 2021 as compared to March 2021.¹ Compensation costs have likely increased as well, which make up the majority of expenditures for many community providers. According to the national Employment Cost Index (ECI), the cost of civilian compensation increased 3.7 percent for the 12 month period ending in September 2021.² The Governor requested an increase of 3.0 percent for state employee salaries. Any of these indicators might be a good assumption about how much provider rates should increase.

The table on the next page shows an estimated base eligible for the community provider rate common policy and the fiscal impact of the staff recommendation. The estimated base was calculated by the JBC staff and may change through figure setting to reflect things like policy recommendations or forecast changes. The largest change is likely to be for the Department of Health Care Policy and Financing's forecast update, which will not be available until the middle of February. However, even if the February forecast changes the estimated General Fund base eligible for the common policy for the Department of Health Care Policy and Financing by \$100 million, the error in the estimated fiscal impact of the community provider rate common policy would only be \$1.0 million per 1.0 percent.

If the JBC approves a common policy adjustment to community provider rates, each JBC analyst will examine the base and independently calculate the application of the JBC's common policy, which may result in some variation from these figures. The actual cost of the JBC's common policy may also vary based on compounding with other JBC actions.

The JBC staff estimates that each 1.0 percent change in community provider rates changes expenditures by approximately \$76.5 million total funds, including \$30.2 million General Fund.

¹ [Link](#) to Denver-Aurora-Lakewood CPI tables.

² <https://www.bls.gov/news.release/eci.nr0.htm>

Community Provider Rate Common Policy Scenarios								
Program	Estimated Base Eligible for Common Policy		Approve Governor's Request 1.0% 0.5% (HCPF)		Middle Ground 1.7%		Staff Recommended 2.5%	
	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
Health Care Policy and Financing								
Medical Service Premiums	\$5,521,488,415	\$1,856,537,327	\$27,607,442	\$9,282,687	\$93,865,303	\$31,561,135	\$138,037,210	\$46,413,433
Office of Community Living	822,875,743	414,398,307	4,114,379	2,071,992	13,988,888	7,044,771	20,571,894	10,359,958
County Administration	88,092,552	12,590,592	440,463	62,953	1,497,573	214,040	2,202,314	314,765
Behavioral Health	13,663,493	3,035,410	68,317	15,177	232,279	51,602	341,587	75,885
Human Services/Pub Health	<u>11,182,475</u>	<u>5,591,338</u>	<u>55,912</u>	<u>27,957</u>	<u>190,102</u>	<u>95,053</u>	<u>279,562</u>	<u>139,783</u>
Subtotal - HCPF	\$6,457,302,678	\$2,292,152,974	\$32,286,513	\$11,460,766	\$109,774,145	\$38,966,601	\$161,432,567	\$57,303,824
Human Services								
Child Welfare and Youth Corrections	542,598,135	321,448,780	5,425,981	3,214,488	9,224,168	5,464,629	13,564,953	8,036,220
Child Care	198,191,235	79,358,371	1,981,912	793,584	3,369,251	1,349,092	4,954,781	1,983,959
Behavioral Health	201,183,945	139,631,889	2,011,839	1,396,319	3,420,127	2,373,742	5,029,599	3,490,797
County Administration	77,780,425	25,891,700	777,804	258,917	1,322,267	440,159	1,944,511	647,293
Other	<u>21,188,324</u>	<u>12,753,620</u>	<u>211,883</u>	<u>127,536</u>	<u>360,202</u>	<u>216,812</u>	<u>529,708</u>	<u>318,841</u>
Subtotal - Human Services	\$1,040,942,064	\$579,084,360	\$10,409,419	\$5,790,844	\$17,696,015	\$9,844,434	\$26,023,552	\$14,477,110
Corrections								
Medical and behavioral health services	27,552,110	27,552,110	275,521	275,521	468,386	468,386	688,803	688,803
Community services	20,769,513	17,119,727	207,695	171,197	353,082	291,035	519,238	427,993
Payments to local jails	<u>13,023,829</u>	<u>13,023,829</u>	<u>130,238</u>	<u>130,238</u>	<u>221,405</u>	<u>221,405</u>	<u>325,596</u>	<u>325,596</u>
Subtotal - Corrections	\$61,345,452	\$57,695,666	\$613,454	\$576,956	\$1,042,873	\$980,826	\$1,533,637	\$1,442,392
Public Safety								
Community corrections programs	\$78,572,947	\$73,211,029	\$785,729	\$732,110	\$1,335,740	\$1,244,587	\$1,964,324	\$1,830,276
Public Health and Environment								
Local Public Health Agencies	\$9,231,540	\$7,376,182	\$92,315	\$73,762	\$156,936	\$125,395	\$230,789	\$184,405
Labor and Employment								
Independent Living Services	\$6,286,200	\$6,286,200	\$62,862	\$62,862	\$106,865	\$106,865	\$157,155	\$157,155
TOTAL Funds	\$7,653,680,881	\$3,015,806,411	\$44,250,292	\$18,697,300	\$130,112,574	\$51,268,708	\$191,342,024	\$75,395,162