

JOINT BUDGET COMMITTEE



INTERIM SUPPLEMENTAL BUDGET REQUESTS FY 2017-18

DEPARTMENTS OF HUMAN SERVICES AND HEALTH CARE POLICY AND FINANCING

(Services for People with Disabilities/DHS Medicaid-funded
Programs)

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:
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SEPTEMBER 20, 2017

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INTERIM SUPPLEMENTAL REQUESTS

ES-02 RESTORE REGIONAL CENTER FUNDING (DEPARTMENT OF HUMAN SERVICES)

	REQUEST	RECOMMENDATION
TOTAL	\$6,682,728	\$0
FTE	0.0	0.0
General Fund	0	0
Cash Funds	0	0
Reappropriated Funds	6,682,728	0

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.] **NO**

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.] **NO**

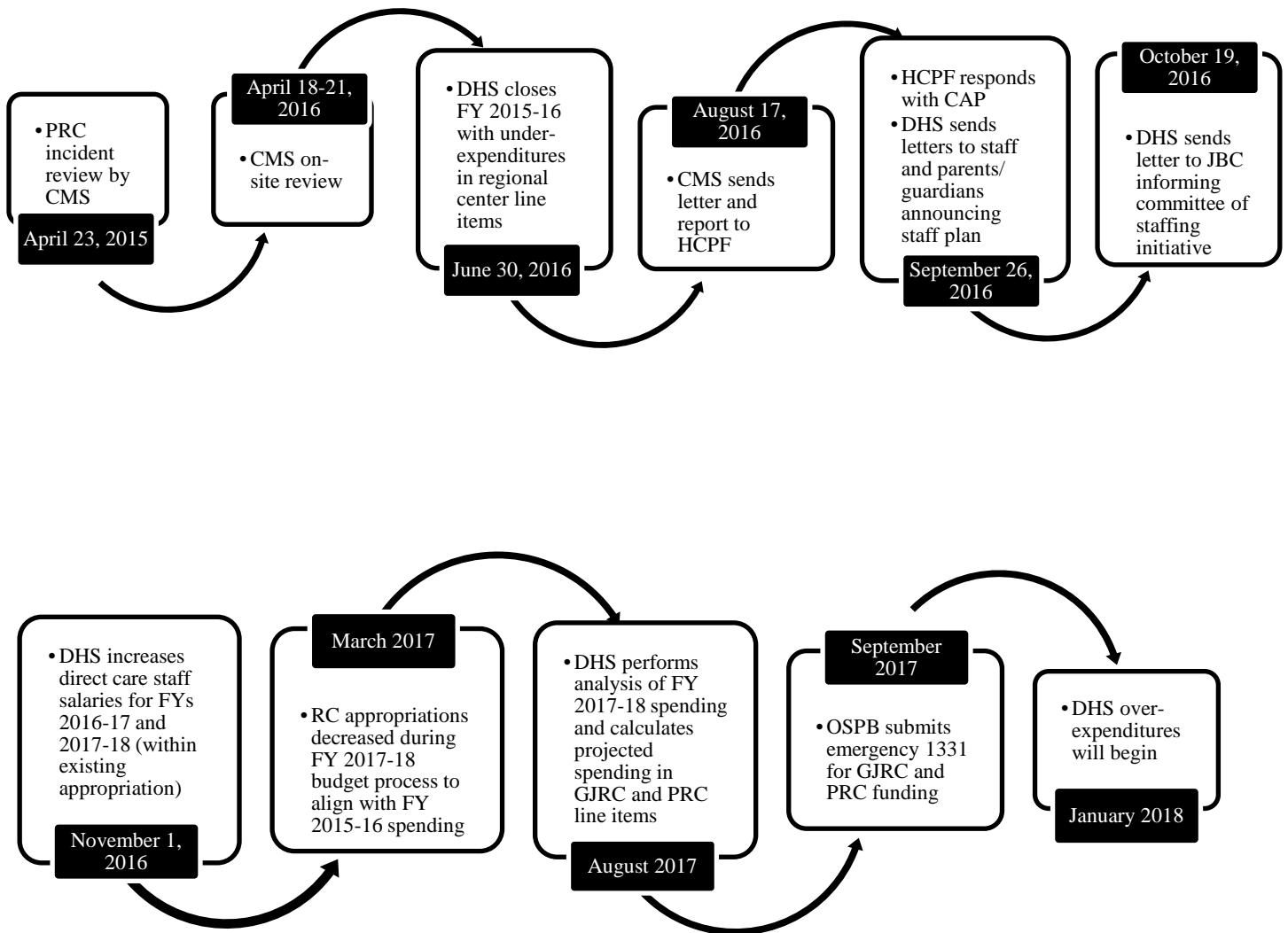
DEPARTMENT REQUEST: The Department of Human Services requests \$6,682,728 reappropriated funds from the Department of Health Care Policy and Financing (HCPF) in FY 2017-18 in order to restore Regional Center funding to a level that will allow the Department to serve the current number of residents in the Grand Junction and Pueblo Regional Center Waiver programs. The Department's request states that the supplemental is as a result of new data.

