

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE



FY 2007-08 SUPPLEMENTAL: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

PRIORITIZED AND NON-PRIORITIZED REQUESTS

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

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**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

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**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
 FY 2007-08 SUPPLEMENTAL RECOMMENDATION
 JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

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	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF HEALTH CARE POLICY AND FINANCING					
Executive Director - Joan Henneberry					
Supplemental #1 - Medical Services Premiums Base Adjustments					
<i>Medical Services Premiums</i>					
Medical Services Premiums	<u>2,061,396,808</u>	<u>2,147,858,908</u>	<u>9,724,208</u>	pending	<u>2,147,858,908</u>
General Fund	633,377,714	652,421,500	12,296,825	pending	652,421,500
General Fund Exempt	343,100,000	343,900,000	0	pending	343,900,000
Cash Funds	0	38,256	(38,256)	pending	38,256
Cash Funds Exempt	48,860,206	76,001,368	(6,627,187)	pending	76,001,368
Federal Funds	1,036,058,888	1,075,497,784	4,092,826	pending	1,075,497,784
Supplemental #2 - Medicaid Community Mental Health Programs Base Adjustments (Division Total Shown)					
<i>Medicaid Mental Health Community Programs</i>					
(A) Mental Health Capitation Payments	<u>184,640,568</u>	<u>196,303,651</u>	<u>242,857</u>	pending	<u>184,640,568</u>
General Fund	89,832,730	91,315,646	(266,649)	pending	91,315,646
Cash Funds Exempt	2,481,026	6,829,511	387,065	pending	6,829,511
Federal Funds	92,326,812	98,158,494	122,441	pending	98,158,494
<i>Medicaid Mental Health Community Programs</i>					
(B) Other Medicaid Mental Health Payments					
(1) Medicaid Mental Health Fee for Services Payments	<u>1,367,867</u>	<u>1,489,003</u>	<u>(173,218)</u>	pending	<u>1,489,003</u>
General Fund	683,934	744,502	(86,609)	pending	744,502
Federal Funds	683,933	744,501	(86,609)	pending	744,501

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>Medicaid Mental Health Community Programs</i>					
(B) Other Medicaid Mental Health Payments					
(3) Medicaid Anti-Sychotic Pharmaceuticals	<u>34,294,729</u>	<u>32,321,595</u>	<u>(32,321,595)</u>	<u>(32,321,595)</u>	<u>0</u>
Cash Funds Exempt	34,294,729	32,321,595	(32,321,595)	(32,321,595)	0
Total for Supplemental #2	<u>220,303,164</u>	<u>230,114,249</u>	<u>(32,251,956)</u>	<u>(32,321,595)</u>	<u>197,792,654</u>
General Fund	90,516,664	92,060,148	(353,258)	0	92,060,148
Cash Funds Exempt	36,775,755	39,151,106	(31,934,530)	(32,321,595)	6,829,511
Federal Funds	93,010,745	98,902,995	35,832	0	98,902,995
Supplemental #3 - Children's Basic Health Plan					
<i>Indigent Care Program</i>					
Children's Basic Health Plan Trust Fund	<u>11,475,351</u>	<u>256,475</u>	<u>32,208</u>	<u>pending</u>	<u>256,475</u>
General Fund	11,243,215	11,011	0	pending	11,011
Cash Funds	232,136	245,464	32,208	pending	245,464
<i>Indigent Care Program</i>					
Children's Basic Health Plan Premium Costs	<u>89,657,433</u>	<u>86,426,598</u>	<u>17,928,518</u>	<u>pending</u>	<u>86,426,598</u>
Cash Funds	0	1,479	(1,479)	pending	1,479
Cash Funds Exempt	31,530,990	30,408,342	6,296,434	pending	30,408,342
Federal Funds	58,126,443	56,016,777	11,633,563	pending	56,016,777
<i>Indigent Care Program</i>					
Children's Basic Health Plan Dental Benefits	<u>6,834,843</u>	<u>6,886,799</u>	<u>1,683,604</u>	<u>pending</u>	<u>6,886,799</u>
Cash Funds Exempt	2,392,195	2,410,380	589,261	pending	2,410,380
Federal Funds	4,442,648	4,476,419	1,094,343	pending	4,476,419

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Total for Supplemental #3	<u>107,967,627</u>	<u>93,569,872</u>	<u>19,644,330</u>	pending	<u>93,569,872</u>
General Fund	11,243,215	11,011	0	pending	11,011
Cash Funds	232,136	246,943	30,729	pending	246,943
Cash Funds Exempt	33,923,185	32,818,722	6,885,695	pending	32,818,722
Federal Funds	62,569,091	60,493,196	12,727,906	pending	60,493,196
Supplemental #4 - MMA State Contribution Payment					
<i>Other Medical Services</i>					
Medicare Modernization Act State					
Contribution Payment	<u>72,494,301</u>	<u>69,546,453</u>	<u>2,942,893</u>	pending	<u>69,546,453</u>
General Fund	72,494,301	69,546,453	2,942,893	pending	69,546,453
Supplemental #5 -- Release of FY 2006-07 Overexpenditures -- See Attached FY 2006-07 Number Pages					
Supplemental #6 - Medical Director Consortium					
<i>Executive Director's Office</i>					
Personal Services	<u>15,260,951</u>	<u>16,715,590</u>	<u>80,000</u>	<u>80,000</u>	<u>16,795,590</u>
FTE	225.4	245.3	0.0	0.0	245.3
General Fund	6,054,845	7,261,822	10,000	10,000	7,271,822
Cash Funds	0	140,495	0	0	140,495
Cash Funds Exempt	399,006	592,486	0	0	592,486
Federal Funds	8,807,100	8,720,787	70,000	70,000	8,790,787

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #7 -- Funding for Additional Lease Space					
<i>Executive Director's Office</i>					
Personal Services	<u>15,260,951</u>	<u>16,715,590</u>	<u>10,500</u>	<u>10,500</u>	<u>16,726,090</u>
FTE	225.4	245.3	0.0	0.0	245.3
General Fund	6,054,845	7,261,822	5,250	5,250	7,267,072
Cash Funds	0	140,495	0	0	140,495
Cash Funds Exempt	399,006	592,486	0	0	592,486
Federal Funds	8,807,100	8,720,787	5,250	5,250	8,726,037
<i>Executive Director's Office</i>					
Operating Expenses	<u>1,196,014</u>	<u>1,039,465</u>	<u>145,531</u>	<u>53,952</u>	<u>1,093,417</u>
General Fund	586,457	494,229	72,766	26,976	521,205
Cash Funds	0	14,395	0	0	14,395
Cash Funds Exempt	8,151	14,546	0	0	14,546
Federal Funds	601,406	516,295	72,765	26,976	543,271
<i>Executive Director's Office</i>					
Leased Space	<u>166,899</u>	<u>272,318</u>	<u>(9,547)</u>	<u>(9,547)</u>	<u>262,771</u>
General Fund	77,950	130,659	(4,774)	(4,774)	125,885
Cash Funds Exempt	5,500	5,500	0	0	5,500
Federal Funds	83,449	136,159	(4,773)	(4,773)	131,386

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Total for Supplemental #7	<u>16,623,864</u>	<u>18,027,373</u>	<u>146,484</u>	<u>54,905</u>	<u>18,082,278</u>
FTE	225.4	245.3	0.0	0.0	245.3
General Fund	6,719,252	7,886,710	73,242	27,452	7,914,162
Cash Funds	0	154,890	0	0	154,890
Cash Funds Exempt	412,657	612,532	0	0	612,532
Federal Funds	9,491,955	9,373,241	73,242	27,453	9,400,694
Supplemental #8 -- Additional Funding to Implement SB 07-211 (Also See DHS Related Costs)					
<i>DHS Medicaid Funded Programs</i>					
Office of Information Technology - CBMS	<u>7,532,758</u>	<u>8,716,030</u>	<u>17,879</u>	<u>84,902</u>	<u>8,800,932</u>
General Fund	3,458,114	4,021,332	0	39,775	4,061,107
Cash Funds	0	0	0	411	411
Cash Funds Exempt	516,953	580,621	0	4,676	585,297
Federal Funds	3,557,691	4,114,077	17,879	40,040	4,154,117
Supplemental #9 -- Implement Preferred Drug List					
<i>Executive Director's Office</i>					
Drug Utilization Review	<u>291,438</u>	<u>304,143</u>	<u>(61,000)</u>	<u>(61,000)</u>	<u>243,143</u>
General Fund	72,859	76,036	45,536	45,536	121,572
Federal Funds	218,579	228,107	(106,536)	(106,536)	121,571

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>Medical Services Premiums</i>					
Medical Services Premiums	<u>2,061,396,808</u>	<u>2,147,858,908</u>	<u>483,556</u>	pending	<u>2,147,858,908</u>
General Fund	633,377,714	652,421,500	241,778	pending	652,421,500
General Fund Exempt	343,100,000	343,900,000	0	pending	343,900,000
Cash Funds	0	38,256	0	pending	38,256
Cash Funds Exempt	48,860,206	76,001,368	0	pending	76,001,368
Federal Funds	1,036,058,888	1,075,497,784	241,778	pending	1,075,497,784
Total for Supplemental #9	<u>2,061,688,246</u>	<u>2,148,163,051</u>	<u>422,556</u>	<u>(61,000)</u>	<u>2,148,102,051</u>
General Fund	633,450,573	652,497,536	287,314	45,536	652,543,072
General Fund Exempt	343,100,000	343,900,000	0	0	343,900,000
Cash Funds	0	38,256	0	0	38,256
Cash Funds Exempt	48,860,206	76,001,368	0	0	76,001,368
Federal Funds	1,036,277,467	1,075,725,891	135,242	(106,536)	1,075,619,355
Supplemental #10 -- Increased Funding for Non-Emergency Transportation Services					
<i>Executive Director's Office</i>					
Non-Emergency Transportation Services	<u>7,583,761</u>	<u>7,299,302</u>	<u>144,963</u>	<u>(7,299,302)</u>	<u>0</u>
General Fund	3,791,881	3,649,651	72,482	(3,649,651)	0
Federal Funds	3,791,880	3,649,651	72,481	(3,649,651)	0

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>Medical Services Premiums</i>					
Medical Services Premiums	<u>2,061,396,808</u>	<u>2,147,858,908</u>	0	<u>7,444,265</u>	<u>2,155,303,173</u>
General Fund	633,377,714	652,421,500	0	3,722,133	656,143,633
General Fund Exempt	343,100,000	343,900,000	0	0	343,900,000
Cash Funds	0	38,256	0	0	38,256
Cash Funds Exempt	48,860,206	76,001,368	0	0	76,001,368
Federal Funds	1,036,058,888	1,075,497,784	0	3,722,132	1,079,219,916
Total for Supplemental #10	<u>2,068,980,569</u>	<u>2,155,158,210</u>	<u>144,963</u>	<u>144,963</u>	<u>2,155,303,173</u>
General Fund	637,169,595	656,071,151	72,482	72,482	656,143,633
General Fund Exempt	343,100,000	343,900,000	0	0	343,900,000
Cash Funds	0	38,256	0	0	38,256
Cash Funds Exempt	48,860,206	76,001,368	0	0	76,001,368
Federal Funds	1,039,850,768	1,079,147,435	72,481	72,481	1,079,219,916
Supplemental #11 -- Restore Enrollment Broker Contractor					
<i>Executive Director's Office</i>					
Operating Expenses	<u>1,196,014</u>	<u>1,039,465</u>	<u>(97,848)</u>	<u>(97,848)</u>	<u>941,617</u>
General Fund	586,457	494,229	(48,924)	(48,924)	445,305
Cash Funds	0	14,395	0	0	14,395
Cash Funds Exempt	8,151	14,546	0	0	14,546
Federal Funds	601,406	516,295	(48,924)	(48,924)	467,371

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>Executive Director's Office</i>					
Enrollment Broker Contract	<u>860,786</u>	<u>700,000</u>	<u>257,418</u>	<u>257,418</u>	<u>957,418</u>
General Fund	411,485	316,486	128,709	128,709	445,195
Cash Funds Exempt	18,908	33,514	0	0	33,514
Federal Funds	430,393	350,000	128,709	128,709	478,709
Total for Supplemental #11	<u>2,056,800</u>	<u>1,739,465</u>	<u>159,570</u>	<u>159,570</u>	<u>1,899,035</u>
General Fund	997,942	810,715	79,785	79,785	890,500
Cash Funds	0	14,395	0	0	14,395
Cash Funds Exempt	27,059	48,060	0	0	48,060
Federal Funds	1,031,799	866,295	79,785	79,785	946,080
Supplemental #12 -- Increase Health Maintenance Organization Rates to 99% of Fee For Services					
<i>Medical Services Premiums</i>					
Medical Services Premiums	<u>2,061,396,808</u>	<u>2,147,858,908</u>	<u>3,372,648</u>	<u>pending</u>	<u>2,147,858,908</u>
General Fund	633,377,714	652,421,500	1,686,324	pending	652,421,500
General Fund Exempt	343,100,000	343,900,000	0	pending	343,900,000
Cash Funds	0	38,256	0	pending	38,256
Cash Funds Exempt	48,860,206	76,001,368	0	pending	76,001,368
Federal Funds	1,036,058,888	1,075,497,784	1,686,324	pending	1,075,497,784

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Supplemental #13 -- Adjust Cash Flow for Integrated Care Delivery Model					
<i>Medical Services Premiums</i>					
Medical Services Premiums	<u>2,061,396,808</u>	<u>2,147,858,908</u>	<u>2,392,954</u>	pending	<u>2,147,858,908</u>
General Fund	633,377,714	652,421,500	1,196,477	pending	652,421,500
General Fund Exempt	343,100,000	343,900,000	0	pending	343,900,000
Cash Funds	0	38,256	0	pending	38,256
Cash Funds Exempt	48,860,206	76,001,368	0	pending	76,001,368
Federal Funds	1,036,058,888	1,075,497,784	1,196,477	pending	1,075,497,784
Supplemental #14 -- Implement Mental Health Audit Findings					
<i>Executive Director's Office</i>					
Personal Services	<u>15,260,951</u>	<u>16,715,590</u>	<u>125,000</u>	<u>125,000</u>	<u>16,840,590</u>
FTE	225.4	245.3	0.0	0.0	245.3
General Fund	6,054,845	7,261,822	62,500	62,500	7,324,322
Cash Funds	0	140,495	0	0	140,495
Cash Funds Exempt	399,006	592,486	0	0	592,486
Federal Funds	8,807,100	8,720,787	62,500	62,500	8,783,287
Supplemental #15 -- General Fund to Repay back Federal Disallowances					
<i>Medicaid Mental Health Community Programs</i>					
(A) Mental Health Capitation Payments	<u>184,640,568</u>	<u>196,303,651</u>	<u>487,390</u>	<u>487,390</u>	<u>196,791,041</u>
General Fund	89,832,730	91,315,646	487,390	487,390	91,803,036
Cash Funds Exempt	2,481,026	6,829,511	0	0	6,829,511
Federal Funds	92,326,812	98,158,494	0	0	98,158,494

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>Other Medical Services</i>					
Public School Health Services	<u>21,049,585</u>	<u>31,327,813</u>	<u>10,438,941</u>	<u>10,438,941</u>	<u>41,766,754</u>
General Fund	0	0	10,438,941	10,438,941	10,438,941
Cash Funds Exempt	10,472,200	16,007,021	0	0	16,007,021
Federal Funds	10,577,385	15,320,792	0	0	15,320,792
Total for Supplemental #15	<u>205,690,153</u>	<u>227,631,464</u>	<u>10,926,331</u>	<u>10,926,331</u>	<u>238,557,795</u>
General Fund	89,832,730	91,315,646	10,926,331	10,926,331	102,241,977
Cash Funds Exempt	12,953,226	22,836,532	0	0	22,836,532
Federal Funds	102,904,197	113,479,286	0	0	113,479,286
Supplemental #16 -- Federal Funds Appropriation for Health Care Services Fund Line Items					
<i>Indigent Care Program</i>					
The Children's Hospital, Clinic Based Indigent					
Care	<u>6,119,760</u>	<u>16,205,760</u>	<u>10,086,000</u>	<u>10,086,000</u>	<u>26,291,760</u>
General Fund	3,059,880	3,059,880	0	0	3,059,880
Cash Funds Exempt	0	10,086,000	0	0	10,086,000
Federal Funds	3,059,880	3,059,880	10,086,000	10,086,000	13,145,880

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>Indigent Care Program</i>					
Health Care Services Fund Programs	<u>0</u>	<u>4,914,000</u>	<u>6,139,421</u>	<u>6,139,421</u>	<u>11,053,421</u>
Cash Funds Exempt	0	4,914,000	0	0	4,914,000
Federal Funds	0	0	6,139,421	6,139,421	6,139,421
Total for Supplemental #16	<u>6,119,760</u>	<u>21,119,760</u>	<u>16,225,421</u>	<u>16,225,421</u>	<u>37,345,181</u>
General Fund	3,059,880	3,059,880	0	0	3,059,880
Cash Funds Exempt	0	15,000,000	0	0	15,000,000
Federal Funds	3,059,880	3,059,880	16,225,421	16,225,421	19,285,301
Supplemental #17 -- Federal Funds Match for Local Government Provider Fees					
<i>Indigent Care Program</i>					
S.B. 06-145 Inpatient Hospital Payments	<u>0</u>	<u>0</u>	<u>4,225,858</u>	<u>4,225,858</u>	<u>4,225,858</u>
Cash Funds Exempt	0	0	2,112,929	2,112,929	2,112,929
Federal Funds	0	0	2,112,929	2,112,929	2,112,929
<i>Indigent Care Program</i>					
S.B. 06-145 Outpatient Hospital Payments	<u>0</u>	<u>0</u>	<u>5,985,492</u>	<u>5,985,492</u>	<u>5,985,492</u>
Cash Funds Exempt	0	0	2,992,746	2,992,746	2,992,746
Federal Funds	0	0	2,992,746	2,992,746	2,992,746

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Total for Supplemental #17	<u>0</u>	<u>0</u>	<u>10,211,350</u>	<u>10,211,350</u>	<u>10,211,350</u>
Cash Funds Exempt	0	0	5,105,675	5,105,675	5,105,675
Federal Funds	0	0	5,105,675	5,105,675	5,105,675

Supplemental #18 -- Technical Changes to Letter Notes

This supplemental recommendation does not change any appropriations in the current Long Bill.

