

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



SUPPLEMENTAL REQUESTS FOR FY 2013-14

**DEPARTMENT OF HEALTH CARE POLICY AND
FINANCING**

(Division for Individuals with Intellectual and Developmental Disabilities)

**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) provides health care services to qualifying Colorado residents. Specifically this supplemental document relates to the Division for Individuals with Intellectual and Developmental Disabilities (Division) which oversees community-based services for individual with intellectual and developmental disability. Effective March 1, 2014 the Division is transferred from the Department of Human Services to HCPF. The Division is responsible for the provision of services by community based providers to individuals with intellectual and developmental disabilities (IDD) including:

- Administration of three Medicaid waivers for individuals with IDD;
- Establishment of service reimbursement rates;
- Ensuring compliance with federal Centers for Medicare and Medicaid rules and regulations;
- Communication and coordination with Community Center Boards regarding waiver policies, rate changes, and waiting list information reporting; and
- Administration of the Family Support Services Program.

Summary: FY 2013-14 Appropriation and Recommendation

Department of Health Care Policy and Financing: Recommended Changes for FY 2013-14						
	Total Funds	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FTE
FY 2013-14 Appropriation						
SB 13-230 (Long Bill)	\$496,837,597	\$243,368,011	\$368,295	\$18,928	\$253,082,363	0.0
Other legislation	<u>1,867,133</u>	<u>(932,575)</u>	<u>1,866,142</u>	<u>0</u>	<u>933,566</u>	<u>0.0</u>
Current FY 2013-14 Appropriation	\$498,704,730	\$242,435,436	\$2,234,437	\$18,928	\$254,015,929	0.0
Recommended Changes						
Current FY 2013-14 Appropriation	\$498,704,730	242,435,436	\$2,234,437	\$18,928	\$254,015,929	0.0
S5 Community living caseload	<u>(23,564,580)</u>	<u>(11,782,289)</u>	<u>0</u>	<u>0</u>	<u>(11,782,291)</u>	<u>0.0</u>
Recommended FY 2013-14 Appropriation	\$475,140,150	\$230,653,147	\$2,234,437	\$18,928	\$242,233,638	0.0
Recommended Increase/(Decrease)	(\$23,564,580)	(\$11,782,289)	\$0	\$0	(\$11,782,291)	0.0
Percentage Change	(4.7%)	(4.9%)	0.0%	0.0%	(4.6%)	0.0%
FY 2013-14 Executive Request	\$475,140,150	\$230,653,147	\$2,234,437	\$18,928	\$242,233,638	0.0
Request Above/(Below) Recommendation	\$0	\$0	\$0	\$0	\$0	0.0

Request/Recommendation Descriptions

S5 Community living caseload: The request includes a total reduction of \$23,551,211 total funds, of which \$11,775,604 is General Fund for adjustments to the appropriations for the waivers for individuals with intellectual and developmental disabilities. The above table does not include an increase of \$13,369 total funds, of which \$6,685 is General Fund, for Medicaid state plan costs reflected in other divisions. The staff recommendation is to approve the request. The discussion includes additional options for the Committee's consideration.

Prioritized Supplemental Requests

SUPPLEMENTAL REQUEST, DEPARTMENT PRIORITY #5 COMMUNITY LIVING CASELOAD AND PER CAPITA CHANGES

	Request	Recommendation*
Total	(\$23,551,211)	(\$23,551,211)
FTE	0.0	0.0
General Fund	(11,775,604)	(11,775,604)
Cash Funds	0	0
Federal Funds	(11,775,607)	(11,775,607)

*The request and recommendation numbers reflect the changes to both the Division for Individuals with Intellectual and Developmental Disabilities as well as changes to the state plan which are appropriated in other HCPF divisions.

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? [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.]	YES
JBC staff and the Department agree that this request is the result of data that was not available when the original appropriation was made.	

Department Request: The Department requests three changes to the appropriation for the three waivers for individuals with intellectual and developmental disabilities (IDD):

- **Base alignment** - This change would adjust the funding levels for the three waivers and targeted case management to align the Long Bill appropriation with the projected expenditures. The Department determined there is a structural over-appropriation for the waivers due to a number of assumptions used to set the appropriation over the prior two years. These JBC staff assumptions were not implemented by the Department of Human Services and the request reflects the use of a new projection methodology by the Department of Health Care Policy and Financing.

