Attached Documents

1. FY 2007-08 Staff Budget Briefing: Department of Human Services - Office of Operations, Services for People with Disabilities, Child Care, December 6, 2006 (pp. 2-155)

2. FY 2006-07 Emergency Supplemental: Department of Human Services - Services for People with Disabilities, December 6, 2006 (pp 156-160)

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FY 2007-08 STAFF BUDGET BRIEFING:

DEPARTMENT OF HUMAN SERVICES

Office of Operations
Services for People with Disabilities
Child Care

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

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December 6, 2006

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FY 2007-08 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE:

DEPARTMENT OF HUMAN SERVICES

OFFICE OF OPERATIONS - SERVICES FOR PEOPLE WITH DISABILITIES - CHILD CARE

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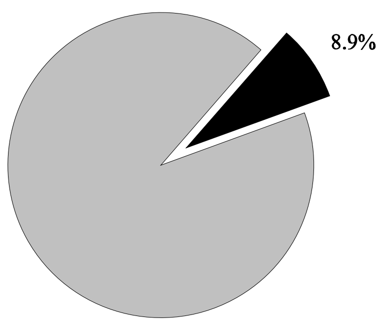
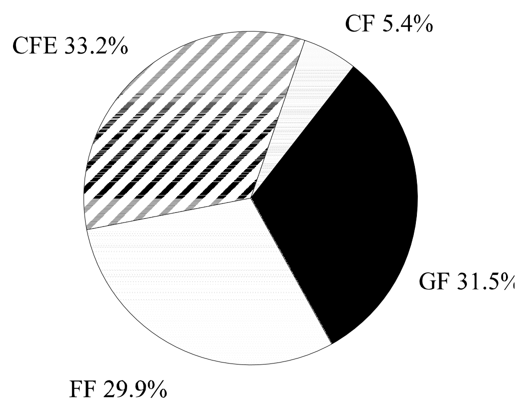
DEPARTMENT OF HUMAN SERVICES
GRAPHIC OVERVIEW

Share of State General Fund
FY 2006-07

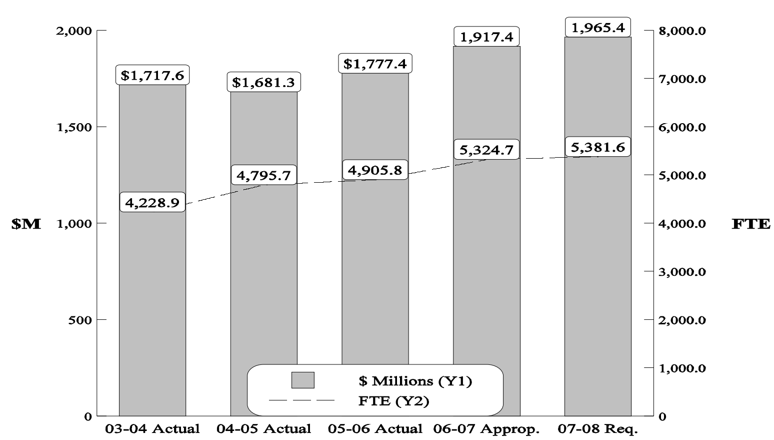


Funding Source Split
FY 2006-07



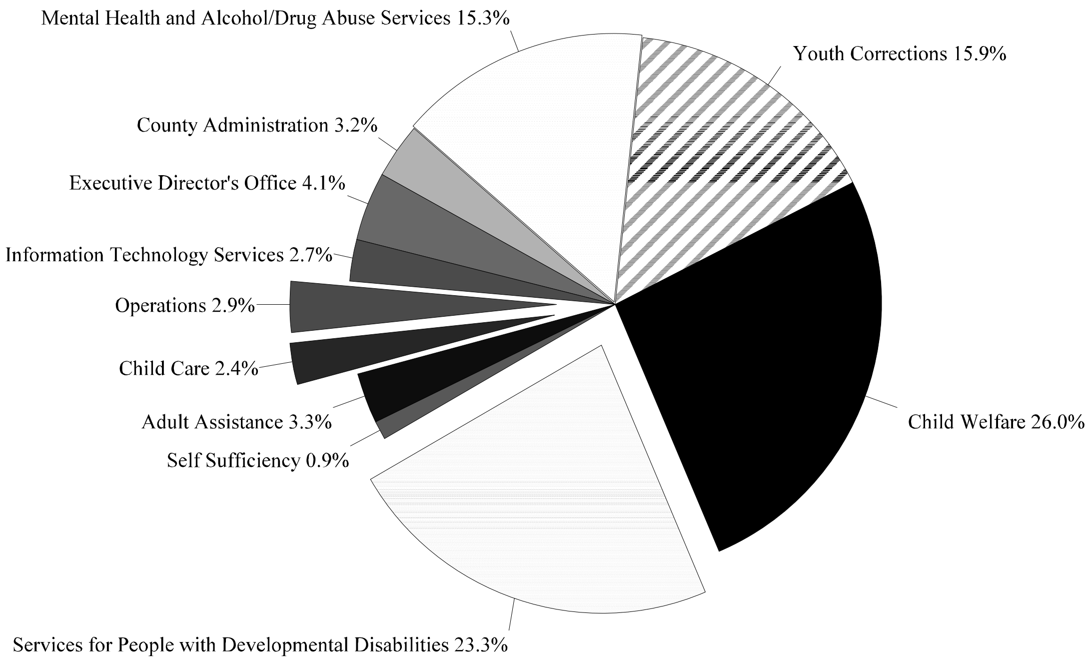
Note: If General Fund appropriated to the Department of Health Care Policy and Financing for human services programs were included in the graph above, the Department of Human Services' share of the total state General Fund would rise to 11.6 percent.

Budget History



Department of Human Services: Net General Fund

FY 2006-07 Appropriation ($792.6 million)



Key Responsibilities

- Office of Operations: Department-wide facility maintenance and management, accounting, payroll, contracting, purchasing, and field audits.
- Services for People with Disabilities: Oversees community-based programs for persons with developmental disabilities that are locally coordinated by 20 non-profit Community Centered Boards (CCBs). Operates three regional centers that provide institutional and community-based programs for persons with developmental disabilities. Administers vocational rehabilitation programs. Budget also includes State and Veterans Nursing Homes.
- Child Care: Oversees the administration of child care subsidies for low income children (the Colorado Childcare Assistance Program or CCAP) by Colorado's 64 counties. Licenses child care providers and enforces child care regulations.

Factors Driving the Budget

Developmental Disability Services

The State funds residential and family support services for persons with developmental disabilities who are unable to care for themselves without assistance. Most of these services are locally coordinated by 20 local non-profit agencies known as community centered boards (CCBs). The demand for state-funded services has grown significantly over time, reflecting the aging of family members who care for persons with disabilities and state population growth. Service costs have also risen over time based on inflation. The General Assembly has responded to the increase in demand for services and funding, taking into consideration statewide revenue and spending constraints.

The State has had discretion over the growth of programs for persons with developmental disabilities, based on state and federal law. The vast majority of services are funded through federal Medicaid waivers for home- and community-based services. These Medicaid waivers enable the State to support services for persons with developmental disabilities using Medicaid funds that originate as 50 percent state General Fund and 50 percent federal funds. However, they differ from other parts of the Medicaid program in that the State may limit the total number of program participants. As a result, there are waiting lists for services.

All institutional funding and over 72 percent of funding for community-based services for persons with developmental disabilities is for residential services for adults with developmental disabilities. The table below reflects, for FY 2006-07, the total number of participant resources[1] funded, associated dollars, average cost per participant resource, and waiting list per resource for community programs for persons with disabilities. Adult Comprehensive Services, Adult Supported Living Services, and the Children's Extensive Support programs are funded primarily or entirely by Medicaid. Family Support Services are funded entirely with state General Fund and Early Intervention services are funded primarily by state General Fund.

[1]A resource is the funding required to serve one individual for one year.

Adult and Children's Community Programs[a]	FY 06-07 Funding	# Resources Funded June 2007[b]	Avg. Cost per Full Year Resource	Waiting list June. 2006[c]
Adult Comprehensive Services	$230,612,099	3,828	$60,872	1,308
Adult Supported Living Services	$59,910,028	3,572	$16,793	2,438
Early Intervention	$12,578,731	2,072	$6,071	8
Children's Extensive Support	$8,063,282	395	$21,219	73
Family Support Services	$7,162,211	1,176	$6,090	4,377
Special Purpose	$881,304	n/a		
Total	$319,207,655	11,043		

a) Reflects funding in the Adult Program Costs and Services for Children and Families, Program Funding Long Bill line items. Does not include 403 adult residential resources at the regional centers or services funded with local dollars.
b) A program "resource" is the funding required to provide services to an individual for a year. Of the resources shown, 79 adult comprehensive resources and 9 adult supported living services are funded for an average of six months in FY 2006-07.
c) June 2006 count of the persons who request placement by the end of FY 2007-08. (1) Some of these persons are anticipated to be removed from the waiting list during FY 2006-07, based on new resources funded for FY 2006-07 and resources initially funded effective April 1, 2006 that were not implemented as of the June 2006 waiting list count. (2) Early intervention figure reflects solely eligible children receiving no services, generally due to temporary placement delays. In addition, as of June 2006, it is anticipated that 536 children are being funded through federal Part C “payor of last resort” dollars, due to the absence of state support. (3) Current funding for the Family Support Services Program is generally spread to serve over 3,500 families, so that the majority of those on the waiting list are actually receiving some support from the dollars shown.

The following table reflects the overall growth in state funding for community services for persons with developmental disabilities.

State Funding -- Adult and Children's Community Services for Persons with Developmental Disabilities							
Community Programs:	FY 00-01 Approp.	FY 01-02 Approp.	FY 02-03 Approp.*	FY 03-04 Approp.	FY 04-05 Approp.	FY 05-06 Approp.	FY 06-07 Approp.
Total ($ millions)	$239.3	$260.7	$273.0	$271.3	$271.6	$289.1	$319.2
Change ($ millions)	n/a	$21.4	$12.3	($1.7)	$0.3	$17.5	$30.1
% Change	n/a	8.9%	4.7%	-0.6%	0.1%	6.4%	10.4%

*Amount shown for FY 2002-03 *does not* include a reduction of $6.7 million in one time savings associated with a switch from accrual to cash accounting for the Medicaid program. This accounting change provided savings for accounting purposes but did not affect programs.

As shown in the table above, funding for community-based programs for persons with developmental disabilities increased through FY 2002-03. The increases shown were driven primarily by increases in the number of adult residential resources funded as well as rate increases provided to assist community providers in coping with payment levels that had not historically kept up with service cost increases. Due to statewide budget constraints, funding dropped between FY 2002-03 and FY 2003-04 and was kept essentially flat for FY 2004-05. Reductions included the elimination of rate increases provided in FY 2002-03, a 50 percent cut to the Family Support Services Program, and rate cuts in the adult supported living services program, among other reductions. Beginning in FY 2005-06 and continuing in FY 2006-07, these cuts were largely restored and significant increases were provided. Fiscal year 2006-07 reflects increases associated with a 3.25 percent community provider cost of living adjustment, base rate restorations, and new adult comprehensive, adult supported living, children's early intervention, and children's extensive support resources. Of the funding added for FY 2006-07, $11.9 million is related to rate increases and $18.2 million is related to increases in the number of persons receiving services.

Increases in Number of Participants

The table below reflects the growth in the number of participant resources available for persons with developmental disabilities. As reflected in the table, the FY 2005-06 and FY 2006-07 appropriations include significant increases in the Adult Comprehensive and Supported Lving, Children's Early Intervention, and Children's Extensive Support areas.

	Persons Served					**Resources Funded**	
	FY02 Served June	**FY 03 Served June**	**FY 04 Served June**	**FY 05 Served June**	**FY 06 Served June**	**FY 06 Funded June**	**FY 07 Funded June**
Adult Comprehensive Resources[1]	3,371	3,496	3,582	3,607	3,652	3,749	3,828
Percent Change	n/a	3.7%	2.5%	0.7%	1.2%	n/a	2.1%
Adult Supported Living Resources	3,529	3,598	3,661	3,663	3,703	3,559	3,572
Percent Change	n/a	2.0%	1.8%	0.1%	1.1%	n/a	0.4%
Early Intervention[2]	1,721	1,754	1,912	2,099	2,755	2,072	2,072
Percent Change	n/a	1.9%	9.0%	9.8%	31.3%	n/a	0.0%
Children's Extensive Support	199	215	204	210	341	365	395
Percent Change	n/a	8.0%	-5.1%	2.9%	62.4%	n/a	8.2%
Family Support Services[3]	4,008	4,145	3,567	3,019	3,651	1,176	1,176
Percent Change	n/a	3.4%	-13.9%	-15.4%	20.9%	n/a	0.0%

[1] Does not include 403 residential resources located at the state regional centers for the developmentally disabled.

[2] "# Served June" is based on the number served on average each month throughout the year.
[3] "Served June" is based on the unduplicated number served throughout the year.

When reviewing the table, note that: (1) The number of persons actually served can be larger than the resources funded when providers "stretch" funds to additional persons. This is reflected in the number served versus funded data for FY 2005-06; however, due to Medicaid waiver changes, such “overservice” for Medicaid programs is anticipated to be eliminated in FY 2006-07; (2) Most new resources are initially funded for a part year and funding is then annualized in the subsequent year to cover a full year of services. The table reflects the number of persons receiving services and the number of funded resources *as of June* of each year. (3) The cost of new resources added is often considerably higher than the current average cost of resource based on the anticipated severity levels of the new clients. Thus, for FY 2006-07, the average cost for an existing adult comprehensive resources was $60,872, but new comprehensive resources for clients transitioning from foster care or placed due to emergencies were added at an average cost of $86,174 per year.

Rate Increases

The table below reflects the impact of provider rate increases and base rate increases on the budget from FY 2000-01 through FY 2006-07. Provider rate increases are generally provided to qualified programs throughout state government based on a common policy. Base rate increases shown in the table below were provided exclusively for developmental disability programs. Rate increases were significant until statewide revenue constraints led rates to be returned to FY 2001-02 levels in FY 2003-04. No increase was provided in FY 2004-05 due to budget constraints, but a 2.0 percent provider rate increase was provided for FY 2005-06, a 3.25 percent provider rate increase was added for FY 2006-07, and a 1.79 percent base rate increase on developmental disability residential and case management services was provided beginning the last quarter of FY 2005-06.

Rate Increases

	FY 01	**FY 02**	**FY 03**	**FY 04**	**FY 05**	**FY 06**	**FY 07**
Provider Rate Increase	2.0%	2.5%	0.0%	0.0%	0.0%	2.0%	3.3%
Base Rate Increase*	0.0%	5.3%	2.0%	-2.0%	0.0%	0.4%	1.4%
Total Impact on base of DD Community Programs ($ millions)	$4.7	$11.6	$3.5	($3.5)	$0.0	$6.3	$11.1

* Amounts shown for FY 2005-06 and FY 2006-07 reflects overall base rate increase of 1.79% on selected services implemented beginning the last quarter of FY 2005-06 and annualized in FY 2006-07.

Summary of Major Legislation

Services for People with Disabilities

- ✔ **S.B. 92-133 (Allison/D. Williams): Developmental Disabilities Services and Supports.** Changed programs for persons with developmental disabilities, including the following: Required CCBs to provide early intervention services; set out requirements for the review of individualized plans; established rights of persons served, including a dispute resolution process, a prohibition against aversive stimuli, and a limitation on the use of physical or mechanical restraints to emergency circumstances; established the composition of the state planning council; and established a program to provide community supported living arrangements (supported living services).

- ✔ **H.B. 93-1317 (Anderson/Rizzuto): Creation of Department.** Restructured the former Departments of Health, Institutions, and Social Services to form the Departments of Health Care Policy and Financing, Human Services, and Public Health and Environment.

- ✔ **S.B. 97-5 (Hopper/Owen): Medicaid Managed Care.** Required the Department of Health Care Policy and Financing to implement a plan so that 75 percent of Colorado's Medicaid recipients will be in a managed care plan by July 1, 2000. Prohibited the implementation of managed care for developmentally disabled services without the approval of the Joint Budget Committee.

- ✔ **H.B. 02-1180 (Larson/Hernandez): Telecommunications Equipment Distribution.** Transferred $650,000 from the Disabled Telephone User's Fund to the Colorado Commission for the Deaf and Hard of Hearing Cash Fund (CCDHF). Appropriated funds from the CCDHF to the Colorado Commission for the Deaf and Hard of Hearing in DHS for a telecommunications equipment distribution program for the deaf and hard of hearing.

- ✔ **H.B. 03-1292 (S. Williams/Teck) Service Fees for Intermediate Care Facilities.** Authorized the Department of Human Services to charge a "provider fee" to public and private Intermediate Care Facilities for the Mentally Retarded (ICFMR), amounting to no more than 5 percent of the cost of the facilities. Included associated appropriations adjustments resulting in net General Fund savings.

- ✔ **S.B. 05-159 (Owen/Plant) Use of General Fund for Fitzsimons Nursing Home:** Authorizes the use of General Fund moneys to cover any operational shortfall incurred by the veterans nursing home at the former Fitzsimons army medical center, beginning in fiscal year 2004-05. Such use of General Fund was previously prohibited.

- ✔ **H.B. 05-1262 (Boyd/Hagedorn) Tobacco Tax Implementation:** Implements Section 21 of Article X of the Colorado Constitution, concerning taxes on tobacco products, that was adopted by vote of the citizens of the State in November 2004. Among other provisions, includes an appropriation of $2.6 million cash funds exempt (primarily Medicaid funds) to serve an additional 148 children previously on the waiting list for the Children's Extensive Support program (for families of children with developmental disabilities who have severe behavioral problems). Expected to eliminate the FY 2005-06 waiting list for the program.

- ✔ **H.B. 05-1336 (Solano/Entz) State and Veterans Nursing Homes:** Establishes an 8-member legislative oversight committee to evaluate the quality of care provided in specified state and veterans nursing homes (Homelake, Florence, Trinidad, Rifle, and Aurora, Colorado) and to make associated recommendations to the General Assembly. Also creates an 11-member nursing home commission to evaluate the state and veterans nursing homes and to provide guidance and recommendations to the legislative oversight committee. Repealed July 1, 2007.

- ✔ **H.B. 05-1344 (Jahn/Taylor) Fitzsimons Nursing Home Advisory Board:** Establishes a 9-member Fitzsimons State Veterans Nursing Home Advisory Board to review data concerning the Fitzsimons nursing home, monitor progress on resident safety and financial viability, make recommendations to the Governor as appropriate, and communicate with the nursing home legislative oversight committee established through H.B. 05-1336. Repealed July 1, 2007.

- ✔ **S.B. 06-61 (Keller/Larson):** Transfers the authority for overseeing the provision of legal interpreters and auxiliary services for persons who are deaf or hard of hearing from the Department of Human Services, Division of Vocational Rehabilitation, to the Colorado Commission for the Deaf of Hard and Hearing, which is also in the Department of Human Services. Identifies the circumstances in under which courts and other political subdivisions of the State shall provide an interpreter service to a person who is deaf or hard of hearing. Consolidates and increases funding for such services in the Department of Human Services.

- ✔ **S.B. 06-218 (Keller/Coleman):** Provides for annual appropriations by the General Assembly from the Colorado Disabled Telephone Users Fund to replentish the Colorado Commission for the Deaf and Hard of Hearing Cash Fund.

<u>Child Care</u>

- ✔ **S.B. 97-120 (Coffman/C. Berry): Welfare Reform -- Colorado Works Program and Colorado Child Care Assistance Program.** Made multiple changes to public assistance programs in response to 1996 federal welfare reform legislation, including implementation of the Colorado Works program. Among various changes, established the Colorado Child Care Assistance Program in statute. Provided a block grant of state and federal funds to each county, and required each county to maintain a certain level of spending for the Child Care Assistance Program. Authorized counties to negotiate rates with child care providers.

- ✔ **S.B. 00-22 (Alexander/Tebedo): Inspections of Child Care Facilities.** Required the Department to respond to and conduct an on-site investigation within 48 hours when it receives a serious complaint about a licensed child care facility alleging the immediate risk of health or safety of children cared for in such facility.

- ✔ **S.B. 03-37 (Nichol/Mitchell): County Funding for the Child Care Assistance Program.** Changes a county's required maintenance of effort for the Child Care Assistance Program so that by FY 2005-06 the ratio of required county spending to total state and federal funds will be the same for all counties. Specifies that the statewide county maintenance of effort required for each fiscal year shall be set in the annual Long Bill.

- ✔ **H.B. 03-1024 (Jahn/Chlouber): Child Care and Child Placement Agencies.** Requires the State Board of Human Services to promulgate rules that apply to foster care generally, regardless of whether such care is provided by a foster home that is certified by a county department of social services or by a child placement agency. Requires the Department of Human Services, within available appropriations, to monitor county department of social services' certification of foster homes on at least a quarterly basis.

- ✔ **H.B. 04-1277 (Hefley/Cairns): Child Care Commission.** Continues the Child Care Commission (renamed the Early Childhood and School Readiness (ECSR) Commission) through June 30, 2007. Modifies the membership and duties of the Commission. Authorizes receipt of gifts, grants, and donations for the Commission, requires that such funds be deposited to the ECSR Cash Fund, and provides for associated appropriations from the Fund.

- ✔ **H.B. 05-1227 (Frangas/Entz): Licensing for Agencies that Facilitate Intercountry Adoptions.** Expands the definition of child placement agency (CPA) to include entities that facilitate placement for a fee, including agencies that facilitate intercountry adoptions. Consistent with this, authorizes the Department of Human Services to license federally-accredited agencies to make placements under the "Intercountry Adoption Act of 2000" and to charge a fee for that licensing.

- ✔ **H.B. 05-1238 (Hefley/S. Williams): School Readiness Quality Improvement.** Modifies, continues, and renames the previous School-readiness Child Care Subsidization Program that provides subsidies to child care centers located in the catchment area of low-performing schools. Subject to adequate ongoing federal funding, expands the program to any community with a low-performing school. Applications for subsidies are submitted by each community's Early Childhood Education Council, which may be formed for this purpose. Also expands the child care voluntary staff credentialing system statewide.

- ✔ **S. B. 06-45 (S. Williams/Solano):** Requires that child care providers that are otherwise exempt from child care licensing requirements but that receive funding through the Child Care Assistance Program (CCAP) submit to background check requirements as a condition for receiving CCAP funding.

Major Funding Changes FY 2005-06 to FY 2006-07

Action (Source)	**General Fund**	**Other Funds**	**Total Funds**	**Total FTE**
Office of Operations				
Salary and benefits adjustments (common policy)	$266,364	$268,890	**$535,254**	0.0
Leased space for Vocational Rehabilitation expansion (JBC)	37,275	146,725	**184,000**	0.0
Vehicle lease payments changes (common policy + DIs for 8 new vehicles)	95,552	(349,627)	**158,585**	0.0
Support services for DOC La Vista Facility (Decision Item; CFE transfer)	0	124,655	**124,655**	1.6
Support services for DYC Sol Vista Facility (DI)	121,612	0	**121,612**	2.2
Capitol Complex Leased Space (common policy)	17,808	17,806	**35,614**	0.0
Eliminate Utility Recovery Fund (com. pol.)	0	(382,027)	**(382,027)**	0.0
HCPF/DHS Reorganization (S.B. 06-219)	(29,024)	(26,976)	**(56,000)**	(1.0)
Subtotal - Office of Operations	$509,587	($200,554)	**$721,693**	2.8
Division of Child Care				
3.25 Percent COLA (common policy)	$515,480	$1,916,008	**$2,431,488**	0.0
Increase for child care assistance (FF, CFE local)	0	1,728,805	**1,728,805**	0.0
Salary and benefits adjustments (com. pol.)	56,748	43,581	**100,329**	0.0
S.B. 06-45 (Child Care Home Investigations; CF)	0	37,134	**37,134**	1.0
Annualize H.B. 05-1227 (CF fees)	0	5,828	**5,828**	0.2
Child Care Fund Earmarks (FF)	0	(725,371)	**(725,371)**	0.0
Annualize one-time info. tech. costs (FF)	0	(245,904)	**(245,904)**	0.0
Early Childhood Commission veto (CFE)	0	(26,100)	**(26,100)**	0.0
Reduction in anticipated fine receipts (CF)	0	(19,500)	**(19,500)**	0.0
Subtotal -Child Care	$572,228	$2,714,481	**$3,286,709**	1.2

Action (Source)	**General Fund**	**Other Funds**	**Total Funds**	**Total FTE**
Services for Persons with Disabilities				
Developmental Disabilities Services				
3.25 Percent COLA (com. policy; Medicaid CFE)	$777,598	$7,827,058	**$8,604,656**	0.0
Annualize new adult high risk residential and supported living placements added 4/06 (JBC; 90 comprehensive/60 SLS placements; Medicaid CFE)	(932,737)	8,149,625	**7,216,888**	0.0
Transfer Part C grant for infants and toddlers with disabilities from CDE (Governor action; FF)	0	6,906,967	**6,906,967**	6.5
Add new adult community residential and supported living placements (DI; 79 comprehensive/9 SLS placements added for 6 months; Medicaid CFE)	0	3,429,729	**3,429,729**	0.0
Annualize adult community residential and supported living placements added 1/06 (JBC; 62 comprehensive/22 SLS placements; Medicaid CFE)	0	2,604,932	**2,604,932**	0.0
Annualize 1.79 percent residential and case management rate increase added 4/06 (JBC; Medicaid CFE)	50,491	2,480,702	**2,531,193**	0.0
Annualize new early intervention placements added 4/06 (JBC; 613 EI placements)	2,552,972	271,259	**2,824,231**	0.0
Salary and benefits adjustments (common policy; Medicaid CFE)	6,741	1,023,773	**1,030,514**	0.0
Annualize base rate restoration for supported living services provided 4/06 (JBC; local CFE)	782,500	41,185	**823,685**	0.0
Add 30 new children's extensive support placements (JBC; Medicaid CFE)	289,296	319,748	**609,044**	0.0
Annualize supplemental enabling CCBs to keep SSI increase (DI; client cash CFE)	0	531,873	**531,873**	0.0
Annualize one-time adjustment to H.B. 05-1262 (JBC; Medicaid CFE)	(253,999)	792,737	**538,738**	0.0
Annualize children's extensive support resources added in FY 2005-06 (Medicaid CFE)	0	279,437	**279,437**	0.0
Exchange early intervention GF for Medicaid	(206,798)	420,580	**213,782**	0.0
Add 4 new adult supported living placements (JBC; Medicaid CFE)	0	71,265	**71,265**	0.0
Add new quality assurance staff (DI; Medicaid CFE)	0	44,370	**44,370**	1.0
2.05 percent medical inflation, 2.1 percent food inflation, regional centers (com. pol.; Medicaid CFE)	0	27,258	**27,258**	0.0
Annualize one-time FY 2005-06 regional center supplemental (Medicaid CFE)	0	(131,764)	**(131,764)**	0.0

Action (Source)	**General Fund**	**Other Funds**	**Total Funds**	**Total FTE**
Reduction for Post-eligibility Treatment of Income (JBC; Medicaid CFE)	0	(80,000)	**(80,000)**	0.0
HCPF/DHS Reorganization (S.B. 06-219)	0	(29,024)	**(29,024)**	0.0
Subtotal - Developmental Disability Svcs.	$3,066,064	$34,981,710	**$38,047,774**	7.5
Division of Vocational Rehabilitation				
Annualize Rehabilitation Program increase added 4/06 (JBC; FF)	$1,350,000	$4,988,028	**$6,338,028**	18.2
Expand Business Enterprise Prgrm (DI; FF, reserves)	0	908,609	**908,609**	1.0
Developmental disability pilot (DI; FF, CFE transfers and reserves)	0	891,936	**891,936**	6.0
Annualize Independent Living program increase added 4/06 (JBC)	750,000	0	**750,000**	0.0
Rehabilitation Program - Local Funds Match program expansion (DI, JBC; FF, CFE local funds)	0	525,878	**525,878**	0.0
3.25 Percent COLA (com. pol.; FF, CFE local funds)	28,397	490,019	**518,416**	0.0
Legal Interpreters for Hearing Impaired (S.B 06-61, S.B. 06-218; Disabled Telephone Users CF, reserves)	48,274	419,564	**467,838**	0.5
Salary and benefits adjustments (common policy)	63,209	257,598	**320,807**	0.0
Eliminate Rehabilitation Wait List (DI; FF, reserves)	0	210,807	**210,807**	2.0
Homelessness Pilot (DI; FF, local CF, CFE reserves)	0	159,635	**159,635**	1.0
Medical Inflation at 2.05 percent (common policy)	2,553	53,322	**55,875**	0.0
Older Blind Grant federal receipts (FF)	0	0	**9,722**	0.0
Commission on Deaf - available funds (CFE reserves)	0	0	**(187,705)**	0.0
Transfer to Office of Operations (FF)	(38,617)	(142,683)	**(181,300)**	0.0
Subtotal - Vocational Rehabilitation	$2,203,816	$8,762,713	**$10,788,546**	28.7
Homelake Domiciliary and State and Veterans Nursing Homes				
Reflect anticipated nursing home receipts and expenditures (federal and client cash CFE)	$0	$4,262,725	**$4,262,725**	0.0
Annualize nursing home consulting services	293,439	0	**293,439**	0.0
Homelake Dom. salary, benefits, inflationary adjust.	3,579	18,039	**21,618**	0.0
Subtotal - Nursing Homes	$297,018	$4,280,764	**$4,577,782**	0.0
Subtotal - People with Disabilities	$5,566,898	$48,025,187	**$53,414,102**	36.2
TOTAL	**$6,648,713**	**$50,539,114**	**$57,422,504**	**40.2**

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES (Shaded items relate to areas covered in this briefing packet)
Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
1	**Services for People with Disabilities, Developmental Disability Services** Increase staffing at regional centers as part of multi-year plan to increase staffing intensity. Amount shown is annualized to $1.0 million ($540,000 General Fund) and 29.0 FTE in FY 2008-09) *[Sections 27-10.5-101 through 27-10.5-503 and 25.5-6-401 through 411 C.R.S.]*	$0	$0	$478,783 *[Medicaid]*	$0	$478,783	*$239,392*	14.5
2	**Division of Youth Corrections, Community Programs** Increase funding due to population impacts on contract bed placements. DYC is projecting an increase of $2,450,819 ($2,395,815 net General Fund) in FY 2008-09. *[Sections 19-2-402 and 403, C.R.S., require DYC to provide care and treatment to detained and committed youth. DYC is responsible for supervising youths on parole pursuant to Section 19-2-209, C.R.S.]*	2,156,660	0	536,314 *[Medicaid]*	0	2,692,974	*2,424,817*	0.0

Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
3	**Services for People with Disabilities, Developmental Disability Services** Provide comprehensive community-based residential services for an additional 79 persons for six months, including 39 individuals transitioning from foster care, 30 needing emergency placement, and 10 from the waiting list; provide adult supported living services for an additional 24 youth aging out of the Children's Extensive Support (CES) waiver program; provide state-funded early intervention services for an additional 209 infants and toddlers with developmental disabilities and delays; and add 12 youth to the CES program. Request annualizes to $8.8 million ($4.7 million NGF) in FY 07-08. *[Sections 27-10.5-101 through 27-10.5-503 and 25.5-6-401 through 411 C.R.S.]*	609,872	0	3,796,001 *[Medicaid]*	0	4,405,873	*2,329,514*	0.0

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Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
4	**Office of Operations** Increase operating funds for facilities management of direct care facilities. Partially one-time; annualizes to $400,000 ($356,00 NGF) in FY 2007-08. *[Section 24-102-302, C.R.S.]*	749,737	0	211,464 *[Medicaid (transfer from HCPF)]*	0	961,201	*855,469*	0.0
5	**Office of Information Technology Services** Increase funding to support contractual increase for the primary vendor of the CBMS; increase system maintenance for hardware that has passed out of warranty; provide ongoing maintenance costs to support Federal TANF reporting process. *[Sections 25.5-4-204; 25.5-6-311; 25.5-8-101 et. Seq.; 26-1-109,111; 26-2-723; 25.5-3-101 et. Seq., C.R.S.]* Please note that some of these citations have been modified from the Department's list to reflect repeal and renumbering.	64,392	32,924 *[Old Age Pension]*	142,403 *[Medicaid (from HCP&F)]*	315,507 *[Food Stamps and TANF]*	555,226	*131,104*	0.0

Decision Item Priority List

Priority	Division: Description [Statutory Authority]	GF	CF [Source]	CFE [Source]	FF [Source]	Total	*Net GF**	FTE
6	**Division of Child Welfare, Child Welfare Services** Increase funding by 1.1 percent to cover the projected cost increases due to the anticipated growth in the state child / adolescent population. *[Sections 26-5-101 and 104 (4) (d), C.R.S.]*	1,661,450	0	967,306 *[Medicaid and local funds]*	1,061,506 *[Title IV-E]*	3,690,262	*1,853,047*	0.0
7	**Division of Youth Corrections, Institutional Programs** Increase staffing at the Marvin W. Foote Youth Services Center. Amount shown is annualized to $318,489 (GF) and 7.5 FTE in FY 2008-09. *[Sections 19-2-402 and 403, C.R.S., require DYC to provide care and treatment to detained and committed youth. DYC is responsible for supervising youths on parole pursuant to Section 19-2-209, C.R.S.]*	212,638	0	0	0	212,638	*212,638*	5.6

Priority	**Division: Description** *[Statutory Authority]*	**GF**	**CF** *[Source]*	**CFE** *[Source]*	**FF** *[Source]*	**Total**	***Net GF****	**FTE**
8	**Mental Health and Alcohol and Drug Abuse Services** Increase of $1,372,788 for community mental health services to 446 children and adults with mental illnesses and $128,244 to increase 2.0 FTE to enhance monitoring and compliance. *[Sections 27-1-203, 27-1-204 (4) (a), 27-1-204 (5), C.R.S.]* Please note, these are not the statutes that the Department submitted to support its request; many of those statutes submitted applied to other programs (Medicaid, ADAD) or had been repealed.	1,501,032	0	0	0	1,501,032	*1,501,032*	2.0
9	**Executive Director's Office** Increase staffing for human resources. Funding is for a temporary staff and associated costs; therefore, there is no FTE or annualization associated. *[Sections 24-50-101 through 24-50-145, C.R.S.]*	69,638	0	0	0	69,638	*69,638*	0.0

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Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
10	**Executive Director's Office** Increase funding for Health Insurance Portability and Accountability Act (HIPAA) ongoing IT maintenance expenses. *[45 C.F.R. Parts 160 and 164 HIPAA Administrative Simplification: Enforcement: Final Rule]*	166,781	0	44,475 *[Medicaid]*	11,119 *[Substance Abuse Prevention & Treatment Block Grant]*	222,375	*189,019*	0.0
11	**Executive Director's Office** Appropriate staff for disaster recovery/business continuity support. This is a new line item under the EDO for FY 2007-08. *[Sections 26-4-403.7, 610; 26-1-107, 109, 111; 26-2-701, 723; 26-15-101; 24-1-20, C.R.S.]*	52,385	289 *[Mental Health Institutes (MHI) Patient Fees]*	6,605 *[Medicaid, MHI Patient Revenue, and various sources]*	13,553 *[Child Care Development Funds and various sources]*	72,832	*53,952*	1.0

Decision Item Priority List

Priority	Division: Description [Statutory Authority]	GF	CF [Source]	CFE [Source]	FF [Source]	Total	*Net GF**	FTE
12	**Division of Youth Corrections, Community Programs** Increase funding due to population impacts on case management and parole services. Amount shown is annualized to $354,061 (GF) and 3.5 FTE in FY 2008-09. *[Sections 19-2-402 and 403, C.R.S., require DYC to provide care and treatment to detained and committed youth. DYC is responsible for supervising youths on parole pursuant to Section 19-2-209, C.R.S.]*	439,056	0	0	0	439,056	*439,056*	6.1
13	**Office of Self Sufficiency** Increase funding and FTE for the Food Stamp Program to provide training, oversight, implement federal corrective action plans, and bring application processing into compliance with federal mandates. *[Section 26-2-301, C.R.S.]*	81,697	0	0	81,697 *[Food Stamps]*	163,394	*81,697*	3.0

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Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
14	**Division of Youth Corrections, Institutional Programs** Increase funding for purchased medical services. Costs are projected to increase $595,517 (GF) in FY 2008-09. *[Sections 19-2-402, 403 and 19-1-103 (73) (a), C.R.S.]*	456,570	0	0	0	456,570	*456,570*	0.0
15	**Office of Information Technology Services** Upgrade CMBS disaster recovery hardware to a level sufficient to allow continued operation in case of a disaster. *[Section 25.5-3-101; 25.5-4-204; 25.5-6-311; 25.5-8-101; 26-1-107,109,111; 26-2-701; 24-1-120, C.R.S.]* Please note that some of these citations have been modified from the Department's list to reflect repeal and renumbering.	88,272	45,134 *[Old Age Pension]*	195,215 *[Medicaid (from HCP&F)]*	233,797 *[Food Stamps and TANF]*	562,418	*179,724*	0.0

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Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
16	**Executive Director's Office** Increase staffing for the Records and Reports of Child Abuse or Neglect Program. *[Sections 19-3-107, 313.5, C.R.S.]*	0	124,319 *[Records and Reports Cash Fund]*	0	0	124,319	*0*	2.8
17	**Office of Information Technology Services** Transfer FTE from OITS to Disability Determination Services *[Section 25.5-4-204,205 C.R.S.]*	0	0	0	0	0	*0*	0.0
18	**Office of Information Technology Services/ Division of Child Care** Automated Colorado Child Care Assistance Program System Replacement - Operating portion of a request totaling $8.6 million in federal Child Care Development Funds. Most of the request has been submitted through the capital development process and is undergoing CDC review. IMC rank 6 of 13. *[Section 26-2-801 through 806, C.R.S.]*	0	0	0	73,924 *[Child Care Development Funds]*	73,924	*0*	0.0