DEPARTMENT OF HUMAN SERVICES, SERVICES FOR PEOPLE WITH DISABILITIES, REGIONAL CENTERS, DEVELOPMENTAL DISABILITIES SERVICES SUPPLEMENTAL REQUEST			
	FY 2017-18 APPROPRIATION	SUPPLEMENTAL REQUEST	FINAL APPROPRIATION
Grand Junction Regional Center Waiver Services	\$5,103,775	\$4,264,910	\$9,368,685
Cash Funds	398,264	0	398,264
Reappropriated Funds	4,705,511	4,264,910	8,970,421
Pueblo Regional Center Waiver Services	\$7,948,534	\$2,417,818	\$10,366,352
Cash Funds	539,856	0	539,856
Reappropriated Funds	7,408,678	2,417,818	9,826,496
TOTAL REQUEST	\$13,052,309	\$6,682,728	\$19,735,037
Cash Funds	938,120	0	938,120
Reappropriated Funds	12,114,189	6,682,728	18,796,917

STAFF RECOMMENDATION: While the Department’s request comes as a result of a newly performed zero based cost analysis of the Grand Junction and Pueblo Regional Center Waiver program operations, JBC staff does not believe that this request is as a result of new data, but rather a new analysis of existing data, therefore staff recommends that the Committee deny the Department’s request.

STAFF ANALYSIS:

In preparation for this analysis, Joint Budget Committee (JBC) staff has researched events that occurred in the past several months and reviewed documents and reports addressing regional center funding. Staff concluded that the insufficient funding cited by the Department is a result of several culminating events that have occurred as outlined in the timeline below. These events are discussed in this document.



CMS ON-SITE REVIEW OF PUEBLO REGIONAL CENTER

On April 23, 2015 the Centers for Medicare and Medicaid Services (CMS) began a review of incidents that had occurred at the Pueblo Regional Center (PRC). Following the review of information associated with these incidents, from April 18 to April 21, 2016, CMS conducted an onsite review of PRC “to evaluate whether the health and welfare of individuals residing at PRC is at risk and to determine if the state was operating in compliance with the authorized waiver” (from the On-site Review of the Colorado Pueblo Regional Center report dated August 27, 2016). In its letter to the Department of Health Care Policy and Financing (HCPF) dated August 17, 2016, CMS notified HCPF that it had “concluded that PRC has operated in a manner that places the health, welfare, and safety of the residents at risk and deprives them of the benefits, freedoms and rights due to all Medicaid clients in HCBS programs.” CMS requested that HCPF submit a corrective action plan (CAP) addressing the findings “specific to PRC and the systemic issues of non-compliance for waiver administration statewide.”

The CMS report indicated that staffing at the PRC was insufficient to support the level of care needs for the individuals it serves. At the time of the review, staff turnover was calculated to be 39.9 percent and staff reported that they frequently had to complete two eight hour shifts to fill in for missing staff. In response to CMS’ requests, HCPF submitted a CAP dated September 26, 2016, in which Objective #14 reiterates that “staffing issues are putting the health and welfare of PRC residents in jeopardy.” Finding 1 under CAP Objective #14 states that “PRC staffing is insufficient to support the level of care needs for the individuals they serve.” As a result CMS recommended that turnover rates be reduced to less than 20 percent, though the agency did not provide any regulatory or other support for this specific requirement.