SUBTOTAL PRIORITIZE REQUESTS -- DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Total Funds	<u>3,285,678,248</u>	<u>3,476,189,586</u>	<u>44,284,631</u>	<u>5,629,847</u>	<u>3,481,819,433</u>
FTE	225.4	245.3	0.0	0.0	245.3
General Fund	1,019,917,138	1,079,962,449	29,280,915	11,263,861	1,091,226,310
General Fund Exempt	343,616,036	344,413,000	0	0	344,413,000
Cash Funds	511,526	2,966,076	(7,527)	411	2,966,487
Cash Funds Exempt	339,755,328	381,570,811	(26,570,347)	(27,211,244)	354,359,567
Federal Funds	1,581,878,220	1,667,277,250	41,581,590	21,576,819	1,688,854,069

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Previously Approved 1331 Supplemental - Office of CBMS Staff Adjustments					
<i>Executive Director's Office</i>					
Personal Services	<u>15,260,951</u>	<u>16,715,590</u>	<u>1,312,941</u>	<u>1,312,941</u>	<u>18,028,531</u>
FTE	225.4	245.3	12.0	12.0	257.3
General Fund	6,054,845	7,261,822	(87,303)	(87,303)	7,174,519
Cash Funds	0	140,495	0	0	140,495
Cash Funds Exempt	399,006	592,486	1,487,546	1,487,546	2,080,032
Federal Funds	8,807,100	8,720,787	(87,302)	(87,302)	8,633,485
<i>Executive Director's Office</i>					
Health, Life, and Dental	<u>748,309</u>	<u>929,293</u>	<u>34,694</u>	<u>34,694</u>	<u>963,987</u>
General Fund	334,784	414,460	(3,754)	(3,754)	410,706
Cash Funds Exempt	24,355	37,568	42,202	42,202	79,770
Federal Funds	389,170	477,265	(3,754)	(3,754)	473,511
<i>Executive Director's Office</i>					
Short-term Disability	<u>15,110</u>	<u>19,548</u>	<u>1,170</u>	<u>1,170</u>	<u>20,718</u>
General Fund	6,286	8,509	(127)	(127)	8,382
Cash Funds Exempt	401	635	1,423	1,423	2,058
Federal Funds	8,423	10,404	(126)	(126)	10,278
<i>Executive Director's Office</i>					
SB 04-257 AED	<u>93,197</u>	<u>178,339</u>	<u>9,681</u>	<u>9,681</u>	<u>188,020</u>
General Fund	41,256	76,448	(1,048)	(1,048)	75,400
Cash Funds Exempt	2,092	5,855	11,776	11,776	17,631
Federal Funds	49,849	96,036	(1,047)	(1,047)	94,989

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>Executive Director's Office</i>					
SB 06-235 Supplemental AED	<u>0</u>	<u>34,950</u>	<u>2,097</u>	<u>2,097</u>	<u>37,047</u>
General Fund	0	13,722	(227)	(227)	13,495
Cash Funds Exempt	0	1,220	2,551	2,551	3,771
Federal Funds	0	20,008	(227)	(227)	19,781
<i>Executive Director's Office</i>					
Salary Survey & Senior Executive Service	<u>459,483</u>	<u>480,923</u>	<u>27,753</u>	<u>27,753</u>	<u>508,676</u>
General Fund	198,893	217,149	(3,003)	(3,003)	214,146
Cash Funds Exempt	11,087	15,225	33,759	33,759	48,984
Federal Funds	249,503	248,549	(3,003)	(3,003)	245,546
<i>Executive Director's Office</i>					
Performance-based Pay Awards	<u>0</u>	<u>206,506</u>	<u>11,054</u>	<u>11,054</u>	<u>217,560</u>
General Fund	0	92,725	(1,196)	(1,196)	91,529
Cash Funds Exempt	0	6,484	13,446	13,446	19,930
Federal Funds	0	107,297	(1,196)	(1,196)	106,101
<i>Executive Director's Office</i>					
Operating Expenses	<u>1,196,014</u>	<u>1,039,465</u>	<u>11,400</u>	<u>11,400</u>	<u>1,050,865</u>
General Fund	586,457	494,229	(1,425)	(1,425)	492,804
Cash Funds	0	14,395	0	0	14,395
Cash Funds Exempt	8,151	14,546	14,250	14,250	28,796
Federal Funds	601,406	516,295	(1,425)	(1,425)	514,870

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>DHS Medicaid-Funded Programs</i>					
Executive Director's Office	<u>3,081,121</u>	<u>12,509,047</u>	<u>6,494</u>	<u>6,494</u>	<u>12,515,541</u>
General Fund	1,540,561	6,253,141	3,044	3,044	6,256,185
Cash Funds Exempt	0	0	388	388	388
Federal Funds	1,540,560	6,255,906	3,062	3,062	6,258,968
<i>DHS Medicaid-Funded Programs</i>					
Colorado Benefits Management System	<u>7,532,758</u>	<u>8,716,030</u>	<u>37,475</u>	<u>37,475</u>	<u>8,753,505</u>
General Fund	3,458,114	4,021,332	17,556	17,556	4,038,888
Cash Funds Exempt	516,953	580,621	2,241	2,241	582,862
Federal Funds	3,557,691	4,114,077	17,678	17,678	4,131,755
Emergency Supplement #1 Total	<u>28,386,943</u>		<u>1,454,759</u>	<u>1,454,759</u>	<u>42,284,450</u>
FTE	225.4	245.3	12.0	12.0	257.3
General Fund	12,221,196	18,853,537	(77,483)	(77,483)	18,776,054
Cash Funds	0	154,890	0	0	154,890
Cash Funds Exempt	962,045	1,254,640	1,609,582	1,609,582	2,864,222
Federal Funds	15,203,702	20,566,624	(77,340)	(77,340)	20,489,284

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
SUBTOTALS Excluding Common Policy and Non-Prioritized Request					
DEPARTMENT OF HEALTH CARE POLICY AND FINANCING					
TOTALS for ALL Departmental line items	3,285,678,248	3,476,189,586	45,739,390	7,084,606	3,483,274,192
FTE	<u>225.4</u>	<u>245.3</u>	<u>12.0</u>	<u>12.0</u>	<u>257.3</u>
General Fund	1,019,917,138	1,079,962,449	29,203,432	11,186,378	1,091,148,827
General Fund Exempt	343,616,036	344,413,000	0	0	344,413,000
Cash Funds	511,526	2,966,076	(7,527)	411	2,966,487
Cash Funds Exempt	339,755,328	381,570,811	(24,960,765)	(25,601,662)	355,969,149
Federal Funds	1,581,878,220	1,667,277,250	41,504,250	21,499,479	1,688,776,729
SUBTOTAL Statewide Supplementals and Non-Prioritized Requests					
(see narrative for more detail)	3,285,678,248	3,476,189,586	<u>(11,058,999)</u>	<u>Pending</u>	<u>3,476,189,586</u>
FTE	<u>225.4</u>	<u>245.3</u>	<u>0.0</u>	<u>0.0</u>	<u>245.3</u>
General Fund	1,019,917,138	1,079,962,449	(5,710,518)	pending	1,079,962,449
General Fund Exempt	343,616,036	344,413,000	0	pending	344,413,000
Cash Funds	511,526	2,966,076	0	pending	2,966,076
Cash Funds Exempt	339,755,328	381,570,811	0	pending	381,570,811
Federal Funds	1,581,878,220	1,667,277,250	(5,348,481)	pending	1,667,277,250
TOTALS Including PLACEHOLDER/PENDING RECOMMENDATIONS (discussed in the narrative section of this packet)					
DEPARTMENT OF HEALTH CARE POLICY AND FINANCING					
TOTALS for ALL Departmental line items	3,285,678,248	3,476,189,586	34,680,391	28,315,302	3,504,504,888
FTE	<u>225.4</u>	<u>245.3</u>	<u>12.0</u>	<u>12.0</u>	<u>257.3</u>
General Fund	1,019,917,138	1,079,962,449	23,492,914	24,612,959	1,104,575,408
General Fund Exempt	343,616,036	344,413,000	0	0	344,413,000
Cash Funds	511,526	2,966,076	(7,527)	(7,116)	2,958,960
Cash Funds Exempt	339,755,328	381,570,811	(24,960,765)	(31,553,538)	350,017,273
Federal Funds	1,581,878,220	1,667,277,250	36,155,769	35,262,997	1,702,540,247

	FY 2006-07	FY 2007-08	Fiscal Year 2007-08 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

DEPARTMENT OF HUMAN SERVICES -- AFFECTED NUMBER PAGES

Supplemental # 8 (DHS Non-prioritized #S-np-1-HCPF) -- CBMS change to implement SB 07-211

Office of Information Technology

Colorado Benefits Management System (CBM.	<u>21,719,443</u>	<u>25,024,815</u>	<u>17,879</u>	<u>244,251</u>	<u>25,269,066</u>
FTE	33.3	35.1	0.0	0.0	35.1
General Fund	3,488,396	3,881,864	0	38,068	3,919,932
General Fund Exempt	0	0	0	0	0
Cash Funds	1,721,826	1,985,945	0	19,758	2,005,703
Cash Funds Exempt	7,479,759	8,718,855	17,879	84,902	8,803,757
Federal Funds	9,029,462	10,438,151	0	101,523	10,539,674

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Appropriation	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
DEPARTMENT OF HEALTH CARE POLICY AND FINANCING					
Executive Director - Joan Henneberry					
Supplemental #5 - Release FY 2006-07 Overexpenditure Restrictions					
<i>Medical Services Premiums</i>					
(A) Mental Health Capitation Payments	<u>1,996,264,308</u>	<u>2,057,801,122</u>	<u>9,074,543</u>	<u>1,840,815</u>	<u>2,059,641,937</u>
General Fund	614,561,650	631,536,899	1,840,815	1,840,815	633,377,714
General Fund Exempt	361,644,803	343,100,000	0	0	343,100,000
Cash Funds	0	38,256	0	0	38,256
Cash Funds Exempt	23,713,210	52,330,509	0	0	52,330,509
Federal Funds	996,344,645	1,030,795,458	7,233,728	0	1,030,795,458
<i>Medicaid Mental Health Community Programs</i>					
Mental Health Capitation Payments	<u>164,839,222</u>	<u>183,141,013</u>	<u>2,225,047</u>	<u>1,474,141</u>	<u>183,141,013</u>
General Fund	82,328,858	88,358,589	1,474,141	1,474,141	88,358,589
Cash Funds Exempt	85,498	3,206,518	0	0	3,206,518
Federal Funds	82,424,866	91,575,906	750,906	0	91,575,906
<i>DHS Medicaid-Funded Programs</i>					
(3) High Risk Pregnant Women Program	<u>943,703</u>	<u>983,958</u>	<u>125,489</u>	<u>62,745</u>	<u>983,958</u>
General Fund	471,852	491,979	62,745	62,745	491,979
Federal Funds	471,851	491,979	62,744	0	491,979

	FY 2005-06 Appropriation	FY 2006-07 Appropriation	Fiscal Year 2006-07 Supplemental		
			Requested Change	Recommended Change	New Total with Recommendation
<i>DHS Medicaid-Funded Programs</i>					
(6) Services for Children and Families	<u>4,222,157</u>	<u>5,346,267</u>	<u>436,158</u>	<u>239,285</u>	<u>5,346,267</u>
General Fund	2,049,014	2,297,076	239,285	239,285	2,297,076
Cash Funds Exempt	62,065	375,985	0	0	375,985
Federal Funds	2,111,078	2,673,206	196,873	0	2,673,206
Total for Supplemental #5	<u>2,166,269,390</u>	<u>2,247,272,360</u>	<u>11,861,237</u>	<u>3,616,986</u>	<u>2,250,889,346</u>
General Fund	699,411,374	722,684,543	3,616,986	3,616,986	726,301,529
General Fund Exempt	361,644,803	343,100,000	0	0	343,100,000
Cash Funds	0	38,256	0	0	38,256
Cash Funds Exempt	23,860,773	55,913,012	0	0	55,913,012
Federal Funds	1,081,352,440	1,125,536,549	8,244,251	0	1,125,536,549
DEPARTMENT OF HUMAN SERVICES -- AFFECTED NUMBER PAGES					
Supplemental # 5 (DHS Supplemental #8) -- High Risk Pregnant Women					
<i>Mental Health & Alcohol & Drug Abuse Services</i>					
(D) (2) (a) Treatment Services for High Risk Pregnant Women Program	<u>943,703</u>	<u>983,958</u>	<u>125,489</u>	<u>125,489</u>	<u>1,109,447</u>
Cash Funds Exempt	943,703	983,958	125,489	125,489	1,109,447
Supplemental #5 Services for Families and Children					
Services for People with Disabilities (Services for Children and jFamilies Program Funding)	<u>19,213,999</u>	<u>23,060,054</u>	<u>0</u>	<u>436,158</u>	<u>23,496,212</u>
General Fund	13,654,700	16,882,166	0	0	16,882,166
Cash Funds Exempt	5,559,299	6,177,888	0	436,158	6,614,046

	FY 2005-06	FY 2006-07	Fiscal Year 2006-07 Supplemental		
	Appropriation	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
FY 2006-07 Emergency Supplemental # 1 - Children's Basic Health Plan Program Supplemental					
<i>Indigent Care Program</i>					
Children's Basic Health Plan Trust Fund	<u>29,431,057</u>	<u>11,467,064</u>	<u>10,567</u>	<u>1,249,696</u>	<u>12,716,760</u>
General Fund	2,000,000	11,243,215	0	0	11,243,215
Cash Funds	191,726	223,849	10,567	10,567	234,416
Cash Funds Exempt	27,239,331	0	0	1,239,129	1,239,129
<i>Indigent Care Program</i>					
Children's Basic Health Plan Premium					
Costs	<u>65,919,891</u>	<u>81,483,970</u>	<u>8,236,467</u>	<u>8,236,467</u>	<u>89,720,437</u>
Cash Funds Exempt	23,426,139	28,664,893	2,889,630	2,889,630	31,554,523
Federal Funds	42,493,752	52,819,077	5,346,837	5,346,837	58,165,914
<i>Indigent Care Program</i>					
Children's Basic Health Plan Dental					
Benefit Costs	<u>5,368,921</u>	<u>6,302,642</u>	<u>572,288</u>	<u>572,326</u>	<u>6,874,968</u>
Cash Funds Exempt	1,879,122	2,205,925	200,301	200,314	2,406,239
Federal Funds	3,489,799	4,096,717	371,987	372,012	4,468,729
Total for Supplemental #1					
<i>Indigent Care Program -- Multiple Line Items</i>	<u>100,719,869</u>	<u>99,253,676</u>	<u>8,819,322</u>	<u>10,058,489</u>	<u>109,312,165</u>
General Fund	2,000,000	11,243,215	0	0	11,243,215
Cash Funds	191,726	223,849	10,567	10,567	234,416
Cash Funds Exempt	52,544,592	30,870,818	3,089,931	4,329,073	35,199,891
Federal Funds	45,983,551	56,915,794	5,718,824	5,718,849	62,634,643

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
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JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

Supplemental # 1 - Medical Services Premiums

	Request	Recommendation*
Total	\$9,724,208	pending
General Fund	12,296,825	pending - placeholder
Cash Funds	(38,256)	pending - placeholder
Cash Funds Exempt	(6,627,187)	pending - placeholder
Federal Funds	4,092,826	pending - placeholder

*Staff has prepared a placeholder recommendation for this supplemental request. Staff's final recommendation for this supplemental request will be presented in March during figure setting. The final supplemental recommendation will be included as a supplemental bill add-on to the Long Bill. *This is the JBC's standard procedure for this supplemental issue.*

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God / a technical error in the appropriation / <u>new data</u> / an unforeseen contingency]	YES
Staff and the Department update the current year forecast for the Medical Services Premiums every year in February and March based on the most current data available. The new estimate for FY 2007-08 is used to help calculate the estimate for FY 2008-09.	

