

# JOINT BUDGET COMMITTEE



## STAFF FIGURE SETTING FY 2024-25

## COMMON POLICY FOR COMMUNITY PROVIDER RATES

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

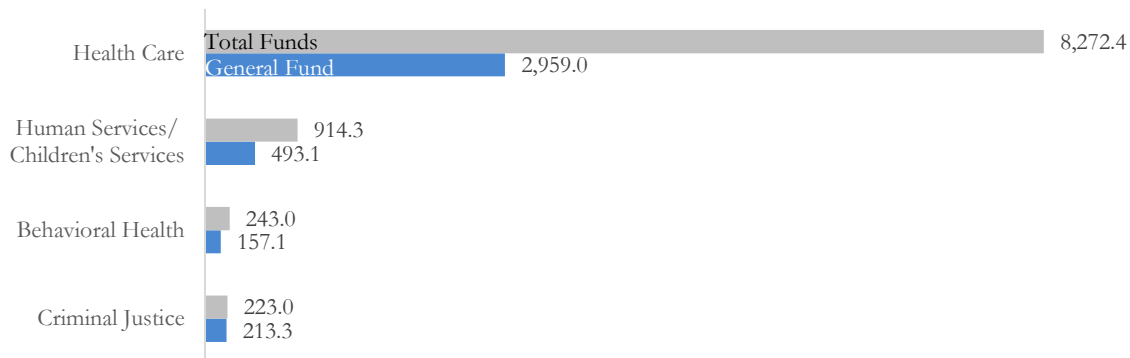
PREPARED BY:  
JUSTIN BRAKKE, JBC STAFF  
JANUARY 29, 2024

JOINT BUDGET COMMITTEE STAFF  
200 E. 14TH AVENUE, 3RD FLOOR • DENVER • COLORADO • 80203  
TELEPHONE: (303) 866-2061 • TDD: (303) 866-3472  
<https://leg.colorado.gov/agencies/joint-budget-committee>

## OVERVIEW

The Joint Budget Committee (JBC) typically sets a common policy for community provider rates. The community provider rate common policy applies to 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, Military and Veterans Affairs, 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 85.8 percent of the total base and 77.4 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

#### 2.0 PERCENT ACROSS-THE-BOARD, BUT WITH HCPF AT 1.0 PERCENT

The Governor's proposed budget for FY 2024-25 includes a 2.0 percent across-the-board (common policy) increase for community provider rates. Approving the Governor's request would increase total appropriations by \$110.4 million, including \$47.0 million General Fund.

However, there is a significant exception to the 2.0 percent across-the-board proposal. The Department of Health Care Policy and Financing (HCPF) proposes a 1.0 percent common policy increase that would cost \$29.4 million General Fund, while proposing targeted rate increases totaling about \$41.8 million General Fund.

**The HCPF request understates the total cost of a true 2.0 percent common policy increase by about \$29.5 million General Fund. A true 2.0 percent common policy increase, including HCPF, would cost about \$76.5 million General Fund, as opposed to the requested \$47.0**

**million General Fund.** In the JBC staff briefing for HCPF's FY 2024-25 budget requests, staff wrote the following:

“The Governor has done something similar for several years in a row, with little explanation or policy justification, and it always puts the JBC in a difficult position. The purpose of the provider rate common policy is to recognize inflationary pressures faced by all providers and to give them all equitable treatment...