In order to address Finding 1, the Department of Human Services (DHS) reports working with HCPF and the Department of Personnel (Personnel) to develop and implement an initiative to improve recruitment and retention of direct care staff at the state’s three regional centers. This plan included increasing staffing levels at the Pueblo Regional Center by 31.0 FTE and increasing direct care staff salaries to at or above the mid-point of each job class salary range. On September 26, 2016, directors of the regional centers sent letters to affected staff and to parents and guardians of the regional center residents informing them of the Department’s plan to reduce the amount of required overtime worked by direct care staff and to review wages to ensure that they are more competitive.

DHS LETTER TO JOINT BUDGET COMMITTEE

The Department delivered a letter to members of the Joint Budget Committee on October 19, 2016 informing them of an initiative designed to improve recruitment and retention at the state’s three regional centers. The letter provided data indicating the number of vacancies and the turnover rate for ten job classes by regional center.

DIRECT CARE STAFF VACANCY AND TURNOVER DATA BY REGIONAL CENTER AND JOB CLASSIFICATION AS OF SEPTEMBER 12, 2016				
	TOTAL POSITIONS	NUMBER OF VACANT POSITIONS	PERCENT VACANT POSITIONS	FY 2015-16 TURNOVER RATE
WHEAT RIDGE REGIONAL CENTER				
Client Care Aide I	7	0	0.0%	100%
Client Care Aide II	93	8	8.6%	39%

DIRECT CARE STAFF VACANCY AND TURNOVER DATA BY REGIONAL CENTER AND JOB CLASSIFICATION AS OF SEPTEMBER 12, 2016				
	TOTAL POSITIONS	NUMBER OF VACANT POSITIONS	PERCENT VACANT POSITIONS	FY 2015-16 TURNOVER RATE
HCS Trainee I	69	14	20.3%	68%
Health Care Technician I	58	11	19.0%	40%
Health Care Technician II	47	6	12.8%	20%
Health Care Technician IV	7	2	28.6%	25%
Mid-level Provider	3	1	33.3%	100%
Nurse I	3	1	33.3%	0%
Nurse II	12	1	8.3%	45%
Therapy Assistant II	3	1	33.3%	33%
SUBTOTAL WRRRC	302	45	14.9%	36%
PUEBLO REGIONAL CENTER				
Client Care Aide I	64	29	45.3%	127%
Health Care Technician I	75	7	9.3%	32%
Health Care Technician III	10	7	70.0%	100%
Health Care Technician IV	9	5	55.6%	44%
Nurse I	10	3	30.0%	56%
Nurse II	4	1	25.0%	0%
Therapy Assistant II	8	0	0.0%	13%
SUBTOTAL PRC	180	52	28.9%	53%
GRAND JUNCTION REGIONAL CENTER				
HCS Trainee I	20	3	15.0%	11%
HCS Trainee II	18	3	16.7%	27%
Health Care Technician I	119	7	5.9%	24%
Health Care Technician III	16	3	18.8%	9%
Health Care Technician IV	15	0	0.0%	7%
Nurse II	15	1	6.7%	22%
Therapy Assistant II	16	0	0.0%	13%
SUBTOTAL GJRC	219	17	7.8%	19%
GRAND TOTAL	701	114	16.3%	

According to the Department's letter, in order to address staffing challenges identified in the CMS report on the PRC site review and subsequently acknowledged in the Corrective Action Plan dated September 26, 2016, the Department undertook a direct care staff compensation initiative that included: 1) filling vacancies (including up to 31 new positions at the Pueblo Regional Center) at the prevailing market rate for that job classification, and 2) providing compression pay increases for existing staff, based on a schedule that accounts for prevailing wage plus a small increase based on years of experience and competency of job performance. Salary increases were not provided to management or administrative staff. The letter explains to the JBC members that the Department worked with Personnel to develop the plan, and with HCPF to ensure that the additional costs could be covered by the existing appropriation of General Fund and Medicaid federal funds to HCPF that are then transferred to DHS. The letter stated that "barring any changes in appropriations in FY 2017-18, the Department will have sufficient spending authority to accommodate the full year cost of the compression-pay increase."

REGIONAL CENTER STAFF SALARY INCREASES

On November 1, 2016, the Department implemented salary increases for direct care positions in all three regional centers. The new starting wages are based on the prevailing market wage determined by either the most current market wage information available in October 2016 from the Department of Personnel, or the midpoint of the pay ranges included in the FY 2016-17 Pay Plan.

