

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**SUPPLEMENTAL REQUESTS FOR FY 2015-16  
DEPARTMENT OF HEALTH CARE POLICY AND  
FINANCING**

**(Behavioral Health Community Programs Only)**

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

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# DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

## Department Overview

The Department of Health Care Policy and Financing (HCPF) helps pay health and long-term care expenses for low-income and vulnerable populations. The largest program administered by HCPF is the Medicaid program, which serves people with low income and people needing long-term care. The Department also performs functions related to improving the health care delivery system. The Department’s FY 2015-16 appropriation represents 33.6 percent of statewide operating appropriations and 26.1 percent of statewide General Fund appropriations.

This document concerns the behavioral health community programs administered by HCPF. Behavioral health services include both mental health and substance use disorder services. Most behavioral health services are provided to Medicaid-eligible clients through a statewide managed care or "capitated" program. The Department contracts with five regional entities, known as behavioral health organizations or BHOs, to provide or arrange for medically necessary behavioral health services for Medicaid-eligible clients. Each BHO receives a pre-determined monthly amount for each client who is eligible for Medicaid behavioral health services. In addition to funding for capitation payments to BHOs, a separate appropriation covers fee-for-service payments for behavioral health services provided to clients who are not enrolled in a BHO and for the provision of certain services that are not covered by the BHO contract.

## Summary: FY 2015-16 Appropriation and Recommendation

<b>Department of Health Care Policy and Financing: Recommended Changes for FY 2015-16</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>FY 2015-16 Appropriation</b>					
SB 15-234 (Long Bill)	\$654,139,950	\$190,886,935	\$9,111,432	\$454,141,583	0.0
Other legislation	<u>295,672</u>	<u>144,850</u>	<u>0</u>	<u>150,822</u>	<u>0.0</u>
<b>Current FY 2015-16 Appropriation</b>	<b>\$654,435,622</b>	<b>\$191,031,785</b>	<b>\$9,111,432</b>	<b>\$454,292,405</b>	<b>0.0</b>
<b>Recommended Changes</b>					
Current FY 2015-16 Appropriation	\$654,435,622	191,031,785	\$9,111,432	\$454,292,405	0.0
S2 Behavioral health	<u>(46,143,264)</u>	<u>(16,974,835)</u>	<u>(278,601)</u>	<u>(28,889,828)</u>	<u>0.0</u>
<b>Recommended FY 2015-16 Appropriation</b>	<b>\$608,292,358</b>	<b>\$174,056,950</b>	<b>\$8,832,831</b>	<b>\$425,402,577</b>	<b>0.0</b>

*JBC Staff Supplemental Recommendations: FY 2015-16  
Staff Working Document – Does Not Represent Committee Decision*

<b>Department of Health Care Policy and Financing: Recommended Changes for FY 2015-16</b>					
	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
<b>Recommended Increase/(Decrease)</b>	(\$46,143,264)	(\$16,974,835)	(\$278,601)	(\$28,889,828)	0.0
Percentage Change	(7.1%)	(8.9%)	(3.1%)	(6.4%)	0.0%
<b>FY 2015-16 Executive Request</b>	<b>\$608,292,358</b>	<b>\$174,056,950</b>	<b>\$8,832,831</b>	<b>\$425,402,577</b>	<b>0.0</b>
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	0.0

### Request/Recommendation Descriptions

**S2 Behavioral health:** The request includes a reduction of \$46.1 million total funds for Medicaid behavioral health community programs based on more recent caseload and expenditure estimates. The requested changes to individual funding sources reflect the state matching requirements associated with each eligibility category. The recommendation includes the requested adjustments.

### Prioritized Supplemental Requests

#### SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY #2 BEHAVIORAL HEALTH

	Request	Recommendation
<b>Total</b>	<b><u>(\$46,143,264)</u></b>	<b><u>(\$46,143,264)</u></b>
FTE	0.0	0.0
General Fund	(16,974,835)	(16,974,835)
Cash Funds	(278,601)	(278,601)
Reappropriated Funds	0	0
Federal Funds	(28,889,828)	(28,889,828)

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of new data.	