Department Request: The Department's request is similar to their FY 2007-08 expenditure estimates that were presented in their November 1, 2007 budget submission for FY 2008-09. Table 1 below compares the Department's January 2, 2008 supplemental estimate with the estimate presented in their November 1, 2007 budget submission.

	November 1, 2007 Exp. Estimate	January 2, 2008 Supp. Estimate	Difference between January 19, 2007 and November 1, 2006
Total	\$13,664,984	\$9,724,208	(\$3,940,776)
General Fund	12,296,825	12,296,825	0
Cash Funds	(38,256)	(38,256)	0
Cash Funds Exempt	(4,656,799)	(6,627,187)	(1,970,388)
Federal Funds	6,063,214	4,092,826	(1,970,388)

The difference between the two estimates is that the January 2, 2008 request does not reflect the roll-forward expenditures for the disease management program while the November 1, 2007 request does. This is a technical difference on how the Department completes their budget schedules rather than a material difference

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based on new calculations. The Department's January 2, 2008 request does not contain any new information from what was presented to the Committee during the staff briefing on December 4, 2007. The Department's current estimates are based on an overall decrease in caseload of 5,295 clients (1.38 percent) from the current appropriation. However, this decrease in caseload is offset by an overall increase to the average cost-per-client of \$116.22 (2.1%) from the current appropriation's assumptions.

The Department's request represents the Executive's placeholder recommendation until the Department resubmits their Medical Services Premiums request on February 15, 2008. At that time, the Department will submit updated calculations and assumptions for the Medical Services Premiums line item.

Staff Recommendation: *Staff's recommendation on this supplemental is pending.* As stated above, the Department will submit a revised caseload and cost forecasts for the Medical Services Premiums (MSP) line item with supporting schedules and calculations on February 15, 2008. Typically, staff calculates the current year's supplemental for the MSP line item when working on figure setting for the next year. The MSP supplemental is then added as an "add-on" supplemental to the Long Bill. This process allows more up-to-date information to be used when estimating the final appropriation for the current year. Nevertheless, in order for the Committee to plan and make decisions for other supplemental requests that are being presented throughout state government, staff has prepared a "placeholder" recommendation.

Medicaid Caseload Forecast

The current FY 2007-08 Medicaid caseload assumed an average monthly Medicaid caseload of 385,010 clients (383,784 from last year's Long Bill and 1,226 from S.B. 07-002 which expanded foster care eligibility). Of this amount, staff estimated that 346,283 clients would receive their state funding primarily through the traditional funding sources (General Fund, Breast and Cervical Cancer Treatment, Autism Fund, etc.) and that 38,727 clients would receive their state matching funding from the Health Care Expansion Fund (Amendment 35 tobacco tax revenues -- which has limited uses pursuant to the State Constitution).

In October 2007, staff re-forecasted the caseload based on data through the first quarter of FY 2007-08. Based on her October forecast, staff estimated that the overall Medicaid caseload would be 384,312 (a decrease of 698 or 0.2 percent from the current FY 2007-08 appropriation). Of this amount, staff estimated that 34,982 clients would be eligible to receive their state match from the Health Care Expansion Fund and 349,330 clients would be traditional Medicaid clients. For the purpose of this placeholder recommendation, staff has updated her October 2007 forecast in a few aid categories to reflect trends through the second quarter of FY 2007-08. Staff will perform a more thorough caseload forecast in March 2008. Table 2 reflects the caseload estimate that staff used to establish her recommended **PLACEHOLDER** supplemental amount. This estimate is based primarily from staff's October 2007 forecast but is updated in a few aid categories.

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Table 2: Staff's FY 2007-08 SUPPLEMENTAL PLACEHOLDER Caseload Recommendation

* -- Updated from Staff's October 2007 Forecast, all other categories remain the same as the October 2007 forecast	Traditional Medicaid	State Match Can Come from the Health Care Expansion Fund		Total Recommended January Forecast FY 07-08	Year to Date Through Dec 07	Current App. Caseload for FY 07-08
		Legal Immigrants	All Other Expansions			
SSI 65+*	35,021	812	0	35,833	35,664	36,703
SSI 60-64	6,026	116	0	6,142	6,092	6,252
QMB/SLIMB*	14,202	0	0	14,202	13,941	13,294
SSI Disabled	48,118	700	735	49,553	49,513	48,942
Low-Income Adults*	39,878	676	4,946	45,500	45,243	46,708
Expansion Low-Income Adults*	0	0	8,000	8,000	7,386	10,377
Baby-Care Adults*	5,240	260	0	5,500	5,486	5,264
B & C Cancer Program	194	0	83	277	268	277
Eligible Children	178,228	856	17,848	196,932	198,023	193,981
Foster Care Children*	16,790	92	413	17,295	16,857	18,521
Non-Citizens*	4,153	0	0	4,153	4,069	4,691
Total	347,850	3,512	32,025	383,387	382,542	385,010

*Updated from October 2007 -- all other aid categories are from the October 2007 forecast.

Staff's updated January forecast continues to show an overall declining trend from the current appropriation estimate of 385,010 clients. Staff's January forecast shows an estimate of 383,387 (347,850 Traditional and 35,537 Expansion). This is decrease of 1,623 clients (0.4 percent) from the current appropriation and 925 (0.2 percent) from staff's October 2007 forecast.

Cost-Per-Client Forecasts

The caseload forecast is just half of the Medicaid picture. The other half of the Medicaid forecast is the average cost- per-client estimate -- i.e. how many services are the clients using and what are the costs of those services? The Department will be updating these assumptions when they submit their February 15th budget revision. However, staff has prepared an initial estimate so that the Committee can plan and make decisions on other statewide supplemental issues. Staff will emphasize that these estimates are very preliminary -- this

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side of the forecast is much more difficult and is based on incomplete information until after the Department submits their February 2008 forecast.

Currently, the FY 2007-08 total fund appropriation for the MSP line item is \$2,147,858,908 as shown in Table 3 below.

Table 3: Current FY 2007-08 Appropriation for Medical Services Premiums Line Item				
	Traditional Medicaid*	Legal Immigrants	Amendment 35 Expansion Populations	Total
Acute Care Services	\$1,112,105,594	\$9,138,411	\$106,984,726	\$1,228,228,731
Community Care Services	223,677,478	544,484	0	224,221,962
Long-Term Care Services	561,666,444	1,913,622	0	563,580,066
Insurance Premiums	89,164,779	0	0	89,164,779
Administrative Services*	28,122,570	0	0	28,122,570
Bottom-Line Financing	\$14,540,800	\$0	\$0	\$14,540,800
Total	\$2,029,277,665	\$11,596,517	\$106,984,726	\$2,147,858,908
General Fund	\$996,321,500	\$0	\$0	\$996,321,500
Cash Funds - ICMR Provider Fees	38,256	0	0	38,256
Cash Funds Exempt - Certified Funds	14,191,008	0	0	14,191,008
BCCTP Fund	429,838	0	0	429,838
Transfer from DPHE for BCCTP	0	0	735,600	735,600
Health Care Expansion Fund	0	6,216,752	53,801,420	60,018,172
Autism Fund	626,750	0		626,750
Federal Funds	1,017,670,313	5,379,765	52,447,706	1,075,497,784
Total	\$2,029,277,665	\$11,596,517	\$106,984,726	\$2,147,858,908

*Includes the estimate for presumptive eligibility which was added as an expansion population/service under H.B. 05-1262 and for the purposes of this table, all of the disease management funding is included for the traditional population. Also some totals are off by \$1 due to rounding issues.

Of the total appropriated amount in Table 3, \$2,133,318,108 was appropriated to provide actual client care and services (medical services, insurance assistance and administrative services to Medicaid clients). The remaining \$14,540,800 represents the amount for bottom-of-the-line refinancing. Bottom-of-the-line refinancing are mechanisms the Department uses to save General Fund appropriations by maximizing the

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allowable federal upper payment limits. This section of the analysis focuses on funding appropriated for the actual client care and services (i.e. the \$2,133,318,108 services appropriation).

On average, the current services appropriation supports weekly expenditures of approximately \$41.0 million per week. Through December 2007, the average weekly expenditures have been approximately \$42.1 million per month. If this trend continues for the remaining part of the fiscal year, the current appropriation would under fund the Medical Services Premiums line item by approximately \$13.2 million (very close to the Department's November 1 supplemental estimate).

Based on the current caseload and expenditure trends, staff is currently estimating that the Medical Services Premiums line item will expend \$2,162,530,382 in FY 2007-08. However, the Department will only need an appropriation of \$2,160,559,994 in FY 2007-08 (a \$1.9 million roll forward appropriation from FY 2006-07 for disease management is excluded in order to avoid double counting an existing appropriation). This estimate is \$12.7 million higher than the current appropriation. Table 4 below shows staff's January estimated breakdown of expenditures (please note again that these are *preliminary* estimates and will be refined once staff's receives greater detail from the Department in February and receives two more months of data).

Table 4: Staff's Preliminary Estimate for FY 2007-08 Medical Services Premiums Line Item				
	Traditional Medicaid*	Legal Immigrants	Amendment 35 Expansion Populations	Total
Acute Care Services	\$1,155,233,517	\$9,138,411	\$84,136,698	\$1,248,508,626
Community Care Services	233,882,536	544,484	0	234,427,020
Long-Term Care Services	546,157,792	1,913,622	0	548,071,414
Insurance Premiums	85,887,344	0	0	85,887,344
Administrative Services	29,776,935	0	0	29,776,935
Bottom-Line Financing	\$13,888,655	\$0	\$0	\$13,888,655
Total	\$2,064,826,779	\$11,596,517	\$84,136,698	\$2,160,559,994
General Fund	\$1,012,709,897	\$0	\$0	\$1,012,709,897
Cash Funds - ICMR Provider Fees	0	0	0	0
Cash Funds Exempt - Certified Funds	13,577,119	0	0	13,577,119
BCCTP Fund	434,782	0	0	434,782
Transfer from DPHE for BCCTP	0	0	735,600	735,600
Health Care Expansion Fund (PE in Traditional)	2,719,827	6,216,752	41,017,492	49,954,071

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Table 4: Staff's Preliminary Estimate for FY 2007-08 Medical Services Premiums Line Item				
	Traditional Medicaid*	Legal Immigrants	Amendment 35 Expansion Populations	Total
Autism Fund	38,841	0	0	38,841
Federal Funds (includes DM roll forward federal match)	1,035,346,313	5,379,765	42,383,606	1,083,109,684
Total	\$2,064,826,779	\$11,596,517	\$84,136,698	\$2,160,559,994

Table 5 compares the current FY 2007-08 appropriation with staff's preliminary estimate for FY 2007-08.

Table 5: Comparison of Staff's Preliminary Estimate to Current FY 2007-08 Appropriation			
	Current Appropriation Estimate	Staff's New Expenditure Estimate	Difference (Staff Est. - Current App.)
Acute Care Services	\$1,228,228,731	\$1,248,508,626	\$20,279,895
Community Care Services	224,221,962	234,427,020	10,205,058
Long-Term Care Services	563,580,066	548,071,414	(15,508,652)
Insurance Premiums	89,164,779	85,887,344	(3,277,435)
Administrative Services*	28,122,570	29,776,935	1,654,365
Bottom-Line Financing	\$14,540,800	\$13,888,655	(\$652,145)
Total	\$2,147,858,908	\$2,160,559,994	\$12,701,086
General Fund	\$996,321,500	\$1,012,709,897	\$16,388,397
Cash Funds - ICMR Provider Fees	38,256	0	(38,256)
Cash Funds Exempt - Certified Funds	14,191,008	13,577,119	(613,889)
BCCTP Fund	429,838	434,782	4,944
Transfer from DPHE for BCCTP	735,600	735,600	0
Health Care Expansion Fund (PE in Traditional)	60,018,172	49,954,071	(10,064,101)
Autism Fund	626,750	38,841	(587,909)
Federal Funds*	1,075,497,784	1,083,109,684	7,611,900
Total	\$2,147,858,908	\$2,160,559,994	\$12,701,086

*includes \$1,970,388 in federal funds to match the FY 2006-07 roll forward for DM from the DPHE transfer.

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As Table 5 indicates, staff preliminary FY 2007-08 forecasts a General Fund shortfall of \$16.4 million (a 1.6 percent increase). However, the overall increase is only \$12.7 million (an increase of 0.6 percent). Reasons for staff's forecasted increase to the General Fund include the following:

- 1) An estimated increase of \$1,686,324 General Fund (\$3,372,648 total funds) to increase the HMO reimbursement rate from 95 percent of Fee-for-Service to 99 percent of Fee-for-Services pursuant to H.B. 07-1346. The Committee gave approval for the Department to increase these rates pursuant to a letter that the Committee sent the Department in June 2007 (see attachment). The Department's supplemental request addresses this issue in a separate supplemental request (see supplemental request #12). However, because these rates are already included in the expenditure data that staff is using in recalculating the base request, staff includes this issue in the base calculations. This issue partially explains why acute care services are exceeding the original forecast.
- 2) An increase of \$652,145 General Fund (corresponding decreases to cash funds and cash funds exempt and to federal funds) due to new estimates on amount of upper payment limit that will be available to offset General Fund expenditures.
- 3) An increase of \$335,188 General Fund (\$670,376 total funds) due to lower than originally estimated drug savings from the preferred drug list in FY 2007-08. The Department's supplemental request addresses this issue in a separate supplemental request (see supplemental request #9). Staff addresses this issue as part of the base calculations since staff is estimating expenditures based on year-to-date expenditure patterns. Staff is no longer calculating an offset to the base calculations for this issue.
- 4) An increase of \$13.7 million General Fund (\$9.0 million total funds) to reflect the new caseload and cost-per-client forecast. As stated earlier, the caseload that can be funded by the Health Care Expansion Fund is lower than originally forecasted (35,537 clients rather than 38,727 clients) while the "traditional" caseload is higher than originally forecasted (347,850 clients rather than 346,283). Additionally, the forecast reflects a different mix between the elderly, disabled, low-income adult, and children populations than originally forecasted.

For the purposes of planning, staff recommends that the Committee assume that there will be a positive \$16.4 million General Fund supplemental in the Medical Services Premiums line item for base caseload and cost-per-client forecast changes for FY 2007-08. Again, this forecast will be finalized in March 2008.

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Because the Department and staff have other supplemental requests and recommendations that impact the Medical Services Premiums line item, staff has prepared a summary table below of all changes recommended (including both placeholders or regular supplementals) for the Medical Services Premiums line item.

Table 6a: All Staff Supplemental Recommendations that impact the Medical Services Premiums Line Item							
	Current Appropriation	Sup #1 Placeholder	Sup #9	Sup #10	Sup # 12	Sup #13	Total Staff Recommendation
Total	\$2,147,858,908	\$12,701,086	\$0	\$7,444,266	\$0	\$0	\$2,168,004,260
General Fund	996,321,500	16,388,397	0	3,722,133	0	pending	1,016,432,030
Cash Funds - ICMR Provider Fees	38,256	(38,256)	0	0	0	0	0
Cash Funds Exempt - Certified Funds	14,191,008	(613,889)	0	0	0	0	13,577,119
BCCTP Fund	429,838	4,944	0	0	0	0	434,782
Transfer from DPHE for BCCTP	735,600	0	0	0	0	0	735,600
Health Care Expansion Fund	60,018,172	(10,064,101)	0	0	0	0	49,954,071
Autism Fund	626,750	(587,909)	0	0	0	0	38,841
Federal Funds	1,075,497,784	7,611,900	0	3,722,133	0	pending	1,086,831,817

Table 6b: All Department Supplemental Recommendations that impact the Medical Services Premiums Line Item							
	Current Appropriation	Sup #1 Placeholder	Sup #9	Sup #10	Sup # 12	Sup #13	Dept. Total Request
Total	\$2,147,858,908	\$9,724,208	\$483,556	\$0	\$3,372,648	\$2,392,954	\$2,163,832,274
General Fund	996,321,500	12,296,825	241,778	0	1,686,324	1,196,477	1,011,742,904
Cash Funds - ICMR Provider Fees	38,256	(38,256)	0	0	0	0	0
Cash Funds Exempt	76,001,368	(6,627,187)	0	0	0	0	69,374,181
Federal Funds	1,075,497,784	4,092,826	241,778	0	1,686,324	1,196,477	1,082,715,189

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Supplemental # 2 -Request for FY 2007-08 Medicaid Community Mental Health Programs

	Request	Recommendation
Total	\$69,639	<u>\$0</u>
General Fund	(353,258)	pending -- placeholder
Cash Funds	0	pending - placeholder
Cash Funds Exempt	387,065	pending - placeholder
Federal Funds	35,832	pending - placeholder

	Request	Recommendation
Total	<u>(\$32,321,595)</u>	<u>(\$32,321,595)</u>
General Fund	0	0
Cash Funds	0	0
Cash Funds Exempt	(32,321,595)	(32,321,595)
Federal Funds	0	0

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 the appropriation / new data / an unforeseen contingency]

Staff and the Department update the forecast for the Medicaid Community Mental Health Programs every year based on the most current data available. The new estimate for FY 2007-08 is used to help calculate the estimate for FY 2008-09.

