COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2013-14 STAFF FIGURE SETTING

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

(Medicaid Mental Health Community Programs)

JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision

Prepared By:
Kevin Neimond, JBC Staff
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For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

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DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Department Overview

This Joint Budget Committee figure setting document includes the Medicaid Mental Health Community Programs executed by the Department of Health Care Policy and Financing. The Department:

- Administers the State's Medicaid mental health capitation (managed care) program. Under the terms of the program, the State pays regional entities a contracted capitation rate (per-member-per-month) for eligible Medicaid clients; and

- Administers the State's Medicaid fee-for-service mental health program. The program allows Medicaid clients not enrolled in managed care to receive mental health services. It also provides funds for Medicaid clients to receive mental health services not covered by the managed care program.

DEPARTMENT REQUEST AND RECOMMENDATION SUMMARY

Executive Request

For the programs included in this document, the Department of Health Care Policy requests an appropriation of $309,621,509 total funds (including $140,748,089 General Fund) for FY 2012-13 and an appropriation of $352,199,899 total funds (including $153,373,835 General Fund) for FY 2013-14.

The request for FY 2012-13 represents a decrease of $7,106,831 total funds (including a decrease of $4,038,698 General Fund) over the current FY 2012-13 appropriation. The request for FY 2013-14 represents an increase of $42,578,390 total funds (including $12,625,746 General Fund) over the requested FY 2012-13 appropriation. The changes are primarily due to the following requests:

- A decrease of $7,106,831 total funds (including a decrease of $4,038,698 General Fund) for FY 2012-13. The request is due to caseload and rate projection changes in the capitation and fee-for-service programs.

- An increase of $36,747,921 total funds (including an increase of $10,566,875 General Fund) over the FY 2012-13 request for FY 2013-14. The request is due to caseload and rate projection changes in the capitation program.

- An increase of $5,272,628 total funds (including $1,779,950 General Fund) for FY 2013-14 to enhance the existing substance use disorder benefit in the capitation program.

Committees of Reference SMART Act Recommendations

Neither the House Committee of Public Health and Human Services or the Senate Health and Human Services Committee provided budgetary recommendations relevant to the programs included in this document.

Staff Recommendation

For the programs included in this document, staff recommends an appropriation of $309,621,509 total funds (including $140,748,089 General Fund) for FY 2012-13 and an appropriation of $352,199,899 total funds (including $153,373,835 General Fund) for FY 2013-14.

GENERAL NOTES ABOUT THIS PACKET

- The programs covered in this packet begin with the division request and recommendation summary that includes a table of recommendations and a description of all change items (including decision items) from the FY 2012-13 appropriation to the FY 2013-14 recommendation. The line item detail section within the program includes a line item request and recommendation summary table if it includes a decision item or other noteworthy change item that staff seeks to highlight for the Committee.

- Following recommendations for the line items in the Behavioral Health Community Programs division, the document includes staff's recommendation on the Medicaid Management Information System reprocurement project request item. The appropriations associated with this request are located in the Information Technology Contracts and Projects subdivision within the Department's Executive Director's Office. The summary tables and numbers pages for the Executive Director's Office are included in Eric Kurtz's March 13, 2013 figure setting document for the Department of Health Care Policy and Financing.

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(3) Behavioral Health Community Programs (new division name)

Medicaid behavioral health community services throughout Colorado are delivered through a managed care or "capitated" program. Under capitation, the State pays a regional entity, known as a Behavioral Health Organization (BHO), a contracted amount (per-member-per-month) for each Medicaid client eligible for behavioral health services in the entity's geographic area. The BHO is required to provide appropriate behavioral health services to all Medicaid eligible persons needing services, as provided by the contract.

The rate paid to a BHO is based on the category of Medicaid client eligibility for mental health services (e.g. children) in each geographic region. Currently, the state is divided into five unique geographic regions covering the elderly, adult (including adults without dependent children), disabled, and children (including foster care) aid categories. Under the capitated behavioral health system, changes in rates paid, changes in overall Medicaid eligibility, and case-mix (mix of clients within aid categories) are important drivers in State appropriations for behavioral health services.

DIVISION REQUEST AND RECOMMENDATION SUMMARY

Behavioral Health Community Programs	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	$316,728,340	$144,786,787	$13,648,932	$0	$158,292,621	0.0
Recommended Long Bill Supplemental	(7,106,831)	(4,038,698)	288,820	0	(3,356,953)	0.0
TOTAL	**$309,621,509**	**$140,748,089**	**$13,937,752**	**$0**	**$154,935,668**	**0.0**
FY 2013-14 Recommended Appropriation:						
FY 2012-13 Appropriation	$309,621,509	$140,748,089	$13,937,752	$0	$154,935,668	0.0
R-2: Mental health community programs	33,808,753	9,612,511	(2,430,306)	0	26,626,548	0.0
R-7: Substance use disorder benefit	5,272,628	1,779,950	42,317	0	3,450,361	0.0
R-13: Provider rate increase	62,214	31,107	0	0	31,107	0.0
Annualize prior year legislation	3,434,795	1,202,178	0	0	2,232,617	0.0
TOTAL	**$352,199,899**	**$153,373,835**	**$11,549,763**	**$0**	**$187,276,301**	**0.0**
Increase/(Decrease)	$42,578,390	$12,625,746	($2,387,989)	$0	$32,340,633	0.0
Percentage Change	13.8%	9.0%	(17.1%)	0.0%	20.9%	0.0%

Behavioral Health Community Programs						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Executive Request:	**$352,199,899**	**$153,373,835**	**$11,549,763**	**$0**	**$187,276,301**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