**Department Request:** The request includes a reduction of \$46.1 million total funds for Medicaid behavioral health community programs based on more recent caseload and expenditure estimates. The requested changes to individual funding sources reflect the state matching requirements associated with each eligibility category

**Staff Recommendation:** Staff recommends that the Committee approve the request.

**Staff Analysis:** The FY 2015-16 appropriation for Medicaid behavioral health community programs currently provides a total of \$654.4 million total funds (including \$191.0 million General Fund) for the provision of services to a projected caseload of 1,255,060. The Department is still expecting significant caseload growth in FY 2015-16, primarily due to expansion populations. While the Department's most recent *caseload* estimate for FY 2015-16 represent a minimal overall change from last Spring (an increase of 584 clients or 0.05 percent), it does reflect shifts between various client eligibility categories.

The Department's most recent *expenditure* estimate indicates that the existing FY 2015-16 appropriation can be decreased by \$46.1 million total funds (7.1 percent). This adjustment is primarily related to two factors:

- The per-member-per-month rates paid to behavioral health organizations (BHOs) have decreased for many eligibility categories in aggregate, but fluctuate by BHO. This was the result of the BHOs' most recent submission of financial information. The most significant rate decreases were for the Individuals with Disabilities and Foster Care eligibility categories – the two most expensive eligibility categories. *See Appendix B for the detailed caseload and rate data that underlies the Department's revised capitation payment estimates for FY 2015-16.*
- The Department anticipates receiving \$20.6 million back from BHOs for previous payments. Due to the uncertainty of the cost of serving the newly eligible Adults Without Dependent Children population, the Department placed a "risk corridor" on the associated capitation rates to protect both the State and BHOs from undue risk. The expected recoupment is due to the rates being set higher than BHO actual costs.

The table on the following page compares the caseload and expenditure data that correspond to the FY 2015-16 appropriation and the Department's most recent estimate. Staff has highlighted the three most significant funding decreases that result from the Department's most recent estimates. Finally, please note that the requested changes to individual funding sources reflect the state matching requirements associated with each eligibility category.

**Staff recommends that the Committee approve the requested adjustments to reflect more recent caseload and expenditure estimates for behavioral health programs.**

*JBC Staff Supplemental Recommendations: FY 2015-16  
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<b>FY 2015-16 Medicaid Behavioral Health Community Programs Budget Overview</b>						
Description	FY 2015-16 Appropriation		FY 2015-16 November 1 Estimate		Change Due to Revision	
	Caseload	Funding	Caseload	Funding	Caseload	Funding
<b>Capitation Payments</b>						
<u>Eligibility Categories</u>						
Adults age 65+ (to SSI)	42,971	\$7,277,158	42,218	\$7,547,824	(753)	\$270,666
Adults:						
Parents/ Caretakers (to 68% FPL) and Pregnant Adults (to 200% FPL)	197,397	66,715,087	198,210	61,823,610	813	(4,891,477)
Parents/ Caretakers (69% to 138% FPL)*	85,311	28,832,914	82,897	21,251,172	(2,414)	(7,581,742)
Adults without Dependent Children (to 138% FPL)*	287,239	208,653,660	293,091	219,403,218	5,852	10,749,558
Breast and Cervical Cancer Program (to 250% FPL)	179	60,207	283	88,005	104	27,798
Individuals With Disabilities to age 64 (to 450% FPL)	85,135	154,906,187	84,791	135,824,683	(344)	(19,081,504)
Children (to 147% FPL)	536,591	126,732,162	534,231	127,960,239	(2,360)	1,228,077
Individuals In/ Formerly In Foster Care (up to age 26)	<u>20,237</u>	<u>53,264,149</u>	<u>19,923</u>	<u>44,190,178</u>	(314)	(9,073,971)
Subtotal	1,255,060	646,441,524	1,255,644	618,088,929	584	(28,352,595)
<u>Adjustments:</u>						
Date of death retractions		(416,261)		(1,241,762)		(825,501)
Adults without dependent children risk corridor reconciliation 1/		0		(20,613,732)		(20,613,732)
Adults without dependent children rate reconciliation 2/		<u>0</u>		<u>3,700,000</u>		<u>3,700,000</u>
<b>Capitation Payments Total</b>	<b>1,255,060</b>	<b>\$646,025,263</b>	<b>1,255,644</b>	<b>\$599,933,435</b>	<b>584</b>	<b>(\$46,091,828)</b>
<b>Fee for Service</b>						
Inpatient		\$1,159,633		\$1,152,541		(\$7,092)
Outpatient		7,176,580		7,132,690		(43,890)
Physician		<u>74,146</u>		<u>73,692</u>		(454)
<b>Fee for Service Total</b>		<b>\$8,410,359</b>		<b>\$8,358,923</b>		<b>(\$51,436)</b>
<b>Total Behavioral Health Community Programs</b>	<b>1,255,060</b>	<b>\$654,435,622</b>	<b>1,255,644</b>	<b>\$608,292,358</b>	<b>584</b>	<b>(\$46,143,264)</b>
<b>Incremental Percentage Change</b>					<b>0.0%</b>	<b>-7.1%</b>

\* These are new eligibility categories authorized by S.B. 13-200.