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Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
19	**Office of Self Sufficiency** Creation of Colorado Works Fraud Investigation FTE *[Section 26-2-701 et. Seq., C.R.S.]*	0	0	0	0	0	*0*	1.0
20	**Services for People with Disabilities, Vocational Rehabilitation** Business Enterprise Program - Develop and improve food vending facilities operated by blind and visually impaired persons in state and federal buildings *[Section 26-8.5-100.1 through 107, C.R.S.]*	0	0	223,080 *[Reserves in Business Enterprise Program Cash Fund]*	824,242 *[Section 110 Vocational Rehabilitation funds]*	1,047,322	*0*	0.0

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Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
21	**Services for People with Disabilities, Vocational Rehabilitation** Expand various vocational rehabilitation programs by increasing the Division's cash funds exempt (deferred revenue) and federal spending authority. Part of a five year plan by the Division to spend down existing deferred revenue from various local sources. *[Section 26-8-101 to 106, C.R.S.]*	0	0	287,779	1,063,297	1,351,076	*0*	0.0
22	**Mental Health and Alcohol and Drug Abuse Services** Increase the program's spending authority by $400,000 to serve more clients; and add $45,125 and 1.0 FTE program assistant to address the increasing workload of the program. *[Sections 26-1-301 through 26-1-310, C.R.S.]*	0	0	445,195 *[Traumatic Brain Injury Trust Fund reserves]*	0	445,195	*0*	1.0

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Priority	**Division: Description** *[Statutory Authority]*	**GF**	**CF** *[Source]*	**CFE** *[Source]*	**FF** *[Source]*	**Total**	***Net GF****	**FTE**
23	**Division of Child Welfare** Increase funding for the Collaborative Management Program due to the increased number of counties participating in the program. *[Section 24-1.9-101, C.R.S.]*	0	0	1,088,750 *[Performance-based Collaborative Management Incentive Cash Fund]*	0	1,088,750	*0*	0.0
24	**Mental Health and Alcohol and Drug Abuse Services** Funding increase (pursuant to H.B. 06-1171) to do the following: increase youth prevention programs in successful counties ($110,000), increase funding for the media on repeat DUI offenders ($100,300), reporting on program effectiveness and recidivism ($23,790); reestablish funding for youth prevention programs ($20,000); restore DUI curriculum training materials ($14,334); and other projects. *[Sections 42-3-303, C.R.S.]*	0	0	273,424 *[Persistent Drunk Driver Cash Fund reserves]*	0	273,424	*0*	0.0

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Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
25	**Mental Health and Alcohol and Drug Abuse Services** Increase of cash fund spending authority to support two offender-specific substance abuse treatment programs and to pay for a portion of an evaluation project. *[Section 16-11.5-102 (3), C.R.S.]*	0	268,000 *[Drug Offender Surcharge Fund]*	0 .	0	268,000	*0*	0.0
26	**Office of Operations** Increase spending authority to enable the Department to purchase adequate fuel and maintenance supplies for state vehicles using Department maintenance and fueling stations. *[Section 24-30-1104 (2) (b), C.R.S.]*	0	0	173,591 *[State Garage Fund]*	0	173,591	*0*	0.0

Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
27	**Office of Information Technology Services** Replace Client Index contractors with FTE *[Section 24-37.5-101 et. Seq., C.R.S.]*	0	0	0	0	0	*0*	3.0
NP-1	**Various** Provide a 2.0 percent cost of living adjustment (COLA) for all community providers. The impact of the request for areas covered in this briefing packet is shown in italics at right. *[Section 26-2-801 through 806, C.R.S.; Sections 27-10.5-101 through 503 and 25.5-6-401 through 411, C.R.S.; Section 26-8-101 through 26-8.1-108, C.R.S.]*	8,133,385 *$981,510*	1,538,079 *$1,391* *[various sources]*	8,147,361 *$6,062,861* *[Medicaid (transfers from HCPF) and various sources]*	3,715,326 *$1,448,657* *[various sources]*	21,534,151 *$8,494,419*	*10,955,752* *$3,509,858*	0.0 *0.0*

Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
NP-2	**Mental Health and Alcohol and Drug Abuse Services** Transfer of Medicaid funds for the Goebel population to the Department of Health Care Policy and Financing, to be combined with the Medicaid capitation program (follows a "1331" request approved in September 2006). *[Section 26-4-123, C.R.S.]* Please note, this statutory citation is for the Medicaid program which is appropriate for this request; however, the Department submitted a range of other statutory citations which apply to non-Medicaid, alcohol and drug abuse, and other programs which are not pertinent to this request.	0	0	(12,275,081) *[Medicaid Cash Funds]*	0	(12,275,081)	*(6,137,541)*	0.0

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Decision Item Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
NP-3	**Mental Health and Alcohol and Drug Abuse Services** Financing mix change to reflect the elimination of the RTC program, includes a decrease of $393,696 Medicaid cash funds exempt, an increase of $196,848 tobacco cash funds exempt funds and $200,785 General Fund appropriated directly to the Department of Human Services. *[Section 27-10.3-103, C.R.S.]*	200,785	0	(196,848) *[Increase of $196,838 Tobacco Cash Fund Exempt and decrease of $393,693]*	0	3,937	*200,785*	0.0
NP-4	**Office of Information Technology Services** DPA - Multiuse Network *[Section 24-30-1101 through 1105; and 24-37.5-202,203, C.R.S.]*	(17,793)	(292) *[Various sources]*	(2,333) *[Medicaid (transfers from HCP&F) and Various sources]*	(8,751) *[ADAD, CCDF, Food Stamps, TANF, and Varioius sources]*	(29,169)	*(18,522)*	0.0
NP-5	**Office of Operations** Vehicle lease reconciliation and vehicle replacements *[Section 24-30-1104 (2), C.R.S.]*	23,281	0	25,457	1,556	50,294	*34,392*	0.0
	Total Department Request	**$16,649,838**	**$2,008,453**	**$4,568,941**	**$7,386,773**	**$30,614,005**	***$16,051,535***	**40.0**
	Total for Shaded Items	**$2,364,400**	**$1,391**	**$11,259,016**	**$3,411,676**	**$17,036,483**	**$6,968,625**	**14.5**

* These amounts are included for informational purposes only. Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing, where about half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

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Requested Changes FY 06-07 to FY 07-08

Category	FTE	GF	CF	CFE	FF	Total	*Net GF*
Developmental Disability Council (personal svcs)	**0.0**	**$0**	**$0**	**$0**	**$7,580**	**$7,580**	***$0***
Office of Operations	**2.0**	**$1,060,573**	**$14,368**	**$624,191**	**$203,867**	**$1,902,999**	***$1,217,938***
Decision Item #4 - Facilities maintenance increase	0.0	749,737	0	211,464	0	961,201	*855,469*
Personal Services (OSPB common policy)	0.0	67,106	14,368	63,910	159,198	304,582	*80,761*
Vehicle Lease - Annualization and DPA DIs	0.0	153,671	0	95,211	15,578	264,460	*191,649*
Decision Items #12 & 26 - DYC & Garage Fund	0.0	26,416	0	173,591	0	200,007	*26,416*
Annualization & DPA common policy (exc. vehicles)	2.0	63,643	0	80,015	29,091	172,749	*63,643*
Child Care*	**(0.5)**	**$518,817**	**($7,774)**	**$194,212**	**$1,228,530**	**$1,933,785**	***$518,817***
Decision Item #NP1 (community provider COLA)	0.0	356,528	0	194,212	1,082,765	1,633,505	*356,528*
Leap year adjustment (OSPB common policy)	0.0	122,055	0	0	122,055	244,110	*122,055*
Personal Services (OSPB common policy)	0.0	40,234	12,070	0	28,710	81,014	*40,234*
Annualization SB 06-45 and sunset of loan program	(0.5)	0	(19,844)	0	(5,000)	(24,844)	*0*
People with Disabilities*	**14.5**	**$1,544,821**	**$106,438**	**$16,206,935**	**$1,749,736**	**$19,607,930**	***$8,671,550***
Decision Item #NP1 (community provider COLA)	0.0	624,982	1,391	5,868,649	365,892	6,860,914	*3,153,330*
Decision Item #3 (new DD resources)	0.0	609,872	0	3,796,001		4,405,873	*2,329,514*
Annualization FY 07 DI #1 (new DD resources)	0.0	0	0	3,362,775	0	3,362,775	*1,526,557*
Vocational Rehabilitation DIs #20, #21	0.0	0	0	510,859	1,887,539	2,398,398	*0*
Personal Services (OSPB common policy)	0.0	61,546	1,316	1,410,292	210,493	1,683,647	*760,776*
DD Leap Year Adjustment (OSPB common policy)	0.0	3,961	0	986,057	0	990,018	*475,980*
DD Regional Center DI #1 & physician services	14.5	244,460	0	361,179	0	605,639	*425,050*
Annualization FY 07 DIs, new legislation (mostly VR)	0.0	0	103,731	(88,877)	(714,188)	(699,334)	*343*
Total Change	**16.0**	**$3,124,211**	**$113,032**	**$17,025,338**	**$3,189,713**	**$23,452,294**	***$10,408,305***

*Amounts shown include corrections from the Department's original submission. In particular, the Department's original base calculation for developmental disability adult and family and children's services was understated by $1.8 million, including $594,742 net General Fund.

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Requests

DEPARTMENT OF HUMAN SERVICES
EXECUTIVE DIRECTOR: Marva Livingston Hammons

(1) EXECUTIVE DIRECTOR'S OFFICE
NOTE: The following line item relates to developmental disability programs and is thus covered in this packet.

(B) Special Purpose

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Requests
Developmental Disabilities Council	614,216	701,628	838,617	846,197	
FTE	5.2	4.7	6.0	6.0	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt	0	0	0	0	
Federal Funds	614,216	701,628	838,617	846,197	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Requests

(3) OFFICE OF OPERATIONS
(Primary functions: Facility maintenance and management; accounting and payroll, contracting, purchasing, and field audits. Cash and cash exempt amounts are from multiple sources, including indirect cost revenue associated with programs throughout the Department.)

Please note: funding splits are reflected below for informational purposes only; the Long Bill appropriation for this subsection reflects fund splits at the bottom-line only for the Administration Section. Fund split detail is therefore not included for actual years except in the bottom-line.

(A) Administration

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Requests
Personal Services	19,482,133	21,279,982	22,068,002	22,455,591	
FTE	405.2	418.0	461.2	463.2	
General Fund			11,192,698	11,288,386	
Cash Funds			499,151	513,628	
Cash Funds Exempt			8,756,162	8,874,388	
Federal Funds			1,619,991	1,779,189	
Medicaid Cash Funds			*3,758,110*	*3,785,420*	
Operating Expenses	2,292,145	2,319,269	2,345,849	3,299,338	DI 4
General Fund			1,396,549	2,138,574	
Cash Funds			12,809	12,809	
Cash Funds Exempt			854,287	1,065,751	
Federal Funds			82,204	82,204	
Medicaid Cash Funds			419,170	*630,634*	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Requests
Vehicle Lease Payments	753,040	561,172	802,661	1,070,113	DIs NP-5, 12
General Fund			504,728	661,391	
Cash Funds			1,718	1,718	
Cash Funds Exempt			255,241	350,452	
Federal Funds			40,974	56,552	
Medicaid Cash Funds			*233,073*	*309,028*	
Leased Space	2,612,354	2,270,532	2,935,212	2,961,636	DI 12
General Fund			899,885	923,309	
Cash Funds			16,936	16,936	
Cash Funds Exempt			45,523	46,162	
Federal Funds			1,972,868	1,975,229	
Medicaid Cash Funds					
Capitol Complex Leased Space	1,086,904	1,067,451	1,103,065	1,156,526	
General Fund			551,533	578,264	
Cash Funds			0	0	
Cash Funds Exempt			0	0	
Federal Funds			551,532	578,262	
Medicaid Cash Funds			*0*	*0*	
Utilities	5,546,376	6,925,723	7,275,195	7,316,621	
General Fund			5,391,069	5,407,111	
Cash Funds			0	0	
Cash Funds Exempt			1,884,126	1,909,510	
Federal Funds			0	0	
Medicaid Cash Funds			1,538,491	1,538,491	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Requests
Subtotal - (A) Administration	31,772,952	34,424,129	36,529,984	38,259,825	4.7%
FTE	405.2	418.0	461.2	463.2	2.0
General Fund	17,571,220	18,762,848	19,936,462	20,997,035	5.3%
Cash Funds	521,013	664,434	530,614	545,091	2.7%
Cash Funds Exempt	9,947,139	11,163,020	11,795,339	12,246,263	3.8%
Federal Funds	3,733,580	3,833,827	4,267,569	4,471,436	4.8%
Medicaid Cash Funds	*5,032,453*	*5,049,870*	*5,948,844*	*6,263,573*	*5.3%*
Net General Fund	*20,087,447*	*22,910,886*	*22,910,884*	*24,128,822*	*5.3%*
(B) Special Purpose					
Buildings and Grounds Rental	779,928	666,798	897,346	896,913	
FTE	5.1	4.9	6.5	6.5	
General Fund	0	0	0	0	
Cash Funds	80,618	222,756	224,261	224,152	
Cash Funds Exempt	699,310	444,042	673,085	672,761	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	0		0	0	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Requests
State Garage Fund	429,789	442,182	445,298	618,889	DI 26
FTE	1.2	0.9	2.1	2.1	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt	429,789	442,182	445,298	618,889	
Federal Funds	0		0	0	
Medicaid Cash Funds	0		0	0	
Subtotal - (B) Special Purpose	1,209,717	1,108,980	1,342,644	1,515,802	12.9%
FTE	6.3	5.8	8.6	8.6	0.0
General Fund	0	0	0	0	n/a
Cash Funds	80,618	222,756	224,261	224,152	0.0%
Cash Funds Exempt	1,129,099	886,224	1,118,383	1,291,650	15.5%
Federal Funds	0	0	0	0	n/a
Medicaid Cash Funds	*0*	*0*	*0*	0	n/a
Net General Fund	0	0	0	0	n/a
(3) TOTAL OFFICE OF OPERATIONS	**32,982,669**	**35,533,109**	**37,872,628**	**39,775,627**	**5.0%**
FTE	**411.5**	**423.8**	**469.8**	**471.8**	**2.0**
General Fund	**17,571,220**	**18,762,848**	**19,936,462**	**20,997,035**	**5.3%**
Cash Funds	**601,631**	**887,190**	**754,875**	**769,243**	**1.9%**
Cash Funds Exempt	**11,076,238**	**12,049,244**	**12,913,722**	**13,537,913**	**4.8%**
Federal Funds	**3,733,580**	**3,833,827**	**4,267,569**	**4,471,436**	**4.8%**
Medicaid Cash Funds	***5,032,453***	***5,049,870***	***5,948,844***	***6,263,573***	***5.3%***
Net General Fund	***20,087,447***	***22,910,886***	***22,910,884***	***24,128,822***	***5.3%***

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests

(6) DIVISION OF CHILD CARE

(Primary Functions: funding and state staff associated with: (1) the state supervision and the county administration of the Colorado Child Care Assistance Program, through which counties provide child care subsidies to low income families and families transitioning from the Colorado Works Program; (2) the administration of various child care grant programs; and (3) licensing and monitoring child care facilities. Cash funds sources reflect fees and fines paid by child care facilities. Cash funds exempt sources reflect county tax revenues.)

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests
Child Care Licensing and Administration	5,731,028	5,936,175	6,220,272	6,316,966	DI NP-1
FTE	57.1	57.8	63.5	63.0	
General Fund	2,109,119	2,184,368	2,242,527	2,282,761	
Cash Funds (fees and fines)	554,490	584,447	717,782	710,008	
Cash Funds Exempt (fees and fines)	0	0	0	0	
Federal Funds (CCDF and Title IV-E)	3,067,419	3,167,360	3,259,963	3,324,197	
Fines Assessed Against Licensees - (CF)	37,500	30,218	18,000	18,000	
Child Care Licensing System Upgrade Project	0	490,550	0	0	
General Fund			0	0	
Federal Funds (CCDF)	0	490,550	0	0	
Child Care Assistance Program Automated System Replacement (FF-CCDF)	0	0	0	In ITS	DI 18

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests
Child Care Assistance Program	73,729,791	74,927,197	79,871,760	81,713,306	DI NP-1
General Fund	15,549,911	15,021,716	16,376,389	16,854,972	
Cash Funds Exempt (local funds)	9,435,852	9,186,572	9,710,597	9,904,810	
Federal Funds (CCDF and Title XX)	48,744,028	50,718,909	53,784,774	54,953,524	
Child Care Assistance Program expenditures using TANF transfers out of Works Program County Block Grants and County Reserve Accounts - (FF) a/	6,469,750	1,372,522	Not appropriated; see note a/ below		
Short-term Works Emergency Fund - (FF)	884,953	0			
Subtotal: Child Care Assistance Program expenditures, including all TANF transfers and allocations from the Short-term Works Emergency Fund for child care needs	81,084,494	76,299,719			
Child Care Assistance Program Automated System Feasibility Study - (FF - CCDF)	73,710	0	0	0	
Grants to Improve Quality and Availability of Child Care - (FF - CCDF)	265,150	293,714	300,000	300,000	
Federal Discretionary Child Care Funds Earmarked for Certain Purposes - (FF -CCDF)	4,792,794	3,872,535	3,173,633	3,173,633	
Pilot Program for Community Consolidated Child Care Services - (FF - CCDF)	972,438	972,538	972,438	972,438	
Early Childhood Professional Loan Repayment Program - (FF - CCDF)	3,500	3,000	5,000	0	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
School-readiness Quality Improvement Program *[formerly School-readiness Child Care Subsidization Program]* - (FF - CCDF)	2,157,433	2,170,791	2,225,775	2,226,321	6,672,392
FTE	0.5	0.6	1.0	1.0	
Early Childhool School Readiness Commission - CFE	24,999	0	0	0	
(6) TOTAL - DIVISION OF CHILD CARE	87,788,343	88,696,718	92,786,878	94,720,664	2.1%
FTE	57.6	58.4	64.5	64.0	(0.5)
General Fund	17,659,030	17,206,084	18,618,916	19,137,733	2.8%
Cash Funds	591,990	614,665	735,782	728,008	-1.1%
Cash Funds Exempt	9,460,851	9,186,572	9,710,597	9,904,810	2.0%
Federal Funds	60,076,472	61,689,397	63,721,583	64,950,113	1.9%

a/ Staff has reflected the actual expenditure of federal TANF funds that were transferred from County Block Grants or from County Reserve Accounts (both associated with the Works Program) to federal Child Care Development Funds in order to cover county expenditures related to child care.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests

(9) SERVICES FOR PEOPLE WITH DISABILITIES
(Primary functions: Administers community-based and institutional services for people with developmental disabilities, provides vocational rehabilitation services, and administers the Homelake Domiciliary and veterans nursing homes.)

(A) Developmental Disability Services

(1) Community Services
(Primary functions: administers and provides funding to 20 Community Centered Boards (CCBs) to deliver residential, supported living, day, transportation and case management services to adults with developmental disabilities in community settings. Medicaid revenue is the primary source of cash funds exempt; local and

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests
Personal Services	2,186,875	2,319,435	2,545,466	2,610,399	
FTE	29.3	31.2	32.4	32.4	
General Fund	151,138	129,798	258,652	264,951	
Cash Funds	0	0	0	0	
Cash Funds Exempt	2,035,737	2,189,637	2,286,814	2,345,448	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	*1,862,120*	*2,189,637*	*2,286,814*	*2,345,448*	
Operating Expenses	147,532	147,532	151,317	148,029	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt	147,532	147,532	151,317	148,029	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	*147,532*	*147,532*	*151,317*	*148,029*	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Requests
Community and Contract Management System Replacement (temporary carve-out from Program Costs)	n/a	189,633	301,675	0	
General Fund		20,942	59,058	0	
Cash Funds		0	0	0	
Cash Funds Exempt		168,691	242,617	0	
Federal Funds		0	0	0	
Medicaid Cash Funds		168,691	242,617	*0*	
Adult Program Costs	257,197,364	267,971,683	294,358,936 *	308,486,253	DIs 3, NP-1
General Fund	10,364,215	11,168,268	12,438,159	12,848,422	
Cash Funds		0	0	0	
Cash Funds Exempt	246,833,149	256,803,415	281,920,777	295,637,831	
Federal Funds		0	0	0	
Medicaid Cash Funds	*216,441,113*	*224,815,225*	*247,952,288*	*260,314,705*	
Medicaid - General Fund portion	*108,220,557*	*112,407,612*	*123,913,507*	*130,093,844*	
Net General Fund	*118,584,772*	*123,575,880*	*136,351,666*	*142,942,266*	
Federally-matched Local Program Costs	22,128,825	24,281,838	24,281,838	24,281,838	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt	22,128,825	24,281,838	24,281,838	24,281,838	
Federal Funds	0	0	0	0	
Medicaid Cash Funds ($0 NGF)	*22,128,825*	*24,281,838*	*24,281,838*	*24,281,838*	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Requests
Preventive Dental Hygiene	60,483	62,335	62,449	63,698	DI NP-1
General Fund	56,990	58,842	58,842	60,019	
Cash Funds	0	0	0	0	
Cash Funds Exempt	3,493	3,493	3,607	3,679	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	0	*0*	*0*	*0*	
Medicaid Waiver Transition Costs - General Fund		*0*	*0* *	*0*	
(1) Sub-total Community Services	281,721,079	294,972,456	321,701,681	335,590,217	4.3%
FTE	29.3	31.2	32.4	32.4	0.0
General Fund	10,572,343	11,377,850	12,814,711	13,173,392	2.8%
Cash Funds	0	0	0	0	n/a
Cash Funds Exempt	271,148,736	283,594,606	308,886,970	322,416,825	4.4%
Federal Funds	0	0	0	0	n/a
Medicaid Cash Funds	*240,579,590*	*251,602,923*	*274,914,874*	*287,090,020*	*4.4%*
Net General Fund	*119,797,726*	*125,038,392*	*138,068,592*	144,513,975	4.7%

*Does not include FY 2006-07 H.B. 98-1331 supplementals approved but not yet enacted

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**

(2) Regional Centers

(Primary functions: operates three regional centers that house and provide therapeutic and other services to individuals with developmental disabilities. Cash funds exempt amounts reflect Medicaid revenue. Cash amounts primarily reflect consumer payments for room and board.)

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Requests
Personal Services	38,717,876	39,974,016	40,088,854	42,162,675	DI 1
FTE	869.7	871.4	887.4	901.9	
General Fund	0	0	0 *	237,870	
Cash Funds	2,580,150	2,593,627	2,608,448	2,608,448	
Cash Funds Exempt	36,137,726	37,380,389	37,480,406	39,316,357	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	36,137,726	37,380,389	37,480,406	*39,316,357*	
Operating Expenses	2,077,466	2,172,138	2,198,203	2,223,431	DI 1
General Fund	0	0	0	6,590	
Cash Funds	273	366	0	0	
Cash Funds Exempt - Medicaid	2,077,193	2,171,772	2,198,203	2,216,841	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	*2,077,193*	*2,171,772*	*2,198,203*	*2,216,841*	
Capital Outlay - Patient Needs	77,763	72,571	80,249	80,249	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt - Medicaid	77,763	72,571	80,249	80,249	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	77,763	72,571	80,249	80,249	

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests
Leased Space	199,165	192,526	200,209	200,209	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt - Medicaid	199,165	192,526	200,209	200,209	
Federal Funds		0	0	0	
Medicaid Cash Funds	*199,165*	*192,526*	*200,209*	*200,209*	
Resident Incentive Allowance	132,993	138,056	138,176	138,176	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt - Medicaid	132,993	138,056	138,176	138,176	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	*132,993*	*138,056*	*138,176*	*138,176*	
Purchase of Services	252,699	262,440	262,661	262,661	
General Fund	0		0	0	
Cash Funds	0		0	0	
Cash Funds Exempt - Medicaid	252,699	262,440	262,661	262,661	
Federal Funds	0		0	0	
Medicaid Cash Funds	*252,699*	*262,440*	*262,661*	*262,661*	
Medicaid Unallowable Costs - General Fund		553,399	*0*	*0*	
(FY 2005-06 1331 Supplemental)					

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests
(2) Sub-total Regional Centers	41,457,962	43,365,146	42,968,352	45,067,401	4.9%
FTE	869.7	871.4	887.4	901.9	14.5
General Fund	0	553,399	0	244,460	n/a
Cash Funds	2,580,150	2,593,993	2,608,448	2,608,448	0.0%
Cash Funds Exempt	38,877,812	40,217,754	40,359,904	42,214,493	4.6%
Federal Funds	0	0	0	0	n/a
Medicaid Cash Funds	*38,877,812*	*40,217,754*	*40,359,904*	*42,214,493*	*4.6%*
Net General Fund	*18,689,066*	*19,919,076*	*19,436,956*	*20,608,710*	*6.0%*

*Does not include FY 2006-07 H.B. 98-1331 supplementals approved but not yet enacted

(3) Services for Children and Families

(Primary functions: administers and provides funding to 20 Community Centered Boards (CCBs) to deliver early intervention, family support, and children's extensive support services to children and families in community settings. The primary source of cash funds exempt is Medicaid revenue; local match contributions to CCBs are also reflected.)

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests
Administration	61,855	0	0	0	
FTE	1.0	0.0	0.0	0.0	
General Fund	20,290	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt	41,565	0	0	0	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	41,565	0	0	0	

	FY 2004-05	FY 2005-06	FY 2006-07		FY 2007-08	
	Actual	**Actual**	**Appropriation**		**Request**	**Change Requests**
Program Funding	14,114,638	19,213,999	24,848,720	*	25,998,820	DIs 3, NP-1
General Fund	9,943,904	13,654,700	16,699,924		17,547,929	
Cash Funds		0	0		0	
Cash Funds Exempt	4,170,734	5,559,299	8,148,796		8,450,891	
Federal Funds		0	0		0	
Medicaid Cash Funds	*3,459,500*	*4,552,042*	*6,913,658*		7,158,394	
Medicaid - General Fund portion	*1,729,750*	*2,276,021*	*2,971,054*		3,083,786	
Net General Fund	*11,673,654*	*15,930,721*	*19,670,978*		*20,631,715*	
Federal Special Education Grant for Infants, Toddlers and Their Families (Part C) - Federal Funds**	*6,112,410*	*7,161,543*	6,906,967		6,905,924	
FTE	*6.0*	*5.4*	*6.5*		6.5	
Child Find - General Fund	*0*	*0*	*0*	*	0	
(3) Sub-total Services for Children and Families	14,176,493	19,213,999	31,755,687		32,904,744	3.6%
FTE	1.0	0.0	6.5		6.5	0.0
General Fund	9,964,194	13,654,700	16,699,924		17,547,929	5.1%
Cash Funds	0	0	0		0	n/a
Cash Funds Exempt	4,212,299	5,559,299	8,148,796		8,450,891	3.7%
Federal Funds	0	0	6,906,967		6,905,924	0.0%
Medicaid Cash Funds	3,501,065	4,552,042	6,913,658		7,158,394	3.5%
Net General Fund	*11,714,727*	*15,930,721*	*19,670,978*		*20,631,715*	*4.9%*

*Does not include FY 2006-07 H.B. 98-1331 supplementals approved but not yet enacted

**Amounts shown for FY 2004-05 and FY 2005-06 reflect, for informational purposes, expenditures in the Department of Education. The program is in the DHS budget for the first time in FY 2006-07. These are not included in totals for actual years.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests

(4) Work Therapy Program

(Primary functions: Provide sheltered work opportunities to residents of state operated regional centers and the Mental Health Institute at Fort Logan. Cash and cash exempt amounts reflect payments from private businesses and government agencies for work completed.)

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests
Program Costs	255,230	442,956	464,900	465,059	0.0%
FTE	1.5	2.6	1.5	1.5	0.0
General Fund	0	0	0		n/a
Cash Funds	229,554	369,565	324,846	324,957	0.0%
Cash Funds Exempt	25,676	73,391	140,054	140,102	0.0%
Federal Funds	0	0	0	0	n/a
Medicaid Cash Funds	0	*0*	*0*	*0*	*n/a*

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests
(A) Sub-total Developmental Disability Services	337,610,764	357,994,557	396,890,620	414,027,421	4.3%
FTE	901.5	905.2	927.8	942.3	14.5
General Fund	20,536,537	25,585,949	29,514,635	30,965,781	4.9%
Cash Funds	2,809,704	2,963,558	2,933,294	2,933,405	0.0%
Cash Funds Exempt	314,264,523	329,445,050	357,535,724	373,222,311	4.4%
Federal Funds	0	0	6,906,967	6,905,924	0.0%
Medicaid Cash Funds	*282,958,467*	*296,372,719*	*322,188,436*	336,462,907	4.4%
Net General Fund	*150,201,519*	*160,888,189*	*177,176,526*	*185,754,400*	*4.8%*

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Requests

(B) Division of Vocational Rehabilitation

(Primary functions: provides the services and equipment necessary to help individuals with disabilities secure and/or retain employment. Funds Independent Living Centers to provide assisted living and advocacy services to persons with disabilities. Cash and cash fund exempt amounts reflect payments from collaborating

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Requests
Rehabilitation Programs - General Fund Match	14,563,881	16,921,954	23,459,836	23,753,409	DI NP-1
FTE	179.9	182.6	224.7	224.7	
General Fund	3,097,677	3,596,797	4,990,045	5,052,846	
Cash Funds	0	0	0	0	
Cash Funds Exempt	0	0	0	0	
Federal Funds	11,466,204	13,325,157	18,469,791	18,700,563	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	
Rehabilitation Programs - Local Funds Match	16,808,553	20,676,052	22,944,652	24,652,701	DIs 21, NP-1
FTE	7.6	11.1	18.0	18.0	
General Fund	0	0	0	0	
Cash Funds	53,643	48,923	92,432	93,849	
Cash Funds Exempt	3,526,580	4,375,459	4,794,779	5,159,584	
Federal Funds	13,228,330	16,251,670	18,057,441	19,399,268	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Business Enterprise Program for the Blind	682,012	507,444	1,771,875	1,974,423	DI 20
FTE	4.8	3.2	6.0	6.0	
General Fund	0	0	0	0	
Cash Funds	117,678	108,745	139,020	140,199	
Cash Funds Exempt	28,515	0	237,693	279,651	
Federal Funds	535,819	398,699	1,395,162	1,554,573	
Medicaid Cash Funds	*0*	*0*	*0*	*0*	
Business Enterprise Program - Program Operated Stands, Repair Costs, and Operator Benefits	291,936	489,073	659,000	659,000	
General Fund	0	0	0	0	
Cash Funds	193,008	345,516	242,990	242,990	
Cash Funds Exempt	0	1,708	235,000	235,000	
Federal Funds	98,928	141,849	181,010	181,010	
Medicaid Cash Funds	0	0	0	0	
Independent Living Centers and State Independent Living Council	683,559	869,936	1,698,804	1,732,780	DI NP-1
FTE	0.0	0.0	0.0	0.0	
General Fund	329,000	505,472	1,249,778	1,274,774	
Cash Funds	0	0	0	0	
Cash Funds Exempt	44,902	44,902	44,902	45,800	
Federal Funds	309,657	319,562	404,124	412,206	
Medicaid Cash Funds	0	*0*	*0*	*0*	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Requests
Independent Living Centers - Vocational Rehabilitation Program	n/a	326,841	454,789	463,885	DI NP-1
FTE		0.0	0.0	0.0	
General Fund		61,075	96,870	98,808	
Cash Funds		0	0	0	
Cash Funds Exempt		0	0	0	
Federal Funds		265,766	357,919	365,077	
Medicaid Cash Funds		*0*	*0*	*0*	
Appointment of Legal Interpreters for the Hearing Impaired	62,442	62,442	0	0	
General Fund	62,442	62,442	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt	0	0	0	0	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	0	0	0	0	
Colorado Commission for the Deaf and Hard of Hearing	320,212	341,534	618,777	726,019	DI NP-1
FTE	1.0	1.0	1.5	1.5	
General Fund	0	0	112,745	114,034	
Cash Funds	0	0	0	0	
Cash Funds Exempt	320,212	341,534	506,032	611,985	
Federal Funds	0	0	0	0	
Medicaid Cash Funds	0	*0*	*0*	*0*	
Colorado Commission for the Deaf and Hard of Hearing Cash Fund - Cash Funds	n/a	n/a	222,282	326,013	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	**Actual**	**Appropriation**	**Request**	**Change Requests**
Older Blind Grants	451,506	482,582	450,000	450,000	
General Fund	0	0	0	0	
Cash Funds	0	0	0	0	
Cash Funds Exempt	30,833	44,028	45,000	45,000	
Federal Funds	420,673	438,554	405,000	405,000	
Medicaid Cash Funds	0	*0*	*0*	*0*	
(B) Sub-total Vocational Rehabilitation	33,864,101	40,677,858	52,280,015	54,738,230	4.7%
FTE	193.3	197.9	250.2	250.2	0.0
General Fund	3,489,119	4,225,786	6,449,438	6,540,462	1.4%
Cash Funds	364,329	503,184	696,724	803,051	15.3%
Cash Funds Exempt	3,951,042	4,807,631	5,863,406	6,377,020	8.8%
Federal Funds	26,059,611	31,141,257	39,270,447	41,017,697	4.4%
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*n/a*
Net General Fund	*3,489,119*	*4,225,786*	*6,449,438*	*6,540,462*	*1.4%*

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Requests
(C) Homelake Domiciliary and State and Veterans Nursing Homes					
(1) Homelake Domiciliary					
(Primary functions: operates a 46-bed assisted living facility for veterans. Cash funds exempt amounts reflect client fees.)					
Note: This area is bottom line funded, therefore appropriated fund split detail is estimated and fund splits are not shown by line item in actual years.					
Personal Services	864,406	859,077	801,408	814,322	
FTE	14.7		16.4	16.4	
General Fund			126,097	128,748	
Cash Funds			0	0	
Cash Funds Exempt			431,226	437,960	
Federal Funds			244,085	247,614	
Medicaid Cash Funds			*0*	*0*	
Operating Expenses	282,858	252,993	313,523	313,523	
General Fund			33,347	33,347	
Cash Funds			0	0	
Cash Funds Exempt			158,860	158,860	
Federal Funds			121,316	121,316	
Medicaid Cash Funds			*0*	*0*	
Utilities	105,984	112,423	138,839	138,839	
General Fund			16,710	16,710	
Cash Funds			0	0	
Cash Funds Exempt			71,906	71,906	
Federal Funds			50,223	50,223	
Medicaid Cash Funds			*0*	*0*	

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Requests
(1) Sub-total Homelake Domiciliary	1,253,248	1,224,493	1,253,770	1,266,684	1.0%
FTE	14.7	16.2	16.4	16.4	0.0
General Fund	184,210	154,650	176,154	178,805	1.5%
Cash Funds	0	0	0	0	n/a
Cash Funds Exempt	772,818	752,750	661,992	668,726	1.0%
Federal Funds	296,220	317,093	415,624	419,153	0.8%
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*n/a*
Net General Fund	*184,210*	*154,650*	*176,154*	*178,805*	*1.5%*

(2) State and Veterans Nursing Homes
(Primary Functions: Operation and management of the six state and veterans nursing homes)

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	Change Requests
Fitzsimons Management Consulting Services	1,949,211	0	0	0	
General Fund	1,949,211	0	0	0	
Cash Funds					
Cash Funds Exempt					
Federal Funds					
Medicaid Cash Funds					
Fitzsimons Operating Subsidy	873,735	0	0	0	
General Fund	873,735	0	0	0	
Cash Funds					
Cash Funds Exempt					
Federal Funds					
Medicaid Cash Funds					

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	
	Actual	Actual	Appropriation	Request	Change Requests
Legislative Oversight Committee on the State and Veterans Nursing Homes			36,600	36,600	
General Fund	n/a	n/a	0.0	0	
Cash Funds			0	0	
Cash Funds Exempt			36,600	36,600	
Federal Funds			0	0	
Medicaid Cash Funds					
Nursing Home Consulting Services		0	391,253	391,253	
FTE	n/a	0.0	0.0	0.0	
General Fund		0	391,253	391,253	
Cash Funds		0	0	0	
Cash Funds Exempt		0	0	0	
Federal Funds		0	0	0	
Medicaid Cash Funds		*0*	*0*	*0*	
Program Costs[1]	36,551,068	39,918,810	42,162,574	42,162,574	
FTE	571.4	614.6	673.4	673.4	
General Fund	0	0	0	0	
Cash Funds	94,013	131,442	0	0	
Cash Funds Exempt	27,002,159	30,940,407	32,043,556	32,043,556	
Federal Funds	9,454,896	8,846,961	10,119,018	10,119,018	
Medicaid Cash Funds					

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests
(2) Subtotal - State and Veterans Nursing Homes	39,374,014	39,918,810	42,590,427	42,590,427	0.0%
FTE	571.4	614.6	673.4	673.4	0.0
General Fund	2,822,946	0	391,253	391,253	0.0%
Cash Funds	94,013	131,442	0	*0*	*n/a*
Cash Funds Exempt	27,002,159	30,940,407	32,080,156	32,080,156	0.0%
Federal Funds	9,454,896	8,846,961	10,119,018	10,119,018	0.0%
Medicaid Cash Funds	0	0	0	*0*	*n/a*
Net General Fund	*2,822,946*	*0*	*391,253*	*391,253*	*0.0%*

(1) FY 2004-05 actuals include $821,318 in federal "flexible" funds that were made available to Colorado in 2003 pursuant to the federal Jobs and Growth Tax Relief Reconciliation Act of 2003. FY 2006-07 appropriation is an estimate based on total projected nursing home expenses, including depreciation, less amounts reflected for Homelake Domiciliary, above.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests
(C) Total - Homelake Domiciliary and State and Veterans Nursing Homes	40,627,262	41,143,303	43,844,197	43,857,111	0.0%
FTE	586.1	630.8	689.8	689.8	0.0
General Fund	3,007,156	154,650	567,407	570,058	0.5%
Cash Funds	94,013	131,442	0	0	n/a
Cash Funds Exempt	27,774,977	31,693,157	32,742,148	32,748,882	0.0%
Federal Funds	9,751,116	9,164,054	10,534,642	10,538,171	0.0%
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*n/a*
Net General Fund	*3,007,156*	*154,650*	*567,407*	*570,058*	*0.5%*

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Appropriation	FY 2007-08 Request	FY 2007-08 Change Requests
(9) TOTAL - SERVICES FOR PEOPLE WITH DISABILITIES	**412,102,127**	**439,815,718**	**493,014,832**	**512,622,762**	**4.0%**
FTE	**1,680.9**	**1,733.9**	**1,867.8**	**1,882.3**	**14.5**
General Fund	**27,032,812**	**29,966,385**	**36,531,480**	**38,076,301**	**4.2%**
Cash Funds	**3,268,046**	**3,598,184**	**3,630,018**	**3,736,456**	**2.9%**
Cash Funds Exempt	**345,990,542**	**365,945,838**	**396,141,278**	**412,348,213**	**4.1%**
Federal Funds	**35,810,727**	**40,305,311**	**56,712,056**	**58,461,792**	**3.1%**
Medicaid Cash Funds	***282,958,467***	***296,372,719***	***322,188,436***	**336,462,907**	**4.4%**
Net General Fund	*156,697,794*	*165,268,625*	*184,193,371*	***192,864,920***	***4.7%***
TOTAL DHS OPERATIONS, CHILD CARE & DISABILITY SERVICES	**533,487,355**	**564,747,173**	**624,512,955**	**647,965,250**	**3.8%**
FTE	**2,155.2**	**2,220.8**	**2,408.1**	**2,424.1**	**16.0**
General Fund	**62,263,062**	**65,935,317**	**75,086,858**	**78,211,069**	**4.2%**
Cash Funds	**4,461,667**	**5,100,039**	**5,120,675**	**5,233,707**	**2.2%**
Cash Funds Exempt	**366,527,631**	**387,181,654**	**418,765,597**	**435,790,936**	**4.1%**
Federal Funds	**100,234,995**	**106,530,163**	**125,539,825**	**128,729,538**	**2.5%**
Medicaid Cash Funds	***287,990,920***	***301,422,589***	***328,137,280***	***342,726,480***	***4.4%***
Net General Fund	***194,444,271***	***205,385,595***	***225,723,171***	***236,131,475***	***4.6%***

DEPARTMENT OF HUMAN SERVICES
FY 2006-07 FOOTNOTE UPDATE

3 All Departments, Totals -- Every department is requested to submit to the Joint Budget Committee information on the number of additional federal and cash funds exempt FTE associated with any federal grants or private donations that are applied for or received during FY 2006-07. The information should include the number of FTE, the associated costs (such as workers' compensation, health and life benefits, need for additional space, etc.) that are related to the additional FTE, the direct and indirect matching requirements associated with the federal grant or donated funds, the duration of the grant, and a brief description of the program and its goals and objectives.

