

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



INTERIM SUPPLEMENTAL REQUEST FOR FY 2012-13

DEPARTMENT OF HUMAN SERVICES

(Behavioral Health Services)

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

**Prepared By:
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Interim Supplemental Request

PROJECTED FY 2012-13 OVER-EXPENDITURES AT THE MENTAL HEALTH INSTITUTES

	Request	Recommendation
Total	<u>\$1,004,500</u>	<u>\$1,004,500</u>
General Fund	(360,000)	(360,000)
Cash Funds	644,500	644,500
Reappropriated Funds	720,000	720,000
<i>Net General Fund*</i>	\$0	\$0

*Net General Fund equals the General Fund appropriation to the Department of Human Services plus the General Fund appropriation component of moneys reappropriated to the Department of Human Services by the Department of Health Care Policy and Financing.

<p>Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.? [The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.]</p>	YES
<p>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.]</p>	YES
<p>JBC staff and the Department agree that (1) this request meets the interim supplemental criteria of Section 24-75-111, C.R.S., and (2) this request is the result of data that was not available when the original appropriation was made.</p>	

Department Request: The Department of Human Services operates the State's two mental health institutes in Denver (Fort Logan) and Pueblo. The facilities house a combined 545 civil and forensic treatment beds. For FY 2012-13, the Department requests an increase of \$1.0 million total funds (including zero net General Fund) to avoid projected over-expenditures for contract medical services, benefits for individuals providing treatment, and related services. The request is financed via a mix of transfers from under-expended line items and additional Medicare and Medicaid revenue.

FY 2012-13 Mental Health Institute Interim Supplemental Request Summary					
	Total Funds	GF	CF	RF	FF
Department of Human Services	\$1,004,500	(\$360,000)	\$644,500	\$720,000	\$0
Department of Health Care Policy and Financing	720,000	360,000	0	0	360,000

Staff Recommendation: Staff recommends that the Committee approve the Department's request to avoid projected over-expenditures for contract medical services, benefits for individuals providing treatment, and related services. The recommended supplemental request for FY 2012-13 represents an increase of \$1.0 million total funds, including zero net General Fund.

Staff Analysis: The Department has implemented processes necessary to accurately monitor the institutes' expenditures in a real-time environment. These processes have been valuable in proactively identifying potential issues related to over and under-expenditures of appropriations in a given year. These measures are also beneficial in developing options to avert fiscal issues that impact service delivery.

The Department's FY 2012-13 request leverages these monitoring and reporting tools, and puts forth a proposal that clearly identifies areas projected for over-expenditure, articulates the drivers of these costs, and earmarks specific revenue sources to meet the needs while avoiding over-expenditures. Specifically, the request can be delineated into two categories: projected costs and available revenues to meet the projected costs.

Projected Costs

Projected Costs - FY 2012-13 Mental Health Institutes			
Cost Item	Pueblo	Fort Logan	Total
Contract Medical Services	\$414,600	\$614,900	\$1,029,500
Wages and Benefits	342,500	72,400	414,900
Other Contract Services	(139,300)	128,800	(10,500)
Medicaid Repayment	140,600	0	140,600
Total	\$617,800	\$956,700	\$1,574,500

Contract Medical Services

Based on actual expenditures in FY 2012-13 that have already occurred, it is projected that the Department's expenditures for contract medical services will increase by \$1.0 million. The increase is due to three primary drivers:

1. Catastrophic medical care at Fort Logan – a critically ill patient at Fort Logan required 74 days of inpatient medical care at a facility outside of the institute. Of the 74 days, the patient received services in an intensive care unit for 39 days. It is projected that care for this one patient will total \$544,326 in FY 2012-13.
2. Medical care at Pueblo – the institute has incurred higher than originally projected costs for medical care outside of the facility. Much of the increase (\$253,600) is due to one patient's major surgery procedure scheduled for June 2013.
3. Service delivery support – the institutes are projected to spend an additional \$231,574 on a variety of services including interpreters, outside laboratory tests, ambulance services, contract physicians, and contract nurses.

Benefits

The Department estimates the amount of benefits (health, life, dental, short-term disability, etc.) that will be consumed by each division or unit in a fiscal year. The divisions' usage of benefits is tracked on a month-to-month basis and adjustments are made to the allocations throughout the year to balance spending within given appropriations. Monthly tallies show that the institutes are projected to over-expend their current appropriations for benefits by \$414,900 in FY 2012-13. *Note, it is feasible that this amount (or a portion thereof) may be reverted during the thirteenth month accounting period if the Department is able to reallocate funding from another division or unit to the institutes.*

Other Contract Services

Miscellaneous contract services are projected to decrease in cost by an estimated \$10,500 in FY 2012-13.

Medicaid Repayment

The Department is responsible for submitting a Medicaid Cost Settlement Report to the federal government for every fiscal year retroactive to FY 2001-02. The report ensures that payments for the administration and delivery of services to Medicaid recipients are accurate and efficient in order for those services to be reimbursed on a reasonable cost basis. To date, the Department has submitted reports for FY 2001-02 through FY 2004-05. The audited reports find that the Department is liable for \$140,600 to the Medicaid program.