NEW STARTING SALARY FOR DIRECT CARE STAFF JOB CLASSIFICATIONS, COMPARED TO PRIOR STARTING MONTHLY SALARY BY JOB CLASSIFICATION.

JOB CLASSIFICATION	DEPT. PERSONNEL MONTHLY PAY RANGE	PRIOR STARTING MONTHLY SALARY	PRIOR STARTING HOURLY SALARY	NEW STARTING MONTHLY SALARY	NEW STARTING HOURLY SALARY	PERCENT CHANGE
Client Care Aide I	\$1,946 - \$2,746	\$1,946	\$11.23	\$2,470	\$14.25	26.9%
Client Care Aide II	\$2,092 - \$2,953	2,092	12.07	2,522	14.55	20.6%
Clinical Youth Security Officer I	\$3,374 - \$5,013	3,374	19.47	4,193	24.19	24.3%
Clinical Youth Security Officer II	\$3,718 - \$5,527	3,718	21.45	4,623	26.67	24.3%
Health Care Services Trainee I	\$2,079 - \$3,043	2,079	11.99	2,561	14.78	23.2%
Health Care Services Trainee II	\$2,079 - \$3,043	2,079	11.99	2,561	14.78	23.2%
Health Care Technician I	\$2,794 - \$3,943	2,794	16.12	3,369	19.44	20.6%
Health Care Technician II	\$3,004 - \$4,241	3,004	17.33	3,622	20.90	20.6%
Health Care Technician III	\$3,228 - \$4,556	3,228	18.62	3,892	22.45	20.6%
Health Care Technician IV	\$3,470 - \$4,899	3,470	20.02	4,184	24.14	20.6%
Mid-Level Provider	\$6,194 - \$9,391	6,194	35.73	8,762	50.55	41.5%
Nurse I	\$4,952 - \$7,247	4,952	28.57	6,149	35.48	24.2%
Nurse II	\$5,262 - \$7,977	5,262	30.36	6,620	38.19	25.8%
Nurse III	\$5,079 - \$8,655	5,079	29.30	7,696	44.40	51.5%
State Teacher's Aide	\$2,428 - \$3,554	2,428	14.01	2,991	17.26	23.2%
Therapy Assistant I	\$2,776 - \$4,063	2,776	16.02	3,420	19.73	23.2%
Therapy Assistant II	\$3,209 - \$4,696	3,209	18.51	3,953	22.81	23.2%
Therapy Assistant III	\$3,449 - \$5,047	3,449	19.90	4,248	24.51	23.2%

In addition to the new starting wages, State Personnel Director's Administrative Procedure 3-18 allows the Department to adjust employee salaries for compression to recognize existing employees for their on-the-job experience and to ensure that newly hired employees are not making more than existing, more experienced staff. In the zero based budget analysis performed for this supplemental request, the Department calculates the total cost of the salary increases for the eight months in FY 2016-17 at \$5,838,132; and for the full twelve months of FY 2017-18 at \$10,722,706.

COST OF SALARY INCREASES		
	FY 2016-17	FY 2017-18
Wheat Ridge Regional Center	\$2,259,385	\$4,167,398
Pueblo Regional Center	2,089,996	4,023,667
Grand Junction Regional Center	1,488,751	2,531,641
Total Cost	\$5,838,132	\$10,722,706

Because the Department had historically underspent its regional center waiver program appropriations, it was able to implement the salary increases within its existing spending authority in FY 2016-17 – the first fiscal year in which actuals reflect the increased level of expenditures. Further, Department staff anticipated the FY 2017-18 appropriation to remain constant and that expenditures would remain within the appropriation even with salary increases paid for the full twelve months of FY 2017-18. As a result, the Department planned to utilize existing resources for

the salary increases and did not submit a FY 2016-17 supplemental budget request or a FY 2017-18 request for an increase in funding.

FY 2017-18 BUDGET PROCESS

During the FY 2017-18 budget cycle, the Department requested \$20.9 million total funds, including \$20.0 million reappropriated funds to operate the Grand Junction and Pueblo Regional Centers; however based on actual expenditures for FY 2015-16, it was determined that the Department did not require an appropriation of this level. Instead, the two affected line items received an appropriation of \$13.1 million total funds. Because this appropriation is based on FY 2015-16 expenditures, it does not take into account the increase in expenditures that resulted from salary increases provided to regional center staff to improve employee retention. While FY 2016-17 expenditures include only eight months of expenditures associated with the salary increases, FY 2017-18 expenditures will include a full twelve months of the salary increases. See the following section for a breakdown of expenses.