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- **Underutilization reduction** - This change would reduce the appropriation due to projected underutilization of enrollments¹.
- **Funding for new enrollments** - This change would fund new enrollments by utilizing the structural over appropriation, but due to the limited time remaining in FY 2013-14 and the time it takes to enroll an individual into the waiver, the amount of funding for the new enrollments is equal to about two months of services.

The following table summarizes the fiscal impact for each change.

Waiver	Summary of Changes Requested in S-5			Waiver Total
	Base Adjustment	Underutilization Reduction	Funding for New Enrollments	
FY 2013-14 Impact				
Comprehensive	(\$15,367,639)	(\$5,858,144)	\$89,295	(\$21,136,488)
Supported Living	2,509,091	(1,356,795)	0	1,152,296
Children's Extensive Support	(279,003)	(1,269,914)	772,274	(776,643)
Case Management	(2,266,576)	(625,203)	88,034	(2,803,745)
State Plan	0	0	13,369	13,369
FY 2013-14 Total	(\$15,404,127)	(\$9,110,056)	\$962,972	(\$23,551,211)

Staff Recommendation: Staff recommends that the Committee approve the request since it is not possible for the Department to expend the full appropriation. Additionally staff recommends an enrollment be defined as an unduplicated individual receiving billable services, and an FPE (full program equivalent) be defined as the average monthly paid claims. These recommended definitions are supported by the Department.

In order to provide more transparency and accountably, **staff recommends, and the Department supports, the following changes to the line item names, and the inclusion of a new footnote to identify the number of FPE and the maximum enrollment number that would be funded by the appropriation.** The changes to the line item names are shown below:

- Adult Comprehensive Services for ~~4,471.2 Medicaid Full Program Equivalents (FPE);~~
- Adult Supported Living Services for ~~692 General Fund FPE and 3,417.5 Medicaid FPE;~~
- Children's Extensive Support Services for ~~659 Medicaid FPE;~~ and
- Case Management for ~~692 General Fund and 8,547.7 Medicaid FPE~~

Once the Committee acts on this request, staff will bring back a footnote for the Committee's approval which includes the FPE and maximum enrollment numbers for the appropriation.

¹ The recommendation includes a new definition for enrollments to be the number of people. There is associated recommendation to redefine FPE.

Options: The following are options the Committee may want to consider in addition to, or in lieu of, the recommendation because of the larger policy discussions this request and recommendation highlight. All of these options can be done independently or in combination with each other and with the request for new enrollments.

- *Option 1 - Reserve for unexpected SLS enrollments:* Since there was a 52.4 percent increase in the number of children requesting the Children's Extensive Support (CES) waiver (an increase of 279 in addition to the 532 funded in the FY 2013-13 Long Bill to eliminate the CES waiting list), staff is concerned the FY 2014-15 request to fund the SLS waiting list may result in a similar increase in the number of adults seeking the SLS waiver in FY 2014-15. Therefore the Committee may opt to not reduce the appropriation in order to provide a buffer for FY 2014-15 if the number of adults seeking the SLS waiver is greater than the budgeted number. Pursuant to Section 27-10.5-104.2, C.R.S., any funds not expended by the waivers will roll into the Intellectual and Developmental Disabilities Cash Fund at the end of the fiscal year.
- *Option 2 - Adjusting service caps:* There were a number of caps implemented during FY 2010-11 and FY 2011-12 as budgeting mechanisms to avert an over expenditure. The Department could reduce or eliminate these caps, and a portion of the over appropriation could be used to fund additional services. This process would require a waiver amendment and it is not clear if the Department is willing to make such amendments.
- *Option 3 - Begin funding for SLS enrollments sooner:* This request and recommendation is independent of the FY 2014-15 request to fund additional SLS enrollments. If the Committee wished to start funding those SLS enrollments sooner than July 1, 2014 a portion of the FY 2013-14 underexpenditure could be used for that purpose. If the Committee elects this option staff will bring a supplemental comeback with specific appropriation changes.
- *Option 4 - Alliance proposal:* Staff received a proposal from Alliance, the organization representing the majority of the Community Center Boards and a number of service providers, for how to address the structural over-appropriation and balance of the IDD Cash Fund. The proposal includes the following points and is discussed at the end of the Staff Analysis section: begin enrolling 300 SLS enrollments in FY 2013-14 (option 3), provide additional funding to CCBs for enrollment costs, provide one-time funding to enroll additional comprehensive enrollments to account for FPE vacancies, start enrolling 1500 SLS enrollments on July 1, 2014, and remove service caps (option 2).