Comment: *The Governor vetoed this footnote, as he has in the past, on the grounds that it violates the separation of powers in that it is attached to federal funds and private donations, that it could constitute substantive legislation, and that it would require a significant devotion of resources.*

In December 2003, the Governor announced his intention to use $1,575,000 of the $146 million in federal funds made available to Colorado in 2003 pursuant to the federal *Jobs and Growth Tax Relief Reconciliation Act of 2003* for an outside management contract for the Veterans Nursing Home at Fitzsimons with Pinon Management. Of the total, $753,682 was expended in FY 2003-04 and the balance of $821,318 in FY 2004-05.

In response to staff inquiries, the Department of Human Services indicated that, in the areas covered under this staff briefing, 1.0 FTE is projected to be employed by the Division for Developmental Disabilities associated with a quality improvement project, at an estimated annual cost of $60,624.

11 Department of Education, School for the Deaf and the Blind, School Operations, Early Intervention Services; and Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Services for Children and Families, Program Funding --The Division and the School for the Deaf and the Blind are requested to work together and provide a report to the Joint Budget Committee by November 1, 2006, concerning the coordination and provision of early intervention services to children under age three who are deaf or hard-of-hearing. The requested report should include information concerning services currently provided through the Division and the School to deaf and hard-of-hearing children under age three, including: the number of children eligible for early intervention services; the types of services provided through the Division and the School; and the associated costs and sources of funding. The report should also include information describing how the Division and the School plan to minimize any duplication that might be occurring with respect to program administration and service coordination.

Comment: *The Governor vetoed this footnote on the grounds that it violates the separation of powers by attempting to administer the appropriation and that it could constitute substantive legislation.* Nonetheless, the Departments were instructed to comply to the extent feasible. The footnote response has been received and will be covered in the JBC staff briefing for the Department of Education.

41 Department of Higher Education, Colorado Commission on Higher Education Financial Aid, Special Purpose, Early Childhood Professional Loan Repayment Program; and Department of Human Services, Division of Child Care, Early Childhood Professional Loan Repayment Program -- It is the intent of the General Assembly that no more than 10 percent of all expenditures from this line item shall be for program administration.

Comment: *The Governor vetoed this footnote on the grounds that it violates the separation of powers by interfering with the ability of the Executive Branch to administer the appropriation and that it could constitute substantive legislation.* Nonetheless, the Departments were instructed to comply with the intent of the footnote. Whether the Departments have fully complied will not be known until the end of FY 2006-07. The same footnote was included in the FY 2005-06 Long Bill, and the annual report associated with the program indicated that there were three participants in the program in FY 2005-06, and that a total of $3,000 in loans were forgiven. No funds were reported spent on program administration. In FY 2004-05, there were two participants in the program and that a total of $2,000 in loans were forgiven through the program. In addition, $1,500 was spent on program administration. Overall, the program has been used far less than was anticipated when it was created through H.B. 01-1293 [S. Williams/Dyer], resulting in the current minimal appropriation of $5,000. It is scheduled to sunset July 1, 2007.

45 Department of Human Services, Office of Operations; Department Totals -- The Department is requested to examine its cost allocation methodology and report its findings to demonstrate that all state-wide and departmental indirect costs are appropriately collected and applied. The Department is requested to submit a report to the Joint Budget Committee on or before November 15, 2006, that should include: (1) Prior year actual indirect costs allocated by division and corresponding earned revenues by type (cash, cash exempt, and federal); (2) the amount of such indirect costs applied within each division and to Department administration line items in the Executive Director's Office, Office of Operations, and Office of Information Technology Services; (3) a comparison between indirect amounts applied and the amounts budgeted in the Long Bill; and (4) a schedule identifying areas in which collections could potentially be increased and a description of the obstacles to such increases where the discrepancy between the potential and actual collections is $50,000 or more.

Comment: *The Governor vetoed this footnote on the grounds that it violates the separation of powers in that it interferes with the ability of the Executive to administer the appropriation and may constitute substantive legislation. Nonetheless, the Department was instructed to comply to the extent feasible.* The report was submitted on **November 30, 2006**. This footnote is requested because the size and complexity of Department of Human Services indirect cost collections do not enable them to be budgeted in a manner consistent with indirect cost collections in other departments.

The table below summarizes the information provided with respect to amounts collected and applied.

FY 2005-06 INDIRECT COSTS COLLECTED AND APPLIED BY REVENUE SOURCE				
OFFICE per COFRS Function Code	**CASH**	**CASH EXEMPT**	**FEDERAL**	**Grand Total**
INDIRECT COSTS COLLECTED				
Executive Director Office-Budget Office	(21,689)	(276,519)	(514,257)	(812,465)
Executive Director Office-Office of Performance Improvement	(30,936)	(196,076)	(709,772)	(936,784)
Colo Dept of Human Services - Agency IHA: Termination Pay	(2,510)	(685)	(88,666)	(91,861)
Colo Dept of Human Services - Department Wide: SWCAP, Depreciation, State Auditor Charges, HCPF Indirect Cost Billing	(5,087)	(57,041)	(709,107)	(771,234)
Office of Operations	(53,756)	(352,010)	(2,121,589)	(2,527,354)
Office of Information Technology Services	(24,090)	(977,277)	(4,107,066)	(5,153,354)
Office of Children, Youth, and Families	(200)	(4,480)	(11,463)	(16,143)
Office of Adult, Disability and Rehabilitation Services	(227,038)		(163,118)	(390,157)
Office of Behavioral Health & Housing	0	(11,300)	0	(11,300)
Office of Self-Sufficiency	0	0	(96,507)	(96,507)
Amounts booked without Function Codes	250,100	(291,433)	6,145	0
Grand Total	(115,205)	(2,166,821)	(8,515,400)	(10,842,348)
INDIRECT COSTS APPLIED				
Executive Director Office-Budget Office	104,708	2,507,675	215,258	2,827,642
Executive Director Office-Office of Performance Improvement	75,147	0	1,586,394	1,661,541
Colo Dept of Human Services - Agency IHA: Termination Pay			209,260	209,260
Office of Operations	250,000	527,826	2,329,358	3,107,184
Office of Information Technology Services	31,118	157,054	3,798,216	3,986,388
Office of Adult, Disability and Rehabilitation Services			334,304	334,304
Office of Self-Sufficiency			42,611	42,611
Grand Total	460,974	3,192,556	8,515,400	12,168,930

The Department also provided the following explanation of areas in which indirect cost collections could be higher but were restricted.

Areas in which Indirect Collections are Lower than Permitted and Explanation				
	SFY 06 Revenues allowed by federal rules	**SFY 06 Revenues collected**	**Difference (under-earned)**	**Department Explanation/Notes**
Low Income Energy Assistance Program	$335,826	$50,000	($285,826)	The Dept internally limits indirect earnings to $50,000 per year. The impact of increasing indirect earnings would be to decrease funding for program expenditures. At this time the department is not recommending a change.
TANF Block Grant	$2,315,648	$657,764	($1,657,885)	The Department has followed Long Bill letter-note annotations that have capped AGO indirect from this grant. The impact of increasing indirect collections will be to increase funding for administrative expenditures and decrease funding in the Long Term Reserve. This could adversely affect the MOE. The Department does not recommend a change.
Veterans Nursing Homes & Director (except Homelake)	$576,231	$86,901	($489,329)	The Department has followed Long Bill letter-note annotations that have capped indirect earnings. The impact of increased indirect recoveries would be to decrease funding for program. It might also drive increases in the nursing home per diems, which may threaten nursing home viability.
Homelake	$61,464	$8,868	($52,596)	As above.
Child Care Development Block Grant	$492,826	$251,541	($241,285)	The Department has followed Long Bill letter-note annotations that have capped AGO indirect earnings. The impact of a change would be to increase funding for administrative expenditures and decrease funding for program expenditures. The Department does not recommend a change.
IV-B Child Welfare Services: Subparts I & II	$16,941	$16,941	($0)	The Long Bill letter-note annotations do not reflect any charges from this grant to indirect expenditures; the entire amount is spent in Out of Home Placement costs. The impact of a change would be to increase funding for administrative expenditures and decrease funding for program expenditures.
Child Welfare Block --Title XX	$2,472,820	$0	($2,472,820)	The Long Bill letter-note annotations do not reflect any charges from this grant to indirect expenditures; the entire amount is spent in program areas:,Out of Home Placement, CCAP appropriation, County Admin. And CW staff Developments. The impact of a change would be to increase funding for administrative expenditures and decrease funding for program expenditures. The Department does not recommend a change.
Division of Youth Corrections: Central ID Allocations, excluding Youth Centers	$1,068,161	$0	($1,068,161)	The Long Bill does not have any annotations for any General Fund revenue from Central Indirect Cost allocations. The Department recommends no changes since DYC is almost 100% General Fund.
DYC Admin RMS	$6,000	$0	($6,000)	The Long Bill does not have any annotations for

Areas in which Indirect Collections are Lower than Permitted and Explanation				
	SFY 06 Revenues allowed by federal rules	**SFY 06 Revenues collected**	**Difference (under-earned)**	**Department Explanation/Notes**
Medicaid				Medicaid revenue from the DYC IV-E Admin. RMS allocation. The Department has recommended a change in this area.
Donated Foods	$71,034	$354	($70,680)	The administrative grants for commodities programs are all less than one million. One has a federal admin cap and the other two are used exclusively by program costs both state and external. The Department does not recommend a change that would reduce funding for programs.
TOTAL	$7,416,951	$1,072,370	($6,344,582)	

Staff recommends that the Committee have the Department address the following issues:

- Collections from the state and veterans nursing homes could clearly be increased by over $500,000, reducing the need for General Fund. Does the Department support this? Why or why not?

- In addition to the information provided, the footnote requests that the Department provide a comparison between FY 2005-06 amounts budgeted for indirect costs and amounts actually collected and applied. Please provide this information, which was not included in the report.

- Indirect amounts collected and amounts applied in the cash and cash funds exempt categories do not appear to match. Please provide a reconciliation.

64 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services; and Division of Vocational Rehabilitation, Rehabilitation Programs -- Local Funds Match -- The Department is requested to provide a report to the Joint Budget Committee, by November 1, 2007, on the impact of the Developmental Disabilities and Vocational Rehabilitation Pilot Project. The report should include the numbers of persons served, employment outcomes achieved, lessons learned, and recommendations for expansion, reduction, or modification of the program.

Comment: *The Governor vetoed this footnote on the grounds that it violates the separation of powers in that it interferes with the ability of the Executive to administer the appropriation and may constitute substantive legislation.* Nonetheless, the Department was instructed to comply to the extent feasible. **As reflected in the footnote, a report is not due until 2007.** Department staff have indicated that the pilot was launched as planned in early FY 2006-07. As of October 2006, four of the six pilot sites had been staffed. Among those already staffed, some are reportedly already "capped out" in terms of individuals served.

On a related point, staff notes that there has been considerable confusion over the last few months about the impact of the changes to the Medicaid HCBS-developmental disability waiver on supported employment services for people with developmental disabilities. A wide range of providers and advocates informed staff over the summer of 2006 that they had been told that a number of services would henceforth only be accessible through the vocational rehabilitation program and that these services could no longer be accessed through the developmental disability waiver program. At the same time, individuals and organizations that have historically provided these services for the developmental disability population through the waivers indicate that vocational rehabilitation reimbursement rates are insufficient to support appropriate services to persons with developmental disabilities. One provider informed staff that they had discontinued supported employment services altogether due to this issue. More recently, the Department has informed staff that this was a mis-interpretation of federal rules and that services may continue to be accessed through both programs (though, obviously, any given service provided to an individual cannot be paid for twice).

Staff notes that, from the State perspective, there are strong financial incentives for paying for those services that can be provided by the Division of Vocational Rehabilitation with Vocational Rehabilitation dollars—the federal match rate for the VR program (78.7 percent) is far higher than the Medicaid 50 percent match rate. Thus, to the extent that VR funds can be used more heavily, this should be encouraged–particularly given that the measures by which the federal government judges the VR program (such as salaries post-program) tend to push the vocational rehabilitation program toward easier-to-serve consumers than the developmentally disabled population. As both the Division of Vocational Rehabilitation and the Developmental Disability Services are in the same management unit in the Department of Human Services and the Division of Vocational Rehabilitation received large General Fund increases from the General Assembly starting in the last quarter of FY 2005-06, staff believes this is an area in which the Department of Human Services should focus additional attention. It does appear that one major obstacle to increased use of the vocational rehabilitation program for people with developmental disabilities is the reimbursement schedule. Staff understands that the Department has been looking at this issue, and staff does believe it should be pursued further.

65 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Community and Contract Management System Replacement -- This line item reflects estimated costs for the second year of a two-year project to replace the Community and Contract and Management System. The Department is authorized to transfer any amounts not required for this purpose to the Developmental Disability Services, Community Services, Adult Program Costs line item. The Department is requested to provide a report to the Joint Budget Committee by November 1, 2006, detailing progress toward development of the new system.

<u>Comment</u>: The Department submitted the requested report; however, this report, along with a number of others, was not received in the JBC offices until November 6, 2006. The Community Contracting and Management System (CCMS) is used for planning, evaluation,

monitoring, budgeting and contracting for developmental disability services administered locally by the 20 community centered boards and the three state regional centers. It supports delivery of over $325 million in services to 12,000 individuals. The new web-based system will replace the current system for: collecting basic consumer data, billing, service encounter and prior authorization data, monitoring contract utilization and adherence to contract performance standards, providing monthly and quarterly management reports on individuals served and those waiting for services (required by statute), and cross-checking billings prior to submission for payment, among other features. The new system also adds some features, *e.g.*, to enable individualized plan and prior authorization records to be automated for submission and approval by the Division. The CCMS rebuild has been integrated with critical incident reporting and program quality tracking components that were funded through a federal grant.

The project was originally funded through a $491,308 "carve out" from the Adult Program Costs line item and spread over two years (FY 2005-06 and FY 2006-07). The project will now be further expanded by $94,000 funded through a line item for one-time Medicaid waiver transition costs (approved by the JBC as part of a H.B. 98-1331 emergency supplemental in June 2006). This is to support changes to the Medicaid waiver program billing system that are being required by the federal government. The additional program requirements were not identified until after the original RFP to select the vendor and contract were in place and therefore will be added as change requests. Although the vendor selection process for the project was delayed, the Department indicates that it is now on track to be completed by June 2007; however, there is a possibility that change orders will stretch the project into FY 2007-08. Some points of note:

- The Department indicates that it believes that the additional $94,000 authorized will be sufficient to incorporate the required Medicaid program changes and to implement the new system by July 2007; *however, it appears that the Department is still exploring some of the desired changes to functionality, e.g., collection of daily attendance/encounter data for the regional centers, and final associated change order costs are not yet known. Staff presumes any changes will be managed within the budget approved and will not go beyond what is required to comply with required waiver program billing changes.*

- The Department notes that, if the vendor does not complete all change orders within FY 2006-07, a funding shift would be needed between FY 2006-007 and FY 2007-08. *Staff presumes any such proposed change would be submitted through a supplemental during the 2007 legislative session (non-emergency).*

- The Department indicates that additional system modifications may be required to incorporate the Department's management of the Part C early intervention program, which would require an additional change order. *Staff presumes that any related changes would be funded through the Part C federal grant, but this is not clear from the report. The Department should be asked to clarify this.*

- The Department indicates that it anticipates ongoing support and maintenance costs for the new system to be $148,400 beginning in FY 2007-08; however, *the Department has not submitted a related decision to either permanently move existing program funds into information technology/administration line items or for any new funding.*

66 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Adult Program Costs -- The Department is requested to periodically survey all individuals on the comprehensive services waiting list to determine when each individual will need comprehensive services. The Department is requested to complete the next survey no later than June, 2007, and to report the results no later than in the submission of the FY 2008-09 budget request to the Joint Budget Committee.

Comment: *The Governor vetoed this footnote (as he has in prior years) on the grounds that it violates the separation of powers by dictating the content and format of the budget request and that it may constitute substantive legislation. The Department was instructed to comply to the extent feasible.* As reflected in the footnote, the Department is not required to complete another survey until June, 2007, and no updated information is therefore available. In the past, these surveys have resulted in a reduction in the waiting list, as persons no longer interested in services have been culled from the list.

67 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Adult Program Costs -- The purpose of this line item is to fund comprehensive residential services for adults with developmental disabilities, supported living services for adults with developmental disabilities, case management services for children and adults with developmental disabilities, and selected special purpose activities including costs associated with audits, behavior pharmacology clinics, and consumer screening for certain placements. The Department is requested to include information on the allocation of expenditures and the number of resources funded by the line item as part of its November 1 budget submission and to provide updates when requested by the General Assembly.

Comment: *The Governor vetoed this footnote, as he has in the past, on the grounds that it interferes with the ability of the executive branch to administer the appropriation, dictates the content and format of the executive budget request, and may constitute substantive legislation. However, the Department was instructed to comply to the extent feasible.* Some information was included in the November 1, 2006, budget request and a report was also separately submitted. *However, staff does not feel that the information provided is sufficiently responsive to the footnote.* This footnote was added as an alternative to a staff proposal during FY 2005-06 figure setting that would have: (1) combined the current Adult Program Costs and Children and Family Services, Program Funding line items; (2) broken out the combined line-item for informational purposes into major programs (comprehensive services, supported living services, children's extensive support, early intervention services, family support services, and special purpose), while still allowing the Department to shift funds among the component parts (as is done in the Medicaid Premiums line item). The expectation was that, at a minimum, the Department would include a break-out of this kind in its budget request. However, neither the footnote report nor the budget request includes such information. Staff recognizes that the budget for developmental disability services is in a period of change due to major changes in the billing system; as a result, the break-down of sub-program costs (and indeed, total program costs) will be in flux; nonetheless, staff believes provision of at least a reasonable estimate of sub-program costs is important for program accountability. The current line item titles for two line items that together total well over $300 million are extremely vague. The General Assembly and the public should not have to rely solely on internal documents developed by JBC staff for very basic additional information on what these dollars are expected to buy. *Staff suggests that the Committee may wish to reconsider staff's FY 2005-06 recommendation to reconfigure these line items in the Long Bill for informational purposes.*

68 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Adult Program Costs; Services for Children and Families, Program Funding -- The Department is requested to provide a report to the Joint Budget Committee by November 1, 2006, concerning the distribution of new adult comprehensive resources, adult supported living service resources, and children's early intervention resources provided effective April 1, 2006. It is the intent of the General Assembly that, in distributing such new resources, the Department take into consideration, among other factors, the need to reduce inequities among community centered boards in rates paid by the State and numbers of resources allocated per capita of the general population.

Comment: *The Governor vetoed this footnote on the grounds that it interferes with the ability of the executive branch to administer the appropriation and may constitute substantive legislation. He indicated that he agreed with the need to reduce inequities, but that the footnote constitutes an unfunded mandate. However, the Department was instructed to comply to the extent feasible.* The report was submitted as requested and is discussed as part of a staff briefing issue on developmental disability programs.

69 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Community Services, Preventive Dental Hygiene -- The purpose of this appropriation is to assist the Colorado Foundation of Dentistry in providing special dental services for persons with developmental disabilities.

Comment: *The Governor vetoed this footnote on the grounds that it attempts to administer the appropriation and violates separation of powers. However, the Department was instructed to comply to the extent feasible.* The Department reports that it implemented the contract with the Colorado Foundation of Dentistry for FY 2006-07 and indicates that, despite the veto, it requests the footnote be continued as it assists the Department in directing its contract to this group.

70 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Services for Children and Families, Program Funding -- The purpose of

this line item is to fund early intervention services, family support services, children's extensive support services, and selected special purpose activities to assist children with developmental disabilities and their families. The Department is requested to include information on the allocation of expenditures and the number of resources funded by the line item as part of its November 1 budget submission and to provide updates when requested by the General Assembly.

Comment: *The Governor vetoed this footnote, as he has in the past, on the grounds that it dictates the content and format of the executive budget request. However, the Department was instructed to comply to the extent feasible.* Some information was included in the November 1, 2006, budget request and a report was also separately submitted. *However, as discussed under footnote 67, staff does not feel that the information provided is sufficiently responsive to the footnote. Staff suggests that the Committee may wish to reconsider staff's FY 2005-06 recommendation to reconfigure this line item and the Adult Program Costs line item in the Long Bill for informational purposes.*

71 Department of Human Services, Services for People with Disabilities, Developmental Disability Services, Services for Children and Families, Federal Special Education Grant for Infants, Toddlers, and Their Families (Part C) -- The Department is requested to provide to the Joint Budget Committee information concerning the expenditure of federal funds provided pursuant to Part C of the federal "Individuals with Disabilities Education Act" for the most recent state fiscal year. Such information is requested to include sufficient detail to identify expenditures related to the provision of direct services, by type of service. The Department is also requested to provide a report by November 1, 2006, on the impacts of the transition of the Part C Program from the Department of Education to the Department of Human Services, including the impact on program administration, allocation of funds, and children requiring early intervention services and their families.

Comment: *The Governor vetoed this footnote, as he has in the past, on the grounds that the General Assembly has no authority to appropriate these federal funds, that the footnote violates separation of powers in interfering with the ability of the executive to administer the appropriation, and that the footnote may constitute substantive legislation. However, the Department was instructed to comply to the extent feasible.* The report was submitted as requested and is discussed as part of the staff briefing issue on the early intervention program.

72 Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Rehabilitation Programs -- Local Funds Match – The Department is requested to provide a report to the Joint Budget Committee, by November 1, 2006, that details deferred cash and cash exempt revenue on its books as of the close of FY 2005-06 and that outlines the Department's plan for spending down any such deferred revenue over several years.

Comment: *The Governor vetoed this footnote on the grounds that the footnote violates separation of powers in interfering with the ability of the executive to administer the* *appropriation and may constitute substantive legislation. However, the Department was instructed to comply to the extent feasible.* The Department submitted the requested report. The Department reported that, **as of the close of FY 2005-06, a total of $1,685,154 in deferred cash and cash exempt revenue remained on the Division of Vocational Rehabilitation's books**. The majority of revenue reflects receipts from the Department of Education on behalf of school districts for the School to Work Alliance Program. The funds represent local match that will be recognized as revenue and can be spent (with a federal match 78.7 percent federal/21.3 percent local funds or better) if spending authority is provided by the General Assembly. The plan for spending down te deferred revenue will encompass the next five fiscal years and includes the structuring or restructuring of program services that will benefit all DVR clients. The table below outlines: (1) the deferred revenue projection provided by the Department; and (2) additional/contrasting information, based on staff's analysis.

Department Deferred Revenue Footnote Table and Related Information

		FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
	Footnote Report Table on Deferred Revenue (D.R.)					
1	Beginning D.R. Balance	$1,685,155	$1,565,155	$974,837	$529,588	$233,760
2	Estimated Revenue (CF/CFE)	4,694,779	4,835,622	4,980,691	5,130,112	5,284,015
3	CF/CFE Expenditures	-4,814,779	-5,425,940	-5,425,940	-5,425,940	-5,425,940
4	Projected End D.R. Balance	1,565,155	974,837	529,588	233,760	91,835
	Staff Calculation, Based on Department Deferred Revenue Footnote Table					
5	Net CF/CFE spend/down	120,000	590,318	445,249	295,828	141,925
6	Matching federal $ (78.7%)	443,380	2,181,128	1,645,122	1,093,036	524,390
7	Total - Implied additional spending authority required	$563,380	$2,771,446	$2,090,371	$1,388,864	$666,315
	Current Long Bill and Budget Request	FY 06-07 Approp.	FY 07-08 Request			
8	Rehabilitation Programs - Local Match (total)	$22,944,652	$24,652,701			
9	Cash Funds + Cash Funds Exempt	4,887,211	5,253,433			
10	Federal Funds	18,057,441	19,399,268			
11	**Difference lines 9 and 3**	**72,432**	**(172,507)**			

Staff has a number of questions and concerns about the Department's request, which are reflected in the table above. The Department submitted Decision Item #21 which requests the spending authority for $287,779 CFE local funds from deferred revenue and $1,063,297 federal funds match for FY 2007-08. However, **the "spend down" plan submitted does not appear to match the amounts in either the current Long Bill for FY 2006-07 or the budget request for FY 2007-08, or the amounts reflected in Decision Item #21.** Specifically, the "spend down" plan projects total FY 2007-08 spending of cash and cash exempt funds in the local funds match line item at $5,425,940, but the November 1, 2006 budget request reflects a request for total cash and cash exempt local spending of $5,253,433–or $172,507 LESS than the "spend down" plan, even though this includes Decision Item #21. Conversely, the "spend down" plan projects total FY 2006-07 spending of CF and CFE in the local funds match line item at $4,814,779, although the current appropriation is for $4,887,211 or $72,432 MORE than the "spend down" plan. The Committee may wish to clarify whether the Department intends to correct these inconsistencies through supplementals and budget amendments.

In addition to the Deferred Revenue Table included in the report, the Division included narrative descriptions of various proposed projects for use of the deferred revenue. The categories of expenditure are summarized in the table below. Each of the items appears a reasonable use of funds. However, **the narrative plan includes descriptions of programs that would appear to use up only $550,118 of deferred revenue amounts, if requested and approved**. Some, but not all, of these are included in the Department's Decision Item #21 request. The Department notes that the proposed use of the deferred revenue could change depending on the issues the Division faces and the approval of the additional spending authority. Nonetheless, **given that the Department indicates a starting deferred revenue balance of $1.7 million and that tables in the footnote report reflect spending this over five years, including spend-down of $120,000 in FY 2006-07 and $590,318 in FY 2006-07, it is unclear how the programs described in the spend down plan relate to the table in the footnote report or the FY 2007-08 budget request.** The Committee may wish to ask for clarification on this point. The table below summarizes the narrative items described and compares this to the 5-year deferred revenue spending table total. Asterixed (*) items also appear in Decision Item #21.

Narrative Detail in Footnote on Proposed Uses of Funds

	Cash Funds & Cash Funds Exempt	Federal Funds	Total
Community and Employer Outreach and Education*	$42,600	$157,400	$200,000
Improve Transportation Accessibility for People with Disabilities*	63,900	236,100	300,000
Expand Accessibility, Training and Evaluation of Assistive Technology*	63,900	236,100	300,000
Establish Ability to Perform Vocational Assessments In-House**	90,525	334,475	425,000

Narrative Detail in Footnote on Proposed Uses of Funds			
	Cash Funds & Cash Funds Exempt	Federal Funds	Total
Migrant and Seasonal Farm Workers Program	20,000	180,000	200,000
Increase Medical Vendor Fees*	32,179	118,897	151,076
Disability Program Navigators/Rehabilitation Technicians	237,014	862,986	1,100,000
Total	550,118	2,125,958	2,676,076
5 Year Deferred Revenue Spending (summed from Footnote Table)	1,593,320	5,887,056	7,480,376
Difference - Spending Plan Not Included	1,043,202	3,761,098	4,804,300

*These Items also appear in Decision Item #21
**This item appears in Decision Item #21, but with different amounts.

Staff would note that, if the Committee wished, it could, as an alternative to this proposal and Decision Item #21, use the CFE deferred revenue to substitute for General Fund amounts in the Department's base for a net General Fund savings of approximately $300,000 per year for five years. Another approach would be a one-time substitution of these deferred revenue amounts for larger portions of the Division's General Fund base in FY 2006-07 and FY 2007-08. The Committee may wish to discuss these alternatives with the Department during the FY 2007-08 budget hearing.

Staff also recommends that, during the budget hearing, the Committee discuss with the Department its General Fund and Local Funds spending to-date and plans for FY 2006-07 and FY 2007-08, in light of the large General Fund increases provided by the Committee beginning the last quarter of FY 2005-06 and the associated rapid expansion of DVR programs. The Committee previously provided roll-forward authority for supplemental funds authorized in FY 2005-06, to allow expenditure in FY 2006-07, because the Department did not expect that it would be able to staff up and fully expend the appropriated funds at the end of FY 2005-06. **Staff recommends that the Committee discuss with the Department whether the FY 2005-06 roll-forward and FY 2006-07 appropriation are now on-target to be fully expended or whether one-time General Fund supplemental reductions in FY 2006-07 may be appropriate.**

73 Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Independent Living Centers and State Independent Living Council--The Department is requested to provide a report to the Joint Budget Committee, by October 1, 2006, concerning the distribution of new General Fund support for independent living centers that is provided effective April 1, 2006. The report is requested to include information on: (1) how the new funding is proposed to be allocated among the independent living centers in FY 2005-06, FY 2006-07 and future years, taking into consideration catchment areas served and other relevant factors; and (2) how the impact of such new funding is proposed to be

measured, including what data will be submitted by independent living centers to demonstrate service outcomes.

Comment: *The Governor vetoed this footnote on the grounds that the footnote violates separation of powers in interfering with the ability of the executive to administer the appropriation and may constitute substantive legislation. However, the Department was instructed to comply to the extent feasible.* The Department submitted the requested report on October 13, 2006. The Committee added $1.0 million General Fund to base independent living center (ILC) funding in FY 2006-07, nearly quadrupling the previous appropriation level. The Department indicated that, consistent with existing rules and past practice, the new General Fund added for the last quarter of FY 2005-06 and annualized in FY 2006-07 would be divided equally among the ten ILCs and that it anticipated that this practice would continue in the future. (Vocational Rehabilitation staff indicated that there was no consensus on any alternative allocation structure.) The Department further indicated that, with expanded services, the ILCs are now continuing to provide services in their previous service areas as well as expanding services to under served and unserved counties in their greater catchment area. A list provided additional detail about the areas currently served as well as the counties or portions of counties into which each center would expand its services. The ILCs will report quarterly (beginning September 30, 2006) to the Division on their expanded services. The reports will cover: The number of consumers transitioned from nursing homes; (2) consumers prevented from institutionalization; (3) numbers of consumers served including those with developmental disabilities, brain injury, mental illness, and all other consumers; and (4) the list of new consumers served in each county. *The Committee may wish to have the Department to summarize the initial ILC responses received and its overall assessment of the impact of this new funding during its budget hearing.*

74 Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Independent Living Centers and State Independent Living Council; and Independent Living Centers - Vocational Rehabilitation Program -- The Department is authorized to transfer General Fund amounts between the Independent Living Centers and State Independent Living Council line item and the Independent Living Centers - Vocational Rehabilitation Program line item. The amount of General Fund expended in the Independent Living Centers - Vocational Rehabilitation Program line item shall be expended for qualifying vocational rehabilitation services only, and shall be eligible for federal matching funds at the rate of 21.3 percent General Fund to 78.7 percent federal funds. Any increase or reduction in the amount of General Fund expended in the Independent Living Centers - Vocational Rehabilitation Program line item shall result in an associated increase or reduction in matching federal funds. General Fund amounts expended in the Independent Living Centers and State Independent Living Council line item shall be expended for independent living services and are not eligible for federal vocational rehabilitation matching amounts. Any increase or reduction in the General Fund expended in the Independent Living Centers and State Independent Living Council line item shall not affect federal or cash funds exempt amounts appropriated for such line item.

Comment: This footnote was added as part of a new line item first created in FY 2005-06 that enables the states' ten certified independent living centers (ILCs) to reallocate some of the General Fund they receive to become vocational rehabilitation providers and thus to draw down additional federal matching funds. The program is optional for the ILCs. Those that choose to participate offer vocational rehabilitation services such as personal adjustment training, job seeking skills, on-the-job training opportunities, job coaching, and work adjustment training, in addition to the "core" independent living services they already provide (such as assistance in locating housing and disability advocacy) .

The Department reports that for fiscal year 2006-07, eight of the ten certified ILCs opted to participate in this new program (all except Durango and Grand Junction). As for the program's first year, each contract is for $40,000, for a program total of $320,000. Each ILC agreed to have $10,000 of their share of appropriated General Fund matched with $30,000 of federal vocational rehabilitation dollars. The Department reports that there are no major concerns about this initiative. There were some challenges getting started last year, including hiring appropriate staff and clarification of services they were to provide to customers of DVR. Several meetings were conducted and it was decided that each contract would be unique to the needs of the local DVR office. Some centers provide job seeking skills, job coaching and job placement. Others provide such services as transportation training and how to access community services. The program is operating with little or no difficulty this second year of operation.

75 Department of Human Services, Services for People with Disabilities, Homelake Domiciliary and State and Veterans Nursing Homes, Homelake Domiciliary -- It is the intent of the General Assembly that the Homelake Domiciliary not require additional General Fund dollars. The Department is requested to prepare an annual plan outlining potential General Fund reductions and the impact on client fees and submit the plan to the Joint Budget Committee by November 1 of each year.

Comment: The Department submitted the requested report. Homelake Domiciliary is a 46-bed assisted living facility located near Monte Vista. The Center also includes a 60-bed skilled nursing facility. The Domiciliary provides residential rehabilitation and health maintenance services for veterans (must be at least 75 percent of the population), or spouses or widows of veterans, who do not require nursing home case but who are unable to live independently due to medical or psychiatric disabilities. Residents must demonstrate a lack of adequate means of support for themselves and a disability or age precluding meaningful employment. The Department provided data suggesting that the acuity of veteran residents has increased over the last 10 years. The trends are not entirely clear, as severity levels appear to shift substantially from year to year; however, there does appear to be some trend increasing the number of clients who require nursing assistance (level 2 of 4) and decreasing the number who require "some" assistance with activities of daily living (level 3 of 4). In 1996, 59 percent of residents required "some" assistance (level 3 of 4). By 2006, the percentage in this category had shrunk to 45 percent. In addition, in 1996, 11 percent of residents required daily observation or assessment, or nursing assistance with daily living (level 2 of 4) and this had increased to 24 percent in this category in 2006 .

The table below reflects the trends in revenue and expenditure for Homelake Domiciliary over the last five years. As shown, General Fund support has decreased, while other components have increased significantly. The facility has been operating at a loss for the last two years.