GRAND JUNCTION AND PUEBLO REGIONAL CENTERS			
	APPROPRIATION	EXPENDITURES	(OVER)/UNDER-EXPENDITURES
FY 2015-16	\$15,784,180	\$8,418,451	\$7,365,729
FY 2016-17 (estimated)	20,824,361	23,593,044	(2,768,683)
FY 2017-18 (projected)			
Anticipated appropriation	\$20,965,558	n/a	n/a
Adjustment based on FY 2015-16 expenditures	(7,913,249)	n/a	n/a
Total FY 2017-18 (projected)	\$13,052,309	\$19,735,037	(6,682,728)

FY 2017-18 PROJECTED EXPENDITURES

The FY 2017-18 appropriations to the Grand Junction Regional Center (GJRC) and PRC Waiver Services line items reflect a total decrease of \$7.8 million reappropriated funds over the FY 2016-17 appropriation. The Department has performed an analysis of the budgets for these two programs and reports that FY 2017-18 appropriation is \$6.7 million less than the amount necessary for the GJRC and PRC to serve the current residents. The Department estimates that, without a 44 percent reduction in the current GJRC and PRC censuses, appropriations to the waiver services line items will be exhausted in January 2018 resulting in an over-expenditure of \$6,682,728.

GRAND JUNCTION REGIONAL CENTER WAIVER PROGRAM		
	FY 2016-17	FY 2017-18
Census	60	60
Operating Expenses	\$477,431	\$367,500
Personal Services Expenses	10,661,455	9,001,185
Total Expenses	\$11,138,886	\$9,368,685
Appropriation	10,051,703	5,103,775
Over-expenditures	(\$1,087,183)	(\$4,264,910)

PUEBLO REGIONAL CENTER WAIVER PROGRAM		
	FY 2016-17	FY 2017-18
Census	48	48
Administration Expenses	\$735,597	\$659,512
Personal Services Expenses	11,718,561	9,706,840
Total Expenses	\$12,454,158	\$10,366,352
Appropriation	10,772,648	7,948,534
Over-expenditures	(\$1,681,510)	(\$2,417,818)

If additional spending authority is not provided to the Department, its staff is concerned that services to residents will be impacted. The Department has statutory transfer authority between itself and HCPF as defined in Section 24-75-106 (1), C.R.S. (see below), however this transfer authority is limited to materially similar items of appropriation, and a transfer of General Fund to DHS from HCPF would likely require an increase in appropriation to HCPF to begin with (see HCPF’s non-prioritized budget request following this discussion).

Section 24-75-106 (1), C.R.S.: Notwithstanding the effect of the "M" provision in the 1990-91 and subsequent general appropriation acts, the Governor may transfer unlimited amounts of General Fund appropriations and reappropriated funds to and from the Departments of Health Care Policy and Financing and Human Services when required by changes from the appropriated levels in the amount of Medicaid cash funds earned through programs or services provided under the supervision of the Department of Human Services or the Department of Health Care Policy and Financing if the transfer of appropriations is between one or more materially similar items of appropriation and is for purposes other than department administrative costs associated with programs or services.

CONCLUSION

Based on the timeline of events, JBC staff has concluded that the anticipated over-expenditures at both the Grand Junction Regional Center and the Pueblo Regional Center are in large part as a result of the salary increases provided in response to CMS Corrective Action Plan Objective #14 Finding 1: “Staffing issues are putting the health and welfare of PRC residents in jeopardy.... PRC staffing is insufficient to support the level of care needs for the individuals they serve.” CMS recommended that turnover rates be reduced to less than 20 percent. The Department reports that in the 9 months since the compensation initiative has been implemented, turnover rates have dropped to 18 percent. Staff is concerned that service delivery will be impacted if the Department is not granted additional spending authority, however due to the lack of evidence to support emergency supplemental criteria, JBC staff recommends denial of the Department’s request.