Department Request: This supplemental request is for adjustments to the Medicaid Community Mental Health line items based on current caseload growth data for the fiscal year. The Department's supplemental request reflects the FY 2007-08 estimated expenditures that were submitted in the Department's November 1, 2007 budget submission. The Department's January 2, 2008 supplemental request does not contain any new information from what was presented to the Committee during the staff briefing on December 4, 2007. The request consists of three components:

1. A decrease of \$32.3 million cash funds exempt from eliminating the "information-only" anti-psychotic prescription drugs appropriation.
2. A net increase of \$242,857 total funds (an increase of \$387,065 cash funds exempt and \$122,441 federal funds offset by a decrease of \$266,649 General Fund) to recalculate the Mental Health capitation program based on current caseload and cost estimates.

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3. A decrease of \$173,218 total funds (\$86,609 General Fund and \$86,609 federal funds) for the Medicaid Mental Health fee-for-service program.

The Department's request represents the Executive's placeholder recommendation until the Department resubmits their Medicaid Mental Health budget estimates on February 15, 2008. At that time, the Department will submit updated calculations and assumptions for the Medicaid Mental Health Program line items.

Staff Recommendation: *Staff recommends the Department's request to remove the double-count for anti-psychotic drugs. Staff's recommendation for the Mental Health capitation and fee-for-service programs is pending.* On February 15, 2007, the Department will submit a revised caseload estimate for the Medicaid population. Typically, staff calculates the final Medicaid Community Mental Health line items after the final caseload forecasts are made in March. However, in order to help the Committee plan, staff has prepared a placeholder recommendation based on the new Medicaid caseload estimates that were presented in Supplemental #1. Following is a discussion of the components of staff's recommendation.

1. ***Eliminate the double count for anti-psychotic drugs:*** Staff recommends the Department's request to eliminate the "informational-only" appropriation for anti-psychotic prescription drugs. Currently, all prescription drug costs are appropriated in the Medical Services Premiums line item. Anti-psychotic prescription drugs currently are not part, nor are the planned to be part, of the capitation contracts with the Behavioral Health Organizations (BHOs). Since FY 1999-00, the Long Bill has contained a double-counted appropriation for anti-psychotic drugs. When the Department of Human Services administered all mental health programs, a transfer appropriation from HCPF to DHS for the estimated cost of anti-psychotic drugs was included in the Long Bill. Once HCPF began administering the Medicaid MH capitation program, an "informational-only" appropriation for prescription drugs was contained in the Medicaid Mental Health Division of HCPF's Long Bill.

The reason for including the "informational-only" appropriation in the Long Bill was to show the General Assembly (and interested parties) the total estimated costs for *most* mental health Medicaid programs. In addition, for the last ten years there has been discussion on whether or not anti-psychotic prescription drug costs should be fully incorporated into the capitation program. Therefore, the Joint Budget Committee has included the "informational-only" appropriation as a means to ensure that the Department reported on the costs of this service each year.

Staff agrees with the Department that this "informational-only" appropriation distorts the actual size of the state budget by double-counting spending for anti-psychotic drugs (once in the Medical Services Premiums line item and again in the Medicaid Mental Health Division). Also, the accuracy of this line item's appropriation has not been very good in the recent past as shown below.

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Table 1: Anti-psychotic Prescription Drug Expenditures				
	Final Appropriation	Actual	Difference	% Difference
FY 2004-05	\$42,991,058	\$45,954,548	\$2,963,490	6.89%
FY 2005-06	\$33,102,281	\$27,105,418	(\$5,996,863)	-18.12%
FY 2006-07	\$32,682,434	\$34,294,729	\$1,612,295	4.93%

Staff recommends that the Committee eliminate the appropriation line item but include a footnote in the Medical Services Premiums Line Item to indicate the estimate of anti-psychotic expenditures each year. This will allow the estimated amount to continue to be trackable in the budget bill each year without creating an appropriation that double counts expenditure estimates or is difficult to account.

XX Department of Health Care Policy and Financing, Medical Services Premiums -- The calculations for this line item include an estimate of \$32,321,595 for anti-psychotic prescription drugs.

2. **Staff recommends a net placeholder negative supplemental of \$2,609,421 total funds (an increase of \$537,001 General Fund offset by decreases of \$1.6 million cash funds exempt and \$1.3 million federal funds) for the Mental Health Capitation Program.** This recommendation is based on the staff recommended Medicaid caseload forecast presented in Supplemental #1 and on the Department's blended capitation rates presented in their November budget request. Table 2a and 2b provides the detail for staff's calculations.

Table 2a: FY 2007-08 Appropriation Compared to Staff's FY 2007-08 Expenditure Estimate							
Eligible MH Medicaid Caseload	Original Caseload Projection	Est. Capitation Rate for Aid Category	Cost Estimate	New Caseload Projection	Est. Capitation Rate for Aid Category	New Cost Estimate	Cost Difference
SSI 65+	36,703	\$167.98	\$6,165,370	35,833	\$170.29	\$6,102,002	(\$63,368)
SSI 60-64	6,252	\$1,387.23	\$8,672,962	6,142	\$1,381.32	\$8,484,067	(\$188,895)
SSI Disabled	48,942	\$1,387.23	\$67,893,811	49,553	\$1,381.32	\$68,448,550	\$554,739
LI Adults	46,708	\$210.39	\$9,826,896	45,500	\$217.46	\$9,894,430	\$67,534
Ex LI Adults	10,377	\$210.39	\$2,183,217	8,000	\$217.46	\$1,739,680	(\$443,537)
BC Adults	5,264	\$210.39	\$1,107,493	5,500	\$217.46	\$1,196,030	\$88,537

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Table 2a: FY 2007-08 Appropriation Compared to Staff's FY 2007-08 Expenditure Estimate							
Eligible MH Medicaid Caseload	Original Caseload Projection	Est. Capitation Rate for Aid Category	Cost Estimate	New Caseload Projection	Est. Capitation Rate for Aid Category	New Cost Estimate	Cost Difference
BCCTP	277	\$160.32	\$44,409	277	\$197.88	\$54,813	\$10,404
Children	193,981	\$172.33	\$33,428,746	196,932	\$177.86	\$35,026,326	\$1,597,580
Foster Children	<u>17,295</u>	<u>\$3,602.19</u>	<u>\$62,299,876</u>	<u>16,882</u>	<u>\$3,685.94</u>	<u>\$62,226,039</u>	<u>(\$73,837)</u>
Subtotal	365,799	n/a	\$191,622,780	364,619	n/a	\$193,171,936	\$1,549,156
Recoupment Adjustment	n/a	n/a	\$300,000	n/a	n/a	(\$1,000,000)	(\$1,300,000)
S.B. 07-02 Adj not included above	<u>1,226</u>	<u>\$3,573.30</u>	<u>4,380,871</u>	<u>413</u>	<u>\$3,685.94</u>	<u>\$1,522,293</u>	<u>(\$2,858,578)</u>
Total	367,025	n/a	\$196,303,651	365,032	n/a	\$193,694,230	(\$2,609,421)

As Table 2a shows, staff currently forecasts a decrease of 1,993 clients(0.5 percent) in the overall Medicaid caseload eligible for mental health services. However, for the purpose of this placeholder recommendation, staff is recommending the per-capita cost estimates contained in the Department's November 1, budget submission. Based on the caseload and per-capita cost estimates, staff forecasts a \$2.6 million decrease to the capitation payments from what is currently appropriated. However, the majority of the reduction is due to a lower than estimated caseload impact from S.B. 07-002 (which expanded Medicaid eligibility to emancipated children leaving the foster care system). Table 2b shows the fund splits estimates based on staff's placeholder recommendation.

Table 2b: FY 2007-08 Fund Splits for Mental Health Capitation Program						
	Current FY 2007-08 Appropriation	Depart. Placeholder	Staff Revised FY 2007-08 Estimate	Difference Staff - App.	Difference (Staff - Dept)	
General Fund	\$91,315,646	\$91,048,997	\$91,585,998	\$270,352	\$537,001	
CFE -- HCF	\$6,822,128	\$7,208,074	\$5,243,788	(\$1,578,340)	(\$1,964,286)	
CFE -- BCCTP Fund	\$0	\$3,141	\$3,359	\$3,359	\$218	
CFE -- DPHE Transfer	\$7,383	\$5,361	\$5,748	(\$1,635)	\$387	
<u>Federal Funds</u>	<u>\$98,158,494</u>	<u>\$98,280,935</u>	<u>\$96,855,337</u>	<u>(\$1,303,157)</u>	<u>(\$1,425,598)</u>	
Total Funds	\$196,303,651	\$196,546,508	\$193,694,230	(\$2,609,421)	(\$2,852,278)	

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The above recommendation is a placeholder until staff receives additional information from the Department in February.

Through December 2007, the Department has paid \$96.7 million in MH capitation payments. This is an average of \$16.1 million per month. The remaining current appropriation of \$99.6 million would support average monthly expenditures of \$16.6 million for the remaining six months of FY 2007-08. Staff's supplemental placeholder recommendation would leave \$97.0 million in the appropriation. At this appropriation level, monthly expenditures for the last six months of FY 2007-08 would need to average slightly less than \$16.2 million per month.

- 3. Staff recommends a negative placeholder supplemental of \$156,700 total funds (\$78,350 General Fund and \$78,350 Federal Funds) for the Mental Health Fee-for-Service Program.** The recommendation is based on the FY 2006-07 actual amount reduced by 2.6 percent based on staff's current caseload forecast.

Through December 2007, the Department has paid \$653,640 in fee-for-services claims. This is an average of approximately \$109,000 per month. The current FY 2007-08 appropriation remaining is \$835,363. This amount would support average monthly expenditures of \$139,200 for the remaining six months. Staff's recommended supplemental placeholder would leave \$678,663 remaining in the FY 2007-08 appropriation. This would allow an average of \$113,100 in expenditures per month through the remainder of FY 2007-08.

Table 3 below summarizes staff's placeholder and supplemental recommendations for the Medicaid mental health program line items compared to the Department's Request.

Table 3: Staff Recommendation Compared to Department Request					
	Current FY 2007-08 Appropriation	Depart. Placeholder	Staff Revised FY 2007-08 Estimate	Difference Staff - App.	Difference (Staff - Dept)
Mental Health Capitation	\$196,303,651	\$196,546,508	\$193,694,230	(\$2,609,421)	(\$2,852,278)
MH Fee-for Services	\$1,489,003	\$1,315,785	\$1,332,303	(\$156,700)	\$16,518
Anti-Psychotic Prescriptions (informational only app.)	<u>\$32,321,595</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$32,321,595)</u>	<u>\$0</u>
Total Appropriation for MH Medicaid line items	\$230,114,249	\$197,862,293	\$195,026,533	(\$35,087,716)	(\$2,835,760)
General Fund	\$92,060,148	\$91,706,890	\$92,252,150	\$192,002	\$545,260
CFE -- HCF	\$6,822,128	\$7,208,074	\$5,243,788	(\$1,578,340)	(\$1,964,286)

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Table 3: Staff Recommendation Compared to Department Request					
	Current FY 2007-08 Appropriation	Depart. Placeholder	Staff Revised FY 2007-08 Estimate	Difference Staff - App.	Difference (Staff - Dept)
CFE -- BCCTP Fund	\$0	\$3,141	\$3,359	\$3,359	\$218
CFE -- DPHE Transfer	\$7,383	\$5,361	\$5,748	(\$1,635)	\$387
CFE -- MSP transfer to MH Division (info only)	\$32,321,595	\$0	\$0	(\$32,321,595)	\$0
<u>Federal Funds</u>	<u>\$98,902,995</u>	<u>\$98,938,827</u>	<u>\$97,521,488</u>	<u>(\$1,381,507)</u>	<u>(\$1,417,339)</u>
Total Funds	\$230,114,249	\$197,862,293	\$195,026,533	(\$35,087,716)	(\$2,835,760)

Supplemental # 3 - Children's Basic Health Plan Program

	Request	Recommendation
Total	<u>\$19,644,330</u>	<u>pending</u>
General Fund	0	pending
Cash Funds	30,729	pending
Cash Funds Exempt	6,885,695	pending
Federal Funds	12,727,906	pending

*Staff has prepared a placeholder recommendation for this supplemental request. Staff's final recommendation for this supplemental request will be presented in March during figure setting. The final supplemental recommendation will be included as a supplemental bill add-on to the Long Bill.

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 the appropriation / <u>new data</u> / an unforeseen contingency]	
This request be based on current up-to-date data on the caseload figures and cost-per-client estimates for the Children's Basic Health Plan.	

Department Request: The Department's January 2008 supplemental request reflects the expenditures estimates for FY 2007-08 that were included in the Department's November 1, 2007 budget submission. No new information has been submitted in January. The Department's request is a placeholder request until they submit final caseload and costs estimates in February 2008. In the past, it has not been the Committee's

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practice to receive late supplementals for the CBHP program. However, last year the Committee allowed the Department to submit a February 15th supplemental because of the interwoven caseload impacts between Medicaid and the CBHP program from removing the Medicaid asset test. This year, the Department asked for special permission to submit a late supplemental on this program so that the Department can use six months of actual data in finalizing their final FY 2007-08 expenditure estimates. The JBC staff agreed to allow the Department to submit a late supplemental for FY 2007-08. This is the first year that the program will be using cash accounting. Staff supports an experiment to see if submitting a late supplemental request will help improve the accuracy of forecasting the final expenditures for the CBHP program. If staff determines that no real advantage resulted from the Department submitting a late supplemental for this program, staff will not support receiving late supplementals for this program in the future.

The Department's FY 2007-08 placeholder estimate reflects adjustments for two main issues:

1. An increase of \$4.1 million total funds (\$1.5 million cash funds and \$2.7 million federal funds) to adjust the FY 2007-08 appropriation based on the higher than anticipated expenditures that occurred in FY 2006-07 for this program.
2. An increase of \$15.5 million total funds (\$5.5 million cash funds and \$10.0 million federal funds) to reflect the Department's higher caseload and cost projections above the impact of the FY 2006-07 supplemental. The Department's recommendation is based on a total children's caseload of 56,323 client and a total adult prenatal care caseload of 1,297 clients. The average medical per capita cost for children is estimated at \$1,581.01 and the average dental per capita cost is estimated at \$152.36. The average per capita cost for adult pregnant women is estimated at \$11,933.24.

Staff Recommendation: *Staff's recommendation on this issue is pending the Department's late supplemental request.* Until that time, staff recommends using the Department's estimate as a placeholder recommendation for this issue. Table 2 shows the reasons for the anticipated increases in the CBHP program line items for FY 2007-08.

Table 2: CBHP Program Line Items FY 2007-08 Estimated Expenditure Detail*					
Item	Total Funds	GF / GFE	Cash Funds	Cash Fund Exempt	Federal Funds
Current FY 2007-08 Appropriation	\$99,111,462	\$11,011	\$246,943	\$35,293,457	\$63,560,051
<i>Department's Estimated Changes for FY 2007-08 (Nov 1, 2007 Request) -- Staff Recommended Placeholder</i>					
Adjustments for FY 2006-07 1331 Supplemental Caseload growth issue	4,147,496	0	10,567	1,447,923	2,689,006
Caseload and per-capita cost updated estimates for the CBHP program	<u>15,496,834</u>	<u>0</u>	<u>20,162</u>	<u>5,437,772</u>	<u>10,038,900</u>

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Table 2: CBHP Program Line Items FY 2007-08 Estimated Expenditure Detail*

Item	Total Funds	GF / GFE	Cash Funds	Cash Fund Exempt	Federal Funds
Staff's Recommended Placeholder for FY 2007-08 (Nov 1, 2007)	\$118,755,792	\$11,011	\$277,672	\$42,179,152	\$76,287,957
(Decrease)/Increase from current FY 2007-08 appropriation	\$19,644,330	\$0	\$30,729	\$6,885,695	\$12,727,906

* Includes changes to CBHP Trust Fund, CBHP Administration, CBHP Premium Costs, and CBHP Dental Benefit Costs.