Issue Descriptions

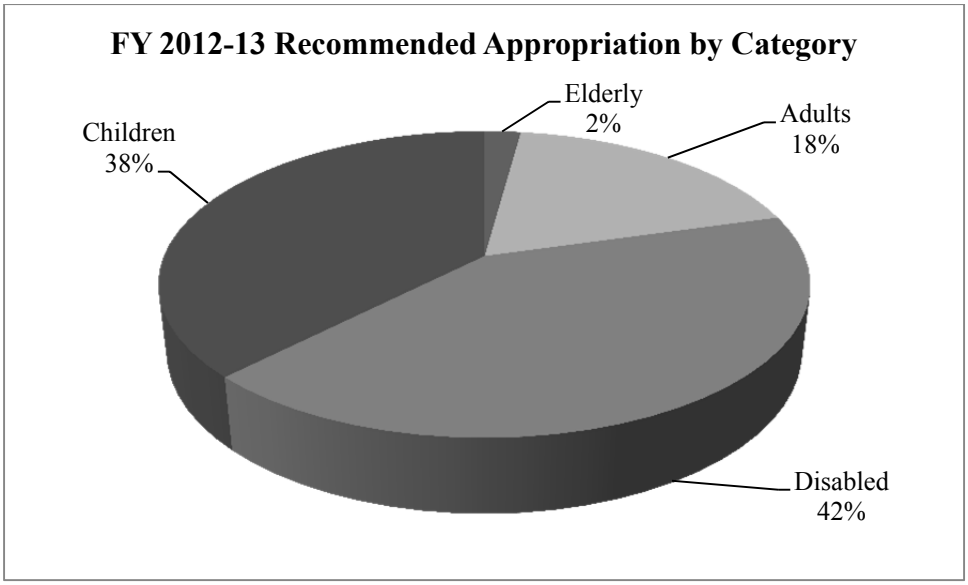
R-2: Mental health community programs: The recommendation includes a decrease of $7,106,831 total funds (including a decrease of $4,038,698 General Fund) for FY 2012-13 appropriation and an increase of $33,808,753 total funds (including an increase of $9,612,511 General Fund) over the recommended FY 2012-13 appropriation due to caseload and rate projection changes in the capitation and fee-for-service programs.

➔ Request R-2: Mental health community programs

Request: The Department requests a decrease of $7,106,831 total funds (including a decrease of $4,038,698 General Fund) and an increase of of $33,808,753 total funds (including an increase of $9,612,511 General Fund) over the recommended FY 2012-13 appropriation.

Recommendation: **Staff recommends a decrease of $7,106,831 total funds (including a decrease of $4,038,698 General Fund) for FY 2012-13 and an increase of $33,808,753 total funds (including an increase of $9,612,511 General Fund) over the recommended FY 2012-13 appropriation for FY 2013-14.**

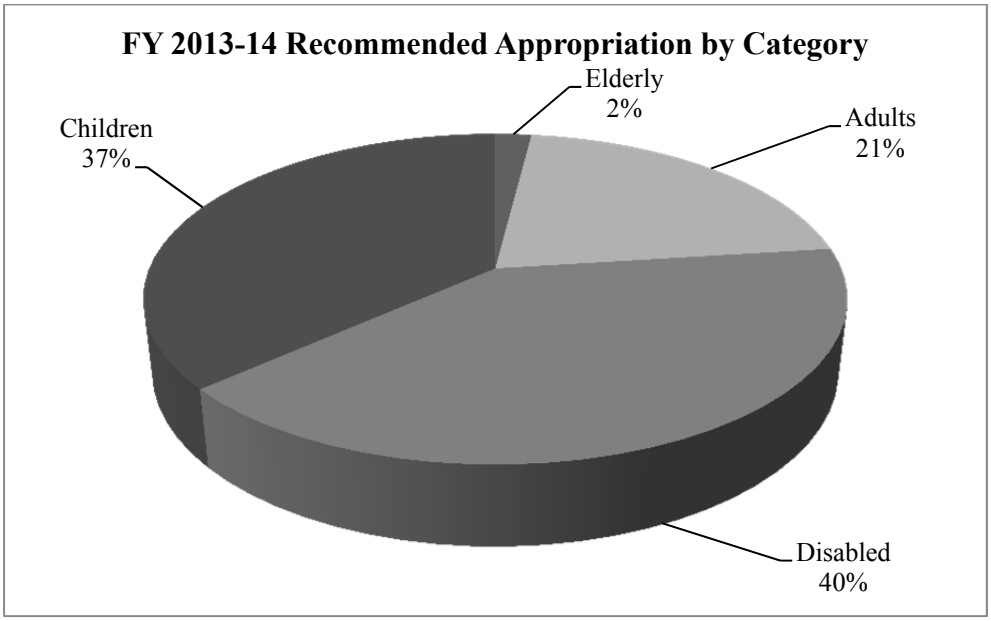
Analysis: The current FY 2012-13 appropriation includes $316.7 million total funds (including $144.8 million General Fund) for the provision of services to a caseload of 664,441. The recommendation estimates that the current FY 2012-13 appropriation can be decreased by $7,106,831 total funds (including $4,038,698 General Fund) and meet projected expenditures. The primary driver of the recommended decrease is a caseload decrease of 1.6 percent over the appropriated caseload. Smaller fluctuations appear in the recommendation due to date of death retractions and recoupment of payments for clients later deemed ineligible for Medicaid. The recommendation for this decision item is summarized in the following graph and table.



FY 2012-13 Behavioral Health Community Programs Recommendation Overview						
Cost	**FY 2012-13 Appropriation**		**FY 2012-13 Rec.**		**Difference (Rec-App)**	
Item	**Caseload**	**Appropriation**	**Caseload**	**Appropriation**	**Caseload**	**Appropriation**
Capitation Payments						
Aid Categories						
Adults 65 and Older (Elderly)	40,820	$6,633,710	40,972	$6,562,508	152	($71,202)
Low Income Adults (Adults)	153,880	44,159,170	146,967	41,917,396	(6,913)	(2,241,774)
Adults without Dependent Children (Adults)	10,000	9,443,024	10,975	14,521,999	975	5,078,975
Breast and Cervical Cancer Program (Adults)	679	194,703	622	177,913	(57)	(16,790)
Disabled Individuals Through 64 (Disabled)	73,254	135,234,500	71,697	128,186,308	(1,557)	(7,048,192)
Eligible Children (Children)	367,649	79,275,859	364,502	77,664,235	(3,147)	(1,611,624)
Foster Care (Children)	18,159	37,723,995	17,928	37,584,581	(231)	(139,414)
Aid Categories Subtotal	**664,441**	**$312,664,961**	**653,663**	**$306,614,940**	**(10,778)**	**($6,050,021)**
Adjustments						
Recoupments	n/a	($1,672,249)	n/a	($620,275)	n/a	$1,051,974
Date of Death Retractions	n/a	0	n/a	(595,623)	n/a	(32,821)
Reconciliations	n/a	1,588,000	n/a	0	n/a	(1,588,000)
Adjustments Subtotal	**n/a**	**($84,249)**	**n/a**	**($1,215,898)**	**n/a**	**($568,847)**
Capitation Payments Total	**664,441**	**$312,580,712**	**653,663**	**$305,399,042**	**(10,778)**	**($6,618,868)**