Homelake Domiciliary Operating Statement						
	FY 00-01	FY 01-02	FY 02-03*	FY 03-04	FY 04-05	FY 05-06
Revenue	$965,328	$1,012,118	$938,571	$1,116,806	$1,145,543	$1,139,004
Patient (CFE)	475,817	499,700	471,580	517,149	599,505	629,034
VA per diem (FF)	218,305	223,084	276,030	342,624	353,011	334,531
General Fund	260,143	251,036	178,858	243,909	184,210	167,739
Other	11,063	38,298	12,103	13,124	8,817	7,700
Expense	$972,001	$979,061	$973,608	$1,068,854	$1,195,491	$1,371,729
Appropriated	899,203	932,082	911,595	995,543	1,125,829	1,288,276
Non-appropriated (depreciation)	72,798	46,979	62,013	73,311	69,662	83,453
Net Income	($6,673)	$33,057	($35,037)	$47,952	($49,948)	($232,725)

*This year includes the impact of the pay-date shift

The table below compares rates charged and federal subsidies in FY 2001-02 versus FY 2006-07. As reflected, rates charged veterans have gone up substantially, while the VA per diem has also increased, but not as rapidly.

	FY 2001-02	FY 2006-07	Percent Change
Veteran Rate	$25.10	$36.70	46.2%
VA Per Diem	<u>$24.40</u>	<u>$31.30</u>	<u>28.3%</u>
Total Veteran	$49.50	$68.00	37.4%
High Income Vet*	$36.00	$53.50	48.6%
Private Pay (gen. spouse)	$49.50	$68.00	37.4%

*Veteran whose income is too high to qualify for the federal subsidy.

In response to the question of the potential for further cuts in General Fund support, the Department indicated that it does not want to reduce General Fund moneys and reduce the quality of care or place the safety of residents in jeopardy by not maintaining capital needs. The Department notes that, apart from the one-time $2.8 million General Fund appropriation to offset losses at Fitzsimons, the General Fund appropriated for the Domiciliary represents the only General Fund support to meet veterans' assisted living and long term care needs. Resident acuity at the Domiciliary has increased; but no additional funding has been appropriated to increase the number of direct care FTE. In addition to continuation funding of Domiciliary operating costs, the executive budget request for capital projects includes a request for $917,095 Capital Construction Funds Exempt to match $3,155,500 in federal funds for renovation of the Domiciliary.

Due to ongoing shortfalls at the Domiciliary, staff is not currently advocating subsidy reductions. However, staff does recommend that the Committee discuss with the Department whether the budget for the Domiciliary and the Nursing Homes should be restructured. Specifically, staff believes the Committee should consider incorporating the appropriation for Homelake Domiciliary into the single line item for the State and Veterans Nursing Homes and allocating General Fund for the Domiciliary through a single line item entitled "Homelake Domiciliary State Support". At present, considerable Department effort goes to developing budget schedules for the Domiciliary consistent with OSPB budget instructions; however, the statutes governing the Domiciliary are identical to those governing the State and Veterans Nursing Homes (Article 12 of Title 26, C.R.S.). As a result, the Domiciliary actually has authority to expend funds received without further appropriation by the General Assembly–and amounts reflected in the Long Bill by line item do not actually reflect expenditure restrictions. In practice, the Department manages the Domiciliary as part of the larger State and Veterans Nursing Homes system, and revenues and expenditures all pass through the Central Fund for State Nursing Homes. The Department routinely provides staff with detailed budgets for the State and Veterans Nursing Homes, including Homelake. Staff sees no good justification for treating the Domiciliary differently in the Long Bill from the larger nursing home system.

76 Department of Human Services, Services for People with Disabilities, Homelake Domiciliary and State and Veterans Nursing Homes, Homelake Domiciliary -- It is the intent of the General Assembly that if any portion of the General Fund appropriation from the previous year is not needed by the Domiciliary to cover all of its costs, it will be returned to the General Fund in the subsequent year as miscellaneous general revenue. Any amount to be returned will be determined as the net income on the financial statement of the Domiciliary. The entry to return this revenue through miscellaneous general revenue would need to be supported through current year revenue.

<u>Comment</u>: The Department reported an operating loss for the Domiciliary in FY 2005-06. As a result, no General Fund will be would normally have been returned; however, due to an accounting error, the Department's pots allocation for the Domiciliary was not properly transferred to the State and Veterans Nursing Home Cash Fund (Fund 505). As a result, $17,925 General Fund allocated for FY 2005-06 was reverted.

77 Department of Human Services, Services for People with Disabilities, Homelake Domiciliary and State and Veterans Nursing Homes, State and Veterans Nursing Homes, Nursing Home Consulting Services -- This amount represents 80 percent of the projected cost of management consulting services for the nursing homes for FY 2006-07. It is the intent of General Assembly that the balance will be paid from the Nursing Homes Program Costs line item, funded by resident and federal per diem payments. The Department is requested to submit

a report to the Joint Budget Committee by January 15, 2007, assessing the benefits of the consulting services for the nursing home system in light of the costs. The Joint Budget Committee requests that the report provide recommendations as to whether some or all of these services should be continued and specify time-frames for the nursing homes to assume the full cost of consulting services.

Comment: *The Governor vetoed this footnote on the grounds that the footnote violates separation of powers in interfering with the ability of the executive to administer the appropriation and may constitute substantive legislation. However, the Department was instructed to comply to the extent feasible.* **As reflected in the footnote, the report is not due until January 15, 2007; however, several points are worth noting.**

- Overall, the nursing homes appear to have made great strides since the Fitzsimons debacle of FY 2003-04. There do not appear to be major quality of care concerns, the State and Veterans Nursing Home division appears to be providing appropriate oversight, and financially the homes broke even in FY 2005-06 and appear to be on track to do at least as well in FY 2006-07 (first quarter figures suggest a net profit in the $1 to $2 million range for FY 2006-07).

- A Legislative Audit Committee follow-up to the original 2003 SAO audit of the nursing homes confirms improvements, although it also emphasizes ongoing problems with respect to low census figures at some of the nursing homes and rates that do not fully cover costs.

- As required by H.B. 05-1336, the State and Veterans Nursing Home Commission submitted a final report to the Legislative Oversight Committee on the State and Veterans Nursing Homes. The report, submitted June 19, 2006, also indicates that the Division, and the Fitzsimons facility in particular, have made great strides. Specific recommendations include: (1) Appropriate staffing of the State and Veterans Nursing Home Division and nursing home management staff; (2) Create, through statute, a permanent, seven-member Board of Commissioners of State and Veterans Nursing Homes in the Department of Human Services to oversee nursing home operations; (3) Mandate local advisory committees at each nursing home facility; (4) Continue to use a consulting contractor (rather than a management contract for the nursing homes) unless a need again arises for which a management contract is required; (4) consider appropriating operational and capital improvement funds up to ten percent of the amount in Fund 505 (the Central Fund for State and Veterans Nursing Homes); (5) Take steps to attain Medicare eligibility status for all of the state and veterans nursing homes; (6) Vigorously seek federal funds under the 65/35 percent federal/state matching program for capital improvements at the veterans nursing homes; (7) Explore alternatives for enabling the Fitzsimons home to become independent from the state personnel system as soon as possible.

- The $97,814 General Fund that was allocated for the nursing home consulting services line item in FY 2005-06 was reverted, due to an accounting error at the Department.

A similar error led to the reversion of $17,925 in General Fund "pots" support for Homelake Domiciliary. Division staff have indicated that this resulted in some hardship for the Division; however, even with the reversion, the Division was able to break-even overall in FY 2005-06.

- Staff has been informed that the Department is considering–and perhaps has already decided—to make the State and Veterans Nursing Home programs a stand-alone program, rather than administering the program within the Office of Health and Rehabilitation Services. Under this scenario, the Director of the new Division would report directly to the Director of the Department of Human Services. Staff has no concerns about this from an administrative perspective, but has been concerned to learn that, associated with this, the Division is expected to hire a Division Director to whom the current program director would report. If the nursing homes have sufficient disposable income (i.e., profit) available to cover the costs associated with two high level administrators and several other staff *without any General Fund support*, this would not be a concern. *However, if sufficient excess revenue is available for this purpose, why cannot such revenue be used to cover needed consulting services in lieu of the General Fund? Staff recommends that the Committee discuss this issue with the Department during the budget hearing.*

  Total State direct and indirect General Fund support for the state and veterans nursing homes and overall operating results for the nursing homes in FY 2005-06 are shown in the tables below.

State General Fund Operating Support for State and Veterans Nursing Homes and Homelake Domiciliary		
	FY 2005-06 Actual	FY 2006-07 Approp/Estimate
Homelake Domiciliary Subsidy	$154,650	$179,133
Nursing Home Consulting Services	0	391,253
Indirect support (General Fund backfill of allocated costs)	489,329	489,329
Total	$643,979	$1,059,715

State and Veterans Nursing Homes - FY 2005-06 Income Statement						
	Trinidad	**Homelake**	**Florence**	**Rifle**	**Fitzsimons**	**Division Total[1]**
REVENUE						
Operating	$6,176,590	$3,670,402	$7,756,961	$6,834,533	$15,283,799	$41,855,865
Non-operating (2)	7,228	50,425	1,502,081	14,247	19,330	2,003,264
Total Revenue	**$6,183,818**	**$3,720,827**	**$9,259,042**	**$6,848,780**	**$15,303,129**	**$43,859,129**

State and Veterans Nursing Homes - FY 2005-06 Income Statement						
	Trinidad	**Homelake**	**Florence**	**Rifle**	**Fitzsimons**	**Division Total**[1]
EXPENSES						
Operating	**$6,546,326**	**$3,978,024**	**$7,003,536**	**$6,529,920**	**$15,165,904**	**$41,767,242**
Non-operating (3)	144,918	187,857	239,277	194,915	1,078,425	1,845,392
Total Expense	**$6,691,244**	**$4,165,881**	**$7,242,813**	**$6,724,835**	**$16,244,329**	**$43,612,634**
Operating Profit/Loss	($369,736)	($307,622)	$753,425	$304,613	$117,895	**$88,623**
Total Profit/Loss	($507,426)	($445,054)	$2,016,229	$123,945	($941,200)	**$246,495**

(1) Other columns do not sum to this column, which also includes Walsenberg (nets to 0 due to contract relationship with Hospital Authority) and Division management costs of $409,000 per year.
(2) Includes items such as capital construction funding and grants.
(3) Includes items such as depreciation and bond/COP interest payments.

81 Department of Human Services, Totals -- The General Assembly requests that the Executive Director of the Department submit annually, on or before November 1, a report to the Joint Budget Committee concerning federal Child Care Development Funds. The requested report should include the following information related to these funds for state fiscal year 2005-06: (a) The total amount of federal funds available to Colorado, including funds rolled forward from previous state fiscal years; (b) the amount of federal funds expended, by Long Bill line item; (c) the amount of funds expended, by Long Bill line item where applicable, that were reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; (d) a demonstration that the information provided in the report is consistent with related financial information reported to the federal government; (e) the amount of funds expended that met the four percent federal requirement related to quality activities; and (f) the amount of funds expended that met earmark requirements. In addition, the report should include the following information related to federal Child Care Development Funds for state fiscal years 2006-07 and FY 2007-08: (a) The total amount of federal funds estimated to be available to Colorado, including funds rolled forward from previous state fiscal years, and the federal classification of such funds as mandatory, matching or discretionary; (b) the amount of federal funds estimated and requested to be expended, by Long Bill line item; (c) the amount of state or local expenditures that are anticipated to be required to comply with federal maintenance of effort and matching requirements; (d) the amount of funds estimated to be expended, by Long Bill line item where applicable, that are anticipated to be reported to the federal government as either maintenance of effort or matching funds associated with the expenditure of federal funds; (e) the amount of funds estimated to be required to comply with federal earmark and four percent quality requirements; and (f) estimated and requested expenditures, by line item, anticipated to be used to comply with federal earmark and four percent quality requirements.

Comment: The Department submitted the requested report. The table below reflects the requested appropriation by Department of Human Services' division.

Long Bill Section and Line Items	SFY 2008 Requested CCDF Funds
Executive Director's Office - Personal Services	$280,000
Office of Self Sufficiency - Electronic Benefits Transfer Service	35,575
Information Technology Services - Personal Services/Operating/ Colorado Trails	647,201
Information Technology/Child Care - CHATS System Replacement (mostly capital)	8,602,561
Division of Child Care	
Child Care Licensing and Administration	3,149,825
Child Care Assistance Program (CCAP)	53,831,469
Earmark and special purpose line items (see numbers pages)	6,672,892
Total Request	$73,219,523

The table below reflects the total estimated CCDF funds *available* by category and actual, estimated, and requested *expenditures.* As reflected in the table, the Department's CCDF fund balance is being spent down.

Child Care Development Funds - Available and Expenditures			
	FY 2005-06 Actual	FY 2006-07 Estimate	FY 2007-08 Request
Funds Available			
CCDF Fund Balance	$17,562,419	$16,265,788	$14,159,121
New Annual CCDF Award	$59,773,723	$61,381,457	$61,425,818
Total Funds Available	$77,336,142	$77,647,245	$75,584,939
Mandatory Funds	$9,160,159	$10,504,266	$10,173,800
Discretionary Funds	42,443,371	34,355,983	34,194,808
Matching Funds	25,732,612	32,786,996	31,216,331
Expenditures	$61,070,354	$63,488,124	$73,219,802
Difference (balance to roll forward)	$16,265,788	$14,159,121	$2,365,137

The Department also provided information indicating that its 4.0 percent quality requirement for FY 2005-06 was exceeded (expenditures of $5.5 million compared to a requirement of $4.7 million). The 4.0 percent quality requirement amount estimated to be required for FY 2006-07 and FY 2007-08 is $4,740,776, while estimated quality expenditures are projected to be $5,534,054.

The Department also provided information indicating that it expended $4.9 million toward required earmarks for quality expansion, infant/toddler, and school age resource and referral services in FY 2005-06, reflecting progress toward eliminating a backlog in this area. Open earmarks in FY 2006-07 are projected at $3,160,657 and estimated expenditures at $2,923,475. This means that the backlog should be essentially eliminated by the end of FY 2006-07. For FY 2007-08, earmarks are projected at $3,645,809 and the Department estimates spending at $3,408,627.

Notably, staff had anticipated an additional "efficiency item" reduction in the line item for Federal Discretionary Child Care Funds Earmarked for Certain Purposes based on the elimination of the earmark backlog. *Staff's calculations from last year suggest that total spending in this area* ***could be further reduced by $746,000****. In response to staff questions, the Department has indicated that it does not wish to further reduce its spending on quality initiatives and therefore did not submit an efficiency item.* However, it is important to note that current appropriations exceed the annual federal CCDF grant and the Department has again requested funding for the CHATs rebuild. If these requests are granted, staff would anticipate that either an increase in General Fund support or a decrease in quality initiative spending or child care subsidies will be required. *As is covered further in the child care issue, staff suggests that the Committee discuss with the Department whether it would propose reductions in child care subsidies or quality promotion activities if it needs to operate within annual federal grant levels.*

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities

ISSUE:

Department of Human Services - Office of Operations, Child Care, and Services for People with Disabilities Performance Measures

DISCUSSION:

Department Mission

Mission Statement:

> Our mission is to design and deliver quality human services that improve the safety and independence of the people of Colorado.

Goals and Performance Measures

The Department's strategic plan is over 250 pages long, once attachments are included. Portions dealing specifically with mission, goals, objectives and performance measures encompass 3 pages on the department's strategic intent, one page on goals and objectives, and 104 pages of attachments including FY 2007-08 Objectives/Performance Measures and an FY 2005-06 "Balanced Scorecard Tracking Sheet" to measure the extent to which strategic objectives have been met. The Department outlines *eleven goals* in the four categories of public value and stakeholder goals; consumer goals; process goals; and organizational capacity goals. Under each of the Department's eleven goals, it outlines a number of *strategic objectives*, and, under each of these strategic objectives, a number of *performance measures* tied to specific divisions or programs.

Staff Analysis

Joint Budget Committee staff reviewed the performance measures submitted in the budget for the three Department of Human Services divisions covered in this briefing packet. The following analysis provides staff's assessment of these performance measures, taking the following questions into consideration.

1. Do the goals and performance measures correspond to the program's directives provided in statute?
2. Are the performance measures meaningful to stakeholders, policymakers, and managers?
3. Does the Department use a variety of performance measures (including input, output, efficiency, quality, outcome)?
4. Do the performance measures cover all key areas of the budget?
5. Are the data collected for the performance measures valid, accurate, and reliable?
6. Are the performance measures linked to the proposed budget base?
7. Is there a change or consequence if the Department's performance targets are not met?

Overall, **staff believes the Department's mission, goals, and strategic objectives are reasonable** and consistent with the statutory intent of the legislature in creating the department and the programs it is charged with implementing. **The detailed performance measures actually selected by the Department of Human Services highlight the difficulties in selecting such measures**:

- Some measures appear too narrow or insufficiently tied to real goals, while more meaningful measures are not included;

- Other measures (*e.g.*, fewer incidents of abuse) could conceivably be achieved by the Department's turning a blind eye to some abuse incidents and may be subject to “gaming”;

- In some cases, the presence or absence of a measure or the result of a measure seems to reflect funding limitations that likely cannot be overcome without additional appropriations;

- While many of the specific goals and objectives appear sensible, the scale of the document, and changes in content and format from year to year, can make it difficult for *JBC staff* to use effectively. *Likely only a small subset of these measures would be of interest to policy-makers, as opposed to Department staff, and many of the measures appear to be written for an internal department audience*. Department staff indicate that divisions' performance on these measures are discussed in detail at quarterly management meetings, so these measures are used from an internal department perspective. Further, the FY 2007-08 version of the Performance Measures do reflect a welcome reduction in jargon compared to the FY 2006-07 version. Nonetheless, should the General Assembly wish to further pursue performance budgeting, it might be appropriate to request that the Department identify a more limited set of performance measures to be the ones that would be routinely tracked by policy makers.

Some examples follow.

Services for People with Disabilities, Developmental Disability Services, **Regional Centers**
Goal #2: Ensure community safety

- Decrease the number of "missing persons" at Regional Centers which will increase community safety and the safety of the treatment environment for regional center residents. "Missing persons" are residents who are unaccounted for, following a search of the facility, residence, program site, and grounds. (FY 2005-06 Actual: 40; FY 2006-07 Target: 20 percent reduction)

The metric and several other regional center measures appear appropriate for an institutional settings. The outstanding question with this type of measure is what level of reduction should be targeted? Are any missing persons or violations of clients' rights acceptable? Is there a benchmark?

Services for People with Disabilities, Developmental Disability Community Services
Goal #4: Improve the overall health and well being of individuals receiving CDHS services

- Percentage of Individualized Residential Programs (three or fewer residents) surveyed which met critical requirements at the time of the survey, thus requiring no follow up.

On its face, this is a reasonable, basic measure of the adequacy of services provided for individuals with developmental disabilities in the community. However, it is also notable that *this is one of the only performance measures for developmental disability community programs, which seems surprising given the large scale of these programs*. There are no measures that go beyond this, e.g., assessments of consumer or family satisfaction or other measures that might get at either the quality or cost-effectiveness of community-based services. This may reflect, at least in part, the elimination of much of the Division's efforts to track program quality in the wake of FY 2002-03 and FY 2003-04 budget cuts. Staff notes that, through FY 2001-02, the Division developed regular Accountability Reports that used various data sources to assess the extent to which the Division was achieving various goals. This series appears to have been eliminated as a result of budget cuts.

Division of Child Care
Goal #4: Improve the overall health and well being of individuals receiving CDHS services

- Decrease the average number of core critical regulations in violation during supervisory visit to a family child care home/facility (FY 2005-06 Actual: 2.8; FY 2006-07 Target: 3)

Staff believes this is a strong measure. It also, however, demonstrates some of the potential pitfalls and risks associated with any efforts to tie funding to performance. Child care licensing's goal of reducing the number of violations during inspections seems to reflect a healthy emphasis on preventing child care agency problems, rather than simply "catching" violations. Nonetheless, there are obviously a number of ways this goal could be achieved--not all of which would be in the benefits of children and families (e.g., less careful inspections could result in fewer violations). Thus, what steps are taken to achieve this goal are critical--and tying Department funding to this measurement would likely create a perverse incentive. Further, staff notes that the target for average violations is identified as higher for FY 2006-07 than the FY 2005-06 actual, *i.e.*, it appears that the Department's goal is lower than what it is achieving. This is a common pattern in the Department's performance measures, which may reflect in part the scrutiny a unit receives when it fails to meet its goals. The incentives for "low-balling" are of course greatly enhanced when fiscal penalties are tied to under-performance.

Office of Operations, Division of Facilities Management
Goal #1 - Demonstrate the responsible use of public dollars within the human services system across Colorado

- Maintain maintenance cost per square foot at industry benchmark level. (FY 2005-06 Actual: $3.12 / FY 2006-07 Target: $3.95)

Facilities maintenance is an area that lends itself to comparisons with the private sector. Staff appreciates the use of an industry benchmark among the performance measures; however, there is an implication that the only way to "maintain costs" at higher industry levels would be for the General Assembly to provide a higher budget—something over which the Division has limited control, apart from through the submission of decision items. If the JBC and the General Assembly wish to move forward in the performance measure arena, they will need to consider how to evaluate progress toward goals that essentially reflect the need for additional funding.

Questions for Department

Staff recommends that the Committee discuss the following questions with the Department during the FY 2007-08 budget hearing:

1. How do your performance measures influence department activities and budgeting?

2. To what extent do the performance outcomes reflect appropriation levels?

3. To what extent do you believe that appropriation levels in your budget could or should be tied to specific performance measure outcomes?

4. As a department director, how do you judge your department's performance? What key measures and targets do you use?

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities

Note: Carolyn Kampman, Alexis Senger, and Melodie Beck of the JBC staff contributed to this briefing issue

ISSUE:

Coordination between the Departments of Human Services and Health Care Policy and Financing

SUMMARY:

- ❏ In recent years, the Departments of Human Services and Health Care Policy and Financing have frequently had difficulty working together.

- ❏ The poor communication between the departments has been costly to the State, particularly in an environment in which the federal Centers for Medicare and Medicaid Services (CMS) has been stepping-up financial oversight of state Medicaid programs.

- ❏ Certain changes to the state's Medicaid programs in areas such as residential treatment centers and the developmental disability waiver programs were likely inevitable; however, poor-interdepartmental relationships have exacerbated programmatic disruptions and fiscal impacts.

- ❏ Additional oversight from the Governor's Office--as well as commitment from new departmental executive directors--could reduce these problems in the future.

RECOMMENDATION:

The JBC should discuss with the Department of Human Services, the Department of Health Care Policy and Financing and the new Governor how coordination between the two departments can be improved. In particular, the Committee may wish to discuss with the new Governor: (1) whether a statutory change to create a new "super-cabinet" position to which both department-heads would report may be appropriate; (2) whether another high level member of the administration–e.g., the Lieutenant Governor–could play this role; and/or (3) whether there are other structural mechanisms for surfacing and resolving inter-departmental disputes that could be added, such as regular cabinet-level meetings of all departments with Health and Human Services issues to bring to the surface and resolve inter-departmental conflicts.

DISCUSSION:

Restructuring Background: House Bill 93-1317 and Senate Bill 06-219

Prior to 1993, Medicaid medical programs and other community-based human services programs were administered under the Department of Social Services, while institutional programs, such as the state's mental health institutes, regional centers for people with developmental disabilities and youth corrections facilities were overseen by the Department of Institutions. As explained in the legislative declaration to House Bill 93-1317, the major driver behind this bill was budget constraints. The intent was for the bill to be a "vehicle for cost-effective and efficiency reforms." Senate Bill 06-219 has subsequently addressed some clean up in the separation of Health Care Policy and Financing and Human Services and shifted some additional programs between the Departments.

> Medicaid Agency Structure in Selected States
> *Its own Department, separate from Health and Human Services*: Colorado, Arizona, Florida
>
> *Located in Department of Health (different agency from Human Services)*: Utah, Michigan
>
> *Located in Department of Human Services (different agency from Health)*: New Mexico
>
> *Located within combined Health and Human Services Department*: Wyoming, Montana
>
> *Located as a department within a "super-department" in which many other programs also have department status*: California, Massachusetts

House Bill 93-1317 placed responsibility for oversight of the Colorado Medical Assistance Act (Medicaid) in the Department of Health Care Policy and Financing. The Department of Human Services was given responsibility for both community-contracted and institutional, state-run programs—mental health institutes and community programs, developmental disability regional centers and community programs, and youth corrections institutional and community programs. The new division of responsibilities created the potential for more coherent management of programs with community and institutional components. It also allowed the Department of Human Services to oversee management of programs that could include both clients who are Medicaid eligible and those who are not. At the same time, this new division of responsibilities created the potential for new dividing lines. Health Care Policy and Financing has primarily focused on Medicaid medical programs that are the largest budget-drivers; however, under federal law, it retains ultimate responsibility for oversight of federal Medicaid spending. Even when it was located in the same building as the Department of Human Services, the two departments seemed to communicate little, even in the areas in which they intersected--Medicaid-funded mental health, developmental disability, youth corrections and child welfare programs.

The division of labor between the departments seemed to work reasonably well for a number of years. However, more recently, poor communication between the departments has had a number of negative outcomes for the State. To some extent, these outcomes are tied to the major changes in oversight from the federal Centers for Medicare and Medicaid Services (CMS) that have surfaced in recent years as a result of federal budget constraints. However, *in a troubling number of cases, the*

Department of Health Care Policy and Financing seems either to have failed to communicate the federal changes to the Department of Human Services or the Department of Human Services has failed to "hear" what it was told by Health Care Policy about the changes. This has had significant impacts on the State, including substantial financial costs. What follows are some recent examples of how the difficult relationship between the departments has played out and the efforts to resolve the problems, with varying levels of success.

Case Studies

Residential Treatment Centers:

From 1994 to 2005, the State operated a residential treatment center (RTC) program whereby federal Medicaid funds were used to pay for mental health treatment services for youth placed in residential care by county departments of social services and the Division of Youth Corrections. This program was established by adding mental health services provided by certain residential child care facilities as a "rehabilitative service" benefit under the state Medicaid plan. As of April 2005, a total of 1,575 children and youth had been placed in RTC care by counties or the Division of Youth Corrections. For FY 2005-06, a total of $74.2 million was appropriated for RTC treatment services, including $37.1 million General Fund.

In March 2005, the Department of Health Care Policy and Financing (DHCPF) submitted two state Medicaid plan amendments related to the RTC program without consulting or notifying the Department of Human Services (DHS). The federal response to this submission raised significant issues concerning treatment rates. In an April 22, 2005 letter, the federal Centers for Medicare and Medicaid Services indicated that 10 of the 13 service components identified in the state plan amendment did not "constitute medical services" and had to be removed. Second, the letter indicated that the State needed to replace the daily rate methodology with a fee for service methodology

Largely as a result of pressure from legislators, the Governor's Office, providers, and counties, the two departments subsequently worked together cooperatively to resolve the issues raised by the federal government. However, the resulting program changes, including changes codified in H.B. 06-1395 which replaced the RTCs with new Psychiatric Residential Treatment Facilities, resulted in General Fund cost increases for the State of $22.9 million for FY 2007-08.

Child Placement Agencies and the Medicaid Mental Health Waiver

For some years, voluntary collaborative relationships existed between some counties (eight of the 10 largest)[2] and some Behavioral Health Organizations (BHOs) to provide mental health services for children placed through Child Placement Agencies. The Department of Human Services Child Welfare section used its General Fund appropriation to then match federal Medicaid dollars for this purpose.

[2] HCPF cited eight counties that historically participated in the CPA program. These included Adams, Arapahoe, Boulder, Denver, El Paso, Jefferson, Larimer, and Pueblo (01/27/06 follow-up hearing response).

On November 19, 2004 the Centers for Medicare and Medicaid Services sent a letter directing the Department of Health Care Policy and Financing to immediately halt its $6.5 million in Medicaid payments to Behavioral Health Organizations that are providing mental health services to children and adolescents who have been placed into foster care through Child Placement Agencies (CPAs). This was on the grounds that the payments were not part of the actuarially certified capitation rate, were therefore duplicative and might be considered payment for non-Medicaid services. On December 1, 2004, providers were told by the Department of Health Care Policy and Financing to cease payments with federal dollars for this purpose. On December 2, 2004, the JBC had an emergency meeting with the Department of Health Care Policy and Financing and the Department of Human Services about the future of this program.

Since this time, the Department of Health Care Policy and Financing has been doing a substantial amount of data collection and analysis on this program in order to forge a plan that would receive approval from CMS. The Department of Human Services staff, BHOs, and counties have participated in the data collection effort. Originally it was hoped that the moneys could be retained in their current appropriation but simply re-categorized and justified according to the federal requirements. Services for affected foster care children were subsequently continued by the BHOs, financed through other "efficiencies" in BHO budgets. More recently, as part of an actuarial study of the mental health capitation program, there has been some discussion of moving funds from the Child Welfare budget into the Medicaid capitation program; however, this has not yet been formally requested by the departments, and JBC staff raised various questions and concerns about an informal proposal in a June 2006 briefing.

As in the case of the RTC program, this appears to be an example of: (1) a program developed largely by DHS, possibly not consistent with current CMS requirements; (2) HCPF disclosure of this program to CMS without any apparent effort to work with DHS to resolve the issue in advance; and (3) significant fiscal implications for the State (in this case that BHOs had to rapidly absorb services that were being covered with Child Welfare General Fund dollars, possibly leading to service reductions to other clients).

Developmental Disability Waiver Services

Medicaid Home- and Community-based waivers for people with developmental disabilities have historically been administered entirely at the Department of Human Services, with little active HCPF involvement. At the conclusion of a federal Medicaid waiver review of these programs in 2004, federal authorities instructed the State to "unbundle" billing for the Medicaid developmental disability waiver program. Staff at the Department of Human Services understood that it would be sufficient to unbundle the aggregate reporting of such billing in the State's annual community centered board audits, while federal authorities were apparently looking for billing data that could be tied to an individual's waiver expenses. Health Care Policy and Financing reported to JBC staff that they had understood the federal request; however, if so, they had neither communicated this to DHS nor followed-up with DHS in the period following the federal review. When federal authorities returned in January 2006, they indicated that the State had not complied with their demands and threatened to remove federal financial participation unless changes were made rapidly. Health Care Policy and Financing reported that it was as surprised as federal authorities about the changes DHS had (and had not) put in place as of January 2006.

To comply with federal demands, the State has made rapid, radical changes to its developmental disability waiver program billing, which has caused substantial disruption among providers. After a slow start, the Office of State Planning and Budgeting helped to bring in a team of outside facilitators who now chair weekly steering committee meetings in which DHS, HCPF, and provider agencies plan the changes required to comply with CMS demands. There is a broad consensus that this outside facilitator, and associated weekly three-hour meetings, has been the key to steady progress on resolving federal concerns.

Based on the work of the steering committee, the State has moved to put an *interim* rate structure in effect in August 2006 and will move to a long-term structure in July 2007. Associated changes are anticipated to result in significant additional transitional and long-term costs to the State General Fund. As for the CPA and RTC situation, staff believes changes to the waiver program were necessary to comply with newer federal standards and interpretations; however, the speed with which the State has been forced to take action, as well as possibly some of the associated fiscal impacts could likely have been mitigated if there had been better communication between HCPF and DHS earlier in the process.

Analysis and Recommendations

Programs that require collaboration across departments are inherently difficult to manage. The breadth of programs shared by the Departments of Human Services and Health Care Policy and Financing expands the potential for such conflicts. However, Health Care Policy and Financing and Human Services relationships in recent years have been particularly problematic for a number of reasons:

- Personality conflicts between high level department managers have influenced how staff throughout the two departments have viewed each other. At times, this has made departments feel that making the sister agency look bad —including through "outing" the other department's failures to federal authorities without warning–is acceptable.

- Department managers have been particularly focused on internal department targets, as opposed to the overall success of state government, in an environment of budget cuts. During periods of General Fund cuts, staff in both departments were often focused on hitting targeted General Fund reductions in their own department–even if the overall impact on the state government might be to increase General Fund costs.

- Changes in federal Medicaid policy and oversight increased the opportunities for mis-communication, as well as the stakes associated with this miscommunication. Staff in the Department of Human Services have seemed unaware of changes in the tenor of federal oversight–either because this was not communicated by HCPF staff or simply because it was not "heard" by DHS staff. Associated with this, HCPF staff have often been shocked by DHS' apparent non-compliance with federal requirements and DHS staff have often had difficulty believing that changes being demanded are actually coming from federal authorities and are not an invention of HCPF staff.

Staff recommends that the Committee discuss with the Governor and the departments whether modest structural changes could help ensure prompt resolution of any conflicts between the two departments and promote better communication between them. Specifically, staff recommends that the Governor and General Assembly consider whether it might be appropriate to designate through statute a "super cabinet" position with authority to oversee both DHS and HCPF. Alternatively, the Governor might consider: (1) requesting another high level member of the administration–e.g., the Lieutenant Governor–play this role, giving this person sufficient authority to make final decisions or bring key issues to the Governor; or (2) creating other structural mechanisms for surfacing and resolving inter-departmental disputes. For example, the Governor could consider re-instituting regular cabinet-level meetings of all departments with Health and Human Services issues to bring to the surface and resolve inter-departmental conflicts. Such meetings apparently occurred regularly during both the Lamm and Romer administrations. Staff notes that, if the Governor gives anyone final decision-maker authority in HCPF-DHS disputes, this person must have significant authority–based either on the law or on a personal relationship with the Governor. In recent years, various entities such as the Office of State Planning and Budgeting and the Office of the Colorado Benefits Management System have at times attempted to resolve inter-departmental disputes; however, those involved have often not had sufficient legal authority, substantive involvement, and/or political muscle to make final decisions.

Staff does not recommend a more radical statutory shift, *e.g.*, to blend or substantially restructure the two departments, although this is certainly something the General Assembly or Governor could consider.

- Based on informal discussions with a number of states, staff saw little evidence that any single structure is likely to solve communication issues. There are states with similar department structures where relationships between the departments operate relatively smoothly, as well as states with more unified department structures where poor relationships nonetheless exist between Medicaid and human-services divisions.

- Staff fears that more dramatic shifts would come with their own set of problems. For example, the Department of Human Services already seems so big as to be almost unmanageable; to blend it more completely with HCPF would mean an entity that would be even more cumbersome. Any shift of this magnitude would likely detract attention from more immediate programmatic concerns.

- Current problems have been tied at least *in part* to poor personal relationships between departmental leaders. To the extent that these issues have contributed to the overall situation, they will have to be addressed through the Governor's selection of executive directors and other administrative personnel decisions.

Ultimately, how recent inter-departmental communication problems should be resolved – structurally or through other means---should be in the hands of the Governor. However, the Governor-elect should be made aware of this history of problems and of the General Assembly's desire that inter-departmental communication issues be effectively addressed.

ISSUE:

Overview of Developmental Disability Request

SUMMARY:

❏ The request for developmental disability services reflects substantial, but fairly typical, requests for increases to the numbers of individuals served in community-based placements. The largest component of the request is the community provider cost of living increase

❏ The request includes a staffing increase for the regional centers, which is reviewed in more detail in a separate issue

❏ The request does NOT reflect the anticipated impacts of changes to Medicaid developmental disability waiver programs. Changes to these programs are also reviewed in a separate issue. Because waiver changes are not included, the request is likely substantially under-stated for FY 2007-08, and FY 2006-07 supplementals will also likely be required

❏ The request also does not reflect the impact of proposed new, small ICFs/MR for people with developmental disabilities. If the three new facilities that have been proposed are licensed and come on line, they could drive additional costs in the Medicaid premiums budget of $1.8 million General Fund per year

RECOMMENDATION:

The Department should be asked to address the questions listed at the end of this issue during the budget hearing.

DISCUSSION:

Background: State Services for Persons with Developmental Disabilities
The State funds residential and family support services for persons with developmental disabilities who are unable to care for themselves without assistance. Most of these services are provided through contracts with 20 local non-profit agencies known as community centered boards (CCBs). Some adults also receive direct state-run services at the state's three regional centers at Wheat Ridge (Denver), Pueblo, and Grand Junction.

The vast majority of state services for people with developmental disabilities are funded through the state Medicaid program (approximately 50 percent General Fund and 50 percent federal funds) and are authorized under three Medicaid 1915(c) "waivers" [additions to the standard state Medicaid Plan, authorized by federal authorities, that deviate from standard Medicaid rules]. Although funding is reflected as cash funds exempt in the Department of Human Services, these amounts originate as General Fund and federal funds that are initially appropriated in the Department of Health Care Policy and Financing and then transferred to the Department of Human Services. The table below reflects the FY 2006-07 appropriations and associated "resources" (full-year individuals served) for the major programs managed in this section of the budget.

	FY 06-07 Funding	**# Resources Funded June 2007**	**Avg. Cost per Full Year Resource**
Adult Comprehensive Services	$230,612,099	3,828	$60,872
Adult Supported Living Services	$59,910,028	3,572	$16,793
Federally-matched Local Program Costs	$24,281,838	50	not available
Early Intervention - State & Federal[a]	$19,484,698	2,608	$6,071
Children's Extensive Support	$8,063,282	395	$21,219
Family Support Services	$7,162,211	1,176	$6,090
Regional Centers (state operated residential)[b]	$56,825,676	403	$141,007

a) Includes some administrative costs in total funding but not cost per resource
b) Includes funding appropriated in other sections of the budget for indirect costs, as well as direct appropriations

Overview of Developmental Disability Services Request

The table below summarized the Department's community programs request for FY 2006-07. Overall, the request is typical of services requested and funded in recent years, with the exception of the requested increase for regional center staff. **A community provider cost of living award at 2.0 percent is requested. Because of the size of the base, this is the largest single component in the request**. Annualization of new resources added in the prior year is also a major component of the request. Note also that, as originally submitted, the request understated total base funds required by $1.8 million and General Fund by $594,742. To the extent that these errors have now been corrected, the overall executive budget request is higher than originally requested.