Adjustments for FY 2006-07 1331 Supplemental: In June 2007, the JBC approved a 1331 emergency supplemental for the CBHP program based on higher than anticipated caseload in FY 2006-07. The JBC first adjusted for the higher than anticipated caseload in their March 2007 supplemental. However, the March supplemental was only based on initial caseload reports through January 2007. Once the Department had a nine months of data, it became apparent that the March 2007 supplemental would not be sufficient to meet the costs of the program due to higher than anticipated caseload. Because the General Assembly was out of session, the Department submitted an emergency 1331 supplemental and the JBC approved it. Based on higher than anticipated caseload and costs in FY 2006-07, staff recommends that the FY 2007-08 appropriation be adjusted to reflect this higher base.

Staff Comment: With the move to cash accounting, staff believes that greater budget accuracy for this program will be achieved in the future. Under the accrual method of accounting, the Department revised caseload and expenditure data for up to six months after the fact for retroactivity. This made the monthly caseload and expenditure reports difficult to use because they were always changing (it would take six months before the number didn't change anymore). However, under the cash basis of accounting, the monthly caseload and expenditure data will reflect actual costs for the reporting period and will be a better tool for monitoring the appropriation.

Caseload and per-capita cost updated estimates for the CBHP program: Even with the base adjustment for the FY 2006-07 emergency supplemental, the Department still anticipates that FY 2007-08 appropriation is underfunded by \$15.5 million total funds. This is mainly due to the Department's new estimate for caseload growth and higher than anticipated increases to the per-capita rates based on an actuarial analysis of the current rates. The Department's new caseload and per-capita costs are not directly comparable to the current appropriation because the current appropriation caseload and per-capita cost were not adjusted to remove the retroactivity under cash accounting (however, a total bottom line estimate of the effect of cash accounting was made to the appropriation). For the purposes of this placeholder recommendation, staff recommends the Department's November estimate. ***This is a preliminary recommendation that will be updated once the Department submits their final supplemental recommendation in February.*** These changes are discussed in greater detail below.

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Caseload growth:

The total children's caseload in FY 2006-07, adjusted for retroactivity, was 47,047. The current FY 2007-08 appropriation (not adjusted for retroactivity) was for 53,825. If this appropriation is adjusted for retroactivity it would have assumed approximately 48,738 clients (an increase of 3.4 percent from the FY 2006-07 actual). The Department is currently forecasting that the children's caseload in FY 2007-08 will grow to 56,323, an increase in caseload of 19.7 percent over FY 2006-07 and 15.6 percent over the FY 2007-08 current appropriation adjusted for retroactivity. Through December 2007, the average monthly children's caseload is 55,697. The Department's forecast for children is currently tracking fairly close to actual reported caseload.

The total adult pregnant caseload in FY 2006-07, adjusted for retroactivity, was 1,169. The current FY 2007-08 appropriation (not adjusted for retroactivity) was 1,664 clients. If this appropriation is adjusted for retroactivity, it would have assumed approximately 1,464 clients. The Department is currently forecasting that the adult pregnant caseload in FY 2007-08 will grow to 1,297, an increase of 10.9 percent over the FY 2006-07 actual but 11.4 percent lower than current appropriation. Through December 2007, the average monthly adult pregnant women's caseload is 1,378 which is running higher than the Department's November estimate but less than the current adjusted appropriation.

Expenditure estimates:

The Department's per capita costs have changed to reflect new rates based on new assumptions on the number of clients in the self-funded network and in the HMO network as well as new cost assumptions. Based on the new per-capita estimates and caseload forecasts, the Department anticipates that the CBHP Premium line item will need a total of \$104.4 million. This amount assumes average monthly expenditures of approximately \$8.7 million a month. Currently, through December 2007, the average monthly expenditures for the CBHP line item has average \$7.6 million. However during the last quarter, the expenditures have averaged \$8.4 million. Staff believes the Department's November 1, 2007 estimate is reflecting the growing trend in the CBHP premiums expenditures.

The Department's November estimate reflected CBHP dental expenditures of \$8.5 million. This amount assumes average monthly expenditures of approximately \$708,300. Thus far in FY 2007-08, the average monthly expenditures for the dental program have averaged \$691,300. Staff believes the Department's November 1, 2007 estimate is reflecting the growing trend in the CBHP dental expenditures.

General Fund Impact:

At this time, staff does not anticipate that there will be a General Fund impact in FY 2007-08 for these revised estimates. The Children's Basic Health Plan and Health Care Expansion Funds currently have sufficient fund balances to meet the program's funding needs.

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Supplemental # 4 - Medicare Modernization Act State Contribution Payment

	Request	Recommendation
Total	\$2,942,893	\$0
FTE	<u>0.00</u>	0.0
General Fund	2,942,893	pending
Cash Funds	0	pending
Cash Funds Exempt	0	pending
Federal Funds	0	pending

*Staff has prepared a placeholder recommendation for this supplemental request. Staff's final recommendation for this supplemental request will be presented in March during figure setting. The final supplemental recommendation will be included as a supplemental bill add-on to the Long Bill.

<p>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 the appropriation / <u>new data</u> / an unforeseen contingency]</p> <p>This supplemental request is based on new caseload and cost data from the Medicare Modernization Act State Contribution payment.</p>

Department Request: The Department's January 2008 supplemental request reflects the FY 2007-08 expenditure estimates for the Medicare Modernization Act (MMA) State Contribution Payment. At this time, the Department has not submitted supporting documentation for this request. This request is a placeholder request until the Department submits their late supplemental caseload estimates for the Medicaid program. Because the caseload for this program is a Medicaid caseload, staff supports the Department submitting final cost estimates for this program when they submit their final cost estimates for the Medicaid program in February 2008.

Staff Recommendation: Staff's recommendation on this issue is pending until the Department submits their February 15th caseload forecasts. Staff currently recommends a placeholder of \$2.4 million. The current appropriation supports monthly expenditures of approximately \$6.3 million. Through November 2007, the average monthly expenditures have averaged \$6.6 million. Currently, it appears that the current appropriation under funds the programs expenses by approximately \$2.4 million. Staff recommends this as a placeholder until more complete information is submitted in February.

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Supplemental # 5 - Release FY 2006-07 Medicaid Overexpenditures

Department of Health Care Policy and Financing Impact

	Request	Recommendation
Total	<u>\$11,861,237</u>	<u>\$3,616,986</u>
General Fund	3,616,986	3,616,986
Federal Funds	8,244,251	0

Department of Human Services Impact

	Request	Recommendation
Total	<u>\$561,647</u>	<u>\$561,647</u>
Cash Funds Exempt	561,647	561,647

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God / a technical error in the appropriation / <u>new data</u> / an unforeseen contingency]	YES
This supplemental reflects the actual expenditures for FY 2006-07.	

Department Request: The Department requests that the JBC approve a **FY 2006-07** total fund supplemental appropriation of approximately \$11.9 million for Medicaid over-expenditures in FY 2006-07. By approving this supplemental, the Committee would be lifting the current appropriation restriction of \$11.9 million on the FY 2007-08 appropriations.

Staff Recommendation: **Staff recommends the Department's request with a technical correction.** Staff has determined that the Medicaid over-expenditures in FY 2006-07 were the result of forecast error and not because of mismanagement of the appropriation. Therefore, staff recommends supplemental appropriations in FY 2006-07 to cover the over-expenditures so that all restrictions on the FY 2007-08 appropriations can be lifted. Appropriations for over-expenditures in the Medicaid program can be made outside of the 6.0 percent limit on General Fund appropriations.

Background: In FY 2006-07, the Department of Health Care Policy and Financing exceeded its appropriations for Medical Services Premiums, Medicaid Mental Health Community Programs, and the Department of Human Services - Medicaid Funded programs by a total of \$3,616,986 General Fund, and \$8,244,251 federal funds. Pursuant to 24-75-109 (3) C.R.S. (2007), the State Controller is required to

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restrict the Department's FY 2007-08 appropriation by the same amount. In order for the State Controller to release the restriction, 24-75-109 (4), C.R.S. (2007) requires that the Department receive a supplemental appropriation for the fiscal year in which the over expenditure occurred. Table 1 below shows the total Medicaid over expenditures in FY 2006-07.

Table 1: FY 2006-07 Medicaid Over Expenditures						
	GF	CF	CFE	FF	Total Funds	Restriction
Medicaid Services Premiums Line Item						
Original Appropriation	\$974,636,899	\$38,256	\$52,330,509	\$1,030,795,548	\$2,057,801,212	
Final Expenditure	<u>\$976,477,714</u>	<u>\$0</u>	<u>\$48,860,206</u>	<u>\$1,036,058,888</u>	<u>\$2,061,396,808</u>	
Difference + Over-expenditure - Reversion ¹	\$1,840,815	(\$38,256)	(\$3,470,303)	\$5,263,340	\$3,595,596	\$7,104,155
% Difference	0.19%	-100.00%	-6.63%	0.51%	0.17%	
Medicaid Mental Health Capitation						
Original Appropriation	\$88,358,589	\$0	\$3,206,518	\$91,575,906	\$183,141,013	
Final Expenditure	<u>\$89,832,730</u>	<u>\$0</u>	<u>\$2,481,026</u>	<u>\$92,326,812</u>	<u>\$184,640,568</u>	
Difference	\$1,474,141	\$0	(\$725,492)	\$750,906	\$1,499,555	\$2,225,047
% Difference	1.67%	n/a	-22.63%	0.82%	0.82%	
DHS - Medicaid Funded Program High Risk Pregnant Women						
Original Appropriation	\$491,979	\$0	\$0	\$491,979	\$983,958	
Final Expenditure	<u>\$554,724</u>	<u>\$0</u>	<u>\$0</u>	<u>\$554,723</u>	<u>\$1,109,447</u>	
Difference	\$62,745	\$0	\$0	\$62,744	\$125,489	\$125,489
% Difference	12.75%	n/a	n/a	12.75%	12.75%	
DHS - Medicaid Funded Program Services for Children and Families						
Original Appropriation	\$2,123,701	\$0	\$347,602	\$2,471,447	\$4,942,750	
Final Expenditure	<u>\$2,362,986</u>	<u>\$0</u>	<u>\$241,757</u>	<u>\$2,668,320</u>	<u>\$5,273,063</u>	
Difference	\$239,285	\$0	(\$105,845)	\$196,873	\$330,313	\$436,158
% Difference	11.27%	n/a	n/a	7.97%	6.68%	
TOTAL Restriction on FY 2007-08						\$9,890,849

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The technical differences between the Department's request and staff recommendation is that the JBC does not to provide an appropriation for the federal funds. The General Fund appropriation is necessary because it helps build the 6.0 percent appropriation base for FY 2007-08. The federal fund restriction will be released once General Assembly instructs the State Controller to do so. Therefore, staff recommends providing only FY 2006-07 appropriations for the General Fund over-expenditures and instructing the Controller to release all other fund restrictions on the FY 2007-08 appropriation. Please note, that staff's federal fund over expenditure calculations are also differ from the Department's request. This is due to the Department requesting \$1.9 million in federal funds to match a FY 2006-07 roll forward of \$1.9 million in cash funds exempt. In FY 2006-07 the Committee approved rolling forward a \$1.9 million cash fund exempt appropriation to fund disease management programs in FY 2007-08. The Department requests that the federal FY 2006-07 funds be increased in order to provide a matching "roll forward" in FY 2007-08 for these funds. Staff addresses this issue by just increasing the FY 2007-08 federal funds appropriation in supplemental number 1 to make sure there is sufficient federal funds expenditure funds to match this roll forward appropriation.

Following is the proposed language for the supplemental bill to release these FY 2006-07 over-expenditures (for the Department of Health Care Policy and Financing only -- the DHS supplemental adjusts are made using a difference format).

Department of Health Care Policy and Financing Adjustments

Section X. Appropriation. In addition to any other appropriation, there is hereby appropriated, out of any moneys in the general fund not otherwise appropriated, to the department of health care policy and financing, for the fiscal year beginning July 1, 2006, the sum of one million eight hundred forty thousand eight hundred fifteen dollars (\$1,840,815), or so much thereof as may be necessary for the payment of overexpenditures of line item appropriations contained in Part V of section 2 of chapter 394, Session Laws of Colorado 2006, as amended by section 2 of chapter 446, Session Laws of Colorado 2007 and by section 10 of chapter 466, Session Laws of Colorado 2007. In accordance with section 24-75-109 (4) (a), Colorado Revised Statutes, all restrictions on funds for medical services premiums, department of health care policy and financing, for the FY 2006-07 fiscal year, shall be released.

Section XX. Appropriation. In addition to any other appropriation, there is hereby appropriated, out of any moneys in the general fund not otherwise appropriated, to the department of health care policy and financing, for the fiscal year beginning July 1, 2006, the sum of one million four hundred seventy-four thousand one hundred forty-one dollars (\$1,474,141), or so much thereof as may be necessary for the payment of overexpenditures of line item appropriations contained in Part V of section 3 of chapter 394, Session Laws of Colorado 2006, as amended by section 2 of chapter 446, Session Laws of Colorado 2007 and by section 10 of chapter 466, Session Laws of Colorado 2007. In accordance with section 24-75-109 (4) (a), Colorado Revised Statutes, all restrictions on funds for medicaid mental health community

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programs, department of health care policy and financing, for the FY 2006-07 fiscal year, shall be released.

Section XXX. Appropriation. In addition to any other appropriation, there is hereby appropriated, out of any moneys in the general fund not otherwise appropriated, to the department of health care policy and financing, for the fiscal year beginning July 1, 2006, the sum of sixty-two thousand seven hundred forty-five dollars (\$62,745), or so much thereof as may be necessary for the payment of overexpenditures of line item appropriations contained in Part V of section 6 (F) of chapter 394, Session Laws of Colorado 2006, as amended by section 2 of chapter 446, Session Laws of Colorado 2007 and by section 10 of chapter 466, Session Laws of Colorado 2007. In accordance with section 24-75-109 (4) (a), Colorado Revised Statutes, all restrictions on funds for department of human services medicaid-funded programs, mental health and alcohol and drug abuse services-medicare funding, department of health care policy and financing, for the FY 2007-08 fiscal year, shall be released.

Section XXXX. Appropriation. In addition to any other appropriation, there is hereby appropriated, out of any moneys in the general fund not otherwise appropriated, to the department of health care policy and financing, for the fiscal year beginning July 1, 2006, the sum of two hundred thirty-nine thousand two hundred eighty-five dollars (\$239,285), or so much thereof as may be necessary for the payment of overexpenditures of line item appropriations contained in Part V of section 6 (G) of chapter 394, Session Laws of Colorado 2006, as amended by section 2 of chapter 446, Session Laws of Colorado 2007 and by section 10 of chapter 466, Session Laws of Colorado 2007. The cash funds exempt appropriations shall be a transfer from the department of health care policy and financing. In accordance with section 24-75-109 (4) (a), Colorado Revised Statutes, all restrictions on funds for department of human services medicaid-funded programs, services for people with developmental disabilities - medicare funding, department of health care policy and financing, for the FY 2007-08 fiscal year, shall be released.

Supplemental # 6 - Medical Director Consortium

	Request	Recommendation
Total	<u>\$80,000</u>	<u>\$80,000</u>
FTE	0.0	0.0
General Fund	10,000	10,000
Federal Funds	70,000	70,000

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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 the appropriation / <u>new data</u> / an unforeseen contingency]	

The request represents a new policy direction in addressing concerns that have been expressed by the General Assembly and Joint Budget Committee regarding the lack of medical expertise at the Department. This new policy direction was not decided upon until after the passage of S.B. 07-211 and therefore, could not be incorporated into last year's budget bill.

Department Request: The Department request \$80,000 total funds (\$10,000 General Fund and \$70,000 federal funds) to hire a consortium of medical professionals from University of Physician Incorporated to provide medical expertise and research for the Department. The supplemental funding is in addition to \$40,000 (\$20,000 General Fund and \$20,000 federal fund) that is currently in the Department's base funding. The total amount of funding that the Department anticipates spending in FY 2007-08 for their contract with University of Physician Incorporated is \$120,000 (\$30,000 General Fund and \$90,000 federal funds). This funding will pay for the contract from January through June 2008. If this supplemental is not approved, the contract will expire in April 2008. The total amount of funding needed for this contract in FY 2008-09 is \$240,000 (\$60,000 General Fund and \$180,000 federal funds).

Table 1: Contract with University Physicians Incorporated						
	FY 2007-08			FY 2008-09		
	Base Funding	Supplemental Request	Total Funding	Base Funding	Budget Amendment	Total Funding
General Fund	\$20,000	\$10,000	\$30,000	\$20,000	\$40,000	\$60,000
Federal Funds*	<u>\$20,000</u>	<u>\$70,000</u>	<u>\$90,000</u>	<u>\$20,000</u>	<u>\$160,000</u>	<u>\$180,000</u>
Total Funds	\$40,000	\$80,000	\$120,000	\$40,000	\$200,000	\$240,000

* The Department believes that this contract will qualify for a 25/75 match rate because it is for medical professionals working within their profession.