1/ Due to the uncertainty of the cost of serving this population, the Department placed a "risk corridor" on the associated capitation rates, thereby splitting the risk of not setting an accurate rate between the Department and the behavioral health organizations (BHOs). For the period January to June 2014, the Department expects to recoup \$20.6 million due to rates being set higher than

2/ This adjustment corrects a systems issue that caused some adults to be incorrectly categorized, resulting in BHO payments that were based on inappropriately high per-member-per-month rates.

## Non-prioritized Supplemental Requests

### **NON-PRIORITIZED SUPPLEMENTAL #3 DHS MENTAL HEALTH INSTITUTE REVENUE ADJUSTMENTS**

	Request	Recommendation
<b>Total</b>	<b><u>\$1,200,000</u></b>	<b><u>\$1,200,000</u></b>
FTE	0.0	0.0
General Fund	590,520	590,520
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds	609,480	609,480

**Department Request:** The Department submitted a non-prioritized request to increase the appropriation of Medicaid funds for the Colorado Mental Health Institute at Pueblo. This request accompanies the Department of Human Services' supplemental request #7.

**Staff Recommendation:** Consistent with staff's recommendation for the companion supplemental from the Department of Human Services, staff recommends increasing the HCPF appropriation by a total of \$1,200,000 in order to align appropriations with updated revenue estimates. See staff's January 20, 2016, write-up concerning the Department of Human Services' supplemental requests for behavioral health services for a detailed explanation of the recommended revenue adjustments.

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**JBC Staff Supplemental Recommendations - FY 2015-16**  
**Staff Working Document - Does Not Represent Committee Decision**

**Appendix A: Number Pages**

	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2015-16 Requested Change	FY 2015-16 Rec'd Change	FY 2015-16 Total w/Rec'd Change
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**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING**  
**Sue Birch, Executive Director**

**S2 Behavioral Health**

**(3) BEHAVIORAL HEALTH COMMUNITY PROGRAMS**

Behavioral Health Capitation Payments	<u>565,420,239</u>	<u>646,025,263</u>	<u>(46,091,828)</u>	<u>(46,091,828)</u>	<u>599,933,435</u>
General Fund	173,415,971	188,346,101	(16,053,804)	(16,053,804)	172,292,297
Cash Funds	5,333,335	8,967,481	(242,677)	(242,677)	8,724,804
Federal Funds	386,670,933	448,711,681	(29,795,347)	(29,795,347)	418,916,334
Behavioral Health Fee-for-service Payments	<u>7,525,423</u>	<u>8,410,359</u>	<u>(51,436)</u>	<u>(51,436)</u>	<u>8,358,923</u>
General Fund	2,946,662	2,685,684	(921,031)	(921,031)	1,764,653
Cash Funds	20,963	143,951	(35,924)	(35,924)	108,027
Federal Funds	4,557,798	5,580,724	905,519	905,519	6,486,243

<b>Total for S2 Behavioral Health</b>	<u>572,945,662</u>	<u>654,435,622</u>	<u>(46,143,264)</u>	<u>(46,143,264)</u>	<u>608,292,358</u>
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	176,362,633	191,031,785	(16,974,835)	(16,974,835)	174,056,950
Cash Funds	5,354,298	9,111,432	(278,601)	(278,601)	8,832,831
Federal Funds	391,228,731	454,292,405	(28,889,828)	(28,889,828)	425,402,577



***JBC Staff Supplemental Recommendations - FY 2015-16***  
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	FY 2014-15 Actual	FY 2015-16 Appropriation	FY 2015-16 Requested Change	FY 2015-16 Rec'd Change	FY 2015-16 Total w/Rec'd Change
<b>Totals Excluding Pending Items</b>					
<b>HEALTH CARE POLICY AND FINANCING</b>					
<b>TOTALS for ALL Departmental line items</b>	7,705,853,939	8,890,954,397	(46,143,264)	(46,143,264)	8,844,811,133
<i>FTE</i>	<u>390.9</u>	<u>421.2</u>	<u>0.0</u>	<u>0.0</u>	<u>421.2</u>
General Fund	1,502,756,056	1,659,028,549	(16,974,835)	(16,974,835)	1,642,053,714
General Fund Exempt	813,135,957	848,552,061	0	0	848,552,061
Cash Funds	838,837,333	1,031,847,224	(278,601)	(278,601)	1,031,568,623
Reappropriated Funds	27,551,649	7,805,549	0	0	7,805,549
Federal Funds	4,523,572,944	5,343,721,014	(28,889,828)	(28,889,828)	5,314,831,186