Available Revenues

Available Revenues - FY 2012-13 Mental Health Institutes	
Revenue Source	Amount
Additional Medicare Revenue	\$644,500
Transfer from Pharmaceuticals	570,000
Additional Medicaid Revenue	360,000
Total	\$1,574,500

Additional Medicare Revenue

The Department is responsible for submitting a Medicare Cost Settlement Report to the federal government. This report, submitted annually on November 30th, reconciles cost reimbursements with actual costs for services provided to Medicare patients. The audited report indicates that the Department will receive an additional \$644,500 cash funds from the Medicare program in FY 2012-13.

Transfer from Pharmaceuticals

Expenditure data for FY 2012-13 indicates that pharmaceutical costs continue to decrease at the institutes as several high-cost antipsychotic medications are now available in generic form. The savings equates to a total of \$570,000 General Fund (\$317,000 at Fort Logan and \$253,000 at Pueblo).

Additional Medicaid Revenue

More patients at the Pueblo facility are currently eligible to bill Medicaid for services provided than are included in the current FY 2012-13 appropriation. Projections based on actual expenditures during FY 2012-13 find that an appropriation to the Department of Health Care Policy and Financing in the amount of \$720,000 total funds (including \$360,000 General Fund) will reconcile appropriations to actual costs. This amount is to be reappropriated to the Department of Human Services. *Note, the Department of Human Services' proposal includes a reduction of \$360,000 General Fund for FY 2012-13 since these treatment funds will be replaced by Medicaid funding from the Department of Health Care Policy and Financing.*

Projected Costs and Available Revenues

Revenues vs. Costs	
Available Revenues - FY 2012-13 Mental Health Institutes	
Revenue Source	Amount
Additional Medicare Revenue	\$644,500
Transfer from Pharmaceuticals	570,000
Additional Medicaid Revenue	360,000
Total	\$1,574,500
Projected Costs - FY 2012-13 Mental Health Institutes	
Cost Item	Amount
Contract Medical Services	\$1,029,500
Wages and Benefits	414,900
Other Contract Services	(10,500)
Medicaid Repayment	140,600
Total	\$1,574,500
Revenues minus Costs	\$0

	FY 2011-12	FY 2012-13	Fiscal Year 2012-13 Interim Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

DEPARTMENT OF HUMAN SERVICES
Executive Director - Reggie Bicha

Interim Supplemental - Projected FY 2012-13 Over-expenditures at the Mental Health Institutes

(8) Mental Health and Alcohol and Drug Abuse Services

(C) Mental Health Institutes

Mental Health Institute - Ft. Logan Personal

Services	n/a*	18,047,742	816,100	816,100	18,863,842
FTE		<u>214.6</u>	<u>0.0</u>	<u>0.0</u>	<u>214.6</u>
General Fund		15,807,289	317,000	317,000	16,124,289
Cash Funds		2,187,924	499,100	499,100	2,687,024
Reappropriated Funds		52,529	0	0	52,529

Mental Health Institute - Ft. Logan

Pharmaceuticals	n/a*	<u>1,155,027</u>	<u>(317,000)</u>	<u>(317,000)</u>	<u>838,027</u>
General Fund		1,017,128	(317,000)	(317,000)	700,128
Cash Funds		107,007	0	0	107,007
Reappropriated Funds		30,892	0	0	30,892

Mental Health Institute - Pueblo Personal

Services	n/a*	64,100,950	617,800	617,800	64,718,750
FTE		<u>950.8</u>	<u>0.0</u>	<u>0.0</u>	<u>950.8</u>
General Fund		51,386,353	(107,000)	(107,000)	51,279,353
Cash Funds		6,493,976	4,800	4,800	6,498,776
Reappropriated Funds		6,220,621	720,000	720,000	6,940,621

	FY 2011-12	FY 2012-13	Fiscal Year 2012-13 Interim Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Mental Health Institute - Pueblo					
Pharmaceuticals	n/a*	<u>3,435,652</u>	<u>(253,000)</u>	<u>(253,000)</u>	<u>3,182,652</u>
General Fund		2,791,963	(253,000)	(253,000)	2,538,963
Cash Funds		297,405	0	0	297,405
Reappropriated Funds		346,284	0	0	346,284
Medicaid Repayment (new line item) - CF	0	0	140,600	140,600	140,600
Human Services Total for Supplemental		86,739,371	1,004,500	1,004,500	87,743,871
FTE		<u>1,165.4</u>	<u>0.0</u>	<u>0.0</u>	<u>1,165.4</u>
General Fund		71,002,733	(360,000)	(360,000)	70,642,733
Cash Funds		9,086,312	644,500	644,500	9,730,812
Reappropriated Funds		6,650,326	720,000	720,000	7,370,326
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Department of Health Care Policy and Financing					
(6) Department of Human Services					
Medicaid-Funded Programs					
(F) Mental Health and Alcohol and Drug Abuse Services					
Mental Health Institutes	<u>4,755,640</u>	<u>4,775,751</u>	<u>720,000</u>	<u>720,000</u>	<u>5,495,751</u>
General Fund	2,377,820	2,387,875	360,000	360,000	2,747,875
Federal Funds	2,377,820	2,387,876	360,000	360,000	2,747,876
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*Prior to FY 2012-13, this line item did not exist, and was included in a program line for the entire institute.					