Staff Recommendation: *Staff recommends the Department's request.*

Background: Since the Department was created, it has never employed a Medical Doctor as a Chief Medical Office or as the State's Medicaid Director. As a major health program (financing health care services to approximately 12 percent of the state's population) the Department needs some medical expertise in developing policies, procedures, and rules for the Department. Prior to FY 2007-08, the Department had a contract with Denver Health for \$40,000 annually to provide medical advise to the

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Department on certain medical issues. The contract provided up to 8 hours per week for medical consulting services to the Department. Last year the General Assembly passed S.B. 07-211 which allowed the Department to hire a chief medical officer (the Department was not required to hire the position, but if they did, the qualifications and responsibilities for the position were laid out in statute). Because this part of the S.B. 07-211 was permissive, no additional costs were included in the fiscal note or appropriation clause for a medical director's position. It was also unsure at the time if additional resources would even be necessary as the Assistant Director for Medicaid and CBHP was vacant at the time (and is still vacant last time staff checked -- with Director Henneberry assuming the responsibilities for this position until recruitment is complete).

After S.B. 07-211 passed, the Department cancelled their contract with Denver Health. This contract was intended to provide the Department with the types of services that a Chief Medical Officer would provide. However, neither the funding for the contract nor the services received from the contract matched the needs of the Department as assessed by the new administration. Therefore, the Department began looking into different ways to comply with the Legislative intent expressed in S.B. 07-211.

The Department's proposal is to contract with University Physicians Incorporated (University of Colorado Health Sciences Center) to provide clinical and policy consultation and technical assistance to the Department in the areas of pediatrics, internal medicine, geriatrics, obstetrics and gynecology. This contract makes a qualified physician available to answer Department requests five days a week during regular business hours. The Department believes that this new contract will meet the needs of the Department. In addition, the Department believes that the contract will qualify for 25/75 match rate from the federal government because the contract is for medical professional advice from professionals working in their field of practice.

Supplemental #7 - Funding for Additional Leased Space

	Request	Recommendation
Total	<u>\$146,484</u>	<u>\$54,905</u>
General Fund	73,242	27,452
Federal Funds	73,242	27,453

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	YES
This supplemental will allow the Department accommodate additional FTE growth in the Department.	

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Department Request: The Department's request will allow the Department to enter into a lease agreement for an additional 8,347 square feet in the same building where they already lease commercial space. This will accommodate the Department's anticipated growth and lock in a lease for this space at \$21.00 a square foot for the next four years. The Department requests that they be given permission to enter into this lease beginning in April 2008 in order to make sure the lease rate is secured before the building at 225 E. 16th street is sold to a new property manager. Currently, without this supplemental request, the Department anticipates reverting \$53,369 total funds from their commercial lease space line item due to additional expenditure authority that was inadvertently left in the Department's FY 2007-08 appropriation last year. If this supplemental is approved, the Department commercial lease space expenditures for FY 2007-08 would increase by \$43,822 for the additional 8,347 square feet rented from April 2008 to June 2008. This amount would reduce the current anticipated reversion of \$53,369 to \$9,547 total funds. In addition, the Department anticipates costs of \$10,500 for moving expenses and \$145,531 for office furniture and equipment. Table 1 below shows the impacts of the Department's request.

Table 1: Additional Lease Space at 225 E. 16th street						
	FY 2007-08			FY 2008-09		
	General Fund	Federal Funds	Total Funding	General Fund	Federal Funds	Total Funding
Moving Expenses/ Electrical Installation	\$5,250	\$5,250	\$10,500	\$0	\$0	\$0
Additional Lease Costs*	(\$4,774)	(\$4,774)	(\$9,548)	\$60,960	\$60,958	\$121,918
Office Furniture and Equipment	<u>\$72,766</u>	<u>\$72,766</u>	<u>\$145,532</u>	<u>\$85,624</u>	<u>\$85,626</u>	<u>\$171,250</u>
Total Funds	\$73,242	\$73,242	\$146,484	\$146,584	\$146,584	\$293,168

*In FY 2007-08 the additional lease cost is \$43,822. However, due to a technical error in the appropriation, the Department already has \$53,369 in their base appropriation that can cover this expense. Therefore, the Department requests a negative supplemental of \$9,547 in their commercial lease space line item in FY 2007-08 in order to offset some of the increased costs for office furniture and equipment.

Staff Recommendation: Staff recommends a total FY 2007-08 supplemental appropriation of \$54,905 (\$27,452 General Fund and \$27,453 Federal Funds). Table 2 summarizes staff's recommendation.

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Table 2: Additional Lease Space at 225 E. 16th street			
	FY 2007-08		
	General Fund	Federal Funds	Total Funding
Moving Expenses /Electrical Installation	\$5,250	\$5,250	\$10,500
Additional Lease Costs	(\$4,774)	(\$4,773)	(\$9,547)
Office Furniture and Equipment	<u>\$26,976</u>	<u>\$26,976</u>	<u>\$53,952</u>
Total Funds	\$27,452	\$27,453	\$54,905

Table 3 outlines the specific differences between the staff's recommendation and Department's request.

Table 3: Additional Lease Space at 225 E. 16th street			
	FY 2007-08		
	Staff	Department	Difference
Moving Expenses / Electrical Installation	\$10,500	\$10,500	\$0
Additional Lease Costs*	(\$9,547)	(\$9,547)	\$0
Purchase and Installation of 19 Cubicles	\$0	\$83,619	(\$83,619)
Incremental cost for 16 Cubicles (in addition to allowable fiscal note/ OSPB policy)	\$34,817	\$34,817	\$0
Chairs (staff 16, Dept 35)	\$6,704	\$14,665	(\$7,961)
Office Equipment	<u>\$12,431</u>	<u>\$12,431</u>	<u>\$0</u>
Total Funds	\$54,905	\$146,485	(\$91,580)

Moving Expenses /Electrical Installation: Staff recommends the Department's request for moving expenses and electrical installation costs for the new space.

Additional Lease Costs: Staff recommends the Department's request to secure the additional lease space of 8,347 square feet. However, due to technical error in the current appropriation, the Department can pay for the increase cost from April to June 2008 within existing resources and will still revert \$9,547 in funding. Staff recommends a negative supplemental of \$9,547 so that this reversion will not occur. Staff agrees that entering into this lease before the end of FY 2007-08 will be advantageous to the State in that the Department will be able to lock in a rate for the next four years before the building is sold.

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Purchase and Installation of 19 Cubicles: Staff does not recommend this issue as a supplemental issue. This issue is not crucial to the Department's operations in FY 2007-08 but are related to anticipated need in FY 2008-09 and beyond. Staff will address this issue in decision item #10 during figure setting.

Incremental Costs for 16 Cubicles: Staff recommends this request. The fiscal note and OSPB policy allows for \$2,225 for office equipment for new employees. However, while this cost would pay for desk, it does not pay for the full cost of modular cubicles. Staff recommends the Department's request to fund these at \$4,401 per cube for the previously approved new FTE positions for FY 2007-08. The amount recommended in the difference between \$4,401 and \$2,225 multiplied by 16.

New Chairs: Staff approves the Department's request for 16 new chairs. Staff does not approve 19 of the chairs requested by the Department because they are for costs associated with new FTE positions that the Department anticipates in the future. Staff will address this request in decision item #10 during figure setting.

Office Equipment: Staff recommends the Department's request for printers, fax machines, telephone installation and data equipment.

Background: In 2003, the Joint Budget Committee approved a supplemental to move the Department of Health Care Policy and Financing staff from the Human Services Building on Sherman Street to their current location at 1570 Grant Street (capitol complex lease space). At the time the Department moved to 1570 Grant Street, the Long Bill FTE appropriation for the Department was 194.5 FTE. While this location alleviated some of the overcrowding problems that the Department had at the Sherman Street location, the space at the 1570 Grant Street location was only adequate to house the current FTE (i.e. when the Department moved the space was completely occupied).

As of FY 2007-08, the Department now has 257.5 FTE (including the 12.0 FTE appropriated as part of the 1331 emergency supplemental eliminating the Governor's Office of CBMS). Because the space at 1570 Grant Street location was already completely full in FY 2003-04, the JBC has been approving commercial lease space for the Department since FY 2004-05. The costs and amount of lease space has grown each year as the number of FTE in the Department has increased.

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Appropriated FTE	200.4	202.8	214.4	230.7	257.5
Capitol Complex Lease Space	\$270,502	\$339,179	\$332,915	\$344,022	\$391,079
Commercial Lease Space	\$0	\$0	\$75,181	\$173,762	\$272,318

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Last year's lease space increase was anticipated to accommodate future FTE growth of 16 additional FTE. Excluding the 12.0 FTE that the Department was approved in the 1331 emergency supplemental (these FTE are located at the CBMS contractor's site and will continue to be so until at least July 2008), the Department grew by 14.8 FTE last year. Therefore, with last year's FTE growth, the Department has once again has filled its current lease space. The Department will need additional lease space in FY 2008-09 and beyond. Being able to secure lease space in the same building with close proximity to the rest of the Department staff is preferable to having multiple lease space locations. Staff recommends the Department's request to secure this space before the building is sold in order to lock in a rate for the next four years and to accommodate any growth in the Department during this time.

Supplemental # 8 - Additional Financing for the Implementation of S.B. 07-211

Department of Health Care Policy and Financing

	Request	Recommendation
Total	<u>\$17,879</u>	<u>\$84,902</u>
General Fund	0	39,775
Children's Basic Health Plan	0	4,676
Old Age Pension	0	411
Federal Funds	17,879	40,040

Department of Human Services (as requested by DHS not HCPF)

	Request	Recommendation
Total	<u>\$17,879</u>	<u>\$244,251</u>
General Fund	0	38,068
Cash Funds	0	19,758
Cash Funds Exempt*	17,879	84,902
Federal Funds	0	101,523

*Medicaid Cash Funds

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?	YES
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[An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]

This supplemental corrects an error in calculating the original costs for S.B. 07-211 based on new information that was not available at the time the expenditure estimate for S.B. 07-211 was made.

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Department Request: The Department of Health Care Policy and Financing requests an increase of \$244,604 for CBMS system changes associated presumptive eligibility for children on the Medicaid and Children Basic Health Plan programs. At the time S.B. 07-211 was passed, the Department estimated that the CBMS system costs to add presumptive eligibility would be \$59,600. This was the amount that was included in the fiscal note and appropriation. After the Legislative Session ended, the Department received a more complete estimate from EDS (the CBMS contractor) on the actual costs to make the edit changes to add presumptive eligibility for children. These updated estimates indicated a total cost of \$304,204 in FY 2007-08. At this cost level, the Department will be able to comply with the cyber security and firewall protection rules adopted by the Governor's Office of Information Technology. Complying with these rules is essential to protect the state systems since the presumptive eligibility for many of the children will be established at medical assistance sites that are outside the state and county systems and should not be able to access other parts of the CBMS information system.

In order to reduce the cost of their request, the Department proposes using unspent roll forward appropriations from FY 2006-07 from other CBMS change orders. Specifically, the Department roll forwarded unspent appropriations for making system changes to comply with H.B. 06S-1023 and the Deficit Reduction Act of 2005 and from S.B. 07-001. At this time, the Department anticipates that they will not need the full amount of the roll forward for those system changes. Therefore, the Department proposes using the FY 2006-07 state funding for those prior change orders to fund the additional costs now anticipated for S.B. 07-211. By doing so, the Department anticipates the total new funding needed to pay for the S.B. 07-211 changes would only be \$17,879 in federal funds. Use of these state funds would be off-budget and would not require any additional appropriations.

Staff Recommendation: Staff recommends the Department's request to increase the estimate for CBMS system cost changes necessary to implement S.B. 07-211 to a total cost of \$304,204 (excluding double counted appropriations). However, staff does not recommend the Department's proposed financing. Staff recommends against using appropriations from FY 2006-07 projects for FY 2007-08 for several reasons:

- (1) This sets a bad precedent for using roll-forward appropriations for uses other than their intended purpose at the time the roll forward was approved the State Controller.
- (2) Use of these funds would be off-budget, and therefore, distorts the amount of state funding that was actually needed in the budget.
- (3) The Department's request is extremely complicated in that some of the funds that were roll forwarded were originally appropriated outside of the 6.0 percent limit due to federal requirements from the DRA of 2005. However, the proposed project that the Department is now using the funds for should be appropriated within the 6.0 percent limit.

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Table 1 below shows staff's recommended financing for this supplemental issue.

Fund Source	Current CBMS Appropriation SB 07-211			New CBMS Estimate Cost for SB 07-211			Difference
	HCPF	DHS	Total	HCPF	DHS	Total	
General Fund	\$9,692	\$9,692	\$19,384	\$49,467	\$47,760	\$97,227	\$77,843
CBHP Trust	\$1,100	\$0	\$1,100	\$5,776	\$0	\$5,776	\$4,676
Old Age Pension	\$137	\$4,670	\$4,807	\$548	\$24,428	\$24,975	\$20,168
Medicaid Cash Funds	\$0	\$20,687	\$20,687	\$0	\$105,589	\$105,589	\$84,902
<u>Federal Funds</u>	<u>\$9,758</u>	<u>\$24,904</u>	<u>\$34,662</u>	<u>\$49,798</u>	<u>\$126,427</u>	<u>\$176,225</u>	<u>\$141,563</u>
Total Funds	\$20,687	\$59,953	\$80,640	\$105,589	\$304,204	\$409,793	\$329,153

Supplemental # 9 - Implement Preferred Drug List

	Request	Recommendation
Total	<u>\$422,556</u>	<u>(\$61,000)</u>
General Fund	287,314	45,536
Federal Funds	135,242	(106,536)

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God / a technical error in the appropriation / new data / an unforeseen contingency]	YES
At the time of the appropriation, the Department had not submitted preferred drug list cost and savings estimates. The Joint Budget Committee based the appropriation assumptions on prior year bill data that was several years old.	

Department Request: The Department's request has two components:

1. Corrects a fund split in the drug utilization review line item. Currently, most of the expenses in the drug utilization review line item receive a 25/75 state/federal match. During the implementation of the preferred drug list, the Department determined that federal regulations actually require that the drug utilization contracts receive a 50/50 state/federal match. In order

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to fix this fund split error, the General Fund should be increased by \$45,536 and the federal funds should be decreased by \$106,536.

2. The Department anticipates that savings from the preferred drug list will only result in savings of \$186,820 in FY 2007-08. This is \$483,556 less than the savings estimated in last year's Long Bill of \$670,376.

Staff Recommendation: Staff recommends the Department's request to correct the fund splits for the drug utilization review line item for the four new contracts that were added to the FY 2007-08 appropriation.

Currently, staff has excluded any estimated saving adjustment for the preferred drug list in her placeholder recommendation for the Medical Services Premiums line item. Staff will address this issue when final supplemental figures for the Medical Services Premiums line item are set in March during the figure setting presentation. Until that time, this part of the Department's request is pending.

Supplemental # 10 - Increase Funding for Non-Emergency Transportation Services

	Request	Recommendation
Total	<u>\$144,964</u>	<u>\$144,964</u>
General Fund	72,482	72,482
Federal Funds	72,482	72,482

<p>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 the appropriation / <u>new data</u> / an unforeseen contingency]</p> <p>This request is based on new data estimates based on actual expenditures in FY 2006-07 for non-emergency transportation.</p>

Department Request: This requests seeks an additional \$144,964 total funds in order to pay FY 2006-07 claims that were submitted in FY 2007-08. Line item appropriations in the Executive Director's Office use the accrual method of accounting. Most accruals can be accounted for before the end of the 45 day year-end close period. However, as a direct Medicaid service to clients, the Department receives claims for non-emergency transportation up to 120 days after the close of the fiscal year. A total of

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\$144,964 in claims with service dates in FY 2006-07 were submitted to the Department within 120 days after FY 2006-07 ended. Because the Department had already completely spent the FY 2006-07 appropriation, these additional claims have been paid using the FY 2007-08 appropriation. However, the current calculations for the FY 2007-08 appropriation did not include this amount. The Department's request will add these FY 2006-07 claims to the FY 2007-08 appropriation in order to preserve the full-amount originally estimated to for FY 2007-08 claims to be paid with the current FY 2007-08 appropriation.

Staff Recommendation: Staff recommends the Department's request. Staff also recommends that the expenditures in this line item be transferred to the Medical Services Premiums line item. In the Medical Services Premiums line item, these expenditures will be under cash accounting and will hopefully, allow a better estimate of the potential claims for non-emergency transportation services in the future. The Department requested that non-emergency transportation services be moved to the MSP line item in decision item #14 of the FY 2008-09, November 1, 2007 budget submission. Staff recommends the Department's request but makes the transfer in FY 2007-08 instead of FY 2008-09. Staff does not anticipate that moving the location of the appropriation will affect the ability of the Department to contract with the transportation broker in the metro area and therefore, retain some of the administrative savings that resulted from the passage of H.B. 04-1220.