FY 2012-13 Behavioral Health Community Programs Recommendation Overview						
Cost	**FY 2012-13 Appropriation**		**FY 2012-13 Rec.**		**Difference (Rec-App)**	
Item	**Caseload**	**Appropriation**	**Caseload**	**Appropriation**	**Caseload**	**Appropriation**
Fee-For-Service						
Inpatient	n/a	$678,379	n/a	$690,620	n/a	$12,241
Outpatient	n/a	3,288,417	n/a	3,347,752	n/a	59,335
Physician	n/a	180,832	n/a	184,095	n/a	3,263
Fee-For-Service Total	**n/a**	**$4,147,628**	**n/a**	**$4,222,467**	**n/a**	**$74,839**
Total Mental Health Community Programs	**664,441**	**$316,728,340**	**653,663**	**$309,621,509**	**(10,778)**	**($7,106,831)**
Incremental Percentage Change					**(1.6%)**	**(2.1%)**

The recommendation estimates that an appropriation of $343,430,262 total funds (including $150,360,600 General Fund) is required to meet a projected caseload of 653,663 (note, this funding amount does not include the annualization S.B. 11-008 and S.B. 11-250, which accounts for an increase of $3,434,795 total funds). **The recommendation represents an increase of $33,808,753 total funds total funds (including $9,612,511 General Fund) over the FY 2012-13 recommended appropriation.** The primary driver of the recommended increase is a caseload increase of 9.6 percent over the recommended projection for FY 2012-13. Smaller fluctuations appear in the recommendation due to date of death retractions and recoupment of payments for clients later deemed ineligible for Medicaid. The recommendation for this decision item is summarized in the following graph and table.



FY 2013-14 Behavioral Health Community Programs Recommendation Overview						
Cost	**FY 2012-13 Projection**		**FY 2013-14 Rec.**		**Difference (Rec-Proj)**	
Item	**Caseload**	**Appropriation**	**Caseload**	**Appropriation**	**Caseload**	**Appropriation**
Capitation Payments						
Aid Categories						
Adults 65 and Older (Elderly)	40,972	$6,562,508	42,119	$6,820,594	1,147	$258,086
Low Income Adults (Adults)	146,967	41,917,396	157,627	46,418,942	10,660	4,501,546
Adults without Dependent Children (Adults)	10,975	14,521,999	18,938	25,682,214	7,963	11,160,215
Breast and Cervical Cancer Program (Adults)	622	177,913	666	196,309	44	18,396
Disabled Individuals Through 64 (Disabled)	71,697	128,186,308	75,630	139,174,882	3,933	10,988,574
Eligible Children (Children)	364,502	77,664,235	403,649	87,834,166	39,147	10,169,931
Foster Care (Children)	17,928	37,584,581	17,979	37,938,053	51	353,472
Aid Categories Subtotal	**653,663**	**$306,614,940**	**716,608**	**$344,065,160**	**62,945**	**$37,450,220**
Adjustments						
Recoupments	n/a	($620,275)	n/a	($1,373,413)	n/a	($753,138)
Date of Death Retractions	n/a	(595,623)	n/a	(544,784)	n/a	50,839
Adjustments Subtotal	**n/a**	**($1,215,898)**	**n/a**	**($1,918,197)**	**n/a**	**($702,299)**
Capitation Payments Total	**653,663**	**$305,399,042**	**716,608**	**$342,146,963**	**62,945**	**$36,747,921**
Fee-For-Service						
Inpatient	n/a	$690,620	n/a	$771,684	n/a	$81,064
Outpatient	n/a	3,347,752	n/a	3,740,706	n/a	392,954
Physician	n/a	184,095	n/a	205,704	n/a	21,609
Fee-For-Service Total	**n/a**	**$4,222,467**	**n/a**	**$4,718,094**	**n/a**	**$495,627**
Total Mental Health Community Programs	**653,663**	**$309,621,509**	**716,608**	**$346,865,057***	**62,945**	**$37,243,548****
Incremental Percentage Change					**9.6%**	**12.0%**

*Includes the annualization of S.B. 11-008 and S.B. 11-250, which accounts for an increase of $3,434,795 total funds. Without the annualization of these two bills, the FY 2013-14 recommendation is $343,430,262 total funds.
**Includes the annualization of S.B. 11-008 and S.B. 11-250, which accounts for an increase of $3,434,795 total funds. Without the annualization of these two bills, the difference between the FY 2012-13 recommendation and the FY 2013-14 recommendation is $33,808,753 total funds.

R-7: Substance use disorder benefit: The recommendation includes an increase of $8,000,000 total funds (including $1.9 million General Fund) for FY 2013-14 to enhance the existing substance use disorder benefit.

➔ Request R-7: Substance use disorder benefit

Request: The Department requests an increase of $5,788,068 total funds (including $1,818,130 General Fund) across multiple divisions (Executive Director's Office, Medical Services Premiums, and Behavioral Health Community Programs for FY 2013-14 to expand the Medicaid substance use disorder (SUD) benefit. Within the Behavioral Health Community Programs section, the request seeks $5,272,628 total funds (including $1,779,950 General Fund) for FY 2013-14.

Recommendation: **Staff recommends an increase of $5,788,068 total funds for FY 2013-14 to expand the Medicaid substance use disorder benefit.** The recommendation consists of $1,818,130 General Fund, $42,035 cash funds from the Hospital Provider Fee Cash Fund, and $3,927,903 federal funds.

Analysis: House Bill 05-1015 (Romanoff/Johnson) added outpatient SUD as an optional service to the State's Medicaid program. As implemented by the Department, the outpatient SUD benefit covers assessment, detoxification monitoring, individual/group therapy, case management, and screening/monitoring. The treatment model for achieving positive health outcomes for individuals with an SUD has shifted from an acute care model whereby an individual needs short-term, intensive services in recovering from one or more episodes (as is attempted by the current SUD services offerings covered by Medicaid), to a model that recognizes an SUD as a chronic condition requiring episode-based treatment in conjunction with recovery management that includes long-term supports and wellness.

While the current benefit is adequate for many individuals seeking treatment, its limited service offerings and limited service durations do not provide individuals with a continuum of care that fosters chronic condition management that results in positive health outcomes and decreases in system costs. The Department put forth a three-part plan to enhance the current SUD Medicaid benefit to address the current benefit package deficiencies.