	FTE	Total	*Net General Fund*
Developmental Disability Programs	**14.5**	**$17,144,735**	***$8,580,548***
Decision Item #NP1 (community provider COLA)	0.0	6,369,937	*3,114,902*
Decision Item #3 (new DD community resources)	0.0	4,405,873	*2,329,514*
Annualization (mostly FY 07 new DD resources)	0.0	3,363,459	*1,526,879*
Personal Services common policy (mostly regional centers)	0.0	1,409,809	*708,223*
DD Leap Year Adjustment (OSPB common policy)	0.0	990,018	*475,980*
Decision Item #1 (DD regional center staff)	14.5	605,639	*425,050*

Decision Item #3 is discussed below. Decision Item #1 is covered in a separate issue on the regional centers.

Proposed Community Resources Increase (Decision Item #3)

The new resources added through Decision Item #3 are detailed below. A resource is the funding required to provide services and supports to one person for one year.

Decision Item #3 - New Resources				
	Resources	Avg. Cost per Resource (full year)	FY 2007-08 Request (6 months)	FY 2008-09 Request (full year)
Adult Comprehensive Residential	**79**	**$86,732**	**$3,425,926**	**$6,851,856**
Foster Care Transition Resources	*39*	*87,683*	*1,709,818*	*3,419,637*
Emergency Resources	*30*	*89,596*	*1,343,936*	*2,687,872*
Waiting List Resources	*10*	*74,410*	*372,172*	*744,347*
Adult Supported Living	**24**	**$18,148**	**$217,779**	**$435,559**
Children's Early Intervention	**209**	**6,143**	**641,971**	**1,283,942**
Children's Extensive Support	**12**	**20,033**	**120,197**	**240,394**
Total			**$4,405,873**	**$8,811,751**
"Net" General Fund			*2,329,514*	*4,659,031*

As reflected in the table, the overwhelming majority of the request this year--as in all recent years--is associated with **comprehensive residential resources**. *Foster care transition* resources are for children with developmental disabilities who receive services in out-of-home placements through the child welfare system. The child welfare system terminates these services when the individual reaches the age of 21. Consistent with past practice, the Department has requested funding to enable these youth to transfer into the developmental disability system.

The second portion of the request for comprehensive resources is for *emergency placements* (placements required due to homelessness, abuse/neglect, danger to self or others). Some individuals requiring emergency placement have never been previously identified in the developmental disabilities data system and therefore are not on the waiting list. Others are on the wait list but are suddenly faced with a crisis situation. Historically, much of the demand for emergency placement is addressed internally by community centered boards based on annual attrition of approximately 115 per year in residential programs; the balance is addressed by new resources.

The third portion of the request is for *"waiting list"* services. Persons on the waiting list are adults who primarily live in the home of parents, siblings, or other relatives and have been waiting for Comprehensive services for an extended period of time.

Supported Living Services resources are requested for 24 youth transitioning from the Children's Extensive Support program. These services are designed to provide supports to adults who either live independently or to provide supplementary support and resources to adults so that they can continue to live with a primary care giver (usually a family member) who provides 24-hour supervision and support.

Early Intervention resources are for infants and toddlers, ages birth through their third birthday, with developmental disabilities or delays. Children requiring early intervention services may range from those with Downs Syndrome or other severe problems evident at birth to those with moderate speech or movement delays that become apparent when the child is one or two. As discussed further in the issue on early intervention and child find, the Department will need to provide further justification for this request.

Children's Extensive Support Services: These services are for children with developmental disabilities at high risk of out-of-home placement due to behavioral issues that require near constant line-of-sight supervision.

Impact of Changes to Medicaid Developmental Disability Waiver Program

As is discussed at length in the issue that follows, developmental disability Medicaid waiver programs are undergoing major changes. The Department's request indicates due to anticipated changes in the rate structure for developmental disability services, associated with federal Medicaid waiver changes, the projected cost per residential resource is an estimate and the amounts shown should be considered "placeholders".

Significantly, however, the request does not include any placeholder for FY 2007-08 for additional costs that are anticipated associated with the federal Medicaid waiver changes. Staff believes such costs could easily be in the range of $5-$10 million General Fund. Staff anticipates that the General Assembly's ability to fund other components of the Department's request, including the developmental disability request, may well be affected by the need to cover these costs, which will presumably be addressed in budget amendments.

Proposals to Open New ICFs/MR

Intermediate Care Facilities for the Mentally Retarded (ICFs/MR) are institutional services that are part of Colorado's Medicaid state plan. At present, the only ICFs/MR in Colorado are the regional center beds at Wheat Ridge and Grand Junction (Class IV facilities) and a 16 bed private facility that is a less-intensive Class II facility. Including ICF/MR services in the Medicaid state plan enables the State to access Medicaid Home- and Community-based waiver Services for people with developmental disabilities (HCBS-DD). However, in general, ICF/MR services are seen as an old way of providing services and not optimal for persons with developmental disabilities. The U.S. Supreme Court, in its 1999 Olmstead v. L.C. ruling emphasized the need for states to focus on deinstitutionalization: states cannot discriminate against people with disabilities by providing long-term care services only in institutions (such as ICFs/MR), when certain individuals could be served in the community.

From 2000 through September of this year, the State was engaged in defending itself against a lawsuit (Mandy R. V. Owens) that alleged that the states' waiting lists for developmental disability services were illegal. The case was resolved in the State's favor in part because the federal District court judge and later the 10^{th} Circuit Court of Appeals, concurred with the State's positions that: (1) it was only legally required to *fund* Medicaid services and not to provide or build them; and (2) the State had never refused to fund entitlement ICFs/MR beds; rather, no provider had chosen to build additional ICF facilities or to bill the state for associated services.

The resolution of Mandy R. in the State's favor means that growth in the number of persons served by the HCBS Medicaid waiver program remains in the State's control. However, the resolution has raised the specter of growth of new ICFs/MR.

The Department of Public Health and Environment has now received three letters of intent for ICFs/MR from CCBs, all for privately owned facilities. One requests a change of licensure and a change of certification type from HCBS-DD waiver to a class IV ICF/MR, proposing 6 beds. Two requests are for an initial license and certification as class IV ICF/MR. One proposes a 6-bed facility and the other an 8-bed. Existing Medicaid rules provide that a new ICF/MR receives a per diem rate equal to the most recent average weighted rate for the class at the time the new facility begins business as a Medicaid provider. After the first year, charges become cost-based.

At present, the only operating class IV ICFs/MR in the State are the state-operated regional centers, which have a weighted average daily rate of $504.32 (50 percent General Fund). **If the proposed new facilities were all to be opened, the cost to the state General Fund in the first year would be $1.8 million to serve 20 additional people or $92,000 General Fund per person per year. In the following years, costs could be higher, since facilities would be cost-based and, to meet class IV standards, the facilities would require extremely intensive staffing patterns.**

The Department of Health Care Policy and Financing indicates that, under federal regulations, states have the discretion to limit the minimum number of clients (bed size) to be served in order for a facility to be licensed. A class IV facility, serving those with the most severe needs, requires a number of specifically qualified staff regardless of bed size. The more severe the client needs, the higher the bed size needed to reach the threshold where the quality of service intersects with the cost of service. The minimum bed size must be high enough to allow reimbursement sufficient to maintain the required level of care but still meet the federal standards for reasonableness (consistent with efficiency, economy and quality of care.)

The proposed very small class IV ICFs/MR appear on their face to be an extraordinarily expensive way to add services for individuals with developmental disabilities. To the extent that true institutional placements would be created, the facilities would run contrary to state and federal goals under Olmstead v. L.C. Additionally, if these new facilities are actually created and funded, the State may need to consider whether associated *reductions* in funding for developmental disability community services may be called for to pay for these new facilities.

The Department of Health Care Policy and Financing has indicated that, under federal regulations, states have the discretion to limit the number of clients to be served in particular license categories to ensure that services are consistent with efficiency, economy, and quality care. Associated with this the Department of Health Care Policy and Financing apparently has proposed a rule limiting Class IV ICF/MR facilities to 30 beds. Assuming this rule passes, this may resolve the ICF/MR growth issue for the near term; however, it is possible that some providers will pursue larger size facilities.

Questions Recommended for the Hearing Agendas

<u>Department of Human Services:</u>

1. At present, the Department is not even able to fill the large number of additional resources and higher rates approved by the General Assembly for FY 2006-07 due to the limits imposed by federal Medicaid waiver caps. Will the Department be able to ensure that the new request for FY 2007-08, if approved by the General Assembly, will fit under federal waiver caps in time for the new resources and funding to be accessed?

2. What is the rationale for pursuing ordinary "waiting list" resources, given acute demands for emergency placements and for those on the waiting list at "high risk" of emergency placement? Particularly given that the majority of new resources (90 comprehensive/60 supported living) that were intended for the "high risk" population are apparently being redirected to address emergency situations, shouldn't an effort be made to target this group with new funding?

3. Does the Department expect to provide revised cost per resource figures prior to FY 2007-08 figure setting, based on the work of its rate setting contractor, given that requested rates are identified as "placeholders"?

4. The number of children in Children's Extensive Support services at the end of June 2006 (341) was still lower than the 365 resources funded, and the General Assembly added an additional 30 resources for a full year in FY 2006-07. In light of this, please explain projections for need in this program for FY 2007-08.

<u>Department of Health Care Policy and Financing</u>:

1. Explain the basis for limiting the minimum number of clients to be served in Class IV ICF/MR facilities, per the Department's proposed rule.

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities

ISSUE:

Changes to Developmental Disability Home- and Community-based Medicaid Waiver Programs to Comply with Federal Requirements

SUMMARY:

- ❏ For the last year, the State has been engaged in planning and implementing major changes to its Medicaid Home- and Community-based Waiver program in response to federal demands. The State is working to implement a revised Plan of Correction submitted to federal authorities in May 2006. This Plan of Correction describes an interim rate structure (effective August 2006) and a long-term billing and rate structure (effective July 2007) that will provide an audit able trail of expenditures by individual consumer and, ultimately, a statewide rate structure based on a common client survey instrument.

- ❏ To the credit of all those involved, the interim rate structure is in place and long-term rate structure plans are proceeding. Implementation of the interim rate structure has, however, been somewhat rocky. The long-term rate setting plan appears reasonable, but the time frame for implementation may be too aggressive.

- ❏ At the same time, the State has been unable to access matching federal Medicaid funds for large increases in numbers of persons to be served and provider rates that were approved by the General Assembly for the last quarter of FY 2005-06 and FY 2006-07. This is because the State's current federal "waiver caps" are not high enough. The State has applied for increases in the caps for the comprehensive program, but has not yet received a response from federal authorities. Requests for cap increases for the supported living and children's extensive support programs have apparently not yet been submitted. *As a result, up to 111 people for whom state match funding is available may not be enrolled in services*.

- ❏ A community centered board has been notified that the Office of the Inspector General (OIG) of the federal Department of Health and Human Services will be starting an audit of its Medicaid program to determine if costs reported for its developmental disability residential waiver program were reasonable and complied with Federal regulations for State fiscal years 2003 - 2005. Additional community centered boards may also be audited. The fiscal implications will not be clear until the scope of the audit, and the findings, are known.

- ❏ Staff anticipates that there may be General Fund supplementals required for FY 2006-07 in the $5 to $10 million range with most costs ongoing in FY 2007-08; however, there may be some options for General Fund offsets for FY 2006-07. There are too many outstanding variables at this time to predict final fiscal outcomes for either FY 2006-07 or FY 2007-08.

RECOMMENDATION:

The Committee should request an update from the Department of Human Services and the Department of Health Care Policy and Financing on the State's efforts to comply with CMS demands. Recommended questions are included at the end of this issue.

DISCUSSION:

General Background
The vast majority of state services for people with developmental disabilities are funded through the Medicaid program under Medicaid waivers pursuant to Section 1915(c) of the Social Security Act. The waiver programs for persons with developmental disabilities are managed at the local level by 20 community centered boards (CCB) under contract with the Department of Human Services, pursuant to an agreement with the Department of Health Care Policy and Financing (the single state Medicaid agency) and the provisions of Section 27-10.5-101 through 503, C.R.S. and Sections 25.5-6-401 through 411,C.R.S. In addition, 275 of the 403 beds at the state-run regional centers are operated under a waiver program.

The largest of the waiver programs is the ***comprehensive waiver***, which provides residential services and an array of related supports that are funded through the community centered boards and the state-run regional centers. In addition to the comprehensive waiver, the ***supported living services*** waiver provides non-residential services for adults who live with their families or independently with some support, and the ***children's extensive support*** waiver program assists families in supporting children who require a high level of supervision. An estimated 4,062 "full time equivalent" persons will be served through the comprehensive waiver, 2,880 in the supported living services program, and 395 in the Children's Extensive Support waiver program in FY 2006-07.

Total Medicaid waiver program expenditures are anticipated to be **$320 million in FY 2006-07.** Waiver program funding is based on a 50 percent federal/50 percent state or local certified match, so the total federal financial participation in question is approximately **$160** million. Total waiver program funding through FY 2005-06 included $24.3 million generated by matching local, certified funds with federal funds. Of the total, the comprehensive waiver is by far the largest waiver program from a financial perspective, comprising approximately 80 percent of total waiver program expenditures.

From the late-1990s through FY 2005-06, the developmental disability system was managed pursuant to a ***systems change*** agreement between the Department of Human Services and the Joint Budget Committee. Systems change was pursued as an alternative to full-fledged managed care: the goal was to provide community centered boards with increased flexibility to manage developmental disability funding, programs, and services, resulting in lower service costs. The result was a quasi managed-care system, in which community centered boards receive payment based on an average service rate for their region and number of persons served, and they negotiate agreements with individual providers based on the specific needs of the individuals they serve. Because federal CMS has indicated that this approach was no longer acceptable, it was abandoned beginning in FY 2006-07, and the overall developmental disability system is currently undergoing substantial restructuring.

Recent History

During FY 2003-04, the federal Centers for Medicare and Medicaid Services (CMS) reviewed the states' three home and community based services (HCBS) Medicaid waivers for persons with developmental disabilities. The final report on the comprehensive (residential) waiver program was issued in April 2004 and a renewal of the waiver was approved September 24, 2004. The renewal was conditioned on various changes, including the removal of certain program costs from the waiver program and their transition to the Medicaid State Plan (on which the Committee took action in January 2005) and steps to increase financial oversight and accountability for the program, including steps to "unbundle" the costs in the comprehensive waiver program.

On November 30, 2005, the Centers for Medicare and Medicaid Services (CMS) notified the State that it required additional information as a follow-up to the Medicaid waiver renewal for developmental disability programs previously approved. Based on an initial exchange of information with CMS, it became clear that the changes the Department of Human Services had implemented to “unbundle” comprehensive waiver costs were not what CMS had anticipated. Specifically, the State had required that community centered boards to break-out expenditures in their annual audits into the nine waiver service categories; however, the State’s process for paying for services based on average individual rates had not changed, and the State’s information systems could not pull up data on the specific services provided and associated costs by individual consumer.

The Department of Health Care Policy and Financing responded to CMS on January 17, 2006 with data and a commitments that billing for the developmental disability system would be shifted to the Medicaid Management Information System (MMIS). The Department of Human Services (DHS) and community centered boards (CCBs) expressed serious concerns about the change. However, based on a meeting between JBC staff, CMS, and HCPF on January 20, 2006, it was clear to staff that changes were being driven by CMS.

Following briefings from JBC staff, the Departments of Health Care Policy and Financing and Human Services, and the community centered boards on the issue on January 25, 2006, the Joint Budget Committee sent letters to CMS and the Colorado Congressional Delegation, as well as others, requesting assistance and clarification. In response to the Committee’s questions, on February 14, 2006, the regional CMS office responded, indicating major concerns with Colorado's HCBS -DD waiver in an array of areas including financial accountability/audit trail and the "quasi-managed-care" structure that enabled CCBs to negotiate rates. Notably, new CMS guidelines released November 2005 require that "[a] state must have uniform rate determination methods or standards that apply to each waiver service." Federal CMS has been requiring changes in other states, such as Ohio and Pennsylvania, where services were managed through local entities such as counties. Further, CMS itself has come under fire for not ensuring financial accountability of state waiver programs.

Whatever the reasons from a CMS perspective, by February 2006, it was clear that, at a minimum, the Colorado would need to revamp its billing for waiver services. The State would need to establish clear guidelines for rates, likely an associated process for determining client levels of need, and a payment system that makes it possible to tie specific costs to an individual.

Since May 2006, the Departments of Human Services and Health Care Policy and Financing, the Community Centered Boards and the Office of State Planning and Budgeting have been meeting with contracted facilitators in a weekly steering committee format to address the CMS concerns. A revised plan of correction was submitted to CMS on May 19, 2006.

Revised Plan of Correction, May 19, 2006 and Implementation
The revised plan of correction (PoC) submitted to CMS includes a commitment that the Department of Health Care Policy and Financing will provide adequate oversight of the Developmental Disability Waiver program. In addition, it includes the following components:

Short-term PoC: The PoC states that, by July 31, 2006, the State will establish and implement statewide interim uniform tiered rates based on analysis of existing rates. Providers will be given the option to enroll as Medicaid providers and to bill directly in time for submission of July 2006 claims.

<u>Implementation</u>: Billing using the interim structure is through the Medicaid Management Information System (MMIS) system although there is an interface and batch-billing through the old Community Contract and Management (CCMS) system. Providers who wish are now able to bill MMIS directly and need not bill through the CCBs.

The billing system change has driven substantial workload at the Department as well as CCBs and providers. In particular, entering detailed "prior authorization" (PAR) data on each client, which makes the client's providers eligible for certain levels and amounts of service reimbursement, has been laborious for CCBs and the State. Due to various technical glitches and data entry errors, there have also been significant payment delays to providers. Most CCBs and providers have indicated that they have required substantial working capital bank loans due to these delays.

Another area of difficulty has been in plans to "hold harmless" any providers facing losses associated with the FY 2006-07 interim billing system. The interim rate structure was based on putting current payment levels for nine service categories into "buckets". As a result, there may be winners and losers, depending upon whether a provider's clients fall, on average, at the low end of one bucket or the high end of another. In June 2006, the JBC agreed, through the H.B. 98-1331 supplemental process, to allow the conversion of six-months worth of the 3.25 percent community provider COLA for FY 2006-07 from Medicaid to General Fund and to allow the resulting amount ($1.8 million General Fund) to be used to "hold harmless" providers who face financial losses as a result of the change.

At the end of September 2006, it was determined that the process originally planned for distribution of the "hold harmless" moneys (comparing prior year receipts with current year receipts) could not be implemented: the State is unable to pull data by provider from the MMIS when CCBs are operating as Organized Healthcare Delivery Systems. As a result, the Department will now rely on data submitted by providers through the CCBs regarding first quarter payments to the provider. Data will then be sent on to the Department of Human Services (by November 20, 2006) and, based on a comparison of last year's payments and this year's, hold harmless moneys will be distributed. If the data is reasonably "clean", staff assumes that payments could go out in December 2006; however, the status of distributing these funds, and whether the full amount will actually be needed, should be discussed with the Department at the budget hearing.

Long-term Solution in POC for FY 2007-08 forward: The PoC states that: (1) by July 31, 2006, the State will select an intensity for use in identifying a client's reimbursement tier based upon client need; (2) by December 31, 2006, the State will administer the selected intensity tool to a sample of clients for purposes. This will be used for an actuarial study that will establish uniform tiered rates for residential services and day habilitation services; (3) By March 1, 2007, the actuary study will be completed establishing the long term uniform rates by tier for residential and day habilitation services; (4) By June 30, 2007, continued stay reviews will be completed on all clients to include the application of the intensity tool and identification of reimbursement tier; (5) By July 1, 2007, the new rates will be implemented

<u>Implementation</u>*:* Based on a study by a consulting firm, in August 2006, the Department selected a tool called the Supports Intensity Scale (SIS) for use in identifying a client's reimbursement tier. This is a validated tool with which a number of other states are working; however, the tool is designed for service planning, rather than rate setting, and therefore considerable additional work is required (including some additional questions) to adjust the tool to the proposed rate-setting function. Extensive training on the SIS (required for validity) began in September with a "training of trainers". Completion of the SIS on the initial sample of 500 individuals required for the rate-study is anticipated to be completed by the end of December, 2006. On September 25, 2006, the Department chose the contractor who will be responsible for developing SIS-associated rates from among bidders.

During the second half of the year (January to June 2007), the State and the contractor anticipate that they will be engaged in: (1) completing the SIS instrument on all comprehensive waiver consumers (those in the SLS program will be completed in FY 2007-08); (2) developing the long-term rate structure for the program; and (3) writing new 1915(c) Medicaid waiver applications for federal authorities (an activity with which the consultants are also assisting).

Communication with CMS: As of the end of November 2006, CMS had not responded to Colorado's plan of correction. However, based on informal communication which seemed to indicate the proposal is consistent with CMS' demands, the State is proceeding under the assumption that the May plan is acceptable.

Related Issue - The CMS Waiver Cap: While Colorado has struggled to bring its developmental disability waiver programs in line with CMS demands, it has also struggled with how to incorporate major increase in developmental disability waiver program resources and rates approved by the Committee for the last quarter of FY 2005-06 and for FY 2006-07.

As the Committee is aware, under Medicaid HCBS waiver programs, the State is allowed to limit the number of individuals served. The number is determined based on a waiver request–and approval–by the federal government. In recent years, Colorado (like other states) has worked hard to ensure tight alignment between the number of "resources" approved by the General Assembly and the number of unduplicated persons requested to be served under the CMS waiver cap agreement. Colorado does not "over-request" waiver resources from the federal government because this would leave it open to lawsuits: many states have been sued to force them to serve up to the number of individuals approved in their federal waiver cap agreements. *Further, in the past, the federal government has accepted a variance from both persons served and total cost numbers of up to ten percent; however, such variance now appears to be under scrutiny and there is a risk that federal expenditures for amounts above the cap could be denied.* The table below shows the amounts included in the federal waiver agreement for FY 2005-06 compared with actual expenditures and persons served. As can be seen, the State operated substantially above cap levels in FY 2005-06.

Federal Waiver Cap Agreement versus Utilization FY 2005-06

Waiver	Unduplicated # Approved	Unduplicated # Served	Total Dollars Approved	Estimated Total Dollars Expended
Comprehensive	4,007	4,044	$218,434,281	$221,485,266
Supported Living Services	3,112	3,112	$36,489,982	$43,731,663
Children's Extensive Support	375	382	$5,255,733	$5,163,253

For FY 2006-07, the State originally requested increases in its waiver caps for number of persons served and the average rate per person served that would enable the State to increase comprehensive services by 50 persons and to increase rates by about 1.8 percent. However, during the 2006 legislative session, the JBC recommended–and the General Assembly approved much larger increases. The table below compares the Medicaid waiver slots currently allowed under the waiver versus those approved by the General Assembly for FY 2006-07.

Medicaid Waiver Caps FY 2006-07 for Adult Comprehensive Residential and Supported Living Services and Children's Extensive Support Program

	Comp. Residential	Supported Living	CES	**Total**
Resources Added by General Assembly	169	73	30	**272**
Increase possible under current waiver cap, per Department	50	0	0	**50**
Difference - Medicaid slots that cannot be filled	119	73	30	**222**
Resources that can be provided using General Fund only (50%)	59.5	36.5	15	**111**
Balance - Individuals that cannot be served	59.5	36.5	15	**111**

Due to the limited space under the cap, the Department indicated earlier on that it would not be able to include the FY 2005-06 final quarter increases in Medicaid rates. However, even for FY 2006-07, there was concern that, due to the heightened scrutiny from CMS, the State would not be able to get the waiver caps raised in time to use them for some or all of FY 2006-07. Initially, the State believed that it would not be able to obtain an increase without submitting an entirely new waiver, due to changes in the federal waiver format. *In late April 2006, it was determined that this might not be* *necessary; however, it was not until October 27, 2006 that the State finally submitted requests to increase the FY 2006-07 waiver cap for the comprehensive program to federal authorities. Staff was recently informed that the requests to increase the waiver caps for the supported living services program and the children's extensive support program still had not been drafted as of November 29, 2006.* Thus far, there has been no federal response to the request to raise the waiver caps for the comprehensive program; but federal officials have 90 days within which they can respond, so this is not surprising.

Staff finds it deeply disturbing that: (1) the State has been slow in submitting requests to raise the waiver caps; and (2) there is no indication thus far that the request that has been submitted will be approved. Even if it is assumed that the General Fund portion of the new resources is used to add a smaller number of slots, **failure to raise the caps effectively denies services for FY 2006-07 to 96 adults and possibly 15 children[3] with developmental disabilities who are in urgent need of services**. Staff encourages the Committee to discuss this issue with the Department.

In addition to the above, staff anticipates a reduction in resources available for persons with developmental disabilities associated with the elimination of community centered board "over service." Concerns about operating above the waiver caps, as well as other waiver change issues, have led the Department to require all community centered boards to eliminate the previous practice of "over-service". Community centered boards were previously encouraged to serve individuals beyond the numbers in their contracts to ensure that allocated funds were not *underspent* based on consumer absences and attrition that can occur throughout the year. Prior to the development of this practice, reversions had been in the range of 3 to 6.5 percent of base appropriations and, in one year, totaled $12.0 million.

For FY 2006-07, any community centered board operating above its contracted level has been required to reduce service through attrition. The Department has indicated that, as of September, there were still 24 individuals being served above contracted levels, which would be eliminated through attrition. Some over-service was likely eliminated before September, and staff recommends that the Department be asked to provide an estimate of the total reduction in individuals served between FY 2005-06 and FY 2006-07 as a result of eliminating overservice.

Related Issue - Federal Audit of Community Centered Boards
On November 21, 2006, the Department of Human Services was notified, by the Developmental Pathways Community Centered Board, that Developmental Pathways had received notice of an audit by the federal Office of the Inspector General of Health and Human Services. The objective of the audit is to determine if costs reported for Residential, Home and Community-Based Services provided under Colorado's 1915(c) waiver were reasonable and complied with Federal regulations. The scope of the audit is for State fiscal years 2003 - 2005. It is not clear at this time whether other CCBs will

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[3]For FY 2006-07, the General Assembly added 30 Children's Extensive Support slots which were funded for the first half of FY 2006-07 with 100 percent General Fund and these may, therefore, already be filled. If the waiver cap is not raised by January 2007, the Department will either have to risk spending above the capped number of slots, will have to request additional General Fund backfill or will need to try to reduce children served through attrition, which may not be possible.

be contacted or if the OIG will select a sample. The fiscal implications of this issues will not be clear until the audit is complete; however, any federal Medicaid payments deemed to be inconsistent with federal regulations would be recouped from the State and, by the State, from the provider.

Fiscal Issues: Short- and Long-term Costs

The short- and long- term fiscal implications of the proposed changes to the Medicaid waiver program are still uncertain. Staff presumes these will become clearer with supplemental and budget submissions in January and February 2007. Appendix A to this briefing issue reviews the appropriation status to date for the Adult Program Costs Line Item, including emergency supplemental action taken to-date and the status of roll-forwards. Appendix B includes an adjusted list, originally incorporated the June 2006 supplemental presentation, of possible cost-drivers. There are a large number of likely additional supplementals for FY 2006-07. Some of these will be received in January and others likely in February (those related to utilization).

The largest supplemental of which staff is aware is approximately $7.6 million General Fund that may be required to replace local funds that were previously used to provide enhanced rates in some areas. Under a statewide rate structure, there is no means and no incentive for locals to provide such rate enhancement. At the same time, it may be difficult to justify rate reductions given that the rates were approved for federal Medicaid match. It also seems likely that a **$1.3 million supplemental** will be received related to certain CCB functions that are not eligible for Medicaid reimbursement.

Beginning in FY 2006-07, the State's control over overall waiver costs will be far more limited than it was under the former "quasi managed care" system. Although it will still be able to limit the number of individuals receiving services, it will no longer be able to limit the associated dollars. While rates set for FY 2006-07 and under the new rate structure for FY 2007-08 will be designed to be consistent with the current state appropriations levels, actual utilization is likely to vary. Further, over time, it can be anticipated that current consumers will drive higher and higher costs as the population ages and that this will leave less fiscal room for the addition of new individuals to waiver programs. **First-quarter utilization suggests a $9.4 million *(half General Fund) under expenditure* the adult Medicaid waiver programs. However, given the first quarter billing problems, second quarter data is likely to be more relevant.**

Staff believes a net General Fund supplemental increase in the $5 to $10 million range should probably be anticipated for FY 2006-07 based largely on the $7.6 million substitution of General fund for local funds in rate calculations. However, there are too many moving variables with respect to utilization, CMS waiver cap changes, and provider costs to predict final financial impacts for FY 2006-07. It seems likely to staff that there is at least a potential for General Fund savings in several areas, as a result of resources that may be reverted and the elimination of CCB over-service. Such savings may help to offset some of the increased costs for FY 2006-07. Although the Department reports a relatively high demand for emergency placements, from staff's perspective it has been quite conservative in the distribution of resources, particularly as it is waiting to find out whether federal Medicaid match can be accessed.

In addition, it is staff's belief that, for FY 2006-07, the Department could consider reducing General Fund allocations to community centered boards to help offset the estimated $7.6 million required to backfill local funds used to enhance rates. For FY 2006-07, the State has attempted to keep funding for developmental disability services as stable as possible. To the extent locally- enhanced Medicaid rates were incorporated into a CCB's rate structures, funding at this enhanced level will continue to flow into the CCB area to cover service costs for FY 2006-07. At the same time, all local funding that had previously been used to enhance rates will have been freed-up for any activity deemed appropriate by the CCB. **In light of this, staff believes it would be reasonable and appropriate to reduce non-Medicaid, General Fund allocations to the involved CCBs for FY 2006-07.** (For FY 2007-08 and beyond, the backfilled rate enhancement amounts will effectively be spread among all CCBs, and thus the approach will not be appropriate after FY 2006-07). **Staff recognizes that this proposal will be controversial and encourages the JBC to discuss it with the Department during its hearing.**

Outstanding Staff Concerns: Time-frame for Waiver Changes and Potential Statutory Changes
<u>Time Frames</u>**: It is impressive that the short-term rate structure is actually in place. All parties involved deserve credit for this. However, the process has been painful for the CCBs, department and providers.** Significant additional workload has been required of staff and there have been a variety of glitches related to getting payments out the door. Most providers have required significant bank loans due to delays. Further the entire process of placing providers in payment "buckets" has resulted, arbitrarily, in winners and losers. While the State hopes to hold providers harmless, the process of doing so has been fraught with problems and delays.

Given the difficulty and complexity of implementing the interim rate structure, the proposed time frames for implementing the long-term change are a major concern–and appear to put the State at risk of further turbulence and cost. Many other states are also in the process of moving toward standardized instruments, often the SIS, for setting or checking the rates they have set, but there does not appear to be any State attempting to do this on a time frame like Colorado's. The time frame would appear more reasonable if there were an easy, "off the shelf" approach that could be adopted from elsewhere. Colorado has hired experienced consultants to assist it in this effort, so it will be benefitting from the experiences of other states. However, the details of any change of this type need to be State-specific, because every state's waiver system differs.

Staff has spoken with other states about the models they are using to associate SIS results with a rate structure. There are a number of possible models. For example, Wyoming uses a system of individual "budgets" based on SIS results. Contracted case managers are able to allocate out that block of funds, based on discussion with the consumer and his or her family, in any way that seems appropriate. Specific rates for a residential placement or a day program are entirely subject to negotiation. Washington State is currently in the process of determining how to use the SIS in rate setting, but the system is not yet fully implemented and they anticipate that there will need to be substantial room for negotiation on rates to account for issues such as the different costs that result when the same individual is placed in an individual setting as opposed to a group setting. Utah is reportedly using the SIS—but only as means for checking the "reasonableness" of rates paid.

Given that the State will be building its new rate system in at least partially uncharted territory, it appears to staff that, at a minimum, some type of piloting of the new rate structure is in order. If anything can be learned from such large scale system implementation debacles as CBMS, it is that, when attempting a large system change, it is always wise to test the new system before full implementation. Current time lines do not seem to allow for this**. In light of the pressure the State is under from CMS, such piloting may not be a realistic option. However, later in the year when the State is better able to demonstrate the progress it has made, it may be appropriate to approach CMS about allowing sufficient time for a pilot.**

<u>Need for Statutory Changes</u>**:** Section 25.5-6-410, C.R.S. specifies that "Nothing in this subpart 2 (concerning HCBS-DD services) shall prevent the department of health care policy and financing or the department of human services from complying with federal requirements in order for the state of Colorado to qualify for federal funds under Title XIX of the federal "Social Security Act", as amended."] The understanding has been that this "out" may be used on an interim basis, but not on an ongoing basis.

Due to timing issues, the State is attempting to proceed with waiver changes in ways that do not require statutory changes. Nonetheless, there are some potential conflicts:

- Section 27-10.5-104(1), C.R.S., which requires that the department of human services shall provide or purchase, pursuant to subsection (4), authorized services and supports *through* the community centered boards for persons who have bene determined eligible for such services. Section 27-10.5-104(4), C.R.S., only authorizes the Executive Director of the Department of Human Services to bypass CCBs and purchase service and supports directly from service agencies under limited conditions. Based on CMS requirements, providers are now allowed to bill directly and not just through the CCBs.

- Statute at 27-10.5-104(7), C.R.S., which lays out how funding for developmental disability services are to be calculating, including requiring a five percent local match. It is staff's belief that, in toto, statewide local financial participation will continue to exceed this 5 percent requirement because of the existence of mill levies. However, given the changes in the system, it is not clear how the five percent match is appropriately operationalized.

The Department should be asked to comment on this issue.

Recommended Questions for Department Hearing

The Committee should request updates from the Department of Human Services and the Department of Health Care Policy and Financing on the State's efforts to comply with CMS demands. It should specifically explore:

1. Why the Department of Human Services has not promptly pursued changes to the waiver caps for all developmental disability waiver programs.

2. Whether the Departments believes the proposed long-term rate structure should be piloted before implementation and whether/when this should be explored with CMS.

3. What statutory changes should be considered during the 2007 legislative session to ensure program changes and current statutes are consistent.

4. Implications of recently-announced federal audits of community centered boards. What issues do federal authorities appear to be exploring?

5. Status of the “hold harmless” funding provided through June 2006 emergency supplemental action and whether these funds will be fully used.

6. The largest FY 2006-07 supplemental is likely to be to backfill enhanced Medicaid rates that were previously supported through local CCB dollars. Should General Fund allocations to CCBs be reduced to help offset these costs?

7. The Department's estimate the total reduction in individuals served between FY 2005-06 and FY 2006-07 as a result of eliminating overservice.

Appendix A **FY 2006-07 Adult Program Costs - Appropriation History and Status**	**General Fund in DHS**	**Medicaid General Fund**	**Net General Fund**
FY 2005-06 last quarter actions taken in Adult Program Costs related to FY 2006-07 spending			
Regular Session Action (H.B. 06-1371 2nd Supplemental)			
Supplemental provided 90 comp, 60 SLS new resources effective 4/1/06	$932,737	$0	$932,737
Per footnote 75a to HB 06-1371, amounts could be rolled-forward to FY 2006-07. Also, vote by JBC 4/12/06 to allow use of up to $150,000 for one-time transition costs			
Portion used in FY 2005-06 to cover CMS transition costs in FY 2005-06	(50,000)	0	(50,000)
Supplemental to provide 1.79 percent base rate increase 4/1/06		381,292	381,292
June 2006 emergency 1331 supplemental action			
Change 1.79 percent Medicaid increase into General Fund and authorize roll-forward to FY 2006-07	381,292	(381,292)	0
Executive Action/Closing Books for FY 2005-06			
Medicaid overexpenditure in Program Costs line item; Controller orders DHS to use General Fund moneys intended for roll-forward to provide GF match for over-expenditure. (Money goes to CCBs for FY 2005-06 over-service)	(477,638)	0	(477,638)
Balance of roll-forward available for use in FY 2006-07	**786,391**	**0**	**786,391**
September 2006 emergency 1331 supplemental action/DHS decision			
JBC votes to allow Department to use up to $500,000 total funds out of base budget related to CCB transition costs. Department subsequently indicates it will use portion of the remaining roll forward for this (to cover CCB SIS costs)	(500,000)		(500,000)
Balance roll forward available	**286,391**	**0**	**286,391**
FY 2006-07 Budget Appropriations and Actions			
FY 2006-07 Long Bill - Adult Program Costs	12,438,159	123,913,507	136,351,666
June 2006 emergency 1331 supplementals affecting FY 2006-07 appropriation			
Funding allocated for Department administrative costs **(separate line item)**	620,800	0	620,800
3.25 percent community provider COLA six months Medicaid exchanged for GF	1,838,934	(1,838,934)	0
90 new comprehensive, 60 new supported living resources Medicaid exchange for GF	1,902,791	(1,902,791)	0
Action to-date, funds available in FY 2006-07: roll-forward, adult program costs + CMS transition	**$17,087,075**	**$120,171,782**	**$137,258,857**

Appendix B - Potential FY 2006-07 and FY 2007-08
Cost Impacts of Medicaid HCBS-DD Waiver Changes

(1) Regional Center Rate Backfill - If the short-term Interim Rate process or long-term Rate Study do not result in rates that cover the operating costs of the Regional Centers, then State General Fund backfill will be needed, at least until a conversion to ICF/MR status can be accomplished. No supplemental anticipated to be required for FY 2006-07. However, potential issue for FY 2007-08.