Staff Analysis:

Terminology and Footnote

In order to provide a standard basis understood by both the Department and staff, from which the appropriation is calculated staff is recommending, and the Department supports, a change in the definition of full program equivalents (FPE) and the addition of a definition for enrollments. **The recommended definition for enrollments is the number of individuals receiving services. The recommended definition for FPE is the average monthly paid claims.**

In order to provide an explanation of factors used to calculate the appropriation, similar to how the General Assembly footnotes the Medical Services Premiums line item with Department of Health Care Policy and Financing footnote #8, **staff recommends the addition of a footnote which outlines the maximum enrollment and FPE number that would be funded with the appropriation.** This footnote will assist with future appropriation changes and associated changes in maximum enrollment and FPE numbers.

Three Changes for FY 2013-14

The supplemental budget request is broken into three changes which are discussed in detail below: base alignment, underutilization reduction, and funding for new enrollments. Since any unexpended funds will revert to the IDD Cash Fund at the end of the fiscal year, the Committee could allow some or all of the projected under expenditure to remain in the appropriation and revert to the IDD Cash Fund.

Base alignment - This change would adjust the funding levels for the three waivers and targeted case management to align the Long Bill appropriation with the projected expenditures. The Department determined there is a structural over-appropriation for the waivers due to a number of assumptions used to set the appropriation over the prior two years. These JBC staff assumptions were not implemented by the Department of Human Services and the request reflects the use of a new projection methodology by the Department of Health Care Policy and Financing.

The primary difference between the projection and the assumptions used for setting the appropriation is the cost per FPE. The appropriation is based on \$66,897 per FPE, but the projected cost per FPE is \$63,782. Staff attributes this difference to two factors: staff utilized a weighted average when calculating the per FPE cost and the Department's projections do not; second the projected cost includes the cost savings of service caps.

IN addition, there was an increase of \$4,861,362 total funds in FY 2012-13 which was intended to adjust the waiver funding to align the FY 2012-13 appropriation with FY 2011-12 projected expenditures. At the time this increase was approved there was no response from the Department about how this was to be implemented, but it appears that this funding increase was not translated into additional FPE or rate increases and has simply remained in the appropriation. Both the Department of Human Services and the Department of Health Care Policy and Financing have pointed out in their written communication with staff that this increase has been a factor in the reversion.

Since these waivers will be transferred to the Department of Health Care Policy and Financing (HCPF) on March 1, 2014, HCPF has taken over the role of submitting all budget requests. This supplemental request reflects the first time HCPF has utilized a projection methodology for this budget. Staff believes using a projection methodology is appropriate and will prevent significant over/under expenditures in the future, but acknowledges this first adjustment is significant. The methodology being used by HCPF is simplistic and HCPF has indicated future budget submissions will include a more refined projection methodology. The methodology is outlined in the following table:

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IDD Waiver Projection Formula			
Formula	Projected FPE	* Projected Actual Per Capita	= Total Projected Expenditure
Description	This is calculated based on Actual FY 2012-13 FPE plus additional FPE projected to be added during FY 2013-14.	This is calculated based on the FY 2012-13 per capita plus the provider rate increase and base trend changes (i.e. changes across SIS levels)	Total amount of funds projected to be expended on the waivers and targeted case management

Based on this projection methodology the following table shows what the Department believes is the structural over/under appropriation for each line item. This issue is independent of the underutilization issue.

Waiver	Base Adjustment Change		
	Total Funds	General Fund	Federal Funds
FY 2013-14 Impact			
Comprehensive	(\$15,367,639)	(\$7,683,820)	(\$7,683,819)
Supported Living	2,509,091	1,254,546	1,254,545
Children's Extensive Support	(279,003)	(139,502)	(139,501)
Case Management	(2,266,576)	(1,133,288)	(1,133,288)
FY 2013-14 Total	(\$15,404,127)	(\$7,702,064)	(\$7,702,063)

Underutilization reduction - This change would reduce the appropriation due to projected underutilization of enrollments. During the briefing staff discussed the Department of Human Service's policy of taking back FPE as both a mechanism to provide services to the next individual waiting for services regardless of the geographic location but also as a budgeting mechanism. The request indicates that 350 enrollments have been distributed as of November 2013, of which 200 are comprehensive enrollments and 150 are supported living enrollments. While the Department of Health Care Policy and Financing has indicated these enrollments have been authorized, only time will confirm that these enrollments translate into actual services. The underutilization of 350 enrollments was a contributing factor to the FY 2012-13 underexpenditure and will result in a FY 2013-14 underexpenditure. The request seeks to reduce the appropriation by the amounts shown in the following table which represent the underutilization of enrollments.