- Expansion of Limits on Current Services – First, the plan calls for expanding the limitations on current services to offer more client support outside of episode-based treatment. The request lays out the framework for expanding certain services (as well as adding new services) based on the recommendations contained in Signal Behavioral Health Network's "Recommendations for the New Medicaid Adults without Dependent Children Benefit" report, while leaving the formal definition of the exact parameters of individual service expansions to the stakeholder-driven Benefits Collaborative process.

- Addition of New Services – Second, the plan calls for the addition of services covered by the SUD Medicaid benefit. Similar to the expansion of existing services, the request lays out the framework for adding services, while leaving the formal definition of the exact parameters of

individual service additions to the stakeholder-driven Benefits Collaborative process. The framework in the request includes options for Medication Assisted Treatment (the use of medications, in combination with counseling and behavioral therapies, known commonly as "MAT") and peer advocate services (bridge between providers and clients to help facilitate SUD treatment plan).

- Change Care Models – Third, the plan calls for shifting the SUD Medicaid benefit from its current fee-for-service model to a managed care model carried out through contracts with Behavioral Health Organizations (BHOs). The request indicates that better patient health outcomes can be attained in a managed care model due to the comprehensive network of behavioral health (mental health and substance use disorder) care providers established by the BHOs as part of their current contracts to manage the Medicaid mental health community services program, the use of dedicated care managers by the BHOs to assist in the development of treatment plans, and the ability to quickly refer mental health patients in the BHO network to SUD providers.

The Department's FY 2013-14 budget request seeks $5.8 million total funds (including $1.8 million General Fund) to implement the three initiatives discussed above. For FY 2014-15, the Department projects the program will require an appropriation of $9.1 million total funds (including $2.7 million General Fund). The FY 2013-14 request indicates that the BHO-administered SUD benefit will begin on January 1, 2014 (to coincide with the annual BHO rate setting process) and fund care for an estimated 6,786 unique Medicaid enrollees. The estimated number of Medicaid enrollees accessing care is estimated to increase to 14,251 in FY 2014-15.

The client utilization and cost estimates generated by the Department for the request contain some broad assumptions necessitated by the lack of other states' experience in shifting the Medicaid SUD benefit from a fee-for-service model to a managed care model. The client utilization estimate assumes a 100 percent increase based on the ability of BHOs to conduct outreach to its existing network of mental health consumers in need of SUD treatment. The cost estimates assume a 20 percent increase based on the BHOs use of case managers to assist in creating treatment plans that attain positive health outcomes for the patients.

It is staff's opinion that the need exists to modify the Medicaid SUD benefit to increase access to care. The state has over 100,000 individuals living in households at or below 300.0 percent of the federal poverty level who require behavioral health services, but do not access the needed care according to the Western Interstate Commission for Higher Education's (WICHE) "Colorado Population in Need 2009" report. Due to the high need that exists for SUD treatment options in the state, **staff recommends an increase of $5,788,068 total funds (including $1,818,130 General Fund) to expand the SUD Medicaid benefit. The Committee should also consider the following:**

- The recommendation represents a positive step toward increasing access to SUD treatment, but it is a very small step. Deficiencies in service durations and service offerings will remain in the State's publically funded behavioral health system even if staff's recommendation is approved. Regardless of the recommendations for delivery of the benefit developed by the stakeholder-driven Benefits Collaborative process, the recommended funding level will only

allow for the provision of a limited set of services and durations. For example, a plan lacking residential treatment options to address severe SUD needs does not represent a comprehensive strategy for attaining positive patient health outcomes and ultimately decreasing costs. For a subset of individuals, outpatient SUD treatment is simply not sufficient. This mode of treatment is too costly to implement as part of this entry-level expansion of the SUD Medicaid benefit, however.

Similarly, stakeholders (managed care organizations, managed service organizations, and providers) responsible for the delivery of behavioral health care indicate that funding is not included in the Department's request to cover inpatient treatment or the less costly array of intensive outpatient (IOP) services. In response, a conglomeration of stakeholders have put forth a proposal to increase the Department's request by $2,885,000 total funds (including $973,927 General Fund) for FY 2013-14 to cover IOP and expand benefit limits to mirror those of comparable mental health services. It is staff's opinion that the proposal is well thought out, well researched, and represents a service provision approach that would fill gaps in the Department's proposal. **If the Committee wishes to fund the Department's base-level expansion request, staff recommends that the Committee also consider providing additional funding to encompass a wider variety of service offerings and service durations. Staff recommends that the Committee not place restrictions on the Department in allocating any additional funding to specific service offerings or specific service durations.** Any additional funding considered by the Committee should be done so under the assumption that the Department will work through the stakeholder-driven Benefits Collaborative process to create an SUD benefit package that achieves the right combination of health outcomes and cost savings across systems.

- The Department and DHS indicate preliminary discussions have occurred to determine if a more robust outpatient Medicaid SUD benefit (as proposed in this request) will decrease the pressures on DHS' federal SUD treatment block grant moneys to a degree that would allow for expansion of the State's coverage of residential treatment services. **Staff recommends that the Committee continue to pressure the two agencies to work together to develop a strategy to use Medicaid and non-Medicaid moneys to provide a continuum of SUD treatment services that is integrated and complementary in nature.**

- Volumes and volumes of research studies exist that illustrate relationships between the provision of SUD treatment services and a decrease in the need for and cost of other health care services. If the Committee opts to fund the expansion of the SUD Medicaid benefit, it will create cost savings in other medical service areas (Medical Services Premiums). It is unclear how savings will be captured an accounted for in future budgets.

  For example, the Office of the State Auditor's 2010 performance audit of the Medicaid SUD benefit reported that clients receiving $2.4 million in SUD treatment experienced a $3.5 million dollar reduction in medical costs during the three year period (FY 2006-07 through FY 2008-09) of service provision. The difficulty, however, was in determining whether the reduction in medical costs was the direct result of the provision of SUD treatment. The difficulty was due in part to State information technology systems lacking the design to

collect data on underlying factors impacting clients' medical costs. Echoing these sentiments, the Department indicates that:

> *"As was the case at the time of the performance audit, the Department does not have access to the needed information that would allow for this type of analysis, and as a result, the Department may not be able to specifically attribute savings to an enhanced substance use disorder treatment benefit."*