(2) Supported Living Services (SLS) waiver – many of the same changes being required of the Comprehensive Services waiver will soon be needed under SLS as well. The cost containment aspects of bundled flat rate billings will be lost for SLS starting July 1, 2006. Other changes such as detailed PARs and uniform rate setting is likely to occur by end of FY 2007 at the latest for SLS. Since all individuals enrolled in SLS will be entitled to any services justified by their needs up to the current $35K cap, the average cost of SLS is likely to increase starting with July 1, 2006. Plans are underway to provide training to case managers regarding cost containment methods that will be available. Until detailed PARs and uniform rates become available, it will be difficult to estimate the extent of this increase. DDD and HCPF will need to explore other methods for cost containment and include them in the re-write of the SLS Waiver program.

(3) Children's Extensive Services (CES) Waiver – like SLS, the average rate for CES will no longer be a limiting factor and the average cost may increase. There are fewer individuals in CES, so the impact of any such increase will be less.

(4) Impact of Interim and Long-term Uniform Rates for Comp, SLS and CES – Until the rate studies are complete, and the State can assess the impact of the change to an 'entitlement' it will be difficult to determine the fiscal impact of the changes. Therefore, this situation should be monitored and may result in additional supplementals later in FY 2007 and future fiscal years. Staff anticipates that the Department will make every effort to keep the impact of FY 2006-07 and FY 2007-08 rates neutral; however, cost impacts could increase in future years.

(5) Children's Extensive Services (CES) Waiver FY 07 New Resources – the department was appropriated 30 new resources for FY 07. These resources were funded for 6 months as General Fund and 6 months as Medicaid. Given the need to rewrite the waiver to add new resources and the approval time for CMS, it is unclear that this Waiver will be approved for additional children effective January 2007. The Department may need to request additional GF to fund these children for additional months in FY 2007.

(6) Additional State Funding for CCB Functions associated with people on the waiting list. Recent work to clarify all functions of CCBs in the area of case management has highlighted the amount of work associated with the growing numbers of people on the waiting list. Although the state has been providing GF funding for case management, it is becoming clear that such funds are inadequate to cover the required and necessary work for people on the waiting list. The two major functions associated with people on the waiting list that DDD believes should be more fully assessed and considered for additional state funding include:

- Placement of persons onto a Wait List for services including the completion of an Individual Plan for each of these persons within 30 days of the time that DD eligibility was determined (as required by statute). In addition, this function includes referring the person to other non-DD services (such as for food stamps) and reviewing the annual IP yearly to see if needs have changed.
- Responding to Emergencies for people who are not enrolled in services and may be waiting for Waiver services when in crisis. Responding to crisis situations is a critical role that CCBs play when thousands of individuals are waiting for services. This function includes: assessing emergent and critical nature of the presenting problem, developing a plan to address the emergency as possible, exploring local and other resources including generic services, family resources, the DDD Special Needs fund or any combination. The CCB must also review these situations to see if they meet criteria to "supercede the Wait List" when a turnover resource becomes available.

(7) An additional supplemental may be needed later in FY 07 for the CCMSweb line either due to (1) additional changes required by CMS that increase the scope of work for the existing Contractor and/or (2). some of the existing deliverables that were originally scheduled for June 2006 are now going to occur in July or August of 2006. So, DDD is already aware the $89K in the FY 06 CCMSweb line will not actually be payable until FY07. $56K of that amount was already approved for rollforward into FY 07 through the January supplemental process.

(8) Emergency Management - CCBs will no longer be able to have a reserve pool of Medicaid funds to address emergencies. Because the new rate methodology will not likely cover all situations, it is anticipated that the state will need additional general fund (GF) to address emergencies for the Special Needs Program. In addition, reserve pools were also used to create new resource or to overserve (within contracted amounts). This will not be possible in the future as CCBs will not be managing a pot of funds at the local level. As DDD has been appropriated some additional resources for emergencies in Comprehensive services and as the Waiver cap will need to be raised before being able to enroll additional people beyond limits already planned, DDD is not requesting additional emergency resources at this point. The Department is requesting flexibility with the refinanced new funds to address the different types of emergencies that may arise. This will need to be re-assessed later in the year and an additional request for new Medicaid Comprehensive, SLS resources, and special needs funds to address emergency situations may be need to be made.

(9) State Match to replace Local Match to Medicaid for Enhanced Rates -
Currently, local funds have been used in both the Comprehensive and Supported Living Services Waiver programs to generate Medicaid match to serve additional consumers, to provide more units of Medicaid service to consumers and to augment/enhance rates paid to providers. In Comprehensive Services, these augmented rates were necessitated to enable providers to serve individuals with high cost needs and also to address cost of living increases. For Comprehensive Services, augmenting rates or providing additional units of service will not be viable once a uniform rate setting process is in place and all units of service that are justified via the PAR will be payable under Medicaid with State match. DDD is working with HCPF to explore whether a mechanism can be put into place to continue to match local funds to serve additional persons for both Comp and SLS. Replacement funds for the additional persons served, are not included in this request. The local match associated with the Medicaid Comprehensive program is approximately $7.6 Million (50% of $14 Million total).

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities

ISSUE:

The Regional Centers for Persons with Developmental Disabilities: Decision Item #1 and Other Budget Issues

SUMMARY:

- ❑ The state-run regional centers operate 403 beds for individuals with developmental disabilities who have a history of sex offense, severe behavioral/psychological issues, or severe medical problems.

- ❑ For FY 2007-08, the Department of Human Services Decision Item #1 is for an increase of 29.0 FTE at the regional centers for six months, with costs annualizing to $540,174 net General Fund in FY 2008-09. The Department indicates that regional center staffing requirements have increased as a result of a policy, fully implemented in April 2003, to limit regional center admissions to the high needs categories listed above. The request is part of a five year staffing proposal that would increase direct care staff at the regional centers by 279.2 FTE (42.9 percent) at an estimated cost of $5.2 million net General Fund.

- ❑ Changes to the Medicaid Home- and Community-based Waiver program for persons with developmental disabilities have already created problems for regional center operations. Further changes anticipated in FY 2007-08 could drive a regional center revenue shortfall. If Medicaid revenues are not adequate to cover costs, the State will need to consider options that could range from closing some regional center beds, to changing bed licensure to support full Medicaid cost recovery, to providing General Fund backfill.

RECOMMENDATION:

The Committee should ask the Department to discuss programmatic and financial plans for the regional centers, including the questions listed at the end of this issue.

DISCUSSION:

Background: the Regional Centers
In Colorado, institutional programs for persons with developmental disabilities are called Regional Centers or Intermediate Care Facilities for the Mentally Retarded (ICF/MRs). The state has three Regional Centers in Grand Junction, Wheat Ridge and Pueblo. The

Regional Center Beds

	ICF/MR	Skilled Nursing	HCBS waiver	Total Beds
Wheat Ridge	30	0	131	161
Grand Junction	46	32	76	154
Pueblo	0	0	88	88
TOTAL	76	32	295	403

Regional Centers have two methods of providing services: 1) Regional Centers operate "institutions", residential and support services in large congregate settings; and 2) Regional Centers operate group homes that provide services to 4-6 people per home in a community setting (these services are sometimes referred to as "state-operated group homes"). Many persons served by Regional Centers have multiple handicapping conditions, such as maladaptive behaviors or severe, chronic medical conditions that require specialized and intensive levels of services. The Regional Centers work closely with the Community Centered Board (CCB) system, which provides community-operated services for persons with developmental disabilities. Traditionally, the Regional Centers have served persons with developmental disabilities where appropriate community programs are not available. They provide residential services, medical care, and active treatment programs based on individual assessments and habilitation plans.

Since April 2003, the regional centers have used the following admissions criteria: (1) individuals who have extremely high needs requiring very specialized professional medical support services; (2) individuals who have extremely high needs due to challenging behaviors; and (3) individuals who pose significant community safety risks to others and require a secure setting. The table below shows the number of beds allocated for each category at each of the regional centers.

Regional Center Beds by Client Category

	Grand Junction	Pueblo	Wheat Ridge	Total Beds
History of Sex Offense	16	0	25	41
Severe Behavioral/Psychiatric	64	74	67	205
Severe Medical	74	14	69	157
TOTAL	154	88	161	403

Because the regional centers are operating at capacity, a community centered board with a consumer who it believe is more appropriate for a regional center placement must remove a client from the regional center in order to move a new client into placement. As of June 2006, there were 54 persons waiting for regional center placement, including 61 percent waiting for ICF/MR placement and 39 percent waiting for waiver services. Of these, 72.2 percent were waiting from CCBs, with the balance waiting from the Department of Corrections or the Mental Health Institutes.

A total of $43.0 million is appropriated in the regional center section of the budget for FY 2006-07; however, the Department's cost plan for the regional centers, which includes direct and indirect costs and is used as the basis for setting total associated Medicaid payments, reflects total costs of $56.8 million and average annual costs per resident of $146,081.

Decision Item #1: Increase Regional Center FTE

The Department's first priority in its FY 2007-08 budget request is an increase of FTE and associated funding for six months in FY 2007-08, annualizing in FY 2008-09 to29.0 FTE to address a staffing shortfall at the regional centers. The Department points out that, over the past three years the regional centers have been serving a more sever clientele, largely due to new admissions criteria that were implemented in April 2003 and were established to meet the high demand for regional center services. Between July 1, 2000 and June 30, 2006, 111 easier to serve individuals were discharged from the regional centers and replaced with individuals with very high needs, based on acuity measures. These individuals require enhanced staffing for monitoring of safety and provision of necessary treatment. The Department points to adverse findings from the Colorado Department of Public Health and Environment that support the need for additional regional center staff.

Decision Item #1: Regional Center Staffing Increase		
	FY 2007-08 Request	**Annualize FY 2008-09 (full year)**
Personal Services	$342,541	$854,160
FTE	14.5	29.0
Operating Expenses	18,638	19,330
Benefits/Other	154,880	245,520
Total	$478,783	$1,080,350
Net General Fund	*239,392*	*540,175*
Avg.NGF per FTE		*$18,627*

Even when the request is annualized in FY 2008-09, the net General Fund cost of $540,175 is relatively modest within the context of the developmental disability services budget. However, the Department presents the request as part of a much larger five year plan to enhance regional center staffing.

The Department conducted a study to evaluate staffing needs. The study reviewed regulatory requirements and Colorado Department of Public Health and Environment staffing citations. The authors then developed staffing models for direct care staff who account for 73 percent of total regional center staff, as this is the area facing the most significant shortfalls. The study considered: (1) the staff necessary to meet "minimum standards outlined in regulations"; (2) the staff necessary to "appropriately meet the needs of the clients"; and (3) the staffing levels maintained in states with operations similar to Colorado and known to provide high quality services.

The regional centers operate under three types of facility license: ICF/MR, skilled nursing, and Home- and Community-based Services for the Developmentally Disabled (HCBS-DD). The study notes that the HCBS-DD regulations that cover 275 of the regional center beds do not provide specific guidelines on staffing, while CMS regulations do include specific staffing requirements for ICF-MRs (76 of total beds). Among other requirements, the ICF/MR requirements include a minimum staffing ratio of 1 staff to 3.2 clients present and on-duty 24 hours a day, 365 days a year, excluding professional staff. The HCBS-DD regulations require, more generally, sufficient training and personnel to provide required treatment and safeguard the welfare of residents.

The report describes five Colorado Department of Public Heath and Environment citations received in 2005 and 2006 that indicate staffing problems at all three regional centers. Among others, these include an ICF/MR study of Kipling Village at Wheat Ridge regional center in April 2006 that cited an inability to provide active treatment due to lack of staff. This deficiency involved a condition of participation in the ICF program with shortened time lines for correction of 45-60 days. The resulting plan of correction required the need for an additional 13 FTE that had to be pulled from elsewhere in the agency. In general, the regional centers have addressed deficiencies identified in certain homes or facilities by moving staff around; however, this can result in short-staffing homes not identified with specific deficiencies.

The study of "minimum" and "appropriate" levels involved grouping clients by needs and evaluating groups' needs during time segments of day program, afternoon, weekend active treatment, and nights, as well as time required for community outings. The Department also employed an outside consultant to conduct focus group discussions to identify treatment variables that impact staffing. Further, using actual data from the last five years, it re-evaluated historic assumptions about FTE required to fully cover a position once training, annual, and sick leave are accounted for. The Department provided the spreadsheet calculations for FTE coverage for each regional center residence that result from these various factors.

The resulting calculations indicate an overall direct care staff to client ratio for the "minimum" treatment model of 2.3 FTE per client and, under the "appropriate" treatment model of 3.3 FTE per client. The Department also provided comparisons with other states identified by industry consultants as reasonable comparisons for Colorado.

State	Direct Care Staff to Residents
Colorado - current	1.61
Colorado - "minimum"	2.31
Colorado - "appropriate"	3.32
New York	3.61
Oregon	3.05
Wyoming	2.21
Utah	2.04
North Dakota	2.02
Kansas	1.66
South Dakota	1.30

The study concludes that funding at the "appropriate" level suggested would be very difficult and thus the minimum model is presented as an alternative that should be viewed as "the least the State should accept and continue operating at the current bed capacity." **If, as the study suggests, the General Assembly were to increase staffing to the levels the Department considers necessary to meet "minimum standards outlined in regulations", this would be a direct care staffing increase of 42.9 percent and would drive an increase of $5.2 million net General Fund or about an 18 percent increase in the overall regional center budget**.

Direct Care Staffing Study: Current FTE versus “Minimum Required” and “Appropriate”					
	Current Direct Care FTE	**"Minimum FTE"**	**Increase over Current**	**"Appropriate" FTE**	**Increase over Current**
Wheat Ridge	279.6	379.1	99.5	541.8	262.2
Grand Junction	255.8	357.5	101.7	513.0	257.2
Pueblo	115.4	193.4	78.0	282.3	166.9
TOTAL	650.8	930.0	279.2	1,337.1	686.3
Percent increase			42.9%		105.5%

Estimated Additional Costs: “Minimum” and “Appropriate” Staffing Levels			
	Cost per FTE	**“Minimum” Staffing Additional FTE, Costs**	**“Appropriate” Staffing Additional FTE, Costs**
FTE	1.0	279.2	686.3
Total Cost	$37,253	$10,400,758	$25,073,284
Net General Fund	$18,627	$5,200,379	$12,536,642
Percentage increase in Regional Center Net General Fund budget*		18.3%	44.1%

*direct and indirect costs

Impact of Federal Centers for Medicare and Medicaid Service on the Regional Centers

Physician Services Issue: Until FY 2004-05, the regional centers were able to pay for physician and mental health services through the Medicaid comprehensive Home- and Community-Based waiver for persons with developmental disabilities. However, as part of the condition for renewal of the HCBS-DD waiver in September 2004, the State was required to remove services from the HCBS-DD waiver that are part of the Medicaid State Plan.

Despite significant effort on the part of current doctors, as well as other staff, the regional centers were unable to find outside physicians that were willing to accept new Medicaid clients. As a result, at both Grand Junction and Wheatridge Regional Centers, the physicians employed as medical directors contract and bill as direct service providers on top of their regular administrative duties. From Fall 2004 through most of FY 2005-06, both physicians were on call 24 hours per day with few days off. Both indicated before the end of FY 2005-06 that this situation was untenable. As a result, for the last quarter of FY 2005-06, the Department paid for General Fund physician services out of the developmental disability services administration line item. In June 2006, it received a 100 percent General Fund emergency supplemental of $237,870 for FY 2006-07 to cover physician services (1.5 contract FTE) at the regional centers. For FY 2007-08, the Department request reflects continuation funding for General Fund physician services; however no decision item was submitted. Staff assumes this will be corrected through a budget amendment.

At the time of the supplemental, staff recommended the Department's request but emphasized that this should be a temporary solution to the physician problem. Regional center clients are eligible for Medicaid, with its 50/50 General Fund/federal funds match, and physician services are a core Medicaid State Plan service. It sets a very troubling precedent to start purchasing physician services for Medicaid clients outside the Medicaid Plan using pure General Fund. Staff further believes that there should be some viable long-term alternatives, ranging from transferring some regional center beds back to skilled nursing or even institutional "ICF/MR", increases in Medicaid State Plan physician rates statewide, or perhaps creation of a special category of physician rates for hard-to-serve clients such as many of those at the regional centers.

The Department of Human Services has thus far indicated that it has not been able to identify any satisfactory solutions to the problem; however, staff does not believe the issue has been sufficiently explored, particularly with the Department of Health Care Policy and Financing. Staff recommends that the Committee include in the hearing agendas for both the Department of Human Services ad the Department of Health Care Policy questions about how this situation can be optimally addressed for the future.

<u>Changes in Medicaid HCBS Program Rates Required by CMS</u>: As discussed elsewhere in this briefing packet, the Department is currently in the process of making substantial changes to the administration and billing structure for Medicaid developmental disability waiver services. These changes are expected to affect the regional centers. Nearly three-quarters of regional center beds are licensed and funded through the HCBS-DD waiver program–the same Medicaid waiver program used to fund residential services managed by community centered boards. For FY 2006-07, the State is operating under an interim rate structure that attempts to provide an adequate audit trail for services but to keep funding as stable as possible. As a result, for FY 2006-07, the Department expects to be able to fully cover regional center program costs with Medicaid funding. However, in FY 2007-08, the rate structure for the Medicaid waiver program will migrate to a statewide system based on individual's results on the Supports Intensity Scale. The Department has indicated that there is a possibility that the rates established will not fully cover regional center costs.

Staff Analysis and Questions

Overall, the staffing study used to develop the Department's Decision Item #1 reflects a serious and thorough effort to understand regional center staffing needs. Further, in light of the regional centers' increasingly severe client population and facility licensing concerns, the level of increase requested in Decision Item #1may be reasonable. During FY 2006-07 figure setting, the Committee had to address an FY 2005-06 late supplemental at the regional centers to cover costs associated with a single individual; such an urgent request would likely not have been generated if the regional centers were not operating under exceptionally severe staffing constraints. These constraints include cuts of 11.0 FTE ($355,420 NGF) taken in FY 2003-04.

The above said, it is not clear increases on the scale suggested by the staffing study's proposed "minimum" increase are warranted. Further, even the requested FY 2007-08 increases may be problematic in the context of changes to the Medicaid waiver program. Staff believes these changes present serious questions about the regional centers' financial future. By FY 2007-08, regional center client severity will be measured on the same scale as that used for other developmental disability consumers and will be commensurately reimbursed. If revenues are not adequate to cover costs, the State will need to consider options that could range from closing some regional center beds to changing licensure to ensure full Medicaid cost recovery, to providing General Fund backfill. *If Medicaid revenues are not sufficient to cover program costs at current cost levels, any further expansion in program staffing will exacerbate the imbalance between costs and revenues.*

Staff recommends that the Department be asked to respond to the following questions:

1. Can the Department provide an overall severity profile for all persons currently in the regional centers? What proportion of individuals currently in the regional centers are not consistent with targeted populations? How has this changed since the new admissions criteria were implemented?

2. How does the Department envision the types of individuals served at the regional centers changing over time? For example, are you experiencing or do you foresee an increase in demand for skilled nursing or ICF/MR placements as opposed to HCBS group homes? Are you experiencing or do you foresee changes in the proportion of beds allocated for the various service categories (sexual offenses, behavioral, medical)? Would such changes affect your staffing requirements?

3. What are the options for addressing physician services at the regional centers over the long term so that 100 percent General Fund is not required?

4. Based on initial Supports Intensity Scale samples of regional center clients and contractor efforts to develop the new state rate structure, will you be able to predict if HCBS rates will cover regional center costs prior to figure setting for FY 2007-08?

5. What is the Department's contingency plan if HCBS waiver revenues appear insufficient to cover regional center costs for FY 2007-08? What options will be available to the Department?

ISSUE:

Waiting Lists for Developmental Disability Services

SUMMARY:

- ❑ The 10th Circuit Court of Appeals has upheld a ruling in the State's favor on the Mandy R. V. Owens lawsuit. This lawsuit alleged that the State's waiting list for developmental disability services was illegal. The ruling leaves the State with broad flexibility to set developmental disability funding levels; however expenditures will not be exempt from the 6 percent limit on increases in General Fund appropriations

- ❑ The demand for developmental disability services continues to grow much faster than population growth and the State's ability to add new resources. The rapid growth is tied, in part, to the baby boom cohort of persons with developmental disabilities. This group increasingly requires state-funded services as their parents age and cannot care for them

- ❑ Eliminating current service waiting lists would likely require \$30 to \$40 million General Fund, and approximately \$6 million more per year would be required to keep waiting lists from reappearing. Eliminating the "high risk" waiting list is estimated to cost about \$12 million General Fund.

- ❑ Colorado is ranked 48th in the nation for fiscal *effort* for developmental disability services, which is based on expenditures per \$1,000 of state personal income. Colorado's developmental disability service penetration and expenditures per person served are not, however, far from the national average.

RECOMMENDATION:

The Committee should discuss with the Department its long-term plans for meeting the needs of persons with developmental disabilities and, given statewide funding constraints, whether waiting lists should identify targeted populations to provide the General Assembly with more achievable funding goals.

DISCUSSION:

The waiting lists for developmental disability services are the most fundamental problem facing the developmental disability system. For the last six years, many providers and families anticipated that the waiting list issue might be resolved through the Mandy R. v. Owens lawsuit. As the lawsuit has been resolved in the State's favor, with the ruling now upheld at by the 10th Circuit Court of Appeals, the issue is squarely back in the hands of the General Assembly. The following sections review: the resolution of Mandy R., where the State now stands with respect to growing waiting lists, and how Colorado's overall funding for developmental disability services compares with other states.

Resolution of Mandy R. v. Owens

The Mandy R. v. Owens lawsuit, filed in federal district court in August 2000, alleged that the state's wait list for comprehensive residential services for persons with developmental disabilities was illegal and that rates paid for services were insufficient to comply with provisions of federal Medicaid law. The remedies requested by the named plaintiffs and the community centered boards, that were added to the case as intervenor-plaintiffs, included the elimination of the state's comprehensive services waiting list--either through the provision of additional community-based waiver placements (proposed by the CCBs) or through small-scale institutional placements (named plaintiffs). The CCBs also sought a 33 percent increase in rates paid for waiver placements.

In February 2005, Judge Richard P. Matsch, the trial court judge for the federal district court, ruled in the State's favor. On September 21, 2006, the 10th Circuit Court of Appeals upheld the ruling. It concurred with the State's argument that there is only a Medicaid entitlement is to ICF/MR services (as opposed to HCBS waiver services), and that the State has no obligation to provide ICF/MR services–only to pay for the service if a provider chooses to create and bill for the service. The court also found that there was no enforceable right that would enable the community centered boards to sue with respect to the adequacy of rates for services. A request by the named plaintiffs for a rehearing. has been denied. The plaintiffs are likely to request review by the U.S. Supreme Court; however, the likelihood that the request will be accepted appears low.

This outcome is highly advantageous to the General Assembly because it leaves allocation of funding to developmental disability services within the General Assembly's control. The only unfortunate implication of the ruling is that General Fund expended to address the waiting list for developmental disability services will not be exempt from the six percent limit on increases in General Fund appropriations.

Waiting Lists

For the last six years, many providers and families anticipated that the waiting list issue might be resolved through the Mandy R. v. Owens lawsuit. As the lawsuit has been resolved in the State's favor, with the ruling now upheld at by the 10th Circuit Court of Appeals, the issue is squarely back in the hands of the General Assembly.

Developmental Disability Waiting List Management Report Data, as of June of Each Year

Year	Comprehensive Residential Budget Period Wait List	Supported Living Budget Period Wait List
2001	453	1,121
2002	663	1,265
2003	758	1,347
2004	785	1,785
2005	1,057	2,111
2006	1,308	2,438

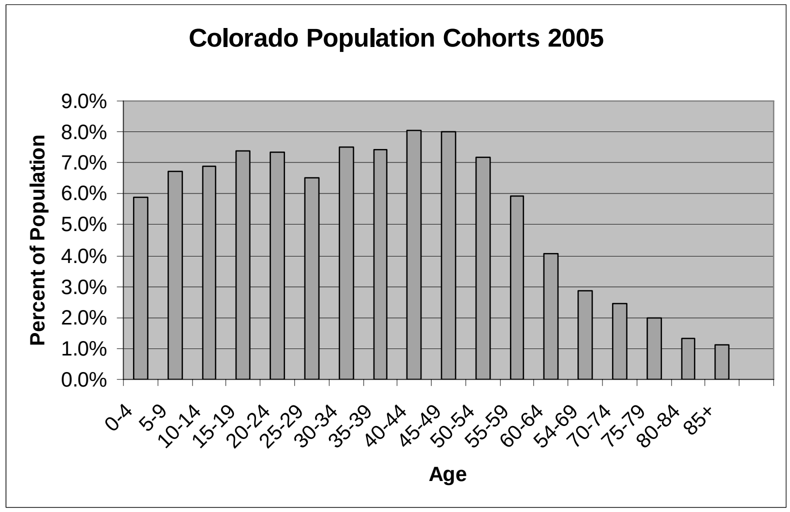
The tables below show: (1) The numbers of persons served over the last five years in residential and adult supported living services versus the known demand, where "known demand" equals persons served plus the current budget period waiting list for the service; and (2) the ratios of persons served and known demand in the residential and supported living services programs to 1,000 persons in the Colorado adult population. As can be seen from these tables, growth in known demand has been rapidly outstripping growth in persons served. As can also be seen, **the number of persons in services per 1,000 adults in the Colorado population has been relatively steady or fallen only slightly---however, the known demand per 1,000 adults in the Colorado population has grown rapidly**. Staff estimates growth in demand for comprehensive residential services has been running at about 4.1 percent per year, while growth in the state's population has been running at between 1 and 2 percent per year during the same period.

Year	Known Comprehensive Residential Demand	Percent Known Comprehensive Residential Demand Met	Known Adult Supported Living Demand	Percent Known Adult Supported Living Demand Met
2001	3,684	87.7%	3,685	75.6%
2002	4,034	83.6%	4,035	73.6%
2003	4,254	82.2%	4,255	72.8%
2004	4,367	82.0%	4,368	67.2%
2005	4,664	77.3%	4,665	63.4%
2006	4,960	73.6%	4,961	60.3%

Year	Comprehensive Residential Persons Served per 1,000 adult population	Known Comprehensive Residential Demand per 1,000 adult population	Adult Supported Living Persons Served per 1,000 adult population	Known Supported Living Demand per 1,000 adult population
2001	0.98	1.11	1.05	1.39
2002	1.00	1.20	1.05	1.42
2003	1.02	1.24	1.05	1.44
2004	1.03	1.26	1.05	1.57
2005	1.02	1.32	1.04	1.63
2006	1.01	1.38	1.03	1.71

Based on the FY 2006-07 appropriation, the State should actually be serving 1.04 persons in the comprehensive residential program per 1,000 in the state's adult population---the highest ratio ever; however, because of the rapid growth in demand, the percentage of known demand met for the comprehensive program may at best be stable for one year. Staff estimates that over 180 new comprehensive resources must be added per year for the State to avoid falling further behind in meeting demand--but, with the exception of the FY 2006-07 increase, it has not been able to approach this level.

Colorado, like most states in the nation, faces rapid growth in its waiting list associated with an aging baby-boomer population. The chart below reflects the overall Colorado population. As can be seen, the population currently peaks in the 40 to 50 year age range, reflecting the baby boomers. The population of people with developmental disabilities may be expected to follow the same pattern. Persons who are age 40 to 50 can be expected to have parents aged 65 to 75--parents who, after years of caring for their disabled child, may no longer be able to care for them. The result is a rapid growth in demand for state services that is being experienced throughout the country. A comprehensive study of national and state trends in developmental disability services (David Braddock, *State of the States in Developmental Disabilities* 2005) estimates that, nationwide, in FY 2004, 61 percent of persons with developmental disabilities lived with a family care giver. Further, 25 percent of such care givers were estimated to be over age 60, while an additional 35 percent were estimated to be between ages 41 and 59. *Braddock estimates that, in Colorado, 8,756 individuals with developmental disabilities were living in households with care givers aged 60+ years in 2004.*



The table below reflects the projected cost to the State of entirely eliminating the current waiting lists for comprehensive services and the estimated cost of eliminating the waiting list for individuals who are Medicaid eligible and the estimated cost of eliminating the "high needs" waiting list, as estimated by the Department last year. As reflected, staff estimates costs of totally eliminating the waiting list at $39.3 million General Fund and costs of eliminating the "high needs" waiting list at about $12.3 million. (Note that the community centered boards have developed estimates related to totally eliminating the waiting list that reflecting smaller numbers of slots required and higher dollars per slot, for a total cost of $30.4 million General Fund over 5 years).

Cost of Eliminating the Current Medicaid Waiting Lists

	Net General Fund Cost per Medicaid	Number Medicaid resources	Total Cost
Comprehensive Services			
Eliminating wait list*	$26,638	1,033	$27,522,382
Eliminating high needs wait list**	$36,092	295	$10,647,140
Supported Living Services			
Eliminating wait list*	$8,620	1,371	$11,818,020
Eliminating high needs wait list**	$8,620	202	$1,741,240

*Costs are based on current average costs; numbers of resources are based on June 2006 management report, reduced by 10 percent to account for individuals not removed from the wait list in a timely fashion and assuming375 SLS slots would be opened up by individuals moving to comprehensive services from SLS.
**Based on numbers provided by the Department in February 2006 NOT adjusted for the 90 new comprehensive and 60 supported living resources provided, as these amounts appear similar to the projected growth in demand for FY 2007-08. Costs based on previous Department estimates, inflated by FY 2006-07 3.25 percent COLA.

Of course, merely eliminating the current waiting list would only take care of the problem for a year. It appears that at least 180 new resources would need to be added each year in the near future to avoid ongoing waiting list growth. **After eliminating the waiting list, an annual increase of about $6 million General Fund per year would be required to avoid recreating it.**

Given statewide budget constraints, staff sees little potential for fully addressing the state's waiting list for services. Staff understands that the community centered boards may be pursuing legislation that would require annual increases to address the waiting list over a five year period. Such a commitment seems untenable given budget constraints, unless this legislation also includes a funding mechanism (*e.g.*, a referred measure that would request the voters to exempt these expenditures from the six percent limit on General Fund increases).

In the absence of such a referred measure, staff recommends that the Committee discuss with the Department the potential for identifying a funding goal that might be more achievable. For example, the General Assembly might wish to continue to focus its attention on the "emergency" and "high risk" population--persons that due to age, medical problems, or difficult behaviors are either homeless or at imminent risk. At present, the "high risk" group is not even routinely identified as a subset of the Department's quarterly management reports; adding this group to the reports would be a useful step in this direction. Note that staff also solicited information from community centered boards regarding whether they maintained "emergency" waiting lists--another possible target for funding. However, all reported that they are not allowed to keep waiting lists for persons in emergency situations and that placements are either provided or funding is sought from the Division for individuals whose situation qualifies as an emergency under Department criteria. Staff would presume the emergency category would continue to be included in department requests.

Emergencies are based on current or imminent homelessness, an abusive or neglectful situation placing the persons health, safety or well being in serious jeopardy, are a danger to others, or a danger to self. The high risk indicator group includes individuals who are:

- Forty years or older and living at home with parents or relatives (and thus are likely to be living with very elderly relatives);

- Have one of the following conditions in addition to their developmental disability that makes it more difficult for the family to continue to provide care in their home: dual diagnosis including mental illness, significant behavioral problems, non-mobile and/or medically fragile; and/or

- Have a functioning level of profound, indicating a nearly constant level of daily care needs for eating, bathing, dressing, and toileting, which is very stressful for a care giver on a continual basis.

How Does Colorado Stack up Nationally?

Advocates for increased support for developmental disability services often highlight that Colorado is “48th in the nation” in funding for developmental disability services. While this is true by some measures, it is only a piece of the picture. As members debate whether anything can be done to address growing waiting lists for developmental disability services, given budget constraints, the following information may help to inform the debate.

Researchers at the University of Colorado have been studying national and state developmental disability service and expenditure patterns for many years, and their "State of the State" reports are frequently cited on this topic. The table below draws from information in their 2005 report to compare Colorado's expenditure and service patterns with the nation's.

Colorado and National Developmental Disability Spending - FY 2004			
	Colorado State Rank	Colorado	United States
Fiscal Effort			
Fiscal effort for MR/DD services (state spending for MR/DD per $1,000 of aggregate statewide personal income)	48	$2.27	$4.11
Colorado fiscal effort for community services	41	$2.18	$3.28
Colorado fiscal effort for institutional services	46	$0.10	$0.83
Placement Utilization			
Utilization rate, per 100,000 citizens, of MR/DD out-of-home placements		169	168
Percentage of total persons with MR/DD in out-of-home settings who are residing in 1-6 person settings (ranked highest to lowest)	9	87%	68%
Utilization rate, per 100,000 citizens, of state operated large ICF/MRs (ranked lowest to highest)	13	2.5	14.1
Cost of Care			
HCBS average waiver cost per participant (includes residential and non-residential support)		$37,756	$37,784
Supported living/personal assistance cost per participant		$15,224	$21,021
Annual cost of care per resident in large, state operated facility		$138,608	$146,325
Source: David Braddock, et. al., *State of the States in Developmental Disabilities, 2005*, University of Colorado, 2005			

Some points of note from the table above:

- Colorado is ranked 48th in the country for fiscal effort for spending for developmental disability services. However, note that fiscal effort is based on expenditures per $1,000 of personal income in the State. *Colorado has a relatively high average personal income compared to many states, and this affects its fiscal effort rank.*

- Colorado does extremely well compared to the nation as a whole with respect to the percentage of persons in out-of-home placements who are in small, community-based placements as opposed to large, institutional placements. This helps to keep its costs relatively low for the number of people served–which also has an affect on the fiscal effort calculation.

- Colorado's overall utilization of out-of-home placement for individuals with developmental disabilities (169 per 100,000 people) is very similar to the national pattern.

- Colorado's cost per person served in large, state run facilities is on the low-average side, its supported living cost per participant is below the national average, and its average cost per participant in HCBS waiver programs is almost identical to the nation's as a whole. (Note, however, that services offered by HCBS waiver programs across the states can vary considerably).

In sum, while Colorado's national ranking for fiscal effort is extremely low, its service penetration rate and expenditures per person served are not as different from those of other states as this might imply. This is not to suggest that Colorado could not do better. Most states across the nation have waiting lists for developmental disability services and struggle with low direct support staff wages and high turnover. These continue to be ongoing issues in Colorado, as elsewhere.

The ongoing changes to Colorado's Medicaid developmental disability programs may well drive increases in costs per person served. However, this will do nothing for those on the service waiting lists. Indeed, in the near term, Medicaid waiver caps are inhibiting the State's ability to expand services at all. However, as these issues play out, **the JBC should remain in ongoing discussion with the Department as to how the limited dollars that are available can be most effectively targeted.**

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities

INFORMATIONAL ISSUE:

Geographical Equity in Developmental Disability Services

SUMMARY:

Community Centered Boards and advocacy organizations are actively debating how "equity" in the distribution of state developmental disability resources across the state should be addressed. The Department indicates that it will be employing a consultant to examine this issue further.

DISCUSSION:

Resource distribution among the 20 community centered boards has become an increasingly contentious issue in the last few years. The Department's allocations to community centered boards have, since the program's inception, been historically based: when a community centered board receives a new "resource" for an individual, the resource is built into the community centered board's base funding. If a resource "turns over", *i.e.*, the individual in the placement dies or moves away, the community centered board retains the associated placement. Although the State maintains a statewide waiting list for developmental disability services, the waiting lists are actually managed at the local level and, when a resource opens up locally as a result of turn over, the CCB has been authorized to fill the open slot with someone in an emergency situation or the next individual on their local waiting list.

The table below compares the state general population by community centered board (CCB) catchment area with the total funding received by the CCB from the state and total funding received from all sources in FY 2004-05. As can be seen, **CCBs in areas of the state where population has grown rapidly, such as Arapahoe Douglas, tend to receive disproportionately little support, while areas of the state where growth has been slower, such as many rural parts of the state, tend to receive disproportionately large support compared with their catchment area**. In addition, **areas of the state that accepted many people who were deinstituionalized from state regional centers tend to have disproportionately high resource allocations**. This is particularly evident in Mesa, Pueblo, and Denver counties, where the regional centers that deinstitutionalized are located.

As is also reflected in the table, **community centered boards have demonstrated varying capacity to obtain local support to augment state funding**. Some counties have chosen to vote in property tax mill levies of up to 1 mil to provide services to individuals with developmental disabilities. Other county government choose, at their discretion, to allocate funds to their local CCBs. In some areas, such as the Arapahoe-Douglas area, non-state sources made up as much as 32 percent of revenue. In other areas (such as Colorado Springs) non-state sources are less than 1 percent.