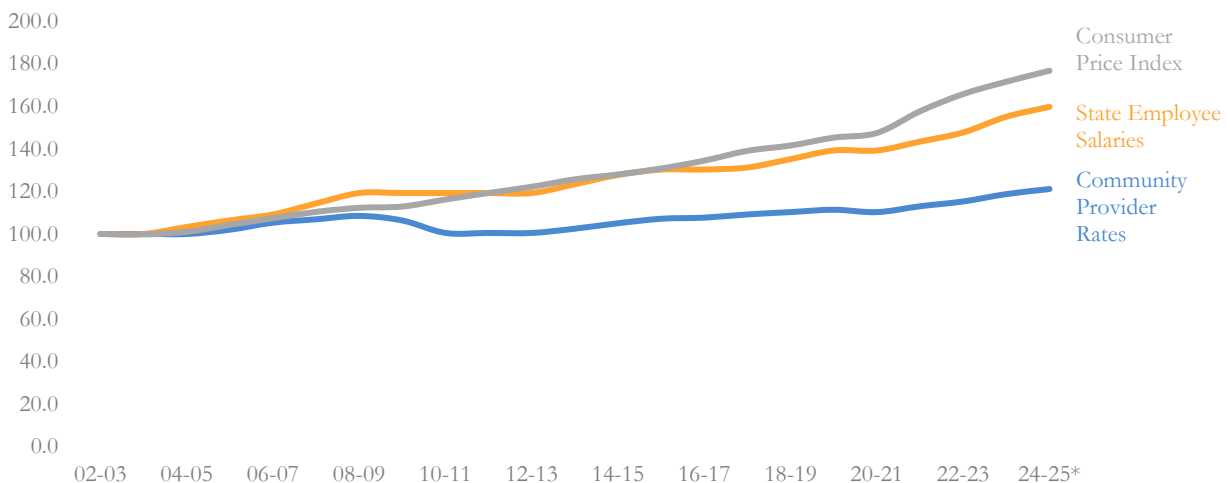
...The primary explanation for why the Governor proposes different provider rate increases for different departments is that the budget would not accommodate a larger increase. The Department believes the targeted rate adjustments are essential for access to care. To make room for those targeted rate adjustments, the Department proposes decreasing the common policy increase for other HCPF providers. The Governor's proposal is not really a common policy, since HCPF providers are treated differently than all other providers. The JBC staff argues that the proper solution would have been for the Governor to reduce the common policy increase for all providers, rather than just the HCPF providers.”

#### PROVIDER RATES VS. INFLATION AND STATE EMPLOYEE COMPENSATION

The community provider rate common policy has not kept pace with state employee compensation and the Denver-Aurora-Lakewood consumer price index (CPI). This applies to both historical rates and the Governor's FY 2024-25 budget request. For FY 2024-25, the Governor requested a 3.0 percent increase for state employee compensation, a 2.0 percent increase for the provider rate common policy (but with HCPF providers at 1.0 percent). The 3.0 percent increase for state employees excludes additional funding for the step-pay plan.

Meanwhile, the Denver metro area CPI index grew by an average of 3.5 percent in the first half of FY 2023-24 as compared the average CPI index in FY 2023-24. The common policy provider rate for FY 2023-24 was 3.0 percent. The following graph shows relative changes in all three measures going back to the early 2000s.

Since FY 02-03 **Community Provider Rates** have grown more slowly than **State Employee Salaries** and the Consumer Price Index (CPI)  
Index = 100



\*FY 24-25 as requested. Consumer price index from the Bureau of Labor Statistics, Denver-Aurora-Lakewood, all items.

## STAFF RECOMMENDATION

**Staff recommends a 2.5 percent common policy increase for community provider rates for all departments. This would cost about \$241.2 million total funds, including \$95.6 million General Fund.** This recommendation includes the HCPF providers that were included in the request for a 1.0 percent increase.

The \$95.6 million General Fund figure for a 2.5 percent increase in FY 2024-25 is about \$13.6 million more than the \$82.0 million General Fund increase for a 3.0 percent increase in FY 2023-24. It is JBC staff's understanding that difference is mainly attributable to HCPF and a reduced Federal Medicaid match. Despite the larger year-over-year cost, the recommendation does not keep pace with inflationary pressures or state employee salaries.

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 (highlighted). 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 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.