Staff acknowledges that tracking savings in other medical service areas will be difficult in FY 2013-14 to the short-term (half year) nature of the recommended funding for the benefit's expansion. However, given the functional upgrades made feasible in future years by the reprocurement and redesign of the Medicaid Management Information System (MMIS), it is staff's opinion that the Department may have the ability to better analyze patient outcome data over time to project a relationship between SUD treatment and cost offsets in other areas funded by the agency. **Staff recommends that the Committee engage the Department during the FY 2014-15 budget cycle to determine what impediments exist to measuring the cost impact of programmatic changes, such as the expansion of the SUD benefit.**

- Migrating the Medicaid SUD benefit from a fee-for-service model to a managed care model is logical in Colorado due to the existence of the managed care model for Medicaid services for mental health in the community, as administered by BHOs, and the managed service model for SUD treatment funding for the State's non-Medicaid eligible population, as administered by Managed Service Organizations (MSOs). It is unclear, however, how the performance monitoring and SUD provider network expertise of MSOs and the utilization management functions and mental health provider network expertise of BHOs can be integrated in a manner that does not create additional bureaucracy that negatively impacts providers, and consequently patients. If staff's recommendation to increase funding is approved, **it is recommended that the Committee monitor the progress of the Department to determine the best care model to achieve positive patient outcomes, while not stipulating a specific model**.

R-13: Provider rate increase: The recommendation includes an increase of $62,214 total funds (including $31,107 General Fund) for FY 2013-14 to implement a 1.5 percent increase in community provider rates for fee-for-service mental health treatment.

➔ Request R-13: Provider rate increase

Consistent with prior Committee action during Amanda Bickel's figure setting presentation on the common policy for provider rates on January 30, 2013, **staff recommends 1.5 percent increase ($62,214 total funds) in the community provider rate provided to providers of fee-for-service mental health treatments.**

Annualize prior year legislation: The recommendation includes adjustments related to prior year legislation. For the division covered in this staff figure setting document, the annualization of prior year legislation increase in funding is due to S.B. 11-008 (Boyd/Gerou) which specified

that the income eligibility criteria for Medicaid that applies to children aged 5 and under and pregnant women shall also apply to children between the ages of 6 and 19 and S.B. 11-250 (Boyd/Ferrandino & Summers) which increased the upper income limit for Medicaid eligibility among pregnant women from 133 percent to 185 percent of federal poverty level in order to comply with federal law.

LINE ITEM DETAIL – (3) BEHAVIORAL HEALTH COMMUNITY PROGRAMS (NEW DIVISION NAME)

Behavioral Health Capitation Programs (new line item name)

Behavioral health community services throughout Colorado are delivered through a managed care or "capitated" program. Under capitation, the State pays a regional entity, a Behavioral Health Organization (BHO), a contracted amount (per member per month) for each Medicaid client eligible for behavioral health services in the entity's geographic area. The BHO is then required to provide appropriate behavioral health services to all Medicaid eligible persons needing such services as provided by the contract.

The rate paid to each BHO is based on each category of Medicaid client eligible for behavioral health services (e.g., children in foster care, low-income children, elderly, and disabled) in each geographic region. Currently, the state is divided into five unique geographic regions covering the following aid categories:

- Adults 65 and Older (Elderly)
- Low Income Adults (Adults)
- Adults without Dependent Children (Adults)
- Breast and Cervical Cancer Program (Adults)
- Disabled Individuals Through 64 (Disabled)
- Eligible Children (Children)
- Foster Care (Children)

Under the capitated behavioral health system, changes in rates paid, changes in overall Medicaid eligibility, and case-mix (mix of clients within aid categories) are important drivers in overall state appropriations for mental health services.

FY 2012-13 Long Bill Add-On Request: The Department requests an appropriation of $305,399,042 total funds (including $138,636,856 General Fund) for FY 2013-14. The request reflects a decrease of $7,181,670 total funds (including a decrease of $4,076,116) over the current appropriation for FY 2012-13.

FY 2012-13 Long Bill Add-On Recommendation: Staff recommends an appropriation of $305,399,042 total funds for FY 2012-13. The recommendation consists of $138,636,856 General Fund, $13,937,752 cash funds from the Hospital Provider Fee Cash Fund and the Breast and Cervical Cancer Prevention and Treatment Fund, and $152,824,434 federal funds.

FY 2013-14 Request: The Department requests an appropriation of $347,419,591 total funds (including $150,983,681 General Fund) for FY 2013-14.

FY 2013-14 Recommendation: Staff recommends an appropriation of $347,419,591 total funds for FY 2013-14. The recommendation consists of $150,983,681 General Fund, $11,549,763 cash funds from the Hospital Provider Fee Cash Fund and the Breast and Cervical

Cancer Prevention and Treatment Fund, and $184,886,147 federal funds. The staff recommendation for this line item is summarized in the following table.

Behavioral Health Community Programs, Behavioral Health Capitation Payments	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2012-13 Appropriation:						
HB 12-1335 (Long Bill)	$312,580,712	$142,712,972	$13,648,932	$0	$156,218,808	0.0
Recommended Long Bill Supplemental	(7,181,670)	(4,076,116)	288,820	0	(3,394,374)	0.0
TOTAL	**$305,399,042**	**$138,636,856**	**$13,937,752**	**$0**	**$152,824,434**	**0.0**
FY 2013-14 Recommended Appropriation:						
FY 2012-13 Appropriation	$305,399,042	$138,636,856	$13,937,752	$0	$152,824,434	0.0
R-2: Mental Health Community Programs	33,313,126	9,364,697	(2,430,306)	0	26,378,735	0.0
R-7: Substance use disorder benefit	5,272,628	1,779,950	42,317	0	3,450,361	0.0
Annualize prior year legislation	3,434,795	1,202,178	0	0	2,232,617	0.0
TOTAL	**$347,419,591**	**$150,983,681**	**$11,549,763**	**$0**	**$184,886,147**	**0.0**
Increase/(Decrease)	$42,020,549	$12,346,825	($2,387,989)	$0	$32,061,713	0.0
Percentage Change	13.8%	8.9%	(17.1%)	0.0%	21.0%	0.0%
FY 2013-14 Executive Request:	**$347,419,591**	**$150,983,681**	**$11,549,763**	**$0**	**$184,886,147**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	$0	$0	0.0

Mental Health Fee for Service Payments (new line item name)

This line item contains appropriations for all Medicaid mental health payments that are not made as part of the capitation payments program. The appropriation pays for the mental health services for Medicaid clients who are not enrolled in a BHO or for mental health services that are not covered by a BHO, according to their contract with the Department.