Background: Prior to FY 2003-04, non-emergency transportation (approximately \$12.1 million) was contained in the Department's Medical Services Premiums line item appropriation. During the budget downturn, the Joint Budget Committee carried H.B. 04-1220 changing the nature of this service from a "medical" service to an "administrative" service under federal Medicaid rules. This allowed the Department to limit the scope of the services provided and reduced the amount of funding needed for this service to \$7.4 million in FY 2007-08 (current appropriation with requested supplemental).

The Department employs two mechanisms to provide non-emergency medical transportation needs for Medicaid clients: (1) a full-risk, fixed-priced contract with LogistiCare, Inc. in the 8 Front Range counties; and (2) payments based in the remaining 56 counties based on services that have been authorized by the county departments of social services.

The original savings of moving non-emergency transportation from a medical services to an administrative service has not been fully realized. In recent years, this line item has had to have numerous supplemental adjustments based on higher caseload and utilization patterns than originally estimated. Despite these issues, the transportation broker contract for the metro region has allowed the Department to implement a more cost-effective way of managing a majority of non-emergency transportation costs (i.e. the appropriation for these services are approximately 61.1 percent of what they were originally estimated in FY 2003-04). Nevertheless, staff agrees with the Department's analysis that multiple supplemental requests will be eliminated if the appropriation for the non-emergency transportation services was located in the Medical Services Premiums.

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The current supplemental request results from claims being higher in the 56 counties that do not use the fixed price contract. In FY 2005-06, the average number of clients per month and average month-of-service payments were 632 and \$102,954. In FY 2006-07, the average number of clients per months was 986 and \$143,191, respectively. The higher utilization is assumed from additional training and awareness from the county social services departments regarding these services.

Supplemental # 11 - Restore Enrollment Broker Contract Funding

	Request	Recommendation
Total	<u>\$159,570</u>	<u>\$159,570</u>
General Fund	79,785	79,785
Federal Funds	79,785	79,785

<p>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 the appropriation / new data / <u>an unforeseen contingency</u>]</p> <p>This request storing for the enrollment broker contract up to a level required by the Centers for Medicare and Medicaid Services.</p>

Department Request: The Department requests a FY 2007-08 net supplemental of \$159,570 total funds for the Enrollment Broker contract. The current appropriation of \$797,848 for distributing enrollment information to Medicaid clients will only support these activities through April 2008. The supplemental funding will allow the contract to continue through June 2008 as required by federal regulations. The Department's request accomplishes two objectives:

- (1) Ensures that the Enrollment Broker contract is funded for a full twelve months in FY 2007-08 in compliance with federal regulations that require the Department to provide enrollment information to all Medicaid clients (42 CFR 438.10).
- (2) Consolidates all spending for dispersing enrollment information into one line item. Currently, funding is split between the Enrollment Broker line item (\$700,000) and the Operating Expenses line item (\$97,848).

Staff Recommendation: Staff recommends the Department's request.

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Background: As stated above, federal regulations (42 CFR 438.10) require that the Department provide Medicaid clients with sufficient information to make informed choices when they decide to enroll in either a managed care or a primary care physician program. In order to comply with these regulations, the Department contracts with an enrollment broker with a multilingual staff who produce printed materials; operate a call-center, disseminate mailings; counsel, enroll and disenroll clients; and coordinate with participating physicians, specialists and hospitals. The majority of these expenses (\$700,000) are paid through the Enrollment Broker line item. However, currently \$97,848 in the Department's Operating Expense line item are also used to prepare and mail managed care reports comparing health plan employer data information scores, capitation rates, and focus group results for health care plans, primary care physicians and fee-for-service.

Table 1 below shows the cost of this contract for the last three years (does not include costs in the operating expenses line item).

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Medicaid Caseload	402,802	399,705	393,077	385,010
Enrollment Broker line item appropriation (does not include OE expenses)	\$875,756	\$919,134	\$942,784	\$700,000
Actual Expenditures	<u>\$875,756</u>	<u>\$875,756</u>	<u>\$860,786</u>	n/a
Difference	\$0	(\$43,378)	(\$81,998)	

During figure setting last year, staff recommended that the FY 2007-08 appropriation be reduced from the FY 2006-07 appropriation amount of \$942,784 to \$909,270 based on falling caseloads. However, the Committee's action was to reduce the FY 2007-08 appropriation to \$700,000 (\$797,848 if the operating expenses are included). The Department prepared an OSPB comeback on this issue stating that the reduction would not cover the costs of the contract for FY 2007-08. The Committee took no action on the comeback request.

Since receiving the budget cut to this line item, the Department revised the scope of the contract with the Enrollment Broker. However, the Centers of Medicare and Medicaid Services correspondence with the Department indicated that the revised scope for the contract (information disbursed through the web rather than direct mailings to all clients) would not meet the requirements of the federal regulation. Based on this information, the Department had to abandoned the revised scope of work agreement. Based on the current appropriation, the Department estimates that the current contract will run out of funding in April 2008. In order to fund the contract through June 2008, the Department will need an additional \$159,570 in funding. The Department also requests and staff recommends that all funding

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for this contract (including the \$97,848 in operating expenses) be consolidated in the Enrollment Broker line item.

Supplemental # 12 - Increase Health Maintenance Organization Rates to 99% of Fee-for-Service

	Request	Recommendation
Total	<u>\$3,372,648</u>	<u>pending</u>
General Fund	1,686,324	pending
Federal Funds	1,686,324	pending

***See Supplemental #1 placeholder recommendation.**

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 the appropriation / <u>new data</u> / an unforeseen contingency]	
It was unknown at the time H.B. 07-1349 was passed on whether the Department would have to increase Denver Health's HMO rates above 95 percent of fee-for-service in order to maintain Denver Health as a managed care provider. House Bill 07-1349 eliminated the 95 percent cap but did not require that rates be negotiated at a higher than 95 percent rate.	

Department Request: The Department requests an additional \$3,372,648 total funds to increase capitation rates from 95 percent of fee-for-service level to 99 percent for FY 2007-08 for Denver Health's managed care program. Pursuant to H.B. 07-1346, the Department is permitted to pay capitation rates up to 100 percent of fee-for-service. However, H.B. 07-1346 did not contain any additional funding in order for the Department to increase rates above 95 percent of fee-for-service. In June 2007, in the midst of negotiating rates with Denver Health Medicaid Choice, the Department submitted an emergency supplemental requesting additional funding in order to increase rates above 95 percent of fee-for-service. This was based on concerns that Denver Health Medicaid Choice would leave the Medicaid managed care program without an additional rate increase. In order to ensure that Denver Health Medicaid Choice remained in the Medicaid managed care program, the Committee approved the policy decision to negotiate rates higher than the current 95 percent level. However, while approving the policy change, the Committee decided to wait until after the start of the fiscal year before adjusting the appropriation level for the Medical Services Premiums line item. The Committee requested that any funding request change be submitted to the Committee during the regular supplemental process (see attached letter).

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In July 2007, the Department negotiated rates with Denver Health that were 99 percent of the estimated fee-for-service costs. The Department estimates that an additional \$3.4 million is required in FY 2007-08 to adjust Denver Health’s rates from 95 percent to 99 percent level.

Staff Recommendation: Staff’s recommendation on this issue is pending. Staff will address this issue during the final March supplemental process. Because the rates have been in place since July 2007, the increase in expenditures is already being captured in the FY 2007-08 actual expenditure trend data. Therefore, staff is addressing this issue in supplemental #1 and not as a separate add-on supplemental.

Supplemental # 13 -Adjust Cash Flow for Integrated Care Delivery Model

	Request	Recommendation
Total	<u>\$1,196,477</u>	<u>pending</u>
General Fund	1,196,477	pending
Federal Funds	1,196,477	pending

*A placeholder recommendation has not been prepared on this issue.

<p>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 the appropriation / <u>new data</u> / an unforeseen contingency]</p> <p>This request is based on new information of potential managed care organizations entering the Medicaid market.</p>

Department Request: The Department requests \$2,392,954 total funds in FY 2007-08 to account for cash flow issues involved in implementing an integrated care delivery model. Since the passage of H.B. 07-1346, the Department has received numerous inquiries from managed care organizations seeking to join the Medicaid program. Of the managed care organizations interested, the Department anticipates that one provider will be able to serve Medicaid clients starting on April 1, 2008 and a second provider will be able to serve Medicaid clients starting July 1, 2008. Based on these assumptions, the Department anticipates that an additional 5,000 Medicaid clients will enroll in managed care during FY 2007-08 and another 20,000 during FY 2008-09. Currently, the Department is serving approximately 36,500 clients through at-risk managed care capitation contracts (Denver Health Medical Choice remains the only MCO in the Medicaid program as of today).

Because the Department uses cash accounting the Medical Services Premiums Program, expenditures for fee-for-service are paid after the claim is submitted. However, if clients move to a managed care provider, the Department pays capitation at the start of the month for that client. This means that there

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can be a period of time when the Department is still paying fee-for-service claims for the client (due to lag in billing) and also capitation payments. This has a short-term budget impact in that it can shift some expenditures from one fiscal year to another. Please note that this will not impact new clients who enroll directly into managed care upon gaining Medicaid eligibility because they do not contribute to this phenomenon as they do not have prior fee-for-service claims. This impact is only for any existing clients that enroll in a managed care plan and have fee-for-service claims that may be billed after the Department begins paying capitation.

Staff Recommendation: Staff recommendation on this issue is pending. Staff will address this issue during figure setting when staff finalizes all calculations for the FY 2007-08 Medicals Services Premiums supplemental. Staff will note that the Department's request is based on preliminary discussions with two managed care organizations. However, at the time this supplemental was submitted, the Department does not have signed contracts with either entities. This means that actuarial review of any negotiated rates and approval from the Centers of Medicare and Medicaid Services has not yet occurred. Staff believes at this time, this supplemental is somewhat premature until after contract negotiations have progressed further in order to determine if the April 1, 2008 implementation date assumed in the supplemental request is feasible. As stated earlier, staff will reconsider this issue when presenting the March supplemental for the Medical Services Premiums line item.

Supplemental # 14 - Implement Mental Health Audit Findings

	Request	Recommendation
Total	<u>\$125,000</u>	<u>\$125,000</u>
General Fund	62,500	62,500
Federal Funds	62,500	62,500

<p>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 the appropriation / <u>new data</u> / an unforeseen contingency]</p> <p>This request is based on the Department's cost estimates to comply with two State Auditor recommendations that was not available when the Department submitted their original FY 2007-08 budget request.</p>

Department Request: In FY 2007-08, the Department requests \$125,000 total funds to create an encounter data manual and a cost-study for current mental health rates. In FY 2008-09, an additional \$250,000 total funds will be required to complete the manual and study. The Department anticipates

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using professional services for these two activities funded through the Personal Services line item. This request does not require any additional state FTE in either fiscal year.

In November 2006, the State Auditor released the results of a performance audit that evaluated the Department's rate setting methodology used to establish rates for services paid in the Department's mental health managed care program. Based on the findings of the audit, the State Auditor's Office made two specific recommendations on the Department's rate setting methodologies:

- (1) The Department should develop a standardized encounter reporting manual for the Medicaid Community Mental Health Services Program to ensure all services are coded by the service provider, at the point of service in accordance with HIPAA-compliant procedure codes and to ensure the accuracy and consistency of encounter data reported (Recommendation #7 of the Audit Report).
- (2) The Department should initiate a cost study to assess and verify the fee schedule used to price encounters in the Medicaid Community Mental Health Services Program. The evaluation should be based on HIPAA-compliant coding to allow for more accurate comparison to other states' fee schedules (Recommendation #8 of the Audit Report).

At the time this audit was released, the Department agreed with both recommendations. However, the Department was unable to incorporate the necessary funding request into their original FY 2007-08 request due to the timing of the audit's release. After having time to review the requirements of creating the manual and cost study, the Department requests a total of \$375,000 in to comply with the State Auditor's recommendations. The Department anticipates that the study will begin in June 2008 and will be completed by August 2008 (3 month total time).

Staff Recommendation: *Staff recommends the Department's request.* The Department does not currently have the resources or necessary staff expertise to create a HIPAA compliant encounter manual or cost study of the current fee schedule. Staff agrees with the State Auditor's opinion that the limited use of encounter data in the rate setting methodology puts the Department at future risk of having CMS reject the state's negotiated capitation rates with the Behavior Health Organizations (BHOs). Staff agrees that it would be beneficial to have the encounter manual and cost study completed before the rebid of the BHO contracts in FY 2008-09.

Background: In 2003, CMS revised regulations to require that all managed care rates be based on actuarially sound methodologies (42 CFR 438.6 (c)). This removed the requirement that rates be based on historical fee-for-service data and gave states flexibility to use alternative data sources, including service encounters. While CMS has approved the Department's current rate structure for FY 2007-08,

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which uses both historical fee-for-service claims and reported encounter data in developing the rates, the Department anticipates that CMS will require greater reliance on encounter data in the future.

The State Auditor's Office found that encounter data currently reported to the Department by the BHOs varies by the provider. For example, the performance audit found that four out of the five BHOs did not require their providers to submit encounter data using codes compliant with HIPAA. As a result, the provider that render a vast majority of the services within the mental health program do not always report encounter data consistently to the BHOs or to the Department. This makes it difficult to conduct meaningful analysis of service utilization on a statewide basis. In order to correct this problem, the State Auditor's Office recommended that the Department develop a statewide encounter data manual that would have detailed instructions on how to report encounter data using standardized HIPAA codes. The State Auditor's Office recommended that the Department incorporate these data reporting requirements for BHOs and their providers into its contracts with the BHOs. Optimally, this manual should be completed before the final rebid process in completed next year.

In addition to the coding manual, the State Auditor's Office recommended that the Department determine the appropriate fee to attach to each service delivered to estimate the cost of providing services. The intent of encounter pricing is to assign a reasonable and appropriate fee for each procedure delivered and to use this information to determine what an actuarially sound rate would be. Currently, capitation rates are determined using a variety of sources, including cost reports from the Colorado Mental health Clinics (CMHCs), BHO financial statements and supplemental reports, and current Medicaid fee schedules for encounters not covered by CMHCs and for inpatient hospital claims. The State Auditor's Office determined that these "pricing methodology perpetuates broad rate disparities and possible inefficiencies across the State." In order to remedy this situation, the State Auditor's Office recommended that the Department initiate a cost study to assess and verify the fee schedule used to price encounters in the Medicaid mental health capitation program. The study should result in a standard mental health fee schedule that is reflective of reasonable and appropriated rates and that can be updated periodically to reflect changes in rates over time.

The Department requests and staff recommends \$375,000 to complete both the encounter coding manual and cost study. A total of \$125,000 will be expended in FY 2007-08 and \$250,000 will be expended in FY 2008-09. The estimate is based on the Department's previous experience in creating actuarially sound capitation rates and hiring outside entities for the purpose of reviewing components of the rate setting process. It would be advantageous to the state to have these project completed before the rebid of the BHO contracts is complete so that the bidders can react to the pricing methodology and coding requirements in their bids.

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Supplemental # 15 -Centers of Medicare and Medicaid Services Disallowance

	Request	Recommendation
Total	<u>\$10,926,331</u>	<u>\$10,967,591</u>
General Fund	10,926,331	10,967,591

<p>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 the appropriation / new data / <u>an unforeseen contingency</u>]</p> <p>After the FY 2007-08 appropriation was requested, the Department lost their final appeals on two federal disallowances. Because staff was unaware of these disallowances, the FY 2006-07 and 2007-08 appropriation was not adjusted to repay the federal government. Pursuant to 42 CFR 433.300, the Department is required to refund any overpayment for Medicaid services or risks additional federal sanctions.</p>

Department Request: The Department requests a FY 2007-08 General Fund supplemental of \$10,926,331 to backfill the loss of federal funds for the Public School Health Services Program and Child Placement Agency payments. The Department's request results from two separate federal disallowances:

- (1) A federal disallowance of \$487,390 in claimed federal Medicaid funds for mental health payments paid to the Mental Health Assessment and Service Agencies (MHASAs) for supplemental payments outside the capitation rate for child placement agency program services from the period of October 2004 through November 2004. The Department received the final appeal decision from the U.S. Department of Health and Human Services' Departmental Appeals Board on May 23, 2007 upholding the CMS ruling to disallow the federal funds claimed during this period for these services.
- (2) A federal disallowance of \$10,438,941 for retroactive federal match claimed for FY 2002-03 and FY 2003-04 under a new rate methodology that was established for the Public School Health Services Program during FY 2004-05. The Department received the final appeal decision from the Departmental Appeals Board on December 15, 2006.