Table 1

Developmental Disability Community Funding: Total Area Population, Total State Support, and Total Support all Fund Sources FY 2004-05

	2005 Total Colorado Population	**Percent of Total Colorado Population**	**Total State DD Community Support**	**Percent of State DD Community Support**	**Total CCB Support - all fund sources**	**Percent of Total CCB Support**
Dev. Pathways (Arapahoe, Douglas, City Aurora)	827,512	17.5%	$28,222,322	11.1%	$41,622,409	13.1%
Resource Exchange (El Paso, Park, Teller)	604,288	12.8%	26,419,975	10.4%	26,688,820	8.4%
DDRC (Jefferson county and Summit area)	574,595	12.2%	27,543,361	10.8%	37,734,856	11.9%
Denver Options (City and County Denver)	571,847	12.1%	37,487,971	14.8%	46,407,906	14.6%
North Metro (Adams County exc. City Aurora)	363,712	7.7%	18,562,934	7.3%	23,643,495	7.4%
Imagine (Boulder and Broomfield)	331,635	7.0%	19,031,594	7.5%	25,509,682	8.0%
Foothills Gateway (Larimer County)	271,990	5.8%	16,516,120	6.5%	19,891,164	6.3%
Envision (Weld county)	228,729	4.8%	11,738,365	4.6%	12,365,674	3.9%
Colorado Bluesky (Pueblo County)	151,099	3.2%	15,728,555	6.2%	17,853,855	5.6%
Mesa Developmental Svcs. (Mesa County)	130,399	2.8%	11,483,266	4.5%	13,068,077	4.1%
Mountain Valley (Eagle-Garfield-Pitkin area)	124,413	2.6%	4,651,970	1.8%	5,709,913	1.8%
Eastern Colorado (Elbert-Logan-Morgan area)	110,866	2.3%	6,725,589	2.6%	7,718,753	2.4%
8 Remaining Rural Areas	431,375	9.1%	29,907,410	11.8%	39,665,392	12.5%
Total for State	4,722,460	100.0%	$254,019,432	100.0%	$317,879,996	100.0%

Source: Department of Local Affairs, Colorado Population Statistics; Condensed Combined Financial Statements of Community Centered Boards and Report of Independent Certified Public Accountants, State of Colorado - Department of Human Services, Division for Developmental Disabilities, June 30, 2005

Pursuant to Section 27-10.5-104.5 (5), C.R.S., which authorizes local governments to solicit mill levies for developmental disability services, "nothing in this article...and no actions taken pursuant to this article shall be construed...to require that... funds from local authorities be used to supplant state or federal funds available for purchasing services and supports for persons with developmental disabilities". Nonetheless, understanding these regional variations is important, since it can affect demand in a region. For example, to the extent a region funds additional comprehensive resources with local mill levy funds, it may appear to have a smaller waiting list for services than it would otherwise have.

Variations among community centered boards related to *rates* are being eliminated. When they operated on a "quasi managed care model", the rates each community centered board received per resource per year were also historically based and the average rate paid per resource to each community centered board could vary substantially. Thus, for example, the average Medicaid comprehensive rate paid per day to CCBs varied from $134 per person per day in some areas to $208 in one area in FY 2004-05. The issue of rates per person will be entirely resolved for the adult population as a result of the new statewide rate structure that is being put into effect beginning in FY 2007-08 (discussed in the issue on changes to the developmental disability waiver program). However, the issue of the number of resources allocated, whether existing base resources should be reallocated, and how new resources should be allocated remain hot topics.

There has generally been agreement among community centered boards that new resources can be used to address equity issues. Thus, associated with this, as part of its approval of 90 new emergency/high risk comprehensive resources 60 new emergency/high risk supported living resources, and 613 new early intervention resources for the last quarter of FY 2005-06**, the General Assembly added Footnote 68 to the FY 2006-07 Long Bill** which requests a report on the allocation of the resources and specifies that: *"It is the intent of the General Assembly that, in distributing such new resources, the Department take into consideration, among other factors, the need to reduce inequities among community centered boards in rates paid by the State and numbers of resources allocated per capita of the general population."* **While the General Assembly's footnote has focused solely on new resources, the Department is now focused on addressing equity issues more broadly, possibly also including some reallocation of base adult resources**. **This has engendered a fierce debate that crosses community centered boards and advocacy groups.**

Adult Resource Reallocation Arguments

"Fast Growth" Community Centered Board Position: Community Centered Boards in some fast-growth areas of the State argue aggressively for reallocation of base resources from CCBs with higher numbers of resources per capita of the general population to CCBs with lower numbers of resources per capita of the general population. A report prepared by two of these CCBs (representing Arapahoe/Douglas and Colorado Springs) proposes that as resources turn over in parts of the State that have higher numbers of resources per capita of the general population they should be transferred to parts of the State that have lower resources per capita. Resource turnover occurs, in the comprehensive residential resource arena, at the rate of 115 to 130 per year or about 3.2 to 3.6 percent per year.

Other Community Centered Boards: CCBs in areas that would stand to lose resources in the above scheme–as well as those with limited impact either way--argue that: (a) Even areas with higher per capita resource allocation usually have waiting lists for services, and that shortages of resources in high-growth areas should be addressed through the provision of new resources and not by removing resources from other areas; (b) Many resources are tied to physical infrastructure and, if funding for one person in a six-bed group home is removed, funding for the remaining five beds will not be adequate to cover costs; this scheme could result in the destabilization of some of the smaller CCBs that serve rural areas; and (c) Some areas with disproportionately high numbers of resources are only in this position because they agreed–at the urging of the State–to accept individuals who were being deinstitutionalized. The group representing most of these CCBs points out, further, that the term "equity" needs to be more clearly defined, since there may be other kinds of equity than simply proportionate allocation of resources compared to the general population.

Table 2 below shows the percentage of known demand met by CCB. As seen on Table 2, the percentage of know demand met by CCBs ranges from 54.4 percent to 94.7 percent. Two small rural areas (included in the 8) reported no waiting lists in June 2006, and thus demand in these areas was 100 percent met.

Table 3 shows the percentage of residential resources that were in group placements by CCB (presumably the resources at greatest risk of destabilization by movement of resources). As shown on Table 3, 24.6 percent of all residential resources were in group settings as of June 2006. For some CCBs this figure was much higher, including one small rural CCB where group resources make up 90 percent of residential service provision. Notably, there does not appear to be a clear pattern in the use of group verus individualized resources by CCB. Rather, it seems that, based on local tradition or the inclination of CCB executives, certain areas of maintained service provision in more traditional group settings, while other CCBs have come to rely more on individual host-home placements. Nonetheless, some of the smallest, rural CCBs are the ones that would seem to be likely targets for reductions in resources and also the CCBs that rely most heavily on group home placements.

Table 2

	June 2006 Comprehensive Residential Waiver Resources Used	Percentage Known Demand Met
Dev. Pathways (Arapahoe, Douglas, City Aurora)	343	68.6%
Resource Exchange (El Paso, Park, Teller counties)	392	54.4%
DDRC (Jefferson county and Summit area)	370	67.2%
Denver Options (City and County Denver)	506	81.2%
Imagine (Boulder and Broomfield)	260	78.3%
North Metro (Adams County exc. City Aurora)	261	58.0%
Foothills Gateway (Larimer County)	257	80.8%
Envision (Weld county)	172	73.8%
Colorado Bluesky (Pueblo County)	233	94.7%

Table 2		
	June 2006 Comprehensive Residential Waiver Resources Used	**Percentage Known Demand Met**
Mesa Developmental Svcs. (Mesa County)	157	91.8%
Mountain Valley (Eagle-Garfield-Pitkin area)	72	70.6%
Eastern Colorado (Elbert-Logan-Morgan area)	103	78.6%
8 Remaining Rural Areas	468	89.3%
TOTAL	3,594	73.3%
Source: Derived from Developmental Disability Quarterly Management Report, June 2006 (persons served and waiting list data)		

Table 3	
	Percent of Residential Resources in Group Setting
Dev. Pathways (Arapahoe, Douglas, City Aurora)	28.9%
Resource Exchange (El Paso, Park, Teller counties)	15.8%
DDRC (Jefferson county and Summit area)	30.0%
Denver Options (City and County Denver)	10.9%
Imagine (Boulder and Broomfield)	12.7%
North Metro (Adams County exc. City Aurora)	8.0%
Foothills Gateway (Larimer County)	32.3%
Envision (Weld county)	12.8%
Colorado Bluesky (Pueblo County)	9.9%
Mesa Developmental Svcs. (Mesa County)	42.7%
Mountain Valley (Eagle-Garfield-Pitkin area)	56.9%
Eastern Colorado (Elbert-Logan-Morgan area)	65.0%
8 Remaining Rural Areas	42.5%
Total for State	**24.6%**
Source: Derived from Developmental Disability Quarterly Management Report, June 2006	

Advocacy Position: **Advocates for people with developmental disabilities argue that the entire focus–resource distribution among CCBs–is wrong**. They argue that the focus should be on equal access throughout the State to services for people with developmental disabilities and not on equity among the community centered boards. *In other words, an individual in Adams County should not be forced to wait 30 years for a resource while someone in Alamosa can be served virtually immediately upon request.* **Staff believes this is a key point and should be the focus of ongoing department attention.**

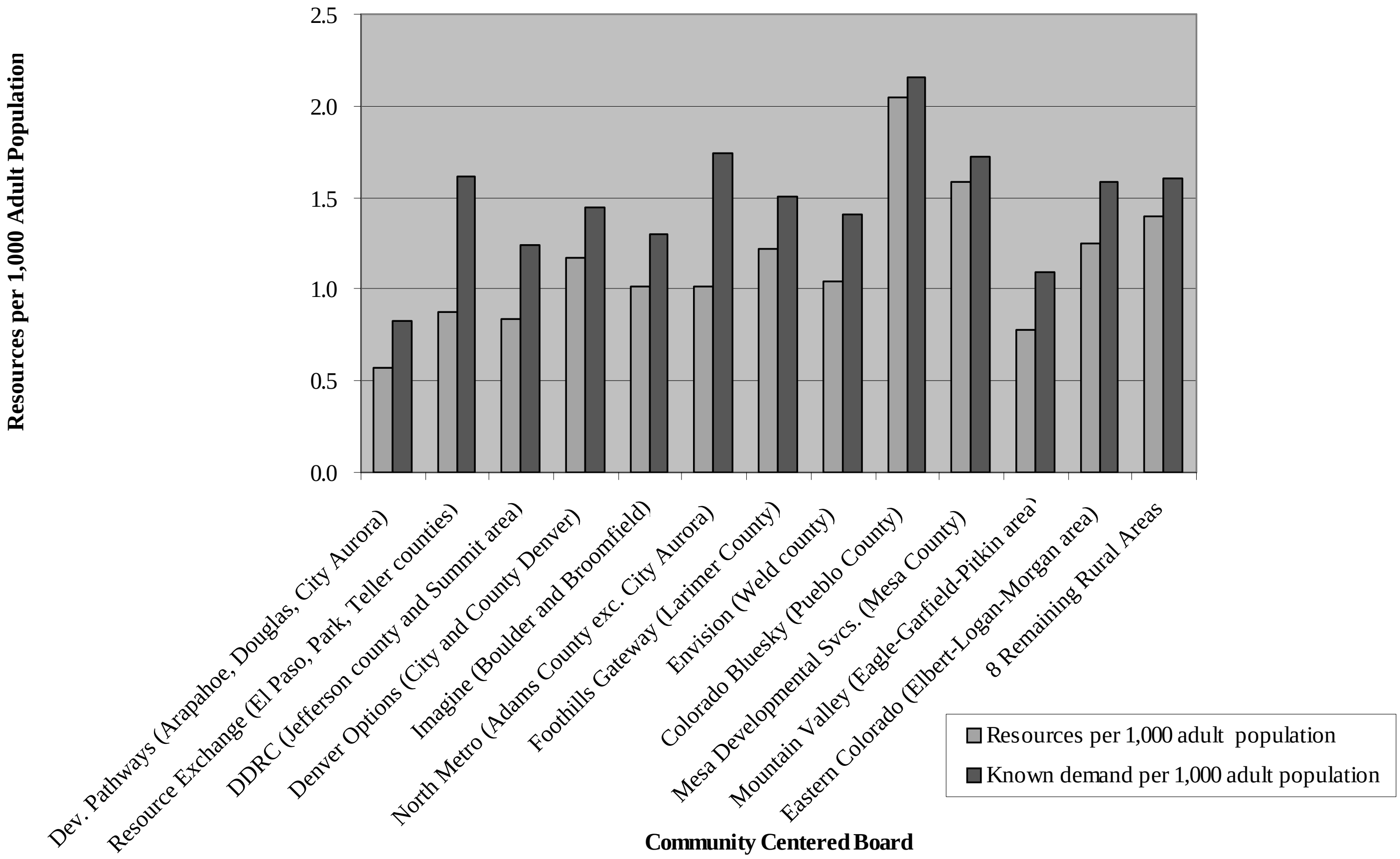
Some advocates see the appropriate solution to the situation as a statewide waiting list for services, rather than one that is tied to local CCBs. Like the proposal from some of the CCBs in high growth areas, this solution runs the risk of destabilizing services, particularly in smaller areas, where the overall costs for running a group home do not decline simply because it serves one less person. A state-run centralized waiting list would also require additional department involvement and oversight and presumably staffing.

The attached chart compares comprehensive residential resources by community centered board per 1,000 adults in the general population with the known demand, defined as persons served plus waiting list (June 2006 data). Statewide, in June 2006, there was 1.0 person in comprehensive residential services per 1,000 adults in the Colorado population. As reflected in the chart, individual CCBs had anywhere from 0.6 to 2.0 resources per 1,000 adults in their catchment areas.

Variations in known demand are also significant: statewide, if persons in services and persons on the budget-period waiting list are combined, the known demand for comprehensive residential services was 1.4 "slots" per 1,000 adults in the general population–and thus, **on the table, all CCBs would be expected to reflect total demand around this number, whether demand was fully met or not. However, as shown in the table, known demand also varies significantly by CCB**. To some extent this may reflect the effectiveness (or not) of CCB outreach to individuals that they have no funding to serve; however, it may also represent some real variations in families' willingness and ability to take care of individuals with disabilities and factors such as the overall age profile of certain areas (*i.e.*, areas with populations that are, on average, younger may be in a better position to serve developmentally-disabled persons at home and less likely to seek out-of-home placement).

Department Position: As reflected in the Department's response to Footnote 68, it has worked to address equity issues with respect to early intervention funding and has, in fact, reallocated base resources associated with this (see issue on early intervention and child find). However, due to the demands placed on the system by Medicaid waiver changes, of the new resources provided, it has allocated only 10 supported living resources based on equity factors. Remaining resources will be distributed based on emergency placement criteria. The Department indicates that it is pursuing a long-term strategy on this issue. In a September 27, 2006 memorandum to CCB executive directors, the Developmental Disability Division Director indicated that it intends to retain the National Association of State Directors of Developmental Disability Services or another qualified vendor to review and advise the Division on how best to address the equity of resource distribution in a systematic manner, including consideration of various possible formulas for measuring equity, the options for treatment of new resources and possible base resource allocation, reviewing other states' approaches, considering a statewide waiting list, and determining any needed amendments to policy or rule/regulation. **Staff supports the Department's efforts to take a serious look at this issue and presumes that, by next year, the study will be completed and the Department's proposed direction will be clearer**.

Comprehensive Developmental Disability Resources and Known Demand by Community Centered Board per 1,0000 Adult General Population



ISSUE:

Early Intervention Services: Child Find Issues, Decision Item #3 and Response to Long Bill Footnote #71

SUMMARY:

- ❑ Early intervention services refer to a variety of interventions for infants and toddlers who demonstrate developmental disabilities or delays. Funding for services comes from state General Fund, the federal Part C grant, and public and private insurance sources, among others. The Division for Developmental Disabilities has, for many years, had statutory responsibility for allocation of state-funded early intervention services through the community centered boards. The Department of Education previously had oversight over the Part C federal grant which is targeted at the same population.

- ❑ In December 2005, the Governor issued an Executive Order transferring the Part C federal grant for infants and toddlers with disabilities from the Department of Education to the Department of Human Services. The move was contentious, in part due to the lack of consultation with key players prior to the transfer. Nonetheless, the transition process has, according to the Department of Human Services and some advocates, been relatively smooth

- ❑ Ongoing issues include: (1) Whether the Department of Education or the Department of Human Services should be responsible for child find activities and how associated costs will be covered; (2) The Department of Human Service's plan for reallocation of state and federal funding by geographic area which will reduce funding to many rural areas; (3) A new request for additional state early intervention funding (part of Decision Item #3); and (4) Whether the new Governor will choose to move the location of the Part C program back to the Department of Education

RECOMMENDATION:

The Committee should ask the Department to discuss plans for the early intervention, including the questions listed at the end of this issue.

DISCUSSION:

Early Intervention Services

Early intervention services refers to services for infants and toddlers under age 3 who have been diagnosed with a condition associated with delays in development or who have delays in development. For some children, problems are evident at birth (*e.g.*, children with Downs syndrome).

For other children, problems may not be evident until age one or two, when delays in speech, mobility, or behavior may become evident. Children with severe problems, such as significant cognitive or physical disabilities, are likely to require assistance throughout their lives. However, some children with less severe issues may not require any special assistance in school or later in life if delays in speech, mobility, or other developmental areas are addressed early.

Early intervention services are intended to enhance the capacity of parents or guardians to support their child's well-being, development, learning, and full participation in their communities; meet the child's developmental needs with the context of the family; and reduce long term costs to the state. Specific services provided are based on an individualized family service plan (IFSP) developed for each child. Services typically include assessments, speech and language therapies, physical and occupational therapies, and specialized instruction to meet the needs of the child, and parent education and training.

The State estimates that approximately 2 percent of the state population or 4,199 children ages 0 to 3 in FY 2005-06 could be eligible for early intervention services under the state's service eligibility definition. As of June 1, 2006, 4,310 children were receiving early intervention service-coordination and 3,920 had individualized family service plans n in the Part C system, based on Department data. Of children who receive such services, approximately 85 percent go on to receive special education services in school and about 50 percent apply for family support services from the developmental disability system.

A body of data compiled over the last several decades strongly suggests that services provided early in a child's life reduce the need for services and long-term costs over the life of the child. These studies have looked at children at risk of poor life outcomes due to factors such as income--but have not focused on children with disabilities. For example, a 1996 longitudinal study compared life outcomes of 123 at-risk children randomly divided into a group which received high-quality preschool program (the Perry Preschool Program) and the other with no preschool experience. The study concluded that the high quality early childhood care and education program generated over seven dollars in savings for every dollar invested.

Long-term savings associated with early intervention specifically for children with disabilities has not been as clearly established. The National Early Intervention Longitudinal Study (NEILS), which is following a nationally representative sample of infants and toddlers, found that seventy five percent of parents reported that early intervention had "a lot" of impact on their child's development with another 21 percent reporting some impact. However, an effort to correlate spending with improvements in child outcomes has not yet been able to conclusively demonstrate cost savings associated with services. Colorado is currently engaged in a major federally-supported data collection effort, "Results Matter" that will utilize short term child progress data, a longitudinal study, family outcomes surveys and program quality measures to assess the impacts of Colorado's early intervention activities.

Colorado's Provision of Early Intervention Services

Like most states, Colorado has historically provided early intervention services for children under age 3 through multiple funding streams and state agencies. Colorado has provided early intervention services since the 1960s through the community centered boards (CCBs). In 1986, federal law mandating special education services for students ages 5 to 21 was expanded through the Individuals with Disabilities Education Act (IDEA) to services for preschoolers ages 3 and 4 (Part B services) and identification and coordination services for infants and toddlers (Part C services). When Colorado initially applied for, and received, the Part C grant for infants and toddlers, the Part C program was placed in the Department of Education, with Part B and other special education services. However, on December 30, 2006 Governor Owens issued Executive Order D 017 05 which moved administration of the Part C program from the Department of Education to the Department of Human Services.

The role of the **Department of Human Services and the 20 community centered boards (CCBs**) is delineated in Section 27-10.5-102 and 104, C.R.S., and associated state rules. Consistent with statute, the Community Centered Boards provide case management and direct early intervention services, or contract for such services with independent providers, for children with congenital abnormalities or significant developmental delays, as well as those with parents with developmental disabilities. Services include education, parent training, physical, speech and occupational therapies, among others.

> ***Are Early Intervention Services an Entitlement?***
> By accepting Part C federal funds, Colorado agrees to provide evaluation services, coordination services, and development of an IFSP. It also agrees to ensure certain things *about* IFSP services provided. It does not specifically agree to actually deliver the services listed on an IFSP or to pay for such services using state funds. Nonetheless, there is an expectation on the part of federal authorities that, one way or another, the state's early intervention system will find a way to ensure that all services listed on an IFSP are provided.

In addition, **as the new Part C lead agency**, the Division for Developmental Disabilities is responsible for ensuring compliance with the terms of the Part C federal grant. By accepting federal funds under Part C of IDEA, Colorado agrees to provide certain services for children under age 3 who have been diagnosed with a condition associated with delays in development or who have delays in development. These include a multi disciplinary evaluation, service coordination, the development of an Individualized Family Service Plan (IFSP), and the right to have services provided in the context of the family's everyday routines and activities. The Department distributes federal Part C funds through the 20 Community Centered Boards (a change from the Department of Education approach used thirty regional early childhood connections agencies).

While the shift of the Part C program to the Department of Human Services has consolidated the program, there are still multiple funding sources and agencies involved. The Departments of Education, Human Services, Public Health and Environment, and Health Care Policy and Financing operate under a memorandum of understanding with respect to their various roles. **Local school districts** are involved because, once a child reaches age 3, they become eligible for special education services and supports provided and paid for by local school districts (Part B of IDEA services). Historically, school districts have also been held responsible "Child Find", *i.e*, the identification and multi-disciplinary assessment of children suspected of requiring early intervention, special education, or other developmental supports.

The Department of Public Health and Environment is responsible for developing a central registry of children likely to have early intervention needs, based on hospital reports. It participates in the "child find process", sponsors specialty clinics for children with special health care needs and helps coordinate their care, and administers various newborn screens.

> ***Insurance Law:*** "... all individual and group health benefit plans shall provide medically necessary physical, occupational, and speech therapy for the care and treatment of congenital defects and birth abnormalities for covered children up to five years of age....The level of benefits required...shall be the greater of the number of such visits provided under the policy or plan or twenty therapy visits per year each for physical therapy, occupational therapy, and speech therapy...without regard to whether the condition is acute or chronic and without regard to whether the purpose of the therapy is to maintain or to improve functional capacity." [Section 10-16-104 (1.7), C.R.S.]

Medicaid, the Children's Basic Health Plan and private insurance agencies pay for direct services provided by a wide range of independent providers. This includes physical therapy, occupational therapy, and speech therapy services. Insurers subject to Colorado insurance law are required to provide 20 visits each per year of physical therapy, speech therapy, and occupational therapy for children with congenital defects and birth abnormalities. Under early periodic screening diagnosis and treatment (EPSDT) provisions, Medicaid pays for a wider range of services for children ages 0 to 21 than is commonly available under the Medicaid State Plan. In addition, HCPF contracts with local public health departments for EPSDT outreach services.

Early Intervention Funding

As a condition of the State's receipt of the Individuals with Disabilities Education Act Part C federal grant for infants and toddlers, the State effectively agrees to ensure that children who require early intervention services receive them; however, the funding for such services may be from a range of sources, including private and public insurance, state funds, local funds, and the federal part C grant (payor of last resort). Historically, all of these sources have been used to some extent to cover services. Further, since FY 2004-05, a funding hierarchy has been used in distribution of funds to ensure that other sources are fully used before state General Fund or federal funds for early

> **Funding Hierarchy**
>
> 1. Private insurance
> 2. Public insurance (Medicaid, CHBP)
> 3. Title 5--Children with Special Health Care Needs (for special medical services; administered by CDPHE)
> 4. Child Welfare and TANF
> 5. DHS Early Intervention funding and other state and federal sources.
> 6. Other local funds
> 7. Traumatic brain injury trust fund
> 8. Part C federal funds

intervention are used. The funding hierarchy is intended to reserve state early intervention funding for families who have no other resources to pay for their coverage or who have gaps in coverage and to maintain federal Part C funds in the position of "payer of last resort" after all other payment sources have been tapped.

Although the funding hierarchy is intended to promote use of funding sources other than state and federal funds, there are many loopholes in the hierarchy and obstacles to accessing many funding sources, including private insurance and Medicaid. This has left much of the burden for providing early intervention services on the state budget. According to Fiscal Year 2004-05 data (the most recent available) only 12.7 percent of persons entering the Part C system expected to use private insurance to cover a portion of their service needs, even though 61 percent of the State population has employer-provided health insurance, according to the Kaiser Family Foundation. At the same time, 76 percent expected to access State General Fund or Part C federal funds to support some or all of their service costs. Good information on the amount of funding provided by many early intervention funding sources is not available.

The General Assembly provided a large increase to early intervention services funding beginning the last quarter of FY 2005-06. A total of 613 new state-funded resources ($3.4 million General Fund) was provided. In addition, as lead agency for Part C, the Department of Human Services has indicated that it has directed more Part C funding to direct services. The table below reflects the state and federal funding for early intervention services in the Department of Human Services (state funds and federal Part C) for FY 2006-07.

FY 2006-07 Early Intervention Services Appropriation			
State Funded Resources (2,072)	Net General Fund		$11,660,362
	CFE (Local Funds/federal Medicaid match transfer)		$918,370
		Subtotal	$12,578,732
Federal Funds (includes, in addition to administrative funding, 536 resources)			$6,906,967
GRAND TOTAL			$19,485,699

Transition of the Part C Lead Agency from CDE to DHS: Footnote #71 Report

On December 30, 2005, Governor Owens issued Executive Order D 017 05 designating the Department of Human Services, Division for Developmental Disabilities as the lead agency in Colorado for Part C of IDEA. The Executive Order charged the Department of Human Services with "minimizing administrative costs and maximizing actual services provided to children by the Part C program". Footnote 71 of the FY 2006-07 Long Bill requested information on the expenditure of federal funds provided and also on the impacts of the transition of the Part C program from the Department of Education to the Department of Human Services.

The Department's report describes its transition process which included an MOU between the Departments of Human Services and Education that outlined a six month transition process for the program from January 2006 to July 1, 2006. The Department of Education remained responsible for administering services through FY 2005-06 and completing financial transactions related to the FY 2005-06 federal grant, while the Department of Human Services (with CDE assistance) prepared the FY 2006-07 federal grant application and developed the funding and administrative structure for the program effective FY 2006-07. The Director of the Division for Developmental Disabilities conducted statewide community site visits to learn more about the service models being used and issued a report on the program in June 2006. The Joint Budget Committee authorized the use of up to $150,000 in early intervention funds provided through an FY 2005-06 supplemental to assist the Department in training staff and preparing for the transition.

Highlights of the report include the following:

Administrative changes: The Department indicates that the largest impact has been administrative in nature: administration of services through the CCBs rather than having the system split between 32 early childhood connections agencies and the 20 CCBs.

The primary impact on children and families as been the change in who provided their service coordination. In many areas, early childhood connections staff simply shifted to work for community centered boards, if they were not working for the CCB already. In some areas, however, case management staff have been entirely replaced.

Child Find: Costs associated with Child Find are the most significant problem-area associated with the transition. This issue is discussed in more detail below.

Resource Reallocation: A significant impact of the transition, combined with the allocation of 613 new state-funded resources, is that the Department is proceeding to implement a new "equity" formula in resource allocation. For FY 2006-07, the Department has combined the new early intervention resources allocated by the General Assembly ($3.7 million, including $3.45 million General Fund), federal Part C funding excluding state administration and related ($5.3 million) and the continuing base funding for state early intervention resources ($8.9 million, including $8.2 million General Fund), and begun a process of reallocating the total $17.9 million ($17.0 million if General Fund and Part C funds alone are included) among community centered boards.

The Department is using Part C "count" data (data on the number of children who are under assessment and those who qualify for early intervention services that must be reported to the federal Department of Education) to distribute funds among the community centered boards. However, the re-allocation process will result in some areas losing funding, despite the overall increase in funds resulting from the new state early intervention funding. As a result, the Department is implementing a four year process for reallocating the funds.

In year 1 (FY 2006-07), community centered boards that will ultimately lose resources are being held harmless (funding is held flat), so that they have sufficient time to adjust service patterns (those targeted for increases would receive 1/3 of the increase). This is being accomplished in part through $182,242 allocated by the JBC through the June 2006 1331 emergency process**.** In year two, those CCBs that are receiving more funds than they should have based on known demand for their service would lose 1/3 of the amount of funding that is currently above what the Department believes they should be receiving based on known demand. In year 3, those CCBs targeted for reduction lose 2/3 of the amount of funding above what the Department believes they should be receiving. In year 4, reallocation would is completed, with all CCBs receiving funding based on their proportional share of qualifying children.

Decision Item #3 and Early Intervention Budget Request
As part of its decision item for increased funding for persons with developmental disabilities, the Department has requested a substantial additional increase in early intervention "resources". The request is reflected in the table below.

	FY 2007-08 (Six months)	FY 2008-09 (Annualized)
Direct Services	$542,674	$1,085,348
Case Management	99,297	198,594
Total	**$641,971**	**$1,283,942**
General Fund	609,902	1,219,804
Cash Funds Exempt (Local Funds)	32,069	64,138
Resources	219	219
General Fund per resource per year		$5,570

The Department's request indicates that there has been rapid growth in the demand for state early intervention funding as a result of both demographic factors and increased awareness of the child identification process at the local level.

For the last quarter of FY 2005-06, the Joint Budget Committee increased funding for early intervention services by 613 resources. At the time, it was told it would be eliminating the waiting list for state funded resources. However, as the Long Bill was going through the caucus process, staff was informed by the Department that their original figure had been in error. The Department indicated that as of June 2006, even after the new funding, 536 children were "waiting" for state-funded early intervention services. The Department has since built this figure into the amount of Part C "payor of last resort" funding being distributed by the Department. Thus, these additional children are served with Part C federal dollars.

The Department’s current request asserts that “denial of this funding request would result in 209 infants and toddlers not receiving intervention services.” However, any waiting list for “state funded” early intervention resources--if any now exists--does not mean that children on the waiting list are not receiving services; rather, depending on whether other local funding sources are available (such as mill levy dollars) it may mean that the children’s services are being supplemented by local dollars or it could mean, in other areas, that existing dollars are being spread thin and services children are receiving might not be optimal. The Committee may wish to ask for clarification on whether the Department expects that 209 children will actually be denied services if the request is not funded.

The Committee may also wish to request clarification on the basis for the 209 figure included in the Department's request, given: (1) the lack of any apparent justification for the 209 figure included in the request (is this a projection of added wait list growth?); (2) the merger of the Part C program and the state early intervention program (which will inevitably make it *appear* that more children are being served than are funded with State dollars, since Part C provides some funding); and (3) uncertainties about funding from other non-state sources, and whether CCBs are being sufficiently aggressive in their use of Medicaid and insurance sources.

Last year, staff recommended that the Committee pursue legislation to form a task force to look at the overall administrative and funding structure for early intervention services. The Joint Budget Committee was supportive and requested a bill draft but subsequently indicated that it felt that, given the scope of the proposed bill, it would prefer another committee took on the issue. The bill was therefore forwarded to the Health and Human Services committees in both houses and subsequently to the Early Childhood and School Readiness Commission. Although no bill was introduced in the 2006 session, the Early Childhood and School Readiness Commission has voted to introduce a related bill in the 2007 session that focuses on creating a coordinated system of payment for early intervention services, managed through the community centered boards (sponsors Senator Shaffer and Representative Todd). Staff has been providing technical assistance in the drafting process. Should this legislation be enacted, it should help bring in additional non-state support for early intervention services.

Child Find

“Child Find” is the process by which children with developmental disabilities and delays who require therapies and other assistance are identified. Previously, the Colorado Department of Education, as the lead agency for Part C, required all school districts to conduct Child Find screening and evaluations for children ages 0-21. School districts have legal responsibility under Part B of IDEA for child find and subsequent special education services from 3 years of age through 21 years of age. Once the Part C program was shifted to the Department of Human Services, the Department of Education indicated that it had no legal basis for requiring school districts to provide child find services for children under the age of 3. On April 10, 2006, a memorandum was sent from the Department of Education to Special Education Directors indicating that school districts were no longer *required* to provide child find services for children under age 3 (although this was encouraged), because the Department of Education was no longer the Part C lead agency. The letter indicated that school districts could continue current child find activities, could negotiate funding with local community centered boards to continue these activities, or could discontinue these services.

As some school districts were ceasing to provide services as a result of the memorandum, the Department of Human Services approached the JBC in June 2006 through the emergency 1331 supplemental process for $500,000 General Fund to assist with the child find process. The JBC approved the 1331 supplemental and also wrote a letter on June 20, 2006, to the Governor, the Executive Director of the Department of Human Services, the Chairman of the State Board of Education and the Commissioner of Education requesting the cooperation of the Department of Education, the Department of Human Services and the Governor's Office in stabilizing the current situation and ensuring that the child find process continues uninterrupted at school districts through FY 2006-07. The letter further noted that the Committee would assist as it was able, including by pursuing appropriate legislation to clarify agency responsibilities for child find at the next session of the General Assembly.

Substantial questions remain as to how this issue should be addressed over the long term. There is currently no state statute on the books making child find a responsibility of school districts. Instead, all state statute on this topic deals with the responsibilities of the Department of Human Services and community centered boards. Specifically, Section 27-10.5-106, C.R.S., specifies that pursuant to contract with the Department of Human Services, community centered boards shall determine whether a person is eligible to receive [developmental disability] services and supports and that "In order to accurately review these services and supports, the community centered board or regional center may make cognitive, physical, medical, behavioral, social, vocational, education or other types of evaluations fo persons receiving services". Notably, there is no state statute concerning either school districts or community centered boards that makes such entity responsible for public outreach on this topic, although the letter dated April 10, 2006 from the Department of Education to school districts indicated that this remains a school district responsibility to some extent.

In Colorado the Governor does not have authority over school districts. Pursuant to Article IX of the State Constitution, the general supervision of the public schools of the state is vested in the state board of education, which appoints the commissioner of education. Thus, the Governor has no legal means to force school districts to perform child find activities. While federal law might resolve this situation in some other states, given Colorado's bifurcated power structure with respect to education and human services programs, federal law may not adequately define responsibility for providing child find services. The General Assembly is the natural body to resolve this issue. Unlike the Governor, the General Assembly does have legal authority over the maintenance of public schools, pursuant to the State Constitution.

During an update on the Child Find situation from the Department in September 2006, the JBC indicated that it hoped to see a proposal with support from the Department of Education, school districts and the Department of Human Services. Staff understand that meetings have been occurring; however, whether there will be agreement on who should take responsibility for Child Find remains an open question. Furthermore, the departments are still in the process of collecting and analyzing data on the cost of these services. **Staff does recommend that the Committee sponsor legislation clarifying child find responsibilities**. **However, until there is further feedback from the two**

departments, staff is not prepared to make a recommendation regarding the outlines of such legislation. Staff hopes to return to the Committee later in the month with additional information and a recommendation.

Staff Observations

Transfer of the Part C Program: JBC staff pointed out in staff's FY 2006-07 budget briefing that the Department of Human Services and Education were supporting local offices with very similar functions and that this likely created some administrative inefficiency. Staff was nonetheless deeply disturbed by the process by which the shift of all funding to the Department of Human Services was made, which involved no direct consultation with the Department of Education or the General Assembly. The flawed process contributed to an initially rocky transition. However, it does appear that, in many respects, the program has been stabilized in the Department of Human Services and that the transition for families has been relatively seamless. Advocates consulted have confirmed this, and staff believes the Department of Human Services deserves credit for this.

Staff understands that there is now some possibility that the incoming Governor will shift the program back to the Department of Education. Staff continues to believe that the administration of Early Intervention and Part C funding should be consolidated. As the Governor has sole authority to transfer the Part C program and the General Assembly controls the location of the state early intervention program through statute, staff hopes that any proposal to move funding again will be thoroughly discussed with the General Assembly and affected departments before any action is taken.

Equity and Allocation of Funding: Long Bill Footnote #68 requested that equity be considered, among other factors, in allocating the new resources provided by the Joint Budget Committee. As described above, the Department has pursued reallocation of base resources for early intervention services, rather than just considering equity related to the new resources. Given that most early intervention resources are used for under a year, staff believes it was appropriate for the Department to look at shifting funding that was allocated based on purely historical factors. Nonetheless, legitimate concerns have been raised about the formula being used. Rural areas have expressed concern that their service costs per child are often much higher than urban areas because of distances that must be traveled to serve children in their "natural environments" as required by Part C. The Department previously committed to study this issue during FY 2006-07 to determine whether an associated funding adjustment factor is appropriate. The Committee may wish to request further information on these plans.

Staff also notes that some of the urban community centered boards that have seen large increases as a result of the Department's reallocation process appear to be substituting the new state and federal funding for local mill levy funds they had previously used. At least one of the Community Centered Boards has confirmed that it expects to move over $1 million of local funding for the early intervention population to other developmental disability services. *Based on this, it should be noted that increasing dollars available for early intervention will not necessarily result in increases in services to children although it may, indirectly, result in increases in services for other persons with developmental disabilities.*

Hearing Questions

1. Do the Departments of Human Services and Education have a coordinated proposal on Child Find legislation? If not, each Department is requested to outline its preferred approach to the issue and major factors it believes the General Assembly should consider with respect to this child find legislation.

2. Based on data collected in the Fall, what are the current estimated costs associated with Child Find activities?

3. If the General Assembly does not add funding for 209 early intervention resources, does the Department really expect that 209 children will be denied services? Also, explain the basis for the 209 figure included in the Department's early intervention funding request in Decision Item #3.

4. Discuss you plans for reviewing the Department's early intervention funding reallocation process to consider issues such as rural transportation costs.

5. Access to local mill levy funds has substantial impacts on a community centered board's ability to serve its local population. Per statute and good public policy, CCB's state funding should not be reduced based on local votes to institute mil levies. However, should the *ability* of a region to adopt an effective mil levy (i.e., some measure of regional wealth) be a part of equity formulas?

FY 2007-08 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES
Child Care

ISSUE:

Funding for Child Care: Child Care Subsidies, Licensing, and Decision Item #18

SUMMARY:

- ❏ State funding for Child Care is dominated by federal Child Care Development Funds (CCDF), which may be appropriated by the General Assembly consistent with federal rules and regulations governing the funds. The majority of funding is used for the Child Care Assistance Program (CCAP) which supports county-administered child care subsidies. The CCDF funds are also used to support various quality and oversight activities.