FY 2012-13 Long Bill Add-On Request: The Department requests an appropriation of $4,222,467 total funds (including $2,111,233 General Fund) for FY 2012-13. The request reflects an increase of $74,839 total funds (including $37,418 General Fund) over the current appropriation for FY 2012-13.

FY 2012-13 Long Bill Add-On Recommendation: Staff recommends an appropriation of $4,222,467 total funds for FY 2012-13. The recommendation consists of $2,111,233 General Fund and $2,111,234 federal funds for FY 2012-13.

FY 2013-14 Request: The Department requests an appropriation of $4,780,308 total funds (including $2,390,154 General Fund) for FY 2013-14.

FY 2013-14 Recommendation: Staff recommends an appropriation of $4,780,308 total funds for FY 2013-14. The recommendation consists of $2,390,154 General Fund and $2,390,154 federal funds. The staff recommendation for this line item is summarized in the following table.

Behavioral Health Community Programs, Mental Health Fee for Service Payments				
	Total Funds	**General Fund**	**Federal Funds**	**FTE**
FY 2012-13 Appropriation:				
HB 12-1335 (Long Bill)	$4,147,628	$2,073,815	$2,073,813	0.0
Recommended Long Bill Supplemental	74,839	37,418	37,421	0.0
TOTAL	**$4,222,467**	**$2,111,233**	**$2,111,234**	**0.0**
FY 2013-14 Recommended Appropriation:				
FY 2012-13 Appropriation	$4,222,467	$2,111,233	$2,111,234	0.0
R2 Mental Health Community Programs	495,627	247,814	247,813	0.0
R13 Provider rate increase	62,214	31,107	31,107	0.0
TOTAL	**$4,780,308**	**$2,390,154**	**$2,390,154**	**0.0**
Increase/(Decrease)	$557,841	$278,921	$278,920	0.0
Percentage Change	13.2%	13.2%	13.2%	0.0%
FY 2013-14 Executive Request:	**$4,780,308**	**$2,390,154**	**$2,390,154**	**0.0**
Request Above/(Below) Recommendation	$0	$0	$0	0.0

(1) Executive Director's Office

(C) INFORMATION TECHNOLOGY CONTRACTS AND PROJECTS

➔ Request R-5: Medicaid Management Information System reprocurement

Request: The Department requests an increase of $15,624,403 total funds (including $1,439,072 General Fund) for FY 2013-14 to competitively bid and procure a new Medicaid Management Information System (MMIS) and corresponding Fiscal Agent services.

Recommendation: **Staff recommends an increase of $15,624,403 total funds for FY 2013-14 to competitively bid and procure a new MMIS and corresponding Fiscal Agent services**. The recommendation consists of $1,439,072 General Fund, $287,834 cash funds from the Children's Basic Health Plan Trust and the Hospital Provider Fee Cash Fund, and $13,897,497 federal funds.

Analysis: Eligibility to enroll in the Medicaid is typically determined at a county social services agency in Colorado. The applicant, if eligible, is then enrolled in Medicaid and is authorized to seek services from a participating health services provider. The health services provider treats the patient and sends a claim to the Department. The Department and its contractor review the claim and issue funds to the health services provider.

The State is required by federal law to have a mechanized claim processing and information retrieval system in order to participate in the Medicaid program. The Medicaid Management Information System (MMIS), administered by the Department, fulfills this requirement. MMIS is a 20+ year old system and is based on mainframe technology that performs Medicaid-enrollee management functions (e.g. eligibility verification in conjunction with CBMS) and provider and operations management functions (e.g. billing codes and rate structures by service and by provider). The business processes associated with treating an individual enrolled in Medicaid are negatively impacted due to the rigidity of the MMIS technology platform in several ways:

- An inconsistent communication loop between CBMS and MMIS causes eligibility verification delays and errors that require time-intensive manual fixes that have the potential to interrupt care and introduce further data integrity issues;

- Implementing policy and administrative changes associated with service codes and provider rates is unnecessarily labor intensive. For example, implementing the changes associated the implementation of the Adults without Dependent Children benefit required almost two full years to complete at a price of $1.0 million;

- The ability to recover moneys paid for services to ineligible individuals is hampered by the system's inability to retain historical eligibility data; and

- Retrieving data from the system to track patient health outcomes, provider performance, and comply with federal reporting requirements is cumbersome at best, impossible at worst.

The federal Centers for Medicare and Medicaid (CMS) has historically required states to competitively bid and reprocure mechanized claim processing and information retrieval systems and fiscal agent services (claims processing) contracts at the eight year mark following the previous procurement. The current MMIS contract has been with Affiliated Computer Services, Inc. (acquired by Xerox in 2009) since 1998. The firm was successful in maintaining the contract through the 2006 reprocurement of MMIS related services. Due to the upcoming eight year mark of the current contract with Affiliated Computer Services, Inc., the Department received funding in FY 2010-11 ($439,153 total funds) and FY 2011-12 ($546,400 total funds) to hire a management consulting firm to determine the most effective strategy to address the technology issues associated with the existing MMIS that are negatively impacting business processes.

The Department's contracted management consulting firm, Public Knowledge, LLC, conducted an assessment of MMIS and fiscal agent services procurements in 35 states. The organization's "MMIS Procurement Analysis Report" prepared for the Department indicates that the MMIS market is quite active as states seek more robust technology tools to meet state and federal goals and mandates for linking patient outcomes to moneys invested. The report highlights that the quest for improved MMIS' provides valuable lessons for Colorado in what to avoid and what to embrace in its next MMIS contract. The Report proposed three broad alternatives as procurement strategies.

- Acquire a new MMIS;
- Broker claims processing and administrator services through competitive procurement process or an existing Department relationship; or
- Participate in a multi-state consortium for MMIS.

Additionally, the Department has the option to keep the existing MMIS technology and include its usage as a provision in the reprocurement contract. This option mirrors the approach taken by the Department in its prior reprocurement contracts with Affiliated Computer Services, Inc.

The Department proposes the acquisition of a new MMIS as its strategy for reprocurement because it eliminates cost ineffective technologies, provides greater flexibility to make system changes, and ensures compliance with federal regulations. The Department's contractor has helped the Department create a series of RFPs (released in late 2012) soliciting bids for the core MMIS and fiscal agent services, a pharmacy benefits management system, and business intelligence functions. The proposed timeline has work beginning in September 2013 and concluding in July 2015.