Staff Recommendation: *Staff recommends the Department's request with a technical correction to make a payment to the Public Consulting Group according to the signed contract..* In FY 2004-05 the state drew down \$11.5 million in additional federal revenues of which \$10.9 million have since been determined to be from claims ineligible for Title XIX funding pursuant to federal rules. This decision has been upheld through the U.S. Department of Health and Human Services Appeals process. Because the State received an overpayment of federal revenues, the federal government has placed a restriction

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on the current federal allotment of \$10.9 million until these funds are repaid. Pursuant to 42 CFR 433.300, the Department is required to refund any overpayment of Medicaid funds or risk additional federal sanctions. The Department has exhausted all appeal avenues for this issue at this time.

Because the State was able to retain \$589,427 of the revenue it drew down, the contract with Public Consulting Group requires that the state pay 7.0 percent of this revenue as a contingency fee. This fee was not paid in FY 2004-05 because the Department was awaiting the decision from the appeals process. Now that the appeals process has been complete, in order to meet the requirements of the contract, the Department owes this payment to the Public Consulting Group.

Background on Public School Health Service Program Federal Disallowance:

The Public School Health Services Program allows school districts to claim Medicaid reimbursement for certain medical services and therapies that are delivered through the school to Medicaid eligible clients. The school district funding is the state match for the program in order to draw down the federal funds.

In 2004, the Governor's Office of State Planning and Budgeting contracted with Public Consulting Group, Inc. (PCG) to conduct a state survey of how to maximize federal reimbursement for Medicaid services. Based on their review of the Public School Health Services Program, PCG recommended that reimbursement rates be updated to reflect the actual cost of providing school health and related services. PCG recommended that these rates be changed beginning in FY 2004-05. However, PCG also recommended that the Department claim retroactive reimbursement for FY 2002-03 and FY 2003-04 based on the rates being under calculated in those years. Because the Department believed that reason for the rate shortfall was due to technical errors such as the use of incomplete data, formula calculation errors, and algebraic inconsistencies rather than from a material change to the rate methodology, the Department did not believe a state plan amendment was necessary.

Based on the work of PCG, the Department claimed a retroactive claim correction of \$11,028,368 for FY 2002-03 and FY 2003-04 in July 2004. At that time, it was determined that the additional federal revenue would be booked as revenue to the state and was not distributed to the school districts (however, the school districts had to revise their certifications in order to draw down this federal revenue). The \$11.0 million was booked as revenue to the state in FY 2004-05. However, in November 2004, CMS reviewed the draw down and the rate methodology and determined that the Department needed to submit a State Plan amendment in order to change the rates. The Department appealed this decision (a rate change in a state plan amendment can be effective only from the quarter in which CMS received the change – if the Department had to submit a state plan amendment it would put at risk the FY 2002-03 and FY 2003-04 retroactive reimbursements that they had claimed pursuant to PCG's analysis).

From November 2004 through September 2006, the Department and CMS argued back in forth on whether the proposed rate changes were a material difference to the rates (therefore, requiring a state plan

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amendment) or merely technical corrections of omissions and miscalculations. Ultimately, the U.S. Department of Health and Human Services' Departmental Appeals Board sustained CMS's position that the rates were a material change and therefore required a state plan amendment. However, in their review, the Appeals Board did acknowledge that the Department could claim \$589,427 in retroactive claims for FY 2002-03 and FY 2003-04 due to miscalculations. This meant of the \$11,028,368 that the Department had claimed in FY 2004-05 for these retroactive adjustments, \$10,438,941 has to be repaid to the federal government as an overpayment of Medicaid claims. The CMS reclaims this loss federal revenue by disallowing \$10.4 million from the current federal Medicaid allotment for the state. This restricts the amount of federal funds the Department can claim and puts at risk their ability to pay providers until this amount is paid back to CMS.

At the time the Department made the claim for the \$11.0 million, they had not paid PCG their consulting fee because of the immediate review from CMS. Now that all appeals are finalized, the contract with PCG requires that the Department pay PCG 7.0 percent of the amount ultimately recovered as retroactive payments for FY 2002-03 and FY 2003-04. This totals \$41,260 ($\$589,427 * 0.07$).

Background on Child Placement Agencies Disallowance

In 1998, the Department incorporated payments for services provided by Child Placement Agencies into the capitation rate for the Medicaid Mental Health Program. By incorporating the Child Placement agency payment for services for foster care children within the capitated rate, the Department allocated a fixed amount of funding to pay for all mental health services provided by Child Placement Agencies. In 2001, the Department removed the Child Placement Agency service costs from the capitated rate and made the payments as a supplemental payment to the capitation payment.

In November 2004, CMS notified the Department to discontinue the supplemental payment to MHASAs for the Child Placement Agency payment. The Department promptly stopped making these supplemental payments to the MHASAs in December 2004. On April 4, 2005, CMS deferred \$487,390 federal financial participation that was claimed as a supplemental payment for the quarter that ended December 31, 2004 (payments made by the Department in October and November 2004). The Department appealed this decision. On May 23, 2007, the Departmental Appeals Board upheld CMS's decision to disallow \$487,390 in claims.

The Appeal Board upheld that the Department had been in violation of 42 CFR Section 438.6 (a). This regulation became effective August 13, 2002 and stated the CMS regional office must review and approve all managed care organization, prepaid inpatient health plan and prepaid ambulatory health plan contracts. States with health plans were required to come into full compliance within one year of the effective date, which was over a year before the matter came to CMS's attention. Once the Department changed a contract term or condition, it needed to receive approval from CMS. Because the Department

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had not submitted a supplemental contract to be reviewed by CMS, they were in violation of the federal rule and the Appeals upheld CMS's decision.

Supplemental # 16 -Federal Match Available for Health Care Services Fund Line Items

	Request	Recommendation
Total	<u>\$16,225,421</u>	<u>\$16,225,421</u>
Federal Funds	16,225,421	16,225,421

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 the appropriation / <u>new data</u> / an unforeseen contingency]	
The Department will be able to secure federal matching funds for the Health Care Services Fund. The federal financial participation for the Health Care Services Fund payments has been approved by the Centers for Medicare and Medicaid Services for most of the payments and approval for the remaining payments are in the final stages of the approval process.	

Department Request: The Department requests federal fund expending authority to match the state expenditures from the Health Care Services Fund for FY 2007-08 and for the subsequent two fiscal years for which appropriations are expected to be made from the Health Care Services Fund. The Department anticipates drawing down an additional \$46.2 million in federal funds over the next three years (including \$16.2 million in FY 2007-08) if this request is approved.

Staff Recommendation: *Staff recommends the Department's request.* During figure setting last year, it was unclear if the Department would be able to draw down additional federal funds under the Medicare Upper Payment Limit methodology to match the state funds provided from the Health Care Services Fund pursuant to S.B. 06-044. Based on the statutory requirements in S.B. 06-044, H.B. 07-1258 and direction from the Joint Budget Committee, the Department has pursued securing federal matching funds for these state funds as follows:

- 1) An additional \$10,086,000 in federal matching funds can be drawn down under the Children's Hospital upper payment limit. These funds will be dispersed to the community health clinics as provided by a contract between Children's Hospital and Community Health Clinics. The Department has prepared a state plan amendment (TN 05-015) to draw down the additional funds. This amendment was approved by CMS on June 1, 2007.

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- 2) An additional \$2,700,000 in federal matching fund can be drawn through the upper payment limit for Denver Health's primary care clinics. This state plan amendment was approved by CMS on August 15, 2007.

- 3) An additional \$2,214,000 in federal matching fund has been requested for the Health Care Services Fund for primary care clinics operated by licensed or certified health care facilities. In addition because this state plan amendment was submitted in April 2007, the Department anticipates being able to draw down an additional \$1,225,421 in retroactive federal financial participation for the fourth quarter of FY 2006-07. This state plan amendment is still under review at CMS. While staff recommends providing the federal spending authority in the supplemental bill, staff also recommends that the Department not disperse any federal financial participation to the clinics until after the Department has received the official approval from CMS.

Supplemental # 17 -Federal Funds Match for Local Government Provider Fees

	Request	Recommendation
Total	<u>\$10,211,350</u>	<u>\$10,211,350</u>
Cash Funds Exempt	5,105,675	5,105,675
Federal Funds	5,105,675	5,105,675

<p>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 the appropriation / <u>new data</u> / an unforeseen contingency]</p> <p>The Department anticipates that the Centers for Medicare and Medicaid Services will approve the state plan amendment to match local government fees on private hospital providers. The City of Brighton has informed the Department that they will begin imposing a provider fee on Platte Valley Medical Center pursuant to S.B. 06-145.</p>

Department Request: The Department requests federal fund expending authority to match local government inpatient and outpatient hospital payments. The total funds request consists of \$10,211,350 in FY 2007-08 and \$5,205,696 in FY 2008-09.

Staff Recommendation: *Staff recommends the Department's request.* During the 2006 legislative session, the General Assembly passed S.B. 06-145, which allowed local governments to impose a fee on private hospital providers within their jurisdictions that provide inpatient and/or outpatient services

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for the purposes of obtaining federal financial participation for unreimbursed Medicaid costs. Since the passage of S.B. 06-145, the Department has developed a reimbursement methodology to maximize the federal UPL limits for any hospitals that receive the local match from additional taxes. This rate reimbursement methodologies have been submitted as state plan amendment TN 06-013 for inpatient services and TN-06-014 for outpatient hospital services.

Currently, the City of Brighton has informed the Department of their imposition of a provider fee on inpatient and outpatient hospital revenues on their sole private hospital provider, Platte Valley Medical Center. This request seeks to draw down \$5.1 million in additional federal funds to match the additional \$5.1 million in provider fees that the City of Brighton will be charging Platte Valley Medical Center in providing fees.

At this time, CMS is still reviewing the state plan amendments. The Department anticipates that the state plan amendments will be approved before the end of the fiscal year. Staff recommends providing the expenditure authority in the Long Bill but also recommends that the Department not disperse any federal funds to Platte Valley Medical Center until after the Department has official approval from CMS.

Supplemental # 18 - Letternote Corrections

	Request	Recommendation
Total	\$0	\$0
Cash Funds Exempt	0	0

<p>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [An emergency or act of God / <u>a technical error in the appropriation</u> / new data / an unforeseen contingency]</p> <p>Staff recommends a letternote correction to the FY 2007-08 appropriation bill to correct technical errors.</p>	YES
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Department Request: The Department does not have a request for this issue.

Staff Recommendation: Staff recommends a correction to a letternote in the FY 2007-08 to correct a fund source. In the Executive Director's Office, Long Term Care Utilization line item, the cash funds exempt appropriation is designated as coming from the Autism Treatment Fund. However, this appropriation technically should be from the Health Care Expansion Fund. Staff asks for permission to correct this error.

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Previously Approved 1331 Supplemental # 1 - CBMS Office Changes (HCPF Only)

	Previously Approved	Current Staff Recommendation
Total	<u>\$1,454,759</u>	<u>\$1,454,759</u>
FTE	12.0	12.0
General Fund	(77,483)	(77,483)
Cash Fund	1,609,582	1,609,582
Federal Funds	(77,340)	(77,340)

Description of Supplemental: This supplemental request shows the portion of the Governor's Office of Colorado Benefits Management System expenses that were allocated to the Department of Health Care Policy and Financing when the office was dissolved. Staff recommends no additional changes to the action that the Committee took on June 20, 2007 on this issue.

Previously Approved FY 2006-07 1331 Supplemental # 1 - Children's Basic Health Plan

	Previously Approved	Current Staff Recommendation
Total	<u>\$8,819,360</u>	<u>\$10,058,489</u>
Cash Funds	10,567	10,567
CFE - CBHP Trust Fund	1,239,129	1,239,129
CFE - Health Care Expansion fund	1,850,815	1,850,815
CFE - Health Care Supplemental Appropriations and Overexpenditures Account in the Tobacco Litigation Settlement Cash Fund	0	1,239,129
Federal Funds	5,718,849	5,718,849

Description of Supplemental: This supplemental made the following changes to the FY 2006-07 appropriations for the Children's Basic Health Plan:

- 1) An increase of \$3,575,170 total funds for the Children's Basic Health Plan premium costs due to higher than estimated caseload in the traditional population;

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- 2) An increase of \$572,288 total funds for the Children’s Basic Health Plan dental costs due to higher than estimated caseload in the traditional population;
- 3) An increase of \$10,567 cash funds to the Children’s Basic Health Plan Trust Fund to reflect higher than anticipated enrollment fees due to increased enrollment; and
- 4) An increase of \$4,661,297 total funds for the Children’s Basic Health Plan premium costs to reverse a FY 2006-07 accounts receivable booked for overpayments that did not occur in FY 2005-06.

Staff recommends that these changes be made in the FY 2006-07 supplemental add-on that will be included in this year's Long Bill. Several other changes to the FY 2006-07 appropriation are being made to release over-expenditures and to correct the appropriation to reflect the actual amount of Referendum C General Fund that was received in FY 2006-07. In order to avoid confusion, staff recommends that all FY 2006-07 supplemental adjustments be made in the Long Bill add-on.

Staff also recommends that \$1,239,129 be appropriated from the Health Care Supplemental Appropriations and Overexpenditure Account into the Children's Basic Health Plan Trust Fund to cover the FY 2006-07 supplemental appropriations from the CBHP Trust Fund. House Bill 07-1359 created this account and allows up to \$6.2 million in this account to be appropriated in FY 2006-07 and FY 2007-08 to cover any over expenditures or supplemental appropriations from the CBHP Trust Fund in those respective years.

Statewide Common Policy Supplemental Requests

These requests are not prioritized and are not analyzed in this packet . These items will be acted on separately by the JBC when it makes a decision regarding common policies.

Department of Health Care Policy and Financing's Direct Portion of Statewide Supplemental Request	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Total	FTE
1. Worker's Compensation	\$653	\$0	\$0	\$653	\$1,306	0.0
2. Risk Management and Property Funds	(13,995)	0	0	(13,995)	(27,990)	0.0
3 Capitol Complex Leased Space	3,080	0	0	3,080	6,160	0.0
4. Computer Service (GGCC)	48,473	0	0	48,472	96,945	0.0
5. ALJ Adjustments	16,325	0	0	16,325	32,650	0.0

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Department of Health Care Policy and Financing's Direct Portion of Statewide Supplemental Request	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Total	FTE
Total Statewide Supplemental Requests for Department of Health Care Policy and Financing	54,536	0	0	54,535	109,071	0.0

Staff Recommendation: The staff recommendation for these requests is pending committee approval of common policy supplementals. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the committee approves this common policy supplemental. If staff believes there is reason to deviate from the common policy, staff will appear before the committee later to present the relevant analysis.

Non-Prioritized Requests -- Primary Analysis is in Other Departments (Non-Prioritized Items S6 through S20)

These requests are non prioritized and are not analyzed in this packet . These items will be acted on separately by the JBC when it makes a decision regarding common policies and takes action on other supplementals handled in other Department supplemental requests.

Department of Health Care Policy and Financing's Costs for Supplemental Requests Originating in Other State Departments	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Total	FTE
1. DHS - Workers' Compensation	(\$176,414)	\$0	\$0	(\$176,413)	(\$352,827)	0.0
2. DHS - DD Medicaid Waiver Reform	29,871	0	0	29,871	59,742	0.0
3. DHS - Risk Management & Property	(16,652)	0	0	(16,651)	(33,303)	0.0
4. DHS - CBMS Refinancing	0	0	0	359,018	359,018	0.0
5. DHS - Regional Center Operating Shortfall	56,127	0	0	56,126	112,253	0.0
6. DHS -Regional Center Clinical Security System Program	87,489	0	0	87,489	174,978	0.0
7. DHS Residential Child Health Care Program	(5,740,397)	0	0	(5,740,397)	(11,480,794)	0.0
8. DHS -- SAVE Verification	0	0	0	3,019	3,019	0.0
9. DHS - Multiuse Network Payments	4,145	0	0	4,145	8,290	0.0
15. DHS Vehicle Reconciliation	(9,005)	0	0	(9,004)	(18,009)	0.0

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Department of Health Care Policy and Financing's Costs for Supplemental Requests Originating in Other State Departments	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Total	FTE
18. DHS -- Computer Center	(218)	0	0	(217)	(435)	0.0
Total Statewide Supplemental Requests for Department of Health Care Policy and Financing	(5,765,054)	0	0	(5,403,014)	(11,168,068)	0.0

Staff Recommendation: The staff recommendation for these requests **are pending** committee approval of common policy supplementals and supplemental requests in the Department of Human Services. Staff asks permission to include the corresponding appropriations in the Department's supplemental bill when the committee takes action on these supplementals in other departments.

Informational Only --

For 1331 supplementals that impacted the Department of Human Services - Medicaid programs, please see the supplemental packets presented for the Department of Humans Services.