NON-PRIORITIZED SUPPLEMENTAL REQUESTS

NPR-04 ES01 HEALTH CARE POLICY AND FINANCING REQUEST IN CONJUNCTION WITH DHS REQUEST ES-02

	REQUEST	RECOMMENDATION
TOTAL	\$6,682,728	\$0
FTE	0.0	0.0
General Fund	3,341,364	0
Cash Funds	0	0
Reappropriated Funds	0	0
Federal Funds (Medicaid)	3,341,364	0

DEPARTMENT REQUEST: The Department of Health Care Policy and Financing requests and increase of \$6,682,728 total funds, including \$3,341,364 General Fund and \$3,341,364 Medicaid federal funds, in the Department of Human Services Medicaid-Funded Programs, Services for People with Disabilities – Medicaid Funding – Regional Centers line item to be reappropriated to the Department of Human Services regional center programs.

STAFF RECOMMENDATION: Staff does not believe that this request is as a result of data that was not available when the original appropriation was made, therefore recommends that the Committee deny the Department’s request.



COLORADO
Department of Human Services



Grand Junction Regional Center Campus

Department of Human Services

Executive Director Reggie Bicha

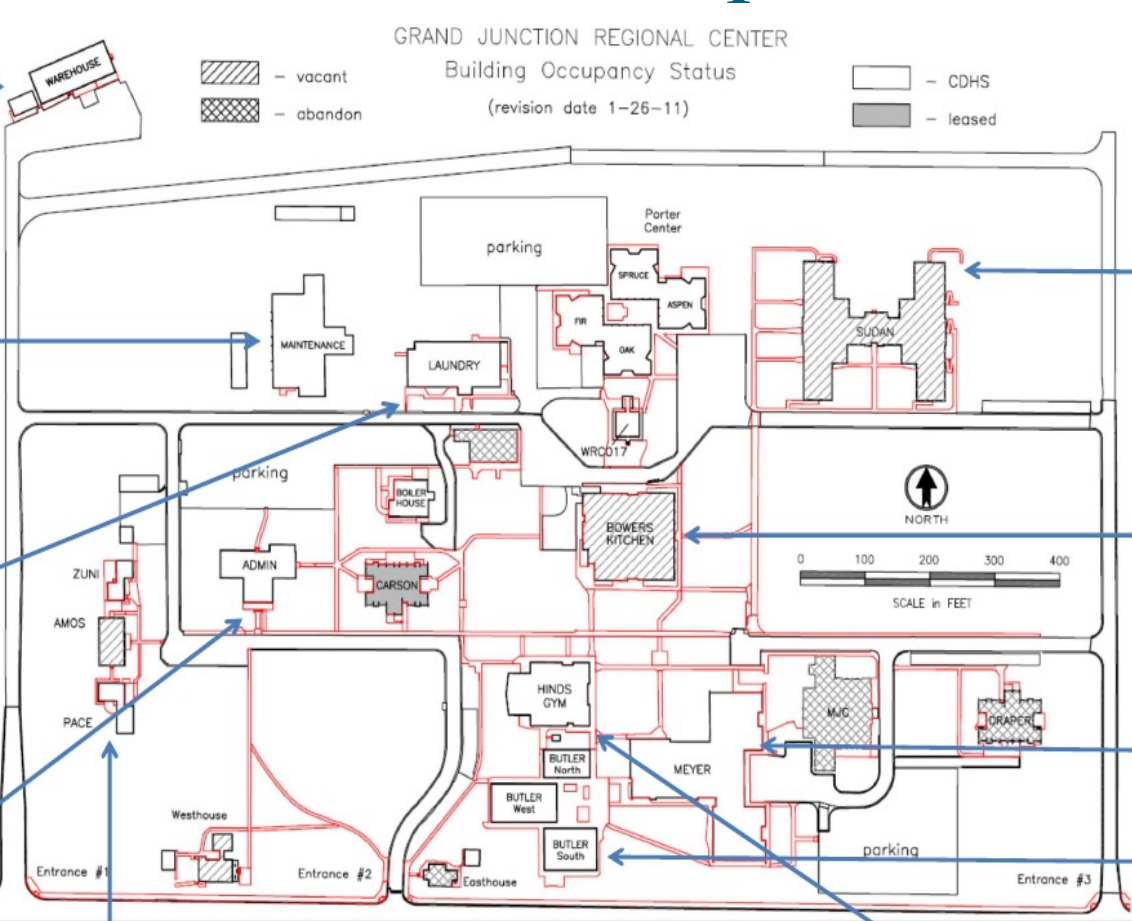
September 20, 2017

Grand Junction Regional Center (GJRC) Campus

- 46 acre campus
- 28 buildings
- Built for a capacity of 900 individuals
- Currently housing 22 individuals in Intermediate Care Facility (ICF)
- Daily ICF expenditure per individual: \$1,217
- Daily GJRC operating cost: \$26,744
- Annual GJRC IFC operating cost: > \$9.7 million