Funding for the proposal assumes that CMS will support a federal matching rate of 90.0 percent federal funds and 10.0 percent State funds (General Fund, Hospital Provider Fee, and Children's Basic Health Plan Trust) on design, development, and implementation, a federal matching rate of 75.0 percent federal funds and 25.0 percent State funds on off-the-shelf software products, and a

federal matching rate of 50.0 percent federal funds and 50.0 percent State funds on training. From FY 2013-14 through FY 2016-17, the Department proposes a total appropriation of $104.9 million (including $9.5 million General Fund).

MMIS Reprocurement Proposed Budget								
Item	**FY 2013-14**		**FY 2014-15**		**FY 2015-16**		**FY 2016-17**	
	Total Funds	**GF**	**Total Funds**	**GF**	**Total Funds**	**GF**	**Total Funds**	**GF**
Core MMIS	$9,294,000	$830,118	$25,588,000	$2,285,459	$25,588,000	$2,285,459	$20,000,000	$1,786,352
Business Intelligence	973,333	86,936	1,946,667	173,872	1,000,000	89,318	0	0
Pharmacy Benefits	1,322,727	118,142	1,587,273	141,772	1,500,000	133,976	0	0
Verification and Validation	750,000	66,988	750,000	66,988	750,000	66,988	750,000	66,988
Off-the-shelf Products	284,972	63,633	305,201	68,149	305,202	68,150	244,625	54,623
Contracted Staff	2,984,372	266,557	2,984,372	266,557	2,984,372	266,557	2,984,372	266,557
Staff Training	14,999	6,698	16,063	7,173	16,063	7,173	12,875	5,750
Total	**$15,624,403**	**$1,439,072**	**$33,177,576**	**$3,009,970**	**$32,143,637**	**$2,917,621**	**$23,991,872**	**$2,180,270**

Staff recommends funding the request as proposed with $15,624,403 total funds (including $1,439,072 General Fund) for FY 2013-14. The current MMIS is fraught with technological challenges that negatively impact the Department's ability to implement Medicaid in accordance with State or federal standards. In addition to meeting accepted performance and functional standards, the Department's plan to procure a new MMIS allows for faster system changes (e.g. changes in State or federal regulations) at a lower cost than is currently feasible, provides a more functional tool for Medicaid providers to interact with the Department, and accounts for an increased demand to link information across systems (e.g. CBMS). The inclusion of an independent verification and validations (IV&V) component ensures that the Committee will have an opportunity to review the project proceedings through the lens of an impartial project auditor.

Long Bill Footnotes and Requests for Information

LONG BILL FOOTNOTES

Staff does not recommend the inclusion of any footnotes in the FY 2013-14 Long Bill.

REQUESTS FOR INFORMATION

Staff does not recommend the inclusion of any requests for information:

Number Pages

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Recomm.	FY 2013-14 Request	FY 2013-14 Recommendation	
DEPARTMENT OF HEALTH CARE POLICY AND FINANCING						
Sue Birch, Executive Director						
(3) BEHAVIORAL HEALTH COMMUNITY PROGRAMS (NEW DIVISION NAME)						
Primary functions: Provides mental health services and programs for eligible Medicaid clients.						
Behavioral Health Capitation Payments	249,352,665	273,376,614	305,399,042	347,419,591	347,419,591	*
General Fund	95,057,227	131,782,602	138,636,856	150,983,681	150,983,681	
Cash Funds	9,559,892	5,791,948	13,937,752	11,549,763	11,549,763	
Reappropriated Funds	13,000	25,046	0	0	0	
Federal Funds	144,722,546	135,777,018	152,824,434	184,886,147	184,886,147	
Mental Health Fee for Service Payments	3,870,594	3,894,039	4,222,467	4,780,308	4,780,308	*
General Fund	1,532,590	1,917,565	2,111,233	2,390,154	2,390,154	
Federal Funds	2,338,004	1,976,474	2,111,234	2,390,154	2,390,154	
TOTAL - (3) Behavioral Health Community Programs	253,223,259	277,270,653	309,621,509	352,199,899	352,199,899	
FTE	0.0	0.0	0.0	0.0	0.0	
General Fund	96,589,817	133,700,167	140,748,089	153,373,835	153,373,835	
Cash Funds	9,559,892	5,791,948	13,937,752	11,549,763	11,549,763	
Reappropriated Funds	13,000	25,046	0	0	0	
Federal Funds	147,060,550	137,753,492	154,935,668	187,276,301	187,276,301	

*This line item contains a decision item.

	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Recomm.	FY 2013-14 Request	FY 2013-14 Recommendation
TOTAL - Department of Health Care Policy and Financing	253,223,259	277,270,653	309,621,509	352,199,899	352,199,899
FTE	0.0	0.0	0.0	0.0	0.0
General Fund	96,589,817	133,700,167	140,748,089	153,373,835	153,373,835
Cash Funds	9,559,892	5,791,948	13,937,752	11,549,763	11,549,763
Reappropriated Funds	13,000	25,046	0	0	0
Federal Funds	147,060,550	137,753,492	154,935,668	187,276,301	187,276,301

Appendix A: FY 2012-13 Mental Health Capitation Payments Calculations

Estimated PM/PM Rate - Q1/2	$13.30	$149.60	$23.54	$109.92	$17.81	$174.32	$23.54	
Estimated PM/PM Rate - Q3/4	$13.40	$150.22	$24.13	$111.03	$17.78	$174.99	$24.13	

FY 2012-13 Caseload by 6 Months	**Adults 65 and Older**	**Disabled Through 64**	**Low Income Adults**	**Adults w/o Dep. Children**	**Eligible Children**	**Foster Care**	**BCCP**	**Forecast**
First 6 Months	40,652	70,585	143,756	9,824	354,538	17,960	613	637,928
Second 6 Months	41,291	72,809	150,177	12,125	374,466	17,896	631	669,395
Full Year	40,972	71,697	146,967	10,975	364,502	17,928	622	653,662

FY 2012-13 Estimated Need Calculations	**Adults 65 and Older**	**Disabled Through 64**	**Low Income Adults**	**Adults w/o Dep. Children**	**Eligible Children**	**Foster Care**	**BCCP**	**Total**
First 6 Months								
Average Monthly Caseload	40,652	70,585	143,756	9,824	354,538	17,960	613	637,928
PM/PM Rate X Caseload Average	$3,244,030	$63,357,096	$20,304,097	$6,479,124	$37,885,931	$18,784,723	$86,580	$150,141,582
Second 6 Months								
Average Monthly Caseload	41,291	75,042	150,177	12,125	374,466	17,896	631	671,628
PM/PM Rate X Caseload Average	$3,319,796	$67,636,855	$21,742,626	$8,077,433	$39,948,033	$18,789,726	$91,356	$159,605,826
Estimated Need	**$6,563,826**	**$130,993,951**	**$42,046,724**	**$14,556,557**	**$77,833,964**	**$37,574,449**	**$177,936**	**$309,747,407**