- ❏ Historically, expenditures from the CCDF were lower than annual federal allocations and reserves were created. More recently, state appropriations have exceeded federal allocations. As of the beginning of FY 2007-08, reserves are projected at $14.2 million; however, reserves will decline to $2.4 million by the end of the year if the Department's request is approved. If the FY 2007-08 request is approved, General Fund backfill will be required in FY 2008-09 and the need will increase to $3.8 million in FY 2009-10.

- ❏ Factors that could result in more rapid exhaustion of CCDF reserves and other factors that may drive increases in General Fund appropriations for child care include: (1) A renewed budget request of $8.6 million CCDF funds (mostly in the capital budget) for FY 2007-08 for a replacement of the current "CHATs" information technology system that tracks county-administered child care subsidies; (2) reintroduction of the Child Care Councils bill for FY 2007-08 (last year's H.B 06-1397) which passed during the 2006 session with a $2.0 million General Fund appropriation but was subsequently vetoed; and (3) Anticipated proposals to reduce caseloads and increase oversight in child care licensing activities.

- ❏ While there is increased demand for child care spending for quality and administrative initiatives, the demand for spending for child care subsidies appears to have fallen. The Department reverted $840,000 appropriated for the Child Care Assistance program in FY 2005-06 reflecting, in part, an overall trend toward reduced spending for child care by counties. The Department projects further under expenditure for the CCAP program in FY 2006-07 related to the implementation of S.B. 06-45 (which requires all CCAP providers to undergo background checks).

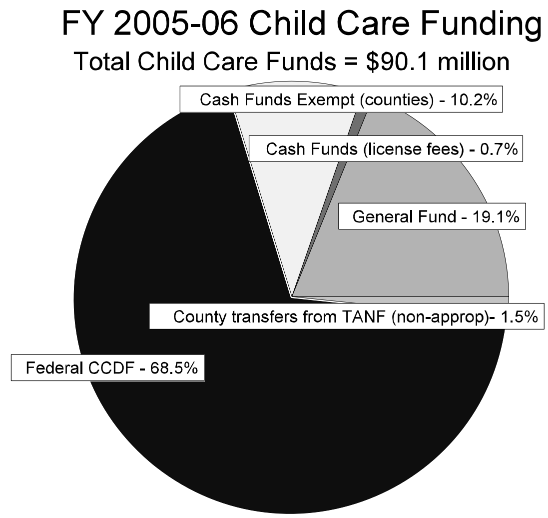
RECOMMENDATION:

The Department should be asked to discuss how federal funds shortfalls and the looming need for General Fund backfill should be addressed, as well as other questions included at the end of this issue.

DISCUSSION:

State Funding for Child Care

There are five sources of funding for state child care programs in Colorado: federal Child Care Development Funds, state General Fund, local county match, licensing fees from child care facilities, and transfers of Temporary Assistance to Needy Families (TANF) funds that are authorized by counties (but are not appropriated in this part of the budget). The bulk of funding is used to fund the Child Care Assistance Program (CCAP), which funds counties to provide child care subsidies to low-income families and families transitioning off of the Colorado Works program. The Division is also responsible for facility licensing and child care quality improvement initiatives.



Federal Child Care Development Funds (CCDF) are unusual in that the General Assembly is authorized under federal law to appropriate them. There are three types of funds: *mandatory* funds are received by all states based on historic expenditures prior to federal welfare reform; *matching* funds are based on the number of state's children who are under 13. These require a 1:1 non-federal match ; and *discretionary* funds were added as part of Welfare Reform. Funding is based on various state population in need. Federal funding comes with various "strings", including maintenance of effort requirements, a requirement that 4.0 percent of expenditures from all sources be tied to quality initiatives and that, of the federal discretionary funds, certain portions be "earmarked" for particular functions, including infant and toddler care and school-age care and resource and referral services.

For many years, the Department has held substantial reserves of CCDF funds. However, these amounts are being spent down. The table below reflects recent trends, the appropriation, and request.

The FY 2007-08 request includes $8.6 million funding (primarily through the capital budget) for replacement of a major information technology system (the Child Care Automated Tracking System or CHATs) and $1.1 million for a 2.0 percent community provider cost of living increase primarily for the Colorado Child Care Assistance Program. If the FY 2007-08 request is approved, CCDF reserves will be largely eliminated, as reflected in the table below.

Federal Child Care Development Funds (CCDF)					
	FY 2003-04	**FY 2004-05**	**FY 2005-06**	**FY 2006-07**	**FY 2007-08**
	Actual	**Actual**	**Actual**	**Approp.**	**Request**
Roll-forward CCDF	$21,568,947	$18,890,334	$17,562,419	$16,265,788	$14,159,122
New CCDF Allocation	56,219,807	57,466,116	59,773,723	61,381,458	61,425,818
Total CCDF Funds	**$77,788,754**	**$76,356,450**	**$77,336,142**	**$77,647,246**	**$75,584,940**
Expenditures	58,898,420	58,794,031	61,070,354	63,488,124	73,219,523
Balance to roll forward/(shortfall)	$18,890,334	$17,562,419	$16,265,788	$14,159,122	$2,365,417
New CCDF Allocation v. Expenditures	(2,678,613)	(1,327,915)	(1,296,631)	(2,106,666)	(11,793,705)

Colorado Child Care Assistance Program

Funding for the Colorado Child Care Assistance Program (CCCAP) makes up 86 percent of the total Division of Child Care appropriation. The appropriation provides a block grant to each county for child care subsidies following an allocation formula that includes: (1) the number of children in the county ages 0-12; (2) the number of county children in the Food Stamp program; and (3) the previous year's CCCAP utilization.

Counties are required to provide child care subsidies to any person or family whose income is less than 130 percent of the federal poverty level subject to available appropriations. Recipients of assistance are responsible for paying a portion of child care costs. Counties are also *authorized* to provide child care assistance for a family transitioning off the Works Program or for any other family whose income is between 130 and 225 percent of the federal poverty level.

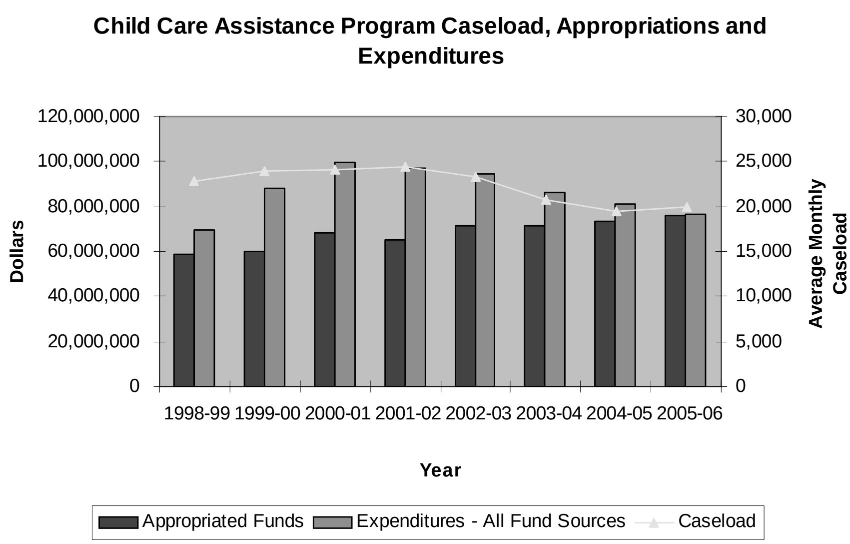
Persons transitioning off the Works program made up 27 percent of persons served in FY 2005-06, with73 percent qualifying based on income. Children in families earning 130 percent or less of the federal poverty level make up 85 percent of persons served. Specific county eligibility policies do vary and have changed over time.

Expenditure Trends*:* The history of the program includes bursts of funding increases (in the early and late 1990s) that led counties to expand enrollment---only to sharply tighten eligibility requirements when caseload exceeded funding. As reflected in the chart below, enrollment and total expenditures--including TANF transfer funds and county administrative expenditures--has dropped significantly since 2001-02, which again appears to be associated with tighter eligibility requirements and reductions in funding.

Expenditure of TANF-Transfer Funds for Child Care	
	CCDF expenditure TANF funds (SFY) (million $)
FY 2001-02	$31.9
FY 2002-03	21.9
FY 2003-04	12.9
FY 2004-05	6.5
FY 2005-06	1.4
CCDF county reserves, 6/30/06	47.6

Total state *appropriations* for child care subsidies **increased** from $41.2 million in FY 96-97 to $79.9 million in FY 2006-07, with most of the increase reflecting federal CCDF funds. However, actual county *expenditures* for the program peaked in FY 2000-01 and have **declined** ever since. The discrepancy reflects a decline in expenditures of Temporary Assistance to Needy Families (TANF) funds that were transferred and used for child care purposes. Counties are permitted to transfer up to 30 percent of their TANF allocations into CCDF and Title XX Child Welfare Funding. As the maximum of 10 percent is generally transferred to Title XX, 20 percent is generally available for transfer into Child Care. The decline has been dramatic, with expenditure of transfer funds falling from almost $32 million in FY 2001-02 to just $1.4 million in FY 2005-06. This in part reflects funds that were transferred to child care but kept in reserve, rather than expended (as reserves now stand at over $47 million). However, it also **appears to reflect a reduction in county commitment to this program and associated tightening of eligibility requirements** in the face of overall constraints faced in TANF programs. Notably, *TANF moneys transferred into child care fund reserves may ultimately be transferred back to the TANF program, so transfers to child care reserves are not necessarily a good indication of counties' spending intentions*.

In FY 2005-06, there was a General Fund reversion for the CCAP program of almost $840,000. This was driven in large part by a late $1.0 million supplemental increase in the federal funds appropriation, which counties apparently were not able to build sufficiently rapidly into their spending plans. However, this is another indication of the overall county trend to limit program eligibility and reimbursement rates and thus to keep expenditure levels close to appropriation levels.



Over the last few years, as the trend toward reduced TANF-transfer CCAP spending has become evident, **counties have indicated that the trend has been driven in part by uncertainties about federal welfare reform legislation**. As the Committee is aware, the TANF program was reauthorized at the federal level in February 2006 as part of the budget reconciliation bill (S. 1932). For Colorado, this has meant an overall increase in Child Care and Development Block grant of 5.1 percent over the previous FFY 2005-06 level, and an increase of $2.9 million per year for Colorado through 2010. The law also included provisions designed to drive increases in work participation by TANF recipients, since states will no longer receive credit for caseload reductions that occurred prior to 2005. In 2006, Colorado's work participation rate, as calculated in a Congressional Research Services analysis, was 33 percent of families. To avoid federal penalties, Colorado will need to increase family work participation to meet a 50 percent work participation requirement by 2007, or will need to further reduce its TANF caseload. **It may be too soon to predict the impact of these TANF reauthorization changes on county child care programs**; **however, thus far the trend has continued to be for reductions–rather than increases–in child care program spending.**

The Department has also indicated that, beginning in FY 2006-07 and continuing in FY 2007-08, it expects to see a further reduction in CCAP expenditures associated with the passage of S.B. 06-45. This bill requires that child care providers that are otherwise exempt from child care licensing requirements submit to background checks for all household members if the provider receives CCAP funding. The Department indicates that many exempt providers receiving CCAP funding are relatives, such as grandparents, of the children receiving services. Based on the experience of other states, many such providers may choose to forego CCAP reimbursement rather than undergo background checks for all members of their household—even through they may continue to provide daycare for family members. Based on the experience of Washington State, for example, as many as 50 percent of all exempt providers may choose to drop out of the program. ***According to Department staff, if this holds for Colorado, it could drive program reversions of up to 8 percent of total CCAP appropriations or $6.4 million in FY 2006-07***. Over time, counties will presumably adjust eligibility and reimbursement rates to fully use funding; however, because such responses tend to be delayed, supplemental reductions may be required in the short-term.

<u>Program Structure Issues:</u> **The Committee also discuss with the Department whether the CCAP program structure, overall, may deserve some review**. It is very difficult to examine or address, on a statewide basis, issues such as whether there is an unmet need for the program and whether provider reimbursement rates are reasonable. This is because counties are, to a large extent, able to set their own parameters for the CCAP program, including participant income cut-offs, provider reimbursement rates, and whether participants are eligible while engaged in training/study activities. *Provider organizations frequently complain that community provider rate increases are not passed on to them, but this is an issue which is difficult to address given the local-control nature of the program.*

While staff recognizes that there are good reasons for local control and local variations in how the program is run, there may be benefits to developing some statewide standardization in certain areas. For example:

1. Some means for ensuring provider rate increases are actually passed on to providers may be appropriate, at least for counties where rates paid are well below guidelines to reimburse providers at the "75th percentile" of provider-rates in the area;

2. A more limited array of income level cut offs among which counties could choose (e.g., 130 percent of poverty, 150 percent of poverty, 200 percent of poverty, etc.) could facilitate program administration. Department staff have also suggested that consistent statewide

policies on whether a client is eligible if enrolled in a training program may be worth considering.

Establishing state-wide policies in most areas would require statutory change. Section 26-2-801 through 806, C.R.S. gives broad authority to counties in managing child care block grants, and Section 26-2-803, C.R.S. specifically authorizes counties to negotiate payment rates. **Staff recommends that the Committee begin a discussion with the Department on what changes of this type it believes may be worth considering**.

Child Care Information Technology Request

For the second year in a row, the Department of Human Services has submitted an $8.6 million capital construction request for replacement of its current Child Care Automated Tracking System (CHATs) information technology system, with a smaller accompanying request in the operating budget (Decision Item #18). The General Assembly rejected the request for FY 2006-07, but the Department was encouraged to resubmit in the future. It has chosen to do so in FY 2007-08 with no significant changes in the request, other than the addition of a certified project manager, as required under S.B. 06-63. (The information below is therefore largely the same as that presented during staff's FY 2006-07 briefing and figure setting presentation).

CHATS is a data system that supports the Department and all counties in managing the subsidized child care program (total expenditures of $80 to $100 million, depending on the year). The system serves over 48,000 children within 23,000 low income and disadvantaged families who receive services from 10,000 licensed and legally exempt child care providers. CHATS current functions include: client administration, provider administration, payments, recovery, program technical assistance, program monitoring, and reporting. It was first developed in 1995 on mainframe technology. In FY 2003-04 the Joint Budget Committee appropriated funds for a feasibility study on replacement of the system. The Division argues that a new, more modern system is needed to meet business needs that have changed, improve child care expenditure tracking, reconciliation and reporting, and reduce fraud, among other issues.

The proposal is to replace the current CHATS system with a web-based system that uses "point of sale" technology. The proposal is to build a new system from scratch over a two-year period, using an outside vendor. As reflected in the table below, a significant portion of the cost is for "point of sale" technology that would allow a family to "swipe" a child care assistance program "credit card" that would reflect the family's child care assistance program allocation. The new system is expected to have a life span of 10 years. Equipment lease and maintenance costs of approximately $1.2 million per year would be ongoing during this period. The majority of such maintenance costs are associated with the "point of sale" technology. If this new system lasts 10 years (as reflected in the Department's feasibility study), total costs for development and maintenance will exceed $20 million over the life of the project ($8.6 million for development + ($1.2 million x 10 years). This works out to approximately 2.5 percent of total funds distributed each year for child care, using a conservative estimate of $80 million distributed per year.

CHATS Information Technology System Replacement - 5 Year Costs				
	Development Phase		**Maintenance (year 1)**	**Development (2 yrs) + Maintenance (3 yrs)**
	FY 07-08 Request	FY 08-09 Projection	FY 09-10 Projection	FY 07- 08 to FY 11-12 (5 year Total)
Capital				
Development vendor	$3,784,480	inc. in '08	$0	$3,784,480
Development software	33,096		0	33,096
Development hardware	137,975		0	137,975
Independent Validation (I V & V)	230,560		0	230,560
Point of sale (POS) hardware	3,936,400		0	3,936,400
Contingency (5 percent)	406,126		0	406,126
Subtotal - Capital	**$8,528,637**		**$0**	**$8,528,637**
Operating				
Materials and supplies	$32,773	$6,500	$0	$39,273
Maintenance of hardware	0	33,333	33,333	133,333
Maintenance of software	0	0	1,205,958	3,690,710
Telecommunications	9,151	7,852	0	17,003
Training	32,000	0	0	32,000
Subtotal - Operating	**$73,924**	**$47,685**	**$1,239,291**	**$3,912,319**
Grand Total	**$8,602,561**	**$47,685**	**$1,239,291**	**$12,440,956**

The Department's feasibility study originally projected that the impact of the new system would be savings and avoided costs of over 21 percent per year of expenditures for CCAP (savings/cost avoidance of $18.4 million per year)*; however, during its FY 2006-07 budget hearing, it revised this estimate to 8 percent.* The table below compares projected costs for the program with projected savings, assuming an 8 percent savings rate, with a somewhat lower rate in the first two years associated with "ramp up".

CHATS Information Technology System Replacement - Projected Benefits/Avoided Costs JBC Staff Calculations, based on Revised Department Estimates		
	Avoided annual costs by 3rd year of operation (FY 10-11)	3 Year benefits: FY 2008-09 through FY 2010-11*
Reduced over-payments to providers/fraud (estimated at 8 percent of CCAP expenditures of $80 million)	$6,400,000	$15,360,000
Other IT costs avoided (e.g., maintenance costs, economies of scale for hardware and software purchases) based on feasibility study	323,859	942,117
	$6,723,859	$16,302,117

*Consistent with the figures in the Department's feasibility study, staff has assumed that the savings rate during the first two years of operating is 70 percent of the savings by the third year, based on time required to "ramp up" and maximize use of the system

Assuming the Department's estimates of 8 percent savings, are accurate, the savings associated with the new system ($16.3 million) will have substantially exceeded the system's costs ($12.4 million) after 2 years of development and three years of implementation. Further, once the system is fully implemented, estimated annual savings of $6.7 million will be three times the annual maintenance cost of $1.2 million. As shown in this table, the vast majority of savings/costs avoided are derived from calculated reduced over-payments to providers and reduced fraud. The reduced fraud and over-payments calculation is based on an 2003 Child Care Provider study by the Department of Human Services' Office of Performance Improvement. The Office conducted audits of a large sample of child care providers. *The audit found, among other issues, a 14.7 percent error rate in payments to providers.* Errors reflected in this figure included: the provider did not have any documentation for the months in question, a full-time day was billed, but documentation reflected only a part-time day, the amount paid was more than the authorized subsidy, and absences paid were more than the number allowed by the county. *If payments had been withheld or adjusted based on these exceptions, the net reduction in provider payments would have been 14.7 percent.*

Oklahoma's Experience: Oklahoma has implemented a new child care IT system costing $6.0 million that included point of sale technology. Between FY 2003-04 and FY 2004-05, when the system was implemented, it reported a 10 percent reduction in the amount paid per child, resulting in savings of nearly $13 million per year despite a 1.0 percent increase in the number of children receiving services. It believes these savings are associated with the new system. However, it does not believe it would have realized these savings in the absence of significant policy changes, e.g., not allowing cards to be swiped more than 10 days after a child care visit and making families liable, food stamps on same cards to discourage families from allowing providers to hold cards, requirements that eligibility workers approve or deny childcare within 2 days and that families are liable for care in case of denial**. Indiana implemented a system essentially identical to Oklahoma's one year later and has realized virtually no savings.**

For FY 2006-07, staff recommended and the JBC agreed, that the project be delayed and reconsidered for the future. Major considerations included the following:

Department capacity to manage large IT projects: **The Department's capacity to manage a large information technology project was the most significant factor advocating for a delay**. Staff believed that the Department should ensure CBMS is fully stabilized and successfully implemented before it embarks on another new information technology system. It does appear that CBMS is substantially stabilized and this may therefore no longer be a major factor. Further, this is significantly smaller project than CBMS, the new project management requirements in statute should help to ensure qualified management, and the Division has successfully rolled-out its much-smaller new child care licensing database system.

Nonetheless, staff encourages the Committee to discuss the following ongoing concerns with the Department:

(1) **The Child Care Division's director retired in Fall 2005, and, over a year later, a new director had not been hired.** Depending upon whether the new director is drawn from existing staff or brought in from the outside, she or he may face a significant learning curve. Further, a new director may want the opportunity to give the proposal a fresh look.

(2) Colorado Counties Inc. previously indicated it supports the project **with certain conditions**, specifically:

1. The project should have steering committee that includes a county commissioner, a county human services director, and a user of the system;
2. The project must have a real pilot and be rolled-out slowly, based on the pilot;
3. The steering committee, including the county representatives, should decide whether the system is "go" or "no go" at the roll out stages;
4. Costs for the system must be closely monitored and should not be borne by the counties or taken from county child care allocations.

While staff agrees with items 1-3, based on the current federal CCDF funding situation, it cannot be guaranteed that cost over-runs would not be taken from county child care allocations. In particular, staff anticipates that costs for maintaining the system ($1.2 million per year) will might come out of CCAP allocations. It is assumed that the system will generate sufficient savings at the county levels to cover ongoing costs; however, this is will not be certain until the system is in place.

Request that Changes to the Proposal be Considered

During discussions of this project, several of the JBC members raised specific questions and concerns about the project's structure. The Committee should ensure that these questions have been answered to the members' satisfaction.

(1) **JBC members requested that the Department consider integrating CBMS into CHATs. During the FY 2006-07 budget hearing, the Department indicated it able to consider the feasibility of integrating CHATs into CBMS before August 2006 at the earliest. It is not clear that it has taken any further steps to look at this issue.** The Department has noted that CHATs was originally intended to be part of CBMS but was cut from the project for cost reasons**.** At present, 26 percent of Child Care subsidy clients are in the Works program. From the perspective of the county staff and benefits applicants, applying for Child Care at the same time as applying for other benefits programs makes sense. Nonetheless, it is not clear to JBC staff that CHATs can be easily integrated into CBMS, unless the state wishes to make very significant changes to its locally-managed child care program. Specifically, *eligibility for child care is different in each county*. Ideally, as a "one stop shop" for eligibility benefits, CBMS should incorporate Child Care programs. However, from a practical perspective, programming CBMS to do something different in each of the state's counties could be problematic. County representatives have voiced strong opposition to incorporating CHATs functionality in CBMS, in light of CBMS' problems. Still, it seemed reasonable to ask the Department to look at whether the *eligibility portion* of the new CHATs system could be included or closely inter-linked with CBMS (billing would have to remain separate).

(2) **JBC members expressed interest during the figure setting presentation in whether the billing/point-of-sale technology could be added onto the existing CHATs system without a full system rebuild**. The Department should be asked to respond to this question.

(3) **The Committee encouraged the Department to consider purchasing a system from another State, rather than attempting to build its own.** The Department previously responded by pointing to its feasibility study analysis that indicated that this option would cost more ($7 million, according to the study). This is largely due to Colorado's county-administered child care system. Since counties have authority to establish eligibility rules and payment structures for child care, far more system flexibility is required than for most states. Nonetheless, the General Assembly may wish to discuss with the Department whether components of the systems being used in Oklahoma and Indiana might provide a solid foundation for a new system for Colorado, even if Colorado was not attempting to transfer the entire system from another state.

(4) **Members emphasized that policy/systems changes should be considered before an expensive information technology system is built to meet current business practices**. For example, members asked whether the State should consider more centralized administration of child care programs, which, in turn, might allow the State to purchase a complete system from another state. This last issue reaches beyond the specifics of a new information technology system and could require statutory changes. The Department and the General Assembly should, minimally, be certain that: (a) any major program changes are addressed before the new IT system is built; (b) where appropriate, day-to-day business practices are adjusted before the new system is built around old, less effective ones; and (c) that the new system will be able to adapt to policy changes that the General Assembly may adopt in the future. As noted above, staff does recommend that some additional statewide standardization of the child care subsidy program be discussed.

Financial Considerations

Funding this project will essentially exhaust remaining federal child care fund reserves. This has significant General Fund implications, since this means that, beginning in FY 2008-09 programs will either need to be reduced or General Fund backfill will be required to maintain major programs. If this project is not funded, reserves could be stretched to cover ongoing costs for at least two more years before programs would need to be cut or General Fund backfill provided.

Child Care Licensing and Child Care Councils Issues

Neither of these issues is part of a formal budget request; however, both could affect the child care budget in the near future, and both are therefore briefly covered below.

Child Care Councils

Last year, a working group of Colorado Counties Inc. approached the JBC about a proposal to improve the quality of early childhood care and education. The effort ultimately evolved into H.B. 06-1397 (Early Childhood Councils Act) sponsored by Representative Solano and Senator Shaffer. The bill passed the General Assembly with a General Fund appropriation of $2.0 million but was vetoed by the Governor. This year, the Early Childhood and School Readiness Commission has agreed to sponsor a version of the bill. The bill would essentially expand the current system of child care "pilots" statewide. The pilots bring together community representatives involved in early childhood care and education issues, including county staff, providers, mental health professionals, community colleges, and others to coordinate and expand the quality and quantity of early childhood care in pilot communities. The bill would expand this infrastructure throughout the State and initiate various other programs to promote child care quality. The associated fiscal note is not yet known.

Child Care Licensing

The Department's request does not include any significant adjustments to its child care licensing activities, other than standard personal services increases. However, it is notable that the Colorado Child Care Licensing Work Group recently completed its report on child care licensing models, authorized pursuant to S.B. 00-19. The bill included funding for four pilot sites to test licensing models. As required by the bill, results from the pilots, and other available data, was reviewed and augmented by a 30-person work group consisting of child care providers, state department staff, and a variety of experts in the child care field. The resulting report culminated five years of research in Colorado on the ways to improve the current system of child care licensing. At least one of the group's recommendations has already been implemented through S.B. 06-45, discussed above.

Many recommendations of the Work Group can likely be addressed with little or no additional funding. However, of particular note are recommendations that the Division: (1) achieve appropriate caseloads that allow a minimum of 1 supervisory visit in every licensed setting per year and additional supervisory visits occurring based on existing variable risk factors; and (2) reduce the caseloads for licensing supervisors to ensure that licensing specialists receive adequate supervision. The report indicates that depending on how cases are weighed, caseloads in Colorado vary from 150 to 300. The National Association for the Education of Young Children recommends that state licensing staff carry a caseload no greater than 75 center facilities. Child care licensing is largely supported by General

Fund. *If the Department chooses to move forward in the future with the recommendation in this area, it would likely include a significant General Fund price-tag*.

Long Term Projection - Child Care Development Funds

The most significant issue facing the Child Care budget is the current imbalance in incoming federal CCDF funds and annual allocations. The Department's current request, if approved, would exacerbate the problem.

As a result of various late adjustments to balance the budget, the JBC substituted $2.0 million in federal CCDF funds for a $2.0 million General Fund increase originally approved for FY 2006-07. While funds to do this were available in the short-term, incoming federal funds cannot cover this imbalance in the long term. The Department's request exacerbates this imbalance.

In addition to the proposed CHATs system replacement, the Child Care request reflects:

- A common policy 2.0 percent community provider cost of living adjustment, including increases of $356,000 General Fund and $1.1 million federal CCDF funds;
- A common policy leap year adjustment including $122,055 General Fund and $122,055 federal CCDF funds

Notably, the request does NOT include a reduction to CCDF funds allocated for federal earmarks. Among the requirements associated with federal CCDF funds are that certain amounts be "earmarked" for: (1) infant/toddler programs; (2) school age and/or resource and referral programs; and (3) quality expansion activities such as professional development, mentoring, provider retention, equipment supply, facility start-up and minor facility renovation. For the last three years the Department has sought to make expenditures to complete a backlog of "open" (incomplete) earmark requirements. The reduction for FY 2006-07 was designed to eliminate the remaining backlog and a return to a base level of earmark appropriations. However, *the Department did not include a further reduction of $745,786*, which could have been anticipated for FY 2007-08, based on minimum federal requirements. Staff understands that the Department does not wish to reduce its expenditures for quality; however, as previously noted, current appropriations are running well above federal receipt levels, and reductions are likely to be needed in the future. This is one potential area for such reductions.

The table on the following page reflects staff's projection for Child Care Development Funds through FY 2010-11 if the CHATs system replacement is funded and other components of the request are approved. **Assuming no other increases in costs or increases in federal funds received, the existing CCDF reserves are depleted by FY 2008-09, when either other costs must be reduced or additional General Fund must be provided to keep all other programs at the FY 2007-08 request levels. By FY 2009-10, the shortfall which must be taken in program cuts or backfilled with General Fund is projected to reach $3.8 million**, even assuming that ongoing CHATs maintenance costs are split between federal funds and the General Fund and that there are no further cost of living increases.

FEDERAL CHILD CARE DEVELOPMENT FUNDS (CCDF)	FY 2006-07 Approp.	FY 2007-08 Request	FY 2008-09 Projection	FY 2009-10 Projection
FUNDS AVAILABLE:				
CCDF Funds Rolled Forward From Prior Years	$16,265,788	$14,159,122	$2,365,417	$0
New Funds Available	61,381,458	61,425,818	61,425,818	61,425,818
TOTAL TANF FUNDS AVAILABLE	**77,647,246**	**75,584,940**	**63,791,235**	**61,425,818**
CCDF EXPENDITURES:				
CHATs Information System Replacement	0	8,602,561	47,685	619,646
Other Indirect Costs and Information Systems	936,932	962,776	962,776	962,776
Child Care Assistance Program	52,784,774	53,831,469	53,831,469	53,831,469
Child Care Licensing and Administration	3,089,572	3,149,825	3,149,825	3,149,825
Child Care Grants (including federal earmarked funds)	3,473,633	3,473,633	3,473,633	3,473,633
Pilot Program for Community Consolidated Child Care Services	972,438	972,438	972,438	972,438
Early Childhood Professional Loan Repayment Program	5,000	0	0	0
School-readiness Child Care Subsidization Program	2,225,775	2,226,821	2,226,821	2,226,821
TOTAL EXPENDITURES	**63,488,124**	**73,219,523**	**64,664,647**	**65,236,608**
AVAILABLE FUNDS LESS EXPENDITURES	**14,159,122**	**2,365,417**	**-873,412**	**-3,810,790**
Annual Grant Compared to Annual Expenditures	-2,106,667	-11,793,705	-3,238,829	-3,810,790

Hearing Questions

Staff recommends that the Committee ask the Department to respond to the following questions:

1. How do you propose to address the funding imbalance? Should the Committee consider NOT funding a federal CCAP community provider cost of living this year, in light of last year's large CCAP increases and the imbalance problem? Should a further reduction in the "earmarks" spending (quality activities) be considered?

2. Can you give a better estimate of the impact of SB 06-45, based on expenditures to-date. Do you see associated funding reductions assisting with the current CCAP funding imbalance? Do you see a long-term reduction or only a short-term reduction?

3. Address Committee questions about the CHATs rebuild outlined in the issue.

4. What are the implications of TANF-transfer reductions in the CCAP program? Do you see this as a temporary or ongoing situation?

5. Do you believe some additional statewide standardization of the CCAP program would be beneficial? Would you support associated statutory changes?

6. What are your plans for considering the licensing program staffing increases recommended by the child care licensing work group? What are your time frames?

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FY 2006-07 EMERGENCY SUPPLEMENTAL:
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

Prepared By:

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December 6, 2006

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	FY 2005-06 Actual	FY 2006-07 Appropriation	Fiscal Year 2006-07 Supplemental Requested Change	Recommended Change	New Total with Rec.

DEPARTMENT OF HUMAN SERVICES
Executive Director - Marva Hammons

EmergencySupplemental - Required Changes to DD Medicaid Waiver Program

	FY 2005-06 Actual	FY 2006-07 Appropriation	Requested Change	Recommended Change	New Total with Rec.
Department of Human Services					
(9) Services for People with Disabilities					
(A) Developmental Disability Services					
(1) Community Services					
Adult Program Costs**	267,971,683	294,358,936	(1,902,791)	(1,902,791)	292,456,145
General Fund	11,168,268	12,438,159	1,902,792	1,902,792	14,340,951
Cash Funds	0	0	0	0	0
Cash Funds Exempt	256,803,415	281,920,777	(3,805,583)	(3,805,583)	278,115,194
Federal Funds	0	0	0	0	0
Medicaid Cash Funds	*224,815,225*	*247,952,288*	*(3,805,583)*	*(3,805,583)*	*244,146,705*
Medicaid - General Fund portion	*112,407,612*	*123,913,507*	*(1,902,792)*	*(1,902,792)*	*122,010,715*
*Net General Fund**	*123,575,880*	*136,351,666*	*0*	*0*	*136,351,666*

	FY 2005-06 Actual	FY 2006-07 Appropriation	Requested Change	Recommended Change	New Total with Rec.
TOTAL ALL LINE ITEMS -DHS OPERATIONS, CHILD CARE & DISABILITY SERVICES	**564,747,173**	**624,512,955**	(1,902,791)	(1,902,791)	622,610,164
FTE	**2,221**	**2,408**	0.0	0.0	2,408.1
General Fund	**65,935,317**	**75,086,858**	1,902,792	1,902,792	76,989,650
Cash Funds	**5,100,039**	**5,120,675**	0	0	5,120,675
Cash Funds Exempt	**387,181,654**	**418,765,597**	(3,805,583)	(3,805,583)	414,960,014
Federal Funds	**106,530,163**	**125,539,825**	0	0	125,539,825
Medicaid Cash Funds	***301,422,589***	***328,137,280***	*(3,805,583)*	*(3,805,583)*	*324,331,697*
*Net General Fund**	***205,385,595***	***225,723,171***	*(1,902,792)*	*(1,902,792)*	*223,820,379*

	FY 2005-06 Actual	FY 2006-07 Appropriation	Fiscal Year 2006-07 Supplemental Requested Change	Recommended Change	New Total with Rec.

*Net General Fund includes General Fund appropriated in the Department of Health Care Policy and Financing and transferred to the Department of Human Services, in addition to General Fund appropriated directly to the Department
**Does not include 1331 supplementals approved but not yet enacted
"N.A." = Not Applicable

	FY 2005-06 Actual	FY 2006-07 Appropriation	Requested Change	Recommended Change	New Total with Rec.
Department of Health Care Policy and Financing - Associated Adjustment					
Department of Human Services Medicaid-Funded Programs					
(G) Services for People with Developmental Disabilities - Medicaid Funding					
Community Services Adult Program Costs and CCMS Replacement - Medicaid Funding	225,053,262	248,194,905	(3,805,584)	(3,805,584)	244,389,321
General Fund	112,498,540	124,034,816	(1,902,792)	(1,902,792)	122,132,024
Cash Funds	0	0	0	0	0
Cash Funds Exempt	18,705	32,364	0	0	32,364
Federal Funds	112,536,017	124,127,725	(1,902,792)	(1,902,792)	122,224,933

Emergency Supplemental - Required Changes to Developmental Disability Medicaid Waiver Programs

	Request	Recommend
Total	(1,902,791)	(1,902,791)
General Fund	1,902,792	1,902,792
Cash Funds Exempt	(3,805,583)	(3,805,583)
Net General Fund*	0	0

Does JBC staff believe the request is consistent with the emergency supplemental criteria in Section 24-75-111, C.R.S.? Pursuant to statute, the Controller may authorize an over expenditure of the existing budget if the over expenditure meets the following criteria: (1) Is approved in whole or in part by the Joint Budget Committee; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not meeting in regular or special session during which such over expenditure can be legislatively addressed; (3) Is approved by the Office of State Planning and Budgeting (except State, Law, Treasury, Judicial, or 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 over expenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the over expenditure is made as of the date of the over expenditure**.**	**YES**
The supplemental is based on information that was not available while the General Assembly was meeting in regular or special session	

Department Request: For FY 2006-07 the Department was approved additional Medicaid resources for High Risk individuals. The Department received approval for 90 comprehensive services and 60 adult supported living resources. The Department is in the process of responding to a recent audit by the Centers for Medicare and Medicaid Services (CMS). The waivers will need to be rewritten to respond to the audit findings and to include these new resources in the waiver caps. The complete waiver rewrite will not be submitted to CMS until the end of FY 2006-07. However, the Department has submitted a waiver amendment. It is not clear whether federal authorities will amend the current waivers to include these resources under the cap or if CMS will wait until the entire waiver rewrite is complete.

In June 2006, the Department requested and received approval to convert the 90 comprehensive and 60 supported living resources to General Fund for the first six months of the fiscal year. The Department requested to use this funding to serve additional individuals in emergency situations during this interim system implementation period to ensure the health and safety of individuals with developmental disabilities. These resources have been critical to the system as CCBs attempt to handle emergencies under the new system.

The supplemental request would convert the second half of the FY 2006-07 (January-June 2007) new Medicaid resources to General Fund. The Department has submitted a waiver amendment to CMS to increase the Medicaid waiver caps to accommodate the new resources, but to date has not received approval. If this supplemental is not approved by January, the Department will not have any resources for the remainder of the fiscal year to address emergencies in the system.

Staff Recommendation: **Staff recommends the request.** At present, there is little choice but to convert resources to General Fund, because there is not space under the Medicaid waiver caps to accommodate the resources. As reviewed in staff's FY 2007-08 budget briefing packet, *however, staff is concerned that the request to raise the cap for the comprehensive residential program under the current waiver was not submitted until the end of October 2006. The request to raise the supported living cap has apparently not even been drafted yet.* Federal authorities have 90 days to respond to requests for waiver changes. Thus, even if federal authorities respond in a timely fashion and approve the state's request to increase the cap, much of FY 2006-07 will be over.

Department staff have indicated that it likely will not be possible to convert payments for services for individuals funded with 100 percent General Fund into Medicaid after the fact. As a result, based on current calculations reviewed in the briefing packet, up to 96 adults for whom state funding is available may be denied access to comprehensive or residential services during FY 2006-07. This includes half of the 90 comprehensive resources included in this request (45) and half of the supported living resources included in this request (30). The balance are other supported living and comprehensive resources approved for 6 months for foster care transition and emergency placements for which there is no space under the cap. The Department has not yet requested to convert these to 100 percent General Fund but may do so in the future.