**JBC staff estimates that every 1.0 percent increase equals about \$38.2 million General Fund.**

Community Provider Rate Common Policy Scenarios										
Program	Estimated Base Eligible for Common Policy		Approve Governor's Request 2.0% 1.0% (HCPF) General Fund		1 percent ATB 1.0% General Fund		2 percent ATB 2.0% General Fund		3 percent ATB 3.0% General Fund	
	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
Health Care Policy and Financing										
Medical Service Premiums	\$7,087,350,362	\$2,397,778,447	\$70,873,504	\$23,977,784	\$70,873,504	\$23,977,784	\$141,747,007	\$47,955,569	\$212,620,511	\$71,933,353
Office of Community Living	1,056,289,607	527,529,466	10,562,896	5,275,295	10,562,896	5,275,295	21,125,792	10,550,589	31,688,688	15,825,884
County Administration	111,588,085	18,442,570	1,115,881	184,426	1,115,881	184,426	2,231,762	368,851	3,347,643	553,277
Behavioral Health	11,363,547	2,730,427	113,635	27,304	113,635	27,304	227,271	54,609	340,906	81,913
Human Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - HCPF	\$8,266,591,601	\$2,946,480,910	\$82,665,916	\$29,464,809	\$82,665,916	\$29,464,809	\$165,331,832	\$58,929,618	\$247,997,748	\$88,394,427
Human Services										
Child Welfare and Youth Corrections	577,895,004	345,461,872	11,557,900	6,909,237	5,778,950	3,454,619	11,557,900	6,909,237	17,336,850	10,363,856
Behavioral Health	231,608,557	154,387,515	4,632,171	3,087,750	2,316,086	1,543,875	4,632,171	3,087,750	6,948,257	4,631,625
County Administration	81,716,175	27,201,881	1,634,324	544,038	817,162	272,019	1,634,324	544,038	2,451,485	816,056
Other	<u>22,253,250</u>	<u>13,399,050</u>	<u>445,065</u>	<u>267,981</u>	<u>222,533</u>	<u>133,991</u>	<u>445,065</u>	<u>267,981</u>	<u>667,598</u>	<u>401,972</u>
Subtotal - Human Services	\$913,472,986	\$540,450,318	\$18,269,460	\$10,809,006	\$9,134,731	\$5,404,504	\$18,269,460	\$10,809,006	\$27,404,190	\$16,213,509
Early Childhood										
Community and family support	\$70,491,199	\$67,007,935	1,409,824	1,340,159	704,912	670,079	1,409,824	1,340,159	2,114,736	2,010,238
Childcare assistance	142,554,700	29,734,250	2,851,094	594,685	1,425,547	297,343	1,425,547	594,685	4,276,641	892,028
Other	<u>6,090,725</u>	<u>3,463,125</u>	<u>121,815</u>	<u>69,263</u>	<u>60,907</u>	<u>34,631</u>	<u>60,907</u>	<u>69,263</u>	<u>182,722</u>	<u>103,894</u>
Subtotal - Early Childhood	\$219,136,624	\$100,205,310	\$4,382,733	\$2,004,107	\$2,191,366	\$1,002,053	\$2,896,278	\$2,004,107	\$6,574,099	\$3,006,160
Corrections										
Payments to private prisons	62,928,269	62,928,269	1,258,565	1,258,565	629,283	629,283	1,258,565	1,258,565	1,887,848	1,887,848
Medical and behavioral health services	35,550,597	35,550,597	711,012	711,012	355,506	355,506	711,012	711,012	1,066,518	1,066,518
Community programs	20,786,804	16,763,627	415,736	335,273	207,868	167,636	415,736	335,273	623,604	502,909
Payments to local jails	<u>13,682,770</u>	<u>13,682,770</u>	<u>273,655</u>	<u>273,655</u>	<u>136,828</u>	<u>136,828</u>	<u>273,655</u>	<u>273,655</u>	<u>410,483</u>	<u>410,483</u>
Subtotal - Corrections	\$132,948,440	\$128,925,263	\$2,658,968	\$2,578,505	\$1,329,485	\$1,289,253	\$2,658,968	\$2,578,505	\$3,988,453	\$3,867,758
Public Safety										
Community Corrections Programs	\$90,039,808	\$84,366,029	\$1,800,796	\$1,687,321	\$900,398	\$843,660	\$1,800,796	\$1,687,321	\$2,701,194	\$2,530,981
Public Health and Environment										
Local Public Health Agencies	\$17,198,700	\$15,249,400	\$343,974	\$304,988	\$171,987	\$152,494	\$343,974	\$304,988	\$515,961	\$457,482
Labor and Employment										
Independent Living Services	\$6,604,250	\$6,604,250	\$132,085	\$132,085	\$66,043	\$66,043	\$132,085	\$132,085	\$198,128	\$198,128
Military and Veterans' Affairs										
County Veterans Services	\$2,010,550	\$2,010,550	\$40,211	\$40,211	\$20,106	\$20,106	\$40,211	\$40,211	\$60,317	\$60,317
<b>TOTAL Funds</b>	<b>\$9,648,002,959</b>	<b>\$3,824,292,030</b>	<b>\$110,294,143</b>	<b>\$47,021,032</b>	<b>\$96,480,032</b>	<b>\$38,242,922</b>	<b>\$191,473,604</b>	<b>\$76,485,841</b>	<b>\$289,440,090</b>	<b>\$114,728,762</b>

\*Note: The Judicial Department has also requested an increase of \$367,294 total funds for the provider rate common policy, split evenly between General Fund and reappropriated funds.