FY 2012-13 Estimated Claims Paid	**Adults 65 and Older**	**Disabled Through 64**	**Low Income Adults**	**Adults w/o Dep. Children**	**Eligible Children**	**Foster Care**	**BCCP**	**Total**
First 6 Months								
Claims Paid in Current Period	$3,184,340	$59,986,498	$19,390,413	$6,349,542	$36,798,605	$18,638,202	$86,407	$144,434,007
Claims from Prior Periods	$59,788	$2,793,017	$855,580	$126,991	$992,070	$155,377	$160	$4,982,983
Second 6 Months								
Claims Paid in Current Period	$3,258,712	$62,133,000	$20,764,208	$7,915,884	$38,801,524	$18,643,166	$91,173	$151,607,667
Claims from Prior Periods	$59,668	$3,273,793	$907,195	$129,582	$1,072,036	$147,836	$173	$5,590,283
Total Claims Paid in FY 2012-13	**$6,562,508**	**$128,186,308**	**$41,917,396**	**$14,521,999**	**$77,664,235**	**$37,584,581**	**$177,913**	**$306,614,940**

FY 2012-13 Est. Date of Death Retractions	**Adults 65 and Older**	**Disabled Through 64**	**Low Income Adults**	**Adults w/o Dep. Children**	**Eligible Children**	**Foster Care**	**BCCP**	**Total**
12 Months	($110,487)	($456,104)	($9,692)	$0	($5,560)	($13,107)	($673)	**($595,623)**

FY 2012-13 Pre-adjusted Request	**Adults 65 and Older**	**Disabled Through 64**	**Low Income Adults**	**Adults w/o Dep. Children**	**Eligible Children**	**Foster Care**	**BCCP**	**Total**
12 Months	**$6,452,021**	**$127,730,204**	**$41,907,704**	**$14,521,999**	**$77,658,675**	**$37,571,474**	**$177,240**	**$306,019,317**

FY 2012-13 Recoupment Adjustments	**Total**
12 Months	**($620,275)**

FY 2012-13 Total Requested Appropriation	**Total**
12 Months	**$305,399,042**

Appendix B: FY 2013-14 Mental Health Capitation Payments Calculations

Estimated PM/PM Rate - Q1/2	$13.40	$150.22	$24.13	$111.03	$17.78	$174.99	$24.13	
Estimated PM/PM Rate - Q3/4	$13.60	$157.45	$25.06	$115.85	$18.55	$176.73	$25.06	

FY 2013-14 Caseload by 6 Months	**Adults 65 and Older**	**Disabled Through 64**	**Low Income Adults**	**Adults w/o Dep. Children**	**Eligible Children**	**Foster Care**	**BCCP**	**Forecast**
First 6 Months	41,821	74,710	155,674	18,625	394,396	17,939	654	703,819
Second 6 Months	42,417	76,549	159,579	19,250	412,901	18,018	676	729,390
Full Year	42,119	75,630	157,627	18,938	403,649	17,979	665	716,605

FY 2013-14 Estimated Need Calculations	**Adults 65 and Older**	**Disabled Through 64**	**Low Income Adults**	**Adults w/o Dep. Children**	**Eligible Children**	**Foster Care**	**BCCP**	**Total**
First 6 Months								
Average Monthly Caseload	41,821	74,710	155,674	18,625	394,396	17,939	654	703,819
PM/PM Rate X Caseload Average	$3,362,408	$67,337,617	$22,538,482	$12,407,603	$42,074,165	$18,834,874	$94,686	$166,649,835
Second 6 Months								
Average Monthly Caseload	42,417	76,549	159,579	19,250	412,901	18,018	676	729,390
PM/PM Rate X Caseload Average	$3,461,227	$72,315,840	$23,994,298	$13,380,675	$45,955,881	$19,105,927	$101,643	$178,315,492
Estimated Need	**$6,823,636**	**$139,653,458**	**$46,532,780**	**$25,788,278**	**$88,030,047**	**$37,940,801**	**$196,329**	**$344,965,327**

FY 2013-14 Estimated Claims Paid	**Adults 65 and Older**	**Disabled Through 64**	**Low Income Adults**	**Adults w/o Dep. Children**	**Eligible Children**	**Foster Care**	**BCCP**	**Total**
First 6 Months								
Claims Paid in Current Period	$3,300,540	$63,755,256	$21,524,250	$12,159,451	$40,866,636	$18,687,962	$94,497	$160,388,592
Claims from Prior Periods	$60,804	$3,423,049	$970,362	$161,549	$1,134,961	$146,531	$183	$5,897,439
Second 6 Months								
Claims Paid in Current Period	$3,397,540	$68,468,637	$22,914,555	$13,113,062	$44,636,947	$18,956,901	$101,440	$171,589,082
Claims from Prior Periods	$61,710	$3,527,940	$1,009,775	$248,152	$1,195,622	$146,659	$189	$6,190,047
Total Claims Paid in FY 2012-13	**$6,820,594**	**$139,174,882**	**$46,418,942**	**$25,682,214**	**$87,834,166**	**$37,938,053**	**$196,309**	**$344,065,160**

FY 2013-14 Est. Date of Death Retractions	**Adults 65 and Older**	**Disabled Through 64**	**Low Income Adults**	**Adults w/o Dep. Children**	**Eligible Children**	**Foster Care**	**BCCP**	**Total**
12 Months	($99,438)	($410,494)	($8,723)	($8,723)	($5,004)	($11,796)	($606)	**($544,784)**

FY 2013-14 Pre-adjusted Request	**Adults 65 and Older**	**Disabled Through 64**	**Low Income Adults**	**Adults w/o Dep. Children**	**Eligible Children**	**Foster Care**	**BCCP**	**Total**
12 Months	**$6,721,156**	**$138,764,388**	**$46,410,219**	**$25,673,491**	**$87,829,162**	**$37,926,257**	**$195,703**	**$343,520,376**

FY 2013-14 Recoupment Adjustments	**Total**
12 Months	**($1,373,413)**

FY 2013-14 Total Requested Appropriation	**Total**
12 Months	**$342,146,963**