Waiver	Underutilization Reduction for FY 2013-14		
	Total Funds	General Fund	Federal Funds
FY 2013-14 Impact			
Comprehensive	(\$5,858,144)	(\$2,929,072)	(\$2,929,071)
Supported Living	(1,356,795)	(678,398)	(678,399)
Children's Extensive Support	(1,269,914)	(634,957)	(634,956)
Case Management	(625,203)	(312,602)	(312,602)
FY 2013-14 Total	(\$9,110,056)	(\$4,555,028)	(\$4,555,027)

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It is important to note that the underutilization reduction should be a one-time reduction, and any funding not expended in FY 2013-14 should be expended in FY 2014-15 because all the enrollments should be receiving services which are then billed for. For this component of the change, it is unfortunate that not all enrollments were being utilized but it should be noted that HCPF has acknowledged the underutilization and is working to fill all enrollments.

Funding for new enrollments - This change would fund additional enrollments by utilizing the structural over-appropriation discussed in the base alignment section. Due to the limited time remaining in FY 2013-14 and the time it takes to enroll an individual into the waiver, the amount of funding for new enrollments, if approved by the General Assembly, would equal about two months. The requested number of new enrollments does not take into consideration the 3.0 percent provider rate increase approved by the Committee for FY 2014-15, which means the full year cost of the request for 134 comprehensive enrollments and 279 children's enrollments will be larger than the structural over appropriation.

	Summary of Request for New Enrollments				
	FY 2013-14	FY 2014-15 as Requested	FY 2014-15 with 3.0% Provider Rate	FY 2015-16 excluding FY 2014-15 provider rate	FY 2015-16 including FY14-15 provider rate
	Total Funds	Total Funds	Total Funds	Total Funds	Total Funds
Comprehensive	89,295	6,698,906	6,899,873	8,574,394	8,831,626
Children's	772,274	5,504,440	5,669,573	5,581,866	5,749,322
Case Management	88,034	835,536	860,602	908,526	935,782
State Plan	13,369	126,472	130,266	324,296	334,025
Total	962,972	13,165,354	13,560,315	15,389,082	15,850,754

*Note due to the time it takes to enroll individuals for services, the service billing for all new enrollments will not be seen in the budget until FY 2015-16.

The request is seeking to utilize the structural over appropriation to serve more individuals. Due to the limited time in FY 2013-14 and the time it takes to enroll an individual for services, the Department will only expend a small fraction of the cost for new enrollments in FY 2013-14. It is important to note that the request does not seek to change provider rates or service caps; hence staff felt it was appropriate to include the options on page 4 for the Committee.

Alliance Proposal

Alliance submitted a proposal in response to the Department's supplemental request, and in order to provide the Committee with all possible options, staff has included the proposal for discussion. The proposal includes a number of options presented by staff, and at this time staff is not making a recommendation on the proposal. If the Committee adopts all or part of this proposal staff will need to conduct additional analysis on the feasibility and cost.

Part One (expenditures in FY 2013-14)

- Provide funding for the Community Center Boards' cost of enrolling all approved and currently planned enrollments at the established rate of \$1,606 per enrollment. Provide

funding to providers for enrolling all comprehensive enrollments at a cost of \$1,000 per enrollment. This includes enrollments to be rolled out post June 2014;

- Fund 300 SLS enrollments which have been requested for FY 2014-15 through the FY 2013-14 supplemental;
- Allow \$4.6 million to roll into the IDD Cash Fund; and
- Reduce the FY 2013-14 appropriation by \$4.8 million.

Part Two (expenditures FY2014-15)

- Fund 1,500 SLS enrollments and begin enrollment on July 1, 2014;
- Fund 150 comprehensive enrollments for six months to eliminate FPE vacancies related to comprehensive FPE attrition, and utilize IDD Cash Fund to pay for these costs;
- Continue to fund case management and provider onboarding for 150 FPE at \$2,606 per FPE.