GJRC Campus



Senate Bill 16-178

Sponsored by Members of JBC & CDC

- Requires CDHS to vacate the campus by July 1, 2018 or as soon as all current residents are transitioned to settings that support their well-being and respect their individual choices.
 - An independent, third-party facilitator engaged the GJRC's 23 residents and their parents and guardians in a service selection process.
 - 22 residents indicated their desire to continue receiving services in the Grand Junction area, in an Intermediate Care Facility (ICF) operated by the Grand Junction Regional Center. One resident transferred to Wheat Ridge Regional Center.
- Requires the State to sell the campus.
- Directs CDHS to convene an Advisory Group to help develop a plan to vacate the campus.
- Created the GJRC Transition Cash Fund.

GJRC Transition Cash Fund

- SB16-178 established the \$2 million GJRC Transition Cash Fund.
- The GJRC Transition Cash Fund exists to address expenses related to the relocation of regional center clients and administrative operations.
- In order to access the GJRC Transition Cash Fund, CDHS must obtain spending authority from the JBC.
- In FY16-17 CDHS received an emergency supplemental appropriation of \$200,000 from the fund to:
 - Hire a consultant to facilitate the Grand Junction Regional Center Advisory Group and assist families and guardians in the service selection process as required by the bill.



SB16-178 Progress to Date

July 2016

- Advisory Group formed.

Aug. & Sept. 2016

- Service selection process completed: 22 residents decided to remain in Grand Junction.

December 2016

- Initial plan submitted to the JBC and CDC. CDHS was directed to develop additional recommendations.

March 2017

- Advisory Group reconvened to develop additional transition plan options.

May 2017

- CDHS received final transition recommendations from the Advisory Group.

Summer 2017

- CDHS completed a cost analysis of the Advisory Group Recommendations.



SB16-178 Proposed Next Steps

Move Admin and Day Services Off Campus

- Moving fees for Admin: \$17,750
- Obtain Admin, Support, and Day Program leased space: \$300,000

Transition Existing Programs and Services

- Close unused campus administrative and support facilities: \$37,500
- Transition storage from GJRC warehouse to other facilities: \$100,000

Advisory Group Facilitation

- Funding for the facilitator will be fully expended in October 2017.
- Continued funding to facilitate Advisory Group to advise on new resident employment opportunities & day program locations: \$150,000

Begin Planning for New Homes

- Land Acquisition: \$200,000
- Professional Services, including home design: \$651,211



Estimated Cost Summary

Relocation Activity	Cost
Moving Fees for GJRC Administration	\$17,750
Wet-closure of the Administrative Building, Warehouse, Division of Facilities Management, and any other non-resident occupied/utilized buildings, including the Laundry and Garage	\$37,500
Administrative and Facilities Leased Space	\$300,000
Off-site storage to replace storage from GJRC warehouse	\$100,000
Land Acquisition	\$200,000
Advisory Group Facilitator	\$150,000
Professional Services for construction of new homes, including new home design	\$651,211
Total	\$ 1,456,461



Rationale for a Phased Move

Start with moving GJRC Administration & Day Program

Admin & Campus Day Programs will move to new locations

Program and Administrative moves will occur first to provide continuity for the residential move

A phased move will reduce staff and resident anxiety about transition

Residential moves will occur in a separate phase to minimize impact to residents and staff

Without this initial move happening first, CDHS will have to delay implementation of SB16-178 significantly beyond the July 1, 2018 deadline.



What's Next?

- CDHS continues to collaborate with the GJRC Advisory Group. Items currently under consideration:
 - Selling a 6-8 bedroom home CDHS currently owns located on 29 Road in Grand Junction.
 - Submitting a request for consideration to the CDC and JBC to build four to six new homes for the 22 ICF residents in transition.
- CDHS estimates the plan under consideration, which would put residents in new, state-of-the-art facilities, would save nearly \$10 million in operating costs over five years.



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