*JBC Staff Supplemental Recommendations: FY 2015-16*  
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## Appendix B: FY 2015-16 Behavioral Health Capitation Payments Calculations

Description	Eligibility Category								Total
	Individuals With Disabilities up Adults Age 65+ (to SSI)	Parents/ Caretakers (to 68% FPL); Pregnant Adults (to 200% FPL)	Parents/ Caretakers (69% to 138% FPL)*	Adults without Dependent Children (to 138% FPL)*	Children (to 147% FPL)	Individuals In/ Formerly In Foster Care (up to age 26)	Breast and Cervical Cancer Program (to 250% FPL)		
<b>Estimated Weighted Capitation Rate (per member, per month):</b>									
First 6 months	\$14.75	\$128.42	\$25.55	\$20.74	\$61.28	\$19.67	\$174.57	\$25.55	
Second 6 months	\$14.93	\$137.89	\$26.14	\$21.22	\$62.68	\$20.13	\$194.56	\$26.14	
<b>Estimated Monthly Caseload:</b>									
First 6 months	42,046	83,835	194,598	81,084	288,584	525,198	19,861	312	1,235,518
Second 6 months	42,388	85,747	201,821	84,708	297,598	543,264	19,983	253	1,275,762
Full year	42,217	84,792	198,211	82,896	293,091	534,231	19,922	283	1,255,642
<b>Total Capitated Payments (per member, per month rate X monthly caseload):</b>									
First 6 months	\$3,721,071	\$64,596,544	\$29,831,873	\$10,090,093	\$106,106,565	\$61,983,868	\$20,802,809	\$47,830	\$297,180,653
Second 6 months	<u>3,797,117</u>	<u>70,941,923</u>	<u>31,653,606</u>	<u>10,785,023</u>	<u>111,920,656</u>	<u>65,615,426</u>	<u>23,327,355</u>	<u>39,681</u>	<u>318,080,785</u>
Full year	\$7,518,188	\$135,538,467	\$61,485,479	\$20,875,116	\$218,027,221	\$127,599,294	\$44,130,164	\$87,510	\$615,261,438
<b>Estimated Expenditures:</b>									
<u>First 6 months</u>									
Claims paid in current period	\$3,705,070	\$64,460,891	\$29,649,899	\$9,972,039	\$105,321,376	\$61,791,718	\$20,777,846	\$47,624	\$295,726,463
Claims from prior periods	29,592	299,542	346,260	383,178	1,408,473	372,203	63,043	455	2,902,746
<u>Second 6 months</u>									
Claims paid in current period	3,780,789	70,792,945	31,460,519	10,658,838	111,092,381	65,412,018	23,299,362	39,510	316,536,362
Claims from prior periods	<u>32,373</u>	<u>271,305</u>	<u>366,932</u>	<u>237,117</u>	<u>1,580,988</u>	<u>384,300</u>	<u>49,927</u>	<u>416</u>	<u>2,923,358</u>
Total Estimated Expenditures	\$7,547,824	\$135,824,683	\$61,823,610	\$21,251,172	\$219,403,218	\$127,960,239	\$44,190,178	\$88,005	\$618,088,929
Estimated date of death retractions	(192,935)	(690,805)	(32,332)	(14,439)	(255,630)	(14,439)	(39,737)	(1,445)	(1,241,762)
<b>Subtotal: Expenditures including date of death retractions</b>	<b>\$7,354,889</b>	<b>\$135,133,878</b>	<b>\$61,791,278</b>	<b>\$21,236,733</b>	<b>\$219,147,588</b>	<b>\$127,945,800</b>	<b>\$44,150,441</b>	<b>\$86,560</b>	<b>\$616,847,167</b>
<b>Adjustments:</b>									
Adults without dependent children risk corridor reconciliation									(\$20,613,732)
Adults without dependent children rate reconciliation									<u>3,700,000</u>
<b>Total Revised Estimate of Behavioral Health Capitation Payments</b>									<b>\$599,933,435</b>

\* These are new eligibility categories authorized by S.B. 13-200.