Part Three (expenditures FY2015-16)

- Fund 150 comprehensive enrollments for six months to eliminate FPE vacancies related to comprehensive FPE attrition, and utilize IDD Cash Fund to pay for these costs;

Part Four (reinstatement of lost services immediately)

Reinstate targeted case management, day habilitation, and behavioral health services to the levels pre-implementation of cost containment caps.

*JBC Staff Supplemental Recommendations - FY 2013-14
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Appendix A: Number Pages

	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2013-14 Requested Change	FY 2013-14 Rec'd Change	FY 2013-14 Total W/ Rec'd Change
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**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
Sue Birch, Executive Director**

S5 Community Living Caseload

(2) MEDICAL SERVICES PREMIUMS

Medical and Long-Term Care Services for Medicaid

Eligible Individuals	<u>3,937,400,734</u>	<u>4,736,824,877</u>	<u>(15,977)</u>	<u>(15,977)</u>	<u>4,736,808,900</u>
General Fund	847,647,042	1,036,017,966	(7,988)	(7,988)	1,036,009,978
General Fund Exempt	507,235,957	469,842,084	0	0	469,842,084
Cash Funds	639,607,454	593,882,063	0	0	593,882,063
Reappropriated Funds	2,936,892	2,936,892	0	0	2,936,892
Federal Funds	1,939,973,389	2,634,145,872	(7,989)	(7,989)	2,634,137,883

(3) BEHAVIORAL HEALTH COMMUNITY PROGRAMS

Behavioral Health Capitation Payments	<u>301,303,046</u>	<u>380,837,424</u>	<u>29,346</u>	<u>29,346</u>	<u>380,866,770</u>
General Fund	136,833,502	151,060,588	14,673	14,673	151,075,261
Cash Funds	13,513,748	2,033,883	0	0	2,033,883
Reappropriated Funds	0	0	0	0	0
Federal Funds	150,955,796	227,742,953	14,673	14,673	227,757,626

(7) DEPARTMENT OF HUMAN SERVICES MEDICAID-FUNDED PROGRAMS

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	FY 2012-13 Actual	FY 2013-14 Appropriation	FY 2013-14 Requested Change	FY 2013-14 Rec'd Change	FY 2013-14 Total W/ Rec'd Change
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(G) Services for People with Disabilities - Medicaid Funding

Community Services for People with Developmental

Disabilities, Program Costs	<u>327,987,037</u>	<u>374,575,651</u>	<u>(23,564,580)</u>	<u>(23,564,580)</u>	<u>351,011,071</u>
General Fund	163,993,519	187,287,826	(11,782,289)	(11,782,289)	175,505,537
Cash Funds	0	1	0	0	1
Federal Funds	163,993,518	187,287,824	(11,782,291)	(11,782,291)	175,505,533

Total for S5 Community Living Caseload	4,566,690,817	5,492,237,952	(23,551,211)	(23,551,211)	5,468,686,741
<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	1,148,474,063	1,374,366,380	(11,775,604)	(11,775,604)	1,362,590,776
General Fund Exempt	507,235,957	469,842,084	0	0	469,842,084
Cash Funds	653,121,202	595,915,947	0	0	595,915,947
Reappropriated Funds	2,936,892	2,936,892	0	0	2,936,892
Federal Funds	2,254,922,703	3,049,176,649	(11,775,607)	(11,775,607)	3,037,401,042

Totals Excluding Pending Items

HEALTH CARE POLICY AND FINANCING

TOTALS for ALL Departmental line items	5,492,776,820	6,537,643,053	(23,551,211)	(23,551,211)	6,514,091,842
<i>FTE</i>	<u>315.9</u>	<u>358.1</u>	<u>0.0</u>	<u>0.0</u>	<u>358.1</u>
General Fund	1,323,274,792	1,592,879,212	(11,775,604)	(11,775,604)	1,581,103,608
General Fund Exempt	507,677,557	470,280,384	0	0	470,280,384
Cash Funds	917,366,916	888,516,606	0	0	888,516,606
Reappropriated Funds	5,216,474	10,483,522	0	0	10,483,522
Federal Funds	2,739,241,081	3,575,483,329	(11,775,607)	(11,775,607)	3,563,707,722